

## Kaliningrad Oblast a Thorn in the Baltic

The history of the Kaliningrad Oblast begins at the end of the Second World War. During the last months of the War the Soviet troops have occupied most of the Eastern Europe including East Prussia, the territory which later became the most western part of the Russian Federation. Though there were disputes between Churchill, Roosevelt and Stalin about this region by the end of the War it was clear that the Soviets won't be changing their strategy. Soon after East Prussia was swiftly transformed into Kaliningrad<sup>1</sup>. The post-war years had been harsh on the Oblast, bad living conditions and shortages of food made natives (majority of them were Germans) flee the region. By the end of the fifties the Soviet government managed to repopulate the region with more than 600,000 settlers which were mostly Russian.<sup>2</sup> Today Kaliningrad Oblast has around 500,000 inhabitants, stretching across 220 square kilometers. It's separated from the mainland Russia by approximately 365 kilometers making it a perfect example of a borderland region. Kaliningrad province is also very interesting because it possesses features of both an exclave and an enclave.<sup>3</sup> In today's geopolitics the region has economic, military and energy significance both for the Russian Federation and the EU.

In 1991 Kaliningrad became a Free Economic Zone (FEZ) thus eliminating duties for most of the goods as well as some tax breaks for new businesses. Though many have believed that the region might become an European Hong Kong the fear of secession was too great. Kaliningrad has a vast economic potential but in Russia it is still treated as a great military/security asset, too much foreign investment may bring some unwanted interests in the region. Because of this the Russian government was always cautious when it came to the economic development of the Kaliningrad and its economic relations to other neighboring European states.

Despite being one of the most European cities besides Moscow and St. Petersburg in Russia, Kaliningrad faces some serious economic challenges. Firstly the Russian government will only push for domestic investors to participate on the Kaliningrad's market, thus securing its interests but also limiting the capabilities of the Oblast. Secondly, the sanctions which were imposed on Russia by the EU and the US had hit harder Kaliningrad than some other Russian regions. This is mainly because of its exclave position, proximity to the European countries and trade agreements between them. The region is heavily dependent on food imports since its agriculture is rater underdeveloped since the Soviet times. The embargo which was imposed on Russia forced Kaliningrad to seek other possibilities. Although the Russian government had managed to supplement the food imports to the province, some debate that Kaliningrad is still

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<sup>1</sup> Kaliningrad is named in honor of the Soviet politician Mikhail Kalinin

<sup>2</sup> Alexander Diener, Joshua Hagen *Geopolitics of the Kaliningrad exclave and enclave: Russian And EU perspectives* p 572,573

<sup>3</sup> *Ibidem* p 567

suffering economic losses because of the sanctions.<sup>4</sup> Some Russian observers suggest that the FEZ has failed in its primary intention to bolster the economy of the Kaliningrad Oblast and has left a "black hole" in the Baltic region.<sup>5</sup> Economic liberalization will affect the further development of the Oblast, although this will be hard considering the security factor and importance that the region has for the Russian military. In 2006 President Putin managed to implement some reforms to the FEZ but they were mostly directed towards Russian investors, though it is an improvement there is still space for additional development. NATO expansion and future relations with Europe will be crucial factors for the economic development of the Kaliningrad. In other words if the tension between the West and Russia subside we can expect some degree of demilitarization of the Oblast. Furthermore US cooperation with Russia, as Mr. Trump promised, can open new possibilities for the economic development of Kaliningrad that can possibly transform the "Fortress" into a "Hong Kong of the Baltic".

For more than twenty years the exclave has been a thorn to the NATO countries and the Baltic states. Stationed between Poland and Lithuania while having access to the Baltic Sea the Kaliningrad Oblast is an extraordinary military outpost. Its geographical position allows Moscow not only to project its power to the Baltic and the Nordic region but it also gives the Russian government options of anti-access and area denial of the Baltic Sea. Since the start of the Ukrainian crisis the region is gaining its former military significance. Russian military buildup in the region, which was intensified in the last two years, is a direct result of the growing NATO presence in the Baltic states as well as in other Eastern European countries. Weapons such as S-300, S-400 and Iskander missile systems are being deployed in Kaliningrad alongside infantry divisions. These air-defense systems and missiles systems, though they are defensive, have a significant threat potential to other neighboring states. NATO summit held in Warsaw last summer portrayed Russian military actions as threatening and "vowed to respond". Russia and the West can't find a common ground since the escalation of the conflicts in Ukraine. Further deterioration in the diplomatic sphere while both sides are massing their forces can lead to an arms race in the Baltic which can have a catastrophic result.

Accelerated military modernization can be seen in some Baltic states as a response to the Russian military deployment in Kaliningrad. Though NATO has mentioned that the disputes and concerns should be settled diplomatically, an arms race is quite evident in the region. Furthermore the US government has already supplied its NATO allies, such as Poland and Lithuania, with modernized aircraft missiles with outstanding range. Of course both sides, NATO and Russia, are very eager to conduct military drills in the region which can further destabilize the situation in the Baltics. These risky military maneuvers can easily lead to a wide conflict which can have devastating results on a global scale. One of the primary foreign policy

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<sup>4</sup> Ingmar Oldberg *Kaliningrad's difficult plight between Moscow and Europe* p.5

<sup>5</sup> Alexander Diener, Joshua Hagen *Geopolitics of the Kaliningrad exclave and enclave: Russian And EU perspectives* p579

objectives for the future President of the United States should be the Kaliningrad region and strained military relations between the US and Russia over the Baltics.

Compared to the rest of Russia Kaliningrad looks more like a post-industrial region with interesting energy consumption. Electricity and heat are the most important fuels according to various researches for the Kaliningrad. The province is mostly self-sufficient in terms of electricity, two CHPP (combined heat and power plant) are able to deliver more than 98% of needed electricity, while the heat is mostly secured by Gazprom's pipe-lines. In recent years there were talks about sharing electricity with other countries which was mostly focused on nuclear power plants, but Europe's policy for nuclear energy made that difficult. EU countries in the region were obliged to shut down their nuclear plants. Kaliningrad energy sector is also interesting because it has one of the largest and oldest wind-farms in Russia. Though it only has 21 wind turbines it's still a significant phenomena since Russia is mostly orientated to the more traditional energy sources. Furthermore the Oblast can allow some off-shore oil projects according to some studies.<sup>6</sup>

Very interesting geographical position of the exclave makes military deployment rather risky. Furthermore all Baltic states and NATO members are considering it as a major security threat since it allows Russia to deploy sophisticated weapon systems "deeper" into Europe. As long as the Belarus route is opened and the Oblast is self-sufficient in terms of energy Russia will be able to maintain a strong military presence in Kaliningrad. Although Russia has an absolute legitimacy to maintain its military in Kaliningrad, further military buildup will lead to an inevitable arms race with other players in the region. Presenting themselves as leaders in democracy the US and NATO usually don't step down when it comes to an arms race. In this particular case the arms race can be very perilous mainly because the region is very tight and "crowded" with states. Strategic significance of Kaliningrad is undeniable and blaming Moscow for using its strategic assets is unreasonable, especially with a constant diplomatic deterioration between Russia and the West. However this doesn't mean that both sides should keep this Cold War rhetoric and continue with their saber rattling in the Baltics. Upcoming elections in France and Germany alongside with new American administration can implement a significant change in the current diplomatic relations with Russia. Mending relations between these superpowers can change the "Fortress" of Kaliningrad into a "Hong Kong of the Baltic".

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<sup>6</sup> Arthur Usanov, Alexander Kharin, *Energy Security in Kaliningrad and Geopolitics* p.5-10