

Kaliningrad and Its Effect on EU-Russian Relations

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Introduction

Kaliningrad has a unique history within Europe as a whole, as well as in relation to its mother country, Russia. Depending on one's point of view, Kaliningrad is either an enclave or an exclave. An enclave is one country's territory that is surrounded by foreign territory from the point of view of the surrounding territories, and an exclave is a surrounded territory viewed by its home country.⁵⁴ For the purposes of this study, the territory will be referred to as "exclave." Since the 2004 accession of Poland and Lithuania into the European Union (EU), Kaliningrad has become surrounded by EU member states, and the EU-Russian relationship has changed significantly. Due to the recent geopolitical change, two questions have arisen: Which state characteristics within Kaliningrad most significantly affect EU-Russian relations, and why? Kaliningrad's economic, security, and military positions deserve serious consideration when dealing with EU-Russian relations because they are the factors that most negatively affect the relationship between the EU and Russia. Based on my analysis of these factors, I argue that Kaliningrad as a geopolitical entity is itself detrimental to EU-Russian relations.

This article will be divided into distinct sections, each elaborating on a certain aspect of Kaliningrad and its effects on EU-Russian relations. The sections are as follows: brief history, economic development, security issues, military strategic function, and conclusion. The brief history will be of Kaliningrad from the beginning of the Cold War until 2004, as this period was most pivotal in its development to the current geopolitical situation. In the economic period from the fall of the Soviet Union until present day, Kaliningrad's economy went from part of the USSR's command economy to its current state, which is more or less dictated by Russia but has significant interaction with the EU's free market system. The security issues facing the EU due to Kaliningrad's unique geographic position are explored from just prior to Poland and Lithuania's accession to the EU because from that point until the present, one can see a significant change in the exclave's security protocols. In addition, the Russian view of national security regarding Kaliningrad is explored. The military presence and purpose of Kaliningrad will be described from the Cold War until present day, given the importance of the military presence there to the exclave's development. The conclusion will then summarize the findings and demonstrate how the three areas of analysis negatively affect current EU-Russian relations.

Brief History

Kaliningrad's separation from its mother country is not new to the region. Before World War II, Kaliningrad was a German territory known as Königsberg. Königsberg was separated from Weimar Germany after the establishment of the "Polish Corridor" in the 1920s and 1930s.⁵⁵ The Polish Corridor was a strip of land that encompassed the port city of Danzig, which the League of Nations declared a "free city." The declaration meant that Poland would

⁵⁴ Clive Archer and Tobias Etzold, "The European Union and Kaliningrad: Taking the Low Road," *Geopolitics* 15, no. 2 (2010): 329.

⁵⁵ David Thomas Kronenfeld, "Kaliningrad in the Twenty-First Century—Independence, Semi-Autonomy, or Continued Second-Class Citizenship?" *Washington University Global Studies Law Review* 9, no. 1 (2010): 158.

have special transshipment privileges in the area through direct access to the Baltic Sea. This division of territory not only alienated almost 1.5 million ethnic Germans in Polish territory but also separated the city of Königsberg from its sovereign government. The League of Nations' decision did not satisfy the Germans or the Poles. Poland viewed the arrangement as a violation of the "rights of national self-determination," meaning that the only reason the Poles had the corridor was because of the League of Nations, and not by their own doing, which caused resentment. The Germans viewed the encirclement of East Prussia as undermining German sovereignty.⁵⁶ The dissatisfaction of the mother country regarding this particular exclave is a recurring theme.

After World War II, the Allied victors at the Potsdam Conference agreed that the city of Königsberg and the area adjacent to it should be transferred to the Soviet Union. The Soviets immediately started remaking the city in the "Soviet image," which included the forced removal of over one hundred thousand German citizens, and the renaming of the city to Kaliningrad.⁵⁷ The city was named after former Soviet President Mikhail Ivanovich Kalinin, who had never visited the region.⁵⁸ Between 1945 and the Soviet collapse in 1991, Kaliningrad changed from an almost exclusively German ethnic pocket on the Baltic Sea, to one of over 78% ethnic Russians.⁵⁹ After Kaliningrad was established as a Soviet territory, it further transformed to a military outpost on the Baltic Sea, making access to it highly restricted.⁶⁰ The Soviets had an offensive military strategy during the Cold War, and so Kaliningrad became a base for first echelon Warsaw Pact forces, as well as the headquarters of the Soviet Baltic fleet.⁶¹

There is still the matter of why Kaliningrad remained Russian territory after the dissolution of the Soviet Union. The sad answer is that no other nations were particularly interested in it. After the Cold War, there were no Allied forces dividing territories; the Baltic States handled it themselves. Poland, Lithuania, and Germany all had strong historical claims to Kaliningrad, but none acted on it. There was no border dispute involving Poland or Lithuania; both were satisfied with the borders they had carved out for themselves after WWII. For Germany, still actively working on the reunification of East and West Germany, laying claim to Kaliningrad was untenable; they had neither the time nor the resources to focus on the territory. The population at the time was also something that the other Baltic States were not interested in absorbing. The forced migration of Soviet laborers and the huge population of military personnel made the region more "Russian" than anything else, and so no other Baltic state showed any real interest in adding 900,000 ethnic Russians to their fold. Russia had no intention of surrendering the Baltic Fleet headquarters. This fact turned out to be irrelevant at the time, as no other nation was contesting Russia's control of Kaliningrad.⁶²

Today, more than 78% of Kaliningrad's citizens are ethnically Russian, 8% are Belarusian, 7% are Ukrainian, 2% are Lithuanian, less than .6% are German, .5% are Polish, and

⁵⁶ Alexander Diener and Joshua Hagen, "Geopolitics of the Kaliningrad Exclave and Enclave: Russian and EU Perspectives," *Eurasian Geography and Economics* 52, no. 4 (July 2011): 570.

⁵⁷ David Thomas Kronenfeld, "Kaliningrad in the Twenty-First Century—Independence, Semi-Autonomy, or Continued Second-Class Citizenship?" *Washington University Global Studies Law Review* 9, no. 1 (2010): 153.

⁵⁸ *Ibid.*, 154.

⁵⁹ *Ibid.*, 155.

⁶⁰ Stefan Gänzle and Guido Müntel, "Europeanization 'Beyond' Europe? EU Impact on Domestic Policies in the Russian Enclave of Kaliningrad," *Journal of Baltic Studies* 42, no. 1 (March 2011): 73.

⁶¹ Ingmar Oldberg, "The Changing Military Importance of the Kaliningrad Region," *Journal of Slavic Military Studies* 22, no. 3 (2009): 353.

⁶² Arthur Collins III, "Kaliningrad and Baltic Security," (master's thesis, Naval Postgraduate School, 2011), 10-12.

roughly 3% are of other ethnicities.⁶³ These numbers indicate a strong Russian identity within Kaliningrad. However, roughly 70% of Kaliningrad's citizens have never been to Russia proper.⁶⁴ The separation from Russia and the connection to Europe contribute to Kaliningrad's "identity crisis," which plays a major role in how it is treated by both the Russian government and the European Union.⁶⁵ In the last hundred years, Kaliningrad has been a region separated from its two respective home countries, suffering massive forced population transfers that caused cultural change. Kaliningrad's change in cultural identity coupled with its treatment by its governing nation sets the stage for how the EU and Russia interact with the exclave.

Economic Development

After the fall of the Soviet Union, Kaliningrad's economy underwent the change from Soviet command economy, to a Free Economic Zone (FEZ) in 1992, to a Special Economic Zone (SEZ) in 1996.⁶⁶ The transformation from FEZ to SEZ was one of free entrepreneurship in every sense of the expression, to a considerable increase in legal documents for the regulation of economic activities in the region. The FEZ stipulated that Kaliningrad could carry on with economic interaction and internal production and trade so long as the Russian government collected taxes. After the fall of the Soviet Union, the territorial separation of Kaliningrad from the Russian mainland caused economic losses associated with breaches of cooperative ties, border barriers, and customs. The immediate effect of this separation was a decline in production and industrial potential.⁶⁷ One can see that with such economic fluctuation and instability, trade—and therefore international relations—will be affected accordingly. In the case of Kaliningrad, the effects have not been for the better.

Typically on the world stage, when a region has exclave status, the states apply economic mechanisms like donations and subsidies, tax exemptions, and customs preferences. The power of state authorities are redistributed to the local authorities and the local authorities' power is thus enlarged.⁶⁸ Russia instituted similar mechanisms, and thus made the official change from FEZ to SEZ. The Russian federal law governing this transformation was titled *On Special Economic Zone in the Kaliningrad Region* No. 13-FZ. This law takes into account the region's special geopolitical situation, however its focus is the creation of favorable conditions for the social and economic development of the Russian Federation. The law primarily regulates imports and exports, essentially stating that since there are no customs duties or fees, the Russian federal government gets a very large percentage of what Kaliningrad makes.⁶⁹

Since 1990, Kaliningrad has been in a state of economic decline, with production falling by more than half. The Russian financial crisis of 1998 had profound effects on Kaliningrad. The economic decline is due to Russia's dependence on foreign trade, particularly imported

⁶³ David Thomas Kronenfeld, "Kaliningrad in the Twenty-First Century—Independence, Semi-Autonomy, or Continued Second-Class Citizenship?" *Washington University Global Studies Law Review* 9, no. 1 (2010): 155.

⁶⁴ *Ibid.*, 159.

⁶⁵ *Ibid.*

⁶⁶ *Ibid.*, 162.

⁶⁷ Vitaly Zdanov, "Modern Terms and Future Competitiveness of the Kaliningrad Region's Economy," in *Kaliningrad 2020: Its Future Competitiveness and Role in the Baltic Sea Economic Region*, ed. Kari Liuhto, (Turku, Finland: University of Turku Press, 2005), 75-76.

⁶⁸ *Ibid.*, 76.

⁶⁹ *Ibid.*

goods.⁷⁰ As of 2008, thirty percent of Kaliningrad's population was estimated to live below subsistence level.⁷¹

One thing that makes Kaliningrad's economic decline so noteworthy is when it is compared to another similar geopolitical entity: Hong Kong. Kaliningrad's economic status is reminiscent of Hong Kong under British rule: it is separate from the mother country, is in a major shipping area, has very few natural resources, and relies on international trade and investment for its economic well-being.⁷² However, the reality of its economic position does not resemble that of Hong Kong. Whereas Hong Kong has been and remains a prosperous economic powerhouse, Kaliningrad struggles terribly, despite nearly identical advantages. This is not to say that Kaliningrad is without its positive attributes.

One unique and beneficial economic feature distinguishing Kaliningrad from Hong Kong is tourism. Tourism plays a more critical role in Kaliningrad's economy than it does in the case of Hong Kong. Referring back to Kaliningrad's European identity, the principal element of tourism in the exclave is cultural heritage tourism. Cultural heritage tourism in Kaliningrad is motivated for reasons of "genealogy" or "legacy"; these stem from nostalgia from the pre-World War II days. Indeed, most of Kaliningrad's tourists are Germans in search of their families' roots.⁷³ It is difficult to evaluate tourism numbers in the exclave because accurate records are not kept. However, between 1998 and 2000, the Kaliningrad Regional Administration estimated that more than 800,000 tourists visited the region. As a result, tourist-related income in the construction, transportation, cultural, restaurant, and resort industries garnered \$1.64 million USD. Consequently, 231.5 million rubles were invested in the development of regional tourism infrastructure.⁷⁴ Kaliningrad is trying to cultivate an increasing Russian market. Tourists from Siberia, central Russia, and Moscow are increasing, and the number of Belorussian tourists quadrupled from 1998 to 2000.⁷⁵ In 1998, a law on tourism in Kaliningrad was adopted, and was appended in 2000. The law allows for tourism companies and agents in the exclave to pay no regional or territorial road taxes, and businesses investing in tourism development pay property tax at a 50% discount for the first five years.⁷⁶

Regional tourism in Kaliningrad includes 120 travel companies and 346 "units of tourist infrastructure," such as accommodations, restaurants, transportation, and entertainment. Together these employ over 21,000 people. At the time that the tourism law was passed, there were five high schools and three colleges in Kaliningrad whose specialties were training its students in tourism and hospitality.⁷⁷ These numbers are impressive for such a small area, and show the exclave's dedication to this particularly lucrative market sector. Kaliningrad's enthusiasm for exploiting its tourism potential bodes well not just for those on vacation to the exclave, but for foreign businesses and entrepreneurs as well.

⁷⁰ Barry Worthington and Pat Sedakat, "Kaliningrad—the Last Piece in the Baltic Jigsaw?" *International Journal of Tourism Research* 7, no. 2 (2005): 131.

⁷¹ Ibid.

⁷² Joel C. Moses, "The Politics of Kaliningrad Oblast: A Borderland of the Russian Federation," *Russian Review* 63, no.1 (2004): 128.

⁷³ Barry Worthington and Pat Sedakat, "Kaliningrad—the Last Piece in the Baltic Jigsaw?" *International Journal of Tourism Research* 7, no. 2 (2005): 127.

⁷⁴ Ibid., 127-128.

⁷⁵ Ibid., 128.

⁷⁶ Ibid., 130.

⁷⁷ Ibid., 131-132.

Foreign investment is a staple of economic development for areas that are resource poor. Total foreign investment in Kaliningrad dropped from 39.4 million USD in 1998 to 18.3 million USD in 1999. However, that number climbed steadily thereafter, to a high of 47.7 million USD in 2002. Foreign Direct Investment (FDI) in Kaliningrad parallels the figures for total foreign investment, with a low of 3.4 million USD in 1999 to a high of 26.6 million USD in 2002. While the increasing FDI inflows are an impressive and positive development for the exclave, they also exemplify the unsteady nature and unpredictability of Kaliningrad's economy.⁷⁸ Aside from having 90% of the world's amber supply, Kaliningrad does not have any prominent natural resources.⁷⁹ As discussed earlier, Kaliningrad has been and still is subject to structural economic change from Moscow. Potential investors are wary because of the real possibility that their investments will be rendered worthless, should Moscow change its policies regarding trade in the exclave. For instance, under the Free Economic Zone and the Special Economic Zone economic status in the immediate post-Soviet era, foreigners were prohibited from owning property in the exclave. The number of times that Russia's economic policy in Kaliningrad has changed has the potential to devalue any capital investments.⁸⁰ The implementation of the secondary SEZ status did allow for some foreign investment. As of 2004, Western investors such as BMW and Kia built automotive assembly plants in Kaliningrad. They were capitalizing on the duty-free import of the parts into Russia and the customs free automobile sales in the Russian mainland market.⁸¹

From an economic standpoint, EU countries are Kaliningrad's lifeline. The exclave's regional economy in 2004 was internationalized. Local offshore oil was extracted by the Kaliningrad branch of LUKOil, which provided the single biggest tax revenue for the region.⁸² As lucrative as the offshore drilling was, the neighboring countries of Poland and Lithuania were still crucial to Kaliningrad's economy prior to their admission to the EU. Almost 100% of Kaliningrad's electricity came from the Ignalina nuclear power plant in Lithuania, with some coming from Belorussian power grids. However, the Lithuanian government agreed to shut down the plant by 2005 because it was built with the same design as the nuclear power plant in Chernobyl. Kaliningrad depended on Lithuania for much of its residential construction, retail trade, investment, and commerce.⁸³ With the dependence on Lithuania in mind, losing a source of electricity was not economically favorable regardless of the safety issues involved.

Kaliningrad's dependence on Poland is not negligible either. There has been extensive Polish investment and trade along the Polish northeastern borders, to the point where Poland and the exclave have formed a sort of symbiotic relationship.⁸⁴ As of 2004, 30% of Kaliningrad's exports went to Poland, and there were more than 400 Polish-Russian joint ventures in the exclave.⁸⁵ Germany and Sweden were also very active in the exclave's economy as of 2004. Germany imported more than any other country. The Germans had invested around \$188

⁷⁸Evgeny Vinokurov, "Economic Prospects for Kaliningrad Between EU Enlargement and Russia's Integration into the World Economy," *CEPS Working Document*, no. 201, last modified June 2004. <http://www.vinokurov.info/assets/files/KaliningradCEPS.pdf>.

⁷⁹David Thomas Kronenfeld, "Kaliningrad in the Twenty-First Century—Independence, Semi-Autonomy, or Continued Second-Class Citizenship?" *Washington University Global Studies Law Review* 9, no. 1 (2010): 166.

⁸⁰*Ibid.*, 164-165.

⁸¹Joel C. Moses, "The Politics of Kaliningrad Oblast: A Borderland of the Russian Federation," *Russian Review* 63, no.1 (2004): 109.

⁸²*Ibid.*, 110.

⁸³*Ibid.*, 110-111.

⁸⁴*Ibid.*, 111.

⁸⁵*Ibid.*

million in the Kaliningrad economy, and 281 German-Russian enterprises comprised 18% of all foreign-owned firms in the region.⁸⁶ Prior to 2004, 40% of regional trade was with the EU-15. After 2004, the EU has accounted for between 75-80% of Kaliningrad's foreign trade.⁸⁷

Despite the seemingly solid economic status of the exclave, Kaliningrad's economy was still failing. Until 2010, roughly €100 million were committed to Kaliningrad, and between 2004 and 2006, €25 million were allocated for the "Special Programme for Kaliningrad."⁸⁸ Projects under this program covered administrative reform, energy, transport, enterprise restructuring, and management.⁸⁹ This program is not direct aid from the EU, but is supplied through Technical Aid to the Commonwealth of Independent States (TACIS), an initiative of the European Commission.⁹⁰ TACIS was started in 1991 with the objectives of supporting the process of transitioning market economies and democratic societies in Eastern Europe, the South Caucasus, and Central Asia.⁹¹ Given the unstable investment environment of Kaliningrad, one may wonder why the EU bothers investing. The reason is self-interest. For instance, Kaliningrad has cellulose paper plants and farms that discharge large amounts of toxic chemicals and fertilizer into the region's waterways and atmosphere, threatening the Baltic ecosystem. To combat this threat, Denmark set up windmills along Kaliningrad's shoreline to lessen the energy dependence on petrochemicals, which would otherwise get dumped into the Baltic Sea. As will be discussed later, the spillover of crime is another reason for EU investment in Kaliningrad's economic development⁹²

The troubling economic status is due to the Russian government. This is not just because of its economic policies regarding the exclave, but also because of the governors whom the Russian government appoints. In 2001, the Russian Audit Chamber issued an indictment of Kaliningrad's regional government, effectively declaring it bankrupt.⁹³ Past governors of Kaliningrad allocated tax credits from the federal government to encourage expansion by local enterprises. These enterprises had partially repaid the credit into the regional fund, but that fund never repaid the federal government for the original credit; the regional fund just reallocated the payments, as new loans to other enterprises.⁹⁴ The cumulative debt to the federal government for the original line of credit with interest was more than the budget of the regional government in 2002. Further adding to this bleak financial situation was an unpaid \$30 million loan from the German Dresdner Bank, which was supposed to stimulate local entrepreneurs but instead ended up disappearing from the records completely.⁹⁵

Unwise or dishonest allocation of funds are not the only recent economic woes for the exclave. Russia's accession to the World Trade Organization (WTO) has ended many of the

⁸⁶ Ibid.

⁸⁷ Stefan Gänzle and Guido Müntel, "Europeanization 'Beyond' Europe? EU Impact on Domestic Policies in the Russian Enclave of Kaliningrad," *Journal of Baltic Studies* 42, no. 1 (March 2011): 66.

⁸⁸ Ibid., 60.

⁸⁹ Ibid.

⁹⁰ Ibid., 67.

⁹¹ Alexander Frenz, "The European Commission's Tacis Programme 1991-2006—A Success Story," *European Commission*, last modified November 17, 2013, http://ec.europa.eu/europeaid/where/neighbourhood/regional-cooperation/enpi-east/documents/annual_programmes/tacis_success_story_final_en.pdf.

⁹² Joel C. Moses, "The Politics of Kaliningrad Oblast: A Borderland of the Russian Federation," *Russian Review* 63, no.1 (2004): 112.

⁹³ Ibid., 114.

⁹⁴ Ibid.

⁹⁵ Ibid.

preferential importation duties that Kaliningrad has enjoyed over the last decade and a half. Since the secondary SEZ imposition in 1996, Kaliningrad acted as the entry point for much of the EU-Russian trade, therefore becoming an attractive location for factories that turned European raw materials into finished goods for the Russian market.⁹⁶ However, Russia's accession to the WTO erased the overall savings on transaction costs in Kaliningrad.⁹⁷ Now, the prices are lower all over Russia, and so dealing with the exclave is unnecessary. Since Kaliningrad is not an independent state—and therefore not eligible for EU membership—it also cannot enjoy easy access to the EU market, putting it at one more comparative disadvantage.⁹⁸ As stated in the introduction, Kaliningrad participates extensively with the EU on an economic level, but since they answer to Russia on that same level, their participation does not come easily or cheaply.

Moscow has a single economic policy, and as Kaliningrad falls under the North West federal district of Russia, with St. Petersburg as its center, one can expect the economic control over Kaliningrad to increase, thus adding to economic woes.⁹⁹ Kaliningrad itself cannot conduct any foreign economic policy of its own, and what it *can* practice is limited to administering the SEZ within federal law and cross-border cooperation.¹⁰⁰ With its limited economic capacity in mind, Kaliningrad is home to over 2,000 Non-Governmental Organizations (NGOs), 250 of which focus on social services.¹⁰¹ As the preoccupation of the supporters and volunteers for the NGOs is their own well-being, and as Russia controls the NGOs through mechanisms such as heavy taxes, NGOs have had a very rough development process in Kaliningrad.¹⁰²

As of now, Russia and Lithuania are engaging in tense trade talks regarding natural gas, and Kaliningrad is stuck in the middle. Currently, all natural gas in Kaliningrad comes from Russia, but is routed through Lithuania. Lithuania uses this fact as a way to bargain for lower natural gas prices. Gazprom, Russia's largest natural gas company, has announced a liquefied natural gas import terminal in Kaliningrad.¹⁰³ The construction of this terminal will eliminate the necessity of dropping natural gas prices to Lithuania. Lithuania, in return, is making efforts to diversify its natural gas supplies so it can lessen its dependence on Russian natural gas when the prices rise. Lithuania is also encouraging other former Soviet states to do the same.¹⁰⁴ Russia is rebutting by restricting imports from Lithuania, Moldova, and Ukraine. Russia has also been “more thoroughly” inspecting vehicles from Lithuania going into Kaliningrad, effectively halting trade with Lithuania for days on end.¹⁰⁵

There is also a nuclear power plant being constructed in Kaliningrad. This is Russia's attempt to break the exclave's energy dependence on Lithuania, and in fact offer cheap energy

⁹⁶ David Thomas Kronenfeld, “Kaliningrad in the Twenty-First Century—Independence, Semi-Autonomy, or Continued Second-Class Citizenship?” *Washington University Global Studies Law Review* 9, no. 1 (2010): 162.

⁹⁷ *Ibid.*, 163.

⁹⁸ *Ibid.*

⁹⁹ Barry Worthington and Pat Sedakat, “Kaliningrad—the Last Piece in the Baltic Jigsaw?” *International Journal of Tourism Research* 7, no.2 (2005): 132.

¹⁰⁰ Stefan Gänzle and Guido Müntel, “Europeanization ‘Beyond’ Europe? EU Impact on Domestic Policies in the Russian Enclave of Kaliningrad,” *Journal of Baltic Studies* 42, no. 1 (March 2011): 66.

¹⁰¹ *Ibid.*, 65.

¹⁰² *Ibid.*, 65.

¹⁰³ “Kaliningrad: Russia's Weak Spot in Talks with Lithuania,” *Stratfor Global Intelligence*, last modified September 26, 2013. <http://www.stratfor.com/sample/analysis/kaliningrad-russias-weak-spot-talks-lithuania>.

¹⁰⁴ *Ibid.*

¹⁰⁵ *Ibid.*

prices to surrounding countries, such as Belarus and Poland.¹⁰⁶ These tactics show how Russia is trying to mitigate any dependence that Kaliningrad has on other countries. However, in doing so, it is rendering Kaliningrad helpless. Russia has plans to give Kaliningrad its own natural gas terminal and nuclear power plant, but whether or not Kaliningrad gets them is another matter. Lithuania is not helpless in Russia's game of economic independence for Kaliningrad. As stated, the exclave does not have the capacity to function on its own as of yet, and Lithuania knows that. Lithuania can block all road and rail access from Russia to the exclave if it so wished. Mercifully, Lithuania disagrees with this policy: "As you know, the Kaliningrad region is isolated...we could cut off trains...also the supply of goods, whatever. It is theoretically possible. It was not discussed, it's not our way of thinking, it's not our methods."¹⁰⁷ In January of 2010, 10,000 of Kaliningrad's citizens rallied for forging closer ties with the EU, providing further evidence that isolation is unwanted by both Kaliningrad and member EU states.¹⁰⁸

Security Issues

In the current context, "security" is not reference to military defense. Obviously, the exclave has plenty of military presence to dissuade or at least discourage a would-be aggressor on the state actor level. The scope of security considered in this study includes social, border and transit security, broadly. Kaliningrad's social security, or lack thereof, can be discussed specifically in the context of corruption within its political structure, as well as organized crime. Border and transit security will cover the EU's border control policies regarding Kaliningrad, and how they affect the exclave.

In 1999, the previously discussed "displacement" of the German Dresdner Bank loan occurred under Leonid Gorbenko, who was Kaliningrad's regional governor at the time. He was notorious because of allegations of corruption against his administration, rants against agricultural imports from Poland and Lithuania, and a dictatorial leadership style. This style was manifested in the chronic firing of his deputy governors, sixteen of whom he appointed, and forced to resign since 1996; not one remained with him through his four-year term as Kaliningrad's governor. Gorbenko also alienated most of the political-economic elites of the exclave. He characterized the regional *duma* (parliament) deputies as "riff-raff." He personally arranged deals with foreigners to overtake port, oil, and amber-productions facilities, undercutting the Kaliningrad Union of Industrialists and Entrepreneurs. Finally, he had owners of independent media sources beaten for allegedly writing or broadcasting critical reports of him.¹⁰⁹

Gorbenko is but one extreme example of the negative and abusive local government officials that Kaliningrad has been forced to endure. Examples like Gorbenko are part of the reason that the West sees Kaliningrad as it does:

In the Russian and West European media, Kaliningrad has become almost synonymous with political corruption, crime, and disease—its economy and society ruled by corrupt politicians and a business elite who in turn are linked

¹⁰⁶ Ibid.

¹⁰⁷ Luke Baker and Justyna Pawlak, "Lithuania Warns Russia over Pressuring Its Neighbors," *World News Digest*, last modified October 2, 2013,

<http://wnd.infobaselearning.com/recordurl.aspx?wid=101149&nid=118569&umbtype=1>.

¹⁰⁸ Stefan Gänzle and Guido Müntel, "Europeanization 'Beyond' Europe? EU Impact on Domestic Policies in the Russian Enclave of Kaliningrad," *Journal of Baltic Studies* 42, no. 1 (March 2011): 70.

¹⁰⁹ Joel C. Moses, "The Politics of Kaliningrad Oblast: A Borderland of the Russian Federation," *Russian Review* 63, no.1 (2004): 115.

behind the scenes with organized crime syndicates; its boulevards transformed at night into open sex markets by hordes of prostitutes; and its citizens dependent for their survival on the shuttle trade of contraband alcohol and cigarettes and the illicit sales of narcotics or smuggled goods. The large contraband traffic is assumed to be run by local Kaliningrad mafia, who also trade in arms stolen from Kaliningrad military warehouses and automobiles stolen from Poland. The mafia are assumed to be protected by their payoffs to current and former elected officials, custom agents, and police. Reports by the Russian health officials have found that Kaliningrad has the highest per capita level of HIV infection for any Russian locale, thanks to widespread prostitution (over half of whom have HIV and drug addiction).¹¹⁰

The above quotation paints a very bleak, even disgusting, image of Kaliningrad, and it does not even give a hint to the positive side of the exclave. Kaliningraders are well aware of this stigma, bearing with them an understandable resentment and defensiveness. The one-dimensional way that Kaliningrad is described has prompted local politicians as well as liberal media outlets to question the motives of the media sources that offer these portrayals. One popular point of view is that the negative image is fostered by economic reformers in the Russian government and billionaire “oligarchs,” who are the richest of the rich among Russia’s business elite. The Russian economic reformers are accused of wanting to absolve the federal government of any financial aid to the exclave—thus eliminating the SEZ status—and imposing direct control from Moscow. The oligarchs are accused of wanting to discourage Westerners from investing so that financial-industrial groups from Moscow and St. Petersburg can buy profitable economic assets on the cheap.¹¹¹ By keeping the exclave under the thumb of Moscow and St. Petersburg, Kaliningrad will have a much harder time adapting to its EU neighbors’ needs, and will essentially bring EU-Russian relations to a lower point.

The physical border security of Kaliningrad is an oft-discussed issue between the EU and Russia, for obvious reasons. From the European perspective, Kaliningrad is a foreign sovereign territory that has a mutual economic dependence with two separate independent states that are also EU members, and it has a pivotal location on the Baltic Sea. In order for Russia and the EU to benefit from Kaliningrad, the borders must remain open to trade, lest it become a fortress again. Despite agreement that the borders remain open, the respective governments debate the extent to which they are open.

In 2001, the European Commission (EC) issued a document titled “The EU and Kaliningrad.” The document identified potential problems arising from Poland and Lithuania’s adoption of the Schengen Agreements, or *aquis*.¹¹² The Schengen Agreements were initially between the Benelux states (Belgium, the Netherlands, and Luxembourg), Germany, and France. It laid out short and long term goals regarding the abolition of checks at the respective countries’ common borders. The *aquis* established rules concerning what was and was not acceptable for trans-border travel regarding goods and people. It stipulated certain protocols for the conduct of

¹¹⁰ Ibid., 115-116.

¹¹¹ Ibid., 116.

¹¹² Clive Archer and Tobias Etzold, “The European Union and Kaliningrad: Taking the Low Road,” *Geopolitics* 15, no. 2 (2010): 334.

travelers in foreign countries, and even regulations for the travelers' vehicles.¹¹³ After the 2004 EU enlargement and the adoption of the Schengen Agreements by Poland and Lithuania, Kaliningraders were once again placed in the middle of EU-Russian negotiations. Since Poland and Lithuania were in the Schengen area, Russian citizens needed passports and visas to get to and from Kaliningrad and Russia proper. The Russian government was obviously reluctant to impose these requirements on their citizens. What is more is that Kaliningrad was understood by the EU and Russia in contrary ways. The EU saw Kaliningrad as a "would-be" EU territory and spoke in terms of controlling access to the exclave as if it were already EU territory. The Russians of course saw it as an exclave of *theirs* that could not be so easily alienated from the mother country, thus requiring special visas for its citizens. This debate lasted until late 2002, when a compromise was finally found, just in time for the EU enlargement summit in Copenhagen regarding the accession of Poland and Lithuania, among others. The solution was that rail travelers, when purchasing their tickets to and from Kaliningrad, would obtain a relatively cheap document called a "Facilitated Transit Document," or FTD. This document adhered to the Schengen *aquis*, which pleased the EU. It was not labeled as a Schengen visa, and was cheap, which pleased Russia.¹¹⁴

In August 2011, the European Commission proposed an amendment to the regulation that included the entire Kaliningrad area as an EU "border area," as opposed to the prescribed border limit of 30-50 kilometers.¹¹⁵ Following that rule, there would have been a division within Kaliningrad that would permit the travelers within the limit to go to and from surrounding territories freely, whereas the Kaliningraders outside of the limit would have to apply for separate visas. Treating the entire exclave as a border area removed that problem. The border-travel amendment stems from the Local Border Traffic Regulation, adopted in 2006, that allows EU member states to negotiate bilateral agreements with neighboring states to facilitate social, economic, and cultural exchange through cross-border movement. People living within these border areas can be granted short-term passes for regular, hassle-free border crossing. The European Commission called the local border traffic regime a "useful tool to facilitate trade, social and cultural exchange and regional cooperation with neighboring countries."¹¹⁶ The European Commission is correct in that regard. If that is the case however, then why is cross-border travel to and from Kaliningrad a security issue?

Cross-border travel is stimulating and arguably necessary for the regional economies surrounding Kaliningrad. However, one of the largest worries of such easy travel is the spread of crime. The lenient border crossing rules between the exclave and Poland/Lithuania enable that spread. Before the accession of Poland and Lithuania to the EU, the threat was not as powerful. However, since one person can travel around the whole of the EU without generally having to stop, it gives criminal enterprises broad access from Kaliningrad. Sweden, Lithuania, and other Baltic States are aware of this threat and are actively involved in cooperative anti-crime efforts with authorities from Kaliningrad. The illegal drug-trafficking and smuggling from the exclave

¹¹³ "The Schengen Acquis," *Official Journal L* 239, last modified September 2000, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:42000A0922%2801%29:EN:HTML>.

¹¹⁴ Joel C. Moses, "The Politics of Kaliningrad Oblast: A Borderland of the Russian Federation," *Russian Review* 63, no.1 (2004): 335-336.

¹¹⁵ Tadeusz Palmowski, "Problems of Cross-Border Cooperation Between Poland and the Kaliningrad Oblast of the Russian Federation," *Quaestiones Geographicae* 29, no. 4 (2010): 75-82.

¹¹⁶ European Commission, "Towards Easier Cross-Border Travel in the Kaliningrad Area," *European Commission*, July 29, 2011, IP/11/939, last modified October 16, 2013, http://europa.eu/rapid/press-release_IP-11-939_en.htm.

is a main source of organized criminal activity that spills over into other Baltic states.¹¹⁷ The solution of the border transit problems between the exclave and its neighbors cannot be, and indeed has not been ignored.

The organized criminal enterprise in Kaliningrad is no secret; it operates openly and extensively. With the lack of Russian budget going to the resident military personnel, some corrupt officers either run or ally themselves with criminal groups.¹¹⁸ In 2008, corruption was widespread among high-ranking military and civilian officials. 196 senior officers were prosecuted, 19 of whom were generals, and the rest were colonels who dealt with the purchase of equipment, housing, and fuel. Unfortunately, the number of corrupt officers has increased every year, sometimes as much as 30%, and has cost the Russian government 2.2 billion rubles, or \$78.6 million.¹¹⁹ As a result, there are available weapons and military transport links that are misused for smuggling operations. There are now heavily armed and well-organized gangs with links to the Russian military that are capable of moving drugs, arms, and nuclear materials beyond the Baltic States. The rampant crime, as discussed above, makes Kaliningrad's neighbors very nervous. In addition, the Baltic States fear that the gangs will grow so powerful that they will begin to operate like the Latin American drug cartels, with no fear of authority and power to enforce their will deep into others' territories.¹²⁰

Human trafficking in furtherance of prostitution or illegal immigration, stolen vehicles, and radioactive materials such as plutonium are also targeted "merchandise" for Kaliningrad's criminal underworld. Not all of these commodities are smuggled on a large scale. The bulk of smuggling in and out of Kaliningrad involves vehicles, cigarettes, and alcohol. Oddly enough, the SEZ is partly responsible for the spike in crime in the exclave. Since there is no excise tax for imports and exports, the criminals, through legitimate enterprise, can make much more money. The criminals are benefiting from the same things as the legitimate businesses and investors. Organized crime reportedly made a prominent appearance in the exclave during the Gorbenko administration. After spending three years trying to attract foreign investment, he sold Kaliningrad's oil and amber deposits to his "friends." This deal was such a scandal that after Gorbenko's defeat in the 2000 elections, Moscow repealed the deal.¹²¹

The security issues facing Kaliningrad range from border security to political integrity to international criminal cartels. The events and activities related to these issues are unending and equally wide ranging, to the point of being beyond the scope of this study. What is important to note is that, not only are the security problems in Kaliningrad real, but very potent as well.

Military Function

As discussed earlier, the Soviets developed Kaliningrad into one of the most highly-militarized areas in Europe following World War II.¹²² Kaliningrad, falling under the Baltic Military District, contained several strong air units and the 11th Guards Army as well. The heavy troop presence resulted in Kaliningrad becoming one of the most militarized regions in the Soviet Union, containing over 100,000 troops, an extensive military-industrial complex, and a

¹¹⁷ Joel C. Moses, "The Politics of Kaliningrad Oblast: A Borderland of the Russian Federation," *Russian Review* 63, no.1 (2004): 112.

¹¹⁸ Arthur Collins III, "Kaliningrad and Baltic Security," (master's thesis, Naval Postgraduate School, 2011): 34.

¹¹⁹ Zurab Agladze, "Russian Military Reforms: Problems and Challenges," (Strategy Research Project, U.S. Army War College, March 2010): 19.

¹²⁰ Arthur Collins III, "Kaliningrad and Baltic Security," (master's thesis, Naval Postgraduate School, 2011): 34-35.

¹²¹ *Ibid.*, 35-36.

¹²² David Thomas Kronenfeld, "Kaliningrad in the Twenty-First Century—Independence, Semi-Autonomy, or Continued Second-Class Citizenship?" *Washington University Global Studies Law Review* 9, no. 1 (2010): 158.

military-oriented civilian structure.¹²³ Kaliningrad was completely subordinated to Moscow and was closed off for tourism from the West. It remained so for four decades.¹²⁴

The dissolution of the Warsaw Pact and the collapse of the Soviet Union in 1990-1991 undoubtedly affected the military presence in Kaliningrad. Russia was forced to withdraw its Central European and Baltic troops and, as the Baltic States became independent, Kaliningrad was rendered an exclave.¹²⁵ The exclave status meant transit problems for Russia's military; according to an agreement signed with Lithuania in 1993, all military transports on land had to go by rail, and Russia had to ask permission, submit to inspections, and pay high fees each time. Russia also had to ask permission for military flights over Lithuanian air space on a flight-by-flight basis, and all bombers and fighter aircraft were prohibited.¹²⁶

Troop presence shrank in Kaliningrad not only because of reduced spending due to the Russian economic crisis in the 1990s, but also because of the need for troops along Russia's southern border in Chechnya. Ground forces were reduced to 14,500 in 1998, conventional weapons were drastically reduced, and nuclear weapons were moved off of their platforms and stored elsewhere.¹²⁷

As far as weapons are concerned, only artillery did not undergo a drastic reduction in numbers. It may presumably not have been worth the effort, because artillery pieces are large and cumbersome, and Russia had to ask permission from Lithuania for transportation of such things. Even though the various artillery sections were reduced by 43% and 14% respectively, these numbers were not nearly as drastic as the reduction of the main ground force's arsenal, which was reduced by a crippling 90% (approximately). The ground force's battle tanks and armored vehicles had an increase of 8% and 37% respectively. One can assume this increase was because Russia still needed a formidable military presence in Kaliningrad as a deterrent to encroachment from the EU and NATO, if nothing else. Small arms, such as the ground force's main arsenal, do little as a deterrent. Military vehicles such as tanks are quite the opposite. It thus appears to be the case that despite the lengthy measures associated with fortifying Kaliningrad's military presence, the Russians felt it necessary to do so anyway, and to do it with very effective weaponry.

There was a decrease in military readiness and training because of Russia's economic crisis in the 1990s. Few training exercises were held, and there was neglect in the maintenance and repair of military weapons, vehicles, and facilities. There was low, and occasionally non-existent, pay for military personnel, which resulted in the highest-quality officers resigning and moving to the civilian sector. The main shipyard, *Yantar*, was converted for civilian export production.¹²⁸ The Commander of the Russian Navy at the time, Feliks Gromov, compared the Russian fleet to Germany, Sweden, and Poland in terms of strength, and stated that it was ten times weaker than NATO in the Baltic Sea.¹²⁹ What he meant was that the Russian naval

¹²³ Ingmar Oldberg, "The Changing Military Importance of the Kaliningrad Region," *Journal of Slavic Military Studies* 22, no. 3 (2009): 353.

¹²⁴ Ibid.

¹²⁵ Ibid, 354.

¹²⁶ Jonas Žemaitis, "Lithuania's Eastern Neighbours: Politics and Security," (International Conference Materials, Vilnius, 2002): 42-43.

¹²⁷ Zdzislaw Lachowski, "The Adapted CFE Treaty and the Admission of the Baltic States to NATO," (Policy Paper, Stockholm International Peace Research Institute, Sweden, 2002): 28-29.

¹²⁸ Ingmar Oldberg, "The Changing Military Importance of the Kaliningrad Region," *Journal of Slavic Military Studies* 22, no. 3 (2009): 355.

¹²⁹ Ibid.

presence in the Baltic was in a defensive posture. Western military experts thought Kaliningrad to be a strategically vital area of surveillance, intelligence, and threat protection in peacetime, but in a time of war, the value would drop dramatically.¹³⁰ The drop in importance is because with such a reduced force, and as an exclave, the region of Kaliningrad would be almost impossible to defend and keep.

The smallest decrease in naval strength in Kaliningrad between 1985 and 2007 was in amphibious vehicles, and that was by 80%. That number is staggering, but not when compared to patrol boats and corvettes, which dropped from 230 to 18, a massive 93% decrease in force. The military forces may have been reduced for economic reasons, but the diplomatic results were favorable. At the same time that Russia was reducing its forces, so were other NATO and non-allied states in the Baltic, with the exception of the three Baltic States.¹³¹ With the massive drop in force in the Baltic, Kaliningrad went from a closed-off military bastion, to a civilian-oriented region that is developing its own regional identity.¹³²

The idea of compatibility and mutual reduction was halted when the former Soviet states wanted NATO membership. The Baltic States wanted to join NATO and the EU because of their European identity, as well as a desire to act alongside the democratic, market-based nations of the union. Russia saw this encroachment as a threat to its borders, thus declaring that if Lithuania followed Poland's example, and joined NATO, then Russia would start increasing the military presence in Kaliningrad to include tactical nuclear weapons.¹³³ In the summer of 1999 Russia, in conjunction with Belarus, conducted one of its largest training operations, *Zapad-99*. The purpose of *Zapad-99* was to simulate a repulsion of a NATO attack on Kaliningrad with the use of nuclear weapons.¹³⁴ With the war in the former Yugoslavia, and Russia not signing the border resolutions with Estonia and Latvia (to halt their NATO memberships), the good relations between Russia and NATO stopped.¹³⁵

In a poll conducted in Kaliningrad in 2000, a majority of Kaliningraders opposed NATO and supported an increase of military presence in the region, and the regional government called for more federal military spending.¹³⁶ Admiral Vladimir Yegorov, the then-Commander of the Baltic Fleet, was elected governor of Kaliningrad in November 2000. His appointment solidified the security interests of the region and showed that the military still retained high prestige there.¹³⁷

After the September 11th terrorist attacks in the US, President Putin agreed to support the United States in the war on terror. His declaration of support resulted in a NATO-Russia Council and a US-Russian agreement on a reduction of strategic nuclear weapons in May 2002. On November 22, 2002, NATO invited the Baltic States to become members, and Russia accepted the NATO declaration that the Baltic States' membership was not directed against Russia.¹³⁸ The Kaliningrad governor Yegorov announced that Kaliningrad forces would be reduced even after the inclusion of the Baltic States into NATO, and proposed "confidence building exercises" such as: notification of naval activities, incident prevention measures, and

¹³⁰ Ibid., 356.

¹³¹ Ibid.

¹³² Ibid., 357.

¹³³ Ibid., 357-358.

¹³⁴ Ibid., 358.

¹³⁵ Ibid., 357-358.

¹³⁶ Ibid., 358.

¹³⁷ Ibid.

¹³⁸ Ibid., 359.

direct communication between Baltic fleet commands.¹³⁹ Oddly enough, however, in March of 2002 Russian Foreign Minister Ivanov stated that Russia had no plans to reduce their military presence in Kaliningrad. Ivanov stated: “We will always keep as many troops as we need here for our own security . . . it is unacceptable if a good thing [EU membership] for one group become a source of trouble for another.”¹⁴⁰ It seems that Ivanov thought that the exclave’s status was in a state of pareto optimality. As the EU neighbors were undoubtedly under a different impression, the tension between the EU and Russia rose accordingly.

Throughout the 2000s, Russian defense spending increased by roughly 15% per year. This was evident in the military improvement in Kaliningrad. The International Institute of Strategic Studies estimated the number of ground forces in 2007 to be 10,500 men, and the naval personnel at 18,000.¹⁴¹ Also in 2007, the Baltic Fleet conducted a landing exercise including 7,500 servicemen and 38 ships, and in 2008 the shipyard *Yantar* was re-commissioned for the Russian Navy.¹⁴² According to a recent reform plan for 2009-2012, the Baltic Fleet will receive new ships and retrofit old ships; Kaliningrad’s ground forces, air forces, and air defenses will be re-equipped. However, its staff personnel will be reduced by half, such that only permanent readiness units and roughly 200 officer positions will remain in the exclave.¹⁴³ Furthermore, Defense Minister Anatoly Serdyukov ordered the number of officers down from 200 to 70 in order to “optimize personnel of the command of the fleet.” According to Rear Admiral Vladimir Zakharov, the reorganization of the Baltic Fleet management is misleading because it is “impossible to lead the fleet [from] 1.5 kilometers away.”¹⁴⁴ The idea behind the cut-down is to increase efficiency of leadership and management but, as the Admiral pointed out, this management answers to people in Moscow who cannot effectively run it. In March 2008, around 700 Federal Security Bureau (FSB) personnel, Interior and Exterior Ministry personnel and sub-units of the Baltic Fleet carried out anti-terror drills in Kaliningrad.¹⁴⁵

Positive relations with the West soon deteriorated. Russia invaded Georgia in 2008 and, in response, the United States stationed Patriot missiles on Polish and Czech bases. The US action led Russia to announce the stationing of new *Iskander* missiles—which are capable of carrying nuclear weapons—as well as an electric countermeasure station, in Kaliningrad.¹⁴⁶ Governor Georgiy Boos welcomed the *Iskander* missiles and praised the Russian actions in Georgia, further accusing Poland of destabilizing the whole of Europe by allowing the US missiles to be stationed in their country.¹⁴⁷ Another poll was taken among 1800 Kaliningraders and showed that 37% were against the new missile station while 20% were for it. Many people

¹³⁹ Ibid., 359.

¹⁴⁰ Brian Vitunic, “Enclave to Exclave: Kaliningrad between Russia and the European Union,” *InterMarium* 6, no. 1 (2003): 5.

¹⁴¹ Ingmar Oldberg, “The Changing Military Importance of the Kaliningrad Region,” *Journal of Slavic Military Studies* 22, no. 3 (2009): 361.

¹⁴² Ibid., 362.

¹⁴³ Ibid.

¹⁴⁴ Alexei Mikhailov and Vladimir Voloshin, “Northern Fleet Command cut three times,” *Izvestia*, last modified October 3, 2012, <http://izvestia.ru/news/536648>.

¹⁴⁵ W. Alejandro Sanchez Nieto, “Assessing Kaliningrad’s Geostrategic Role: The Russian Periphery and a Baltic Concern,” *Journal of Baltic Studies* 42, no. 4 (December 2011): 470.

¹⁴⁶ Ingmar Oldberg, “The Changing Military Importance of the Kaliningrad Region,” *Journal of Slavic Military Studies* 22, no. 3 (2009): 364.

¹⁴⁷ Ibid.

worried that becoming a military stronghold again would worsen the economy even more by affecting business and travel.¹⁴⁸

As of 2011, the numbers regarding military presence are impressive. There are roughly 20,000 Russian soldiers with regularly-upgraded basic equipment. The Baltic Fleet contingent in port there has six surface warships—two destroyers and four frigates. There are 195 aircraft, 10,500 ground and airborne troops and 1,100 naval infantry, one brigade of surface-to-surface missiles, one artillery regiment, one helicopter regiment, one surface-to-air missile (SAM) regiment, 811 main battle tanks, and 1,239 armored vehicles.¹⁴⁹ Also in 2011, Lithuanian Defense Minister Rasa Juknevičienė alleged that Russia had moved substrategic (tactical) nuclear weapons into the exclave. As Juknevičienė told *Interfax*, “Certainly, we are concerned. This does not help develop neighborly relations and build up mutual understanding.”¹⁵⁰ This formidable military presence has led Kaliningrad’s neighboring areas to treat the exclave as a security concern. It appears that they will continue to do so unless a demilitarization of the area or improved relations with Moscow occur.¹⁵¹

The EU now is much like NATO in the 1990s and 2000s in that it is placating and reassuring Russia that its main function is *not* the encroachment of its borders. As most EU members are also NATO members, they have had to act very gingerly in regards to Russia, so as not to spook them into making Kaliningrad a fortress again. With Lithuania’s accession to the EU, and the ensuing adoption of the Schengen clauses, Russia immediately worried about transit of military materials across Lithuania. Considering the Schengen agreements, the EU reassured Russia that the agreement with Lithuania would remain the same.¹⁵² While Russia is defensive, and the EU is placatory, Kaliningrad is once again being isolated. During the most recent EU enlargement, no Baltic state was interested in taking over Kaliningrad and its nearly one million inhabitants.¹⁵³ The lack of drive to acquire Kaliningrad was good for EU-Russian relations because it allowed the Baltic States to become EU members and thus have access to the EU’s market and system of government, and it let Russia know that the EU was not after any more of its territory. However, it left Kaliningrad more isolated than before. As of 2009, the military presence is back to being formidable, and it is more difficult to get in and out of Kaliningrad, effectively making it a restricted base again. Russia’s reasons for holding onto Kaliningrad seem flawed. If, for whatever reason, Russia lost Kaliningrad, then they would simply lose an indefensible area. Russia may worry that another NATO or EU force would occupy the area but that is unlikely, as NATO and the EU can easily push farther east to get closer to Russia proper.¹⁵⁴ The security measures are not as strict as they once were, and the internal economy

¹⁴⁸Ellen Barry, “Russian Missile Plan Gives a New European Trade Hub an Old Identity Crisis,” *The New York Times*, last modified November 27, 2008, http://www.nytimes.com/2008/11/28/world/europe/28kaliningrad.html?pagewanted=all&_r=0.

¹⁴⁹W. Alejandro Sanchez Nieto, “Assessing Kaliningrad’s Geostrategic Role: The Russian Periphery and a Baltic Concern,” *Journal of Baltic Studies* 42, no. 4 (December 2011): 478.

¹⁵⁰Roger N. McDermott, “Russia’s Conventional Military Weakness and Substrategic Nuclear Policy,” *Foreign Military Studies Office (Army) Fort Leavenworth KS*, (2011): 7.

¹⁵¹W. Alejandro Sanchez Nieto, “Assessing Kaliningrad’s Geostrategic Role: The Russian Periphery and a Baltic Concern,” *Journal of Baltic Studies* 42, no. 4 (December 2011): 480.

¹⁵²Ingmar Oldberg, “The Changing Military Importance of the Kaliningrad Region,” *Journal of Slavic Military Studies* 22, no. 3 (2009): 360.

¹⁵³*Ibid.*, 361.

¹⁵⁴David Thomas Kronenfeld, “Kaliningrad in the Twenty-First Century—Independence, Semi-Autonomy, or Continued Second-Class Citizenship?” *Washington University Global Studies Law Review* 9, no. 1 (2010): 166-168.

does indeed rely on external influences such as Lithuania and Poland. Either way, however, Kaliningrad is getting the short end of the stick with regard to EU-Russian relations.

Conclusion

After reviewing the economic situation, the military presence, and the security issues of Kaliningrad, it is plain that Kaliningrad, due to no real fault of its own, does in fact have a negative impact on EU-Russian relations. That is not to say that there are no benefits between the EU and Russia regarding the exclave. In fact, Kaliningrad has stimulated some important diplomatic agreements between them. For instance, after the September 11th attacks in the United States, Russia and NATO engaged in joint training exercises and put to rest the feeling of military encroachment, as described above. NATO, of course, is not the EU. However, most EU members are also NATO members, and in the realm of military action—especially concerning their large eastern neighbor—the EU's and NATO's interests are the same.

The joint anti-crime efforts between all of the Baltic States, all of which are EU members, show that they are willing to assist Russia in this realm for mutual benefit. Russia is showing a shift from its typical policies by accepting this help and acknowledging that organized crime in the region is indeed a problem. The solution to the border transit issue, though seemingly miniscule and not particularly important, was a success nonetheless. The referenced solution is the one regarding the anti-crime cooperation between Sweden, Lithuania, etc. and Kaliningrad's law enforcement officials.

The EU is taking measures to stimulate Kaliningrad's economy and improve its relationship with the region as a whole. In June 2011, there was a lecture at the Baltic Academy of Fishery Fleet in Kaliningrad. Maria Damanaki, the Commissioner for Maritime Affairs and Fisheries, led the lecture that put the EU and Russia in the same position. In short, she outlined the situation of the two entities in regards to fisheries, saying that nine out of 10 stocks in the EU are overfished, and roughly the same for Russia. She noted that fish have no concept of borders, and so what one entity does, affects the other; if one overfishes a stock, then it will negatively affect the other. She supported a bilateral agreement between the EU and Russia for sustainable fishing. As the EU and Russia are the two greatest fishing powers in the world, this seemingly obscure lecture carried a lot of weight.¹⁵⁵

In August 2013, the EU granted importation rights to Russia via Kaliningrad, of meat products, treated stomachs, bladders and intestines from domestic bovine, ovine, porcine, and caprine animals (cows, sheep, pigs, goats), as well as farmed and wild cloven-hoofed game. These importation rights were granted after Russia agreed to a specific anti-foot-and-mouth disease treatment that is mandatory for all aforementioned products to be imported to the EU. In part 8 of the European Commission's decision, it states that the EU has confidence in Kaliningrad's health situation insofar as they will allow importation of consumable meat products.¹⁵⁶ Meat products entering the EU from the exclave is not groundbreaking news,

¹⁵⁵ Maria Damanaki, "European Union and Russia addressing Maritime and Fisheries Challenges," *European Commission*, last modified June 6 2011, http://ec.europa.eu/commission_20102014/damanaki/headlines/speeches/2011/06/20110606-speech-kaliningrad_en.pdf.

¹⁵⁶ European Commission, "Commission Implementing Decision of 13 August 2013 Amending Decision 2007/777/EC as Regards the Introduction of a New Treatment of Inactivate Foot-and-Mouth Disease Virus in Meat Products and the Import Conditions from the Russian Region of Kaliningrad," *Official Journal of the European Union*, last updated August 17, 2013, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:220:0046:0048:EN:PDF>.

however it does show a positive step forward in relations. This small act may yield positive results for Kaliningrad, barring any unfortunate outbreaks of disease.

The successful strides made between the EU and Russia in regards to Kaliningrad are noteworthy. However, they do not rid the two powers of the negativity that Kaliningrad brings to them. The three foci of this paper are all associated with negativity between Russia and the EU, and all three seem to form a symbiotic relationship. The bad economy breeds a lower standard of living with higher unemployment. The lowering of wages and stagnation of the military leads to discontent of the lower military strata and the corruption of its higher officers. Both high unemployment and discontented military service members lead to higher crime rates. The boost in crime also fuels the corruption of the authoritative and political bodies within the region. These political entities are the ones responsible for the bad economy (bad policy, skimming money, etc.).

The economic crisis within the exclave is the linchpin for all of its woes. Unfortunately, with Russia's accession to the WTO, the crisis is unlikely to subside. As the economic situation will not improve, the criminal situation will worsen. The high amount of crime will cause further lack of foreign investment in the region. Indeed, it seems that the relationship between the economic performance and the levels of crime in Kaliningrad are directly correlated. The downward economic trend of the exclave will do likewise for its neighbors, as discussed earlier, thus bringing about tensions between the EU member states and Russia. The resulting rise in crime will also increase tensions between them, regardless of joint efforts to quell the rise. Kaliningrad indeed has hope to rise to a major player in the Baltic region. However, given its ties to both the EU and Russia, it will remain on the periphery and its fate will be decided by the will of its mother country and its surrounding entities.

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