



Poland and Russia in the Baltic Sea Region: doomed for the confrontation?



Adam Balcer

BSR Policy Briefing 3/2014

Poland and Russia in the Baltic
Sea Region:
doomed for the confrontation?

Adam Balcer

Author

Adam Balcer is a lecturer at the Centre for East European Studies, the University of Warsaw and an adviser at the Presidential Office. 2005-2009 he was a head of project at the Centre for Eastern Studies, Warsaw. 2010-2013 he was programme director at demosEUROPA Centre for European Strategy, Warsaw. In the years 2010-2012 he was a member of task force in the National Security Council of the President of Poland and a member of the Advisory Group to the Committee of Foreign Relations at the Polish Parliament. He has published numerous articles and reports on the Balkans, Turkey and the CIS countries.

The Baltic Sea Region has always been of strategic importance to Poland, from the point of view of the latter's economic development and security. In recent months, this significance has increased dramatically due to Russia's unprecedented invasion of Crimea. By default, the Baltic Sea has become the second key area of geopolitical confrontation between the West and Russia. Despite all of this, Poland retains the long-term dream of having a modern and democratic Russia as a neighbour in Eastern Europe and the Baltic Sea Region.

Introduction

Russia's invasion of Crimea considerably undermined the self-confidence Poland had gained through its accession to NATO and the EU. The invasion was also a highly negative game changer in the balance of power in Europe, with Poland facing an immediate threat to its own security for the first time since the fall of communism. Moreover, the Russian invasion dealt the final blow to the Polish-Russian rapprochement which began in 2007, although this rested on fragile foundations from the very beginning. For Poland, the most alarming issue is the fact that Russia's belligerent actions were played out not only in Ukraine, but also to a lesser degree in the Baltic Sea Region, which had almost seemed to be an internal lake within the EU. These dangerous geopolitical developments elevated the Baltic Sea, which has always played an important role in Polish foreign policy, to the top of Poland's agenda. They also undermined the double track characterising Poland's approach to Russia. After the dissolution of the Soviet Union, in its dealings with Russia Poland has often attempted to decouple the issue of economic relations from geopolitical differences. After the invasion of Crimea, sanctions and counter-sanctions have resulted in the displacement of economic policy by foreign policy.

Eastern Europe: the main battle ground

Polish-Russian relations can be described as a classic example of the clash between decidedly antagonistic geopolitical visions of the future of Eastern Europe and the Black Sea region. This striking divergence of interests is deeply

rooted in history and determined by the evident differences between the political systems of both countries (democracy versus authoritarianism). At the end of the 14th century, Poland established a union with Lithuania, which transformed in the second half of 16th century into the federal state known as the Commonwealth – *Rzeczpospolita*. By default, Poland engaged in geopolitical rivalry with Russia in Eastern Europe over the heritage of Kiev Rus and the Golden Horde, which ended in the defeat of the Commonwealth. As a consequence, by the beginning of the 18th century Poland had, *de facto*, become a Russian protectorate. Some 80 years later, as a result of partitions of Poland, most of the territory of the former Commonwealth found itself within the borders of Tsarist Russia. Apart from the inter-war period, Poland remained under Russian tutelage until 1989, despite several Polish uprisings against Russian rule. After the First World War, Poland briefly regained its independence thanks to a successful war against Bolshevik Russia, which still constitutes the founding act of modern Polish statehood. In 1939, Poland again lost its independence upon being invaded by Nazi Germany and the Soviet Union. Then, for a period of almost 45 years after the Second World War, Poland was subordinated to the USSR. Currently opposing interpretations of the events related to Poland's history during the Second World War in particular, (the execution of Polish officers in Katyń by the NKVD, the Ribbentrop-Molotov pact and the Soviet invasion of Poland) form the basis of the political disputes between Poland and Russia, since the latter retains a largely affirmative approach to its communist past.

In the period since the 16th century, Poland has fought more often with Russia than with any other country. However, Polish-Russian relations cannot be confined to wars and uprisings. The idea of a union with Russia arose on several occasions during the period of the Commonwealth. Indeed, for a period of over 120 years, Poles played a key role with regard to the economic development (in terms of infrastructure i.e. the construction of railways and bridges, the extraction of petroleum and the colonisation of Siberia) and in intellectual life (in terms of science i.e. the development of the universities, the exploration of the Caucasus, Central Asia, and Siberia, as well as in architectural innovations) of Imperial Russia. Between the 18th and 20th centuries, certain key Polish politicians

genuinely attempted to establish a *modus vivendi* or even an alliance with Russia.

The main source of tensions between Poland and Russia lies in radically antagonistic positions with respect to the Eastern Neighbourhood of the EU. Poland is a classic frontier state located on the edge of NATO and the EU. As such, it belongs to a small group of EU countries for which the Eastern Neighbourhood (particularly Belarus and Ukraine) is of strategic importance. Moreover, Poland is the only EU member state bordering simultaneously Russia and Ukraine.

At the same time, Poland has significant leverage in the region, although it is not the main player there. Polish influence in the region is derived from its historical and cultural heritage, social ties (tourism, and national and religious minorities), economic involvement (trade, investments and migrant labour), as well as soft power (development aid, scholarships and education in the region) and hard power (officer training, joint military units and drills). Among the largest European countries, Poland certainly has the closest ties to Eastern Europe in terms of its history and culture. This legacy has a serious impact on Polish Eastern policy. The Polish identity has largely been shaped by relations with Belarus and Ukraine. On the other hand, Poland has left a significant imprint on the historical development of these nations. In the case of its Eastern neighbours (particularly Ukraine), in the long term Poland would like to see a repeat of the Central European scenario, namely their integration with the EU (either full membership or the closest possible association). Poland views the integration of Ukraine with the EU also as an opportunity to democratise and modernise Russia in the long term (with a modern and democratic Ukraine serving as a source of inspiration for Russia). In paraphrase, we could say that Poland, like Germany in the 90s, would like to have the West to its East. This goal stems from Poland's internal needs, namely the development of the poorest eastern part of the country which borders on Belarus and Ukraine. These countries also constitute potentially attractive markets for the expansion of Polish businesses (a repeat of the Slovakia versus Czech Republic scenario after 1993). As a result, Poland's support for the democratisation and modernisation of Eastern Europe through the EU integration process

should not be viewed solely through the prism of preventing Russian domination of the region, but as an attempt to stabilise Poland's own neighbourhood *per se*. On the other hand, Russia perceives the post-Soviet area – particularly Eastern Europe and the South Caucasus – as its own exclusive sphere of influence. Ukraine has a central place in Russia's integration projects concerning the post-Soviet space, in which a Ukrainian success story (democratisation and modernisation) constitutes a nightmare scenario for the authoritarian, rent-seeking Russian regime. On the other hand, the transformation of Ukraine into a failed state or Russian vassal is a dreadful scenario for Poland. In sum, Poland's policy toward its Eastern neighbours is inevitably linked to deterring Russia's neo-imperial foreign policy, while Russia's perspective on the region is closely intertwined with regime change fears in the Kremlin.

Poland as a neighbour of Russia

Due to its status as a NATO and EU frontier state, Poland is highly alarmed by Russia's current militarisation and its increasing readiness to use military force as an instrument of foreign policy in its immediate neighbourhood. According to the Stockholm International Peace Research Institute, Russian military spending more than doubled in 2004–2013 (the constant 2011 USD).¹ In 2013, such spending accounted for 4.1% of Russia's GDP. In 2013, Russia's military expenditure was more than seven times smaller than the US military budget. However, when measured in terms of purchasing power parity, the gap between US and Russian military spending falls to 1:4.8 in favour of the US. This gap is likely to continue narrowing over the coming years. Between 2004 and 2013, US military spending increased by just 12% (the constant 2011 USD). In 2010, Russia began a ten-year weaponry modernisation programme at a cost of USD 720 billion. However, a major question mark hangs over whether the Kremlin can afford to devote a rising share of its GDP to its armed forces; the defence budget already accounts for over 20% of all public spending. A weakening economy, lower energy prices and an aging society will place a grave burden on Russia's public finances. Nevertheless, Russia's draft budget for the years 2015 to 2017 confirms that, despite the country's apparent economic

stagnation or even contraction, military spending will remain the undisputed priority of Russia's financial policy.

Russia also presents a challenge to Poland's security in terms of energy. Notoriously, Moscow uses energy to blackmail or pressure its neighbours. In 2012, Poland imported around 90% of its oil, 65% of its gas, and approximately 10% of its coal from Russia. As a share of Poland's energy balance, these resources account for around 55% of all coal, 25% of all oil, and 15% of all gas used. In effect, imports from Russia account for more than 35% of Poland's energy balance.² Moreover, Eastern Europe plays a key role as a transit route for Russian gas and, to a lesser extent, for oil imported by Poland.

This divergence of interests has resulted in scant bilateral political contacts between Poland and Russia at the highest level. In 2007–2014, Poland's Prime Minister made only two official visits to Russia (in 2008 and 2010), while Poland's President visited the country only once, in 2011. Since 2011, the most frequent contacts with Russia have been maintained by the Minister of Foreign Affairs, thanks to regular meetings with his opposite number from Russia as part of the Kaliningrad Triangle, which includes Poland, Germany and Russia. It is symptomatic of this situation that Poland, unlike eighteen EU member states, has never signed a bilateral partnership agreement with Russia regarding modernisation. To be sure, Poland lacks significant influence in Russia and the ability to have a decisive effect on Russian foreign policy. However, at the same time, as a medium-size EU player, Poland is a country that Russia, with its robust economic ties to the EU, cannot afford to disregard. As a major promoter of regional cooperation regarding energy diversification (coordination of the construction of LNG ports, inter-connectors, and electrical power networks), Poland is undermining Russia's predominance in terms of the energy balances of the wider Central European area (the Baltic states, the Visegrad Group, Romania and Bulgaria). In the long term, the death blow to Russia's position in the European energy market could arise in the confirmation of the presence in Poland of large shale gas deposits and the beginning of exports to neighbouring countries in Central Europe.

On the other hand, Poland views Russia as a major potential target within the framework of its policy of diversifying its exports and investments abroad (non-EU markets). Nevertheless, due to political tensions, the potential for economic cooperation between Poland and Russia remains largely untapped. In 2013, Russia accounted for 10 percent of Poland's trade balance and was Poland's fifth-largest export market (accounting for more than 5% of all exports) and second-largest partner in terms of imports (almost 13%).³ Poland has a large, chronic trade deficit with Russia. In 2013, fewer than 45% of imports were covered by Polish exports. In 2014, EU sanctions and Russian counter-sanctions resulted in a decrease in Polish exports to Russia of almost 7% between January and July, and the stagnation of imports from Russia. We can assume that a further slump in trade volumes will occur in the second half of the year. Poland is Russia's fourth-largest EU partner after Germany, the Netherlands (a specific case – the international gas and petroleum market), and Italy. Poland accounts for just over 3% of Russia's trade balance. In 2013, Polish-Russian trade equalled the trade volumes between Russia and the USA. Poland is a particularly important destination market for Russian exports (accounting for a share of approximately 4.5%). According to the National Bank of Poland, Polish direct investment stocks in Russia amounted to more than USD 1.4 billion on 1st of January 2013, while Russian FDI stocks in Poland reached a level of more than USD 670 million.⁴ However, it can be assumed that some investments in Poland registered as originating in Cyprus or other countries (for example, the Netherlands) in fact originated in Russia, while some Polish companies have invested in Russia through Cyprus or other countries.⁵ The limited presence of Russian capital in Poland is partly due to the fears of the Polish authorities regarding the possible negative effect of Russian investments on Poland's security, particularly in the energy and chemical sectors.

Despite serious political differences, social ties between Poles and certain regions of the Russian Federation (Kaliningrad, Petersburg and Moscow) have substantially increased in recent years. In 2013, Poles constituted more than 15% of foreign visitors to Russia and become the largest group visiting Russia from non CIS countries (including in the latter category Georgia and

Ukraine).⁶ On the other hand, Poland became the destination of 4% of all visits made by Russian citizens travelling to non-CIS countries. However, it is worth mentioning that, in relative terms, Poles travel less often to Russia than citizens of other neighbouring EU countries (such as Estonia and Finland); this is reciprocated by Russians, who do not travel to Poland as often as to these countries. Secondly, this spectacular increase has mainly resulted from the entry into effect, in the second half of 2012, of the agreement on local border traffic between Poland and Russia, which covers the entire Kaliningrad Oblast and Northern Poland. Fluency in the Russian language provides Poles with a significant advantage, as visitors to Russia, over most Europeans. According to the Eurobarometer from 2012, nearly 20% of Poles can speak Russian, while the EU average is 5%. Russian culture is much more popular in Poland than in most other EU member states. On the other hand, Poland has a rather poor record in terms of assigning scholarships to Russian students and vice versa. In the 2013/2014 academic year, very few students from Russia (around 800) were studying in Polish universities.⁷ In comparison, several times more Russian students study in Czech universities than in Polish ones. Knowledge of the Polish language in Russia is at a modest level, proportionally lower than in Belarus and Ukraine. Polish culture is less popular in Russia than in these countries, and much less popular than during communism.

Besides the bilateral dimension, Poland's policy vis-a-vis Russia is deeply entrenched in the EU's and NATO's relations with Moscow. Poland belongs to the group of EU and NATO member states which support tougher sanctions against Russia in response to Russian aggression in Ukraine. Indeed, Poland is not wholly satisfied with the scope of EU sanctions against Russia, which are the outcome of complex negotiations between EU member states. Nevertheless, Poland has no cause to be disappointed with the sanctions, which have begun to take effect and severely impact on Russia's economy. The ambiguity of Poland's position in the Euro-Atlantic community confirms its complex relations with Germany following Russia's invasion of Ukraine. On the one hand, Warsaw was disappointed with German opposition to the Polish proposal that two NATO brigades be deployed in Poland. On the other, Germany played a key role in pushing for

the strengthening of EU sanctions by convincing the most dovish countries (e.g. Italy, Slovakia and Greece) to align with the German position.

The Baltic Sea – a sea of conflict or cooperation?

The Baltic Sea is of substantial economic importance to Poland which is currently striving to globalise its economy by stepping up its economic cooperation with non-European countries. The development of Polish seaports constitutes the basic precondition for the success of these efforts. In fact, maritime trade accounts for over 50% of the EU's total trade with the outside world. The Scandinavian countries and the three Baltic republics account for around 7% of Poland's trade turnover and around 10% of FDI stocks in Poland. Poland also badly needs to enhance innovativeness within its economy. As the most innovative economies in the world, the Scandinavian countries would be obvious partners in this process. Considering the above-mentioned factors, turning the Baltic Sea into a permanent arena of confrontation between Russia and the West would seriously hamper Poland's realisation of its economic goals. The reaction towards the war in Ukraine was a true test of Poland's relations with its European partners. Poland was sorely disappointed with its Central European partners (the Visegrad Group) and the confirmation of the overlap in their positions on Russia by the three Baltic republics, Norway and Sweden. Denmark and Finland also turned out to be substantially closer to Poland, than the above-mentioned Central European neighbours, in their positions on Russia.

For centuries, the Baltic Sea and its north-eastern coast in particular have been one of the main battlefields in the geopolitical rivalry between Poland and Russia. In the fourteenth and fifteenth centuries, the Novgorod and Pskov Republics become vassal states of Poland-Lithuania on several, brief occasions. These states tried unsuccessfully to use Polish protection to counterbalance Moscow's expansion. In the sixteenth and seventeenth centuries, Poland repelled Russia's expansion towards the Baltic Sea on several occasions. However, Russia finally gained access to the Baltic Sea at the beginning of the 18th century, after defeating Sweden and Poland. This development upset the balance of

power in this part of Europe and brought Poland under Russian tutelage. In Tsarist Russia, the Poles played a major role in the development of Russian cities located around the Baltic Sea, particularly St. Petersburg (by providing officials, architects, engineers and scientists). During the interwar period, Poland tried in vain to establish an anti-Soviet alliance uniting Finland, Estonia, Latvia and Lithuania. The destruction of Poland in 1939 by the Nazi Germany and the Soviet Union sealed the fate of Baltic Republics.

For years, Poland has looked upon the Baltic Sea as a key possible theatre in which Russia's aggression against either Poland, NATO or EU member countries will be confronted. In recent months, this scenario became more than theoretical for the first time. Indeed, since the illegal Russian occupation of Crimea, the Baltic States have borne the brunt of Russian adventurism in the skies, directed against NATO and EU countries. In July Russian fighter jets practiced missile attack on Bornholm, a Danish island located in the middle of the Baltic Sea. Up to mid-September this year, NATO fighters have been scrambled almost 70 times along Lithuania's borders, which is by far the highest count in over 10 years. In the same period, Latvia registered 150 "close incidents" where Russian aircraft were responsible for risky behaviour in the immediate vicinity or within Latvian airspace. Estonia's sovereign airspace has been violated by Russian aircraft six times until the end of October, nearing the total count of seven over the previous eight years. Indeed, at the end of October a Russian maritime spy plane flew into Estonian territory in the most serious violation of NATO airspace by Moscow since the end of the cold war. Finland has witnessed five violations of its airspace in the same period, against an annual average of one to two in the previous decade. In mid-September, Sweden experienced its most serious airspace incursion by Russian aircraft in eight years.⁸ Summing up, until the end of October scrambles from NATO fighters in the Baltic region to intercept Russian aircraft flying close to the alliance's territory have increased threefold in 2014, compared with the whole of 2013.

Russia bullied the EU member states also at sea. In August and September the Russian navy twice interfered with a Finnish state environmental

research vessel in international waters. At the end of October Sweden was forced to conduct the hunt for a foreign submarine for seven days. It was the biggest mobilisation of Swedish forces since the cold war. Sweden declined to comment on the nationality of the submarine it was looking for around the 30,000 islands outside its capital. But military experts pointed to Russia as the most likely culprit. This hypothesis was strengthened by reports of Swedish intelligence intercepting a distress call from a Russian submarine from the Stockholm area.

Russia has taken a particularly belligerent approach towards Estonia, Latvia and Lithuania. These small countries are highly exposed to Russian pressure due to their long borders with Russia, their huge Russian speaking minorities, their very limited military capabilities and a negligible NATO military presence and infrastructure. The defence of the independence, territorial integrity and sovereignty of these countries constitutes the key challenge for NATO's credibility as a provider of security provider for all of its members. This might be called the Achilles heel of the Alliance. At the beginning of September, Russian police abducted an Estonian border guard on Estonian soil in the immediate vicinity of the Russian-Estonian border and detained him in Russia. He was accused of spying and illegally crossing the border. On the 18th of September, Russia seized a Lithuanian fishing boat within the Arctic Circle and towed the vessel forcibly into the port of Murmansk. Russia declared that the vessel had been detained during illegal crab fishing in Russian territorial waters, even though the boat was in international waters at the moment of its seizure. Russia also announced that it would again seek to prosecute Lithuanian deserters from the Soviet army – alleged offences dating back to the time of the Soviet Union's dissolution. Russia is maintaining its rhetoric of complaints about the alleged mistreatment of ethnic Russians inhabiting the Baltic States. At end of September, three weeks before the Latvian parliamentary elections, Konstantin Dolgov, the Russian foreign ministry's special representative for human rights, issued a threat of "far-reaching, unfortunate consequences" for alleged discrimination against Russian speakers in the Baltic republics.⁹ Pressure of this kind sounds particularly worrying in the context of the claims that preceded Russia's invasion of Ukraine.

It seems that, in the Baltic region, the Kremlin is seeking to challenge NATO's security guarantees to the Baltic States and, by default, to undermine the credibility of the Alliance as a military pact by demonstrating that it is unable to deter Russian pressure. By "coincidence", the kidnapping of the Estonian officer occurred less than 48 hours after President Obama had delivered a speech in Tallinn warning that any Russian aggression against Estonia would trigger a war with NATO. Unfortunately, it is a likely scenario that in the case of further deterioration in the state of Russia's economy, the Kremlin will again try to shift the public's attention from internal problems by uniting it against an external enemy. Besides the Black Sea Region, Russia's Baltic neighbours are the most obvious and easiest targets for the implementation of a strategy based on provocation and incidents. Moreover, the rise in geopolitical tension could be paradoxically beneficial to Russia's economy, since it may raise energy prices, which are of vital importance to the Russian economy. To deter Russia from attempting to repeat the Crimean scenario in Estonia or Latvia (i.e. the "appearance" of irregular forces without military insignia and supported by Moscow in Russian speaking areas), during the NATO summit in Newport at the beginning of September 2014 the Alliance decided to form a "spearhead" force of around five thousand land troops ready to deploy within a few days. This rapid reaction brigade will be backed by air, sea and special forces. Its command and control centre and extra equipment will be based in Szczecin in Poland in the immediate vicinity of the Baltic Sea. In fact, the only NATO headquarters east of the old cold war frontier are located in Szczecin. Russia's bullying convinced Sweden and Finland to sign a Host Nation Support Agreement with NATO at the NATO Summit. The purpose of the Agreement is to establish procedures for logistic support sites for the NATO forces in Host Nations. In effect, it allows NATO troops to deploy in the only two countries in the Baltic sea region besides Russia not to belong to the military alliance.

Poland also attaches importance to the Baltic Sea with respect to its energy security sphere vis-a-vis Russia. To an extent, the construction – under the Baltic Sea – of the Nord Stream gas pipeline from Russia to Germany exposed Poland's vulnerability to Russian energy pressure by decreasing the

importance of Eastern Europe and Poland as a transit route between Russia and the EU. On the other hand, one of the main pillars of the Polish diversification strategy is the construction of the LNG terminal in Świnoujście. Despite substantial delays, this will be ready to collect liquefied gas in 2015. Russia is interested in the construction of a nuclear power plant in Kaliningrad, which would constitute something of a challenge to the Polish nuclear programme. The Polish nuclear plant will probably be constructed close to the Baltic Sea in Pomerania Voivodeship. However, the Russian project is currently frozen due to the Russian government's failure to obtain external financing and to conclude contracts with foreign customers – namely Poland and the Baltic Republics.

In the context of Polish-Russian relations, the Baltic Sea Region should not be viewed solely through the prism of threats and confrontation. In fact, the regions of Russia located close to the Baltic Sea coast constitute the main area for Polish economic activities in the Russian Federation. Polish direct investment in Russia is concentrated – besides in Moscow and its surroundings – in the North-West Federal district (accounting for around 50% of total investment and particularly active in Novgorod and Kaliningrad), and approximately 25% of Polish exports are dispatched to this area of Russia (Kaliningrad in particular, and then St. Petersburg).

Kaliningrad – the closest threat and a window of opportunity

Polish-Russian relations in the Baltic Sea Region are particularly vexed in the Kaliningrad Oblast, a Russian exclave bordering Poland and Lithuania. This region simultaneously poses a major challenge to Polish security and offers a window of opportunity for Poland's economy and soft power.

Poland is an important point of reference for Kaliningrad in the context of the former quest for an identity. The Kaliningrad Oblast was created artificially by Stalin after World War II and settled, mainly by Russians from different regions of the Soviet Union. The region is therefore searching for its identity and rediscovering its historic roots. The key point of reference for Kaliningrad

clearly lies in its German Eastern Prussian tradition. However, the Polish factor also plays a substantial role. The region was a vassal state of Poland for nearly 200 years (from the middle of the fifteenth century until the middle of the seventeenth century). The founder of the famous Albertina University in Kaliningrad, then known as Königsberg, was the Polish King Sigmund Augustus II. Poles often served as rectors and lecturers at the University and many Poles, including Jan Kochanowski, a major Polish poet, studied in Königsberg. In the sixteenth century, the first Polish translation of the New Testament and the first orthography of the Polish language were published in Königsberg.

Kaliningrad occupies a key place in Poland's perceptions of the various threats related to Russia. Indeed, the Kaliningrad Oblast is the most militarised region in Europe, with the armed forces stationed there accounting for a few percent of the population. The Russian Baltic Fleet's headquarters are located in Baltiysk within the region. This port's importance stems from the fact that, unlike the port of Kronstadt, it does not freeze during the winter. The Baltic Fleet is the Russian Navy's most modern naval formation. In 2011, a long-range radar station, which is supposed to provide early warnings of nuclear missile attack and covers Europe and part of the Atlantic, was deployed in Kaliningrad. In 2012, air defence units in the region were equipped with the S-400 mobile surface to air missile system, making Kaliningrad the second region to be protected in this way after Moscow. Russia also began preparing for the deployment of the Iskander ballistic missile type (with a range of up to 500 km), capable of delivering tactical nuclear warheads.¹⁰ The region also poses a considerable challenge to Poland in terms of the latter's soft security. Despite some improvements in the situation, the level of drug addiction and prostitution and the number of HIV positive people are dramatically higher than in the EU. The World Health Organization estimates that almost 5% of the region's inhabitants are HIV positive. In absolute numbers, the number of HIV positive people is almost equal to the number of such persons living in Poland, which is nearly 40 times more populous than Kaliningrad. The Russian authorities estimate that 3% of the region's residents are drug addicts and at least three thousand women are prostitutes

(proportionally four times more than in Poland). The grey economy (based on smuggling) is the largest in Russia, being just slightly smaller than the official GDP of the entire region. To sum up, a large informal economy, a high level of drug abuse and prostitution, lower per capita income compared to the national average (65 %) and inefficient state structures (a high level of corruption) create an environment in which organised crime can blossom. Last but not least, after St. Petersburg, more pollution flows from Kaliningrad into the Baltic Sea than from any other city on its shores.

On the other hand, in Poland Kaliningrad is perceived as the most promising place in which to engage economically and socially with Russia's society and business community. Within Russia, Kaliningrad is distinguished by its relatively strong civil society which is capable of organising major demonstrations, its vibrant small and medium business sector, and highly intensive relations with the EU. Polish local governments, educational institutions and NGOs from the Voivodeships of Warmia, Mazury and Pomerania maintain frequent bilateral contacts with partners from Kaliningrad. Cross-border cooperation also occurs within a framework of multilateral formats involving various Euroregions: the Baltic, the Neman River and the Lyna River. In recent years, a radical increase has occurred in person-to-person contacts between Kaliningrad and Northeastern Poland. An agreement on small border traffic was signed in December 2011 and entered into force in July 2012. In 2013, the number of border crossings undertaken by Russian citizens between Poland and the Kaliningrad Oblast approached 2.5 million and a large increase (over 60%) was recorded in comparison to 2012. This positive trend continued in the first half of 2014, when there were more than 1.5 million visits by Russians.¹¹ An even greater number of crossings were made by Poles visiting Kaliningrad. In the longer term, such trends may bring Kaliningrad closer to the EU and act as a source of inspiration for other Russian regions by revealing the benefits of cooperation with the West.

Poland has stronger economic leverage in Kaliningrad than in any other region of Russia. In 2013, Poland's share of Kaliningrad's trade approached 7.5%, but fell in the first half of 2014 to slightly above 5%. However, exports from

Kaliningrad to Poland sky rocketed during this period, increasing by a factor of 3.5. Despite the slight decline in Polish exports in 2014, Poland still plays a major role in the economic life of the region as its key food supplier. In fact, Kaliningrad is strongly reliant on food imports. The exclave imports 70 percent of the dairy products, 50 percent of the fruit, 45 percent of the vegetables and 40 percent of the poultry meat that it consumes. Accordingly, in 2013 food products accounted for 25 percent of Polish exports to the region.¹² Polish companies also belong to the group of key foreign investors in Kaliningrad. In 2012, their share of FDI stocks in the region approached 8%. In addition, spending levels by Russians from Kaliningrad visiting Poland, and Poles visiting Kaliningrad, have seen a dramatic increase since the entry into force of the agreement on small border traffic in mid-2012. In 2013, both rose by around 90%. In 2013, the inhabitants of the Kaliningrad Oblast spent almost USD 200 million in Poland and Poles visiting Kaliningrad spent around USD 125 million. In the first half of 2014, the value of purchases by Russians in Poland doubled in comparison to the previous year.

On the other hand, Kaliningrad could pose a challenge to Polish economic interests. Firstly, in September 2014 the Russian government announced that the construction of a new port would begin in Kaliningrad in 2015.¹³ Construction is supposed to last six years and the new port will be capable of accommodating large ships. As a consequence, the new port will be a strong competitor against the main Polish seaports (Gdańsk and Gdynia). To a certain degree, Poland could counterbalance this project through the construction of the waterway through the Vistula Spit, located close to Kaliningrad. It is thought that, as a result of this project, the construction of the waterway seaport in Elblag could be capable of handling up to 3.5 million tonnes a year of cargo, which is around 3 million tonnes more than without the waterway. Other smaller ports located around Elblag would also benefit. This investment may be implemented before 2020 and the construction work would take 2–3 years.¹⁴

A tentative conclusion: where there is life, there is hope

In Russia and certain European countries, Italy for instance, Poland is often accused of Russophobia. Poland is allegedly obsessed with Russia and unable to arrive at a fair evaluation of developments in the country. However, it seems that the war in Ukraine confirmed that Polish fears concerning Russia were not based on irrational prejudices. Another cliché concerning Poland is the image of a cold warrior with dreams of destabilising Russia. Paradoxically, with the Baltic Sea states Poland shares an interest in the positive transformation of Russia – Russia’s successful modernisation and democratisation. Both issues are closely interlinked in the case of Russia, since its authoritarian and corrupt regime is incapable of modernising the country. The realisation of a positive scenario in Russia would open up unprecedented economic opportunities for Poland and the Baltic Sea states, bringing new sources of growth in an age of crisis. It would also end the contradiction between economic cooperation and geopolitical rivalry, a tightrope which has become impossible to walk as the war in Ukraine has confirmed. The realisation of such a positive scenario in Russia looks highly unlikely at the moment. Russian society is in thrall to its macho president and supports his neo-imperial foreign policy. On the other hand, the regime’s economic foundations are weakening with each day that passes. Such decay could present a window of opportunity for a change of regime or, unfortunately, provide the incentive for new Russian adventurism in the Baltic Sea Region.

Endnotes

¹ Sam Peerlo-Freeman and Carina Solmirano, *Trends in World Military Expenditure 2013*, SIPRI Fact Sheet, April 2014.

² This data was compiled from several Polish state institutions.

³ GUS, Baza Danych Handlu Zagranicznego, <http://hinex.stat.gov.pl/hinex.aspx/index.aspx>

⁴ NBP, *Statystyka bilansu płatniczego*, http://www.nbp.pl/home.aspx?f=/statystyka/bilans_platniczy.html

⁵ Until 2013, more than 3% of total investments in Poland constituted capital from Cyprus. More than 10% of all Polish foreign direct investment went to Cyprus.

⁶ Федеральная служба государственной статистики, Въезд (выезд) иностранных (российских) граждан, http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/fttrade/#

⁷ GUS, *Dane wstępne dotyczące szkolnictwa wyższego, Stan w dniu 30 XI 2013 r.*, <http://stat.gov.pl/obszary-tematyczne/edukacja/edukacja/dane-wstepne-dotyczace-szkolnictwa-wyzszego-stand-w-dniu-30-xi-2013-r,8,1.html>

⁸ Richard Milne, Sam Jones, Kathrin Hille, Russian air incursions rattle Baltic states, *The Financial Times*, 24.09.2014, <http://www.ft.com/intl/cms/s/0/9d016276-43c3-11e4-baa7-00144feabdco.html#axzz3FgVJg9hm>

⁹ Richard Milne, Frontline Latvia feels heat as Putin probes Baltic states' resolve, *The Financial Times*, 08.10.2014 <http://www.ft.com/intl/cms/s/0/51654180-4e08-11e4-bfda-00144feab7de.html>

¹⁰ Łukasz Żołądek, Kaliningrad region and Polish-Russian local border traffic, July 2013, [http://orka.sejm.gov.pl/WydBAS.nsf/0/CF8BFDCB81CEAF64C1257BF60046E2DE/\\$file/Infos_151EN.pdf](http://orka.sejm.gov.pl/WydBAS.nsf/0/CF8BFDCB81CEAF64C1257BF60046E2DE/$file/Infos_151EN.pdf)

¹¹ Konsulat Generalny RP w Kaliningradzie, Wydział Promocji Handlu i Inwestycji, Analizy rynkowe, https://kaliningrad.trade.gov.pl/pl/analizy_rynkowe

¹² Ibid.

¹³ Polskie Radio, W Kaliningradzie wyrośnie konkurencja dla Gdyni.” To niedobra informacja dla pomorskich portów”, 01.10.2014, <http://www.polskieradio.pl/42/273/Artykul/1247495,W-Kaliningradzie-wyrosnie-konkurencja-dla-Gdyni-To-niedobra-informacja-dla-pomorskich-portow>

¹⁴ PAP, Nowy projekt budowy kanału przez Mierzeję w wykazie prac rządu 25.07.2014, http://wyborcza.biz/biznes/1,100969,16379347,Nowy_projekt_budowy_kanal_u_przez_Mierzeje_w_wykazie.html

Earlier publications published in the series

BSR Policy Briefing 2/2014

Energy security in Kaliningrad and geopolitics
Artur Usanov and Alexander Kharin

BSR Policy Briefing 1/2014

The Baltic Sea region 2014: Ten policy-oriented articles from scholars of the university of Turku.
Edited by Kari Liuhto

BSR Policy Briefing 4/2013

The Kaliningrad nuclear power plant project and its regional ramifications.
Leszek Jesien and Łukasz Tolak

BSR Policy Briefing 3/2013

Renewable Energy Sources in Finland and Russia - a review.
Irina Kirpichnikova and Pekka Sulamaa

BSR Policy Briefing 2/2013

Russia's accession to the WTO: possible impact on competitiveness of domestic companies.
Sergey Sutyryn and Olga Trofimenko

BSR Policy Briefing 1/2013

Mare Nostrum from Mare Clausum via Mare Sovieticum to Mare Liberum - The process of security policy in the Baltic.
Bo Österlund



www.centrumbalticum.org