

Kaliningrad:

NATO and EU enlargement issues focus new attention on Russia's border with Central Europe

Lyndelle D. Fairlie

Introduction

The Russian region of Kaliningrad is located on the Baltic Sea between Poland and Lithuania. An area about half the size of Belgium, Kaliningrad became detached from mainland Russia when the Soviet Union dissolved. This journal introduced readers to Kaliningrad in 1993 (Galeotti, 1993: 56-59). In this issue, this author will update readers on changes within Kaliningrad as well as changes in its relationship to other areas.¹

As a result of Kaliningrad's separation from mainland Russia by Lithuania and Belarus to the east and by Lithuania and Latvia in the north, Kaliningrad's domestic relations with mainland Russia inevitably involve international relations. At the geostrategic level, the major current issues of concern are the prospects of EU and NATO enlargement. At the local level, however, the daily lives of many Kaliningraders often leave them largely unaware of and uninvolved in the geostrategic debate.

Two images from recent news are symbolic of the contrast. At the strategic level, Russian officials have said they might install tactical nuclear weapons² in Kaliningrad as part of Russia's protest against NATO enlargement. At the level of economic regionalism and globalisation, the South Korean vehicle manufacturer, Kia, has signed an agreement to manufacture vehicles in Kaliningrad. According to the agreement, Kia will invest US\$180 million in the region this year. In addition, "*Russian authorities are hoping that over the next five years the South Korean investment will grow to as much as one billion dollars.*"³ The images of missiles and cars symbolise the dichotomy between the economic and geostrategic debate about Kaliningrad today.

Geostrategic issues

During the Soviet period the area was known to the West primarily as a 'garrison state' because of its prominent role in naval activity along the Soviet coast of the Baltic Sea and its function as a base for follow-on forces which could be used in attacking

the West. The Soviet Baltic fleet had its home port at the deep water port of Baltiysk, a few kilometres from Kaliningrad city and, after the dissolution of the Soviet Union, Moscow kept its Baltic fleet home port at Baltiysk. During the Soviet period, Kaliningrad was closed to most Russians as well as to foreigners and only Soviet ships used the ports. Indeed, even though Poland was a Warsaw Pact ally of the Soviet Union, the Kaliningrad-Polish boundary was essentially sealed.

When the Soviet Union dissolved, Kaliningrad was suddenly separated from mainland Russia. The dissolution of the Soviet Union meant that Moscow had an exclave which was still closely linked with neighbouring Lithuania. Indeed, Kaliningrad was part of the Baltic Economic Zone and its economy was run largely from Vilnius. Memories of Kaliningrad's pre-war Prussian history and its earlier history as part of Lithuania and Poland have caused Moscow to focus on external threats which might jeopardise Russian control of the region. Russian President Boris Yeltsin emphasised this point in the course of his June 1996 visit to Kaliningrad, stating that Moscow would not tolerate "*encroachments*" on Kaliningrad.⁴

As a result of the Cold War, Western analysis often focused on ascertaining what level of military force was present in Kaliningrad and its implications for NATO security. Although this article does not focus on military detail, this author will briefly address the question of demilitarisation in Kaliningrad as a prelude to current issues, arguing that a new perspective is needed.⁵

The Demilitarisation of Kaliningrad?

The Baltic States and Poland, among others, have in the past voiced the view that Kaliningrad should be demilitarised as a necessary prerequisite to the region's participation in Baltic and European economic initiatives. Such comments inevitably draw a response from Moscow that outsiders should not interfere in Russia's internal affairs.

In the opinion of this author, there is no inherent justification for such 'dilemma thinking'. In principle, the example of Hawaii illustrates that it is not always necessary to choose between militarisation and commercial activity. In Honolulu, substantial Japanese investment co-exists with the large US Navy base at Pearl Harbour, despite the fact that the US and Japan went to war because of the Japanese attack on Pearl Harbour. The potential billion dollar deal with Kia illustrates the potential compatibility of militarisation and economic development. Applying the Hawaii example to the Kaliningrad case, one can argue that a substantial Russian military presence could even be compatible with German investment.

In fact, Russian officials are now moving in the direction of accepting the idea of shared use of the deep-water port by both military and commercial interests. Significantly, during his June 1996 visit to Kaliningrad, President Yeltsin stated at a meeting with Baltiysk residents that he supported, "*the idea of setting up a state-of-the-art commercial port on the territory of Kaliningrad Region*", and that "*he had agreed with the local authorities on financing the construction of the commercial port and intends to allocate large sums of money for it.*"⁶

It will, however, be interesting to see if this investment is in fact forthcoming, particularly in light of the views held by former Deputy Premier Shakhrai who urged the development of Kaliningrad as a military asset rather than an international commercial port and has been appointed to a new analytical department set up by Yeltsin's new chief of staff, Anatoly Chubais. He apparently took this position because of a 1994 European Parliament resolution which in his view was: "*a proposal to work out a special international status of the territory and in perspective to establish in fact a fourth independent Baltic government.*"⁷ Shakhrai's views and his access to Yeltsin may affect Russia's future plans for Kaliningrad. However, if the agreement with the South Korean manufacturer comes to fruition, it may help to put an end to the dichotomous thinking that Kaliningrad must be either a garrison or commercial centre.

Even if Kaliningrad were demilitarised, it can be argued that in an era when mobile forces can be moved swiftly the positive impact of the demilitarisation of the region on Polish and Lithuanian security would be limited. It is probably for that reason that a NATO briefing team said that Kaliningrad's border with Poland and the current

state of Russian activity there is not regarded as a risk for NATO.⁸

Significance of Location

The conventional view of Kaliningrad's geostrategic location in relationship to mainland Russia is that it is separated from mainland Russia by the Baltic states and by Belarus with Kaliningrad Governor Matochkin stating that: "*the distance to the nearest region of the Russian Federation exceeds 300 kilometres and the shortest sea route from Kaliningrad to the nearest Russian port makes 1,100 kilometres.*"⁹ This author argues here that another interpretation of Kaliningrad's location may be coming into being due to Russia's changing relationship with Belarus. Because of Russia's focus on external threats to Kaliningrad, this analysis will consider Kaliningrad's neighbours as well as Germany and Belarus.

Belarus

In April, 1996 Yeltsin and the Belarus President, Aleksandr Lukashenko, signed an agreement creating the Russia-Belarus Community. Subsequently, on the eve of a recent visit to Belarus, Aleksandr Lebed, Russia's chief security official, described the Belarus-Polish border as, "*Russia's national border with NATO.*"¹⁰

The idea of NATO and the EU at Russia's border is hardly new. Norway shares a border with Russia and was one of the key NATO members throughout the Cold War. Finland is a member of the EU and shares a border with Russia. Poland and Lithuania have applied to become members of the EU and NATO. However, Russian analysts protest that if both Poland and Lithuania join both the EU and NATO, Kaliningrad would be surrounded by EU and NATO members. Former Russian Defence Minister Grachev expressed this concern saying "*We would not want to be cut off from the special defensive district of Kaliningrad by NATO states.*"¹¹

One of the questions regarding this Moscow-Minsk union is whether it is essentially a merger of the two countries or whether it was primarily election rhetoric intended to gain Yeltsin supporters who might otherwise have voted for more nationalistic candidates during the presidential election. The latter hypothesis gained credence after Yeltsin's reelection:

"Within three weeks of Yeltsin's re-election Lukashenko began accusing Moscow of



behaving 'extremely incorrectly' toward Belarus and of failing to implement – or even of 'grossly violating' – bilateral economic agreements and the CIS customs union treaty."¹²

If the relationship between Russia and Belarus does become closer, however, there may be several implications for Kaliningrad and for countries bordering Belarus. From the Kaliningrad perspective, if Russia and Belarus become united on major political and economic policies, it would mean in part that Kaliningrad is not hundreds of kilometres from mainland Russia but is only approximately 100km from the Russia/Belarus Community.

In the context of the possibility of NATO enlargement to include Poland, when Yeltsin visited Kaliningrad in June 1996 he said that: "Its [NATO's] advance to the frontiers of the community of Russia and Belarus is alarming our peoples. They do not want a new confrontation, new lines of division on the continent."¹³ Similarly, in response to a possible expansion of NATO, former Russian Defence Minister Grachev mentioned in early 1996 the possibility of "creating a powerful Russian-Belarus military group on the territory of Belarus."¹⁴

A second implication of Russia's changing relationship with Belarus is that Russia and Belarus

have a political incentive to try to improve access to the sea for Belarus via Kaliningrad. In February, 1996 Yeltsin said that: "Russia will also help boost Belarussian trade by providing access to a sea outlet... Kaliningrad", and, "We are planning to reach an accord with the Poles to build a stretch of road across their territory."¹⁵ This caused a political problem which is discussed in the Poland section of this analysis.

If better access to the sea could be achieved for Belarus through Poland rather than through Lithuania, this would represent a political bargaining chip for Moscow in its relationship with Lithuania. Moscow could use its influence to channel trade from Belarus through Poland to the Kaliningrad port, diverting Belarus cargo away from ports in the Baltic states and Poland.

Some Western sceptics dismiss these plans as political rhetoric but agreements have been signed between Kaliningrad and Belarus¹⁶ which envision enabling Belarus to use part of a Kaliningrad port and to apply its own trade and customs policies in its portion of the Kaliningrad port. In addition, Kaliningrad Governor Matochkin led a delegation to Belarus in part to suggest the possibility of Kaliningrad and Belarus forming a financial-

industrial-group in the shipping sector. These plans are reported to be regarded seriously at high government levels in Minsk.

Does the Russia-Belarus Community change the strategic value of Kaliningrad? It is possible that the potential union or alliance of Russia and Belarus might have the subtle implication of either raising or lowering the strategic value of Kaliningrad to Moscow.

Kaliningrad has long been perceived as being strategically important to Russia as the sole ice-free Russian port on the Baltic – a factor magnified by the loss of the Baltic ports Moscow controlled during the Soviet period. In addition, in terms of access to the sea, it has been argued that the loss of Kaliningrad would be a psychological blow for Russia, virtually pushing Russia back to its pre-Peter the Great position.

Kaliningrad has also been viewed as significant to Moscow as it provides credibility for Russian involvement in geostrategic issues in the central and eastern European region. Were Russia to closely ally or unify with Belarus, however, Kaliningrad would no longer represent the sole Russian presence in this region and, it could be argued, its strategic value to Moscow would therefore be diminished. On the other hand it can be maintained that a Russian presence on Belarus' western borders, a mere 100km from Kaliningrad, is more likely to enhance the area's significance to Russia.

Poland

Poland's history of being positioned between two important neighbours, Germany and Russia, has governed its actions in the post-Soviet period. Poland has participated in cross-border cooperation measures with Kaliningrad and this has proved to be beneficial for Poland's relatively poor northeastern region. In addition, both sides have benefited from agreements addressing cross-border problems such as migration and crime. Given German interest and investment in the area, however, it has also been argued that another reason why Warsaw has pursued these initiatives is a desire to avoid a repetition of the pre-World War II scenario of being caught between two areas of German interest. Even so, it is clear that Warsaw's priorities lie with developing links to EU countries rather than with the post-Soviet space.

Russian-Polish relations suffered a setback during 1996 because a controversy arose regarding proposed access to the sea for Belarus to

Kaliningrad through Poland. The Russian-Belarus proposal for a trade conduit which would feature streamlined customs procedures linking Kaliningrad with the Belarus city of Grodno unfortunately used the word 'corridor'.¹⁷ Poland is very sensitive about the use of this word given that the existence of a Polish corridor to the Baltic separating East Prussia from Germany proper served as one of the pretexts for Hitler's invasion of Poland.

History has now come full circle and part of the area of former East Prussia is now once again an exclave but this time of Russia rather than Germany. This background makes Warsaw easily alarmed at any suggestion that Polish territory might once again be violated by one of their large neighbours wanting to connect itself by means of an exclusive extra-territorial 'corridor' across Poland to what is now Kaliningrad. The Russian use of the word 'corridor' was unfortunate to say the least.

Lithuania

The dissolution of the Soviet Union is still in progress and the intricacies of the separation process are sometimes problematic for both Lithuania and Russia. The two countries have still not agreed on parts of their maritime and land borders and this has held up offshore oil exploration. In addition, transportation problems have arisen. Kaliningrad's separation from the rest of Russia means that transportation from Moscow to Kaliningrad which crosses Lithuania by air, road and rail is now a matter for international negotiation between sovereign states. Negotiations and agreements, particularly involving military transit of Russian equipment and personnel, have frequently proved problematic. The vulnerability of the railroad was highlighted when an explosion near Vilnius destroyed part of the rails linking Moscow and Kaliningrad in 1994. These problems have inspired Moscow to think about alternative access to Kaliningrad via Poland and by ferry from St. Petersburg.

Relations between Kaliningrad and Lithuania still partly reflect the Soviet period when Kaliningrad was part of the Baltic Economic Zone and its economy was run mostly from Vilnius. Today Kaliningraders go to Lithuania without a visa unlike Russians from 'mainland Russia'. Moscow's interest in transit to Kaliningrad via Lithuania is usually portrayed as a disadvantage for Lithuania but it can be construed an advantage. For example, in December, 1995 when Russia and Lithuania were negotiating the price of natural gas, "*Lithuania managed to secure a bargain only because natural*

gas is delivered to Kaliningrad through Lithuanian territory."¹⁸

Current relations between Russia and Lithuania are better than Russia's relations with Estonia and Latvia. There is a smaller Russian minority in Lithuania than in the other Baltic states and Russia has not protested about treatment of the Russian minority in Lithuania. According to the Lithuanian Consul-General in Kaliningrad,¹⁹ even a Russian test of a Tochka surface-to-surface missile in Kaliningrad at a training ground only 15km from the Lithuanian border in October, 1995 was not worrisome to Lithuania.

Germany

Because Kaliningrad was formerly the East Prussian capital of Königsberg and because German trade and investment are prominent throughout the European and Baltic area, Russia is particularly sensitive about German interest in Kaliningrad. The German government has no interest in annexing Kaliningrad and whenever possible deals with Kaliningrad within the context of the EU. Germany's request for a consulate in Kaliningrad was denied by Russia. Sweden and Finland are interested in Kaliningrad but the other members of the EU have traditionally kept a low profile on Kaliningrad issues in deference to what are perceived as traditional German interests. Privately, experts have expressed the view that Britain has been one of the countries taking this position. This is unfortunate. Britain and the other EU states could be more helpful in the region not by deferring to imagined German interest but by helping Germany to multilateralise international interest in Kaliningrad and thereby reduce Russian anxiety about the possibility of German dominance in the area.

Concerns have also been raised about the possibility that ethnic Germans from the former Soviet Union may leave other areas and migrate to Kaliningrad. An estimated 5,000 ethnic Germans are in the area and receive some financial aid from Germany because Germany would rather have them remain in Russia than emigrate to Germany.

The Kaliningrad Economy

During the Soviet period, Kaliningrad was part of the Baltic Economic Zone and its economic activities were primarily related to the sea. The military and related defence industries were prominent as well as fishing and the mining of

amber. Although closely integrated with Lithuania, Kaliningrad was quite isolated even from Poland. Until 1991 it was closed to foreigners and to most Russians.

The end of the Soviet Union and the status of Kaliningrad as an exclave of Russia meant major changes in the economy. Many of the connections with the Baltic states were broken and trading with mainland Russia became problematic because products must cross three state borders and go through the bureaucracy of different customs regimes and political rivalries within post-Soviet space.

Experts privately speculate that the Kaliningrad economy may be one in which several economies are operating in largely unrelated sectors. A segmented economy might be one way of explaining why Kaliningrad appears to observers to be a land of contrasts. Prosperity and poverty exist in close proximity. Defence, fishing and the agricultural sectors all declined in the post-Soviet period. Defence contracts from the government dropped and fishing declined as subsidised fuel was reduced and equipment aged. *"Officially, the unemployment rate is five per cent, but regional employment centre director Vladimir Kharshenko himself admits the real figure is five times higher"*.²⁰

The region is heavily dependent on subsidies from Moscow and like many parts of Russia, Kaliningrad has experienced an erratic history regarding funding from Moscow. For example, in September, 1995 an electricity company shut down military radar in Kaliningrad because the Kaliningrad military district owed the local electricity company 15 trillion rubles (US\$3.7 million). The report indicated that the district probably had not paid its bill because it was owed 70 trillion rubles (US\$15.7 million) by the Russian Defence Ministry and officers serving in Kaliningrad had not been paid for two months.²¹ On the other hand, a March, 1996 report said that Kaliningrad had received 46.8 billion rubles to pay for arrears of wages and social allowances.²² However, in September, 1996 the army newspaper Red Star noted, *"the military command of the Baltic fleet wrote last week to...Lebed...telling him about long outstanding arrears in wage payments in the Kaliningrad region."*²³

Although the region is still very dependent on subsidies from Moscow, there was hope that Kaliningrad would also participate in the international economy, partly by means of the Free

Economic Zone which was created in 1990. The zone gave exemptions from customs duties and tried to simplify procedures for starting foreign joint ventures. The zone was, however, eliminated in 1995. Interpretations vary as to why this action was taken. One view was that when Yeltsin was under pressure from the IMF to produce an austerity budget, he signed a presidential decree eliminating privileges for many groups and areas, accidentally including Kaliningrad. Another interpretation is that the zone was revoked, "largely because of concerns that the free economic zone was turning into a free-for-all for smugglers. Russian exports and imports were passing through the zone unsupervised."²⁴

The effect of the elimination of the Free Economic Zone on the economy was devastating. The loss of customs exemptions caused prices to rise 20% to 30% when the zone was eliminated.²⁵ Businessmen who deal in imported small equipment can recite even today the date of the ending of the Free Economic Zone because their business stopped immediately when duties on previously duty-free imports suddenly made business unprofitable.

Kaliningrad lobbied Moscow for restoration of its privileges and this year Yeltsin signed the agreement setting up a new Special Economic Zone. Governor Matochkin said the law "abolished export and import duties and established favourable terms for investment and payment of value-added tax."²⁶ Kaliningrad experts say only the customs part of the agreement is working at present. During Yeltsin's visit to Kaliningrad he indicated that the rest of the agreement is partly dependent on the Russian government finishing a law about free economic zones which will apply to the whole country.

Even without completed arrangements for the zone, there have been improvements in the economy. As Tass reported: "Foreign investments in the zone increased twofold last year as compared to 1994."²⁷ The report also indicated that investments were more than thirty million dollars in the sectors of telephones, oil and chemical sector and road and hotel construction. Tourism blossomed when Kaliningrad was opened to foreigners. Elderly Germans who had left Königsberg in the war returned to visit their homeland. Now most have done so and tourism is diversifying.

Kaliningrad has also been participating in the Baltic regional economy and there is a vigorous cross-border trade with Poland and Lithuania. As is the case in many Russian border areas, there are 'shuttle-traders': "The title covers an estimated 20 million Russian citizens who supplement their

incomes by buying inexpensive consumer goods abroad and re-selling them at home."²⁸ This activity may be affected by the new government resolution which states that beginning in August, "the maximum value of goods that a private individual will be allowed to bring into Russia without paying duty will be cut from US\$2,000 to US\$1,000."²⁹

Due to the decline of agriculture, much of Kaliningrad's food now comes from its neighbours. This has caused a political controversy over protectionism. Kaliningrad politicians who are critical of some aspects of old free economic zone say that Kaliningrad is the victim of dumping by foreign producers who benefit from subsidies.³⁰ Protectionism will be an issue in the regional elections which will occur on 6 October 1996 for the Governor and for the oblast Duma.

Even now reports indicate that there are, "quantitative restrictions on the import of some particular types of foodstuffs, building materials, petroleum products and excisable goods. Goods brought into the region within the established quotas will not be subject to customs duties, excise and value-added tax, but on condition that the goods will not be taken beyond the bounds of the Kaliningrad region."³¹ In excess of the quotas duties will be charged.

Reports indicate that Kaliningrad not only has the legitimate economic activities and problems described above but also may have a shadow economy found throughout parts of post-Soviet space. As Galeotti (1996: 18) notes: "Russian gangs are also strong in the Baltic states, which – like the lawless Russian exclave of Kaliningrad – are above all used as routes for smuggling and money-laundering ..."³² The most clear hypothesis about the problems which have occurred in the past appeared in this report from The Moscow Times:

"The Lithuanian transport ministry says whole trainloads of oil are being 'stolen' or just vanish as part of widespread scams designed to avoid paying Russian export taxes. Lithuania is a special focus for oil smuggling because of its uncertain status as a corridor between the Russian enclave of Kaliningrad on the Baltic Sea and the rest of Russia. The nature of smuggling through Lithuania is simple. Trains of oil must travel across Lithuania to get to Kaliningrad from Russia. But because Kaliningrad, the final destination, is Russian territory, Russia does not levy its high export taxes on oil delivered

*there. In fact, shipments of oil products to Kaliningrad are often simply covers for smuggling, usually with the connivance of the companies in Kaliningrad that are listed as the official receivers in Russian customs declarations. Whole trainloads of such cargo are 'stolen' and then exported to international markets tax free."*³³

Because Latvia is also a transit state between mainland Russia and Kaliningrad, similar allegations come from there. In September, 1995 Tass reported that people "who operated at most of Russia's oil refineries, used false papers to organise fuel deliveries to non-existent companies in the Russian enclave of Kaliningrad. The accounts were paid at a preferential rate, as Kaliningrad is part of Russia. On their way to Kaliningrad, the shipments suddenly changed direction to Latvia from where a lion's share of diesel, mazut and petrol was shipped by sea to the west to be sold at world prices."³⁴

Other resources such as amber, timber and aluminium have also been mentioned in reports. At the amber mine, deputy manager, Stanislav Romanov, was quoted as saying that a worry, "is organised theft within the plant, losing 30% or perhaps more of output."³⁵ In 1995 Moscow News said that, "Whole trains loaded with aluminium "evaporate" on their way to the sea ports of Kaliningrad and Tallinn."³⁶ During the period 1992-1993 the Russian Interior Ministry reportedly commented on the smuggling of natural resources out of Russia saying in part that such activity involved, "up to a trainload a day passing through Lithuania and into the port of Kaliningrad alone."³⁷ Summary data in 1995 indicated that, "as a result of verification of more than 6,000 organisations which exported goods from Russia to Kaliningrad in 1993-1994 it was found that not less than half of the exported goods were 'left' in Belarus and the Baltic states."³⁸ In attempt to deal with these kinds of problems, a 1994 report said that "A new rule now requires oil purchasers in Kaliningrad to deposit enough money to pay the export duties if the oil is being sold outside of Russia. If the oil arrives, the deposit is refunded. Now smugglers must either bribe customs officers, use false documents or transport their cargo by truck on back roads, a much less efficient method of smuggling."³⁹

In the future, Kaliningrad hopes to participate in such major new projects as a Europort and the vehicle assembly plant set up with Kia. If these large investment projects come to fruition, it will help reduce the criticism that Kaliningrad leaders focus too little on local infra-structure and too much

on grandiose projects with little chance of implementation. Privately, critics note that the Kaliningrad 2000 project is an extensive list of projects which would cost US\$5 billion to implement and does not set priorities.

Because of the inter-relationships among the economies of the region, some leaders hope that Poland, Lithuania, Belarus and Kaliningrad will be part of a new Neman Euro-region. Named for the river which serves as a border between Kaliningrad and Lithuania, the Euroregion would facilitate cross-border cooperation.

Conclusions

In the past, western academic analysis has largely focused on the Cold War interpretation of security and has been devoted primarily to counting military personnel and equipment in Kaliningrad and contemplating implications. This is understandable given the situation in the Baltic area during the Cold War.

This explains why the dialogue in the Baltic area lags about fifty years behind the dialogue in Western Europe. Fifty years ago Europe emerged from the ruins of World War II and the founding fathers of the EU talked hopefully about developing peace and prosperity by means of regional cooperation. They hoped that low-level functional cooperation would spillover into long-standing peace. The meeting of the Baltic Prime Ministers in Visby, Sweden in May, 1996 discussed low level issues and avoided traditional security. The reasoning sounded very much like the reasoning expressed by the EU founders almost fifty years ago.

This essay argues that it is time for academic analysis to follow the spirit of Visby and catch up with Kaliningrad. Although traditional security issues can be important issues if tensions flare, they need not necessarily be problematic. The anxiety about the status of Kaliningrad which was expressed at the time the Soviet Union dissolved has passed. At that time people wondered if Kaliningrad could survive as an exclave and people put forth a variety of models for its future, many of which did anticipate some kind of separation from Russia.

Now Kaliningrad has demonstrated that it can survive and even attract major foreign investment because of its unusual situation. The threats which do exist are not necessarily due to conflict among states but are the kind of problems which arise in a

globalised world where non-state actors play an important role. The explosion which destroyed the railroad linking Moscow and Kaliningrad was an example of a problem which arose even though it was not overtly committed by any state.

Many Kaliningraders have essentially 'desecuritized' themselves and are now involved in the regional economy with all of its problems and opportunities. Kaliningrad's cross-border cooperation with neighbouring states involves the same issues which are considered in relationships between the EU and associate EU members: crime, migration, the environment, and barriers to economic activity. If the Europort and Kia projects come to fruition, Kaliningrad may be moving towards the Hawaii model faster than most sceptics would have imagined possible.

Notes

- ¹ This research is part of a larger project, The Kaliningrad Study, jointly sponsored by the Olof Palme International Centre in Stockholm and The Aland Islands Peace Institute in the Aland Islands, Finland. They anticipate publication of a book about Kaliningrad this year. I am grateful to them for partial funding of this research. I am also appreciative of the assistance and interviews given to me by many officials and experts in Kaliningrad and Moscow as well as the assistance of my interpreter, Vladimir Lissniak and my translator, Irving J. Kern.
- ² Wilson, A. (1996) 'Russian military haunted by past glories; Battle to improve slumping morale and poor performance,' *International Defence Review*, 29, 5 (1 May): 25, quoting the newspaper Komsomolskaya Pravda 29 September 1995 [Online]. Available: NEXIS Library: EUROPE File: ALLEUR.
- ³ 'Kia car plant for Kaliningrad', *Financial Times*, 31 July 1996, USA Edition [Online]. Available: NEXIS Library: EUROPE File: ALLEUR.
- ⁴ Shtorkh, A. (1996) 'Yeltsin: Kaliningrad is undoubtedly Russian land,' ITAR-TASS, 23 June, [Online]. Available: NEXIS Library EUROPE File: ALLEUR.
- ⁵ For a recent examination of traditional security issues, see Wellmann, C. (1996) 'Russia's Kaliningrad Exclave at the Crossroads: The Interrelation between economic Development and Security Politics', *Cooperation and Conflict*, June.
- ⁶ 'Yeltsin's visit to Kaliningrad: Yeltsin tells Kaliningraders he will support Russians in Baltic states', BBC Summary of World Broadcasts, 23 June 1996, EE/D2646/A citing source as Interfax news agency, Moscow, [Online]. Available: NEXIS Library: WORLD File: ALLWLD.
- ⁷ Feodorov, G.M. and Zverev, Y. (1995) *Kaliningrad Alternatives: Social-economic development of the Kaliningrad oblast under the new geo-political conditions*, Kaliningrad: Kaliningrad State University, State Committee on Higher Education of the Russian Federation, in Russian; translation by Irving J. Kern.
- ⁸ S.C. Maloney, Commander, US Navy, NATO, Supreme Allied Command, Atlantic and Lieutenant-Colonel T.W. Loveridge Strategic Concepts, Policy and Organisation, SACLANT headquarters, interview by author, San Diego, California, Spring 1996.
- ⁹ Matochkin, Y. (1995) 'The Most Western Region of Russia,' *Foreign Trade*, 9: 18, published by the Ministry of Foreign Economic Relations of the Russian Federation.
- ¹⁰ 'Lebed on costs of NATO enlargement,' *Monitor*, II, 171 (16 September 1996) [Online]. Available: Jamestown Foundation.
- ¹¹ 'Russia, Belarus may set up force if NATO expands,' Reuters North American Wire, 14 May 1996 [Online]. Available: NEXIS Library: EUROPE File: ALLEUR.
- ¹² 'Belarus: Unfulfilled Promises,' *Fortnight-in-Review*, 1, 3 (26 July 1996) [Online]. Available: Jamestown Foundation.
- ¹³ Shchedrov, O. (1996) 'Yeltsin woos military vote in Baltic enclave,' Reuters, 23 June 1996 BC cycle [Online]. Available: NEXIS Library: EUROPE File: ALLEUR.
- ¹⁴ 'Russia, Belarus may set up force if NATO expands,' Reuters North American Wire, 14 May 1996 [Online]. Available: NEXIS Library: EUROPE File: ALLEUR.
- ¹⁵ Killen, B. (1996) 'Russia, Belarus strengthen links, write off debts,' *The Reuter European Business Report*, 27 February.
- ¹⁶ Vladimir Kozyrev, Deputy Head, State Management of Transport Complex, Kaliningrad Region Administration and Anatoly Demenok, Head of Marine Department, State Management of Transport Complex, Kaliningrad Region Administration, interview by author, interpreted by Vladimir Lissniak, Kaliningrad, Russia, June 1996.
- ¹⁷ Arvedlund, E. (1996) 'Hong Kong On the Baltic?,' *The Moscow Times*, 3 September, p.12.
- ¹⁸ 'Interrepublican links: Russia increases gas price for Lithuanian consumers,' BBC Summary of World Broadcasts, 20 December 1995, EE/W0415/WD citing source as Lithuanian Radio, Vilnius, 15 December 1995.
- ¹⁹ Siditas Shileris, Consul-General of Lithuania in Kaliningrad, interview by the author, interpreted by Vladimir Lissniak, Kaliningrad, Russia June, 1996.
- ²⁰ Zhukov, V. (1996) 'Russian enclave dreams of emulating Hong Kong', *Agence France Presse*, 4 September [Online]. Available: NEXIS Library: EUROPE File: ALLEUR.

- ²¹ 'Firm turns off Russian radar over unpaid bill,' Reuters World Service, 11 September 1995 [Online]. Available: NEXIS Library: EUROPE File: ALLEUR.
- ²² 'Another six regions receive govt funds to pay wage arrears', ITAR-TASS, Moscow, 22 March 1996 [Online]. Available: NEXIS Library: EUROPE File: ALLEUR.
- ²³ 'Defence chief to work for no pay,' Reuters, quoted in *The Herald* (Glasgow), 6 September 1996, [Online]. Available: NEXIS Library: EUROPE File: ALLEUR.
- ²⁴ Arvedlund, E. (1996) 'Hong Kong On the Baltic?,' *The Moscow Times*, 3 September, p.11.
- ²⁵ Marsch, R. (1995) 'Coveted on all sides, Kaliningrad is European sore point', Deutsche Presse-Agentur, 1 June [Online]. Available: NEXIS Library: EUROPE File: ALLEUR.
- ²⁶ 'Belarus; Russian parliament approves law on Kaliningrad free trade zone,' BBC Summary of World Broadcasts, 19 January 1996, EE/W0418/WC citing ITAR-TASS, Moscow, 10 January 1995 [Online]. Available: NEXIS Library: WORLD.
- ²⁷ Serebrennikov, R. (1996) 'Law on Kaliningrad free trade zone approved', 10 January, ITAR-TASS [Online]. Available: NEXIS Library: EUROPE File: ALLEUR.
- ²⁸ 'Russian government to crack down on "shuttle-traders"', Monitor, II: 144 (24 July 1996) [Online]. Available: Jamestown Foundation.
- ²⁹ *ibid.*
- ³⁰ Nikitin, V. (1995) 'Big Distance between SEZ and FEZ,' *Kaliningrad Pravda*, 9 September, in Russian, translation by Vladimir Lissniak.
- ³¹ 'Laws and Resolutions,' *Moscow News*, 15 August 1996 [Online]. Available: NEXIS Library:EUROPE File: ALLEUR.
- ³² Galeotti, M. (1996) 'Mafiya: Organised crime in Russia', *Jane's Intelligence Review*, Special Report No.10 (June) [Online]. Available: NEXIS Library:EUROPE File: ALLEUR.
- ³³ Winestock, G. (1995) 'The Slippery Business of Russian Oil Exports', *The Moscow Times*, 27 May [Online]. Available: NEXIS Library:EUROPE File: ALLEUR.
- ³⁴ Kuchina, G. (1995) 'Investigation ends into oil smuggling case in Latvia', ITAR-TASS, 20 September [Online]. Available: NEXIS Library:EUROPE File: ALLEUR.
- ³⁵ Thely, B. (1996) 'Amber fever grips enclave,' Agence France Presse, 20 June [Online]. Available: NEXIS Library:EUROPE File: ALLEUR.
- ³⁶ Ukhlin, D. (1995) 'Corruption in Defence Ministry Continues', *Moscow News*, 11 August [Online]. Available: NEXIS Library:EUROPE File: ALLEUR.
- ³⁷ Ariel Cohen, Ph.D., Senior Analyst and Salvatori Fellow in Russian and Eurasian Studies, The Heritage Foundation, before the House International Affairs Committee, prepared testimony 'Crime and Corruption in Russia and the new independent states: Threats to markets, democracy and international security,' Federal News Service, 31 January 1996. 'Russians Smugglers Gain Strength,' *The Wall Street Journal*, 30 March 1994 [Online]. Available: NEXIS Library:EUROPE File: ALLEUR.
- ³⁸ 'Internal affairs; Interior Ministry board discusses smuggling situation in Russia's northwest', BBC Summary of World Broadcasts, 14 March 1995, SU/2251/B citing Interfax news agency, Moscow, 10 March 1995 [Online]. Available: NEXIS Library: WORLD File: ALLWLD.
- ³⁹ Corwin, J., Stanglin, D., Possehl, S., Trimble, J. (1994) 'The looting of Russia,' *US News & World Report*, 7 March, 116, 9: 36. [Online]. Available: NEXIS Library.

Lyndelle Fairlie is Associate Professor at the Department of Political Science, San Diego State University.