Coping with Complexity in the Euro-Atlantic Community and Beyond

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Coping with Complexity in the Euro-Atlantic Community and Beyond:
Rīga Conference Papers 2016

This Riga Conference companion volume offers reflections on the complex developments and future of the broader Trans-Atlantic area. It focuses on four key themes: security in the Euro-Atlantic community and beyond, Russia-West relations, European order and economic sustainability, and the neighbourhood countries and beyond.

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The Latvian Institute of International Affairs and partners are pleased to offer you this volume with reflections on the future of the broader Trans-Atlantic area. We discuss current complexities as well as the search for a new order (or orders). Institutional challenges, economic recovery, migration flows, the need to secure our states and societies, relations with the neighbours and partners beyond the neighbourhood – all paint a very complex picture. There are no easy solutions. The authors in this volume all contribute their own perspectives on how we should move forward in this uncertain landscape. We hope you enjoy reading it.

Andris Sprūds,

Director, Latvian Institute of International Affairs

Security in the Euro-Atlantic Community and Beyond

West-Russia Relations

European Order and Economic Sustainability

Neighbours and Beyond

DEAR PARTICIPANTS OF THE RIGA CONFERENCE 2016!

Edgars Rinkēvičs

Minister of Foreign Affairs of the Republic of Latvia

The Riga Conference 2016 brings together regional and international experts in foreign and security policy, economics and defence. It is an excellent meeting place for policy shapers and practitioners, academics, journalists, businessmen and members of civil society, for all those who want to share their perspectives on issues related to the Trans-Atlantic community.

The Conference was first convened in 2006. I am proud that the tradition in organising the event has stood the test of time. Over more than a decade it has evolved into a highly regarded annual platform for debates on regional security and emerging threats.

The first Riga Conference was held five years after the tragic events of 11th September in New York City and Washington. Resolved to show its solidarity and commitment towards ever deeper cooperation in defence and security, Latvia then made the decision to join an international coalition – the International Security Assistance Force in Afghanistan. Now, ten years later, Latvia is part of the global alliance set to counter and destroy ISIL/Daesh, whose footprints are seen in the NATO area, sparking off a refugee and migrant crisis and spreading the evil of terrorism.

Increasingly often, the international rules-based order is being put to the test. Challenges to the European security structure, including Russia's adventurous foreign policy, the advance of terrorism, growing religious radicalisation, irregular migration, the events unfolding in the East and South of Europe, populism – all this calls for deeper cooperation between the Trans-Atlantic partners. The EU-NATO cooperation in security and defence is of strategic importance. At this point, one should also be reminded

of the results of the 23rd June referendum in the United Kingdom. Against the backdrop of the manifold challenges Europe is facing, this factor is indeed raising questions for the future prospects of the European order.

Latvia – which was among the first in Europe to face the consequences of the global financial end economic downturn – has emerged from the crisis and has now become the 35th member of the Organisation for Economic Cooperation and Development (OECD). Latvia has also pledged a commitment to bolster its own security and raise its defence spending to 2% of GDP by 2018.

Latvia welcomes the decision of the Warsaw Summit to further strengthen the NATO defence and deterrence capabilities through an enhanced forward presence of the allied forces in the Baltic Sea region, including Latvia. NATO's readiness to further expand cooperation with its close neighbours, Sweden and Finland, is also a vital facet in this security partnership.

Our joint mission is to pull the Trans-Atlantic efforts together in order to avert a downgrade of the global security, economic and financial environment. By doing so we shall safeguard historical partnerships and ward off any potential new crises. As history proves, it is much harder to recover from them than to address the growing frustration and problems in times of need. In their actions, governments and politicians should be guided by a shared goal of leading their people to wellbeing and prosperity through meaningful engagement with the private sector and civil society.

Dear readers! This is the annual edition of the Rīga Conference Papers – the conference proceedings provided to you under the lead of the Latvian Institute of International Affairs chaired by Professor Andris Sprūds. I wish you thought-provoking reading and hope to see you in Latvia again next year. Riga welcomes you!

PREFACE

Vaira Vīķe-Freiberga

President of the Republic of Latvia (1999-2007)

President, World Leadership Alliance / Club de Madrid

The first Riga Conference was organized in connection with the NATO Riga Summit of 2006, an event that sent a strong symbolic message about Latvia and its two Baltic neighbours having truly become an integral part of the NATO common security space. In the ten years since then, the Riga Conferences have become an established tradition and the Conference papers linked to them have earned a solid reputation for timeliness, pertinence and expertise, covering a broad range of topics about the present state and future prospects of Europe.

Compared to the challenges facing Europe at the end of 2016, the concerns of ten years ago seem to pale in comparison, imbued as they were with a boundless sense of optimism and self-congratulation about what had been achieved, first, after the end of World War II and then, dramatically, after the collapse of the Soviet Union and the emancipation of Central and Eastern European satellite countries. Naïve as this complacency may seem in retrospect, the pride of what had been achieved on the European continent was entirely legitimate. It was an edifice that had been built up slowly, gradually and carefully over a period of decades. It looked like a house built on rock that inspired trust and confidence in its solidity and perpetuity. Compared to the bloodied shambles of the Europe I witnessed as a refugee child, the Europe of 2006 was definitely a dream come true.

A mere ten years have passed, but a great deal has happened in the world since then, with unexpected impacts on Europe that have led to one serious crisis after another. There is no need to repeat here the litany of ills that have beset us. The slings and arrows of outrageous Fortune have hit the continent from every

cardinal point of the compass, and sources of anxious uncertainly now even come from West, both continental and transatlantic, which for so long had been such a haven of prosperity, stability, security and solidarity.

Only in fairy-tales does one live happily ever after. In real life there are always trials and tribulations. The answer to them is neither an ostrich-like refusal to acknowledge danger when it stares you in the face, nor a clownish bravado that claims to tackle wind-mills single-handedly and certainly not self-isolation, paranoia or violence. The answer only needs hard thinking and hard work, as it has always done.

It is easy to bemoan the state of the world, not so easy to understand it and even less easy to suggest paths that could lead us forward. The Rīga Conference Papers 2016 have taken up the challenge and offer the considered reflections of more than 20 prominent experts in security, economics, energy and other fields of importance. May you find them stimulating and inspiring reading!

Security in the Euro-Atlantic Community and Beyond

THE EU AND NATO: THE BEGINNING OF A NEW RELATIONSHIP?

Andrés Ortega

They have both been living in Brussels since 1966, not far apart, but with their backs to each other, as though they were "on different planets", as the President of the European Council, Donald Tusk, put it recently. The latest crises and threats, their complementary nature, in a world in which nothing is entirely resolved by military might alone, even though force continues to be necessary in some circumstances, and the psycho-political impact of the Brexit referendum, seem to have persuaded the leaders at the NATO summit, in Warsaw last July, and the EU27 leaders in Bratislava on September 16th, that the EU and the Atlantic Alliance should finally move together and make headway towards closer cooperation. It has not been easy to get there. Nor will it be easy in the future to put this relationship into practice.

But maybe new winds in the EU and in the US could help to push this forward. Especially if the EU, without Britain, is given a new push for a common security and defence policy, as pointed to at the Bratislava informal summit, in the absence of Britain, even if it is only among those that will and are able to. Several factors play towards this: the "pivot" of US security to Asia, in spite of new Russian misbehaviour in Europe that does not necessarily mean a Cold War, the search for a "strategic autonomy" by the Europeans, helped by a new German approach and the need to give a partial answer to the worries of the citizens from an EU in a crisis of definition or common project, when there is no real agreement on other paths. The Brexit referendum, that faces difficult negotiations between Brussels and London, has put the

rest of the EU in front of a mirror to reflect on which direction they wish to head. And security is an issue that is less controversial, and responds to the fears of many citizens in Europe, after the string of jihadist terrorist attacks, and the perceived need of better control of the external frontiers of the EU.

In any case, it is truer than ever that "our security is interconnected", as stated by Jens Stoltenberg, the Norwegian head of NATO. The new risks and threats do not respect boundaries between countries, let alone between organisations. The Warsaw Agreement[1] between the Presidents of the European Council, the Commission and the Secretary General of NATO establishing a "strategic partnership" in security and defence, seeks to address hybrid threats: the combination of propaganda and irregular forces, as seen in the Russian annexation of Crimea and in eastern Ukraine, in a joint manner. The informal summit[2] of Bratislava has urged to put this agreement into practice immediately. In 2017 and 2018 the two organisations will, for the first time, carry out parallel and coordinated exercises that will include hybrid operations, as well as cooperating on intelligence, forecasting and cyber security. The latter, in the shape of the US (and other countries) that has a new Cyber Command structure at the same level as the classical ones (land, air and sea), is becoming a domain in itself for NATO, given the present and future importance of controlling and defending all methods of communication, including the Internet, a military project in its origin and today essential for everything, including military operations and threat deterrence in general.

EU GLOBAL STRATEGY

The NATO-EU rapprochement is a step towards, a civil union, rather than a marriage, between the Alliance and the Union that should be viewed in the context of Federica Mogherini's Global Strategy for the European Union's foreign and security policy: "Shared Vision, Common Action: A Stronger Europe".[3] This

rapprochement is also shown by the fact that the President of Finland and the Prime Minister of Sweden, both Member States of the EU but not of NATO, took part in the Warsaw meeting and representatives of both organisations participate in each other's meetings. Another fact is that both NATO and the EU are taking an increasing global role, but are still caught up with regional problems in their own neighbourhoods.

"We will keep deepening the Trans-Atlantic bond and our partnership with NATO, while also connecting to new players and exploring new formats", says Mogherini's text, adding that, "when it comes to collective defence, NATO remains the primary framework for most Member States. At the same time, EU-NATO relations shall not prejudice the security and defence policy of those members which are not in NATO. The EU will, therefore, deepen its cooperation with the North Atlantic Alliance in complementarity, synergy, and with full respect for the institutional framework, inclusiveness and decision-making autonomy of the two institutions".

However, Brexit and recent events in Turkey could also complicate the cooperation between NATO and the EU, as Britain pushes for an even more central role for the Alliance, while the US pushes for a greater European effort within NATO and the EU. From outside, its dispute over Cyprus – an issue that was in the process of being resolved in the right direction, at least before the attempted coup, in which case Turkey could favour deeper cooperation between the EU and NATO – makes Ankara reluctant towards this cooperation, and the evolution of Erdogan's regime, and its relationship with the European Union remains to be seen after the cool reaction of the EU and the US towards the attempted coup. Austria, Ireland, Cyprus and Malta, plus Sweden and Finland – with the last two being much more cooperative towards NATO – are officially or unofficially neutral countries, a situation that makes this coupling more difficult. But, for example, Ireland, following Brexit, may find itself in a new position in the EU.

NATO is undoubtedly vastly superior in terms of its capacity for

military planning and the forces at its disposal, although in this field the EU should now be able to make progress as the British have blocked any real progress in the past. As Mogherini herself says in the introduction, her Strategy is now even more necessary with the prospect of a Brexit that would leave the strength, credibility, size (if the British leave, the EU will no longer have 500 million inhabitants, but less than 450 million), military and diplomatic capabilities to the EU. The UK is, along with France, the strongest military power in the Union, although the British have hardly participated in any military missions of the EU in the last decade, except recently in the Western Mediterranean, and have slowed its military institutional development, particularly when Catherine Ashton was the High Representative. And although the EU is often described as a "civilian power" – Parag Khanna called it a "metrosexual superpower" – there is no real soft power without hard power. Both "go hand in hand", as Mogherini writes, which is reminiscent of Prussian Frederick the Great's quote: "diplomacy without arms is like music without instruments".

In spite of some of NATO's efforts, the EU is much more capable in terms of civilian security and the combined civilian and military approach, although the role played by the EU in this respect in Afghanistan has passed by largely unnoticed. In the Indian Ocean, off the coast of Somalia, there have been two parallel operations against piracy, one led by NATO (Operation Ocean Shield), and the other by the EU (Atalanta), both successfully ensuring the safe passage of maritime shipping, although if the cooperation between the two organisations had been fully operational, one of them could have been abolished. It has to be said that both operations were open to participation by non-members.

This European Strategy is realistic, halfway between isolationism and interventionism, as some commentators have described it[4], and does not hide that it is defending "interests": a taboo until recently in a soft EU, and "values." Gone is the former daydream that, "the best protection for our security is a world of well-governed democratic states", that the 2003 EU Strategy stated,

not because this is not true, but because the ability to export democracy by the EU has lost its strength and credibility, in the first instance with the problems of democracy in some of its Member States, for being seen to have supported a coup such as General Sisi's in Egypt, and the chaos generated in Libya.

The well-written and suggestive Global Strategy sets out five priorities: (1) the security of the EU itself; (2) the neighbourhood; (3) how to deal with war and crises; (4) stable regional orders worldwide; and (5) effective global governance.

More than the content itself, the importance of developing a strategy with these characteristics is threefold: first, the actual process, because it allows an exchange and convergence of cultures and sensitivities on security concerns among different countries. Secondly, it expresses a vision that can nurture other more concrete sub-strategies. And, thirdly, the transformation into actual institutional changes or incentives is significant. In this regard, this global strategy represents some progress, for example, in the military industry and joint purchasing (the target is 35% of the total), in intelligence, surveillance and reconnaissance, or in giving impetus to European instruments for military planning which is incomparably more limited than NATO's own.

In Bratislava, the EU27 leaders asked for the December European Council (in which Britain will participate, as a full member of the EU) "to decide on a concrete implementation plan on security and defence and on how to make better use of the options in the Treaties, especially as regards capabilities".

EAST AND SOUTH

There is another important aspect in the Strategy: the call for what it calls "cooperative regional orders", "complex webs of power, interaction and identity", that represent "critical spaces of governance in a decentred world", by both "states and peoples", to cooperate as regions to "project influence in world affairs". As

Anne-Marie Slaughter[5] writes, it is a flexible way forward for the EU that makes sense in a world in which regional orders will be more important.

As regional orders are dealt with, the strategy impinges insufficiently on the neighbourhood policy, which is absolutely necessary to renew, because the old one has not produced enough results, as reflected in the crisis of the refugees.

The "arc of insecurity and instability along NATO's periphery and beyond" that is referred to in the Warsaw Summit's extremely lengthy (30-page) final communiqué is real. In fact, the European allies have to face three main vectors of risks and threats: from the North of Africa and beyond to the South, from the Middle East and from the more traditional East that is Russia, added to which are the worrying developments in the Balkans.

Seen as a "strategic challenge", the EU Strategy gives a warning to Russia, but it amounts to no more than a slap on the wrist. And for some EU Member States that feel threatened, this means relying more on NATO than on the Union on such hard security issues. NATO, in the meantime, looks to Russia with its new military deployments, limited and dissuasive rather than effective, in Poland and the Baltic States. The divisions in the EU regarding sanctions against Moscow may resurface, however, when they come up for review and renewal in a few months' time, the renewal this time will not be automatic. But there has been real solidarity in NATO with the Allied air policing mission in Estonia and the decision to base four battalions on a rotating basis in Poland and the Baltics.

The other theatre NATO has set its sights on is the East, from where part of Jihadist terrorism currently emanates; in response to which, whether it was Ankara, Paris, Brussels or Nice, none of the Member States that have suffered terrorist attacks have wanted to invoke Article 5 of NATO (or the equivalent in the EU) concerning strategy solidarity and collective defence, as was seen after the 9/11 attacks against the US.

NATO is set to launch a new operation to control the stream

of migrants fleeing the chaos into which Libya has descended (where both NATO and the EU share some of the burden of responsibility), and may complement the European Border and Coast Guard that the EU is setting up to replace Frontex, similarly operating on both land and at sea. It responds, thus, to some of the concerns of some EU Member States. But the effort that the EU is putting into defending its own interests is weak.

NATO looks far less towards the third theatre, the rest of North Africa and sub-Saharan Africa, particularly the Sahel, the origin of some threats and risks. This is not for the want of trying on Spain's part, for example, but because France has blocked it: they are its former colonies and it does not want the Alliance to interfere, although Paris cooperates with the EU and bilaterally with the US. The latter, as Félix Arteaga[6] has rightly pointed out, prefers to give priority to its African command (AFRICOM) in this regard. And in this regard, the Morón military base in Spain plays a significant role for the US, rather than for NATO.

MILITARY CAPABILITIES

One problem for the Europeans, whether in NATO or in the EU, is their military capabilities. Although military spending has stopped decreasing after years of economic crisis, and 16 NATO members increased their budgets last year, as reflected in a report by the Centre for European Reform (CER),[7] the combat readiness of many European countries' armed forces leaves much to be desired, especially in comparison with the US. In 2014, for instance, a parliamentary report in Germany acknowledged that almost half their combat aircraft were not operational. The same applies to other countries. But little good will it do the EU's "strategic autonomy" being promoted by Mogherini: in other words the ability to act without NATO or the US, if the Europeans simply spend more without spending more wisely. As the CER report claims, "money can't buy you solidarity".

FRANCE AND GERMANY TAKE THE LEAD

Desire is certainly growing in some governments in the EU for greater military or "strategic autonomy", but it is also becoming more focused on the Atlantic and cooperation with NATO: in other words, with the US.

France's President, François Hollande, under the shock of terrorist attacks and other challenges, is behind a new thrust in security and defence, at least in the form of "structured cooperation" between those who want to and can. Together with German Chancellor, Angela Merkel, they pushed for it at the informal Bratislava summit of the EU27 leaders on 16th September, with some concrete proposals that coincide to a large part with the position of Jean Claude Juncker, the Commission's President, in his State of the Union address[8] when he mentioned that, "we should work to a common military force", and "we will work together with NATO". He proposed to decide by the end of the year on a "European defence fund".

All of them have stopped talking about the aim of a "European Army" that Juncker favoured a year ago. France and Germany want to concentrate on specifics: permanent military EU headquarters with a real planning capacity for military and civilian missions, reinforcement or the use of the EU Battle Groups that have never gone into action, and more capabilities for intelligence at sea, that could mean, ships, drones and other means under European, rather than just national, control, with common investments for military hardware. Spain is supportive of this, without undermining NATO or its bilateral relations with the US.

These issues should be discussed in the period leading up to December's formal European Summit where a decision on "structured cooperation" (i.e. among those willing and able) may be taken.

It is very significant that Germany is taking a much more active role, even a leading role, in calling for more joint European military

initiatives, and even asking to go from the present Common Security and Defence Policy to a real European Security and Defence Union. It is raising its defence expenditures and number of forces by a modest, but significant, 7,000 (it had 585,000 troops in 1990 during reunification and 177,000 at present). Its White Paper on "German Security Policy and the Future of the Bundeswehr", [9] its first strategic review in a decade, follows this line, although also underlining that "NATO's European pillar is growing in significance", and that "the European Member States are called upon to assume greater responsibility, also in terms of a more balanced form of burden sharing. Germany in particular has taken on a special responsibility in this regard".

It reminds that Germany introduced the Framework Nations Concept into NATO that "requires European NATO members to pool their capabilities to form multinational capability clusters in a structured and binding approach, and also to arrange themselves into larger units. The German Government is committed to increasing the relevance and visibility of European capabilities within NATO".

But, as mentioned, the European Battle Groups, in the EU, to which 1,500 troops are assigned, have not been successful, useful, or even usable, nor has the Franco-German brigade created in 1989 and based in Mülheim, that could be used in NATO as in an EU framework, ever taken part in a mission, although part of the European Corp (based in Strasbourg) to which it belongs has indeed taken part in several missions from Kosovo to Afghanistan.

In the French line, the German paper states that "one way to make progress towards more reliable cooperation among those who see the need for a permanent structured cooperation in the defence sector, is provided for in the Treaty of Lisbon (Articles 42-6 and 46 of TEU). This objective", it adds, "does not conflict with NATO – on the contrary, it strengthens NATO's European pillar", a term that is returning although it does not reflect reality, "and reaffirms Europe's willingness to permanently and reliably assume its share of responsibility", say the Germans. To fulfil these aims, "it will be necessary to develop three areas of

CSDP, particularly in terms of actual usability, added value, and effect, namely the enhancement of its structures, the integration of civilian and military capabilities and the strengthening of the European defence industry".

CONCLUSION

Although things are moving, there is still some distance from the talk to the walk. Some countries in Europe still prefer to trust NATO and the US in this field, than the EU. Progress in this field also depends on what happens in the next elections in the US, and in Europe, in particular in France and Germany. But for now issues that could get the support of the public opinion are being reflected upon. In all this, relations with Britain and the US will still be crucial, meaning that the common defence and security policy in the EU must grow, together with much closer and more practical relations with NATO. To achieve this, leaders should overcome the tendency to talk only of NATO when meeting in that framework, and of the EU in the European Summits. Warsaw and Bratislava have been starting points for the EU to take its own defence more seriously, which means being more able, with better capabilities, headquarters and planning capacity, and also with a closer and working relationship with NATO.

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NATO'S EASTERN FLANK AFTER THE WARSAW SUMMIT – CURRENT STATE AND SELECTED CHALLENGES[1]

Adam Kowalczyk

The security architecture, geopolitical and geostrategic circumstances for European countries have changed dramatically in the last three years. The period of „geopolitical pause" or „peace dividend" has finished and it seems that, in the nearest future, there will be no window of opportunity for returning to the previous state[2]. The most important factors that have created this new situation are, the illegal annexation of Crimea, the Russian invasion of Donbas, the militarisation of Russia's foreign policy, the number of crises inside the European Union, as well as the migration crisis and destabilisation of the Middle East affecting the most significant EU Member States.

In this context, many experts allege that the last North Atlantic Treaty Organisation Summit, which took place in Warsaw in July 2016, was one of the most significant events for European security after „9/11", maybe even after the Revolutions of 1989 and the collapse of the Soviet Union in 1991. There is no doubt that, from the perspective of NATO's Eastern Flank countries, it was the most crucial event for their defence and security since their countries' accession to NATO and the EU. However, the results and conclusions of the Summit have an impact, not only on NATO's Eastern Flank, but also on the overall condition of NATO and its future.

In the first part of this article a brief view is presented on the process of modernisation of the Russian Armed forces in recent

years, in order to demonstrate the scale of potential threats caused by the Kremlin for the European security architecture, specifically for NATO's Eastern countries. The second part is dedicated to portraying the most significant decisions for NATO's Eastern Flank members that were determined at the last NATO Warsaw Summit. In the third subsection, the most demanding challenges that NATO faces in terms of its Eastern part are portrayed. The article concludes with a summary.

THE CURRENT RUSSIAN MILITARY POTENTIAL – A GENERAL OVERVIEW

The Russian Federation and its current and future potential military capabilities and political plans remain the main concern of Poland and other Eastern Flank members, particularly after Russia's stance and military engagement in Ukraine since 2013. The Russian Armed Forces have been completely transformed and reformed in the last seven years, on a scale not seen in Europe since 1989.[3] The direct reason for these actions was the stance and limited effectiveness of the Russian Armed Forces during its invasion of Georgia, in 2008. Owing to this, currently, the Russian Armed Forces are capable of conducting rapid, effective and modern combat operations in any post-Soviet country.[4] However, this is not a worst-case scenario for NATO countries. Some opinions claim that, in 2016 the Russian Federation has at its disposal (without mobilising its reserves) enough active troops to mount even three simultaneous military operations – also in terms of NATO's Eastern Flank countries.[5] When the military potential of Russia is compared to the forces of all ex-Soviet republics combined, Moscow has unequivocal dominance.[6] Unfortunately, a similar ratio can be observed when the Russian military is compared to those of NATO's Eastern Flank as well as the South-eastern Flank countries (excluding Turkey). The main threats, with regard to Russian military potential, are also linked to the enhancement and modernisation of other dimensions of the

Russian Armed Forces. The following are the most significant:

- replacement of old, post-Soviet equipment (gradually eliminating the advantage of Western military technologies),

- gaining concrete capabilities regarding the conduct of precise medium and long-range strikes using new types of armaments and munitions (vide conflict in Syria);

- the increasing quality and frequency of battalion training;

- the modernisation of outdated and inadequate structures on modern battlefields;

- military professionalisation process;

- the use of new elements of operational tactics and planning adapted to the present-day battlefields; and

- increasing and enhancing the level of combat readiness.[7]

What else should the Western community be concerned about, especially NATO's Eastern Flank countries, regarding the modernisation process of the Russian Armed Forces? Another element is the growing disproportion in nuclear capabilities at tactical level between the Alliance and the Russian Federation, as well as the destructive Russian stance concerning international regimes related to the use, development and possession of weapons of mass destruction (i.e. INF Treaty). It is worth noting that, according to actual Russian strategic documents, there is quite a low threshold for using nuclear weapons, without excluding a nuclear response to a conventional conflict, which would be recognised as a threat for national Russian interests which, of course, also means using nuclear potential as a "first-use" doctrine. Some experts claim that this is probably a consequence of fear, that conventional Russian capacities could be insufficient to win in a traditional type of conflict with NATO.[8] On the other hand, the nuclear threat also serves as a crucial element of information warfare as the „de-escalation by escalation concept",[9] which is taken into consideration by Western analysts and experts, however, its existence is not confirmed in any Russian official strategic documents. Increasing Russian nuclear potential is a clear signal for NATO and EU countries not to escalate and worsen already tight tensions with regard to relations with the

Kremlin, especially in case of conflict with one of NATO's Eastern countries' members.

To conclude, unfortunately, it seems that the aforementioned elements cannot be excluded as a sign of a forthcoming military conflict, especially taking into account other substantial non-military factors, such as the worsening state of the Russian economy and public finances. The range, effectiveness and pace of modernisation of the Russian Armed Forces in the last few years are undoubtedly a real shock for most Western politicians, strategists and experts. The NATO members have missed these reforms and it is difficult not to get the impression that, without the Russian aggression on Ukraine, NATO would still underestimate the described dynamics in the Russian Armed Forces. Serious opinions have even been voiced that the military dynamics in the Russian Federation have reached a critical point and the spiral of militarisation can no longer be stopped.[10]

NATO'S WARSAW SUMMIT – THE MAIN CONCLUSIONS FOR THE EASTERN FLANK

The deeply changing security environment in Eastern and Central Europe, caused mainly by the increasing assertiveness and militarisation of the Russian foreign and security policy, had an enormous impact on the final results of the last NATO Summit in Warsaw. The most important decision for NATO's Eastern Flank countries in the area of hard security and strategic and military aspects is the establishment of the rotational and permanent Enhanced Forward Presence from the first half of 2017. This formula allows the strengthening of Poland and the Baltic States without undermining the Founding Act on Mutual Relations, Cooperation and Security between NATO and the Russian Federation, signed in 1997 in Paris.[11] In practice, it means the establishment of four NATO battalion combat groups (tactical formations which will be bigger and better equipped than „traditional" battalions, i.e. with armoured personnel carriers and consequently, they will be able

to conduct military operations separately[12]) in Poland, Lithuania, Latvia and Estonia. The framework nations that are responsible for forming them are the US, Germany, Canada and Great Britain. From the perspective of strategic NATO deterrence one should note that these groups (BCG) will also be composed of smaller military units, like companies from Romania, Norway, Denmark or the Visegrad States. Consequently, in case of any military conflict all NATO members engaged in establishing an Enhanced Forward Presence on the Eastern Flank will be in practice automatically engaged in defending Poland or the Baltic States.

The second core of Enhanced Forward Presence will deploy a US heavy brigade combat team in Central European NATO members (with heavy equipment such as Abrams tanks, Bradley infantry fighting vehicles and Paladin howitzers), which will be the American contribution towards regional security as part of the European Reassurance Initiative. Commands both of BCG's as well as the US brigade are anticipated to be located in Poland, which also has symbolic meaning and emphasises the positive Polish role as a specific hub in building the overall defence capacities of NATO and capabilities in the CEE region.

Another significant element of strengthening NATO's Eastern Flank will also be the deployment of Army Prepositioned Stocks (APS) in the region, with additional munitions, weaponry, fuel and other equipment. They are remarkably relevant in the context of increasing Russian military capabilities entering into the Russian Anti-Access/ Area Denial strategy (A2/AD). One should be aware that they would probably preclude fast and effective reinforcements (by air, sea or land) of the Baltic States and Poland in case of any serious military conflict.

In light of unofficial information that is, so far, available in the public domain, one cannot indicate the locations of the NATO BCG and US heavy brigade combat teams as well as additional APS's. Taking into account the geographical and geostrategic determinants, it is possible to locate the „Polish" Battalion Combat Group in North-East Poland, near the so-called Suwałki Gap. This part of Poland is fundamentally important from a military point of view as the only

region that allows land reinforcements from Poland to the Baltic States in case of any potential conflict between the Baltic States and Russia. When it comes to the location of the US brigade, speculation has been made about it being located in Western Poland.

From the Baltic perspective, the signing of a common NATO and EU statement which was discussed for months before the Warsaw Summit is seen as an essential act, and, what is unofficially admitted, has some complications related to problems with delimitation of concrete responsibilities and tasks between both organisations. This so-called playbook is a set of recommendations, instruments, tools and procedures useful for NATO-EU cooperation in case of non-conventional threats, especially linked to "hybrid warfare" challenges (combining for instance military pressure, cyberattacks, the targeting of critical infrastructure and aggressive disinformation – a threat to the sovereignty for the particular country). These types of threats, especially in the context of the illegal annexation of Crimea and Russian invasion of Donbas, are among the biggest concerns for the Baltic States.

When it comes to the nuclear domain, the Warsaw Summit was a signal that the Alliance is ready and determined to face nuclear-type challenges with its roots mainly in Russia. It is worth noting that this area of NATO activity, since the early days of this organisation was a very delicate matter for some of its countries. It was noticeable, especially in recent years, when one group of countries opted for enhancing NATO's nuclear deterrence level whereas another group supported various nuclear disarmament initiatives. Therefore, putting this aspect on the Summit agenda and including in the final statement a message that NATO would be ready to use its nuclear arsenal in case of any fundamental threat to the national security of any one of NATO's countries is a great and valuable step forward compared to previous NATO Summits.[13]

To sum up, declarations and decisions that were made in Warsaw change the character of NATO's engagement on the Eastern Flank. They start to break into a unique division for first and second category NATO members (in terms of ensuring the equal security level for all countries) which is based on privileged relations between Russia

and "old" NATO states to the exclusion of "new" members from the CEE region. Moreover, these conclusions increase the level and credibility of NATO's deterrence. Nevertheless, one must remember that it was only a step in the process of (re)building NATO's real military capabilities in the context of new but "traditional" threats and challenges. At this stage there exists an urgent need to integrate critical and effective implementation decisions into concrete defence planning processes. This is a sine qua non condition for fruitful adaption in the new security environment in the CEE.

NATO EASTERN FLANK SELECTED CHALLENGES – WHAT SHOULD BE DONE?

A strategic need exists to create a NATO Strategic Concept (the previous one was presented in Lisbon in 2010). Many key points from this document do not fit into the current security reality. A new version should not only present another, more realistic vision of the future of the NATO-Russia relations and the real role of the Kremlin in creating instability worldwide, but also redefine and reconceptualise other fundamental aspects i.e. the meaning of Article 4 and Article 5 in the context of new types of threats and challenges including cyber, energy security or other elements of "hybrid warfare". Updating NATO's Strategic Concept ought to assure all members of the Alliance that returning to the "business as usual" relations with Moscow is impossible without a deep and constant change of stance in Russia's foreign and security policy. It has to be clearly stated that creating any new international regimes and security institutions in Europe with Moscow will not be tolerated. Last but not least, NATO's community should find a proper and comprehensive balance between the 3 current cores of this organisation: collective defence, collective security and crisis management. From the Eastern Flank perspective putting greater emphasis on the first element is understandable. Nonetheless, focusing on crisis management (which, under current circumstances, is obvious for Southern NATO Flank states) and a broader "Southern

Strategy" which will fit to the "360 degrees" concept is natural. Unfortunately, finding a long-term compromise in this area can be quite a complex process within all NATO members.

The other crucial question is how to counteract Russian A2/AD doctrine both at technological and political and strategic level. At the present time, the Russian Armed Forces organise very concrete military measures, including radar systems, combat aircrafts and missile launchers (S-300 and S-400) that are able to make any land, air and sea reinforcement for Eastern NATO members impossible (for instance operating in A2/AD "bubbles" by tactical military transport aircraft would be, with high probability, stopped by shooting them down). By all means, NATO is not completely powerless in this aspect. For instance, a proper response can be mixing and deploying various types of armament and military infrastructure in the Eastern Flank countries (especially air and missile defence measures, as well as ground-based systems that would be able to conduct precision, medium and long-range strikes in the Baltic region). Another substantial factor in this context is gaining efficient and stable enhanced situational awareness in this region, which is required to assist all other NATO's military measures in order to conduct effective defensive and offensive military operations.[14] One cannot forget about relatively uncomplicated tools such as high mobility and adequate military camouflage which is used to protect personnel and equipment from observation and strikes by enemy forces.[15]

Decision-making processes and the effectiveness of NATO Command Structures, as well as low combat readiness and an insufficient deployability level of NATO forces are likewise the next big challenges with regard to NATO's Eastern Flank fast-moving threats. In case of any military conflict, especially taking into account the military geography of the Baltic region, as well as the explicit military advantages of Russia, there is no doubt that there could be a need to quickly deploy the NATO Response Force (NFR). At the present time, the Reception, Staging, Onward Movement and Integration (RSOI) operations would probably take about a week before a unit achieves full combat readiness after

arrival. Providing for these factors, the decision about any kind of military reinforcement should be taken as quickly as possible with time becoming a critical factor under such circumstances.[16] The speed of political and military decision-making is a key issue not only in terms of the number of victims or material losses, but also of independence and territorial integrity of Poland, Lithuania, Latvia and Estonia. In the context of these challenges we are also obliged to start working on the creation of a "Schengen Zone for NATO".[17]

Finally, in this part of the article, it is worth bringing up a subject connected with particular NATO members' military expenditures, which have a considerable impact on the general military capabilities and capacities of NATO. In 2016, despite all well-known and negative tendencies in the European security architecture since 2013, a suggested level of 2% Gross Domestic Product dedicated for defence expenditures in 2016 will be achieved only by 5 NATO countries (US, United Kingdom, Greece, Estonia and Poland).[18] A downward trend in this area after 2013 has fortunately been stopped, but specific military potential and capabilities in specific NATO countries since 1991 have been lost and should now be rebuilt in the long-term through a complex process. The proper level of financing is a sine qua non condition for providing national security of all NATO members and it cannot be replaced only by using unique half measures such as collective smart defence – a "short blanket syndrome" in this area is an objective fact. The first step towards counteracting this lack of resources is to express a common political will within the authorities of NATO countries.

CONCLUSIONS AND SUMMARY

So far it seems that from the NATO Eastern Flank countries' perspective the last Summit in Warsaw was a success. Poland and the Baltic States have finally received real allied guarantees, a positive change in comparison with their previous status. In spite of the fact that, from a military perspective, we cannot asses Warsaw's decisions as game-changers their successful and full implementation would

change the geopolitical position of the Eastern Flank countries. One should treat the Summit conclusions regarding the Eastern Flank as a deterrent, not simply as reassurance measures and tools, in terms of providing security for "new" NATO members.

NATO should not rest on its laurels. Even inside the Alliance there is a lot of uncertainty that should be faced urgently. For instance, the results of the forthcoming elections in the US, Germany and France, which are (especially the US) key members of the Alliance, will be absolutely crucial for effective implementation of the Warsaw decisions.

Providing security has never been a single act, it always has been a process. Therefore, the next NATO Summit in Brussels should also have a very ambitious agenda, not only for NATO's Eastern Flank, but also for the whole Alliance. A Chinese proverb says "may you live in interesting times". These times are coming, and NATO must be fully prepared to deal with them.

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1   In this analysis one should treat "NATO Eastern Flank" as the Republic of Poland and Baltic States. Romania and Bulgaria ought to be called "NATO South-eastern Flank" with quite different needs, concerns and particular expectations from the Warsaw Summit.

2   Nonetheless, it must be noted here that there were also experts and politicians, like Ron Asmus (former US Deputy Assistant Secretary of State for European Affairs and former analyst and expert at the German Marshall Fund, RAND Corporation and Council on Foreign Relations) or Professor Lech Kaczyński (former President of the Republic of Poland), who warned after 2008 of increasing Russian assertiveness in foreign policy and potential consequences of this phenomena for the stability and territorial integrity of Eastern and Central European states.

3   Anna Maria Dyner, "The End of Orphaned Army. The Reforms of Russian Armed Forces", 29th February 2016, http://obronnosc.pl/2016/02/29/koniec-z-osierocona-armia-reformy-rosyjskich-sil-zbrojnych/

4   Mitchell Yates, "How Putin Made Russia's Military Into a Modern, Lethal Fighting Force", The National Interest, 25th February 2016, http://nationalinterest.org/blog/the-buzz/how-putin-made-russias-military-modern-lethal-fighting-force-15315

5   Tomasz Szatkowski, "Alliance at Risk. Strenghtening European Defense in an Age of Turbulence and Competition", Atlantic Council, February 2016, 23-26.

6   Martin Russell, "Russia's Armed Forces. Reforms and Challenges", European Parliamentary Research Service, April 2015, 18.

7   Gustav Gressel, "Russia's Quiet Military Revolution, and What It Means for Europe", European Council on Foreign Relations, October 2015.

8   Olga Oliker, "Russia's Nuclear Doctrine. What We Know, What We Don't, and What That Means", Centre for Strategic and International Studies, May 2016, 2.

9   In case of any potential military conflict between Russia and a NATO member/

members, it limits nuclear strikes for instance on Warsaw or on the Baltic States' capital cities. Its goal is to deter Western NATO members from providing any relevant military help or assistance to a country attacked by Russia.

10   Andrzej Wilk, "Is Russia Making Preparations for a Great War?", The Centre for Eastern Studies (OSW), September 2014, http://www.osw.waw.pl/en/publikacje/analyses/2014-09-24/russia-making-preparations-a-great-war

11   It is worth noting that this document always had a political dimension only and was never a part of international law. What is more, the Russian Federation undermined this Act by itself by, for instance, the illegal annexation of Crimea which caused negative changes in the European security architecture.

12   This is particularly crucial for the Baltic States which generally do not have at their disposal many types of heavy equipment, causing a big gap in their defence capabilities.

13   Jacek Durkalec, "NATO Adaptation to Russia's Nuclear Challenge", Polish Institute of International Affairs, September 2016, https://www.pism.pl/publications/bulletin/no-59-909

14   Mark Gunzinger and Jacob Cohn, "How to Secure NATO's Frontline States", Center for Strategic and Budgetary Assessments, 3rd August 2016, http://csbaonline.org/about/news/how-to-secure-natos-frontline-states/

15   Adam Radomyski, "Ballistic Missiles. Russia's Military "Bugaboo". Implications for the Security System of the Republic of Poland", National Centre for Strategic Studies, 23rd September 2016, 11, http://ncss.org.pl/pl/aktualnosc/787-rakiety-balistyczne-militarny-straszak-rosji-implikacje-dla-systemu-bezpieczenstwa-polski-nowa-analiza-ncss.html

16   National Centre for Strategic Studies, "Report on Crisis Planning Seminar on Defending European Frontline States", 2016. Truncated and public version of this document is available here: http://ncss.org.pl/pl/aktualnosc/762-raport-z-seminarium-zagrozen-wschodniej-flanki-nato.html

17   Elisabeth Brow, "A Schengen Zone for NATO. Why the Alliance Needs Open Borders for Troops", Foreign Affairs, 6th June 2016, https://www.foreignaffairs.com/articles/russian-federation/2016-06-06/schengen-zone-nato

18   NATO, "Defence Expenditures of NATO Countries (2009-2016)", July 2016, http://www.nato.int/cps/en/natohq/news_132934.htm

STAYING ON THE WINNING SIDE: LATVIA'S 25 YEARS OF INDEPENDENCE

Imants Lieģis

"In a Europe of nation-states, Russia is always going to win. Compared with the challenges facing Latvia in the early 1990s, today's difficulties seem mild".

These observations come from the Rīga Conference Papers of 2011, which I randomly came across recently whilst going through my bookshelves. They appeared in Edward Lucas' article entitled "Will the EU have a common policy towards Russia?"

Five years down the road, the Rīga Conference will again, not surprisingly, focus on Russia, Europe and serious challenges faced by Latvia and our region.

In this contribution I want to examine firstly, whether indeed Russia has, during the last five years, "won", and secondly, whether the challenges faced by Latvia have in the intervening years become milder. Both questions touch on Latvia's main foreign policy priority – the security of our state.

IS RUSSIA WINNING?

The jury is still out concerning the verdict of whether Russia has won. "Victory" in Ukraine may well prove to be pyrrhic. Russian revisionism and aggression took a military turn in 2014 with the illegal annexation of Crimea and ongoing military activity in Eastern Ukraine. These events were a follow-on to the military intervention in Georgia in 2008.

Edward Lucas' contention about Russia always winning was of

course based on a comparison of decision making processes in Russia compared with Europe. Events in Georgia, Ukraine and later in Syria illustrated the speed with which Russia was able to act. This agility is also in stark contrast with Soviet times when, for example, the decision to invade Afghanistan went through the Politburo. It reflects the so called "power vertical" where decisions are made by the President and the fact that he seems to rely on a very small group of close advisors. Such are the advantages of an autocracy with supreme power coveted by one individual.

On the European side, unanimity concerning Russia has prevailed. It has prevailed despite the process of decision making being so cumbersome. During the last two years, Heads of State and Government have been united in their approach, which has also been successfully coordinated with the United States, giving added strength to the stand taken. So to date, the common policy of sanctions imposed against Russia since 2014 has been successful. In spite of the economic repercussions of counter sanctions for some EU countries, patience and unity will be needed if the EU sanctions policy is maintained.

Rumblings of discontent from different EU member states have of course emerged along the way. I heard them regularly in Budapest before my departure for Paris earlier this year. In France, both the National Assembly and Senate passed resolutions recently relating to the lifting of sanctions. The Prime Minister of the current EU Presidency, Robert Fico of Slovakia also called for an end to sanctions during his recent meeting with President Putin in Moscow.1

Whilst Germany's position remains firmly embedded in the principles of the Minsk Agreements being implemented, it seems likely, and logical, that this unity will hold. But the "shelf life" of the Normandy Format (Hollande, Merkel, Putin and Poroshenko), which hammered out the Minsk Agreements, seems limited. Russia rejected a meeting due in September and Presidential and Parliamentary elections in France and Germany respectively cast doubt on whether this format will continue.

Russia has scored a victory with Brexit. Prior to the June referendum there was overt support from Russia's state-owned media favouring the UK leaving the EU.[2] A united EU, in which the pre-referendum UK Government took a firm line concerning policy towards Russia, has now entered a phase of uncertainty and doubt. The concentration once again on internal turmoil over Brexit plays to Russia's advantage, especially if Brexit were to create a snowball effect. For example, France's candidate in next year's Presidential elections with the greatest popular support is head of the National Front Party, Marine le-Pen. Russia's financial support for her (and in France, not only her) party has been well documented[3]. Russia's tactic of attempting to break up EU unity by negotiating individually with member states would benefit even more from an unravelling of the EU itself. The "fragmentation of Europe" was indeed also mentioned as a major risk by French President Hollande at his meeting with Chancellor Merkel and Prime Minister Renzi in Italy on 22nd August.[4] An edition of the Economist even ran a fictional piece about the break-up of the EU entitled "Au revoir, l'Europe" with the sub heading "What if France voted to leave the European Union?".[5] At last year's Riga Conference, I recall very clearly former Swedish Prime Minister Carl Bildt warning that Brexit could pose a serious threat to European security. Today, it is still too early to assess how Brexit will affect either EU policy towards Russia, or the overarching challenges facing Latvia's security.

MILDER CHALLENGES?

Latvia, along with most other EU countries, has regretted the result of the UK referendum on leaving the EU, but stands firm in seeking an outcome which involves all 27 member states.

The toxic mix of Brexit, a revisionist and aggressive Russia combined with a prospective President Trump offers a near on nightmare scenario for the security of Latvia and our Baltic neighbours. Fuel is added to the fire by ongoing analyses about a potential Russian takeover of the Baltic States[6] as well as doubts being cast about the soundness of NATO's collective defence by the right wing US

Presidential candidate and the current (at time of writing) left wing UK opposition leader Jeremy Corbyn.

Brexit and the outcome of November's US elections are challenges that are decided by voters. Meeting the challenges posed by Russia have this year been addressed by NATO countries' Heads of State and Government.

The outcome of the Warsaw Summit in July addressed head on NATO's commitments to threat response by focusing on collective defence and credible deterrence. This applies particularly to the enhancement of the long-term forward presence of allied forces by four battalions in the Eastern flank of the Alliance, which includes the Baltic States. The multinational element of this engagement is a striking example of solidarity, with the UK, Canada and Germany taking on the lead role for each battalion based in Estonia, Latvia and Lithuania respectively. Many other member states will contribute with their forces. The rotational basis of the presence, the programming of exercises, force generation and logistical infrastructure support are all issues that will be dealt with to ensure the effectiveness of the presence.

Challenges posed by hybrid warfare, used so effectively by Russia in the intervention in Ukraine, are of no less importance. They too were addressed by the acknowledgement at Warsaw that an attack by means of hybrid warfare (e.g a cyber attack, information warfare or the presence of "little green men") could also invoke the collective defence article 5.[7]

Nevertheless, the Warsaw Summit left open a couple of challenges relating to the presence and further engagement of Allied troops in the Eastern flank. These include the speed of decision making in Brussels amongst Allies including the time frame between a potential decision by NATO's military command and the arrival of reinforcements in a crisis situation.

In parallel, the internal challenges facing Latvia are being met with determination, especially with regard to increases to the defence budget (2% by 2018) and the provision of host nation support to accommodate the Allies' forward presence.

STAYING ON THE WINNING SIDE

This year Latvia celebrates twenty-five years of restored independence. It should not be taken for granted, nor was it pre-destined. As Vice President Biden pointed out during his visit to Rīga in August this year, "Your admission to NATO... was never inevitable".[8] However it is important to recall that the admission to both NATO and the EU came with the achievement of strategic goals set by successive Latvian Governments from the mid-1990s.

The last interruption of our freedom came with the division of Europe by Stalin's Soviet Union and Hitler's Nazi Germany and the World War that ensued. However today, Latvia has never in our history enjoyed such a long period of freedom, nor has this freedom before been embedded in a military Alliance of which we are a member and which comes with defence guarantees.

But the turmoil of the last few years has increased the sense of instability. During the next five years, were a Europe of nation states based on the current EU model no longer to exist or if the collective defence element of the NATO Alliance disappeared, Latvia could face existential challenges equal to those faced in the early 1990s, but hopefully not the 1940s. To quote President Hollande – "Some believe that what has been – democracy, Europe, peace – will always be. It is a dangerous illusion".[9]

An alternative, more optimistic scenario for the next few years could witness an engaged United States, a NATO still fully committed to collective defence and a rejuvenated European Union. It is probably less likely that we will witness a Russia that is not so much a challenge, but an opportunity.

Irrespective of which scenario prevails, Latvia will need to work closely with our partners and allies. In addressing the ongoing challenges, a consistent and unwavering approach should prevail, whilst continuing to seek constructive routes to cooperate with Russia. The ultimate long-term goal must be that Latvia, together with friends and allies, remains on the winning side.

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2   Nico Hines and Pierre Vaux, "Why Putin Is Meddling in Britain's Brexit Vote", The Daily Beast, 8th June 2016, http://www.thedailybeast.com/articles/2016/06/08/why-putin-is-meddling-in-britain-s-brexit-vote.html

3   Nicolas Hénin, La France russe (Fayard, 2016), 153; Nico Hines and Pierre Vaux, "Why Putin Is Meddling in Britain's Brexit Vote".

4   Le Monde, "Sur l'île italienne de Ventotene, marathon diplomatique pour réenchanter l'Europe", 23rd August 2016, http://www.lemonde.fr/europe/article/2016/08/23/sur-l-ile-de-ventotene-marathon-diplomatique-pour-reenchanter-l-europe_4986778_3214.html?xtmc=marathon_diplomatique&xtcr=1

5   The Economist, 6th August 2016, 22.

6   E.g. Nick Cohen, "Will Putin Target Latvia Next?", The Spectator, 18th August 2016, http://blogs.spectator.co.uk/2016/08/lesson-latvia-putins-power-games/

7   See par 72 of the "Warsaw Summit Communiqué. Issued by the Heads of State and Government participating in the meeting of the North Atlantic Council in Warsaw 8-9 July 2016", Press Release (2016) 100, North Atlantic Treaty Organization, http://www.nato.int/cps/en/natohq/official_texts_133169.htm

8   The White House, Office of the Vice President, "Remarks by Vice President Joe Biden at The National Library of Latvia. National Library of Latvia, Riga, Latvia", 24th August 2016, https://www.whitehouse.gov/the-press-office/2016/08/24/remarks-vice-president-joe-biden-national-library-latvia

9   Quoted in Tweet of French Ambassador to the USA Gérard Araud, @GerardAraud, 30th August 2016.

PROSPECTS OF THE DEVELOPMENT OF THE COMMON SECURITY AND DEFENCE POLICY OF THE EUROPEAN UNION: PERSPECTIVES FROM LATVIA

Māris Andžāns

The Common Security and Defence Policy (CSDP) of the European Union has traditionally played a marginal role in defence and security policies in Latvia, as the guarantees of collective defence embedded in Article 5 of the 1949 North Atlantic Treaty, along with the strategic partnership with the US, have been considered to be the paramount external elements of the national defence system. However, such developments as "Brexit", the 2016 US Presidential elections and alterations in the threat landscape of Europe serve as reasons to reassess the EU as a defence and security actor also from Latvia's perspective.

This article reviews the latest debates and attitudes in Latvia towards the EU as a defence and security actor, with a focus on the military dimension, as well as the idea of a common European army, as one of the central elements of a possible long-term evolution of the CSDP. It also offers several points for possible reconsideration of the EU as a defence and security actor from the perspective of Latvia.[1]

THE VISION OF THE EU IN
LATVIAN DEFENCE AND SECURITY POLICIES

In Latvian defence and security policies, the role of the EU has traditionally been secondary and, at best, complementary to that of NATO's collective defence system and the strategic partnership with the US This thinking is clearly reflected in the current national defence and security framework documents – the State Defence Concept and the National Security Concept – both of which devote relatively limited attention to the EU as a defence and security actor. Even though both documents express commitment to further contributing to the EU battlegroups, the EU's non-military instruments are highlighted in both documents instead – such as those related to anti-terrorism, as well as security of information space, cyber space, borders and energy.[2] Thus, the EU is seen rather as an actor that can contribute to the resilience of societies and states, but not seen as one that could serve as a mechanism in defence against military threats.

During the last five years, the most noticeable expressions from politicians in charge of these issues have been sparked by the comments on the need for a common European army by the President of the European Commission, Jean-Claude Junker, in March 2015.[3] Subsequently, the President of Latvia at the time, Andris Bērziņš, described the idea as "negotiable", but underlined the Trans-Atlantic link as the basis for Europe's security,[4] while the Minister of Defence (currently the President of Latvia), Raimonds Vējonis, was cautious and, among other things, underlined the lack of a clear aim of the concept, the risk of duplication and weakening of NATO, as well as reminding of the inability to agree on the use of the EU battlegroups.[5] In May 2016, the Minister of Foreign Affairs, Edgars Rinkēvičs, described the idea of a common European army as "absolutely superfluous", as he underlined the risk of the duplication of efforts of the EU and NATO, and suggested instead focusing on providing more resources for the needs of defence and security, closer cooperation and more attention to border and coast guard.[6]

Opinions among the Latvian officials are essentially the same. The EU and its CSDP are more associated with crisis prevention and management issues and distant out-of-area missions rather than military defence of the Baltic States and Russia as a potential source of threats – the current primary security concern of Latvia. With regard to the interaction of NATO and the EU, avoidance of duplication of efforts is seen as the main prerequisite for the further development of the EU as a defence and security actor. But, the idea of a common European army, as admitted by an official of the Ministry of Defence of Latvia, is still seen as "an idea without details", with regard to its possible aims, command structure, financing mechanisms and other factors.[7] In general, a similar view is also shared in the Ministry of Foreign Affairs. There, however, more emphasis is placed on the solidarity with the EU Member States that have sympathies towards the concept.[8] Among the public expressions by some of the officials, two should be mentioned. In March 2015, the Deputy State Secretary of the Ministry of Defence at the time, Jānis Garisons, was critical towards the idea, as he mentioned the need to define the aim of such a common European army in the first instance and reminded that even NATO has been unable to create a common army.[9] Also, the Commander of the National Armed Forces, Raimonds Graube, expressed a sceptical view about the idea as he underlined its potential duplicating of the functions of NATO.[10]

The visibility of the EU as a defence and security actor has also been low in the Latvian mass media. Among the external amity related actors, NATO and the US have clearly dominated the reports devoted to the defence and security of Latvia. Reports on the EU as a defence and security actor have been rare, and most of them have been linked to the idea of a common European army following the above-mentioned comments of Juncker, in March 2015. Attitudes in the Latvian mass media towards the idea have generally ranged from cautious to negative and most often the media have conveyed the opinions of the politicians and officials with a limited analysis of their own. Furthermore, articles on the subject in academic circles have also been rare.

Discussions in the public on the meaning of Article 42(7) of the Treaty on European Union – the obligation to aid and assist another EU Member State that is facing armed aggression,[11] followed the terrorist attacks of November 2015, in France. However, they did not extend far beyond the explanation of this legal norm and the motivation of France to invoke it.

PERSPECTIVES OF ENHANCING THE EU'S ROLE IN THE LATVIAN DEFENCE AND SECURITY POLICY

It is unlikely that internal considerations would lead to reconsideration of the EU as a defence and security actor in Latvian defence policies, given the current attitude – in general, ranging from cautious to sceptical – and given the current efforts focused on strengthening the presence of NATO Allies and Latvia's self-defence capabilities. Therefore, probably only external actors and factors could lead to the reconsideration of this attitude. However, a few points should be mentioned in support of the need for, as a minimum, a debate on Latvia's approach towards the EU as a defence and security actor.

Firstly, one cannot entirely exclude alterations in the commitment of the US to defend the Baltic States. The US President, Barack Obama, was clear in September 2014, in Tallinn, to say that "Article 5 is crystal clear: An attack on one is an attack on all".[12] Similarly emphatic was the Vice-President, Joe Biden, in August 2016, in Riga: "America's Article 5 commitment is rock-solid and unwavering. … And we never, never fail to meet our commitments – not just for now, but forever".[13] These statements have also been reflected in practical steps as the US has provided the most visible allied military presence in the Baltic States since the crisis in Ukraine unfolded (the rotational presence of company-sized units and their supporting arms, as well as more frequent and extended participation in exercises). However, the remarks of one of the major US Presidential nominees in July 2016 – that, in the case of an attack by Russia, the Baltic States would be aided militarily "[i]f they fulfill their obligations to us [the US] …"[14] – have reminded that no commitment

is eternal. History has witnessed different approaches in the US's foreign policy, including an isolationist one. There is no guarantee that the current US policy will prevail forever, given the impending changes in the US leadership, both in the short- and long-term, as well as probable changes in regional and global power and threat constellations, enmity and amity patterns, resources available to ensure its overseas presence and other factors.

Secondly, there are possible challenges to the unity and cohesion of NATO. Even though the unity of NATO in defending all of its Member States has been reiterated by the allied leaders, both at the Wales Summit in September 2014 and the Warsaw Summit in July 2016, there is no guarantee that such unity would prevail in case a decision has to be taken to respond to an actual and possibly controversial challenge. The fictional scenario offered in February 2016 by the "BBC's" broadcasted war-game, "World War Three: Inside the War Room"[15] – portraying a Russian instigated military conflict in the Eastern part of Latvia and NATO's inability to reach consensus on a common military action – reminded that NATO is composed of Member States with diverse perceptions and preferences. Some of the NATO Member States have traditionally pursued a more reconciliatory policy vis-à-vis Russia (i.e. Germany, France, Italy, Greece) and/or have different threat landscapes and different threat perceptions compared to Latvia (i.e. allies in Southern Europe), and yet other allies have swiftly improved their attitude towards Russia (i.e. Turkey in 2016, following the aftermath of the shooting down of a Russian military aircraft the previous year). Most of these NATO members are part of the EU as well. However, there is the potential to develop advanced EU military instruments with more flexible decision-making procedures compared to those of NATO.

Thirdly, solidarity and closer engagement with other EU Member States should be considered. "A" – solidarity with the Member States that are in favour of the deepening and further development of the EU defence policy – Germany in particular (i.e. it has recently underlined the need to proceed towards "a common European

Security and Defence Union"[16]). As Germany has committed to serve as the framework nation in establishing a battalion-sized battlegroup in Lithuania, it would be important to strengthen the German commitment to the defence of the Baltic States in the long-term, and one of the ways to do so would be to support its preferences in the EU. "B" – as many of the CSDP missions and operations have focused on Africa, fostering of the CSDP would be welcomed by France, given its specific focus on parts of Africa along with the preferences similar to Germany in developing the EU military mechanisms. "C" – Austria, Cyprus, Finland, Ireland, Malta and Sweden are members of the EU but not part of NATO. Therefore, development of the EU's security and defence policy could offer these countries advanced external mechanisms to deal with their immediate and prospective threats (therefore, the overlapping membership of both organisations should be seen not only as an argument against the further development of CSDP but also in favour of it). From the perspective of Latvia, deepening the military cooperation with Finland and Sweden would be important (notwithstanding that cooperation with them is ongoing at bilateral level and in other formats, the EU among them) as extended and deepened cooperation would allow for more integrated regional defence system elements.

Fourthly, and related to the points mentioned above, development of the EU as an additional credible mechanism in diversifying the external defence mechanisms for Latvia. So far, in Latvia there has been a clear reliance on Article 5 of the 1949 North Atlantic Treaty and the military presence of the US Some of the main arguments against the further development of the CSDP have been the risks of duplication of both the national resources and those of NATO. While such risks exist, these risks can also be considered as opportunities: the EU mechanisms as additional or alternative ones to those of NATO (i.e. important in case of shifts in the US's policies or cohesion of NATO); as Latvia's defence budget is being increased considerably (from 1.04% of the gross domestic product in 2015[17] to 2% expected in 2018[18]), part of the additional resources could be diverted to the development of the military mechanisms

of the EU, that in turn would have the potential to contribute to the military security of Latvia.

CONCLUSIONS

Latvia's defence and security policy with regard to the external dimension has been clearly dominated by NATO's collective defence guarantees and the strategic partnership with the US Such an approach can be considered as logical, both given the traditionally strong US support, as well as the fact that so far the EU has not provided credible and appropriate mechanisms to deal with military defence of the Baltic States. Therefore, the risks of duplicating both NATO's and national resources, as well as the lack of clarity with the existing EU mechanisms (the EU battlegroups in particular) and the lack of clarity with the prospects of the possible future mechanisms (the idea of a common European army in particular) have been appropriate reasons to devote limited attention to the EU as a defence and security actor. Also, focus on NATO and the US has paid off so far, given the decisions taken at the NATO Warsaw Summit, in July 2016, to establish battalion-sized battle groups in each of the Baltic States and Poland, along with other mechanisms to deter Russia as a potential source of threats.

From another point of view, focusing entirely on NATO and the commitment of the US could be considered as a "putting all eggs into one basket" approach. One cannot exclude in the long-term alterations in the commitment of the US to defend Latvia, as well as possible challenges to the unity and cohesion of NATO. Furthermore, solidarity with NATO and EU Member States that have sympathies towards the deepening of CSDP (Germany in particular) could strengthen their commitment to the current NATO mechanisms in the Baltic States. A strengthened CSDP could also be considered as a contribution to the EU Member States that are not NATO members, as well as offering additional engagement mechanisms with regional partners Sweden and Finland. Finally, in

future, the EU could serve as an additional credible mechanism in diversifying external military defence mechanisms for Latvia.

Given the current attitude in Latvia towards the EU as a security and defence actor – generally ranging from cautious to sceptical – and its current efforts focusing on strengthening the presence of NATO allies and its self-defence capabilities, it is hardly likely that internal considerations would lead to reconsideration of this approach. However, steps towards reconsideration should be taken both because of the possible positive effects it could entail as well as the deepening of the CSDP becoming more likely due to "Brexit" (the United Kingdom has been one of the main opponents of developing the CSDP), and the changing threat landscape in Europe. Change of the defence and security approaches in Latvia will probably depend on external pressures, as well on how the advocates of development of the CSDP propose to solve the unclear issues with the current EU mechanisms, and how they define a clear aim, the functions and structure for an enhanced EU security and defence policy.

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BREXIT: MILITARY IMPLICATIONS FOR THE BALTIC STATES

James Rogers and Uģis Romanovs[1]

INTRODUCTION

After forty-three years of membership, a country that was one of the architects of the modern European Union – the United Kingdom – now appears to be set to exit. If Brexit actually occurs – and this is not necessarily a foregone conclusion, insofar as the new Prime Minister, Theresa May, and her government might be challenged legally by several actors to step aside and allow only the Houses of Parliament to pass the requisite legislation to rescind the European Communities Act of 1973 – the UK will be the first country to ever leave the EU.[2] Many thus think that Brexit has opened a "Pandora's box", casting uncertainty over the whole and future of Europe. This uncertainty could not have come at a less propitious time: since 2014, if not since 2008, Russia has become a geopolitically revisionist state, sowing conflicts in nations in between itself and the Euro-Atlantic structures, and threatening its EU neighbours, not least the Baltic and Nordic states.

This article aims to focus on Brexit's meaning in terms of military security, firstly, for the UK; secondly, for the defence and security of Europe; and thirdly, for the Baltic States themselves, as the three are heavily entwined. Ultimately, it will argue that Brexit will jeopardise neither European security nor the security of the Baltic States, not least because of the long-standing British commitment to NATO and because the Baltic States' security is a perennial British interest. Indeed, 97 years ago UK anti-Bolshevik operations in the Baltic – carried out by the Royal Navy, under

Rear Admiral Walter Cowan – helped set the preconditions for the Baltic States to flourish as independent countries. Today, the upcoming deployment of 650 British troops to Estonia and 150 to Poland as well as London's decision to take the lead in the Very High Readiness Joint Task Force with 3,000 troops and other military apparatus is a convincing illustration of the fact that UK is a strong and capable ally. Therefore, any concerns in Riga, Tallinn and Vilnius are more focused on whether the EU – without the UK – will remain willing to tackle non-traditional military security risks, as well as to what extent London will be ready to invest into the EU's foreign, security and defence policies.

BREXIT: THE MYTH OF THE MIGRANTS

Before going into specifics of military security, it is necessary to place Brexit into a broader political context: why did the "Vote Leave" campaign find it so easy to prevail in the referendum? Of course, the "Remain" side of the political struggle would have everyone believe that Brexit is merely a consequence of the victory of the idiotic.[3] In other words, a coalition of bigots, racists and xenophobes – so-called "Little Englanders" – came together to collude to get the UK out of the EU and thereby put a stop to future immigration. While there is undoubtedly some truth in this, the issue is more complex – and has direct bearing on military security.[4]

The critical point is that very few Britons have ever felt any form of close personal attachment or loyalty to the EU. The British have always looked at the EU in "transactionist" terms, asking primarily: what can the EU do for us? They have never really asked: "What can we do for the EU?" For the intellectual leaders of the Brexit cause – the "Brexiteers" – the EU is a dangerous fantasy and a potentially rival project to NATO.[5] They see the EU as operating on a different modus operandi to NATO: NATO was formed on the basis of utilising military might – particularly American, British and Canadian military might – to maintain a balance of power on

the European mainland to prevent a challenge to the prevailing order and therefore the reemergence of war. However, the EU was founded to circumvent European war by locking together its component states under supranational structures. The two are not necessarily mutually exclusive, but the Brexiteers have drawn on the fact that most Britons see NATO, not the EU, as the real "peace project" in Europe and the EU as a consequence of that peace, rather than its cause; moreover, the British have never seen themselves as just another European country to be locked into some supranational structure, but rather – as a Great Power – as a key custodian of the system itself.

In addition, due to the growth of Germany's influence within the EU during the 2000s, the Brexiteers have come to see the EU as having morphed into an increasingly German attempt to generate order within Europe under a doomed context – and on Berlin's terms (as opposed to London's terms).[6] Therefore, for them, the EU is another European hegemon in waiting. Mix this with the inability of most Britons to emotionally relate to European integration and a fertile breeding ground emerges for those hostile to the enterprise to focus on other issues – like migration – in order to secure their objective: Brexit. This is why the "Vote Leave" campaign found it so easy to prevail in the recent referendum.

BREXIT AND THE COMMON SECURITY AND DEFENCE POLICY (CSDP)

In terms of militarily security, what does the British relationship with European integration have for the UK, Europe and especially the Baltic States – three relatively small and exposed countries often considered to lay on the fringes of the Euro-Atlantic order? On the face of it, Brexit means very little in relation to any of them, because the organisation from which the UK is about to leave has practically no influence or role in traditional military issues, particularly deterrence and territorial defence. The CSDP has not been allowed to evolve to its full potential, primarily because the UK

has feared the duplication of NATO; Germany has been unwilling to use force to secure EU interests; and many Member States have been unable to muster the funds necessary to provide the military capabilities to undergird it.[7] That said, CSDP has never been about traditional defence: it has instead been focused on threats such as terrorism, organised crime, cyber-crime, spillover effects from political instability and the humanitarian consequences of regional conflicts. Hence, since founded in 1999, only a small handful of military operations have resulted from the CSDP, often not for strategic, but for primarily humanitarian, purposes.

The infrastructure of CSDP is continuing to develop and there are six ongoing EU missions around the world and the UK is playing a significant role in operations in the Indian Ocean, the Balkans and the Mediterranean. Some EU officials – not least Jean-Claude Juncker, President of the European Commission – have even called for the formation of an "EU army".[8] If the UK leaves the EU, this will surely empower those who want to build up CSDP in order to actually generate an EU army, insofar as the UK will no longer be there to block its development. Indeed, without the UK to block it, the formation of an "EU army" – whatever that might eventually become – becomes more likely, at least on paper.[9] However, it is one thing to forge common structures and institutions at the EU level – what many no-doubt mean by the term "EU army" – but quite another to create a large fighting force ready for combat. This problem will be compounded by the fact that the EU is about to lose its most militarily powerful and globally-oriented country. Nobody should underestimate the damage Brexit is likely to do to CSDP. While the UK has never been an advocate of a strong CSDP, it nonetheless has the most powerful armed forces in Europe and the greatest ability to use its apparatus of "power projection" to move beyond the European region to assist its allies or strike, coerce and subdue its opponents.

Moreover, if a future CSDP is to be credible, it needs high-end military capabilities to succeed, particularly as the European Neighbourhood becomes more volatile and contested and as more hostile anti-access and area-denial system go online. It is

precisely these capabilities that the UK is developing. Through the 2015 Strategic Defence and Security Review (SDSR), London's apparatus of "power projection" is being reinforced, with the construction or procurement of new nuclear weapons submarines, supercarriers, attack submarines and large auxiliary vessels (such as the Successor class, Queen Elizabeth class, the Astute class and Tide class), fifth generation combat jets (F-35 Lightning II) and naval facilities, such as those being built in Bahrain.[10] Thus, without the UK, the CSDP will likely limp along in fits and starts when certain EU Member States seek to push it forward for their own political reasons.

However, and somewhat paradoxically, the UK may become the CSDP's saviour, remaining involved even after Brexit. The fact that – as alluded to by the UK Defence Secretary – the British are now facing three overlapping security challenges, namely the rise of religious extremism; a governance crisis across northern Africa causing migrations into Europe; and the malign actions by revanchist Russia, means the UK will likely need additional forums to pursue its national security interests.[11] NATO has a central role in dealing with various aspects of these threats – especially Russia – but EU security mechanisms potentially would be more suited to dealing with some of them. The UK may therefore seek to remain active within CSDP so long as London retains equal say over how the overall policy evolves and where missions are undertaken. And, given the growing potency of certain British military capabilities, a post-Brexit EU would need and want to retain deep cooperation with the UK.

There is no reason why UK-EU CSDP cooperation would not be possible: other countries, like Canada, Chile, Switzerland and Turkey, have all been involved in previous CSDP operations. Of course, the UK would be different: it has the military resources to act as the "lynchpin" of the entire operation. London and Brussels may therefore seek to enact some form of "Treaty of Mutual Association" to enable the UK to remain actively involved, thus keeping the CSDP credible. This may, in turn, enable London to continue nudging the EU CSDP into a direction that complements,

rather than duplicates NATO, thus preventing the formation of an "EU army", while maintaining some say over where and when EU crisis management missions are undertaken.

BREXIT AND THE FUTURE OF NATO

The victory of "Vote Leave" was certainly a surprise for those analysts who underestimated the power and influence of Eurosceptics in the UK. This has led to foreign murmurs – from both allies and enemies – questioning London's ability or desire to continue playing a major role on the world stage, including even in relation to NATO. However, London has moved to assuage some of these fears: the former Prime Minister, David Cameron, as well as his predecessor, Theresa May, have made it crystal clear that the UK will remain heavily committed to European security through NATO, not only as a major underwriter of the forward troop deployments to the Baltic States and Poland to deter the potential of further Russian geopolitical revisionism, but also by providing a nuclear deterrent to supplement the strategic nuclear forces maintained by the United States.[12]

For, unlike the EU, NATO is hard-wired into British strategic culture: recall that it was London that took the first steps towards the creation of NATO in the 1940s.[13] This was because the UK realised during the Second World War – if not during the First World War – that the advent of industrialised warfare (especially mechanised infantry and airpower) left it with insufficient time to defeat a hostile enemy on the European mainland. This development prevented the UK from relying on its traditional geostrategy, namely using its naval supremacy to hold off an enemy until it could fund and put together a landward coalition to crush the geopolitical revisionist on the European mainland. London realised that, from now on, maintaining a favourable balance of power on the European continent would require the vast resources not only of the UK but also of the whole of North America, forwardly deployed and ready for war.

To facilitate this new geopolitical system, a mechanism would be needed to ensure the transfer of those resources to permanently prevent the re-emergence of a budding European overlord. This is where NATO becomes critical. In the context of the time, the steps towards the creation of NATO were as concerned with the re-emergence of a revisionist Germany than a hostile Soviet Union. An alliance called the "Midland Ocean" was therefore envisioned by Sir Halford Mackinder in 1943 to literally squeeze Germany once it was defeated in every way and absolutely, to such an extent that it would be permanently transformed both politically and socially into a less militarist country, devoid of any further urges towards geopolitical aggrandizement.[14] Mackinder thus wanted to see the construction of two "strong embankments" on either side of Germany, with British and American power on one side, and Russian power on the other, to serve this end. This, he believed, would provide the Germans with the requisite breathing space for liberal politics to take hold and enable them to forge a more democratic and peaceful country.

Given the fear of a return of US isolationism – compounded by the Americans' monopoly on the atomic bomb (1945-1949) – London started to construct this system by itself with the Treaty of Dunkirk in 1947, extending a British security guarantee to France; it was followed in 1948 with the Treaty of Brussels which brought the Low Countries into the fold with the formation of the UK-backed Western Union (Defence Organisation). It should be noted that this alliance envisioned going far further than NATO or the EU ever have – it planned for considerable integration of the whole of Western Europe, with a standing army, under British leadership. However, London was still acutely aware – particularly with the loss of India in 1947 – that North American resources would be required to make the vision a reality: luckily, the US was already responding to British overtures to enlarge the project and make Mackinder's "Midland Ocean" a reality.[15] NATO was born a year later – in 1949 – with the signing of the North Atlantic Treaty.

By now, of course, insofar as large formations of British and American forces were going to be permanently deployed "on

the Rhine", any German strategic resurgence had become unimaginable. Soviet Russia, soon to emerge as a nuclear power, was now by far the greater threat. NATO has been deterring it – in one way or another – ever since. Make no mistake, the British are aware of the constant threat to European peace and they will do whatever it takes to ensure NATO's durability.

BREXIT AND THE FUTURE OF UK DEFENCE POLICY

Brexit will almost certainly influence every aspect of UK political life and the British economy; it might also take a long time for London to introduce all the necessary adjustments to overcome the challenges. Insofar as the SDSR 2015 was reliant on economic growth, the future reach and capability of the British Armed Forces could be affected by Brexit. However, it is very difficult to provide a conclusive answer. Undoubtedly, the UK will face economic and financial difficulties in the short, medium and potentially, even longer terms, as it tries to reorient its economy during and after Brexit. If nothing is changed, this could impact negatively on the 2015 SDSR, thereby reducing further the country's ability to protect its allies or harm its opponents. Indeed, the Royal United Services Institute has calculated that due to the drop in the value of the pound in relation to the dollar since Brexit, UK defence spending may – and probably even will – fall by up to £700 million per year up to 2020 unless active measures are taken to boost the economy and/or divert funds from other government departments into defence spending.[16] To put this number into context, £700 million is not far off the cost of a modern frigate or a handful of F-35 Lightning II combat aircraft. Clearly, this post-Brexit drop in spending could bite very hard on existing programmes.

However, to what degree Brexit will be damaging, especially in the longer term, is a more open question. It may be that – insofar as UK trade with the EU has been in steady decline for the past decade, and as the EU has shrunk from having 31.4% of world economic output in 2004 to having 23.8% today – Brexit will be

economically and financially advantageous to the UK in the longer term, especially if British companies can refocus their efforts on the economically surging Indo-Pacific region.[17] After all, economies are not static: they can be adapted and reoriented with political intervention.

In this respect, defence spending is not entirely an economic issue either: it is also political. The British government might decide – as the Chair of the Defence Select Committee in the Houses of Parliament, Dr. Julian Lewis, has recommended – that the strategic environment is becoming more volatile and that, insofar as military power can be used to secure economic ends, more resources should be expended on military procurement programmes.[18] Similarly, if the UK economy stagnates, London might consider reducing spending on foreign aid – currently the second largest aid budget in the world at £12 billion per year – while simultaneously boosting defence expenditure to maintain existing programmes or develop new ones.[19] Either way, should the government increase the percentage of national income spent on defence, this would lead to a relative increase in military spending, maintaining or even enlarging Britain's military wherewithal, thereby providing the requisite resources to provide protection to the UK's allies.

BREXIT AND THE BALTIC STATES

However, there is indeed a risk that UK defence spending will become a political matter, albeit in a different context. If economic recession looms over the UK, developing and maintaining military power will become more and more difficult and might take sacrifices in terms of spending on other areas. This will leave London with some very hard choices to connect the many conflicting requirements. In this context, might London renege on its commitment to continue spending taxpayers' money to secure Poland and the Baltic States? Of course, this possibility exists, but the issue for the UK – like with the US – is not really about the Baltic states per se. Yes, they are very important as the "frontier of

democracy" (as Zygimantas Pavilionis, Lithuanian Ambassador to the US, put it in 2013) and as bulwarks of democratic sovereignty.[20] It is in this sense that they stand daily as an example to those countries Moscow is seeking to render part of its "sphere of influence". But the real significance of Estonia, Latvia and Lithuania – at least in a geopolitical context – is because they sit on the outer flank of the UK's (and US') geographic defence system: NATO. The British do not misunderstand the implications should members of this system come under direct and existential threat; as the President of Estonia recently and rightly reminded his allies: if the Baltic States fall to some kind of future Russian aggrandisement or revisionism, NATO will also fall.[21]

But more than that, if NATO fell, all the other UK (and US) security guarantees provided to countries East of Suez, and beyond, would also be rendered bunk, potentially leading to greater insecurity around the world. It is in this sense, given the geopolitical significance of the European mainland to the UK, that NATO is the centrepiece of the UK's strategic effort: it keeps potential intra-European competitors down, the Russians out and the Americans in. Consequently, London (and Washington) will not let NATO fall. Therefore, while British taxpayers may not – unfortunately – be prepared to spend their money to secure the Baltic States if their defence is considered in isolation, they are prepared to spend their money to protect the UK's critical national interests, namely an orderly European continent. And so, upholding NATO means – in a contemporary context – that London will actively help Riga, Tallinn and Vilnius to enhance their resilience and ability to deter their opponents from usurping their national cohesion and territorial integrity, not least as the three countries sit on the outer flank of NATO and are therefore critical to its continued existence and success.

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PRESENT IN A QUAGMIRE? NATO'S BALTIC PRESENCE AND "HYBRID" THREATS

Martin Zapfe

At its summit in Warsaw in July 2016, NATO effectively opted to augment the "deterrence from afar" agreed upon at its Wales Summit in 2014 with the presence of multinational ground forces in theatre. The so-called "Enhanced Forward Presence" (EFP) is the right decision and, although a compromise, still based on the lowest common denominator – a critical element in any future NATO deterrence of Russia. In the years ahead, NATO will work on integrating this presence into credible and workable military plans for various conventional contingencies.[1] However, this paper will focus on the narrower topic of NATO's EFP in the context of specific sub-conventional ("hybrid"" or "non-linear") challenges.[2]

NATO is facing a structurally revanchist Moscow that seems to consider the weakening of Western cohesion as both a means and an end to its foreign policy. It is thus imperative to analyse how steps taken by NATO could ultimately be to its disadvantage. Having standing forces in theatre might not necessarily be an asset; simply speaking, this presence could even potentially increase NATO's *politica*l vulnerability in the East by exposing fault lines for determined adversaries to exploit. Those units deployed in the Baltics will not just be present on the ground, like figures in a game of chess. They will have to live, move, and train in their host nations, and all in an environment that the Alliance deems vulnerable to constant Russian subversion and agitation. Without addressing potential challenges, NATO's forward presence in the Baltics could well undermine, instead of strengthen, Allied cohesion and deterrence.

ENHANCING THE FORWARD PRESENCE

The most important decision taken in Poland was to move from the rotational deployment of units for exercises and signalling, sometimes on the level of mere companies or less, to the "Enhanced Forward Presence" of nominal combat units. NATO agreed to deploy four battalion-sized battlegroups that will be built around a single framework nation for each of the three Baltic States, plus Poland: the UK will cover Estonia, Canada will send troops to Latvia, and Germany will be responsible for Lithuania. The US will base its battalion in Poland. These four nations will provide the core of the battalions; the exact multinational composition, and the mechanism of force generation (that will likely differ between the framework nations) has yet to be agreed upon. Germany, for example, appears to build on the cooperation with the Netherlands and Norway, already set to be the basis for the combined combat brigade designated as the "Very High Readiness Joint Task Force" for 2019.

This step derives its importance from the shortcomings of the adaptation measures agreed upon at the Wales Summit.[3] Until Warsaw, NATO conventional planning focused on the "Very High Readiness Joint Task Force" (VJTF), the Allied "Spearhead Force". Doubts concerning its efficacy were mostly grounded on the simple fact that it might not be where it would be needed most: as a non-resident force with serious doubts concerning its rapid deployability, this "mobile tripwire" was liable to be unsuited to its main task – namely to symbolise Allied solidarity at points of conflict.[4] The logistical challenges for the VJTF are to be alleviated by the establishment of eight multinational "micro-headquarters" comprising around 40 soldiers called the NATO Force Integration Units (NFIU). In effect, the NFIUs fulfil a dual purpose: first, small as they are, they constitute a tangible symbol of an allied presence; second, while in no way fully-fledged headquarters, they serve as "adapters" for any deployment of NATO forces, continuous points of contact supposed to smooth everyday logistical problems.

With the establishment of the four multinational battalions in the

East, these logistical shortcomings should be partially remedied – the tripwire should be where it would be needed. That is not true, however, for the "second wave" of NATO forces – those troops that are supposed to react once the tripwire has been triggered. This planning rests on the "Enhanced NATO Response Force" (eNRF), itself organically based on the VJTF: as a whole, the eNRF's ground element is supposed to be provided by three brigades – one of which is the respective year's VJTF, while the two other brigades will be formed by the 'Spearhead Forces' of the preceding and following year. One example might illustrate this logic: in 2019, Germany will be the framework nation for the VJTF, pledging to have its main forces deployable within 5-7 days. The other two Brigades for the eNRF of 2019 will therefore be provided by the VJTF of 2018, headed by Italy, and that of 2020, led by Poland. This undoubtedly is a sound concept for force generation, leveraging the process of certification and training for the VJTF to generate a veritable size for the eNRF. However, this also means that NATO's primary combat force will only be as agile as its slowest component – and NATO assumes this to be between 30-45 days from notice to movement for the additional brigades – notice to movement, not to deployment or employment in-theatre.[5]

In the end, the Allied conventional measures agreed upon in Wales and Warsaw, impressive as they are, combine in an eclectic mixture of well-tested recipes from the Allied history for an as yet untested menu with an uncertain flavour – which contributes significantly to their potential shortcomings. The VJTF has its roots in the Allied Mobile Force (AMF) of the Cold War that was to show the flags at NATO's flanks. The NRF, for its side, was a child of the Alliance's push "out of area" and the lessons of the Kosovo experience: it had the dual purpose of serving as a tool to transform the Alliance, and of being a high-readiness combat force for expeditionary operations. The first task proved to be the most important one; as an expeditionary force, however, it did not matter.[6] That may be acceptable for "wars of choice" and expeditionary operations; with regard to "wars of necessity" on the Alliance's own ground, this might be considered differently.

Notwithstanding these shortcomings, the decisions of Warsaw represent a critical step forward in providing a partial remedy to the logistical challenges unbecoming a tripwire – it will be where it would likely be needed. The decisions of Warsaw thus represent a critical step in enhancing the conventional defence posture of NATO. They do not necessarily, however, improve the Alliance's posture with regard to sub-conventional threats.

THREE EXEMPLARY SCENARIOS

The main function of NATO's EFP is to deter a conventional Russian attack by providing a tripwire, the engagement of which would all but guarantee that the Alliance as a whole would be involved, in some way or another. It is supposed to be a symbol of Allied strength and cohesion. However, like all strengths, it can be turned into a weakness by an adversary willing to choose unconventional means. As Dima Adamsky points out, attacking an enemy's weak points when and where he does not expect it, and in a way he does not foresee, is a theme regularly reiterated in the contemporary Russian debate.[7]

As a NATO official put it to this author, *de*ployment of forces is one thing – *em*ployment is another; it constitutes a different challenge that seldom makes headlines. The potential challenges that could be subsumed under the headline of sub-conventional threats are countless. Three possible scenarios involving NATO troops in one of the Baltic States might be instructive, although the list is by no means exhaustive. While of course purely fictional, there is no lack of historical precedents in different circumstances. It is important to note that none of these scenarios is highly likely, but each is a possibility, and definitely more likely than a conventional attack on the Baltics, the deterrence of which is the primary reason for NATO's EFP to exist in the first place.

CRIME AND ACCIDENTS

First, NATO troops will have to interact with the civilian population of the host countries. At some point, this interaction will see the statistically normal occurrence of local "casualties" – through accidents with civilian traffic, or, more importantly, through (real or alleged) crimes by on- or off-duty NATO soldiers against the life and health of Russian-speaking minorities. Tragic events like these are always a possibility where thousands of young men and women are living in a foreign environment, and they can have a significant effect on the attitude of the host nation, even if not amplified by a hostile and concerted media campaign. The regular outbreak of widespread anger within the population of Okinawa after crimes committed by members of the US garrison might be a good indicator of the potential political consequences.[8] Any such event, even if it were only an allegation, could very easily, and very effectively, be exploited by Russian propaganda efforts to influence the public opinion within the Russian-speaking minorities, Russia proper, and the troop-contributing nation.

VIOLENT DEMONSTRATIONS

Second, and perhaps most critical, in the "fog of hybrid war", NATO troops might face civilian unrest within the Russian-speaking minorities, supported and guided by Russia. It is reasonable to assume that any possible role of NATO forces in this context would be that of only a third or fourth responder – after the respective police forces and national militaries have been deployed. Nevertheless, demonstrations could be staged close to the barracks of NATO troops, or be blocking their movements out of and into these barracks, as happened regularly in front of the US barracks in Germany after NATO's Double-Track-Decision, in the 1980s.[9] The picture of NATO tanks facing civilian protesters is not far-fetched – and neither is the assumption that this would be a potential nightmare for troop-contributing nations.

Multinational deployments are the realm of caveats. Few spheres are as culturally and politically sensitive as the interaction of civilians and the military and, while many NATO members routinely deploy soldiers to patrol their streets in times of emergency, major allies such as Germany do still have very strict cultural and legal reservations regarding the use of the military in domestic emergencies. In addition, due to the integration at very low level – down to the level of battalions – any major demonstration or civil unrest would very quickly affect numerous Allies.

Recent experience in multinational operations suggests that national capitals might not resist the temptation of micromanaging their national contingents, thereby possibly bypassing NATO's chain of command. It is unreasonable to assume that this would be decisively different in NATO's EFP – even more so since the exact command and control arrangements, possibly including division-level headquarters in Poland, have yet to be decided upon. This again increases the number of potential fault lines – and of political friction. It is not completely implausible that a Canadian battalion commander in Latvia, ordered by the respective NATO commander to support the local authorities in confronting domestic unrest, would be unable to guarantee that all his multinational subordinates would be willing and able to obey the operational orders in the face of political concerns in their own capitals. Neither can it be ruled out a *priori* that, vice versa, a company from the Netherlands could react to armed provocations in a way that would put the government of the German battalion commander in an uncomfortable spot.

The choice of framework nations for the three Baltic States might, in this context, be a wise one, whether by design or not. Of the Baltic States, Estonia and Lithuania with their significant Russian-speaking minorities are regularly deemed most vulnerable to Russian subversion.[10] While the actual threat of disloyal minorities in the Baltics is contested and may be rather low, these two states will host the battalions led by Canada and the UK. *In extremis*, both are no strangers to deploying soldiers in domestic emergencies. Germany, notably, will lead the battalion in Lithuania,

where territorial defence is likely to be the most important task. While other reasons will have been decisive – close historical ties between Estonia and the UK, or German-Lithuanian cooperation in equipping the army with used German howitzers *"Panzerhaubitze 2000"* – the choice of framework nations appears to fit this sub-conventional threat assessment.

AN "INDIGENOUS" INSURGENCY

Thirdly, NATO troops might actually become the targets of organised violence way below the conventional threshold. It is not far-fetched to imagine a terror campaign by a supposedly indigenous movement against "occupying forces", their barracks, vehicles, and soldiers on- and off-duty. The terror campaign by Irish nationalists against British soldiers in Northern Ireland (and, indeed, in their NATO host nations, Germany and the Netherlands) shows how such a campaign could unfold. Potential casualties on the side of the troop-contributing nations would be difficult to explain to domestic audiences already less than enthusiastic about the deployments. Plus, while the prevention of such attacks would again most likely be the primary responsibility of the host nation, it seems unlikely that any troop-contributing nation would agree to indefinitely refrain from taking more proactive steps in preventing attacks – opening the door to potentially disruptive entanglements in the "grey zone"[11] of sub-conventional warfare. This way, NATO troops might face the potential dilemma of either remaining passive (and vulnerable) targets of such a campaign or going on the offensive, risking entanglement in a conflict for which they have not been deployed, and for which multinational battalions are rather imperfectly suited.

ERASING THE FAULT LINES

What could be done to reduce the risk of strategic political fallout from tactical developments on the ground? The good news is

that the measures to be taken concern questions of processes, coordination and multilateral agreements – they will be relatively low-cost or even cost-neutral. Reducing the vulnerabilities involved in forward presence requires identifying the challenge, discussing scenarios and finding a common ground for the troop-contributing nations to base their planning on; no more, no less. Additionally, until the beginning of the deployments in 2017, there is enough time to push ahead.

First, and at its most basic, NATO Member States have to agree that the Alliance's EFP in Poland and the Baltics should be treated as an operation in all but title – and tackle the thorny legal problems that open up immediately. NATO's Baltic battalions may be denied the luxury of a clear and unambiguous transition between peacetime and wartime; yet planning for eventualities in a time of peace, and on Allied soil, opens the box for numerous legal problems, both on the level of international humanitarian law and the respective state-level laws of troop-contributing nations. This legal groundwork would have to be codified, *inter alia*, in the respective "Status of Forces Agreements" – in quotation marks, as it concerns Allied territory – between NATO and the host nations as the basis for all further planning. Without finding common ground regarding the legal framework of NATO's EFP as an operation, and below the threshold of open warfare, NATO would risk being essentially blockaded when the time comes.

Second, building on those debates, NATO members contributing to the four battalions will have to harmonise their Rules of Engagements (RoE) and minimise national caveats – in sub-conventional scenarios, caveats become fault lines to exploit. While a simple reality in most allied operations, national caveats can be worked around in most missions; this may not hold in the face of "sub-conventional" challenges. A German battalion commander leading, say, a company each from Norway, Germany and the Netherlands, has to know that all three tactical units would operate on the same ground rules when being confronted by violent demonstrations or other possible scenarios – and would, ideally, all be adequately equipped to rely on non-lethal means

should the situation require the use of force.

The harmonisation of RoE would be conducted at Alliance level and in discussions between the national capitals, with the Military Committee and SHAPE being the main coordinating institutions. Much work has already been put into preparing the ground for quicker and more sustained NATO deployments, and future harmonisation could build on that. However, harmonisation between the host nation and the respective framework nation, and within the multinational battalions, is more important to prevent fault lines *within* contingents. Thus, decentralised, country-specific agreements are also possible. Building on the same countries to provide the annual contingents would, of course, greatly facilitate such planning. Thus, while the operational planning and command will be a NATO task, national capitals will have to lay the groundwork – thereby hopefully diminishing the temptation for unilateral micromanagement should the situation on the ground escalate.

Militarily, then, this harmonisation should aim at creating sufficiently effective combat units out of annually rotating, multinational battalions; *politically*, this means creating a shared understanding in the capitals of troop-contributing nations about the challenges that the troops could face, and an agreement on basic courses of action in various contingencies.

Third, on a firm legal basis and with harmonised rules of engagement, NATO will have to develop contingency plans for sub-conventional scenarios. These contingency plans, as routinely developed for conventional NATO operations, would have to be realistic, and they would have to be agreed upon at Alliance level to minimise political friction should a scenario materialise. Only with a clear delineation of responsibilities between the troop-contributing states and NATO's Command Structure can the risk of operational and tactical frictions, with potentially significant strategic fallout, be reduced.

As political differences between NATO members, with regard to the Alliance's stance towards Russia, could crystallise around "operationalising" the EFP in peacetime, the steps proposed

below might well overburden the shaky consensus of Warsaw and be unrealistic in the short term. However, every move in the right direction matters and, notwithstanding a substantial *détente* with Russia, NATO states may not be able to dodge the question indefinitely.

NATO's Enhanced Forward Presence in the east through multinational battalions will be a critical step in enhancing the Alliance's conventional deterrence posture. Short of a Russian invasion, however, this presence will be a potential tactical target for Russian subversion, with very limited effective added value, except to deter a conventional follow-up attack. If not thought through then this presence might increase NATO's vulnerability to Russian subversion instead of reducing it. Erasing the fault lines within the forward deployed battalions, and between the capitals of troop-contributing nations, might appear to be an insignificant step, yet it could go a long way towards complicating Russian "divide and rule" policies in the coming years.

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1   A shortened version of this text has also been published at the Center for Security Studies, ETH Zurich, in the series „CSS Policy Perspectives", http://www.css.ethz.ch/en/publications/css-policy-perspectives.html.

2   This paper will use "sub-conventional" instead of "hybrid", "ambiguous" or "non-linear"; for a discussion of the concept read Mark Galeotti, "Hybrid, Ambiguous, and Non-Linear? How New is Russia's "New Way of War"?", Small Wars & Insurgencies, Vol. 27, No. 2 (2016), 282-301.

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6   Martin Zapfe, "Efficacy, not Efficiency", NATO Defense College Research Paper No. 118 (August 2015), www.ndc.nato.int/download/downloads.php?icode=460, 6.

7   Dmitry (Dima) Adamsky, "Cross-Domain Coercion. The Current Russian Art of Strategy", IFRI Proliferation Paper 54, November 2015, 25-26.

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INFORMATION WAR: THE EXAMPLE OF DABIQ AND NATO'S RESPONSE

Matteo Mineo

On 29th June 2014, the Islamic State of Iraq and the Levant (ISIL or – following the most accepted form by international political consensus – Daesh) declared the establishment of an Islamic caliphate in Iraq and Syria. In this way, the recognised leader of Daesh, Abu Bakr al-Baghdadi, within a period of about ten years, has taken a Sunni Iraqi para-military section of Al Qaeda to assume the role of leadership, according to the intentions of the Caliphate, of an authentic State entity or *al-Dawla*, "the State". The self-proclaimed Islamic State, after having claimed ample territory, previously controlled by the Iraqi and Syrian Governments, and having removed from its name any regional references which could lead the universal "mission" astray from the Islamist terrorist group, has not only succeeded in realising what had been pursued by Al-Qaeda for decades, but has begun to create for itself a quasi-state structure, thanks to well-coordinated aggression in the information environment[1] able to take advantage of the victories on the battlefield, and by the use of the most modern instruments of communication and the Internet: a strategy which has very skilfully used "the exploitation of the sectarian divisions, political manipulation and the use of social media to increase its apparent strength"[2] and gain thousands of converts all over the world. Daesh has also demonstrated that it possesses its own "institutional" communication, a *narrative* which its efficient media apparatus transmits in order to disseminate a *Jihad 2.0* that "travels on the Internet (and) feeds on the contents of the Islamic State's propaganda, which then becomes viral".[3] Bearing all this in mind, it is not unusual to see that the "digital caliphate", once self-proclaimed, felt the immediate need to create its very own magazine

to disseminate its ideology and guidelines, giving way to the birth of *Dabiq*.

In this, Daesh's communicative strategies appear similar to the Russian Federation's information campaign which started with the Crimea crisis. They appear as "memetic activities, where terminologies, discourses and narratives of the "enemy", i.e. the West and Europe, are re-appropriated and spun in order to satisfy the organisation's own needs.[4] In this "game of mirrors", where codes are appropriated and legitimised, ISIS and Russian narrative present exogenous elements in the structuring of the messages that we might easily find in some specific NATO doctrines on InfoOps and PsyOps. The informative process thus generated an asymmetrical narrative that leverages on European political weaknesses and NATO cohesion, having a deep impact on Western public opinion.

DABIQ, DAESH'S ONLINE MAGAZINE

Dabiq is a place in the countryside in Syria, north of Aleppo (Syria) where, according to Islamic escathology,[5] one of the largest battles among Muslims and Christians is to take place. The chosen title of the magazine is no coincidence, as readers are clearly reminded of its meaning in its first issue.[6] In fact, it accentuates one of the cornerstones of the digital caliphate from the very start: the radicalisation of the conflict and the identification of one of its primordial enemies. The magazine was born "after a review of some of the comments received" from Daesh's media department, *Al Hayat Media Centre*,[7] "on the first issues of the Islamic State News and Islamic State Report" which made it possible for the specialists of the caliphate's image to publish "a periodical magazine focusing on the issues of *tawhid* (unity), *manhaj* (truth-seeking), *hijrah* (migration), *jihad* (holy war) and *jama'ah* (community)"[8]. The magazine, intended to disseminate the narrative of Daesh outside the traditional Islamic world, is also written in English, in order to embrace the target audience which does not speak Arabic, and in this way it has been able to find its way into the hearts of second and third generation Islamists who immigrated

abroad. In reading the contents of the texts, often threatening and accompanied by high impact emotional images, *Dabiq* "appears to be propaganda intended to disseminate the ISIL narrative, persuade Muslims to support ISIL, and build legitimacy for ISIL's claim that it has established a caliphate, restoring the successors to Mohammed".[9] For non-ISIL supporters: "the magazine is evidence of the dangers that the group and other militant jihadists pose to non-Muslims".[10] But that is not all. According to some analysts[11] *Dabiq* represents the means through which Daesh, being especially interested in a Sunni Muslim target audience[12] wants to be perceived and present itself as a State. In light of the above, therefore, *Dabiq* represents the means to present and to publicise the Islamic State as a truly authentic brand. Committing, in fact, to the principles of nation branding,[13] the communicators for Daesh fully embrace the pillars of brand management and its components (identity, awareness, image, positioning, loyalty and equity), adapting to the context of the self-proclaimed caliphate the concepts and techniques which are normally used in marketing. Acting in this way, they are able to present Daesh, not as a savage terrorist group, but rather as a cohesive state from the political-religious point of view which is devoted to the needs of the faithful of radical Islam.

THE PUBLISHING OF TERROR

Compared to the publications by other terrorist organisations, such as *As-Sahab Resurgence Magazine*, an online magazine published by Al-Qaeda in English, *Dabiq* presents a narrative built on the religious message and on the territories conquered by the caliphate. Al-Qaeda, on the other hand, accentuates its message on waging total war against the infidels on a global scale. Now, even though Al-Qaeda's magazine could, in practice, be more appealing, with its layout being similar to that of Daesh, but with a more ample message, *Dabiq*, having a strong and wisely built message which aims to promote a governed territorial entity, presents a more plentiful message to its fundamentalist galaxy, because it essentially promotes the "Islamic State's demonstrable results: military achievements, territorial

conquests and implementation of Sharia-based governance in conquered territories".[14] Besides, *Dabiq*, contrary to *As-Sahab*, presents a layout where the crudeness of the images is often a characteristic element. Although both periodicals contain high definition images, those of the self-styled Islamic State, following the "logic of shock"[15] for the target audience, aims to reproduce, alongside portraits and images which can be found in other Western magazines, images of death, blood and destruction, as well as links to film footage which can be downloaded from the Internet with the intent of glorifying "the spectacularisation of military and terrorist operations and, lastly, dreadful executions".[16] And one last note, an important factor which generates popularity is the cyclic nature: while *Dabiq* proposes periodical monthly issues, *Al-Sahab* has so far produced only two issues in little more than a year.

COMPOSITION/ARRANGEMENT, TEXTS AND EVOLUTION OF THE PERIODICAL

Strong, therefore, with a convincing narrative and evocative images which have surpassed the publications of the competing terrorist networks, *Dabiq* has imposed itself as a magazine of terror, thanks to an editorial hard line which proposes a guiding theme[17] for each edition, which is then covered in-depth with the circulation of the magazine publishing "invocations and celebrations, religious instruction and reports on current jihadist activities, prayers and photographs from successful operations, including pictures of blown-up buildings and destroyed ancient temples".[18] Contents which, even if at first were often "written in a mode of exalted and redundant pedantry"[19] and therefore, got less attention from a young target audience, are today more appealing since *Dabiq* presents itself, after twelve publications, not only as a service of religious propaganda but also as a newsletter, a place for debate or a ready to use question and answer manual: in synthesis, a fundamental point of reference for the Jihadist galaxy. Hence, while in the first publications the magazine present Daesh as a restoration of the caliphate to its readers, illustrating their

strongholds and their aims,[20] as well as what they expect from new supporters,[21] in its subsequent publications, following its territorial consolidation, it begins to tackle different arguments: it announces the expansion of Daesh in those territories controlled by terrorist groups which have submitted themselves[22] or which have become allies, such as *Boko Haram*;[23] it accentuates the internal frictions within the jihadist movement criticising the detractors of the Islamic State;[24] it explains the education system of its child soldiers;[25] it discusses, admits and justifies the sexual slavery of apostate women;[26] it accuses Al-Qaeda and the Taliban movement in Afghanistan;[27] it vindicates executions and terrorist attacks. In all of its publications, permeated by the same logic of death, they publish attacks against Christians, Jews, Apostates and Muslims who do not believe in the same fundamentalist vision of Islam. The invitation to massacre all those who do not believe in the ideology of Daesh is, in fact, part of its narrative which accompanies the invocations to kill, with detailed reports of battles or suicide attacks which are harmoniously assembled with a series of images resembling a macabre collection of snapshots taken from a snuff movie.[28] "The central message they want to convey is clear: the Islamic State is not a Western conspiracy or an aberration. It is, in their opinion, the only legitimate political entity (for Muslims) in the Middle East".[29] A political entity, above all, which is represented by the black flag of Daesh,[30] which appears in the images and in the key contents, by means of a constructed operation in brand management. Taking advantage of the methods used in the communication of advertising, *Dabiq* is able to create a consensus and to persuade a vast audience based on the benevolence of, and the need for, the actions and the claims of Daesh, in this way assuring the radical Islamists a continuous flow of aspiring martyrs, foreign fighters and funds from all around the world.

PARALLELS WITH THE RUSSIAN INFORMATION CAMPAIGN

From the very self-proclamation of the Islamic State, gaining leverage on the susceptibility of the population on the topics disseminated throughout the media (especially if social media), and on the

particular receptiveness of a sub-layer of radical Islamists, Daesh conducts continuous multidimensional aggression in the information environment, placing particular attention on the psycho-cognitive field of the global audience. By carefully taking advantage of the means of communication, the self-styled caliphate tries to make itself look like a State entity through the glossy pages of its online magazine, *Dabiq*, where it "shows in no uncertain terms [what] is the mentality of the Islamic State: confident and utterly devoted to its ideology. It clearly divides the world into two: those who agree with its racist, violent and hegemonic platform and those who do not".[31] From this dualistic perspective, being that there are two opposite and irreconcilable worlds, the magazine invites the former to a transcendental and euphoric vision of death for the glory of the Islamic State damaging the latter, who are reserved the massacres and slavery. Now, *Dabiq* being the official authority and the most symbolic for the communication of Daesh, makes it is clear how this unfortunately represents "an organisation with ambition, resources and talent behind it which will not stop until either it achieves its aims or is utterly destroyed".[32]

If Daesh is trying to be recognised as a State entity using communication, we must not forget that another strategic actor has developed and adapted the old methods from the Cold war era into the modern day media environment. Refining the Soviet methods of deception, subversion and propaganda through the application of cyber warfare and the use of social media in information warfare, the Russian Federation has demonstrated its ability to use all the capabilities in the exploitation of the information environment taking a strategic advantage that could be difficult to counter in peacetime. While Russia and Daesh have demonstrated the will and the capability to apply a full spectrum of "information confrontation" in the months, or even years, before a planned physical aggression, the Western countries are often restricted by a long list of constraints from reacting to the adversary information activities. This could place NATO at a huge strategic disadvantage if the Alliance is unable to synchronise its communication efforts. The future would be characterised by an accelerating rate of changes resulting from the rapid interaction of

technology, media and innovation. So, rapid change, terrorist threats, uncertainty and interconnectedness will be combined to make the world continuously more dynamic and complex. To cope with this, NATO will face perhaps one of the biggest challenges in its history where the communication aspect could play a paramount role.

CONCLUSIONS

Born out of an offshoot of *Al-Qaeda*, the Islamist terrorist group *Ad-Dawla Al-Islamiyya Fi Al-'Itaq Wa l-Sham,* known in the West as Daesh, in just a few years has succeeded in militarily occupying wide areas previously controlled by the Syrian and Iraqi Governments, promoting alliances among the principal terrorist groups and building an unrecognised quasi-state structure which governs over ample territory and self-proclaiming itself the Islamic State of Iraq and the Levant. In so doing, Daesh has demonstrated an undeniable ability of using all possible means available in order to take advantage of the information environment, not only at physical level, but also at virtual and psycho-cognitive level, winning a strategic advantage which the West has difficulty in matching, especially concerning communication. Being strong in regards to its potential attraction, Daesh has in fact equipped itself with an effective and innovative propaganda machine which, through several different platforms, has been able to hit the enemy and attract new followers, taking advantage not only of its successes on the terrain but also in the fields of communication and information. To face Daesh propaganda NATO should respond with the truth and facts: credibility remains the biggest asset to counter hybrid communications. Staying united, sticking to their values and principles in close coordination with the European Union and other international organisations is still one of the biggest tools. At the same time, to face the future threats to the southern (and eastern) flank, NATO has also to consider how actions in one domain could, and would, have effects in other domains and how imbalances in the ability to act across the domains create vulnerabilities. Considering that new threats in hybrid warfare (such as that posed by the extraordinary success of the magazine Dabiq and

its message of death) need coordinated actions across the domains, a continuous use of Non-Lethal Ops and an extraordinary ability in analysing the domains considering the virtual and psychological/ cognitive, a possible response could be to move towards multi-domain operations, where well-coordinated communication will be the key to face the Jihad 2.0.

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1   "MC 422/5 – NATO Military Policy on Information Operations", ed. 2015, defines the "Information Environment" as "comprised of the information itself, the individuals, organizations and systems that receive, process and convey the information and the cognitive, virtual and physical space in which this occurs".

2   Ibid.

3   Giuliano Battiston, "Terrorismo, la Jihad 2.0: così si reclutano i terroristi bambini", L'Espresso, 18th November 2015.

4   Florian Schaurer, "Das digitale Kalifat – Aktivitäten des IS im Informationsraum", Zentrum Informationsarbeit Bundeswehr, 2nd December 2015; Michelangelo Conoscenti, "ISIS' Dabiq Communicative Strategies, NATO and Europe. Who is Learning from Whom?", in Discourses and Counter-discourses on Europe, from the Enlightenment to the EU (Taylor & Francis, 2016).

5   Eschatology is a part of theology concerned with the final events of history, or the ultimate destiny of humanity. This concept is commonly referred to as the "end of the world" or "end time". In the Muslim Eschatology the term Dabiq appears in a hadith, single anecdote on the life of the prophet, all of which constitutes the Sunna, code of behaviour and sacred text of Islam. It is possible to find the text in the English language for the hadith mentioned (number 6924) at http://www.theonlyquran.com/hadith/Sahih-Muslim/?volume=41&chapter=9

6   Dabiq, No. 1, p. 4, ed. 2013: "As for the name of the magazine, it is taken from the area named Dabiq in the northern countryside of Halab (Aleppo) in Sham. This place was mentioned in a hadith describing some of the events of the Malahim (what is sometimes referred to as Armageddon in English). One of the greatest battles between the Muslims and the crusaders will take place near Dabiq".

7   Rossana Miranda, "ISIS: ecco dove si producono i video degli orrori", Formiche, 15th June 2015.

8   Dabiq, No. 1, p. 3, ed. 2014.

9   Special Operations Command Central (SOCCENT), "Multi-Method Assessment of ISIL", Strategic Multilayer Assessment (SMA) Periodic Publication, December 2014, 80.

10   Ibid.

11   Laura Steckman.

12   Special Operations Command Central (SOCCENT), "Multi-Method Assessment of ISIL", 84: "ISIL uses its rhetoric strategically in its magazines to promote a state and government designed to support Sunni Muslims while subjugating all other populations. The caliphate, whether real or imagined, appeals to some Sunni Muslims, as evidenced by the influx of foreign fighters to the region".

13   Keith Dinnie, Nation Branding: Concepts, Issues, Practice (Routledge, 2008).

14   Omer Ali Saifudeen, "Islamic State and its Online Recruitment Formula", RSIS Commentary No. 90, 14th April 2015.

15   Simon Cottee, "ISIS and the Logic of Shock", The Atlantic, 6th February 2015.

16   Monica Maggioni and Paolo Magri, "Twitter and Jihad. The Communication Strategy of ISIS", ISPI, 15th April 2015.

17   See: Dabiq No. 1: "The Return of the Khilafah", No. 2 "The Flood", No. 3 "A Call to Hijrah", No. 4 "The Failed Crusade", No. 5 "Remaining and Expanding", No. 6 "Al-Qa'idah of Waziristan: A Testimony from Within", No. 7 "From Hypocrisy to Apostasy", No. 8 "Shari'ah Alone Will Rule Africa", No. 9 "They Plot and Allah Plots", No. 10 "The Law of Allah or The Laws of Men", No. 11 "From the Battle of Al-Ahzab to the War of Coalitions" and No. 12 "Just Terror".

18   David Denby, "The Perfect Children of ISIS: Lessons from Dabiq", The New Yorker, 26th November 2015.

19   Ibid.

20   Dabiq, No. 1, pp. 3-11, ed. 2014; articles: "Dabiq Magazine", "Khilifah Declared", "The World Has Divided in Two Camps".

21   Dabiq, No. 2, pp. 3-4, ed. 2014: "Many readers are probably asking about their obligations towards the Khilafah right now." This opening statement alone displays a presumption and self-confidence built on the strength of their ideological convictions and shored up by their battlefield successes. The Islamic State assumes and demands loyalty from all Muslims worldwide, as they made in clear in their declaration of a caliphate (khilafah) on the first day of the Muslim month of Ramadan. The answer is even more presumptuous: "The first priority is to perform hijrah from wherever you are to the Islamic State, from dar al-kufr to dar al-Islam."

22   Dabiq, No. 5, ed. 2015.

23   Dabiq, No. 8, ed. 2015.

24   Dabiq, No. 6, ed. 2015.

25   Dabiq, No. 8 and No. 12, ed. 2015.

26   Dabiq, No. 9, ed. 2015.

27   Dabiq, No. 11, ed. 2015.

28   Cambridge Advanced Learner's Dictionary & Thesaurus (Cambridge University Press): "a violent film that shows a real murder".

29   Elliott Friedland, The Clarion Project, "Islamic State Magazine Asks: "Did You Think We Are Joking?"", 25th May 2015, http://www.clarionproject.org/

30   Gabriele Lippi, "Isis, il significato della bandiera", Lettera 43, 26th June 2015, http://www.lettera43.it/capire-notizie/isis-il-significato-della-bandiera_43675176615.htm

31   Elliot Friedland, "Islamic State Selling Message with Glossy English Magazine", The Clarion Project, 4th August 2014.

32   Ibid.

West-Russia Relations

RUSSIA AND THE WEST: WHAT DOES "EQUALITY" MEAN?

Andrey Kortunov

Russian-Western relations, almost three decades after the end of the Cold War, have been tightly packed with unjustified expectations, misperceptions, misunderstandings and self-delusions on both sides. Quite often, Russian and Western politicians and scholars have used the same words when talking to each other, but implied very different meanings of these words. Such ambiguity was, in certain cases, purposeful: it allowed Moscow and Western capitals to stick to a mutually acceptable pattern of "political correctness" and to avoid the potential embarrassments of a straightforward and blunt conversation. The assumption, arguably, was that with time the two sides would gradually reconcile their visions of the world and the problem of doublespeak would fade away.

However, if such expectations did exist, they proved to be wrong. The Ukrainian crisis revealed a deep gap in how the Kremlin and its Western interlocutors understood some of the very fundamental principles of the East-West relationship and the international relations at large. This gap still exists and without having bridged it, there is little hope for more stable and cooperative Russia-West interaction.

One of these fundamental and controversial principles is the principle of "equality". In their official rhetoric, both sides have always stood for "equality" when dealing with each other. Nevertheless, their interpretations of "equality" have never been the same.

HOW DID THE COLD WAR END?

To understand the origins of diverging interpretations of "equality", one has to go back to the end of the Cold War. For most people in the West, the Cold War ended with the clear and unambiguous triumph of Western values, principles and institutions. The Communist system collapsed in 1989, being incapable of successfully competing with the superior and more adaptive capitalist system, and was followed by the dissolution of the Soviet Union two years later, being outdated, reform-resistant and doomed to extinction.

Therefore, from a standard Western viewpoint, in the 1990s and onwards, there was absolutely no need to reform in any radical way the Western institutions that had served their purpose so well during the Cold War. The immediate challenge was different – how to manage the swift and consistent geographical expansion of these institutions to the East, in order to broaden as much as possible the area of liberal democracy, market economy and international stability.

Ideally, as seen from the West, this area should have embraced Russia along with other post-Communist European countries, although everybody understood that the Russian transition was bound to be a particularly long, painful and precarious process. The transition could have been facilitated by treating Moscow with more respect and empathy than it probably deserved. The principle of "equality" in relations with Russia meant that Moscow could get the best terms possible for collaborating with the triumphalist West. The West was more than generous in offering Russia a "special arrangement" with the European Union and a seat at the NATO-Russian Council. Moscow had to play by the Western rules, because these rules were supposed to be clearly better for the new, democratic Russia than any other alternative, if such an alternative ever existed in the 1990s.

However, this was definitely not how they understood "equality" in the Kremlin. Above all, they never agreed to the idea that Moscow

had lost the Cold War and could therefore be treated as a defeated power. The predominant perception within the Russian political class was that Moscow had ended the Cold War "voluntarily" and that it had disbanded both the "outer" and the "inner" Soviet empires on its own, not due to ever-growing pressure from the West. It should be noted that, even today, twenty-five years later, many in Russia believe that the collapse of the Soviet Union could have been avoided.

Since there was no overwhelming feeling of a historic defeat (except for a relatively small group of die-hard Communists), most in the Russian leadership did not consider contrition or repentance as *sine qua non* for a future Russian foreign policy. Unlike in Germany after the end of the Second World War, in Russia, after the collapse of the Soviet Union, there was no profound sense of guilt for the inglorious past. On the contrary, there was a sense of entitlement that explains a lot in Moscow's attitude to both its former satellites and its newly acquired partners in the West.

THE CENTRALITY OF WESTERN
INSTITUTIONS QUESTIONED

The principle of "equality", as seen from the Kremlin, meant that the future security and development architecture in the Euro-Atlantic area would require something more than the mechanical geographical expansion of the old Western institutions. The immediate challenge, as seen in Moscow, was to build new inclusive institutions that would embrace both the East and the West on an "equal" footing. The most graphic manifestation of this vision was the Charter of Paris for a New Europe (also known as the Paris Charter) adopted by a summit meeting of most European governments, in addition to those of Canada, the United States and the Soviet Union, in Paris, in November 1990. The document did not even mention NATO as a pillar of the Euro-Atlantic security system; instead, it put major emphasis on the Helsinki process and its institutional foundations (CSCE/OSCE).

Since the dissolution of the Soviet Union, the Russian leadership always claimed a special status in its relations with the European Union and the Atlantic Alliance, compared to other post-Communist states. The Kremlin tried to substantiate this claim referring to many aspects of Russian exceptionalism: the size of the country, its geographical extension, the nuclear superpower standing, permanent membership of the UN Security Council, etc. Of course, there were radical pro-Western factions within the Russian political leadership, and in the expert community that made the case for Russian membership of both NATO and the European Union. But, even during the heydays of Moscow's relations with the West, these factions did not define the Kremlin's policies. In terms of its civilisational identity, Russia was commonly regarded as an organic part of the "Greater West", but institutionally it was considered too special and too "different" to be successfully integrated into existing Western organisations.

The central idea of a new arrangement in Europe, which Moscow insisted on, was the idea of an East – West convergence, instead of an absorption of the East by the West. In other words, Russia was willing to turn more "European" provided that Europe would become more "Russian"; Moscow and Brussels were expected to make reciprocal concessions and compromises in the most important areas of their cooperation – such as, security, energy, visa regimes, agriculture and transportation. This is why, for instance, in the early 2000s, Russia chose not to participate in the European Union's European Neighbourhood Policy (ENP): it aspired to be an "equal" partner of the EU, as opposed to being part of the "junior partnership" that Russia understood the ENP to be. Consequently, Russia and the European Union agreed to create a "Four Common Spaces" initiative for cooperation in different spheres. Both sides underlined the principle of "equality" as the foundation for their cooperation.

At the end of the day, the assumption that Russia could become an "equal" partner to the European Union turned out to be an illusion. In practice, from the EU standpoint, there should have been no substantial differences between its relations with Russia and the

ENP Action Plans with other external partners. In both cases, the final agreement was to be based on provisions from the EU *acquis communautaire* and necessitated unilateral adjustments to EU regulations by the external partner in question. This approach did not match Moscow's perception of "equality" and was particularly disappointing in the energy field, where Russia had expected a friendlier policy as the EU's main supplier of oil and gas.

The same illusion of "equality" characterised the uneasy relations between Russia and NATO. For a variety of reasons, Moscow never considered NATO membership in a serious way. Nevertheless, the format of the Russia-NATO Council, as seen from Moscow, allowed Russia to take its "legitimate" place at the table, where the most important matters of Euro-Atlantic security were discussed. The idea was to get as close as possible to *de facto* membership without formally joining the Atlantic Alliance. The principle of "equality" implied that no issues that could have a significant impact on Russian security (including the enlargement of NATO to the East, of course) should be considered in Russia's absence.

This view was not discouraged by NATO from the very outset; on the contrary, at the level of political rhetoric, it was explicitly encouraged. However, the Russian perception of the Russia-NATO Council was not shared in Brussels or in Washington. At best, the Council was designed to be a mechanism for technical coordination and information exchange, as a potentially useful channel of communication with Moscow. The Council was also regarded as a "consolation prize" to Moscow in order to mitigate its opposition to the accession of new members to the Alliance. As a rule, proposals for any joint Russia-NATO actions implied that Russia should put its troops under NATO's command, not the other way round. In a sense, NATO offered Russia its own security *acquis communautaire* that Russia had to accept and adjust to.

Any attempts to upgrade the format of the Council from the Russian side generated a lot of suspicion in the West, since they were interpreted as part of the Russian strategy aimed at acquiring veto power over the most important NATO decisions. These attitudes were publicly revealed when NATO decided to freeze the Council

in the midst of the crisis around Ukraine, although the Council had undertaken the explicit mission to promptly react to such dramatic situations.

ASYMMETRIES AND STATUS

One of the "existential" problems with Russia's claims for "equality" in its relations with the West is rooted in profound asymmetries between the two sides, in both economic and security domains. During the Cold War, the Communist system was able to challenge NATO (with the Warsaw Treaty Organisation) and the European Union (with COMECON). Indeed, there were potential asymmetries even during the Cold War, but these were not that evident and the Soviet Union could claim an overall "parity" with the West.

Today, the situation is different. The Russian economic potential is evidently no match for that of the European Union. Likewise, NATO has clear superiority over Russia in terms of quality and quantity of military capabilities. Under such circumstances, it is increasingly difficult for Russian leaders to substantiate their claims to "equality" in dealing with their Western counterparts.

Therefore, Russia has been desperately trying to build around itself the second centre of economic and security gravity to avoid the position of a peripheral power in the new European architecture. The initial (pre-Crimea) attempts to launch the Eurasian Economic Union (EEU) were, in the author's opinion, guided, not by the ill-conceived intentions to restore the former Soviet Union, but rather by the conviction that a multilateral economic alliance would be in a better position to negotiate a fair arrangement with the European Union than Russia alone.

Likewise, Russia spent a lot of effort promoting the Collective Security Treaty Organisation (CSTO) as a "natural" institutional partner for NATO, covering most of the territory of the former Soviet Union. The assumption was that NATO might find it easier to deal with another multilateral security alliance than with Russia individually. However, both the EU and NATO were quite reluctant

to accept EEU and CSTO as "equal" and legitimate partners for negotiations.

Given these profound differences in Russian and Western interpretations of "equality", it is hard to imagine how large-scale plans to build a Greater Europe – to construct comprehensive systems of European security and cooperation, new structures and institutions – could have been successful. From the very beginning, Russia was forever doomed to remain a peripheral power in the NATO/EU-dominated Europe as well as in the NATO/EU-dominated world. As they used to say in Moscow, "we were invited to pre-dinner drinks, but not to the dinner itself".

The Russian preoccupation with "equality" in dealing with the West reflects a deep post-imperial trauma. In the current Russian context, "equality" has a lot to do with symbolism, not with substance. If comparing how differently the Chinese penetration of Central Asia and the EU's Eastern Partnership Policy in Eastern Europe and in the South Caucasus were perceived by Moscow, the evident economic misbalances between Russia and China do not allow a place for "equality" in the relationship. In theory, Russia should have been much more concerned about the Chinese advances given their massive scale and the long-term planning that the Chinese have undertaken. In reality, the Chinese presence in Central Asia was regarded as benign and even positive in many ways, while the EU's very modest efforts in Eastern Europe and the South Caucasus were criticised as being hostile, and even provocative, towards Russia.

Was this because China is not a Western-type democracy and Moscow cannot suspect Beijing of staging colour revolutions in its neighbourhood? This is, probably, part of the story, but not all of it. It is also a matter of symbolism. Beijing never hesitated to go the extra mile to show its respect towards Moscow, to emphasise the symbolic "equality" in the Russian-Chinese relations. The Russians always had all of the facts about what China was planning to do in the region. Wherever possible, the Chinese tried to ensure that their bilateral projects with select Central Asian states were wrapped up in larger multilateral arrangements that would include Russia

(the Shanghai Cooperation Organisation is one of the clearest illustrations of this approach). On top of this, China never questions Russia's leading position when it comes to the region's security matters. As a result, through its openness and full disclosure of its intentions, Beijing succeeded where Brussels failed.

The Russian emphasis on "equality" in Moscow's relations with the West can be dismissed as irrelevant in the post-Ukrainian environment. It can also be criticised as hypocritical and selective: indeed, the Kremlin seldom refers to "equality" in the context of its relations with other post-Soviet states. However, it should be regarded as a reflection of a more general problem – Russia has always felt uncomfortable about remaining a peripheral power in the NATO/EU-centred Europe, as well as in the NATO/EU/US-centred world.

To make Russia a constructive player in the new international system, one has to find ways to help Moscow overcome this sense of being excluded from the decision-making mechanisms that really matter. If Russia has no stakes in maintaining the system, the temptations to become a regional or global spoiler will be much harder to resist. This is true not only for Russia, but for many other countries on the periphery of the Western institutions dealing with security, international economy or global finance.

EUROPEAN SECURITY AND DIALOGUE WITH RUSSIA: THE NECESSARY RETURN TO FACTS

Anke Schmidt-Felzmann

Heading into 2017, progress is necessary to tackle the security challenges associated with Russia. The ambition of achieving a gradual change and normalisation through dialogue is shared by many – but what does it take for dialogue to produce any change in Russian behaviour? This contribution argues that a return to the facts is necessary to come to grips with the multiple challenges currently posed by Russia to European stability and security. *Normalisation* is impossible as long as the Russian leadership continues to show its contempt for facts and prefers to fabricate and spread fictitious storylines to defend and whitewash its systematic violations of international principles and agreements that the Russian leadership previously endorsed.[1] The disdain shown by the Russian elites for the European security order will need to be confronted. EU and NATO Member States will have to accept that Russian elites simply do not share their belief in these structures. Furthermore, dialogue will change nothing as long as the Kremlin's professed intentions do not match the actual documented actions of Russian political, economic and military actors.[2]

Following the Russian annexation of Crimea, and even more so after the downing of Malaysian Airliner MH17, the Russian elites' proclivity to rely on fabrication and pure fiction became undeniable.[3] There can no longer be any doubt about the fact that the Russian leadership is duping diplomats, experts and even its former *strategic partners* at will.[4] The Russian elites' unwillingness to embrace the truth has contributed to a dramatic deterioration of the status of respect and trust in its

bilateral and multilateral relationships with European partners. Russian representatives have taken pride in executing skilful acts of deception, delivering agile performances on the international stage, while denying the incontrovertible evidence of systematic Russian military aggression, subversion and ruthlessness, not least in Ukraine and Syria. Without Russian acceptance of responsibility for these actions, and without honest Russian engagement in negotiations with its European partners, European security can hardly be strengthened *with* Russia, nor can the range of internal and external challenges that Russia itself is facing be tackled jointly.

The fabric of current political and economic arrangements with Russia remains fickle as long as the binding agreements concluded after the break-up of the Soviet Union are ignored by Russia. This includes the Budapest Memorandum, the various agreements with the EU, Council of Europe treaties and even World Trade Organisation principles. Dialogue is no magic potion in itself, no matter how strongly political leaders may wish for their own good faith to rub off on the Russian elites with whom they have engaged for years, if not decades. In the absence of a Russian willingness to show respect for the *shared values* that were enshrined in the common legal frameworks,[5] at the very least, the uncomfortable facts and incontrovertible evidence of Russian violations of its commitments have to be forced back into the discussion. An effective strategy of engagement has to be anchored in an acknowledgement that the Russian *modus operandi* and Russian interests and ambitions are fundamentally different from those of the EU and NATO Member States and partner countries.[6] A dialogue between the deaf and the blind has no real prospect of success. Only when a common approach to the Russian challenge among EU and NATO members is grounded in a consensus on the facts that decision-makers are faced with, can an effective response be developed. If, on the other hand, the egregious Russian fabrications succeed in sowing confusion and disagreements about the kind of challenge Russia is posing to security in Europe and beyond, a further erosion of the foundations of trust, respect and mutual solidarity that the European security order relies on will be the inevitable, but undesirable consequence.

TOWARDS AN ACKNOWLEDGEMENT
OF FUNDAMENTAL DIFFERENCES

What is necessary to consider in dealing with the Russian Federation's elite representatives is that the Russian illegal practices and breaches of fundamental international legal principles by military and non-military means reflect a deliberate and systematic disregard for the norms and principles enshrined in international treaties that Russia is a party to. The Russian self-image and projection of the Russian vision of its role in Europe and the world is deeply rooted, and not a product of the military confrontation.[7] The European security order, in turn, is well-established and more robust than some critics seem to think. The Russian snap occupation and annexation of Crimea in 2014 and the Russian military intrusion into Ukraine's Donbas region[8] have fundamentally challenged, but not succeded in changing the European security architecture. Against the wishes of the Russian elites and the numerous challenge, they have been exposed to, European states have refused to dismantle the organisations in which they participate, including the OSCE, NATO and the Council of Europe.[9]

Gross violations of the fundamental principles enshrined in the United Nations (UN) Charter, the Human Rights Conventions and humanitarian principles enshrined in the Geneva Conventions and even the Russian kidnapping of nationals of neighbouring countries, notably the Estonian national, Eston Kohver in 2014,[10] but also Ukraine's Nadiya Savchenko, and their prosecution and judgement in Russia, based on fabricated charges, makes clear that the fundamental premises of the rule of law and due process are not shared. Furthermore, instead of embracing the logic of free trade and the respect for WTO principles in its engagement with its neighbours and important trade partners,[11] the Kremlin has promoted an alternative trade framework, the so-called Eurasian Economic Union, a structure set up to challenge the perceived dominance of the European Union. The Partnership and Cooperation Agreement (PCA) of 1994 that is still the legal

framework within which the EU-Russian engagement takes place revealed already long before the Russian annexation of Crimea that Russia's interests in the EU do not match the EU Member States' expectations.[12]

The Russian regime's respect for international rules and principles seems to be contingent on its own interests. It is a clear sign of this trend that the primacy of international law has been formally challenged by Duma legislation passed in 2015, which established that the Russian Constitutional Court can overrule binding decisions of the European Court of Human Rights (ECHR) - if and when these are not deemed to be "in the interests of Russia".[13] The consistent Russian refusal to assist the Dutch-led investigative team, with the MH17 investigation, and the use of its veto power in the UN Security Council against the setting up of an international tribunal for the prosecution of those responsible for the downing and death of 298 civilians, make clear that the Russian leadership's commitment to due process, and to the primacy of factual evidence in the justice system is in doubt. The subversion of international legal commitments in combination with the use of military force serve as tools with which the Russian leadership – from a position of economic and political weakness – seeks to impose its will.[14] The Russian Government, in this regard, walks in the footsteps of the Soviet Union, systematically exploiting the international legal system in pursuit of its national political, economic and military objectives.[15] This also has direct implications for any dialogue with Russia regarding the European security order as it delineates the confines of the trust that can be placed in the Kremlin's commitment to agreements.

With a range of deliberate provocations by Russian state representatives directed at long-standing diplomatic partners, with open and veiled threats and acts of physical aggression, Russian representatives have undermined the respect that they themselves regularly invoke and lay claim to.[16] The striking disdain shown for the fundamental principles of diplomatic conduct enshrined in the Vienna Convention on Diplomatic Relations confirms the concerns voiced more than a decade ago by representatives of

those states exposed to these Russian practices. The assessments from those traditionally on the receiving end of Russian repression, undiplomatic verbal assaults, economic retaliatory measures, cyber attacks and acts of subversion therefore provide insights into broader patterns of behaviour.[17]

TAKING THE SMALL VOICES MORE SERIOUSLY

A problem facing the EU and NATO regarding Russia is that there are significant splits among and within the member and partner states regarding the question of *who understands Russia*? These were revealed in 2008 as military experts and national representatives from Northern, Central and Eastern Europe voiced well-documented concerns about worrying trends in Russia's military activities prior to the Russian war with Georgia. Even subsequent warnings by military experts and a range of observers of a worrying increase in Russian military activities and exercises, including clear attack manoeuvres directed at European states, were dismissed as "alarmist" instead of being taken seriously as a presage of the challenges that national governments and the Armed Forces would soon have to come to grips with. Some analysts had argued that the likely next target of Russian military aggression could be Ukraine and its peninsula Crimea.[18] Why was so little credence given to these concerns, and why were decision-makers "caught by surprise" in February 2014?

A key reason for why the warnings from decision-makers as well as military and security experts were not taken seriously enough by many decision-makers in Western Europe is that it is difficult for many to fathom that Russian state representatives systematically and deliberately violate commonly accepted codes of conduct and that deception and manipulation has become an essential tool, not just of the Russian military apparatus, but even a core instrument in the Russian diplomatic toolkit. The question observers still grapple with is what can be the point of publicly offending and insulting your partners and of undermining their trust by systematically

failing to fulfil the commitments you entered into? Observers from the Baltic states' posit that those decision-makers that have a hard time understanding what Russian state representatives do, experience problems mainly because they assess the Russian elites' motivations and interests from the perspective of their own interests.[19] Simply put, Russian actions and public statements are filtered through a benign prism. Decision-makers depart from the assumption that the Russian elites think and reason along lines similar to themselves. It is also for those reasons that some of the Russian arguments that are raised by high-ranking Russian state representatives appear quite convincing to those political leaders that had previously been sheltered from the Russian *modus operandi* – despite the obvious fundamental flaws inherent in the Russian arguments.[20]

The misconception that has become widespread in Europe regarding, in particular, the Russian claim of an alleged "lack of respect" that the EU demonstrated towards Russia and the perceived "provocation" by NATO have to be understood against this background. In contrast, those exposed for decades to the Soviet Union and later the Russian logic of action and rhetoric, assess today's behaviour of the Russian elites against the established patterns that they have observed over time as targets of the Kremlin's actions. It has led to significant disagreements between EU and NATO member countries which negatively impact on both the Union's and the Alliance's ability to respond effectively to the Russian challenge that uncomfortable views depicting a suspected worst case scenario are silenced, while those promoting a best case scenario view receive more attention for their positive agenda. It is an unfortunate fact that representatives of countries with a long-standing difficult experience with Russia from within the old Soviet sphere of influence are often dismissed as "alarmist" and "anti-Russian", while those that have enjoyed a privileged relationship with Russia doubt the veracity and legitimacy of their precautionary warnings and promote their own, more benign view of a deeper Russian commitment to respecting common rules, and to a peaceful co-existence with the established European security

order, despite the abundance of clear evidence to the contrary.

Russian state representatives have for a long time instrumentally used the allegation of "Russophobia" to discredit the Kremlin's fiercest critics.[21] By dismissing as anti-Russian the criticism and cautionary remarks from those actors and states that possess profound experiences of Russian tactics and deeper insights into the Kremlin's patterns of behaviour[22], the Russian state agents have managed to undermine the faith and trust of Western EU and NATO Member States in the veracity and accuracy of fact-based observations and reflections of well-informed experts. It gives cause for concern that a negative perception of defence and security experts as well as decision-makers from the region most exposed to Russian aggressive posturing and military manoeuvres has taken root in Western European countries that have been less exposed to Russian actions and defamations over the past decades. This reflects a worrying tendency of the diminishing importance of real, raw facts in analyses of current threats to European security. It also implies that the perceptions of a reality fabricated by Russian state actors with the objective of reshaping the European security order in line with the Kremlin's own interests is gradually gaining ground in the countries that are part of the European security order, which is not just based on the values of democracy, but also on the values of mutual trust, of truth and honest mutual solidarity commitments. Estonia's former President, Toomas Hendrik Ilves, has summarised the problem as follows:

"We've been facing this *dezinformatsiya* [disinformation] ever since our independence, in many ways already before that. I remember as an ambassador – in '93, '94, '95 – in Washington, constantly having to defend myself or my country at the State Department in the face of completely outrageous and nonsense claims made against it [by Russia]. People took seriously outright lies".[23]

Indeed, allegations against Estonia and Latvia in particular – but also many others – have been systematically promoted by the Russian state agents from the early 1990s until the present day. Russian state-sponsored activities that were designed to depict the three Baltic States as Russophobic have been documented

by the Baltic States' security services in their annual reports over the past years.[24] Allegations of Russophobia have also been more widely used in the Nordic countries against outspoken critics of the Kremlin's violations of Ukraine's and Georgia's territorial integrity.[25] The track record of Russian denials and false accusations clearly indicates that Russian accusations of Russophobia and anti-Russian sentiments levelled against decision-makers and analysts should be treated with extreme caution. It is a deliberate and documented strategy of the Russian state to equate legitimate criticism against its own illegal actions with Russophobia, since it is easier to dismiss legitimate accusations when the critics voicing them are discredited in the eyes of a hopeful audience in Western European countries, while trying to whitewash the Kremlin from its documented violations of fundamental principles of state behaviour, both at home and abroad.

What is more, not only does a more positive past experience with Russia provide a false impression of security to those that have been less exposed to Russian antics prior to the illegal annexation of Crimea,[26] under the current circumstances, the old strategic partners are also more susceptible to Russian tactics aimed at undermining EU and NATO unity. Germany and France, for example, have always been considered by the Russian elites as important strategic partners for the pursuit of Russia's national interests.[27] It is hardly surprising therefore, that representatives from these two large EU and NATO member countries do not share the experience of an aggressive and spiteful Russian rhetoric and treatment of the countries that for Russia are of minor political and economic importance. However, when the old *strategic partners* of the Kremlin that have traditionally enjoyed comparatively uncomplicated relations with the Russian elites see current Russian actions through the prism of their own experiences and project their understanding of Russia, based on this experience as a privileged partner, onto others in the EU and NATO, it runs the risk of concealing the breadth and depth of the problem Russia has been posing to European security already for a long time. Difficulties with Russian and fundamental differences have been in the making

for more than two decades between what Russia wants and what many EU and NATO members think the Russian leadership wanted from its engagement in bilateral and multilateral cooperation.

RETURNING FROM FICTION TO FACTS

In view of the Russian track record following the gross violations of Ukraine's territorial integrity that started in February 2014, a swift normalisation of relations with Russia is hardly possible. More importantly, on what basis can a normal relationship with present-day Russia be built? It is difficult to identify and extract a genuine Russian interest in cooperation with the EU and NATO member countries from the barrage of Russian accusations hurled against the two organisations, its members and representatives. It is true that the Russian Federation cannot be ignored. It matters by virtue of Russia's nuclear capabilities, its geographic location, the determined upgrading of the Russian conventional military forces, including the stationing of nuclear-capable Iskander missiles in the Russian exclave Kaliningrad. However, given the Kremlin's evident willingness to use military power to achieve political objectives, the question is how Russia's role can change from that of an aggressor into that of a genuine partner. And, since dishonesty has been revealed to be a core feature of the Russian leadership's engagement in Europe (and beyond), a critical question *ex post* is whether the Russian leadership has ever been truly interested in cooperation with the EU and NATO.

A key Russian claim that has penetrated the public debate and forced false premises upon an otherwise lively and informed discussion is that of an alleged "Western failure to show respect to Russia", including the allegation that "the EU and NATO have provoked Russia to the extent that the Kremlin was "forced" to take the decision to occupy and annex Crimea and to invade Eastern Ukraine". A sizeable number of experts and decision-makers concur with this claim and argue that theses are the "true feelings" in Moscow. However, in light of the systematic lies and

deception regarding well-documented facts we are now left in doubt about whether the Russian elites really mean what they claim they "feel". Can we assume that Russian state representatives speak the truth? What we know is that the narratives of alleged Western provocations and allegations of a Western "failure to show due respect" is a more recent phenomenon in the Russian state rhetoric.[28] Even the Russia-NATO relationship was by no means subject to the current and systematic description as an adversary. As late as in October 2013, the Russia-NATO Council was discussing a widening of cooperation and a joint exercise *Vigilant Skies 2013* between Poland, Russia and Turkey "involving fighter aircraft, military personnel and command centres from the Arctic to the Black Sea".[29] A NATO threat in Ukraine was manufactured following the preparation of an unprecedented joint Russia-NATO mission that was aborted after Russian military forces occupied Crimea.[30]

It seems today highly unlikely that the Russian leadership shares the belief in a Europe whole and free and in the possibility that a well-functioning fully-integrated Union of prosperous democratic states can provide a robust framework for a stable and secure Europe.[31] Instead, it is likely that the Russian leadership has been engaged for a long time in a systematic deception and abuse of trust of its NATO allies and EU partners, and that this formed an essential part of a long-term Russian strategy designed to gain the upper hand, in the absence of real economic and political clout. As a result, the increasingly vocal claims in favour of a normalisation of relations with Russia raise rather fundamental questions about the premises on which such a normalised relationship can be built. What is clear is that neither the members of the EU nor NATO are ready to discard the cooperation structures that have evolved over many decades on the European continent and which serve as the guiding framework for most European states' interaction with one another, and with the rest of the world. Even in the context of the British exit from the EU, this still holds true: European cooperation structures are certainly evolving and gradually changing, but they are here to stay for the forseeable future. The

stated Russian ambition of replacing the existing security order with a new, Russian-made security order is therefore a non-starter for all those countries that share a belief in the fundamental values of democracy, cooperation and mutual trust. Since the Russian ambition, most clearly pronounced in the Medvedev plan for a new European Security Architecture, is to scrap all existing structures and to impose a new one, it is necessary to remember that new structures will not be able to resolve the fundamental differences between Russia and the EU and NATO countries and partners.

The trouble is that these underlying fundamental differences have not been taken seriously enough over the past two decades. The expectation that Russia, through its integration into the main European cooperation structures would gradually turn into a democratic European country was clearly misplaced. Similarly, the Russian Governments under Vladimir Putin and Dmitri Medvedev failed to face the facts. Instead of giving notice to terminate the Partnership and Cooperation Agreement with the EU, that has been in force since 1997, and instead of remaining outside of the WTO, the disgruntlement in Moscow continued to simmer, while the pretence of cooperation for "mutual benefits" was kept alive. Both in Russia, and in the EU and NATO, a return to the facts will be necessary to face the reality. The alleged competition that the Russian elites have fabricated, between a Russian model, and a European model of security is doomed to result in failure, and in the worst case in death and destruction. Neither the EU nor NATO will dismantle all activities simply because the Kremlin disapproves of their existence. At the same time, the response of the EU and NATO has to be based on an acceptance of the fact that Russia is not and has not become anything like a robust and respectable open, tolerant and democratic country that hopeful decision-makers in the 1990s expected to see in the new millennium. This development has not happened in 25 years, and it is unlikely to occur in the forseeable future.

The Kremlin embraces *military solutions* as an effective tool to pursue foreign and security policy objectives it is otherwise unable to achieve – whether European actors like it or not. Just because

the EU and NATO Member States claim that "there is no military solution", does not mean that the Russian side is inclined to discard military means from its toolkit. The Russian elites have proven, since 2014, that they are prolific creators of fabricated storylines. Considerable documented evidence confirms also that the Russian state has actively promoted subversive movements in EU and NATO member countries to achieve the goal of undermining both the Union and the Alliance. In view of the Russian challenge to EU and NATO unity, leading decision-makers and experts will be well-advised to listen more carefully to the voices of those that have already spent several decades engaging with the Russian challenges that have now become more pronounced on a larger scale. The Kremlin's efforts to discredit decision-makers and experts as Russophobic indicate rather that their voices are worth listening to. Responsible policy-makers and experts have every interest in preventing an escalation of the current situation. Just because they do not have many positive things to report about the current Russian behaviour does not mean that they are automatically wrong in their assessment. Security cannot be built on the basis of wishful thinking. It has to be based on a systematic analysis of long-term trends, on accurate evidence and the assessment of short-and medium term implications of the manifest pattern of behaviour.

A dialogue betwen the deaf and the unwilling cannot restore European security. What is more, dialogue cannot re-establish trust, if words and actions consistently mismatch. As long as there is no willingness from the Russian side to respect the EU and NATO and other international organisations's rules and to live up to the commitment Russian leaders themselves entered into, not much is gained from continuing along the well-trodden path. Accepting the bitter reality of having reached a completely undesirable outcome from more than two decades of close cooperation, both for Russia, and for the EU and NATO, is a necessary first step to return from unhelpful fiction towards the facts. The EU and NATO will need to acknowledge their limits in forcing their own democratic and liberal market ways onto Russia. Russian leaders, in turn, would be

well advised to take a step back and accept that neither the EU nor NATO have any desire to threaten Russia militarily and that democracy, the rule of law and liberal market principles form the foundation of the European security order – whether they like it or not. The continuing Russian deception and fabrication of false allegations leads to the steady erosion of trust in its erstwhile strategic partner countries. Fostering mistrust is a bad strategy as it cannot create any long-term stability for Russia itself. Moving into 2017, it is time for the EU, for NATO and for Russia to accept and face the reality and to close the gap between fiction and facts.

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THE WEST AND RUSSIA: DESPERATION AND TUNNEL VISION IN CONTEMPORARY WARFARE

Gunda Reire

Tunnel vision:
a condition in which you can see things that are
straight ahead of you but not to the side
/Merriam Webster Dictionary/

It is complexity fatigue that leads to simplification, groupthink, desperation and a tendency to think only about one thing while ignoring everything else. This wide-spread psychological effect is so pervasive that it even has its tradition in the decision- making of international politics.

The post-Cold War era has ended, but a new name for the existing international setting has not yet been invented. One might think that the main factor of change in the current international environment is the rise of Russia's military performance. This is only partly true, because the methods and tools of Russia's international behaviour have also significantly altered. What we see are fruitless peace efforts, the unwrapping of Russia's "cherished concept of multipolarity at the expense of Western-led multilateralism",[1] domestic tensions in the West and overwhelming uncertainty.

As far back as 1928, Bernays wrote that "human desires are the steam which makes the social mechanism work".[2] And there is only one strong desire if we look at the course of action of the European

Union, NATO, the US and other Western partners and institutions with regard to the most challenging crisis in Ukraine and Syria nowadays – that of achieving peace. Generally, there should not be any objections against such a goal. However, Russia's active engagement in these crises cannot be regarded as a factor that facilitates a solution. The desire of the West for peace in Ukraine and Syria is so visible and, at the same time, so desperate that it becomes an easy target for political manipulation. Already before the Second World War, in his famous book "Propaganda Technique in the World War", Lasswell wrote that "peace has come to be regarded as the normal state of society, and not war".[3] In Russia's performance, anti-war propaganda has become a war propaganda tool. The holding out of important decisions and Russia's inconsistent alliances lead the West into deeper obscurity and a tendency to stick to empty promises and unachievable future cooperation mechanisms.

COALITION DELIRIUM

The time when Russia "felt ignored as a great power in Europe and even more as a (resurgent) superpower"[4] has passed. Russia has regained its place in international relations, and its number one tool for securing its place at the table is the creation of uncertainty and deadlocks.

Namely, in the previous two decades, Russia nourished the illusion that it could become a trusted partner with the West. A great deal of hope was put on endless cooperation mechanisms with Russia, including the NATO-Russia Council,[5] which still operates, although all the cooperation programmes have been discontinued, and the EU-Russia strategic partnership of 2011,[6] which lost its value when Russia annexed Crimea in 2014. Needless to say, "more can be won by illusion than by coercion".[7]

Now, after the annexation of Crimea, Russia is playing a slightly different game. It spreads contradictory propaganda messages and comes forward with crisis solution mechanisms and then violates them. One day Russia is a friend of the West, ready to cooperate,

but another day – a foe, who announces that the proposal to hold Ukraine peace negotiations in the so-called Normandy format is now "pointless"[8] and that Western nations are responsible for the deaths of thousands of innocent civilians at the hands of Syrian President Assad's forces during the five-year civil war.[9] Such rapidly changing, unfixed international roles are something new for the Western nations, at least in terms of collective security. In turn, it would be hasty to declare that Russia had ever forgotten about the gifts of the balance of power, political realism, geopolitics and ideological buffer zones of influence.

In conventional crises and wars, there are clear lines between allies, enemies and neutrals. Nevertheless, and not without reason, we assess the current situation as "hybrid"; this is also reflected in the classic understanding of coalitions. With regard to hostile situations, propaganda has "four major objectives: (1) To mobilize hatred against the enemy; (2) To preserve the friendship of allies; (3) To preserve the friendship and, if possible, to procure the co-operation of neutrals; (4) To demoralize the enemy".[10] This is the classic, yet out-dated understanding of war coalitions. Nevertheless, under the conditions of "hybrid" threats, the West still seems to stick to it.

Meanwhile, with the help of its political and psychological propaganda, Russia tears down the classic understanding of blocs and alliances in international relations and splits Europe by allocating different roles to the countries, depending on their behaviour and contextual situation. So, for example, France was depicted as a neutral country, leaning towards being an ally of Russia when France launched air strikes in Syria.[11] It must be reminded that these came after the deadly terrorist attack on Paris, which ISIL claimed responsibility for. Thus, Russia signalled that it appreciated France's course of action in Syria, whilst accusing the US of being responsible for the Paris terrorist attacks, because they "might never have happened if the US had "listened" to officials who opposed the 2003 invasion of Iraq".[12] The same country – France – was addressed as an enemy a few months before this event, when Russia began its air strikes in Syria against opponents of the Syrian regime in order to hit rebel controlled areas in the Homs and Hama provinces.[13]

The same pattern of strategic signalling can be observed with regard to the US, which is generally depicted as an enemy in Russia's propaganda. When Russia's Minister of Foreign Affairs, Lavrov, announced Russia's readiness to help the US and the Free Syrian Army, the US was pictured as a neutral country.[14] Thus, Russia sent a signal that those who consider Assad's government as an ally worth cooperating with are more likely to hope for an improvement in relations with Russia and to facilitate resolution of the crisis, which the US wishes so desperately.

Such signalling creates enormous ambiguity in international relations because it has "multiple, often competing, meanings, or [...] can have multiple possible outcomes".[15] In turn, ambiguity drastically increases the amount of information and the complexity of analysis and decision-making in the situation. A classical cognitive strategy for dealing with ambiguity is to find the so-called "shortcuts" in order to simplify the decision-making process and minimise the amount of information to be analysed. Under such conditions, "tunnel vision" switches on, which is characterised by considering only part of a situation and holding a single opinion, rather than having a more general understanding.[16]

This leads to the conclusion that temptation of belonging to the "peace-loving" party of the conflict is a powerful tool in international relations and that flattery (or the "carrots and sticks" strategy) works. This summer, the Obama administration made a "cognitive shortcut" to prevent being out-grouped, and proposed a new cooperation agreement on Syria to the Russian government. The agreement foresees that the militaries of both countries "would cooperate at an unprecedented level, something the Russians have sought for a long time".[17] Although there are signs that Putin has neither the intention and willingness nor the ability to put heavy pressure on Assad, Obama's desire to leave a significant mark on the history of international relations was evidently so desperate that he followed Russia's rules of bargaining in this coalition game. This logically leads to the next trap – accepting others' solutions as one's own.

MANIPULATION BY SUGGESTING THE OUTCOME OF A CRISIS

One of the most effective tools of configuring the behaviour of another party is "the management of opinions and attitudes by the direct manipulation of social suggestion".[18] In other words, this is a "transmission of suggestions to the enemy",[19] i.e. ways and means of pushing the other party to accept the imposed course of action as its own. It is possible to observe this modern warfare tool in action in both Ukraine's and Syria's conflicts.

When Russia began its air strikes in Syria, against the opponents of the Syrian regime, it was pictured in Russia's propaganda as a game-changer, not only because "The West failed in fighting ISIL, let Russia in"[20] but also because there is "no room for scepticism – Russia and the West share the same goal".[21] Russia's propaganda channels were flooded with news on the growing signs that the Western governments had started to change their minds about their role and the future of Assad's government in Syria. The Western strategy towards Syria had really changed – it was a shift from "evil Assad" to the readiness to sit at the table with Assad's government and negotiate anti-terrorism issues. This change in political attitude was not accidental; in fact, Russia's propaganda had been working towards this for several months. The main line was to convince the US and the West that the anti-ISIS coalition without Russia is unable to be operational, that the US is responsible for the conflict in Syria and particularly the rise of ISIL,[22] and that the key to the solution of the crisis is in the hands of Russia. This line of the strategic demoralisation of the West became crystal clear when Putin addressed the General Assembly of the United Nations, during the general debate of the 70th session. Speaking about the violent crisis in Syria, he pointed to the Western countries and emphasised that "rather than bringing about reforms, an aggressive foreign interference has resulted in the flagrant destruction of national institutions and the lifestyle itself. Instead of the triumph of democracy and progress, we received violence, poverty and a social disaster. [...] I cannot help asking those who have caused this situation: do you

realise now what you have done?".[23] In other words, the old tool of demoralising the enemy was put into play: "the keynote in the preliminary spade work is the unceasing refrain: your cause is hopeless. Your blood has been spilt in vain".[24]

Additionally, the illusions of a possible victory and the crisis being solved hand-in-hand with Russia are being nourished. With regard to the illusion of victory, Lasswell spoke about "the close connection between the strong and the good"[25] and the primitive habit of thought that manifests itself in the conviction: "If we win, God is on our side. If we lose, God may have been on the other side".[26] Not to mention the Russian-speaking propaganda channels, CNN also aired news about "a game-changing two weeks in Syria,"[27] when Russia launched its first missiles in Syria and announced stepping up its bombing campaign against ISIL. Although analysts had already pointed out at the time that many of the air strikes hit western Syrian areas, where there is no ISIL presence, and thus possibly targeting the oppositional forces, the hope for conflict resolution took precedence over analysis of the dynamic and interactive information and situation. Russia promoted the illusion that the resolution of the crisis in Syria depends on Russia's involvement, and the West became too receptive to this illusory vision.

By hiding behind the anti-ISIL flag, and giving the West the hope for conflict resolution, Russia strengthens its positions in the Middle East and secures the positions of Assad's government. The so-called Syrian campaign has paved the way for Putin's wider geopolitical goals. Russia has inspired the Western illusion that it can play a crucial role in Syria's refugee crisis, violent conflict and anti-terrorism campaign. By pretending to be an ally of the West, in reality, Russia is weakening and dividing the European Union and NATO.

With regard to Ukraine, Russia has one main strategic goal – to prevent Ukraine's transformation into becoming part of the external border of NATO and the EU. The strategy that has been chosen for achieving this goal is the promotion of the narrative of Ukraine as a failed state and an unreliable partner. Step by step,

Russia has used various information manipulation techniques[28] to convince the West about the disadvantages of returning Donbass and Crimea to Ukraine and the necessity, in the name of peace and prosperity, to grant a special status to these occupied territories. Although world leaders initially regard these with "cautious optimism", the Minsk agreements give a very disturbing signal to the international community.[29] It could be argued that Putin was the actual winner of the Minsk II peace package. Namely, "territory gained by the rebels in violation of Minsk I appears to be conceded; there is no deadline for the pulling out of Russian regular troops and mercenary forces; Kiev must pay the costs of the occupied territory; and the self-appointed stooges of the Kremlin, who call themselves the leaders of the self-proclaimed "people's republics", have gained recognition and a say in constitutional change".[30]

Ukraine is another source of complexity, uncertainty and ambiguity in current international relations. Nevertheless, the recent months have indicated a significant change in the Western-Russian dialogue with regard to Ukraine. Namely, President Putin accused Ukraine of terrorism, as two Russian servicemen were killed in Crimea in attacks in early August 2015. This time, the turning point was not Putin's announcement that peace talks under the Normandy forum are pointless; this step was predictable. The Western response was what had changed. Instead of trying to launch another type of peace talks, Western leaders showed unseen stamina and cancelled the planned trilateral meeting between Putin, Merkel and Hollande on Ukraine, during the G20 meeting in Hangzhou. Therefore, Putin's plan to arrange the second Yalta – where great powers decide the fate of another nation, which has not been invited – fell apart.

It is obvious that the image manufactured by Russia of Ukraine as a terrorist and failed state went too far, and this caused the reaction of Western leaders to push back. The only unclear question is whether it is necessary to wait for other precedents of a level like this in order to avoid following the rules of the game as dictated by Russia.

It must be emphasised that the recent spirit of the G20 is promising, because, two years ago in Brisbane, Western leaders were also

united in their attitude towards Russia's aggression on Ukraine. After the meeting, the British Prime Minister, Cameron, said: "If Russia continues to destabilise Ukraine, there will be further sanctions",[31] but US President, Obama, announced that "Russia had failed, in spirit and letter, to adhere to the Minsk agreement signed in September" and that "Russia would remain isolated, if it continued to violate international law and to fund and arm rebels fighting its proxy war inside Ukrainian territory".[32] Two years ago, Western leaders found Russia's "pressure point" – economic sanctions. This, without a doubt, is a painful spot regardless of the propaganda spread by Russia about the domestic and international insignificance of sanctions.

EXITING RELATIONSHIP DEADLOCK

There are three main levels of hostile propaganda in modern warfare that aim to gain control over decision-making: physical, affective and cognitive. Taken together, real or perceived physical threats, a combination of fear, anger and other destructive emotions and cognitive overwhelming are typically a very effective mixture. "Cognitively, this kind of emergency can lead to a complexity-reduction through drastic simplification. This works particularly well in complex situations where there are a number of interrelated factors at work, and it is not easy to untangle all the varied ramifications of the process at work".[33]

Strategic demoralisation, and the policy executed by Russia towards Ukraine and Syria, present evidence that it is in Russia's interests to sustain a frozen conflict in Ukraine and a deadlock in Syria. Whilst the West desperately seeks a peaceful resolution, Russia aspires to maintain a standstill, "a position in which it is impossible to proceed or act".[34] Increased ambiguity challenges the multilateralism of the West and leads to the possibility of tunnel vision, and the simplification of the course of action, but Russia's importance in international negotiations ascends.

The causes of deadlocks are different: bluffing and lying

negotiators, certain types of balances of power, diversities of the cultural patterns of parties, parties that facilitate or deter agreement, etc.[35] Although these factors increase complexity, uncertainty, an overwhelming amount of information and heavy decision-making, there are some antidotes for overcoming such situations. The Western countries' desire for peace in Ukraine and Syria is humanistic and logical but, nevertheless, fruitless because of restricted vision and the pressure of time.

Firstly, the threshold of tolerance for ambiguity and uncertainty must be elevated. An understanding and knowledge about Russia's contemporary warfare strategy and tactics is important in order to avoid living in pre-existing frames of analysis, to avoid looking for easy and quick solutions, to avoid desiring simple and clear rules, and to be more open to dynamic changes in international relations.

Secondly, emphasis should be put on multilateral negotiations, and a moratorium should be placed on bilateral or regional negotiations where some important or involved parties are not present. As the recent G20 meeting illustrates, such an approach is both possible and powerful.

Thirdly, under the circumstances of uncertainty, more effective communication and mechanisms for monitoring and assessing the situation are needed. This involves creative and multi-dimensional solutions, independent judgement and the ability to more effectively organise existing information and knowledge.

Fourthly, as recent years show, even deadlocks that are related to the balance of power can be swayed by establishing economic and diplomatic countermeasures, such as economic sanctions and coalitions of like-minded parties.

Finally, it is crucial for the West to maintain the G20 spirit in international diplomacy at large and to stand shoulder to shoulder in both minor and major crises. In this way, one of the most hazardous traps of international decision-making – the polythink syndrome – could be avoided. Coordination and united efforts in the hybrid warfare are crucial. This is the reason why unity is one of the main targets of hostile propaganda.

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THE PATRIOTIC GREAT POWER – HISTORY AND NATIONAL SECURITY IN RUSSIA

Gudrun Persson

The history of VChK-GPU can be written
only when the need for it disappears.
/Feliks Dzerzhinskii, 18th June 1926/ [1]

In a controversial statement, in 2013, President Vladimir Putin claimed that the Soviet Union launched the Winter War with Finland in order to "correct mistakes" that had been made when Finland gained its independence in 1917. Similarly, in 2015, he stated that the annexation of Crimea had "corrected a historical injustice". [2]

These are just two examples of how historical events are used as a political tool in Russia's security policy. For all the current debates of a new Cold War and historical analogies used to explain the present situation, [3] one thing is clear: the use of history in Russia today is so important that it is treated as a matter of national security. When assessing Russia's security policy, this aspect has to be taken into account – in addition to the traditional components of armed forces, nuclear weapons, military organisation, and foreign policy.

The use of history as a political tool is not a new phenomenon in Russia, nor is it a phenomenon unique to Russia. But given the authoritarian trajectory of Russia's political system, the consequences of this policy are substantial. It is a development that points to increased tensions – both domestically and externally. This paper will examine the connections between the views of Russian political leaders on the official writing of history and national security. It will show that the use (or abuse) of history by

the Russian leadership goes way beyond rhetoric, and that it is an integrated part of Russia's security policy that has a direct impact both on domestic politics and on Russia's neighbours. An analysis of this topic is important in order to understand the mechanisms of Russia's security policy and its consequences for neighbouring countries, therefore, the focus will be on its development within Russia.[4] Some of the key players are the President, the Ministry of Defence, the Ministry of Foreign Affairs, the Ministry of Culture, and the Ministry of Education.

Ultimately, the current use of history in Russia's security policy is about the political leadership's search for a national identity in the name of patriotism. The policy of patriotism under Putin has developed slowly but steadily.[5] History is a vital component of it.

Firstly, President Vladimir Putin's use of history will be outlined, then the doctrines on Russia's national security strategy will be examined. Thirdly, some of the government's policy initiatives will be studied. This aspect of the Russian view of national security has far-reaching implications both on domestic politics and on the small states surrounding Russia.

Russia's political leaders, not least President Vladimir Putin, frequently refer to various historical facts to frame their policies. Another example of Putin's use of history concerns the Molotov-Ribbentrop Pact, with all its implications for Estonia, Finland, Latvia, Lithuania, Poland, and Romania. Putin has argued for many years that it was a rational decision for the Soviet Union to sign the Pact in order to protect itself. But recently Putin's rhetorical tone has sharpened. In the Russian President's view today, the Pact was beneficial to the Soviet Union, and Poland fell victim to its own policy in the pre-war years.[6] This clearly illustrates a "blame-the-victim" view.

This policy of historical justification is also used to achieve domestic policy goals, and – as we shall see – it also has a military aspect.

For instance, when President Putin inaugurated the first official monument for the heroes of the First World War, on 1st August 2014 in Moscow, he said that Russia *almost* won the war, but victory

was betrayed. He stated: "Russia withstood the attack and was then able to launch an offensive. The Brusilov offensive became famous throughout the whole world. But this victory was stolen from our country. It was stolen by those who called for the defeat of their homeland and army, who sowed division inside Russia and sought only power for themselves, betraying the national interests."

In the wake of the annexation of Crimea and the ongoing war in Donetsk and Luhansk, the underlying message was very clear: those who are against us in Ukraine are to be seen as traitors.[7]

Furthermore, in 2015, the 1000th anniversary of Prince Vladimir's death was celebrated. Prince Vladimir Christianised Kiev and was baptised on the Crimean Peninsula. On 28th July 2015, Putin said: "By putting an end to feuds and rebuffing external enemies, Prince Vladimir launched the creation of a single Russian people; he actually paved the way towards a strong centralised Russian state".[8] The symbolism of a strong leader (and namesake) uniting the country against internal and external enemies could not have been lost on any of the government officials attending the reception in the Kremlin.

WHO ARE WE?

So how does history fit in with the political leadership's search for a national identity? In his millennium article in 1999, Putin outlined his view on patriotism.[9] He wrote: "Patriotism. This term is sometimes used ironically and even derogatively. But for the majority of Russians it has a unique and positive meaning. It is a feeling of pride in one's country, its history and accomplishments."

Having returned to the Presidency for a third term, in 2012, he was even more outspoken when he outlined his view on the Russian national identity. In a speech in 2013, at the Valdai Club, he stated that "pride in our history" was one of the key elements in Russian patriotism.[10]

"It's time to stop only taking note of the bad in our history, and berating ourselves even more than our opponents would. [Self-]

criticism is necessary, but without a sense of self-worth, or love for our Fatherland, such criticism becomes humiliating and counterproductive. We must be proud of our history, and we have things to be proud of. Our entire, uncensored history must be a part of Russian identity. Without recognising this it is impossible to establish mutual trust and allow society to move forward."

In other words, an official history that focuses on victories and strength is needed to unite the country. It goes without saying that such a history is far removed from the academic pursuit of interpreting and re-interpreting historical events. This view of history, with its focus on pride, victories, and patriotic education in the name of the state, and its connection to national security is reminiscent of the views of the German nationalist Heinrich von Treitschke (1834-96). It may seem paradoxical that Russia, in the era of globalisation, is propagating for a national self-image of the 19th century, but it dovetails well with the security policy of the Russian political leadership.

Other elements of Russian national identity, according to Putin, are "traditional values" and the primacy of collective decision-making in international politics. He explicitly referred to the Congress of Vienna 1815 and Yalta 1945 as models to follow. Those references are employed to legitimise a world order with few great powers which have a recognised sphere of interest. And the spheres consist of countries that are not a part of the "great power club". It is a world order of the 19th century.

The views on history expressed by Putin are not simply his alone: they reflect a doctrinal thinking in Russia's national security policy. There are several doctrines that outline the general course of future government policies, and they are determined by the President. This is a part of the strategic planning of Russia.[11]

The National Security Strategy covers several different areas, from "the defence of the country, economic growth, healthcare to ecology, science and education and culture".[12] The Strategy stipulates that one of the threats to national security within the cultural sphere "is the attempt to falsify Russian and world history".[13] Furthermore, it states that "some countries use information and communication

technologies to achieve their geopolitical objectives, such as the manipulation of public opinion (*soznanie*) and falsification of history".[14] New to this strategy, compared to the one from 2009, is that even "the spreading of low qualitative production of mass culture" from abroad is a threat to Russian national interests.

The fact that history and Russian traditional spiritual and moral values are considered crucial in the Strategy is not surprising *per se*. It dovetails well with the formulations in the Military Doctrine, the Foreign Policy Concept and other doctrines. However, it is worth noting that these values are now specified. Putin has talked about them for quite some time, for instance in April 2014, he argued that peoples who live on a territory with a common culture and history – even climate – develop certain traits. "We are spiritually more generous", he claimed. In the "Russian world" death is beautiful, he said. "To die for one's friends, your people, and your country is beautiful. This is the foundation of our patriotism," he said.[15] In addition, in September 2015, he gave a speech to young scientists aged 10 to 17, who had gathered at a camp for particularly talented people. He talked about the Russian historic tradition of being prepared to sacrifice oneself in defence of the country. He mentioned the ballistic missile system *Iskander* as an example of a Russian invention by young scientists.

The new Strategy codifies the Russian spiritual and moral values.[16] "Traditional Russian spiritual and moral values include the priority of the spiritual over the material, protection of human life and of human rights and freedoms, the family, creative labour, service to the homeland, the norms of morals and morality, humanism, charity, fairness, mutual assistance, collectivism, the historical unity of the peoples of Russia, and the continuity of our Fatherland's history."

This allows for huge claims, such as protecting Russians in other countries, and the need for a strong leader at home. By putting these criteria on paper in one of the most important strategic documents, Russia shows its future policy path. The room for manoeuvre to change this strategic direction has narrowed considerably.

The Military Doctrine – a document describing the main objectives

for the Russian Armed Forces, also involves defending Russia's history.[17] The non-military means of armed conflicts – in the West sometimes called "hybrid warfare" or "information warfare" – have been given more attention than in previous doctrines. One of the fundamental domestic military dangers is said to be: "information operations to influence – above all – the younger part of the population in order to undermine historical, spiritual, and patriotic traditions within the defence of the Fatherland".[18] The implication is that outside actors – i.e. the West in general and the US in particular – is trying to undermine Russia.

Contemporary military conflicts are characterised as being "an integrated use of military force and the use of political, economic and informational and other measures of a non-military nature through the use of the protest potential of the population or special forces".[19]

Thus, it is within the realm of the military to engage in non-military measures, and to defend Russia's history. In the fight against colour revolutions, history becomes a battlefield. Alternative views of history are thus seen as potentially treacherous, but also as tools of the enemy. In a public statement by the Russian Military-Historical Society in 2015, the signatories claimed that "a Blitzkrieg has started against Russia". It was signed by Vladimir Medinskii, Minister of Culture, and Dmitrii Rogozin, Deputy Prime Minister responsible for the defence industry.[20]

In the Foreign Policy Concept of 2013, one of Russia's objectives is to "strongly counteract […] attempts to rewrite history using it to build confrontation and provoke revanchism in global politics and to revise the outcomes of the Second World War".[21] Again, the suggestion is that other countries are using history against Russia, and that Russia has the right to strike back.

These are not just words on paper, but an issue clearly high on the agenda in Russia's foreign policy. For instance, on 30th June 2016, the President urged, in a speech to Russian diplomats, to continue to fight against the "falsification of history".[22]

Moreover, it is worth highlighting that the Nationalities' Policy

Strategy stipulates that one of the most important tasks for Russia within this area is to take action against "efforts to falsify history in order to seek confrontation and revanchism in world politics, to revise the character and results of the Second World War, and to belittle the feats of the Soviet people in the Great Patriotic War of 1941-45".[23]

In sum, the National Security Strategy and all these documents provide a roadmap for how history will be written in Russia. There will be no room for alternative interpretations.

WHAT IS TO BE DONE?

It should be noted that the Russian political leadership's efforts to combat the "falsification of history" is not a straightforward success. There have been setbacks. The Presidential Commission on "fighting the falsification of the Fatherland's history" was short-lived, and existed only between 2009 and 2012, when it was dissolved – ironically the very same year that was the official "Year of Russian History". But recently these efforts have intensified.

Much has been said about the efforts to create a unified view on Russian history, and the re-writing of history books in schools.[24] In addition, there are the governmental programmes for patriotic education. According to the latest programme, 2016-2020, one of the objectives is to "strengthen the feeling of participation of the citizens in the great history and culture of Russia". It also stipulates that one of the important tasks of the programme is to "activate expert practices to prevent efforts to falsify history".[25]

The Russian Armed Forces have a special role in the search for a national identity. This is particularly evident in the way Victory Day on 9th May, is used to create a sense of unity. Not only has the military parade on the Red Square in Moscow become increasingly bigger, today civilians also march to remember their loved ones. The concept of the "Immortal Regiment", as a part of the Victory Day celebrations was introduced in 2015, initially as a local initiative that was taken over by the government and turned into a national celebration.[26]

The number of military-patriotic organisations are constantly growing. In May 2016, the "Youth Army" (*Iunarmiia*) was created by the Ministry of Defence.[27] According to Defence Minister Sergei Shoigu, there are around 5,000 patriotic organisations "for those who love our history, those who believe in a great future for the country…", he said when the Youth Army was created. Furthermore, since 2015, the Ministry of Defence organises "International Games in Military History"[28] and also has a unit specifically tasked with "preventing falsification of Russian history", which was created in 2013.

In spring 2016, there were two other significant political decisions taken that clearly shows the importance of history as a political tool. In April, President Putin created a Fatherland History Foundation with the purpose of popularising history.29 On the same day, he put the *Rosarkhiv*, the Russian Federal Archives, under direct Presidential control.[30] As a consequence, the *Rosarkhiv* is now one of the so-called power ministries. There are a total of thirteen federal ministries, services and agencies that are directly subordinated to the President.

Other significant organisations that promote a history focusing on national pride and unity in Russia are the Historical Society led by Sergei Naryshkin, Speaker of the Duma, and the Russian Military-Historical Society, led by the Culture Minister, Vladimir Medinskii.

WHO IS TO BLAME?

History is being used by the political leadership in Russia as a tool to create legitimacy at home, and to frame its behaviour in the international arena. It is a policy that has consequences both at home and abroad. In April 2016, Aleksandr Bastrykin, Head of the Federal Investigation Authority, *Sledsvennyi komitet*, suggested making the "denial of the results of the referendum at Crimea" a criminal offence. He also wanted Article 280 of the Criminal Code – which deals with "public calls for performance of an extremist activity" – to describe falsification of historical facts and actions as

equivalent to calling for extremist activities.[31]

However, there is already a paragraph in the Criminal Code making it a criminal offence to "rehabilitate Nazism", for instance, to question the behaviour of the Red Army during the Second World War.[32] Several people have been convicted for this which shows that this law is working in spite of what sceptics said when it was introduced.[33]

Although this policy aims to create stability and unity, there are indications that it leads to the exact opposite, both externally and internally.[34] This has consequences for neighbouring countries. Putin's defence of the Soviet attack on Finland in 1939 is a case in point. Recently, the Russian Ambassador to Poland claimed that Poland caused the Second World War, a statement he later had to apologise for. When Putin invoked a sacred dimension in his Presidential Address of 2014, arguing that Crimea was as holy to Russia as the Temple Mount for Jews and Muslims, he used both history and religion in Russia's security policy. Such examples could be multiplied.

Domestically, the use of history also seems to be a double-edged sword. Even though the popularity of Stalin is increasing in Russia, he is still a controversial historic figure, and public protests around him are not unusual.[35] But it is not only Soviet history that causes controversies. The figure of Ivan IV, or Ivan the Terrible, has recently revealed divisions in Russia. When the city of Orel announced its plans to raise a statue of Ivan IV, in August 2016, demonstrations took place against placing the monument close to the Children's Theatre. The Governor had to postpone this event, but was determined to inaugurate the monument in September.[36]

One of the most serious academic controversies of late is the doctoral dissertation by the historian Kirill Aleksandrov, on General Vlasov. Aleksandrov defended his dissertation on General Andrei Vlasov, usually considered a "traitor" in Soviet times. Aleksandrov examines the question of why officers joined the Russian Liberation Army, led by Vlasov. This created protests by veterans and orthodox organisations, and the dissertation was even reported to

the public prosecutor's office.[37] This time the state did not press charges, but the controversy is a clear indication of a hardening intellectual climate.

This policy also creates an atmosphere of confrontation, and is conducive to violent actions. In April 2016, the author Liudmila Ulitskaia was attacked by patriotic activists in Moscow while attending an awards' ceremony for high school history students arranged by the NGO *Memorial*.[38]

The motto seems to be "Those who control history, control the future". It is clear that the Russian political leadership does not consider history to be an independent academic discipline.

In conclusion, domestically, the Russian political leadership aims not only at the Soviet nostalgic electorate, but also at the younger generation, with a view to them being trained in a nationalistic ideology, including a hostile view of the West, allegedly threatening Russia. The Fatherland needs to be defended militarily, also with non-military means, including the view of history. Externally, this use of history is likely to create further tensions. In order to work out a long-term strategy of how to respond to the Russian challenge, it is imperative to understand its use of history, which frames Russia's security policy. To quote William Faulkner, "The past is never dead. It's not even past".

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PUTINOMICS UNDER PRESSURE

Chris Miller

Compared with the financial and economic challenges that Russia faced in late 2014, the Kremlin's inbox today appears far less complicated. In late 2014, as oil prices crashed and as Western governments were rolling out increasingly tough economic sanctions, Moscow worried it might face a financial crisis. Today, thanks in part to skilful management on the part of the technocrats who run Russia's central bank, the situation is far less acute. But serious medium term economic dilemmas remain, and the ways these dilemmas are resolved will be shaped not only by financial variables but also by politics. The upcoming 2018 presidential election and continued jockeying between various interest groups for control over resources continues to limit the Kremlin's scope for action. Yet Russia will need to make tough decisions over the coming years if it is to tackle its budget deficit and find a way to restart economic growth.

RUSSIA'S BUDGET CHALLENGE

The most immediate economic challenge facing Russia's rulers is to manage their budget deficit. Despite some predictions last year that the country was on the brink of a financial crisis, its budgetary problems are in the medium term rather than immediate. Today, Russia's government debt as a share of GDP stands around 20%, depending on what, exactly, is included in that figure. That contrasts to a European Union average of 85%, or 44% in China. This year, the deficit will amount to between 3 and 4% of GDP, adding only slightly to the country's overall debt burden. The Kremlin could easily finance a deficit of this size for several years, if not longer.

Nonetheless, Russia's rulers are moving relatively quickly to tackle the risks posed by running large deficits over the long-

run. Politicians do not usually like tackling deficits – far easier to leave the problem to one's successor – but most Russian elites are sensitive to the risks. For one thing, Western financial sanctions mean that Russia faces an ongoing risk of being cut off from foreign financing. The Russian government is not itself under either U.S. or E.U. sanctions, and it issued a dollar-denominated bond in mid-2016 that was purchased by some foreign investors. But the risk of a cut off remains. No less significant is that Russia's ruling class has lived through two painful crises caused in part by government budget deficits and does not want to suffer a third one. The collapse of the Soviet Union was driven in part by the government's budgetary problems, as was the 1998 financial crash. Each of these crises taught Russia's elite a painful lesson about the need for fiscal sobriety. Avoiding a repeat of 1991 and 1998 remains at the top of most Russian's goals.

How, then, does Russia plan to tackle its budget deficit? Any government confronting a deficit has four basic choices: cut spending, raise revenue, spend savings, or borrow money. None of these options are painless. Cutting spending is the approach favoured by Russia's Finance Ministry. Yet cuts on their own are unlikely to resolve Russia's budget dilemma. One reason is that Russia's central government spends relatively little money compared many peers in Europe. Government spending as a share of GDP in 2015 was under 20% of GDP. Reducing spending by 3% of GDP – the rough amount needed to close the government's budget deficit – would mean reducing overall government spending by over 10%.

The bigger challenge faced by spending cuts is that many of the largest spheres of spending are also the most politically difficult to reduce. State wages and pension spending make up a significant share of government spending, but they also solidify support from groups key to the Kremlin's political strategy. Military spending could be reduced to 2007 levels, a move that would save around 1% of GDP. But given the weight the Kremlin places on its foreign policy goals, such a move seems unlikely.

Such spending cuts that have occurred so far have been the result

broad efforts to reduce spending rather than reductions targeted at specific categories of spending. During the first half of 2016, Russia spent 13.58 trillion roubles, compared with 13.61 trillion in 2015. When adjusting for inflation, that amounts to a decrease of over 10%.

The Finance Ministry hopes to continue the budget cuts into next year. But the electoral calendar makes further spending cuts difficult. Even after the September 2016 Duma elections, the Kremlin has to immediately turn to the 2018 presidential election. There will likely be little appetite for angering the population with spending cuts right before such an important vote.

The same electoral considerations complicate a second potential mechanism for tackling the deficit, raising taxes. Prime Minister Dmitry Medvedev has already ruled out a tax increase before 2018.[1] In fact, Russia likely has space to raise revenue via hikes to the VAT and income tax rates. But politics means that such strategies cannot be tested until late 2018, if at all.

A second potential source of revenue is Russia's state-owned companies, from energy giants such as Gazprom and Rosneft, to Russian Railways, to Sovkomflot. Most of these firms are poorly run, with large sums siphoned off each year via various corruption schemes. One solution would be to privatize them, raising money to fill the government budget in the short term, and probably reducing these firms' corruption in the long term. Yet despite announcing significant privatization plans this year, several key deals, including for Bashneft, an oil firm, have been put on hold.[2]

Even if Russia's corrupt state-owned firms were not privatized, other measures could be used to extract additional revenue from them. The government tried implementing a policy to force all state-run firms to pay out at least half of their profits in dividends. Yet this policy was ignored by several of the biggest firms.[3] The powerful networks that control these firms have little interest in surrendering their resources to the government. As a result, a second potential source for additional government revenue has proven inaccessible in practice.

Because of the political challenges to cutting spending and raising revenue, Russia's government has had to spend down its savings and issue additional debt. Russia entered the current crisis with an enviable financial position, including relatively little sovereign debt and a reserve fund worth estimated 3.3% of GDP.[4] Most of the reserve fund will be spent in 2016.[5] The second of Russia's sovereign wealth funds, the National Welfare Fund, is invested in part in less liquid assets, and thus is less immediately useful in closing the deficit. [Note: The potential exhaustion of the Reserve Fund does not affect the Russia's foreign exchange reserves held by the Bank of Russia, which remain sufficient and have increased over the course of 2016.]

On top of this, Russia is issuing additional debt. The government itself is not significantly increasing its indebtedness, though it did issue a $1.75 billion bond this year. More important, however, is the increasing indebtedness of Russia's state-owned firms.[6] Much of the debt of state-owned firms is owed to state-owned Russian banks, such as VTB and Sberbank. The government would under no circumstances let these banks collapse, so if the economy worsens considerably it is possible that the Russian government could find itself having to help pay the ultimate cost of some of this indebtedness.

In sum, therefore, Russia faces a challenging balancing act as it addresses its budget deficit problem over the coming years. The issue is not so much to aggregate size of Russia's budget problems, which are manageable, but the political debate about how they should be closed. The Finance Ministry's ability to impose broad budget cuts despite the electoral calendar has impressed many observers, though key categories of spending such as pensions and the military have been protected. Before the 2018 election, the current policy of restricting spending where possible, spending down reserves, and slightly increasing debt burdens looks likely to be continued.

CAN RUSSIA RETURN TO GROWTH?

The best way to resolve the budget deficit would be for the economy to return to growth soon. If current trends continue, it looks likely that Russia will exit recession in late 2016 or early 2017. Yet it will be far harder for Russia to return to the type of rapid growth rates that the country saw in the mid-2000s. If commodity prices return to the high levels of the pre-crisis period, that would make a big difference. Yet it is extraordinarily difficult to predict the course of oil price swings, and it would be foolish to count on prices going back up immediately. There are many other steps that Russia could take to bolster its economy, but many of these appear unlikely given political constraints. The IMF estimates that Russia should grow at an annual rate of 1.5% after 2019 thanks primarily to continued opportunities to improve productivity. This section will address five additional strategies for boosting growth: import substitution industrialization; boosting oil and gas production; privatization and efficiency; improving the business climate; and inducing the West to lift economic sanctions.

After the West levied sanctions on Russia in response to its actions in Ukraine, Russia responded by prohibiting the import of food products from Western countries. At the same time, the sharp devaluation of the rouble made other imports far more expensive in rouble terms. Some observers suggested that the combination of sanctions and evaluation would make domestic Russian production far more competitive, which could boost production in the medium term. The Russian government enthusiastically embraced this idea, with Putin declaring, that import substitution "is a long-term priority".[7] Yet the realities of import substitution have disappointed, and even in the agricultural sector there is little evidence of new domestic production. The longer that Russia's counter-sanctions and other regulatory restrictions remain in place, the more likely that import substitution is to take hold. Yet extended counter-sanctions also raise costs for Russian consumers, and thus are unlikely to drive growth.

Russia has previously relied on the energy sector to drive growth. Could it do so again? While it is difficult to forecast the course of oil prices, we can be more confident in predicting production volumes. Here it looks like Russian oil production is unlikely to substantially increase in the coming years. In large part, that is because oil production is doing well even despite the price downturn, with Russia hitting a post-Soviet high of barrels per oil produced in 2015.[8] It may do so again in 2016. But it looks unlikely that Russia's oil firms will find a way to significantly increase production, especially in a continued low oil price environment.

A third strategy to boost growth would be to restart the privatization agenda. Privatization is no cure-all, but in the Russian context there are plenty of reasons to think it is better than the status quo. The reason is that, despite ostensible public ownership, the resources in state-owned firms are actually controlled by politically influential groups who often face little reason to act in the public interest. As mentioned above, powerful firms such as Gazprom and Rosneft often ignore the orders of their government, the main shareholder.

Russia's state-owned firms are sinks of corruption. Gazprom, for example, buys pipelines from two companies, Stroitransgaz and Stroigazmontazh. The first is owned by Gennady Timchenko, the latter by the brothers Arkady and Boris Rotenberg. These are long-time friends of President Putin – making it highly unlikely that these firms' dealings with Gazprom are simple business transactions.[9] Similarly, the former CEO of Russian Railways was alleged to have amassed an extensive business empire despite claiming to receive only a $70,000 salary.[10] Privatizing these firms would raise revenue for the government and reduce incentives for corruption, as research has shown that privately-held firms in Russia – even those run by oligarchs – are better managed than state-owned firms.[11] But as mentioned above, the groups that benefit from corruption at state-owned firms have thus far succeeded in blocking privatization.

A fourth option for boosting growth would be to reform the business

climate. Economists have long pointed out that the perilous state of property rights discourages investment. Recent years have seen no reduction in the abuse of law enforcement mechanisms as part of business disputes. For example, in 2014, Bashneft, an oil firm, was seized from oligarch Vladimir Yevtushenkov. The ostensible cause was money laundering allegations, but most analysts concluded that other groups were trying to seize control of Bashneft instead.[12] More recently, the owner of Moscow's Domodedovo airport was placed under house arrest in another case linked to a business dispute.[13]

A final option for reinvigorating Russia's economy would be to reduce tensions with the West in hopes of convincing Western powers to rescind their financial sanctions. The current sanctions have caused a significant decrease in lending to Russian firms. This is due both to formal and informal restrictions. The formal restrictions prevent many influential Russian firms, including Rosneft, VTB, and Rostech, from accessing Western capital markets and from borrowing from Western banks. Perhaps more significant have been informal sanctions, as Western and non-Western banks cut back lending to Russian firms in order to avoid any complications with European and, especially American, regulators.

Informal restrictions explain why Russian firms have been unable to turn to banks in jurisdictions that do not formally abide by sanctions, such as Dubai, Hong Kong, or Singapore, in order to refinance debt that was previously financed by Western institutions. It is difficult to be certain how long Western sanctions will be in place. It is possible that the EU sanctions regime could be lifted even without any Russian concessions in Ukraine, but the continued existence of informal sanctions might mean that such a move would have little practical effect. At the same time, an improvement in relations between Moscow and Washington could lead the United States to signal that it will not enforce an expansive interpretation of sanctions rules, which might loosen the restrictions that many banks' own compliance departments have placed on lending to Russian firms. What is clear at this point, however, is that Russia has not proved willing to make concessions in Ukraine that would

lead to the immediate lifting of sanctions. The economic benefit of greater investment, the Kremlin has decided, is not worth the foreign policy costs of leaving Ukraine.

DOES ECONOMIC REFORM HAVE A CHANCE?

Is the Kremlin likely to take the type of steps needed to spark economic growth? There is little doubt that Moscow realizes what needs to be done. But as discussed above, nearly all of the steps come with political costs. Putin and his advisers realize that their economic system is inefficient, but they have evidently concluded that the political risks to change outweigh the potential benefits.

Some analysts place their hope in former Finance Minister Alexei Kudrin, who was recently appointed to an advisory role.[14] Many people speculate that he may be named Prime Minister after the 2018 presidential election, and given a mandate to implement tough reforms.[15] Some changes may indeed be easier to implement after the election, notably an increase in the retirement age, which will be unpopular with voters. Yet other changes, such as reducing corruption at state-owned firms, are not linked to the electoral calendar. The Kremlin does not tolerate corruption at Gazprom because it believes that this corruption brings electoral benefits. Similarly, the legal climate for businesses could be improved today without the government suffering electoral costs. If the government is unwilling to make changes on these fronts today, it is difficult to see why it will be willing to do so in three years. But absent reforms that cut waste and encourage investment, Russia's only hope for returning to high growth rates will be a new and unpredictable upswing in the price of oil.

For the West, Russia's economic position presents dilemmas and opportunities. There is no evidence that the country is on the brink of a financial meltdown on the scale of the late 1980s, and it would be wrong to base Western policy on the expectation of such an economic collapse. It is also wrong to presume a guaranteed link between economic problems and anti-government political

mobilization. A shrinking pie may make Russians unhappy with their government, but it may also make them wary of risking political change. What can be said with more certainty is that budgetary challenges are likely to limit the Kremlin's spending on its military. Already Russia's political leaders are in the midst of sharp debates about how to prioritize domestic versus foreign policy priorities. Even if Russia stays its current course of confrontation with the West, the rapid increases in military spending that followed the 2008 Georgia War – and which laid the groundwork for the Kremlin's annexation of Crimea – cannot be repeated so long as the price of oil is so low.

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RUSSIA'S CHANGING ECONOMIC INTERACTION WITH THE BALTIC SEA REGION AFTER THE ESCALATION OF THE UKRAINIAN CRISIS

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How has the economic importance of the Baltic Sea region[2] (BSR) to Russia developed after the escalation of the Ukrainian crisis in 2014 and, vice versa, in what way has the significance of the Russian economy to the other littoral states of the Baltic Sea changed? This article aims to unveil the answer to these two main questions, reviewing the economic indicators and putting them into a broader political context. The article concentrates on the comparison of the whole of the year 2013 with the year 2015. Occasionally, it is also reasonable to look at developments before 2013, as a longer time perspective offers the reader a better background to separate the impact of the general economic development of the region from the impact of the sanctions. Where possible, the author has chosen the year 2008 as the point of departure, since it marks the moment in time when the Russian economy started to show signs of stagnation. As the author only presents the main observations in the core text, the reader is advised to pay special attention to the tables at the end of the article.

ECONOMIC IMPORTANCE
OF THE BALTIC SEA REGION TO RUSSIA

Russia's foreign trade: Russian foreign trade soared in terms of USD between 2008 and 2013, but crashed soon thereafter. In 2015, Russia's external trade was almost 40% lower than the preceding two years. However, such trade slumps are not unprecedented in the country's recent history. For example, in 2009, Russia's foreign trade slumped by over 35% in the aftermath of the global financial crisis.[3] The main reasons for the recent drop are the low price of oil, which the Russian rouble exchange rate obediently follows, and declining investment activity and consumption in Russia, which have been constrained by increasingly expensive bank financing towards which the Western sanctions have played a significant role.

The BSR share, as a whole, has continued its decline of foreign trade with Russia since 2008, even though the share of some individual BSR countries grew in Russian external trade between 2013 and 2015. In 2015, just over 17% of Russian external trade was conducted with the BSR, which is 2-4 percentage points lower than in 2013 (Table 1).

Exports of the BSR countries to Belarus have declined since 2013, excluding Denmark and Norway. Danish sales to Belarus increased temporarily in 2014, only to contract a year later. Norway, in turn, seems to be an enduring exception, since its exports to Belarus jumped from nearly €80 million in 2013 to €120 million in 2014. The following year, Norwegian exports to Belarus continued to grow by around 5%. As practically all the Norwegian trade with Belarus consists of foodstuffs and live animals, one may assume, with good reason, that the "Belarusian sea salmon" is not just an urban legend, but at least some of the Norwegian salmon has managed to bypass the Russian sanctions via Belarus.[4] Although the sanctions have introduced a new breed among animal species, one should not generalise the situation, as the statistics do not support the public misconception that the systematic backdoor

sales of Western goods via Belarus to the Russian market do indeed take place.

Since China did not place any sanctions against Russia, it is no surprise that the Chinese proportion in Russia's external trade has grown. Although the recent growth in Sino-Russian trade is notable, one should remember that it has been increasing for the past two decades. In 1995, China covered just 3-4% of Russian exports and 1-2% of its imports,[5] whereas 20 years later, China represented almost 10% of Russia's exports and nearly 20% of its imports. Even if China has gained a stronger foothold in the Russian market during the sanctions, one should not forget that the turnover of Sino-Russian trade has contracted from $90 billion in 2013 to $65 billion in 2015. In other words, China has also suffered from the slowdown of the Russian economy, but not as badly as the West. The growing stake of the USA in Russian foreign trade after 2013 deserves intensive scrutiny in the future. However, one may already conclude now that, although the USA's share has grown slightly in both the Russian exports and imports, the US-Russian trade turnover has dropped in terms of USD.

Energy trade: Oil is Russia's "cash cow", as it generates approximately 50% of the country's export earnings. In 2015, Russia's oil export earnings amounted to nearly $160 billion and oil export volumes exceeded 400 million tonnes, i.e., Russia sells three-quarters of the country's oil production abroad, and thus performance of the Russian oil industry deserves special attention. Last year, Russia exported seven per cent more oil than in the preceding two years but gained 50% less export earnings.[6] In 2014, roughly 60% of Russian oil was delivered to the EU. Half of the aforementioned proportion ended up in the BSR. Two-thirds of the BSR stake, i.e., nearly 20% of Russia's total oil exports, was consumed in Germany and Poland (EIA 2016a). In addition to considerable consumption of Russian oil in the region, one should not forget that the Baltic Sea is one of the largest export channels of Russian oil.[7] Besides, one should remember that the Danish Straits are the world's fifth most important oil transit chokepoints, taking care of 3-4% of the world's total oil supply.[8] To summarise,

oil consumption in the BSR and the maritime oil shipments via the Baltic Sea are of the utmost strategic importance to the Russian economy, and the region's significance to Russia has not changed considerably since the Ukrainian crisis.

Natural gas generated nearly 15% of Russia's export revenues in 2015. In spite of its lesser contribution to state finances, gas is the backbone of Russian society, as over half of the country's primary energy consumption (PEC) uses natural gas. A third of Russia's natural gas production is exported. Two-thirds of the exported gas is sold in the EU – a quarter in the BSR alone. Russia's gas export volumes to the BSR have not changed significantly since 2013. While western BSR countries have increased their natural gas imports from Russia, their eastern neighbours, excluding Latvia, have reduced them. The beginning of the operation of two large-scale LNG terminals in the BSR (Lithuania in 2014 and Poland in 2015) reduces Russia's gas exportation to the Baltic and Polish markets, but these LNG terminals are unable to replace Russia as a gas supplier when the whole region is taken into consideration.[9] If Nord Stream 2 is constructed, the combined annual capacity of Nord Steam 1 and Nord Stream 2 will be 110 billion cubic meters (bcm), allowing Russia to deliver almost all of its gas to the EU, or, to be more precise, to Germany, beneath the Baltic Sea. Ukraine, which used to be a transit corridor for approximately 80% of Russian gas to Europe, prior to Nord Stream 1, has raised its concerns about the impact of the possible termination of gas transit via Ukraine on the country's future political orientation. One should also note that the Kaliningrad region, the Russian exclave located between Lithuania and Poland, consumes approximately two billion cubic metres of gas annually. While Kaliningrad does not possess its own LNG port, all of its gas has to be transported via a pipeline from mainland Russia through Belarus and Lithuania, i.e., Russia's supply cut to Lithuania would also immediately be felt in Kaliningrad. Nevertheless, as West European countries pay a higher price for their Russian gas, compared to the CIS states and Russian customers, the EU is financially more significant to the Russian budget than any other export destination or even the domestic market (Table 2).

Although oil and natural gas are by far Russia's most strategic energy supplies to the BSR and beyond, a few words about other energy forms are necessary to complete the picture. Russia is the world's sixth largest producer of coal, exporting a quarter of its production. More than half of Russia's coal exports find their way to Europe. Germany receives a tenth of Russia's total coal exports. Other BSR countries buy smaller quantities of coal from Russia. Owing to the rapid rise of the Ust-Luga port, the Baltic Sea has also become a notable transport corridor for Russian coal.[10] Russia produces five per cent of the world's uranium, and sells a considerable amount of it abroad. However, only a small proportion of Russia's uranium is sold in the BSR, since the nuclear power stations in Finland alone use Russian fuel, and Russia's contribution to Finnish uranium consumption is not extraordinarily high, around one-third. However, this proportion will rise in the middle of the next decade, if a nuclear power station with the participation of Rosatom is completed.[11] Russia exports two per cent of its total electric electricity generation, i.e., electricity export is not a major revenue generator for the Russian government. Last year, over a third of Russia's exported electricity was delivered to the BSR, or to be more precise, to Finland and Lithuania. Russia's electricity exports to these two countries were 15% lower in 2015 compared to 2013, and 60% lower vis-à-vis the 2010 level.[12] As the declining trend began far before the Ukrainian crisis, one may conclude that the economics, i.e., fierce price competition, explain the decline, rather than politics or general opinion.

Foreign direct investment (FDI): The EU is by far the largest FDI provider to Russia (75%) and the dominant recipient of the Russian FDI (65%). Due to low taxation in Cyprus and with an aim of reducing political risks of the Russian market, Russian companies and wealthy Russians have moved a part of their capital to Cyprus, and therefore Cyprus alone covers a quarter of both Russia's outbound FDI stock and inbound FDI stock. The Russian FDI outflow has dramatically diminished since 2013, and

the FDI inflow has practically stopped. As almost all the Western investments to Russia have been conducted in order to reach business goals (rather than political objectives of their home governments), the fading FDI flow to Russia does not chiefly reflect the political climate between Russia and the West, but the uncertain outlook of the Russian economy (Table 3).

The shares of the BSR perform unusually, when examined at first glance. Its share in the Russian FDI outflow more than doubled between 2013 and 2015. Moreover, the BSR proportion of the FDI inflow to Russia has skyrocketed despite the downturn in the Russian economy. Furthermore, the stake of the USA has grown in both Russian FDI outflows and inflows. One may find a logical explanation to an illogical trend given that, despite the share growth, the FDI flow from the aforementioned countries to Russia, and vice versa, has shrunk in USD. Against misleading media reporting, the FDI flow from China (including Hong Kong) to Russia did not grow notably between 2013-2015. On the other hand, due to indirect investment, the real share of China in Russia's inward foreign investment stock is several times larger than indicated by the statistics.

When we assess the FDI flows in the context of Russia, we should keep in mind that half of the Russian FDI flows in both directions go via various offshore financial centres, such as the Bahamas, Bermuda, the British Virgin Islands, the Cayman Islands, Cyprus, and Jersey.[13] The overemphasised role of these financial centres indicates that the majority of the FDI flowing into Russia was originally Russian capital. Hence, one should not overstate the economic importance of the investments by foreign companies in Russia, though one should definitely not underestimate the impact of evaporating Western bank financing on the slowdown of the Russian economy.[14]

Russians and ethnic Russians living in the BSR: Nearly 8 million out of 146 million people living in the Russian Federation inhabit Russia's three Baltic regions, i.e., the city of Saint Petersburg, the Leningrad region and the Kaliningrad region. The total population of these three regions is greater by almost two million people l

than the population of Estonia, Latvia and Lithuania combined. Approximately one million Russians live in the Kaliningrad region, which can be regarded as Russia's continental island within the EU.

Russia has emphasised, through the Medvedev Doctrine, that it will defend all Russians throughout Russia and abroad. The Medvedev Doctrine declares that the protection of "the lives and dignity of our citizens, wherever they may be, is an unquestionable priority for our country. Our foreign policy decisions will be based on this need. We will also protect the interests of our business community abroad".[15]

Germany has the highest number of ethnic Russians in the BSR, at over one million. On the other hand, the highest proportion of the ethnic Russian minority can be found in the three Baltic States. In Lithuania, six per cent of the population can be regarded as ethnic Russians. The corresponding proportion in Estonia and Latvia is approximately 25%. Surprisingly, the number of ethnic Russians is smaller in Poland than in Finland, which managed to stay out of the USSR-led economic bloc CMEA, or SEV. The absolute number and the relative proportion of the Russian citizens and the ethnic Russians living in other parts of the BSR is negligible.[16]

According to the UN Refugee Agency, "at the end of 2013, more than 267,000 people lacked a nationality in Latvia and 91,000 people in Estonia were without any citizenship".[17] Whatever the true explanation for such a vast proportion of non-citizens, which is approximately a tenth of the entire population of Estonia and Latvia, the Baltic governments should pay more attention to this issue. Even if an ordinary ethnic Russian living in the Baltic States is as patriotic as an average native, the suburban riots in France in 2005, the Bronze Soldier case in Estonia in 2007, the recent coup d'état attempt in Turkey and the ongoing crisis in Ukraine, stresses the importance of active integration of all the minorities into their local communities. "An average Russian is economically better off in the Baltic States than in Russia" is a frequently heard sentence in the Baltics. Although the aforementioned argument is true, one should keep in mind that the world is not ruled by

the truth alone. Therefore, it would be farsighted to pay more attention to the socio-economic development of the regions heavily populated by ethnic Russians. For instance, over 90% of the population in the eastern border region of Estonia is ethnically non-Estonian and the official unemployment rate here is the highest in the country, around 12%. It would be prudent to remember that the inactivity of people, particularly young men, causes social turbulence, not necessarily their ethnicity.

Travelling: Inhabitants of Kaliningrad, the youth in particular, travel more to the EU than to the Russian mainland. All in all, every fourth Russian travelling abroad chooses the BSR as his/her travel destination. Though the BSR share has not dropped since 2013, one should pay attention to the shrinking number of Russian tourists. The amount of Russian tourists in the BSR was 28% lower in January-September 2015, compared to the same period two years ago. Although some media reporting has politicised the decline by arguing that Russians protest against the Western sanctions with their travel choices, the statistics do not support such an argument. In reality, Russia's outbound tourism, to the EU and the USA in particular, has reduced less than Russian outbound tourism in general (33%). Russians have been travelling abroad less due to increased job uncertainty and the weaker external buying power of their salaries. In 2013, the average salary of a Russian was €704 a month, whereas in 2015, it was only €498 (BOFIT, 2016). The salary drop is slightly larger than the decline in Russian tourism in the BSR, underlining the fact that travel choices of an ordinary Russian are not made with the Russian government's policies in mind. Despite a visible decline in the share of EU citizens' travel to Russia, the available evidence does not suggest that EU citizens' travel to Russia would have become politicised either. On the contrary, the decline of the Rouble-Euro exchange rate from 45 roubles to approximately 75 roubles since December 2013, has raised the attractiveness of Russia as a shopping destination in the eyes of the people living in the vicinity of the EU-Russian border (Table 4).

Visa-free travel between Northern Norway and the Murmansk

region was realised in May 2012. Poland followed the Norwegian example a few months later, when it introduced visa-free travel between North-East Poland and the Kaliningrad region. The effect of the regional visa-free travel becomes clear when one compares the travel flows between Russia and Poland with those between Russia and Lithuania, which did not sign a regional visa-free travel agreement with Russia. In 2011-2013, travel between Russia and Poland doubled, thus lifting the number of Polish visits to Russia from 0.7 million to 1.6 million. Practically, the identical development occurred with Russian travel to Poland, as 0.7 million Russian visits took place in Poland in 2011, whereas 1.6 million trips took place two years later. During the same time period, travel from Russia to Lithuania increased by 30% and travel in the reverse direction experienced a 15% decline. In general, an increase in travel between Poland and Russia has been positively received in the Polish regions surrounding Kaliningrad and in Kaliningrad itself. Unfortunately, the increased cross-border interaction has had very little impact on the overall political relations between these countries. The Russo-Polish evidence implies that the countries' economic relations play a less significant role in shaping the political relations than vice versa, and therefore, one should not overestimate the power of the economic interdependency between the EU and Russia in preserving peace on the continent.

ECONOMIC IMPORTANCE
OF RUSSIA TO OTHER BALTIC SEA STATES

Foreign trade with Russia: Lithuania is the most trade-dependent on Russia in the BSR. On the other hand, Lithuania's dependency on Russia has decreased the most since 2013; more than a five-percentage-point drop in the country's exports and over a 10-percentage-point drop in its imports. Approximately €25 billion has disappeared from the total value of exports from the Baltic Sea states to Russia since 2013. Germany alone has lost nearly €15 billion. On the import side, the loss is approximately as large as in the exports. As the overwhelming majority of the BSR imports from Russia consists of energy, its decrease principally reflects the drop in energy prices (Table 5).

Energy imports from Russia: A fifth of the EU's PEC is met by various energy products of Russia. Russian oil is the most important form of energy. It accounts for a third of the EU's oil imports, totalling just over 10% of the EU's PEC. Natural gas comes in second place, with six per cent of the Union's PEC. Coal and uranium practically make up the rest. To put it differently, more than 100 million citizens in the EU are manoeuvred by Russian energy (European Commission 2015). Lithuania and Poland are the most oil import-dependent on Russia, as Russian oil comprises approximately 90% of their total oil imports. The respective figure in Estonia, Finland and Latvia is around 70%, in Sweden nearly 50%, in Germany 30%, and in Denmark 10%. Norway does not import any significant quantities of Russian oil. Here, we should not forget that Finland and Lithuania refine a considerable amount of Russian oil for exports. Petroleum products generated 10% of the Finnish export earnings and over 15% of Lithuania's export revenue last year, though none of these two countries drilled any oil by themselves.

In terms of natural gas dependency, Latvia and Lithuania top the list in the BSR, as more than 25% of their PEC was met by Russian gas in 2014. The corresponding share in Estonia, Finland,

Germany and Poland was 7-9%. The rest of the BSR did not import strategically significant quantities of natural gas from Russia. The Baltic States and Finland used to be entirely reliant on Russian gas until December 2014, when Lithuania opened its large-scale LNG terminal. Owing to this LNG port, just 80% of gas consumed in Lithuania was imported from Russia in 2015,[18] and Russia's stake will reduce further this year. As Lithuania may regasify its LNG and then pipe its gas to other Baltic States, its gas import-dependency on Russia should also decline. When Balticconnector, a gas pipe connecting Estonia and Finland, is put into operation by the year 2020, Finland may also import gas from Lithuania. However, without the construction of the gas pipe linking Lithuania and Poland (GIPL), the Baltic States and Finland will remain isolated from the EU's gas pipeline network. The large-scale LNG port in Poland commenced its operations in December 2015, and hence it started to reduce Poland's gas import-dependency on Russia from its previous level of 60%. No other LNG port projects of strategic significance are under construction in the BSR. Despite the fact that several small-scale LNG facilities are being built in the BSR, they do not bear any major contribution on the energy supply security of the region.

The importance of Russian electricity to the overall electricity consumption of the BSR is negligible, as only Finland and Lithuania import electricity from Russia. Moreover, their electricity imports from Russia are manageable. In 2015, Russia covered less than five per cent of Finland's total electricity consumption. The share of Belarusian and Russian electricity supply in Lithuania's total electricity consumption was clearly higher, nearly 30%. Even if these LNG ports and the intraregional electricity cables reduce the BSR's energy import-dependency on Russia, Russia will remain an essential energy supplier to the BSR and the region's energy import-dependency on Russia will stay considerably higher than that of the EU on average. As an example, Russia covers more than 50% of the total PEC of the Baltic States and Finland, whereas the respective share in the EU as a whole is around 20%.

Foreign direct investment (FDI): Russia is an important investment target and a salient source of investment just for Estonia and Latvia among the Baltic Sea states. The Russian FDI represents around five per cent of the inward FDI stock of these two countries, and a similar proportion of their outward FDI stock. Were one to include the Russian indirect investment via other countries, such as Cyprus and other financial offshores, then the Russian share would probably double in the Baltic States. The Finnish and German FDI stocks in Russia have in particular reduced during 2013-2015. When the Russian FDI flow to the West is analysed, we notice that the development of the Russian FDI stock in the BSR has taken differing paths. It has decreased in Lithuania, increased in Denmark, Finland, Germany, Latvia and Poland, and remained practically unchanged elsewhere in the region. Although the sanctions and the counter-sanctions have created a standstill in BSR-Russia investment activity, they have not created a panic among enterprises. In fact, some Western corporations, particularly producers of foodstuffs, have been pushed to invest in Russia more to circumvent Russia's foodstuff-related sanctions and the impact of a weaker rouble, since not all Western businessmen believe in the Belarusian backdoor strategy (Table 6).

Tourism: Russians accounted for 10-15% of all overnight stays of foreigners in the Baltic States and Finland, in 2015. The representation of Russians is clearly smaller in other parts of the region. The Estonian and the Finnish tourism industries have suffered the most from the stagnation of the Russian economy. The number of Russian tourists to Estonia has dropped by over 40% since 2013. The respective figure for Finland is over 50%. Due to the geographical proximity, the regional visa-free travel with Kaliningrad, and familial relationships, the Balts, the Finns and the Poles are the keenest to travel to Russia. The attraction of Russia as a tourism destination elsewhere in the region is relatively low due to a less appealing country image. Until Saint Petersburg has regained the international glamour it used to have when it was the capital of the Russian Empire, one should

not expect any major turnaround in travel from other parts of the region to Russia.

CONCLUSIONS

The BSR is strategically important to the Russian economy. Russia receives 17% of its export earnings from the BSR. An equal proportion of the country's imports originates from the region. However, the BSR is more of a trading site than it is a bank. In other words, Russia has received just seven per cent of its inward FDI stock from other Baltic Sea states and five per cent of its outbound investments have found a home in the region. In addition to trade and investments, the region is home to over eight million Russians living in Kaliningrad, Saint Petersburg and its surroundings and more than two million ethnic Russians live elsewhere in the region. A substantial ethnic Russian population in the region, and in the Russian exclave Kaliningrad, partially explains the widespread travel by Russians in the region. Every fourth Russian travelling abroad is accommodated in the region. Although Russian trade, investment and tourist flows have collapsed since the Ukrainian crisis, the BSR has maintained its stake in the external economic relations of Russia.

Russia is an essential trading partner of the Baltic States and Finland. Although the relative importance of trade with Russia is smaller elsewhere in the region, expansive energy deliveries make Russia one of the most strategic actors in the region. The Russian capital only plays a visible role in Estonia and Latvia. Similarly, Russia is a substantial investment target for these two countries. The rest of the Baltic Sea states have placed 2.5% or less of their outward FDI stock in Russia. The statistics indicate that Russia is not a production site for BSR businessmen, but a consumption centre. Although the media frequently reports about Russia's massive capital flight, the Russian capital does not play any strategic role in the BSR, excluding the Baltic States. Russian tourism contributes notably to the GDP of the Baltic States,

Finland and the north-eastern regions of Poland, but elsewhere in the BSR, a Russian tourist is not such a frequent visitor. When we analyse the outbound travelling of the BSR as a whole, Russia can still be regarded as a slightly extreme travel destination. Should the Russian government decide to invest in Saint Petersburg as much as it did in Sochi before the winter Olympic Games, the city would once again become an indisputable European metropolis and the city would regain its historic tourist inflows.

Prior to the Russo-Georgian War in 2008, and the contemporary Russian military intervention towards Ukraine, it was believed that the economic interdependency between the EU and Russia preserved peace on the continent. The Georgian and Ukrainian conflicts, however, suggest that geopolitics has returned and it has buried geoeconomics, i.e., the perception of economic interdependency. Due to the funeral of the economic interdependency policy, one should create a new integrative source between the EU and Russia to replace the state-run economy-based collaboration. An individual focal point should be made towards a new EU-Russian integration paradigm, since people share more common values than states. In other words, geohumanism should be given birth to.

Naturally, people-to-people contacts do not make leaders more intelligent, but they do make people wiser, and thus less likely to be manipulated into going to war against one another. Therefore, Western support for free media, Internet and NGOs in Russia should be increased. Respectively, the European Commission should aid the EU Member States to develop more multi-sided media coverage of Russia. Moreover, the EU and Russia should develop mutual travel by introducing an inexpensive 10-year multiple-entry Schengen visa for all the citizens of Russia carrying a biometric passport, and with a reciprocal agreement. The EU-Russia university exchange programmes should be extended, since the universities educate the majority of the key decision-makers of the future. Cross-border cooperation should be activated as the border regions face the highest pressure, when tensions increase. Small and medium-sized private enterprises should be

placed in the driver's seat instead of state-owned corporations, which reflect the government's goals rather than entrepreneurial interests. And finally, we should multiply investments into joint environmental projects, as Russians and EU citizens would benefit equally from a cleaner environment; furthermore, shared activities tend to reduce suspicion and tensions.

Although we should base our relations with Russia on dialogue and cooperation, the increase of Russia's annual military budget by more than double between 2000 and 2015, the doubling of the Russian military flights in the BSR since 2013, the recent organisation of several major military exercises in Russia with the participation of companies of the military-industrial complex in these exercises, the reinforcement of military units in the proximity of the EU-Russia border, and the August incidents in Crimea. all increase uncertainty concerning Russia's future plans.[19] Therefore, all the Baltic Sea states should invest more in their defence capabilities and the non-allied nations of the region should decide whether they are better off alone or as members of NATO. Theodore Roosevelt, President of the United States from 1901 to 1909, once said: "In any moment of decision, the best thing you can do is the right thing, the next best thing is the wrong thing, and the worst thing you can do is nothing".

Table 1. The share of the BSR in Russian foreign trade

	Russia's exports			Russia's imports		
	2008	2013	2015	2008	2013	2015
Denmark	0.4%	0.3%	0.6%	0.7%	0.7%	0.5%
Estonia	0.2%	0.8%	0.6%	0.2%	0.2%	0.3%
Finland	3.4%	2.5%	2.1%	2.5%	1.7%	1.5%
Germany	7.1%	7.0%	7.4%	12.8%	11.9%	11.2%
Latvia	1.7%	2.0%	2.0%	0.2%	0.3%	0.2%
Lithuania	1.0%	1.2%	0.9%	0.4%	0.4%	0.2%
Norway	0.2%	0.2%	0.2%	0.4%	0.6%	0.3%
Poland	4.3%	3.7%	2.8%	2.6%	2.6%	2.2%
Sweden	0.9%	0.9%	0.7%	1.7%	1.2%	1.0%
BSR total	**19.2%**	**18.6%**	**17.3%**	**21.5%**	**19.6%**	**17.4%**
EU28	56.7%	53.8%	48.2%	43.7%	42.2%	38.5%
USA	2.9%	2.1%	2.8%	5.2%	5.2%	6.3%
China	4.6%	7.3%	8.6%	13.0%	16.8%	19.3%
Total value	**$468 bn**	**$526 bn**	**$343 bn**	**$267 bn**	**$318 bn**	**$182 bn**

Note: bn = billion.

Source: Author's calculations based on the data from Customs Russia, 2016, http://www.customs.ru/

Table 2. Russia's natural gas sales abroad and the BSR share in the Russian gas export volumes [20]

	Natural gas exports from Russia			Share in Russia's gas export volumes		
	2008	**2013**	**2015**	**2008**	**2013**	**2015**
Denmark	0.0 bcm	0.3 bcm	0.7 bcm	0.0%	0.1%	0.3%
Estonia	0.6 bcm	0.7 bcm	0.5 bcm	0.2%	0.3%	0.2%
Finland	4.8 bcm	3.5 bcm	2.8 bcm	1.8%	1.5%	1.2%
Germany	37.9 bcm	41.0 bcm	47.4 bcm	14.4%	17.5%	20.7%
Latvia	0.7 bcm	1.1 bcm	1.3 bcm	0.3%	0.5%	0.6%
Lithuania	2.8 bcm	2.7 bcm	2.2 bcm	1.1%	1.2%	1.0%
Norway	0.0 bcm	0.0 bcm	0.0 bcm	0.0%	0.0%	0.0%
Poland	7.9 bcm	12.9 bcm	8.9 bcm	3.0%	5.5%	3.9%
Sweden	0.0 bcm	0.0 bcm	0.0 bcm	0.0%	0.0%	0.0%
BSR total	**54.7 bcm**	**62.2 bcm**	**63.8 bcm**	**20.7%**	**26.6%**	**27.8%**
EU28	144.4 bcm	148.3 bcm	153.5 bcm	54.7%	63.5%	66.9%
Total volume	**264.1 bcm**	**233.7 bcm**	**229.5 bcm**	**100 %**	**100 %**	**100 %**

Note: bcm = billion cubic metres.

Source: Author's calculations based on the data from Gazprom, 2016, http://www.gazprom.com/

Table 3. Russia's annual FDI outflow and inflow [21]

	Russia's annual FDI outflow			OFDI stock end of	Russia's annual FDI inflow			OFDI stock end of
	2008	2013	2015	2015	2008	2013	2015	2015
Denmark	0.03%	0.87%	1.86%	0.11%	0.10%	0.04%	1.02%	0.16%
Estonia	0.05%	0.14%	0.30%	0.14%	0.00%	0.07%	0.68%	0.05%
Finland	0.28%	0.11%	6.73%	0.75%	1.89%	0.31%	0.00%	1.96%
Germany	3.34%	1.54%	3.14%	3.27%	4.52%	0.48%	29.34%	3.94%
Latvia	0.30%	0.66%	0.00%	0.51%	0.05%	0.41%	4.06%	0.21%
Lithuania	0.10%	0.05%	0.01%	0.08%	0.05%	0.01%	0.17%	0.04%
Norway	0.00%	0.05%	0.87%	0.14%	0.51%	0.14%	0.00%	0.05%
Poland	0.00%	0.08%	0.25%	0.03%	0.25%	0.00%	0.42%	0.09%
Sweden	0.32%	0.00%	0.00%	0.05%	2.53%	0.00%	2.44%	0.75%
BSR total	**4.42%**	**3.50%**	**13.16%**	**5.08%**	**9.90%**	**1.46%**	**38.13%**	**7.25%**
EU28	57.96%	21.00%	42.05%	65.62%	56.80%	84.24%	0.00%	75.25%
USA	13.05%	0.85%	3.80%	2.14%	2.89%	0.70%	4.16%	0.69%
China	0.05%	0.30%	0.15%	0.43%	0.01%	0.93%	14.62%	0.64%
Total value	**$56 bn**	**$87 bn**	**$22 bn**	**$336 bn**	**$75 bn**	**$69 bn**	**$5 bn**	**$343 bn**

Note: OFDI = outward FDI; IFDI = inward FDI; stock = accumulated total amount; bn = billion.

Source: Author's calculations based on the data from Central Bank of Russia, 2016, http://www.cbr.ru/eng/

Table 4. Outbound travel from Russia and inbound travel to Russia

	Russians' travel abroad			Foreigners' travel to Russia		
	2008	**2013**	**1-9/2015**	**2008**	**2013**	**1-9/2015**
Denmark	n.a.	n.a.	0.1%	n.a.	n.a.	0.1%
Estonia	4.1%	4.2%	3.9%	2.8%	1.4%	1.1%
Finland	8.7%	10.2%	9.0%	4.2%	4.5%	4.2%
Germany	2.7%	2.9%	3.2%	2.7%	2.2%	1.9%
Latvia	0.6%	0.8%	1.0%	1.8%	1.3%	1.0%
Lithuania	2.0%	1.9%	2.2%	2.9%	1.8%	0.8%
Norway	0.2%	0.3%	0.4%	0.2%	0.2%	0.1%
Poland	1.1%	3.0%	3.5%	3.3%	5.3%	5.0%
Sweden	0.1%	0.2%	0.2%	0.3%	0.2%	0.1%
BSR total	**over 19.5%**	**over 23.5%**	**23.5%**	**over 18.2%**	**over 16.9%**	**14.3%**
EU28 [22]	over 28.4%	over 36.6%	over 37.4%	over 23.1%	over 20.8%	over 17.5%
USA	0.5%	0.6%	0.7%	1.3%	1.0%	0.8%
China	8.7%	3.8%	3.7%	3.4%	3.5%	4.3%
Total	**37 mn**	**54 mn**	**29 mn**	**24 mn**	**31 mn**	**26 mn**

Note: n.a. = not available; mn = million.

Source: Author's calculations based on the data from the Federal Agency for Tourism of Russia, 2016, http://www.russiatourism.ru/en/

Table 5. Trade of other Baltic Sea states with Russia

	Exports 2013	Russia 2013	Exports 2015	Russia 2015	Russia 2013-2015	Exports 2013	Russia 2013	Exports 2015	Russia 2015	Russia 2013-2015
Denmark	€83.1 bn	1.9%	€85.3 bn	0.9%	-€0.8 bn	€73.0 bn	1.5%	€77.0 bn	1.8%	€0.3 bn
Estonia	€12.3 bn	11.5%	€11.6 bn	6.7%	-€0.6 bn	€13.9 bn	5.7%	€13.1 bn	5.8%	€0.0 bn
Finland	€55.9 bn	9.6%	€53.8 bn	5.9%	-€2.2 bn	€58.2 bn	18.1%	€54.3 bn	11.0%	-€4.5 bn
Germany	€1088.0 bn	3.3%	€1196.4 bn	1.8%	-€14.0 bn	€890.4 bn	4.6%	€948.5 bn	3.1%	-€11.5 bn
Latvia	€10.0 bn	11.6%	€10.4 bn	8.1%	-€0.3 bn	€12.6 bn	8.4%	€12.5 bn	8.6%	€0.0 bn
Lithuania	€24.5 bn	19.8%	€22.9 bn	13.7%	-€1.7 bn	€26.2 bn	28.1%	€25.4 bn	16.3%	-€3.2 bn
Norway	€117.4 bn	0.9%	€93.4 bn	0.3%	-€0.8 bn	€67.6 bn	1.7%	€68.8 bn	1.8%	€0.1 bn
Poland	€155.0 bn	5.3%	€178.7 bn	2.9%	-€3.0 bn	€157.0 bn	12.1%	€175.0 bn	7.4%	-€6.2 bn
Sweden	€126.1 bn	2.2%	€126.4 bn	1.2%	-€1.2 bn	€120.9 bn	4.4%	€124.6 bn	3.3%	-€1.2 bn

Note: bn = billion; national currencies were converted into Euro by using the annual average exchange rate of the given year offered by the European Central Bank. If the national statistical authority did not offer the figures in Euros, the outcome for Russia 2013-2015 was calculated as follows: both the figures for 2013 and 2015 were converted into Euros by using the annual average exchange rate of the given year, and thereafter, the 2013 figure was subtracted from the 2015 figure.

Source: Author's calculations based on data from national statistical authorities (2016).

Table 6. FDI stocks of other Baltic Sea states and Russia's share in these stocks

	OFDI stock 2013	Russia 2013	OFDI stock 2015	Russia 2015	Russia 2013-2015	IFDI stock 2013	Russia 2013	IFDI stock 2015	Russia 2015	Russia 2013-2015
Denmark	€138,338 mn	0.5%	€145,758 mn*	0.4%*	-€107 mn*	€68,552 mn	0.0%	€79,879 mn*	0.1%*	€67 mn*
Estonia	€4,921 mn	4.3%	€5,657 mn	3.9%	€8 mn	€15,374 mn	5.1%	€17,462 mn	4.6%	€16 mn
Finland	€105,381 mn	2.7%	€96,626 mn*	2.3%*	-€588 mn*	€64,362 mn	1.4%	€77,342 mn*	1.5%*	€251 mn*
Germany	€1214,995 mn	1.8%	€1297,621 mn*	1.2%*	-€7,200 mn*	€829,211 mn	0.4%	€845,543 mn	0.4%*	€390 mn*
Latvia	€1,160 mn	4.1%	€1,129 mn	6.5%	€27 mn	€11,570 mn	4.9%	€13,364 mn	6.9%	€355 mn
Lithuania	€2,372 mn	2.8%	€2,053 mn	2.5%	-€14 mn	€12,720 mn	4.1%	€13,264 mn	1.6%	-€305 mn
Norway	€142,349 mn	0.4%	€145,659 mn*	0.3%*	-€80 mn*	€150,438 mn	0.0%	€155,298 mn*	0.0%*	€22 mn*
Poland	€22,266 mn	4.0%	€22,344 mn*	2.7%*	-€301 mn*	€168,506 mn	0.2%	€171,674 mn*	0.2%*	€92 mn*
Sweden	€303,468 mn	1.8%	€310,330 mn*	2.1%*	€1 mn*	€282,312 mn	n.a.	€260,110 mn*	n.a.	-

Note: OFDI = outward FDI; IFDI = inward FDI; stock = accumulated total amount; mn = million; * = data of 2014; national currencies were converted into Euro by using the annual average exchange rate of the given year offered by the European Central Bank. If the national statistical authority did not offer the figures in Euros, the outcome for Russia 2013-2015 was calculated as follows: the 2013 figure was subtracted from the 2015 figure, and thereafter, the outcome was converted into Euros by using the annual average exchange rate of 2015, or if the figure for 2015 was unavailable, then the figure for 2014 was used.

Source: Author's calculations based on data from national statistical authorities (2016).

West-Russia Relations

2   In this article, the Baltic Sea region stands for the littoral states of the Baltic Sea, i.e., Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Norway, Poland and Sweden. In order to help deal with the main theme of the article, i.e., the development of economic relations between Russia and the rest of the Baltic Sea region, Russia is excluded from the BSR concept.

3   BOFIT Russia Statistics, 2016, http://www.suomenpankki.fi/bofit_en/seuranta/venajatilastot/Pages/default.aspx

4   As Belarus belongs to the Eurasian Economic Union, the Belarusian goods have unrestricted entry to the Russian market. It is not illegal to sell a commodity, which faces sanctions in Russia, to Belarus, as long as Belarus itself or the Eurasian Economic Union have not sanctioned them.

5   Tatiana Sidorenko, "The Scope of Economic Cooperation between Russia and China and Future Prospects", Problemas del Desarrollo: Revista Latinoamericana de Economía (2014), http://www.probdes.iiec.unam.mx/en/revistas/v45n176/body/v45n176a2_1.php

6   BP, "BP Statistical Review of World Energy", June 2016, http://www.bp.com/en/global/corporate/energy-economics/statistical-review-of-world-energy/downloads.html; Central Bank of Russia, 2016, http://www.cbr.ru/eng/

7   Brunila Olli-Pekka, Jani Häkkinen, and Vappu Kunnaala, "Future Oil Transportation Volumes in the Gulf of Finland: Policies Needed to Prevent the Risks of Oil Transportation", BSR Policy Briefing 1/2014, Centrum Balticum, Turku, http://www.centrumbalticum.org/sites/default/files/raportit/bsr_policy_briefing_1_2014_netti.pdf

8   EIA, "Russia", 2016, https://www.eia.gov/beta/international/analysis.cfm?iso=RUS

9   Kari Liuhto, "Natural Gas Revolution and the Baltic Sea", BSR Policy Briefing 1/2015, Centrum Balticum, Turku, http://www.centrumbalticum.org/sites/default/files/user_uploads/bsr_policy_briefing_1_2015_small.pdf. In 2014, LNG accounted for 15% of the EU's gas imports, which was one per centage point lower than the preceding year: Eurogas, 2016, http://www.eurogas.org/statistics/

10   EIA, "Russia", 2016, https://www.eia.gov/beta/international/analysis.cfm?iso=RUS

11   Euratom, "Annual Report 2015", 2016, http://ec.europa.eu/euratom/index.html

12   Inter RAO, 2016, http://www.interrao.ru/en/

13   Kari Liuhto, "Foreign Investment Inflow to Russia Practically Stopped in 2015", Baltic Rim Economies (BRE) review 2/2016, Pan-European Institute, http://www.utu.fi/en/units/tse/units/PEI/BRE/Documents/BRE_2_2016.pdf

14   Kari Liuhto, Sergei Sutyrin, and Jean-Marc F. Blanchard, The Russian Economy and Foreign Direct Investment (Routledge, forthcoming 2017).

15   George Friedman, "The Medvedev Doctrine and American Strategy", Stratfor, 2nd September 2008, https://www.stratfor.com/weekly/medvedev_doctrine_and_american_strategy

16   CIA, "The World Factbook", 2016, https://www.cia.gov/library/publications/the-world-factbook/

17   UN Refugee Agency, "Statelessness in Europe", 2016, http://www.unhcr.org/statelessness-europe.html

18   IGU, "2016 World LNG Report", International Gas Union, 2016, http://www.igu.org/publications/2016-world-lng-report

19   Johan Norberg, "Training to Fight", FOI-R--4128--SE, FOI, 2015, www.foi.se/Documents/foir4128.pdf

20   Gazprom offers higher figures for the gas supplies from Russia to the EU than the European Commission. According to Gazprom, it delivered 148 bcm of gas to the EU in 2013, while the corresponding figure given by the European Commission is 126 bcm, European Commission Energy, "Energy Statistical Pocketbook", 2015, https://ec.europa.eu/energy/en/data-analysis/energy-statistical-pocketbook. The author has used the Gazprom data in Table 2, as it gives more complete information than Western sources.

21   The EU's share in Russia's 2015 FDI inflow is smaller than that of the BSR due to the colossal divestments by Cyprus and Luxemburg. The FDI flow from the EU to Russia was $58 billion in 2013, whereas it was negative $8 billion in 2015 (Central Bank of Russia, 2016, http://www.cbr.ru/eng/).

22   Not all the EU Member States were identified in the statistics of the Federal Agency for Tourism of Russia.

European
Order and
Economic
Sustainability

DELIVERING ON THE EU'S INTERNAL SECURITY AND STABILITY

Asnāte Kalniņa and Kārlis Bukovskis[1]

Yet again the European Union is experiencing challenges that oblige Member States to make Europe better and stronger. The last few years of crisis in Ukraine, the increased terrorist activities of different forms and other challenges have resulted in growing societal demands for the EU and its Member States to be able to take better care of the peoples' security needs.

The security concept entails both the internal and external security dimensions. The strong interlinkage between both is unquestionable. While NATO, being a political and military alliance, is regarded by most of the European countries as a vital guarantor of the external security and defence aspect,[2] the EU has a chance to deliver on internal security. Therefore, it is the goal of this paper to analyse the prospects of the EU's internal security dimension. It gives an overview of the internal security priorities as set out by the European Commission (EC) and the Member States (Council of the EU (Council), European Council). It also refers to factors which suggest that delivering on the EU's internal security and the actual implementation of the agreed priorities should be and, indeed, could be a success.

INTERNAL SECURITY PRIORITIES

Both the EC and the Member States agree that in the years to come there are three main EU internal security priorities: terrorism, serious and organised crime, and cybercrime. There is also a clear, although not necessarily the same (preferences do differ), vision with regard to concrete measures to be taken.

In light of the deteriorating security situation in the EU, at political level, both the EC and the Member States have upgraded their response and adjusted it to the actual threats. Namely, with regard to the EC, on 15th July 2014, Jean Claude Juncker, then candidate for President of the EC, issued the Political Guidelines "A New Start for Europe: My Agenda for Jobs, Growth, Fairness and Democratic Change". It encompasses ten guidelines for the next EC; a lot of attention is devoted to the financial and economic issues. Security matters are mentioned although not greatly elaborated on. While in 2016, the EC is already referring to the concept of an effective, genuine, operational and sustainable Security Union. Member States have also gradually upgraded their political commitments, especially following the terrorist acts in Paris, Brussels and elsewhere in Europe.

European Commission. In the aforementioned Political Guidelines, security was addressed under the priority of "An Area of Justice and Fundamental Rights Based on Mutual Trust" and several concerns with regard to terrorism and crime were underlined: "(..) We need to crack down on organised crime, such as human trafficking, smuggling and cybercrime. We must tackle corruption and we must fight terrorism and counter radicalisation – all the while guaranteeing fundamental rights and values, including procedural rights and the protection of personal data".[3]

In the Mission Letter of 1 November 2014, to Dimitris Avramopoulos, Commissioner for Migration, Home affairs and Citizenship, Jean Claude Juncker reiterated that the upcoming work should be focused on the fight against crime. The same crime areas as in the Political Guidelines were mentioned, only "strengthening police

cooperation" was added. With regard to terrorism and radicalisation, the Commissioner was asked to "identify where the EU can make a real difference" and "to define operational measures which can have a concrete impact on issues such as "foreign fighters".[4]

More than half a year later, when the security environment in the EU had already considerably changed, the EC issued a European Agenda on Security (April, 2015) for cooperation and joint action in the next five years. In the Agenda, terrorism, organised crime and cybercrime were prioritised "as interlinked areas with a strong cross-border dimension, where EU action can make a real difference".[5]

In the State of the Union speech of 9th September 2015, the EC President Jean Claude Juncker did not specifically touch upon security issues.[6] However, in the Letter of Intent[7] to the European Parliament (EP) President Martin Schulz and the rotating Presidency of the Council, the EC President Jean Claude Juncker and Vice-President Frans Timmermans made it clear that "in 2016, we will focus our efforts on the concrete follow-up to our new strategies", including the European Agenda on Security.[8]

In 2016 though, a clear shift towards the concept of an "effective, genuine, operational and sustainable Security Union" occurred. In the aftermath of the terrorist attacks in Brussels, 22nd March 2016, the EC President Jean Claude Juncker indicated that "we feel we need capital markets union, energy union, economic and monetary union, but we also think that we need a security union".[9] On 20th April 2016, the EC issued another document[10] stating that "in the security field [..] fragmentation makes us vulnerable" and that "Europe needs a genuine Security Union"; in the document several areas were set out where additional efforts in the fight against terrorism should be directed.[11]

At the beginning of August 2016, Jean Claude Juncker made a surprise move by, firstly, creating a Security Union portfolio at the EC and, secondly, despite the UK opt-out policy in the justice and home affairs (JHA) matters and also – Brexit[12], by allocating this portfolio to the candidate- Commissioner from the UK (Sir Julian King). In the speech at the EP Committee on Civil Liberties, Justice and Home Affairs (LIBE Committee) on 12th September 2016, the

Commissioner-designate called for an effective and sustainable Security Union by further explaining that "effective" would mean focusing relentlessly on implementation, whilst a "sustainable" Security Union requires a lasting and joined-up European security framework in which policies are properly thought through and based on evidence.[13] In this context, the Commissioner-designate, for instance, during the hearing welcomed the need for having a comprehensive overview of all the counter-terrorism measures in order to identify the existing gaps and shortcomings. The Commissioner-designate also elaborated on nine priority areas and specific measures to be taken – none of them were a surprise.

In the State of the Union Speech, delivered by the EC President on 14th September 2016, predictably, considerable attention was paid to the security issues. "A Europe that defends at home and abroad" was mentioned as one of the five strands[14] for delivering a better Europe and clear reference was made to an operational and effective Security Union. When stating that "we must defend ourselves against terrorism", particular attention was attributed to the need of better defending borders[15] (including through strict controls on everyone crossing them[16] as well as through knowing in advance who intends to travel to Europe).[17] Also, the importance of information and intelligence exchange was reiterated and in this regard the need to reinforce Europol was highlighted. In the Letter of Intent of 2016[18] to the EP President Martin Schulz and the rotating Presidency of the Council "reinforced implementation of the Security Agenda, in particular paving the way for an effective and genuine Security Union and better operational use of all existing instruments" was mentioned as one of the most important areas to focus on between now and the end of 2017. The EC in parallel also issued another document focusing on improved information exchange in the fight against terrorism and stronger external borders.[19]

Member States. In June 2015, the Council adopted the renewed EU Internal Security Strategy 2015-2020.[20] The Council identified the same EU internal security priorities as the EC did in its European Agenda on Security, namely, terrorism, serious and organised crime,

and cybercrime. The Council also underlined that it is of utmost importance to develop a responsive and operational approach when implementing the Strategy. Thus, every semester, the rotating Presidency of the Council prepares a dedicated implementation document; implementation of the Strategy is also a regular agenda point of the JHA Council meetings.

As already mentioned, at Council level, special attention has been devoted to the fight against terrorism. For instance, after the attack on Charlie Hebdo in early January of 2015, at the informal JHA ministerial meeting, the Riga Joint Statement[21] was adopted. It later served as an input to the Statement[22] of the Members of the European Council (12th February 2015); the Heads of State and Government agreed on concrete actions aimed at (1) ensuring the security of citizens, (2) preventing radicalisation and safeguarding values, and (3) cooperating with international partners. After the terrorist attacks in Paris, 13th November 2015, a dedicated JHA Council meeting was convened; the ministers agreed[23] that the implementation of the following measures must be accelerated: adoption of the EU Passenger Name Record directive,[24] initiatives on firearms, strengthening controls of external borders, information sharing, financing of terrorism as well as criminal justice response to terrorism and violent extremism. Following the terrorist attacks in Brussels, 22nd March 2016, the JHA ministers and representatives of EU institutions adopted a joint statement highlighting ten specific measures[25] to be further implemented.

IMPETUS FOR DELIVERING
ON THE EU'S INTERNAL SECURITY

There is a common understanding on the EU's internal security priorities in the years to come; it is also clear that a particular focus is and will be put on terrorism. What really matters now is delivery of these priorities and implementation of concrete (mainly operational) measures. Although not specifically referring to security, this was also one of the messages the EC President, Jean Claude Juncker,

conveyed in his State of the Union speech of 2016, namely, that "Europeans [..] want more than promises, resolutions and summit conclusions. They [..] want common decisions followed by swift and efficient implementation".[26]

The extent and nature of the implementation challenge seems to be rather immense. Claude Moraes, the Chair of the LIBE Committee of the EP, has acknowledged that the newly appointed Commissioner for the Security Union inherits a portfolio that is rich in unimplemented cross-border legislation, rules and practice. Also, in light of the fight against terrorism, the President of the European Council, Donald Tusk, has clearly indicated that "in principle we all agree, and yet there are still too many practical and legislative obstacles".[27] Likewise, in the Strategic Note "Towards a "Security Union" – Bolstering the EU Counter Terrorism Response" by the European Political Strategy Centre[28], it has been rightly diagnosed that, although political commitments for joint European action have been made over decades, the mindsets and willingness to cooperate have not lived up to the challenge.[29]

This moment – following the Brexit vote and the ongoing debate on the future of the EU – should be seized and treated as an opportunity. There is a very clear reason why delivering on the EU's internal security should be a success. And there are several factors suggesting that the EU indeed can deliver on the agreed EU's internal security priorities, especially terrorism.

Delivering on the EU's internal security should be a success. Back in 2014, the EC President, Jean Claude Juncker, declared that "I want a European Union that is bigger and more ambitious on big things, and smaller and more modest on small things".[30] According to the European citizens, security undoubtedly is a big thing; it is one of the main concerns. For instance, with regard to terrorism, 82% of Europeans want the EU to do more and 69% consider its current measures to be insufficient.[31] Against this backdrop, it is now crucial for the EU and the Member States to be bigger and more ambitious on delivering and implementation; it has to be a success.

Delivering on the EU's internal security can be a success. There is "ample room for "real optimism""[32] that delivering on the EU's internal

security can be a success. The following factors might suggest this:

First is the growing awareness of the cross-border nature of the security threats. It is clear that the security threats are becoming more transnational and of a much greater scale. In the common post-Brexit paper, the German and French Foreign Affairs' Ministers[33] have clearly stated that any threat to one Member State is also a threat to the others and that therefore our security should be regarded as one and indivisible.

When it comes to the competences of the EU and the Member States, according to Article 4 (2) of the Treaty of the EU, national security in particular remains the sole responsibility of each Member State. The Treaties, however, allow for the EU to have a strong supporting role to the endeavours of the Member States.[34] In this context, Donald Tusk while acknowledging that "the main instruments in [..] [security] field remain at national level", has at the same time underlined that "we can and must do more together".[35] And together means that to a maximum extent possible we should avoid two-speed or multi-speed Europe on internal security issues; it is clear that the lesser we are, the weaker we will be. In this regard Brexit, despite the general UK opt-out policy in the JHA affairs, is potentially a big loss to the EU since the UK has opted-in to a number of crucial JHA instruments. One very illustrative example is the considerable contribution the UK is providing to the Europol.

Secondly, there are no major differences among the Member States. In the common post-Brexit paper, the German and French Foreign Affairs' Ministers have been clear that, when it comes to the project of European integration, we have to deal with different levels of ambition of the Member States.[36] It is true that there are many sensitive policy areas where there are major disagreements among the Member States. This, for instance, refers to migration and the mandatory refugee quota system. However, when it comes to security, the differences are not that stark. Security is a shared interest; it is a vital issue for all Member States and it is therefore an area where cooperation among the Member States seems most possible.

Thirdly, one should see it all in the context of the EU's future. In light of the Brexit-vote and the ongoing debate on the future of the

EU, security is clearly named as one of the top priorities. It is now put into the context of the EU's future and is deservingly gaining a more prominent role. Immediately after the Brexit-vote, the Member States were quick to affirm their belief in the EU and set out ideas as how to make Europe stronger and better with a clear reference to security as one of the main priorities. Germany and France, for instance, called for a European Security Compact, focusing on both the external and internal security concerns;[37] later, a separate paper on the EU's internal security was also issued outlining a number of key measures to be implemented. Also, the Visegrad countries pointed out security as a top concern and stated that "our citizens must see the Union stand firm on issues of common internal and external security interest".[38]

On 16th September 2016, the Bratislava summit (without the participation of the UK) took place; it was "devoted to diagnose together the present state of the EU and discuss our common future" by inter alia answering "questions we would have to face even if the UK had voted to remain".[39] It was not a big surprise that, in the adopted Bratislava Declaration, internal and external security (along with migration and external borders, social and economic development, as well as youth) was named as a key issue to be tackled as a matter of priority over the coming months.[40] In the Declaration, several concrete measures were also outlined.[41]

The Bratislava summit was the first step and, due to the summit's informal nature, the decisions also have to be treated as informal. There will be a more specific follow-up, firstly, at the upcoming formal European Council meetings and, secondly, at the informal gatherings[42] of the 27 Heads of State and Government devoted to setting further orientations on the EU's future. In this context, one might surely expect that the security priority will not lose its momentum.

Fourthly, a stronger role of the European Council is needed. In the Bratislava Declaration it was clearly stated that, in order to deliver on promises, the mechanism for reviewing the implementation of decisions taken has to be strengthened.[43] This is a good chance for the European Council to reinforce its role and to comprehensively

monitor the delivery and implementation of the internal, as well as external, security priority. In comparison, the European Council, for instance, already does a similar monitoring exercise on migration.

However, the European Council's role should not only be limited to monitoring; it should also have a more forward-looking task.[44] In the common post-Brexit paper,[45] the German and French Foreign Affairs' Ministers have proposed to conduct regular reviews of the EU's strategic environment (supported by an independent situation capability assessment) that would be submitted and discussed at the European Council. The Ministers also called that the European Council should meet once a year, as a European Security Council, in order to address internal and external security, as well as defence, issues. A similar idea has been voiced by the European Political Strategy Centre, namely, that a dedicated European Council should be annually convened or a Strategic Dialogue on Upcoming Challenges to European Security held (with an aim to both anticipate and manage security risks).[46]

The fifth aspect that one should look at is the reinforcement of the EC's capacity. Since August 2016 considerable efforts are being invested. As already noted, a Commissioner for Security Union has been appointed.[47] The Commissioner has a civil service background[48] which might suggest that he probably will be more technocratic than political or visionary. However, since it is delivery and implementation that is of the utmost importance now, the technocratic and more operational approach might be the right recipe to succeed.

Furthermore, the EC is also committed to strengthen a multidisciplinary approach. Namely, the Commissioner would be supported by a cross-cutting task force, composed by experts from different EC services and covering, for instance, innovation and security industry, terrorism and crisis management, aviation security, land and maritime security, cybersecurity and energy.[49] Thus, at EC level, the various policy fields that are relevant for promoting security would be better integrated and coordinated. The same development would also hopefully happen at the level of the Council configurations and the Member States; overcoming the

thinking in silos might not necessarily always be an easy task.

Finally, it also should be pointed out that on 1st December 2014, a new era for EU JHA policies started.[50] Namely, the EC gained the power to launch infringement proceedings if the EU JHA law has not been correctly implemented in the Member States. The new Commissioner for the Security Union has clearly stated that, where necessary, the EC will not shy away from using those powers. And, indeed, this is already happening. For instance, on 29th September 2016, the EC issued several letters of formal notice with regard to information sharing to combat terrorism and serious crime, as well as correct implementation of rules on explosives precursors.[51]

CONCLUSIONS

Recently, with regard to external security and defence, there have been calls for a two-speed Europe on defence so that those EU Member States willing to go ahead with integration may do so. This initiative would be complementary in nature and would strengthen NATO. However, when it comes to internal security, it is exclusively up to the EU and its Member States to deliver. Hence, whilst respecting the opt-in/out policy in the JHA issues, it is of utmost importance to secure and maintain the highest possible commitment of all the Member States. In this context, it will also be crucial to strike a solid deal with the UK on further cooperation arrangements in the JHA issues.

Overall, there is a good chance that delivering on the EU's internal security and implementation of the agreed priorities and measures will become a success in the coming months and years. This would mean that the security area could become an inspiring example and proof that a better and stronger Europe might really happen.

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1   Authors write in their personal capacity and the views expressed do not represent those of any government or institution.

2   However, recently there have been calls to deepen the cooperation among the EU Member States, for instance, by integrating their defence capabilities, creating an EU army. At

the same time there is also a clear commitment to reinforce the EU-NATO partnership (see, for instance, "Joint Declaration by the President of the European Council, the President of the European Commission, and the Secretary General of the North Atlantic Treaty Organization", 8th July 2016, http://www.consilium.europa.eu/en/meetings/international-summit/2016/07/signed-copy-nato-eu-declaration-8-july-en_pdf).

3   President Juncker's Political Guidelines "A New Start for Europe: My Agenda for Jobs, Growth, Fairness and Democratic Change", Brussels, 15th July 2014, https://ec.europa.eu/priorities/sites/beta-political/files/juncker-political-guidelines_en.pdf

4   Mission Letter to Dimitris Avramopoulos, Commissioner for Migration and Home Affairs and Citizenship, Brussels, 1st November 2014, https://ec.europa.eu/commission/sites/cwt/files/commissioner_mission_letters/avramopoulos_en.pdf

5   Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions "The European Agenda on Security", Strasbourg, 28th April 2015,

http://ec.europa.eu/dgs/home-affairs/e-library/documents/basic-documents/docs/eu_agenda_on_security_en.pdf

6   Particular attention was paid to the refugee crisis, the euro area and European economy as well as "fair deal to Britain", Ukraine and climate change.

7   It marks the starting point of inter-institutional dialogue on priorities for the next year. "Letter of Intent by President of the European Commission and First Vice-President of the European Commission", Strasbourg, 9th September 2015: https://ec.europa.eu/priorities/sites/beta-political/files/letter-of-intent_en.pdf

8   Specific reference, however, was made to reviewing the framework decision on terrorism, improved rules on firearms, fraud of non-cash payments and corresponding operational measures.

9   Jacopo Barigazzi, "Jean-Claude Juncker: EU needs "a security union"", *Politico*, 23rd March 2016, http://www.politico.eu/article/jean-claude-juncker-eu-needs-a-security-union-brussels-attacks/

10   Communication from the Commission to the European Parliament, the European Council and the Council "Delivering on the European Agenda on Security to fight against terrorism and pave the way towards an effective and genuine Security Union", Brussels, 20th April 2016, http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/european-agenda-security/legislative-documents/docs/20160420/communication_eas_progress_since_april_2015_en.pdf

11   (1) Addressing the threat posed by returning foreign terrorist fighters; (2) preventing and fighting radicalisation; (3) sanctioning terrorists and their backers; (4) improving information exchange; (5) cutting the access of terrorists to firearms and explosives; (6) cutting access of terrorists to funds; (7) protecting citizens and critical infrastructures and (8) the external dimension.

12   This has been criticised by the Alliance of Liberals and Democrats for Europe (ALDE); members of this political group has characterised this step as "surreal and not serious". Maïa de la Baume, "European Parliament Approves New UK Commissioner", *Politico*, 15th September 2016, http://www.politico.eu/article/european-parliament-approves-appointment-of-julian-king-security-union-counter-terrorism-uk-eu-commissioner/

13   "Speech of Commissioner-designate Sir Julian King at the European Parliament Committee on Civil Liberties", Justice and Home Affairs, Strasbourg, 12th September 2016, http://europa.eu/rapid/press-release_SPEECH-16-3018_en.htm

14   The speech was based on the following strands: a Europe that protects; a Europe that preserves the European way of life; a Europe that empowers our citizens; a Europe that defends at home and abroad; a Europe that takes responsibility.

15   It is crucial to implement the newly adopted Regulation of the European Parliament and of the Council on the European Border and Coast Guard aimed at helping to provide integrated border management at the external borders. The European Border and Coast Guard, set to be operational by 6th October 2016, would work towards ensuring an effective management of migration flows and providing a high level of security for the EU. For more information, please see, for instance: "European Border and Coast Guard: final approval", Council of the EU, Brussels, 14th September 2016, http://www.consilium.europa.eu/en/press/press-releases/2016/09/14-european-border-coast-guard/

16   Proposal for a Regulation of the European Parliament and of the Council establishing an Entry/Exit System (EES) to register entry and exit data and refusal of entry data of third country nationals crossing the external borders of the Member States of the European Union and determining the conditions for access to the EES for law enforcement purposes and amending Regulation (EC) No 767/2008 and Regulation (EU) No 1077/2011, Brussels, 6th April 2016, http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/securing-eu-borders/legal-documents/docs/20160406/regulation_proposal_entryexit_system_borders_package_en.pdf

17   There is an intention to establish a European Travel Information and Authorisation System (ETIAS) which would allow for advance checks and, if necessary, deny entry of visa-exempt travellers. For more information, please see, for instance: "Communication from the Commission to the European Parliament and the Council "Stronger and Smarter Information Systems for Borders and Security"", Brussels, 6th April 2016, http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/securing-eu-borders/legal-documents/docs/20160406/communication_on_stronger_and_smart_borders_20160406_en.pdf, and "Communication from the Commission to the European Parliament, the European Council and the Council "Enhancing Security in a World of Mobility: Improved Information Exchange in the Fight against Terrorism and Stronger External Borders"", Brussels, 14th September 2016,

http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/european-agenda-security/legislative-documents/docs/20160914/enhancing_security_in_a_world_of_mobility_en.pdf

18   "State of the Union Speech by the President of the European Commission to the European Parliament", 16th September 2016, http://bookshop.europa.eu/en/state-of-the-union-2016-pbNA0116205/

19   "Communication from the Commission to the European Parliament, the European Council and the Council "Enhancing Security in a World of Mobility: Improved Information Exchange in the Fight against Terrorism and Stronger External Borders"", Brussels, 14 September

2016, http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/european-agenda-security/legislative-documents/docs/20160914/enhancing_security_in_a_world_of_mobility_en.pdf

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21   "Riga Joint Statement, Informal meeting of Justice and Home Affairs Ministers in Riga on 29 and 30 January 2015", Brussels, 2nd February 2015, http://data.consilium.europa.eu/doc/document/ST-5855-2015-INIT/en/pdf

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THE IMPACT OF BREXIT ON NEW EUROPE

Andrew Wilson

BEWARE REFERENDA

An elitist reaction to the political fallout from Brexit would not be the best way to manage what happens next – anti-elite sentiment clearly drove part of the vote to leave the EU. But there is nothing wrong with saying the decision was wrong-headed. Margaret Thatcher once called referenda "a device of dictators and demagogues"[1]: she was quoting her predecessor Clement Atlee, who was thinking of Mussolini; Thatcher was probably thinking of De Gaulle, famously forced to resign after his run of referendum success finally ran out in 1969. But the UK Brexit referendum expanded Thatcher's list to include fools and charlatans: David Cameron deserves all the opprobrium he has attracted for calling an unnecessary vote in the first place; the leaders of "exit" campaigned on a false prospectus that they then abandoned.

But in the current climate any country in Europe could lose a similar vote. Referenda are lightning rods that attract whatever grievance is in the air whenever they are held. And unlike general elections in representative democracy, where many questions are asked in multiple local races; the central paradox of referenda is that they only ask one question – but nobody ever sticks to that question.

The Netherlands already exemplifies the problem. The referendum in April ended 61% to 38% against the terms of the EU-Ukraine deal, on a 32% turnout – but only because it was really a dress-rehearsal for the vote in the UK. The campaign was all about The Netherlands and Brussels, not about The Netherlands and Ukraine, or Brussels and Ukraine.

Italy could be next, with the plebiscite in November asking such

an arcane question – reform of the upper chamber of parliament into a "Senate of the Regions" – that it practically invites an angry electorate to vote on other matters.

Any referendum, in any European state, inside or outside the EU, is therefore fraught with future danger. The Eastern Partnership and potential future EU enlargement will limp on as bureaucratic policies, but any new deal or new member of the EU will face referenda in several EU states, and such referenda look unwinnable.

Referenda on other issues are also fraught with danger. Current EU member states must beware of their own populists, and Russian influence behind them. Latvia voted against making Russian a second official language in the 2012 referendum, but what about next time? Lithuanians already voted in the same year against the building of the Visaginas nuclear plant, and many saw Russia's hand in swaying the outcome.

BRITAIN INVENTS A NEW FORM OF DEMOCRACY

Brexit hasn't happened yet. Even after several months, the way forward is completely unclear. Britain has invented a new form of democracy, where we debate the issue after the vote.

The "leave" campaign wasn't a political party or even an organised group. Brexit leaders call the 52% who voted for exit the "voice of the people"; but it is just a number, an amorphous collection of grievances pitted against well-organised parties, institutions and interest groups who still favour "remain" – as well as the badly-organised Labour Party, whose MPs nearly all back "remain", but are currently being out-manoeuvred by extra-parliamentary Corbynism. Big business, City interests and the civil service might be happy with a "technical" departure, but simply do not want to see the UK leave the single market. Theresa May's calculations are guided by her attempts to maintain party unity, but putting party before country is what destroyed Cameron, and no business interest will sacrifice its balance sheet for the Conservatives' prospects.

At the very least, the claim by hard-line Europhobes like former Conservative leader Iain Duncan-Smith, deposed in 2003 because he was unelectable, that any backsliding on "hard exit" must be opposed, because "What the [52%] didn't vote for was EU lite"[2] is nonsense on stilts. The options were not properly defined, and not properly discussed. The mainstream opposition parties (parts of Labour, if the party survives, the Liberal Democrats, SNP and smaller national parties), and the "remain" faction within the Conservative party are groping towards a "Swiss option" – opposing any attempt to leave the single market, and asking for a special deal on migration (which Switzerland has been pushing for since its own referendum in 2014). In which case, some will say why not remain anyway; while the hard-line Brexiteers will have to offer a prospectus with real economic damage, not the fantasy figures that were offered during the referendum campaign.

And whatever Theresa May says about avoiding an early election in 2017, the government only has a majority of seventeen. The disarray of the Labour Opposition only makes the Conservatives more likely to indulge their own internal splits and more vulnerable to external pressures. There will be massive rows before, during and after any exit deal; politics may well be unrecognisable in just a few months' time; and in a general election people are free to campaign for any option they want.

THE "BRECKAGE"

But either the UK will leave, or its renegotiated relationship, or the trauma of the negotiations, will send shock waves across Europe. And Central and Eastern Europe states will be affected more than many others. But, despite the increased salience of "Czexit", etc., the immediate question should not be "who's next"? The shock of Brexit, and of the subsequent chaos in the UK, will make the twenty-seven remaining member states shore up their defences against their own Euro-sceptic movements – and almost every member state has one or more. However, despite immediate post-

Brexit talk of rebuilding the spirit of *l'Europe communautaire*, this will largely be an individual rather than a cooperative task. Facing such internal challenges will inevitably make members states more introspective and more nationalistic. The declining consensus on Europe in the "EU@27" is just as damaging as Brexit. CEE states will stand up for their own perceived interests, as on migration or support for southern debtor states. Conversely, CEE states will face many more rows like the one over the posted workers' directive, which France refused to apply in full to protect local wage levels. A looser EU may actually a good thing, but it will be a more argumentative EU.

Ironically, the UK was one of the key forces pushing the 1990s formula of EU expansion plus freedom of movement that has done so much to shape the politics, economics and demographics of the states that joined the EU in 2004 and 2007. It would have been entirely possible to have one without the other, and there is no guarantee the combination will survive in the future. Particularly because it was precisely this formula – the fears of "left behind"[3] voters, particularly in declining areas, and the perceived competition of CEE migrants over wages and public services – that drove the Brexit vote.

In the short term, the key question is therefore about existing migrant workers in the UK. The official figures from the Office of National Statistics (ONS)[4] are that 2.1 million other EU citizens were working in the UK in the first quarter of 2016. On less up-to-date figures, the number of UK citizens born outside the UK had risen to 8.3 million by the end of 2014.[5] the same time, the end of 2014, "there were an estimated 1,242,000 EU8 (Czech Republic, Estonia, Poland, Hungary, Latvia, Lithuania, Slovakia and Slovenia) born residents in the UK".[6] The Baltic States were the most dependent on remittances[7] from the UK, which provided 1.2% of GDP in Lithuania and 0.8% in Latvia. Direct exports matter less.

But, and this is a big and paradoxical but, even these figures are not large. There may be less reason to worry here than is normally thought. The migrant issue certainly swayed the referendum result, but there seems to be no solution that will do more than cap existing

numbers, and only at some future date. By which point more CEE citizens may have entered the UK anyway, and several EU states, including the Baltic States, will have reached the limits of feasible workforce loss. Media stories about a post-referendum backlash against migrants in the UK were exaggerated, despite some real rise in "hate crime",[8] and will not drive the process. Popular anger is directed more upwards – at the domestic political class.

But the 2004 and 2007 entrants will miss the UK in many other ways, particularly in foreign and security policy. Brexit also comes at a time when the general future of EU foreign policy is in doubt, because the future of its hard power aspect is now in doubt, despite leading politicians in France, Germany and elsewhere talking of the need for a "security response" to Brexit[9]. But the call to upgrade the "second pillar" of European Security (the EU's Common Security and Defence Policy being the second, and NATO the first) is chimerical, despite Foreign Ministers Steinmeier and Ayrault issuing a joint declaration that "In this context, France and Germany recommit to a shared vision of Europe as a security union".[10] The idea that "the EU-27 should use the fading British veto to strengthen the European pillar within NATO"[11] will also not get very far until EU Member States commit more resources to defence. Currently, only France, tiny Estonia, Poland and Greece are close to the 2% of GDP target for defence spending.[12]

NATO will survive. The UK will spend less on defence in the long run if its economy crashes; but in the short-run it is doing the opposite, transferring money from the aid budget (Department for International Development). But on the other hand Europe's "second pillar" is not really the chimerical CSDP: Europe does not defend itself by hard power alone. Energy security and migrant policy are as much about civilian as military power. Hard-proofing Member States against Russian influence is also a matter of EU policy, particularly in the energy and corporate sectors. And in these spheres the UK would be sorely missed.

OFFSHORE UK

A Conservative-led Brexit Britain will push for lower taxes and lower regulation, even though levels of both are low already. The UK might also seek to offset the damage of lost FDI by strengthening its Unique Selling Point as a low-regulation business haven. The row in August 2016 over Apple's taxes – Brussels demanded €13 billion in back-payment on behalf of Ireland, while the new UK government hinted it might cut taxes to welcome Apple to the UK – may be a harbinger of many similar such rows to come.

Ironically, Russia would be one of the biggest beneficiaries of an even more deregulated "offshore UK". So would many other East European elites. The irony being that, despite the City of London and the London property market keeping an open door for Russian money, the UK has been a key player in keeping sanctions on Russia. An EU without the UK will be more susceptible to talk of "dialogue" and rapprochement with Russia, and easier to divide and rule.

WEAKER TRANSATLANTIC TIES

The UK amplifies the US voice in Europe. A weaker UK presence is therefore a boon for anti-Atlanticist forces within Europe, both inside and outside the EU, regardless of the outcome of the November poll in the US. This is bad news for traditionally Atlanticist states within the EU, like Poland and the Baltic three. It is also bad news for Ukraine, which was hoping that Obama's successor would end his policy of simply sitting on the many Congressional resolutions and appropriations votes on providing lethal military aid. It is, however, good news for Corbynite leftism, which sees the US as the world's only imperial power.

A weaker link to the US will increase the long-term European drift away from hard power. The TTIP negotiations are now more open to populist challengers claiming that the agreement would lead to further de-regulation and exposure of vulnerable communities to globalisation pressures.

MERKELISMUS

Germany will obviously be an even more dominant force in the EU without the UK, but the politics of this predominance will be paradoxical. A more dominant Germany will face more anti-German coalitions within the EU. Angela Merkel will continue her balancing act, trying to be both a German and a European leader, keeping the EU united and leading it from the middle. But it is precisely this aspect of Merkelism that will be under most challenge in the 2017 German elections. Both left and right, and Alternative für Deutschland is itself both, will be pushing for a policy that puts German interests first.

Nevertheless, in both Germany and France, the main beneficiaries of Brexit may not be the extremes – AfD and the National Front – but the parties that steal their clothes in order to stop them. In France, this is Sarkozy's strategy; in Germany it is not yet clear if Merkel will move to the right.

Russia, meanwhile, is pitching its hopes for a new Ostpolitik with a newly-dominant Germany very high, thinking beyond 2017 to a Germany possibly without Merkel at the helm. Just one example is a recent paper from the Valdai Club that claims that "this scenario would entail the total marginalization of the peripheral countries, including Poland and other Central and East European nations, on Eastern policies they regard as a priority".[13]

IS EXPANSION DEAD?

The EU's Eastern Partnership will obviously also suffer. A post-Brexit EU will be less able to influence the strategic choices of the six Eastern Partnership states. Worse, it can be argued that Brexit has killed all talk of expansion for the foreseeable future. Introspection and domestic politics are now the driving force within the EU. The EU's internal radicals, right and left, will noisily oppose any hint of expansion, and mainstream parties in Member States are not strong enough to take them on over this issue – they

will be spending their energies elsewhere.

The loose ends of the Association Agreements rushed through after the Russian aggression against Ukraine in 2014, particularly the prospect of a visa-free regime for Georgia and Ukraine, will be under threat from an EU that has so much else on its plate. They were under threat anyway from the migration crisis and challenges to the Schengen zone; despite the irony that Ukraine has quietly coped with 1.8 million IDPs displaced by the war in the east;[14] and Georgia with 233,000 from its earlier wars.[15]

The opposite scenario seems unlikely. It would involve investing the Eastern Partnership with new energy, as showing that some still want to join the EU might be the best way of deterring those who want to leave. But this would overlap with a third scenario: some might argue that a new "outer ring", based on or overlapping with the EEA, may be easier to join. But that is probably not a message that Brussels will wish to convey. Nevertheless, countries like Ukraine and Georgia will be watching the Brexit negotiating process closely. If Britain gets a deal they think is better than their current Associations Agreements/Deep and Comprehensive Free Trade Agreements, then the Eastern Partnership process may unravel. Alternatively, Brussels' traditional take-it-or-leave-it approach to the terms of expansion and the Eastern Partnership may come under severe pressure if Britain gains terms that Brussels previously said were "inconceivable". If the UK can do it, why can't Ukraine or Georgia? And the pulling power of the Eastern Partnership will be vastly reduced, if there is (almost) no light at the end of the tunnel – that is, the prospect of EU membership is now all but gone.

CONCLUSIONS

The one-size-fits-all approach was always too inflexible. The idea that there was "no alternative" to the Brussels bureaucratic model was itself bureaucratic diktat. Stripping away these half-truths may be one of the few benefits of Brexit.

But there are not many. And the negative effects are only just beginning to accumulate, and could easily be multiplied many-fold by another EU crisis, a Trump Presidency or an unexpected outcome in next year's elections in France and/or Germany. One possible silver lining is that Russia will most likely avoid any major moves over the next few months, while it waits to see what happens next. But we are all waiting.

Despite the demand by some to introduce some clarity via an early trigger of Article 50, it would be a mistake to begin an exit process when the tectonic plates are still shifting. It would also be a mistake to assume that the curtains can be closed on the opening British Act in this drama. Europe must put its own house in order too.

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BREXIT: AS MUCH A CHALLENGE FOR THE EU AS FOR THE UK?

Iain Begg

One of the first statements by the UK's new Prime Minister, Theresa May, following her rapid anointment as successor to David Cameron, was "Brexit means Brexit". The statement, as many commentators have rather acidly observed, is an almost meaningless tautology, but its political message is clear: the referendum result will be respected and the UK will cease to be a member of the European Union. Although the result was something of a surprise, including to some of the more ardent Brexiteers, it reflects a growing gap between what the UK saw as the goals of European integration and the reality of many recent and prospective developments. An open question now is whether British scepticism is shared by others or offers the rest of the EU (rEU) an opportunity to move to relaunch "the project".

There are still many unknowns about how Britain will go about disengaging itself from the EU, the timetable and what the most likely outcome will be. What is already obvious is that it will not be easy and could take much longer than the two years envisaged in the Lisbon Treaty. Equally, although Britain has often been at odds with its EU partners, it frequently gave voice to views others were reluctant to express. Formally, the UK continues to be a full member of the EU until it asks to leave, yet it is already apparent that the UK no longer functions as such. In September 2016, there was an unofficial summit of the 27 rEU Member States under the Slovak Presidency and the UK has renounced its turn to hold the rotating EU Presidency in the second semester of 2017. Further meetings of the 27 are planned, entrenching the separation of the UK even before it has started divorce proceedings.

More generally, what leaving will mean in practice is far from clear, both for the UK and rEU, and the resulting uncertainty is likely to have political as well as economic ramifications for both sides, especially if the process becomes as drawn-out as many now expect. This article points to some of the challenges involved and the frictions or tensions likely to arise.

INTERPRETING THE VOTE

The vote for Brexit was unusual in the nature of the groupings on either side, reflecting a range of different cleavages within British society. Older people and the less well-educated wanted Brexit, while youths and those with university degrees favoured remain. London and Scotland voted very emphatically for remain, and there was a majority for it in Northern Ireland, but much of the rest of England voted leave, as did Wales. One particular group that probably proved decisive was the core Labour party supporters in England who seem to have rejected their party's line to support "remain". In places this was something of a puzzle given the specialisation of the local economy: for example, in Sunderland, home to the giant Nissan factory which exports more than half its output to other EU countries, barely a third of voters went for "remain". The implication is that economic self-interest was being over-shadowed by other considerations.

The result also shows that British voters have ignored their leaders and rejected warnings from experts about likely negative consequences. This echoes developments in other mature economies. In France, Germany and the Netherlands, nationalist parties have made significant progress, while in Greece and Portugal, parties that reject current economic orthodoxies have made rapid advances. Similarly, the success of the anti-establishment campaigns of Trump and Sanders in the United States testifies to a widespread disenchantment about globalisation. It is probably too early to sound its death-knell, but it is worth recalling that the globalisation of a century ago went into reverse.

For much of the rEU, the vote was manifestly an unwelcome surprise at a time when the EU is already struggling to cope with other crises, not least the daunting one of dealing with migrants and refugees from outside the Union. Governments and EU institutions have had to work out whether they should be accommodating or hard-line in their response to the UK. Populist, anti-EU parties, such as Marine Le Pen's Front National or Geert Wilders' Partij voor de Vrijheid in the Netherlands were elated, and even Angela Merkel has become vulnerable to the rise of the Alternative für Deutschland, as seen in regional election results this autumn.

THE ECONOMICS OF BREXIT

Prior to the referendum, there were many studies (summarised by Begg and Mushövel[1]) of the immediate and longer-term effects of Brexit. Although a small number of "Economists for Brexit"[2] saw leaving the EU mainly as an opportunity for the UK to break free from over-zealous regulation emanating from "Brussels" and to renew trade links with other, more dynamic parts of the world economy, most of these pre-Brexit studies found that the UK would lose from Brexit. Perhaps more significantly, much of rEU was also expected to lose, although it is important to recall that some rEU countries notably those in North West Europe are much more closely linked to the UK than those in southern Europe.

On the whole, the view from international agencies (such as the IMF or the OECD) was that Brexit could become a negative shock for the world economy, and could add to the forces holding back recovery in the Eurozone. It is also instructive that Janet Yellen of the US Federal Reserve said in a speech in June 2016 that Brexit was one of the factors influencing down-side risk for the US economy, and has since been one of the reasons for delay in "normalising" US monetary policy.

Since the referendum, the signals have been mixed about the British economy, making it hard to judge whether the pre-Brexit projections were too negative or the effects foreseen simply have

not happened yet. Survey data about the performance of the economy have been very varied, but suggest that the UK is proving resilient, to the unrestrained glee of pro-Brexit campaigners. There was an immediate fall in the value of the pound, widely anticipated as one of the likely effects of a "leave" vote, which has probably helped to stabilise demand in the UK, including by helping to boost UK tourism and deter spending abroad by UK residents. The latest assessment of the economy produced by the UK's Office of National Statistics finds that "the referendum result appears, so far, not to have had a major effect on the UK economy".[3] However, the official verdict is also that it will only be possible to give a more considered judgement when hard data on GDP and employment become available later in 2016 or into 2017.

It is also important to note that the sort of ex-ante projections published in advance of the referendum did not allow for policy reactions. Easing of monetary policy and hints that fiscal policy will be less austere have probably helped to limit the immediate adverse effects on growth and jobs many foresaw, but the evidence is still tentative and it is too soon to say whether the more negative projections from so many commentators will prove to have been exaggerated. In this regard, the very fact that Brexit proper, understood as the shift to new trade, regulatory and investment regimes, has not yet begun is too readily overlooked.

MULTI-TIERED NEGOTIATIONS

Brexit entails several linked, but distinct sets of negotiations. For the UK it will encompass extracting itself from the rights and obligations of EU membership, but also establishing a new relationship with its erstwhile partners, as well as seeking new trading arrangements with the rest of the world. In addition, tricky decisions will be required on adapting domestic policies in which the EU currently exercises a strong influence. Indeed, Charles Grant of the Centre for European Reform argues that six separate sets of negotiations will have to be conducted.[4] Notably, he points to

the possible need for an interim deal while a new longer term deal on trade is under negotiation, because it takes so long to conclude major trade deals.

The first stage is for the UK to invoke article 50 of the Lisbon Treaty, setting in motion the separation from the EU. To the dismay of many on the other side of the English Channel, the UK government does not intend to pull the trigger before the end of 2016, knowing that once it does, the Treaty prescribes a two-year deadline for concluding the negotiation, a short period when compared with accession negotiations. Despite provisions for the rest of the EU (rEU) to extend the negotiations, most commentators consider it unlikely that they would be willing to do so. This constraint helps to explain why the UK is moving slowly, despite the fact that it prolongs the uncertainty for both sides: once the article 50 process starts, the clock will be ticking. If a deal is not reached by the end of the process, the UK could be out of the EU with nothing settled.

The intention to withdraw has to be addressed to the European Council, comprising the leaders of all EU Member States, which then has to agree guidelines for rEU, but the detailed negotiations are expected to be conducted by the Commission and the secretariat of the Council, both of which have already designated lead negotiators. Once a withdrawal negotiation is agreed, it has to "be concluded on behalf of the Union by the Council, acting by a qualified majority, after obtaining the consent of the European Parliament" [article 50.2]. In plain English, either a sufficiently large minority of rEU Member States or a majority of members of the European Parliament can block a deal. Again, what would then happen next is not easily foreseen.

The withdrawal negotiations will have to cover a wide range of policy areas, given the reach of the EU into areas as diverse as judicial co-operation, scientific research and local economic development. What, for example, should happen to existing projects bringing together partners from UK and other EU universities, or distinguished researchers at British universities who have secured five-year grants from the European Research Council, bearing in mind that UK involvement is justified by UK payments

into the EU budget? Will multi-annual infrastructure projects part-financed by the EU's Structural Funds be allowed to continue, or will their sponsors have to choose between raising funding from alternative sources and being curtailed? A big question concerns what happens both to citizens of other EU countries living and working in the UK, and to UK citizens in other EU countries. Vague promises have been made, but they will need to be turned into firm commitments, including about what they mean for access to health care and other social policies. On these and many other detailed questions no-one really knows.

A new relationship with rEU will have a number of dimensions. Much of the debate, both before and (more so) since the referendum, has been about whether the UK can somehow retain its access to the EU single market after Brexit, while curbing the freedom of movement of workers from other EU countries and drastically cutting (or eliminating) its EU "membership fee". The dilemma here is that curbing the inflow of migrant workers from other EU countries was the most compelling reason for the Leave vote, yet is incompatible with preserving UK membership of the single market.

Trade and investment linkages will be a big component of this, but by no means the only ones, because the right to do business with other EU countries is about more than formal trade barriers such as tariffs. For the City of London, for example, authorisation to operate in rEU (known as "passporting") will be crucial, because unless UK rules are deemed to be equivalent, any financial intermediary wanting access to the EU market will require separate regulatory consent.

There has been discussion of a whole range of "models" for a post Brexit relationship. Probably the least risky economically would be for the UK to have a status similar to Norway of participating in much of the single market, perhaps with some new curbs on free movement of labour, more like the Swiss relationship. Norway also continues to pay a membership fee, yet according to polling evidence collected by John Curtice, UK voters see cutting payments to the EU as one of the key benefits of Brexit, possibly

counting more strongly even than curbing free movement.[5] This model seems likely to be ruled out. However, a possible solution on free movement of labour is now emerging in the EU-Swiss context, through employers being allowed to offer a job first to Swiss nationals.

At the other extreme, the UK might simply be treated on standard World Trade Organisation (WTO) terms, with the same access to the EU market as China. There has also been discussion of a "Canada" model in which a new free trade arrangement gives the UK privileged access to the EU for exports of goods, but would be likely to mean limits on market access for UK services. For the UK, the WTO model would require both replacing deals with other countries to which it is a party as a result of EU membership and striking new ones with favoured partners, such as the US or Australia. In some cases, ratification by the full WTO membership will be required, never an easy or rapid process.

The future relationship in other policy domains has been given much less attention but is nevertheless important. The UK has been a leading actor in EU security policy and in international relations, and has been influential in setting EU positions. Some new arrangement will be reached in due course, but it will not be easy because the Brexit process is likely to have eroded trust between the UK and its current EU partners. An especially tricky matter will be whether the UK retains privileged access to other EU governments and institutions (for example, Europol) on dossiers such as security cooperation.

How the UK adapts domestically to life outside the EU will also be contentious. Promises were made to farmers during the referendum campaign, and the Chancellor has since confirmed that funding equivalent to money from "Brussels" for farm support, science and local development will continue up to 2020. Beyond then, could the need to curb public expenditure mean the commitment ends? More broadly, with regulations emanating from Brussels covering so much – from clean beaches to food standards – what will it make sense to discard or amend and how will decisions be taken?

CHALLENGES FOR THE REU

In the current febrile political context the unexpected has become the normal, making any prediction hazardous, but it is undeniable for the EU, constitutional and political issues arise as a result of the UK decision, as well as the direct economic consequences. The challenge can be framed in stark terms: will Brexit be the catalyst for an unravelling of the European integration project, or, with the removal of a member that has long been the awkward partner, an opportunity to move forwards. In this regard, an underlying question is whether it is time to move on from the old debate between more or less Europe. Jean-Claude Juncker, in both his 2015 and 2016 State of the Union speeches, used much the same words, observing that "our European Union is not in a good state" and asserting that "there is not enough Europe in this Union. And there is not enough Union in this Union".

In some domains, he is unambiguously correct: for the Eurozone to function effectively, it will require increased integration, notably in relation to many of the proposals for fiscal and political union raised in the Five Presidents' Report. Thus far, these plans have been side-lined and discordant views are being expressed by Europe's two presidents (Juncker and Tusk), as well as national leaders about the wisdom of new integrative steps. The inability to find an enduring solution to the refugee crisis also highlights the lack of convincing direction and leadership. Even the somewhat tentative German leadership of recent years can no longer be taken for granted, partly because of the perceived decline in the standing of Angela Merkel. The Bratislava meeting of the 27 rEU members revealed a distinct lack of agreement on broad directions for the post-Brexit EU. Indeed some leaders were pretty sceptical regarding claims about the "spirit of Bratislava" articulated by Merkel, prompting Italian Prime Minister Renzi (as reported by Reuters[6]) to contrast the spirit with the prospect of "the ghost of Europe".

For rEU, the Brexit negotiations will, as the range of themes debated at the informal summit in Bratislava showed, be only one of several major dossiers that will demand the time and attention

of national and EU leaders, both of which are in short supply. Jean-Claude Juncker's 2016 State of the Union address to the European Parliament emphasised the extent of the challenges facing the EU.[7] He bemoans the lack of agreement among Member States on so many issues in stark terms:

"Never before have I seen such little common ground between our Member States. So few areas where they agree to work together.

Never before have I heard so many leaders speak only of their domestic problems, with Europe mentioned only in passing, if at all.

Never before have I seen representatives of the EU institutions setting very different priorities, sometimes in direct opposition to national governments and national Parliaments. It is as if there is almost no intersection between the EU and its national capitals anymore".

It is now evident that rEU finds itself both divided and at a difficult juncture: wanting to move on from Brexit, but unable to agree on the direction of travel. The final section of the Bratislava declaration, entitled "the way ahead", with its rather Delphic commitment to "deliver on promises" was probably not meant to be ironic, but neatly sums up so much of what lies beneath the widespread disenchantment with European integration. Whether on migration, the euro or more broadly on growth and jobs, Europe has been unable to show its citizens that it can deliver what they want.

In some respects, Brexit may well offer an opportunity to rethink EU integration, but it could manifestly also aggravate the problems of coherence by encouraging others to seek the sorts of exemptions from full membership the UK would have had if the vote had been "remain". A model suggested in a publication published by Pisani-Ferry et al. is what they call a new continental partnership.[8] They argue that establishing an outer circle of membership would enable the wider EU to retain the UK influence in important international domains and still allow some concessions to UK demands. Echoing an earlier paper by Andrew Duff, this kind of framework could, perhaps, also facilitate closer links with neighbouring countries, including Turkey and Ukraine, for which full membership is a remote prospect.[9]

Yet it will not be easy to agree the detail and there will be some immediate dilemmas for rEU, illustrated by considering two areas: Europe on the global stage, particularly on defence and security cooperation where the UK has been a leading actor inside the EU; and the EU's finances. The UK has no intention of watering-down its commitment to NATO, and will remain robust in its stance towards internal security. The UK will probably also want remain aligned to rEU in its relations with Russia, and in international climate deals. But the leaders have to be careful: UK hackles were raised when Juncker spoke in his State of the Union address of a European army.

The budget could prove to be especially divisive for rEU. The departure of Britain will mean a reduction of up to the full UK gross, post-rebate contribution to the budget, depending on whether the future relationship between Britain and rEU includes some continuing financial contribution, as with the EFTA countries. The loss to EU revenue will be substantial. To put it in perspective, the current British gross contribution is equivalent to most of the budget for line 1a, "Competitiveness for growth and jobs", or to around a third of the budget for Cohesion Policy. It is also the same order of magnitude as the gross contribution of all twelve Member States who acceded to the EU in 2004 and 2007.

From this UK contribution, some spending from EU programmes accrues to Britain, such that the net contribution is lower, but the loss of the UK payment would still leave a big hole to be filled, prompting an obvious question: will the other net contributors agree to pay more, or will today's net recipients be obliged to accept less EU expenditure on them? Formally, the EU's spending plans are embodied in the Medium-Term Financial Framework (MFF) in which the agreed expenditure determines how much Member States have to contribute. Unless the current MFF is over-ridden, the net contributors (not least Germany) will face a higher bill for the EU at a time when this could prove politically awkward. If, in addition the wider economic effects of Brexit lower the GDP of rEU compared with what it would otherwise be, it would mean, ceteris paribus, lower public revenues and higher demands on public spending.

A TALE OF SEVERAL PARADOXES

Paradoxes abound in the Brexit decision. A first is the general agreement that the UK economy has recovered better than most from the great recession in 2008, despite being so closely tied to the EU. In addition, the UK economy has achieved something of a turnaround since joining in 1973, with the implication that membership has been good for the economy, although a standard retort from the "leave" side is that the success of the British economy is due not to EU membership, but to the extensive supply-side reforms of the Thatcher era.

Second, the EU has, in several respects shifted its preferences very much towards those of Britain and, to their dismay, away from those of countries like France. The single market, better regulation and a global outlook are all watchwords for what Britain wants, and federal ambitions have waned, making it all the more odd that this country has chosen to leave now. A further paradox is that areas which have benefitted from EU membership – including the parts of Wales and England in receipt of the highest flows from EU Cohesion Policy – have proved to be hostile.

Third, a huge amount is being read into the referendum result, in a political system in which referenda are very rare at the national level. Constitutionally, the referendum is only advisory and, because of the absence of a written constitution in the UK, the respective roles of the UK Parliament and the government in the decision-making on what follows are ill-defined. Nor did the referendum result provide an explicit mandate for the form of a future relationship between the UK and the rEU; instead it only represents a vote against the current one.

Yet another paradox is that hostility to migrants – one of the key themes of the "leave" campaign – is not well correlated with where migrants are concentrated. London, with a high migrant share, voted strongly to remain, while many parts of *l'angleterre profonde* where there are few migrants voted to leave. Equally, in certain localities where low-skilled migrants are numerous, such as Boston

in the East English county of Lincolnshire, opposition to migrants was a critical reason for high votes to leave. The explanation can be simply stated: migrants crowd-out locals in accessing public services and are blamed for depressing wages at the bottom end of the wage distribution. These phenomena are strong negatives for those who see themselves as losers from globalisation/economic integration even though it is recognised that immigration has been a major driver of growth in Britain, accounting for perhaps half of recent growth. The lesson in this regard is that the individual is not average and will often not connect with assertions about the average benefits or costs.

A further paradox affecting rEU is that the necessity of "federalising" reforms will have to be confronted before long if the EMU is to be completed. Fiscal union and possibly closer policy coordination are among such reforms. However, in other respects, the "federal Europe" project was yesterday's and divisions seem to be increasing in what different Member States want from the EU. it is more probable that the Union of the future will increasingly take the form of differentiated integration.[10] This may be the true legacy of Brexit.

In conclusion, from the absence of a plan for secession in the UK to the likelihood of dissent within rEU on how to proceed, it is evident that Brexit will require all the ingenuity negotiators can muster to arrive at a satisfactory outcome. Future trade and investment arrangements have been most prominent in the debate so far, but as today's candidates or acceding countries know to their cost, the reach of the EU is much wider than economic links.

Brexit may well mean Brexit, as Theresa May and several of her ministers keep telling us, but what Brexit really means will take quite some time to elucidate.

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THE GROWTH CHALLENGE OF THE BALTIC STATES' ECONOMIES

Anders Åslund

In August 1991, the three Baltic States – Estonia, Latvia and Lithuania – became independent in the midst of a Soviet crisis of hyperinflation. Following a short, but severe, economic decline, they have stood out as the most economically successful economies in Europe.[1]

The Baltic States had one key goal: to secure national independence. Having been occupied for half a century, they never took their independence for granted. They shared the slogans of the centrals: "we want a normal society" and a "return to Europe," meaning the European Union. Democracy and freedom were self-evident ideals. Their urge for independence was fundamental for their economic policy, therefore, they opted for early, comprehensive, and radical reforms to reach their goals as quickly and securely as possible.

From 2000, the three Baltic States' economies grew impressively by 8-9 per cent a year. Unfortunately, they moved too fast and overheated. After the bankruptcy of the Lehman Brothers in September 2008, the Baltic States were struck by an almost complete liquidity freeze, as the European Central Bank (ECB) did not offer any liquidity support. In 2009, the GDP in all three countries plunged sharply, but they reacted as they had in the early 1990s, with radical and front-loaded fiscal adjustment, accompanied with structural reforms, and once again they proved successful.

The Baltic States have once again recorded the highest growth rates in the European Union, but their growth is no longer as high as it was during the golden years of the 2000s. Admittedly, in the four years between 2011-14, the Baltic States had an average annual growth rate of 4.1 per cent to compare with only 0.7 per cent for the

EU as a whole, but this is only half of their growth rate in their years of golden growth 2000-7.[2]

The aim of this paper is twofold. Firstly, to establish why the Baltic States were so successful, discussing macroeconomic stability and deregulation separately. Secondly, to point out what is most important for their future economic success, focusing on two challenges: the demographic and the innovation challenges.

SOUND MACROECONOMICS

Since their independence in August 1991, all the three Baltic States have been extremely successful, and with relatively similar trends. They faced horrendous problems. The existing institutions had to be scrapped, while new institutions, based on democracy and the rule of law, had to be built. Estonia took an early lead, and Mart Laar's first period as Prime Minister, between 1992-94, stands out as the most eminent reform period, but Latvia and Lithuania followed suit with similar rigour.[3]

It is important to note why the Baltic States succeeded. Each state benefited from a healthy sense of national community, which found its expression through a strong national front, in the late 1980s. Secondly, in early 1990, every national front had won in its republican parliamentary elections and formed a national government, although without any real power. The democratic structure for reform was thus in place. Thirdly, Russian President, Boris Yeltsin, recognised their renewed independence in August 1991, allowing them some sense of security. Fourthly, many Western countries welcomed their independence. The United States and the United Kingdom were proud that they had never recognised the Soviet occupation, and the neighbouring Nordic countries were greatly engaged in promoting their success.

Greatly simplified, the Baltic economic success boils down to two factors: outstanding macroeconomic stabilisation and excellent business climates, and governance. In addition, they carried out early and fast privatisation.

The first precondition for macroeconomic stabilisation is a sound currency. The Baltic State leaders understood the significance of this and in the summer of 1992, all three countries broke away from the rouble zone and established their own national currencies, while other countries that had belonged to the Soviet Union tried to benefit from cheap raw materials and credits from Russia. The Baltic slogan was: "a national currency is the best border" and this proved to be right.

The new currency had to be strong and credible from the outset. Estonia and Lithuania set up currency boards with fixed exchange rates, and Latvia pursued a similar policy. The currency board regime made them commit to balanced budgets, and they slashed public expenditures as was necessary, pursuing a very conservative fiscal policy regardless of what parties were in government. By and large, they have kept public expenditures at 35-38 per cent of GDP, compared with an EU average of 47 per cent of GDP. [4]

It took longer to carry out tax reforms, but when they came, they were truly radical. As usual, Estonia was the forerunner. In 1994, it slashed the number of taxes and pioneered a flat income tax, initially at 26 per cent. Latvia and Lithuania followed suit, and they have cut their flat income rates when public finances have allowed. At present, Lithuania leads with the lowest flat income tax of 15 per cent. The corporate profit taxes have fallen as has the personal income tax, while value-added taxes have stayed relatively high. Tax administration has also been simplified. Arguably, the Baltic States have the best and most efficient tax regime in Europe.

The Baltic States received the international support they needed by becoming members of the International Monetary Fund (IMF) and the World Bank, which, together with the European Union, Japan, and neighbouring countries delivered the necessary financing for their initial financial stabilisation. However, the IMF did not like many of the steps taken by the Baltic States. Initially, it opposed their departure from the rouble zone, their establishment of currency boards with fixed exchange rates, their flat income taxes, and their refusal to devalue in 2008, but eventually gave in to the Baltic States' determination, assured that they managed their economies responsibly.

The Baltic States were fortunate to have chosen this rigorous macroeconomic regime, as they have been exposed to three massive external shocks in the last quarter of a century. They became independent during the horrendous economic shock accompanying the economic collapse of the Soviet Union. The Russian financial crash of 1998 caused a second external tremor, which the Baltic States weathered relatively easily. The global financial crisis of 2008-9, however, delivered a major blow to all three of them, particularly in Latvia where the GDP slumped by a total of 24 per cent. The blow was aggravated by these countries' great dependence on international finance, and the refusal by the European Central Bank to provide them with any liquidity support. The Baltic States faced up to the situation and, once again, were compelled to slash their public expenditures, while making sure that they qualified for the adoption of the euro after the crisis, so that they would never again face such a liquidity freeze.[5]

The Baltic economies currently remain close to fiscal balance.[6] As a consequence of good fiscal discipline, the Baltic States have limited public debt. At the end of 2015, Estonia's public debt was tiny, at only 10.4 per cent of GDP, while Latvia and Lithuania had a public debt of just over 40 per cent of GDP, compared with the overwhelming average EU debt of 87 per cent of the GDP.[7]

EXCELLENT BUSINESS ENVIRONMENT AND GOVERNANCE

No post-Communist countries were more adamant in their desire to throw out the old socialist system than the Baltic States. They saw the establishment of a normal market economy as fundamental and started off with a radical, comprehensive, and early deregulation of trade, prices, and entrepreneurship. As usual Estonia was the pioneer, soon followed by Lithuania and subsequently Latvia.

Estonia abolished all foreign trade tariffs and quotas, becoming the only truly free-trading country in Europe. This radical and early deregulation of foreign trade and prices wiped out criminal rings of metal traders. Lithuania carried out similar measures, while Latvia

hesitated for one year with its foreign trade deregulation, which bred undesired rent-seeking and three oligarchs who have since played a major role in Latvia's political life.[8]

Early on, the EU concluded free trade agreements and opened up its markets, enabling the Baltic States to raise the share of their exports to the EU to two-thirds. In June 1995, the EU took a big further step signing European Association Agreements with the Baltic States, which opened their perspective of EU membership. They had to adopt the EU legal and democratic standards of the *acquis communautaire* and in May 2004, became members of the EU.[9]

Among all the post-Communist countries, none transformed its Government more radically than Estonia. The Laar Government dismissed all government employees, but allowed both former employees and outsiders to apply for new jobs in fully reorganised State institutions. All its radical reforms gave Estonia the best governance of all post-Communist countries. Latvia and Lithuania reformed their Governments less radically in the early transition, but in many areas they caught up during the financial crisis, in 2009.

As a result, the Baltic States have steadily advanced in governance indexes. In 2015, out of 168 countries, Transparency International ranks Estonia No. 23, Lithuania 32 and Latvia 40 on its Corruption Perception Index. Seven EU members rank below Latvia.[10]

The Baltic States excel even more in deregulation, as measured by the World Bank Ease of Doing Business Index. Out of 189 countries, Estonia ranks No. 16, Lithuania No. 20 and Latvia No. 22. Only five EU countries beat Estonia in this regard.[11] This measure also suggests that the Baltic States will rise even higher on the Corruption Perception Index, which is characterised by a certain delay.

Naturally, further improvements can be made, and they are being made, with the Baltic business environment improving year by year. These countries have great economic freedom, low and flat taxes and eminent incentives. Their flat incomes taxes and the corporate profit taxes are falling increasingly lower.

THE DEMOGRAPHIC CHALLENGE

Overall, the three Baltic States' economies look very good. They have achieved most of what they could have hoped for during post-Communist transformation, and have enjoyed great economic growth and improved living standards, although a few problems remain. The growth rate, after the global financial crisis, has fallen sharply, as elsewhere. In a European comparison, the Baltic growth rate of 4 per cent a year looks outstanding, but with their excellent business environment and macroeconomic policies, the Baltic States should be able to achieve 6-7 per cent a year. A true sense of national security is one concern, but the two key economic worries are demography and innovation.

The Baltic States suffer from a serious demographic challenge because of their Soviet legacy. Their total population has fallen from 8.0 million in 1989, to 6.2 million in 2014, a decline of just over one fifth.[12] This development depends on two factors: low birth rates and substantial emigration. Birth rates are low, but not lower than elsewhere in Europe, being around 1.55 net births per woman, which is the current EU average.[13] However, a net reproduction ratio of 2.1 children per women is required for constant natural population.

At present, the greater demographic problem is the extensive emigration of the native population to wealthier EU countries. Since the Baltic States became members of the EU in 2004, their citizens have been allowed to emigrate freely to other EU countries and work there without requiring a permit. Given that salaries are far higher in the old EU countries, the temptation to emigrate has been great, particularly to the United Kingdom and Ireland. Such emigration can last for long periods, as Ireland experienced from 1847 until 1990, or Spain for a similar period. If the Baltic States allow their salaries to grow too fast, as they did from 2004-8, however, they risk a financial crisis.

Health statistics offer a more positive picture, with Estonia excelling in this field. Life expectancy at birth was much lower in the Soviet Union than anywhere in Europe, but after independence, Estonia

has raised its life expectancy from 69.9 years in 1990, to 77.6 in 2013, almost catching up with the EU average of 80. Latvia and Lithuania have also greatly improved but not quite so well.[14]

Estonia has succeeded in making its health care system one of the best in Europe. Its infant mortality at birth has fallen to the second lowest in the EU, at 2.1 deaths per 1,000 live births. Only neighbouring Finland has a lower rate, while the EU average is 3.7. Latvia and Lithuania have done well with slightly higher, but still respectable, figures of 4.4 and 3.7.[15] All the three Baltic States have managed to catch up with the EU overall in the complex field of health care, while Estonia has even reached the top.[16]

The declining labour force and the aging of the population limits the potential economic growth. The greatest concern is the large emigration to other EU countries. The second issue is the general European problem of very low birth rates. The Baltic birth rates have caught up but not enough. This requires a serious discussion about public policies for raising birth rates. A future issue is immigration. Suddenly, the Baltic States are short of labour while experiencing immigration pressures and need to determine what kind of immigrants they want, and how to attract and receive them.

THE INNOVATION CHALLENGE

The greatest future challenge of the EU as a whole, and the Baltic States, is to be able to stand up to the high-tech challenge of, primarily, the United States. The components are many: good higher education, good business environment, available venture capital, high research and development expenditure, and a great high-tech ecosystem.[17]

In this area too, Estonia has excelled and can boast of founding the globally important high-tech company Skype. Estonia's high-tech industry is extensive. It took off as an off-shoot of Finland's Nokia, which meant it also suffered with the demise of Nokia. Latvia and Lithuania are lagging far behind in this field.

Education usually takes a long time to develop, but the Baltic States

have recorded great progress. Every third year, the Program for International Student Assessment (PISA) of the Organisation for Economic Cooperation and Development carries out a major survey of the skills of half a million students who are 15-16 years of age. In 2012, the last survey results available, Estonia came second among the EU countries, after The Netherlands in mathematics, while Latvia ended up in the middle and Lithuania significantly below the middle.[18]

All three, however, beat the EU average with regard to the proportion of youth completing a higher education, with Lithuania at the top, although the quality of the Baltic universities leaves a lot to be desired. The quality of higher education stands out as the most serious and common concern. None of the Baltic State universities qualified among the top 300 in the world. In this area, serious innovation is needed, and is the weakest part of the Baltic economies.

The long-standing goal of the EU is to reach a share of both public and private expenditure on research and development (R&D) of 3 per cent of GDP. The EU average lingers at 2 per cent of GDP, while the Baltic States, as all East European countries, lag behind. In 2013, Estonia's R&D expenditures were 1.7 per cent of GDP, Lithuania's 0.95 per cent of GDP, and Latvia's 0.6 per cent of GDP.[19]

The Baltic States need to focus on raising the quality of their higher education and research in the first instance.

WHAT SHOULD THE BALTIC STATES DO NEXT?

The economic and social successes of the Baltic States, since their regained independence, is spectacular by any comparison and their progress has been multifaceted. They performed well in every relevant regard: financial stabilisation, deregulation, privatisation, economic growth, social developments, democracy and good governance. They highlight that all good developments go together, rather than being subject to any trade-offs, as so many argued in the early post-Communist transformation.

The experiences of the Baltic States show that a radical, early, and comprehensive break-away from a poor system is necessary as soon as possible is desirable. All the three countries abandoned the Soviet economic system from the word go. They broke away from the rouble zone as soon as they were able to do so in 1992, and thus escaped the rouble zone's hyperinflation of 1993. Estonia carried out the earliest and most radical deregulation of prices and managed to stimulate its early economic growth and improve its governance the most, with Latvia performing worst in both regards, and Lithuania ending up somewhere in the middle.

Although the Baltic States have performed so well, they must not now slow down, as they did during the boom in the mid-2000s. To begin with, they must not doubt their prior achievements. Macroeconomic stability is vital for future economic development and so is a good business environment.

Instead, the Baltic States need to focus on building up all conditions for great innovative development. In particular, they should concentrate on raising the quality of their higher education, but also developing venture capitalism.

The most difficult policy question is how to resolve their severe demographic dilemma. One option would be to follow the Irish example: offer good conditions for qualified foreigners of all kinds, to attract them to the Baltic States and form a centre for highly-educated people, who have the potential to develop such globally successful companies as Skype.

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Neighbours and Beyond

EASTERN PARTNERSHIP AND EUROPEAN GLOBAL STRATEGY

Diāna Potjomkina

The European Global Strategy (EGS), presented on 28th June, was designed as a new foundational document for the EU's foreign and security policy. As such, one might reasonably expect it to be the new ultimate guidance for the European Neighbourhood Policy in general, and the Eastern Partnership in particular. After the European Neighbourhood Policy Review, published on 18th November 2015, introduced a substantially modified perspective on the EU's relations with its closest partners, the EGS would be a logical next step to reinforce and consolidate this new vision. And while the EGS is somewhat disappointing in its actual, very limited, treatment of the Neighbourhood, it nevertheless should be considered when reviewing the changing EU's policy towards the Eastern Partnership. In this paper, the EGS itself and its context is reviewed with discussion of its content, while tellingly leaving out comments about relations with the neighbours.

BACKGROUND: EGS AND THE PREVIOUS STRATEGIES

The EU adopted its first comprehensive strategy – the European Security Strategy (ESS) – in 2003, shortly after the launch of the European Neighbourhood Policy. Both documents demonstrate very straightforward, and optimistic, strategic thinking. The 2003 ESS famously noted that, "Europe has never been so prosperous, so secure nor so free",[1] and on the same "end of history" wave, the Wider Europe Communication asserted that "enhanced interdependence – both political and economic – can itself be a means to promote

stability, security and sustainable development, both within and without the EU".[2] Notably, while the ESS shows some nascent security ambitions in saying that "the European Union is inevitably a global player [..] it should be ready to share in the responsibility for global security and in building a better world",[3] the 2003 documents are very civilian in orientation. While the EU membership was not on the immediate agenda, otherwise the future was believed to be open for the EU's neighbours; the Wider Europe communication did not consider any major external political or security threats they might be facing. The partners were expected to proceed with reforms and unilaterally approximate with the EU. The 2003 ESS also clearly prioritised the neighbourhood over other parts of the globe.[4]

In 2008, the EU attempted to develop a new version of the ESS, but ended up with just a review.[5] The same year also saw the beginning of work on the Eastern Partnership that was formally inaugurated at the 2009 Prague Summit.[6] Work on the EaP was sped up after the Russia-Georgia war,[7] but conventional security challenges remained understated in the review. While it expressed worries over the conflict with Russia, the EU remained optimistic about its ability to maintain peace in the neighbourhood through civilian engagement and diplomatic efforts.[8]

Against this background, the 2016 European Global Strategy represents a qualitative leap forward. It is "doubly global", both in geographic scope and in instruments[9]. The document clearly states EU's global ambitions and repeats the need for closer coordination. It is also heavily focused on security, especially on the conventional kind:

"We live in times of existential crisis, within and beyond the European Union. Our Union is under threat. Our European project, which has brought unprecedented peace, prosperity and democracy, is being questioned. To the east, the European security order has been violated, while terrorism and violence plague North Africa and the Middle East, as well as Europe itself".[10]

From some speeches, it actually seems that Mogherini was planning a security strategy, where the foreign policy aspect of it would be

in service of the EU's security needs and not vice versa[11]. Work on the EGS had already started before the Russia-Ukraine conflict in 2013, and the security turn was ultimately inevitable,[12] although the Russian invasion was clearly an additional impetus for this shift. However, as discussed later, the Strategy does not omit the EU's political and economic engagement.

Content, however, may be somewhat overshadowed by procedures. The EGS itself is a timely effort, but it was presented at the wrong moment. The June European Council was dominated by Brexit, and the Council Conclusions only dealt with the Strategy in one sentence: "[..] welcomes the presentation of the Global Strategy [..] and invites the High Representative, the Commission and the Council to take the work forward"[13]. This autumn, Mogherini is planning to present a detailed plan for implementing the EGS;[14] it remains to be seen where this will lead.

EASTERN PARTNERSHIP IN THE EGS

In contrast to the previous strategic documents, the EGS does not have the neighbourhood in the spotlight. Some analysts go so far as to describe it as, "the silent farewell to the EU's European Neighbourhood Policy", with a "yes" to the partners' resilience and to bilateral relationships, but a "no" to regionalism.[15] A less pessimistic view might be that the EGS suffers from scatteredness and – something that is hardly common for diplomatic services – a prevalence of a sectoral over regional approach. Regional issues are tackled in a haphazard manner, and the words "Eastern Partnership" are only mentioned twice throughout the document. Still, there is evidence that the EGS has not planned to leave out neighbourhood policies. The Council welcomed the ENP Review, stating that stabilisation of the neighbourhood would be the EU's main political priority and that the EaP in particular should be strengthened[16], and it was also planned from the beginning that the Strategy would take the Review into account[17]. The form does not completely overshadow the content, and the Strategy offers some valuable

guidelines for developing EU's relations with its neighbours. This section attempts to distill the EGS implications for the EaP, looking at its guidelines for the European Neighbourhood Policy as a whole for a lack of specific theses on the EaP, as well as on broader shifts in the EU's approach to the world.

1. Direct implication – focus on resilience, including social stability. "State and societal resilience to our east and south" is listed as second among the EU's overall priorities; this is defined as, "the ability of states and societies to reform, thus withstanding and recovering from internal and external crises", and entails "governmental, economic, societal and climate/energy fragility, as well as [..] more effective migration policies"[18]. The EU signals that it will continue to support reforms in the partner states- the initial purpose of the ENP. More substantial issues seem to gain prominence over promotion of "common values", and while the latter must not be ignored, the EU should also deliver on the former[19]. The EU's promise to fight poverty and improve access to social security[20] will be crucial for its success in the Eastern neighbourhood. At the same time, the focus somewhat shifts from reforms per se, as a driver of long-term stability to their implications for the Union's immediate security – a more instrumental approach. And despite its overall increased pragmatism, the EU continues to be somewhat conceited as it says, "Many people within the scope of the European Neighbourhood Policy (ENP), both to the east and to the south, wish to build closer relations with the Union. Our enduring power of attraction can spur transformation and is not aimed against any country"[21]. Political and public scepticism in the neighbourhood[22] and Russia's heated reaction to the EaP prove that the EU should have given even more consideration as to how it can realistically support reforms in the partner states while battling its own fatigue and domestic problems. In this regard, the EGS is similar to the 2015 ENP Review.

2. Direct implication – security. Security of the Union is mentioned as the first priority of the Strategy; immediately, the EGS also promises to engage in external crisis management and capacity-building. If the Strategy's ambitions are realised, the EU should acquire its own hard power that could be used autonomously – a

"full spectrum of defence capabilities," including interoperability and own technological and industrial resources. The EU will also step up work on cyber defence, energy security, and strategic communication – all areas important for the neighbours (and there is a possibility that the Energy Community will be expanded to include at least some of them)[23]. The third priority, "an integrated approach to conflicts and crises", elaborates on the first, adding that the EU will concentrate its peace-building efforts in the immediate neighbourhood to the east and south, and will specifically "engage further in the resolution of protracted conflicts in the Eastern Partnership countries". While it seems that the EU's nascent defence efforts will be concentrated on threats to itself, not its partners, it also plans to engage in conflict-resolving elsewhere, including "responding responsibly and decisively to crises". The EU further treats its relations with Russia under priority four: "cooperative regional orders", condemning Russia's aggression towards Ukraine and promising to improve relations only when Russia fully respects international law[24].

While it remains to be seen whether, and how, the EU will operationalise its new security policy, every movement in this direction is positive for the Eastern neighbours. In this regard, the EGS also spells out more clearly and boldly what had started to appear in the 2015 ENP Review: in addition to focusing on prevention and addressing root causes, there is also a willingness to engage in conflict management and resolution[25].

3. Direct implication – enlargement is not excluded. While the ENP review does not mention the "e-word", and, despite the host Presidency's evident support, neither does the Riga Summit declaration (which only cautiously reaffirms the partners' rights "to freely choose the level of ambition and the goals"[26]), the EGS has a relatively positive outlook on enlargement, restating its possibility and recognising its contribution to stabilisation of the continent:

"Any European state which respects and promotes the values enshrined in our Treaties may apply to become a Member of the Union. A credible enlargement policy grounded on strict and fair conditionality is an irreplaceable tool to enhance resilience

215

within the countries concerned, ensuring that modernisation and democratisation proceed in line with the accession criteria. A credible enlargement policy represents a strategic investment in Europe's security and prosperity, and has already contributed greatly to peace in formerly war-torn areas"[27].

This is not enough to satisfy the most ambitious partners, but this is arguably the most that can be expected under present circumstances.

4. Direct implication – "yes" or "no" for decay of regional approaches? The EGS speaks about neighbours in very general terms and, as noted previously, only mentions the Eastern Partnership twice. This seems to continue the greater focus on differentiation stipulated in the 2015 ENP Review. At the same time, the Strategy highlights the role of regions in global governance, promises to promote and support cooperative and regional orders, and specifically plans to "devise and implement new thematic or geographic strategies"[28]. While changes might be observed in how the EU approaches the Eastern Partnership as a group, the framework itself will likely stay in place. Especially because – as the consultations before the ENP Review showed – all EU Member States and partner states supported maintaining a common framework[29].

5. Direct implication – growing pragmatism. The EU now fully realises that it is dealing with a diverse group of partners and so it cannot build foreign policy solely on the premise of partners reforming to achieve further "accession or association"[30]. At the same time, domestic challenges force the EU to refocus on its own interests. There is a tinge of Realpolitik, and we might see more moves, as in the case of Belarus – where the EU was so willing to improve relations that it took too seriously some nominal "democratic" improvements. Still, as currently defined in the EGS, the EU sees its interests as shared with the partner countries[31], so this growing "principled pragmatism" should not hurt the neighbours at the very least. Rather, it will open more possibilities for cooperation beyond the currently used instruments, such as Association Agreements, and some of these are already being discussed, for instance, the future EU-Armenia agreement[32].

6. Indirect implication – expertise. As the EU moves away from its rather unilateral approach to partner countries and seeks to improve relations with more sceptical partners, it is hard pressed to improve its regional expertise: we cannot anymore rely on everyone learning French, English, and European ways. (Not that the EU shouldn't have developed its expertise and knowledge of partners' cultures and languages when it started dealing with them – it might have prevented many errors.) It is very positive that the EGS recognises this need and promises to invest in staff and in expertise, as well as in greater information sharing among the different players involved in the EU's foreign policy-making[33]. If this intention is realised, the Eastern Partners will indirectly benefit from better EU policies, while the neighbouring EU members, including Latvia, should attract all possible EU and non-EU resources to further develop their regional expertise that will now be in greater demand. And, as concluded at a conference in Vilnius, the EaP countries themselves should be recognised as sources of expertise that are equally valuable to the EU countries[34].

7. Challenge – Trans-Atlantic cooperation and engagement in the Neighbourhood. The EU has already been sensitive about cooperating with the US in the Eastern Neighbourhood, probably because of fears of provoking Russia and / or broader operational incompatibilities. Thus, the Latvian Foreign Minister's initiative for a Trans-Atlantic Eastern Partnership fell on rocky ground. The US, however, is a crucial force in the Neighbourhood, a valuable resource and a like-minded partner. Thus, it is all the more worrying that in its current quest for autonomy, the EU will estrange itself even more from this valuable ally. The European Parliament's resolution on the EGS already noted, "that the EU and its Member States must be more united and prepared to take greater responsibility for their collective security and territorial defence, relying less on the United States, especially in Europe's neighbourhood"[35]. And the EGS, as Jan Techau notes, does not recognise the fact that the EU is still largely dependent on the EU for its security and that autonomy is a long-term goal only[36].

8. Challenge – strategic communication. The EGS does include a section on strategic communication, a topic of growing importance in conditions where Russia is investing heavily in propaganda activities in the neighbourhood and in the EU itself. However, the EU will need to do more than simply "improve the consistency and speed of messaging on our principles and actions" and, "offer rapid, factual rebuttals of disinformation"[37]. The distribution of tasks in the upgraded EU-NATO cooperation is also important: if the EU takes charge of hybrid threats, it should first have the capacity to do so, or else NATO must play a key role.

9. Challenge – people-to-people relations. As security takes centre stage, people-to-people relations must be expanded. Travel – including not only academic and cultural exchanges and tourism, but also labour migration – and collaboration helps partner societies to see the EU way of life first-hand, break stereotypes, and acquire valuable skills. In the EGS and other recent documents, the EU does not ignore the importance of people-to-people relations, nor does it forget about common values. Even the more pragmatic Council highlights the importance of promoting good governance, democracy, rule of law and human rights, and supporting civil society,[38] and the EGS promises to support "enhanced mobility, cultural and educational exchanges, research cooperation and civil society platforms".[39] Still, there are no major new initiatives in this field. The EU's currently cautious approach to migration seems to affect its closest partners as well – "enhanced mobility in a secure and well managed environment".[40]

In addition to these points, there is also one major, general challenge – implementation. Currently, the EU's capacities do not fully match its ambitions. Some of the issues are relatively easy to solve, e.g. elaborating better communication strategies. Others demand significant solidarity among the Member States, EU institutions and partners, as well as financial resources. Some Member States are sceptical of the EU's increased security role and by no means want the role of NATO to diminish. Brexit and internal problems keep others wary of global commitments. Agreeing again with Jan Techau, one might suspect that not all Member States are

interested in the EGS anyway.[41] The EU is currently in the midst of a multiannual financial framework (MFF) and while support may be streamlined and made more flexible,[42] there are few opportunities to increase the overall allocations. It is unlikely the Member States will contribute the necessary amount from national budgets, either. And, given the impending Brexit, depriving the EU of a part of its budget, and the EU's scepticism about partners' progress, we cannot expect dramatic improvements in 2021 when the next MFF comes into force.

CONCLUSIONS

The EGS is an ambitious instrument for foreign and security policy, and its overall thrust is in line with the Eastern Partners' needs and priorities. Increased focus on security – including conflict management – and resilience is long overdue. The EU is finally starting to understand the importance of maintaining social and economic stability in the partner states. The enlargement perspective is still on the table, but the EU's growing pragmatism may be useful in finding new ways to engage more sceptical EaP countries. Growing expertise on the Eastern Partners is a fundamentally important task where the current EaP advocates, including Latvia, should take the lead.

However, while there are no signs the Eastern Partnership would be scrapped or weakened, the EGS is sectoral rather than regional in its approach, and there is no clear linkage between thematic and geographical priorities. What this will likely mean in practice is that the partner states and their EU allies will have to invest significant efforts, at the operationalisation stage, to make sure the bold promises included in the EGS will actually apply to the Eastern Partnership. And prior to that, the implementation phase itself will need to be worked on, overcoming internal distractions and a lack of resources. The EU will have to be realistic in the process, knowing not only its strengths but also its weaknesses; in particular, it cannot ignore the major role the US is playing in

regional security, and should rather embrace it, at least for now. The Member States will have to be fully engaged if the whole endeavour is to bring any practical results. Meanwhile, the EaP faces continuous challenges.

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LOOKING BEYOND THE HORIZON: HOW THE EU'S EASTERN PARTNERSHIP CAN RISE TO THE OCCASION IN UKRAINE AND BEYOND

Svitlana Kobzar and Hrant Kostanyan

Confronted with scores of unprecedented challenges, the European Union's (EU) short-term focus has naturally been on putting out fires in its Eastern neighbourhood. As The Economist once claimed, "The EU's neighbourhood is more troubled than ever".[1] However, in order to avoid being constantly overwhelmed by security, political and economic instability in the neighbourhood, the EU should reflect and act on its strategic goals and the tools at its disposal to reach them. The current effort to bring about "stabilisation" in the neighbourhood should include a greater use of the EU's soft power. This will allow the EU to plant the seeds for long-term change. If stopping the wars around the EU is the imperative of the day, investing in youth and education are some of the crucial building blocks of the future resilience of the region.

There are a few common denominators that have a profound impact on most policies in the neighbourhood. Conflicts and corruption are some of the critical issues spanning internal and external policies. Corruption, traditionally perceived as an internal issue, has become a national security threat for a number of European Neighbourhood Policy (ENP) countries. The influence of corruption is not limited to ENP countries, however, but reaches EU Member States. Furthermore, the role of Russia in steering and fuelling the conflicts surrounding the EU, as well as Russia's relationship with the national and local elites in the Eastern Partnership states, have created an unsustainable governance model.

Addressing the challenges in the neighbourhood requires deeper reflection about the key drivers of change. For instance, as the case of the Euro-Maidan Revolution demonstrates, the EU has been a catalyst, but not the main driver, of change on the ground. The non-state actors and civil society have played increasingly important roles in Ukraine, while the weakness of the state has been a driver of instability. If the EU is to become part of a collective agency of change in the Eastern Partnership, it will need to understand the complex dynamics of many actors on the ground. It will then need to have enough flexibility to recognise where to channel and where to shift its support, including in efforts such as strengthening state capacity, helping to develop political parties and empowering non-state actors. These efforts will be in line with the mantra of greater differentiation promised in the 2015 ENP review.[2]

At the same time, the EU needs to reassess the effectiveness and credibility of its conditionality. Even before reviewing the ENP, the issue of conditionality was not clearly articulated and was applied incoherently. With increased differentiation in the new neighbourhood policy gradually becoming a reality, the application of conditionality could become even less effective. Empowering EU ambassadors in ENP countries by allowing them to react swiftly to the rapidly unfolding events on the ground could help give greater distinction to EU policy and improve the use of conditionality as a tool. Such ability for the EU to influence domestic policies has been demonstrated in the lead-up to the adoption of laws required for the Visa Liberalisation Agreement.

THE UKRAINE CRISIS

The most pressing issue of the day remains the war in eastern Ukraine. People continue to die on a daily basis in the war gripping 21st century Europe.[3] One can debate the sequencing of the points of the Minsk II agreement, but a ceasefire is definitely the first, and the most important step in overcoming the conflict.[4] The war in Ukraine is not the type of conflict that can easily be frozen. There are no natural borders, no mountains to divide and no river that flows between

separatist-held territories and the rest of Ukraine. The conditions in the 500 km line of contact are extremely volatile. The line can be, and has been, moved easily back and forth, and thus has been subject to continuous fighting. The fluid nature of having hybrid war turning into hybrid peace means that the situation is likely to be unstable.

Besides having a devastating impact on the economy and being a distraction from needed reforms, the war creates many "invisible" victims. Those affected by the continuous conflict are the ones who are the most vulnerable, including many civilians such as women, children and pensioners who are trapped in the line of fighting. According to conservative estimates, there are more than 100,000 vulnerable people in the territory controlled by the Ukrainian Government alone.[5] Reports by the UN Human Rights Monitoring Mission point to the dire conditions in which many civilians find themselves.[6] Three types of vulnerable groups in particular are in need of much greater assistance. These include civilians living on the front-lines of the conflict, those who are in the separatist-held areas and the internally displaced people, accounting for over 1.4 million individuals.[7] Those living closer to the line of conflict are at risk of being subject to shelling almost on a daily basis, and many of them live in dire conditions (e.g. without electricity). Many people who are in the separatist-held areas struggle with having access to medicines and basic goods and have a difficult time when they try to cross check points to reach territories controlled by Kiev.

Considering the situation on the ground, the EU should not scale down the sanctions against Russia but should minimise the expectations of what sanctions are meant to achieve. Making the Russian Government do anything that it otherwise would not do may be too ambitious. However, through sanctions the West does influence the conditions within which the Russian Government makes choices. As Henry Kissinger once said, "Diplomacy is the art of restraining power". In this case, the Minsk process and sanctions are some of the few tools that the EU has at its disposal to restrain Russian power from further fuelling the flames of war in in Ukraine. Despite Russia's insistence that it is not a party to the conflict, Russia has played a central role in military operations (in 2014 and 2015) and continues supporting the

separatists economically and directly leading the separatist forces.[8]

If the EU backs away from supporting the core principles of international law, it will deprive itself of a normative power which will send a message to Russia that it is allowed to occupy a sovereign country and get away with it. This will severely diminish the EU's credibility and standing in the Eastern neighbourhood and beyond. Honoré de Balzac's advice remains pertinent: "When you doubt your power, you give power to your doubt". The EU should not give away its power and give in to doubt.

When it comes to the war in Ukraine, the efforts should not be limited to crisis management. In this case, peace-building cannot wait for peace. Once the ceasefire holds, more efforts will be needed in supporting dialogue and trust-building efforts at different levels. If the checkpoints are to stay, travel needs to be made much more efficient. The EU's message to Ukraine should be that corruption, bribes and paybacks need to be tackled head on before they firmly take root, especially in the volatile frontline areas. Small businesses and legal local trade should be allowed and encouraged between Ukraine and separatist-held territories. The EU should work with the Ukrainian Government to assist it in this effort and help it to think through the peace-building plan.

RE-ENERGISING THE EU'S SOFT POWER

Despite the fact that the EU is preoccupied with the immediate crisis, it needs to reflect on the areas that require long-term commitments. As the battle for hearts and minds of people in the EU-Russia common neighbourhood intensifies, the EU is facing challenges in how it is perceived in the region. National and local elites have exploited ideological divisions for decades. For instance, Paul Manafort's infamous campaign strategy for Viktor Yanukovych was successful by dividing, rather than uniting, Ukrainians. According to the European Neighbourhood Barometer, the number of respondents in the Eastern neighbourhood who view the EU in a negative light increased from 13% to 21% in just two years between 2012 and 2014.

Polls also revealed an increase (from 26% to 34%) of those who do not believe the EU brings stability and peace to the region.[9]

To counter this trend, and to plant seeds for the future, the EU should invest in independent media and youth through education. The influence of media should not be underestimated. It still "has the power to make the innocent guilty and to make the guilty innocent". Engaging with the independent media is a crucial soft power tool in its own right, but also a means that is vital for the budding democracies in the region.

The support for independent media has been relatively small over the years. This trend needs to be reversed. In several neighbourhood countries, media channels are owned by oligarchs who use them to influence the public agenda. Supporting independent journalists and media operators should be an important pillar of support for democracy. Developing flexible funding mechanisms and resources for media support is of paramount importance. Conducting training for journalists is another important area, especially in war-torn Ukraine but also in several other countries in the region which are entangled in protracted conflicts. In addition, helping to strengthen the media landscape for the Russian language audience is yet another lacuna. The European Endowment for Democracy's feasibility study on the issue of Russian media offers several important recommendations ranging from creating a regional Russian language news hub to a multimedia distribution platform.[10]

The people-to-people contacts between the EU and Eastern Partnership countries' have to be strengthened. For instance, before their region was illegally annexed by the Russian Federation, 85% of people in Crimea had never travelled outside of the peninsula. The EU can induce people-to-people contact by giving much greater strategic consideration and an ambitious investment in education and engaging the youth. "Youth is not a time of life; it is a state of mind" (Samuel Ullman). It is the time when people have moments of enlightenment, are open to new ideas and formulate their visions of the world. Supporting the already well-developed human capital in the Eastern Partnership countries, by involving more people in the European project, should become a strategic priority for the EU. Much

more can be done in this area by boosting support for the existing tools and by developing new programmes.

The EU already has a number of substantive programmes related to the youth and education. The EU's Erasmus+ programme encourages educational exchanges, training, and athletic activities in the EU and the neighbourhood. Yet, the portion of support allocated to the neighbourhood countries is rather limited. For example, during the 2014-20 period, more than 4,000 young Ukrainians are expected to take part in this programme.[11] Considering that there are roughly 5 million young people in Ukraine (between 15-25 years old), this means that less than 0.1% of Ukrainian youths will take part in this programme over the course of 6 years. However, Ukraine is ranked 36th out of 188 countries in the UNDP education index which means that many more Ukrainian young people are able to qualify to participate and take advantage of the Erasmus+ programme.[12]

Beyond targeting college students through Erasmus+, the EU should be able to set up other tools for engaging high school students between 15-16 years of age. This is also a crucial time in people's lives when they are open for learning new things and making connections. The US has successful exchange programmes for high school students such as Future Leaders Exchange (FLEX).[13] Setting up a FLEX programme for young students in the Eastern Partnership countries to spend an academic year in an EU Member State would be a worthwhile investment.

CONCLUSION

The recent dramatic developments in the European neighbourhood have challenged the effectiveness of the EU's policies and instruments. The 2015 review of the ENP was an effort to accompany the long-term goals of the ENP with short- to mid-term stabilisation efforts through differentiation.

The EU has the power to formulate and maintain a unified position vis-à-vis Russian aggression in Ukraine, while leading the peace-building effort. Whereas acceptance of the EU values and norms

might be resisted by Ukrainian oligarchic elites, the EU's investment in youth will most certainly be a winner. After all, when confronted with unprecedented challenges, the EU can, and should, maximise its power for positive change in Ukraine and the rest of its neighbourhood.

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FRIENDS WILL BE FRIENDS: THE NEW MILITARY DOCTRINE OF BELARUS

András Rácz[1]

On 20th July, 2016, the Republic of Belarus adopted its new military doctrine,2 replacing the old document of 2002. A closer look at the new doctrine reveals that, despite the widespread hopes in many Western capitals about Belarus distancing itself from Russia, in fact the defence policy ties between Minsk and Moscow have become stronger, demonstrating that foreign policy manoeuvring has its limits when it comes to matters of security and defence.

Following the beginning of the crisis in Ukraine, Belarusian foreign policy has showed numerous signs of seeking to increase its distance from Russia. Belarus did not recognise the annexation of the Crimea. President Alexander Lukashenko[3] hosted the Minsk talks that led to the first, and then the second ceasefire agreement. During the breaks of the negotiations he visibly sided with Ukrainian president, Petro Poroshenko, and informally criticised Russia and the actions of President Vladimir Putin. Parallel to this, Belarusian diplomacy emphasised many times, and at many fora, its intentions to improve relations with the West.

Many analysts and politicians on both sides of the Atlantic have interpreted these moves of Minsk as signs of a fundamental change in Belarusian foreign policy. Enthusiastic articles have been written about how to get Belarus closer to the West[4] and how to help Minsk re-direct its foreign policy, sometimes openly

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motivated by geopolitical considerations.[5]

There were indeed some encouraging signs. Supposedly in order to improve relations with the West, the regime released all political prisoners, the last ones being released in August 2015. Shortly thereafter, President Lukashenko was re-elected for the fifth time, on 11th October 2015. Although the election still fell short of being either free or fair, both the campaign and the voting were conducted in a relatively liberal way, and no force was used against opposition demonstrators, unlike the previous Presidential elections in 2010. The EU noted the progress, and shortly after the elections started to discuss the possibility of abolishing the sanctions against 170 Belarusian officials and three companies, some of them having been on the banned list since 2004.[6] Most sanctions had already been suspended in October 2015[7], formally as a reaction to the release of political prisoners, and were finally lifted in February 2016.[8]

The present military doctrine is the third such Belarusian document since the country became independent, in 1991. All three doctrines have been defensive in nature, although with important differences. The first doctrine adopted in December 1992 prescribed the strategy of armed neutrality, by declaring the country to be a non-nuclear power and by not joining any military blocs or alliances.[9] Meanwhile, in terms of economy, of course, post-Soviet Russia was (and remained) a defining factor. At that time, the type of neutrality that Finland had during the Cold War was an attractive option for many representatives of Belarusian elites[10] and Belarusian foreign policy followed a neutrality-oriented, balancing course. The doctrine of 2002, however, already gave up the concept of neutrality and prescribed much closer relations with Russia, including a developed institutional framework, in line with the main vector of Belarusian foreign policy of that era.

Hence, the present analysis intends to study the new military doctrine from the perspective of whether it fits into the post-Crimean strategy of Belarusian foreign policy of opening towards the West. In other words, the main research question to answer

is whether the defence policy prescribed by the new military doctrine is going to support, or limit the pro-Western dynamics of Belarusian foreign policy.

THEORETICAL FUNDAMENTS

The doctrine follows the classic pattern of Russian strategic documents and starts with providing definitions of the terms used later in the text, such as military danger (voennaya opasnost'), military threat (voennaya ugroza) and military conflict (voenniy konflikt). In the text, military danger and military threat are in a hierarchic relation in the sense that "threat" means a much higher, more real risk than "danger", which is just potential. Military danger is defined as such a state of military-political relations, characterised by the various interests, intentions, possibilities and actions of state and non-state actors, the latter also including terrorist and extremist organisations, which under certain geopolitical, military-strategic, social-political and economic conditions might lead to a military conflict. Meanwhile, military threat means "a higher level of danger",[11] when the situation of interstate or intra-state relations is characterised by such actions of external state(s) or non-state actors that there is a real possibility of a military conflict.

These definitions are almost identical with the ones used in the military doctrine of the Russian Federation, adopted on 30th December 2014,[12] thus one and a half years prior to the Belarusian doctrine. Both the Belarusian and Russian documents follow the same logic in defining the threats, use the same names for them, and even the wording used is nearly identical. This theoretical proximity adds an additional argument to the already well-researched issue of close military cooperation between Belarus and Russia.[13]

DEFENSIVE NATURE AND THE USE OF BELARUSIAN ARMED FORCES ABROAD

The doctrine is clearly of a defensive nature. It states firmly that Belarus does not perceive any state or a coalition of states as enemies[14] and describes the armed defence of the country as the main task of the Belarusian armed forces.[15]

The earlier, draft version of the doctrine went even further and banned the use of Belarusian armed forces outside the territory of the country. However, this induced considerable critiques from Armenia, because Yerevan interpreted the text as a possible breach of the collective defence commitment of the Collective Security Treaty Organisation (CSTO), of which both countries are members, in addition to Russia, Kazakhstan, Kyrgyzstan and Tajikistan.[16] Hence, from the final version of the doctrine this part was removed. However, there is still an element of ambiguity present, as the document falls short of explicitly confirming Minsk's readiness to send troops abroad in the framework of fulfilling CSTO collective defence commitments.[17]

Regarding the use of armed forces abroad, a minor, but interesting element is that the doctrine permits the use of Belarusian armed forces, in peacekeeping operations, in the framework of the United Nations. The participation of Belarus in UN peacekeeping missions started in 2010, when the necessary legal framework was adopted.[18] Since then, Belarus has contributed to the UNIFIL operation in Lebanon. By the end of August, a total of five Belarusian soldiers were serving in UN peacekeeping operations.[19] On the one hand, although this is not major participation in terms of size, politically it is still important, because it increases the visibility and prestige of the country. On the other hand, the wording of the doctrine implies that Belarusian military can participate only in UN-led peacekeeping missions, thus not in operations conducted in CSTO or other frameworks, even though the text mentions the development of CSTO's peacekeeping potential as a priority in general.[20]

THREAT PERCEPTION AND THE ROLE OF RUSSIA

Russia is the only foreign country mentioned specifically in the doctrine and clearly has a privileged role as a partner. Several paragraphs are dedicated to the cooperation with Russia, ranging from the field of territorial defence to defence industrial cooperation.[21] The text follows not only the military theoretical bases of Russia's military doctrine, but also shares many elements of its threat perception.

Besides referring to the increasingly complex and unstable geopolitical environment, the Belarusian document enumerates on a prominent place "the enlargement of such military-political alliances in the European region, of which Belarus is not a member", which is a very clear reference to NATO and is nearly identical to the Alliance's perception in the Russian doctrine. Another similarity to the Russian document is that the Belarusian doctrine classifies both the missile defence system (without formally mentioning its operator, the United States) and high-precision conventional weapons[22] as threats to the military forces and infrastructure of Belarus.[23]

Even during the preparations of the doctrine, there were regular news reports[24] discussing whether the text would also address the threat of hybrid warfare, thus responding to threats coming from Russia. This has particularly been the case because Major General Stanislav Zas, Secretary of the National Defence Council is a well-known theorist on asymmetric conflicts.[25] In the final version of the doctrine, although the term "hybrid warfare" is not mentioned at all, several elements of it are.

Non-state actors are frequently characterised as potential sources of instability, and even of military threats. Among the threats, the text enumerates the risks posed by private military companies and irregular formations possibly entering Belarus from neighbouring countries, with the objective of conducting an anti-constitutional change of power.[26] In the same chapter, the danger of external state or non-state actors setting up irregular

armed formations in Belarus is also mentioned. In addition, the doctrine enumerates information warfare conducted by state or non-state actors as a danger that may negatively affect the population, state organisations, infrastructure as well as military command and control of Belarus.[27]

However, as is aptly pointed out by Paul Hansbury,[28] in the Russian military literature, which Belarusian professional elites read, hybrid warfare is interpreted as a perceived U.S. strategy and tactics to foster regime changes in authoritarian states. In other words, in this perception, hybrid warfare is the way of battle-fighting that led to the "colour revolutions" of the 2000s by bringing down many authoritarian regimes.[29] Therefore, even though the text mentions no concrete enemy that may employ hybrid warfare, it is still clear that it is not Russia, but the West that the doctrine perceives as a main actor potentially using hybrid tools. This argument is also supported by the way NATO is perceived in the document, as described above.

Nevertheless, the very wording of the document carries an element of ambiguity, while enumerating the main military threats, thus behind many risks one may also easily interpret Russia as a source, not only the West. A spectacular example is the threat posed by the reduced readiness times of military formations located in the states neighbouring Belarus, which allows states (or a coalition of states) to quickly assemble offensive groups of forces to act against Belarus.[30] The plural wording clearly indicates that Minsk is also concerned about Russia's growing military might, and not only about NATO.

Another point, where the doctrine sends an unequivocal message to Russia, is the conditions of the armed defence of Belarus. The text makes a clear distinction between the use of the armed forces to defend Belarus and to defend the Union State[31]. The doctrine leaves no doubt that the armed defence of Belarus is a task to be conducted primarily in a national framework, while relying on collective defence guarantees is only an option. The text prescribes that armed defence is to be conducted according to the strategic defence plans of Belarus and the directives of the

President, who is the Commander in Chief of the armed forces.[32] Though the text maintains Belarus's right to turn for assistance, including military assistance to the CSTO and also to other states, with which Belarus has relevant international agreements, meaning specifically Russia,[33] neither of them is an obligation. Hence, the doctrine puts a great emphasis on the sovereignty of Belarus and makes it clear that Russia has no discretional rights to intervene against the will of Minsk, despite the unquestionably close and multi-layered cooperation between the two countries. When it comes to the defence of the Union State, the doctrine delegates the decision-making to the joint bodies of the Union State.[34] However, taking into account the decision-making in the Union State is based on consensus, even this postulate gives no institutionalised possibility for Russia to override the will of the Belarusian leadership.

These, of course, do not mean that Belarus would – or could – break its alliance with Russia. Instead, trying to set limits on Russia's clearly dominant position is more an indication of Minsk's unwillingness to yield its sovereignty in matters of defence, despite the increasingly unstable geopolitical situation in its direct neighbourhood.

CONCLUSIONS

The new military doctrine of Belarus prescribes the defence policy of a country in close alliance with Russia. While this partnership is indeed not free of problems and anxiety, it is still a tight one, thus the scent of ambiguity in the wording of the doctrine does not change either the privileged role of Russia, or the dominantly anti-Western and anti-NATO threat perception of the document. Hence, one may conclude that despite the spectacular pro-Western steps of Belarusian foreign policy, the new military doctrine indicates that the country's strategic orientation and alignment are highly unlikely to change.

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14   Voennaya doktrina, 5.14.

15   Voennaya doktrina, 1.1, and also 8.40.

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30   Voennaya doktrina, 11.7.

31   The Union State is a close, nearly supranational form of bilateral integration
between Russia and Belarus.

32   Voennaya doktrina, 8.42.

33   Voennaya doktrina, 5.15.

34   Voennaya doktrina, 8.43.

TRANSITION OF POWER IN CENTRAL ASIAN COUNTRIES – KINGS' MOVES IN THE CHESS GAME

Sintija Šmite

TRANSITION OF THE "ROYAL" POWER

The attention of the world was turned towards Central Asia this autumn, due to the demise of the President of the largest country by population in the region – Uzbekistan – Islam Karimov, which re-invoked discussion on the transition of the powers of all the Central Asian country leaders and the possible influence on the stability of the region.

In addition, several initiatives to shift incumbents into some of the key positions, as well as discussions and practical steps to amend the Constitutions in other Central Asian countries, demonstrate that a serious chess game is ongoing, possibly to ensure a smooth transfer of the power of the "kings". Turkmenistan has done it already, Uzbekistan is facing the challenge "as we speak", Kazakhstan and Tajikistan are preparing for the shift, and Kyrgyzstan will face the challenge very soon, but not for the first time.

The aim of this article is to provide an overview of the transition of power in these countries, as well as to bring to the attention of international society possible key concerns related to security and factors impacting on cooperation with the five very different, but crucially important countries, which are on the crossroads of the interests of different world powers – Russia, the United States, China, Turkey and Arab countries, as well as the EU. The article concludes with a spectrum of factors to be taken into account when looking at regional cooperation between the five countries.

The demise of the hitherto only President of Uzbekistan since the collapse of the Soviet Union, Islam Karimov, caused quite a worrying attitude, both within the country and abroad regarding potential successors. Immediately prior to the announcement proclaiming the death of the President, mixed messages were sent regarding his health and exact time of death. Several regional media representatives reported that the announcement of Karimov's death had been delayed for several days to stall for time while rearranging the power transition. In the meantime, the outside world was worried about this situation for fear of what might subsequently happen with stability in the country, as the former governing of Uzbekistan was strictly under the control of the President. The Constitution of Uzbekistan states that the Chairman of the Senate (upper chamber of the Parliament) (currently – Nigmatilla Yuldashev) has to temporarily fulfil the duties of President if the latter is unable to work for any reason, subsequent to which the Uzbek government has three months to announce and hold the Presidential elections.[1] Following the informal date of the demise of Karimov – 27th August 2016 – as reported by doctors who went to treat him, for 12 days Uzbekistan was without a leader of the state.[2] Allegedly, this time period provided an opportunity to plan and negotiate about the President's most appropriate successor. Experts report that these discussions were held not only in Uzbekistan, but with counterparts in Moscow as well. After consultations, discussions were held in Parliament, where the incumbent of the Chairman of the Senate withdrew [and] the Legislative Chamber appointed the Prime Minister, Shavkat Mirziyoyev,[3] as acting President of Uzbekistan. Quite symbolically, before this appointment, Mirziyoyev was the one to meet Russia's President Putin when he came to express condolences to Uzbekistan and Karimov's family. In a public announcement both Putin and Mirziyoyev stated that Uzbekistan and Russia will maintain a close, strategic partnership. The world is now waiting for the final transition of the Presidential elections in Uzbekistan.

A decade ago, neighbouring Turkmenistan also had to select a new incumbent, following the demise of its first President, Saparmurad Niyazov. The ruling elite agreed that Gurbanguly Berdimukhamedow, who had previously served as Deputy Prime Minister and Minister of Health, should step into the President's shoes "and continue his personalised brand of rule, albeit with an updated and customised personality and other minor modifications".[4] According to the Constitution, the Speaker of the Parliament, at the time Owezgeldi Atayew, should have commenced the interim President's duties, however he was arrested for human rights' violations[5]. Soon after the announcement of Niyazov's death, the national People's Council approved the necessary Constitutional amendments and relevant legislation to formalise arrangements for a smooth transfer of power. The Constitution was swiftly amended to allow the interim Head of State to contest the election",[6] despite the violation of the law. Interestingly, ten years later, subsequent to the rule of Berdymuhamedov, under the leadership of the President a working group drafted, and the Parliament adopted, norms of the Constitution "that extend the Presidential term to seven years from five and removes the upper age limit on candidates for Presidency".[7] This means that continuity of power is high on the agenda of the ruling elite. Similarly, as in Uzbekistan, also in Turkmenistan power structures and foreign policies are aimed at the regime's self-preservation. The question remains whether or not it was a coincidence that both in Uzbekistan and Turkmenistan the Speakers of Parliament did not become the acting Presidents. The Turkmenistan President and his allies "have no incentive to [transform the country's domestic and foreign politics] as long as they are able to meet societal aspirations and control dissent".[8] Also, in the view of the foreign policy, as Turkmenistan contains some of the world's largest natural gas reserves and has increasingly become recognised as an important global energy player, which is respected both in the East, as Turkmenistan is now "China's largest foreign supplier of natural gas by a considerable margin",[9] Russia still being a partner in its foreign, trade and energy policies, as well as in the West

– Europe is seeking an energy partnership with Turkmenistan to import its gas and Turkmenistan, in turn, to improve its energy infrastructure. Relations with diverse foreign counterparts are retained at the same time with Turkmenistan's policy of neutrality and very little involvement in international organisations.

According to experts, following successful election of the President in Uzbekistan and Turkmenistan, as well as in Kazakhstan, the elites who possess economic, political and social power will also play a crucial role, as well as the security forces, who behind the scenes ensure stability in the country and provide back up for the political leadership.[10]

Also, in Central Asia's largest country Kazakhstan, especially following the death of Karimov, President Nazarbaev seemingly started preparations for the transition of Presidential power. Nazarbaev shifted his trusted ally, Prime Minister Karim Masimov, over to head the Committee for National Security, thereby suggesting he "might be imitating that strategy of a trusted figure being in charge of national security as a guarantee for the President's family after the President is gone".[11] Furthermore, daughter of the President, Darigha Nazarbaeva, "was appointed to the Senate on September 13th, sparking speculation she might succeed her father".[12] Similarly to Turkmenistan and Uzbekistan, also according to the Constitution of Kazakhstan, the Speaker of the Senate takes over the post in the event that a President cannot perform the duties of office. "Darigha is only a Senator now, but some feel it is just a matter of time before she rises to become Speaker".[13]

In a national referendum in spring 2016, Tajikistan amended its Constitution with 94.5% in favour of the amendments. "The proposed amendments included eliminating the set term for incumbent President Emomali Rahmon, lowering the age of eligibility for becoming President, and banning the creation of political parties based on religion. The set term amendment applies only to Emomali Rahmon, who holds the status of the "Leader of the Nation." The amendment lowering the Presidential age limit from 35 to 30 would allow Rahmon's 29-year-old son, Rustam

Emomali, to stand for the next Presidential elections, scheduled for 2020.[14]

Currently, discussion over amending the Constitution in Kyrgyzstan[15] has also become a hot topic. The initiative has apparently been proposed by the Presidential administration. The proposed amendments violate the moratorium of the Constitution of 2010 not to amend the Constitution until 2020, adopted after the former president Kurmanbek Bakiev was sent into exile. The Kyrgyz Republic amended its Constitution several times from independence in 1991, and the one adopted in 2010, after the uprising of the nation as well as inter-ethnic conflicts in the south of the country, gained a relatively positive assessment both from the civil society and international community.

Current amendments to the Kyrgyz Constitution propose "lowering the status of international human rights treaties and their position in the hierarchy of norms, the separation of powers, the dismissal of members of Cabinet, appointing/ dismissing heads of local state administration, the independence of judiciary and of judges, as well as the roles of the Supreme Court, and the Constitutional Chamber"16 – basically most of the norms guaranteeing the rule of law in the Kyrgyz Republic. In addition, discussion on strengthening the role of the Prime Minister is also on the table, thus raising the question whether Kyrgyzstan is learning from the precedent of its strategic partner – Russia – in this regard. The opinion is that these amendments would "negatively impact the balance of powers by strengthening the powers of the executive, while weakening both the parliament and, to a greater extent, the judiciary".[17] Even more worrying are proposed amendments to the law on holding a nationwide referendum, adopted in September 2016 by the Parliament at the second reading, which among other very significant norms prevent the referendum from deciding on the early termination or extension of the term of the President.[18] In recent weeks (autumn 2016) the health of the President of the Kyrgyz Republic, Almazbek Atambaev, has deteriorated, causing concerns among society and abroad, both on the succession of power as well as legal measures to be adopted to ensure it,

therefore possibly taking a step back in the transparent and good governance of the country.

One thing is clear, that the security situation in Central Asia is directly impacted by political stability and therefore the results of chess games of power in each of the countries are significant.
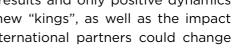
On analysis of all five countries, one can conclude that the elites are concerned about the legitimacy of their power from the people and are therefore applying various legislative methods to ensure the smooth transition of power and continuity of current politics.

SECURITY AND RELATIONSHIPS
BETWEEN THE NEIGHBOURS

Relationships between the neighbouring countries impact on the ability to deal with both internal and external threats to security. Challenges of regional cooperation remain, both in hard and soft security aspects, the hard ones being – energy supplies: distribution of water between upstream countries (Kyrgyzstan and Tajikistan) and downstream countries (Kazakhstan and Uzbekistan) in exchange for providing electricity, gas and coal. Large energy infrastructure projects are in the pipeline for solving the related issues – Kyrgyzstan completed its Kambarata 2 power station in 2010 and is building Kambarata 1, with Russia's assistance. However, the construction is not going smoothly due to the economic situation in Russia. Tajikistan, after a positive assessment by the World Bank and an Italian company that would perform the practical construction, is hopeful about the Rogun dam being built; however, the region's glaciers, the former source of predictable water supplies are melting at increasing rates and are a cause for concern[19]. Contrary to Tajikistan's plans, Uzbekistan has clearly demonstrated its dissatisfaction about the Rogun dam project to the extent that in 2012, former President Karimov said, "but all of this could deteriorate to the point where not just serious confrontation, but even wars could be the result."[20] Disputed borders, especially in Fergana Valley, and enclaves present there,

as well as the fact that a large part of the border is not delimitated, cause not only regular armed conflicts on the borders, but also impact on the movement of trade and people. Trade between the neighbours in Central Asia is also influenced through the Eurasian Economic Union (EEU) trade rules. Kazakhstan and Kyrgyzstan are members of the EEU, while the other countries of the region are not. Shared threats of terrorism and defence from the Islamic State of Iraq and the Levant (ISIL), as well as existing drug routes from Afghanistan leading through Central Asia - remain key concerns between the neighbours in Central Asia. In addition, soft security factors play a crucial role in cooperation between the Central Asian countries – rights of minorities, human rights' situation, migration, human trafficking and prevention of radicalisation of religion also remain challenges to be dealt with, not only nationally, but also between the Central Asian countries. Some of the above mentioned concerns are shared with the ones faced in the West, and Central Asian countries closely look at how, for instance the EU is dealing with migration and management of the joint Schengen borders. On the one hand, free movement and joint border management is something which the EU can share with the Central Asian countries, but at the same time currently not all is smooth in the EU itself in this area.

To make any prognosis on regional cooperation in Central Asia, one would need to look closely at the region's key actors – Kazakhstan and Uzbekistan (which share borders with all other four countries in the region) and relationships between the two. "Analysis of the positions of experts from Central Asian countries draws the conclusion that Kazakhstan, Kyrgyzstan and Tajikistan demonstrate greater readiness for regional integration. Turkmenistan is more likely to continue a bilateral format strategy owing to its traditional neutrality while Uzbekistan will follow the tactics of self – isolation.[21]

It is clear that existing regional cooperation mechanisms in Central Asia can only wish for better results and only positive dynamics in the relations between the new "kings", as well as the impact from external bilateral and international partners could change

the scene in Central Asia. The West with its assistance is an anticipated partner in trade, and it is the Western world which is more interested in ensuring a presence in the region in terms of development assistance and political support, which other international partners are unlikely to offer.

Closer and more efficient cooperation between the countries in the region would positively impact on security and stability. While the "kings" are overwhelmed with the transition of power, "the desire of a growing part of the population to take advantage of what they see as the benefits of developmental integration will be a key driver of regional integration: grassroots dynamics are already underway and will, eventually, impact the policy-making process. In this sense, regionalism in Central Asia is likely to be driven from the ground up rather than the other way round.[22] Now, the question arises whether the existing and new "kings" of the chess game will listen to the wishes of the people and what relations and mechanisms will be applied. At the moment, continuity in power in each of the five countries will likely mean continuity in policies, so while Kazakhstan, Kyrgyzstan and Tajikistan might become more cooperative between themselves, it is unlikely that an increase in pan-regional cooperation will be apparent soon, unless the security situation in the region motivates a different intensity of the cooperation between the five neighbours.

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Neighbours and Beyond

FIXING THE STATUS QUO OF CHINA AND CEE COOPERATION

Liu Zuokui

"The 16+1 Cooperation" is one of the innovations in China's diplomacy towards Central and Eastern European countries. Four years have passed since the beginning of this cooperation framework in 2012, and it is constantly being enhanced, playing an important role in promoting cooperation between China and CEE countries, as well as in developing China-EU relations.

The overall development track of "the 16+1 Cooperation" is to actively promote regional cooperation in the first instance, to push forward connectivity between China and the EU, then to put "the 16+1 Cooperation" in 16 CEE countries and to strengthen industrial cooperation with these countries. Despite the changes in the track of the cooperation, the substance and tone of "the 16+1 Cooperation" have maintained stability. Apart from the first stage, i.e., the Summit of China and Central and Eastern European Countries in Warsaw, which is mainly to promote regional cooperation, the distinct focus of the other stages is on the promotion of the "Belt and Road Initiative". It could be said that "the 16+1 Cooperation" is a regional initiative, which is deeply influenced by the "Belt and Road Initiative".

THE ACHIEVEMENTS OF "THE 16+1 COOPERATION" SO FAR

"The 16+1 Cooperation" has promoted cooperation between China and CEEC; meanwhile, it has included important parts of the "Belt and Road" initiative (BRI, formerly OBOR) in its own development strategy and formed a series of achievements.

First of all, it has achieved the basic layout of BRI in Europe and promoted the connectivity between China and the EU. At the

Bucharest Summit in 2013, the "Silk Road Economic Belt" was included into the layout of the "16+1 Cooperation", which went through meticulous substantiation before its enactment. The Institute of European Studies of CASS took part in the research jointly proposed by the Department of International Economic Affairs of the Foreign Ministry of China and the Department of Western Development of the National Development and Reform Commission, prepared and submitted reports on CEEC's participation in the "Silk Road Economic Belt" from different perspectives, such as the geopolitical position, economic potential, country risk, bilateral relations and existing cooperation frameworks and mechanism.[1]

At the Belgrade Summit in 2014, the layout of the Maritime and Land Silk Road was discussed, with the establishment of new plans to create links with Central and Eastern Europe, which are the North Line and South Line projects of Europe in the layout of OBOR. The main route of the North Line is the Eurasian Land Bridge, which starts from inland provinces and Western China, via Xinjiang, Central Asia, Russia and Europe (mostly CEEC). Along this route, several train lines have been opened, such as Yuxinou (Chongqing-Xinjiang-Europe), Hanxinou (Wuhan-Xinjiang-Europe), Chengdu-Europe International Freight Express Rail, Zhengzhou-Europe International Block Train, Su-Man-Eur Train (Suzhou-Manzhouli-Europe), and others.

The proposed South Line starts from the southern coastal cities of China, via a shipping route to the Mediterranean and Piraeus port of Greece, then via a Hungary-Serbia high-speed Railway reaches inland Europe. In December 2014, Prime Minister Li Keqiang, during his visit to Serbia negotiated with Greece, Serbia, Hungary and Macedonia and settled on the construction of a "China-Europe Land-Maritime Express Line" on the basis of Greece-Macedonia-Serbia-Hungary Railway lines.[2] At present, through Greece's privatisation, Chinese enterprises have become the largest shareholders of the Piraeus port of Greece. On 21st January 2016, Hellenic Republic Assets Development Fund agreed that China COSCO (Hong Kong) would pay $401 million[3] for the acquisition

of 67% stake of Piraeus Port Authority. The construction of the Serbian part of the Hungary-Serbia Railway line was launched in December 2015.

At the Suzhou Summit in November 2015, the construction of OBOR and international industrial cooperation have been further promoted actively, and the three construction stages of the Maritime Silk Road have been continuously advanced, namely the construction of China-Europe land-sea Express Line, the construction of the Hungary-Serbia Railway and the cooperation involving the ports of the Adriatic, Baltic and Black Seas. The cooperation of these ports is a bigger project, involving almost all the main ports and terminals in CEEC and promotes further steps of interconnection between China and Europe.

Secondly, a series of institutional guarantees and platforms have been formed, which actively promote policy communication between China and CEEC.

CEEC and China have respectively put forward various cooperation frameworks and mechanisms, involving various industries and fields. These frameworks and mechanisms have enriched China-CEEC cooperation, actively pushed forward OBOR into further steps with CEEC, thus realising a multi-level, multi-field and all-round policy communication.

Table 1: Coordination mechanisms or platforms that have been completed or are under construction in the context of "16+1 Cooperation"

Coordination Mechanism or Platform	Site of Secretariat	Organiser	Progress
16+1 Agency for the Promotion of Tourism and Association of Enterprises	Hungary	Hungarian Travel Company	Completed

16+1 Union of Colleges and Universities	On duty	Ministry of Education of each country	Completed
16+1 Contact mechanism for the promotion of investment	Poland	Polish Information and Foreign Investment Agency	Completed
16+1 Commercial Union	Poland (executive agency), China (Secretariat)	China Council for the Promotion of International Trade	Completed
16+1 Union of Governors	Czech	Czech Interior Ministry	Completed
16+1 Association for the Promotion of Agriculture	Bulgaria	Ministry of Agriculture and Food	Completed
16+1 Technology Transfer Center	Slovakia	Science and Information Centre of Slovakia	Completed
16+1 Think Tanks Network	China	Chinese Academy of Social Sciences	Completed
16+1 Transportation Infrastructure Cooperation Union	Serbia	Serbian Ministry of Transport	In-progress
16+1 Logistics Cooperation Union	Latvia	Ministry of Transport of the Republic of Latvia	Completed
16+1 Forestry Cooperation Union	Slovenia	Ministry of Agriculture, Forestry and Food, Slovenia	Completed

16+1 Health Cooperation Union	To be determined	To be determined	In-progress
16+1 Art Cooperation Union	To be determined	To be determined	In-progress
16+1 Customs Cooperation Union	To be determined	To be determined	In-progress
16+1 Energy Cooperation Union	Romania	To be determined	In-progress

(organised by the author)

So far, China and CEEC have established at least 15 coordination mechanisms or platforms which have been completed or are in-progress, involving various fields, such as economy and trade, investment, tourism, local cooperation, transport, logistics, technical cooperation, think tanks, health unions etc. This kind of coordination mechanism or platform is an innovation in the field of policy communication and is practical, flexible and targeted.

Thirdly, the active investment cooperation keeps trade smoothly flowing.

Since 2012, the investment climate in the Central and Eastern European region has improved continuously; meanwhile China's investments maintain rapid growth (see table 2 below).

Table 2: 2009-2014 China's Investment in Central and Eastern European countries[4]

(unit: $10,000s)

Country\Year	2009	2010	2011	2012	2013	2014
Poland	12030	14031	20126	20811	25704	32935
Czech Republic	4934	5233	6683	20245	20468	24269
Hungary	9741	46570	47535	50741	53235	55635
Slovakia	936	982	2578	8601	8277	12779
Estonia	750	750	750	350	350	350
Latvia	54	54	54	54	54	54
Lithuania	393	393	393	697	1248	1248
Romania	9334	12495	12583	16109	14513	19137
Bulgaria	231	1860	7256	12674	14985	17027
Slovenia	500	500	500	500	500	500
Croatia	810	813	818	863	831	1187
Bosnia and Herzegovina	592	598	601	607	613	613
Montenegro	32	32	32	32	32	32
Macedonia	20	20	20	26	209	211
Serbia	268	484	505	647	1854	2971
Albania	435	443	443	443	703	703
Total	41060	85258	100877	133400	143576	169651

According to the investment in these sixteen countries, from 2009-2014, the overall trend of growth was obvious, although different in some countries. The total number of investments quadrupled in five years from $400 million in 2009 to nearly $1,700 million in 2014. With the growth of investment, the strategic weight of CEEC in China-EU relations should definitely be raised accordingly.

A series of investments and acquisitions have actively started by the promotion of "the 16+1 Cooperation" and "the Belt and Road"

initiative. These investing activities play an important role in the improvement of bilateral economic and trade cooperation.

Table 3: Important investments and acquisitions of Chinese enterprises in Central and Eastern Europe (compiled by the author)

Relatively Large-Scale Investments and Acquisitions	Amount
Liugong of Guangxi acquired Polish company HSW (Huta Stalowa Wola)	$0.05 billion
Wanhua Group of Yantai acquired Hungarian chemical enterprise BorsodChem	$1.37 billion
CEFC acquired various Czech industries in the field of finance, real estate, entertainment, media, etc.	$0.68 billion
The Tri-Ring Group of Hubei acquired Poland's bearing company KFLT	Unknown
COSCO invested in China-Europe land-sea Express Line and acquired Greek Piraeus port	Approx. $4.12 million

Fourthly, a series of financial support tools have been formed, which have actively promoted financing.

"The Belt and Road" and other infrastructure constructions cannot succeed without financial support. Therefore, China has actively introduced various financial arrangements. For example, the Asian Infrastructure Investment Bank, Silk Road Fund and several funds for bilateral and multilateral cooperation have greatly promoted cooperation of infrastructure constructions between China and the EU. In the meantime, a $10 billion specific-purpose loan has been established in the context of China-CEEC cooperation, a $500 million investment fund (rolling plan phase II) established and a

China-CEEC financial corporation is to be set up. Moreover, China actively pushed forward cooperation with the Asian Infrastructure Investment Bank, Silk Road Fund, European Investment Bank, European Bank for Reconstruction and Development and international financial institutions in other countries and areas, in order to develop the infrastructure market of Europe.

Fifthly, local cooperation and third-party cooperation have been promoted, while China-CEEC cooperation has been strengthened in level, scale and depth.

Local cooperation has played a very important role in promotion of the construction of the Eurasian Land Bridge. The first freight train line, Yuxinou (Chongqing-Xinjiang-Europe), is the outcome of local cooperation. At the Meeting of Heads of Government of Central and Eastern European Countries and China in Romania 2013, for the first time support for local cooperation was proposed, which underlined that "in order to encourage and support local cooperation, local cooperation will be one of the key supports for China-CEEC cooperation. Support the establishment of a China-CEEC Association of Chambers of Commerce, joined by the Chambers of Commerce of China and CEECs on a voluntary basis".[5] Currently, local cooperation has achieved many accomplishments: Prague (Czech Republic), Lodz (Poland), Budapest (Hungary), Zagreb (Croatia), Suzhou, Ningbo, Sichuan and Tangshan (China) have participated in promoting for local cooperation.

The special geographic location of the Central and Eastern European area determines that a third-party will certainly play an important role. The US, Russia, Germany and the EU occupy a large area, while the bonds of Eurasia and open markets, Turkey, Greece, international financial institutions, NGOs and transnational organisations are distributed throughout this area, which creates conditions for third-party cooperation. At the Meeting of Heads of Government of Central and Eastern European Countries and China in Romania in 2013, China for the first time proposed "Encourage Chinese and CEEC businesses to discuss the possibility and opportunities of using the convenient geographic location and favourable investment conditions of China and CEECs to jointly explore third markets".[6]

The same statement was made at the Belgrade Summit in 2014.[7] At the opening ceremony of the China and Central and Eastern European Countries' Economic and Trade Forum in Suzhou, Chinese Prime Minister, Li Keqiang, once again emphasised that China-CEEC cooperation is an open and inclusive cooperative platform, and third parties are welcomed.[8] China's infrastructure investment in CEE countries can consider using the key technologies of the Western European countries. Moreover, the invitation for Greece, Austria and the European Bank for Reconstruction and Development at Suzhou Summit was an obvious intention to promote third parties in China-CEEC cooperation. So far, Greece, Belarus and Turkey have become third parties in the context of "the 16+1 Cooperation".

ISSUES NEEDING TO BE ADDRESSED OF "THE 16+1 COOPERATION"

Firstly, how to deal with relations among stakeholders in the Central and Eastern European area, the EU, the US, Germany and Russia.

As mentioned above, Central and Eastern Europe is an area with great powers. In this region, the EU maintains a strong economic existence and regulations; the US maintains a military presence (security framework within NATO); CEE countries are backyards and a traditional sphere of influence of Germany; and Russia has major interest and concerns in the CEE countries. Central and Eastern Europe becomes a geostrategic hub region because of its complex geographic location. Its special and sensitive position also hinders China's policy communication and confidence-building. The tense relations between the Western countries and Russia have also raised challenges for coordinating relations among Eurasia stakeholders.

The EU has always suspected the motives of sub-regional cooperation, such as "the 16+1 Cooperation", and believes that this is a "divide and conquer" strategy towards the EU.[9] For example, Poland was absent at the Belgrade Summit in 2014, which to a great extent was due to pressure by the EU, because the EU insisted that

Poland should have developed relations with China in the context of the EU.[10]

The role of the US cannot be ignored either. The US maintains a strong military presence in Central and Eastern Europe. Taking advantage of the security framework of NATO, the US has a lock on the political and military development of 16 CEE countries. Even though the US officials rarely state their stand on "the 16+1 Cooperation", they keep exerting influence on Poland, the Baltic countries and the Eastern Balkans. With the Ukraine crisis, the US-led NATO has continuously strengthened its presence in Central and Eastern Europe.[11]

CEE is in Germany's backyard and in its traditional sphere of influence. The German Government once openly doubted China's motives for developing sub-regional cooperation with 16 CEE countries, and believed it would ruin the EU's regulations, undermine EU unity and meanwhile affect Germany's interests in CEE. While China was actively promoting connectivity with the Western Balkans, Germany dominated the EU in August 2014, to start the "Berlin Process", which promoted the Western Balkans to accelerate integration into the EU. Germany actively distributed projects of the Western Balkans' connectivity, while EU rules constrained and regulated China's investment in the Western Balkans.[12]

Russia's influence should not be ignored either. Europe is one of the footholds of OBOR with a developing path towards Eurasia. China's original development road map towards Eurasia was trade and investment facilitation, promotion for connectivity and establishment of a free trade area. However, this route design met with difficulties in the Shanghai Cooperation Organisation (SCO) in Central Asia. China had planned to promote the SCO to play various roles, not only involving security cooperation in the anti-terrorism field, but also being an organisation that promoted economic trade cooperation. However, Russia disagreed with this. The economic space of Central Asia and Eurasia is very important to Russia, therefore, Russia insisted on taking the lead in the spatial conformity of Eurasia and economic integration. Thus, it is difficult for China to plan the promotion for Eurasia FTA, instead having to focus on two main themes, namely the promotion for trade and investment, and

the infrastructure connectivity, in order to solve the problem that trade in Eurasia is accessible but not smooth.[13]

Secondly, there have been a series of challenges for keeping trade flowing, which need to deal with a decline in bilateral trade, a trade deficit, as well as the Greenfield and Brownfield investment demand of CEE countries.

At the Warsaw Summit in 2012, the two parties together set the ambitious goals for trade development, that China would actively promote bilateral trade with the volume of trade achieving $10 billion in 2015.[14] However, the promotion measures by both parties were not effective, and in recent years, the trend of negative growth has been quite apparent (see table 4 below)

Table 4: The import and export trade growth rate between China and CEE countries 2012-2015[15] (unit %)

Country/Year	2012	2013	2014	2015
Poland	10.8	3.0	16.1	-0.6
Czech Republic	-12.6	8.3	16.2	0.3
Hungary	-12.9	4.3	7.3	-10.6
Slovakia	1.8	7.6	-5.2	-18.9
Estonia	2.5	-4.4	4.7	-13.4
Latvia	10.0	6.7	-0.7	-20.2
Lithuania	21.0	5.3	0.1	-25.8
Romania	-14.2	6.7	17.8	-6
Bulgaria	29.4	9.8	4.4	-17.1
Slovenia	-2.9	17.2	8.8	2.5
Croatia	-15.2	8.8	-24.5	-2.7
Bosnia and Herzegovina	-1.9	60.3	185.8	-64.1
Montenegro	63.6	-38.8	106.1	-24.7
Macedonia	-7.5	-24.9	-2.1	31.3
Serbia	8.5	19.1	-17.5	2.2
Albania	11.6	15.8	1.7	-1.5

According to statistics, from 2012 to 2014, economic and trade cooperation between Poland, Bulgaria, Bosnia and Herzegovina, Montenegro and China has increased visibly, while other CEEC countries have had their ups and downs. However in 2015, there was a trend of negative growth of import and export trade (except for Macedonia and a few other countries), and the decline trend was quite evident. This decline trend is connected with domestic stabilising growth and restructuring, and with the rise in raw material and labour in China, which put competitive pressure on China's exports to CEE countries. From the perspective of CEE countries, their export and import capabilities were influenced by the economic and financial crisis.

In addition, in the economic and trade cooperation between China and CEEC, there has always been interference by the EU's anti-dumping and countervailing measures, which have a negative effect on the sustainable development of a bilateral economy. In the meantime, China has a large trade surplus extensively with CEEC, which always arouses the attention of the other party. Recently, the Czech media have questioned the Chinese Government's perverse subsidies in trade deficit.[16]

China's investment in CEEC has also faced difficulties to some degree. In general, Chinese enterprises prefer to adopt the mode of acquisition for obtaining the European market, technology and management experience, seize the opportunity for industrial upgrading, and move upstream of the international industrial chain. However, CEE countries prefer Greenfield or Brownfield investments and hope that China's investment can practically solve local employment issues. A series of acquisitions of Chinese enterprises in CEEC caused anxiety around security issues in several countries. In March 2016, the famous Czech magazine RESPEKT reported on China's investment in the Czech Republic with the magazine cover depicting an unattractive panda (representing China) picking up a lowly mole (representing the Czech Republic) with chopsticks, with the intention of eating it, with the caption: "we're afraid that the smiling friend from the East will buy away the Czechs".[17] On 9th February 2016, on the official website of the Visegrad Fund,

an article was published by Olga Lomová, Professor of Charles University of the Czech Republic, and observer of China. In the article Czech-Chinese Honeymoon, it was emphasised that a series of acquisitions by China in the Czech Republic was a risk to the security of the Czech Republic, and even to the EU.[18]

Furthermore, the industrial cooperation, which is promoted actively by China, has a low degree of recognition in CEEC. In the meantime, there is an excess capacity throughout Europe, such as steel products.[19] International industrial cooperation also triggered complex responses in the EU. On 15th February, 2016, the steel industry and several sectors in the EU mobilised around 4,500 citizens and demonstrated at the European Headquarters in Brussels trying to dissuade the EU from granting Market Economy Status to China, in order to avoid unemployment following the large volume of steel exports to the EU. Since 2014, there have been [15] trade investigations by the EU against Chinese products, including 8 investigations on steel products. If China was granted full Market Economy Status, it would no longer be valid for the EU to impose high tariffs or other protective measures on China's steel exports under the name of anti-dumping.[20]

Thirdly, the process of promoting path connectivity faces problems in how to deal with Eurasia and the Balkans, areas with numerous crises and continuous turmoil.

The connectivity conditions in Eurasia are complex and varied in different countries, therefore, it is difficult to be promoted effectively. The refugee crisis of Europe, Ukraine crisis and terrorism are troubling Eurasia and the Balkans. The Balkans are one of the key nodes on the construction of the Maritime Silk Road, and are currently impacted by a series of crises. The refugee flow has caused great disturbances to peace and stability in the Balkans. Terrorism is entering Europe through the Balkan route. The large-scale population flow and tragic situations of the refugees provide fertile grounds for terrorism and extremism to grow and spread. The militants of the extremist organisation ISIS, and other terrorists, entered Europe via Greece by boat and began to cause chaos. The Ukraine crisis has caused the intense relations

in Eurasia, while the EU and Russia have confronted each other and imposed sanctions. This is an additional challenge for China that needs connectivity in Eurasia. Since the Ukraine crisis shows no immediate signs of ending, both the physical connectivity and regulation connectivity of Eurasia have faced difficulties. As the Polish Foreign Minister, Witold Waszczykowski, addressed in his speech on 25th April 2016, at the Chinese Academy of Social Sciences, the indispensable condition of the implementation of the "Belt and Road" initiative is security. The land bridge across Europe and China should be established solidly on a reliable pillar. If the friction between Ukraine and Russia continued, it would do great harm to OBOR. Ukraine could be an important bridge between Asia and Europe, but the premise is that Ukraine has to be independent, stable and economically prosperous.[21]

Fourthly, how the financial cooperation deals with the collisions of regulations between China and EU has to be examined.

Although China has put great energy into promoting bilateral cooperation of infrastructure constructions and finances, there have been larger bottlenecks for investment and financing because of the EU's rule limits. For example, at the Warsaw Summit in 2012, a special-purpose loan in the amount of EUR 10 billion was granted, but because of the EU's rule limits, most of the loans were used in the Western Balkans. China's loan on favourable terms usually needs sovereign guarantee of the recipients, however, if the CEEC with the EU's membership provided a sovereign guarantee, the level of debt would exceed EU's standards therefore unable to receive China's concessional funds. China's rules of investment loans are in contradiction with the EU's rules, which led to unsatisfactory investment and financing results.

Fifthly, how to effectively promote people-to-people connectivity and how to deal with unfriendly attitudes towards China's initiatives need addressing.

International public opinion also includes negative reports on "the 16+1 Cooperation" and the "Belt and Road" initiative, which cannot be ignored. For example, European Think-tank Network on China (ETNC), in its article "Mapping Europe-China Relations: A Bottom-

Up Approach"[22] proposed that "the 16+1 Cooperation" was "not sustainable";[23] senior researcher of Stanford University, Francis Fukuyama, mentioned "the model of exporting",[24] and believes that China's development model is based on massive state-led investments in infrastructure, which is exported towards Eurasia, but China's plan might be hindered by the turmoil, conflicts and corruption of Eurasia; while ECFR came up with "weaponising interdependence"[25], and thought that China's promotion for connectivity plan would cause connectivity wars.

In several CEEC countries, unfriendly public opinion is still present towards China, and ideological prejudices hit the headlines every so often. For instance, in November 2015, Polish President, Duda, during his visit to China was wearing clothes marked "Red is bad", while boarding a plane. For the Polish right-wing, "red" represents Communism. This was immediately picked up by the media.[26] According to the Pew Research Centre, from 2005 till present, Polish people have had a relatively low favourable attitude towards China among the European countries.[27] For historical reasons, the Czech Republic has always felt hostile towards socialist countries, while the Czech government still refuses the entry by the Confucius Institute into its capital, Prague. The Czech Artists' Association once replaced the President's flag with red underpants, at the President's offices, satirising President Zeman's intimate relations with China and Russia. In general, China-CEEC relations have experienced rapid development, but negative public opinions towards China have not fundamentally changed.

POLICY SUGGESTIONS

(1) To actively create conditions and promote policy communication

Firstly, to focus on cooperation between various frameworks and platforms and achieve mutual agreements. "The 16+1 Cooperation" is only a supplement to China-EU cooperation; hence its function is relatively limited, especially in the early stages of development

and the subjects cannot be extended without restrictions in every important field, especially in the political fields involving security. To maintain the vitality of cooperation, strategic cooperation must be promoted and in this regard, "the 16+1 Cooperation" and OBOR have achieved something. Regarding the security issues faced by CEEC, they can be solved within the framework of the UN or within the EU and related sub-region frameworks or regional security framework (such as the Organisation for Security and Cooperation in Europe). China can strengthen connectivity among various platforms or mechanisms and rely on each other.

Secondly, to further open platforms. OBOR undoubtedly provides "the 16+1 Cooperation" with a wide platform and development space. Thus, in the future it is necessary to tap into the potential of local cooperation and third-party cooperation. It is essential to attract more stakeholders to become part of this, to further open the observer system, to attract the EU and its Member States, international financial institutions and international organisations taking part and to release greater energy of the platform. The EU is an inevitable influencing factor in "the 16+1 Cooperation", and the promotion for China-EU connectivity can be done through this. Meanwhile, China should actively promote the significant EU Member States, such as Germany and France, to be third parties in the China-CEEC cooperation.

Thirdly, to strengthen the knowledge of relevant laws and regulations of the EU. CEEC have fully connected with EU in the laws of various fields (even CEEC without EU membership), therefore, it is a necessary condition to know the EU's relevant laws for the promotion of "the 16+1 Cooperation". Meanwhile, the successful experiences of business management in CEEC, such as Huawei, should be studied in order to know the invisible regulatory barriers for investment in CEEC.

(2) To develop even greater China-CEEC cooperation, to actively promote smooth trade flow and push forward infrastructure connectivity

China should strengthen the promotion of exemplary engineering, to create new highlights of China-CEEC cooperation, to provide clearly the model of cooperation between OBOR and industrial cooperation, to complete construction of the Hungary-Serbia Railway within two years, to actively build the China-Europe land-sea Express Line, to have successful cooperation of the ports of three seas and to accelerate connectivity.

In the process of "going global", it should be established that enterprises are pioneers and pacesetters. Enterprises need to focus on communication with various countries in the fields of culture, education, etc. Based on the principal status of overseas investment, enterprises should work by the international rules and market rules, focus on the establishment of international social accountability of Chinese enterprises, know in-depth local economic and social development demands, support increasing local employment, emphasise the cooperative spirit with openness, inclusiveness and mutual benefits, and to remove the misgivings of CEEC.

(3) Based on the long-term strategy, to improve financial support tools of bilateral cooperation

Effective integration of various financial tools is necessary, and forming lasting and steady financial support, focusing on the financing demands of CEEC, actively discussing the establishment of a 16+1 investment bank, supporting the establishment of regional and multilateral international financial companies, such as a "16+1" financial company, actively learning the managing experience from international financial institutions in CEEC, insisting on market-orientation and providing financial guarantees for bilateral cooperation.

(4) To strengthen publicity, to insist on an "enterprises-first" strategy and to promote people-to-people connectivity

China needs to advocate the positive ideas of the "Belt and Road" initiative and "the 16+1 Cooperation", to enhance mutual trust and remove misgivings and to expand the channels of cooperation. In the process of publicity, the principle can be based on China's enterprises and NGOs with the Government's support and follow-up. It will be more acceptable to allow enterprises to give publicity, which is easier for influencing society and media. Enterprises always connect their own investment and "going global" with the political significance of OBOR and "the 16+1 Cooperation", therefore, they can tell better "Chinese stories".

To increase funding for CEEC scientific and academic institutions, it would be important to establish joint centres for Chinese studies in CEEC, thus enhancing the understanding of CEE elites towards China.

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