

Kaliningrad in the Framework of EU-Russian Relations: Moving Toward Common Spaces

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Abstract

This paper explores the evolvement and change of approaches of both Russia and the EU to the Kaliningrad question over the last decade. The positions and approaches of Russia and the European Union vary on Kaliningrad-related issues. Different understandings of the Kaliningrad question as well as different concepts of the region dominate foreign policy in the EU and Russia. Nevertheless, a trend for a slow rapprochement is revealed.

As the EU and Russia discuss ideas and concepts of EU-Russian Common Spaces, the Kaliningrad Region can be of positive value to EU-Russian relations, promoting a more cooperative Wider Europe with less dividing lines. Kaliningrad can serve both Russia and the EU as a pilot/model region of integration as well as a booster, connecting chain, and a litmus test of cooperation within the dialogue on EU-Russian Common Spaces. The paper argues that it will be far-sighted of the EU and Russia to make Kaliningrad an integral part of the dialogue on Common Spaces so that the Oblast might become one of the connecting knots of European-Russian cooperation.

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1. Introduction

The Kaliningrad region is currently an important focal point of discussions between the European Union and the Russian Federation. Although small in terms of geography and population, Kaliningrad gains on importance due to EU enlargement process. Since the break-up of the Soviet Union, the Kaliningrad Oblast has become an exclave of Russia. With Poland and Lithuania joining the Union, Kaliningrad becomes an enclave within the EU.

In the course of 12th EU-Russia Summit in November 2003, the Parties have expressed willingness to move forward on four bilateral Common Spaces including the Common European Economic Space for which the Concept was agreed upon. In the Joint Statement, the parties have reconfirmed the will to promote further rapprochement and gradual integration of the EU and Russia. Intensifying dialogue and fulfilling the decision to create common spaces between the EU and Russia should serve this goal.

Can there be any connection between the EU-Russian Common Spaces and the issue of Kaliningrad? What can Kaliningrad mean and do for the Common Spaces in the fields of economy and security?

In the course of the nineties, Kaliningrad was treated by the EU as an ordinary Russian region. The same was true for the official standing of Russian foreign policy. Changes occurred in the last years as both sides recognised the specificity of Kaliningrad due to EU enlargement. Difficult negotiations have been led on passenger transit from Kaliningrad to mainland Russia through Lithuanian territory. Despite divergency, the views and approaches of the sides show some room for flexibility and some willingness to move

toward each other. There is a growing understanding that Kaliningrad can take a specific place inside the EU-Russian dialogue on a wide circle of issues.

This paper has the following outline. It starts with an analysis of specific enclave/exclave characteristics of the Kaliningrad Region in its relation to mainland Russia and the European Union. It goes on to discuss major actors and processes exerting defining influence on the region. The central part of Section 2 is a discussion of the evolution of European and Russian approaches to the Kaliningrad issue over time. At the end of Section 2 it is shown that a trend for rapprochement of positions and approaches is slowly evolving. Section 3 examines the potential and limits of the pilot/model region concept in the framework of the EU-Russian Common Spaces. Separate sub-chapters are devoted to discussing ideas of the EU-Kaliningrad free trade area and solutions in the field of movement of people based on partial reciprocity. The potential meaning of Kaliningrad in EU-Russian relations is analysed based on positive perceptions of the region by both sides. The paper is wrapped up with conclusions (Ch.4).

2. EU's and Russia's approaches to the Kaliningrad issue

Kaliningrad as an enclave of Russia and semi-enclave of the EU

Let us start with definitions of an enclave and exclave characterizing them from the viewpoint of law and political geography.

An *enclave* is a state that is entirely enclosed within the land territory of another state, or some part of the territory of a state that is entirely

enclosed within the land territory of another state. In those cases when the part of the state territory is not fully surrounded by the territory of another state because it has a sea border, it is named a *semi-enclave*.

An *enclave* is an isolated part of a state that is surrounded by the territory of another state or states. It is simultaneously an enclave in relation to the country within which it is located.

Kaliningrad Oblast is an exclave of Russia. In the course of the EU enlargement Kaliningrad becomes the semi-enclave of the latter as Poland and Lithuania join the Union. The Oblast is, however, not unique in its status. There are at least ten *non-sovereign semi-enclaves* in the world that in this respect might be comparable with Kaliningrad². We could mention Gibraltar, Northern Ireland, the Cyprus administrative territory of Turkey, the eastern part of Brunei, Cabinda of Angola, Alaska, the Musandam peninsula of Oman, as well as the Spanish exclaves Melilla and Seuta bordering Morocco. This list contains very different territories all around the world with a different history, political regime, economy and living standards. Let us add to this list also those non-sovereign semi-enclaves that have already ceased to exist as such. The historical experience of East Prussia (1919-1939), East Bengal (until 1971), Hong Kong, Aomen and other regions could provide us with some valuable lessons. To summarize, the examples of non-sovereign semi-enclaves lie on a wider spectrum: from Hong Kong, an evident

² More of enclaves' dichotomies and characteristics see in: *Vinokurov E. (2002a) Anklavy v mirovoy politike i ekonomike: opyt poslednich desyatiletii* [Enclaves in World Politics and Economy: Experience of the last decades], in: *Mirovaya ekonomika i mezhdunarodnye otnosheniya* [World Economy and International Relations], No.9. P.83-88. See also www.vinokurov.info/enclaves.htm.

success story, to the very problematic North Ireland, Turkish part of Cyprus, Pakistan/Bangladesh and so forth.

Let us briefly look over some characteristics of the Kaliningrad Oblast specifically as an enclave/exclave.

High degree of external influence. Kaliningrad Oblast's dependence on external powers is two-dimensional. First, the region depends on the Mainland Russia and its Federal Center. Dependence on the mainland is not only high but also multidimensional: political management, budget relations, transfers, state and private financing, voluminous trade flows (including supplies of raw materials, gas, and energy), transport systems, unbreakable social and cultural ties. Second, there is dependence on neighboring states, the European Union's old and new members. This influence is more of an economic character: trade, investment, and transit. Nevertheless, influence in political, social and cultural dimensions is currently on the rise.

As a heavily militarized region, Kaliningrad was closed for foreigners until 1991. Despite its immediate location on the border of the former Soviet Union, the Oblast was in fact even more isolated than other Russian regions. During the nineties the region has undergone the period of extensive and very dramatic opening. Kaliningrad has reoriented its trade connections to a large extent adapting itself to new realities. This extensive potential of opening was more or less exhausted at the end of the nineties. At the beginning of the new century Kaliningrad Oblast has entered a new period of its development. Quantitative and qualitative changes in the region's openness and dependency patterns appear now to be of intensive rather than extensive nature. They will be defined more by political and economic decisions and strategies applied by the

Russian government, the EU, neighboring countries, and the region itself. The development of the region will from now on be closely connected to the European-Russian dialogue.

Instability of political framework conditions. Enclaves can be instable due to geopolitical reasons as well as due to peculiarities of their genesis (many enclaves emerged as a result of an empire's break-up, very often on the ruins of colonial empires; Kaliningrad enclave/exclave owes its emergence to the break-up of the Soviet Union). Nevertheless, there are many examples of very stable enclaves. This circumstance appears to be very important: there are situations in which the instability factor is just a minor one, and there are strategies and instruments that allow overcoming instability.

The history of Kaliningrad Oblast demonstrates an inherited instability. The XXth century has first seen this piece of land belonging to Germany lying on its north-eastern border with the Russian Empire. Then, in the period from 1919 until 1939, East Prussia became a German exclave, separated from the mainland by Poland. Over this time, the region went through severe political and economic difficulties and was the subject of special state aid programs. A specific mechanism of *Danzig corridor* was established to provide smooth transit to the mainland. The enclivity of East Prussia was liquidated in 1939 as a result of the occupation of Poland. In 1945 East Prussia was divided between the Soviet Union and Poland. Approximately one third of former East Prussia became the Kaliningrad Oblast, the part of RSFSR. In 1991 Kaliningrad became an exclave of the Russian Federation. It is very peculiar that during 20-30s and the 90s - in completely different political conditions! - the region has experienced very similar economic difficulties and obstacles in its development.

The present political status of Kaliningrad Oblast as a subject of the Russian Federation is rather stable. However, the framework of economic functioning remains unstable. Its essential elements, design and length of SEZ as well as special agreements between the RF and the EU remain under question.

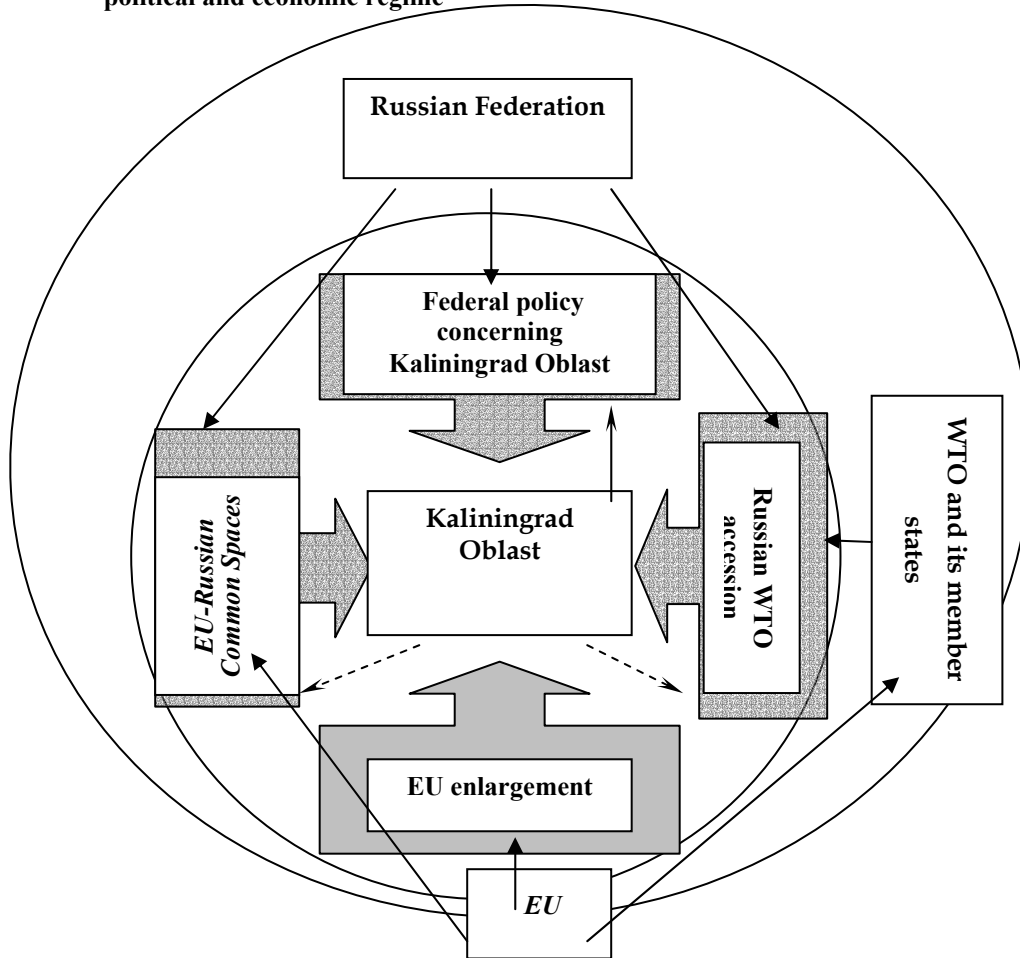
Major actors and processes determining Kaliningrad's development

The economic and political regime of the Kaliningrad Region is determined by a range of internal and external actors, factors, and processes. As an ordinary *Oblast* of the Russian Federation without any additional competencies (not even possessing a republican status within the Federation), the Region does not have any authority in determining its external policies. The aforementioned fact contributed significantly to the decision powers of Moscow. However, external powers and the EU in particular play a crucial role in defining the economic and political frameworks of the Kaliningrad problem. Its most important actors are the Russian federal centre and the European Union. The main factors/processes are, first, Russia's federal policy concerning Kaliningrad (with the Special Economic Zone regime as its core element), second, the EU enlargement, third, Russia's WTO accession and, fourth, development of EU-Russian common economic and political spaces.

The figure 1 below reflects the most significant and shaping influence of two actors – Russian federal center and the European Union - and four factors (Russian federal policies, EU enlargement, Russia's WTO accession, and CEES) on Kaliningrad. Moscow as well as Brussels have an impact upon the Oblast in many ways. For example, the EU may have an impact on Kaliningrad through WTO

negotiations, through creation of Common spaces with Russia, through specific arrangements, and indirectly as a result of the enlargement.

Figure 1. External actors and factors shaping Kaliningrad Region's political and economic regime



Broken arrows going in the opposite direction from the region to external factors of WTO accession and CEES demonstrate that Kaliningrad Region itself is able to exert a certain small impact on both processes. This impact may grow as a result of actions by the regional authorities, enterprises, and public. In fact, due to its specifics, the Oblast must devote most serious attention to lobbying efforts on the federal level and in the EU. However, this impact remains currently very small and will probably remain modest due to the region's limited size and means to promote its cause.

Russian and European approaches to Kaliningrad in time perspective

Russian and European views and concepts of Kaliningrad Region have evolved over time. While there was practically no attention given to the Region in the nineties, the situation changed in the last years, with both Russia and the EU giving Kaliningrad closer attention. Concepts are currently evolving and positions are changing.

The European Parliament led its first inquiry on Kaliningrad in 1993 when a group headed by Magdalena Hoff went on a fact-finding mission to the Oblast and made a public report on their findings³. It pointed on the danger on destabilizing the entire Baltic Sea area if the region's future would not be reflected upon. This report had some influence on shaping TACIS funding of Kaliningrad-related projects throughout the nineties. Apart from this, the EU did not

³ M. Hoff (1993) Bericht über Kaliningrad (Königsberg), eine russische Exklave in der baltischen Region: Stand und Perspektiven aus europäischer Sicht. Europäisches Parlament, Dok. A3-36/94. Also: Hoff M., Timmermann H., "Kaliningrad: Russia's Future Gateway to Europe?" RFE/RL Magazine 2, no.36 (10 September 1993).

give the region any specific attention in the framework of the enlargement. Kaliningrad has therefore been treated as an ordinary Russian region.

The same was true of the official standing of Russian foreign policy. It has been changed in 1999 with a seemingly revolutionary breakthrough. In its Middle Term Strategy toward the EU (2000-2010) presented in October 1999 in Helsinki⁴, Russia declared its intention to pursue a line to a special agreement with the EU in order to establish Kaliningrad as a pilot region in the framework of EU-Russian cooperation. Par. 8.4. stated rather clearly that Russia attempts

‘to pursue a line to the conclusion, if appropriate, of a special agreement with the EU in safeguarding the interests of the Kaliningrad region as an entity of the Russian Federation in the process of the EU expansion as well as to its transformation into a Russia’s pilot region within the framework of the Euro-Russian cooperation in the 21st century’.

In addition to that, the Strategy pointed at the necessity for ‘contacts with the EU to pay special attention to securing protection, including under the international law, of the interests of the Kaliningrad region as an entity of the Russian Federation and of the territorial integrity of Russia’ (par. 5.2.).

This concept was quite innovative in fact. However, as Joenniemi rightly points out, it remained weak and has not been operationalized in any specific context⁵.

⁴ The Russian Federation Middle Term Strategy towards the European Union (2000-2010), http://www.eur.ru/en/p_245.htm.

⁵ Joenniemi P. (2003) Responding to Russia’s Kaliningrad Offensive, in: Birckenbach H.-M., Wellmann C. (eds.) *The Kaliningrad Challenge. Options and Recommendations*. LIT Verlag, Münster, P.55.

Ever-closer prospects of Kaliningrad Oblast turning into a European enclave surrounded by Poland and Lithuania have led the European Commission to closer investigation of the matter. The first Communication on Kaliningrad was published in the beginning of 2001 and entitled “The EU and Kaliningrad” (17.01.2001)⁶. In this Communication, the European Commission did not yet recognize the necessity for special arrangements for the movement of people in and out of the Kaliningrad Region. According to the Commission it could be sufficient to examine such issues as the cost of passports and visas, the efficiency of border crossings, the adequacy of consular offices and rules for small border traffic to ensure a smooth transition to the new visa regimes. Assessing the economic situation of the region, the Commission stressed the positive impact of the EU enlargement on the regional economy (better opportunities for exports because of lower tariffs in the new Member states) while leaving aside potential negative aspects.

The situation has however changed in 2002. Kaliningrad became a highly politicized topic in Russia. There were several reasons for that. Presumably the most important one was the strong intention of Moscow to secure Kaliningrad as an integral part of Russia in front of the EU and NATO enlargement. This can be seen also in the choice of priority issues for negotiations with the Union, these being passenger and cargo transit. Transit has been somewhat artificially singled out of the whole range of economic, political, and institutional issues.

⁶Commission of the European Communities. Communication from Commission to the Council “The EU and Kaliningrad”, Brussels, 17.01.2001, COM 2001 26 (final). http://europa.eu.int/comm/external_relations/north_dim/doc/com2001_0026en01.pdf

Pressures applied on the EU from both Russia and inside the EU have risen. As the Commission had to respond and handle the difficult situation, it had to issue another Communication effectively changing its stand on Kaliningrad. By issuing a Communication to the Council under the title “Kaliningrad: Transit” on 18.09.2002⁷ the Commission has paved the way to the 10th EU-Russian Summit in November 2002 and its “Joint Statement on Transit between the Kaliningrad Region and the Rest of the Russian Federation”⁸. In this document the parties acknowledged “the unique situation of the Kaliningrad Region as part of the Russian Federation but separated from the rest of the Federation by other states”. The parties agreed to pursue a comprehensive package of measures to facilitate the easy passage of borders, and in particular to create a ‘Facilitated Transit Document’ scheme.

Trilateral negotiations Russia-Lithuania-EU – a new format that enriched the European-Russian dialogue – took place on the basis on the Summit’s decisions. The negotiations ended in spring 2003 with a set of decisions for the implementation of facilitated transit schemes. They came into operation on the 1st of July 2003. The main financial question – what side is going to carry the costs of the Lithuanian side – was been settled in the signing of a Financing Memorandum between the EU and Lithuania on the 28th of February, providing

⁷ Commission of the European Communities. Communication from Commission to the Council “Kaliningrad: Transit”, Brussels, 18.09.2002, COM 2002 510 (final).
http://europa.eu.int/comm/external_relations/north_dim/doc/com02_510.pdf

⁸ Joint Statement on Transit between the Kaliningrad Region and the Rest of the Russian Federation
http://europa.eu.int/comm/external_relations/russia/summit_11_02/js_kalin.htm

Lithuania 12 million Euros financial support⁹. As an exception to the usual PHARE rules, the EU agreed to finance 100% of the project costs.

The decisions of the 10th EU-Russia Summit have been implemented in the course of 2003. At the present time, the Facilitated Transit Document (FTD) and Facilitated Railway Transit Document (FRTD) schemes function more or less smoothly¹⁰.

EU and Russia's positions: gradual rapprochement

Let us define more precisely the major fields of concern for the sides involved in the process. Major fields of concern and the views of the sides seem to vary. For Russia, it is, first, Kaliningrad's concurrency with the mainland. Hence, passenger and cargo transit is of major importance. Second issue of concern is the economic development of Kaliningrad Region. One of the major concerns for Moscow is that Kaliningrad should not be lagging behind adjacent countries of Poland and Lithuania in terms of living standards. One might notice that it is not only the very fact of a weaker economy that bothers Moscow but also its economic backwardness as a base for secessionism.

The aspirations of Kaliningrad residents themselves do not necessarily coincide with those of the Federal center. The Oblast

⁹ Financing Memorandum between the EU and Lithuania (IP/03/301 – Brussels), 28.02.2003.

¹⁰ For detailed description of how the new regime function in the practice, see *Vinokurov E.* (2004) Kaliningrad's Borders and Transit: Practicalities and Remaining Bottlenecks. CEPS Commentary, http://www.ceps.be/Article.php?article_id=264; *Vinokurov E.* (2004) Transit is just a part of it: Kaliningrad and free movement of people. AIKE Online Publications. www.kaliningradexpert.org.

wants, first of all, to have suitable conditions for economic development, second, to have a stable economic as well as political development framework, and, third, for the people to be able to travel more or less freely to mainland Russia but also the EU's old and new member states. Warsaw and Vilnius are after all only three hundred kilometers away, compared to the four times longer distance to Moscow.

For Brussels, the dominating concern is soft security. The EU does not want to have a poor and contaminated region within itself which would spill out social tension and create problems with borders, illegal immigration and so forth, let alone the fact that it still serves as a base for Russian Baltic Fleet. Obviously, the EU does not want Kaliningrad to create any obstacles to the enlargement.

The concerns of Poland and Lithuania have different accents, though. Economically, Kaliningrad represents a competitor for both neighbors in their struggle for Russian markets. Although small in size, the region enjoys free custom zone regulations that enable it to possess a certain advantage on the markets of mainland Russia. However, Poland and Lithuania's concern of Kaliningrad not impeding further integration with the EU is by far more important on a political scale. Both states, especially Lithuania, are concerned that the 'Kaliningrad problem' would not impede their progress toward major EU agreements, specifically the one of Schengen.

For a long time, the EU has opted not to notice the specificity of Kaliningrad Region in the context of the enlargement. The EU refusal to reflect on its own perceptions and policies in any detail has allowed the rather 'normal' policies of enlargement, also in the case

of Kaliningrad¹¹. Then, as the Union finally recognised the fact that the Kaliningrad issue should be viewed in the context of enlargement, it preferred to stress positive aspects of the Enlargement's impact on the region. Such strategy applied by the EU in its relations with Russia generally has been characterised as a 'Fair Weather Strategy' by Haukkala¹². Beneficial effects of enlargement are stressed whereas the possible negative consequences are ignored or minimised¹³. The Communication "EU and Kaliningrad" provides us with a clear cut example of such line of thinking. Meanwhile the situation is by far not so rosy. The negative impact of the EU enlargement is visible in many spheres of economics and politics and can even outweigh potential positive effects¹⁴.

Russian approaches to the problems raised by Kaliningrad dilemma have been rather inconsistent. A spread between conceptual thinking on a pilot region in the Middle-Term Strategy toward the EU, on the one hand, and predominantly ad hoc policies on economic and transit issues, on the other hand, can be observed. Russia is 'heavily burdened by a modern legacy premised on a centralization of power, strict territorial control and rather divisive

¹¹ *Joenniemi P.* (2003) Responding to Russia's Kaliningrad Offensive, in: Birckenbach H.-M., Wellmann C. (eds.) *The Kaliningrad Challenge. Options and Recommendations*. LIT Verlag, Münster. P. 51-53.

¹² *Haukkala, H.* (2000) *The Making of the European Union's Common Strategy on Russia*, UPI Working Papers, 2000, 28.

¹³ *(Van) Elsuwege, P.* (2002) *EU Enlargement and its Consequences for EU-Russia Relations: The Limits of a 'Fair Weather' Strategy*, Chair Interbrew-Baillet Latour Working Papers, Leuven, October 2002, P.10-11.

¹⁴ For assessment of positive and negative impact of the EU enlargement on Kaliningrad Region see *Vinokurov E.* (2004) *Economic Prospects for Kaliningrad*. CEPS Working Document, forthcoming.

borders'¹⁵. Considerations of reciprocity come in the way as well, making Russian position on border and visa issues inflexible and stiff. In general, the general concept of *damage limitation* approach in Russian political behavior toward the West in the 90s can be applied also to explain Russia's approach to Kaliningrad until the present time. According to D. Medvedev, damage limitation emerged in 1993-1996 as a compromise between the political ambitions of the new regime and Western-dominated economic environment in which it exists. According to the argument, Russia 'should act to protect its own interests and to minimize the alleged negative effects of Western policies while remaining in the general framework of dialogue with the West...'¹⁶. It can be clearly seen that the main concern of Russia in the Kaliningrad-related negotiations is negative in its nature, which is led by intention to neutralize or minimize negative effects of the Enlargement. The durability of zero-sum attitudes in Russian foreign policy left an imprint on Russian Kaliningrad policy as well, constraining evolvement of positive approaches¹⁷.

However, some critical changes have come about on the conceptual level over the last years. First, Russia has recognized the specific stand of Kaliningrad and the presence of specific challenges

¹⁵ Joenniemi P. (2003) Responding to Russia's Kaliningrad Offensive, in: Birckenbach H.-M., Wellmann C. (eds.) *The Kaliningrad Challenge. Options and Recommendations*. LIT Verlag, Münster, P.55.

¹⁶ Medvedev S. (1999) Power, Space, and Russian Foreign Policy, in: Hopf, T. (1990) (Ed.) *Understandings of Russian Foreign Policy*, Pennsylvania State University Press. P. 15-56 (46).

¹⁷ For analysis of zero-sum attitudes in Russian foreign policy see Lo, B.(2002) *Russian Foreign Policy in the Post-Soviet Era*. Basingstoke and New York: Palgrave Macmillan.

concerning the region. Second, as Timmermann mentions¹⁸, the former strictly alternative thinking of Kaliningrad as either an isolated region with direct governance from Moscow (isolationist scenario) or a completely open civilian region (integrationalist scenario) has receded into the background. Instead of this, a view of Kaliningrad as a connecting chain in the framework of EU-Russian dialogue is more and more important as a leading concept. Thus, geo-economic motivations push aside geopolitical considerations

In the present time, there are different concepts of Kaliningrad that dominate policy thinking in the EU and Russia. They define clashing approaches embodied in foreign policy. In the opinion of Van Elsuwege,

'this tension reflects the global challenges of EU-Russia relations in the light of EU enlargement. Whereas the European Union is preoccupied with the extension of its area of freedom, security and justice to the candidate countries, Russia fears the consequences of this project for its own internal development. The dilemmas Kaliningrad poses to Brussels are, therefore, a reflection of the general problems connected with the enlargement process as such'¹⁹.

The EU and Russia are two Leviathans that have never been particularly cooperative toward one another. Nevertheless, we observe a certain movement toward each other. While it is by far premature to talk about convergence of approaches on Kaliningrad

¹⁸ *Timmermann H.* (2002) Kaliningrad kak pilotny region dlya formirovaniya partnerstva mezhdru EU i Rossiiyey [Kaliningrad as a pilot region for partnership between the EU and Russia]. Moscow, Komitet "Rossiya v obyedinennoy Evrope", P.25.

¹⁹ *(Van) Elsuwege, P.* (2002) EU Enlargement and its Consequences for EU-Russia Relations: The Limits of a 'Fair Weather' Strategy, Chair Interbrew-Baillet Latour Working Papers, Leuven, October 2002, P.19.

specifically and on EU-Russian cooperation in general, the positions and approaches of the sides reveal a trend for a slow rapprochement. Analysis of documents and practices provides us with arguments in favor of this position. First, negotiations led and decisions taken on passenger transit through Lithuania prove that reaching compromise agreements in the fields that are very sensitive to both sides is possible in principle. Second, negotiations on passenger transit themselves were a rather new phenomenon in European-Russian relation, as they were led in trilateral format EU-Lithuania-Russia. Third, it is instructive to see how the positions of the sides have changed over time. On the one hand, the Union has issued two Communications within two consecutive years with rather different content. A big move was made from treating Kaliningrad as an ordinary Russian region eligible for adequate support to recognition of unique standing and problems of the Oblast in the context of Enlargement. On the other side, Russia had to accept the compromise giving up on its idea of visa-free transit.

Certainly, the degree of flexibility is still small. It can be observed in currently led negotiations on cargo transit. The story repeats itself as Russia insists on recognising cargo flows between Kaliningrad and the mainland as Russia internal flows not falling under the category of EU transit.

While there are many obstacles on the way to more cooperative approaches and positive approaches in the EU-Russian relations, any movement toward more integration of the EU and Russia is likely to become even harder in the years to come, as CEE states enter the Union. For many reasons including historical, security, and economic ones, new members of the EU are likely to take a tougher stand on the EU-Russian rapprochement.

What mechanisms can be employed to reconcile the positions on Kaliningrad? In our opinion, the most productive approach would be to put two questions at the same time. First, what can be done by Russia and the EU to resolve 'Kaliningrad problem'? Second, how can Kaliningrad at best serve interests of both Russia and the EU? The first question handles the negative side of the story - removing problems and obstacles. The second one lies on the positive and productive side - creating added value in European-Russian relations. The hypothesis would be that Kaliningrad Region can be of positive value to EU-Russian relations, thus promoting more cooperative Wider Europe with less dividing lines. Kaliningrad can take serve both Russia and the EU as a booster and model within the framework of the dialogue on EU-Russian Common Spaces, especially in the fields of economy and movement of people.

3. Linking the Pilot Region Concept to EU-Russian Common Spaces

Dialogue on EU-Russian Common Spaces and the CEES Concept

In the Joint Statement of the 12th EU-Russia Summit (Rome, 5-6 November 2003), the parties have reconfirmed the will to promote further rapprochement and gradual integration of the EU and Russia. Intensifying dialogue and fulfilling the decision to create common spaces between the EU and Russia should serve this goal. The documents of the 12th Summit broadly define four such common spaces:

1. First, the Common European Economic Space (CEES), being the most important one of the four.

2. Second, the common space of freedom, security and justice. The parties agreed to examine conditions for visa-free travel as a long-term perspective and to look at existing flexibilities within the Schengen agreement, in order to facilitate travel in the short term and on a reciprocal basis.
3. Third, the common space of external security, thus understanding the EU and Russia as partners in security, crisis management and international relations. Cooperation in the fields of anti-terrorism, managing crisis situations and frozen conflicts should become the substance.
4. Fourth, the common space of research and education.

The work on Common Spaces with emphasis on CEES was begun by setting up a High Level Group (HLG) in 2001. The HLG continued working on the Concept under appropriate mandate for two years. The CEES Concept Paper (Annex I to Joint Statement) constitutes the result of its work.

The CEES Concept is understood to set up objectives which are to be reached progressively. It includes core elements and fundamental ingredients for the CEES and the ways and means to achieve them. The CEES is defined as 'an open and integrated market between the EU and Russia, based on the implementation of common or compatible rules and regulations, including compatible administrative practices, as a basis for synergies and economies of scale associated with a higher degree of competition in bigger markets' (Par.12). It shall cover both horizontal and sectoral targets. Furthermore, the CEES shall focus in four main areas of economic activity, these being, first, cross-border trade of goods, second, cross-border trade in services, third, establishment and operation of

companies including measures related to movement of capital, and, fourth, related aspects of movement of persons (Par. 18).

Par. 19 describes the main instrument to be applied in these areas. These are market opening, regulatory convergence, and trade facilitation. Appropriate measures of market opening shall ensure the gradual removal of obstacles to trade and investment between the EU and Russia in compliance with WTO regulations. Regulatory convergence is understood as an essential element to promote trade and investment and to strengthen economic links. The main areas of regulatory convergence should be standards, technical regulations and conformity assessments. Trade facilitation measures may refer to simplification, standardisation and automation of trade and custom procedures.

Four main areas upon which the CEES shall focus concentrate around the four basic freedoms of a common market – movement of goods, services, capital, and labor. However, in the wording of the Concept itself it can be seen that only the first two freedoms are considered to be implemented to a substantial extent whereas the latter two are initially restricted to related measures intending to simplify establishment and operation of companies (i.e. simplifying issuance of business visas or work permits for executives). No free movement of capital and labor in the sense of a common market are foreseen in the Concept.

Thus, the main content of the CEES is market opening. The creation of a free trade area (FTA) was not mentioned in the Concept at all, although it seems that if the idea and the Concept are to be filled with some significant substance, an FTA would be the most natural thing to be included. As the Energy Dialogue remains essentially outside the CEES framework (par. 20 of the Concept) and regulatory convergence is no more than Russia unilaterally adapting its

legislation to the European one (with all questions relating to adequacy, need and desirability of these procedures in many fields²⁰), an FTA remains the only viable content. Moreover, FTA is foreseen as an option already in Partnership and Cooperation Agreement of 1994.

The speech of the Russian President several weeks after the Summit provides an argument for the point. V.V. Putin has said that, as developing of a new model of economic relations between Russian and the European Union is at stake, the main guideline is to 'create a zone of free trade with increased cooperation in individual priority sectors'²¹. In his earlier message to the EU in 2002, Vladimir Putin takes a broader perspective of the future of EU-Russian relations emphasizing 'the consistent intention of Russia to lead matters to deepening co-operation with the European Union... Its chief objective is to make Europe a continent of peace without dividing lines, which presupposes Russia's deep integration into the common European economic, legal and humanitarian space'²². Further in this message, the necessity of free movement of people between the EU and Russia is stressed.

²⁰ See *Mau V., Novikov V.* (2002). Otnosheniya Rossii i ES: prostranstvo vybora ili vybor prostranstva? [Russia-EU relations: space of choice or choice of space?] *Voprosy ekonomiky*, 6/2002.

²¹ Speech of the President of the Russian Federation Mr. Vladimir Putin at a meeting with representatives of the European Round Table of Industrialists and the Round Table of Industrialists of Russia and the EU Mission of the Russian Federation to the European communities, Press-release № 38/03, December 2, 2003, www.russiaeu.org.

²² Vladimir Putin's Message to the President of the Commission of the European Communities and Heads of the Member States of the European Union (Daily News Bulletin of the Ministry of Foreign Affairs of the Russian Federation, August 27, 2002).

Applicability of the Pilot region concept in the case of Kaliningrad

The concept of Kaliningrad as a Pilot region in Russian-European relations was elaborated and promoted by East-West Institute, Kaliningrad Regional Development Agency, and other institutions and individuals. Among its main authors are A. Ignatyev, N. Smorodinskaya, and A. Usanov²³. At an official level, it was first mentioned in Russia's Middle-term Strategy on relation with the EU in Helsinki in October 1999. Meanwhile, the concept has found its way into the regional and federal concepts of Kaliningrad's regional development and became a part of official statements. The principal idea is that Kaliningrad Oblast should become a pilot region of European-Russian integration – in terms of economy, movement of people, and conversion to European standards and so on. The concrete mechanisms of 'pilotness' remain less elaborated, however the proposals of the Kiel ad hoc Working Group as well as of the authors working under the aegis of EastWest Institute has laid ground to filling the pilot idea with concrete contents²⁴.

²³ I.e., *Smorodinskaya N. (2001) Kaliningrad exclave: prospects of transformation into a Pilot region. Smorodinskaya N., Zhukov S. (2003) The Kaliningrad Enclave in Europe: Swimming against the Tide. East-West Institute, 2003. (The) Kiel international ad-hoc group of experts on Kaliningrad (2002) Kaliningrad in Fokus. Policy recommendations in the perspective of problem-solving. SCHIFF-texte No.67, Oktober. EastWest Institute (2003) Support to transforming the Kaliningrad Oblast into a Pilot Region of EU-Russian cooperation. <http://www.iews.org/publications.cfm?title=Publications&11=Publications&12=&13=&14=&view=detail&pubid=199>*

²⁴ See the footnote above.

What are the potential but also the limits of the Pilot region's concept? There is a set of conditions that would allow a region or area to acquire pilot function in relation to other regions or areas. First of all, it must be possible to *test* certain strategies, mechanisms, and rules on it. Secondly, an experimental region/area must be *compatible* with other regions/areas, so that it makes sense to draw conclusions on whether the experiences made in a pilot area can be carried on the whole territory or not. Is that the case for Kaliningrad Oblast?

As the Kaliningrad Oblast is detached from mainland Russia, it becomes feasible to test certain mechanisms and norms using Kaliningrad as a laboratory. The most obvious example (and field of application) is movement of people and border regime. It appears to be possible to apply a specific border and/or visa regime in the Oblast without negative implications for other regions. On the other hand, Kaliningrad Region, despite obvious uniqueness caused by its 'enclavity', is a typical Russian region in many respects: by the national and religious composition, living standards, political structures and common economic legacy. Hence, it is in many respects compatible with other Russian regions. Therefore the *Pilot region concept can be applicable. However, it has its limits, depending of whether both criteria – which are rather practical in fact – are satisfied or not.* The KO may become a truly Pilot region on the issue of movement of people. The region is detached from the mainland Russia, being separated by several borders. There is no great obstacle to upgrade the Kaliningrad borders (Khrabrovo airport and the ferry to S. Petersburg) to the extent that would allow granting EU citizens the right to enter the region visa-free. The experiences may then play a very positive role in paving the way to reciprocal visa-free regime for the EU and Russia. Similarly, Kaliningrad may become a testing ground for the EU granting the residents of Kaliningrad special

preferences on the issue of visas. The issue of the practical applicability of the pilot region concept in the field of economic and trade relations is somewhat different, though. Due to its very specific standing and geographic location, KO has specific conditions for its economic development, and, consequently, special needs. Discussing various measures of economic assistance and cooperation for Kaliningrad, we refer to tackling specific problems connected to regional insularity and Kaliningrad enclave/exclave status. In such cases a plausible idea would be to approach the KO as a unique case of enclave/exclave, not as a pilot region²⁵. Nevertheless, in some areas of cooperation – such as the one of standards and certification – the idea of a pilot region can be successfully applied. For example, setting up a Centre for the EU standards and norms as well as other measures aiming at making Kaliningrad's goods conform to the EU requirements would bring experience worthy for Russian economy. Discussing the idea of Kaliningrad EU-Russian FTA, we must keep in mind its specific design and specific conditions, in which it is to be created. Clearly enough, the conditions would not be the same for Voronezh or Novosibirsk. However, some very important aspects of regulatory convergence – rules of origin to begin with – may prove to be of great value for moving forward toward EU-Russian FTA or Common European Economic Space (CEES).

There is a great deal of similarity between policies on the movement of persons as well as goods. The Kaliningrad Oblast may serve the EU-Russian relations well by being testing grounds for both

²⁵ *Emerson M. with Tocci N., Vahl M., Whyte N. (2001) The Elephant and the Bear. The European Union, Russia, and Their Near Abroads. Brussels, Center for European Policy Studies. Vinokurov E. (2002a) Anklavy v mirovoy politike i ekonomike: opyt poslednich desyatiletii [Enclaves in World Politics and Economy: Experience of the last decades], in: Mirovaya ekonomika i mezhdunarodnye otnosheniya [World Economy and International Relations], No.9. P.83-88.*

movement of people's issues (facilitated visa regime within the acquis / visa-free regime) and movement of goods and services (FTA, rules of origins, norms and standards). Let us illustrate this point by going deeper in these two fields where an approach to Kaliningrad as a pilot/model region can be of value to Russia, the EU, and the Oblast itself.

An idea of Kaliningrad Free Trade Zone: modeling procedures and mechanisms for the CEES

The European Commission has so far rejected the idea of granting a special trade regime for Kaliningrad on the grounds that, apart from considerable difficulties of implementation and likely unacceptability of such a proposal for Russia, it is not evident that such regime may in fact be needed taking into consideration overall favorable prospects for Kaliningrad in the course of the EU enlargement²⁶. The idea of the EU-Kaliningrad Free Trade Agreement was first proposed by Alexey Ignatyev. It was then questioned by S.Dewar (2000)²⁷. He outlines two problems with the proposal. The first one of them is the view expressed by the officials of the EC, i.e. that the agreement of such nature can only be entered into with sovereign states. The second argument is of economic nature, linking attention to the fact that Kaliningrad's export is combined primarily of commodities. As the tariffs are already low, their abandonment would bring much benefit. Therefore, Dewar, while welcoming any EU concession for goods manufactured in

²⁶ *Commission of the European Communities* (2001a) Report to the Council of Ministers of the EU "EU and Kaliningrad", Brussels, 17.01.2001, KOM (2001) 26, P.2.

²⁷ *S.Dewar*. What is to be done?// *Baxendale J., Dewar S., Gowan D.(eds.)* The EU and Kaliningrad. Kaliningrad and the Impact of EU Enlargement. Federal Trust, 2000. P.231-264 (250-251).

Kaliningrad, thinks more of measures enabling Kaliningrad enterprises to adapt to the EU regulations on standards and certification.

The following arguments are relevant while discussing the Commission's point of view, expressed in the Communication, and Dewar's argumentation. The question should be raised whether such a free trade zone is worth an effort. It certainly is for the Kaliningrad Region itself not least because the impact of the EU enlargement of Kaliningrad's economy will be at best mixed and probably negative on the balance. We argue elsewhere that the Commission in its Communication has underestimated various negative impacts of the enlargement on Kaliningrad enclave and overestimated positive impact of lowering import tariffs by the new members²⁸. EU-Kaliningrad FTA can be expected to counteract negative aspects of the impact of the Enlargement and to create appropriate conditions for enabling economic development of Kaliningrad to continue and to speed up. Dewar is definitely right while pointing at the regional export structure. While commodities dominate Kaliningrad's exports, free trade access to the European markets would not result in immediate benefits for the region. However, it would create much needed conditions (or indeed the prerequisites?) for a change of specialization, switching from less desirable import substitution to export-oriented manufacturing.

Positive implications of the EU-Kaliningrad FTA are not confined to Kaliningrad's economy itself. It may bring added value to EU-

²⁸ *Vinokurov E.* (2004b) Kaliningrad Region of Russia: Economy and Trade in the 2000s. CEPS Working Document, 2004 (forthcoming).

Russian economic and institutional cooperation as it could pave way to a comprehensive EU-Russian FTA and serve as a testing ground for relevant mechanisms on the rules of origins, technical requirements, standards and certification procedures etc. The core concept of Kaliningrad FTA would be that the EU opens its markets for Kaliningrad's goods with certain qualifications (adequate controls on the rules of origins etc.), whereas Russia keeps the Kaliningrad's market as open as it is now (the only change needed is removal of import quotas). The form of legal implementation of Kaliningrad FTA would be a bilateral EU-Russian agreement on Kaliningrad. It may be solely devoted to FTA or be more complex and handle other issues relevant to Kaliningrad.

We fully agree with the authors of the newest study of EastWest Institute devoted to transforming the Kaliningrad Oblast into a pilot region of EU-Russian cooperation that establishment of an EU-Kaliningrad FTZ as an isolated project is unlikely due to a lack of political will and a myriad of technical and legal obstacles. It can however be more politically and technically feasible if perceived and realized within the CEES framework – as a test for the CEES and a probing stone for introducing a free trade zone across Russia²⁹.

Movement of people: pilot function for the Common Space of freedom, security and justice

The problems of movement of people have two sides in relation to Kaliningrad, the one for Russians/Kaliningraders entering the Schengen states or new accession countries (for the period the latter

²⁹*EastWest Institute (2003)* Support to transforming the Kaliningrad Oblast into a Pilot Region of EU-Russian cooperation. <http://www.iews.org/publications.cfm?title=Publications&11=Publications&12=&13=&14=&view=detail&pubid=199>. P. 32.

have not yet entered Schengen agreement) and the opposite one for the EU citizens entering Kaliningrad Oblast. The present situation is dramatic: visa-free regimes with Lithuania and Poland, which people used to enjoy throughout the last decade, has come to an end in the course of 2003.

It was stated clearly by President Putin: reciprocal visa-free regime for Europeans and Russian is the final goal. As a matter of fact, Brussels supports the idea in principle³⁰. Igor Ivanov, the Russian Foreign Minister, stressed that 'from Russia's point of view, the solution of the question of a visa-free regime for communication with the EU countries will become a touchstone for the citizens of our countries to see for themselves that a united Europe without new dividing lines is not merely a high-sounding political slogan, but quite a feasible reality'³¹. However, it is equally clear that a visa-free regime represents a long-term perspective in the EU-Russia relations. It will probably take 15-20 years to reach the goal. With this long-term perspective in mind, there is a need for special solution in the case Kaliningrad, which is very acute and cannot wait until 2020.

Reciprocal opening of Kaliningrad and the EU could be a solution. However, it raises some heavy questions on both sides. Moscow would be reluctant to allow for it because of its drive for a general visa-free regime for Russia as well as because of the fear of creating a base for secessionist movements. From the EU side, there are doubts

³⁰ E.g., *Commission of the European Communities (2002a)* Communication from the Commission to the Council. Kaliningrad: Transit. Brussels, 18.09.2002, COM (2002) 510, P.6.

³¹ *Ivanov I.* (2003) Remarks before Representatives of the Sociopolitical and Business Circles of the FRG on the Theme "Russia-European Union: The State of, and Prospects for Partnership," Munich, December 10, 2003. Mission of the Russian Federation to the European communities, Press-release № 40/03, December 15, 2003, www.russiaeu.org.

whether soft security threats caused by visa-free regime for Kaliningrad may be efficiently neutralized. In fact, public security concerns are strong among the Commission officials in relation to the Kaliningrad problem. In addition, there are problems of reconciling a far-reaching special arrangement on Kaliningrad with the *acquis* requirements.

In fact, *Justice and Home Affairs* is the field where Kaliningrad Oblast may truly be a pilot region in Russian-European relations. It provides both partners with unique and valuable opportunity to install and test procedures and mechanisms that would then be applied to the whole of Russia and the EU. The pilot/model function of Kaliningrad for visa and border regime solutions is perfectly feasible, whereas such function in the field of economy and trade is much more difficult to design and implement. Kaliningrad offers unique conditions for testing new mechanisms and procedures since the region is detached from the mainland. Full border controls are intact for train and automobile transit, and some border controls are intact on planes and on ships (including the only existing passenger ferry to St. Petersburg). The border controls on planes and ships may easily be transformed into fully-fledged ones. It opens the way to practical implementation of the proposal to let EU citizens come to Kaliningrad visa-free. V.Ezhikov, a member of Kaliningrad regional Duma sponsored a draft Law in 2003 allowing citizens of the EU states to enter the territory of Kaliningrad Oblast visa-free. His proposal was supported by Kaliningrad Regional Duma. The latter has exercised the right of legislative initiative. However, the draft Law received negative response from the Ministry for Foreign Affairs and was put off the table. The obstacles on the way of adoption of the law are connected to the Russian official unwillingness to deviate from the principle of reciprocity. Another obstacle is the perceived threat of Kaliningrad's secessionism.

From the view of modelling the conditions for EU-Russian Common Spaces, the Ezhikov's draft Law is to be strongly supported. Reciprocity principle has already ceased to be an absolute dogma of international relations, and asymmetric solutions have become everyday reality. Opening Kaliningrad for Europeans, even if originally a unilateral move, would greatly facilitate doing business in Kaliningrad, It would provide tourism and hospitality business with numerous advantages, on the one hand, and provide investors with powerful incentives to come to the KO, on the other hand. It would allow intensifying Kaliningrad's involvement into a wider circle of interregional cooperation initiatives on various issues. This law is also easy to implement practically since it is technically feasible to ensure that it will not become the gates of illegal immigration into mainland Russia, if such concern is expressed.

A partial reciprocity from the EU side may be another part of solution. In fact, the necessity of having a visa is not a big problem for an ordinary citizen. The problem is that the process of obtaining a visa is cumbersome and costly. The process involves the necessity to travel to Moscow to apply for and to receive a visa. Numerous strict restrictions for validity period, invitations, financial requirements, etc. represent problems as well. So, if the procedures of obtaining a visa are eased up significantly, this may provide Kaliningraders with a suitable solution even if visa regime will remain intact.

These steps are possible to undertake within the *acquis*. The flexibilities set out in the EU Common Line of 13 May 2002 include issue of multiple-entry visas for a substantial period of time, flexibility with visa fees, and visa exemptions for certain categories of persons. It is possible to issue multi-entry pluriannual visas for the residents of Kaliningrad. It is also possible that a consulate of one

Member state would issue visas for a number of other Member states on the basis of respective agreements³². The Commission is especially supportive to such kind of solutions, since they are viewed as essentially 'European' ones. This solution might be used since a so-called 'EU-consulate' remains more a political than a legal term.

Perceiving Kaliningrad as an opportunity for EU-Russian Common Spaces

There is a crucial difference between viewing Kaliningrad negatively and positively from both Russian and European perspectives. It is the difference of perceiving the KO, on one hand, as an exasperating nuisance, and, on the other hand, as a chance and opportunity for further EU-Russian cooperation on a wider circle of issues. The conclusion of the paper is that the region should be perceived and handled positively. What role can Kaliningrad play in moving toward EU-Russian Common Spaces?

- It can become a *pilot/model region of integration*. Although a pilot's region's concept can be applied to Kaliningrad in a limited way only, it nevertheless emphasizes a very important potential function of the KO as testing grounds. The most important fields are movement of people (visa-free regime for Kaliningraders or substantially simplified procedures and rules; visa-free regime for the EU citizens in the KO) and economic issues (free trade and partial regulatory convergence).
- Kaliningrad has already become a *connecting chain* holding the EU and Russia closer to each other and a *booster* of the EU-Russia dialogue accelerating the movement toward each other. The

³² 'Common Consular Instruction' (CCI) – a part of the European acquis – prescribes the mechanism of such agreements enabling one consulate to issue visas on behalf of another Member state.

necessity of resolving the problem sensible for both sides raised the need for more intensive consultations and decision-process. Kaliningrad's case has recently provided the parties with an interesting and helpful experience of negotiations in multilateral format EU-Russia-Lithuania. Kaliningrad has also triggered more attention to the issues on regulations for movement of people between the EU and Russia. An informal decision to set up a working group on visa-free regime was met at the time of the meeting of V.V.Putin and R. Prodi in February 2003. As this decision is connected to Kaliningrad's issue, we may therefore say that Kaliningrad has boosted the dialogue on eventual visa-free regime. Kaliningrad maybe of value for energy cooperation as well (gas supplies, energy transmission, and energy exports).

- Last but not least, Kaliningrad is a *litmus test* for European-Russian cooperation. As such, it may become very helpful for strengthening and deepening the dialogue that the two sides attempt to conduct on many issues, including the movement of people, the idea on EU-Russian Common Economic Space, and energy policy. As President Putin has put it, "the way the Kaliningrad problem is resolved ... is the absolute criterion of the true nature of our partnership"³³.

4. Conclusions

The positions and approaches of Russia and the European Union vary on Kaliningrad-related issues. There are different understandings of the Kaliningrad question as well as differing concepts of the regions that dominate policy thinking in the EU and Russia. They define clashing approaches embodied in foreign policies. Nevertheless, we observe a certain movement toward each other.

³³ Quoted in, e.g., Kaliningrad: proverka kachestva partnerstva // Trud.2002.31 May; Evroznoqlasiya // Moscow News. 2002. 30 May.

While it is by far premature to talk about convergence of approaches on Kaliningrad, the positions and approaches of the sides reveal a trend for a slow rapprochement.

Kaliningrad Region can be of positive value to EU-Russian relations, thus promoting more cooperative Wider Europe with less dividing lines. E.g., Kaliningrad can serve both Russia and the EU as pilot/model region of integration as well as a booster, connecting chain, and litmus test of cooperation within the dialogue on EU-Russian Common Spaces. Specific solutions in the fields of economy and movement of people can be especially fruitful. The idea of EU-Kaliningrad Free trade area should be given a closer look specifically in the context of CEES. Russia should not perceive reciprocity principle as a dogma in Kaliningrad-related issues so that a solution based on partial reciprocity could be found for Kaliningrad to the mutual advantage of the sides.

It would be far-sighted of the EU and Russia to make Kaliningrad an integral part of the dialogue on Common Spaces so that the Oblast would become one of the connecting knots of European-Russian cooperation. The EU and Russia need to reach an agreement on Kaliningrad (or perhaps a multilateral one - with Poland and Lithuania as separate parties since some of the questions fall in the competence of national states) addressing issues of border regime and incentives for economic growth and integration. The multilateral dialogue on Kaliningrad with participation of Russia and the EU - as well as Poland and Lithuania as national states - should thus be continued and deepened.