

Kaliningrad in Europe A study commissioned by the Council of Europe Edited by Mr Bartosz Cichocki Linguistic Editing – Mr Paul Holtom, Mrs Catherine Gheribi

This study has been drafted by a group of independent experts at the initiative of the Committee of Advisers on the Development of Transfrontier Co-operation in Central and Eastern Europe, an advisory body established by the Committee of Ministers of the Council of Europe. Although every care has been taken to ensure the accuracy of the information contained in this study, the Council of Europe takes no responsibility for factual errors or omissions. The views expressed in the study are those of the authors and do not commit the Council of Europe or any of its organs. Factual information correct at March 2003.

© Council of Europe, 2003

Foreword

Walter Schwimmer Secretary General of the Council of Europe

Kaliningrad, the city and the Oblast, are these days receiving a lot of attention from international circles. The Russian Federation has been actively raising the awareness of European institutions about the peculiar situation of the region, separated by mainland Russia and surrounded by land by two countries, Lithuania and Poland, soon-to-become members of the European Union. The perspective of the enlargement of the European Union to the Russia's exclave immediate neighbours is raising fears that the isolation of the Oblast would deepen and its economic and social backwardness worsen.

The Council of Europe has responded to these legitimate preoccupation by taking recently several initiatives. In 2002, the Parliamentary Assembly held a thorough debate which led to the adoption of Recommendation 1579 on the Enlargement of the European Union and the Kaliningrad Region. The Congress of Local and Regional Authorities directed its attention to transfrontier cooperation between Kaliningrad and its neighbours, which was gist of its Recommendation 125 of 2003. And the Committee of advisers for the development of transfrontier co-operation in central and eastern Europe took last year the initiative of this study, which focus on selected issues and recommends specific action. Its objective was the identification of measures that could be adopted and implemented by the various stakeholders concerned (the Russian federal government, the Oblast authorities, municipalities, euroregions, the neighbouring countries, the Council of Europe and the European Union) without upsetting the existing framework of legal obligations by which the countries involved are bound.

As the authors of the studies assembled in this book demonstrate, the situation in Kaliningrad shows both clouds of uncertainties and glimpses of hope. There is a huge potential for development, both in social and in economic terms, which needs to be tapped. The analyses and recommendations contained in this book, which reflect the variety of backgrounds and the complementarity of approaches of their

authors, constitute robust "food for thought" for those with responsibilities for political and economic choices.

The Council of Europe is committed to taking part in this endeavour, in the framework of a specific programme for Kaliningrad, jointly financed by the European Commission, covering the years 2004-2005. May other local, national and international actors find in this book the right mix of inspiration and motivation that would spark new initiatives for the benefit of Kaliningrad, its inhabitants and its neighbours.

Table of Contents

Introduction9 Judy Batt
Federal Centre Policy on the Kaliningrad Oblast15 Sergey Artobolevskii
Perspectives for the Economic Development of the Kaliningrad Oblast: Domestic and Foreign Dimensions29 Yurii Zverev and Leonid Vardomskii
Transfrontier Co-operation Between the Border Areas of the Kaliningrad Oblast and its Neighbours49 Tadeusz Baryła
The Russian Federation and the European Union: Kaliningrad and Beyond71 Timofei Bordachev
The Consequences of EU Enlargement for the Movement of People Across Kaliningrad's Borders87 Bartosz Cichocki
The Transit of Russian Citizens to and from the Kaliningrad Oblast through Lithuania's Territory105 Raimundas Lopata
Measures to Address Some of the Issues Concerning the Kaliningrad Oblast and Its Inhabitants1177 Paul D. Holtom
Appendix141

Introduction

Judy Batt

Centre for Russian and East European Studies, Birmingham, UK

The collapse of communism and the transition to democratic politics in the states of central, eastern and south-eastern Europe brought radical and contradictory changes in the nature of borders throughout Europe. What was formerly the front line of East-West confrontation - the border between West and East German states - melted away with German unification, while what were formerly internal borders between the republics of the three communist federations - the USSR. Czechoslovakia and Yugoslavia - became international borders between new states aspiring to sovereign independence. In the tragic case of Yugoslavia, disintegration was accompanied by bitter wars aimed at redrawing territorial borders in the chimerical pursuit of ethnic homogeneity, at the expense of democracy and basic human rights. Even where the separation was peaceful, the new international borders inevitably symbolised the potency of national identities and highlighted the need for effort on both sides to redefine the bases of mutual trust and to minimise the damage to mutual interests.

The disintegration of the former Soviet bloc in central and eastern Europe was, however, also accompanied by the opening of borders between the states of the region, making travel between the states of the former Soviet bloc much easier than it had been before. This rapidly acquired an immense practical and economic significance for ordinary people, as crossing borders became a vital means of cushioning the shocks of economic transition. Hundreds of thousands of people began commuting to work or trading across borders, not only between former communist countries and their more prosperous west European neighbours, but between the central and east European countries themselves. There have also been welcome local initiatives to develop more enduring institutional frameworks to maximise the benefits of the new situation. Borderland regions throughout central and eastern Europe have embraced the idea of Euroregions, modelled on west European practice and the Council of Europe's guidelines, as a vital means of developing cross-border economic, political and cultural cooperation. But these have faced the problems of lack of resources. inexperienced and inefficient regional administrations, inadequate transport infrastructure, and also increasingly divergent economic and legal systems across the borders over time as the respective states implemented reforms in different ways and at a different pace. A major challenge for the Euroregions in central and eastern Europe that has come to the fore more recently has been the impact of EU enlargement, as some states will become full members in 2004, others are still on the 'waiting list' as candidates, and yet others are still uncertain as to their long-term relations with the EU. This matters, because the new member-states must implement the EU's *acquis* in justice and home affairs, which includes the so-called 'Schengen' system of tighter controls at the EU's external border, along with the EU's common visa regime. Crossing borders in central and eastern Europe is therefore likely to become more difficult.

And yet, enhanced cross-border co-operation, especially in the form of fully-fledged Euroregions, could provide the framework for stability and prosperity, and avert the danger of economic impoverishment in the borderlands, with the associated implications of rising criminality, emigration pressures, etc. They could also support the achievements of the borderlands in promoting cultural rapprochement between nations and minorities too long kept apart in mutual ignorance or mistrust. Above all, they could act as 'gateways' between the enlarged EU and its eastern neighbours. To achieve these ends, the Council of Europe has called upon national governments in central and eastern Europe to implement the European Outline Convention on Transfrontier Cooperation between Territorial Communities or Authorities, offering its services and assistance in this regard.

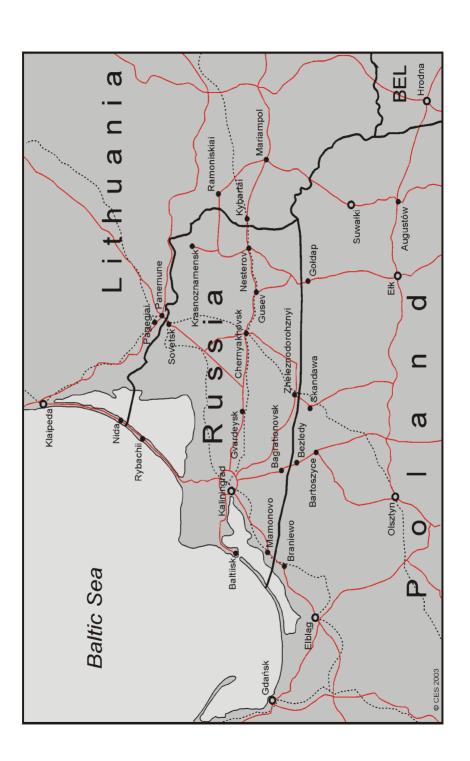
Since 1989, the EU has been defining itself anew as a political power with responsibilities for the stability and prosperity of the whole of Europe. Its capacity to realise this ambition depends not only on where its external borders lie, but on how they are managed. Enlargement to the countries of central and eastern Europe is one major prong of the EU's strategy, but not all countries of Europe will be ready to join at the same time, and some will remain outside for the medium to long term, or indefinitely. The implementation of the Schengen acquis (border control and common visa regime) by new Member States will have a major - but uncertain - impact on regions on either side of the EU's new external border. This has potential knock-on effects for centreperiphery relations in 'outsider' states, and on their relations with their neighbours once these become EU members. Proximity to the EU could bring economic benefits to 'outsider' states and regions in terms of foreign investment and enhanced trading opportunities. However, this depends both on the degree of openness of the border and access to EU markets, and on the political stability of 'outsider' states and their capacity to implement effective economic reforms. In the short term at least, at a local level the new border and visa regimes are likely to bring severe disruption to informal cross-border economic interdependencies and socio-cultural links. They also raise particularly difficult questions for the functioning of cross-border Euroregions. At a higher level, the way the EU manages its new external border could become a major source of friction in the EU's relations with its new eastern neighbours, undermining its efforts to spread security across the continent as a whole

All of these issues are highlighted by the special case of the Kaliningrad Oblast. For this reason, the Council of Europe's Committee of Advisers on Transfrontier Co-operation in Central and Eastern Europe decided to commission this study, in order to clarify the specific problems posed, and consider ways in which the Council of Europe's accumulated expertise in this field might be brought to bear to mitigate the situation. The problem of Kaliningrad, as an exclave of the Russian Federation surrounded by Polish and Lithuanian territory, emerged fully in 2000, after the EU took the decision to add Lithuania (along with the remaining central and east European candidates) to the group of candidate states (including Poland), with whom it had opened accession negotiations in 1998. The Schengen acquis on border management and the visa regime had become an obligatory condition of membership with the passage of the Amsterdam Treaty, and it was made clear to all candidates that no opt-outs (such as those conceded, for example, to the UK) would be allowed by the existing Member States, by now fixated on border controls as the first line of defence against perceived threats of organised crime and illegal immigration permeating the EU from the east. Doubts about whether border controls or visas are really an effective response to such threats are rather widely held among experts in this field. Meanwhile, all along the EU's future external border, the impending Schengen regime was greeted with foreboding and dismay among border region inhabitants on both sides. Such concerns were conveved to the EU by the candidate states concerned, to little obvious effect. The Parliamentary Assembly of the Council of Europe has been particularly active in exploring the implications of these changes, with considerable attention directed towards Kaliningrad in 2002.

In the specific case of Kaliningrad, EU enlargement presented the prospect of isolation not only from neighbouring states, but from the

Russian Federation itself. The issue, therefore, could not fail to become a major bone of contention between the EU and its largest new neighbour, the Russian Federation. Kaliningrad thus came to dominate the agenda of EU-Russian Federation relations – to the exclusion of many other arguably more important items of common interest – in 2001 and 2002. At the same time, as contributors to this volume point out, the Russian Federation's government had previously displayed little sensitivity to the special needs of this region, and effective policies for the economic and social development of the Russian Federation's regions in general have yet to be implemented.

Only in November 2002, just weeks before the Copenhagen European Council that approved the conclusion of enlargement negotiations with ten candidate countries, was an agreement reached on transit arrangements for Russian Federation citizens between Kaliningrad and the rest of the Russian Federation across Lithuania's territory. It remains to be seen how effective these will be as an alternative to the standard visa regime from the point of view of the individuals most directly affected - the citizens of the Russian Federation resident in Kaliningrad, and their immediate neighbours in the Polish and Lithuanian border regions. What is still lacking is a broader strategic conception on the part of both the EU and the Russian Federation for supporting socio-economic development along the new border. Thus closer co-operation is required not only in managing the border itself, but also in joint planning involving the EU, its new Member States and the eastern neighbours, with the full involvement of local and regional governments, business associations and NGOs. Here, the potential of Euroregions as a framework for co-operation has yet to be fully exploited. There is thus much work still to be done if Kaliningrad is to live up to the optimistic hopes that it may become a 'pilot region' for innovation in EU-Russian Federation relations, and, by extension, for the EU's relations with all of its new neighbours. And therefore, as an international organisation that includes most of the interested parties in this affair - the EU, Lithuania, Poland, Russia - and a wealth of experience and expertise in assisting with the design and implementation of transnational co-operation mechanisms, the Council of Europe commissioned the authors of this report to elaborate upon some of the key issues in the Kaliningrad case, and offer a series of recommendations for realising the aims of a peaceful, prosperous and inclusive Europe.



Federal Centre Policy on the Kaliningrad Oblast

Sergey Artobolevskii Institute of Geography, Russian Academy of Sciences

The present-day social and economic problems of the Kaliningrad Oblast are largely related to such objective processes as the break up of the USSR and the reduction of the region into an exclave of the Russian Federation. This has resulted in Oblast isolation with regard to transportation, the disintegration of established relations and a slackening of demand for the produce of the Oblast's traditional and specialised industries. For more than 10 years, the Oblast has been acting in an absolutely different and 'indifferent' social, economic and political space.

The social, economic and political problems, which have emerged as a result, can be resolved only at the Russian federal level. So far, the Federal Centre's policies have been presenting long overdue solutions, failing to take into account all the factors involved, substituting the implementation of a consistent strategy and policy towards the region with clamorous, one-off campaigns (in the early 1990s, the mid 1990s and in 2001-2002). The scale of its support to the Oblast and the rights delegated to it are far from being enough to stop the growing isolation and promote sustainable development. The Federal centre has, so far, not put in place (or at least had not until recently) a strategy and policy with respect to the Kaliningrad Oblast to match its problems.

This chapter evaluates and estimates the impact of 10 years of Russian federal policy towards the Kaliningrad Oblast. The author also proposes some changes regarding the implementation of this policy.

The Kaliningrad Oblast as a depressed region

Kaliningrad is not only a source of foreign policy problems (including visa-free transit through Lithuania). The main problem of the Oblast is its depressed economy (and society), its uncompetitiveness due to a lack of resources for its development and its peripheral geographical

15

_

¹ The problems common for all the regions of the Russian Federation pertaining to the market are not examined here. The same is also true regarding changes to the political map of Europe after World War II.

position (both within the framework of the Russian Federation and the EU). World experience shows that a depressed economy (and peripheral situation) can only be overcome at the cost of substantial investments over a long period of time, demanding assistance from the Federal Centre.

As to the state of its economy and the quality of life of its population, the Kaliningrad Oblast is lagging far behind the Russian Federation's average level, and can be considered as a typically depressed region. The Oblast is not one of the most crisis-prone Russian Federation areas, but it is characterised by a greater degree of unsustainable social and economic development than many other crisis-prone regions. Its survival is maintained by the preferences granted to it in the Special Economic Zone legislation, and if they are abolished or substantially reduced it could be fatal for the Oblast. The Oblast's development is further hampered by its extremely negative image, both in the Russian Federation and abroad (and there are objective reasons for this).

Like other depressed regions, the Oblast has potential for development, which has been preserved from earlier (infrastructure, a qualified workforce, etc.). But it can only be realised if the Oblast is provided with large-scale support from outside, to make up for all the minuses in the implementation of investment projects in the Oblast.

EU enlargement and the isolation of the Oblast

As already noted, the Oblast owes its state of crisis, to a large degree, to its exclave situation. In the future, the importance of this factor for the Oblast's development will grow even further. The accession of Lithuania and Poland to the EU is fraught with complications for the Kaliningrad Oblast, first and foremost, with the danger of greater economic (and not political or humanitarian) isolation. Moscow is so busy seeking solutions to political problems and keeping its high profile resolving visa problems that it practically ignores other aspects of EU enlargement, including those which are of particular importance for the Kaliningrad Oblast. It is clear that there is either a misunderstanding or a simplistic understanding of European integration processes, especially their impact on 'third' countries (for a detailed discussion of this topic see the chapter by Timofei Bordachev in this report). The accession of new countries to the EU will result in an apparent strengthening of the barrier role of borders with 'third' countries, and a

re-targeting of relations by the newly created EU periphery towards its core. One should bear in mind that part of the Oblast's relations with its neighbours are maintained by the grey/black sector of the economy and it is this sector which will be hit in the first place as it becomes an object of particular scrutiny from EU institutions. All this will exacerbate the isolation of the region much more than the introduction of visas and will need much more time to find solutions. This isolation can be dealt with only at the federal level, taking into account two factors: the level of decision-making in the EU (and red-tape in the Union) and its individual member-states, and the scale of financial intervention needed.

The habit of reacting in an 'emergency regime' resulted in a delayed reaction from the Federal Centre to the apparent problems of the Oblast stemming from the European integration, a reaction which, to a large extent, did not go beyond foreign policy aspects (and was not effective enough at that). It became absolutely clear by the early 1990s, that both Poland and Lithuania would quickly start changing their orientation towards the West, and from the mid-1990s that both countries would join the EU (it was only a matter of time and priorities). Meanwhile, Moscow only started reacting to its neighbours' changes in 2001, losing 10 years. The large degree of inertia inherent in the regional development processes has been ignored. Even if the right decisions are taken today, it will be a long time before the positive repercussions will be felt.

To really integrate into the common European space, to maintain and extend its relations with its neighbours, the Oblast needs to speed up its social and economic development and become a more open region. This is the only way possible to maintain and expand relations with neighbours. The only alternative is greater isolation and a recurrent crisis. Its own recourses for development are apparently insufficient. Hopes that help will come from other countries are strongly exaggerated. The Federal Centre alone can play the role of catalyst for development.

One should not forget that Belarus also separates the Oblast from the rest of the Russian Federation. Transit through this country already considerably increases transportation costs for cargo passing through Kaliningrad. The unpredictability of the decisions taken by the leadership of this country are well-known. Attempts to blackmail economic partners (including Russian ones) have already taken place. What is more, Belarus can be considered to be a potential competitor to

the Kaliningrad Oblast in the area of transit freight between the Russian Federation and the countries of Central and Western Europe. As a result, it is highly possible that Belarussian policies will contribute towards the isolation of the Kaliningrad Oblast and this again will call for intervention from the federal authorities.

At present, the Centre's policy towards Belarus does not take into account the Kaliningrad factor or, to be more exact, presents an idealistic picture. Usually, it implies nothing but the potential of Kaliningrad's port to handle Belarussian cargo, benefiting Kaliningrad. Theoretically, Kaliningrad's port could increase the volume of Belarussian cargoes, but it is limited by the national economic crisis and its semi-isolated position.

The federal regional policy and the development of the region

The Federal Centre has no legislatively approved strategy for regional policy, either with regard to the entire territory of the country or with respect to its separate parts. Moscow bases its approach on a commonly interpreted idea of equality between all subjects of the Federation² trying to limit, as much as possible, federal intervention into the processes of regional development, and fails to take into account the acuteness of the country's regional problems. Too much hope is pinned on the regulatory possibilities of the free market. The experience of developed countries unequivocally rejects the very principle of an equal-handed approach from the state towards different regions, and confirms that excessive social and economic disproportions pose a real threat to the unity of a country and call for intervention by the state.

All the weaknesses of the Russian Federation's regional policy are well reflected in the concept of cross-border co-operation in the Russian Federation that was approved in February 2001. It provides for more intensive cross-border co-operation, but only alongside more centralisation and unification. Practically all decision-making with regard to this co-operation will rest with the federal authorities and very little will be left to regional or local authorities. This approach will not help to implement cross-border co-operation, especially in the case of the exclave Kaliningrad Oblast. The latter is not mentioned separately in

.

² The right idea of an equality of the regions is substituted by a provision on an equal attitude of the federal centre towards them.

the concept, which is logical for this type of document. But the concept recommends the comprehensive unification of cross-border cooperation, without taking into account the peculiarities of different Russian regions and the foreign countries and areas that they border (such a possibility is not provided for in this document). With regard to the Kaliningrad Oblast, such an approach considerably narrows the possibilities of using cross-border co-operation as an instrument for the development of the region.

The lack of a consistent and transparent regional policy in the Russian Federation has a particularly negative impact, first and foremost, for the Kaliningrad Oblast. It has no additional rights, means or instruments, either as an economically depressed or border region. While it is true that as far back as 1996 the federal law "On the Special Economic Zone" was passed (and is still partially in effect) and a second "Federal Targeted Programme for the Kaliningrad Oblast's development to 2010" is already being implemented, they do not fully make up for the lack of a consistent and, more importantly, long-term regional policy (see details below).

In the absence of a long-term (and large-scale) regional policy, the Federal Centre frequently changes, mainly for political reasons, the regions for which it exerts its efforts. As a result, there are measures taken against manifestations and not against the causes of crises. Naturally, and the experience of the Kaliningrad Oblast proves this, time and again the Centre has to return to the problems that it failed to resolve in these regions.

The federal authorities perceive the Oblast as a whole, without paying enough attention to its internal social and economic disproportions. At the same time, the gap between Kaliningrad city and the Oblast periphery is very large (for details see the chapter by Yurii Zverev and Leonid Vardomskii in this report). Hence, Moscow's policy does not facilitate the smoothing out of intra-oblast imbalances, which only adds to the difficulties of the Oblast's development. Moreover, focusing its support on 'the capital area' of the Oblast, the Federal Centre exacerbates the above-mentioned imbalances.

After the accession of Poland and Lithuania to the EU, the development of most of their territory will be promoted within the framework of the EU

common regional policy.³ It will be especially intensive in the peripheral areas of those countries that include territories bordering the Kaliningrad Oblast. National regional policies will also grow in scale, as well as in the support rendered to these 'peripheries'. As a result, the areas adjacent to the Kaliningrad Oblast will get new incentives for their development with assistance provided by EU institutions (structural funds), national governments and the inflow of private capital investments mobilised by the 'Centre'. The social, economic, and even structural 'breakaway' of these areas from the Kaliningrad Oblast will grow even further. As was already mentioned, the opportunities and the interests of these areas in cross-border co-operation with the Kaliningrad Oblast will shrink. In these circumstances, an adequate response from the federal authorities will be needed. The current amount of federal support is insufficient to maintain the Kaliningrad Oblast in its future EU surroundings.

Recently, one can begin to see an increase in the geographical mobility of capital in Russia. Companies from Moscow (mainly), St. Petersburg and other major cities have increased their investments to other regions. Among the latter there is both open and hidden competition for external investments. And regional policy can be one of the most important factors for attracting capital.

The problems of the Kaliningrad Oblast (like other Russian Federation problem territories) are mounting up, in part, because there are no institutions to address them. There is no federal body that could be charged with the development of the Oblast as a whole, and with the co-ordination of the activities of dozens of federal institutions.

The Ministry for Economic Development and Trade is one of the most important federal bodies for the Oblast. This Ministry is in charge of the development of cross-border co-operation, the new federal programme, and the redrafting of the federal law "On the SEZ". This Ministry, though, is an ideological opponent of large-scale regional policies aimed at providing support to problem areas. In general, this Ministry believes that, as to its importance, regional policy is a third-rate aspect of its activities. In any event, the Ministry cannot become a federal body responsible for the Oblast as a whole.

-

³ EU own exclaves – for example, French overseas departments – are important goals for this common regional policy.

The Ministry's official document entitled "Territorial, Social and Economic Development of the Russian Federation for the Period up to 2004" can help to indicate its attitude towards the Oblast. The document formulates the objectives of the Oblast's development in a formally logical manner: stronger relations with other Russian regions, the creation of conditions for stable development, the creation of a favourable investment climate. The mechanism of implementation though was spelled out for only the first objective, which is relatively specific: partial compensation for transportation costs. The other two just 'hang in the air', which is hardly admissible within the framework of such a short-term document. Moreover, the wording itself was copied from the "Federal Targeted Programme for the Kaliningrad Oblast's Development to 2010", i.e. where the objectives are relatively long-term. This makes the official document irrelevant.

The first "Federal Targeted Programme" (for 1998–2005 period) was poorly financed by the Federal Centre (during the period 1998–2000, Moscow allocated only 2% of the promised funds) and was left largely unimplemented. Today, the already mentioned programme for the 2002-2010 period is in progress.

The decisions taken by the Federal Centre on the Kaliningrad Oblast (including the Federal Law "On the SEZ" and the first "Federal Targeted Programme") were the result of lobbying activities by the regional authorities, local businesses and Moscow structures with an interest in the region (and reflected their visions of the problems). One can trace no apparent initiative taken by the federal authorities in the development of the region, or spot their vision of how the country is to be territorially structured, and what role the Kaliningrad Oblast is to play in this structure. Until now, the Oblast authorities have been more active than the federal ones with regard to development initiatives (one can recall numerous legislative initiatives of the Oblast Duma in the State Duma).

The Federal Law "On the SEZ" contributed to the development of trade, the creation of new jobs and the 'stabilisation' of the population's living standards. But it did little to ensure stable development, and therefore must be considered as an insufficient effort from the federal centre. The investment incentives that it recommended (on the basis of Western regional policy) were not enough to attract sufficient investments (for new projects, and for upgrading existing capacities). The emphasis was placed upon the granting of customs incentives for the export and

import of goods. The objectives set have been met. But firstly, it had a negative impact on the region's traditional industries. Secondly, the Oblast became 'addicted' to this type of activity, making it vulnerable. This did not promote greater stability regarding its social and economic situation. In this way, the Federal Law was clearly the result of lobbying for the interests of certain regional groups and not for the federal authorities. It is not incidental that the Oblast administration was entrusted with the management of the Special Economic Zone. What is more, the title of the first federal targeted programme announced the development of the Special Economic Zone, and not of the Oblast, as the second programme did.

It can be added that, in reality, the free economic zone regime was made operational back in 1991, when the government of the RSFSR approved it for the region (Free Economic Zone "Yantar"). And for more than 10 years the federal executive authorities have not been able to change the situation so that their objectives could be achieved. The restrictions periodically imposed by the State Customs Committee have sown uncertainty among investors (including potential ones) and had a negative impact on both the Oblast and the Centre. Overall, the policy pursued by Moscow with regard to the Oblast suffers a great deal from frequent changes, adjustments and amendments.

It is now obvious that the new draft of the law will be aimed more at achieving stable development, greater diversification of economic activity and attracting investors, providing direct and indirect privileges. It will take more fully into account the realities of the development of the region including those related to the neighbours' accession to the EU. It will attempt to bring together the interests of the Federation and the region, having provided for a redistribution of the rights in favour of the former. How it will look when it is passed remains to be seen. The future of the Zone (and, naturally, of course, the Oblast) also depends on the relations of the Russian Federation with the WTO.

The second Federal targeted programme is a document which is, no doubt, more balanced and more geared towards achieving stable development; the federal interests are more clearly spelt out than in the previous document. It is already much closer to Western examples of documents of this kind. For the first time in the Russian practice of drafting regional programmes, an emphasis is placed not only on the implementation of separate, already fixed, projects, but on a comprehensive approach for making the region more attractive to

investors. This is intended to be achieved by developing infrastructure, enhancing the quality of life of the population, promoting a friendlier environment and increasing the transparency of the region. It is not by chance that there are only 60 investment projects in the programme (of which many are related to infrastructure) and 89 non-commercial measures geared mainly towards enhancing the investment climate (and the Oblast's image). If fully implemented, the programme may make federal policy a real instrument for attracting investors to the region.

The main problem is the programme's implementation. To what extent will the federal centre remain committed to its institutional, legal and financial obligations during the entire term of the implementation? Are there not too many priorities outlined? Is the level of state support to the programme (on average 11.5%) sufficient for attracting private investors? Will separate components of the programme be dropped and depreciate its overall value? Is it feasible to achieve so many objectives in such a short period of time? The answers to these questions will be given in only 2 to 3 years from now. There is apprehension, caused by the fact that certain institutional and legal commitments by the federal centre are not specifically formulated and declare nothing but intentions to address the problem.

The idea of Mr German Gref (Russian Minister of economic development and trade), that the Oblast has to produce and export (rather than import and assemble) is obviously right, but how this ideal can be achieved is not clear (to the above mentioned Ministry either).

The problem of the Kaliningrad Oblast at federal level

Little attention has been paid to the problems of the Kaliningrad Oblast by different ministries in Moscow. The transport ministries (transport and railroads) do not regard the Kaliningrad direction as a priority for their activities. The Russian Federation transport development strategy gives priorities (in the Baltic Sea region) to the development of sea ports in the Leningrad Oblast. Another priority is given to the problem of improving rail and road connections within the region (see the federal targeted programme "Modernisation of Russia's Transportation System in 2002-2010 period"). The Ministry of Foreign Affairs, the Ministry of the Interior and the State Customs Committee failed to ensure the necessary degree of openness for the Oblast (transparency of borders),

and in this it differs little from other regions of the country. And this is strange, if one takes into account its exclave nature and dependency on external relations. The Ministry of the Interior restricts the inflow of foreign and domestic migrants to the Oblast (especially in recent periods), although nobody has ever assessed whether the local economy might need more immigrants.

Because of weaknesses in federal regional policy, practically all federal institutions pay little attention in their activities towards Oblast development priorities. Moscow recognises that the Oblast has a unique position, but it is not prepared to acknowledge that it has the right to a special approach in all spheres. The new federal programme and future federal law on the SEZ are expected to resolve all the problems that the Oblast is facing. It is no less important that the interests of the Oblast are taken into account, not only within the framework of the above-mentioned programme but also in the current activities of federal institutions.

An interesting situation has developed there. The regional authorities know what they want from the Federal Centre: special rights and additional funding. In lobbying for their interests, they justly point out the Oblast's unique geopolitical situation. As for the federal authorities, they are not very clear about what they want from the Oblast, and what role the latter is to play in the social and economic landscape of the country. They have to take non-traditional decisions, to act under a kind of international control, which makes them feel privately irritated. The "Federal Targeted Programme for the Kaliningrad Oblast's Development to 2010" was drawn up and adopted during a period when the number of regional programmes at federal level was being sharply reduced and, to a certain extent, it is in conflict with the regional policies pursued in the country in recent years.

In the last 2-3 years, the trend towards the centralisation of power in the Russian Federation has become obvious. Moscow concentrates more on its rights and means, taking them away from the regions (similar attempts have been made with respect to the Kaliningrad Oblast, too). This kind of policy has its own rationale, but it can have particularly negative repercussions for the Kaliningrad Oblast, taking into account its exclave situation and the particular role it plays in cross-border co-

_

⁴ The EU policy towards Oblast is also not very clear, but this is 'permitted' for an area outside the Union's jurisdiction.

operation. Within the framework of the above-mentioned policy the Oblast would simply not be able to become a fully-fledged partner of the neighbouring areas in Lithuania and Poland, and other EU regions (especially Germany and Scandinavian countries), which enjoy much broader rights.

The fear of granting special rights to the Oblast are frequently connected with the possibility of the disintegration of the Russian Federation ("all the regions will demand special rights") and of 'losing' the Oblast (secession from the Russian Federation). Both these apprehensions seem to be ungrounded. There are no other exclave regions in the Russian Federation that could demand similar rights. The federal law on the SEZ has been in effect for about 7 years now and remains a unique phenomenon in the legal framework of the Russian Federation. Not a single European country, nor the EU as a whole, impinges on the Oblast and it cannot secede from the Russian Federation, in theory or in practice. Broader rights granted to the regional and local authorities could substantially heighten the level of the Oblast's development and overcome its many social, economic and political problems.

It is also possible to ensure that the Oblast's development within the framework of the ongoing centralisation will not be so effective. But what is important for the Federal Centre is to understand that the development of the region is not possible without a redistribution in its favour of additional rights and means. These rights and means can be transferred to the regional and local levels or remain in the hands of the federal authorities. But this will require official recognition of the Oblast's special legal status and a realisation of the principle of positive discrimination (the basis of regional policy in developed countries).

It is likely that, having achieved a political compromise on visas, Moscow will again forget about the social and economic problems of the Oblast. And there is already an indirect confirmation of this. At the meeting of the State Council of the Russian Federation, which was held in January 2003, the problems of cross-border co-operation for Russian regions were discussed in detail. Yet, very little attention was paid to the Kaliningrad Oblast, both in the documents prepared and in the course of the discussion. The only way for the Oblast to push for its interests is to have the region's 'particularness' legally approved, and for certain preferences to be granted (for example in transport and the

processing of foreign passports, where they are far from being sufficient).

Obviously, the Oblast is not set aside by Moscow's attention and funding. The main problem is the quality of this help, which is provided because of regional lobbying activities and pure political considerations, rather than on the basis of long-term federal interests. The latter have still not been clearly formulated.

International co-operation and the Oblast's development

As noted above, the position of the region within the framework of the Russian Federation and the EU seems to be peripheral and is not very attractive to potential investors from either side. The Oblast can be made a testing ground for co-operation between the Russian Federation and the EU, only if both sides exert unrelenting efforts, even artificially to a certain extent. But this is not possible without the efforts of the federal centre, its daily pressure on the institutions of the EU and of certain countries of the Baltic region.

The uniqueness of the Oblast situation (its exclave position) does not permit it to be regarded as a pilot region for Russian Federation-EU cooperation. Its experience in this field will be difficult to use in other border regions, which are not separated from the mainland, etc.

Negotiations with foreign partners could be substantially facilitated if the federal authorities would take all the necessary steps for the development of the Oblast. It is necessary to clearly formulate Moscow's strategy and policy with regard to the Oblast in all areas, to stipulate legislatively its special status and preferences, to take the necessary institutional decisions, to ensure the openness of the region, etc.

There is no justification for the 'accusations' that the federal authorities have made in negotiations with the EU and the authorities of Poland and Lithuania. Why should the latter two pay more attention to the problems of the Kaliningrad Oblast than the Russian Federal authorities, bear responsibility for the Oblast, and pay for their decisions? Russian authorities (primarily federal), having recognised the independence of Lithuania in the early 1990s, have taken no measures to protect the interests of the Kaliningrad Oblast, have failed

over the last 10 years to mobilise sufficient investments for the Oblast, to provide its population with foreign passports and with sufficient income to pay for air fares, to combat crime, etc.

The political declaration that "the problems of the Kaliningrad Oblast are an internal affair of the Russian Federation" also includes federal obligations in the social and economic spheres, which, for the time being, are not being sufficiently fulfilled. Under these circumstances, the appeal to neighbours and EU countries is not an asset to the Russian Federal authorities, and sometimes looks more like blackmail ("if you do not give us money, we shall pollute the Baltic Sea, and let illegal migrants and stolen cars pass through our borders, etc.").

Key conclusions

- 1. Moscow has granted the Kaliningrad Oblast many privileges. But the main problem is the quality of federal policies. The social and economic problems of the Oblast largely arose because the centre had no consistent and clear strategies or policies for its development.
- 2. The problems of the Kaliningrad Oblast can be resolved only through its accelerated social and economic development as the basis for overcoming the difficulties that have arisen from its exclave and peripheral position.
- 3. There is no justification for the emphasis that the federal centre places on resolving political problems. The Oblast's development is a national problem of the Russian Federation, it can only be resolved at the federal level. The Oblast must be the focus of a large scale, long-term and clearly outlined federal policy (preferably within the framework of a national regional policy) stipulated legislatively and institutionally, and supported financially. This is the only way to fix federal interest in the Oblast's affairs for a long period.
- 4. The inflow of capital investments through direct investment incentives and the overall improvement of the investment climate (and not only through preferences to the Free Economic Zone) can ensure the Oblast's sustainable development. The emphasis should be placed on the maximum diversification of the region's economy.

- 5. EU enlargement and the general turn of central European countries to the West, leads to the Oblast's further isolation. But European countries (including EU member-states) have no obligations whatsoever to the Russian Federation with regard to the Oblast's development. These countries can only be invited to take part in development processes by granting the above-mentioned incentives and ensuring the openness of the Oblast territory.
- 6. Stronger cross-border co-operation with Lithuania and Poland is the most effective way of engaging the Oblast in the processes of European integration. The Oblast will find it easier to integrate into the Common European Economic Space through its neighbours.
- 7. The Council of Europe could become a platform for dialogue between the Russian Federation and the EU (and its member-states) on issues related to the Kaliningrad Oblast (as an institution equidistant from both sides).

Perspectives for the Economic Development of the Kaliningrad Oblast: Domestic and Foreign Dimensions

Yurii Zverev Kaliningrad State University

Leonid Vardomskii
Centre of Post-Soviet Economic Development and Co-operation,
Russian Academy of Science

Positive trends in the region's economy at the turn of the decade

The economic crisis of the 1990s hit the Kaliningrad Oblast harder than most other Russian regions. In 1998 (when the crisis was at its peak) industrial output stood at 28% of 1990 levels and agricultural output at 48% (the figures were 46% and 56% respectively for the Russian Federation). During the 1990s, investment in capital assets declined by 3.5 times (compared to an average of 3 times for the Russian Federation as a whole). This deeper economic slump was attributed to both geopolitical changes and the structure of the economic relations that had been established in the region before the break-up of the USSR.

Economic growth resumed in 1999, and turned out to be faster than the average for the rest of the Russian Federation. During 1999-2002, industrial output in Kaliningrad went up by 70.8% (compared to 35.8% for the Russian Federation as a whole), and industrial output in the region stood at 49% of 1990 levels (62% for the Russian Federation). Machine building and the food industry accounted for the major industrial gains made in 1999-2002.

The Special Economic Zone's (SEZ) regime of tax-free imports of minerals, materials and components facilitated the development of import substituting industries and the shipping of their produce to mainland Russia. BMW and KIA car assembly plants were established in the region. The region produces every third Russian-made TV set and every seventh electric vacuum cleaner. About 60 small and medium-sized furniture businesses have been set up. Their products can be found in 50 other regions in the Russian Federation. More than 150 meat processing facilities have been registered, and a number of them were founded with foreign capital (mostly Lithuanian)

participation. They mainly process imported meat.⁵ The region produces every fifth can of Russian-made canned meat (it ranks as the 1st in the country).

A number of businesses have succeeded in launching their finished goods on external markets. Among other goods, the region exports civilian ships, sea port cranes, furniture and garments.

In spite of the slumps of the early 1990s, the fishery and fish processing complex has retained its national importance. The Kaliningrad Oblast accounts for 9% of the total fish haul in the Russian Federation and for about one third of canned fish output.

In the period 1999-2002, investment in capital assets went up 2.2 times (38.4% for the Russian Federation), with 26 to 30% of all investments coming from one facility – the LUKOIL-Kaliningradmorneft oil company.

The introduction of new port-bound railway tariffs, which became effective as of 1 August 2001, made the port facilities of the region more competitive. The volume of cargo handled by the region's ports went up from 4.1m tons in 1999 to 5.8m in 2001 and to 9.9m in 2002.

The number of mobile cellular phone subscribers doubled over 2002, reaching 186,000 by 15 November 2002. There are about 20 cellular phones per 100 citizens of the region and their number is quickly growing. On the whole, the service sector is the most dynamic sector of the regional economy, with its share contributing towards nearly half of the gross regional product.

Small businesses are successfully expanding in the region. There are about 70,000 small businesses (including self-employed entrepreneurs) registered in the region (as of 1 January 2003). The region accounts for about 1% of all of the Russian Federation's small enterprises. The total number of employees in the region's small businesses is approx. 150,000, or about 37% of those employed in the region. This indicator does not exceed 20% for the Russian Federation as a whole. The share of small businesses in the gross regional product is over 20% (almost twice as much as the average for the Russian Federation).

_

⁵ From neighbouring Poland and Lithuania, as well as from the US, Germany, France, Denmark, Ireland, the Netherlands and other countries.

⁶ Including 7,479 small enterprises, about 5,800 farms and peasant's plots.

Kaliningrad is one of the leaders among Russian regions for the number of small businesses per 1000 inhabitants, ranking third after Moscow and St. Petersburg.

The only large sector of economy experiencing no tangible positive shifts is agriculture. In 2002, output for agriculture was 48% of 1990 levels (compared to 65% for the Russian Federation). The share of the region in the Russian Federation's population has increased over 1990-2002 from 0.59 to 0.66%, while its share in agricultural output, in contrast, has shrunk from 0.65 to 0.4%. Much of the food that could be produced locally is imported.

Demilitarisation and the conversion of the defence industry were carried out in the region in the 1990s. During the Soviet period, Kaliningrad was known as the place for the location of ground forces, the so-called 'second echelon', and for basic forces of the Baltic Navy. The region housed medium-range ballistic missiles with nuclear warheads SS-4 Sandal targeted against Western Europe. In 1993-2002, the number of troops in the Kaliningrad Oblast was cut from 103,000 down to 10,500.7 Over the same period, the number of submarines and the principal surface combatants of the Baltic Fleet were reduced from 42 to 8.8 According to the official Russian statements, there are no nuclear weapons in the region. The Baltic Fleet's combat capacity now does not exceed that of the German. Swedish and Polish Navies and is below that of the combined NATO Navy in the Baltic Sea. The Russian Federation's military group is now a guarantee of stability in the Baltic Sea region and not a barrier for the social and economic development of the region and its participation in European economic co-operation.

In 2001, the share of 10 industrial facilities of the defence industrial sector (taking into account the civilian goods they manufacture) was no more than 3.4% of the industrial output of Kaliningrad. Seven out of these ten enterprises belong to the electronic and radio industries and they have never produced arms as such. For example, the largest radio electronic factory in the region, "Kvartz" (Quartz), has completely

⁻

⁷ The Military Balance 1993-1994, London 1993, p. 104; The Military Balance 2002-2003, London 2002, p. 93. These figures include ground forces, naval infantry, coastal defence forces and air defence forces.

⁸ The Military Balance 1993-1994, p. 103; The Military Balance 2002-2003, p. 91.

switched to producing civilian goods. The "Yantar" (Amber) shipbuilding yard, which had earlier almost exclusively specialised in building warships, is now building civilian ships for clients from Germany, Norway and the Netherlands.

Economic growth in the region has drawn on the existing production capacities and financial resources of regional companies. In part, it is a reflection of an overall improvement in the economic situation of the Russian Federation (the growth of demand for import substituting production and favourable conditions for the rising rates of export). At the same time, a relative high point for the region's economy is the result of its adaptation to the tax-free Special Economic Zone, and its fairly friendly borders with Lithuania and Poland, from the viewpoint of cross-border movements. These special conditions could yield an even better result, provided that there is a better legal framework for regulating SEZ businesses and more favourable terms for transit through Lithuania. 10 Economic growth in the region was also facilitated by the development of cross-border co-operation, participation in Euroregions and EU technical assistance within the TACIS framework. Economic growth is certainly connected with a moving away from the informal shadow economy, and the recording of results by official statistics.

The Kaliningrad Oblast became an experimental region for the Russian Federation for testing new forms and mechanisms for foreign economic co-operation. The SEZ operation has shown the impact of the large-scale liberalisation of imports on the region's economy, which is important for the discussions on conditions of the Russian Federation's accession to the WTO, and the assessment of its repercussions for the country's economy.

The conditions for economic development, though, are expected to change radically in the region in the near future. The changes will result from EU enlargement and a tougher trans-border movement regime, in particular, that of transit through Lithuania. This is a kind of 'second

⁹ Pasport OPK subyekta Rossiiskoy Federatsii. Kaliningradskaya oblast' [The Defence and Industrial Complex Passport of the subject of the Russian Federation. Kaliningrad Oblast], http://ts.vpk.ru/corporate/region/reg_39.htm.

V. Zhdanov, O. Kuznetsova and others, Problema ekonomicheskogo razvitiya Kaliningradskoy oblasti kak eksklavnogo regiona Rossii [The problem of the economic development of the Kaliningrad Oblast as Russia's exclave region], Konsortsium po voprosam prikladnykh issledovanii [Consortium on Applied Studies], 2002, p. 58-64.

wave' of separation for the region from the rest of the Russian Federation. As is known, the first wave was connected to the transformation of the USSR, when transit began to pass through the sovereign Baltic republics and Belarus, and the Russian Federation's Ministry of Railways changed its tariff policy and introduced a special customs order for the region. What the economic cost of this separation will be, and how it will affect the region's economy, will depend on the border regime between the Russian Federation and the EU in the segment covering the Kaliningrad Oblast; on the conditions for transit of people, cargo and vehicles through Lithuania, and the specific features of cross-border co-operation. For the time being, the rules governing cross-border movements are being developed and will be finalised by the time that Lithuania and Poland join the EU. Although the shock from the second wave of separation will not be as strong as it was in the early 1990s, stricter border controls and the resulting higher costs will make it more difficult to address a number of urgent problems that Kaliningrad faces and will hamper its sustainable economic development.

Intra-regional development problems

One of the major problems facing the region is the physical and moral depreciation of its fixed assets of production. The average operational capacity of fixed assets of production is 25 to 30 years and the level of depreciation is 50% (for the Russian Federation as a whole the level of fixed assets depreciation is 45.8%). According to current estimates, the total renewal of fixed assets in the region's economy within a 7 yearperiod¹¹ will require annual investment of 10 billion roubles (the real investment in 2001 was 7.9bn roubles). Bearing in mind that at the same time there is a need for the region's economic restructuring and for gradual upgrading of production means to the level of Western countries, the investment required will be much larger. Although, in the last three years, investment growth rates in the capital assets of the region have been higher than the Russian Federation's average, in per capita terms it has been substantially lower: in 2001 it was equal to 5,200 roubles, against 9,500 roubles on average for the Russian Federation 12

¹¹ This is the estimated pay-back period based on those of the late 1980s.

Regiony Rossii: ekonomicheskaya konyunktura (sotsialno-ekonomicheskaya informatsiya) [Regions of Russia: Economic Conjuncture (social and economic

Low investment attractiveness is yet another important problem facing the region. The dynamics of foreign investment provides a vivid illustration. According to official statistics, at the end of 2002 foreign investment totalled a mere USD 80m. Foreign investment per capita accumulated in the Kaliningrad Oblast is 3.5 times lower than the average for the Russian Federation. As to the inflow of foreign direct investment in the region, it is 25 times lower than Lithuania, and 17 times lower than Poland (per capita). Foreign investment is mainly provided in the form of trade loans and short-term loans of a 6 month maturity, which cannot be used to upgrade and revitalise the real sector economy.

The low investment attractiveness of the region stems from the red tape permeating the process of foreign investment activities¹⁴ and the poorly developed regional financial infrastructure, which is unable to mobilise and guarantee investments. There are more than 40 lending institutions and their branches operating in the region, but all of them are short of financial resources. Their share in the total investments in the region did not go beyond 7% in 2001.¹⁵

Things are somewhat better with regard to regional investment legislation. According to a reputed rating of regions carried out by the "Expert" monthly magazine, the Kaliningrad Oblast is rated the 3rd in the country, after the Novgorod and Yaroslavl Oblasts, regarding its legal framework. In 2001-2002, the same magazine rated the region 32nd among Russian regions for investment potential. The exclave's share in investment potential accounts for 0.84%, which exceeds by far its share of the country's population (0.66%).

information)], v.2, Tsentr ekonomicheskoy konyunktury pri pravitelstve RF [Economic Conjuncture Centre under the RF Government] 2002.

O merah po obespecheniyu sotsialno-ekonomicheskogo razvitiya i zhiznedeyatelnosti Kaliningradskoy oblasti [On the measures to secure the social and economic development and vital functioning of the Kaliningrad Oblast], The Ministry of Economic Development and Trade of the Russian Federation: www.economy.gvt.ru/22034.html.

To obtain permission for the construction of a facility, one has to apply to 20 government agencies.

G. Fedorov, Yu. Zverev, *Sotsialno-ekonomicheskoe i geopoliticheskoe razvitie Kaliningradskoy oblasti* [The Social, economic and geopolitical development of the Kaliningrad Oblast], Kaliningrad 2002, p. 210.

¹⁶ Reyting regionov [Rating of regions], "Ekspert" 45 (2 December 2002), p. 89-114.

¹⁷ Reyting regionov...

The investment attractiveness of the region is seriously limited by the widely spread shadow economy. It includes hidden activities (unreported business activities carried out by legally established entities, for instance, earnings from fish caught in the region and sold for cash abroad), informal activities (unregistered production of goods and services with a view to evading taxes) and illegal activities (for example, smuggling, drug trafficking, prostitution, etc.).

There are differing estimates concerning the size of the informal economy in Kaliningrad. In the view of Professor I. Samson (Grenoble), the real volume of the shadow economy in the Oblast is within the range of 60 to 95% of the official regional product. According to his estimates, illegal activities account for 30% of the shadow economy, which is mainly smuggling provoked by the island position of the region. To 60% of the shadow economy of the region is accounted for by a sector which, for the time being, produces, although illegally, goods and services useful for society. It can and must be taken out of the 'shadows' (this process is already under way) and become part of the legal economy.

The reduction of the scale of shadow economy is necessary because its continued existence at its current volume hinders the economic and social development of the region (tax evasion) and fuels crime. In 2001, there were 2,605 crimes per every 100,000 inhabitants registered in the region against 2,329 crimes registered in 2000 (in Russia, 2,044 and 2,028 crimes respectively).¹⁹

Unlike the mainly positive developments in the industrial output of the Kaliningrad Oblast, the situation in the social area is much worse. By the end of the 1980s, the level of social development in Kaliningrad was equal to the average, or even somewhat lower than the average for the Russian Federation. Currently, the region occupies one of the last places in the Russian Federation, with regard to the availability of social infrastructure for the regional population. As the human development index shows, calculated using the methodology elaborated by the UNDP, the region rates 60th among the 89 regions of the Russian

35

¹⁸ "Kaliningradskaya Pravda", 9 January 2003.

¹⁹ Regiony Rossii..., v. 1.

Federation (1999).²⁰ This diverges from the rating assessment of the Russian Federation's Ministry for Economic Development and Trade which places the region in the top 25 regions, with a higher than average development level (11th in the 2000 rating out of the 89 regions of the Russian Federation).²¹

The 1990s witnessed an unprecedented, in peacetime, worsening of quantitative and qualitative indices of health and living standards for Kaliningrad's population (the same, by the way, can unfortunately be said about the Russian Federation as a whole).

Since 1992, natural population growth in the region has been replaced by a natural decline due to a lower birth rate and an increased death rate. Nevertheless, until 1999, the number of inhabitants in the region was on the rise thanks to a high rate of immigration (mainly migrants from Kazakhstan, and other former Soviet Union republics). However, later the migration ebbed, which, with the persisting natural population decline, resulted in an absolute drop in the number of inhabitants from 951,000 in early 1999 to 941,000 as of 1 December 2002. Nevertheless, the share of the region's population in the Russian Federation has increased, as already mentioned.

The average life expectancy in Kaliningrad is 57.6 years on average for men and 70.7 for women (respectively 1.3 and 1.5. times lower than the average for the Russian Federation). In neighbouring Lithuania and Poland, the average life expectancy for men and women is 65 and 76, 68 and 77 respectively.

The region has a higher rate of accidental deaths caused by alcohol intoxication (51 per 100,000) than in the Russian Federation on average (19 deaths per 100,000), and suicide (46 per 100,000 compared to 38 per 100,000 in the Russian Federation).²² Socially

²

²⁰ Doklad o razvitii chelovecheskogo potentsiala v Rossiyskoy Federatsii za 2001 god [Report about the development of human potential in the Russian Federation for 2001]: http://www.undp.ru/index.phtml?iso=RU&lid=2&pid=2&cmd=tcx&id=42.

²¹ Annex No 7 to the federal targeted programme Sokrashchenie razlichii v sotsialno-ekonomicheskom razvitii regionov Rossiiskoy Federatsii (2002-2010 gody i do 2015 goda) [The reduction of differences in the social and economic development of the regions of the Russian Federation (2002-2010 and up to 2015)]: www.akdi.ru/econom/program/pril7.htm.

²² V. Zhdanov, V. Pustovgarov, G. Fedorov, *Prostranstvennoe razvitie ekonomiki i rasseleniya regiona (na primere Kaliningradskoy oblasti)* [The territorial development of

caused diseases such as TB, HIV-infection, syphilis, alcoholism and drug addiction are more widely spread in the region than the average for the rest of the Russian Federation.

About 40% of the region's population lives below the poverty line, having an income lower than the official subsistence minimum (1929 roubles for the fourth quarter of 2002). There are a number of reasons for this. Firstly, the region had a fairly high real unemployment rate, nearly 13%, which is 7.5 times higher than the registered one (end of 2001). Unemployment began to decrease only in 2002 (the real unemployment rate was nearing 7% or 3.1 times higher than the registered one at the end of 2002).

Secondly, the average per capita nominal cash income of the population remains considerably lower than the average for the Russian Federation. In 2001, it amounted to 2,600 roubles while in the Russian Federation the average income was 4,040 roubles. In 2002, nominal wages are only 81.8% of the average level for the Russian Federation. According to official data, the real cash income of the population in Kaliningrad has increased only by 4.7% in comparison with 8.8% rise for all of the Russian Federation.

Thirdly, the prices of consumer goods remain quite high. Therefore, the level of a living wage in the Kaliningrad Oblast is higher than the Russian Federation average (for example, in the first quarter of 2002 – by 12%).

It is worth noting that, taking into account the informal economy, the household aggregate income in the region was not much lower than before the beginning of market reforms (according to certain estimates, ²³ in early 2002 it amounted to at least 83% of the 1990 levels). With all that, there was a sharp increase in the social gap. The much better-off section of the population (namely, those who are involved in various businesses) account for most (not less than 80%) of the shadow economy incomes. The difference in income (taking into account the shadow component) between the top 10% and the bottom 10% of income groups, is 12-fold.

the regional economy and settlements (the case of the Kaliningrad Oblast)], Kaliningrad 2002, p. 51.

G. Fedorov, Yu. Zverev, op. cit., p. 216.

Although Kaliningrad has a greater number of students per 1,000 inhabitants than neighbouring countries, including Germany,²⁴ there still remains the problem of a mismatch between the professional skills that the graduates of the region's educational establishments obtain, and the demands (both today and for the future) of the regional labour market. Many higher education graduates have to work in places that do not match their skills and do not require higher education. The renewed industrial growth brought about demand for a skilled workforce. But these needs have not been met because many locals have gone into business and because vocational schools have abandoned training in many skills.²⁵ For this reason, the shipbuilding yard "Yantar", which had received export orders from Germany, the Netherlands and Norway, has had to hire gas and electric welders from the shipbuilding yards of Ukraine. The shortage of qualified workers and technicians is now one of the major hindrances for production expansion.

Although the conversion of the former military infrastructure and the creation of jobs in formerly military towns and the retraining and employment of discharged, retired and reserve military servicemen has taken place, the construction of housing for them has become a particularly acute social problem.

Intra-regional imbalances have turned into a serious problem for Kaliningrad. Economic development and therefore incomes are increasingly concentrated in Kaliningrad City, 26 while the majority of small towns in the region and rural areas have been hit by crisis. In January-May 2002, the level of monthly average wages in Kaliningrad City was 2.9 times higher than in the lowest district (Slavsk district). The level of officially registered unemployment in the Slavsk, Ozersk and Krasnoznamensk districts is from 9.6 to 14.7 times higher than in Kaliningrad City (2002). In rural areas, unemployment is particularly worrisome (about 60% of the economically active population are unemployed). But the situation is particularly ominous in some former military camps, where the level of unemployment is as high as 90%.

O merah po obespecheniyu...

There is a shortage of skilled workers in such mass trades as milling machine operators, turners, welders, etc.

26 For instance, Kaliningrad City's chara of the instance.

²⁶ For instance, Kaliningrad City's share of the industrial output has increased from 54 to 81% between 1990 and 2000 (its share of the total population of the region is about 45%, and its population account for 58% of the region's total urban population).

It should be borne in mind that the most unfortunate districts and towns of the region are located along the region's land borders.

The Kaliningrad Oblast remains one of the few environmentally crippled regions in the Baltic Sea area. According to expert estimates from the geology and ecology faculty of Kaliningrad State University, and other leading environmentalists, the following environmental problems of the region can be singled out for urgent attention (ranked here in order of importance):

- water pollution and a worsening of the quality of drinking water;
- air pollution in Kaliningrad City;
- degradation of soil fertility, and swamping;
- increase in the number of waste dumping places;
- destruction of sea shores:
- high levels of plant, animal and human virus diseases;
- deforestation, and a growing number of threatened plant species.

At the same time there are a number of environmental problems related to the disposal of decommissioned military hardware and ammunition, the cleaning up of the territory's military sites, and military pollution.

The possible impact of EU enlargement on the region's economy

Until recently, Lithuania has offered a more liberal regime for cross-border movements undertaken by the exclave's population than for movements undertaken by residents of mainland Russia, and *vice versa*. For example, it was enough to present a Russian internal passport registered in Kaliningrad for trips to Lithuania. A foreign passport was necessary for trips to Poland. Tourist vouchers were cheaper for inhabitants of Kaliningrad. These preferences reflect the particular place that the region has in relations between the Russian Federation and Poland and Lithuania. This circumstance has been fixed in the intergovernmental agreements of the Russian Federation with Poland ("Agreement on cooperation between the north-eastern *voivodships* of the Republic of Poland and the Kaliningrad Oblast of the Russian Federation", 1992) and Lithuania ("Agreement on co-operation between the Regions of the Republic of Lithuania and the Kaliningrad

Oblast of the Russian Federation", 1999). The adoption by the EU of unified regulations for transit and cross-border movement will substantially raise the border barrier.

With respect to the region's links with the Russian Federation, a second border barrier emerges. The first, as is known, is related to SEZ activities and the need for the customs processing of goods exported from the region to the Russian Federation. The adoption of a visa regime by Poland and Lithuania will make the economic and social relationship of Kaliningrad with these countries and the rest of the Russian Federation more difficult. Economic relations with the Russian Federation should be in line with European technological and environmental standards. All in all, this will bring about higher costs for transactions related to cross-border movements and transit. It is necessary to emphasise that in 2002, more than 750 million dollars of goods from the exclave (produced in accordance with the regulations of the Special Economic Zone) were sold on the all-Russian market. Today, the development of the region is dependent on its role as a trading intermediary and the manufacture of import substituting goods. Hence, additional costs will cause a drop in the competitiveness of the Kaliningrad-based enterprises that work for the Russian market.

More complicated access to the Russian market will hamper the development of assembly facilities and the inflow of foreign and Russian investments. Taking into account the limited capacity of the local market, investments, as in the previous period, will be directed towards neighbouring Poland and Lithuania and the more competitive regions of the Russian Federation.

Yet one more negative impact of EU enlargement is related to Kaliningrad's critical dependence on its electric power supply from other regions of the Russian Federation, which is transited through Lithuania. The transition of this country to EU standards for electrical power generation and transmission will make the transit of electric power from the Russian Federation impossible. The region will need to import electrical power from Lithuania and other Baltic countries at EU prices, which will further raise costs for Kaliningrad's consumers, with all the ensuing consequences. Another option is the establishment of an atomic energy generator in the region, which will require large federal investments.

The adoption of a visa regime with Poland and Lithuania will add to the complexity of the already intricate situation in the border districts of the region.²⁷ The toughening of the border crossing regime will leave many families with no means of subsistence, if no measures are taken to create new jobs.

The visa regime will complicate cross-border co-operation and the activities of Euroregions, which will affect not only the Kaliningrad Oblast, but also the bordering areas of Lithuania and Poland. Sustainable economic and social relations have been established between these communities. The visa regime and the maintenance of trade relations with the Russian Federation by these countries, as part of their EU obligations, will make this relationship more complicated and costlier. This will affect the economic situation of these areas. In other words, if the border barriers become more difficult to overcome. these nations will suffer economic losses as well. The situation becomes tenser due to the fact that the least prosperous areas of Lithuania and Poland border Kaliningrad. In particular, the neighbouring Warmia-Mazury voivodship suffers from the highest level of registered unemployment among Polish voivodships, (more than 29% in 2002). At the end of 2002, registered unemployment figures were 176,000 in the voivodship, where the income level is 10 to 15% lower than the average Polish level. Large sections of the population of the border areas of Lithuania and Poland earn their income by supplying agricultural products to the market of the Kaliningrad Oblast through shuttle trade. construction services, etc (for a somewhat different evaluation see the chapter by Bartosz Cichocki in this report).

Lithuania is also interested in using the exclave's communication lines for travelling to Poland, especially in the direction of Western Lithuania – Northern Poland. The visa regime will surely complicate this.

However, in our view, Lithuania and Poland's accession to the EU will have not only a negative but also a positive impact for the Oblast. In particular, the proposed visa regime will cut the volume of unorganised shuttle trade, curtail possibilities for smuggling and thus will narrow the

²⁷ According to the estimates of the European Commission, about 10,000 people from the Kaliningrad Oblast are involved on a permanent basis in cross-border shuttle trade: *Communication from the Commission to the Council. EU and Kaliningrad*, COM (2001) 26 Final.

base for the shadow economy in the region. At the same time this will ease the load on border crossing points.

A lower yield of import operations towards the Russian Federation, and of regional product supplies to the Russian market, will promote the commodity export market, which is currently nearly three times lower than imports. EU customs tariffs will be lower than those currently applied, and this will boost exports to Lithuania and Poland by major trade partners in the region.

And finally, the continuation of the problems that the Kaliningrad Oblast and the border areas of Lithuania and Poland are facing will make it necessary to seek new approaches and solutions for strengthening cooperation between the Russian Federation and the EU.

At the same time, if we weigh the plusses and minuses of EU enlargement for Kaliningrad during these first years, in our view, the minuses will tip the balance. Much less time will be needed to feel the negative repercussions than to see the positive developments. Therefore, the external environment for the region's economic development will be somewhat less favourable. Social recovery in the region will be slowed down or delayed for the period of adaptation to the changed conditions.

A less favourable environment for the development of the region will require respective compensations from Moscow's federal budget. Federal legislation will need to be enhanced on the Special Economic Zone and measures included into the "Federal Targeted Programme of the Kaliningrad Oblast Development till 2010" will need to be consistently implemented. The worsening of conditions for the development of Lithuanian and Polish border areas, will obviously be compensated by EU structural funds. At the same time, the social difficulties and economic weaknesses of these areas cannot be overcome without the economic revitalisation of Kaliningrad and its integration into the Common European Economic Space (CEES). Peripheral and problem areas will always have fewer resources for their economic development than the heartlands.

It is most probable that in the near future the gap in economic development between Kaliningrad, Lithuania and Poland will grow larger. The per capita Gross Regional Product (GRP) in Kaliningrad is approximately 3/4 of the average Russian level. This is only 65% of the

average level of the three Baltic states (Lithuania, Latvia, Estonia) and twice as low as that of Poland (2000).²⁸ An expanding gap will, undoubtedly, affect social and political stability in the region and hence its economic development.

If we compare the per capita gross product in the Kaliningrad Oblast and the neighbouring areas of Lithuania and Poland, they will be fairly close. In light of the above, higher border barriers bring the danger of giving rise to an endemically depressed area in the EU, and reinforcing interregional contrasts in Lithuania and Poland, which is in conflict with EU regulations.

Taking into account the fairly close economic relations of Kaliningrad and the neighbouring areas of Lithuania and Poland, and the interdependency of their economic development, the transition towards the sustainable development of this community of territories will not be possible without the co-ordination of measures for their support on the part of the Russian Federation and the EU. Of particular importance here will be the need to work out a common perception of the Russian Federation and the EU about the functions that the exclave will perform in the CEES. It would be wrong to assume that these functions will be just a mere deepening and extension of the functions of the region in the Russian economy. The effective development of the region without EU support would not be possible either on the basis of the Andorra model (the priority development for services on the basis of a tax-free trade regime), or on the basis of 'maguilladoras' (the development of export bound assembly operations on the basis of a special customs treatment), or on the basis of a transit, transport-logistical centre, or on a combination of elements from these models. An import-substituting which suggests economic development model. development independent of the EU, would not be efficient, bearing in mind the limited capacity of the regional market and the region's separation from the Russian market.

Thus, the sustainable development of the region can only be secured if the interests of the EU and the Russian Federation are taken into

-

²⁸ O merah po obespecheniyu...

account, which can only be achieved on the basis of the 'region of cooperation' concept.²⁹

The situation with the Kaliningrad Oblast has become one of the driving motives for the common development of the concept of the CEES, which requires a fairly profound level of international economic cooperation, and is more advanced than agreements on free trade.³⁰

Participation in the CEES assumes close and intimate levels of economic co-operation and a unified legal and regulatory framework for business activities - the creation of a "homogeneous economic zone". 31 At the same time, in our opinion, the creation of the CEES will require some time. While moving towards this idea, it is necessary to support certain differences, for ensuring that the Russian Federation (and the Kaliningrad Oblast) will have more attractive conditions for investment and business activities. They assume lower prices on inputs, not-toohigh tax rates, less stringent administrative requirements, etc. Otherwise, it will be hard to raise the social and economic development of the Russian Federation (and Kaliningrad) to the average European levels. The specific measures to be used to adjust the CEES mechanism, and the stages of its establishment, can be worked out within the framework of the 'region of co-operation' concept. At the same time it would be appropriate to include in this experiment other regions of the Russian Federation bordering the EU.

Possible ways for the Council of Europe to assist the Kaliningrad Oblast

The primary responsibility for the solution of the problems of Kaliningrad rests, undoubtedly, with the regional authorities and the Russian federal centre (for a detailed study of the Federal Centre's attitude towards the exclave, see the chapter by Sergey Artobolevskii in this report). At the same time, international support (including that of the Council of Europe) could, as it seems, substantially facilitate the development of the region amid the emerging uncertainty. In the

_

²⁹ A. Khlopetskii, G. Fedorov, *Kaliningradskaya oblast': region sotrudnichestva* [Kaliningrad Oblast: region of co-operation], Kaliningrad 2000; V. Zhdanov, O. Kuznetsova and others, *Problema ekonomicheskogo ravitiya...*, p. 75-77.

³⁰ It is noteworthy that the issue of establishment of a Russia-EU free trade zone is practically no more discussed, although this objective was spelled out in the PCA.

I. Samson, *Predislovie* [Foreword], "Obzor ekonomiki Rossii" No1, 2002, p. 89.

common interests of the region itself, the whole of the Russian Federation and its foreign partners, a sound groundwork for cooperation has been laid, and positive changes in Kaliningrad are already successfully developing in many areas.

Below, we outline several possible areas where the Council of Europe could be helpful to the Kaliningrad Oblast of the Russian Federation in terms of ideas and options for discussion. The assistance itself could be provided mainly in the form of highly qualified consulting on economic, legal and administrative matters, the transfer of EU experiences and, if necessary, full or partial financing for several clearly outlined regional projects.

If these proposals are found relevant and sound, they can serve as a basis for the adoption of specific decisions at the regional, federal and international levels

► Favourable climate to be created for business and investment

Reform the administrative apparatus at all levels and retrain managers, monitor their activities by democratic institutions and the regional community.

Bring budget practices in the Kaliningrad Oblast into line with EU standards.

Support non-governmental organisations and other structures of civic society.

Reform regional legislation and harmonise it as much as possible with EU legislation.

Develop and adopt a regional development programme, covering both the basic lines of restructuring of the Russian exclave's economy, and resolution of the key problems of social and economic development, as well as mechanisms for their solution.

Streamline procedures in real estate and land tenure (including reform of the legal and regulatory framework for city construction regulation, streamline procedures for expert evaluation and agreements on design documentation, transfer to 'one window' expert evaluations, maximum free access to information on land parcels, real estate, etc.).

Reduce and ease the administrative barriers for investors (including facilitating the creation of business registration centres based on the 'one window' principle).

► Take the informal economy out of the shadows

Facilitate the legalisation of household incomes by assisting in the creation of a favourable tax climate, introduce individual fully-funded pension schemes and other mechanisms encouraging employees to negotiate with employers on legal wage payment schemes.

Assist the development of small businesses and entrepreneurship (assistance in creating accessible-to-all information and consulting services for small businesses, business-incubators, training in small business matters, etc.).

► Close the gap in social and economic development and living standards between Kaliningrad city, small towns and rural areas of the region. Revitalisation of the situation in border areas

Draw up and implement a social and economic development programme for the areas of the region outside the city of Kaliningrad (including special sub-programmes for border towns and rural areas). Intensify the development of such settlements as Chernyakhovsk, Gusev and Sovetsk as a counter-balance to the city of Kaliningrad and also border areas of the region.

Design and implement municipal administrative reforms.

Outline a programme of cross-border co-operation and instruments for its implementation, adapted to the conditions of the new visa and customs regimes.

Co-ordinate the social and economic development of the Kaliningrad Oblast and the neighbouring regions of Lithuania and Poland.

▶ Promote a better social climate and the well-being of Kaliningraders

Reform wages, providing for a gradual rise of their share in the structure of the cost of goods and service production.

Housing and utility reform (including the introduction of mortgage lending for apartment purchases).³²

Create an effective complex system of providing targeted assistance to low-income groups of the population.

Create an effective system for raising and socialising orphans and disabled people.

Work out special youth vocational training programmes, providing for their involvement in the real sectors of the economy (including creation of jobs in high technology areas).

Draw up and introduce programmes for promoting primary and secondary vocational training and harmonise these with EU standards and the needs of the region.

Work out and pursue a comprehensive demographic policy.

Reform of health services. Aid the combating of socially caused diseases (first of all HIV-infection and drug addiction).

► Environmental improvements

Promote environmental education for the general public, the training of experts on environmental issues.

Help non-governmental organisations, conduct independent environmental expert evaluations of construction projects or functioning enterprise operations.

Establish a uniform environmental monitoring system.

³² This will facilitate not only the solution of social problems, but will take part of the informal economy out of the 'shadows', with loans for apartment purchases to be extended only to those people who legalise their earnings.

► Military conversion

Establish a Centre for the disposal and renovation of weapons and ammunition.

Retrain military servicemen discharged from the army to reserves or who have resigned.

Convert former military towns (including the creation on their bases of business/enterprise parks).

Transfrontier Co-operation Between the Border Areas of the Kaliningrad Oblast and its Neighbours

Tadeusz Baryła Wojciech Kętrzyński Research Centre in Olsztyn, Poland

In contemporary Europe the border areas generally have lost their historical status as areas of conflict between different centres of state domination, and integration processes have made the borders themselves more transparent for the movement of people and goods. for standards of public life, for experiences of local government solving local problems and for cultural patterns. Regional ties connecting Kaliningrad with the outside world were built during the last decade and they still need to be analysed³³ in the context of implementation of the Council of Europe's norms. Instead, political concepts of 'the bridge linking Europe with the Russian Federation³⁴ were created under the influence of the integration processes in Europe. In this context, the mechanisms of a free economic zone were mentioned and President Putin used this idea of Kaliningrad as a pilot region in EU-Russian Federation relations. Kaliningrad's regional dimension has also developed since governor Vladimir Yegorov signed the "Strategy of social-economic development of Kaliningrad Oblast to 2010" in July 2002. The document draws upon the "Federal Targeted Programme of Kaliningrad Oblast Development to 2010", which was signed by President Putin on 7 December 2001.

For over two years the Russian side, and especially the Oblast authorities, have been arguing that Kaliningrad deserves a special approach, which could be reflected either by a special agreement between the EU and the Russian Federation, or by a protocol supplementing the PCA. They suggest that the exclave carries exceptional significance, which will clearly affect European relations

_

³³ G. Grzelak, *Transgranichnye svyazi* [Cross-border ties] [in:] "Mezhdunarodnaya zhizn", 1995 No. 5. This issue was devoted exclusively to Kaliningrad. G. Grzelak was the first to indicate the Council of Europe's role in supporting the idea of self-government and CBC with Russia.

³⁴ G. Fedorov, *Strategia rozwoju społeczno-gospodarczego obwodu kaliningradzkiego w nowych warunkach geopolitycznych* [Strategy of social-economic development of Kaliningrad Oblast in new geopolitical reality] [in:] *Ustrój Prawny Obwodu Kaliningradzkiego* [Kaliningrad Oblast legal system], A. Sylwestrzak (ed.), Gdańsk 1994, p. 13.

after EU enlargement. From the EU side, one would assume that Kaliningrad is a region in decline and only an increased social/economic input by the Russian Federal authorities can improve it. EU reports (prepared by Stephen Dewar, Magdalene Hoff, Pertti Joenniemi, Heinz Timmermann, Lyndelle D. Fairlie) have raised the Kaliningrad issue also in the context of the integration of the Baltic States into the EU, and regional and transfrontier co-operation in the North-Western district of the Russian Federation. For the last two vears, however, these processes have been dominated by the EU-Russia dialogue focused on the introduction of visas for Russians (and therefore for the Kaliningraders, too) travelling to and through Poland and Lithuania. There has been a negative stereotype of Kaliningrad functioning in the European mass-media for a long time. After the 1998 economic crisis, this stereotype developed to embrace all of the Russian Federation. Nevertheless, one has to admire the tremendous progress made by Kaliningrad over the last 10 years from a closed military zone into a subject of integration processes at the junction point of the EU and the Russian Federation. The opinions expressed by Kaliningraders on further developments concerning the exclave are carefully listened to by the European community, including their direct neighbours - Poland and Lithuania.

From the perspective of Poland and Lithuania, the need for regional cooperation and symmetrical integration ties is not a temporary matter an adaptation period before EU membership. It was necessary to build new relations with the Russian Federation and policies implemented towards the Russian exclave were an important element of the policies implemented towards the whole of Russia. The Kaliningrad Oblast is about the same size as the Warmia-Mazury voivodship in Poland, and 4 times smaller than Lithuania. Its territory of 15.1 km² is 0.088% of that of the Russian Federation. Kaliningrad is inhabited by 948,000 people (0.6% of the Russian Federation's population). The nearest Russian region, Pskov Oblast, is 300 km from the exclave. Over 58% of the urban population lives in Kaliningrad city, which delivers over 83% of all regional budgetary income. For this reason, Kaliningrad city is the main partner of cross-border co-operation for Gdańsk, Olsztyn, Białystok. Vilnius and Klaipeda. However, there is still room for more co-operation between these strong centres of culture, education and art.

EU enlargement is especially important for both stability and peace in the Baltic Sea region, which has been undergoing dynamic geopolitical, economic and civilisation changes during the last decade, and also for the future of all Europe. The Oblast plays a principal role in regional integration processes; in modernising local communities, in inspiring civic debates concerning both the past – for example ethnic identity, cultural legacy; and the future – perspectives for national strategies, roots and prospects of the idea of a Europe of the regions.

The experience of the Council of Europe as an initiator of the processes of transfrontier co-operation is difficult to overestimate. It includes such documents of basic importance as:

"The European Charter of Local Self-government", 15 October 1985. 35 "The European Outline Convention on Trans-frontier Co-operation between Territorial Communities or Authorities", Madrid 21 May, 1980, to which numerous model agreements on border area co-operation are appended.

Major geopolitical changes in Europe after 1989 demanded the creation of a new structure of bilateral relations between neighbours and the establishment of a new regional policy.

The Council of Europe devoted its attention to these processes to a significant extent. In 1992, the Council indicated that the sovereignty of Estonia, Latvia and Lithuania, the independence of Belarus and democratic reforms in Poland all brought about a significant change in the political and economic situation throughout the Baltic region. It was said that Kaliningrad, the Russian exclave on the bank of the Baltic Sea, found itself in a difficult economic situation. Therefore, the creation of a Free Economic Zone (FEZ) in the Oblast can be important to its future, but also to the economic development of the whole Baltic Sea region, including neighbouring countries, which should support the FEZ concept.³⁶ The Parliamentary Assembly of the Council of Europe has indicated, in its resolution dated 4 February 1993, that the economic revitalisation (renaissance) of the Baltic Sea region including several Nordic states, the Baltic republics, Poland and some Russian and German regions (Lands) calls for the intensification of contacts on all levels, the modernisation of the transport and telecommunications infrastructure, the pro-ecological orientation of the economies, the

21

³⁵ J. Ruszkowski, E. Górnicz, M. Żurek, *Leksykon integracji europejskiej* [European integration lexicon], Warszawa 1998.

³⁶ Council of Europe, Motion for a Resolution concerning the region of Kaliningrad (Russian Federation) presented by Mr Robert Atkins and others, 8 October 1992, DOC6707.

development of tourism and the reform of the health service. The Kaliningrad issue was raised twice in this resolution. The first time, when the Via Baltica transportation project is mentioned, and the second time when the Assembly appeals to the governments and parliaments of the Baltic Sea to: "Pay particular attention to the unique and difficult situation of the Kaliningrad enclave – cut off from the rest of Russia and with an economically insufficient hinterland – so that it may overcome these handicaps and enjoy full economic integration with neighbouring countries".

In 1996, the Council of Europe supported a pilot project of a Polish NGO - Cultural Community Borussia - entitled the "Historical consciousness of youth in the district of Kaliningrad, Western Lithuania and Warmia-Mazury". 37 The project was addressed mainly to the communities of Kaliningrad city, Olsztyn, Vilnius and Klaipeda. The project has led to the opening of a programme of inter-cultural cooperation in the regions, which aims to create long lasting contacts and build civil society, develop trans-frontier cultural consciousness based on the common past and learn about contemporary political and ethnic relations, overcoming ethnic stereotypes and prejudices through the use of regional specific approaches - building an open regional and national identity.³⁸ In 1991, Borussia organised an international seminar to initiate a social dialogue devoted to the past and present situation of the former Eastern Prussia.³⁹ The dialogue was also carried out in the columns of the Community's periodical "Borussia". In 1995, Borussia initiated an international debate on the friendly coexistence of states. nations and ethnic groups in Central and Eastern Europe. It is worth noting that Borussia's projects recall the "little motherlands" idea on this 'vulnerable' historical area by means of culture and overcoming state borders mainly through the activity of NGOs. These projects suffered, however, due to the lack of a partner organisation in Kaliningrad. Only in the end of 1990s, on the wave of the 'Kaliningrad identity' discussion,

-

³⁷ Council of Europe, Directorate of Political Affairs: Confidence building measures: pilot project: *Historical consciousness of youth in the district of Kaliningrad, Western Lithuania and Warmia-Mazury*, XX (139185.1). Evaluation report no. 20: *Historical consciousness of youth in the district of Kaliningrad, Western Lithuania and Warmia-Mazury*, XX (154122.1)

Otwarty regionalizm [Open regionalism], inter-cultural co-operation project in Kaliningrad, Klaipeda and Warmia-Mazury regions, "Borussia", 1996, No 13, p. 190-191.

³⁹ Rex rexheuser, Ostpreussen – Erde und neue Identitat: eine Konferenz in Allenstein, 7. bis 9. November 1991, Nordost-Archiv, Zeitschrift zur Regionalgeschichte, Neue Folge, Bd. 1/1992, H. 14, S. 175-180.

activities performed by Borussia (mainly publishing activities) provoked an interest in cultural cross-border co-operation.⁴⁰

In Poland and in Lithuania one could observe a tremendous outburst of NGOs behind an expression of civic activity on local and regional levels, especially since the Euroregions' foundation. Just a few years later, this outburst evolved into the mission of NGOs as a 'third pillar' in regional issues. 41 Since 1995, the "Elblag Association for Nongovernmental Initiatives", which operates in the Warmia-Mazury voivodship, has played a special role within the Euroregion Baltic. In 2001, the Association conducted the "Third sector without borders" project, aimed at the creation of sustainable co-operation with Kaliningrad NGOs. Scholarships and trainings in the Warmia-Mazury voivodship for Russian participants were one of the instruments of the project. Furthermore, the "Democracy unites us" project was implemented. Within its frameworks, cross-border co-operation workshops for NGOs from Poland, Lithuania and Russia were held. For the reason of further promotion of the 'third sector' in Kaliningrad, Poland and Lithuania, the working meeting entitled "Why Kaliningrad is important for us" was co-organised by the Association and Borussia. 42 Paradoxically enough, funding for these activities had to come from funds other than Euroregion or pre-accession fund sources because they could not include the Russian Federation.⁴³ Besides which, these

-

⁴⁰ An anthology of literature *Borussia. Ziemia i ludzie* [Borussia. Land and People] by K. Brakoniecki and W. Lipscher was also published in Germany, Lithuania and Russia. In January 2003, Borussia initiated the *Good Neighbourhood Forum*, aiming to bring together the activities of different milieus and knowledge about cross-border initiatives, in order to make better use of the positive effects of co-operation with the Kaliningrad Oblast – the future Russian exclave within the enlarged EU. The project was supported by the Batory Foundation. For a detailed study of NGOs operating in Kaliningrad see H.-M. Birckenbach and C, Wellmann, *Grazhdanskoe obshchestvo v Kaliningradskoy oblasti* [Civil society in Kaliningrad Oblast] [in:] "Baltiiskie issledovaniya", vol. 1 (2000) no. 1, pp. 83-89.

⁴¹ Already in 1996 the first *Non-government Initiatives Forum* was held in Poland. Its participants announced a Non-government Organisations' Activities Charter.

⁴² Ten Kaliningraders participated in training in Warmia-Mazury NGOs within the first

⁴² Ten Kaliningraders participated in training in Warmia-Mazury NGOs within the first project and 6 Kaliningraders within the second one. The Association has also devoted an issue of its periodical *Pozarządowiec* [An NGO Activist] to the experiences of Polish NGOs. This issue was also published in Lithuanian and Russian; see at www.eswip.elblag.pl. The Association helped to found a "Herold" network of NGOs in Warmia-Mazury, bringing together 15 organisations from 14 districts of the *voivodship*.

⁴³ Third sector without borders was carried out within the Transformation in the Region – RITA programme of the Education for Democracy Foundation, financially supported by the Polish-American Freedom Foundation. The Democracy unites us project was carried

projects demonstrated the handicaps of Kaliningrad's self-government in the area of CBC – contrary to the situation in Poland and Lithuania.44

It is worth remembering that the Russian Federation became a Council of Europe member in 1996, but the Madrid Convention concerning transfrontier co-operation only entered into force on 5 January 2003.

In 2001, a motion was adopted for a resolution on the need for European support in ensuring a prosperous future for the Kaliningrad Oblast. Nikolai Tulaev, representing the Kaliningrad Oblast in the Federation Council (the upper house of the Russian parliament), met in Strasbourg with Sigita Burbiene, who was designated by the Committee on Economic Affairs and Development to prepare a report devoted to the Kaliningrad Oblast. Later, the Kaliningrad Oblast Duma speaker, Vladimir Nikitin, presented to Burbiene his "Nine theses on Kaliningrad Oblast's development". They included, among others:

- i) to give a new incentive for structural reforms in the Russian Federation by starting a common EU-Russia pilot project in the Kaliningrad Oblast:
- ii) financial support in order to close the gap between Kaliningrad and its neighbouring countries;
- iii) amending the Schengen rules in order to preserve the visa-free regime on Kaliningrad's borders:
- iv) a special EU-Russia agreement on the Kaliningrad Oblast.

All of these issues were the subject of a detailed EU-Russia negotiation and consultations between the EU, Poland and Lithuania. On 18 September 2002. the European Commission delivered Communication to the Council entitled: "Kaliningrad: Transit". It presented, in 37 points, "all the possible solutions provided by the acquis concerning the flow of people and goods between Kaliningrad and mainland Russia". Eventually these issues were solved at the EU-Russia Brussels summit of 11 November 2002. In 2002, two important reports were voted by the Assembly; the first one on the need to ensure a prosperous future for Kaliningrad; the second one on the Kaliningrad

out within the Technical Assistance for the Countries in Constitutional Transformation of the Polish Prime-Minister's Office. And Why Kaliningrad... project was supported mainly from the Central and Eastern Europe Forum programme of the Batory Foundation.

⁴⁴ The Kaliningrad Duma bill on the principles of local self-government (23.11.95) limits the powers of local authorities in the area of CBC.

Oblast and EU enlargement. 45 This way the Council of Europe expressed its concerns on the possible violation of basic human rights by EU enlargement processes and the introduction of visa regimes. rather than on the future of Kaliningrad. In a descriptive dimension, there were two clearly defined aspects in the reports: the first one. efforts for co-operation with Kaliningrad based on European solidarity; the second one, the current social-economic situation in Kaliningrad. There is also an assumption present in these reports that EU enlargement will bring an impetus for the exclave's development, supported by the Russian Federation, and that this process is a condition of political stability and economic improvement in the Baltic Sea region. Kaliningrad faces a unique opportunity since Lithuania and Poland's integration with the EU is accompanied by deepening EU-Russia co-operation, which should strengthen CBC with Kaliningrad and harmonise EU projects in the Baltic Sea or those aimed at the Russian Federation 46

Neighbourhood and co-operation

The Council of the Baltic Sea States (CBSS) undertook the mission to elaborate a common vision and international strategy aimed at projects of co-operation between states, regions, cities and local authorities for social and economic growth and sustainable development. The region was to become a 'bridge' of co-operation between Eastern and Western Europe. Originally the focus was on environmental protection, which ended with the announcement of the Baltic Sea Declaration. Then the aims and directions of regional co-operation were defined (in the Kalmar Declaration), embracing the following spheres of activities: 1) closer co-operation on environmental protection; 2) the integration of the Baltic communication, telecommunication and energy networks within the transeuropean networks of the so-called Baltic Rim; 3) the

•

⁴⁵ Council of Europe: Need for European Support in Ensuring a Prosperous Future for the Kaliningrad Region: motion for a resolution, Sigita Burbiene. Doc. 9280; The need for European solidarity to ensure a prosperous future for the Kaliningrad region, report by Sigita Burbiene. AS/EC (2002)08REV2; Ensuring a prosperous future for the Kaliningrad region, the need of European solidarity, report by Sigita Burbiene. DOC. 9524; The enlargement of the European Union and the Kaliningrad Region, report by Lara Margret Ragnarsdottir. DOC.9560; The enlargement of the European Union and the Kaliningrad Region, opinion by McNamara Kevin. DOC.9570.

⁴⁶ A similar view was already presented in 1999 by the West-East Institute in its *Transfrontier Cooperation Programme* (Workshop 28/29 October 1999).

exclusion of border barriers with the harmonisation of legal procedures for cross-border movement, customs regulations and the modernisation of border crossing points; 4) the construction of Via Baltica.

The European Commission joined the efforts to elaborate general scenarios for sustainable development in selected areas: agriculture, energy, fishing, forestry, industry, transportation and tourism. The scenarios assumed that the development gaps in the Baltic region will shrink until 2030, unemployment will radically decrease, and conditions of living and work will gradually improve.⁴⁷ In May 1996, the President of the European Commission, Jacques Santer, presented the Baltic Sea Region Initiative, which was finally accepted in January 1998 at the Second summit of the CBSS, where the common projects of the EU and Central and Eastern European states within the Phare. Tacis and an institutional Interred programmes were anticipated. From perspective, the Initiative corresponds with the "Northern Dimension" initiative presented by Finland. Commissioner Chris Patten underlined that it is addressed also to North-western regions of the Russian Federation and "special efforts should be made to facilitate economic co-operation and reduce the economic, social and environmental disparities between the Kaliningrad region and surrounding areas in Lithuania and Poland". 48 This way, a connection between regional cooperation in the Baltic area and the process of European integration becomes more concrete. The "Northern Dimension" was initiated at the same time that President Putin declared Kaliningrad a pilot region in EU-Russia relations. The Kaliningrad Oblast itself also tried to use the CBSS to intensify co-operation with certain countries. In the framework of co-operation with Germany (mainly with the Lands of Schleswig-Holstein and Meklemburg) economic and education projects for over € 1m were realised. Swedish support for Kaliningrad exceeded € 4m. Denmark and Finland spend together over € 10m on different projects. mainly on the sewage system for Kaliningrad city. CBSS funded Eurofaculty at Kaliningrad State University. The Baltic, Neman and Saule Euroregions are a special dimension of the trilateral Russian-Polish-Lithuanian co-operation.⁴⁹ Chronologically, Poland has the

_

⁴⁷ See The Baltic 21 Action Programme and Action Programmes for the Baltic Sea States Co-operation, Negotiating Committee Summit in Visby 2.05.96.

Opinion of the Economic and Social Committee on the Northern Dimension: Action Plan for the Northern Dimension in the external and cross-border policies of the European Union 2000-2003, CES 237/2001, Brussels 28.02.01, p. 12.

There are other cross-border initiatives worth mentioning as well: *Euroregion Karelia* on the Finnish-Russian border (www.karjala-interreg.com/euregio/eng); *Estonian-Finnish*

longest experience in Euroregions activity. Euroregions were founded on Poland's western and southern borders in the beginning of the 1990s. Polish borderlands are involved in Euroregion co-operation with all of Poland's neighbours and the territory of those regions stands at 51.1% of the whole country.

The Euroregion Neman was founded on 6 June 1997, the Euroregion Baltic - on 22 February 1998; and the Euroregion Saule on 2 June 1999. According to data for 2000, the Euroregion Neman covers 65,084 km² and is inhabited by 3,720,300 people. The Euroregion Baltic covers 91.073 km² and is inhabited by 5.786.600 people. The participants of the Euroregion Baltic are: Bornholm county, the city and region of Liepaja, the Klaipeda district, the municipal authorities of Klaipeda, Palanga and Neringa; the cities of Klaipeda, Kretinga, Šilutė and Skuodas districts: the Association of the Polish Districts of Euroregion Baltic: the Voivodship Office: the Local Parliaments of Warmia-Mazury and the Pomerania *voivodships*: the Municipal Union of the Kaliningrad Oblast; the Local Authorities Association and the Councils of Blekinge and Kronoberg regions; the Regional Authorities of Blekinge and the Regional Council of the Kalmar Region. In May 2002, under the Latvian presidency, it was proposed to include the cities and regions of Ventspils, Saldus and Talsi. The participants of the Euroregion Neman are the Polish-Lithuanian-Belarussian Union of Transfrontier Euroregion Neman. Following administrative reforms, the following subjects became parties of the Euroregion: the Warmia-Mazury and Podlasie voivodships; the Vilnius district, the regions of Alitus and Mariampol; the Belarussian Hrodna region; and since April 2002, the Chernyakhovsk, Nesterov, Gusev, Ozersk and Krasnoznamensk areas of the Kaliningrad Oblast. 50

³⁺³ Regional Co-operation (www.teave.ee); Euroregion Helsinki-Tallinn (www.euregioheltal.org); B7 Islands with Estonian, Swedish, Finnish and German local communities participating (www.b7.org); Peipsi Centre for Transboundary Co-operation (www.ctc.ee); Council for Co-operation of Border Regions Vöru-Alūksne-Pskov (www.aluksne.lv/cbc): Latvian-Lithuanian Euroregion Bartuva: Latvian-Lithuanian-Belarussian Euroregion Country of Lakes.

During the III Baltic Economic Forum in February 1995, a preliminary declaration on the foundation of a Euroregion including Kaliningrad Oblast was agreed. Regardless of the fact that the Russian side withdrew from the undertaking, Polish and Lithuanian partners organised a conference in Mikołajki, October 1996, entitled Kaliningrad Oblast a Russian window on Europe. Later on, another conference with participation from the Belarussian side took place: Euroregion Neman – Partnership for Development.

The participants of the Euroregion Saule are: the Sovetsk, Neman and Slavsk districts of Kalinignrad Oblast; Jelgava city and the region of Latvia; the Siauliai and Taurage districts; the Swedish province of Skane. Another Euroregion, Šešupė, was planned, but insufficient results from the Polish-Lithuanian-Kaliningrad co-operation within the Euroregion Neman stopped these plans. Despite this fact, representatives of the Polish border areas communities initiated yet another Euroregion – Łyna/Ława – in the beginning of 2003 in order to intensify co-operation with Kaliningrad's border areas.

The statutes and programme documents of the above mentioned Euroregions are aimed at closer cross-border co-operation. improvement of the conditions of life, economic development, regional planning and modernisation of the infrastructure at border crossing points.⁵² The general assumption is that an international stimulus will bring positive economic effects. However, the activity of Euroregions is heavily dependent upon EU funds. The significant effects of the Euroregions became visible only when there was international support for transformation processes in the business environment in Kaliningrad, and for the long-term strategy of developing co-operation with the exclave. For example, the Association of the Polish Districts of the Euroregion Baltic – inspired by the Kalmar Declaration – prepared an application to Interreg IIIB, concerning the vision and strategy of a development entitled "Strategy of Euroregion Baltic Development -Polish component". The document defines the following priorities based on the strategies of the Pomerania and Warmia-Mazury voivodships: i) developing human contacts in order to strengthen local democracies, a long-lasting network of co-operation, an exchange of information and ideas in the transboundary region that are fundamental for any common entrepreneurial or social undertakings; ii) the development and communication infrastructure: modernisation of iii) development; iv) natural environmental protection; v) improving security and combating social problems⁵³. It is difficult to unequivocally evaluate the practical results of the activities of the Euroregions. Each of them was assigned with certain state administration tasks and these were

⁵¹ Agreement of establishing the Euroregion Saule: http://geluva.siauliai.aps.lt/sutartys/sutart2.htm.

See: http://geluva.siauliai/aps/lt/statut2.htm; www.suwalki.niemen.com; www.eurobalt.org.pl.

Polski komponent strategii rozwoju Euroregionu Baltyk [Strategy of Euroregion Baltic Development – Polish component], Stowarzyszenie Gmin RP Euroregionu Bałtyk, Elbląg 2001.

realised effectively. In the Euroregion Neman office in Suwałki the following institutions were situated: the Local Secretariat of the Main Round of the Phare Credo Programme for Polish-Lithuanian border areas (2 projects); the Secretariat of Small Euroregion Phare Projects Fund (15 projects); the Secretariat of Small Baltic Projects Fund (2 projects). The Association of the Polish Districts of the Euroregion Baltic was acting as the Phare Credo Secretariat for the Polish-Russian border in 1998-1999, when, for example, the Bezledy-Bagrationovsk BCP was reconstructed and modernised. The Association is also responsible for the CBC Programme Secretariat – the Small Projects Fund. Moreover, the Association has also implemented a small project fund within the Phare 2001 budget for the eastern programme. Districts, associations and other subjects of the Euroregion Baltic were supported with the total sum of € 1.082.841.

The smallest Euroregion Saule focused its attention on Via Hanseatica⁵⁵ and did not perform any other activity. Activities intensifying economic co-operation in the Euroregions were accompanied – with some connection to the EU accession process – with the decay of special economic zones in Suwałki (created in 1996), Warmia-Mazury (1997) and Klaipeda (1997). At the same time, several Polish and Lithuanian cities (namely Gdańsk, Elbląg, Olsztyn, Bartoszyce, Gołdap and Klaipeda) intensified their direct co-operation using the mechanisms of Kaliningrad's SEZ.

Polish and Lithuanian Euroregions played a significant role in the preaccession process. However, they did not fulfil the hopes of deepening co-operation with Kaliningrad and the whole of the Russian Federation. The attitude of Russian federal authorities to EU and NATO enlargement was the main reason for this. One can conclude that the Russian Federation treated Kaliningrad as an instrument for its relations with the EU, which resulted in a lack of attention for crossborder co-operation with Poland and Lithuania as an important factor for the Kaliningrad Oblast's development.

The most important projects were: the Polish-German-Swedish-Latvian project Environmental protection and high quality tourism...; Sustainable development of the Polish and Lithuanian protected areas; Youth integration and awakening the feeling of belonging to the European community through active forms of transboundary cooperation; Tradition without borders – Mazury Folklore Study; Regional development strategy as an element of cross-border co-operation. www.suwalki.niemen.com.

⁵⁵ Resolution of the Council No. 5: Confirmation of the activities plan 7 February 2002: www.siauliai.aps.lt/saule/doc_rus/resol_council_nr5_r.rtf.

In January 2003, the evaluations of Polish participation in Baltic Interreg IIIB and the current situation of the Phare CBC Programme in Baltic Sea Region (2001-2002) were presented at the third session of the Polish Committee of "Vision and Strategy around the Baltic 2010" (VASAB) in Białystok, with the participation of representatives of the Baltic and Neman Euroregions. The latter concluded that the evaluations were unclear as to the role of Euroregions. Already before there had been strong criticism concerning the asymmetry of Phare. Tacis and Interreg programmes in areas bordering the Russian Federation and a highly insufficient input from the Russian Federation for CBC development with Finland (Euroregion Karelia), Lithuania and Poland. Now, yet another element of criticism was added – uncertainty about new lines from the European Commission. Thus, only improved co-ordination between EU activities toward Kaliningrad with other activities, for example, with the Structural Funds provided for the applicant countries, can change the current state of affairs 56 (assuming that this will be accompanied by an adequate level of support for investment to Kaliningrad from the Russian Federation).

One should not forget the bilateral perspective of CBC, which is often decisive for the quality of co-operation at the local level.

Polish-Lithuanian co-operation in the accession period

There were several bodies set up within the framework of Polish-Lithuanian co-operation: i) the Council for the Co-operation of the Polish and Lithuanian Governments (supervising Polish-Lithuanian Commission on Economic Co-operation); ii) the Consultative Committee of the Presidents of Poland and Lithuania; iii) the Parliamentary Assembly of the Polish and Lithuanian Parliaments.

Both countries were also co-operating within the Council of the Baltic Sea States on the Kaliningrad issue. Poland supported the Nida Initiative, for example, and the Lithuanian authorities consulted their

⁵⁶ For recent EU activities concerning border regions in the context of the enlargement please see: *Progress Report on the Communication from the Commission on the Impact of Enlargement on Regions Bordering Candidate Countries*, COM(2002) 660, Brussels 29.11.02:

http://europa.eu.int/comm/regional_policy/sources/docoffic/official/communic/border/avan cement_en.pdf (ed.).

Polish counterparts on the idea of the Vilnius Group (modelled on the Vishegrad Group).⁵⁷ Both countries are co-operating with the Kaliningrad Oblast within their bilateral relations with the Russian Federation. According to information from the Polish-Lithuanian Chamber of Commerce, Polish-Lithuanian trade increased from USD 4.1m in 1992, to over USD 1bn in 2001, and both countries became important partners on the eastern markets – or (as in the case of Kaliningrad) rivals on the food market.

Polish-Russian transfrontier co-operation

The head of the Olsztyn *voivodship*, Roman Przedwojski, and the head of Kaliningrad Oblast Administration, Yurii Matochkin, signed the first agreement on transfrontier co-operation on 5 September 1991. Its aim was to intensify trade exchange, support border movement development and exchange economic information and co-operation in the sphere of environmental protection (mainly in the Vistula/Kaliningrad Bay). This local initiative was agreed and signed prior to a governmental agreement, which was signed on 22 May 1992. The intergovernmental agreement on co-operation between the northwestern *voivodships* of Poland and the Kaliningrad Oblast of the Russian Federation listed the most important fields of co-operation in its articles 8, 11 and 14:

- i) development of international transport for passengers and goods (including reconstruction of the Elblag-Kaliningrad highway);
- ii) development of scientific-technical co-operation, common projects in telecommunications, port economy, agricultural products processing;
- iii) support for cultural, educational and tourist co-operation on every level of local government;
- iv) common activity towards environmental protection and the prevention of environmental disasters in border areas.

Article 12 provided for common training for military personnel dismissed from service in the Baltic Fleet. It also touched upon the possibility of funding a European University in Kaliningrad. Based upon Article 15 of

_

⁵⁷ Statement by Evaldas Ignatavićius, Lithuanian deputy foreign affairs minister, at Northern Dimension conference in Luxembourg, 9 April 2001; see: http://users.skynet.be/lt-mission-eu/press/20010409Statement.html.

the Agreement, the parties nominated their representatives for cooperation (Governor Yurii Matochkin for the Russian side and Kazimierz Korona, under-secretary of state in the Ministers' Council Office of Poland, for the Polish side). The heads of Elblag, Olsztvn and Suwałki voivodships and the governor of the Kaliningrad Oblast also signed the Intergovernmental Agreement.⁵⁸ Co-operation within the fields was defined in detail during the round table meetings and sessions of the Polish-Russian Council for Co-operation between the North-West voivodships of Poland and the Kaliningrad Oblast. The fourteen permanent commissions of the Council concentrated on the modernisation of border crossing points, land and sea transport facilitation, Vistula Bay ports, trade exchange, environmental protection including Vistula Bay, border rivers, parks ("Green Lungs" cross-border project), the development of economic co-operation including SME and self-government co-operation. Local authorities, the representatives for the co-operation of the Kaliningrad Oblast Administration, the Kaliningrad City Mayor and that of the neighbouring Polish voivodships. addressed their initiatives to the commissions. However, insufficient financing made these works limited to the stage of research and conceptual elaboration. Other factors also undermined the significance of the commissions. In 1999, Poland became a NATO member. The new governor of the Kaliningrad Oblast, Leonid Gorbenko, announced his idea for a new transport corridor - Gusey-Goldap-Suwalki-Grodno.

This project was supported by presidential decree No 2117 dated 7 December 1993, and by the increasing importance of economic cooperation between Kaliningrad and Belarus, and between Kaliningrad and the internal Russian market. Until the transit issue was resolved, the idea of transport corridors circulated in the Russian public debate regarding relations between the region and the federal centre. Another idea was also promoted – to include Kaliningrad in the international transport networks, Via Baltica and Via Hanseatica, which would require external funds for the modernisation of the Kaliningrad-Elblag

-

⁵⁸ J. Dudo, *Kaliningradzka szansa* [Kaliningrad chance] in: *Podstawy Rozwoju Zachodnich i Wschodnich Obszarów Przygranicznych Polski* [Principles of Development of the Western and Eastern Border Regions of Poland], "Biuletyn" No 2: *Problematyka wschodniego obszaru pogranicza* [Eastern Border Regions], A. Stasiak (ed.), PAN IGiPZ, Warszawa 1993, p. 95; Z. Olszewski, *Podstawy współpracy z Obwodem Kaliningradzkim* [Principles of co-operation with the Kaliningrad Oblast] in: *Podstawy...*, "Biuletyn" No 6: *Problemy współpracy przygranicznej pomiędzy Polską i obwodem kaliningradzkim FR* [Problems of trans-frontier co-operation between Poland and the Kaliningrad Oblast of the Russian Federation], Warszawa 1994, p. 26.

highway, and the roads leading to the borders. When the then Prime Minister Putin announced the "Pilot region" concept in 1999, Kaliningrad became internationally popular and the Baltic Sea states offered the region a wide range of areas for co-operation. Also, projects financed by EU members were offered. At the same time, the attractiveness of Kaliningrad's partner regions in Poland (focused on the process of adaptation to acquis communautaire) decreased.59 Investment projects proposed by the Polish deputy Prime Minister Marek Pol in 2002 did not change this 'suspended' state of affairs. The package included projects from the construction, building, energy, motorisation and communication sectors. ⁶⁰ The problem of gas supplies and the unresolved issue of disproportions in the Polish-Russian trade exchange made both sides come back to the idea of 'round tables'. Currently, the Polish-Russian 'strategic commission' is trying to elaborate concepts and mechanisms for stable and intense cooperation in the area, including Kaliningrad. In fact, however, there was no breakthrough in economic relations with Kaliningrad clearly oriented on EU-members markets.

Lithuanian-Russian transfrontier co-operation

Lithuania began co-operation with Kaliningrad in the beginning of the '90s. The Lithuanian-Russian agreement on economic, social and cultural co-operation for the Kaliningrad Oblast's development was signed 29 July 1991. This agreement was developed in an agreement between the Kaliningrad Oblast and Lithuania's regions, signed 29 July

-

⁵⁹ One would have expected that Vladimir Putin's visit to Poland in January 2002 would have helped to intensify co-operation. President Kwaśniewski stated then that: "It is Russia, in the first place, who should think of how to stimulate Kaliningrad Oblast's development. We present our best will in this aspect even before accession to the EU. Poland, as an EU member, would propose some concept for this Russian region". President Putin, for his part, said that any positive development of the borderlands is impossible without the positive development of the Kaliningrad Oblast; "Kaskad" No 7, 17 January 2002.

January 2002.

From a formal point of view, presidential decree No 305, dated 8 April 1997, bans foreign enterprises from public auctions. When the so-called 'Pol's package' was rejected in Moscow, Kaliningrad's authorities proposed an idea whereby 40-50 new Polish SME-s, mainly construction enterprises, would give foreign investment within the framework of the Federal Targeted Program for the Kaliningrad Oblast's Development, which in fact lacks funds.

⁶¹ Entered into force on 4 June 1992.

1999,⁶² which promoted the principle of equal rights for the citizens of both countries on the transit issue. These documents embraced the following fields of co-operation:

- i) transfrontier economic co-operation;
- ii) development of border infrastructure;
- iii) support for SME-s;
- iv) integration of the energy market in Baltic Sea region;
- v) environmental protection;
- vi) judiciary and social systems;
- vii) civil security.

The Lithuanian-Kaliningrad Council for Co-operation was founded on 13 June 2000, similar to the one in Poland. The Council set up working groups in order to solve precise problems of regional co-operation. Regular meetings of parliamentary delegations from Lithuania and Kaliningrad are held. The Nida Initiative was accepted by the Lithuanian-Kaliningrad Council for Co-operation as the basis for future activities on 14 June 2000. According to the Nida Initiative, the projects concerning Kaliningrad initiated by the Council of Baltic Sea States and consulted within the Northern Dimension were selected to be supported first by the EU.

Together with Kaliningrad and Belarus, Lithuania prepared a project under the heading of environmental protection entitled "Management of Nemunas Basin". In 2000, thanks to Lithuania's and the Russian Federation's common efforts, the Kuronian Spit was added to the World Heritage List of UNESCO. These activities are 'historically' associated with CBSS initiatives, but at the same time they seem to be especially promising for further CBC development.

In Lithuania, as in Poland, co-operation with Kaliningrad is perceived as an element of sustainable growth in the Baltic region. Vilnius is willing to take part in works on the strategy of the development of the region in the context of EU enlargement. A series of international meetings, 'Kaliningrad round tables' devoted to, among other things, the Baltic

64

⁶² Agreement between the Government of the Republic of Lithuania and the Government of the Russian Federation on the long-term co-operation between the regions of the Republic of Lithuania and the Kaliningrad Region of the Russian Federation; entered in force 26 January 2000.

ports role, their niches and co-operation between the Kaliningrad and Klaipeda ports ('2K' project⁶³), are meant to fulfil this aim.

As early as in 1997, Lithuania and Poland promoted the concept of 'good neighbourly relations' to describe their co-operation with Kaliningrad. From the perspective of Vilnius and Warsaw, Euroatlantic integration should benefit the Kaliningraders due to intensified human contacts and supra-regional and cross-border co-operation, especially that of an economic nature. However, it is hard to evaluate whether all the possible CBC mechanisms with Kaliningrad were used by Poland and Lithuania.

Transfrontier economic co-operation

For Poland, as well as for Lithuania, Kaliningrad is an attractive trade partner. After the August 1998 crisis, these countries were the first to re-establish their economic co-operation with the exclave.

In 2001, the Kaliningrad Oblast's trade exchange reached USD 1.394bn, including exports worth – USD 397.4m and imports worth – USD 997.3m. The Kaliningrad Oblast's trade exchange of goods in the same year reached (in millions of US dollars): 278.4 with Poland; 264.8 with Germany; 112.1 with Lithuania. In 2002, these indices remained on a similar level. It may be interesting to add that in 2001, Russian imports from its main economic partners were as follows (in millions of US dollars):

- 1) 6,626.75 from Germany (14.16%);
- 2) 3,834.25 from Ukraine (9.76%);
- 3) 3,162.90 from USA (8.05%);
- 4) 944.43 from Kazakhstan (2.4%);
- 5) 944.43 from Poland (2.4%).⁶⁵

⁶³ It provides for equality in transit tariffs for cargoes transported through Lithuania to both the Klaipeda and Kaliningrad ports, and for strengthened co-operation within cargo deliveries to mainland Russia.

65

⁶⁴ Conference Coexistence of Nations and Good Neighbourly Relations: The Guarantee of Security and Stability in Europe was held in Vilnius with participants from 11 Baltic region countries and the Prime-Minister of Russia.

⁶⁵ "Rynki Zagraniczne" [Foreign Markets], 2002, No 37-38.

Both Poland and Lithuania have a positive trade turnover with Kaliningrad, compared to an increasingly negative one with the Russian Federation as a whole. Oil (mainly extracted from local deposits), oil-products and gas dominate in Kaliningrad's export profiles to Poland and Lithuania (up to 80%). Other important categories of export goods are chemical products, fertilisers, food, machinery, furniture, and construction services. ⁶⁶

Both countries are important investors and leaders in the number of joint ventures established in Kaliningrad. In 2000, foreign investments in Kaliningrad accounted for USD 19.143m, including:

- 1) USD 4.488m of Swiss investments (23.4% of all);
- 2) USD 3.89m of Polish investments (20.3%);
- 3) USD 3.724m of German investments (19.5%);
- 4) USD 2.1m of Austrian investments (11%);
- 5) USD 1.283m of British investments (6.7%);
- 6) USD 1.068m of Cyprus investments (5.6%);
- 7) USD 634,000 of Norwegian investments (3.3%);
- 8) USD 618,000 of the US investments (3.2%);
- 9) USD 454,000 of Estonian investments (2.4%);
- 10) USD 40,000 of Lithuanian investments (0.2%);
- 11) USD 844,000 of other countries (4.4%).

There were 1,655 joint ventures registered in Kaliningrad by 1 December 2001. Foreign investment in these enterprises accounted for 793.1m roubles. In 2001, foreign investments in the exclave accounted for USD 20m. For the first 9 months of 2002, there were USD 15.4m of foreign investments in Kaliningrad, including: Switzerland – almost 4m; Cyprus – 2.8m; Germany – 2.9m; Liechtenstein – 1.5m. Poland and Lithuania invested in Kaliningrad in this period only USD 87,000 and USD 2,900 respectively. For several years the level of foreign investments in Kaliningrad has remained the same, regardless of the conveniences of SEZ. The inappropriate structure of SEZ mechanisms should be blamed for this relatively low level of investment. The total share of enterprises with foreign capital in Kaliningrad is only 10%. The

www.kaliningradka.ru accessed on 5 December 2002.

_

Data presented by Polish Trade Consulate in Kaliningrad.

⁶⁷ V. Yegorov, *Region sotrudnichestva* [Region of co-operation], "Kaliningradskaya pravda" No 18, 30 January 2002. Data presented by governor Yegorov at the session of Social Committee "Russia in United Europe" 22 January 2003 in Moscow.

regional authorities have appealed for increased investments to Poland and Lithuania for a long time.

According to one evaluation, imports constitute nearly 70% of Kaliningrad's trade turnover. This tendency was strengthened in 2002. when over 75% of goods were imported from EU member states. For example, according to Kaliningrad's media, the value of raw meat imported from the EU to the exclave in 2002 was USD 120m, which exceeds the annual income of the regional budget. It means that the exclave is increasingly becoming an important channel for imports to the Russian Federation. In this context one can ask, what is the real purchasing power of Kaliningraders? The different levels of economic development of Kaliningrad's main trading partners in the Baltic Sea region can be presented using gross domestic product (GDP) level per capita according to purchasing power parity (PPP). The difference between Germany and Poland is 2.48:1: between Poland and the Russian Federation 1.48:1: between Lithuania and the Russian Federation 1.08:1.69 In 2001, the gross regional product (GRP) per capita reached USD 4,900 in the Kaliningrad Oblast and in other West-Northern Russian regions was as follows: USD 6.300 (Leningrad Oblast), USD 6,150 (Novgorod Oblast). In the entire North-Western Federal District only Pskov Oblast indicated a lower rate - USD 4,550. However, the everyday life of the Kaliningraders, and the long queues at the border crossing points (BCP-s), proves that the above mentioned rates are definitely higher in practice. Official statistics do not track the shadow economy, which embraces at least 60% of Kaliningrad's economy and gives jobs to 45-60% of the professionally active population.⁷⁰ The shadow economy includes unregistered economic activity, hiding from tax services and it also includes cross-border smuggling. However, one can say that the smuggling of excise tax goods to Poland and Lithuania is vital for social reasons on both sides of the border, but the negative consequences of the present situation are crucial. First of all, smuggling petrifies an underdeveloped economic model; secondly, it destroys local industry; thirdly it leads to corruption and social pathologies. The shadow economy excludes from

-

G. Gorzelak, B. Jałowiecki, *Oddziaływanie granicy na gminy województw nadgranicznych. Wyniki badań ankietowych* [Border influence on the districts of border *vojvodships*. Results of sociological research], "Studia regionalne i lokalne" z. 2-3, 2001.

N. Smorodinskaya, *Svoy sredi chuzhih, chuzhoi sredi svoih* [Our man among strangers, a stranger among our men], "Kaliningradskaya Pravda" No 62, 4 April 2002.

transfrontier co-operation its most important feature – a friendly border with human contacts and easy movement of goods.

Economic basis of co-operation

Criticism of the Special Economic Zone (SEZ) scheme is rising, since it was limited to value added tax exclusion on goods imported to the exclave, then "processed" and exported to mainland Russia; and on car-assembly plants. This scheme has been mainly supporting shadow economic developments and unlimited imports. Some critics have indicated other ways for modernising Kaliningrad's economy, closely connected with the process of European integration and co-operation with the exclave's direct neighbours.

In 1996, the United Nations Industrial Development Organisation (UNIDO) launched its "Restructuring and revitalising the Kaliningrad Region" project. In its framework, studies on the following sectors of the economy were carried out:

- i) infrastructure:
- ii) shipbuilding industry and repair of ships;
- iii) pulp and paper;
- iv) investment promotion;
- v) food processing;
- vi) conversion of military industries into civilian ones.⁷¹

The project was launched again in 2001 thanks to Finnish financial support. However, this attempt to evaluate the real value of the regional economic infrastructure went unnoticed by the federal programmes. Perhaps the Russian authorities did not care as much about the sustainable development of the region, or at least not as much as they cared about Kaliningrad's role in Russian-EU relations.

Towards the end of 2001, a new federal programme for the development of the Kaliningrad Oblast was signed. Originally, reactions both in Kaliningrad and on the international scene were quite positive. The Prime Minister, Mikhail Kasyanov, declared that the programme would make Kaliningrad a leader in development and co-operation. This enthusiasm led some observers to forget that the previous federal programme only received 2% of promised funds for the period 1998-

-

⁷¹ The project's budget was USD 448,828, see: www.unido.org.

2000. The new programme provided for over 124 projects with a total cost exceeding USD 3bn, of which only 11.5% will come from central and regional budgets. All the rest is supposed to come from private investors (like Gazprom, RAO YES etc.), including foreign investors. The above-mentioned package of Polish investment projects was ignored. Aims declared by the programme had little in common with the idea of regional export. The regional administration prepared the "Strategy of the social-economic development of the Kaliningrad Oblast as a region of co-operation to 2010" in August 2002. One of its principles was that Kaliningrad, as a Russian region, would participate in the Common European Economic Space under the conditions of visa-free transit, and have full access to EU and Northern Dimension programmes on regional development, transport co-operation and environment protection guaranteed by a special EU-Russian agreement. The Strategy defines Kaliningrad's role as follows:

- i) A Russian test-case for supporting European integration;
- ii) A centre of convenience for contacts between the Russian and Central-Eastern Europe economies;
- iii) A technological resource;
- iv) A ground for East-West co-operation in financial, telecommunication, and consulting sectors.

The latter, according to the Strategy, already now demands increased support from the EU for the creation of a command centre for piloting the processes of transport, standardisation and certification of goods and services. The centre would also provide training in modern technologies. The direct neighbours of the exclave — Poland and Lithuania — are also subjects for this strategy of co-operation.

The Moscow centre of the East-West Institute (New York) has announced a new programme for transfrontier co-operation. Formally, this idea completes the Concept of Transfrontier Co-operation accepted by the Russian government on 9 February 2001. The programme backs the idea of a pilot region, which would demand, according to the authors of the programme, that the regional budget was prepared with respect to the EU standards and guaranteed 8% growth. At the same time, the region should be closely tied to the North-Western district of the Russian Federation, in order to avoid provincial status on the peripheries of a united Europe.

Only after Poland and Lithuania's accession to the EU will we learn the answer to the question of whether the programme is based merely upon the assumption that Kaliningrad should be a middleman between West European countries and the Russian Federation, which was the central idea of the Polish and Lithuanian policies. After enlargement, EU members will perhaps come to the conclusion that St. Petersburg is a better partner for economic co-operation than Kaliningrad. And the latter will probably become a region of cross-border activity for Polish and Lithuanian border districts.

The Russian Federation and the European Union: Kaliningrad and Beyond

Timofei Bordachev Carnegie Moscow Centre

The co-operation programme between the Russian Federation and the European Union, regardless of its very limited practical impact, has always been impressive. Since relations were reactivated in 1999, after a period of long stagnation, there have been a number of high-level Russian Federation-EU summits and lower-level working meetings. At least three major initiatives – the Common European Economic Space (CEES), the Energy Dialogue and Co-operation in Security and Defence Matters – were launched during the latest period. Given such ambitious plans and exciting consultations, one would have expected the year 2002 to become one of the most productive years in mutual relations. At least, there are many obvious needs for new strategic decisions to be made.

However, the political quarrel about the future of Kaliningrad transit dominated the entire agenda of Russian Federation-EU relations for nearly all of 2002. At the moment it is possible to assert that the issue of Kaliningrad transit basically killed two Russian Federation-EU summits (in May and November 2002), leaving aside equally if not more important items such as those already mentioned above. Moreover, the entire discussion of the Kaliningrad transit issue has proved that both sides tend to look at the problem from different perspectives. The EU considers the local socio-economic and ecological environment as the most important field for co-operation with the Russian Federation. Moscow, on the other hand, does not pay too much attention to these spheres, but rather focuses on purely political issues.

One appropriate example appears in this regard: during the latest Russian Federation-EU summit in Brussels (11 November 2002), high-level parties approved three Joint Statements (Kaliningrad, Middle East and Terrorism) and two reports (one on Energy Dialogue and the other the High-Level Group Report on the preparation of CEES). Among them, the purely technical Kaliningrad issue was given much more visible attention and longer documentation than those on the strategic prospects of relations (Energy and CEES). This indicates firstly, slow progress in the elaboration of the future parameters of economic

relationships, which are still held up by the gaps in the implementation of the pre-existing Partnership and Cooperation Agreement of 1994 (PCA) and unclear prospects as to when the Russian Federation will actually join the World Trade Organisation (WTO); and secondly, the narrow limitations of a common economic agenda that leads to the need to fill time with something else.

One more illustration: for the EU, the Kaliningrad transit problem has always been technical in nature and most of Brussels' suggestions try to resolve it through purely technical means. Yet the Russian President, while speaking on the final May summit press-conference clearly pointed out that, for him, "the way the Kaliningrad problem is resolved (...) is **the absolute criterion** of the true nature of our [the Russian Federation's and the EU's – TB] partnership".⁷²

Thus, the political crisis on Kaliningrad transit has shown that, despite nearly ten years of dialogue, relations between the Russian Federation and the European Union may easily be affected by severe troubles. These troubles can come from a wide range of issues, such as the Chechnya problem, human rights or EU enlargement. In all of these areas both the Russian Federation and the EU have some points of potential misunderstanding. Under existing international circumstances (the new global policy of the USA and the Russian Federation's own security concerns), these sporadic troubles can extend to wider and longer disagreements on the principal questions of both international security and bilateral relations. And who would seriously doubt that such unstable relations will jeopardise both European and international security?

The Russian Federation and the EU: falling out of step

The sources of troubles and instability lie mainly in the asymmetry between the partners' goals and expectations. What the EU needs in the Russian Federation is, at best, a reliable and stable economic partner operating on the same standards as Europe; at worst, a sustainable supplier of energy resources no less politically stable than

_

Putin nastaivaet na neobhodimosti obespechit' tranzit lyudey i gruzov mezhdu Kaliningradskoy oblastyu i ostal'noy Rossiey [Putin emphasizes the necessity to secure the transit of people and goods between the Kaliningrad Oblast and the rest of Russia], Interfax 29.05.02.

now. What Moscow wants in Europe is, at best, an unlimited source of direct foreign investment and technologies; at worst, an interfering political tutor and still limited investor.

EU policies towards the Russian Federation and their practical implications are not free from criticism. Nevertheless, during the 1990s, this policy was at least consistent with EU legal foundations and answered most European integration needs. The first major achievement of the European policy towards the Russian Federation was the conclusion of the PCA in 1994. Despite the fact that this agreement came into force only in December 1997, due to the first Chechen war, it provides the partners with a wide range of economic and political opportunities. A large variety of institutions were also established under the PCA and a lot of legal harmonisation was envisaged. Later, in 1999, the Cologne European Council adopted the EU Common Strategy on the Russian Federation – the first attempt to activate a new European foreign policy mechanism stipulated by the Amsterdam Treaty.

In contrast, the Russian Federation's policy towards the EU was much less defined and reflected preoccupation with a variety of internal and external concerns. The Russian Federation has always treated the EU as a purely international institution where a supranational element does not play a substantial role. Consequently, even if some serious lessons of Schengen (see comments below) have already been learned by Moscow, the Russian leadership still tends to pay more attention to bilateral relations with Berlin, London, Paris or Rome, than to Brussels. This basic misunderstanding provoked, in addition, a profound Russian Federation neglect of EU laws and legal backgrounds (known as the acquis communautaire). Moscow lacks elementary knowledge of the structure and operational procedures of the European Union. Undoubtedly, in the case of primitive trade conducted on the 'gas for consumer goods' basis, there is no need for the economic systems to

-

⁷³ See some relevant analysis in: M. Vahl, *Just Good Friends? The EU-Russia 'Strategic Partnership' and the Northern Dimension*, Brussels 2001; Y. Borko, *The European Union's Common Strategy on Russia: a Russian View* [in:] *The EU Common Strategy on Russia. Learning the Grammar of the CFSP*, H. Haukkala and S. Medvedev (eds.), Helsinki-Berlin 2001; I. Kempe, *Direct Neighbourhood Relations between the enlarged EU and the Russian Federation, Ukraine, Belarus and Moldova*, Gütersloh 1998; D. Gowan, *How the EU can help Russia?* London 2000; I. Leshukov, *Russia and the European Union: A Strategy of Interaction* [in:] *Russia and European Security Institutions*, D. Trenin (ed.), Moscow 2000, p. 34-36.

establish closer relations. At one time, this sort of trade was practised by the USSR, which did not attempt to find out more than the absolute minimum about its partners. Today, however, partners cannot follow the same practices. The direct neighbourhood situation after EU enlargement and any possible sort of deeper Russian Federation economic engagement with Europe requires much more than a basic understanding of European practices.

Moreover, the objectives of the partners are different. Once adopted, mutual strategies of the Russian Federation and the EU have demonstrated their entirely different approaches to relations. Whereas the Russian Federation intends to build a 'strategic partnership' of equals, the EU Strategy aims to change the Russian Federation itself in order to make this country consistent with the EU 'terms of reference'.⁷⁴

At the moment, relations between the Russian Federation and the EU include both economic and political dimensions. The first, economic, includes implementation of the PCA, eventual establishment of the CEES or free trade areas (FTAs) and energy dialogue. Some remarkable achievements have been made in this sphere but it still suffers from the problems caused by shortcomings in the Russian transition as well as by difficulties in the adaptation of the already developed Russian market economy (known as 'wild capitalism') to the European norms and standards. The most illustrative example of this could be the constant failure of the Russian Federation to implement basic PCA-94 requirements.

The second, namely, political co-operation, works as a kind of appropriate compensatory mechanism to fill the gaps in the economic area. It is probably the most encouraging area of Russian Federation-EU relations since Prime Minister Putin started to meet the EU 'Troika' leaders on a regular basis, beginning in December 1999 with the EU Helsinki Summit. Since then the practice of EU-Russian Federation

⁷⁴ See: Common Strategy of the European Union on Russia of 4 June 1999 [in:] "Official Journal", 24 June 1999, L 157/1-L 157/9; Mid-term Strategy for Development of Relations between the Russian Federation and the European Union (2000-2010), document presented by then Prime Minister Vladimir Putin at the EU-Russia summit in Helsinki, 22 October 1999,

http://europa.eu.int/comm/external_relations/russia/russian_medium_term_strategy/index.htm.

summits⁷⁵ has become common and they have proved to be a good source of interaction that enables the EU leadership to inform Russian Federal authorities of European expectations, and to draft a common agenda for a period of six months and even longer. At the same time, these contacts serve to keep Vladimir Putin aware that Europeans want to have stable relations with the Russian Federation and do not have any intention to isolate Moscow while extending Western institutions. This partnership also supports the development of the EU defence and security dimension and plays a significant role in maintaining European security. Nevertheless, the political dialogue between the Russian Federation and the EU is also affected by EU concerns about the human rights situation in the Russian Federation.

If one looks at the Russian Federation-EU contemporary agenda it is relatively easy to note that four major areas of mutual interest are constantly present on the table. They are: economic relations (including energy dialogue), Russian Federation transition towards democracy and the rule of law, international security problems and, last but not least, future integration prospects.

In the area of economics, the Russian Federation's major interest, as can be judged on the high-level statements, consists of attracting greater European investment and technologies. According to the views of the current Russian elite. European investment and know-how should support the Russian Federation in its modernisation efforts which can, in due course, make the country much more competitive on the international market. The strategic aim of reaching competitiveness through modernisation has been repeatedly stressed in President Putin's interviews as well as in his addresses to the national legislature and foreign audiences. There has already been an example of modernisation breakthrough based on Western technologies under Tsar Peter the Great, at the beginning of the XVIII century. Now it seems that Moscow has finally chosen more or less the same approach after the failure of post-imperial policies during most of the 90s. Nevertheless, the internal Russian Federation debate on What for? (the Russian Federation needs to become modernised and competitive) is still far from over.

-

⁷⁵ Since March 2000 there have been four Russia-EU Summits: in Moscow (29 May 2000), Paris (30 October 2000), Moscow (17 May 2001), Brussels (3 October 2001), Moscow (29 May 2002) and, surprisingly, Brussels (11 November 2002). The forthcoming is to take place in St. Petersburg by the end of May 2003.

In the field of Russian Federation-EU energy co-operation, the interest of Moscow is much more clear. Putin wants the Russian Federation to become a major supplier of raw natural materials to Europe, and to play this role in the foreseeable future. That is why he fully supported the idea to establish the Russian Federation-EU Energy Dialogue in October 2000. Under the Energy Dialogue, several groups of experts were nominated under the general guidance of the Russian Federation Vice-Prime Minister Viktor Khristenko and Francois Lamoureux. Director-General of the Directorate General for Energy and Transport. This new partnership should improve energy relations and ensure that the policies of opening and integrating energy markets are pursued, covering oil, gas and electricity. So far, very limited progress has been achieved, since the EU wants the Russian Federation to make concrete commitments in terms of fiscal stability, protection of investment, improvement of the legal framework and access to the Russian Federation's transport infrastructure. The Russian Federation, in contrast, aims to accelerate the reforms of its energy monopolies, to attract investment and, most importantly, increase its oil and gas exports by reorienting its energy production and consumption systems.

Most Russian big business circles are very reluctant when it comes to the practical aspects of Russian Federation-EU economic co-operation. This co-operation presumes many things which are not profitable for Russian entrepreneurs, especially those of traditionally profit-making sectors. The biggest problem is that profit-making attitudes are more likely to appear in sectors that are most interesting for EU companies, such as the energy, banking and insurance markets. A competitive environment is definitely not in the interest of most oligarchs, and they will do their best to soften the circumstances of WTO entry or PCA implementation for their personal well-being.

One of the clearest examples of this misunderstanding comes from the content of discussion on the Russian Federation's possible WTO entry. The firm European position is that the Russian Federation should make a serious commitment to somehow bring its internal energy prices closer to European ones. The existing practice of energy pricing in the Russian Federation is, from Brussels' viewpoint, quite unfair and provides Russian Federation firms with a state-supported advantage. The Russian Federation's position is quite different and points out that its huge energy resources are a natural national advantage and should not be ignored simply to please the European competitors. We can

foresee similar problems with regard to Russian Federation labour conditions or environmental policy. If any progress in establishing the Free Trade Area between the Russian Federation and the EU is achieved, it could be fair from the European perspective to demand that the Russian Federation adopts similar labour and environmental laws to Europe.

In the area of internal Russian politics, the interests of Moscow and the EU also differ. Since the very beginning of the 1990s, the Russian Federation's democratic transition has been in the headlines as a goal of Western policies, including those of Europe and the United States. After the new republican administration came to the White House, American attitudes changed towards neglecting some of the human rights and democracy issues in the Russian Federation in order to facilitate security co-operation with Moscow. 76 The European position remained the same. Once it was adopted, the Common EU Strategy on the Russian Federation stressed that "a stable, open and pluralistic democracy in the Russian Federation, governed by the rule of law and underpinning a prosperous market economy..." is task number 1 in EU policy. The EU also "remains firmly committed to working with Russia (...) to support a successful political and economic transformation..." In contrast, the Russian Federation's "Medium-term Strategy" on the EU does not give too much attention to internal Russian Federation issues (the impact of co-operation on them), while underlining the importance of 'strategic partnership' of equals that does not "limit the sovereign rights of Russia as a world power". One particular issue is Chechnya where the partners' points of view slightly differ. 77

Overall, the present Kremlin administration considers all Russian internal issues as matters covered by its exclusive sovereign rights and does not welcome EU intervention.

When it comes to the area of international politics, the main point of disagreement is the attitude of the parties to the forms and limitations of European engagement in the western part of the CIS (the Commonwealth of Independent States). During the Danish EU Presidency in 2002, a "New Neighbours" initiative was approved by the

_

 $^{^{76}}$ See the impressive review of George W. Bush's policy towards Russia in: J. Goldgeier, M. McFaul, *George W. Bush and Russia*, "Current History" October 2002, vol. 101, № $\underline{657}$, p. 313-324.

⁷⁷ Common EU Strategy...; Mid-term Strategy of the Russian Federation...

EU Council. Later, namely in March 2003 it was followed by the Commission Communication "Wider Europe - Neighbourhood: a New Framework for Relations with our Eastern and Southern Neighbours" that for the first time tried to establish a general framework for EU policies towards non-accession countries.⁷⁸ Although this initiative is now regarded only "as a part reflection on the enlarged Union and its neighbours" it already presumes a much stronger engagement from the EU in Ukraine. Belarus and Moldova. The other factor is the approaching membership of Poland in the EU. Already on the eve of its EU accession, Poland presented an ambitious document on the "Eastern Dimension" of the enlarged EU external policy. So far, this is the only solid national contribution to the New Neighbourhood discussion, although it comes from a candidate country (other proposals, from the Czech Republic and Estonia, had a more technical character). It is still too early to judge what role the new EU members will play in shaping the enlarged Europe's eastern policy, but as far as Russian Federation-EU relations are concerned, one can foresee some possible tensions. Moscow still intends to preserve a sort of droit de regard vis-à-vis relations with these three western CIS countries. Unlike in Yeltsin times, when the policy towards the CIS was carried out mainly on the level of pure declarations, the new Kremlin administration does a lot practically to maintain and enforce the Russian Federation's presence in the CIS.79

Both the Russian Federation and the EU remain fully committed to the development of security and defence co-operation. After the tragic events of 11 September, a new institutional framework for co-operation was established. At the October 2001 Summit, Moscow and Brussels agreed that the Troika of the Political and Security Committee would meet with the Russian Federation's Ambassador to the EU on a monthly basis to discuss ongoing international issues. However, there is not much practical work beyond this political dialogue. There are two basic reasons for this: first, the Russian Federation cannot find a suitable role in the framework of CFSP initiatives and really does not

See the Communication at

www.europa.eu.int/comm/external_relations/we/intro/ip03_358.htm.

⁷⁹ The latter has always been one of the most crucial issues for Moscow. See analysis in: D. Gowan, *How the EU can help Russia?*; M. Vahl, *Just Good Friends? The EU—Russia "Strategic Partnership" and the Northern Dimension*, Brussels 2001.

EU-Russia Summit 3 October 2001: *Joint Declaration on stepping up dialogue and cooperation on political and security matters*; see at www.europa.eu.int/comm/external relations/russia/summit 10 01/dc en.htm.

want to do it; second, after 11 September, Moscow is more oriented towards security co-operation with the United States, leaving aside America's European partners.

The other reason behind Moscow's relaxed attitude to security cooperation with the EU is a deep scepticism about the entire prospect of the EU as an international entity. Given a great portion of 'good old' realism in Russian Federation foreign policy, the local elite still can not imagine that a multi-national state-like community could become a source of strong security commitments. Even now Russian Federation authorities consider the EU primarily as a mechanism for economic cooperation, a common market where political issues are still exclusively under the regional *Super powers* (the United Kingdom, France, and to a certain extent, Germany) responsibility. To be fair, one should admit that Europeans did a lot to support this viewpoint by stressing, particularly in France, their differences from the Americans. But this is a problem of the Russian Federation, rather than of Europe.

But the most important disagreement is likely to emerge when it comes to the future of the design of relations between the Russian Federation and an enlarged EU. So far, the most preferable option, from the EU's point of view, would be the gradual adoption by the Russian Federation of the lions' share of EU legal norms and standards. This approach was already fully reflected in the content of the Russian Federation-EU PCA of 1994 and was underlined in the Common EU Strategy on the Russian Federation of 1999. Subsequently, the clear need to bring Russian Federation legal norms and standards closer to those of the EU was supported by the Commissioner Chris Patten on the eve of the EU-Russian Federation May 2002 summit.82 In one of his most recent speeches, the President of the European Commission, Mr. Romano Prodi, evaluated the future possible relations between the enlarged EU and its neighbours as a policy of "sharing everything but institutions", 83 while basically excluding the possibility of their eventual membership to the Union. The Russian leadership, in contrast, tends to underestimate

⁸¹ D. Mahncke, *Russia's Attitude to the European Security and Defence Policy*, "European Foreign Affairs Review" 6(4) Winter 2001, p. 427-436.

Ch. Patten, Economic space and beyond: EU enlargement will help build closer economic ties between Russia and the rest of Europe, "Financial Times" 5.12.01.

⁸³ R. Prodi, *A Wider Europe – A Proximity Policy as the key to stability*, speech at the Sixth ECSA-World Conference. Jean Monnet Project. Brussels, 5-6.12.02; see at www.europa.eu.int/comm/commissioners/prodi/speeches/index_en.htm.

the problem of legal approximation and some leading Russian Federation economists have even suggested the acceptance of only part of EU law, while leaving aside those chapters which are 'irrelevant' for the Russian Federation's economic development needs. ⁸⁴ However, Russian Federation authorities do not totally exclude the country's potential to join the EU in a longer strategic term. Even in this case though, Moscow does not fully accept the prospect of losing some of its sovereign rights or giving up the administrative support of some Russian economic sectors which are not prepared to answer the second Copenhagen criteria. ⁸⁵

What is the source of these differing perspectives? The main obstacle to the future development of Russian Federation-EU relations in an integrationist paradigm is the Russian Federation's political economy. Indeed, after 10 years of changes, the Russian Federation has not managed to meet the recognised standards of democracy and a market economy, and there are clear indicators of this situation. Nevertheless, a particular economic system has already emerged in the Russian Federation. This system has a more or less stable institutional equilibrium that defines relations between major local political and economic actors. 86

This balance is equally related to the results of the privatisation process and supported by Putin's internal policy after May 2000. After the most influential media oligarchs of Yeltsin's times were removed from the Russian Federation's political scene, a new balance of power between the Kremlin and the economic elite has emerged. The core of this package is a merger between business and politics.

As a result, we have a situation where both the Russian Federation's political authorities and businesses are in favour of co-operation with Europe and expect certain economic and political benefits from it. But at the same time, the Russian Federation's government is not interested in having the EU intervene in internal Russian Federation affairs, among them, the long-lasting war in Chechnya and freedom of

⁸⁴ V. Novikov, *Common European Economic Space: the Choice of Space or the Space of Choice?* "Russian Economic Trends" Q. 4 2002.

⁸⁵ "Existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union".

⁸⁶ See developed arguments in: C.G. Gaddy, B.W. Ickes, *Russia's Virtual Economy*, Washington 2002.

speech, since it would affect the Kremlin's sovereign rights. As for the Russian Federation business elite, they would like to receive income from energy exports and some new technologies, but will not support the arrival of European competitors.

Table 1. Interests and expectations in the Russian Federation-EU relations

Area of interaction	Interests of the Russian Federation	Interests of the EU
Economics & energy dialogue	greater European investment in Russian Federation companies, bigger role for the Russian Federation as a main energy provider for the EU	opening of the Russian Federation market for the EU goods and services; balance of natural energy sources suppliers (no monopoly)
Internal politics of the Russian Federation	no EU influence at all	profound change of Russian Federation domestic political environment including human rights issues
International politics	co-operation of equals that does not affect the Russian Federation's interests in CIS (Mid-term Strategy)	Security dialogue with the Russian Federation that does not prevent EU engagement in western CIS states (Bel,Ukr,Mol)
Integration prospects	bringing legal standards closer to EU standards while not losing Russian Federation natural advantages (natural resources and labour conditions)	eventual adoption of the EU acquis communautaire by the Russian Federation

Sources: Russian national foreign policy documents, official statements of Moscow authorities, the EU documents on the Russian Federation (www.europa.eu.int/comm/external_relations/russia/intro/index.htm) etc.

Kaliningrad case-study

There are two major lessons that can be learned from the conflict surrounding Kaliningrad transit. First, Russian Federation policy towards the EU is still based on the fundamental misconception of the Union's status as a supranational entity. As it has been already mentioned above, one of the biggest misconceptions of Moscow with regard to the European Union has been a fundamental neglect of the EU's role as a single international economic and political player. This attitude was behind Putin's May 2002 demands to keep the visa-free regime after Lithuania joins Schengen. However, there are also some good signs. For example, Putin's recently appointed representative for Kaliningrad, Dmitry Rogozin, mentioned with pride that soon after his appointment he studied the whole of the Schengen *acquis!* Thus, after Kaliningrad, Russian Federal authorities started to study the EU and to learn more about it; this is already a very positive outcome.

Second, if the European Union wants to do something to really improve the situation it must take careful notice of general Russian Federation developments. The Kaliningrad problem should not be taken as an exception in Russian Federation-EU relations. Three features appear in this context: first, the Kaliningrad issue reflects the existing misunderstandings, both in terms of requirements and final objectives of co-operation. Second, the change of the Kaliningrad political economy is, to a large extent, possible only if much wider improvements occur in the whole of the Russian Federation. Third, if the Russian Federation keeps its present integrationist stance, the country's border regions, Kaliningrad among them, could play a significant role as a test-case for bringing Russian Federation regulatory norms and standards closer to those of the EU.

State of affairs: 2003

Despite all the above-mentioned misunderstandings, both the Russian Federation and the EU have in the future no other reliable option than to co-operate. There are several basics involved: economic interdependence, geographic proximity, historical and cultural ties. Nevertheless, the weight of the partners is quite different. While still a political and military (thanks to its nuclear arsenals) giant, the Russian

Federation is an economic dwarf. Its heavy dependence on friendly relations with Europe is based on the following prerequisites:

Firstly, for the Russian Federation, the EU remains its most important economic partner, currently taking about 36% of Russian Federation exports, which is likely to rise to 50% after EU enlargement. At the same time their economic relations and trade flows are characterised by substantial asymmetry. According to recent statistics, nearly 36% of total exports from the Russian Federation are for the EU market, but they form no more then 4% of total EU imports. Moreover, only 0.4% of European direct investment currently comes to the Russian Federation. At the moment, the Russian Federation-EU trade balance provides Brussels with a much stronger negotiating position than that of Moscow.

Secondly, oil and gas exports to the EU comprise a significant part of the Russian Federation's national budget, which the government in Moscow needs annually in order to make ends meet. According to the most modest evaluations, the share of oil and gas money accounts for between 40-60% of the Russian Federation's budget annually, and up to 30% of the national GDP. Some experts and governmental officials even predict that if world energy prices (mainly oil) fall noticeably, it could become a real problem in the execution of the Russian Federation's 2003 budget. So far, energy is the key to Russian Federation-EU relations.

Moreover, it is not oil, but rather gas that is the core of Russian Federation energy exports to Europe. And here one can find one additional argument in favour of serious Russian Federation dependence on the EU as a consumer. Oil can be profitably transported by sea and delivered to consumers all over the world. In contrast, gas can travel only through pipelines. This requires having both established pipelines and an ability to develop them or, at least, to maintain them on a relevant sustainability level. Presently, the Russian Federation seems neither to possess the necessary infrastructure oriented towards any consumers other than European ones, nor to be capable of establishing such infrastructure in the near future. That is probably why a significant part of the Russian Federation-EU energy dialogue has been devoted to providing access for EU companies to Russian Federation transport infrastructure.

The United States of America cannot replace Europe as a major consumer of Russian Federation energy exports or as a supplier of investment and technologies to the Russian Federation. Even if the share of the US investment is now the largest in the Russian Federation's incoming foreign direct investment (21.3% according to Goskomstat data), it is not likely to increase the present level of oil purchases from abroad 87

Overall, one should admit that in the energy sphere, mutual dependence between the Russian Federation and the EU is stronger than that in other areas of trade relations. The EU Green Book on security of energy supply, published in 2000, expects the share of Russian Federation gas imports to increase to 51% of total EU energy imports by the year 2020. Nevertheless, in order to sustain even the present level of supplies, the Russian Federation will need to significantly improve its infrastructure, which can be done only by attracting reliable European investment.

Thirdly, the other prerequisite is the new Russian Federation foreign policy priorities under Putin. Soon after the new President came to the Kremlin, the Russian Federation elite started to search for a new national policy towards the West. The understanding of the general failure to successfully implement the previous post-imperial foreign policy doctrine, developed under the authority of the Russian Federation's Foreign Ministry and, later, Prime-Minister Yevgenii Primakov, came in the autumn of 1999. The failure of Moscow's attempts to stop NATO from launching its air campaign against Yugoslavia in the spring of 1999, and severe European criticisms of the Russian Federation's own policy in Chechnya made leading Russian Federation political and economic circles understand that something had to be done in order to prevent further marginalisation of the country with regard to the international community.

From nearly the beginning of his term, the new Russian president started to advocate a new 'no-conflict' approach to relations with the West. Nearly all of the most negative foreign policy initiatives of Yeltsin's time, such as opposition to NATO eastward expansion or American security initiatives, were unceremoniously removed from the national agenda. Instead, the new message from Moscow emerged as

⁸⁷ President's Budget for Year 2003, see at www.whitehouse.gov/news/usbudget/budgetfy2004.

co-operation with the West, mainly Europe, aimed to achieve longerterm economic goals and support the country's modernisation under the new national leader. From that time, co-operation with Europe has mainly been perceived by the Russian Federation elites as a supreme tool to modernise Russia's economy.

Finally, the Russian Federation's strategic choice in the security sphere, initiated by President Putin after 11 September, does not leave this country with any option other than rapprochement with the West. Despite all disagreements with regard to the Chechnya problem, both Europe and the Russian Federation are in the same camp when it comes to the fundamental issues of international security, such as antiterrorist campaigns or the proliferation problem.

Scenarios for the future

Based on previous analysis and assumptions, it is justifiable to draw two possible scenarios for the future EU policy towards the Russian Federation. Both seem to be equally possible and have grounds in current conditions.

The first one – a worst case scenario – will be to a large extent a simple continuation of present practices. In this case the EU policy on the Russian Federation will be devoted to the strict enforcement of the European political, economic and legal criteria as reflected in PCA-94, the present Country Strategy Paper and other subordinated documents while not giving Moscow a real opportunity to influence the development of these criteria.

This would encourage spontaneous Russian Federation opposition to new European initiatives in politics, and a repeated failure to implement economic regulations already agreed upon. Overall, the Russian Federation can, in theory, turn away from Europe while enjoying its new security partnership with the USA. One likely EU reaction to this would be to limit co-operation with the Russian Federation with regard to simplified trade exchange in natural resources, and to enforce the existing border regime.

The second – a best case scenario – would be a more flexible EU policy. This policy should combine both soft political pressure and reliance on the snowballing effect of economic contacts, which would

make any serious break-off impossible. This policy should be supplemented with substantial Russian Federation participation in drafting the legal frameworks for the Common European Economic Space as well as closer security relationships. In this case a sort of 'Norwegian' model will be the most likely for the future. 88

Under current conditions, the Russian Federation authorities would be more open to the latter – a softer regime that will allow the internal changes to function more or less *by themselves*. Politically, this will also require the relevant participation of the USA as the only present military superpower.

-

⁸⁸ For an in-depth analysis of the 'Norwegian' model see: M. Emerson, M. Vahl, St. Woolcock, *Navigating by the Stars: Norway, the European Economic Area and the European Union.* Brussels 2002.

The Consequences of EU Enlargement for the Movement of People Across Kaliningrad's Borders

Bartosz Cichocki Centre for Eastern Studies, Warsaw, Poland

The debate on the consequences of EU enlargement for the Kaliningrad Oblast has become a hot political issue over the last two years, involving the highest authorities of both Russia and the European Union and candidate countries from the Baltic Sea region. Up until now the discussion has been focused almost entirely on the consequences of the introduction of a visa regime, and other important aspects were disregarded, to say the least. All parties of the conflict have been trying to support their positions with arguments only seemingly rooted in reality. The European Commission, for example, in its Communication "The EU and Kaliningrad" dated 17 January 2001, suggested, that one can expect a more streamlined border clearance procedure on the Kaliningrad border after Poland's and Lithuania's accession, which was the case on Finnish-Russian border after Finland's accession.⁸⁹ On the other hand, the Russian side frequently quotes unreliable statistics in order to prove how strong the negative impact of EU enlargement would be for the exclave. For example, the deputy minister of the Russian Ministry of Foreign Affairs, Sergey Razov, once said – without giving any sources – that there are 960,000 Russians transiting Lithuania by train every year, 110,000 by plane and 500,000 by cars and buses. 90 Governor Vladimir Yegorov, for his part, stated that Poland and Lithuania would have to issue 5.000 visas every day in Kaliningrad in order to satisfy social demand.91 Generally speaking, while the Russian side is trying to convince international public opinion that the EU enlargement will isolate the exclave both from its direct neighborhood and from the mainland of the Russian Federation, the EU and candidate countries are trying to convince everybody that enlargement will only bring advantages to Kaliningrad.

www.europa.eu.int/comm/external_relations/north_dim/doc/com2001_002en01.pdf.

⁸⁹ Communication from the Commission to the Council. The EU and Kaliningrad, COM(2001) 26 final, 17.01.01, p. 3; see at:

Moskva podtverzhdaet namerenye dobivatsya ot YeS sokhraneniya bezvizovogo rezhima dlya zhiteley Kaliningrada [Moscow confirms its intention to demand from EU a visa-free regime for the Kaliningraders], Interfax 5.06.02.

⁹¹ Rossii sleduyet ubeditelno otstavat' svoyu pozitsiyu po Kaliningradskoy oblasti, zayavlayet gubernator [Russia should firmly defend its position on Kaliningrad Oblast, says governor], Interfax 20.06.02.

The above mentioned statements and figures give only a flavour of the disinformation which has dominated the Kaliningrad debate. That is why a thorough analysis of the current situation on the border, using basic facts and statistics, is necessary before one can start to discuss the possible consequences of EU enlargement on the flow of people across Kaliningrad's borders, and before one can give any recommendations.

The character of border movement on the Polish-Russian frontier

The Polish-Russian border is 210 km long and constitutes slightly more then 6% of the entire border of Poland. The border was drawn shortly after the WWII, with the resulting USSR-Polish frontier dividing a territory that had been unified for centuries. The current Polish-Russian border does not follow a water system or the shape of the land, and therefore it is relatively difficult to protect. There are 5 regular border crossing points (BCP) opened for movement of persons on the Polish-Russian border. Two of them are rail BCP-s: Braniewo-Mamonovo, Skandawa-Zheleznodorozhnyi; and three of them are road ones: Gronowo-Mamonovo, Bezledy-Bagrationovsk, Gołdap-Gusev.

Border movement on the Polish-Russian frontier reached their highest rates in 1995-97. The number of crossings then exceeded 4.5m annually. Since then, border movement has decreased year by year (4,427,189 crossings in 2000, 95 3,957,102 in 2001, and 3,946,134 in 3,946,134

-

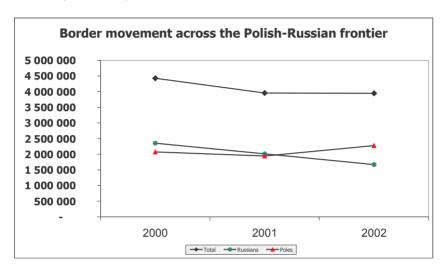
⁹² Polish Border Guards statistics: www.sg.gov.pl/granice/index.asp.

⁹³ R. Krickus, *The Kaliningrad Question*, New York-Oxford 2002, p. 1-2, 34-35, 67-68; A. Hreczuk, *Polish-Russian Relations and Kaliningrad* [in] *Russian Participation in Baltic Sea Region-Building: A Case Study of Kaliningrad*, P.D. Holtom and F. Tassinari (eds.), Gdańsk University Press, Nordeuropa-Institut der Humboldt Universität zu Berlin 2002, p. 72-73; A. Sergounin, *Kaliningrad* [in:] *Ambivalent Neighbors. The EU, NATO, and the Price of Membership*, A. Lieven and D. Trenin (eds.), Carnegie Washington DC 2003, p. 147-148.

Andrzej Janicki-Rola, *Stosunki społeczne między Polakami a mieszkańcami Kaliningradu* [Social relations between Poles and Kaliningraders], speech presented at the *Future of Kaliningrad Oblast in the integrating Europe* Conference in Cracov, 28.11.02.

⁹⁵ Sytuacja na granicy państwowej RP w 2001 roku [Current situation at the state border of Poland in 2001], Straż Graniczna, Warszawa styczeń 2002.

 2002^{96}). It is worth noticing that the number of crossings produced by Russians on the Polish-Kaliningrad border is decreasing; while in 2000 they constituted 53.16% (i.e. 2,353,478 crossings), in 2001 they constituted 50.85% (2,012,162), and in 2002 they dropped sharply to 32.39% (1,669,159).



Statistics show that Poland itself is the main travel destination for Kaliningraders crossing the border with Poland – in the first 9 months of 2002 only 11.2% declared another destination (mainly Germany). ⁹⁷

Polish Airlines LOT started regular flights (6 times a week) between Warsaw and Kaliningrad in May 2002, becoming the only international flight operator in the exclave. 98 The demand for flights fills 75% of places in ATR-5 (carrying up to 46 passengers) and ATR-6 aircraft (up to 64 passengers) on average, according to Russian data.

_

⁹⁶ Sytuacja na granicy państwowej RP w 2002 roku [Current situation at the state border of Poland in 2002], Straż Graniczna, Warszawa styczeń 2003. All border statistics concerning the Polish-Russian frontier presented in this chapter and corresponding to 2001-2002 are based on this report; border statistics corresponding to 2000 are based on Sytuacja na granicy państwowej RP w 2001 roku..., if not indicated otherwise.

Data presented by Mr. Wojciech Kałamarz, Ministry of Foreign Affairs of the Republic of Poland, at the "Kaliningrad – issue of the border movement and the enclave's future" conference organised by Centre for International Relations, Warsaw, 7.11.02.

⁹⁸ Though formally there is a new international flight operator in Kaliningrad since February 2003 – Belarussian company "Homel-avia" offers two flights a week on Homel-Minsk-Kaliningrad-Minsk-Homel route.

The above-mentioned figures do not help us to answer the fundamental question: how many people cross the Polish-Russian border? Obviously, the answer is essential when considering the consequences of EU enlargement. Research carried out by Andrzej Janicki-Rola,99 former Consul General of Poland in the Kaliningrad Oblast, points to an interesting conclusion. According to information he gathered in the Warmia-Mazury voivodship Passport Offices, there is a group of people registered in the Braniewo, Bartoszyce and Goldap districts, who regularly apply for a new passport every six months. A Polish passport allows for up to 70 visits abroad due to the limited number of pages (27) designed for border stamps. It means that people representing this group would visit the Kaliningrad Oblast 140 times a year. This figure can be doubled to indicate the number of crossings made at Kaliningrad's borders (entry and exit), which means that they would cross the border at least 4 times a week on average. One can be sure, that the reason for the group's activity is far from tourism or sociallybased relationships. 100 Estimations of the size of this group range from between 6-7 thousand to 15-20 thousand. 101 Experts agree however, that this group produces up to 90% of the border crossings. The rest of the crossings made by Poles are produced by the following categories of persons: officials of different levels of state administration visiting the exclave for professional reasons, entrepreneurs visiting their Kaliningrad counterparts, and persons visiting the Oblast incidentally every year (scholars, tourists etc.). There is no reason to believe that the structure of Russians crossing the Polish-Russian border is any different. 102 In this context, theses expressed by some scholars or officials saving that the majority, or all (!) of the Kaliningrad Oblast

⁹⁹ A. Janicki-Rola, (refer footnote 95).

For a detailed analysis of the categories of people crossing the Kaliningrad border for economical reasons see: P. D. Holtom, *Small-Scale Cross-Border Trading in Kaliningrad's Borderlands* [in:] H.-M. Birckenbach and Ch. Wellmann (eds.), *The Kaliningrad Challenge: Options and Recommendations* (forthcoming 2003).

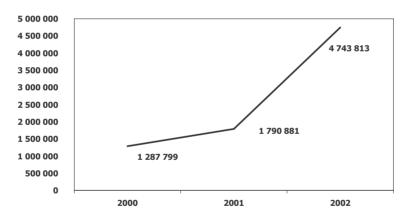
And Kaliningrad Administration estimates that there are 6,5 thousand Russian households dependent directly on shuttle trading with Poland and Lithuania.

Results of an experiment carried on by the Polish Border Guards on Bezledy-Bagrationovsk BCP in the end of November, 2002, confirm such an assumption. So called green line was opened then for persons, who have nothing to declare. During 4 days of the experiment only 45 drivers used the line despite the fact, that about 1,500 cars and 50 buses cross the BCP every day. *Na pogranichnom punkte propuska Bezledy-Bagrationovsk prokhodit ekperiment* [An experiment is under way on Bezledy-Bagrationovsk BCP], Lenta-kaliningrad.ru, 3.12.02.

residents would be directly affected by a visa regime introduction¹⁰³ become highly doubtful. The fact that only every fourth Kaliningrader has a passport proves that the majority of the Oblast's population is either not interested in, or cannot afford to, travel abroad.

Annual reports by the Polish Border Guard service indicate that the Polish-Russian border is characterised by high excise tax goods smuggling. In 2002, most of the smuggled cigarettes seized on the borders of Poland were seized on the Kaliningrad section, even though it hardly exceeds 6% of the entire border, and the number of crossings does not exceed 2,5% of the entire border movement. The value of the entire smuggled goods seized on the Polish-Russian border was estimated at over € 5m in 2002, which is 164% (!) of the smuggled goods seized in 2001.

Smuggle seized on the Polish-Russian Border (in US Dollars)



Since it is hardly possible that smuggling itself increased so much in such a short period of time, the above mentioned increase should rather be considered as a proof of negligence and/or corruption of the officers working at the border before 2002. On the other hand, this increase shows that border services do upgrade their skills and/or the

¹⁰³ E.g. L. Fairlie, A. Sergounin, *Are Borders Barriers?* Helsinki-Berlin 2001, p. 10, 109 and others.

fight with corruption has intensified. 104 It is difficult to estimate the real amount of tobacco, alcohol or petrol smuggled. The fact that there are 18 buses going from Bartoszyce to Bagrationovsk every day, and that main road BCP-s: Bezledy-Bagrationovsk and Gronowo-Mamonovo, are blocked by queues of several hundreds of metres every day, allows for certain assumptions. However, disregarding the fact that the value of goods smuggled across the Kaliningrad border exceeds 10 or tens of millions of €, it is clear that its range definitely reaches beyond the border areas and even beyond the borders of Poland (which is especially true for amber smuggling). In other words, smuggling (and shuttle trading) on the Kaliningrad border is not a local phenomenon. Official statistics, which show only the amount of seized contraband, are enough to assume that there is an international criminal structure behind the individual smugglers and shuttle traders. However, when vodka, cigarettes and petrol are 2-3 times cheaper in the Kaliningrad Oblast than in Poland, it is reasonable to expect attempts at smuggling. Therefore, combating smuggling is the most serious challenge that border guards on both sides of the border face now

The conclusion that а relatively small group traders/smugglers dominates border movement on the Polish-Russian border is extremely important in the context of ideas concerning local border movement being discussed currently by the highest EU authorities (for details see below). It seems very probable that making the Schengen acquis more flexible in the current situation would petrify social and economic practices on the Polish-Russian (and generally on the entire Polish eastern) border. In the meantime, all parties involved should undertake activities toward a structural change in current border movement, towards the elimination, or at least reduction, of the shadow economy there.

-

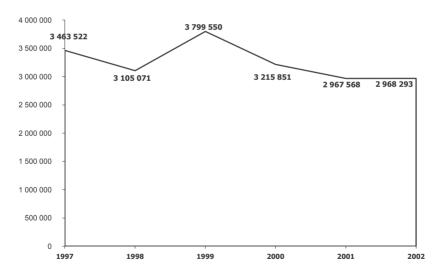
E.g. on Bezledy-Bagrationovsk BCP six Polish officers were arrested for alleged bribery Nov. 20th, 2002, and twelve more only two weeks later. According to a District Prosecutor in Olsztyn estimations, one officer could 'earn' even EUR 750 during one shift. Arestovany shest' sotrudnikov propuskonogo punkta na rossiisko-polskoy granitse [Six officers arrested on the Russian-Polish border], Lenta-kaliningrad.ru 20.1102; Dvenadtsat' pol'skih pogranichnikov zaderzhany na vzyatki [Twelve Polish Border Guards officers arrested for taking bribes], Lenta-kaliningrad.ru, 6.12.02.

The character of border movement on the Lithuanian-Russian frontier

The Lithuanian-Russian land border is almost 250 km long, which equals 15% of the entire Lithuanian border. About 90% of the border is along rivers or crosses lakes, which is significant when considering its security. There are six regular BCP-s open for the movement of persons on the Lithuanian-Russian border; two of them are by rail (Kybartai-Nesterov, Pagegiai-Sovetsk) and four of them are by road (Nida-Rybachii, Panemune-Sovetsk, Ramoniškiai-Krasnoznamensk and Kybartai-Chernyshevskoe).

The statistics for the border movement on the Lithuanian-Russian border in recent years are as follows: 3,463,522 crossings in 1997, 3,105,071 in 1998, 3,799,550 in 1999, and 3,215,851 in 2000, 2,967,568 in 2001 and 2,968,293 in 2002. 106 As one can see, the dynamics in the flow of people are quite significant. They even exceed 20%, but there is no increase/decrease tendency.

Border Movement across the Lithuanian-Russian Frontier



¹⁰⁵ Data presented by Lithuanian Border Guards: www.pasienis.lt/english/border/index.htm.

www.pasienis.lt/english/border/index.htm.

www.pasienis.lt/st_pralaidumas.htm accessed on 23.01.03; Situacija Lietuvos Respublikos ir Rusijos Federacijos Valstybės Sienos Ruože [Situation in Lithuanian-Russian Border Area], Lithuanian Border Guards 2003.

However, there is another noticeable tendency from this period: the number of persons in one car crossing the border is systematically decreasing, ¹⁰⁷ which clearly indicates that border movement is becoming more and more dominated by economically-based travelers. The Lithuanian-Russian border is, like the Polish-Russian border, subject to intensive smuggling. Cigarettes and vodka constitute the main part of the seized contraband (nearly 160,000 blocks of cigarettes were seized by Lithuanian Border Guards in 2000 and over 140,000 blocks in 2001; 2,500 litres of vodka were seized in 2000 and 2,800 litres in 2001). ¹⁰⁸

A common problem on both the Polish-Russian and Lithuanian-Russian borders are the long queues at the BCP-s. Times when a car waits for up to 10 hours, and a truck for 20 hours to go through customs, are common. There are many reasons for this situation: intensive shuttle trading, underdeveloped transport and border infrastructure, lack of timely information about changes in customs rules, a lack of cooperation between Polish, Lithuanian and Russian border officers, etc.

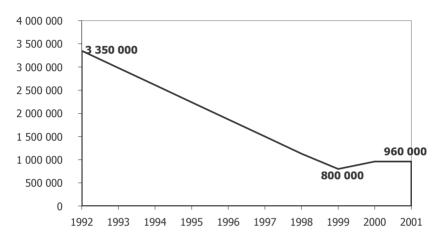
One of the main differences between Lithuanian-Russian and Polish-Russian border movement is the number of Russians in transit between Kaliningrad Oblast and mainland Russia (for more details see chapter by Raimundas Lopata in this report). However, Russians in transit do not create a significant part of the Lithuanian-Russian border movement and the number of them is not even close to the figures quoted by Mr. Razov. 1,500,000 Russian citizens transiting Lithuania's territory, according to him, would mean, that everyone of them visits Kaliningrad or mainland Russia only once a year and comes back (that would already result in 3m crossings) and implies that almost nobody else is crossing the Lithuanian-Russian border (as mentioned above there are 3-4m of crossings every year). Certainly Mr. Razov has confused the numbers of people transiting Lithuania with the number of transit crossings. It is worth mentioning that this figure has been constantly decreasing over the last decade; from 3.350.000 transit crossings by rail in 1992 to 800,000 crossings in 1999; then there was 20% growth in

¹⁰⁷ 3.49 person/car in 1997; 3.12 person/car in 1998; 2.94 person/car in 1999; 2.96 person/car in 2000. Data presented by Vaclovas Zabarauskas, Deputy Chief Commander of the Border Guards of Lithuania, at the conference organised by the Institute of International Relations and Political Sciences, Vilnius University, in Vilnius, April 2001.

www.pasienis.lt/english/stats/ accessed on 23.01.03.

2000 (to 960,000 transit crossings by rail), ¹⁰⁹ but still this figure is incomparable with the beginning of the 1990s.

Russian Passenger Rail Transit through Lithuania

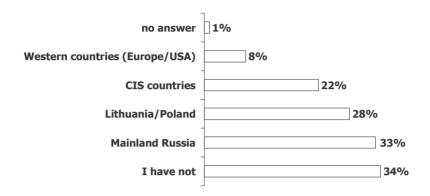


In the context of Russian transit, an interesting picture is given by a series of opinion polls conducted by the Research Group ZIRKON and the Kaliningrad Sociological Centre in the summer of 2002. To the question: "Did you leave Kaliningrad Oblast during the last 5-7 years and where did you travel?" as much as 33% of Kaliningraders answered: "To Russia", however 34% did not leave the exclave at all (and 28% answered: "To Poland or Lithuania"). And to the question: "How frequently do you visit other regions of Russia?" merely 3% answered: "Several times a year" (15% answered: "Once a year"; 32% answered: "Several times for the last 10 years"; 33% answered: "I did not travel after 1991"). 110

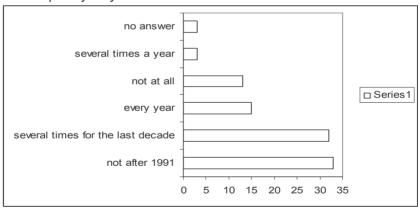
Data presented by I. Krasnyanskii, Oblast Administration Department of Transport Complex Development Chairman, at the conference "Trilateral Meeting on Transfrontier Co-operation Russia-Poland-Lithuania", Svetlogorsk, October 17th-18th, 2002.

Kaliningradskaya problema> v zerkale obshchestvennogo mneniya, Issledovatel'skaya gruppa Tsirkon, Kaliningradskii sotsiologicheskii tsentr, Moskva oktyabr' 2002, s. 30-31.

Have you travelled outside the Oblast during the last 5-7 years, and where have you travelled?



How frequently do you visit other areas of Russia?



Current rules regulating border movement and changes to be brought about by EU enlargement

Contrary to popular belief, visas have been in force for years in reciprocal travels between Poland and the Russian Federation, and Lithuania and the Russian Federation. However, there are several categories of travel that do not require a visa. In the case of travel between Poland and Russia, an "AB" stamp in a passport can be

presented to the border guards instead of a visa for business trips. To obtain an "AB" stamp, one has to apply to a Passport Office (in Poland), to a Registration Office (OVIR) or Ministry of Foreign Affairs (in the Russian Federation). The application has to be confirmed by the company or other institution, which is sending the person abroad. Holders of an invitation (from friends or relatives) or so called *vouchers* (travels for tourism) also do not require the traveller to carry a visa. The *voucher* is especially popular on the Polish-Russian border. It confirms formally that a person has booked a hotel room – but in fact nobody checks the reliability of these *vouchers*. They are sold for pennies on every corner. The only strictly required document on the Polish-Russian border is a Polish, Russian or USSR international passport. Poland conducts a unified visa policy towards Russian citizens, regardless of where do they come from.

Lithuania does not require visas from inhabitants of the Kaliningrad Oblast whose stay in Lithuania will not exceed 30 days. The same works for Lithuanians visiting the exclave. Also, Russians transiting Lithuania by train do not have to have a visa. Lithuanian authorities accept several kinds of ID, including: Russian Federation and USSR international and internal passports. It is worth noting that new forms of Soviet passports and Kaliningrad *vkladysh*-es can be bought on the black market. The fact that these documents are still accepted in Poland and Lithuania does not increase the level of security in the Baltic region.

As a result of the candidate countries' EU negotiations, Poland and Lithuania had to cancel the above-mentioned exclusions in their visa regimes towards the Russian Federation (and toward other states listed on the so called *Schengen black list*) as early as 1 July 2003, in order to comply with EU legislation in the sphere of Justice and Home Affairs. However, one should not confuse the requirement to introduce a complete visa regime towards the Russian Federation, Belarus and Ukraine by Poland and Lithuania with the fact that the two EU-candidates will immediately introduce a full Schengen visa regime. *Acquis* Schengen (being a mandatory part of *acquis communautaire* since the Amsterdam Treaty was signed in 1999) will not be introduced by the new member states in its full capacity, because these states will not become Schengen zone members on the day of accession to the

¹¹¹ i.e. from those citizens of Russia, who have additional page stuck to their passports (*vkladysh*), confirming their registration in the exclave.

EU (May 2004). New members, for example, will not have access to the Schengen Information System (SIS)¹¹² until its capabilities are developed for the enlarged EU. Controls on internal borders of the enlarged EU will not be lifted on the day of accession either. New EU members will not become Schengen zone members until at least 2006 (experts predict that it will take 2 years to design SIS II). 113 For this reason, in the period between 1 July 2003 and 2006+, Poland and Lithuania will continue to have national visa policies. The differences between Schengen visa policies and the national visa policies of the candidate countries (and new member countries after May 2004) are not significant in quantity, but are significant in quality. In the period 1 July 2002 to 2006+, Polish and Lithuanian consulates will be able to: i) issue visas valid for more than 3 months; ii) issue visas at low prices or free of charge; iii) arrange visa procedures in the simplest way possible - for example, they could accept visa applications via e-mail or post. These elements are of great importance to all non-candidate countries. including the Kaliningrad Oblast of the Russian Federation.

Both Poland and Lithuania have consulates in Kaliningrad. ¹¹⁴ They are currently undergoing intensive modernisation and development. Warsaw has declared that the Polish consulate in Kaliningrad will be capable of issuing 50,000 visas per year. Vilnius declares that its consulate in Kaliningrad, and its branch in Sovetsk, will be capable of issuing 150,000 visas per year. Both capitals promise to issue cheap visas – up to € 20 for a multiple, 6 months visa. And on 12 March 2003 Poland declared that it would grant Kaliningraders with 1-year free of charge visas. ¹¹⁵ Finally, the "Joint statement of the EU and the Russian Federation on transit" dated 11 November 2002, obliges Lithuania to issue facilitated transit documents (FTD) and facilitated rail transit documents (FRTD) after 1 July 2003. They will also be cheap or even free of charge.

 $^{^{112}}$ And obviously they do not have access to SIS currently as opposed to information given by some scholars, e.g. L. Fairlie, ... p. 48.

However, one should not forget that it took 5 years for Sweden to become Schengen zone member after it became an EU member.

Germany); some other countries were refused to open their consulates in the exclave (e.g. Germany); some other have succeeded recently after years of applying (e.g. Sweden). Attitude of the Russian MFA toward the EU countries applying for an approval to open consulates in Kaliningrad seriously limits the Kaliningraders' possibilities of travel abroad.

¹¹⁵ Zhiteli Kaliningradskoy oblasti smogut poluchat' godovye besplatnye vizy dlya poezdok v Pol'shu [Kaliningrad Oblast residents will be granted 1-year free of charge Polish visas], Informatsionnoe agenstvo Finmarket 12.03.03.

The rules will change significantly when the internal borders of the enlarged EU are lifted and the new EU member states are included in SIS II. Then they will only be allowed to issue 3 month visas, exactly as those issued by the current Schengen zone members. The price for visas is also subject to a common policy within the Schengen group. Currently Schengen visas cost € 20-50. Furthermore, the first visa application has to be submitted personally – the next application can be submitted via post or a travel agency, but only in the case of bona fide persons. Requirements concerning the documents necessary to substantiate the visa application will be much stricter. Only a document complying with international standards will be accepted, which obviously excludes USSR international/internal passports and Russian internal passports. In the case of business trips, the applicant will have to present a contract he/she has signed with a foreign enterprise, invitation, etc. The applicant will also have to prove, that he/she has enough money to cover his/her accommodation when abroad. Finally health insurance will be requested (issued by a reliable insurance company). The advantage of this situation, as opposed to the period 1 July 2003 to 2006+, is that the visa issued to those who could comply with the above-mentioned requirements will be valid for the entire territory of the Schengen group, and not only for Poland or Lithuania. On the other hand, it is clear that there will not be so many people able to comply, especially among those who are the most active on the Kaliningrad borders, because their activity is not reflected in any legal documents, they do not pay taxes, etc.

The Schengen *acquis* provides for visas with territorially limited validity, which allows the holder a stay exceeding 3 months. It is valid only on the territory of the country issuing the visa. However these types of visas are designed for concrete categories of people: i) students of universities; ii) holders of documents, which are not recognised in Schengen countries, or persons who are not allowed to enter Schengen territory, but one of the Schengen members has special reasons to host these persons (e.g. a witness in court). Experience shows, however, that visas with territorially limited validity make up merely 0.5% of all visas issued by the Schengen group members. ¹¹⁶ If Poland or Lithuania issued them on a large scale for people who trade, it would certainly provoke a negative political reaction or even counter steps from the side of the other members of the Schengen group (for example, the

٠

¹¹⁶ Wojciech Kałamarz...

restoration of checks on internal borders). One should keep in mind that it would be extremely difficult to guarantee that the holder of the described visa would not move into other parts of the Schengen territory from the host country.

In this context, it would be interesting to discuss the ideas circulating between the highest EU authorities on local border movement. On 9 September 2002, the European Commission delivered to the Council a working document entitled "Developing the Acquis on Local Border *Traffic*". The Council has already sent it to a proper Working Party. The document provides for certain simplifications in the visa regimes on the future external borders of the EU. Namely, it provides for border permits and "L" visas (local) in the bordering areas for certain travel purposes: family visits, work, etc. It seems that the authors of the document do not realise that crossings made on the Kaliningrad (and the entire Polish eastern) border are, in most cases, not related to these purposes. Furthermore, the introduction of the proposed rules in Poland or Lithuania would make combating illegal migration and smuggling even more difficult, and it is doubtful for political reasons, since there is no: i) definition of a border area, whose inhabitants would be allowed border permits and "L" visas: ii) practical means for quaranteeing that a holder of one of these documents would not leave the border area and travel deep into EU territory; iii) readmission agreement signed by the Russian Federation or Belarus with Poland or Lithuania: 117 iv) evidence that the Russian Federation, Belarus or Ukraine are considering similar solutions.

It is highly important not to limit the EU enlargement consequences for border movement purely to visa issue. During the 1990s, Polish and Lithuanian Border Guards were granted tens of millions of euro of support for helping them to upgrade their skills and to modernise their equipment. The PHARE programme was, and still is, extremely important for border infrastructure modernisation. This dimension of EU enlargement is definitely crucial, not only for border security, but also for the facilitation of the flow of people and goods.

One should not forget that the Russian Federation will also change its visa policy on 1 July 2003, which will bring concrete consequences for border movement across Kaliningrad's frontiers. Russian visas are

Ukraine, however specialists value this document as purely formal.

 $^{^{\}rm 117}$ The only readmission agreement in this region of Europe was signed by Poland and

currently, on average, 8 times more expensive than Polish ones, and several times more expensive than Lithuanian ones. The visa procedure in a Russian consulate is longer and an invitation from a relative or a company is necessary. Finally, the Russian Federation only has two consulates in the direction of Kaliningrad in Poland: in Gdańsk and in Warsaw, the latter is 300 km from the exclave's border. Recently, the Russian side stated that it is considering opening a new consulate in Olsztyn. It would be a very convenient location for a Russian consulate, since over 80% of traffic goes through Bezledy-Bagrationovsk and Gronowo-Mamonovo BCP-s. In Lithuania, Russian visas are issued only in Vilnius at present, but both sides have already agreed to open a new consulate in Kaunas.

The impact of EU enlargement on border movement and possible solutions to the problems

Generally speaking, the shuttle traders/smugglers are the most vulnerable category of people in this context. Despite the low prices for visas or consular procedures, they simply cannot prove that they have legitimate reasons for travel abroad. At present they do not have formalised contracts with their counterparts on the other side of the border, and do not pay taxes, etc. Unless they legalise their activity, they will be simply refused visas. And since they produce the majority of border crossings, the future decrease in border movement will be significant. However, one should note that during the 1990s, border movement across the Kaliningrad frontier has underwent serious changes on the Polish-Russian and Lithuanian-Russian borders, including transit through Lithuania. It proves that there are many factors other than visas which affect the flow of people across Kaliningrad's frontier. Without going into a deep analysis (which is not the subject of the current study), one can indicate that the general costs of travel; general economic and social situation in the Russian Federation. Lithuania and Poland; and level of excise taxes are the most important factors.

The impact of a visa regime introduction would differ in timing and in respect to different national groups. One should not expect a dramatic decrease in border crossings by Russians after 1 July 2003.

 $^{^{118}}$ For visa regime introduction consequences other than border movement issue see

the chapter by Yurii Zverev anfd Leonid Vardomskii in this report.

Of course, there would be a short period of decrease immediately after this date, caused by a lack of timely information, misunderstandings, etc. Both Polish and Lithuanian national visa policies would not create, however, a significant barrier for Russians: the low prices for these documents, well developed consular infrastructure in the exclave, simplified visa procedures, etc. would favour the present dynamics of the flow of people. Furthermore, Lithuania will accept Russian internal passports until the end of 2004 and the Polish Ministry of Foreign Affairs suggested that it would accept German visas as Polish transit visas after 1 July 2003. One should not underestimate political factors – the will to avoid any tensions in relations with Moscow will push Warsaw and Vilnius to a liberalisation of their visa policies. On the other hand, there is a strong commitment in the candidate countries to prove that they are able to comply with the *acquis communautaire* in order not to postpone the lifting of checks on internal EU borders.

The consequences of the introduction of a Russian visa regime would be much harder. € 80-120 for a visa¹¹⁹ could create an unavoidable barrier for the majority of Poles or Lithuanians, not to mention the long visa procedures and the consular infrastructure, which is not prepared to operate in these new circumstances.

The accession of Poland and Lithuania to the Schengen group would definitely bring a stronger impact from the Russian perspective in comparison to the 1 July 2003 - 2006+ period. Both countries would have to fully implement the Schengen *acquis*. Neither the "Common Consular Instruction", nor the "Common Manual on External Borders" nor any other part of the *acquis* provides for visas for persons who are not capable of providing a legitimate reason to travel abroad. Prices for visas would rise, and visa procedures would be stricter.

However, it is important to admit that it is not easy to cross the border of the former USSR even now – despite the fact that there are so many exclusions from the Russian visa regime for Poles and Lithuanians. It is especially true for Kaliningrad's borders, which are blocked for hours by shuttle traders and trucks. But even in reciprocal travel between mainland Russia and Poland (in the case of Lithuania-mainland Russia travels, a visa regime was introduced years ago) there are many

^{1 -}

¹¹⁹ *Nikolai Belonov:* <*U polyakov – nastroenie panicheskoe*> [Nikolai Belonov: "Poles are panicking"], interview with Russian Consul in Gdańsk, Nikolai Belonov, Lentakaliningrad.ru, 28.02.03.

administrative barriers. Citizens of both countries have to apply for an "AB" stamp, present an invitation or a *voucher* every time they cross the border. The visa procedure may be more expensive, but it is only required once for a given period of time (six months, a year).

First of all, however, one should understand that it is not the probable decrease in the border movement that should be the key issue when considering the consequences of EU enlargement. It should be the need for changing the structure of the movement – how to support legal trade; tourism; how to combat the shadow economy; smuggling etc. should be the main recommendations. Today border movement across Kaliningrad's frontiers (especially across the Polish part) has a criminal character to a profound extent. The scale of this phenomenon, engaging also representatives of the state administration and selfgovernments, exceeds the borderlands. Shuttle trading - even if it is not formally a crime - results in economic losses for local communities and brings losses to state budgets. However paradoxical it may sound, only a visa regime can help to cure the pathological situation at Kaliningrad's borders. At least some of the shuttle traders would come to the conclusion that it is worth registering their economic activity and start paying taxes rather than losing their incomes.

It is popularly believed that shuttle trading and smuggling keep the borderlands alive, since there is massive unemployment there. A difficult social situation cannot be a reason, however, for violating the law and does not free a state from its responsibility to defend itself. Furthermore, it is worth noticing again that there is a relatively small group of people dominating border movements. Even if there are 15,000 people directly involved in shuttle trading/smuggling on each side of the border (which makes 45,000 altogether), and even if we add their families, it would not allow for the conclusion that this group could keep the borderlands, inhabited by up to 3m people, alive. On the contrary, the shadow economy, and its unclear ties between politics, business and organised crime structures hampers the economic development of the region. It stops investors from investing their money, from creating new jobs, etc. As a result we face a catch-22 situation on Kaliningrad's borders; the poor economic situation pushes people to act illegally on the one hand, and this very activity hampers economic improvement on the other.

All the parties involved in the so-called Kaliningrad issue should intensify their steps toward social and economic reform and

modernisation in this area. Activities are desperately needed in the following areas: retraining programmes for inhabitants of the borderlands, agricultural development projects, international scholarship programmes for young people, a new credit system for those economically active, state guarantees for investors. Paradoxically, visa regimes introduced towards the Russian Federation by the Czech Republic, Slovakia and Bulgaria in 2001 have already resulted in increased interest from Russians from mainland Russia in the Baltic shores of the exclave. Kaliningrad can become an important centre for Russian tourism.

Only when tourists and real businessmen dominate border movements across Kaliningrad's frontier, can one come back to the idea of introducing a visa-free regime between the Russian Federation and the EU, as proposed by President Putin at the end of August 2002. Finally, the so-called Schengen black list is not set in stone – it can change. The Russian Federation has even already started to improve controls over the flow of people across its frontiers and negotiations over readmission agreements have started.

The Transit of Russian Citizens to and from the Kaliningrad Oblast through Lithuania's Territory

Raimundas Lopata
Institute of International Relations and Political Sciences, Vilnius
University

Background to the issue

Until 1 January 2003, the "Provisional Agreement between Lithuania and Russia on the Travel of Both Countries' Citizens" (signed on 24 February 1995 in Moscow) regulated the transit regime of Russian citizens through the territory of Lithuania. According to the Agreement, citizens of one country had to be in possession of visas when crossing the border of the other state for an entry, departure, travelling by transit through its territory or a temporary stay in its territory. The Provisional Agreement provided for two exceptions. Firstly, citizens of the Russian Federation, permanently residing in the Kaliningrad Oblast, were allowed to cross Lithuania's border, to travel by transit through its territory and to stay in the territory of Lithuania for 30 days without visas. Secondly, Russian citizens did not require visas for their transit to and from the exclave while travelling through the territory of Lithuania by regular direct trains.

The Russian Federation is included in List I of the EU Visas' Regulation (EC 539/2001), 120 listing the third countries whose nationals must be in possession of visas when crossing the EU's external borders. The Regulation provides for a visa requirement for both entry for an intended stay in a member state or in several member states, and entry for transit through the territory of a member state or several member states, except for transit at an airport. Therefore the visa-free regime for the inhabitants of the Kaliningrad Oblast, as well as for the citizens of the Russian Federation travelling to or from the region through the territory of Lithuania by trains, is incompatible with the Schengen acquis, which is obligatory for Lithuania, as it seeks EU membership. This means that Lithuania and Poland, as EU candidate countries, have to cancel their visa-free regimes for the citizens of the Russian Federation, including the inhabitants of the Kaliningrad Oblast.

^{. .}

See at http://europa.eu.int/eur-lex/en/consleg/main/2001/en 2001R0539 index.html.

On 1 October 2002, while implementing the commitments undertaken in the course of EU membership negotiations, the Government of Lithuania decided to renounce the Provisional Agreement between Lithuania and the Russian Federation on the Travel of Both Countries' Citizens, thus cancelling the existing visa-free transit regime for train passengers from 1 January 2003 and abolishing visa privileges for the inhabitants of the Kaliningrad Oblast from 1 July 2003.

The new Lithuanian-Russian agreement

On 30 December 2002, a new Agreement between Lithuania and the Russian Federation on the Travel of Both Countries' Citizens was signed (in force since 1 January 2003). The Agreement provides for visa requirements for both countries' citizens, who cross the border of the other state for an entry, departure, travelling by transit through its territory or a temporary stay in its territory. Thus the agreement abolishes the exceptions of the visa regime set by the Provisional Agreement of 1995.

However, the new Agreement provides for certain privileges, the most important of which is the right for inhabitants of the Kaliningrad Oblast, travelling to Lithuania, to obtain free multiple-entry visas valid for one year. Besides which, when applying for a multiple-entry visa, inhabitants of the exclave are not required to present an invitation from a natural or legal person of the Republic of Lithuania. Lithuanian citizens travelling to Kaliningrad are granted the same privileges. This order, which secures favourable conditions for active co-operation between Lithuania and the Russian region, will come into force on 1 July 2003. Before that time, a visa-free regime will be applied in respect of the Kaliningraders travelling to Lithuania, and Lithuanian citizens travelling to Kaliningrad.

A facilitated procedure for the issuance of visas will be applied in respect of both countries' carriers, persons visiting the graves of their nearest relatives, citizens of Lithuania and the Russian Federation taking part in cultural or scientific events, sports contests, etc., and some other categories of travellers.

Apart from the above-mentioned bilateral agreement, internal Lithuanian law also regulates the order of Russian transit. On 20 December 2002, the Provisional Regulations for control of the citizens

of the Russian Federation travelling through the territory of Lithuania by regular direct transit train were approved by a joint order of the Minister of Internal Affairs and the Minister of Foreign Affairs. The Regulations have been in force since 28 December 2002. The Regulations provide for a gradual tightening of the control of travellers crossing the territory of Lithuania by transit train.

From 1 February 2003, according to the Provisional Regulations, citizens of the Russian Federation transiting Lithuania by train are obliged to present a valid travel document (i.e. diplomatic, official, foreign or internal passport) and a written request for permission to cross the territory of Lithuania in transit. Military documents are no longer accepted. Lithuanian border authorities, after having performed a standard check of the traveller, stamp his/her travel documents. This stamp is essentially equivalent to a single-entry transit visa and is valid only for transit (i.e. it will not allow them to leave the train whilst in the territory of Lithuania). The Provisional Regulations will be in force until 1 July 2003, when, following the conclusion of the EU-Russian Federation summit, it is planned to introduce facilitated rail travel documents (FRTD).

These new stricter rules have had an impact upon travellers, as some Russian authorities and politicians feared. During February 2003, only 81 passengers were not allowed to enter Lithuania's territory. This accounts for only 0.2% of all transit passengers — 33,920 — who crossed Lithuania's territory travelling by train to and from Kaliningrad. The registered drop of 18% in rail transit since the beginning of 2003 can be explained to a large extent by the seasonal fluctuations of passenger flows and the lack of timely information about changes in the rules of transit. However, the fact that Lithuanian authorities no longer accept military ID-s and Russian soldiers often do not have passports, also contributes to the drop in transit travels. Russian authorities must issue passports to those soldiers and students of the military academies in Kaliningrad who need to travel regularly to mainland Russia for family or professional reasons.

The EU-Russian agreement of 11 November 2002

On 11 November 2002, the EU and the Russian Federation signed the "Joint Statement on Transit between the Kaliningrad Region and the

Rest of the Russian Federation".¹²¹ In the Joint Statement, the parties acknowledged the unique situation of the exclave and agreed to make "a special effort to accommodate the concerns on both sides related to the future transit of persons and goods between the Kaliningrad Oblast and other parts of Russia". On the other hand, the Russian Federation and the EU expressed their understanding that the transit regime should not infringe upon the sovereign rights of Lithuania to exercise the necessary controls and to refuse entry into its territory.

The Joint Statement provided for two types of travel documents to be issued for Russian citizens travelling through the territory of Lithuania by transit. Firstly, Lithuanian consulates will issue facilitated transit documents (FTD, essentially equivalent to multiple-entry transit visas) for Russian citizens frequently travelling to and from Kaliningrad through the territory of Lithuania. Secondly, single entry facilitated rail travel documents (FRTD) will be issued to Russian citizens intending to make single return trips by train through the territory of Lithuania. FRTDs will be obtainable on the basis of personal data submitted at the time of ticket purchase. The competent Lithuanian authorities will issue FRTDs to the passenger at, or before, the Lithuanian border. Lithuania will retain the right to disqualify persons applying for the facilitated rail travel documents (i.e., intending to cross the border of Lithuania).

Following the Joint Statement, Lithuania will accept Russian internal passports as a basis for issuing both types of facilitated travel documents until 31 December 2004. Thereafter, an FTD or FRTD will only be valid when accompanied by a passport valid for international travel. The European Union expressed its intention to review the operation of the facilitated travel documents' scheme no later than 2005.

In the Joint Statement, the Russian Federation expressed its readiness to satisfy Lithuania's requests as regards the conclusion of the intergovernmental Readmission Agreement and the expansion of consular posts. The Russian Federation agreed to start negotiations with Lithuania on a Readmission Agreement as early as possible (with the aim of concluding the Agreement no later than 30 June 2003), and to approve the expansion of the Lithuanian Consulate General in Kaliningrad and the opening of a new consulate in Sovetsk before the

-

http://europa.eu.int/comm/external_relations/russia/summit_11_02/js_kalin.htm.

end of 2002. 122 Further, the Russian Federation and the EU agreed to launch negotiations for a bilateral readmission agreement, and the Russian Federation promised to favourably consider requests to open consulates in the Kaliningrad Oblast from other EU and candidate countries.

Implications of the proposed scheme

The idea of facilitated rail transit, as outlined in the EU-Russian Federation Joint Statement of 11 November 2002, essentially corresponds with the proposals of the Russian Federation's Memorandum of October 2002. The Memorandum insisted that rail transit must be visa-free, and that the Lithuanian border authorities. after receiving lists of passengers from the competent Russian authorities, shall issue single-entry documents, valid only for transit. Thus the evolution of the EU position with respect to the transit regime reveals a clear movement towards concessions or even 'double standards'. After having declared at the beginning of the EU enlargement negotiations that the candidate countries will not be granted any transitional periods or permanent derogations from the acquis in the areas related to internal market and external border controls, the EU is currently amending the acquis with a view to accommodate the concerns of the Russian Federation (which is not even a candidate country). The Draft Council Regulation explicitly recognises that this will be "a derogation from the general rule that visas shall be issued by diplomatic and consular authorities".

The real practical implications of the proposed scheme for Lithuania will be evident only after the country agrees with the EU and the Russian Federation on the exact mechanism for issuing facilitated travel documents. Lithuania's capability to effectively implement the control of Russian citizens travelling through its territory depends highly upon the practical scheme of issuing a FRTD. If a FRTD is to be issued before the arrival of train to the Lithuanian state border, having enough time for the checking of the passengers' personal data and making a decision to issue a FRTD or not, *de facto* that would mean single-entry visas (although named differently). If the FRTD is to be distributed directly at the Lithuanian border, the effective control of passengers is practically

Lithuania finally had permission from Russia to expand consular posts in the Kaliningrad region just before the end of 2002.

impossible due to a lack of time. That means that there is a threat that the visa regime becomes null and void.

The European Commission has recently presented two proposals for draft Regulations aimed at establishing facilitated travel documents between the continental Russian Federation and Kaliningrad. The Commission proposed that the FTD cost € 5, and that the FRTD should be free. The FTD, valid for up to three years, would give rights for an unlimited number of trips by all forms of transport during that period. The document should be requested at the consular authorities of the member state through which transit is to take place. The validity of the FRTD would not exceed that of the train ticket, transit anyway not being allowed to exceed 6 hours. Neither the FTD nor the FRTD could be requested at the border. A member state would retain the right to refuse granting a transit document to a person whom it considers could jeopardise public order or security. It is important to mention that the Commission's proposed draft Regulations are horizontal, which means that they are to be applied by all the member states.

As regards the financial costs of the introduction of this new scheme, in the EU-Russian Federation Joint Statement, the EU only expressed its readiness to "provide assistance to Lithuania for any additional costs of facilitated travel documents' scheme", which means that there was only a political promise of EU financial assistance to Lithuania, outlined in the Statement. Therefore, legal guarantees on the financing of any additional costs should be included in the EU Accession Treaty to be signed on 16 April 2003.

In the last Conference on Accession to the EU, which took place on 12-13 December 2002 in Copenhagen, the Council committed itself to take all the necessary steps with a view to the adoption of the new arrangement on the FTD and FRTD before the signature of the Accession Treaty. The new Schengen *acquis* on Kaliningrad shall be developed in close consultation with Lithuania.

The Council (following the general principle that the future arrangements on transit of persons by land between Kaliningrad and other parts of the Russian Federation shall not in themselves delay or prevent the full participation of Lithuania in the Schengen *acquis*, including the removal of internal border controls) confirmed the readiness of the EU to provide financial assistance to Lithuania to cover the additional costs of implementing the measures foreseen in the Joint

Statement and invited the European Commission to establish these additional costs in consultation with Lithuania. The estimated costs for 2003 amount to € 9m. These costs are based on the assumption that about 500,000 FTDs and 150,000 FRTDs will be issued per year. On 28 February 2003, Lithuania and the European Commission signed a Financial Memorandum on the special Kaliningrad transit programme. Under the Memorandum, Lithuania will receive € 12m for the period until accession to the EU to implement the new transit rules.

Lithuania has also received a letter from Günter Verheugen, EU Commissioner for Enlargement, suggesting that in 2004-2006 additional costs for the implementation of the Kaliningrad transit scheme could amount to € 40m.

Lithuania's position

Understanding that the effectiveness and tangibility of the control system based on the FTDs and FRTDs will depend on the exact mechanism of its implementation, which still remains to be negotiated, Lithuania stands in a position that the proposed scheme can be finally approved only after all technical details are clear. Lithuania supports the concept of issuing a FRTD "before" the border. According to this concept, all required information about passengers is to be provided to Lithuanian consular institutions in the Russian Federation in advance. The consular institutions will decide whether to issue a FRTD, process it and deliver it to the Russian authorities, which would distribute the FRTD to train passengers. After the train has arrived at the Lithuanian border crossing point, a border control performs the usual check of passengers. The border control retains the right to refuse entry for a passenger who does not have all the necessary documents or for any other important reason.

Lithuania's approval of the FTD and FRTD scheme depends upon the fulfilment of the following conditions:

Lithuania needs to be granted legal guarantees in the EU Accession Treaty. Those guarantees must ensure that the introduction of the FTD and FRTD scheme will not delay Lithuania's accession to the Schengen zone. The FTD and FRTD scheme has to become an integral part of the Schengen *acquis*;

Lithuania's Accession Treaty must foresee the legal guarantees that the EU will grant additional financial support to Lithuania to cover the costs of implementing the FTD and FRTD scheme;

The Russian Federation must commit to ratify the State Border Agreement with Lithuania, sign and ratify a Readmission Agreement and grant permission to expand Lithuania's consular institutions;

Agreement is reached upon the FTD and FRTD scheme, which fully ensures the security of transit and does not grant any extraterritorial rights to the Russian Federation.

However, even when the scheme favoured by Lithuania is approved, there is still the threat that the practical implementation of the mechanism agreed will face some obstacles. Firstly, the authorities can still be unprepared to start issuing the FTD and FRTD, especially if the agreement on the technical details of the implementation of the facilitated travel documents' scheme will be reached just before the planned date of its introduction. The Russian Federation has already demonstrated its ability to protract negotiations, for example, in the talks with Lithuania on the conclusion of the new Agreement on the Travel of Both Countries' Citizens. Secondly, various unforeseen technical difficulties can arise while issuing the documents; thirdly, there can be some 'lack of good will'.

The issue of direct non-stop trains

For a long time the Russian government has requested to preserve the existing visa-free regime for Russian nationals travelling to and from Kaliningrad by direct train through the territory of Lithuania. Before the autumn of 2002, the European Commission categorically rejected the idea of visa-free trains as incompatible with the *acquis*. However, on 18 September 2002, the European Commission's Communication "Kaliningrad: transit" ¹²³ was presented, which stated that the EU will be ready to explore technical and legal conditions for the implementation of the non-stop trains' idea after Lithuania's accession to the EU. Besides which, the Communication also made a reference to an exemption from visa requirements in the case of transit at airports, as an important precedent for the Kaliningrad exclave.

¹²³ Communication from the Commission to the Council. Kaliningrad: transit COM(2002) 510(01): http://europa.eu.int/eur-lex/en/com/cnc/2002/com2002_0510en01.pdf.

Taking into account the claims of France, Italy, Spain and Greece to launch a feasibility study with regard to visa-free non-stop trains immediately, the EU General Affairs and External Relations Council obliged, on 22 October 2002, the European Commission to discuss with Lithuanian authorities the possibility of preparing such a study before enlargement. Besides which, the foreign ministers also made a reference to possible amendments to the Schengen acquis taking into account the unique situation of Kaliningrad.

The evolution of the EU position with respect to visa-free trains demonstrates significant changes and a clear movement towards concessions. The EU-Russian Federation Joint Statement states that a decision on the high-speed non-stop train option can only be taken after Lithuania's accession to the EU (by the Council acting unanimously, which means that Lithuania will retain the right of veto), on the basis of a thorough evaluation of the political and legal aspects and once the technical obstacles have been overcome. The Commission was obliged to initiate the process of developing the Terms of Reference of a visa-free trains' feasibility study as early as possible and in co-operation with Lithuania. The recommendations of the feasibility study (also to be completed as soon as possible) must be in accordance with the Schengen acquis.

Problems related to the possible acceptance of the Russian proposal on visa-free trains

It is worth mentioning that the successful implementation of a FTD/FRTD scheme in itself (but also in combination with other practical options, such as air and ferry transportation) allows a solution to the problem of transit between Kaliningrad and mainland Russia without resorting to such unconventional tools as visa-free high-speed trains. However, Russia has a clear interest in politicising and exaggerating the problem.

A visa-free regime for civil transit cannot be treated as compatible with Lithuania's national interests even if: (i) the high-speed non-stop train option were to be included in the Schengen Treaty and (ii) Lithuania would get legally binding guarantees that the acceptance of this idea would in no way present an obstacle for Lithuania to join the Schengen zone. And not only because implementation of the idea of visa-free trains would imply much more effort from the side of Lithuania to meet

the requirements of the Schengen *acquis* (the EU could undertake to share the financial burden, just as it was in the case of the FTD/FRTD scheme).

Acceptance of the Russian idea on visa-free trains (even though the practical scheme of such a decision's implementation would not allow the Russian Federation to obtain extraterritorial rights analogous to the "corridor" concept, and Lithuanian authorities would retain their sovereign right to refuse entry and carry out controls during transit) would mean a serious precedent. The legalisation of a visa-free regime for civil transit could eventually create circumstances favourable for exerting political pressure on Lithuania to legitimate the Russian Federation's military transit, as well as to formalise transit transportation of dangerous cargoes through the territory of Lithuania. For example, in the autumn of 2002, bilateral Russian-Lithuanian consultations on the possibility of transporting used missile fuel transit through the territory of Lithuania were launched. There are 1.600 tons of used missile fuel in Kaliningrad and the Russian Federation claims that this fuel can only be transported to mainland Russia by train, i.e. through the territory of Lithuania. Obviously enough, a scenario of a poorly controlled transit regime through the territory of a (future) EU member state, as well as the legitimisation of the Russian Federations's military transit, is incompatible with EU security interests.

Towards a visa-free regime?

In August 2002, the heads of the EU member states received a letter from the President of the Russian Federation Vladimir Putin, proposing to start discussions on a reciprocal visa-free travel regime for Russian and EU citizens. Until such a regime comes into force, the Russian Federation proposed a transitional period to maintain and adjust simplified arrangements for rail and automobile transit of Russian citizens from and to its exclave through Lithuania. Responding to this proposal, the European Commission in the Communication "Kaliningrad: transit" linked the eventual establishment of a reciprocal visa-free travel regime with progress in co-operation in the areas of fighting against illegal migration and crime.

On 25 October 2002, the Brussels European Council concluded that the issue of the establishment of a visa-free regime between the Russian Federation and the EU should remain "separate from the

discussions on Kaliningrad, and will be considered as a long-term issue". Nevertheless, it appears that the issue of a visa-free regime is gradually becoming a usual item on the agenda of almost every Russian-EU meeting and bilateral Russian-EU member states' meetings. There are also quite serious attempts from the Russian side to institutionalise the issue by initiating the creation of an EU-Russian working party (task force) to examine the possibility of introducing the visa-free regime.

It is obvious that the issue of an eventual Russian Federation-EU visa-free regime strengthens Moscow's position in talks on transit to and from Kaliningrad. The letter of president Putin even stated that "the issue of securing free communications between Russia and Kaliningrad Region will determine not only conditions of vital activities of Kaliningrad Region as an integral part of Russia, but to a considerable extent a further vector for Russia's relations with the enlarging EU".

The issue of Kaliningrad's economic development remains unresolved

As EU membership negotiations with candidate countries approach the very final stage, discussions about passenger transit overshadowed another much more important and deeper problem – the issue of the socio-economic underdevelopment of the Russian Federation's westernmost region. Neither the Russian Federation, nor the EU raises the question about the need to create conditions favourable for the development of the region.

EU enlargement changes the main parameters of Kaliningrad's political and economic environment. However, it seems that the main interest of Moscow is unrestricted transit to and from Kaliningrad. At the same time, the scenario of Kaliningrad as an 'economic bridge' between the East and West is considered to be ambiguous: there is a fear in Moscow that the rapid economic development of Kaliningrad and strong links with foreign countries will weaken Moscow's influence in the exclave.

Cancelling the visa-free regime for Kaliningrad's inhabitants travelling to Lithuania or through its territory to the rest of the Russian Federation by transit trains will not in itself lead to the isolation of the region. The introduction of a FRD/FRTD scheme for transit to mainland Russia and free long-term multiple-entry visas for travelling to Lithuania (provided

for in the new Lithuanian-Russian Agreement of 30 December 2002) are aimed at mitigating negative effects. Generally, visas as well as FRD/FRTD are restrictive tools, aimed at improving the level of security rather than the level of cross-border co-operation. However, in the case of Kaliningrad, where illegal cross-border trade levels are significant, and corruption in custom and border services is high, the introduction of free multiple-entry visas and FRD/FRTD as well as the technical upgrading of border-crossing check points will contribute not only to higher levels of security, but also to making the border crossing procedures more transparent and permeable for tourism, legal business, etc.

After becoming members of the Schengen Treaty, Lithuania and Poland will not be allowed to issue national visas to third country nationals but will be allowed to make use of the flexibilities that are allowed by the acquis to the countries that do not participate in the Schengen zone (including cheap or free multiple-entry visas, as well as certain exemptions from the visa requirement). Without such flexibility, the conditions for cross-border trade, which is guite intensive now, will deteriorate. This, in turn, will worsen the economic situation for Kaliningraders, especially those who are living in areas close to the future EU external border. Therefore paradoxically, but in order to avoid sharpening of the problem of the socio-economic underdevelopment of the region, it is even more important to maintain a certain degree of flexibility in the visa regime for the inhabitants of the Kaliningrad Oblast travelling to and from Lithuania and Poland after the accession of these countries to the Schengen zone, rather than to ensure a visa-free regime for travelling by transit trains to the rest of the Russian Federation.

Measures to Address Some of the Issues Concerning the Kaliningrad Oblast and Its Inhabitants

Paul D. Holtom Alfried-Krupp Institute for Advanced Study, Germany

This chapter will outline some of the main arguments put forward in the six preceding contributions, and present a series of recommendations developed from these chapters. It is therefore divided into six sections, each corresponding to a single chapter from this report. However, the chapters presented in this report represent a variety of different views and perspectives regarding the issues that Kaliningrad presents to the Russian federal centre, its neighbours and an enlarged EU. Therefore, the recommendations presented in this contribution, although drawing upon the different chapters presented in this report for their inspiration, should be regarded as the author's own recommendations. Before considering the arguments of each chapter, and the recommendations that I have developed from these chapters, a series of general recommendations will be presented here. They are as follows:

- Greater transparency is needed in EU and Russian policies to counter the fears caused by changes and uncertainty arising from EU enlargement and Russian reforms.
- More effective co-operation and co-ordination is required, and therefore greater trust, commitment and creativity need to be fostered at different levels.
- The problems that Kaliningrad poses for the whole of Europe need to be recognised, and the opportunities that the Oblast presents for enhancing and furthering co-operation at different levels, not only at the EU-Russian Federation level, must be acted upon.
- The potential for Kaliningrad to serve as a 'pilot region', 'region of co-operation' or 'experimental zone' needs to be explored in more detail and developed. However, one must be wary of grand plans and inflated expectations.
- Kaliningrad is a small Oblast and the impact of positive cooperation can be felt more quickly and clearly demonstrated in such a case.

117

¹²⁴ See Report of the Committee of Foreign Affairs and Security on Kaliningrad (Königsberg), a Russian Exclave in the Baltic region: Situation and Outlook from a

The role of Kaliningrad in Russian-EU relations

In his contribution to this report, Bordachev argues that Kaliningrad demonstrates the following tendencies in Russian-EU relations:

- The fragility of Russian-EU relations strategic commitments can be 'hijacked' or sidelined by political quarrels.
- The different aims and approaches that the EU and the Russian Federation take towards problem-solving in their relationship – the EU takes a 'technical approach' while the Russian Federation takes a more 'politicised approach'.
- The asymmetry of the economic relationship the EU is cast as an economic giant and the Russian Federation as an economic dwarf.
- The two partners still have a lot to learn about each other if they are to achieve the ambitious strategic aims that they foresee for their partnership.

Although Bordachev notes that relations at the highest political levels between the EU and the Russian Federation (for example the EU Troika-Russian President meetings) are developing, by and large, in a positive direction, more needs to be done to increase contacts at other levels. The Partnership and Co-operation Agreement (PCA) institutions should be utilised to enable the two partners to 'learn more about one another' by increasing information exchanges, transparency and trust – essential elements for enhanced co-operation and developing a strategic partnership. One could even go as far as suggesting exchanges of personnel, with secondments for Russian civil servants in Brussels and EU civil servants in Moscow.

In this regard, one could argue that 'the Kaliningrad Puzzle' 125 touches upon various elements of the *acquis communautaire* (not only Schengen) and therefore provides a case where the Russian Federation can, and should, learn more about the multi-dimensional character of the EU. Simultaneously, 'the Kaliningrad Puzzle' has given the EU a taste of the challenges that it must face if it is to mitigate the perception that it is creating dividing lines in Europe and co-operate

European Viewpoint, European Parliament Session Document, 27 January 1994 (A3-0036/94).

¹²⁵ P. Joenniemi, et al, *The Kaliningrad Puzzle: A Russian Region within the European Union*, Karlskrona 2000.

with the Russian Federation in a variety of areas, ranging from combating transnational organised crime to building a Common European Economic Space (CEES).

Two possible models for co-operation between the EU and non-EU European states will be mentioned here to demonstrate the flexibility and possibilities that could be utilised for EU-Russian co-operation – the 'Norwegian Model' and the 'Swiss Model'. There is not sufficient time and space here to discuss in detail the experiences and mechanisms that have been developed in the asymmetrical relationship between the EU and these 'adaptive outsiders', ¹²⁶ but the two models can be summarised thus:

The 'Norwegian Model' derives from the fact that Norway is a member of the European Economic Area (EEA), and has to adopt and implement the EU directives and regulations that are presented to it. However, Norwegian civil servants have the opportunity to participate in the preparation of these regulations and directives (although one can question the influence that they have). Therefore, despite the negative response to EU membership in the 1972 and 1994 referenda, Norway is becoming a 'virtual' member of the EU, contributing to the 'fuzziness' of the EU's external borders.

The 'adaptive outsider' status of Switzerland differs from Norway because EU directives and regulations are adopted on a voluntary basis. Yet, it is worth noting that Swiss legislation carries a so-called 'Europe Chapter', which gives details of the EU's directives and and therefore demonstrates awareness acknowledgement of the EU measures that relate to the legislation in question. Unlike the Norwegians, the Swiss do not have a voice in the formulation of EU regulations and directives, but they can negotiate bilaterally with the EU for access to the EU market. In exchange, certain areas of Swiss national policy have to comply with EU standards and norms, and parts of the Swiss market, and transport network, have to be opened up for the EU. As in the Norwegian case, Swiss legislation is, to a large degree, compatible with many areas of the EU internal market (although far from all!), despite a very slim majority rejecting accession to the EEA in a referendum held in 1992.

¹²⁶ S. Kux and U. Sverdrup, *Fuzzy Borders and Adaptive Outsiders: Norway, Switzerland and the EU*, "Journal of European Integration" 2000, vol. 22, no. 3, pp. 237-270.

Of course, neither of these European countries is the successor state to a former Superpower, but they demonstrate the fuzziness, flexibility and institutionalised co-operation that the EU can offer in exchange for increased 'compatibility' with EU norms and standards. Furthermore, the recent Communication from the Commission "Wider Europe -Neighbourhood", 127 suggests that the EU expects all of its new neighbours to become 'adaptive outsiders', like Norway and Switzerland. At the same time it should be noted that this new initiative also offers a number of incentives and possible modes of assistance to help develop a new wave of 'adaptive outsiders'. However, does either of these models offer an acceptable basis for developing EU-Russian Federation co-operation? One should not forget that Russian is a member of the Council of Europe, and therefore a series of mechanisms already exist in a number of diverse fields for establishing common grounds between the EU, applicants and Russia, Therefore, are there areas in which the Council of Europe's experiences can offer possible solutions in this regard?

The PCA and the "Medium Term Strategy for the Development of Relations between the Russian Federation and the EU'¹²⁸ seem to offer a tentative 'yes' to the possibility of Russian adaptation towards EU norms and standards, but explicitly acknowledge that this is a medium to long term aim for the Russian Federation as a whole. It is for this reason that the phrase regarding the possibility of transforming Kaliningrad into "Russia's pilot region within the framework of Euro-Russian co-operation in the twenty-first Century" is of interest. Such a possibility requires:

- Russian commitment to the development of the 'pilot region' concept and selected areas for co-operation presented to the EU for 'technical' not 'political' negotiations.
- EU willingness to accept the political challenge of transforming Kaliningrad into a 'pilot region' and participating as a partner in

127 Communication from the Commission to the Council and the European Parliament: Wider Europe – Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours, COM(2003) 104, Brussels 11.03.03.

120

Strategiya razvitia otnoshenii Rossiiskoi Federatsii s Evropeiskim Soyuzom na srednesrochnuyu perspektivu (2000-2010 gg.), "Diplomaticheskii vestnik" no. 11, November 1999, pp. 20-28.

this process, possibly utilising the proposed 'Kaliningrad Fund' as a means of support for 'pilot region' projects. ¹²⁹

Russian federal policy towards Kaliningrad

It is clear from Artobolevskii's contribution to this report that significant improvements need to be made in Russian Federal Policy towards Kaliningrad. Federal policies should be based upon adherence to the following principles:

Greater clarity.
Improved consistency.
A serious commitment towards implementation.

Greater clarity could be achieved by explicitly recognising that Kaliningrad has a unique status in the Russian Federation, because it is an exclave. The ad hoc approach taken in the 1990s, as detailed by Artobolevskii, obviously arose because of the political struggles of a turbulent era. The establishment and abolition of the Free Economic Zone 'Yantar' (FEZ) and the subsequent establishment and stream of amendments to Kaliningrad's Special Economic Zone (SEZ) aptly demonstrate the power struggles of the time. However, one could also arque that Kaliningrad's geopolitical status has not helped matters either. One of Kaliningrad's former governors has explained that Kaliningrad's economic zones were not only intended to serve as compensation measures for Kaliningrad's exclave status, but also contained privileges not to be found in other FEZ regimes because they were to serve as a substitute for explicit recognition of Kaliningrad's exclave status in federal legislation and/or institutions. 130 It is now time for this situation to be rectified as part of the reforms of the relationship between the Russian Federal centre and regions. Therefore:

 Steps should be taken to recognise Kaliningrad's exclave status in the Russian Federation both legislatively and institutionally.

¹²⁹ The establishment of a special Kaliningrad Fund, with a projected budget of € 25m was raised in a memo entitled *EU-Russia Co-operation on Kaliningrad: 2002 and Beyond* (MEMO/02/169), which was given to the Russian authorities in May 2002 by the European Commission President Romano Prodi.

Y. Matochkin, *Na izlome* [On the Edge], Kaliningrad 1999.

- Federal and regional legislation relating to Kaliningrad should be codified.
- The relationships between Kaliningrad and the North-west Federal District and the Federal Centre should be clarified and made more transparent

Such steps would not necessarily mean that ad hoc arrangements would come to an end, but would rather demonstrate that Kaliningrad is recognised as an 'exclave subject' in the Russian Federation and therefore policies can be designed and implemented upon this basis. It would be hoped that such an approach could aid the second recommendation, that of improving the consistency of federal policies towards Kaliningrad. One could even go so far as to argue for the federal centre to develop a system of 'exclave management'.

If one accepts the idea that Kaliningrad could have been used as an indicator for the direction of the Russian Federation in the 1990s, ¹³¹ then one would conclude that this was a period of transformation, confusion and uncertainty. The new millennium continues to present the Russian Federation with profound challenges, and therefore improving the consistency of federal policy towards Kaliningrad is a difficult matter to address. However, recognising Kaliningrad as an 'exclave subject' is one step towards achieving this aim. Another step could be not only to recognise Kaliningrad as an 'experimental zone', as the Russian Prime Minister Kasyanov has already done, ¹³² but to act upon such a declaration in a consistent manner.

Recognising Kaliningrad as an 'experimental zone' for economic and political reforms does not mean that all experiments, and amendments to experiments, are justified. The FEZ and SEZ may have started out as experiments, but the amendments and challenges to these zones were, more often than not, politically motivated rather than in response to failures and shortcomings of the legislative or technical bases of these zones. Such an approach has to change if Kaliningrad is to be consistently treated as an experimental zone. That is, if Kaliningrad is to be used for testing new approaches and mechanisms for Russian reforms and Russian-EU co-operation. It is only with greater clarity and

.

¹³¹ For example, see P. D. Holtom, *Detached Regions and their role in Return to Empire Discourses: The Cases of East Prussia and Kaliningrad* [in:] S. Berglund and K. Duvold (eds.), *Baltic Democracy at the Crossroads: an Elite Perspective*, Forthcoming 2003.

132 Interfax 22 03.01.

consistency in federal policies towards Kaliningrad that one can begin to treat the Russian Federation as a reliable partner for the establishment of Kaliningrad as a 'pilot region' for Russian-EU cooperation or come close to achieving the aims of the 'region of cooperation' concept. ¹³³ It is also necessary to:

- Identify the 'exclave' factors that affect Kaliningrad i.e. those areas where Kaliningrad's experience is different from other Russian regions – and design and implement policies to overcome the problems caused by these factors.
- Make it clear which measures are to be adopted to address specific 'exclave' issues and which measures are being 'piloted' in Kaliningrad with a view to their implementation in other subjects of the Russian Federation.
- Improve the design of 'experimental policies' for Kaliningrad, so
 that the experiments and pilot projects can run their course
 without interference. If this is not the case, then rational
 assessments of the projects are not possible, and an image of
 uncertainty and unreliability continues.

Of course, these recommendations call for considerable attention to be paid towards Kaliningrad, one of the smallest Russian regions in terms of population and economic performance. However, Kaliningrad did receive considerable attention from the Federal Centre in the 1990s, being the recipient of the highest number of normative acts enacted for a single Russian region. The problem is that quantity does not guarantee quality, as demonstrated by Artobolevskii's chapter. Yet, it does demonstrate that the federal centre does pay attention and interest towards this 'exclave subject', although the design and implementation of policies needs to be improved. This is an area in which the Council of Europe could offer its legal expertise and assistance to Russia and its regions. The Council of Europe's services should be utilised for improving the quality and consistency of Russian legislation governing Russian centre-region relations.

¹³⁴ N. Smorodinskaya et al, *Kaliningradskaya oblast' kak svobodnaya ekonomicheskaya zona* [Kaliningrad Oblast as a free economic zone], "Voprosy ekonomiki" no. 9, September 1999, pp. 90-107.

A. Khlopetskii and G. Fedorov, *Kaliningradskaya oblast: Region sotrudnichestva* [Kaliningrad Oblast: Region of Co-operation], Kaliningrad 2000.

At the same time, it is necessary to inject a small dose of 'reality' into the ambitions and policies that are designed for Kaliningrad. Former Kaliningrad governor Matochkin's claim that Kaliningrad would become the 'Hong Kong of the Baltic' a decade after the establishment of the FEZ regime was an admirable ambition, but clearly lacked the mechanisms and personnel to achieve this grand strategy. The "Federal Target Programme for Kaliningrad Oblast Development till 2010" stands as another case of 'dreaming' in lieu of policy-making. While the areas targeted for development are indeed worthwhile endeavours and demonstrate an understanding of the problems that Kaliningrad faces if it is to successfully reform and take advantage of the opportunities presented by EU enlargement, the mis-match between clearly identified sources of funding and projected project costs transforms a series of policies into a wish-list. As Artobolevskii legitimately asks, will private investors be willing to invest in a series of projects that will receive, on average, only 11.5% of their funding from the Russian federal budget?

Finally, if one accepts that Kaliningrad is an exclave, then one also has to accept that the 'host' state also has an influence upon the development of the exclave and the ability of the 'home' state to implement policies in the exclave. For example, changes implemented in the 'host' state can have a detrimental, as well as a positive, impact on the exclave and home state-exclave relations, whether intended or not. In this regard Kaliningrad is particularly interesting because it will not only be 'just' a Russian exclave, but in 2004 it will become a Russian exclave in an enlarged EU. In some respects, therefore, Kaliningrad's host will become the EU, and the distance between the exclave and 'host centre' will increase. This change has already been the subject of intense discussions in recent years regarding the potential negative and positive aspects of an EU 'host' for Kaliningrad. The impact of an EU 'host' for Kaliningrad will now be discussed with reference to the following areas:

- Socio-economic conditions in Kaliningrad.
- Cross-border movement between Kaliningrad and its neighbours.
- Transit between Kaliningrad and mainland Russia.

The impact of EU enlargement on Kaliningrad

Socio-economic impact

In his classic study of West European exclaves, Catudal suggests that exclaves are faced with three options for their socio-economic orientation:

Towards the 'home' state. Towards the 'host' state. Exclave autarky.¹³⁵

In their contribution to this report, Vardomskii and Zverev promote the 'region of co-operation' concept, which envisages that Kaliningrad will be able to orientate itself to the markets of both the 'home' and 'host'. If Kaliningrad was the exclave of an EU state located within another EU state, then this distinction between 'home' and 'host' markets would be blurred, as both would belong to the EU's internal market. However, Kaliningrad will be a Russian exclave situated within an EU 'host' in the near future. Therefore, if Kaliningrad is to fulfil the role that it has been given in the 'pilot region' and 'region of cooperation' concepts, and take advantage of its association with both the Russian and EU markets, then the following steps need to be taken:

- ► The preliminary vision for the CEES will effectively make Kaliningrad, and therefore the Russian Federation, if not 'adaptive outsiders' then at least largely 'compatible outsiders'. This is the suggestion given by Vardomskii and Zverev. At the same time, they also recognise that there are potential problems if Kaliningrad becomes EU-compatible but the rest of the Russian Federation, and therefore its important Russian market, does not follow suit. In their opinion, however, Kaliningrad could serve as a 'pilot region', or vanguard if one prefers, for achieving Russian compatibility with EU norms and standards. Therefore, the region would differ in some respects from other subjects of the Russian Federation in the short to medium term.
- ► Kaliningrad will need to 'restructure' or 'transform' its economy. The steep decline in industrial and agricultural production in the 1990s has been accompanied by an explosion in the growth of the number of

_

¹³⁵ H. Catudal, *The Exclave Problem of Western Europe*, Alabama 1979.

¹³⁶ A. Khlopetskii and G. Fedorov, ...

Small and Medium sized Enterprises (SME) in the Oblast, which are predominantly orientated towards the service sector. However, if 60-95% of Kaliningrad's Gross Regional Product (GRP) is located in the shadow economy, then it is clear that an EU 'host' will not be a positive development for Kaliningrad. The need to move economic activity in Kaliningrad from the 'shadows' and into the light has been recognised by Kaliningrad's Regional Development Agency (RDA) and the EU's TACIS programmes. Suggestions to improve assistance to Kaliningrad SMEs are therefore a welcome step. ¹³⁷

A symbolically important project for Kaliningrad's amber reserves needs to be developed at the Russian Federal, Kaliningrad and/or EU levels. One practical suggestion, connected with restructuring the educational system in Kaliningrad to meet changing local needs and using the material resources already available in the Oblast, is to encourage the development of jewellery making within the exclave, thereby keeping the 'value-added' aspects of amber processing in Kaliningrad.

▶ Combating corruption and bureaucracy in administrative bodies has also been identified as an important precondition if Kaliningrad is to benefit from EU enlargement. These sentiments have been echoed in both EU and Russian documents relating to Kaliningrad's economic development, yet not enough progress has been made in reforming and restructuring administrative, tax and customs practices, and the implementation of legislation in areas related to the Oblast's general business climate. With the consent of the Russian federal authorities, the Council of Europe could play a positive role in helping Kaliningrad's regional authorities to meet the legislative and administrative demands of the 'pilot region' and 'region of co-operation' concepts. If Kaliningrad's regional governance system is to be transformed into a model or 'best practice' case for other Russian regions, then it would undoubtedly benefit if it sought and fully utilised the expertise of the Council of Europe in this regard.

¹³⁷ For details relating to the EU's TACIS commitments in Kaliningrad see: Communication from the Commission to the Council: The EU and Kaliningrad, COM(2001) 26 final, Brussels 17.01.01; EU-Russia Co-operation on Kaliningrad: 2002 and Beyond (MEMO/02/169); Commission Staff Working Paper 2002 Annual Progress Report on the Implementation of the Northern Dimension Action Plan, SEC(2002)1296, Brussels 26.11.02.

¹³⁸ A. Dolan, *Kaliningrad and the European Union: The Clash of Expectations* [in:] J. Baxendale et al (eds.), *The EU and Kaliningrad: Kaliningrad and the Impact of EU Enlargement*, London 2000, pp. 207-213.

Of course, Kaliningrad is not an EU applicant and therefore some of the incentives that have helped to transform neighbouring states have not been made available to Kaliningrad, or other subjects of the Russian Federation, However, the possibility of establishing a Kaliningrad Fund is an interesting development from the side of the EU, especially as the "primary purpose [of the fund] would be to stimulate economic activity. particular enterprise development and related small infrastructure in the region". 139 The need and the value added of such a fund is a matter of discussion. Such EU funds should be earmarked for assisting economic activity to shift from 'shadow' to legitimate practices and improve the general socio-economic climate in the Oblast. These funds should therefore not disappear into the pockets of western consultants or regional bureaucrats, and must be accompanied by serious commitments from the Russian federal and regional authorities to address their well-known deficiencies.

Vardomskii and Zverev also highlight two areas that have often been missing from the Kaliningrad development agenda, yet are of considerable interest in terms of the development of the Kaliningrad Oblast as a whole and have potential CBC (cross border co-operation) importance:

The socio-economic conversion of former military towns. Economic development in the border areas.

This section will only consider the socio-economic conversion of former military towns, as the economic development of the border areas will be dealt with in the next section. The legacies of the Soviet period, when Kaliningrad was the western-most military base of the USSR, continue to have an impact on the development of Kaliningrad today. In addition, the stationing and settling of the Oblast with troops and equipment removed from the Baltic States and the former German Democratic Republic (GDR) placed an even greater burden on the stretched social and economic resources of Kaliningrad in the early/mid-1990s. The following recommendations are aimed at overcoming the negative aspects of these legacies:

▶ Retraining former military personnel. Programmes and centres have been working in this sphere in the Oblast since the 1990s. For example

¹³⁹ EU-Russia Co-operation on Kaliningrad: 2002 and Beyond (MEMO/02/169).

the "Regional Centre for Re-Training of Military Servicemen, and Members of their Family" has assisted with training and finding employment for former military officers, with several notable successes in Kaliningrad's business community and administrative structures. Those who have not been so successful at adapting to civilian life can be found either in criminal gangs or the Oblast's prisons. Therefore, Russian military reform and retraining is an area that presents a security problem that should concern not only the Kremlin. It is therefore an area in which international assistance from Swedish and British agencies has already been offered, and where co-operation between the EU and the Russian Federation could develop. A recent Council of Europe memorandum has even suggested that former military servicemen be employed within border control services.

▶ Developing former military garrisons and towns, including the conversion of the port of Baltiisk to civilian purposes. Here experience gained in conversion projects of Brownfield sites in other Central and East European states could be of interest, including the studies of the Bonn International Centre for Conversion. As unemployment in these areas is high, a significant amount of restructuring and development is necessary. The development of 'enterprise zones' and preferential investment arrangements could and should be encouraged in these areas. The development of the Baltiisk port for civilian purposes is part of the current TACIS project on "Kaliningrad Trade Seaports Controls". The possibility of including Baltiisk within the development of the 'Motorways of the Sea' concept, as expressed in the EU White Paper on European Transport Policy for 2010, could act as an obvious incentive for the conversion of this port.

¹⁴⁰ M. Galleotti, *The Challenge of 'Soft Security': Crime, Corruption and Chaos* [in:] A. Cottey and D. Averre (eds.), *New Security Challenges in Postcommunist Europe: Securing Europe's East*, Manchester 2002, pp. 151-171.

The Swedish organisation SIDA has already assisted with a programme to train former officers to become bankers in Kaliningrad in 1996, and officers from Kaliningrad have taken part in the joint Russian-British retraining programme for military personnel.

¹⁴² Ninth Session Explanatory Memorandum on Fostering Transborder Co-operation in the Kaliningrad region: A Requirement of Social Cohesion, Congress of Local and Regional Authorities of Europe, CG(9) 27 Part 2, Strasbourg 12.02.03.

For example, see K.R. Cunningham, *Base Closure and Redevelopment in Central and Eastern Europe*, Bonn International Centre for Conversion Report 11, 1997.

► Encouraging the continuation of co-operation in the environmental sphere, in particular clean-up operations in former military areas and zones within the Oblast.

Transfrontier co-operation between Kaliningrad and its neighbours

In his contribution to this report, Baryla states that the Council of Europe has not only played an important role in the history of European transfrontier co-operation, but that it has also highlighted Kaliningrad as a case that requires transfrontier co-operation to avoid developing into a social, economic and political disaster. It is therefore worth stressing. as Barvla does, that intergovernmental agreements on bi-lateral cooperation between Kaliningrad and the neighbouring states of Lithuania and Poland have been in place since the early 1990s, including agreements with a special emphasis placed upon co-operation between Kaliningrad and bordering Lithuanian and Polish regions. As a result of these agreements, councils, committees and working groups have been established on bi-lateral bases to explore the potential for cooperation in a variety of fields, including border infrastructure, transport, economic development and trade, culture, education, the environment. and energy. However, lack of funding has meant that co-operation has not often extended beyond research and the elaboration of concepts. A good example of this is the joint Lithuanian-Russian 'Nida Initiative'. The 'Nida Initiative' demonstrates the ability of Lithuanian and Russian officials to agree upon a series of CBC projects, and also demonstrates their inability to implement these projects from their own resources and funds.

These limitations should be borne in mind when making recommendations for enhancing co-operation between Lithuania/Poland and Kaliningrad. However, it is arguably due to this factor that the search for effective multi-lateral co-operation becomes important, as noted by a recent Council of Europe memorandum which called for institutionalised multi-lateral co-operation, potentially imitating the Barents Euro-Arctic Council (BEAC). 144 In effect, something that combined and mediated between the Council of Baltic Sea States (CBSS) and Baltic Sea States Sub-regional Co-operation (BSSSC) was sought. But is another institution needed in the Baltic Sea Region to give direct regional representation to Kaliningrad and neighbouring

. .

Ninth Session Explanatory Memorandum on Fostering Transborder Co-operation...

regions? Could the Euroregion 'Baltic' not be better utilised, and transformed, to meet such needs? This particular Euroregion was an ambitious initiative because:

- It covers an area over 100,000 km² with a total population of just under six million.
- It is a transnational maritime co-operation project, not just a CBC project.
- It includes territories from EU members (Denmark, Germany and Sweden), applicants (Latvia, Lithuania and Poland) and Russia (Kaliningrad).

At present it has little to show for such scale and promise, and therefore the first recommendation in this section is that we should search for means to use the institutional arrangements that currently exist, even if only on paper, more effectively before beginning to conjure up new institutions. This could include increased assistance being granted from the Council of Europe to Lithuanian, Polish and Russian national, regional and municipal authorities (including Kaliningrad), regarding the implementation of the European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities. At the same time, it is necessary to acknowledge, and if possible resolve, some of the problems that have been noted above with respect to transnational and cross border co-operation in this area. The following suggestions are based upon these two guiding principles.

- ▶ Data from Central and Eastern Europe suggests that co-operation is sought by administrative units in the former Warsaw Pact territories with richer partners from Western Europe, and not primarily with immediate neighbours. Therefore, is Finnish-Russian CBC a suitable model for CBC in the borderlands of an enlarged EU-Russia? Finland is obviously richer than either Lithuania or Poland, and has experience of being the main applicant in an EU project application. Should the Lithuanian-Kaliningrad and Polish-Kaliningrad borders be favourably compared to the Finnish-Russian border?
- ▶ After they become EU members and their PHARE projects have been completed, Poland and Lithuania will become eligible for

H. Baldersheim et al, Mayors Learning across Borders: The International Networks of Municipalities in East-Central Europe, "Regional and Federal Studies", vol. 12, no. 1, 2002, pp. 126-137.

INTERREG funds. The aim of INTERREG is to promote interregional co-operation within the EU. Unless the current situation changes drastically. Kaliningrad will continue to receive TACIS funds, which are designed to support reforms in the CIS. Are these two programmes compatible? A recent "Guide to Bringing INTERREG and TACIS Funding Together" has stated that, they "are two different instruments which have different aims and criteria, different procedures for decisionmaking and implementation, and different governing legislation" 146 Some of the deficiencies of these programmes have been acknowledged in Brussels, and steps have been taken to encourage and facilitate complementary INTERREG and TACIS CBC project applications, but the fact remains that the basic tools for cross border co-operation between the EU and CIS were not designed for these purposes. Therefore, steps should be taken to explore the possibility of developing specific mechanisms for EU-CIS cross border co-operation. Rather than attempt to co-ordinate two different programmes, why not develop a single programme whose "ultimate aim is to create new opportunities for the population living in [EU-CIS] border areas, to promote the spirit of co-operation and to foster trust between the authorities on each side of the border"? 147 Kaliningrad provides an opportunity to pilot such a scheme, although other North-West Russian regions could also be eligible for pilot projects in this sphere.

▶ Euroregion 'Baltic' has the potential to demonstrate one of two different possibilities. It can either show that transnational and cross border co-operation between EU and CIS participants can be successfully accomplished by sub-state actors, or, it can highlight the inappropriateness of applying the Euroregion concept to transnational and cross border co-operation between partners from the EU and CIS. It is at the cross border co-operation level that one realises that CIS neighbours cannot be compared to Norway or Switzerland, but require a different approach, mechanisms and aims.

However, when commenting on actual transnational and cross border co-operation projects, the story does have some positive tendencies. The problem here then, is to investigate how these positive elements should be built upon and expanded, and which aspects can be selected as examples of 'best practice' that can be applied to other cases. The

¹⁴⁶ A Guide to Bringing INTERREG and TACIS Funding Together, Brussels: European Communities. 2001.

¹⁴⁷ A Guide to Bringing INTERREG...

areas that have been highlighted for CBC and the number of projects that have been drafted, started and implemented cannot be listed here, although some remarks on economic and border management CBC have been made above. Therefore, two projects will be offered here as examples that demonstrate positive tendencies to be built upon.

The first of these projects was funded as part of the Council of Europe's Confidence-Building Measures Programme, and was entitled "Historical Consciousness of Youth in the Districts of Kaliningrad, Western Lithuania and Warmia-Mazuria". This project was highlighted by Baryła as a project that touched upon CBC in a number of fields ranging from youth and education to ethnic minorities and identity. The aims were clear and still remain worthwhile. Therefore, it is recommended that the Council of Europe reviews this project and explores the potential of extending the number of participants to include Germany, Sweden, other Russian regions and partners from Euroregion 'Baltic'. Further, other projects relating to cultural and educational issues should be established with the Council of Europe's help, in particular the assistance of the Youth Directorate.

The second of the projects to be mentioned here involves four of the Euroregion 'Baltic's participating states, "United Against Drugs". This project was selected as an example of CBC 'best practice' by the BSSSC in 2001. It is of interest here because it not only includes partners from Kaliningrad, Lithuania, Poland and Sweden, but also because participants were drawn from public bodies and NGOs. Its aims were clear — "to share experiences from drug prevention programmes" — and by clearly identifying drugs and HIV as 'common concerns', openness and the basis for effective co-operation was fostered.

Cross-border movement

Cichocki argues that the overwhelming majority of those involved in cross-border movements between Kaliningrad-Lithuania and Kaliningrad-Poland are 'shuttle-traders' – a large number of whom are, in effect, smugglers of alcohol, cigarettes, petrol and amber or traffickers of people, drugs, cars and illegal goods. They present the

¹⁴⁸ Best Project Practices in the Baltic Sea Region, taken from Strengthening of Regional Co-operation Network – Towards the BSSSC Conference 2001 (BSSSC Riga), 2001.

following problems for effective border control management and economic development:

- ▶ Lengthy queues at the border posts due to the fact that shuttle-traders can cross the border up to ten times a day, require lengthy searches, and occupy the time and resources of the customs and border services.
- ▶ Deprive the state of revenue. The smugglers make their profits by not declaring the amount of goods that they carry and therefore do not pay customs duties on them. Most shuttle-traders operate without a trading licence and are not registered as an enterprise, and therefore do not pay taxes.
- ▶ The borderlands have acquired a criminal reputation and profile. This deters potential legitimate investments from being made. Furthermore, legitimate businesses would be unable to compete with traders who do not pay duties on the goods that they smuggle, or pay taxes.

One group of economists have argued that because certain shuttle-trading activities are so lucrative, industrial managers have stated that it is difficult to attract and retain good staff because of the considerably lower returns from legitimate economic activity. 149

► Smugglers and Traffickers are accused of corrupting state agents.

For these reasons, Cichocki argues that the structure of cross-border movements at the Kaliningrad borders needs to be changed before one can discuss the possibility of enhanced CBC, let alone a visa-free border. For this reason, the following positive developments need to be supported and built upon:

▶ The EU's financial and technical assistance to border and customs infrastructure and training. However, it also needs to be highlighted that because of the structure of EU funding for CBC border management programmes, there is currently a willingness to provide support that is not matched by an ability to provide training. For example, proposals for current projects are being delayed because it is necessary for such

133

¹⁴⁹ P. Hanson, *Kaliningrad and Primorskiy Krai* [in:] P. Hanson and M. Bradshaw (eds.), *Regional Economic Change in Russia*, Cheltenham 2000, p. 243.

projects to have participants from EU member states:¹⁵⁰ do we have to wait until after 2004 before such problems can be overcome?

- ▶ The increase in the value of detected contraband at the Kaliningrad, Lithuania and Polish borders by border and customs services is a welcome development, but further co-operation needs to be supported and expanded.
- ▶ The fact that the EU, the Russian Federation and the applicant states in the Baltic Sea region recognise that there is a need for cooperation and co-ordination of efforts to tackle cross-border problems.
- ▶ Russian participation in joint operations within the framework of the Baltic Sea Task Force on Organised Crime (BSTFOC). In particular, Russian co-operation has been crucial in operations aimed at combating the movement of stolen cars and illegal immigrants through Kaliningrad. It is hoped that co-operation with Lithuania and Poland could also be developed with regard to the BSTFOC's programmes on combating corruption, drugs trafficking and smuggling highly taxed goods such as alcohol and cigarettes. The current EU proposal for a TACIS study on "Organised Crime in Kaliningrad" should involve participants from these three states, and the BSTFOC and Europol.

However, border controls are only one element of the strategy that needs to be adopted to change the structure of border movements. As Vardomskii and Zverev have demonstrated in their contribution to this report, there is a vicious circle at work regarding legitimate economic developments in the border regions of Kaliningrad and the neighbouring states. The lack of legitimate economic development in these areas is a factor in 'encouraging' individuals in these areas to turn to smuggling to satisfy their basic and more consumer-orientated demands. In turn, this gives the region a 'smuggling' and 'crime-ridden' image, which means that individuals continue to rely upon 'shadow' economic activities because legitimate economic investments are not made under such conditions. Therefore, policies and programmes need to be

¹⁵¹ A positive assessment of Russian participation in this Task Force can be found in the *Commission Staff Working Paper 2002...* For more information on the Baltic Sea Task Force on Organised Crime see www.balticseataskforce.dk

¹⁵⁰ EU assistance is available for training customs and officials and border guards at Bagrationovsk-Bezledy and Chernyshevskoe-Kybartai crossings, according to the Memo *EU-Russia Co-operation on Kaliningrad: 2002 and Beyond*, but they have been unable to identify an EU member state willing to participate.

implemented that attempt to break this vicious circle and transform 'shadow' economic activities into legitimate economic activities, or provide alternative employment.

One could argue that shuttle-traders demonstrate 'entrepreneurial spirit' that could be harnessed through access to funds for establishing SMEs, and utilise the experience and contacts gained from a decade of cross-border trading for legitimate trading purposes. One could make a case for TACIS CBC projects to focus upon the 'conversion' of shuttle-traders. This is an optimistic view of practices that one could argue take place because of a continuing 'beat the system' mentality. Would smugglers have an interest in establishing small-scale trading enterprises in the legitimate economy? One thing is clear, they will be unable to continue current practices in the near future, and therefore alternative employment needs to be supported...

Development plans for Kaliningrad must also consider the border areas of the Oblast. Of interest in this regard is the claim made in a recent report that there is 'zero unemployment' in the Kaliningrad border town of Sovetsk. According to this report, twelve Lithuanian-financed and run factories have opened in the town since 2000, providing employment to the population of Sovetsk and neighbouring Lithuanian regions. The case of Sovetsk could serve as a positive example for the development of Cross-Border business co-operation and investment in the future EU-Russian borderlands. This is a situation that is supported in TACIS CBC declarations and Russian development proposals for the oblast', and needs to be investigated in more detail to see if elements of this 'success story' can be applied to other areas.

Of course, smugglers and traffickers are not the only people who cross the border, even if they make up the overwhelming majority. A realistic aim should be not just to increase the share of those crossing the border who do so for legitimate reasons – a situation that will take place as the number of smugglers and traffickers decreases as a direct result of a stricter border regime – but the actual number of people taking part in legitimate CBC activities must increase in real terms. More people need to be moving through the green channels at the border crossings.

It is because of the current structure of the border movements that Cichocki dismisses the idea of applying the suggestions contained in

_

¹⁵² RTR, 31.08.02.

the European Commission's working document on "Developing the Acquis on Local Border Traffic". At the same time, however, one must work towards achieving one of the main objectives of the Parliamentary Assembly of the Council of Europe's (PACE) Recommendation 1373 (1998), where it is stated that "although the Assembly is aware of the fact that it will not be possible to abolish at once all visa requirements in Europe, it is convinced that this should be the objective in the near future". The following suggestions can therefore be viewed as possible 'staging options', with a view to the long term aim of establishing a visa-free regime between the Russian Federation and an enlarged EU:

- the conclusion of the EU-Russia readmission agreement whose negotiations started on 23 January 2003.
- The Russian Federation should increase the production and issuance of external passports in Kaliningrad, recognising that the Lithuanian border is an international border and that from July 2003 it will be enforced as such.
- The EU must realise that the Kaliningrad border has been treated differently to other Russian-EU applicant borders a visa-free regime has existed between Lithuania and Kaliningrad during the past decade, making this border qualitatively different from the Estonian-Russian and Latvian-Russian borders. Therefore, while the "Communication from the Commission to the Council. Kaliningrad: Transit" is correct to state that small border traffic is "not specific to the situation of Kaliningrad", it has developed along a different trajectory along this border. One could argue that the case of Sovetsk, as described above, is potentially a positive result of this freedom.
- Those persons who currently have an 'AB' stamp in their passport, and are therefore recognised as being involved in legitimate border crossing activities or business, should be eligible to receive either low cost or free visas irrespective of whether they reside in Kaliningrad, Lithuania or Poland. This should be observed as a step towards encouraging cross border co-operation and also moving towards reciprocal arrangements for issuing visas. The potential of extending such

¹⁵³ Communication from the Commission to the Council. Kaliningrad: Transit, COM(2002)510, Brussels 18.09.02.

a scheme to those who do not currently have 'AB' stamps needs further discussions and investigation.

An extremely ambitious and challenging proposal would be to extend the principles and 'good practice' of the measures that have been introduced to facilitate visa-free travel for Council of Europe parliamentarians "to 'trustworthy professionals', such as teachers, students, doctors, people going for an internship, for whom crossing a national border to enter or leave the Kaliningrad Oblast may be time consuming and a costly nuisance". This could develop from the 'AB' stamp principle also, and act as a 'privilege' for those participating in cross border co-operation. The technology to issue 'smart' electronic cards exists and could be utilised for such purposes. It should also be remembered that the Parliamentary Assembly of the Council of Europe has invited the Committee of Ministers to offer the legal advice and expertise of the Council of Europe to member states with regard to visa regimes and exchanges of information on issues of 'security'. The entering the principal states are states with regard to visa regimes and exchanges of information on issues of 'security'.

Transit

At the time of writing (March 2003), the issue of transit between Kaliningrad and the Russian mainland remains a concern because of the uncertainty surrounding the proposed changes to the transit regime and the lack of clarity and information regarding the scheme that will replace it. This uncertainty applies to the short-, medium- and long-term. There are several areas that need to be addressed regarding this issue:

 Lithuania unilaterally withdrew from the "Agreement between the government of the Lithuanian Republic and government of

¹⁵⁴ H. Birckenbach, *Strengthening dialogues and co-ordination between the multitude of actors: The role of international organisations* [in:] H. Birckenbach and C. Wellmann (eds.), *The Kaliningrad Challenge: Options and Recommendations*, Forthcoming 2003.

The Enlargement of the European Union and the Kaliningrad Region, Parliamentary Assembly of the Council of Europe Recommendation 1579 (2002)[1], 25 September 2002. Attention was recently drawn to this Recommendation again in: Fostering Transborder Co-operation In the Kaliningrad Region: A Requirement of Social Cohesion, Rapporteur: Halvdan Skard, Explanatory Memorandum CG (9) 27 Part 2, Strasbourg 12 February 2003.

the Russian Federation concerning Reciprocal Journeys of Citizens". 156 because of its EU accession commitments.

- Access rights between homeland and exclave are normally granted if relations between the 'host' and 'home' states are good. The EU, as future 'host', is unlikely to grant visa-free access until the Russian Federation has signed a readmission agreement and assuaged EU soft security concerns.
- The need for greater clarity and transparency from the EU regarding the facilitated transit documents (FTD) and facilitated rail transit documents (FRTD) needs to be rectified. Information regarding the issuance, regulation and costs of these documents needs to be given not only to the relevant Lithuanian and Russian ministries, but the EU should also play a leading role in the dissemination of information to the Russian public, with particular attention paid towards the Kaliningrad Oblast. This will require more than placing documents in the 'EU Information Relay' Centre in Kaliningrad State University. Efforts should be made to increase co-operation and information dissemination through the regional, and if possible national, Russian media. Therefore, the EU should not be so concerned with ensuring that libraries have copies of EU Treaties and databases, but that basic information regarding changes that will impact on everyday life are clearly and simply presented. This should also apply to areas other than transit.

From the transit issue debacle of 2002, it is necessary to acknowledge that EU membership for states located in the eastern part of the Baltic Sea Region will bring changes and have an impact on North-western Russian regions. It should be clear to all interested parties that the events of 2002 must be avoided and we must begin to think and discuss the changes and developments that will take place in the post-2004 period. Last minute arrangements and politicking must be avoided. Therefore, the following suggestions are believed to be worth pursuing:

April 1995, pp. 19-23.

¹⁵⁶ Vremennoe soglashenie mezhdu Pravitel'stvom Rossiiskoi Federatsii i Pravitel'stvom Litovskoi Respubliki o vzaimnykh poezdkakh grazhdan [Agreement between the government of the Lithuanian Republic and government of the Russian Federation concerning Reciprocal Journeys of Citizens] (24.02.95) [in:] "Diplomaticheskii vestnik" 4,

- It is important to begin looking at the possibility of visa-free trains now, that is, before Lithuanian accession. Feasibility studies should be carried out as soon as possible, even if the results that they produce do not look favourably upon this option. The findings of a feasibility study on visa-free trains should not have an impact upon Lithuanian accession to the EU, and any decisions taken regarding the implementation of such a scheme should take place after Lithuania has acceded to the EU. However, if the findings are positive, then every effort should be made to introduce this scheme as quickly as possible after Lithuanian accession.
- Sea and air transport routes between Kaliningrad and mainland Russia must continue to be developed, although it is possible to make these developments as part of a more integrated transport policy for the region. For example, the above-discussed study on developing the port of Baltiisk should look for possibilities to open this port up to other ports in the Baltic Sea Region, not just St. Petersburg. The development of Kaliningrad's 'international' airport should also be a development priority that will benefit from international assistance. The lessons of SAS's international monopoly have hopefully been learnt and will be avoided in the future.

What are the prospects of inserting changes to the Schengen acquis regarding transit? Can, and should, this issue be raised in the Convention before Lithuania becomes a member of the Schengen Convention? It should be made clear that if such proposals are made and favourably received, any changes proposed would only apply to Russian-Kaliningrad links after a readmission agreement has been signed and safeguards and assurances given. The Parliamentary Assembly of the Council of Europe extensively debated this issue in and references to the 2002. included 'transit issue' made in Spetmber 2002.157 recommendation and resolution Recommendation 1579 stated that while a right to visa-free transit across the territory of another state does not exist, efforts should be

Solidarity, Parliamentary Assembly of the Council of European Union and the Kaliningrad Region, Parliamentary Assembly of the Council of Europe Resolution 1298 (2002)[1] 25 September 2002 and The Enlargement of the European Union and the Kaliningrad Region, Parliamentary Assembly of the Council of Europe Recommendation 1579 (2002)[1], 25 September 2002.

made by all parties to ensure that transit between Kaliningrad and the Russian mainland should be facilitated and that favourable travel regimes should be maintained. The Parliamentary Assembly Council of Europe has made a set of proposals and offers to assist in this regard, which its members should pursue.

Concluding remarks

Kaliningrad is a small, but rather unusual, factor in the drive towards a wider Europe without dividing lines. Although it has its own set of concerns and opportunities, it also highlights the challenges that need to be met by a variety of national, sub-national and supra-national actors if the EU-Russian borderlands are to become a zone of peace and prosperity built upon effective and efficient transnational and cross border co-operation. The Council of Europe should therefore continue to offer its assistance and advice to all of the interested parties on issues that are aimed at achieving this aim.

The recommendations presented above take into account the fact that Kaliningrad is a multi-level issue, and they attempt to transform concerns into potential areas for co-operation. However, the list is by no means exhaustive, and only addresses 'some of the issues concerning Kaliningrad'. Several of the contributions in this report have raised a number of justifiable concerns regarding the potential impact of EU enlargement for the inhabitants of Kaliningrad in the short-term. Yet, it seems as if some of these concerns have been recognised, and various actors are beginning to learn from mistakes made in the last decade when elaborating their 'visions' for the medium- and long-term.

Although the Russian 'pilot region' project for Kaliningrad has not yet been sufficiently developed, it did recognise the need for a 'tailor-made' approach for Kaliningrad within the broader framework of Russian-EU relations. And therefore, it is also encouraging to read that the EU is willing to become more flexible, adapting and creating co-operation, aid and trade mechanisms to meet the particular demands of neighbouring states and regions. It remains to be seen, however, if the various actors can overcome their short-term concerns and realise long-term visions.

Appendix

Main documents directly or indirectly concerning the Kaliningrad Oblast. Selected by Raimundas Lopata, Sergey Artobolevskii and Bartosz Cichocki.

Council of Europe documents

European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities, Madrid 21 May 1980.

European Charter on Border and Cross-Border Regions, 20 November 1981 (amended 1 December 1995).

European Charter on Local Self-government, 15 October 1985.

Ensuring a Prosperous Future for the Kaliningrad Region: the Need for European Solidarity, Doc. 9524, 15 July 2002.

The Enlargement of the European Union and the Kaliningrad Region, Doc. 9560, 22 September 2002.

The Enlargement of the European Union and the Kaliningrad Region, Doc. 9570, 24 September 2002.

Ensuring a Prosperous Future for the Kaliningrad Region: the Need for European Solidarity, Parliamentary Assembly of the Council of Europe Resolution 1298 (2002)[1] 25 September 2002.

The Enlargement of the European Union and the Kaliningrad Region, Parliamentary Assembly of the Council of Europe Recommendation 1579 (2002)[1], 25 September 2002.

Draft Recommendation on Fostering Transborder Co-operation in the Kaliningrad Region: A Requirement of Social Cohesion, Rapporteur Halvdan Skard, CG (9) 27 Recommendation, Strasbourg 11 February 2003.

Fostering Transborder Co-operation In the Kaliningrad Region: A Requirement of Social Cohesion, Rapporteur: Halvdan Skard,

Explanatory Memorandum CG (9) 27 Part 2, Strasbourg 12 February 2003.

European Union documents

Agreement on Partnership and Co-operation between the European Union and the Russian Federation, 24 June 1994 (entered into force on 1 December 1997).

Common Strategy of the European Union on Russia, adopted by the European Council in Cologne on 4 June 1999.

Communication from the Commission to the Council. Northern Dimension for the policies of the Union, COM(1998) 589 25 November 1998, and the Feira Action Plan relating thereto.

Communication from the Commission to the Council. The EU and Kaliningrad, COM(2001) 26, Brussels 17 January 2001. Communication from the Commission to the Council. Kaliningrad: Transit, COM(2002) 510, 18 September 2002.

Joint Statement of the European Union and the Russian Federation on Transit between the Kaliningrad Region and the Rest of the Russian Federation, Brussels 11 November 2002.

Communication from the Commission to the Council and European Parliament. Wider Europe – Neighbourhood: Proposed New Framework for Relations with the EU's Eastern and Southern Neighbours, COM(2003) 104, Brussels 11 March 2003.

The Russian Federation documents

On priority Measures to Develop Free Economic Zones in Kaliningrad and Chita Oblasts #497, Resolution of the RF Council of Ministers, 25 September 1991.

Decree of the RF President "On the Kaliningrad Oblast", #2117, 7 December 1993.

Agreement on Separation of Administration and Powers between the Government of the RF and government of the Kaliningrad Oblast, signed 12 January 1996.

Federal Law On Special Economic Zone in the Kaliningrad Oblast, #13-«Φ3», signed by the President on 22 January 1996.

Federal Targeted Programme "Development of Special Economic Zone in the Kaliningrad Oblast for 1998-2005", approved by the Resolution of the RF Government #1259 on 29 September 1997.

The Russian Federation Mid-Term Strategy Towards The European Union (2000-2010), 4 June 1999.

Concept of Cross-border Co-operation in the Russian Federation approved by Order of the RF Government, #196-p, 9 February 2001.

Federal Targeted Programme "Modernisation of Russia's Transportation System (2002-2010)", approved by the Resolution of the RF Government #848 on 5 December 2001.

Federal Targeted Programme of the Kaliningrad Oblast Development till 2010, signed by the President on 7 December 2001, see at www.gov.kaliningrad.ru/ofederal.php3.

On the State Policy with regard to the Kaliningrad Oblast #2198-GD, Resolution of the State Duma, 13 December 2001.

On the State Policy with Regard to the Kaliningrad Oblast" #373-SF, Resolution of the Federation Council, 25 September 2002.

Territorial Social and Economic Development of the RF for the Period up to 2004, see at www.economy.gov.ru/socec2004.htm.

Draft Federal Law on Amending the Federal Law on Special Economic Zone in the Kaliningrad Oblast, #101961–3.

Agreements between the Russian Federation and Lithuania:

Agreement between the Government of the Republic of Lithuania and the Government of the Russian Federation on Co-operation Principles and Provisions for Reciprocal Relations in the Sphere of Transport; signed and entered into force on 12 February 1992.

Consular Convention between the Republic of Lithuania and the Russian Federation; signed on 8 September 1992, entered into force on 30 November 1995.

Agreement between the Republic of Lithuania and the Russian Federation for the Co-operation in the Economic, Social and Cultural Development of the Kaliningrad Oblast; entered into force on 4 June 1992.

Agreement between the Government of the Republic of Lithuania and the Government of the Russian Federation on Trade and Economic Relations; signed on 18 November 1993, entered into force on 18 January 1995.

Agreement between the Government of the Republic of Lithuania and the Government of the Russian Federation on Merchant Navigation; signed on 18 November 1993, entered into force on 18 January 1994.

Agreement between the Government of the Republic of Lithuania and the Government of the Russian Federation on International Road Transport; signed on 18 November 1993, entered into force on 19 January 1994.

Agreement between the Government of the Republic of Lithuania and the Government of the Russian Federation Regarding Co-operation and Mutual Assistance in Customs Matters; signed on 24 February 1995, entered into force on 8 July 1995.

Temporary Agreement between the Government of the Republic of Lithuania and the Government of the Russian Federation on Travels of Nationals of Both States; signed on 24 February 1995, entered into force on 24 June 1995, in force until 31 December 2002.

Agreement between the Government of the Republic of Lithuania and the Government of the Russian Federation Concerning the Crossing Posts of the State Border between the Republic of Lithuania and the Russian Federation; signed and entered into force on 24 February 1995.

Joint Communiqué of the Prime Minister of the Republic of Lithuania and the Chairman of the Government of the Russian Federation on the Measures for the Liberalisation of Trade between the Republic of Lithuania and the Russian Federation; issued on 29 June 1999.

Agreement between the Government of the Republic of Lithuania and the Government of the Russian Federation on the Co-operation in the Field of Environment; signed on 29 June 1999, entered into force on 27 October 1999.

Agreement between the Government of the Republic of Lithuania and the Government of the Russian Federation on the Long-term Cooperation between the Regions of the Republic of Lithuania and the Kaliningrad Region of the Russian Federation; signed on 29 June 1999, entered into force on 26 January 2000.

Agreement between the Government of the Republic of Lithuania and the Government of the Russian Federation on the Co-operation in the Field of Tourism; signed on 29 June 1999, entered into force on 2 October 2001.

Agreement between the Government of the Republic of Lithuania and the Government of the Russian Federation on Travels of Nationals of Both States; signed on 30 December 2002, entered into force on 1 January 2003.

Agreements between the Russian Federation and Poland

Agreement between the Government of the Polish People's Republic and the Government of the USSR on Reciprocal Visa-free travels of the Citizens of Both States, 13 December 1979 (to be renounced by Poland on 1 April 2003).

Agreement between the Government of the Polish People's Republic and the Government of the USSR on the Special Cross-border Regime for the Inhabitants of Border Areas, 14 May 1985 (renounced in May 2002).

Treaty on Friendly and Good-neighbourly Co-operation between Poland and Russia, 22 May 1992.

Agreement between the Government of Poland and the Government of Russia on Co-operation between North-western *Voivodships* of Poland and Kaliningrad Oblast, 22 May 1992.

Agreement between the Government of Poland and the Government of Russia on Transfrontier Co-operation, 2 October 1992.