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# A NEW ROLE OF COOPERATION UNDER ECONOMIC SANCTIONS AS SEEN BY RESIDENTS OF THE KALININGRAD REGION

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*The current economic crisis conditions call for a search for new mechanisms to maintain the population's well-being. Within this setting, cooperation may be considered a priority form of entrepreneurial activity, enabling the consolidation of financial resources and reducing business costs. This article aims to assess the potential of consumer cooperation in the Kaliningrad region under anti-Russian sanctions. The authors analyse the features of cooperation development within the territory and investigate the demands and expectations of the local populace. The principal method employed in the study is a survey of residents of the Kaliningrad region (N = 481), with its results strongly indicating that conditions for a renaissance of cooperative economic models have emerged in the Russian exclave. The region's residents tend to express positive attitudes towards cooperation, drawing a link between economically challenging conditions and opportunities for cooperative development. Moreover, amongst respondents with personal or vicarious experience of cooperation, a substantially higher proportion assess cooperative practices positively. Yet, the deficit of interpersonal trust places a serious limitation on the development of cooperation. It is concluded that the economic crisis has shifted the focus of the region's population's expectations from social interests (collaborations with like-minded individuals) to undertakings aimed at increasing material well-being. Therefore, expectations of participating in cooperative activities are primarily associated with the opportunity to start one's own business and increase personal income.*

## Keywords:

cooperation, cooperative, economic sanctions, Kaliningrad region, consumer market, solidarity, trust

## Cooperation

As an economic activity, cooperation offers several advantages. These include increased efficiency of product sales processes, easier access to loans [1] and technologies, greater opportunities for pooling material, technological and organ-

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isational resources, and enhanced prospects for forging rational economic relationships [2]. When specifying the benefits of cooperative forms of management, researchers tend to focus on factors contributing to competitiveness, such as cost reduction through a unified marketing strategy, purchasing raw materials in large batches, joint deliveries and a diversified assortment policy [3].

Analysis of the literature sheds light on the essence of cooperative forms of management by distinguishing them from traditional entrepreneurial structures. The economic goals shared by cooperation participants become the integrating basis for joint activities and effective collaborations [4]. Building on this conclusion, Russian researchers tend to emphasise the need for trust amongst participants in cooperation and fairness in decisions made within a cooperative [6].

Studies with a focus on Spanish cities have demonstrated that cooperative models contribute to more flexible and sustainable regional economic growth [6]. Similar conclusions have been drawn by Russian researchers who have compared statistical data on the development of cooperatives in Russia in the 1990s with the location of modern industrial clusters. The concentration of industrial zones in areas with a high percentage of cooperative enterprises provides implicit evidence of a connection between cooperative development and industrial production growth [7]. These trends acquire special significance amidst bans on foreign product imports and the necessity for import substitution development prompted by the imposition of sanctions [8]. Considering the role cooperation has in increasing the economic capacity of territories, analysing the prospects of such economic models is relevant for Kaliningrad, a territory where pressure from anti-Russian sanctions has proven challenging. Enterprises with collective (popular) forms of ownership may serve as the most effective instrument for achieving the sustainability of the Baltic region territories [9].

The role of cooperation in a territory's development is informed by the very functioning of cooperative economic models, which seek to safeguard the interests and needs of local communities [10]. Cooperative organisations' reputation capital and sustainability are generally ensured by offering services tailored to the local populace's needs [11]. According to Russian scholars, cooperative practices facilitate achieving two complementary goals: securing financial profitability to generate income for cooperative participants and improving the socio-economic living conditions of local populations [12]. Based on theoretical reflections on the traditional role of cooperation, we formulated priorities in analysing the structure of expectations of joining cooperatives, with the economic and social expectations of the populace determining these priorities.

The economic crisis and geopolitical transformations have highlighted the problems of the Kaliningrad economy, whose unique risks are a product of its enclave position and dependence on imported goods and supplies from ‘mainland’ Russia. Transport costs are a severe limitation upon food accessibility for the population, leading to reduced consumption levels. Additional constraints are the difficulties encountered by regional food industry enterprises, which are currently experiencing the painful repercussions of disrupted cross-border supply chains [13]. Analysis of the economic development risks in the Kaliningrad region indicates problems such as insufficient financial and credit infrastructure and the predominance of low-tech production [14]. When describing the economic situation in the Kaliningrad region, researchers tend to emphasise the high volatility of municipal budgets, their dependence on interbudgetary transfers and subsidies, and the inadequacy of regional tax revenues, which can be overcome by creating institutional conditions for raising the profile of entrepreneurship amongst the local populace [15]. Entrepreneurship development has been cited as the most effective mechanism for modernising the border region’s economy and mitigating the destructive impact of anti-Russian sanctions [16]. The Kaliningrad region stands out as a leader in small business development compared to other Russian territories. Notably, in 2021, 90,700 residents of the region were employed in small enterprises, 45,800 in micro-enterprises, and another 40,000 people were self-employed. By the net financial performance of small and micro-enterprises (64,995 million roubles and 45,881 million roubles, respectively), the region ranked second in the North-Western Federal District, following St. Petersburg, Russia’s northern capital. The volume of subsidies allocated for the state support of regional small and medium-sized enterprises amounted to almost 500 million roubles in 2020 and 180 million in 2021.<sup>1</sup>

Yet the literature indicates that, despite the substantial support from the authorities, small business development has been stagnant in the region in recent years, with this state of affairs ensuing from the economic situation and international relations hurdles [17].

Under anti-Russian sanctions and the growing sensitivity of the enclave region’s consumer market [18], analysis of mechanisms for economic modernisation and ways to overcome dependence on supplies from abroad is taking on added urgency [18]. Therefore, the economic reality of the Kaliningrad region dictates a need to expand the role of cooperation whilst boosting entrepreneurial activity amongst the populace to fill the niches left vacant after the shrinkage in supplies from overseas.

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<sup>1</sup> Small and medium-sized enterprises in Russia, 2022, *Rosstat*, URL: <https://rosstat.gov.ru/folder/210/document/13223> (accessed 15.09.2023).

## Methods

The principal method used in this study was a survey of Russian citizens carried out with our involvement at the Russian University of Cooperation (RUC) in spring 2022.<sup>1</sup> Structurally, the survey blocks were arranged as follows:

- an assessment of the role of the consumer cooperative system in ensuring sustainable development of Russia's economy;
- factors contributing to positive and negative attitudes towards the consumer cooperative system in Russia;
- analysis of actions undertaken and devised by Russian citizens to mitigate the consequences of external sanctions;
- barriers to developing a consumer cooperative system in the new economic conditions.

The study employed multistage zoned sampling. In the first stage, zoning according to federal districts was performed; in the second, the most representative Russian regions were selected. Next, numerical quotas were set based on three criteria: sex, age and primary residence (urban or rural area). The nationwide survey sample covered 19 regions, ensuring the representation of all of Russia's federal districts. The number of respondents amounted to 4,422 individuals.

In preparing the materials for the article, we utilised data obtained from respondents in the Kaliningrad region (N=481). Data from the nationwide sample were used to compare responses from the region's residents with average responses from across Russia. As for the breakdown of respondents from the Kaliningrad region by sex, females comprised 58.5 % and males 41.6 %. In terms of age, individuals from 18 to 29 years old accounted for 42.6 %; from 30 to 44 years, 21.2 %; from 45 to 54 years, 9.4 %; from 55 to 64 years, 11.2 %; from 65 years and older, 15.6 %. As for primary residence, 76.3 % of respondents lived in urban areas and 23.7 % in rural areas.

The study was conducted within the framework of the research project The Role of Consumer Cooperation of the Russian Federation in New Economic Conditions, Including External Sanctions, approved by the Academic Council of RUC. According to the statement of work, the research was organised by employees of RUC regional branches, particularly as regards the selection of respondents in regions. Given the project's financial constraints, the research was organised as follows: a questionnaire was created using Google Forms, with the link disseminated according to the 'snowball' principle. Although we monitored

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daily whether the sample remained representative in terms of the quota targets, there was some deviation from the initially specified quotas, which is a limitation of the study. The results were processed using SPSS software.

Given the scale of the survey and the wide variety of tasks to be covered within the established character limit, this article will analyse respondents' answers to one of the questionnaire sections concerning popular attitudes toward cooperation, personal participation experience and primary expectations of joining a cooperative. The aim of the article was to assess the potential of consumer cooperation in the Kaliningrad region under new economic conditions and amidst anti-Russian sanctions pressure. In line with the research problem statement, this work seeks to describe the features of cooperation development characteristic of the sanctions-affected Kaliningrad region.

## Results

As the survey results demonstrate, more than half of respondents from the Kaliningrad region are familiar with the term 'cooperation' (52.4%). Another third (36.2%) report a basic familiarity with the term ('yes, I have heard of it, but I cannot give a detailed answer'). Only every tenth respondent (11.4%) is not acquainted with the concept. Region-specific data closely match responses from the nationwide sample, with variations within 1%. Responses from the residents of the Kaliningrad region differ from those received across the country as regards attitudes towards consumer cooperatives (Table 1). In particular, 17.7% of respondents have a negative attitude towards cooperative practices (7.4 percentage points above the nationwide figure). Nevertheless, respondents tend to have an overall positive attitude towards cooperative practices.

Table 1

**Distribution of responses to the question:  
'What is your attitude towards the practices of creating cooperatives?', %**

Response options	Residents of the Kaliningrad region	Nationwide
Neutral	2.7	26.9
Negative	17.7	10.3
Positive	48.2	54.5
No answer	6.4	8.3

The survey identified the deficit of interpersonal trust as a limitation to the development of cooperation as an economic activity. The overwhelming majority of respondents (67.8%) are apprehensive of the risk of fraud when creating cooperatives. Here, the regional results exceeded the nationwide average by 7.1 percentage points (60.7% across the country). Moreover, when answering the

question ‘If you do not participate in cooperation, then why not?’, residents of the Kaliningrad region express doubts about the economic efficiency of this form of economic activity, with 12.9 % choosing the option ‘it is not possible to earn well here’. Respondents also cite reasons such as a ‘low level of awareness’ (18.1 %) and ‘lack of interest’ (30.4 %).

The survey results also show that the region’s residents are more prone to participate in cooperatives than respondents nationwide. Every third Kaliningrader (31.4 %) answers affirmatively the question: ‘Do you or your acquaintances participate in consumer cooperatives’ (6.8 percentage points above the nationwide average). These results may be a consequence of the rapid development of cooperation in the Kaliningrad region. Despite its relatively short history, the region’s consumer cooperative system comprises as many as 174 retail enterprises, with more than half operating in rural areas, 22 machine shops and 24 catering establishments. The total performance of consumer cooperatives in the Kaliningrad region amounted to 2.2 billion roubles in 2021 and approximately 1.2 billion in the first half of 2022. Governmental support is provided within the framework of the programme “Development of Consumer Cooperation in the Kaliningrad Region until 2025 and with a Prospect Towards 2030”.<sup>1</sup>

The attention the regional authorities pay to cooperation development opens up bright new horizons for greater involvement of the populace in cooperative practices, whilst creating conditions for the stable operation of such associations. Remarkably, there is a correlation between cooperative experience and respondents’ attitudes towards the practices of cooperative creation (Table 2). The findings of this study suggest that amongst respondents with a personal or vicarious cooperation experience (the latter based on accounts from acquaintances), there is a significantly higher proportion of individuals taking a positive attitude towards cooperation (74.2 %, which is 26 percentage points above the national average).

Table 2

**Correlation between cooperation experiences  
and attitudes towards cooperative creation practice, %**

Participation experience	Attitude towards cooperative creation practices				Total
	Positive	Negative	Neutral	No answer	
Yes	74.2	15.2	9.3	1.3	100
No	38.1	21.3	35.6	5	100
No answer	33.6	14.8	36.7	14.9	100
Average values	48.2	17.7	27.7	6.4	100

<sup>1</sup> Consumer cooperation of the Kaliningrad region celebrated its 75th anniversary, 10.09.2022, *Website of the Government of the Kaliningrad region*, URL: <https://gov39.ru/press/316419/> (accessed 30.05.2023).

When considering the prospects of cooperative forms of economic activity, most respondents see cooperation as a catalyst to help them start their own business (57% amongst respondents in the Kaliningrad region and 55% on average across Russia). Respondents primarily exhibit economic rationality when formulating their expectations of joining a cooperative (Fig. 1). The top positions in the ‘expectations ranking’ are held by considerations such as ‘starting one’s own business’ and ‘obtaining a new source of income’. To a lesser extent, respondents have expectations associated with ‘joining forces with like-minded individuals’ or the altruistic motives of ‘supporting the domestic market amidst the sanctions’ or ‘providing consumers with high-quality products’. Yet, four out of ten residents of the Kaliningrad region expect joining a cooperative to offer the benefit of connecting with like-minded individuals.

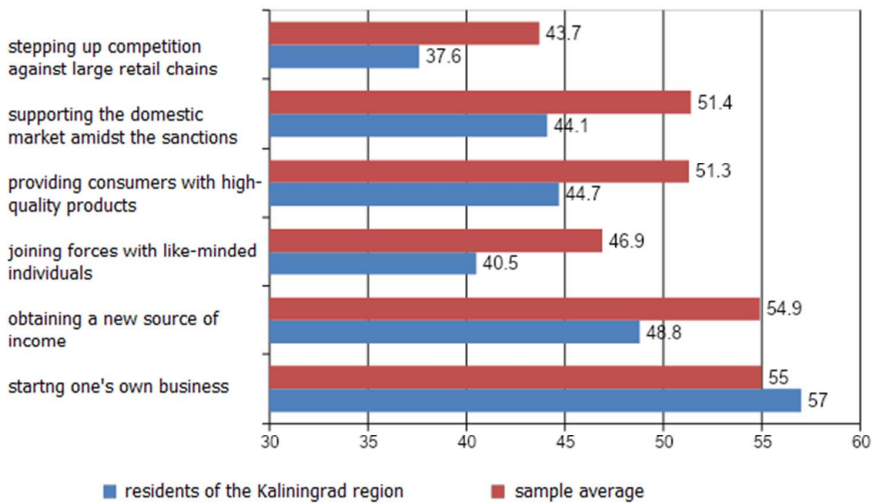


Fig 1. Distribution of responses to the question: ‘What do you personally expect from joining a cooperative or establishing one?’, %

The differences in responses received from residents of the Kaliningrad region and the national averages may be attributed to several factors. The region’s exclave status and heavy dependence on imports lead to economic crises manifesting in distinct ways. In particular, scholars note the region’s extremely high sensitivity to fluctuations in exchange rates, price increases, insufficient provision of goods across several categories, reduced consumption volume and shifts to cheaper and lower-quality products. Overall, the regional level of consumption is significantly below the nationwide figures [19]. These negative trends have probably redirected Kaliningraders’ focus towards pressing issues of sustenance, which are growing only more prominent amidst current challenges. For example, most of the region’s residents do not expect cooperation to involve joining forces



with like-minded individuals or setting up competition against large retail chains. Compared to food supply issues, these expectations seem to be less relevant. Additionally, against the backdrop of disrupted transboundary raw material links, the region's exclave position objectively limits the opportunities of economic entities, including cooperative members, as regards food supply to the territory [13].

More than half of the respondents (60.1 %) believe that cooperatives could replace foreign companies that left the Russian market in the wake of the economic sanctions (Fig. 2).

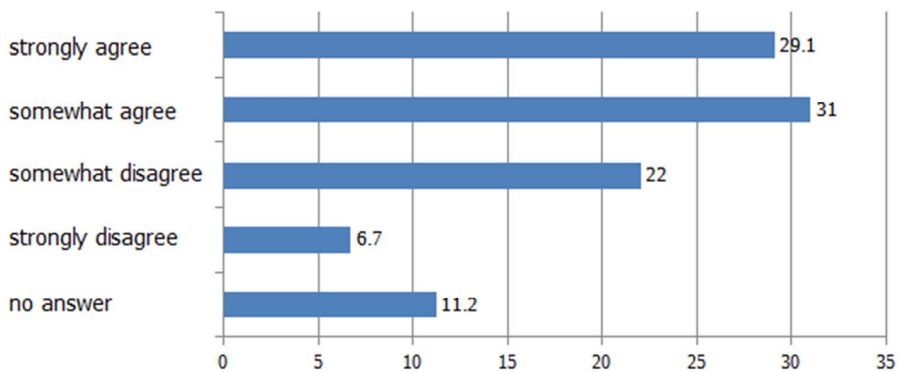


Fig 2. Distribution of responses to the question:

‘Do you agree that, under sanctions, consumer cooperatives can take the place of foreign companies that have left the Russian market?’, %

The results indicate a clear need amongst Kaliningraders to implement new mechanisms for modernising the economy and to find tools to maintain economic stability during periods of uncertainty.

Most respondents see the current situation as a time of new opportunities for developing consumer cooperatives (Table 3). In this respect, opinions expressed by Kaliningraders do not diverge markedly from the nationwide sample. The only difference is the slightly more optimistic tenor of responses received in the Baltic region (33.5 % chose ‘yes’, which is 5.3 percentage points higher than the national average). This variation may be attributed to the Kaliningrad region being particularly sensitive to the departure of foreign companies from the Russian market and its residents having a clearer understanding of the now available economic niches where new opportunities for cooperation are likely to open up. Additionally, regional studies have indicated that residents of the Kaliningrad region tend to have greater trust in the authorities amidst geopolitical tensions [20]. Therefore, it can be speculated that Kaliningraders have confidence in government support and, consequently, expect new opportunities for cooperation to emerge.

Table 3

**Distribution of responses to the question: ‘Do you agree that new opportunities have arisen for the development of consumer cooperatives?’**

Response options	Residents of the Kaliningrad region	National total
Strongly agree	33.5	28.2
Somewhat agree	38.0	40.3
Strongly disagree	5.0	5.2
Somewhat disagree	16.2	16.6
No answer	7.3	9.7

New cooperation opportunities opening up in the face of new challenges are mentioned by 71.5 % of residents in the Kaliningrad region (the combined total of ‘strongly agree’ and ‘somewhat agree’ responses). The areas prioritised for cooperative development in the region include food production and sales (77.3 %), agriculture (72.3 %), domestic services and repairs (70.1 %), and culture and tourism (68.4 %).

## **Discussion**

Approximately half of the respondents from Kaliningrad hold a positive view towards cooperation. Amidst the current geopolitical and economic crises, residents of the region pin their hopes on cooperation as a means to replace foreign manufacturers who have left the Russian market. The territorial isolation of the Kaliningrad region and its economic sensitivity to external influences [21] impose additional requirements as regards unlocking new drivers for growth and seeking tools to stimulate the entrepreneurial endeavours of the populace. According to scholars, cooperative economic models exhibit greater resilience during times of uncertainty, as they can swiftly adapt to adverse environmental factors, fostering dynamic socio-economic development in their respective regions [22]. In this article, we draw on empirical data to identify both traditional functions of cooperation in times of crisis and specific ones determined by the pressure of anti-Russian sanctions. The traditional functions include integration (joining forces with like-minded individuals), consumer market development (saturating the market with quality goods), support for the entrepreneurial activity of the population and improvement of living standards by creating new sources of additional income. The manifestation of a specific function is the firm conviction of Kaliningrad-ers that cooperation can facilitate the replacement of foreign manufacturers who have exited the Russian market.

Several distinctive features of cooperative development within the study area merit attention. Compared to the nationwide sample, respondents from the Kaliningrad region are more likely to have purely economic expectations when joining a cooperative (‘starting one’s own business’). Meanwhile, residents of the Ka-

liningrad region demonstrate a lack of interpersonal trust, expressing heightened concerns about encountering fraudsters (7.1 percentage points above the national average), while maintaining persistent stereotypes about the unprofitability of cooperative economic activities.

Our findings are partially corroborated by other studies, which link cooperative economic models to limitations in achieving significant financial success, generating higher incomes [23] and attracting investments [24]. Evidence obtained at the national level also reflects these trends, with various cooperative cases demonstrating a decrease in the enthusiasm of potential participants, with this change in sentiment associated with the disparity between one's financial investments and cooperative preferences, as well as with the perceived risk of bearing unlimited legal liabilities as cooperative members [25].

Despite the constraints and risks involved, engaging in cooperative activities is likely to be a relatively successful experience for residents of the region. Survey data indicate an increase in the proportion of respondents positively evaluating cooperative practices amongst those who have personally or indirectly (through acquaintances) participated in cooperatives.

As already noted, a deficit of interpersonal trust imposes a limitation on cooperation development. Respondents are also apprehensive of the risks of fraudulent actions by potential partners. As a form of economic activity, cooperation determines the prominent role of joint operations and the high intensity of interactions amongst its participants. In these conditions, trust has a considerable influence on transactions, acting as a guarantor of communication between economic agents [26]. Hence, regional support measures for cooperation should encompass financial and informational-educational components to foster trust and facilitate the dissemination of financial and legal literacy within society.

According to the survey results, residents of the Kaliningrad region note the emergence of new opportunities for cooperative development in the face of new challenges, which correlates with research accounts of positive adaptive strategies forming in response to crises. At the bifurcation point, economic agents can assume new roles or increase their activity to achieve the stability of their status [27–29]. Survey data from the Kaliningrad region indicate that, despite the unprecedented pressure of anti-Russian sanctions and the vulnerability of the exclave economy, residents view the current situation as offering new opportunities for cooperative development.

Despite the prevalence of economic rationality in the structure of respondents' expectations regarding joining a cooperative ('starting one's own business', 'obtaining a new source of income'), social motivation is also present in the responses of Kaliningraders. Notably, every fourth respondent mentioned expectations such as providing customers with quality goods or supporting the domestic market in the face of sanctions. Equally significant for residents of Kaliningrad

(40.5 %) and Russians overall (46.9 %) is connecting with like-minded individuals as a factor in cooperative activities. These results highlight long-standing traditions of mutual support and solidarity within our nation, serving as the bedrock for constructing and advancing cooperative endeavours [30]. Orientation towards shared goals, unity and communal spirit form the basis of traditional Russian values [31; 61], shaping demand for fairness and coordinated actions in economic activities. These socio-cultural notions represent the fundamental principles of cooperation, implying, first and foremost, fair wages, collective ownership, shared leadership and employee participation in profit distribution [32].

As noted above, most respondents are convinced that new opportunities for the development of cooperation are emerging today. On the one hand, this belief may stem from the need to reduce the vulnerability of the exclave economy and eliminate the geo-economic risks posed by the region's geographical position [33]. On the other hand, new opportunities for cooperation development in the face of global challenges are recognised not only by Russian researchers but also by international scholars, who note an increase in the number of economic crisis phenomena, growing social inequality and the inadequacy of existing business models focused on short-term gains [34].

The research conducted made it possible to solve the problem formulated at the beginning of this study: several features of cooperation development specific to the Kaliningrad region were identified. Our contribution to solving the research problem also included evaluating the potential of consumer cooperation in the region given the new challenges. We also described the economic expectations of residents of the exclave regarding involvement in cooperative forms of economic activity, along with their relevant experiences.

## **Conclusion**

The findings indicate the emergence of conditions for a renaissance of cooperative business models in the Kaliningrad region. Firstly, the support of regional authorities ensures the dynamic growth of cooperatives within the territory and the stability of their financial performance. Secondly, empirical data show a predominance of positive assessments of cooperation amongst the region's residents. Thirdly, there is a pattern specific to the Kaliningrad region: personal or vicarious experience in cooperative activities has become a factor responsible for positive attitudes towards cooperation.

Moreover, the results indicate the success of the cooperative business models currently implemented in the Kaliningrad region, whose residents perceive current economic challenges as a driver for cooperation development. In the structure of respondents' expectations of joining a cooperative, economic rationality prevails, along with a desire to start one's own business and generate greater

income. Another incentive for Kaliningraders is the desire to provide customers with quality goods and support the domestic market amidst sanctions. For Russians in general and the region's residents, a considerable advantage of cooperative business models is the opportunity to join forces with like-minded individuals. In our view, the 'cooperative expectations' of the populace are well in line with the historically rooted national traditions of mutual assistance and solidarity. Cooperation, which incorporates elements of rational management and principles of fairness, unity and collective efforts, most closely meets the new challenges of the time whilst aligning with traditional Russian values and the national cultural code. Therefore, from our perspective, cooperation can be regarded as a potential alternative form of economic engagement for the populace, effectively occupying the vacant market niches resulting from shrinkage in international commodity supplies.

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