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## **Sergey Artobolevsky**

### **THE KALININGRAD REGION: A UNIQUE REGION AND A TYPICAL CENTRE**

*The longstanding efforts of federal authorities aimed at the development of the Kaliningrad region did not meet the expectations. The region can be considered as depressed; it is characterised by the instability of the socioeconomic situation. The main reason for the reduced efficiency of state activity is the attempt to apply standard mechanisms of governmental regional development regulation that neglect the unique nature of this Russian territory: its enclave/exclave status, the settling history of the region, the dependence on external markets, etc. To solve the problems of the Kaliningrad region, the state should partially revise its ideology, including the views on external connections of Russia's constituents. Moreover, Russia should coordinate its activity in the Baltic Sea States taking into account the increased sensitivity of the Kaliningrad Region.*

**Key words:** Kaliningrad Region, regional development, regional policy.

### **Two different countries, two different regions**

The current socio-economic problems of the Kaliningrad Region are, to a great extent, related to such objective processes as the collapse of the USSR and the transformation of the region into an exclave of the Russian Federation<sup>1</sup>, which resulted in an increased transport isolation, rupture of long-standing connections, and zero demand for the produce of traditional industries. The region has been functioning in an 'indifferent' socio-economic and political space for more than 15 years.

The ensuing socio-economic and political issues could be resolved only at the federal level. It is explained by the fact that they lie in the completely centralised field of international relations rather than by their scale. As long as the Centre<sup>2</sup> defers solving problems, does not take into account all factors involved and substitutes garish one-time campaigns (for example, the early and mid-90s, 2001-2002) for a consistent strategy in the policy towards the region, the scope of the federal support to the region and rights granted to it are not sufficient to avoid its increasing isolation and achieve sustainable development. One may say that the Centre does not have (or did not have until recently) either strategy or a policy towards the region that would be adequate to its problems.

It has almost become a commonplace to stress the favourable geographical position of the Kaliningrad region. One speaks of its proximity to Western Europe and the EU countries as well as to the traffic arteries of European significance, its 'inclination' to Western Europe, etc. Moreover, the region is considered separately, not as a part of Russia, but, what is more important, as an exclave. The region's isolation from the 'mainland' and inevitable border crossing make the estimate of the region's geographical position less optimistic. Moreover, its position is characterised by the fact that though proximate, the main traffic routes of the Baltic region do not run through the region. The issue of future management of significant transit flows is rather problematic. One should not forget about the instability in Russia-EU (Western Europe) relations.

### **The EU enlargement and the isolation of the Kaliningrad region**

As we mentioned above, the exclave position of the region is one of the main prerequisites of its crisis state. The significance of this factor for the region increased as the Lithuania and Poland acceded to the EU, which is fraught, first of all, with the increase in the economic (not political or humanitarian) isolation of the Kaliningrad region. The Centre is so concerned with solving political problems and saving its face in the context of the visa issue (including transit visas) that it almost ignores other aspects of the EU enlargement, including those of great importance for the region. One should not exclude that there is a

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<sup>1</sup> The common to all Russian regions problems that are related to transition to market economy are not considered here. We will not examine the changes on the political map of Europe after WWII either.

<sup>2</sup> Further we will mainly refer to the executive authority.

misunderstanding or an underestimation of the European integration processes, and, specifically, of their influence on 'third' countries.

Since the accession of new countries to the EU, the barrier role of the borders with third countries and the shift of new EU periphery's connections to the Union's core have been evidently increasing. One should take into account that a part of the region's connections with the neighbours is related to grey/black economy, and they will come first to be affected as a result of the special attention from EU institutions. All that will increase the region's isolation much more than the introduction of any visas and will require significantly more time for solving arising problems. Such an isolation can be combated only at the federal level, taking into account the level of decision-making in the EU and its member states (as well as the degree of EU bureaucratisation), as well as the scale of the required financial intervention.

The habit of acting in the 'emergency mode' resulted in the belated reaction of the federal Centre to the evident problems emerging in the region due to European integration, which was limited, to a great extent, to the sphere of foreign policy (and appeared to be hardly efficient<sup>3</sup>). As early as the beginning of the 90s, it was obvious that Poland and Lithuania would start to shift their focus to the West; in the mid-90s, it became clear that both countries would accede to the EU (it was only a question of terms and priority). The Centre began to react to the 'departure' of our neighbours only in 2001, having lost 10 years. The great degree of inertia peculiar to the processes of regional development is being neglected. Even if right decisions are made today, their positive effect will not be discernible soon.

The region's real integration into European space, the maintenance and development of connections with the neighbours requires an accelerated socio-economic development and increasing openness of the region. It is the only way to maintain and develop connections with neighbours. The alternative is growing isolation and permanent crisis. There is an evident lack of local resources for development. The hope for help from abroad is clearly overestimated. Only the Centre can 'catalyse' the process that can grant the regional authorities and population special rights in the sphere of international relations 'out of turn'.

The region is also separated from the rest of Russia by Belarus. Already today, the transit through this country significantly increases shipping costs for Kaliningrad cargoes. The unpredictability of the Belarussian authorities' decisions is well-known. Attempts at blackmailing economic partners (including those from Russia) have already taken place. Moreover, Belarus can be considered as a potential competitor of the Kaliningrad region in the transit between Russia and the countries of Central and Western Europe. It may result in Belarussian policy contribute to a significant increase in the isolation of the Kaliningrad region, which will also require the intervention of federal authorities.

At the moment, the policy of the federal Centre towards Belarus hardly allows for the Kaliningrad factor. It usually concerns only the potential Belarussian cargo processing in the port of Kaliningrad for the benefit of the latter. Theoretically, the port of Kaliningrad could increase the processing of Belarussian cargoes, but the crisis economy of Belarus and its state of half-isolation hinder the process.

As mentioned above, the accession of Poland and Lithuania into the EU will evidently result into the increase in the barrier role of borders with third countries and the shift of new EU periphery's connections of to the core of the Union. The position of the region is peripheral for both Russia and the EU and is not very attractive for investors from either side. The region can become a testing area for Russia-EU cooperation but only through continuous efforts of both parties, to certain extent even artificial ones. But this is impossible without a contribution of the Centre, its constant 'pressure' on the EU governing institutions and individual Baltic Sea States.

Probably, it is also important for Lithuania and Poland to be the EU periphery, or the centre of 'Eurasia'. This logic is peculiar to the formation of Finnish policy towards Russia, Poland and Ukraine.

Only the substantial involvement of the region into European integration processes, which is probable in the long run, can improve the geographical position of the Kaliningrad region. But this can be achieved only provided that the federal authorities conduct a consistent policy.

### **Nothing new in the Centre**

Since its formation, the region has been drawing the Centre's attention: first, as a military base, then as the Western-most region and, later, as a region bordering on the EU countries. The reasons for this attention belong to the sphere of politics and national security.

The federal priorities for development of the Kaliningrad region have been formulated and discussed over and over again. To sum up the statements and publications, one can say that they concern

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<sup>3</sup> Major achievement: saving the reputation of the president of Russia, the negotiators succeeded in renaming Lithuanian transit visa.

overcoming the disadvantages of region's enclave/exclave position, the development of diversified economy (oriented to export and import substitution), establishing connections with the EU, and rapid improvement of quality of life. But the main question is whether the available resources are sufficient to achieve the goals. There are justifiable doubts.

The comparative analysis of region-related core federal documents of different periods reveals their similarity (up to the coincidence of figures). This indicates, on the one hand, the continuity of Moscow's policy and, on the other hand, its chronic inefficiency. Only one goal has been achieved to a sufficient degree so far: the increase in import, including its further processing and shipping to other regions of Russia. It has become the basis of region's economy, but it is very vulnerable (as any economy of the 'affiliate' nature), which is highlighted by the current crisis.

The whole territory occupied by Lithuania and Poland was listed as an EU 'backward' region, therefore both states receive considerable support from structural funds. Some areas of both countries receive support in the framework of national regional policies. This support makes Poland and Lithuania more attractive for investment, which may negatively affect the Kaliningrad region due to the outflows of potential investment into these countries.

The last 8-9 years have seen a certain tendency to the centralisation of power in the Russian Federation. The Centre accumulates increasingly more rights and resources, withdrawing them from regions (similar attempts were made in relation to the Kaliningrad region) and constructing the 'power vertical'. Probably, the principal decision-making, monitoring and control should be the realm of federal government institutions (both in Moscow and Kaliningrad), while the everyday activity should be the competence of the regional Government (on the basis of the existing institutional infrastructure). One can also think of delegating certain authorities to the municipal level (taking in account the reform implemented).

### **Stable crisis**

The estimation of the Centre's effort aimed at solving the problems in the Kaliningrad region in the last 15 years is the task not only of this section but the article in general.

In terms of economic indicators and the quality of life, the Kaliningrad region is ranked below average and can be considered as a typical depressed region.

Different territories are referred to as depressed regions today, but there are distinct characteristics: a high level of development in the past (which distinguishes depressed and underdeveloped regions) and crisis/stagnation in the present; the need for public support in solving local problems. One of the criteria is GRP per capita. In 2007, GRP in the Kaliningrad region amounted to less than 70% of the countrywide average indicator. According to the EU standards, it is sufficient for the recognition of the area an object of regional policy. The region cannot be classified as underdeveloped, so it is reasonable to consider it depressed. Nevertheless, one should not overlook the recent improvement of the above-mentioned indicator.

The region is not one of the most critical territories of Russia, but is characterised by greater instability of socio-economic development than many critical regions. Its survival depends on the preferences of the Special economic zone, the abolishment or limitation of which can bear 'fatal' consequences for the region. The region's development is also hindered by its negative image both in Russia and abroad (there are objective grounds for this).

As well as other depressed territories, the region has a significant potential for development dating back to the previous period (infrastructure, qualified workforce, cultural and natural heritage, etc.). But it can be tapped only with the large-scale external support, which would compensate for all disadvantages of the investment project implementation in the region.

### **Federal regional policy and the development of the Kaliningrad region**

The federal Centre does not have a legislative regional strategy and regional policy towards either the whole territory of the country or its separate parts. Proceeding from the crudely interpreted idea of complete equality of constituents<sup>4</sup>, the Centre tries to minimize the federal intervention into territorial development processes and disregards the acuteness of regional problems. Exaggerated hopes are centred

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<sup>4</sup> The sound idea of regional equality is substituted by the assumption that the Centre should treat them in the same manner.

on the regulating capabilities of free market. The experience of developed countries definitely rejects the principle of similar governmental approach to different regions and confirms that excessive socio-economic disproportions are an actual threat to the unity of the country and require state intervention.

All weaknesses of Russian regional policy are reflected in the Concept of Cross-Border Cooperation in the Russian Federation approved in February 2001. It provides for the intensification of cross-border cooperation aiming at the centralisation and unification of the latter. The cooperation will be almost completely conducted by federal authorities; hardly anything is left for the regional and local levels. Such approach does not seem to be rational in the framework of practical realisation of cross-border cooperation, especially in the case of the exclave Kaliningrad region. The latter is not mentioned specifically in the concept, which is logical for a document of this genre. The problem is different: it is the proposed countrywide unification of cross-border cooperation, which ignores the peculiarities of Russian regions and the neighbouring territories (this possibility is almost completely overlooked in the document). In the case of the Kaliningrad region, such an approach significantly limits the scope of applying cross-border cooperation as an instrument of regional development.

It is the Kaliningrad region that is harshly affected by the lack of a consistent and transparent regional policy<sup>5</sup>. It does not enjoy special rights, nor does it have extra resources or institutions as a depressed or as a border region. Of course, the federal law "On the Special Economic Zone" was adopted as early as 1996 (and it partially functions today), and the second Federal target programme on the development of the region is being realised. However, they are ineffectual in compensating for the lack of a consistent and, what is more important, long-term regional policy (see below).

In the absence of a long-term (and large-scale) regional policy, the Centre constantly changes territorial objects of effort expenditure, mainly due to political considerations. As a result, it is the symptoms and not the causes of the crises that are being addressed. Apparently, the Centre is forced to return repeatedly to the unsolved problems of the same regions, the Kaliningrad region's experience being living proof for it.

The federal authorities consider the region as a 'point' and do not pay enough attention to its socio-economic disproportions. At the same time, the gap between the region's centre and periphery is significant. Correspondingly, the policy of the federal Centre does not contribute to levelling intraregional disproportions, which hinders the development of the region. Moreover, concentrating support around the capital, the Centre increases these disproportions.

As mentioned above, since the accession of Poland and Lithuania to the EU, the development of their main territory has been stimulated in the framework of unified EU regional policy<sup>6</sup>. It is especially intensive on the periphery of both countries, including the territories neighbouring on the Kaliningrad region. The scale of national regional policies and their aid to national 'periphery' will increase. As a result, the territories bordering on the Kaliningrad region will receive a new impetus to development from the EU institutions (structural funds), national governments and private investors. The socio-economic and even structural 'gap' between these territories and the Kaliningrad region will increase. As already mentioned, the opportunities and interest of these Lithuanian and Polish territories will diminish. These conditions require an adequate response from Russian federal authorities. The current scale of federal support is not sufficient to maintain the competitiveness of the Kaliningrad region in the EU environment.

The first Federal target programme (1998-2005) was insufficiently financed by the Centre (in 1998-2000, 3% of the funds promised was allocated) and, to a great extent, was not implemented. Now, a new 2002-2010 programme is being realised (the above mentioned Federal target programme "Development of the Kaliningrad Region for the Period Until 2010").

The Centre's decisions on the Kaliningrad region (including the Federal law on the SEZ and the first Federal target programme) resulted from the lobbying by regional authorities, local business and related structures in Moscow (and reflected their views on the problem). There is no real initiative of federal authorities concerning the development of the region; their understanding of the territorial organisation of the country and the role of the Kaliningrad region in it is difficult to interpret. Still, regional governing institutions are more active than the central ones at the federal level (one may recall the numerous federal legislative initiatives of the regional Duma).

The federal law "On the Special Economic Zone" (1996) encouraged the development of trade, created jobs, stabilised the standard of living. Nevertheless, it hardly contributed to achieving sustainable

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<sup>5</sup> In the period between the two world wars, the region experienced being a German enclave and was included in the sphere of national regional policy as an underdeveloped area.

<sup>6</sup> The EU conducts an intensive regional policy towards its exclaves, for instance, the overseas departments of France.

development, in which the Centre is at fault. The investment allowances provided by the law (the basis of western regional policy) turned out to be insufficient to attract necessary investment (for new projects and the modernisation of existing capacities). The emphasis was placed on granting customs allowances for import and export of goods; and the tasks set in this sphere were accomplished. But, firstly, it negatively affected the traditional industries. Secondly, the region became dependent on one single activity, moreover, a vulnerable one. All this did not contribute to increasing the stability of region's socio-economic state. Thus, the federal law lobbied interests of certain regional groups rather than those of the federal level of administration. It was not a coincidence that the management of the Special economic zone was entrusted to the regional administration. Even the title of the first federal programme declared the development of the Special economic zone and not the region as in the second programme.

In 2006, the new federal law "On the Special Economic Zone in the Kaliningrad region" was adopted. It is partially more 'strategic': it stipulates a 10-year transition period and guarantees that the rules will not change during 25 years. But it does not provide for radical decentralisation. Some experts suppose that this law will, first of all, attract Russian capital.

Actually, the free economic zone regime has existed since 1991, when it was approved for the region by the government of the RSFSR (the "Yantar" free economic zone). In the course of more than ten years, the federal governing bodies had not found an opportunity to change the situation to achieve their goals. The limitations, periodically imposed by the State Customs Committee, mainly served as a source of unrest for investors (including potential ones) and had a negative effect for both the region and the Centre. In general, the policy of the Centre towards the region 'suffers' from continuous changes, amendments, and corrections.

The second Federal target programme is, of course, a more balanced and more sustainable development-oriented document where the federal interests are put forward more clearly than in the previous one. This programme is much closer to the western samples of the 'genre'. For the first time in Russian practice of the regional programme elaboration, the emphasis has been placed not only on the realisation of some already set up projects but on the complex promotion of region's investment attractiveness. This goal is supposed to be achieved by means of infrastructural development, life quality improvement, environment enhancement, increasing the openness of the region, etc. It is not a coincidence that the programme includes only 60 investment projects (many of them are infrastructural) and 89 non-commercial ones, chiefly aimed at the improvement of the regional investment climate and image. The complete implementation of the programme can turn the federal policy into a real factor of attracting investments to the region.

The key problem is the programme implementation. How will the Centre carry out its institutional, legal and financial responsibilities during the whole period? Is the number of priorities optimal? Is the scope of governmental support of programme (11.5% on average) sufficient for attracting private investors? Will all components of the programme be fulfilled avoiding its devaluation? Will it be possible to achieve the goals set in the scheduled period? We will get the answers in 2-3 years. Another reason for concern is the fact that some institutional and legal responsibilities of the Centre are formulated quite vaguely in the programme, only declaring the intention to solve the problem.

### **The problems of the Kaliningrad region at the federal level**

The problems of the Kaliningrad region were hardly taken into account in the "branch-wise" decisions of the Centre. Neither of the transport Ministries (of Transport and Railway Communication) considers the Kaliningrad direction as a priority. So, the RF strategy of transport development on the Baltic Sea prioritises the development of ports in the Leningrad region. The second priority is the problem of improving road and rail communication with the region. The Ministries of Foreign Affairs and the Interior and State Customs Committee did not provide the necessary openness of the region ('penetrability' of borders). In this respect, it is similar to other regions, which seems to be strange if one takes into account its exclave position and dependence on external connections. The Ministry of the Interior limits external and internal migration into the region (especially in the recent years), though an estimation of the demand of local economy for migrants has never been carried out.

Under the conditions of weak federal policy, the priorities of region's development are hardly taken into account in the activity of almost all federal institutions. The Centre understands the region's unique location but is not ready to recognise its right to a special approach in all spheres. It is supposed that the new federal programme and (in the long run) the improved federal law will solve all problems of the region. But it is equally important to take into account the interests of the region in the framework of not only this programme but also the current activity of federal institutions.

A peculiar situation has arisen. The regional authorities have a clear understanding of what they want from the Centre: privileges and additional financing. Lobbying their interests, they rightfully refer to the uniqueness of the region's geopolitical position. Meanwhile, the federal authorities lack clear understanding of what they 'want' from the region as well as of its role in the socio-economic landscape of country<sup>7</sup>. They are forced to make unconventional decisions, operate under *a sui generis* international control, which causes 'hidden' irritation. The federal target programme "Development of the Kaliningrad Region for the Period until 2010" was worked out and adopted in the period of rapid decrease in the number of regional programmes at the federal level and, to a certain extent, contradicts the regional policy conducted in the country.

The concerns about granting privileges to the Kaliningrad region are often connected with the apprehension about the disintegration of the Russian Federation ("all regions will claim privileges") and the loss of the region (its withdrawal from the RF). Both concerns seem unreasonable. There are no other enclave constituents in the RF that would be able to claim similar rights. The Federal law on the SEZ has been functioning for more than ten years and remains a unique phenomenon in Russian legislation. Neither a separate European country, nor the EU claim rights to the region; it cannot withdraw from the RF either theoretically, or practically. But extending the rights of regional and local authorities could significantly increase the level of region's development, solving numerous socio-economic and political problems.

But the development of region can be also ensured in the framework of the ongoing centralisation, though less efficiently. The most important element is the Centre's understanding that the development of the region is impossible without the redistribution of additional rights and resources to the regional level. This rights and resources can either be transferred to the regional and local level or stay in the hands of the federal authorities. But the special legal status of the region should be recognised alongside the realisation of the principle of positive discrimination against it (the basis of regional policy of developed countries).

There is a high probability that, having achieved a political compromise in the visa question, the Centre will again forget about the socio-economic problems of the region. There has already been an indirect proof of this assumption. At a meeting of the State Council of the Russian Federation in January 2003, the problems of Russian regions' cross-border cooperation were carefully considered. At the same time, minimal attention was paid to the Kaliningrad region both in the discussion and the documents prepared. The only way out is the legal recognition of region's 'uniqueness' alongside with granting it a number of preferences (they are obviously insufficient in the above-mentioned transport sphere and the issue of international passports).

The region is not deprived of the Centre's attention, it receives support. The main reproaches concern the 'quality' of this support. It is provided, mainly, as a result of regional lobbying and based on purely political consideration with no account taken of the long-term federal priorities. The latter have not been clearly formulated yet.

### **International cooperation and the development of the Kaliningrad region**

As mentioned above, the position of the region 'in the framework' of the RF and EU is obviously peripheral and unattractive for investors from both sides. The region can become a testing area for Russia-EU cooperation only through continuous efforts of both parties, to a certain extent even artificially. But this is impossible without the contribution of the Centre, its constant 'pressure' on the EU governing institutions and individual Baltic region states.

The unique (and exclave) position of the region does not allow considering it as a pilot region of Russia-EU cooperation. Its experience can hardly be applied to other regions bordering on the EU, since they are not territorially separated from other constituents of the RF.

Negotiation with international partners would be much facilitated if the federal authorities took all necessary steps towards the development of region. It is necessary to clearly formulate the Centre's strategy and policy towards the region in all spheres, legally recognise its unique status and preferences, make necessary institutional decisions, provide the openness of region, etc.

The 'accusing' tone of federal bodies in negotiations with the EU, Polish and Lithuanian authorities is not justified. Why should the latter pay more attention to the problems of the Kaliningrad region than Russian authorities, take responsibility and pay for their solution? All in all, it is the Russian authorities (and, first of

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<sup>7</sup> The EU policy towards the Kaliningrad regions has not been clearly formulated either, but it is admissible in relation to a territory situated beyond the EU jurisdiction.

all, federal ones) that, recognising the independence of Lithuania in the early 90s, overlooked the interests of the Kaliningrad region and, in ten subsequent years, failed to attract sufficient investment to the region; provided neither international passports nor an income adequate to purchase air tickets (or permanent low prices for them), did not solve the problem of crime, etc.

The political statement "the problems of the Kaliningrad region are an internal affair of the RF" implies the responsibilities of the Centre in the socio-economic sphere, which, so far, it has been failing to fulfil. Under these conditions, the appeal of Russian authorities to the neighbours (EU countries) is not reasonable.

## Conclusions

1. The exclave position (aggravated by the increasing barrier function after the EU enlargement) is, certainly, an essential disadvantage for the region; and there is no other way to remove it, except for allowances. The question is, which allowances should be introduced. They should stimulate not only economic growth, but also improve economic stability and increase the quality of life. Ideally, regional problems should be addressed in a federal region-specific policy. Like Northern Ireland in the United Kingdom or French overseas departments, the region should enjoy special support. However, it is not reasonable to wait until a consistent regional policy is elaborated in the country, though its principles can be applied.

2. In western regional policy, tax exemptions are rare. They are considered to be the least transparent means of financial support with undefined efficiency. Preference is given to subsidies (covering a certain share of project expenditures or every job created), soft loans, and infrastructure development. The system of allowances is organised so that it stimulates both new investment and functioning of existing capacities. It is achieved by means of allowances for every job created, subsidising modernisation, infrastructure development, etc. Moreover, the measures mentioned allow specifying industries as well as granting additional support to small and medium enterprises.

3. The allowances granted to officially recognized problem regions do not contradict the WTO rules (the whole EU regional policy is based on this permitted exception). But it is necessary to give the region the legal status of a 'problem' one.

4. Increasing the region's independence is a privilege equal to financial support. Thus, it is reasonable to recommend both a visa-free regime for the region and special rights in the sphere of cross-border cooperation, relations with the EU, etc.

5. In developed countries, privileges are granted until the situation improves rather than to a fixed date. It is the prerogative of the Centre. There are some areas in Western Europe that have been receiving support for more than 50 years.

6. It is better to refrain from considering the whole region as a point, but distinguish several zones on its territory that would differ in the intensity and combination of support measures. It is crucial to preserve the balance between the territorial equity and the development of growth poles.

7. The region cannot be a pilot region in Russia-EU relations (if we consider a pilot region as a trailblazer - an example to follow), even for other Russian regions bordering on the EU. The geographical position makes the Kaliningrad region, as well as the measures aimed at stimulating its development, *unique*. It is more reasonable to make the region 'pilot' in diminishing the controlling role of state (especially, the Centre).

8. The region has received many privileges from the Centre. The main problem is the 'quality' of federal policies. The regional socio-economic problems are to a great extent related to the fact that the Centre lacks a consistent and clear strategy and policy of its development. The next federal target programme (till 2014) does not arouse enthusiasm.

9. The solution of the problem of the Kaliningrad region is possible only in the framework of its rapid socio-economic development as the basis of overcoming its exclave and periphery status. The Centre's emphasis on political problems does not seem to make sense.

10. The development of the region is a problem of a countrywide scale; therefore it can be solved only at the federal level. The region should become an object of a large-scale, long-term and clearly formulated federal policy (preferably in the framework of the countrywide regional policy), which should be legislated and institutionalised, properly financed and elaborated for a significant period. It is the only way to ensure constant interest of the Centre to the region.

11. Investment attraction by means of direct investment allowances and the enhancement of investment climate (and not only of the SEZ preferences) can guarantee the sustainable development of the region. The emphasis should be placed on the maximum diversification of region's economy.



12. The EU enlargement and the 'shift' of new independent states to the West increase the isolation of the region. But European countries (including the EU member states) do not have any responsibility towards Russia in terms of the region's development. It is only possible to involve them into the process by granting the above-mentioned allowances and ensuring the openness of the region.

13. The strengthening of cross-border cooperation with Lithuania and Poland is the most efficient way to involve the region in the processes of European integration. It is the simplest way to integrate into the European space.

The attempts to find territorial analogues for the Kaliningrad region in the RF brought the author to the Kuril Islands. Their main similarity concerns the fact that the federal authorities, proceeding from political considerations were 'stuffing' them with money, with the efficiency of the first steam engines. Both territories differ from the 'mainland' constituents of the RF and require unconventional decisions. But how can they be combined with the pointless for Russia norm of equality of constituents (as well as municipalities of the same level)?

No one would doubt the necessity of a special economic regime for the Kaliningrad region established by the federal law. The region's enclave position - unique for Russia - requires special approaches to the issue of its economic development.

The uniqueness of the region contradicts the policy of the Centre that often uses the 'simple' truths, sometimes those of previous eras (industry is good, heavy industry is even better).

The future of the region depends on its involvement in Western European integration. And the region will not achieve it without being granted rights and money by the Centre. The current transformation from a federative state to the unitary process does not contribute to decentralisation.

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