

# The Baltic Sea Region: Hard and Soft Security Reconsidered

Editors:

Māris Andžāns

Ilvija Bruģe



LATVIAN INSTITUTE OF  
INTERNATIONAL AFFAIRS

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Latvian Institute of International Affairs  
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## The Baltic Sea Region: Hard and Soft Security Reconsidered

The Baltic Sea region has experienced profound alterations since the Cold War, and the region's course of evolution is likely to continue as such. The book "The Baltic Sea Region: Hard and Soft Security Reconsidered" provides a collection of opinions that assess the current situation both in the military as well as non-military fields, with a particular focus on the aftermath of the 2016 NATO Warsaw summit and the state of the play of the regional infrastructure interconnections. The book is the result of successful collaboration between the Latvian Institute of International Affairs, the Public Diplomacy Division of NATO, the Friedrich-Ebert-Stiftung and the Nordic Council of Ministers.

**Editors:** Māris Andžāns, Ilvija Bruģe

**Scientific editor:** Andris Sprūds

**Authors:** Mika Aaltola, Kristiāns Andžāns, Māris Andžāns, Reinis Āboltniņš, Ilvija Bruģe, Tomas Janeliūnas, Kai-Olaf Lang, Wojciech Lorenz, Claudia Morsut, Henrik Praks, Gunda Reire, Kristina Rimkūnaitė, Anke Schmidt-Felzmann, Bengt Sundelius, Margarita Šešelgytė, Ivan Timofeev, Viljar Veebel

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# Introductory Remarks: A Contested Region in the Times of Constant Realignments

Māris Andžāns

The shores of the Baltic Sea have experienced profound changes during the 20<sup>th</sup> and 21<sup>st</sup> century. During the Cold War, the region was dominated by the Soviet Union and its 1955 “Warsaw Pact” subsidiaries to cover the Eastern and the Southern shores of the sea whereas the non-aligned Sweden and Finland covered most of the remaining parts. Regional and cooperative interaction dynamics were considerably limited by the international system level factors and actors.

The collapse of the Soviet Union allowed to unfold a multi-layer and multi-level regional cooperation dimension. It raised prospects of further regional rapprochement and integration among the countries at the shores of the sea – both at the national and sub-national levels, such fields as the political, economic, societal, environmental and others. Institutionalized multilateral cooperation formats and bilateral mechanisms have since then promoted cooperation. Interaction particularly intensified between and among the Baltic states and the Nordic States as the later assisted the Baltic states to undergo significant reforms in their state re-building processes after the occupation of the Soviet Union.

The relative cooperative optimism of the 1990s started to fade with the definition and re-definition of the strategic priorities of countries surrounding the Baltic Sea. Russia gradually became increasingly assertive in establishing and following its own path with its implications also for the Baltic Sea region that among other things included a higher level of centralization of its regional cooperation policies. By 2004, not only Sweden and Finland but also Poland and the Baltic states had joined the European Union and all but the two former ones had also joined the North Atlantic Treaty Organization (NATO). The Baltic Sea region has become

increasingly “Europeanised” and “Westernised” in political, economic and military areas, particularly when compared to the Cold War period.

The prospects of a multi-level and multi-layer cooperative Baltic Sea region model increasingly faded away with the assertive Russia’s foreign policy in the territory of the former Soviet Union and beyond. Its 2008 war with Georgia and intervention in Ukraine since 2014 markedly decreased the levels of trust towards Russia in the societies and political elites of the Baltic states and Poland in particular, leading to definition of Russia as a meaningful source of threats. Russia also has steadily increased its military capacity and activity in the waters of the Baltic Sea, the air space above the sea as well as on the ground near the Baltic states and Poland.

61 years after the inception of the “Warsaw Pact”, “Warsaw” symbolically bears a very different meaning. Decisions taken at the 2016 NATO Summit held in Warsaw paved the way for major practical steps in reinvigorating the Article 5 of the 1949 North Atlantic Treaty. Most importantly, the heads of state and government of NATO agreed to establish an enhanced forward presence in Estonia, Latvia, Lithuania and Poland. It is expected that the enhanced forward presence along with other enhanced and NATO mechanisms will serve as a credible deterrent against potential cruel intentions of Russia. However, regardless of Russia’s intentions in the region, Russia possesses military capabilities that make the Baltic states practically indefensible in the case a full spectrum of Russia’s potential is employed. Therefore, not only effective and credible deterrence but also dialogue with Russia is essential to decrease the risks of intended or unintended escalations.

Not only in the military realm has the Baltic Sea region seen considerable realignments. The Baltic states have traditionally been considered as an “island” in the European Union both in terms of their energy and railway connections, given the inherited connections from the past. With the already completed and ongoing projects in connecting their natural gas and energy grids with the Nordic countries and Poland as well as with the establishment of a liquefied natural gas (LNG) terminal in Lithuania, the Baltic states, as a minimum, have become as an “energy peninsula” of the European Union. The expected construction of the “Rail



Baltica” railroad line – a “European gauge” connection – will increase the connectivity not only between the Baltic states but also with their neighbours and the Western European countries in the longer term. Even though different unresolved issues in regards to the energy and railway connections remain, the interconnectivity of the European Union member states of the Baltic Sea region will increase. Simultaneously, interaction between the Baltic states and Russia is likely to decrease – not only in the energy sector, but also in the cargo transportation, since a gradual reorientation of Russia’s cargo is likely to be inevitable towards its own ports. At the same time, the natural gas connection established by the “Nord Stream” between Russia and Germany will retain a meaningful Russia’s role in the energy policy of some of the countries in the region for a foreseeable future.

There are different other risks related to the interaction among some or all of the Baltic Sea region countries as well as the internal and external factors resulting, for example, from uneven development and socio-economic cohesion in some parts, or societal cohesion– not only on the Eastern side of the Baltic Sea but also in the Nordic countries as a result of their liberal immigration policies and the related risks of radicalization of certain groups of societies. Such risks decrease resilience of societies and states and also serve as a fruitful ground for influence of external actors, including Russia and organizations of Islamic radicals. Even though not on the top ranks of national security agendas, not less significant are the issues related to the environmental protection resulting in equal and undivided risks to all of the countries of the region, in particular related to the pollution of the sea waters. Therefore, the cooperation in the environmental protection has one of the highest (if not the highest) potential for win-win cooperation among all of the Baltic Sea region countries.

The region has experienced profound alterations since the Cold War and such region’s course of evolution is likely to continue. The following collection of opinions by various authors from different countries of the Baltic Sea region will address most of the issues sketched out above and will outline both converging and diverging perceptions on the current and the future challenges of the region.

# Possible Nordic-Baltic Security Developments and Responses in Face of the Russia Challenge: A Perspective from Finland

Mika Aaltola

When it comes to value chain and security of supply dependencies, the Baltic Sea is a very clear example of a highly interdependent maritime region. Theoretically speaking, the main arteries of the coastal states make the stability of the region key to all, a win-win situation. However, interdependence increasingly takes the form of competition, not only in military or geopolitical terms, but also in geo-economic terms concerning markets, resources and technology. Win-Wins are increasingly replaced by a more zero-sum power games that highlight the abuse of asymmetric position and strategic plans to make others more dependent on one's geo-economic frameworks. It seems that in the Baltic Sea region Russian geopolitical challenge is increasingly based on using functional modalities, such as energy, to support its other geostrategic interests. At the same time, the U.S. geostrategy has also shifted accordingly. The focus is increasingly on the management of the key institutions and the securing of global critical infrastructure and flows.<sup>1</sup> This paper maps the overall security dynamics in the region, especially in the case of Finland and Baltic Sea security of supply to examine the likely future scenarios of networked and collective security in the region.

Western liberal world order has long been based on rule-based and market-driven economic interdependence. Another cross-cutting theme has been democratic political solidarity based on models of democratic peace. For a long time, the relative increase of multipolarity has been seen as one of the key challenges to the liberal world order. The underlying sense of challenges has been reinforced by the West's own internal

problems, most recently Brexit. The still lingering financial and economic crises have left internal cohesion weaker. This weaker cohesion has been amplified by Russian policies meant to increase the cleavages and highlight disunity. Internal problems of the liberal order and the growing non-liberal challenge can be seen as feeding each other when it comes to the overall pattern of change in the current world order. The change in the Russian internal and external policies towards a more centralized state and a more nationalistic foreign policy can be seen as one manifestation of the underlying challenge. For the Nordic-Baltic region, the Russian challenge is the most tangible. In a sense, the region that has been well interknitted to the Western liberal order is part of a neighbourhood facing much of the Russian pressures.

For the states in the Nordic-Baltic region, there have been two key adaptive pressures. Since the end of the Cold War, the main pressure was to create open state strategies that allowed the integration into the regional and global models of the liberal world order. The second underlying pressure – the need to secure state sovereignty and territorial existence – receded into the background due to the primacy of economic prosperity. In today's world, the Russian challenge has reminded the states in the region of the importance of the second set of concerns. Geopolitical needs have re-emerged. They manifest themselves in the form of gearing up defence-related solutions and networks. However, the heightened geopolitical tensions also translate into the realm of economy. Especially in the field of energy politics, the states in the Nordic-Baltic region are concentrating their efforts to lessen the dependencies they have on Russia. Therefore, for example Finland's decision concerning the Fennovoima nuclear power plant has raised questions, because of the role of the Russian company Rosatom in the project.

## SMALL, BIGGER AND MAJOR STATES

For the Nordic-Baltic states, the adaptive pressures seem to be becoming increasingly contradictory. The need to create open economies and connected societies in order to survive in the specialisation games of global interdependence is complicated by the need to secure their

territories and enhance their security against possible external threats. The studies on smaller state foreign policy draw relatively bleak conclusions when it comes to small state agency. Lately, it has become fashionable to claim that smaller states should be agile. Namely, their actions should be based on the fast yet strategic manoeuvrability to take advantage of a chancy environment. The trend towards agility was born in the post-Cold War environment where economic interdependency was the context where states devised their strategies for economic growth. However, these strategic advises might not be applicable to change any geopolitical environments.

The world where the Baltic Sea states navigate is beyond their direct control. Much of the models of international relations are biased towards major states. From this perspective, smaller states' foreign policy might be regarded as less important or even irrelevant. An even more negative view might hold that such foreign policy would not be merely harmless but instead a potentially regressive and a source of disruption for realist major power politics. As the geopolitical constraints are being reintroduced to the Nordic-Baltic international environment, the life for the smaller states is becoming increasingly complex. At the same time, the geo-economic pressures are still at play. States face the imperative of adapting their national economies into the feverish competition to survive in the globalizing world economy.

The smaller states' foreign policy during the Cold War years was concentrated on the limited and constrained capabilities in a global structure dominated by superpowers. Besides emphasizing the constrains – i.e. what the mid and smaller size states cannot do – the literature has contained more normative messages concerning what the smaller state can and should do: The small states should direct their efforts to build-up multilateral and supranational institutions<sup>2</sup>; Small states must not waste too much energy on long-term policy planning<sup>3</sup>; Smaller states should actively engage in risk-aversion since they are more inclined towards risky decisions<sup>4</sup>. Many studies have highlighted the diverse and active, yet neutral, limited, and security-focused nature of smaller state agency.<sup>5</sup>

After the end of the Cold War, emphasis has shifted towards seeing agility as a form of ideal smaller state agency. Although it involves

considerable risks, smaller states seem to be more daring in and open to the international environment.<sup>6</sup> At the same time, the role of super-powers as the defining poles of the global structures started to decrease. Other structures, such as economic globalisation and technological change, started the structuring of the international environment. Small states were seen as more capable to adapt to the emerging needs of interdependence and specialisation.

The rise of the US-dominated unipolar moment and the consolidation of the Western liberal world order was reflected in the development of the key institutions of governance and security. The liberal world order deepened and enlarged as its rule-based understanding became increasingly embodied in the existing and new international institutions especially in the realm of economic governance. In Europe, the European Union and NATO were integrating new members. During the 1990s this was framed as a form of the democratic peace model. Irrespective of the historical geopolitical map and the track-record of the major power competition, the smaller states were choosing to join the key Western political and security architectures. At the same time, they tried to modernize their economies into a web of global economic relations. The success of the Baltic States was notable as they managed to join the EU, NATO, and the Euro. The structures of the global power game were seen as changing, giving smaller states new liberty to be agile and free to choose the place in the European geopolitical map. To a degree, the expansion of NATO and EU towards the East and to the former Soviet states can be seen as agile reactions by the smaller states. They saw a window of opportunity to balance Russia by joining the Western political, security, and economic alliances. The Baltic States were agile in this process of realigning their national strategies into the general Western pattern. Finland and Sweden decided to remain militarily non-aligned but join the EU.

Despite the differences in the military alignment, all of the countries in the Nordic-Baltic region have one key cross-cutting similarity. Their national strategies since the end of the Cold War have focused on becoming connected and advanced parts of the global webs of interdependence. They invested strongly in creating open economies and

open connected societies. The driver was a vision of a small state agency that derives from becoming an open state. The idea was that states have to become as connected as possible. Yet, this openness was inherently based on a vision of societal development built on the rule of law. In the case of the Baltic States, the desire to develop towards open state platforms was complemented to a worry over the return of the geopolitical constraints. NATO was seen as security guarantee. Finland and Sweden saw that the world of interdependence changes the nature of security. The globalisation of the security scenario meant that these states articulated their security challenges in new way. Global problems – e.g. in the realm of crisis management in a geographically more distant places – became the centre of focus. Regional geopolitical tensions were seen as more unlikely in the age of global interdependence.

## DIFFERENT PERSPECTIVES IN THE NORDIC-BALTIC REGION

Although there are some cross-cutting similarities between the Nordic-Baltic states, much variability remains. Much of this stems from distinct small state historical patterns in adaptation. However, this variety sheds light on the actual foreign policies that contrast with theoretical perspectives or appeal to any intellectually tidier constructs. In research literature, the conceptual fickleness inherent in the smaller state foreign policies is often alluded to. For example, Finland has had to adapt to chancy and demanding international environment. Its national image contains multiplicity and contingency.<sup>7</sup> This rich and ambiguous content is partly captured by Mikko Majander: “In the Cold War context Finland was in many ways a genuine special case, which did not fit well into the general patterns of the bipolar world.”<sup>8</sup> He further explicates the situation where Finland fitted well into some of the signs of being a people’s democracy but was not one in many other respects. He lists further contradictions: Finland was a Nordic state but did not participate in many initiatives of the other Nordics; Finland was a neutral state but its foreign policy was unlike that of the other neutrals; Finland was part of the West-European integration but only indirectly via special agreements.

Other writers have noted how the Finnish sense of belonging pointed to its neighbour Sweden or to an extended list of neutral states including Austria, Ireland, and Switzerland which, however, were not very similar to Finland. In today's situation, Finland is increasingly defined by its membership in the European Union. However, its 1,300 kilometre border with Russia is often alluded to, as are its similarities and differences with Russia's other European neighbours. Three of these are non-NATO members: Ukraine, Belarus, and Finland. Some notable commentators such as Zbigniew Brzezinski and Henry Kissinger have recommended *Finlandisation* as a solution to the conflict in Ukraine – appeasing political relationship with Russia and limited external sovereignty yet an internal political system of one's own. This idea has been condemned by many commentators in Finland as sort-sighted or as a misinterpretation of the Finnish historical experience.<sup>9</sup> As this example reveals, the states in the Nordic-Baltic region have distinct foreign policy lines with same shared defining factors.

The Europeanisation process has led the countries of the region to adapt to highly compatible ideas concerning the overall state practice and a shared sense of major problems stemming from the institutional development of the EU. One key dimension of similarity is the same vision of state to society relations based on liberal values. This has opened the field up for key regional integration drivers: economic and societal actors. This does not apply to only relations between states, but also in the more bottom-up sense of integrating economic and societal actors. The national economies in the region are, in many cases, integrated to a degree that it is difficult to see them anymore as relatively centralized national economies.

Although differences and flexibility have continued, some could claim that many of the states have managed to manoeuvre themselves into unexceptional Western states. Joining the European Union (Finland and Sweden) and NATO (the Baltic States) was framed as an integration to and, in some cases, a return to the West. Instead of being curiosities located in the charged field between super-power camps, the states were reimagined as normal states. The change in Russian geostrategy has forced another look into the normalisation process. Especially in the Finland

and Sweden case, they are viewed by some in the region as brainteasers: They are no longer neutral; the description as non-aligned is falling out of favour; they are not NATO-members, and especially Finland maintains a strong bilateral relationship with Russia. Thus, in the field of security policy, the region still has cleavages. Norway, Denmark, and the Baltic states have solved their security dilemma through collective security arrangement within NATO. Sweden and Finland are within the Lisbon treaty's mutual solidarity arrangement. Yet, they have decided to remain outside of formal defence alliance. The justifications for these different choices have become much debated within the region since the Russian operations in Ukraine, Syria, and clear willingness to use military pressure to gain concessions.

Encounters with policy-makers and academics in the region reveal two different interpretations of the external realities faced by the states. The first one, prevalent in the Baltic States, focuses on the rough external climate where the current stormy international weather is an indicator of a more alarming and old pattern. Russia is seen as an aggressive neighbour that is trying to diminish/destroy the rule of law, destabilize the societies, and introduce lawlessness and corruption. There is a sense of great danger and tension – almost in a civilizational sense. Security is in jeopardy because of the harsh actions by the Russian regime. The events are easily read as signs of the perilous Baltic position next to a major power. Russian actions are seen as concretely threatening. The language of instability and emotional expressions of worry are meant to inspire their antidotes in actual speech acts, acts of holding on, resistance, defiance, and distancing. The pressure exerted by Russia is reciprocated in two ways: by building economically and politically sustainable rule-of-law states as a solution to getting away from harm's way and by concentrating on building strong national defence based on collective security arrangements. These two approaches are seen as functioning in tandem. The first one solidifies the state level against Russian hybrid threats and the second one focuses on national defence capabilities and on getting certainty over the NATO's Article 5 security guarantees.

NATO's main partners in the region – Finland and Sweden – has become technologically interoperable with NATO's requirements, and



have made political decision to draw as close as possible to NATO without formal membership. This has been done through the enhanced partnership cooperation and different types of 28+2 arrangements. There is increasing talk on how partner can and should be part of collective defence and on how NATO could help in times of crisis its partners. These evolving arrangements are in themselves seen as strengthening NATO's deterrence against possible aggression from Russia.

## THE CASE OF FINLAND

Finnish-Russian relationship during the Cold War years was about Finland's strategic usefulness for the Soviet geopolitical aims. At first, Finland was used to paint a cosy image of the good fruits of peaceful co-existence with the Soviet Union. This Soviet show-casing policy allowed Finland to keep its domestic policy autonomy. Later, this major power policy towards its smaller neighbour was given a reveal name: Finlandisation. The Soviet policy was not limited to Finland. It was aimed at setting a clear to follow example for the Western European countries to set themselves loose from the Western institutions.

Later on during the late 70s and 80s when the Finnish model starting to find surprising traction in the Eastern Europe, the Soviet Union changed its approach and started to demand military and political concession from Finland. Luckily for Finland, the Soviet Union soon collapsed. However, some of the same strategies and tactics were evident when Putin visited Finland on the 1th of June prior to NATO's Warsaw summit. He strongly recommended that Finland takes a neutral stance between Russia-West conflicts. Hinted towards Brexit as a model for Finland to follow. He welcomed a Finland that recognizes Russian preferences as her own core interests. Most likely these demands cannot be met by Helsinki, nor is Finland likely to join NATO in the near future.

For Russia, Finland does not exist in a vacuum. Policies towards it are no function of special relationship with the country. Russia widens more strategic aims. However, the Cold War years are over. Russia relationship is also a part of Finnish wider strategic interests in the present situation. Russia ultimately for Finland is a function of the overall stability of the

Baltic Sea region. And, Finland increasingly sees Russia as a destabilizing actor and NATO as a stabilizer.

The old showcasing and special-relationship approaches can be seen as the preferred Russian baseline approach towards Finland. If Russian aims are focused on revising the European security order, then the strategic aims with a relatively weaker neighbour go beyond mere bilateral issues. Finnish policy becomes a function of wider aims. For Finland this would mean cosy political neutrality that subtracts the Western unity and undermines harder European policy lines towards Russia. There are politicians in Finland that find the neutrality stance acceptable and even desirable. But they are currently in minority.

Many see Russia's showcasing policy towards Finland as a lure that has to be approached carefully. Finland's situation is much unlike the one during the cold war and Russia is not in the position of the Soviet Union. The Western unity matters more. However, among the key four Finnish foreign policy cornerstones is the dialogical and cooperative relationship with Russia. The other three are enhancing European Union common position, deepening defence cooperation with Sweden, and the compatibility and bilateral cooperation with the NATO and the U.S. Managing of the overall balance between these legs sets limitations on each. When it comes to Russia's policy the answer of the equation is clear. The further the Russian challenge of the prevailing European order proceeds, the more limited is the Finnish window for cooperation with Russia. It also follows that it is in the Finnish national interest to prevent the deepening of the conflictual stance between Russia and the West.

NATO membership remains an option. Finland is NATO compatible. It has a special status of enhanced partner. However, the usage of the option would contradict the Russia leg of the current Finnish foreign policy doctrine. Such decision are not taken lightly before serious problems demonstration that the Russia leg is not working for Finland in any case. Many in Finland see a geopolitical and geo-economics' map that is changing from a desirable baseline. Russia has violated the Helsinki spirit and its own fairly recent policy stances within the OSCE framework. It has lost much of trust that was put on it during the late 90s and early 00s. The lack of trust puts the onus on interests-driven politics.

To a degree, the Finnish national interests coincides with those of NATO. NATO, and most importantly the U.S., are in a situation where the defence of the alliance in the Baltics should be facilitate by Finland and Sweden in case of a military conflict. The presence of heavy air defence in the Kaliningrad region highlights the importance of Swedish territory in the security of supply of the three Baltic states. It is in the interest of the NATO that Finland can control its own territory, waters, and airspace in case of conflict. At the same time, it is vital for Sweden and especially to Finland that the Western partners can secure the sea lines of communication in the globally strategic Baltic Sea. The Baltic Sea provides the arteries for Finland. Almost all Finnish exports take place in this maritime region. Finland is highly digitalized. Almost all data flows in the sea. Many of the air traffic routes are on top of the sea. It is clear that any worst case scenarios would turn Finnish strategic position towards those able to secure the maritime region. At the same time, the Russian reliance of the same region makes any conflict scenario very unlikely.

The coinciding interest between U.S., Finland, and Sweden provides the likely direction for the coming security developments. How to enable and strengthen the shared self-interests in a way that is actionable without the NATO-membership? The enhanced partnership was a product of the year leading up to the Wales summit. Its possibilities have soon been exhausted. The developing Finnish relationship with NATO revolves around the different further options short of the membership. What are the possible roles and mechanisms for the partners in the collective defence? How could Finland benefit from its possible role as a stabilizer for the Baltic states? This question is one of give and take. It is not one of solidarity promises or single sided declarations. What might undermine the Finnish stance? The collapse of EU, weakness of NATO, and more unpredictable U.S. As demonstrated in the 2016 presidential elections.

## THE CASE OF BALTIC SEA SECURITY OF SUPPLY

Baltic Sea is defined by a hub-and-spoke of its critical infrastructure. The coastal states distinguish themselves with regard to the mobility of people, goods, and services based on their ability to act as central hubs or relay

nodes for such defining flows as trade, resources, and finance. The defence capabilities are increasingly functions of the underlying security of supply in times of crises. The overall pattern of dependencies is different from a state to state. However, the dependency for all of the states is a matter of great national interest. This might be seen as a driver for the stability in the region: Since everybody is dependent, the logic suggests that cooperative measure should prevail at the end. That said, there are some new strategies that use a toolbox of older military means in combination with critical infrastructure development to change the facts on the ground to favour less than altruistic geopolitical goals.

The local intensity and regularity of resource and trade – ranging from the flows of natural gas to those of data – are increasingly crucial indicators of a state's economic viability, its political influence, and its geopolitical stamina. Securing steady and resilient access to such global flows poses a set of domestic and foreign policy challenges to states in general, and especially to the regional smaller state. This set differs from the challenges posed by the traditional geopolitics embedded in the underlying Westphalian model, rooted in territorial notions of international order. The newer realities emphasize the need for networked capabilities and virtues of specialisation. The older one highlights the need for capabilities based on own resources, and compels towards the expansion of the resource base in order to secure more independent capabilities.

Since the Russian challenge, states in the region have increasingly been caught in a crosscurrent between these two co-existing realities, as the dynamic, flow-centric model emerges and the older territorial state-centric model recedes in the long term. However, in the short term, the resurgence of nationalism and strategies based on combination of the two models can threaten to destabilize the system.

The ability of Russia to generate regional flows in the region is clear for example in terms of natural gas. This changes the facts on the sea and the effective functional control of the sea. Functional control refers to the actual control over the main functions – such as trade and resource flows. The control of the sea is extremely important to the regional economies. In the long term, attempts to gain functional control requires reducing the

freedom of navigation operations by “outside” parties. The U.S. geopolitics has long focused on maintaining the freedom of navigation in the seas where the main arteries of the world trade are located. In the Baltic Sea, any reduction in the scale and number of such operations would inevitably tilt the balance of functional power towards Russia.

Any ability of exert functional control over and above the spontaneous dynamics of interdependence would be potent geopolitical tool. In any strategic attempt to increase its functional control over the region, military presence is as important as the infrastructure component. Russian military activity in the Baltic Sea region is expanding. Risks and brinkmanship is going to increase. Sophisticated missile systems have been introduced along with large scale military drills. Russia has demonstrated its resilience through aggressive manoeuvres and notable airspace violations.

There is long existence and well-defined rules that set parameters for different situations. Many of these rules were negotiated during the Cold War years. The Russian willingness to challenge the established rules can be read as an indicator of a desire to challenge the overall parameters of the status quo. Instead of accommodating to these rules, there is an increasing willingness to demand an overhaul of the cooperative frameworks, to start from a clear table, and set new rules for the status quo. One such goal might be to make it clear that Russian increasing functional control should one day lead into a situation where the coastal states should not depend on U.S. for their military security while enjoying the benefits of the critical infrastructure of the Baltic Sea. Russia has carved out critical position in some of the Baltic Sea supply chains, most notably natural gas. This could be interpreted to be part of deliberate strategy to expand the Russia perimeters beyond what was created after the decision by many of coastal states to join NATO.

Compared to the China’s position and strategy in the South China Sea, Russia possible role in the Baltic Sea is more modest and based on different tactics. There are similarities. State-based mercantilism is used in tandem with military pressure. These can be used to secure the access to the sea lanes and increasingly the airspace of the two maritime regions. However, the Russian hand is much weaker in the Baltic Sea

compared to the gravitational force of the Chinese economic, political, and military might in the South China Sea. Russia does not have explicit claims similar to China's Nine-Dash line. The Russian possible strategy cannot be based on explicit territorial claims. However, it may attempt to establish functional claims in some realms and use its escalatory military capabilities to enforce these functional facts.

## CONCLUSIONS: STAYING POWER OF THE RULE-BASED ORDER IN THE BALTIC SEA

As Russian recent actions and possible strategic plans indicate, the Western value-pluralism is now under persistent challenge. This challenge is not only of military nature. The potentially destabilizing influence of Russia is also based on economic (e.g. energy) and technological (cyber) asymmetries as well as on ethnic and cultural cleavages. It is also ideological as Russia is moulding itself into a more autocratic and centralized model where the state dominates the society and controls the election process. This model of strong sovereignty has appeal also in the West especially among parties and actors of the nationalistic/nativist right. The power of non-liberal and more openly illiberal and authoritarian values are transforming the context of the Western value base as new rising powers assert their place in the governance system and start to balance Western power. Can the Western liberal world order co-exist with non-liberal and illiberal tendencies? Or will more fundamental cleavages open that will necessarily cause the regression of the Western order and its regional governance systems?

John Ikenberry conceptualized the possible relations between the liberal West and its illiberal challengers.<sup>10</sup> The liberal world order has been marked by its flexible and resilient nature. It has successfully integrated new actors into its general framework of norms and institutions. Even with the recent Russian challenge in mind, the track record of the West in resolving challenges should not be forgotten. In many cases, the emerging new economic powers have felt that it is in their best interest to abide by the rules of the current world order. As a result, the relations have been managed and the new actors have brought

incremental changes rather than strong demands for an overall reform of the order.

One future option is the transformation into a configuration where the United States still plays a major, yet not hegemonic role.<sup>11</sup> The rising powers would be on a more equal footing, and the resulting order would be made governable with more informal networks of power. But Ikenberry sees the possibility for a more negative outcome as well. In this option the liberal world order would be replaced not by a more multilateral constellation but a system of competing hubs of global power with accompanying spheres of influence. These models would resemble older geopolitics between major powers. In several respects, Russia's recent rhetoric and actions seem to be based on this geopolitical option. However, it would be hard for Russia to maintain an economy needed for a sustainable rivalling sphere of power. The world is economically interlinked to a degree that the highly dependent Russia is unlikely to be able to pose a geopolitical challenge for sustained periods of time.

## ENDNOTES

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- <sup>10</sup> See: e.g. G. J. Ikenberry, "Liberal Internationalism 3.0: America and the dilemmas of liberal world order," *Perspectives on Politics* 7(1), 2009, p. 71–87.
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# Aftermath of the NATO Warsaw Summit – Effects on the Security of the Baltic Sea Region. A Perspective from Poland

Wojciech Lorenz

During the summit in Warsaw NATO decided to deploy multinational combat battalions on the territory of Poland and the Baltic States. With this decision the Allies moved from reassurance of the Allies to deterrence of Russia. Even before they managed to deploy troops, Russia dispatched Iskander ballistic missiles to Kaliningrad. The strategic negotiations between Russia and the West (about the status of the post-soviet space and the border NATO and EU countries) are in a full swing.

## NATO AND RUSSIA BEFORE THE UKRAINE CRISIS

To assess the credibility of the deterrence it is first necessary to define what we want to deter, what are the political goals of the opponent and how he could try to achieve them by military means. Russian diplomatic initiatives, military doctrine, investments in capabilities and the use of force indicate that Kremlin's political aim is to re-establish a sphere of influence on the post-soviet space and the buffer zone on the territory of NATO and EU border states. With the collapse of the USSR and 15 republics becoming independent not only has Russia lost significant economic and demographic potential, but also a part of the territory increasing her strategic depth as well. Dissolution of the Warsaw Pact also denied her a buffer zone, which gave the Soviet Union additional options in case of military confrontation with NATO and the U.S. If a cold war turned into a hot conflict with nuclear exchanges, its first phase would likely take place on the territory of Poland and East Germany, limiting

the risk of escalation up to the strategic level, when both super-powers could face annihilation. With the buffer zone, leaders in Kremlin had also more time to go into the hiding before conflict escalated and strikes could decapitate the regime paralyzing the state's command structure.

Post-Cold War Russia, inheriting power structures from the USSR almost intact and defining itself in the opposition to the West, would like to regain some of that. At least three major events might have convinced Russian leaders that they need to rebuild a credible military power to defend their interests in the post-soviet space as well as on the territory of former Warsaw Pact countries. And they need to do it fast. First was NATO's enlargement reaching the post-soviet space. Second was NATO's mission in Kosovo in 1999, when Russia did not have enough military potential and credibility to threaten the West with escalation and protect Serbia. And the third one was the U.S. decision announced in 2001 to withdraw from the 1972 Anti-Ballistic Missile (ABM) treaty, which was one of the corner stones of strategic balance between the super-powers during the cold-war. It enabled the U.S. to start a construction of a missile defence system against Iran and North Korea, but the decision to place its elements on the territory of Romania and Poland (originally also in the Czech Republic) was probably perceived by Russia as an attempt to change the status of the region. Whether Kremlin really believes the installations can be a military threat for Russia is probably less important than the fact that the presence of the installation can enhance the strategic importance of the host countries for the U.S.

Hence, President Vladimir Putin decided to intimidate the West and enforce concessions regarding the sphere of influence and the buffer zone. He is doing this by developing military potential and demonstrating that he might have a political will to use it if necessary. His tactics may be based primarily on escalating tensions and increasing the risk of unintentional conflict to undermine the cohesion of the West and exert concessions. But one cannot exclude that at some stage it could be in Putin's interest to provoke a conflict, undermine NATO's territorial integrity and coerce the West to the negotiations on the new security architecture in Europe, which would give Russia what she wants. This would not be necessarily irrational.

The assessment of trends in Russia was not overly optimistic even in the mid-1990s of the previous century. In 1995 the Finnish report stated that within many circles in Russia there was a widespread dissatisfaction with the humiliation of the former great power and that Russia might again attempt to regain its former position in Eastern Europe and the Baltic Sea<sup>1</sup>. It indicated that Russian doctrine explicitly mentioned Russian interests in “near abroad” countries, operations in Chechnya showed that Russia was ready to use force to solve conflicts, while the disputes between Russia and Ukraine about the black Sea Fleet and Crimea could be early examples of risks which might in the long term result in conflict.<sup>2</sup>

However, from the Western perspective, just because of this uncertainty of the Russian future, the only option was to lay foundations for strategic relations based on interdependence and common interests. The ultimate goal was to create a space of common security, where the neighbours would not need to be afraid of Russia, and Russia would not be afraid of West’s intentions. After painstaking some deliberations, NATO decided to enlarge. But it also decided that the process should not constitute a military threat to Russia. Hence, in the declaration from 1997 NATO reiterated that *“in the current and foreseeable security environment, the Alliance will carry out its collective defence and other missions by ensuring the necessary interoperability, integration, and capability for reinforcement rather than by additional permanent stationing of substantial combat forces”*<sup>3</sup>. New member states were offered a chance to modernize their militaries but the same possibility was granted to NATO’s partners countries, including Russia. In a gesture of confidence some allies decided to invest in Russian military capabilities. German company Rheinmettal has constructed an army-training centre in Muliono, whereas France in 2010 agreed to sell two amphibious assault ships to Russia with a know-how to build two more in Russian shipyards.

Seeing no direct threat to their territory from a state actor (apart from Iran, which was developing a ballistic missile program), Western member states were cutting defence budgets and getting rid of heavy equipment. Since the terrorist attacks against the U.S. in 2001, this trend has reached massive proportions. Most NATO countries either mothballed or gave

up the equipment necessary for territorial defence and invested in lighter more mobile forces which were not prepared for high intensity warfare. Some countries decided even to cut costs by maintaining only one set of combat ready equipment for different units. They figured out that e.g. armoured vehicles could be used by a unit participating in the mission, but the one that was making preparations for a deployment and another, which returned home, did not need combat-ready armament.

In 2010 the Alliance initiated a transformation of its command structure, which made it smaller and better adjusted to out of area operations but completely ruled out the conflict on NATO's territory in Europe. In the new strategic concept adopted in 2010 Russia was treated as a potential strategic partner, which also made it difficult for NATO to agree whether there was any need to perform collective defence exercises. The first manoeuvres of this kind being Steadfast Jazz 2013, organized in Poland and the Baltic States. Although Polish foreign minister Radoslaw Sikorski applauded France, which contributed 1000 troops, he also revealed that some other allies did not fulfil their earlier commitments.<sup>4</sup> But some trends in Russia became all too visible and NATO decided to make preparations for a large scale exercise Trident Juncture 2015 in Italy, Portugal and Spain, to start re-learning the manoeuvre warfare, necessary in territorial defence scenarios.

At least from the beginning of 2000 Russia has been gradually increasing political, economic and military pressure on its neighbours, as well as on NATO and EU to make up for the strategic losses it experienced with the fall of the Soviet Union. According to the military doctrine which was updated in 2014, the main external risk to Russian security continues to be NATO's military capabilities and the potential enlargement of the Alliance, which could bring NATO's infrastructure closer to Russian borders. The Alliance's commitment not to deploy significant military units on the territory of the new members did not impress Kremlin. To stop the enlargement president Dmitri Medvedev came up in 2008 with a diplomatic initiative of the new European security treaty.<sup>5</sup> If accepted, it would give Russia legally binding assurances that it can block any decision of a sovereign state, which Russia could perceive as a negative for its own security. Not only could it block other countries from choosing their

alliances but it would also give her right to limit the ability of NATO to defend the new member states. Just a couple of months later, in August 2008 Russia attacked Georgia and by leaving its troops in separatist regions *de facto* pushed a country into a grey zone of security, blocking it from entering NATO for indefinite future. The European security treaty initiative, this time supported by the demonstration of force, was presented in a slightly modified form again. In 2014 the annexation of Crimea gave Russia another foothold in the post-soviet space. To block Ukraine from joining NATO even with occupied Crimea (West Germany joined NATO even with its Eastern part under the communist control) also fuelled a conflict in the Eastern Ukraine and has tried to enforce the solution, which will let the separatists to paralyze the strategic choices of the country. With annexing Crimea Russia also got a significant strategic gain, which changed the balance of power in the Black Sea, putting a number of NATO countries within the range of Russian missiles and bombers.

When NATO was cutting budgets and transforming its force posture from territorial defence towards lighter expeditionary units, Russia embarked itself on the ambitious program of military restructuration and modernization. In 2010 it initiated a State Armaments Program with the goal of having at least 70% of modern equipment by 2020 and even planned to spend 310 billion Euro on equipment by 2025. At the end of 2014 some 32% of the equipment was modernized.<sup>6</sup> In 2015 50% of its 50 billion Euro defence budget was devoted to modernization, whereas in NATO a handful of countries spent 25% on investments. Even if modernization was slowed by economic challenges and corruption, Russian military was turned into an effective, well equipped, high readiness force, prepared to fight a limited, regional war.

Scenarios of Russian exercises have indicated that reformed military is able to be moved quickly taking advantage of excellent internal lines of communication, can participate in surprising offensive operations and when confronted with gradually growing threat of NATO counterattack could resort to tactical nuclear weapons to enforce the political resolution. During the 2013 Zapad exercise Russia trained nuclear attack against Warsaw and nuclear signalling that Russia could resort to nuclear weapons

during conflict, became a routine. After the annexation of Crimea, Russia started to demonstrate almost on a daily basis that it could easily exploit its capabilities and regional superiority over NATO border states. Only in 2015 it carried out 4,000 exercises and drills of varying scale. They included major unannounced, snap exercises, which enabled circumventing the obligation to notify partners and invite observers. During the exercises on 16–21 March 2015 Russia mobilized 80,000 personnel and 12,000 pieces of heavy equipment. In April 2015 some 30,000 soldiers participated in the exercises which included the operations against Bornholm, Gotland and Åland Islands in the Baltic Sea.

Russian military also demonstrates that it is not afraid of provoking an incident which could easily lead to escalation, which Russian leaders probably think they would be able to control and exploit for their benefit. The downing of Russian Su-24 aircraft on November 2015, which violated Turkish airspace, was a vivid example of possible risks. At that time, however, Russia was not prepared to turn the incident into escalation, which hints that either Putin was bluffing or it was just not the right moment for it.

Trying to establish new security perimeter outside its borders Russia has been gradually dismantling the regime of international agreements, which supported the rule of law, transparency and predictability in Europe. By annexing Crimea it violated Helsinki Final Act, Paris Charter, Budapest Memorandum and NATO-Russia Founding Act. It withdrew from the Treaty on Conventional Armed Forces in Europe (CFE), which helped to remove more than 60,000 pieces of heavy armour in Europe after the Cold War. It violates the Vienna document on Confidence and Security Building Measures. By doing so it demonstrates that the security architecture does not work and needs to be negotiated from scratch.

It hopes that the West will not be ready to bear the costs of prolonged tensions and will look for a negotiated solution on new security architecture. Russian intervention in Syria in defence of the Assad's regime, was used to facilitate such scenario. President Putin offered the idea of creating a wider antiterrorist coalition, which would be a clear signal for many western societies and politicians that Russia is a partner, not a strategic challenge. He hoped that for those countries, which feel

threatened by terrorism and uncontrolled immigration and do not see the strategic consequences of Russia's actions in Europe, cooperation with Russia in exchange for some concessions in Europe will be an acceptable attractive. For the time being it did not work.

## NATO'S REACTION

After the annexation of Crimea, NATO decided to reassure some of the Allies, who were concerned with Russia's actions and their potential consequences for NATO border states. The allies deployed small units, usually of the company size, for exercises at the eastern flank. NATO also increased a number of aircrafts participating in the Baltic Air Policing mission. However, these forces did not have a combat role. Thus, in case of conflict, they could not leave the barracks and did not increase the probability of triggering art. 5 and decisive NATO response in case of conflict. Nevertheless the Readiness Action Plan adopted during the Summit in Wales gave the stimulus for increasing the number of high readiness troops and shortening the time of their deployment. The Alliance decided to strengthen multinational rapid reaction units known as NATO Response Force to three land brigades (approx. 5000 soldiers each) supported with navy, air force and special forces. The first brigade, the so called spearhead or VJTF (Very High Readiness Joint Task Force), could be deployed within days at the eastern flank. Another brigade could reach the region within 30 days and the third one within 45 days.<sup>7</sup>

For member states, which were cutting defence budgets for years and were sometimes unable to maintain even 20,000 troops on standby for NRF purposes, this was a major effort. Only a small group of countries: Spain, Germany, France, UK, Poland, Italy and Turkey, were able to declare that they would serve as framework nations for VJTF, contributing a main manoeuvre battalion and command elements. But it was an organizational challenge for NATO as well. It took two years to go through all necessary exercises and certifications to make VJTF fully operational.

The ability to deploy troops to the region starting with small units within days and reaching a division size unit after 45 days, gave some options to politicians in case of gradually growing tensions or symptoms

of hybrid warfare against border states. However, it did not have any value in deterring Russia against exploiting its advantage in initiative, manoeuvre and local superiority to perform a surprising offensive operation against NATO.

Although NATO move was clearly not affecting Russia's security, Kremlin was escalating tensions by increasing the number and size of unannounced exercises. Hence, during the Warsaw Summit in 2016 NATO decided to move from reassurance of the alliance to deterrence of Russia. The Allies agreed to set up a "continuous rotational presence" of four multinational combat battalions (approx. 1000 troops each) with UK taking the lead in Estonia, Canada in Latvia, Germany in Lithuania and U.S. in Poland.

NATO measures were supported by the U.S. decision to strengthen its ability for a land warfare in Europe. The U.S., cutting down its presence in Europe to two land brigades (one airborne and one equipped with Stryker armoured vehicles), decided to deploy additionally one heavy brigade on rotational basis. The element of the brigade would be continuously present on the Eastern Flank. The U.S also decided to invest in two sets of heavy equipment storages in Western Europe, which should facilitate combat operations of two heavy brigades. U.S. and NATO troops would be continuously present in the border states but the units would have a rotational character.

Such a continuous rotational presence of NATO and U.S. troops have a deterrent value. If Putin's plans included taking a part of NATO territory under any pretext to undermine the credibility of the alliance and enforce negotiations it will have to calculate increased material costs of fighting additional units. Engagement of multinational troops at the very beginning of the conflict should facilitate the political decision making within the alliance increasing the probability that art. 5 will be invoked and the allies, with the strongest members at the forefront, will launch an operation to claim back the lost territory. This would increase the probability that Russia would not be able to limit the conflict to the size, which could help her exploit regional dominance.

There is also a strategic dimension to the deterrence. Continuous rotational presence is to demonstrate that for the time being NATO



is ready to respect NATO-Russia founding act and the Allies could withdraw the troops should the security environment improve. But the fact that NATO deploys troops sends also a warning that if Russia does not deescalate tensions, the allies will find resources and political will to maintain this continuous presence, which will become permanent. The same refers to U.S. troops and armament in the region. Although the United States will be reluctant to increase its military presence in Europe and expects European allies to take bigger responsibility for their defence, the new administration could decide to move storages of combat equipment to Central and Eastern European countries.

The credibility of the deterrence moves are weakened by the fact that European allies do not have sufficient number of operational forces, which could be mobilized relatively quickly for a bigger conflict. And even those troops which could be mobilized do not have necessary capabilities to fight a high intensity warfare. Although NATO defence planning addressed some shortcomings, it will take years of investments and increased spending across NATO states to build a credible capability to fight and win a war. This credibility gap could be potentially filled by the U.S., which could deploy larger units from the mainland to Europe. It is no secret though that the U.S. has not been preparing for the scenarios of military conflict with Russia and has lost both the ability to deploy significant troops to Europe quickly as well as to run a larger scale manoeuvre warfare. Although those shortcomings could make a potential conflict with Russia more costly for the U.S., American military superiority and ability to control escalation on all levels would be decisive for the final outcome.

In October 2016, before NATO troops were deployed, Russia moved to Kaliningrad dual capable Iskander missiles, which could reach the targets as far as Berlin or Prague. It also dispatched Buyan class corvettes, armed with nuclear capable Kalibr cruise missiles, which can have a range of 2500 kilometres. Putin calculates that it is only a question of time before the western societies and leaders decide that the risks and costs are too high and they will make the concessions. Especially if Russia is able to influence the results of the elections in the U.S., Germany and France.

## CONCLUSIONS

The strategic negotiations between Russia and the West about the status of the post-soviet space and the border NATO and EU countries are in full swing. Their final result will depend on the determination and unity of NATO, EU and U.S. during the election years. In this period it is in Russian interest to escalate and exert bigger pressure on societies and politicians to enforce strategic concessions. If the West demonstrates unity and strengthens the credibility of deterrence, Russia will probably will have to look for a face-saving diplomatic solution based on the current security architecture and respect for the rule of law. But one never knows whether deterrence works before it fails. If it is credible it may discourage Putin from exploiting military options, should they be on his agenda. If they are not on Putin's agenda, non-provocative deterrence will be just an insurance policy and a bargaining chip in further negotiations with belligerent Russia. But it still cannot be excluded that some individual traits of Putin's character or the prospect of potential strategic gains will make the Russian leader underestimate NATO's and U.S. political will to defend the *status quo*, encouraging him to provoke conflict. This is one unknown which is very difficult to control and also an uncertainty we will have to live with.

## ENDNOTES

<sup>1</sup> Anders Gardberg, "Åland Islands. A Strategic Survey," *National Defence College*, Helsinki 1995

<sup>2</sup> Ibid.

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<sup>4</sup> "Information of the Minister of Foreign Affairs Radosław Sikorski on the Priorities of Polish foreign Policy in 2014," *Polish Ministry of Foreign Affairs*, 2014, [http://www.ms.gov.pl/pl/aktualnosci/wiadomosci/informacja\\_ministra\\_spraw\\_zagranicznych\\_o\\_zadaniach\\_polskiej\\_polityki\\_zagranicznej\\_w\\_2014\\_roku](http://www.ms.gov.pl/pl/aktualnosci/wiadomosci/informacja_ministra_spraw_zagranicznych_o_zadaniach_polskiej_polityki_zagranicznej_w_2014_roku)

<sup>5</sup> "The Draft of the European Security Treaty," *President of Russia*, 29 November 2009, <http://en.kremlin.ru/events/president/news/6152>

<sup>6</sup> Maria Martens, "NATO Parliamentary Assembly Science and Technology Committee. Russian Military Modernization. General Report," *NATO Parliamentary Assembly*, 11 October 2015, <http://www.nato-pa.int/DocDownload.asp?ID=B488944A4D02070C01DD>

<sup>7</sup> NATO also began to adjust its command structure by setting up NATO Force Integration Units to coordinate the deployment of VJTF and rising the readiness of Multinational Corps North East in Szczecin, the only corps HQ in Central and Eastern Europe.

# Warsaw Decisions: Is the Glass Half Full or Half Empty? A Perspective From Lithuania

Margarita Šešelgytė

The 2016 NATO Warsaw summit is called a historical step, a turning point that alleviated security of the Baltic states and Poland onto the new level. The US President Barack Obama defined it as “the most significant reinforcement of our collective defence any time since the Cold War”<sup>1</sup>. After the summit, usually quite critical about the efforts of the Allies to boost security in the region, Lithuanian President Dalia Grybauskaitė declared that in Warsaw Lithuania has achieved everything it had aimed for: four battalions will be deployed in all Baltic states and Poland, an additional brigade will be deployed in Poland. Moreover, military presence in Lithuania will be very multinational (Germany as a framework nation, France, Belgium, Luxembourg, Netherlands and Norway).<sup>2</sup> Secretary General of NATO Jens Stoltenberg stated that Warsaw summit obligations send a clear message –if any from the member states would be attacked – the Alliance will react unanimously.<sup>3</sup> This message had a double target. On the one hand it was addressed to Russia drawing a clear red line – NATO borders are taboo. On the other hand it was meant to reassure and calm down Eastern members of NATO, which had been feeling quite uneasy since the aggression on Ukraine.

Reassurance measures have already produced changes in the tone of Lithuanian President, which is one of the most vocal opponents of the Russian regime in NATO. She has noted in Warsaw that Lithuanians can be no longer afraid and become more open towards the dialogue and renewal of the contacts with the Russian Federation.<sup>4</sup> Noteworthy prior to the Warsaw summit, the dialogue with Russia was considered as not acceptable and even dangerous by Lithuanian leadership. Lithuanian Minister of Foreign Affairs Linas Linkevičius on a number of occasions

warned NATO not to start dialogue with Russia as it might turn out to be a trick to get back to the business as usual.<sup>5</sup> The President, had argued a year ago that the dialogue is impossible until Moscow is “engaged in aggression” and supports “terrorist in Eastern Ukraine”<sup>6</sup>.

NATO members differed on the issues of dialogue with Russia and reinforcements in the Eastern flank. Before the Warsaw summit there was a discussion on what impact its decisions might have on Russia’s actions in the region. There were a number of those who argued that Russia would be escalating security situation and strengthening its armed forces in spite of the decisions of NATO, while the other camp was more reserved and urged NATO to take into consideration possible reactions of Kremlin. Just before the Warsaw summit, German Foreign Minister Frank Walter Steinmeier accused NATO of sabre rattling in Eastern Europe.<sup>7</sup> It seems that NATO was able to achieve a considerable rapprochement of these two different positions in Warsaw. However, it is still to be seen, which are the Warsaw decision’s long term outcomes regarding the defensibility of Baltic states and regional security. Are those decisions sufficient or just a first step in a longer strategy? In order to answer this question the paper is discussing main military and political outcomes of NATO’s summit and tries to assess them in the light of increasing escalation and potentially changing political landscape in Europe and the US.

## MILITARY SIGNIFICANCE OF WARSAW DECISIONS

The Warsaw summit, among other decisions, has approved tangible commitments to reinforce NATO’s Eastern flank. Though many of the decisions regarding the reinforcement of the Eastern flank had already been approved two years ago in the Wales summit, the Warsaw summit has expanded obligations of the Alliance and adopted concrete means to implement these decisions. NATO members in Warsaw have taken an obligation to deploy on the rotational basis four battalion size battle groups (around 1000 troops each) to three Baltic states and Poland. Four countries have taken a responsibility to become framework nations for those groups: Germany (in Lithuania), Canada (in Latvia), United Kingdom (in Estonia) and USA (in Poland). Other NATO members will

plug into these battalion groups with their capabilities. Moreover on the bilateral basis the USA will deploy additional brigade size capabilities in Poland. It should be noted that in the case of the aggression NATO forces on the ground should be reinforced by other instruments, including the Very High Readiness Joint Task Force (VJTF) approved in the Wales summit (up to 5000 troops), 30000 NATO Response Force (NRF) (that could be deployed in one month) and more reinforcements up to 45000 which could arrive in the course of three months.<sup>8</sup> This means that since the membership of Baltic countries and Poland in NATO, this will be the highest number of NATO forces stationed in the region. This is a big change considering the fact that until 2009 NATO did not have even contingency plans for the defence of Baltic states.

Moreover it should be mentioned that these countries have devoted a considerable amount of their attention to improving their own defence capabilities in the face of the deteriorating situation in the region. Defence budgets in all Baltic states and Poland have increased since 2014. Armed forces are undergoing reforms necessary to boost readiness and capabilities, e.g. in 2015 Lithuania re-introduced conscription which was abandoned in 2008. All four countries can generate around 200 000 of military personnel from active frontline personnel, not including reserve (Poland – 150000, Lithuania – 15000, Latvia – 13000 Estonia – 3500).<sup>9</sup>

Is this enough to defend those countries from a potential Russian aggression? In the summer of 2014 defence experts simulated a war game adapting the scenarios evolving in Ukraine to the Baltic states. It turned out that NATO was unable to defend the Baltic countries.<sup>10</sup> Will the situation change once the Warsaw summit's decisions will be implemented? Military experts though still have doubts if NATO commitments made in Warsaw are sufficient to defend the region in the face of ongoing escalation. In fact, an enormous gap between NATO military capabilities deployed in the region and Russian capabilities deployed at their Western borders will exist even after the Warsaw summit decisions will be implemented. After the Cold War NATO has perceived Russia more as a potential partner than an enemy, therefore it did not reinforce militarily its Eastern borders. Moreover, NATO's military presence in the region was undesirable due to the commitments

set in the Founding Act on Mutual Relations, Cooperation and Security between NATO and the Russian Federation, signed in 1997. Russia on the other hand, withdrawing its armed forces from the Soviet bloc countries, did not bother to move them further inland from its Western borders, most of them were simply redeployed to bases in the Kaliningrad Special Defence District, the Leningrad Military District, or the Kola Peninsula.<sup>11</sup> The Russian military reform initiated in 2009 has strengthened these forces, made them more professional and deployable. During the past years, the West Military District (established in 2010) has been built up. In the spring of 2016 Russian officials announced that the Western flank will be reinforced by two new divisions (from 10 000 to 20 000 troops each). The current ratio of force between Russia and NATO in the North-eastern corner of the Alliance is 10:1.<sup>12</sup> Moreover, Russia is continuously conducting snap exercises at its Western borders directed against NATO, its participating troops and military equipment significantly outnumbering NATO exercises in the region (biggest exercises conducted by Russia in the Western and Central Districts in 2014 involved 150 000 men, whereas NATO's one of the biggest exercises 'Allied Shield' conducted in 2015 involved 15 000 strong armed forces).<sup>13</sup> The Baltic states fear that Russian military drills might end up similarly to the 2008 Kavkaz exercises and the military aggression vis-à-vis Georgia had evolved into.

Military analysts therefore tend to agree that Russia can easily overrun battalions agreed upon in Warsaw and that NATO's deployments are rather meant to serve as a tripwire more than to defend the Baltic countries in the case of attack.<sup>14</sup> A report published by the RAND corporation in 2016 based on the series of war gaming exercises concluded that "the longest it had taken Russian forces to reach the outskirts of the Estonian and/or Latvian capitals of Tallinn and Riga, respectively is 60 hours" and that to avoid these cons a "force of about seven brigades, including three heavy armoured brigades – adequately supported by airpower, land – based fires, and other enablers on the ground and ready to fight at the onset of hostilities" is required.<sup>15</sup> However it is not feasible that such a scenario would come into being as US forces are over-stretched and most of Europeans lack capabilities, not being ready to significantly

increase defence spending and being pre-occupied with terrorism and migration rather than with Russia.

The ratio of the forces in the region is important but it should also be judged including the overall ratio of military power between NATO and Russia. Thus, defensibility of the region will depend on the concrete scenarios. The most dangerous are meant to hamper NATO's ability to act. The first one is cutting off the territories of the Baltic countries by occupying a narrow strip of land in North East Poland which lies between Kaliningrad and Belarus, so called Suwalki gap (called similarly to the Fulda gap – the concept that existed during the Cold war) which, if taken by Russia would not allow to reinforce Baltic states from Poland. The second scenario involves stopping NATO's reinforcements by Anti-Access Area Denial (A2AD) "bubble", territories of Baltic states both air and land are covered by Russian defence systems. General Ben Hodges indicated that Russia can reach 90 per cent of the targets in the Baltic and Black seas.<sup>16</sup> The third scenario might prevent NATO from acting as the attack might be of a hybrid nature and would not fall within the threshold of article 5. Finally, de-escalation of the conflict might be achieved by the Russian side through launching a nuclear attack on one of the capitals of Baltic states or Poland; this is considered the most dangerous scenario.

What has been done in Warsaw to avert these scenarios? The US has recently confirmed sending 900 soldiers from 2017 to lead international battalion North East Poland to protect the Suwalki gap. Though the number of forces is not immense, the US commitment to protect this strip of land sends an important message to Russia. Solutions of A2AD challenge are both political and military. Political messages sent during the Warsaw summit might work to deter Russia, however military and technical problems still exist. Part of the solution would be a closer cooperation with Sweden or an investment into the missile defence systems in Poland as well as in the Baltic states. Lithuania is considering getting Patriot missile defence system within the framework of multinational battalion, which is due to arrive to Lithuania next year.<sup>17</sup> Hybrid scenarios have been as well discussed by NATO, e.g. the Wales summit conclusions defined cyber-attacks as falling under the article 5. However NATO prefers to keep a "fertile ambiguity" when

defining article 5 in order to expand the limits of potential engagement. The most important role in the face of a possible nuclear scenario is to provide credible deterrence and clear communication. Deterrence is a psychological strategy aiming to affect the behaviour of the opponent. Thus, the final effect of the tools employed depends on the decision making chain of the opponent and its argumentation. Will the decisions of the Warsaw summit appear to Putin and his security advisers sufficiently deterring or not?

## POLITICAL IMPLICATIONS

The German Permanent Representative to NATO argues that the Warsaw summit has sent three key messages. First of all, it demonstrated solidarity and unity. Second, it showed that NATO members are able to make decisions and implement them. Finally, NATO proved of being capable to continuously adapt.<sup>18</sup> Despite political challenges, different threat perceptions and diverging attitudes vis-à-vis Russia NATO in the Warsaw summit have demonstrated unity sending a clear signal to Kremlin that NATO borders are taboo. Moreover, this unity was supported with practical actions, many of NATO members contributing militarily to the enhancement of NATO's eastern flank. Multinational presence at the Eastern border of the Alliance, among other benefits, contributes as well to the credibility of NATO's actions. Unity might be considered the most significant outcome of the summit as it is the cornerstone of deterrence and strongest weapon against Russian hybrid activities. Despite meddling within the political systems of NATO members and trying to work them against each other using the card of economic interests, the Russian President was not successful in dividing the Alliance.

Another important political implication of the Warsaw summit first of all for the region but to a certain extent also for the whole Europe is the changing role of Germany. Germany during the Cold War and after the dissolution of the Soviet Union, was probably one of the most pacifist countries in Europe, position that derived from the German strategic culture. This position even dragged Germany into serious disagreements with the allies during the Kosovo conflict. Moreover, since the German



re-unification, Germany was considered one of the closest economic partners of Russia on a number of occasions provoking suspicion and antagonism in the Baltic states. In this context, the German obligations achieved in the Warsaw summit deserve special attention. Germany will become a framework nation for the battalion size battle group, which will be deployed in Lithuania from 2017. Moreover, Germany is one of the key contributors to the VJTF approved in the Wales summit. In 2016 the German defence budget, differently than in many other European countries, has increased by 3 per cent after a long time of decrease.<sup>19</sup> Dick Zandee observes that the rising defence budget in Germany is being used to reactivate tank battalions and to procure additional armoured vehicles.<sup>20</sup> These capabilities are important for countering threats on the Eastern flank. An increasing role of Germany might have a stabilizing impact on the region and provide NATO's reinforcements with additional credibility. Differently to the USA and the UK, for a long time, in the eyes of Russians Germany was not considered as a warmongering state but rather as a partner, though it should be admitted that the situation has changed during the last years. Finally, German Chancellor Angela Merkel is among those few leaders of the world that the Russian President still consults with. Another possible advantage of German troops being stationed in Lithuania is the opportunity to better understand security environment in the region, to spread the message for German society. On the other hand it might help to dissolve suspicion vis-à-vis Germany in the Baltic countries. However it is still too early to judge if Germany's military active position involved in the security of the region is a long term trend or just a short term solution. There is still a strong opposition in Germany regarding its stronger role in the defence as well as towards the confrontation with Russia.

Finally, the tools adopted in Warsaw were expected to open a window of opportunity for a dialogue with Russia within the NATO- Russia Council. Why this dialogue is important? First, it is crucial in trying to avoid dangerous scenarios of escalation, including nuclear scenarios. Second, some states argue that Russian participation is important in order to solve other security issues in the world. However, this argument might be doubted after recent brutal shelling of Aleppo civilians

conducted by the Russian armed forces. Third, a certain level of dialogue might be considered as a tool to maintain unity in NATO due to the pressure from the pro-dialogue camp. However it should be admitted that “it takes two to tango” – dialogue should be wanted and maintained by both sides. Isabelle Francois believes that due to differences in NATO, such a dialogue will not work and even might be dangerous. She maintains that for Russia “discussions may remain and opportunity to exploit difference among the Allies in their respective positions vis-à-vis Russia” and “to use the platform to voice its position as a strategic level”<sup>21</sup>. Further escalation similar to the ones when Iskander system was deployed in Kaliningrad and two Russian vessels which potentially carried Kalibr long range missile systems potentially armed with nuclear warheads unexpectedly entered Baltic Sea does not help to strengthen the dialogue. Russian Ambassador to NATO Aleksandr Grusko stated that Russia will respond to NATO reinforcements made in Warsaw. It is important to note that due to the deteriorating economic situation in Russia, in the foreseeable future its leadership might be interested in further escalation of disagreements with NATO using them as a tool to mobilize support inside the country.

## CONCLUSIONS: WAY AHEAD

The way to look at the results of the Warsaw summit can be twofold: to see them as sufficient enough in the given time or insufficient. There are many disagreements about that within and outside NATO. But to judge the effects of those results one has to look from a bit longer perspective. Security on the ground in the region is already deteriorating. The Iskander missile system stationed in Kaliningrad, and vessels potentially armed with long range missiles are changing the strategic balance. Decisions which might have seemed sufficient in July, might appear insufficient in December, even before four battalions will arrive in the region. Therefore, additional measures should not be dismissed from NATO’s agenda. However, considering the lack of willingness of European countries to invest into defence and US overstressing additional reinforcements might be difficult to fulfil.

The situation might be aggravated by political challenges. The results of the elections in the US, forthcoming elections in Germany and France might change the political landscape. NATO's unity should not be taken for granted. The deteriorating economy in Russia will pressure Putin to try to wreck it more persistently. Therefore, it is of utmost importance for the Baltic states and Poland to do everything possible to preserve it. Better understanding of the challenges other NATO members are facing, contributing to the solution of other European challenges (terrorism, refugee crisis) and strong support for democratic values are the key steps to achieve this.

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# NATO Warsaw Summit – Implications for Estonia

Henrik Praks

NATO's Summit in Warsaw was a historic event in terms of Alliance's strategic adaptation in response to the aggressive and revisionist actions of Russia. The decisions relating to the significant enhancement of NATO's deterrence and defence posture in its Eastern flank were the highlight of the meeting. They cement the course taken by the Alliance since the start of the Russian aggression in Ukraine in 2014 to put collective defence of the member states back into centre of NATO's policies and actions.

Russia both possesses necessary capabilities and has shown repeatedly in practice a willingness to intervene militarily and by other means in the affairs of neighbouring states. The Alliance could no longer assume that an aggression against NATO member state(s) would be out of the question. Therefore NATO has been facing the need to credibly demonstrate to Moscow that it stands ready to counter any such aggression. The Alliance can not only rely on political messaging and deterrence by punishment strategy, but will also have to demonstrate in real life forces and capabilities to successfully deter Russia.

Estonia, being one of the states most concerned about threats emanating from Russia, has long advocated for increased Allied military presence in the Baltic Sea region. The Estonian officials have emphasised that NATO should take a long-term approach in countering Russia and have been referring to the changes of European security environment as reflecting not “bad weather”, but fundamental “climate change” instead.<sup>1</sup> At a previous NATO Summit in Wales in 2014, the Alliance was able to agree to assurance measures; thereby the military presence of other Allies in the territory of the Baltic states was limited to smaller deployments for exercises and training alongside the intensified Baltic air policing mission.

The Warsaw decisions now reflect that the overall focus of the NATO alliance has moved on from simply assuring the most exposed allies, to deterring Russia from undertaking any aggression against member states.<sup>2</sup> Considering that the upgrading of NATO's deterrence and defence posture in the region has been a key security policy goal of Estonia, the country can in general be very happy with the results of the summit. At Warsaw, Prime Minister Taavi Rõivas stated that "a new era started today in Estonian security".<sup>3</sup>

## ALLIED COMBAT TROOPS IN THE BALTICS AS A NEW REALITY

In this respect the most visible and politically significant decision was related to the establishment of a rotational, but continuous allied presence on the territories of four eastern member states – Estonia, Latvia, Lithuania and Poland. This reflects the political commitment of Alliance nations to the security of the Baltic region as for the first time ever NATO will station combat capable troops in the Baltic states. These units of the size of battalion tactical groups are mostly described as destined to perform a function of a tripwire; thereby their presence would ensure that in case of any Russian attack the other Allies will be immediately drawn into conflict. This would send a clear signal to Moscow that a conflict would not remain a localised one, but would bring a forceful response from the Alliance as a whole. But the enhanced forward presence will also have a very practical military value as it should raise the cost of any aggression and deny the adversary an opportunity to employ certain limited military scenarios.

Military credibility of the Alliance on its eastern flank is further enhanced by the decision of the Obama administration to bring into Europe a rotational armoured brigade combat team and station its headquarters in Poland. It is expected that units from this brigade would be rotating for continuous exercises and training also in the territories of the Baltic states. This would be especially important as the current plans for the composition of NATO enhanced forward presence battalions do not include American contributions. The strategic significance of

the presence of the world's sole military superpower's troops in Baltic territories cannot be underestimated. From an Estonian standpoint the re-establishment of the war-fighting capabilities within the US European Command, after years of constant drawdown of US forces in Europe, is something which is highly welcome.

The fact that NATO's forward presence in Estonia will be led by the United Kingdom did not come as a surprise. The British and Estonian armed forces have a long-standing experience of close cooperation and joint operations, most notably from Helmand province in South Afghanistan, where an Estonian company was deployed with British troops for a period of eight years between 2006 and 2014.<sup>4</sup> For UK itself, this contribution can also be seen as having wider political significance as it should help to alleviate concerns about the effects of the Brexit referendum on wider British commitments to European security.

Besides the UK, the other nations contributing to NATO's presence in Estonia will be Denmark and France. Both of their militaries have a close relationship with the British Armed Forces, and they have also had operational links with Estonian Defence Forces. In 1990s the first deployments of Estonian soldiers to international missions in the Balkans took place with Danish contingents and later both countries soldiers have served together under British command in Afghanistan. In early 2014 Estonia was the first European country who sent its troops in support of the French-initiated EU military mission in the Central African Republic.<sup>5</sup> The forthcoming deployment of troops from these three allied nations to Estonia could therefore be seen as being built on shared experience and vindicating Estonia's earlier political decisions to show solidarity with its fellow allies in faraway conflicts.

While the multinational character of the NATO battalions will be well established, the deployed forces will also have to live up to the promise of being militarily "robust". This is necessary to back up NATO's message of showing unequivocally to the Kremlin that NATO means business and is prepared, if necessary, to fight for its members security and sovereignty. Estonia has expressed a preference that the battalion tactical group would come in a configuration which would enable it to fight as

an independent unit. It would also need to augment the local defence forces with key military capabilities which Estonia does not itself possess. In October 2016 the UK announced that the unit will be comprised of around 800 British troops with heavy armour, including main battle tanks, and drones.<sup>6</sup> Similarly the French authorities have indicated that their contribution will also be of heavy military nature. The other important issues requiring clarification will be the command and control arrangements and the rules of engagement of the force, especially in crisis situations short of open conflict.

Another key element will be the speedy implementation of the political decisions. The Allied troops are expected to arrive latest by spring 2017. In the meantime there is a risk that the time window before their arrival may still be seen by Moscow as an opportunity for military provocations. The Russian leadership has clearly shown that it is not yet prepared to deviate from its chosen course of confrontation in the region.

## NATO'S OVERALL MILITARY ADAPTATION

The establishment of the enhanced forward presence is only one part of NATO's adaptation in response to the Russian challenge. By itself the battalions, even when combined with the Baltic states own defence forces, will not be sufficient to ensure a militarily credible solution against a possible large-scale Russian aggression. Effective deterrence posture requires the availability of capabilities enabling to defeat the forces of an adversary, if necessary.

In order to make it unequivocally clear for Russia to refrain from even contemplating exercising any aggression in the Baltic Sea region, the Alliance will have to pursue other additional measures. First of all they relate to the enhancement of its ability to deploy quickly, in case of a crisis in the Baltic region, the Alliance response forces and further follow-on forces both in sufficient numbers and with adequate capabilities. An essential element is also planning to deal with Russia's anti-access/area denial (A2/AD) challenge, especially responding to the assets Russia possesses in the Kaliningrad region. The recent Russian



deployments of Iskander-M ballistic missile systems in the Kaliningrad oblast and the arrival of the corvettes equipped with Kalibr long-range cruise missiles to its Baltic fleet, only serve as further reminders of its importance.

The present NATO Baltic Air Policing mission, while fulfilling a very important role in preserving the integrity of NATO's airspace in the Baltic area, is by its nature a peacetime mission. In the changed security context, the Alliance needs to think in terms of integrated air defence in the region, including both air component and ground based air defence systems. At sea – there Russia is beefing up its Baltic fleet –<sup>7</sup> NATO will also have to design ways to increase its naval presence in the Baltic Sea.

More than twenty years of enjoying the benefits of post-Cold War peace dividends have resulted in a significant erosion of European combat power. In this context, raising the readiness levels of European forces will have to be considered as a priority. All these steps are not possible without ensuring that adequate resources are devoted to defence. In this light, the fulfilment of the Defence Investment Pledge<sup>8</sup> agreed by NATO's nations at the Wales Summit will be of key importance. While the decrease of the defence spending has now stopped across the Alliance, and most of the Allies are at least nominally raising their defence budgets, meeting of the Wales commitments is still for most of them far off. Estonia, being one of the only five countries in the Alliance which presently meets the guidelines of spending at least 2% of the GDP on defence, is utilizing its financial commitment as a political capital to encourage other member states to increase their defence spending.

Furthermore, it has been long overdue that NATO as a nuclear alliance adapts its relevant messaging to reflect the reality of Russia's increasingly brazen nuclear rhetoric. After long years of downplaying the role of nuclear weapons as the ultimate guarantees of Allied security, the Warsaw communique used already very different language. By declaring that any employment of nuclear weapons against NATO would fundamentally alter the nature of a conflict and that the Alliance has the capabilities and resolve to impose costs on an adversary that would be unacceptable and far outweigh the benefits that an adversary could hope to achieve, it has sent a signal to Russia that it cannot hope to win

a conflict with NATO by employing its ability to escalate matters to a nuclear context.

Strong conventional deterrence and defence posture minimizes by itself the prospects of the development of a situation where a conflict would escalate to the brink of nuclear escalation. In the case of Estonia, the fact that at times all three nuclear allies – France, UK and US – are expected to have their troops deployed on Estonian soil should by itself be seen as a powerful deterrent message.

## NON-ALIGNMENT SHOULD NOT MEAN STANDING BY

The deterioration of security environment in the Baltic Sea region has highlighted the role of two non-NATO nations – Finland and Sweden – in regional security. A simple look at the map is enough to understand the importance of the territory and airspace of these countries, especially that of Sweden, for the defence of Baltic states. A recent report commissioned by the Swedish government<sup>9</sup> explicitly recognised this security linkage by predicting that in case of a Russian-Baltic military conflict, Sweden would be drawn into it at an early stage.

The most straightforward way to ensure that there is no security vacuum in the region would be by Finland and Sweden joining NATO. At the moment however, neither in Helsinki or Stockholm there seems to be political readiness to apply for membership. Still both the Alliance as well as Finland and Sweden are interested in very close relations and co-operation with each other. In fact, these two nations have become much more than close partners of the Alliance, as the special treatment<sup>10</sup> afforded to them at the Warsaw summit itself testifies.

This political symbolism should now be translated into practical steps to ensure that these countries would be part of a joint Western response to Russia's actions. In this light, joint operational planning for possible contingencies in the Baltic Sea region is of utmost importance.

## NATIONAL CAPABILITIES REMAIN THE FIRST LINE OF DEFENCE

NATO's deterrence and defence posture contains different layers: forward stationed troops, immediate reinforcements, follow-on forces, nuclear deterrence, etc. However, the role of the exposed nations themselves as first responders to any crisis will remain crucial. As stipulated in Article 3 of the Washington Treaty each member state has an obligation to maintain and develop individual and collective capacity to resist armed attack.

The Estonian leadership has always emphasized that the nation is taking the development of its defence capacities seriously. There is a wide consensus within Estonia's political circles on national defence policy and on the necessity for high defence expenditures. The draft 2017 state budget allocates a record figure of 2.19% of the GDP (477 million EUR) for the needs of military defence.<sup>11</sup> This combines the expenditures devoted to the development of national defence with additional spending resulting from the need to provide infrastructure and other support to the Allied forces operating in Estonia's territory.

The Estonia's efforts will remain concentrated on the development of national defence model which focuses on territorial defence of the country and is based on the concept of reserve army prepared through conscription system. The latest defence forces ten-year development plan, unveiled by the Ministry of Defence in October 2016,<sup>12</sup> focuses on ensuring the effective functioning of the force built around two land forces brigades and a territorial defence structure. It also includes both numerical increases in manpower and development of new capabilities. The voluntary defence organisation *Kaitseliit* (Defence League) will continue to have a key role in bolstering the population's will to defend and contributing to the deterrence by non-traditional means.

## INTEGRATED APPROACH TO DEFENCE AND SECURITY

Russia's actions in Ukraine have highlighted the need to prepare to respond to aggressive acts which stay below the traditional conventional threshold. While NATO has declared that challenges posed by hybrid warfare could be seen as sufficient for invoking Article 5 of the Washington Treaty, responding to hybrid threats is first and foremost a task for sovereign nations.

In Estonia, national security and defence documents have established integrated defence and comprehensive security as fundamental principle of the response to crises. The country has to prepare for different scenarios and make itself as inconvenient opponent as possible. This will include work to further increase resilience against unconventional warfare, all kinds of diversionary acts and provocations, massive foreign propaganda, etc. Centrepieces of this are ensuring the functioning of vital services, continuity of government and enhanced overall resilience of the population.

Another milestone decision which emerged from the Warsaw summit was the Alliance's declaration of cyberspace as a domain of warfare. It reflects the universal understanding that cyber activities will play an important role in any conflict.

Cyber is also a field where Estonia already for a decade has a special role within the Alliance. In 2007 Estonia was the first country in the world to suffer a state sponsored cyber-attack. It hosts a multinational NATO Co-operative Cyber Defence Centre of Excellence and on the basis of Estonia's national facility the Alliance has established a NATO Cyber Range. The increasing role of the cyber domain for Alliance may provide further opportunities for Estonia as a recognised cyber security leader, to either host or contribute with its assets to NATO's future cyber structures and activities.

## DIALOGUE: BEFORE OR AFTER DETERRENCE AND DEFENCE?

One of the most important messages from the Warsaw summit was that NATO managed to retain unity. This is something which was not assured by itself as in an alliance of 28 member states the threat perceptions of allies have natural differences. For Estonia, maintaining Alliance unity will remain a key aim, as everything which splits the cohesion of Allies is seen as detrimental to Estonia's security.

As part of ensuring overall Alliance consensus, the NATO policy adopted at Warsaw also combines enhanced deterrence and defence posture with offers of dialogue with Moscow. In Estonia's case the country does not have expectations on the prospects of real success in such dialogue at the moment. It is also not willing to enter into security talks with Russia on bilateral basis or in some limited regional format. Therefore, the offer for separate negotiations on aviation safety, which Russia issued to a group of Baltic Sea countries soon after Warsaw Summit, was rejected by Estonia on the grounds that such dialogue on risk reduction and transparency should take place by using existing formats like OSCE and NATO-Russia Council.<sup>13</sup> As a first step for risk management Russia would just need to start to obey, like everybody else in the region is doing, international norms and procedures regulating military activities.

However, there are nations within the Alliance, most prominently Germany, for whom this notion of dialogue with Russia will remain especially important. On the one hand, Germany is set out to make a very significant contribution to the Baltic security by taking the leadership of enhanced forward presence in Lithuania. At the same time one part of the governing coalition, the Social Democratic Party, including its Foreign Minister Steinmeier, has continued to send out mixed messages concerning NATO's policies towards Russia, even going as far as accusing the Alliance of sabre-rattling.<sup>14</sup> Estonia and its like-minded allies will have the duty to do continuously remind the more reluctant allies of the fact that effective dialogue with Russia can only be possible under the condition that the Alliance has re-established the credibility of its deterrence posture.

## CONCLUSIONS

In conclusion, from Estonia's perspective the results of NATO's Warsaw summit have undoubtedly strengthened the security of the Baltic Sea region. By making it clear to Russia, through concrete steps, that an aggression against a member state will be immediately countered, the capacity for Russia's miscalculation and thereby the chances of conflict breaking out should have been diminished.

This does not mean that the vulnerabilities the Alliance has on its north-eastern flank have been eliminated. The Baltic region will remain an area where the correlation of forces will mean that Russia will continue to have military superiority. As the Russian regime has self-selected the West as its enemy, the continuation of various acts of provocation, intimidation and subversion, alongside propaganda and disinformation operations directed at undermining the Alliance unity, should be expected.

In response to this, NATO will have to show credibility, clarity and consistency in its deterrence messaging at both political and military levels. Deterrence starts with resolve, but needs to be backed up with capabilities. Estonia, its neighbours and allies will have to be ready that both of them may be tested.

## ENDNOTES

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- <sup>9</sup> "Security in a new era," *Report by the Inquiry on Sweden's International Defence and Security Cooperation*, English summary available at: <http://www.sou.gov.se/wp-content/uploads/2016/09/Summary-FINAL.pdf>
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- <sup>11</sup> "Government Approves the State Budget for 2017," *Government of Estonia*, 27 September 2016, <https://valitsus.ee/en/news/government-approves-state-budget-2017>
- <sup>12</sup> Oliver Kund, "More conscripts and better intelligence," *Postimees*, 14 October 2016, <http://news.postimees.ee/v2/3873509/more-conscripts-and-better-intelligence>
- <sup>13</sup> "Estonia Declines Russian Invitation for Security Talks," *Radio Free Europe*, 22 September 2016, <http://www.rferl.org/a/estonia-declines-russian-invitation-security-talks/28007475.html>  
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# Russia and NATO in the Baltic

Ivan Timofeev

Relations between Russia and NATO in the Baltic pose something of a paradox. On the one hand, the region has morphed into a most vulnerable and thorny space for engagement, while on the other, the causes of the systemic Russia-NATO aggravation lie beyond its boundaries. After NATO's Warsaw summit, one might term the situation as "sustainable containment". However, escalation is still possible, with the sides losing control over conflict management, which suggests the need for a qualitative improvement of the relationship.

The Baltic of today is a most intricate area for Russia-NATO interaction. Estonia, Latvia, Lithuania and Poland, all of them members of the alliance, serve as its frontier zone in direct contact with its Eastern neighbour. Even before the Ukraine crisis, these countries had been sceptical about security cooperation with Russia. Moscow also had some questions and disliked many things, among them Poland's intention to deploy elements of the American Ballistic Missiles Defence (BMD) system; the Polish, Estonian and Lithuanian boycott of the adopted Treaty on Conventional Armed Forces in Europe (CFE) Treaty; their interpretation of the Soviet past, etc. At the same time, all these issues had never caused any sort of a serious crisis in Russia-NATO relations and brought upon no systemic impact that would make matters worse. Moscow was quite serene about their joining the alliance in 1999 and 2004, although later on, it became increasingly wary about the bloc's further expansion, as Russian diplomacy worked hard to hamper the process.

The events in Ukraine have drawn the Russia-NATO relationship into a deep systemic crisis, with Moscow seen by Brussels as the key security challenge, which implies that its containment has become an inherent component of their bilateral activities. The Russian view is symmetric, the only difference being in the fact that NATO and prospects



for its expansion had been seen as a challenge long before the Ukraine predicament. Moscow has regarded its Ukraine policy after March 2014 as a result of lengthy and gradual erosion of relations.

Currently, Russia and NATO have set their mutual attitudes at the lowest points since the Cold War. Reciprocal rejection seems to be the new normal. However, this stability is superficial, since it conceals imbalances and escalation risks. Escalation may be swift and snowballing, even at a catastrophic scale. Incidents at sea and in the airspace, the defrosting of the Donbass conflict or growing antagonism over Syria may ignite aggravations that risk open local confrontation. Today, such a scenario seems unlikely, but both NATO and Russian top brass are quite serious about such a possibility.

To this end, the Baltic appears to be a weak link, as it may become a theatre for more, although unintentional, provocations. On the other hand, the area seems quite suitable for decreasing risks and a gradual normalization of relations. A breakthrough in this convoluted region could push the entire relationship toward a brighter future. This duality gives rise to several fundamental questions. In what way does Russia-NATO relationship determine the Baltic security? What factors define the dynamics of relations in the regional security realm? What are the probable scenarios? What could be done to reduce the risk of disagreements escalating into an open conflict?

Of course, these questions might unveil the strategic perspective for the Russia-NATO relationship, i.e. specific intentions and a way to reconcile the interests and goals in the context of a changing environment in Europe and its periphery. Also important are the relations of Russia and NATO with the still neutral Sweden and Finland. Their rapprochement with the alliance seems inevitable and irreversible, which may aggravate their relations with Russia.

## RUSSIA-NATO: THE SECURITY DILEMMA IN THE RELATIONSHIP SYSTEM

The security dilemma appears to offer the best way to describe the Russia-NATO relationship after 2014. The dilemma contains several key features that often come up asymmetrically, emerging in the varying dimensions

in political and the official discourse, and materializing with different intensities.

First of all, the security dilemma suggests a high degree of uncertainty, including the goals, the potentials and determination of the parties to use available assets. NATO's perception appears more accentuated, to a large extent because of the suddenness of Ukraine developments. Brussels seems to have been taken unawares. As a matter of fact, the 2013 report of the NATO Secretary General (published in January 2014) describes Russia exclusively as a partner on Afghanistan, terrorism and other areas. But six months later at the Wales summit NATO presented an opposite reality, with European security after a long period becoming issue number one and Russia perceived as a threat to the European order. Other surprises for NATO include the Syria operation, the swift collapse and even swifter restoration of the Russia-Turkey relations, as well as a series of smaller episodes and incidents. Brussels was taken by surprise by Moscow's determination and depth in employing force and political methods. Some of Russia's steps were absolutely unprecedented during the post-Cold War period, among them military operations far from its territory, reunification with USSR territories, etc. In a nutshell, Russia has been firmly labelled as a dangerous and unpredictable actor. While previously Moscow was reactive and stayed in the wake of the West (Yugoslavia, Afghanistan, Iraq), after 2014 it turned the tables to place NATO in a qualitatively novel environment.

The Russian vision was somewhat different, with the expansion of NATO seen as its long-term and irreversible endeavour that aggravated the already substantial violation of the balance in NATO's favour. The problem remained unsolved after the collapse of the adapted CFE Treaty, with the blame put on NATO partners, since none of them has so far ratified the new treaty. The situation was exacerbated by the impairment of strategic stability through the U.S. withdrawal from the Anti-Ballistic Missile (ABM) Treaty and deployment of the BMD infrastructure in Poland and the Czech Republic. In addition, Kremlin made its Western partners partially responsible for the *colour revolutions* in the post-Soviet space, regarding it nearly as a form of the hybrid war. Beginning from the mid-2000s, Moscow was coming to the idea that Western leaders were

sure about Russia's decay and the need to softly oust it from European politics, preserving the façade of friendship and partnership in areas where cooperation was helpful for NATO. Moscow perceived the 2013-2014 *Maiden* as a provocation, if not launched then tacitly supported by the West. Russia must have overestimated the role of the West in the Ukraine revolution set off by a complex of intra-Ukrainian processes, but European leaders have definitely underestimated the need for an equal dialogue with Russia, pushing Moscow to the extremes when its attitude was ignored again.

The Ukraine crisis has delivered a hard blow to practically all mechanisms of Russia's cooperation with NATO, EU and the U.S.A., and exacerbated Europe's security dilemma. Even imperfect communication mechanisms mitigate the security dilemma, alleviating disagreements and escalation risks. However relations have been frozen or suspended in practically all areas, even those unrelated to Ukraine, among them not only and not so much as the streamlined partnership on Afghanistan and countering drug traffic and terrorism. Much more important was the emerging pressure on the basic regimes in the nuclear realm. The BMD dialogue has been deadlocked, with Moscow perceiving the deployment of its components in Romania as a direct challenge. Russia's withdrawal from the weapon-grade plutonium agreement has become a symbolic gesture to indicate an end to cooperation with the United States in the control over nuclear weapons. The sides are building mutual grudges over short- and medium-range missiles. Although a Russian-American issue, it also directly affects European security. Even cooperation on Syria collapsed despite the existence of the Islamic radicalism threat that seemed common to Russia, the U.S.A. and its NATO allies.

Escalation of the arms race and the potential for containment are the basic components of the security dilemma. Both Russia and NATO proceed from the notion that they are building up their defensive rather than offensive potential. In an almost absolute absence of trust, these arguments hardly make both Moscow and Brussels happy. The West insists that in 2000–2015 Russia tripled its defence spending (according to Stockholm International Peace Research Institute (SIPRI): USD 28,838 to USD 91,081 in 2014 dollars). Moscow fairly reasonably replies that

the rise is connected with military reform and improvement of the forces after the collapse of the 1990s, and that the rise is hardly comparable with the dimensions of the U.S. military build-up. A comparison with NATO figures will make the gap even more visible. The security dilemma is aggravated by NATO's and Russian military activities, at least reflections that the sides regard each other as a priority threat and are taking appropriate measures. Nonstop exercises, the deployment of additional contingents (as of now, insignificant in number), and incidents in airspace and at sea hardly make the borders more tranquil.

Finally, there is the so-called *spiral of fear*, an integral feature of the security dilemma. To this end, the media of both sides acquire much importance, which on the tip from establishments boost the enemy image and iteratively exaggerate even routine military activities. The information war mechanisms have a different nature and structure but work really hard on both sides. Politicians and the top brass have become hostage to the simulacrum and phantom threats generated by mass media.

## THE SECURITY DILEMMA IN THE BALTIC

The systemic changes in the Russia-NATO relationship have given the Baltic security a new colour. While previously the scepticism of the Baltic alliance members about interactions with Russia could be attributed mostly to domestic goals (Russia as the "significant alien" and a reference point for building one's identity), the Ukraine crisis has made Brussels take their concerns very seriously. Consequently, Moscow responded badly by driving the security dilemma to a higher level. After the Ukraine crisis, the Baltic turned into a most vulnerable point for escalation due to a number of factors that correlate with the above common Russia-NATO framework after the Ukraine crisis.

Factor number one is the overall uncertainty about Russia's further intentions. Brussels and other Western capitals are serious about scenarios of hybrid and open military actions against Baltic states. Their argumentation is often far-fetched and inconsequential, bringing Moscow to a loss. The freakiest include the restoration of historic justice by capturing Narva (a sort of repeat of Crimea) or landing on the Gotland

Island, with the Swedes already preparing to repel this aggression. However, due to the misunderstanding of Russia's general strategy or its perception as intentionally anti-Western, even these bizarre grounds have drawn a wide response, especially as Russia has been long perceiving NATO's actions there as potentially hostile. At the same time, the Baltic states of NATO are well known as lobbyists for containing Moscow. No wonder the post-communist countries of the region demand from the alliance a demonstration of readiness for their defence if things get worse. No wonder real steps to contain Russia have been made in the Baltic. This uncertainty is intensified by differences in the institutional structure of Russia and NATO, as the former is a sovereign state and the latter – an international institution, which generates differences in the promptness in taking decisions and in institutional inertia.

Factor number two relates to the strategic decisions of the two sides for building up their regional potential. Quantity-wise, they should be hardly exaggerated, as the four NATO battalions can hardly change the regional balance of forces. The same goes for deploying the Iskander missiles in the Kaliningrad area, which are normally used to scare the EU public. In essence, these moves are minimalist and symbolic. However, their qualitative role is high. NATO has taken concrete steps to contain a possible threat and displayed the bloc-wide solidarity. The battalions are multinational, so any action against them would mean aggression against the entire alliance. For its part, Russia also demonstrates a determination to counter both NATO reinforcements and possible BMD threats. Due to a high degree of uncertainty, even such small steps may have disproportionately high repercussions, which are of course specific to various airspace incidents. Moscow is irritated by American reconnaissance flights along Russian borders, some of them with shut down transponders. The interception of such flights traditionally gives rise to biased criticism in the West. But in some cases Western grudges are quite grounded, as this relates to Russian military aircraft flying over NATO ships or airliners.

Factor number three concerns regional geography, primarily direct border contacts between Russia and NATO members. Of particular significance is the spatial compactness, which raises the probability of

unintentional air incidents. And of course, it concerns the detachedness of the Russian territory, as the Kaliningrad Oblast is isolated from the rest of Russia and surrounded by NATO members. Naturally, Moscow is worried. Until now, Moscow showed restraint about the militarization of Kaliningrad but under the current conditions a build-up is very likely. Note that the sides tend to suspect each other of possible unexpected military activities around Kaliningrad.

Factor number four is the presence of two neutral states that could act as game changers. Theoretically, the neutrality of Sweden and Finland could promote stabilization of the region, with Helsinki working as a mediator between Moscow and Brussels on the basis of its experience and prestige. But in practice both tend towards a close partnership with NATO. At the extreme, they have discussed joining the bloc, with the trend gaining ground at the backdrop of the Ukraine crisis. In the current environment, the rapprochement of Sweden and Finland with NATO appears irreversible. The question is how far it will go and how Moscow will respond. Either way, these developments should deepen the regional security dilemma, with the least evil outcome being their close partnership with NATO in the absence of formal membership.

Factor number five lies in the lack of progress in settling the Ukraine problem and the aggravation of other differences. The Ukraine controversy provides the long-term negative grounds within the Russia-NATO relationship, with things likely to get worse. Differences with the U.S.A. on Syria and other matters also solidify the downbeat background for the Baltic. In a nutshell, there seems to be a *systemic paradox*, with the cause of the Baltic trouble lying beyond the region that at the same time is gathering a potential for power play.

## THE BALTIC SCENARIOS

To this end, the Baltic scenarios may take the following routes:

**SCENARIO 1.** Sustained containment, with the security dilemma preserved. The sides rely on mutual containment and minimal dialogue. Marine and airspace incidents are highlighted by the media but fail to cause a military escalation even if accidents occur. The build-up of

potential is symbolic, as the sides prefer to save their resources. The negative backdrop in Russia-NATO relations holds, among other things due to the lack of progress over Donbass. The sides use containment for domestic and political mobilization. The Post-communist NATO states win, with the political clout rising and the real military threat low. Finland and Sweden drift toward NATO but stay out. As before, Russia does not make the region a priority for military construction.

**SCENARIO 2.** Inconsistent containment. The security dilemma intensifies, with the external environment deteriorating: the Minsk process is deadlocked and military action in Donbas resumes. Antagonism on Syria grows. A series of incidents at sea and in the airspace gives rise to drastic weapons build-up to be taken up by the other side. Russia prioritizes the region for military concentration. Finland and Sweden accelerate rapprochement with NATO. The region becomes an arena for a local political crisis, although communication channels remain.

**SCENARIO 3.** Regional conflict. One of the sides ups the ante in order to receive concessions from the opponent. One of them regards the move as a way to solve other problems. Either side is able to take this line of action. The region plunges into a conflict situation. However, the opposing side does not yield and openly counteracts to generate a brief conflict that ends in a draw. The relations rise to a new level of hostility, with the dialogue discontinued. The situation balances on the verge of a massive Russia-NATO conflict. Finland and Sweden join the alliance and offer unconditional military support. The scenario is also likely if one of the sides loses the local conflict.

**SCENARIO 4.** The security dilemma shrinks. The set of common or specific challenges make mutual containment hurtful for both sides that switch to confidence-building measures. The Donbass conflict remains but acquires a positive dynamic. Russia and the United States selectively cooperate in the Middle East. Mistrust still exists, with the uncertainty level gradually goes down.

**SCENARIO 5.** An overhaul of relations is initiated by a side to improve the situation. Such steps are likely to be related to the role of a concrete political leader or leaders, which are to overcome the resistance of the containment-oriented institutions. We see a drastic revision of

Russia's relations with NATO and the EU, as well as a compromise on the Donbass settlement. The sides launch a review of the Founding Act, work to strengthen the OSCE as the Europe-wide security institution, and discuss conventional armaments control. NATO is reformatted to counter new challenges.

Of course, these scenarios are schematic while the political reality is much more complicated. At the same time, they show possible vectors in the development of the situation and make one ponder about the basic goals of Russia and NATO in their policies toward each other.

## CONCLUSIONS: RUSSIA AND NATO – CHOOSING A FUTURE

The inertia or projection of today into the future is an intrinsic feature of the human mind. We tend to believe that situations will develop in steps and in a linear mode. I am sure that most people would find Scenarios 4 and 5 highly unlikely. Scenarios 2 and 3 seem suitable for the current state of affairs but are also unlikely because of the high price for both sides. Most probable seems Scenario 1 which allows for some low-cost muscle flexing. The problem is that linear scenarios shed linearity much more frequently than we expect, which means that sustainable containment may as well bring about surprises and boil down to a deep crisis unmanageable by the sides. The loss of control over Russia-NATO relations in the Baltic and other areas is a real threat.

On the other hand, any initiatives on the partial or complete amendment of the logic of the relationship (Scenarios 4 and 5) will seem marginal both in Russia and in the West. At that, the *perestroika* and new political thinking experiences of the late 1980s would retard rather than speed up changes for the better. In the long run, both Russia and the West are deeply frustrated by the outcomes of the Cold War. However, history shows that any qualitative change begins with initiatives launched by the minority side which is normally better knit, coherent and determined vis-à-vis the majority. It is the minority that makes up the centrepiece of the discussion and often achieves qualitative changes. In contrast to the idealistic belief in the future of the 1980s, the sides will have to display an



utmost pragmatism and expect disappointment any moment. Diplomats and statesmen of today are facing problems much more convoluted than in those days because they will have to simultaneously seek solutions for the 2014 crisis and for the deep-rooted causes emanating from the Cold War outcomes. At that, their activities would be legitimate only if their parties manage to evade losses, save face and bring results to both sides, a most complicated and nontrivial task.

# Energy Security in the Baltic Sea Region: EU Members of the Region between Integration and Discord

Kai-Olaf Lang

A time-traveling energy analyst of the Baltic Sea area, jumping from the early 1990s into today's world, would hardly recognize the region. Although some important parameters continue to exist, the energy landscape of this part of Europe has profoundly changed. Just look at the way energy is produced and consumed: some countries in the region have fundamentally rearranged their energy mix. Denmark has reached a share of two fifths of its electricity production coming from wind turbines. And the country is even more ambitious: it wants to achieve an energy system, which will be independent of fossil fuels by 2050. Germany, shocked by the Fukushima nuclear power catastrophe, decided to accelerate its own phase out plans and to decommission nuclear power plants until 2022. For this purpose, Germany invests in a boost in renewable energy generation and an improvement of energy efficiency. At first glance, other countries of the region are more cautious, but almost everywhere the energy sector is under reconstruction. International and EU-wide regulations to mitigate CO<sub>2</sub> emissions have catalysed the transformation of national energy systems, at the same time causing resistance in countries, whose energy sectors are heavily industrialized and whose electricity generation is based on coal; Poland, with 85% of its electricity produced in domestic coal-fired power plants, is certainly the country most affected by climate policies.

But change has happened not only in the national energy sectors. Also, major developments in global energy policies and markets have had their effects on the region. The US shale gas revolution, volatile

oil and gas prices, the growing share of liquefied natural gas (LNG) or technological innovation had huge impact for the region. The installation and commissioning of the first two LNG-terminals in the Baltic Sea in the Lithuanian port of Klaipeda and the Polish Swinoujscie in 2014 and 2016 respectively are just two examples for the dynamics in the region.

Another overarching theme is the development of energy transit. The Baltic Sea region and the Baltic Sea proper have become more and more relevant as a transit area mainly for the transport of Russian oil and gas to Central and Western Europe. The main driver of this is Russia's quest for getting less dependent on transit countries or to weaken them economically and politically by reducing their transit power. Russia hence has diverted oil export from the ports in the Baltic States and increased export via tanker from Russian Baltic Sea terminals. The Russian gas producer Gazprom has built (together with German and other Western European companies) new pipelines in order to circumvent Ukraine (the Yamal-pipeline stretching from Russia through Belarus and Poland to Germany and the Nord Stream I pipeline system going from Vyborg in North-West-Russia to Lubmin at the German Baltic Sea coastline, being the first direct gas pipeline connection between Russia and Germany). With LNG-tankers going to Poland and Lithuania and a planned pipeline from Norway via Denmark to Poland (Baltic Pipe) the relevance of the Baltic Sea region as a transit zone will further increase.

But what has altered the energy map in the region most dramatically, was the reshuffle of the political scaffolding of that part of Europe. After the enlargement of the EU in 2004, apart from Russia, all littoral states of the Baltic Sea belong to the single market and hence are part of the European energy policy, which aims at the establishment of a common regulatory space and at the creation of a sphere of energy solidarity. Notwithstanding substantial vagueness about the cohesion and future shape especially of European integration, EU- and NATO-enlargement have defined basic strategic settings for the region. In other words, energy transactions and energy policies take place in a situation of relative stability and regional order, and not in a geopolitical or geoeconomic grey zone. This has been the key precondition for reaching palpable progress, when it comes to energy

security, or to be precise, when it comes to the security of supply: Overall, the vulnerability of the most exposed countries in the region has clearly decreased, particularly those countries, which were in a situation of one-way-reliance on external suppliers. The interplay of improved connectivity, the implementation of national diversification strategies and the use of EU market rules have led to less dependence from powerful producers, especially from Russia. Since 2015 Poland has capacities to import 85% of its gas import needs from “non-Eastern” sources. The respective figure in 2009 was only 9%.<sup>1</sup> The Baltic States have turned from “energy islands” to “energy peninsulas”, with a prospect to further integrate with Northern and Central European markets. Lithuania has been a frontrunner of implementing the EU’s “Third Energy Package”, pushing through a consistent model of ownership unbundling, thus considerably readjusting Gazprom’s position, which before had been one of clear market dominance. Lithuania – similarly to Poland – used the European Commission as an advisor in negotiations with Gazprom, and went even so far to involve it as a co-signer of a joint statement between the Lithuanian government and the Russian energy giant.<sup>2</sup>

One of the main effects of diversification and better interconnectivity has been the tendency of strengthening regional forms of energy cooperation and integration. The Baltic States (and Poland) have built infrastructure links with Northern Europe, so that a transparent and integrated Nordic-Baltic power market based on appropriate electricity trade can emerge. Lithuania, until recently considered in a precarious situation after the shutdown of the Ignalina nuclear power plant and the need for additional imports from Belarus and Russia, now regards itself as a hub of five markets (Nordic, Baltic, Polish, Russian, Belarusian).<sup>3</sup> Together with Central and South East European countries, Poland is one of the driving forces for the establishment of a North-South-energy-corridor, which, supported by the EU, is supposed to overcome existing barriers between national markets. Whereas these regional initiatives have a bottom-up-stimulus coming from particular states, the EU also encourages the emergence of regional frameworks. One prominent example is the list of regional groups of member states, which are supposed to support each other to ensure the security of gas

supply. The Baltic Sea region is to be covered by three of these clusters (BEMIP I, i.e. Finland, Estonia, Latvia and Lithuania; BEMIP II, i.e. Sweden and Denmark; Central-East, i.e. Czech Republic, Germany, Poland and Slovakia).<sup>4</sup> Another example is the Baltic Energy Markets Interconnection Plan (BEMIP), whose objective is “the establishment of an open and integrated regional energy market between the EU member states in the Baltic Sea region”.<sup>5</sup> The still open question is, if regional initiatives will become, what they are designed to be, i.e. building-blocks for further integration of the European energy market. There is still a possibility that regional frameworks might be the basis for a sort of compartmentalization, with closer integration and connectivity taking place mainly within these clusters. Therefore, it is important that the EU defines and supports a variety of regional schemes, which cross the boundaries of existing or emerging regional structures. It is for example important to incorporate Germany into a solidarity group of gas supply with Poland, because Warsaw has indicated that it might deprioritize interconnections with Germany should Nord Stream 2 emerge. Hence, with Poland tending to become a hub within the North-South-corridor and German companies being reluctant about getting obliged to solidarity with Central European countries, it is sensible that Brussels emphasizes transversal linkages (in this case between Germany and the emerging North-South-grouping).

Whilst better diversification, growing EU-isation and advancing regionalization (despite of its risks of decoupling) are the big achievements in terms of Baltic Sea energy security, there is a set of at least six big challenges, which could hamper the way to more energy resilience.

First, irrespective of a lower dependence from Russia, member states from the region, which are traditionally sensitized to Moscow’s energy policies, might fear a new dependence through the backdoor. This is certainly one of the apprehensions in the context of the Nord Stream 2 project. Poland and other Central European countries are worried that in spite of their efforts to reduce the share of Russian gas a sort of indirect re-entry of cheap gas from the East (this time via Germany) could complicate its diversification plans (e.g. by making LNG-gas from the Polish terminal in Swinoujscie less competitive).

Second, some member states are worried that the European Commission might be prone to pressure from heavyweight countries like Germany and thus be more pragmatic, when it comes to the application or interpretation of energy market rules. Nord Stream 2 is an instructive example. A possible grand bargain with Gazprom about Nord Stream 2, which could include the better use of the OPAL-pipeline<sup>6</sup> or a flexible reading of competition principles in anti-trust-procedures against the Russian gas producer in exchange for not building the second set of Nord Stream, would lead to heavy disenchantment concerning the power and the role of the Commission and the effectiveness of the Energy Union. Similarly, a conciliatory position of the Commission in the Nord Stream 2 approval procedures (including only some additional although soft requirements to fulfil unbundling regulations and other rules) might annoy some member countries (among them also those, who had hoped for similar leeway in other projects, like e.g. South Stream). On the other hand, if the Commission turned out to be tough and increased the costs of Nord Stream 2, member states sympathetic with the project will be displeased with the position of the Commission. In either case, the Commission, hence the main guardian of the common energy market, could face more and more resistance on the part of relevant member states.

Third, also the Baltic Sea region is a part of the continent, where the predilection for national solutions in the energy sector is strong. This holds true for big countries, but also for smaller ones. Even countries like the Baltic States, where a lot of cooperativeness would have been expected, have a rather limited track-record of energy policy collaboration. So, energy unilateralism seems to be a relevant tendency, which exists alongside all efforts to improve regional or European integration. In the case of Germany, the energy transition (Energiewende) has been perceived by many neighbours as a classical form of uncoordinated do-it-alone policy – which has had tangible implications for adjacent countries, among other things due to uncontrolled loop-flows of electricity from Germany in the grids of the neighbours. At the same time, countries like Poland or the Baltic states, have reached much of the progress in energy security through national diversification strategies – sometimes

with the help of the EU, but essentially by policy and investment decisions on the national level. It goes without saying, that reinvigorated energy unilateralism comes with a strengthening of its “twin”, i.e. the revitalization of bilateralism, particularly “special relationships” with producer countries.

Fourth, some countries in the Baltic Sea region might oscillate between economization and ideologisation of energy issues. For countries where private companies have a dominant position in the energy sector, energy policy is about setting the rules of the game and letting market actors play. The risk here is economization, i.e. politics getting hijacked by business interests or governments absolving themselves from political responsibility and hiding behind companies by arguing that politics have no right to interfere into commercial decisions. This view certainly includes basic truth, however governments always have to bear in mind the possible political (including foreign and security policy) implications of major private business endeavours. Also, important controversial projects at some stage usually experience a sort of political involvement, although this is often not visible. For that reason, from a regional point of view it might be better to discuss energy issues in a broader strategic and political way, also when the debate is about “commercial” projects. On the other hand, a “politicized” debate has to be prudent and should not turn into ideological confrontation. Again, Nord Stream 2 and the related squabbles are enlightening: Germany and other countries see the planned pipeline as a commercial project, Poland and some Central Eastern European and Northern European countries consider it to be a political flagship project with far-reaching consequences and a new manifestation from an old German-Russian closeness. Given this, it is important to look at both business and political components and to bring proponents of both perspectives continuously together.

Fifth, there is substantial difference among the countries of the region, when it comes to the notion of energy security. For countries dependent on Russia, better energy security is mainly security of supply and more energy security means less imports (of fossil fuels or electricity) from Russia. For countries which consider Russia as a reliable partner, energy security is much broader and the related risks come from a variety of

sources. For countries with a high share of intermittent energy sources, the establishment of appropriate back-up capacities or sufficient export- and import-interconnectors to compensate for mismatches between supply and demand are key challenges to reach higher levels of energy security. Here, like in Germany, the questions of security of supply, particularly when it comes to Russia, have often been neglected. Or on the contrary, given an already relatively diversified portfolio of energy imports, of which much come from crisis-stroke parts of the world, Russia is considered a trustful energy supplier. The Baltic Sea region is an area, where highly securitized approaches to energy meet highly de-securitized understandings of energy policy.

Sixth, energy solidarity is supposed to be the normative spirit and the political glue of Europe's energy policy and the Energy Union. Countries from the Baltic Sea region like Poland or Lithuanian have been strong campaigners for anchoring this principle in EU treaties but also in practical policies. In spite of a broad consensus in the EU about the need for "energy solidarity", there is dissent about what it entails and how far it should reach. More recently, energy solidarity has come under pressure from at least two sides. On the one hand, the idea of solidarity in the EU is diluted and redefined. In the various crises member states have blamed each other for a lack of solidarity. Others have opted for new forms of mutual support like "flexible solidarity" (the Visegrad countries in the context of the migration crisis), i.e. pointing at a certain autonomy of those, who are supposed to help, in choosing how they want to help. Countries, which need (political or material) assistance in energy related questions, might hear similar responses from those states, which should provide solidarity and which now could be more "flexible" or "eclectic". On the other hand, the above mentioned tendency of a (re-)nationalization and unilateralisation of energy policies could limit solidarity. The notion of "energy sovereignty" (used by the current Polish government to describe the struggle for energy independence) could be picked up by others and used as a code for a national energy policy unlimited by the needs and preferences of others.



## CONCLUSIONS

All in all, the Baltic Sea region is still an area with different zones of energy security. It is both, a precursor of market integration and a deeply divided sphere. For the time being this part of Europe and of the European Union will have to live with the differences. These differences result from varying threat perceptions and divergent vulnerabilities. Even though there are indications that susceptibility to third-party action, i.e. to Russia, in countries like Poland or the Baltic States is decreasing due to continued diversification policies, there is a certain likelihood that the broader risk assessment will remain unchanged. Hence, there will be an ongoing discord between countries that question the fact that Russia has an upper-hand in energy relations with the EU (like Germany or Austria) and countries that see a steady threat from the East and a political instrumentalisation of energy. From the point of view of European politics however, the most important question is, if these differences can be converted into collaborative action. Will the “agents of integration”<sup>7</sup> that are emerging at various places and with diverse motivation, i.e. LNG-gas capacities “looking for consumers”, hubs with excess gas flowing to new markets, renewable energy sources requiring back-ups and storage facilities in neighbouring country prevail? Or will the quest for “energy sovereignty”, mistrust, protection against the influx of uncontrolled and subsidized renewable power from abroad and other developments lead to new fragmentation and a coexistence of sub-regionally integrated clusters? The answer to this question is open, but it is clear that the Baltic Sea region is a litmus test for the European energy policy and the effectiveness of the Energy Union.

## ENDNOTES

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<sup>2</sup> Vija Pakalkaitė, “Lithuania’s Strategic Use of EU Energy Policy Tools: A Transformation of Gas Dynamics,” OIES PAPER: NG 111, The Oxford Institute for Energy Studies, September 2016, <http://www.oxfordenergy.org/wpcms/wp-content/uploads/2016/09/Lithuanias-Strategic-Use-of-EU-Energy-Policy-Tools-A-transformation-of-Gas-Market-Dynamics-NG-111.pdf>

- <sup>3</sup> “Nordic and Baltic power markets’ integration will boost competitiveness of the region,” *Litgrid*, 20 February 2015, <http://www.litgrid.eu/index.php/news-events-/news/nordic-and-baltic-power-markets-integration-will-boost-competitiveness-of-the-region/2718>
- <sup>4</sup> “Annexes to the Proposal for a Regulation of the European Parliament and of the Council Concerning Measures to Safeguard the Security of Gas Supply and Repealing Regulation (EU) No 994/2010,” *European Commission*, 2016, [https://ec.europa.eu/energy/sites/ener/files/documents/1\\_EN\\_annexe\\_proposition\\_part1\\_v13.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/1_EN_annexe_proposition_part1_v13.pdf)
- <sup>5</sup> “BEMIP Memorandum of Understanding 2009,” *European Commission*, 17 June 2009, [https://ec.europa.eu/energy/sites/ener/files/documents/2009\\_bemip\\_mou\\_signed.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/2009_bemip_mou_signed.pdf)
- <sup>6</sup> OPAL is an onshore pipeline, which connects to the Nord Stream 1 system in Lubmin, i.e. the place, where Nord Stream meets the German coast line. The usage of OPAL, which is one of two transit pipelines for Nord Stream, has been limited for Gazprom due to energy market regulations to 50%. At the end of October 2016 the European Commission allowed Gazprom to transport additional volumes of gas via OPAL (up to 80%); cf. EU Approves Increased Gazprom Use of Opal Pipeline, in: *Wall Street Journal*, 25 October 2016.
- <sup>7</sup> Vija Pakalkaitė, “Lithuania’s Strategic Use of EU Energy Policy Tools: A Transformation of Gas Dynamics,” OIES PAPER: NG 111, The Oxford Institute for Energy Studies, September 2016, <http://www.oxfordenergy.org/wpcms/wp-content/uploads/2016/09/Lithuanias-Strategic-Use-of-EU-Energy-Policy-Tools-A-transformation-of-Gas-Market-Dynamics-NG-111.pdf>

# On Opposite Shores, Not Just Geographically: German and Swedish Perspectives on *Nord Stream* and Energy Insecurity with Russia in the Baltic Sea Region

Anke Schmidt-Felzmann

After the Russian gas supply cut-off to Ukraine in January 2009<sup>1</sup>, the role of energy supplies from Russia and how to meet the challenges of energy supply disruptions has remained high on the agenda. The focus has been in particular on the supply situation of Estonia, Latvia, Lithuania, and also Finland, which together form the so-called *Baltic Energy Island*. Many practical, political and economic problems still have to be overcome to speak of a fully integrated Baltic Sea region energy market in the EU. However, in 2016, the *Baltic Energy Island* turned more into a *Baltic Energy Peninsula* as important steps were taken to improve the intra-Baltic and Baltic-Nordic energy infrastructure systems. The development of interconnections with the Central European energy markets will further strengthen the region's resilience against any supply disruptions, although the challenges associated with cyber and physical threats to energy transmission and communication systems remains a real concern for the years to come.<sup>2</sup>

Despite these positive developments and various national and regional initiatives that have contributed to a strengthening of the Baltic states' energy supply security, the Russian annexation of Ukraine's peninsula Crimea in early 2014 and the start of the Russian invasion of Ukraine's Donbass brought to the fore vulnerabilities in the countries of geo-strategic importance to Russia, both politically and economically, but even militarily. What is more, we now know from national intelligence services' reports from the countries around the Baltic Sea and beyond, that

these vulnerabilities are actively harnessed by the Russian state.<sup>3</sup> Indeed, Moscow's efforts to increase the Russian state's political and economic influence in Europe have been most visible in the energy sector where a range of supply disruptions acted both as pressure tools and reminders of the affected states' dependence on Russia.<sup>4</sup> The Kremlin's treatment of Ukraine since 2014 made clear that a Russian foothold – politically, economically and physically – bears risks that can be exploited by Russian state actors when the opportunity arises. Nevertheless, within the EU the assessment of the energy companies managed by the Russian state are rather diverse.

Differences in the perceptions among the EU states of Russia as a gas supplier became exacerbated following the Russian natural gas supply cut-off to Ukraine in 2009. The dividing lines run between those EU member states that regard Russia as an important and reliable supplier and those states that are sceptical towards Russia as an energy supplier, as a trade partner and as a political partner. Whereas German decision-makers view Russia as a reliable supplier even after the Russian annexation of Crimea, other countries in the Baltic Sea region in particular are more cautious and concerned about a high energy import dependence on Russia. The group of states that regard Russia as a trustworthy energy supplier is led in particular by Germany and Italy, the two countries importing the largest volumes of Russian natural gas.<sup>5</sup> The Swedish government, in contrast, regards Russia as an important market for Swedish business, but as Sweden imports no, or at best negligible amounts of Russian gas, Sweden's perspective on Russia as a major energy supplier to the EU is influenced more by its assessment of the actions of the Russian state and the energy companies it controls. The Russian role as a major energy supplier has become heavily criticized by Swedish decision-makers following the prolonged Russian supply cut-off to Ukraine in January 2009, and even more so in light of the gross Russian violations of Ukraine's territorial integrity.<sup>6</sup>

A comparison of the Swedish and German positions and their national energy policy and external suppliers and infrastructure is illustrative of the divisions between the Baltic Sea states and within the EU. These divergent perspectives concern fundamental questions that will need to be

addressed more effectively to meet the ambitions set out in the *Framework Strategy for a Resilient Energy Union* that was published in February 2015.<sup>7</sup> This contribution takes a closer look at the German and Swedish perspectives on energy supply security and Russia in the Baltic Sea region. The second Russian natural gas pipeline project in the Baltic Sea, known by the name of *Nord Stream 2*, serves as an illustrative case to highlight a number of fundamental differences between Sweden's and Germany's position on energy security and Russia. The analysis is structured as follows: the first part reviews and compares Sweden's and Germany's energy supply situation, import dependence on Russia and engagement with energy infrastructure in the Baltic Sea region. The second and third part reviews, respectively, the Swedish and the German debate about the Nord Stream pipelines. The fourth and final part draws conclusions from the two opposite shores about energy security in the Baltic Sea region and the prospects for Baltic Sea security in the field of energy in light of the range of potential threats associated with the current Russian regime's actions.

## SWEDISH AND GERMAN ENERGY POLICY IN THE BALTIC SEA REGION

Despite some similarities, the Swedish and German energy supply policies and the national views about energy infrastructure in the Baltic Sea region diverge quite substantively. Differences are due on the one hand to the two countries' particular geographic preconditions, but on the other hand also to the different national perspectives on the role of the energy market and a common European response to energy supply and security challenges in the Baltic Sea region. The national energy policy choices in Germany and Sweden have an impact on the robustness of supply systems to the domestic market, but also a knock-on effect on the energy supply security for the neighbouring region.

Both Sweden and Germany are dependent on imports of oil and gas from external sources. But there are significant differences in their energy mix and in particular in the sources of their national electricity production. For countries keen to limit their energy import dependence,

the electricity production from domestic sources plays an important role. Meanwhile the fight against climate change has imposed also requirements on national governments that energy sources low in CO<sub>2</sub> emissions should be privileged. That means that in particular nuclear power, but also hydropower, wind energy and solar power play an increased role to meet the energy demand at the same time as meeting the emission targets agreed at the COP21 Paris Climate Summit.<sup>8</sup> In both Sweden and Germany, the use of nuclear power plants for the supply of electricity has been heavily debated over the course of the last decades. The status quo that has been achieved in 2016 in Sweden, and that was decided in 2011 in Germany is likely to provide for greater certainty for industry and policy-makers in both countries and in the neighbouring region: while the Swedish government in June 2016 in a cross-party agreement has prepared the political and legislative conditions for retaining nuclear power as an important and stable source of electricity supplies, the German government with the support of opposition parties reached in 2011 an agreement on the complete phasing out of nuclear power by 2022.

In 2001, Germany's SPD-Green party coalition government reached a compromise to phase out nuclear power. This decision was then strongly opposed by the CDU/CSU and FDP. As Chancellor Angela Merkel came to power in 2005, the CDU/CSU-FDP led government partly reversed the decision and granted nuclear power stations in Germany another lifeline. In 2011 however, after the Fukushima nuclear power disaster in Japan, Chancellor Merkel herself made a U-turn and argued within the grand coalition of CDU/CSU and SPD for the full nuclear power phase out, starting the so-called *Energiewende* – a complete turnaround of the German energy supply mix, which Germany is now implementing.<sup>9</sup> Nuclear power in Sweden has had a somewhat different trajectory as the falling energy prices combined with the government-imposed “effektsskatten”, a nuclear fuel tax, created unfavourable conditions for the nuclear power industries which as a result was ready to withdraw. In 2016 it became clear that several nuclear power plants would have to be closed down before 2020 due to their low economic profitability.<sup>10</sup> However, the cross-party agreement of June 2016 is leading to a phase out the *nuclear*

*fuel tax* and will allow nuclear power to play a role in Swedish electricity production for as long as it is needed. The aim is however to achieve a Swedish energy mix made up of 100% renewable energy by 2040.<sup>11</sup>

A particular problem for Germany is that the phasing out of nuclear power opens up a gap that will have to be plugged by electricity generation from other sources, at the same time as fossil fuel emissions have to be reduced quite significantly to meet the Paris Climate Objectives. In 2015, still 44% of Germany's electricity was generated from coal, 11% from other fossil fuels and 15% still from nuclear energy (compared to 18% in 2011).<sup>12</sup> With regard to renewables, there are also significant problems to address as the electricity produced with wind power in the North creates a number of practical problems. The electricity that Germany overproduces through wind energy in the North cannot be transmitted to the most populous areas of Germany's South. Due to a lack of adequate infrastructure in Germany, the surplus is therefore transmitted to Germany's neighbours, causing power surges and blackouts in Poland and the Czech Republic.<sup>13</sup> In contrast to the German electricity production, Sweden covers its needs from much more climate friendly sources. In 2013, more than 40% of its power was produced from hydro energy, more than 40% from nuclear power and a bit less than 10% from wind energy and the remaining 10% from combustion based sources of which more than three quarters come from biomass and just a quarter (of the 10% of total) from fossil fuels.<sup>14</sup>

Among the EU's member states, Germany is the single most important energy importer from Russia, in terms of volumes and shares in Russian profits from exports.<sup>15</sup> About a quarter of Germany's oil imports originate from Norway and other EU member states, but more than a third of Germany's oil imports come actually from Russia.<sup>16</sup> In 2015, Germany covered only 7% its natural gas needs from domestic sources and relies on imports for the remaining 93% of its natural gas consumption, which amounts to almost 80 bcm.<sup>17</sup> In 2015, the main natural gas exporters to Germany were Norway with 34%, the Netherlands with 29% and Russia with 35% of Germany's total consumption.<sup>18</sup> Quite to the contrary, Sweden imports much of its crude oil needs from the North Sea, where oil production has decreased somewhat, which has led to an increase in imports from Russia.<sup>19</sup> With regard to natural gas, Sweden satisfies its

needs mainly with imports via the natural gas connector from Denmark.<sup>20</sup> As the natural gas production in the Danish Tyra West and Tyra East gas fields in the North Sea is likely to cease in October 2018, according to Maersk Oil,<sup>21</sup> the shortfall could be compensated for by an increase in imports of natural gas from Germany.<sup>22</sup> However, the envisaged *Baltic Pipe* project that is to connect Denmark's and Poland's natural gas infrastructure systems<sup>23</sup> would also be able to make a contribution to Sweden's natural gas supply security.<sup>24</sup> In addition, the role of Liquefied Natural Gas (LNG), originating primarily from Norway has steadily increased in Sweden after the first LNG terminal was put in operation in 2011 in Nynäshamn and another import terminal started operating in 2014 in Lysekil.<sup>25</sup> Several more LNG import terminals are planned in Gothenburg, Helsingborg and Gävle.<sup>26</sup> The rapid increase in the use of LNG terminals for importing natural gas provides greater long-term flexibility than with pipelines which have a lifespan of 40–50 years and due to the construction costs, the pipelines have to be in use for several decades before they become profitable, imposing limits on the flexibility to adjust the national energy mix.

Sweden has also with its status as an electricity exporter and due to its geographic position been able to contribute to the inter-connection and integration of the Baltic Energy Island with the Nordic energy market. The electricity cable between Swedish Nybro in Småland and Lithuanian Klaipeda is a cooperation between *Svenska Kraftnät* and Lithuanian *LitGrid*.<sup>27</sup> Known by the name of *NordBalt*, the subsea cable project across the Baltic Sea was finally approved by the Swedish government in 2009.<sup>28</sup> However, after receiving approval, a series of obstructions affected the Swedish-Lithuanian electricity supply diversification project. Repeated deliberate interferences by the military vessels of the Russian Baltic Sea fleet disrupted the laying of the cable. The incidents were so severe and systematic that the Lithuanian Foreign Ministry submitted several formal protest notes to Russia and, with the support of the Swedish Foreign Ministry, strongly condemned each of the Russian Navy's attempts to disrupt the work on the *NordBalt* cable.<sup>29</sup> It went so far that even the Swedish Foreign Ministry under the leadership of Margot Wallström, together with the Lithuanian Foreign Ministry, submitted a joint protest



note to Russia, dated 22 April 2015.<sup>30</sup> The director of Svenska Kraftnät and former Swedish Defence Minister Mikael Odenberg was extremely critical of the Russian military posturing and argued that the Russian Navy's interference with the NordBalt cable was a clear sign of a complete lack of respect for Lithuania's territorial sovereignty and effectively a signal to Lithuania and Sweden that Moscow regards the Exclusive Economic Zone of Lithuania still as "its own".<sup>31</sup> The problematic issue of the Russian military's interference in the construction of NordBalt was also raised in 2016 in the Swedish parliament in a debate about the Russian gas pipeline project Nord Stream 2.<sup>32</sup> Despite these disruptions, the NordBalt cable was completed in the autumn of 2015 and started operating in early 2016.<sup>33</sup> On the occasion of its inauguration it was hailed as a security policy victory.<sup>34</sup>

It is clear that the choices in Sweden and Germany with regard to energy supply security and their engagement in the Baltic Sea region's energy diversification differ due to their contrasting experiences with Russia and due to the different choices they have made regarding the national energy supply. Swedish energy supplies are already today much more aligned with the long-term shared objectives that have been agreed in the EU of reducing emissions. Meanwhile it is evident that Germany is experiencing many challenges in the efforts to reduce the German energy providers' use of fossil fuels and notably to meet its emission reduction targets, despite a growing share of renewable energy sources in the German energy mix. The stark differences between the Swedish and the German solutions in the production of electricity, the small share of fossil fuels in Sweden's energy supply, and the strong increase in biogas that is envisaged, demonstrate that the German energy policy choice of maintaining a high fossil fuel dependence, including an import dependence on Russia is not inevitable, and not the only choice that can be made.

What is more, while Sweden is a strong supporter of the European Union's energy market liberalisation process and supports the realisation of a true European Energy Union in line with the objectives set out in February 2015, the German energy supply policy has in practice worked at cross-purposes, despite sharing these goals at the declaratory

level. The German government's resistance against the progressive EU energy market liberalisation in the fields of electricity and natural gas by the government, regulatory authorities and powerful private energy companies has over the years reconfirmed the impression that Germany is not quite the 'good European' in the energy field. The German government's decisions on a number of important domestic and foreign energy infrastructure projects have not been coordinated with other EU member states. This regards the phasing out of nuclear power in Germany which has tangible negative spill-over effects for a number of neighbours, but also the increase in electricity production with renewables without having the necessary infrastructure in place to mediate the excess flows, negatively affecting its neighbours. Germany's privileged position as a politically and economically powerful and attractive partner in the EU<sup>35</sup> has provided the government with the ability and willingness to pursue energy policy decisions that those in Berlin consider to be in Germany's interests, even when they clash with the fundamental interests of other EU member states' and the EU's neighbours. This applies in particular to the German decisions on the controversial Nord Stream project that won Gerhard Schröder's approval in 2005 (then German Chancellor) and which was later, under heavy German and Russian lobbying as well as heavy political and economic pressure, approved by the Baltic Sea states through whose EEZ and territorial water it runs.

The German Minister for Energy and Economic Affairs, Sigmar Gabriel, has even in public come out with statements that put into question the German commitment to playing by the rules in the energy sector, most spectacularly in his statements at a press conference held in Moscow during his visit in October 2015. In the published by the Kremlin, the German Energy Minister assured Russia that Germany aims to *circumvent the EU* with the Nord Stream 2 project:

**“As for our economic relations, naturally, there are various opportunities to maintain them, in spite of the existing political issues, and our entrepreneurs are trying to use these opportunities. [...] a platform was created for entrepreneurs; [...] Your colleague just met in this format with our state secretary. Mr Miller and Mr Matthias Warnig will continue to pursue Nord Stream 2 project. This is in our interests;**

but it is not just in Germany's interests – it is a very interesting project even beyond Germany's borders. What's most important **as far as legal issues are concerned is that we strive to ensure that all this remains under the competence of the German authorities**, if possible. So if we can do this, **then opportunities for external meddling will be limited**. And **we are in a good negotiating position on this matter**. And in order to limit political meddling in these issues [...] we need to settle the issue of Ukraine's role as a transit nation after 2019. [...] of course, the financial and political role it will play for Ukraine, as will the backflow of gas. [...] I believe we can handle it. **What's most important is for German agencies to maintain authority over settling these issues. And then, we will limit the possibility of political interference in this project.**" [Emphasis added]<sup>36</sup>

The significant differences in the Swedish and in the German perspectives on energy supply security and Russia are reflected in the public debate on both shores of the Baltic Sea about the Nord Stream 2 gas pipeline project. As the statements by Energy Minister Sigmar Gabriel in Russia demonstrate, the views in Germany and in Sweden differ quite significantly in the role that the EU's Energy Union objectives should play, and in the causal link between the broader security challenges posed by Russia against Ukraine's territorial integrity, the Russian military posturing in the Baltic Sea region and the major Russian natural gas infrastructure project that the Kremlin is so keen on seeing implemented.

## PERSPECTIVES FROM STOCKHOLM, BLEKINGE AND GOTLAND ON *NORD STREAM 2*

Both Sweden and Germany are in a decisive position regarding the approval of Nord Stream 2. Sweden is a decisive country, because it is the only one among the states in the Baltic Sea region whose approval is legally required for the construction but which has no stakes in the project itself. Sweden does not buy Russian gas. Even when it receives any gas via the Danish-Swedish pipeline, this does not build up any dependence on gas from Russia. Although Sweden purchases increasingly large volumes of Russian oil, these can, if needed, be substituted from other crude oil sources on the world market. The Swedish perspective on Russia as

an energy supplier to the EU is therefore motivated less by a concern of an impact the project could have on its own supply situation (quite in contrast to the case of Finland). In Sweden the current government and opposition parties are in agreement over the fact that there are both soft and hard security implications to consider in the assessment of Nord Stream 2, and that none of the government and opposition parties really want to see this project implemented. The security concerns regards both the physical use of Sweden's own territory and the tangible practical consequences the Nord Stream 2 construction would have in Sweden's territorial waters and its Exclusive Economic Zone, but it also regards the assessment of Russian actions in Sweden's geographic proximity, including but not limited to the Russian annexation of Crimea and the ongoing war in Ukraine. For Sweden, the problematic circumstances of this gas pipeline project are clear: having been launched a year after the Russian special forces intruded into the Donbass and instigated a war against the authorities in Kyiv, it is extremely difficult to pretend the project is "just a business endeavour".<sup>37</sup> The precarious situation of Ukraine as the main transit country for Russian gas is therefore coming up in the public discussions, time and time again.<sup>38</sup> That these fears of Ukraine becoming cut off are legitimate was confirmed by the head of Gazprom in June 2016. He argued that it is indeed the Russian plan that the transit route via Ukraine will be discontinued entirely once the construction of Nord Stream 2 is completed.<sup>39</sup>

Finally, the broader assessment in Sweden of Russia as country willing and able to threaten the Baltic Sea states and other European countries militarily, and the view of the Russian state controlled energy company Gazprom as an instrument of the Kremlin plays clearly into the Swedish debate on Nord Stream 2. Foreign Minister Wallström declared in the parliamentary debates that the government is against the project since it completely contradicts the objectives set out in the framework for the EU's Energy Union.<sup>40</sup> In addition, Swedish territory is of major strategic importance to the Russian military.<sup>41</sup> This importance is confirmed by the increasingly aggressive Russian spying activities on Swedish soil against the Swedish Armed Forces and volunteers of the Home Guard (Hemvärnet). Notably on the island of Gotland a massive increase of

reports about Russian agents posing as “tourists” with Russian registered cars is an issue of major concern. These Russian “tourists” have on their mission systematically interrogated the voluntary *Hemvärnet* personnel and professional soldiers of Försvarsmakten about their tasks on the island which makes clear that Sweden’s territory is under heavy surveillance from Russia for military strategic purposes.<sup>42</sup> These Russian spying activities have increased further after the Supreme Commander of the Swedish Armed Forces (överbefälshavare, ÖB), Micael Bydén, took the decision to accelerate the re-establishment of a permanent presence by the Armed Forces on the island of Gotland, half a year earlier than originally envisaged.<sup>43</sup> This decision in September 2016 came in response to the gradual, but steadily increasing military threats posed by Russia in the Baltic Sea region. The deterioration of the security situation regarding Russia forced ÖB Micael Bydén in mid-October 2016 to warn Swedish decision-makers against making available Swedish harbour facilities to the Russian state controlled Nord Stream 2.<sup>44</sup>

The hard security consequences have a significantly greater bearing on the Swedish view of the Nord Stream 2 gas pipeline than during the previous Nord Stream approval and construction process from 2005 to 2011.<sup>45</sup> Then, the Nord Stream (1) consortium, which is still 51% controlled by the Russian state controlled Gazprom, purchased local approval on Gotland in Slite and in Verkö, Karlskrona (Blekinge region) as well as using Norrköping’s harbour facilities. All of these locations on Swedish soil are located in geographic areas that are of strategic importance for the Swedish Armed Forces. On the island of Gotland the decision to rent out Slite harbour was heavily criticized when the deal was approved by the local community in 2007.<sup>46</sup> Since 2013, the discussions on Gotland about a renewed use of the harbour facilities in Slite, on the East coast of the island, are ongoing. Whereas the governing Social Democrats on Gotland are strongly in favour of making Slite available to Nord Stream 2 with the support of some opposition party members who argue that there is “money to make”, some vocal critics from the opposition parties on the island, and also from the members of parliament in Stockholm have urged the Swedish government to apply pressure on its party members at the local level to prevent the Russian state controlled

company from laying claim to the use of Swedish territory.<sup>47</sup> The possible use by Nord Stream 2 of Karlshamn (Blekinge), on the East coast of the Swedish mainland has also received increasing attention in the Swedish debate. Supporters, some of which are financially benefitting from the promised payments from Nord Stream 2, are in favour of granting the company permission on “purely commercial” grounds, whereas fierce opponents argue that the local authorities have a responsibility to help the Swedish government protect Swedish territory, instead of allowing the Russian state controlled company to operate freely on Swedish soil.<sup>48</sup> The Swedish criticism against the Nord Stream pipelines has thereby implicitly also taken issue with the dominant German view that the Russian gas pipeline project is “just about business”. The Nord Stream 2 request for approval from the Swedish government was formally submitted on 16 September 2016.<sup>49</sup> The assessment is in progress. It is noteworthy that Sweden is the first country to have received a formal request for approval from Nord Stream 2. Meanwhile, preparations for the construction are already ongoing in Germany and Finland, although nothing is decided yet.

## PERSPECTIVES FROM BERLIN ON BUSINESS WITH GAZPROM AND *NORD STREAM 2*

The German governing coalition of Chancellor Angela Merkel (CDU), supported by Vice-Chancellor Sigmar Gabriel (SPD) has from the very beginning whole-heartedly supported the Russian Nord Stream 2 natural gas pipeline project. Already the first Nord Stream pipeline project received in 2005 not just the SPD’s support but also the support of the successor government of Chancellor Merkel (CDU). Gerhard Schröder had in the final months of his chancellorship decisively contributed to the conclusion of the then German-Russian deal that was signed just two weeks before he left office.<sup>50</sup> After his party lost in the German federal elections Schröder was rewarded for his efforts with an offer he could not refuse: the appointment to become Chairman of Nord Stream.<sup>51</sup> In October 2016 he was also appointed to the post of Chairman of the Board of Directors of Nord Stream 2.<sup>52</sup> His successor in the party, SPD-chairman Sigmar Gabriel has, in addition to the supportive statements

made about Nord Stream 2 at the Kremlin in October 2015 publicly endorsed the project at the second *Russia Day* in May 2016 in East Germany (the first one took place in 2014, *after* the annexation of Crimea). The Gazprom/Nord Stream 2 lobbyists had subsidised the Russia Day gathering in Rostock in Mecklenburg-Vorpommern at which Sigmar Gabriel also spoke in very positive terms about the warm relations Germany maintains with the Russian business sector.<sup>53</sup> The Russian state controlled energy company in its different guises supported the event threefold as platinum sponsor: as Gazprom, as Gascade (50% Gazprom, with BASF) and as Nord Stream 2 (then still 50% Gazprom).<sup>54</sup> The event was hosted by Mecklenburg-Vorpommern, whose head of government argued on the occasion that the sanctions against Russia must be lifted.<sup>55</sup> Since the Bundesland Mecklenburg Vorpommern hosts the entry point to the Russian gas pipelines into Germany, it is also his government's responsibility to grant approval for the Nord Stream 2 construction.

German government representatives have systematically defended Nord Stream 2 with claims that the Russian pipeline project is “purely commercial” – implying that politics, environment, climate and security considerations have no bearing on its assessment. Chancellor Angela Merkel's silent support for both Nord Stream and the Nord Stream 2 project is certainly in some part also motivated by the fact that she benefits from the investments and profits from the project that are made in and close to Wahlkreis 15 – Stralsund, Rügen, Greifswald where her own electoral district is located.<sup>56</sup> Since 1993 when Merkel was allocated the district, she has never been challenged in her mandate. However, after the elections in Mecklenburg-Vorpommern in September 2016 where her CDU suffered a bitter defeat, the next federal elections may not be as easy for her to win. It is a region suffering from high unemployment rates which explains also why temporary jobs associated with the Nord Stream 2 construction work can serve as important incentives for the local community. Against this background, Chancellor Merkel's silent support for the Russian gas pipelines is perhaps not that surprising.<sup>57</sup> As to the coalition partner SPD, there can hardly be any doubt about the fact that Sigmar Gabriel follows in Gerhard Schröder's footsteps as his statements regarding Nord Stream 2 made in October 2015 in Moscow

made clear.<sup>58</sup> Even German Foreign Minister Frank-Walter Steinmeier has voiced his strong support for a de-politicisation of the debate about Nord Stream 2 and insisted that it should be treated as a commercial project.<sup>59</sup> That Frank-Walter Steinmeier's and Gerhard Schröder's former Russia expert advisor Alexander Rahr<sup>60</sup> now works for Gazprom in Brussels is in this context hardly surprising.<sup>61</sup> Criticism of the government's position on Nord Stream 2 has come primarily, though not exclusively, from the German Green Party.<sup>62</sup> In the public debate in the autumn of 2016, both the CDU Chairman of the Foreign Affairs Committee and the Green Party Minister of the Bundesland Schleswig-Holstein have most strongly expressed their criticism of the CDU/CSU-SPD government in Berlin on Nord Stream 2, in particular in light of the Russian military aggression and indiscriminate bombing of civilians in Syria.<sup>63</sup>

Already when the Nord Stream 2 consortium was formally launched on 4 September 2015 with the signature of a binding agreement between Gazprom, BASF, E.ON (now known as Uniper), Engie, OMV and Shell it was difficult to argue convincingly that the project was "just commercial". Until late November 2015, Gazprom held the majority control with 51% of the shares<sup>64</sup> of which it eventually relinquished 1% that went to French Engie.<sup>65</sup> From that point onwards, the company presented the gas pipeline project as a joint, mutually beneficial European-Russian project. However, following the negative assessment by the Polish Office of Competition and Consumer Protection (UOKIK) of an application by the consortium, then composed of 50% Gazprom and five European energy companies with a share of 10% each, it has become much harder for the German government and the Nord Stream lobbyists to convincingly present the project as being of common European interest, and "purely commercial". UOKIK argued, based on a thorough assessment of the Polish Energy Regulator that Nord Stream 2 would be in breach of EU competition rules, which led to the complete withdrawal of the five European energy companies, leaving Gazprom alone in control of Nord Stream 2.<sup>66</sup>

On 12 August 2016 the five European companies German Uniper SE (previously known as E.On), German BASF/Wintershall, the British-Dutch Royal Dutch Shell, Austrian OMV and French Engie (previously known as Gaz de France Suez) together with Russian Gazprom published



a joint letter in which they announced the cessation of the joint venture.<sup>67</sup> The five European energy companies professed their keen interest in supporting Nord Stream 2 even after they dropped out of the consortium, but not as partners. They are listed as “supporters” on the Nord Stream 2 company webpage. Since this “support” has no legal or financial bearing on the project right now, the status quo is that the Nord Stream 2 project is 100% controlled by a subsidiary of the Russian state controlled gas giant Gazprom. The company’s own information about its shareholder confirms “is currently 100% owned by Gazprom Gerosgaz Holdings B.V.”.<sup>68</sup> Gazprom, in turn is, as the Russian state company’s own information clarifies, under state control: “Russian Government controls over 50 per cent of the Company’s shares” and the Nord Stream 2 Company clarifies that the Russian state controls 50.002% of Gazprom, which means that the Russian state is a majority owner with the decisive vote.<sup>69</sup>

Following the August 2016 decision that forced Nord Stream 2 to dismantle its intended six-party shareholder structure, it has become difficult for the German government and the Nord Stream lobbyists to make a case for it on common European or commercial grounds. The German government’s position has since evolved towards arguing that it is “a private project” – suggesting that the Russian state controlled energy company whose subsidiary fully owns Nord Stream 2 is a purely private enterprise, and that the project is free from any political support. The odd thing about this claim is that the German politicians keep lobbying actively for Nord Stream 2. As the Chairman of the Foreign Affairs Committee of the German Parliament, Norbert Röttgen revealed, members of the German government have been instructed to speak of Nord Stream 2 as “a private project” and he accused the government of cynicism vis-a-vis the security interests of the east European states: “Die Sprachregelung der Bundesregierung, Nord Stream 2 habe als privatwirtschaftliches Projekt nichts mit Politik zu tun, finde ich inakzeptabel und provokativ” [the claim that Nord Stream 2 “as a private project” has nothing to do with politics is unacceptable and provocative], Röttgen told German daily F.A.Z.<sup>70</sup> Evidence of this German practice of referring to the project as “private” was delivered at the Riga Security Conference 2016 at which German Agriculture Minister Christian

Schmidt said of Nord Stream 2 that “this is a private project in the North”.<sup>71</sup> The German government’s insistence on the false claim that Nord Stream 2 is a “private endeavour” is all the more striking since neither Gazprom nor Nord Stream 2 have made any secret of the fact that they are held under the Russian state’s control.

The German government’s support of the project is of key importance for Russian Gazprom’s ability to go ahead and build the pipelines as much more than “just” the construction permit is dependent upon the German government’s support. The German national infrastructure is in desperate need of upgrading should Nord Stream 2 be built. With the current 55bcm capacity that the first two Nord Stream pipelines deliver from Vyborg (east of the Finnish border) in Russia to Greifswald in Germany (West of the Polish border), the national infrastructure can still cope. However, an additional 55bcm delivered through the two planned Nord Stream 2 pipelines from Ust-Luga (East of the Estonian border) exceeds by far the current transport capacity of the pipelines in East Germany which would have to transport the additional gas to the final destinations. For the Russian state this is a win-win situation. If Nord Stream 2 receives the approval, Gazprom will be able to earn revenues not just from the sale of gas, but also in its different guises, as Gascade and Gazprom in partnerships with German companies, from its participation in the required follow-up pipeline construction projects on East German soil. Most likely, the German state will be forced to step in and subsidise the construction of the necessary additional transport infrastructure – an issue that was also raised by the German Green Party in opposition to the project<sup>72</sup> – which, when all is said and done, will probably mean that the German taxpayers will help finance, directly and indirectly (both as residents and as gas users), the Russian state’s budget that is helping the Russian state to continue supporting the Russian military aggression against Ukraine, but even the Russian state sponsored subversive activities on German soil.<sup>73</sup>

It is in this regard particularly noteworthy that the Russian military aggression against the main transit country for Russian gas, Ukraine, has been almost entirely decoupled from the German government’s views on Nord Stream 2. The German government’s official view is that

Nord Stream builds purely on an energy market rationale and that it will compensate for a declining gas production in European countries. It has also been claimed that the circumvention of Ukraine will ensure the reliable delivery of gas to Europe, although German representatives have made assurances that the Ukraine transit would not be stopped entirely.<sup>74</sup> This contradicts however Gazprom representatives' own declared objectives of phasing out entirely the use of the transit route via Ukraine.

## PROSPECTS FOR BALTIC SEA REGION (ENERGY) SECURITY IN THE LIGHT OF *NORD STREAM 2*

It is evident that Sweden and Germany are not just geographically located on opposite shores of the Baltic Sea. Also in their energy supply practices and in their view of soft and hard security issues in the Baltic Sea region, they operate on almost diametrically opposed sides. The case of Nord Stream 2 demonstrates that the effective cooperation between all Baltic Sea states on security threats emanating from Russia can be jeopardized by the German government's self-interest. The circumvention of Ukraine and the increase of Russian natural gas supplies to Germany, across the Baltic Sea, to a total of 110bcm will not have any real effect on the Baltic States' own energy supply security nor on Swedish supply security or even Finland's or Denmark's since these countries' gas supply systems are not connected to the transit pipeline that today delivers Russian gas to Europe through Ukraine. What is clear however, and probably underestimated in Berlin, is that a doubling of gas supplies arriving directly from Russia to Germany will all of a sudden create a considerable German vulnerability to potential gas supply disruptions from Russia. Germany has never before experienced the effects of a Russian energy cut off (the 2009 disruptions had only minor effects on Germany that could easily be mediated). The German government and many German experts see the Nord Stream 2 pipelines as a convenient way of solving the very real energy supply problems that Germany is having to come to grips with after having taken the decision to implement the *Energiewende*, fully phasing out nuclear power at the same time as the country has to meet ambitious emission reduction targets following the Paris Climate agreement. With this focus

on acute energy supply problems to which the doubling of natural gas via Nord Stream 2 seems to offer a convenient answer, it seems completely inconceivable to German decision-makers that the Russian state could use its gas supply system as a political and economic pressure tool against German political elites. But just because this has never happened before, does not mean that it really is impossible.<sup>75</sup>

The developments with Russia in Europe since 2005 have shown that the willingness of the Russian state to ruthlessly use all available pressure tools for political, economic and military-strategic objectives should not be underestimated. Germany, as a recipient of 110bcm would be in a very exposed position as it would all of a sudden find itself in the transit country position of Ukraine – the secure delivery of much of European gas supplies from Russia to other European neighbours would run through Germany, and as a result, the blame would be placed on Germany if the Russian state ever decided to use supply cut offs as a pressure tool. Since Berlin has in recent years increasingly acquired a leadership position in the EU and on European policy towards Russia, it is highly likely that this fact entered the Kremlin's calculations, and that attempts will be made to exert pressure on the next German government(s) to assist Russia in achieving the lifting of EU sanctions, as well as other strategic objectives that the Kremlin may pursue regarding for example NATO's strategic defence plans, where Germany, as an important member states, has considerable leverage to facilitate or block proposals for the defence of the Baltic Sea region states. Since Germany will also be a framework nation for a NATO presence in Lithuania, there is a clear Russian interest in exploiting any leverage against Germany that could help achieve Russian strategic objectives in the Baltic Sea region.

In addition, the implementation of Nord Stream 2 will create the conditions for greater geostrategic insecurity in Central and Eastern Europe as the project substantially weakens the negotiating position vis-a-vis Russia of three important transit states, Ukraine, Poland and Slovakia once the gas currently transported across the mainland is diverted through the Baltic Sea to Germany. As a result, we can expect greater instability and insecurity not just in the Baltic Sea region, but also in Central and Eastern Europe should the Nord Stream 2 project

be implemented. The Russian state stands to win on many levels during and after the pipeline construction. Besides earning revenues through the project implementation with Gazprom, it is likely to obtain further revenues and leverage with additional pipeline constructions in Germany. It also helps the Kremlin to considerably strengthen Russia's geostrategic position in the region. Obtaining greater geopolitical leverage over Germany will be a particular bonus. Finally, as the Swedish national debate and concerned statements by the Swedish Armed Forces makes very clear, the Nord Stream 2 project is not just about gas, not just about the import dependence on Russia and not just about politics. For Sweden (and possibly also Finland and Germany), there are very real consequences that have to be dealt with on Swedish soil and in Swedish territorial waters. Already today Russian agents, disguised as "tourists" are actively pursuing intelligence gathering for military purposes. This "persistent advanced forward presence" of Russian state agents on the island of Gotland, and on the Swedish mainland is all the more worrying since we know have a good understanding of the modus operandi that Russian special forces employed against Ukraine with its "green men". For the Russian state, an approval of Nord Stream 2 by the Swedish and German government would therefore create an overwhelming win-win-win situation, economically, politically and geo-strategically. Besides obtaining the special bonus of increasing German decision-makers' susceptibility to Russian state pressure, the legitimate use of Swedish soil by employees and contracted personnel working for the Russian state controlled company in areas of strategic importance for the Swedish Armed Forces would certainly be regarded as a very welcome gift by the Kremlin and Russian strategic military planners.

## ENDNOTES

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# Energy Infrastructure in the Baltic Sea Region: The Backbone of Energy Security

Reinis Āboltiņš

Energy security has always been and will continue to be the key notion when it comes to the energy sector. The ability to deliver power when and where it is needed is the key philosophy behind the existence of any energy system. EU energy policy documents and most notably – *European Energy Security Strategy*, speak of the need to use local energy resources that do not have to be imported and improve energy security.

The new Ten Year Network Development Plan of the European Network of Transmission System Operators for Electricity (ENTSO-E) is the ultimate source of information and logic behind the current and future development of the energy system in the Baltic Sea Region. The same is true for the future development of natural gas systems in the region overseen by ENTSO for natural gas (ENTO-G).

The Baltic States have made significant progress over the recent years by putting in place electricity interconnections and diversifying away from the only natural gas supplier through liquefied natural gas (LNG) import terminals. The Baltic Energy Market Interconnection Plan is advancing the efforts to increase energy security further through investment in new and improved cross-border and national grid capacities for electricity and a regional LNG import terminal and pipeline interconnection between Lithuania and Poland.

Market conditions play an important role in ensuring the infrastructure is used to its optimal capacity. All three Baltic States are part of Nord Pool electricity exchange, which has proven to have very stimulating effect on producers, traders and consumers in the region – prices have been experiencing a downward trend over the recent years. While the electricity market is successfully functioning, liberalisation of the gas market and

full and effective implementation of third party access principles in Latvia remains the main challenge for the country and the last obstacle on the way of the Baltic States to a free and integrated regional gas market.

## A BROADER CONTEXT

Energy infrastructure is the backbone of every energy system as power plants, wires, cables, transformers and substations are needed for the power to be produced, transmitted and distributed to eventually reach the consumer, be it industrial or household. Ability to ensure uninterrupted energy supplies to consumers for a reasonable cost means high level of energy security. Presence of feasible risks – physical, economic, social, political – means that energy security can and ought to be improved. Energy policy has permanently been evolving in the EU leading to the framework strategy on establishing a European Energy Union whose impact goes beyond ensuring high level of energy security and has positive effect on broader economies of the EU member states.

There is a broadly accepted understanding across the EU that a better integrated and interconnected EU energy market means greater energy security for the consumers. This understanding is translated into action through long-term planning and financing for infrastructure projects that facilitate the integration of the European energy market. The Ten year network development (TYND) plan of national transmission system operators (TSOs) is the point of departure and the initiatives of regional and cross-border significance get accumulated in the TYND plan of the European Network of Transmission System Operators for Electricity<sup>1</sup> (ENTSO-E) and natural gas (ENTSO-G). Once ENTSO-E and ENTSO-G approve a project it can get co-financed from the Connecting Europe Facility (CEF), aimed at providing EU funding for projects of common interest (PCIs).

Decisions about investment in the transmission system go through a set of steps that filter out what are the most relevant initiatives that ought to be supported. National TSOs assess the necessity of upgrades or new lines from the point of view of system balancing and the regulatory authorities give their green light. The proposal then goes to ENTSO-E or ENTSO-G and becomes part of the TYND plan.

The Ten year electricity (and gas) network development (TYND) plan is a relevant source of information for energy consuming businesses and also other planners like, for example, institutions in charge of terrestrial and marine spatial planning, especially in the context of developing new electricity or natural gas interconnections over land and on the seabed.

## FACTORS AFFECTING STRATEGY

Distributed power generation and ability of the networks to absorb and transmit electricity produced by a growing number of power production sources of small capacity is therefore going to be one of the key drivers for future investment in the energy sector. ENTSO-E pays plenty of attention to ensuring future development of national transmission systems in a cooperative spirit and way that can favour all stakeholders, but primarily the consumer<sup>2</sup>. From this perspective interconnections in the BSR are going to play an ever increasing role for a number of reasons.

First, interconnections improve security of supply. Closing of Ignalina NPP in 2009 changed the energy production mix in Lithuania and significantly affected the pattern of energy flow between Estonia, Latvia and Lithuania. Lithuania became an electricity importing country; imports coming from Latvia, Estonia, Belarus and Kaliningrad. The three countries did not have any physical link with power transmission grids in any other EU country until 2007, when EstLink 1 became the first interconnection allowing electricity flows to happen between Estonia and Finland. TSOs of the two countries continued cooperation that successfully ended with the inauguration of EstLink 2 HVDC cable in 2014.

Second, interconnections increase system balancing options. The diversity of power generation sources around the Baltic Sea provides a good mix where one technology can jump in if another is not utilised due to technical or commercial reasons. Although the large hydro power plants in Scandinavia are the trendsetters when it comes to NPS market price, other technologies also play a part in making the power system in the BSR function without disruption and extreme electricity price fluctuations.

Third, interconnections contribute to market liquidity. All three Baltic States have been part of the Nord Pool Spot power exchange since

June 2013, taking part in electricity trading. However, out of the three countries only Estonia could enjoy the benefits of the free market as it was the only one of the three interconnected with the Scandinavian grid via EstLink 1 and EstLink 2 interconnections, which effectively coupled Estonian and Finnish power markets. Power prices in Latvian and Lithuanian NPs price area levelled out with Estonia as the NordBalt HVDC interconnector<sup>3</sup> began its commercial operations in February 2016.

## INTERCONNECTIONS IN THE REGION: *ELECTRICITY*

Most of the Baltic Sea Region (BSR) countries<sup>4</sup> are part of the Nord Pool Spot (NPS) electricity exchange that serves as one of the key driving forces behind developments related to deploying electricity generation and transmission capacities. Market signals influence decision-making on which production capacities shall feed the power into the grid and which NPS price areas will electricity be flowing to. To give an example, at times of high gas prices profits can be very limited compared with the production price of electricity generated by large hydro power plants (HPPs). The key question therefore is – how well are different areas of the BSR countries interconnected by transmission lines to be able to harvest the best that the energy market can offer.

The Baltic States have become better interconnected with the rest of EU neighbours with the installation of the NordBalt subsea high voltage direct current (HVDC) cable linking Lithuania and Sweden. LitPol Link over-head power line (OHL) interconnecting Lithuania and Poland has also added to the interconnectivity of the Baltic States with the rest of EU. Thus together with the two EstLink subsea cables the Baltic States are linked with broader European power grid via four interconnections.

The Scandinavian countries – Finland, Sweden, Norway and Denmark are interconnected fairly well, which ensures that a range of power production capacities across a spectrum of technologies is available to balance the power system and results in low and often synchronous electricity prices across a number of NPS price areas stretching from Finland to Denmark.

Picture 1. Electricity transmission system in the Baltic Sea Region

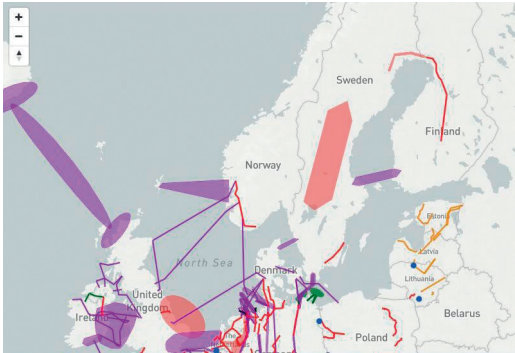


Source: ENTSO-E, <https://www.entsoe.eu/map/Pages/default.aspx>

The Data by ENTSO-E allows drawing the conclusion that the emphasis in system development is going to shift to increasing ability to take in distributed generation capacities and improve existing cross-border interconnections as well as important parts of national grid<sup>5</sup>. Finland, Sweden and Denmark are planning to improve energy security by upgrading already existing power lines or building new internal and cross-border ones.

Similarly the Baltic States are also working on a number of projects aimed at increasing cross-border capacities and strengthening national grids. The Kurzeme Ring (Kurzemes loks) project will increase security of energy supply in the Western part of Latvia. Third HV OHL will significantly increase cross-border capacity between Estonia and Latvia allowing to harvest full benefits of being effectively coupled with the Estonian and Finnish power market.





Picture 2. Prospective electricity transmission system projects in the Baltic Sea Region

Source: "Ten year network development plan," ENTSO-E, <http://tyndp.entsoe.eu/reference/#map>

## INTERCONNECTIONS IN THE REGION: NATURAL GAS

The presence of natural gas in the BSR varies significantly from country to country; by far the biggest gas consumer is Germany, followed by Poland, Denmark, Finland, Lithuania, Latvia, Sweden and Estonia<sup>6</sup>. Natural gas plays a particularly important role in the transformation sector as fuel for energy production in Denmark, Latvia, Lithuania and Finland<sup>7</sup>. Germany's notable consumption figures are related to the scale of the economy in general as well as to the use of natural gas in chemical industry. At the opposite end, Estonia consumes comparatively small volumes predominantly for balancing during peak demand. Thus, natural gas has different roles in BSR countries depending on their energy mix and other industrial use of this product.

The very nature of transmission pipeline systems determines that natural gas is transported over long distances via large diameter high pressure pipelines, which are therefore of strategic importance. This also means that pipelines represent in a way a natural infrastructure monopoly. This, in turn, is the reason why the EU has such strict unbundling rules<sup>8</sup> to ensure independence of TSOs from traders and producers.

Similarly to electricity transmission infrastructure, the European Network of Transmission System Operators for Gas (ENTSO-G) also works with ten year network development plan[s] and provides a detailed mapping of the existing infrastructure and upcoming initiatives<sup>9</sup>

developed by national TSOs or partner TSOs when it comes to cross-border projects.

In terms of cross-border interconnectivity, natural gas infrastructure is not abundant in the BSR except for interconnections between Poland and Germany and Germany and Denmark. The South-West of Sweden is connected with the Danish gas pipeline system, however Sweden has no gas interconnections with any other country. It should be noted that Sweden stands a bit out from the set as it has rather limited natural gas infrastructure concentrated in a relatively small stretch of territory along its western coast between Malmo and Gothenburg.

The situation is different however with Finland and the Baltic States, as the four are still connected by pipeline only with the Russian Federation, which until very recently was also the only gas supplier to these countries.

Picture 3. Prospective gas transmission system development map in the Baltic Sea Region



Source: ENSTO-G, [http://www.entsog.eu/public/uploads/files/maps/systemdevelopment/ENTSO-G\\_GIE\\_SYSDEV\\_MAP2015-2016.pdf](http://www.entsog.eu/public/uploads/files/maps/systemdevelopment/ENTSO-G_GIE_SYSDEV_MAP2015-2016.pdf)

Finland is currently interconnected by pipeline only with the Russian Federation, but has begun taking in alternative supplies through LNG gasification terminal in Pori since July 10. The particular LNG terminal was financed mostly from private funds and co-financed by the Finnish government<sup>10</sup>. Such an approach to investment in the energy sector is typical to Finland, where energy infrastructure projects tend to be financed by the key consumers with occasional and partial support from the authorities. It has to be noted though that Finland has opted for full control over gas transmission system assets through acquiring shares of the TSO from Fortum, E.On and Gazprom.

The Baltic States began enjoying the possibility of alternative gas supplies when the LNG import terminal in Klaipeda, Lithuania, started its commercial operations at the end of 2014. Lithuania is the biggest natural gas consumer among the Baltic States: its main power generating capacity, Ignalina NPP, was closed down at the end of 2009, and electricity production shifted heavily to natural gas. Lithuania imports about 60% of its electricity and circa 70% of domestic production is from natural gas. The Russian Federation was the only natural gas supplier for all three countries and it still remains the only pipeline gas supplier. This situation was the key driver behind the Klaipeda floating storage and regasification unit (FSRU) LNG import terminal project.

Energy security of the Baltic States will be improved further once two new pipelines will be put in operation. Gas interconnection Poland – Lithuania (GIPL) will be the only pipeline linking the Baltic States with the rest of European gas pipeline system and the estimated start date for it being operative is 2020. Another pipeline, Baltic Connector, is going to link gas transmission systems of Finland and Estonia making it possible to physically exchange natural gas between Finland and the rest of the EU through a pipeline. Both projects will be co-funded by the European Commission from its CEF funds. EU co-financing will amount to 75% in the latter case as the EU considers the Baltic Connector project of major significance for developing an integrated European energy market.

## THE ROLE OF ENERGY MARKET: *ELECTRICITY*

There are two major types of justification for investment in energy infrastructure: investment has to solve or significantly improve the lack of infrastructure that ensures secure supply of energy to the consumer, and it also has to be commercially justified. The first type of justification is relatively easy to identify – lack of infrastructure or insufficient infrastructure denies the consumer of receiving reliable energy supplies and can result in physical interruption of energy supply or can put the consumer in a position vis-à-vis the only supplier, where the price of the product is not negotiable. Among the three countries Latvia still remains in a situation of having no leverage when negotiating gas prices with Gazprom.

Measuring the second type of justification represents comparatively more complexity as the national TSO has to make decisions about future infrastructure projects and generating capacities in particular in close cooperation with energy companies. Energy companies do not invest in new production capacities if they cannot commercially justify putting in place a new power plant or interconnection. Market signals therefore, play an important role in planning and decision-making.

For example, the NordBalt HVDC interconnection, which is part of the Baltic Energy Market Interconnection Plan (BEMIP), clearly fulfils both physical and commercial justification. Lithuania and Latvia are energy deficit areas and their capacity to import enough electricity from neighbouring Estonia, which is the only self-sufficient energy producer among the Baltic States, is limited and insufficient. NordBalt 700MW cable improves the situation by, first, allowing more physical electricity to flow into the Lithuanian market from Sweden thus helping to tackle electricity deficit and, second, allowing customers in Latvian and Lithuanian prices areas of the Nord Pool power market to enjoy positive effects of NPS Swedish price area SE4 as the general rule is that electricity flows from lower price areas to higher price areas with high demand.

Thus, the Nord Pool market has had positive effects on consumers in Lithuania and Latvia: electricity prices in Lithuania and Latvia have almost reached the level of Estonian price area, which, in turn, is

effectively coupled with the Finnish market thanks to the two EstLink interconnections. NPS market data indicates that price convergence in all three Baltic States has been taking place since February 2016 when NordBalt cable began its commercial operation<sup>11</sup>. Electricity producers and traders in Swedish price area SE4 have interest in selling electricity to the Baltic market, where the demand is high and electricity prices have permanently been higher than in Sweden.

## THE ROLE OF ENERGY MARKET: *NATURAL GAS*

Somewhat similar effect to the electricity market can be expected also on the Baltic gas market once traders and suppliers will be able to use gas infrastructures on equal footing and according to the market rules in all three Baltic States. The Inčukalns underground gas storage facility is a particular object of interest for market participants as in addition to its back-up role it could also play a part in adding more flexibility to the gas market, given it becomes part to both physical and virtual trade, transmission and storage of natural gas in the region.

Latvia was still lagging behind its neighbours in terms of unbundling and market liberalisation, including third party access rules, in September 2016. The Latvian Regulator has said a number of times and even issued ruling saying *Latvijas Gāze* should obey third party access (TPA) rules, but the executive body of *Latvijas Gāze* has repeatedly said TPA rules violate the alleged right of *Latvijas Gāze* to maintain its monopoly till early April 2017. Limited possibility to sell natural gas to consumers in Latvia by any other trader than the gas monopolist JSC *Latvijas Gāze* also has a hindering effect on the development of a common Baltic natural gas market.

The structure of gas consumption, for example, in Latvia, is indicative of what the market could be – state owned energy company JSC *Latvenergo* is the sole biggest gas consumer in Latvia, constituting approximately 40% of Latvia's annual consumption. Add two more big district heating companies in capital city Riga and the second biggest town Daugavpils<sup>12</sup> and the trio makes up circa 60% of annual gas consumption in Latvia. In a similar way energy companies and producers of mineral fertilizers are the main gas consumers in Lithuania.

Different from Latvia, Lithuania has been experiencing the positive effects of liberalised gas market, especially after making and implementing the decision about buying a floating regasification vessel and switching part of its domestic consumption from pipeline gas to LNG. Alternative supplies from Norwegian Statoil have been able to find consumers in Lithuania and are ready to reach consumers in Latvia as well, as soon as the gas market in Latvia reaches the phase of actual liberalisation and JSC *Latvijas Gāze* is no more the sole trader. Therefore one can say that the legal framework for gas market liberalisation in Latvia also represents the starting point for an integrated gas market in all three countries.

The possibility to exchange physical gas flows with Poland in the South and Finland in the North will further enhance the liquidity of gas market as well as the security of supply as a situation of no choice yet in 2013 will have evolved into a situation of alternative supplies technically possible through three LNG import terminals and a pipeline<sup>13</sup>. The Paldiski LNG terminal to the West from the Estonian capital Tallinn will formally serve as the LNG terminal of regional importance and play a supportive role. It will also make peak demand balancing in Estonia more flexible.

On the practical side though, the Klaipeda LNG terminal is already fulfilling the function as its capacity is enough to supply approximately 80 percent of the Baltic annual consumption. Last but not least, another small LNG import terminal project in Skulte (in the Gulf of Riga) might find its place on the market if there is sufficient commercial interest and a reasonable administrative support from the authorities. Any new project that fulfils the two types of justification – improves physical supplies and estimates show commercial viability – can add to the overall energy security of the Baltic States.

## ENDNOTES

<sup>1</sup> See the TYND plan for electricity TSOs: “Ten Year Network Development Plan 2016,” *ENTSO-E*, 2016, <http://tyndp.entsoe.eu/>

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- <sup>6</sup> For details see: “Gross inland energy consumption by fuel type Eurostat data,” *EUROSTAT*, 11 August 2016, <http://ec.europa.eu/eurostat/tgm/graph.do?tab=graph&plugin=1&pcode=tsdcc320&language=en&toolbox=sort>
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- <sup>10</sup> “Finland’s 1st LNG terminal receives cargo,” *Natural Gas World*, 12 July 2016, <http://www.naturalgaseurope.com/first-lng-imported-to-finland-30545>
- <sup>11</sup> See NPS monthly price table and chart for price areas SE4, LT, LV and EE: “Elsport prices,” *Nord Pool*, 2016, <http://nordpoolspot.com/Market-data1/Elsport/Area-Prices/ALL1/Monthly/?view=chart>
- <sup>12</sup> Riga district heating company (DHC) “Rīgas Siltums” and Daugavpils DHC “Daugavpils Siltumtīkls”.
- <sup>13</sup> LNG terminals in Klaipėda (LT), Pori and Inkoo (FI), Paldiski (EE) and GIPL pipeline (PL-LT).

## Klaipeda's LNG Terminal – Unilateral Decision for a Common Gain

Tomas Janeliūnas, Kristina Rimkūnaitė

The Baltic States share a similar history pattern and are often seen as one entity, especially from the larger states perspective. Yet, they do not see themselves as such. And it is not about jokes about each other or different languages. It is more about a different identity. Lithuania, being the largest, always tries to take the lead. Sometimes these efforts are fruitful, sometimes they come to a dead-end or they result in much bigger expenses than it has been assumed. Energy and transport are sectors where Lithuania used to show most incentives – Visaginas nuclear power plant, NordBalt, LitPol Link, Klaipeda's Liquefied Natural Gas (LNG) terminal, GIPL, Rail Baltica, Via Baltica – to mention just a few of them. At least in Lithuania there is an opinion that Estonians usually follow more rational and pragmatic approach, they always try to make sure that EU is involved and supporting, not only politically, but also financially. So, regardless of whether it is the *Balticconnector* or a LNG import terminal – the chosen one will go alive only when the EU's support is guaranteed and agreements signed, even if it is years later than initially planned. This makes the other two nations perceive Estonians sometimes as slow and very practical. Latvians are most concerned with security of supply, but if Lithuania or Estonia go for changes, Latvia tries to maintain its status-quo and to take a more conservative approach. That makes Latvia sometimes resistant to changes, in other words – a partner that takes time to deal with. The story of the LNG terminal is exactly the case, reflecting all these subtle variations in national identity, when it comes to a regional cooperation at a strategic level.



## CAUSES THAT RESULTED IN LITHUANIA'S LNG TERMINAL PROJECT

Until 2014 Lithuania and other Baltic states relied on Gazprom as the single natural gas supplier. Lack of competition resulted in high import prices, especially for Lithuania. Options to change the situation of the monopoly of gas supply were discussed for some years already and the LNG terminal has been considered as the only viable choice. As it appeared, the final solution to build LNG terminal affected gas prices dramatically – the Floating Storage Regasification Unit (FSRU) arrival to Klaipeda port was a significant game changer even before it was physically present at place.

There were two market actors capable to implement such a scale project in Lithuania – the Lithuanian state itself and/or the largest natural gas consumer in the country AB Achema. The LNG terminal idea was discussed in state ministries corridors and analysed in Achema's headquarters as early as from 2006-2007. It was speculated in Lithuania that after the Nord Stream is finished in 2011, Russia may cut off natural gas supply the same way as it did with oil pipeline Druzhba for Mazeikiai refinery. That threat seemed very realistic – a branch of the Nord Stream to Kaliningrad region would mean that Lithuania is not needed as a natural gas transit country anymore.<sup>1</sup> Changes were also inevitable because both state-partly owned company AB Lietuvos dujos, UAB Haupas and AB Achema's separate long-term supply contracts with Gazprom were expiring in December 2015. Therefore, this date was seen as a natural deadline to have natural gas supply sources actually diversified by having LNG, or risk being forced to sign another long-term contract with prices much higher than Germany's border price again.

Joining the EU in 2004 and its legislation implementation on national level gave a big push to many sectors, especially energy. Regarding LNG and natural gas, the three Baltic states and Finland are considered by the EU as one single region which should implement natural gas projects together, creating scale and synergy effects. Cooperation becomes a more important topic because declining natural gas demand in the Baltic states has been an ongoing issue for a few years already. The EU financially

supports switching to renewable energy sources and implementing less energy-intensive technologies in industry and housing sectors. The Baltic states' transmission system forecasts provide an idea of further demand decline insights with total Lithuania's, Latvia's and Estonia's natural gas demand reaching 3.5 bcm in 2023.

Gazprom needed to influence governments, therefore, it was very interested in buying shares of state-owned natural gas companies and put its efforts on it from 1990 onwards. So, when the EU came up with the unbundling idea, Gazprom already owned about 1/3 shares of Lietuvos dujos, Latvijas Gaze and Eesti Gaas. Countries sold their stakes considering that given their membership in NATO and the EU, Russian capital did not pose any political threat anymore. Later they struggled to buy it back and to create a competitive market. In 2013 Gazprom was still pressuring the Lithuanian government to prolong their long-term contract until 2020 and postpone implementation of the EU 3<sup>rd</sup> energy package in the natural gas sector, delaying supply, distribution and transmission systems unbundling for at least one year.<sup>2</sup> Their efforts were unsuccessful in Lithuania and Estonia (Estonia finished unbundling in 2015, Lithuania ended process in 2016), but Gazprom succeeded in Latvia, which fully unbundles its natural gas market only in 2017. This turn of events made impossible the idea of a regional LNG terminal where all three Baltic States could participate.

## FLOATING STORAGE REGASIFICATION UNIT (FSRU) AS A NATIONAL BUT NOT A REGIONAL PROJECT

A Regional terminal was an idea everyone seemed to sympathise with. It would satisfy all three countries natural gas needs and also by getting status of EU Project of Common Interest (PCI), it would be eligible for EU financial support.<sup>3</sup> This factor was important, because usually investment in infrastructure were big and the payback period can take decades. Keeping that in mind, the Lithuanian government tried to negotiate with Latvia and Estonia to build a regional terminal in Klaipeda, which would cover the natural gas demand of all three countries. Time

was passing by and no actual actions were taken. Meanwhile, both Latvia and Estonia considered their own terminal projects. Latvia was promoting Riga as possible regional terminal location. Estonia considered even three possible LNG terminal projects – Tallin, Muuga and Paldiski. The same “no-cooperation” attitude still continued – both Estonian Muuga and Paldiski terminals applied for EU support. Whether project/projects are supported it will be clear in November 2016, when the European Commission will announce its decision regarding funding.

Being relatively small consumers of natural gas and taking into account the trend of natural gas demand decreasing in all three states, there were options of regional LNG terminal in Tallinn, Riga or Klaipeda. Ministries and governments talks, disputes and meetings lasted for years. The Baltic States were unable to find consensus that would satisfy national needs and ambitions. Being the largest natural gas consumer in the Baltic States, Lithuania was facing significant political and social risk. High natural gas prices coming with another long-term Gazprom contract would mean that the nitrogen fertilizer plant owned by AB Achema would not survive under harsh competition. Without its consumption, which accounts to half of Lithuania’s demand, the natural gas infrastructure costs for remaining users would double. A domino effect would imply other companies going bankrupt as well as private users looking for alternatives. There is a very clear example of such situation caused by extremely high natural gas prices in the isolated area of Druskininkai in Lithuania. High natural gas, delivered from Belarus, with its prices resulting in 15 times decline in natural gas demand in a matter of less than 5 years. Klaipeda is the last Northern port in the Baltic Sea which does not freeze in winter. Lithuania considered it as important advantage choosing its location. However, Klaipeda’s port is very restricted in territory whereas this is not a problem in Riga. Lithuania has the shortest coastline of all three Baltic States (only 99 km length) and counts only with one industrial port – Klaipeda.

When all talks on political level failed, Lithuania felt it was running out of time – long-term Gazprom contract was approaching its second half and no alternative supply source meant that the country would be locked-in into another 10 year contract with high price, causing more and

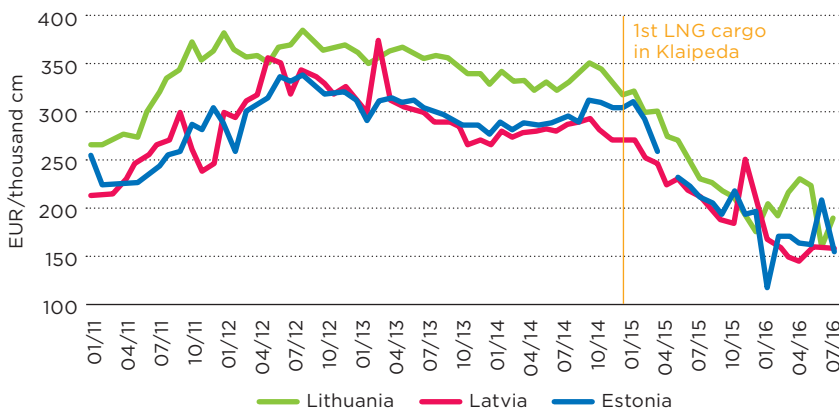
more local natural gas users switch to other types of fuel available in the local market. A shorter LNG terminal construction time became more important than the price itself. Therefore, in 2011, a unilateral decision was made in Lithuania and the project was delegated to state-owned company AB Klaipėdos Nafta for it to construct LNG import terminal in Klaipėda. There were a few possible cases considered in project pre-feasibility and feasibility assessment stages. A choice was supposed to be made on terminal type first – onshore, off-shore terminal or FSRU, be it of large or small scale. The FSRU option won because it allowed to have the LNG terminal operative only two years after the order was placed. The remaining two options would have taken 2–3 years longer. FSRU can also be used not only as floating storage and regasification unit (FSRU) but also to deliver LNG cargoes, the same way as conventional LNG tankers. This way flexibility was saved. Taking into account there was no LNG expertise in-house and investments needed, Lithuania decided to lease the ship, formally known as a FSRU Independence, from a Norwegian company, Hoegh, in a 10-year deal for 430 million euros. It even secured priority rights to buy it at the end of the lease contract in 2024.

After infrastructural issues were solved and the best available solution was chosen, there was need to alter the national gas market according to terminal needs – the designated supplier model was chosen for technical reasons – need to have terminal always cold and available in case of natural gas supply interruptions. A designated supplier was assigned through public auction, initiated by the Ministry of Energy. Major legal requirements for the designated supplier were being at least a 2/3 state-owned company and holding a valid gas supply license. According to the law of the LNG Terminal, the designated supplier has the obligation to deliver the minimum quantity of LNG in order for the Terminal to operate in minimum continuous mode – to keep the terminal always cold and available for other potential users which book capacities before the beginning of the gas year in October. It was stated that the delivered quantity of LNG must be regasified and consumed by regulated energy producers as a general priority. The current FSRU lease and LNG supply contracts will expire in 2024.

## KLAIPEDA'S TERMINAL IMPACT ON THE BALTIC STATES NATURAL GAS MARKET

Five years ago, it seemed that there was no alternative for Gazprom natural gas and it would remain the only source for the Baltic States. But Lithuania's government decisive actions and sharp determination resulted in Klaipeda's terminal being very often mentioned by EU officials as a project worth learning from. The LNG import terminal proved to deliver natural gas while being price competitive with pipeline gas. There were months in 2016 when LNG was the source of more than 90% of the natural gas in the system.<sup>4</sup>

Picture 1. Import prices of Russian natural gas in 2011-2016



Source: "Average import price on the border," EUROSTAT, 2016, <http://epp.eurostat.ec.europa.eu/newxtweb/>

Estonia was the second Baltic state to benefit from changes in Lithuania – it still imports natural gas from Lithuania when it is cheaper than the one delivered by Gazprom. In 2015 this was possible because the Lithuanian long-term contract was linked to 6 months oil-products prices average, the Estonian to 9 months oil-products average. Therefore, prices on natural gas in Estonia were not decreasing at the same pace as in Lithuania. In March 2016 it was announced that two more companies – AB Achema and UAB Lietuvos dujų tiekimas – signed supply contracts

with Norwegian company Statoil to have LNG delivered to Klaipeda for the 2Q and 3Q. With a volume of natural gas coming from FSRU reaching 1.15 bcm, it was the first year when more than half of the natural gas consumed in the country was not sourced from Gazprom. Gazprom's share for 2016 was planned to be 0.9 bcm.<sup>5</sup>

Why this market change took place? Because of different natural gas and LNG market structures. Natural gas delivered by pipeline is usually linked to oil products, only recently moving to adding a mixed hub-based pricing component. LNG prices are usually hub-based, therefore, the seasonality factor clearly stands out. Hubs like NBP or TTF prices are lower in the warm season and rise only when winter comes and demand for heating increases. Therefore, any natural gas consumer in the Baltic States can benefit from market price fluctuations during the course of the year. It was long-awaited proof to the Lithuanian government that Lithuania's past decisions finally would give very positive fruits. It might be publicly manipulated that the terminal was the only political solution with no actual economic benefits, but private companies which final production is natural gas price sensitive booking capacities at the terminal, proves that supply sources diversification was a right turn of events, taken at a right time.

Furthermore, AB Achema announced tender to have 21 LNG cargo delivered during next three years. Whatever company from out of the seven providing offers wins it, Lithuania will not be a Gazprom-only dominated market again.<sup>6</sup> The cases analysed show that though FSRU is a national project at the moment, it could bring benefits and could even be used for the whole Baltic region. So far it has proven its value, significantly lowering natural gas prices for all the Baltic States. Thus, Russia is not able to use its natural gas supply restriction card in any political games nowadays.

## KLAIPEDA'S LNG TERMINAL – AN ECONOMICALLY NON-VIABLE POLITICAL PROJECT?

However, there are still doubts about the viability of Klaipeda's LNG terminal in the longer-term perspective. It is obvious that natural gas demand in the Baltic States will decrease further. Initially this was caused by extremely high prices, now the demand more or less stabilizing, but

processes started in the past being already irreversible. Biomass and other alternative energy sources will take larger and larger market share from natural gas, though it is seen as the most attractive and least-polluting fossil fuel to be used for transition period from currently used oil-products and coal. The decreasing demand might cause problems which were difficult to predict in 2011, when the decision by the Lithuanian government to diversify supply sources was taken. It means that the remaining natural gas users will face higher infrastructure costs.

According to Achema, security of supply component in the final natural gas price is around 15%. It is paid not only by LNG buyers, but also by every company using natural gas in Lithuania. It might make Lithuanian industrial producers less competitive, especially those whose production goes out for export. In the worst case scenario, Achema's (the biggest security of supply component payer's) bankruptcy would increase infrastructure costs instantly. In 2016 Achema will pay up to 22 million Euros and all Lithuania's natural gas consumers up to 84 million Euros.

The chosen Terminal capacity of 4 bcm natural gas a year and its storage volume being 170.000 cm LNG makes it too big for Lithuania's needs. Logics behind choosing a particular storage volume was being able to unload conventional LNG cargo which is usually 140.000–145.000 cm keeping sufficient LNG reserve until it arrives. What looked nice in practice, still has a negative effect economy-wise. In 2015 only 1/8 of the terminal nominal capacity was used. In 2016 this number increased and almost 1/3 of the nominal capacity is now used to supply natural gas to the market. Comparing to Europe's LNG import terminal's utilization rate which is on average 1/5 of nominal capacity, Lithuania's case is much more successful than terminal's receiving only one LNG cargo a year to keep it cold.

FSRU was ordered and built not waiting for the European Commission's approval for it as a regional terminal. No applications for EU support which would decrease terminal investment costs were submitted. This means that Lithuania's economy is carrying its costs burden alone. It might affect the country's economic indicators in the nearest future, therefore, before the 2016 Parliament elections a cost-sharing idea with neighbouring countries was suggested. It would be

complicated to implement such project in practice, because still no Estonian or Latvian company had booked the terminal capacities. And regarding natural gas delivered by pipeline prices, they were lowered for all three states, despite the fact that only Lithuania has a LNG import terminal. So governments in Tallinn and Riga are not interested in making natural gas more expensive in their countries only due to the solidarity factor.

Latvia's government arguing why the regional LNG terminal should be built in Riga, gave a very strong argument – Inčukalns underground gas storage (UGS) which would complement infrastructure is present in its territory.<sup>7</sup> UGS was designed for the needs of all three Baltic States. It is filled during the warm season and supplies all three countries with natural gas during winter time. If Lithuania's planned local Syderiai UGS project is implemented, Latvia risks having Inčukalns infrastructure under-used. In Estonia's case, which decided not to inject natural gas in the storage for the first time ever in 2016, it might cause serious political frictions between all three Baltic States that have energy systems very closely integrated but during recent years have failed to agree on energy projects of strategic importance for all three states.

## CONCLUSIONS: SHORT AND LONG-TERM LNG MARKET PERSPECTIVES IN THE BALTIC STATES

FSRU became a game changer and opened new opportunities. Lithuania, Latvia and Estonia have well-connected infrastructure in-between, but can be considered as an island when it comes to external connections. Historically the Baltic States natural gas grid is not interconnected with Western or Northern Europe. Two projects soon to be developed with EU support are Finland-Estonia Balticconnector<sup>8</sup> and Poland-Lithuania GIPL, which will solve the issue but it will take time. The most important project is GIPL which will be finished at the end of 2021, which is 2.5 years later than initially planned. It would open Lithuanian terminal markets of Poland and Ukraine, which are able to absorb more natural gas than Klaipėda's nominal capacity. This way it would be possible to assist



Ukraine not only politically, but also offering very significant support helping Ukraine to diversify sources of supply – not only relying on natural gas reverse from its neighbouring European countries. GIPL is of crucial importance here, because Poland’s annual natural gas demand exceeds 15 bcm a year, this being four times bigger than Lithuania’s, Latvia’s and Estonia’s demand all combined.

All three Baltic States could consider Poland as a successful LNG market development example. The LNG was present in Poland’s energy market mix long before Klaipeda’s or Swinoujscie’s LNG import terminals were considered. The LNG was locally present for more than ten years. Initially with Kingisepp (2008) and later on with Kaliningrad (2013) and Pskov (2016). Also, Poland has at least four local small scale LNG liquefaction plants which could supply LNG to its almost 80 locations where the LNG is used for heating, as well as for industrial applications and transport. Polish companies in the LNG business consider LNG price as the most important factor for their client’s, therefore, regardless of it being sourced from Russia, Poland or Lithuania, it will not give initial preference to any supplier or country. For example, Estonia has 5 small scale LNG regasification installations already, and it will be opening the 6<sup>th</sup> one, devoted for transport needs, in January 2017. Lithuania and Latvia so far have none. Private companies are usually very reserved about investing into new businesses they know nothing about. Therefore, a boost from the government is needed. It can come through natural gas duties exemptions on LNG or through state-subsidized programs for LNG as alternative cleaner fuel installations or vehicles purchases.

Russia through its small scale liquefaction plants is already present in the Polish and Estonian LNG markets. There are very ambitious Russian plans to expand its liquefaction and regasification infrastructure during the coming decade. With sanctions being imposed on Russia by the international community after the Crimea annexing, Russia has difficulties to secure the funding needed from foreign financial markets. The future will show whether LNG from Russia’s second large scale liquefaction plant Yamal LNG, jointly owned by Russian Novatek and French TOTAL, will ever reach Baltic States.

So far, it is forecasted that with new natural gas liquefaction plants coming into the market in USA and Australia, at least until 2022 Europe will benefit from global over-supply, getting very good LNG prices. Therefore, Latvia and Estonia might reconsider their initial decision to not participate in the terminal project and have their companies booking capacities in Klaipeda, the terminal having free 3<sup>rd</sup> party access. They might not be attracted in winter time when all the hub prices go up, but buying spot cargoes in summer time and storing in Inčukalns, would be beneficial both for Lithuania's FSRU and Latvia's UGS.

LNG is also used not only onshore but also off-shore – for sea and inland ships bunkering. Sulphur emission control area (SECA) set in the Baltic Sea makes ship-owners switching from polluting heavy fuel oil (HFO) and marine gas oil (MGO) to a much cleaner option – LNG. There will be at least 208 LNG-fuelled ships in 2018. Klaipeda can become a natural gas hub for Baltic countries' small scale LNG terminals in the ports, such as Muuga or Paldiski, and onshore. The small scale LNG reloading station in Klaipeda starts its operations in the 2<sup>nd</sup> half of 2017. It has 5.000 m<sup>3</sup> LNG storage tanks, bunkering slot and two slots designed for truck loading. The examples of GATE and Zeebrugge small scale terminals complementing large ones, showed that close cooperation of neighbouring countries is needed. Lithuania, Latvia and Estonia should consider themselves as one region and develop energy sector projects together finding mutually beneficial consensuses, otherwise, at least in the energy sector, there will be no winners.

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# **The Rail Baltica Project: Connecting the Baltic States or Connecting the Baltic States with the Baltic Sea Region?**

Kristiāns Andžāns

The development of the Rail Baltica project took place at the early 1990s. Its original idea was intended to connect the Baltic States with the central part of Europe by standard (European) railroad gauge line. In accordance with the Rail Baltica project, a feasibility study that was done in 2011 by the British consulting firm Aecom Limited, there, the Red route (Tallinn-Pärnu-Rīga-Panevėžys-Kaunas) was declared the most advantageous option. Also, the Red route was selected at the political level of the Baltic States. But understanding that the route would only interconnect the Baltic States, Poland was also invited to join the Rail Baltica project. Moreover, even Finland was later invited to take part in the project. This leads to the question – Does the Rail Baltica project aim at connecting only the Baltic States or does it intend to connect the Baltic States with the Baltic Sea Region?

## **THE BALTIC STATES AS EUROPE'S TRANSPORT PENINSULA**

In 1991 the Baltic States regained their independence and began a process of reintegration with other European countries. Up until now, great progress has been achieved. The Baltic States are members of the EU and NATO. Also, the Baltic States have reduced their energy dependence from Russia. Nevertheless, the field of transport remains problematic as it is impossible to make a journey between the Baltic States and other parts of Europe by the most significant modes of transport – land transport (road, rail), ship transport and aviation.

Undoubtedly, the Baltic States are well connected by air since there are various international airports, the most important ones being Riga's International Airport, Lennart Meri Tallinn Airport, Vilnius International Airport and Kaunas International Airport. Also, the Baltic States are connected with the central and the northern part of Europe by ship transport as freight and passenger services are conducted from Rīga, Ventspils, Liepāja, Tallinn and Klaipėda.

Simultaneously, the Baltic States are not fully connected with other European countries by land transport. There are no restrictions relating road transport, but these do exist when it comes to rail transport. In the Baltic States a railway track gauge of 1,520 mm (it is used in the ex-USSR states and commonly referred as the Russian, Soviet and wide gauge) is used. While in the majority of European countries a railway track gauge of 1,435 mm is used (commonly referred as standard gauge, European gauge and normal gauge).

As a result, it is impossible to move a trainset from Lithuania, for example, to Poland and further on to Germany. Certainly, it is possible to reload trainsets at a place where the width of the railroad gauge line is changing, but such practice is rarely used as it involves additional costs and time.

At the same time, it should be mentioned that already in the 19th century it was possible to travel between the territory of the Baltic States and other European countries by rail. In 1862, a railway line Saint Petersburg-Daugavpils-Warsaw was built. This line crossed the territory of contemporary Latvia and Lithuania, using a track gauge of 1,520 mm.<sup>1</sup> During the interwar period it was possible to travel between Rīga and Berlin by standard (European) railroad gauge line. According to the published data by the State Joint Stock Company "Latvijas dzelzceļš" (Latvian Railways), the length of the journey was approximately 22 to 24 hours.<sup>2</sup> Following the Nazi Germany's occupation in 1941, all existing railway lines were rebuilt to 1,435 mm, but in 1944 a project was launched to rebuild railway lines back to 1520 mm.<sup>3</sup> As a result, the Baltic States remained isolated from the rest of Europe.

In addition, it should be highlighted that rail transport is not only an essential mean of transportation of goods and passengers but also it is

a very useful tool in time of war. An obvious example of this are Russia's actions. It used railway for military freight during the Russian-Georgian military conflict that took place in 2008 and yet again after the 2014 Russian-Ukrainian military conflict. As Russia's actions in the foreseeing future are unpredictable, it is important to connect the Baltic States with the central part of Europe also by standard (European) railroad gauge line, since it will allow to move NATO military freight from the central part of Europe to its eastern flank.

Summing up the previous mentioned facts, it can be argued that the Baltic States possess a status of transport peninsula within Europe. This status will cease only when the Baltic States will be fully connected with the central part of Europe by land transport (road, rail), ship transport and aviation. This could be achieved by implementing the Rail Baltica project (railway track gauge of 1,435 mm).

## From Ideas to Actions

First ideas regarding the Rail Baltica project implementation were expressed in the Pan-European Transport Conferences in 1991, 1994 and in 1997.<sup>4</sup> Also, it was set out in a report "Vision and Strategies around the Baltic Sea 2010" that was adopted at a ministerial conference in 1994.<sup>5</sup>

Significant activeness began at the beginning of the new millennium. In November 2001, ministers of the transport sector signed a cooperation agreement by which the Baltic States committed to launch preparation works for the Rail Baltica project railway corridor.<sup>6</sup> The first meeting of the International Coordination Council that dedicated to the Rail Baltica project, was held in April 2002.<sup>7</sup> Such meetings were organised also in the future.

As a result of the European Commission's initiated revision of the Trans-European Transport Network (TEN-T) guidelines, in April 2004 the European Parliament and the Council adopted Decision No. 884/2004/EC by which the community guidelines for the development of the TEN-T were amended. The decision envisaged the Rail Baltica project as priority project No. 27 and determined establishment of a standard (European) railway gauge line (Warsaw-

Kaunas–Riga–Tallinn). That decision scheduled construction works intended to build railway sections between Warsaw and Kaunas till 2010, Kaunas and Riga till 2014 and Riga-Tallinn till 2016.<sup>8</sup> After the decision, in March 2005 the Rail Baltica IIIB project application was submitted in Interreg secretariat. But in June 2005, the European Commission announced procurement regarding the Rail Baltica project feasibility study. The Denmark-based consulting group COWI A/S was selected as the winner. But countries that were involved in the Rail Baltica project implementation criticised its developed feasibility study.<sup>9</sup> Additionally, a significant decision was adopted in July 2005 when the European Commission designated Pavel Telička as the coordinator for TEN-T priority project No. 27.<sup>10</sup> His role was to coordinate the Rail Baltica project's further development.

In the following years, the development of the Rail Baltica project stagnated. In April 2007, the International Coordination Group decided to split the Rail Baltica project in two parts – 1) restoration of the existing railway gauge line (1,520 mm) infrastructure within the Baltic States, 2) development of new feasibility study on standard (European) railway gauge line construction.<sup>11</sup> Therefore, sometimes articles and information about the Rail Baltica I project and the Rail Baltica II project can be found, although originally the Rail Baltica project has never been linked to the idea which lies in the Rail Baltica I.

On behalf of the Baltic States, in June 2007 the Ministry of Transport of the Republic of Latvia submitted project applications to the European Commission in order to achieve TEN-T co-financing for the already existing railway gauge line infrastructure restoration works, as well as for the new feasibility study development. In February 2008, the European Commission decided to co-finance both projects. Once again, on behalf of the Baltic States, Latvia in October 2009 announced a procurement on feasibility study on standard (European) railway gauge line construction. The winner of that procurement was United Kingdom's based Aecom Ltd. An agreement with the company was signed in April 2009, but the assessment was only received in May 2011.<sup>12</sup> It was a comprehensive one, as it included possible routes and estimates which contributed to the Rail Baltica project further development. From a total of four key options, the

Aecom Ltd declared the Red route (Tallinn–Pärnu–Rīga–Panevėžys–Kaunas) as the best option since it was the shortest route and also the most beneficial in terms of possible revenues.<sup>13</sup>

After the Aecom Ltd. assessment was published, various important decisions were made and they significantly speeded up the Rail Baltica project's development. In November 2011, the prime ministers of the Baltic States agreed to establish a joint venture to ensure the implementation of the Rail Baltica project.<sup>14</sup> In December 2011, ministers of the Baltic States that were responsible for transport invited Poland to join the Rail Baltica project.<sup>15</sup> This was relevant due to the fact that the routes included in the Aecom Ltd. assessment intended to connect only the Baltic States. Therefore, it would be impossible to get by rail from the Baltic States to the central part of Europe.

In the subsequent years, the Rail Baltica project development was active and productive. In October 2012, an agreement on a joint venture legal assessment was signed<sup>16</sup>. In April 2013, ministers of the Baltic States responsible for transport signed a declaration on further cooperation related to the Rail Baltica project. In September 2013, ministers of transport of the Baltic States, Poland and Finland signed a declaration where there were included the basic principles on the establishment of the joint venture.<sup>17</sup> The joint venture was established in October 2014 and in November 2014 it was registered in the Enterprise Register of the Republic of Latvia as a joint stock company "RB Rail".<sup>18</sup> The main aim of the Joint Stock Company "RB Rail" was to manage designing and construction works and marketing of the Rail Baltica project.<sup>19</sup> Shares of the JSC "RB Rail" were distributed equally (33.33%) between SIA "Eiropas dzelzceļa līnijas" in Latvia, UAB "Rail Baltica statyba" in Lithuania and OÜ "Rail Baltic Estonia".<sup>20</sup>

The total cost of the Rail Baltica project was an estimate of 3.68 billion euros. While as it was TEN-T priority project it can be co-financed up to 85% from its costs by the European Commission. In February 2015, the JSC "RB Rail" submitted on behalf of the Baltic States an application to the European Commission regarding allocation of funding for the Rail Baltica project's first round of implementation. In addition, the transport ministers of the Baltic States submitted a



complimentary letter of support.<sup>21</sup> Even more, in June 2015, transport and infrastructure ministers of the Baltic States, Poland and Finland and Transport Commissioner of the EC Violeta Bulc signed a declaration by which they expressed their commitment and interest to materialize the Rail Baltica project.<sup>22</sup> Finally, in July 2015, the EU states adopted a list of projects that were included and whose co-financing had been assigned to the Connecting Europe Facility instrument. It involved co-financing of 442.2 million euros (81.83% from common expenditures) for the Rail Baltica project's first phase.<sup>23</sup> In November 2015, the Innovation and Networks Executive Agency and the JSC "RB Rail" signed a financing agreement. The agreement granted for actions which would start in 2015 and end by late 2020.<sup>24</sup>

Although underestimated progress regarding the Rail Baltica project was achieved by the end of 2015, later, its progress slowed down. From early 2016 there were growing disagreements voiced out between the Baltic States. On September 2016, members of the JSC "RB Rail" Council agreed on a future procurement model and on the distribution of responsibilities within the Rail Baltica project implementation. September 30 was set as the deadline the nine involved institutions had to sign a contract for the Rail Baltica project funding and enforcement conditions.<sup>25</sup> The Lithuanian Railway Company AB "Lietuvos geležinkeliai" was the only party that did not sign the agreement until October 8.<sup>26</sup> Its actions endangered acquisition of further co-financing.

## The Baltic States and Divergent Interests

Ups and downs of the Rail Baltica project development could be explained as a result of disagreements between the involved parties. There has been much disagreement within and between the Baltic States. It can be identified also if we look at the terminology which has been used. In Estonia the project has been called as the Rail Baltic project, while in Latvia and Lithuania as the Rail Baltica project.

Regarding Estonia, there have been no significant disagreements or actions that could negatively affect the Rail Baltica project implementation. Most likely, this is due to the fact that from all three

Baltic States, Estonia is the farthest one from the central part of Europe. Consequently, Estonia was supposed to be the most active from all Baltic States.

However, Lithuania could be in fact considered as the less interested from all three Baltic States. An indicator of this have been Lithuania's behaviour and actions carried out over the years. It is the closest one to the central part of Europe and therefore the least interested. The main interest of Lithuania has been to construct a standard (European) railway gauge line from the Lithuanian-Polish border to Kaunas, where a logistical centre has been built. It puts Lithuania in an exclusive position, as it could for example, attract additional freight to the port of Klaipeda. Construction works of a standard (European) railroad gauge link between Kaunas and the Lithuanian-Polish border were finished in October, 2015.<sup>27</sup> Ironically, after a railway link between Kaunas and the Lithuanian-Polish border was built, Lithuania began to blackmail the rest of the involved countries, especially regarding funding and enforcement conditions. Another example that is valuable to mention was Lithuania's desire to alter the route of the Rail Baltica project. Initially, in December 2013, Lithuania requested to link the proposed railway track with Vilnius and not with Kaunas.<sup>28</sup> But in February 2014, Prime minister of Lithuania Algirdas Butkevicius emphasized that Vilnius should be included in the Rail Baltica project as soon as possible.<sup>29</sup> Vilnius was indeed included in the project in March 2014.<sup>30</sup>

In Latvia's case, we can observe a collision of interests at national level, where multiple actors tried to convince decision makers and society that there was no need to implement the Rail Baltica project. It may be associated with a desire to strengthen the East-West transport corridor instead of the North-South one. The narrative included the message that the Rail Baltica project is political and economically unjustifiable.

One of the most visible actors regarding this narrative was the mayor of Ventspils Aivars Lembergs. In October 2011, for instance, he claimed that the Rail Baltica project was an expensive toy and that it was merely political and technically and economically unjustifiable<sup>31</sup>. However, in August 2012 he said that after its construction there would be a need to maintain the newly built railway line, but there were no clients for

that.<sup>32</sup> At that time minister of transport Uldis Augulis was also in charge. In December 2010 he stressed that the establishment of high speed railway line between Riga and Moscow had a higher priority than the Rail Baltica project as it had uncertain economic benefits and passenger flow<sup>33</sup>, but in October 2011 he emphasized that the Rail Baltica project would not cover investments because there was no freight flow within the North-South transport corridor.<sup>34</sup> Also the former head of the SJSC “Latvijas dzelzceļš” Uģis Magonis was active. For example, in May 2006 he said it was much more important to cultivate the East-West transport corridor instead of allocating funds for the Rail Baltica project<sup>35</sup>. Furthermore, in July 2008 he emphasized that it was a political project and its economic feasibility study showed that it would not be economically justifiable.<sup>36</sup> Also in July 2009 he gave a similar opinion as he stressed that the Rail Baltica project was a political project and that the SJSC founded it economically unjustifiable.<sup>37</sup>

#### Extension to the Southern and Northern Directions

It is planned that the constructions works of the standard (European) railway gauge line that will extend from Tallinn to Kaunas will be finished in 2025.<sup>38</sup> At the same time several other initiatives have been launched. The most important one being the construction of a standard (European) railway gauge line that connects Kaunas and the Lithuanian-Polish border, finished in October 2015.

But still, participation of Poland within the Rail Baltica project is required. Technically the Baltic States are connected with the central part of Europe by a standard (European) railway gauge line but it is necessary that Poland improves its railway infrastructure. This is due to the fact that the existing railway infrastructure is not suitable to be used for the speed range (up to 240 km/h<sup>39</sup>) that will be used for the Rail Baltica project trains. From the Lithuanian-Polish border to Białystok there is a clear restriction: rail infrastructure for passenger trains can only be exploited up to 120 km/h.<sup>40</sup> Should Poland not be convinced, the dream of high-speed train between the Baltic States and Berlin will remain only at the level of idea.

Actions regarding Poland's involvement go together with Finland's involvement. Their involvement can be traced back to October 2003 when the Baltic States, Poland and Finland agreed for a need to define the Rail Baltica project's technical parameters and ask for the EC to include it in the list of priority transport projects. Remarkable decisions followed after the Aecom Ltd. feasibility study was published in May 2011. In December 2011, the Baltic States agreed to invite Poland to join the Rail Baltica project. In September 2013, the Baltic States, Poland and Finland signed a joint declaration on the establishment of the Rail Baltica project joint venture and on the enhanced cooperation.<sup>41</sup> In June 2015, ministers of transport and infrastructure of the Baltic States, Poland, Finland as well as the transport commissioner of the EC Violet Bulc signed a declaration by which involved parties committed to continue implement the Rail Baltica project.<sup>42</sup> A similar declaration was signed in June 2016 between the Baltic States, Poland, Finland and the coordinator of the Baltic transport corridor Catherine Trautmann.<sup>43</sup>

Therefore, the possibility to travel to the central part of Europe by high-speed rail relies on Poland's actions. On September 2015, the government of Poland adopted a National rail development program for 2023. It includes funding for various rail projects for a total of 15.9 billion euros (67.5 billion zloty). However, Poland has not allocated funding to reconstruct a railway line that connects the Lithuanian-Polish border with Bialystok. The Polish Ministry of Infrastructure and Development has confirmed that the Rail Baltica project is in reserve list, but also emphasized that it does not mean that Poland will never reconstruct the existing railway line.<sup>44</sup> In this regard, transport expert Tālis Linkaits has mentioned that within Poland there are many transport corridors that should be established and the Rail Baltica project is only 3rd to 4th priority.<sup>45</sup> However, Poland is building a railway line between Bialystok and Warsaw, equally important to the line that connects the Lithuanian-Polish border and Bialystok.

Conveyance of trainsets by rail between Finland and Estonia could be done in two ways. The first option is to use ships while the second option is building an underground tunnel below the Gulf of Finland.

In recent years, the idea of an underground tunnel has become a topical issue. In January 2016, officials of Estonia and Finland signed a memorandum of understanding on the establishment of an underground railway tunnel that will connect Tallinn and Helsinki. Its estimate cost is 13 billion euros. Currently, a ride with the ferry takes around 90 minutes. Once the tunnel will be constructed, it will make the railway trip 60 minutes shorter than the road one. This initiative will be implemented within the FinEst Link project. At the same time, it should be highlighted that the construction works will not be launched in the subsequent years as it is planned to build the tunnel no later than 2050.<sup>46</sup> After it will be built, it will be the longest (85 km) underwater sea tunnel in the world.<sup>47</sup> Moreover, Finland also evaluates the possibility to build a connection between Finland and Sweden. That was in September 2016 by the head of the JSC “RB Rail” Baiba Rubesa.<sup>48</sup> It would make the Rail Baltica project even more valuable.

## EXPECTED BENEFITS

Multiple benefits can be identified regarding the Rail Baltica project implementation. One of them will be the provision of mobility within the Baltic States and between the Baltic States and the central part of Europe by 2025 by an alternate, fast and environmentally friendly (electric) mean of transport. To illustrate the expected changes the route Riga-Tallinn can be taken as an example. Currently, the trip through road transport lasts four hours, while the Rail Baltica project will reduce that time by half. Moreover, the Rail Baltica project will become a competitor also for air transport as the flight from Riga to Tallinn is around 50 minutes long. Also, it is important to stress the Rail Baltica project’s role as an alternative mode of transport. Since the Baltic States are not connected to the central part of Europe by rail, unexpected situations (volcanic eruptions, terrorism and so on) may paralyse air transport for an indefinite period. Furthermore, the Rail Baltica project will have a symbolic meaning since the Baltic States will be re-connected with the central part of Europe by standard (European) railway gauge line, as it was the case during the interwar period.

Another benefit is its economic contribution, given the fact it will create a new opportunity regarding rail freight traffic diversification. This is especially crucial since the volume of freight transit in the Baltic countries is decreasing. Freight transit that is transported through the ports of the Baltic States is important for their economies. To a large extent this is because, since the 1990s, Russia is developing its own ports, these being located at the east coast of the Baltic Sea – Ust-Lug, Primorsk and Baltiysk. In addition, the situation is worsened by the regional security situation since 2014.

Thereby, the Rail Baltica project can be viewed as an opportunity to diversify flows of freight traffic. New flows could be obtained from the North-South transport corridor, which connects the southern part of Europe with the northern part of Europe. This transport corridor is already used by road hauliers. But, since the rail freight costs are lower and allows to simultaneously transport larger number of goods, the Rail Baltica project is an opportunity to boost cargo flows within North-South transport corridor. That has been mentioned also in the Aecom Ltd. assessment where it was stated that the Rail Baltica project will be connected with international TEN-T railway network in Warsaw.<sup>49</sup>

Yet, it is too early to talk about a certain amount of rail freight since the infrastructure has not been built. Nevertheless, the Aecom Ltd. has calculated that 12.9 million tons will be transported in 2030 and 15.8 million tons in 2040.<sup>50</sup> But as the Rail Baltica project will connect the Baltic States with central part of Europe by standard (European) railway gauge line it might be assumed that the volume of freight will be higher. Even more, as the Aecom Ltd. admits that in future the Rail Baltica project is planned to be adapted for regional railway traffic, it will be possible to adjust the Rail Baltica project even for local level business.<sup>51</sup> While it is crucial to mention that till April 2017, the Latvia-based audit firm SIA “Ernst & Young Baltic” will develop new costs and benefits assessment of the Rail Baltic project<sup>52</sup>.

Regarding Finland, in March 2013 the chief engineer of the Latvian SJSC “Latvijas dzelzceļš” Kaido Simmermann emphasized that every year between Finland and Europe ride around 400 000

lorries and only 25% of them equal 10 trainsets per day.<sup>53</sup> But expert of logistics and head of the ferry operator “Stena line” in the Baltic States Aldis Bulis, said in December 2014 that it will be possible to attract Finnish freight. Additionally, he said that the Rail Baltica project may contribute to integrate the Baltic States in the North Arctic Corridor.<sup>54</sup> Also head of the SJC “RB Rail” Baiba Rubesa said in September 2016 that Finland’s companies are interested and that even of the biggest Polish logistics companies had expressed interest in the Rail Baltica project. At the same time she admitted that it is difficult to calculate the possible flow of passengers as before there has not been such connection.<sup>55</sup> To sum up, it can be concluded that a part of freight that is currently being transported by road and ship transport might be transported also by rail. In addition to that, it will be possible to attract new freight flows.

Economic potential can be identified if we take a look at the infrastructure projects related to the Rail Baltica project. In May 2016 intermodal terminal was opened in Kaunas. It can process both the 1435 mm and 1520 mm rail track gauge freight.<sup>56</sup> Latvia has also planned to build a multimodal freight terminal in the Salaspils district (Saulkalne)<sup>57</sup>. Moreover, it is important to highlight the Rail Baltica Growth Corridor partnership which main focus is set on improving passenger mobility and freight transportation in the proposed route.<sup>58</sup>

Last but not least, the Rail Baltica project will also have a military significance. It has been highlighted in the Aecom Ltd. assessment that the infrastructure might be exploited for military equipment transportation.<sup>59</sup> Particularly, this is important regarding the present security situation within the Baltic region, where currently it has resulted in the presence of allied forces. As the security situation in a foreseeable future will not be improved, the Rail Baltica project will play a great role in delivering to the Baltic states military goods from NATO countries that are located in the central part of Europe.

## CONCLUSIONS

In this article the author tried to provide an answer to the question whether the Rail Baltica project aims to connect only the Baltic States or the Baltic States with the Baltic Sea Region. This article has shown that in the 1990s the Rail Baltica project was viewed as a transport infrastructure project that would connect the Baltic States with the central part of Europe. But when the activities related to its implementation started, it gained status of Baltic States project because the main driving force of its implementation were Latvia, Lithuania and Estonia, while Poland's and Finland's involvement was passive and not significant.

It changed in 2011 when the Aecom Ltd. published a feasibility study on the Rail Baltica project. As it envisaged to construct a standard (European) railway gauge line only from Tallinn through Riga to Kaunas, but soon Poland and Finland were officially invited to participate in this project and both countries actively took part in subsequent processes. As a result, the Rail Baltica project gradually has become a project of the Baltic Sea Region. In practice, it means that by 2025 it will be possible to travel and carry different kind of freight from the Baltic States by standard (European) railway gauge line to Poland, Germany and Denmark. Also, technically by crossing the Oresund Bridge by rail it will be possible to travel to Sweden and even further. But, should the tunnel between Tallinn and Helsinki be built, by 2050 it will be also possible to travel directly to Finland. At the same time it can be concluded that the Rail Baltica project will not only interconnect the Baltic Sea Region, but will also create an opportunity to travel and carry freight between the Baltic States and other European countries.

Additionally, in the author's opinion one of the most significant findings that emerged from this study and needs to be resolved, is that although in Poland a railway track of 1,435 mm is used, it is not suitable for the speed that will be used for the Rail Baltica project's trainsets. Therefore, all three Baltic States and Finland must at unison try to convince Poland to renew the railway line that connects the Lithuanian-Polish border with Bialystok. Otherwise the Rail Baltica project will lose



its feature as a high-speed rail. Such activities have not been planned in the National rail development program adopted by the Polish government in September 2015 and planned for 2023.

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# **Balancing between Greater Safety and Endless Donations: Various Facets of the Inter-Connectivity of the Baltic Countries Based on the Example of the Rail Baltic Project. A Perspective from Estonia**

Viljar Veebel

It is widely accepted that membership in NATO and in the EU is the most solid foundation of stability and security in the Baltic region. In the area of security and defence, collective arrangements combined with military partnership and cooperation in the framework of the North Atlantic Alliance have undoubtedly increased the security of the Baltic countries over the last 10-15 years.<sup>1</sup> In economic and political terms, despite some setbacks, European integration has served as a good basis to foster prosperity and economic development in the Baltic region and this is acknowledged by the citizens of all three countries.<sup>2</sup> However, recent developments in Europe such as the European refugee crisis, Brexit and Russia's activities in restoring its authority over the former Soviet territories, combined with the rather modest economic outlook around the world make it essential for Estonia, Latvia and Lithuania to search for additional security guarantees and sources of welfare.

In this regard, initiatives that enhance interconnectivity both within the Baltic countries and between the Baltic region and the rest of Europe are of great significance in many ways. Better infrastructure and other connections integrate these small and peripheral EU countries more tightly with their trading partners and the potential markets and thus encourage long-term economic contacts between the Baltic countries and

the other EU member states. Moreover, large-scale initiatives that increase the interconnectivity of the region are associated with the phenomenon of non-internalising benefits that these connections bring to a country, a region or to a wider economy even if the connections or operators themselves are unable to internalize large profits. Finally, having in mind the academic discussions on the relationship between interdependence and security, closer economic relations particularly with the rest of Europe could also contribute to the security in the Baltic region.

However, next to the gains arising out of the initiatives aimed to increase the interconnectivity in the region also the risks associated with these projects should be carefully monitored and analysed. As the author sees it, the risks to these large-scale interregional projects stem from the following sources:

- the gap between economic efficiency and positive externalities, referring to the abovementioned phenomenon of non-internalising benefits,
- institutional factors and the theory of path dependence.

Also the role of communication on projects to broader public should not be underestimated.

The current chapter focuses on the most ambitious large-scale joint infrastructure project of the Baltic countries, the modern high-speed rail connection Rail Baltic (also called Rail Baltica, RB), which has a great potential to stand out as a successful example of regional cooperation on the European level. However, the project also involves risks stemming from the abovementioned three sources.

## WHY ARE LARGE-SCALE PROJECTS WITH QUESTIONABLE PROFITABILITY STILL CARRIED OUT IN THE ECONOMY?

The author would like to start the discussion on economic reasoning of large-scale and expensive projects with an insight into the functioning of the market forces and the role of the state in market interventions. In theory, private companies make choices based on their cost-efficiency and profitability, and liberal market conditions create a pressure to keep

the prices as low as possible. In principle, should the revenues gained from producing goods or delivering services exceed the costs, there is a rationale for private companies to continue its activities. Due to market failures some goods or services may prove unprofitable for a private company, but may still provide larger socio-economic benefits or other gains to the society. To illustrate the role of non-internalised benefits, the example of aviation could be brought which brings profits for a country or a region that are not immediately available for aviation companies to internalise as revenues.<sup>3</sup> An airline contributes to local employment and taxes, but it also helps the national economy in a broader sense: it brings tourists who boost exports, gives access to businessmen to make direct investments to the national economy especially with offering point-to-point routes, and contributes to wider cultural relations between people, making countries and regions prosper. In accordance with this logic, the economic efficiency is only one side of the coin and there are larger profits that accrue to the wider economy which the airlines are not able to internalize. Thus, social expectations for certain services, security needs or other factors combine into a far more important and influential set of variables for national governments.

However, next to the positive externalities also the role of institutional factors and the potential path dependence should be considered. In institutional and neo-institutional theories, administrative and legal motives are dominant over economics and politics, and small administrative solutions guide bigger political choices, not *vice versa*.<sup>4</sup> Rules and norms tend to be dominant over idealist goals and broader gains and the decision-making is dominated by institutional habits, procedures, norms and compromises that prefer expectable, rational, continuing, regulated and less risky choices. In bargaining situations the existing policy-driving institutions tend to use policy areas for the improvement of their positions and not for actual policy goals.<sup>5</sup> Returning to the example of the aviation sector, when government has already started rescuing a company, in order to avoid political losses the rational way is to accomplish its goal at almost any cost.<sup>6</sup>

This approach partially overlaps with the model of path dependence. The concept basically relies on a statement “history matters”. In the

probability theory, path dependence describes cases in which probability of a subsequent event is related to earlier events. In economics, various authors have offered different definitions. For example, one of the classical figures of historical economics, Paul A. David has described path dependence as a dynamic property of allocative processes.<sup>7</sup> In turn, Ackermann explains path dependence as a cyclical process, where current alternatives are limited or affected by past decisions.<sup>8</sup> This approach relies on the argumentation that it is difficult to withdraw or to “step aside from the well-known road” due to scale effects, positive externalities or other factors.<sup>9</sup> This could lead to a “lock-in” situation: the entry of a system into a trap which it cannot escape without the intervention of some external force or shock. To quote Paul A. David, “path dependent systems may thus become locked in to attractors that are optimal, or that are just as good as any others in the feasible set, or that take paths leading to places everyone would wish to have been able to avoid, once they have arrived there”<sup>10</sup>. This brings us back to the abovementioned example. Once a state has started giving its aid to a company or once the decision has been made to build a large-scale infrastructure project, it would be difficult if not impossible to stop them or withdraw from the projects. This is true even if everybody realizes that it is a completely irrational decision to continue with the project.

Based on these theoretical stances the author argues that the primary decision of politicians or decision-makers to carry out projects with large socio-economic benefits or other gains to the society should be based on a clear and realistic vision what the costs as well as both direct and indirect benefits and gains of the project are. In principle, the role of subjective and emotional arguments such as the symbolic value of a project/company or national pride should not be ignored; however, these arguments should not dominate in the decision-making process. The dominance of administrative motives or path dependence leading to a “lock-in” situation should be avoided, as this could lead to irrational allocation of resources and limit severely future alternatives.



## WHAT MAKES RAIL BALTIC SO SPECIAL FOR ESTONIA?

The idea to re-establish a modern railway connection between the Baltic countries and Central and Western Europe is already more than two decades old. Already in the 1990s after Estonia, Latvia and Lithuania had regained their independence, Lennart Meri, the former President of Estonia<sup>11</sup> pointed emotionally out that one day he would like to take a train from Tallinn to Germany and to be in Berlin in seven hours, like it was in his childhood.<sup>12</sup> In the 2000s, after the transit volumes started to increase in the Baltic countries, the symbolic argument of “belonging to Europe” was supplemented by a practical need to develop regional transportation capacities and improve the quality of services. More specifically, in the second half of the 1990s in the light of the EU membership perspective of Estonia, Latvia and Lithuania, and as a result of a favourable geopolitical location of the Baltic countries between East and West, trade and traffic between the Baltic countries and the Western Europe started to increase significantly. However, the geopolitical advantage of the Baltic countries was somewhat diminished by the relatively poor quality of regional rail infrastructure compared to the neighbour countries, particularly Finland<sup>13</sup>. Later on, in the 2010s the security argument has been added to the discussion. To quote the Prime Minister of Estonia, Taavi Rõivas, “A modern high-speed rail is important to Estonia, Latvia, Lithuania, as well as for the unity of Europe, integration our region more closely with our allies and partners”<sup>14</sup>. Thus, various arguments in favour of the idea to build a modern high-speed rail connection between the Baltic countries and the rest of Europe have been raised over the last two decades in Estonia.

At the regional level, the idea of a modern direct railway connection between the Baltic countries and the rest of Europe was officially visualized for the first time in 1994, in the political document “Vision and Strategies around the Baltic Sea 2010: Towards a Framework for Spatial Development in the BSR” adopted by the representatives of 11 countries<sup>15</sup>. Further steps on the road to integration of the Baltic countries in the European railway networks were conducted in early 2000s in the

framework of the projects of regional spatial planning and development.<sup>16</sup> In 2003, four countries – Estonia, Latvia, Lithuania and Poland – agreed on the key aspects of the further studies for making investments in the Rail Baltic project.

When the Baltic states joined the EU in 2004, they defined the implementation of the Rail Baltic project as the main regional challenge in the transport sector<sup>17</sup> and the project was included in the list of priority projects according to the proposal of the European Commission.<sup>18</sup> As regards Estonia, in 2005 the Rail Baltic project was also included into the National Spatial Plan Estonia 2030+.<sup>19</sup> It was expected that Rail Baltic “will enable not only the residents of Estonia but also tens of millions of Europeans to come to Estonia and travel on to the Nordic nations or Russia”. The project was also considered as being very important in terms of freight transport, as active freight transport was considered as a prerequisite for the long-term profitability of the project.<sup>20</sup> Later on, Estonia’s motivation to participate in the implementation of the RB project has been confirmed in the national strategic reference framework for the period 2007–2013 and in the national transport development plan.

In 2006, a joint declaration on the implementation of the Rail Baltic project was signed between Estonia, Latvia, Lithuania, Poland and Finland, and in 2010, all five countries reinforced the interest previously shown at the governmental level and signed a memorandum of political will to continue with the project.<sup>21</sup> More recently, another joint declaration was adopted by the Prime Ministers of Estonia, Latvia and Lithuania on 10 November 2011. The declaration set the objective to create a new Trans-European railway route Rail Baltic, linking Helsinki, Tallinn, Riga, Kaunas, Warsaw and continuing on to Berlin. They also agreed to found a joint venture for the management of the new railway route.<sup>22</sup>

Although the RB project has its roots in the early 1990s, a comprehensive cost-benefit analysis of the project was conducted only in 2011<sup>23</sup>. The report was conducted by the AECOM Limited<sup>24</sup>, an engineering company from the USA that provides consulting, design, construction and management services. Overall, the project was evaluated as generally viable under certain assumptions (see, Appendix 1). In the report, political aspect was estimated as “a serious factor in the future of

this project both in terms of the desire of the EU to link the Baltic countries with the rest of the EU using a standard gauge railway and in terms of the individual Baltic countries whose development could be stimulated by this project<sup>25</sup>. A financial analysis of the project indicated positive cumulative cash flow in all years estimated and, therefore, the project was assessed as financially stable. However, financial indicators of the investment showed negative results without the EU funding. Finally, the report stipulated that “there should be no need for subsidies during the operational period, although in order to help stimulate initial demand, in particular for freight traffic subsidies may be helpful during the start-up period<sup>26</sup>. It also indicated that on a country level, best results are expected for Estonia, as passenger benefits are accrued by having three stations (Tallinn Central, Tallinn Airport and Pärnu) in comparison to one station in Latvia and two in Lithuania. In addition, freight demand was estimated to be strong as a result of the strong flows from Russia and Finland. Construction costs were estimated to be lower also in case of Estonia.<sup>27</sup>

The project took a major step forward in 2015, when the European Commission approved funding for three projects, prioritizing: 1) studies and works on different sites in Estonia, Latvia, and Lithuania, 2) development of the EU standard gauge railway line in Lithuania from the border with Poland to the Latvian border, 3) upgrade of the existing railway line in Poland, to the EU standard gauge line. The project should be financed from the Connecting Europe Facility (CEF) and estimated costs of the three projects are in total 734 million euro. In 2016, the European Commission has approved funding for Rail Baltic to the amount of 202 million euro from the Connecting Europe Facility (CEF) as part of a second round of funding.

Currently, the project is in a planning phase: initial costs-benefits analyses have been conducted, all three countries have agreed on the further procurement model<sup>28</sup>, mutual responsibilities in implementing the project and some technical distribution, such as VAT distribution for the project<sup>29</sup> and other issues. Based on the available estimates, the new railway route will be completed not earlier than in 2025. In the best case scenario, the possible Helsinki-Tallinn rail tunnel is expected to be finished in 2050.

## IS RAIL BALTIC REALLY A STRATEGICALLY IMPORTANT PROJECT OR ARE WE JUST FACING A “LOCK-IN” SITUATION?

New opportunities created by the modern Rail Baltic railway connection are undeniable:<sup>30</sup>

- The north-south railway route with a total length of more than 750 kilometres serves as a connecting link between Scandinavia, the Baltic countries and Western Europe.
- Trains can travel at speeds of up to 240 km/h.
- The railway is double-track and uses the European standard gauge 1,435 mm.
- The railway connection is planned for both passenger and freight transport.
- Trains take less than two hours from Tallinn to Riga (currently, it takes four and a half hours by bus from Tallinn to Riga).
- Trains are powered by electricity, making the transportation environmentally friendly.

In practical terms, the construction of Rail Baltic definitely attributes new quality to the regional railway connections and contributes to the integration of the Baltic countries in the European railway networks. However, in the national debates in Estonia on the construction of the Rail Baltic route, the argument of better quality is rather pushed into the background and the current discussion is focused on the economic rationality.

Potential difficulties in implementing the project have been highlighted at the regional level already in the report submitted by the Baltic Council of Ministers in 2005<sup>31</sup>. The report pointed to low north-south traffic flows during that period, railways interoperability (the difference of gauge between the railway networks of the Baltic countries and those of Poland and Germany), and competing road and air transport (particularly Via Baltica, the road parallel to Rail Baltic railway connection through the Baltic countries). In general, all these aspects challenge the economic rationale of the project.

Paradoxically, even twenty years after the idea of integrated regional railway connections has found its roots, the range of costs and benefits

associated to the project are still unclear. The results of the AECOM report have been criticised both at the European level and at the national level in Estonia. The report published by the Directorate-General for Internal Policies, European Parliament in 2014 points to the need for an updated and improved version of the AECOM report regarding the feasibility of the project. The study also highlights the export/import figures as a cause of concern and discusses different scenarios that could not be positive for all the countries involved in the project<sup>32</sup>. At the national level, several local experts in Estonia have also argued that the AECOM analysis is based on both unreasonable assumptions and unrealistic expectations as regards the volume of the passenger and goods transport, questioning the reasonability behind the selection of the route of the railway connection and stressing that today the results of the survey are definitely not up-to-date anymore<sup>33</sup>. Some opinion leaders have also publicly opposed the project. E.g. Indrek Neivelt has argued that it is too expensive and exceedingly time-consuming to travel from Tallinn to Berlin by train and that the future of the project is pessimistic and the countries have to donate the project in the future<sup>34</sup>. Also, in autumn 2016, 101 prominent cultural activists in Estonia have published an appeal to oppose the RB project. However, the Estonian Ministry of Economic Affairs and Transportation responded to the criticism in a rather aloof manner, stressing only that the arguments of the opponents to the projects have been already alleged by the ministry<sup>35</sup>. At the same time, the local media has responded rather aggressively to the critics of the local cultural activists. Altogether, as far as Estonia is concerned, the rationale of the project is far from being well-discussed and well-substantiated. Much of the discussion is also targeting the exact route and the details of implementation. Thus, rather than taking a new corridor from Tallinn through uninhabited regions, the populace seems to favour the renovation of some of the old lines, either from Pärnu or Tartu. The resources of Estonia for maintaining its railway infrastructure being heavily limited, it is doubted if the new and technically complex route will not beggar the rest of the railway network that could also contribute to the domestic interconnectivity. Indeed, the focus of the discussions are not pro or contra to the project as such, but rather the way it is implemented. And in

this regard it also directly concerns the norms pertaining to, and the logic behind, the EU funds.

In this light, it is not surprising that based on the recent survey conducted in 2016 investigating public opinion in Estonia as regards either the renovation of the existing railway connections or constructing Rail Baltic<sup>36</sup>, about 52% out of the 1115 survey respondents preferred the renovation of the existing railway networks and 48% of the respondents preferred the construction of Rail Baltic according to the present project<sup>37</sup>. Thus, in Estonia feelings about the Rail Baltic project are somewhat mixed. As the author sees it, among other things this clearly refers to a poor communication of the local decision-makers who, during more than two decades, have failed to explain the real gains and benefits of the project to a broader public in Estonia.

To sum up, Estonia's experience with the RB project has clearly revealed that, beside communication problems, unrealistic or even missing cost-benefit analysis is the main source of criticism of the project. The focus on the economic dimension of the project in Estonia is partially understandable, as the country recently saw the bankruptcy of the national airline company Estonian Air due to the unlawful state aid given to the company. In this light, the economic dimension of the RB project also raises serious concerns in Estonia and definitely needs further discussion.

A new version of the cost-benefit analysis of the project has been initially promised to be published in September 2016, however, the report conducted by Ernst & Young is not yet available. More recently, it has been announced that the analysis will be published in April 2017. In contrast to the earlier critics of the AECOM report, one of the authors of the new report, Nauris Klava from Ernst & Young has revealed that the new report will be even more optimistic compared to the AECOM report, and the optimism is mostly based on the recent developments in Finland concerning Tallinn-Helsinki connections. According to Klava, the impact of Russia will be taken into account, however, it will be considered "carefully"<sup>38</sup>. Some local experts<sup>39</sup> in Estonia have argued that despite some interest from regional entrepreneurs, the project is most likely expected to run under deficit anyway, because the payback periods

of this type of infrastructure projects is very long.<sup>40</sup> Thus, against this background it is highly probable that the optimistic results of the new report will be heavily criticised by the public too.

As the author sees it, what seriously calls into question the economic rationale as well as the overall image of the Rail Baltic project is the role of institutional factors and path dependence during the implementation of the project over the last two decades. More specifically, it is obvious that institutional factors and path dependence have played a significant role. This is confirmed by a statement of the current Minister of Economic Affairs and Transportation in Estonia, Kristen Michal arguing that the definite aim of Estonia is to use as much as possible the resources provided by the European Structural Funds, and should the Rail Baltic project not be implemented in a wider perspective, Estonia has to pay back all the funds received.<sup>41</sup> According to his estimates, this would mean significant losses for the Estonian economy and would make it difficult for Estonia to apply again for additional European funds related to this project in the future. This clearly reflects a “lock-in” situation what definitely limits the future alternatives for Estonia as well as leads potentially to irrational allocation of resources. It is paradoxical in this context that some of the opponents of the Rail Baltic project in Estonia such as the association named *Avalikult Rail Balticast* [‘Publicly About Rail Baltic’] have rather avoided direct opposition to the project, but asked only for postponement of the submission of the application to the European Union institutions to the second application round of the projects in 2017 or until the debates on the new budget period take place in 2021–2027.<sup>42</sup> This argument was opposed by local decision-makers, arguing that there should not be a smallest delay in submitting the financing application to the European Commission in 2016. This despite the fact that the final costs of the project are still unclear. This tends to confirm the view of institutional approach that rules and norms are bound to be dominant over rationality or common sense. Following this logic, at the present stage of the project, it would be difficult to imagine how Estonia, Latvia and Lithuania could step out of the Rail Baltic project even if further cost-benefit analyses, reports or audits indicate that the project is definitely running under deficit.

## CONCLUSIONS: BASED ON THE EXAMPLE OF RAIL BALTIC, WHAT COULD BE AVOIDED WHEN IMPLEMENTING LARGE-SCALE JOINT REGIONAL PROJECTS?

Based on the above analysis, it is obvious that the value of Rail Baltic lies in larger socio-economic benefits and other gains to the society (including the emotional argument of “belonging to Europe”). Due to very long payback periods of infrastructure, the delay in constructing the Helsinki-Tallinn rail tunnel, political and economic instability related to Russia, and uncertainty related to potential trade volumes<sup>43</sup>, the Rail Baltic itself is most likely going to run under deficit at least in the next 20–30 years from 2025 when the project will be completed. At the same time, public communication on the project has been too much focused on convincing the general public that the project is nevertheless economically viable, although it is becoming increasingly clear that it will not. This clearly undermines the great potential of the project to stand as a successful example of regional cooperation with broad public support.

In this light, as the author sees it, it is extremely important to forecast the benefits and the costs of large-scale projects in a realistic way at the earliest possible stage. Until now, the Rail Baltic project has not been able to accomplish that and that has clearly undermined its potential. What is particularly important at the current stage of the project is that the outcome of further cost-benefit analyses or audits<sup>44</sup> should be honestly communicated to a general public even if according to the updated cost-benefit analysis the project tends to be unviable. If this is the case, other values and strategic importance of the project should be explained as accurately as possible to avoid emotional or even populist confrontation to the project.

Hence, the role of neutral and argument-based communication should not be underestimated. At least in Estonia, any doubts and critics towards economic feasibility of the project have been treated with ignorance or intimidation by local policy-makers and media. Although the arguments on some critics, particularly the cultural activists in Estonia towards the Rail Baltic project included some elements of populist rhetoric, it does not give a reason to dismiss the opponents of the project altogether. A sensible democratic debate should be honoured.



Appendix 1: Summary of the economic analysis of the AECOM report on the Rail Baltic project

Economic impact (000,000 €)	Rail Baltic total		Rail Baltic Estonia		Rail Baltic Latvia		Rail Baltic Lithuania	
	Costs or benefit	Discounted costs/ benefits	Cost or benefit	Discounted cost or benefit (per km of track)	Cost or benefit	Discounted cost or benefit (per km of track)	Cost or benefit	Discounted cost or benefit (per km of track)
<b>Cost to infrastructure manager/government</b>								
Capital/Investment Costs	1,886	103%	565	2.47	648	2.76	674	2.55
Residual value	-117	-6%	-34	-0.15	-43	-0.18	-41	-0.16
Maintenance Costs	61	3%	19	0.08	20	0.08	22	0.08
<b>Benefit to manager</b>								
Track access charges	521	16%	108	0.47	111	0.47	125	0.47
Passenger		170	35	0.15	36	0.15	41	0.15
Freight		357	73	0.32	75	0.32	84	0.32
<b>Benefit to operator</b>								
Operating costs (including track access charges	-372	-12%	-77	-0.34	-79	-0.34	-89	-0.34
Revenues	605	19%	129	0.56	160	0.68	215	0.81
<b>Benefit to freight operator</b>								
Operating costs (including track access charges	-685	-21%	-142	-0.62	-146	-0.62	-164	-0.62
Revenues	1,142	36%	353	1.54	339	1.44	322	1.22
<b>Benefit to users</b>								
Value of time savings	1,158	36%	397	1.73	340	1.45	284	1.08
Passenger	340	135	0.59	88	0.38	88	71	0.27
Freight	818	262	1.14	252	1.07	1.07	213	0.81
<b>External impacts</b>								
On safety (accidents)	338	11%	116	0.51	105	0.44	89	0.34
Air pollution	148	5%	35	0.15	29	0.13	77	0.29
Climate change	342	11%	117	0.51	108	0.46	85	0.32
<b>Total costs</b>	<b>1,829</b>		<b>550</b>	<b>2.41</b>	<b>625</b>	<b>2.66</b>	<b>654</b>	<b>2.48</b>
<b>Total benefits</b>	<b>3,198</b>		<b>1,034</b>	<b>4.52</b>	<b>967</b>	<b>4.11</b>	<b>944</b>	<b>3.58</b>
Net present value (NPV)	1,368		484		342		289	
EIRR	9.3%		9.7%		8.4%		7.9%	
Benefit/cost ratio	1.75		1.88		1.55		1.44	

## ENDNOTES

- <sup>1</sup> In Estonia, the surveys conducted over the period 2001–2016 clearly indicate constantly increasing public support to the country's membership in NATO, and people are more and more sharing the view that NATO will provide real military assistance in a situation in which the country should face military threats. See: "Public opinion and national defence," *Ministry of Defence of the Republic of Estonia, 2001–2016*, <http://www.kaitseministeerium.ee/et/eesmargid-tegevused/avalik-arvamus-riigikaitsest> (in Estonian) and <http://www.kaitseministeerium.ee/en/objectives-activities/national-defence-and-society> (in English)
- <sup>2</sup> For example, according to the Eurobarometer survey from May 2015, people in Estonia, Latvia and Lithuania greatly appreciate the opportunities offered by the EU, such as freedom to travel, study and work anywhere in the EU or the European single currency. They are also in favour of the common EU-wide policies: amongst all EU member states public support to the common defence and security policy is highest in Latvia and Lithuania, to the common foreign policy in Latvia, and to the European economic and monetary union in Estonia. See: "Standard Eurobarometer 83/2015 (2015). Public opinion in the European Union. First results," *European Commission*, July 2015, [http://ec.europa.eu/public\\_opinion/archives/eb/eb83/eb83\\_first\\_en.pdf](http://ec.europa.eu/public_opinion/archives/eb/eb83/eb83_first_en.pdf), p. 163, 165, 169.
- <sup>3</sup> Pietro Crocioni, Chris Newton, "State aid to European airlines, a critical analysis of the framework and its application," in Darin Lee (ed.) *Advances in airline economics, the economics of airline institutions, operations and marketing*, 2007, p. 2.
- <sup>4</sup> Mette Eilstrup-Sangiovanni, *Debates on European Integration*, Palgrave, 2006, p. 194–195.
- <sup>5</sup> *Ibid.*, p. 194.
- <sup>6</sup> Nicole Nulsch, "Is Subsidizing Companies in Difficulties an Optimal Policy? An Empirical Study on the Effectiveness of State Aid in the European Union," *IWH Discussion Papers 9*, Halle Institute for Economic Research, 2014, <https://ideas.repec.org/p/iwh/dispap/9-14.html>, p. 5.
- <sup>7</sup> Paul A. David, *Path dependence, its critics and the quest for „historical economics“*, All Souls College, Oxford & Stanford University, 2000, <http://www.siepr.stanford.edu/workp/swp00011.pdf>, p. 4.
- <sup>8</sup> Rolf Ackermann, *Pfadabhängigkeit, Institutionen und Regelreform. Die Einheit der Gesellschaftswissenschaften. Studien in den Grenzbereichen der Wirtschafts- und Sozialwissenschaften*, Tübingen: Mohr Siebeck, 2001, p. 22.
- <sup>9</sup> Holger Döring, Jan Rose, *Pfadabhängigkeit und die Machbarkeit von holistischen Reformen*, Humboldt-Universität zu Berlin, 2002, [http://www.hwiesenthal.de/projekte/polrat/doering\\_rose.pdf](http://www.hwiesenthal.de/projekte/polrat/doering_rose.pdf), p.11.
- <sup>10</sup> Paul A. David, *Path dependence, its critics and the quest for „historical economics“*, All Souls College, Oxford & Stanford University, 2000, <http://www.siepr.stanford.edu/workp/swp00011.pdf>.
- <sup>11</sup> Lennart Meri was the President of Estonia in 1992–2001.
- <sup>12</sup> "President Lennart Meri intervjuu Postimehele 21. septembril 1999." [Translation: Interview with the President Lennart Meri], *Vabariigi Presidendi kõned 1992–2011*, 21 September 1999, <https://vp1992-2001.president.ee/est/k6ned/Intervjuu.asp?ID=4532>, p. 1.
- <sup>13</sup> To quote Piret Pukk, according to the data of the Global Competitiveness Report 2009–2010 published by the World Economic Forum, the rail infrastructure quality indicator in Estonia, Latvia and Lithuania was somewhat lower than e.g. in Finland. The value of the index was 4.2 points (on 7-point scale) in Lithuania, 3.8 points in Latvia, 3.6 points in Estonia and 5.9 in Finland. See: Piret, "Goods in transit over the last decade." *Quarterly bulletin of Statistics*

- Estonia 2*, 2011, <http://webcache.googleusercontent.com/search?q=cache:8q4lkXt7zdwj:www.stat.ee/dokumendid/55328+&cd=1&hl=en&ct=clnk&gl=ee&client=firefox-b>
- <sup>14</sup> “Estonian government supported Rail Baltica funding application,” *The Baltic Course*, 6 February 2015, <http://www.baltic-course.com/eng/transport/?doc=102102>, p. 1.
- <sup>15</sup> Belarus, Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Norway, Poland, the Russian Federation, and Sweden.
- <sup>16</sup> “The Rail Baltic Project,” *Rail Baltic*, 1 July 2015, <http://railbaltic.info/en/>
- <sup>17</sup> “Report on the Cooperation between the Baltic States in the Transport Sector,” *Baltic Council of Ministers*, September 2005, p. 2.
- <sup>18</sup> “Rail Baltic: Road of the future,” *Rail Baltic*, 2016, <http://www.railbaltica.org/en/about-the-project>
- <sup>19</sup> To quote the National Spatial Plan “Estonia 2030+”: “In light of the European transport policy, it continues to be important to improve Estonia’s linkage to the core areas of the EU, including the construction of a high-speed railway (Rail Baltic) linking the Baltic States and Finland with Central Europe. Across shorter distances, this railway will compete with air transport successfully.” For more detail see: “National Spatial Plan Estonia 2030+,” *Ministry of Internal Affairs*, 2013, <https://eesti2030.files.wordpress.com/2014/02/estonia-2030.pdf>, p. 12.
- <sup>20</sup> National Spatial Plan Estonia 2030+ (2013). Ministry of Internal Affairs. Available: <https://eesti2030.files.wordpress.com/2014/02/estonia-2030.pdf>, p. 38.
- <sup>21</sup> “Rail Baltica Final Report,” *AECOM*, May 2011, [http://www.tja.ee/public/Raudtee/Rail\\_Baltica\\_Final\\_Report\\_Volume\\_I\\_31\\_05\\_11\\_FINAL\\_v2.pdf](http://www.tja.ee/public/Raudtee/Rail_Baltica_Final_Report_Volume_I_31_05_11_FINAL_v2.pdf)
- <sup>22</sup> “The Rail Baltic Project,” *Rail Baltic*, 1 July 2015, <http://railbaltic.info/en/>
- <sup>23</sup> To be precise, some sources also refer to an analysis conducted by Ernst & Young in 2008, however, there are no materials available referring to the results of this analysis.
- <sup>24</sup> “Rail Baltica Final Report,” *AECOM*, May 2011, [http://www.tja.ee/public/Raudtee/Rail\\_Baltica\\_Final\\_Report\\_Volume\\_I\\_31\\_05\\_11\\_FINAL\\_v2.pdf](http://www.tja.ee/public/Raudtee/Rail_Baltica_Final_Report_Volume_I_31_05_11_FINAL_v2.pdf)
- <sup>25</sup> “Rail Baltica Final Report,” *AECOM*, May 2011, [http://www.tja.ee/public/Raudtee/Rail\\_Baltica\\_Final\\_Report\\_Volume\\_I\\_31\\_05\\_11\\_FINAL\\_v2.pdf](http://www.tja.ee/public/Raudtee/Rail_Baltica_Final_Report_Volume_I_31_05_11_FINAL_v2.pdf), p. 327.
- <sup>26</sup> *Ibid.*
- <sup>27</sup> *Ibid.*
- <sup>28</sup> Agreement was reached that all procurements will be divided into three groups: procurements organised solely by the joint venture, consolidated procurements carried out by the joint venture and procurements carried out by the national implementers under strict joint venture supervision (for further information, see: “Supervisory Board of Rail Baltica approves its procurement model,” *Delfi*, 7 September 2016, <http://en.delfi.lt/nordic-baltic/supervisory-board-of-rail-baltica-approves-its-procurement-model.d?id=72240088>
- <sup>29</sup> For further information, see: “Baltic States have agreed on VAT revenue distribution by Rail Baltica construction,” *The Baltic Course*, 22 June 2016, <http://www.baltic-course.com/eng/transport/?doc=122449>
- <sup>30</sup> “Rail Baltic: Important Facts,” *Rail Baltic*, 1 July 2015, <http://railbaltic.info/en/important-facts>
- <sup>31</sup> “Report on the Cooperation between the Baltic States in the Transport Sector,” *Baltic Council of Ministers*, September 2005, p. 15.
- <sup>32</sup> The study suggests that trains may be full from east to west (from Russia to Germany or to the Baltic countries) or north to south, but not on their return journeys, which is not cost-effective. It also argues that as an alternative scenario, the project could potentially primarily function as a bridge between Russia and Central European countries, which

- means that the efforts and investments of the Baltic countries would not be profitable. For more detail see: “Update on Investments in large TEN-T projects. Part II – Case studies. European Parliament,” *Directorate-General for Internal Policies*, 2014, <http://netlipse.eu/media/84090/update-on-investments.pdf>, p. 40–42.
- <sup>33</sup> Enno Lend, “Logistikaprofessor: Rail Balticu puhul tuleks lähtuda mitte Buratinost vaid logistikast [in Estonian],” *Postimees*, 30 September 2016, [http://majandus24.postimees.ee/3856187/logistikaprofessor-rail-balticu-puhul-tuleks-lahtuda-mitte-buratinost-vaid-logistikast?\\_ga=1.43072803.703699133.1475121518](http://majandus24.postimees.ee/3856187/logistikaprofessor-rail-balticu-puhul-tuleks-lahtuda-mitte-buratinost-vaid-logistikast?_ga=1.43072803.703699133.1475121518)
- <sup>34</sup> Indrek Neivelt, “Indrek Neivelt Rail Balticust: sõit rongiga Berliini on kulukas ja aeglane [in Estonian],” *Ärileht*, 25 January 2014, <http://arileht.delfi.ee/news/uudised/indrek-neivelt-rail-balticust-soit-rongiga-berliini-on-kulukas-ja-aeglane?id=67676957>
- <sup>35</sup> See: “MKM: Rail Balticu vastased argumentid on ümber lükatud [in Estonian],” *Pealinn*, 30 September 2016, <http://www.pealinn.ee/newset/mkm-rail-balticu-vastased-argumentid-on-umber-lukatud-n177029>
- <sup>36</sup> It should be noted that the survey was ordered by a local citizens’ association named Avalikult Rail Balticust (see: <http://avalikultrailbalticust.ee/>), which clearly opposes the project. The results of the survey are available here: “VIDEO: ARB uuring: Inimesed eelistavad Rail Balticule vana raudteevõrgu korrastamist,” *Ärileht*, 11 October 2016, <http://arileht.delfi.ee/news/uudised/video-arb-uuring-inimesed-eelistavad-rail-balticule-vana-raudteevorgu-korrastamist?id=75881859>
- <sup>37</sup> “ARB (Avalikult Rail Balticust) [in Estonian],” *Ärileht*, 11 October 2016, <http://arileht.delfi.ee/news/uudised/video-arb-uuring-inimesed-eelistavad-rail-balticule-vana-raudteevorgu-korrastamist?id=75881859>
- <sup>38</sup> “Rail Balticu uus tasuvusanalüüs tootab tulla varasemast optimistlikum [in Estonian],” *ERR*, 13 October 2016, <http://etv.err.ee/v/majandus/ce0bf51d-32f4-4792-801b-7e604b95e5f1/rail-balticu-uus-tasuvusanaluuus-tootab-tulla-varasemast-optimistlikum>
- <sup>39</sup> Referring to the head of the Transit Centre in Estonia, Erik Laidvee.
- <sup>40</sup> “Rail Balticu uus tasuvusanalüüs tootab tulla varasemast optimistlikum [in Estonian],” *ERR*, 13 October 2016, <http://etv.err.ee/v/majandus/ce0bf51d-32f4-4792-801b-7e604b95e5f1/rail-balticu-uus-tasuvusanaluuus-tootab-tulla-varasemast-optimistlikum>
- <sup>41</sup> “Rail Balticu eest peab Eesti maksuma 197–574 miljonit eurot [in Estonian],” *Postimees*, 7 December 2015, [http://majandus24.postimees.ee/3426797/rail-balticu-eest-peab-eesti-maksuma-197-574-miljonit-eurot?\\_ga=1.50412975.703699133.1475121518](http://majandus24.postimees.ee/3426797/rail-balticu-eest-peab-eesti-maksuma-197-574-miljonit-eurot?_ga=1.50412975.703699133.1475121518)
- <sup>42</sup> “ARB (Avalikult Rail Balticust) [in Estonian],” *Ärileht*, 11 October 2016, <http://arileht.delfi.ee/news/uudised/video-arb-uuring-inimesed-eelistavad-rail-balticule-vana-raudteevorgu-korrastamist?id=75881859>
- <sup>43</sup> Referring to the Section 4 of the report: “Update on Investments in large TEN-T projects. Part II – Case studies. European Parliament,” *Directorate-General for Internal Policies*, 2014, <http://netlipse.eu/media/84090/update-on-investments.pdf>
- <sup>44</sup> In 2016, representatives of the national state audit Office in Estonia, Latvia and Lithuania agreed to jointly monitor the implementation of the railway project Rail Baltic.

# Societal Security: An Emerging Field of Scholarship Underpinning Practices in the Baltic Sea Region

Bengt Sundelius

Throughout Europe, including in Sweden, serious rethinking about security is underway. In the Brussels focused networks, novel ideas are being presented and debated in a common search for better tools to deal with the more varied security challenges of the future. Traditional fears are combined with revised notions of the consequences of living with Risk Society. In the holistic approach to security that Sweden pursues, procedures for war-like scenarios and peace time emergencies merge, internal and external security are interlocked, and the ambitions of enhancing state security and providing citizen safety become blurred.

There has been a paradigmatic shift in Europe from the national defence systems of the Cold War to the evolving notion of embedded societal security with resilience as a core concept. States have developed novel practices for dealing with security challenges from abroad, at home and not least those that relate to different flows that transcend national borders. The latter domain becomes a primary playing field for the pursuit of embedded societal security, where building resilience in the face of various contingencies has become a key concern.

In addition, antagonistic elements by states and other actors have resurfaced with full force also in Europe. The post-Cold War order has not turned into a Kantian eternal peace of inter-state harmony. Rather the adversarial component of international networks, information flows, dependencies and potential vulnerabilities have been accentuated during recent years. Societal security is pursued in a political atmosphere of adversarial interdependence, where also the use of force plays a part.

Several types of security challenges will be faced simultaneously in the near future by European nations. Our abilities to meet them in effective and legitimate ways will be severely tested.

In traditional national security thinking, threats are actor-based and the classical threat is an armed attack by another state. This scenario constituted the essence of the East-West military confrontation. It is part of the mission of NATO and all states plan and prepare for this classical form. The 1990s was a tragic decade of armed conflict among European national entities. As recently as in August 2008 and again since the spring of 2014, this deadly contingency has resurfaced in the close vicinity of the Baltic Sea Region. Europe may be whole and free, but it is not yet secure from armed attacks.

If one drops the notion of the state as the only antagonist, one can focus on another actor- focused threat; an armed attack by “another”. September 11 was an example of an armed attack by “another”. In Madrid, London, Oslo, Paris and Brussels we have since then witnessed horrible examples of this deadly threat category. Over the last fifteen years this actor-based threat has been the most urgent for many European security planners.

What are the most proper instruments to cope with that kind of challenge? Are the instruments that were developed to deal with an armed attack by another state, also the most appropriate to deal with an armed attack by “another something”? Should such violent threats be framed as legitimate national defence concerns, as an area for criminal investigations and police authority, or as the evolving internal-external hybrid of embedded societal security? The choice of problem frame will have consequences for the appropriate legalities and the instruments chosen to deal with this type of violent attack. This framing issue is evolving and different governments have adopted distinct national doctrines. Also the EU Commission has been active in this formative work.

A third, actor-focused threat is an attack by another state. Here the notion that all threats are armed is dropped. Classical coercive instruments for threatening other parties are economic, financial or energy blackmail. One can draw on transnational networks and

dependencies in trade, finance, energy, and so forth to manipulate other countries. During the 1970s and again during recent years the so called oil and gas weapon has been noted among security analysts. These types of non-military threats to national independence and even survival are very likely to stay with us in the future as well.

Under the label of Hybrid Warfare, several coercive methods including armed force are combined for the purpose of coercing another nation to submit to illegitimate demands. Information operations and efforts to manipulate open communication flows are part of this coercive portfolio. Reliance on the internet and on social media opens up for vast opportunities for clandestine attacks by other states. Full spectrum conflicts have become all too prevalent in contemporary Europe. This is the novelty of the ongoing conflict in Ukraine.

The fourth of the actor-focused threats is an attack by “Another”. Neither states nor armed force are in focus for this highly consequential type of threat. How can one know initially who or what controls an antagonistic cyber operation? Is it directed by another state, by a terrorist network, by a criminal syndicate, or by the individual hacker? How do you know for sure, when you have to respond to such an attack under uncertainty and severe time pressure? Cyber security has rapidly become a main concern for national –or more appropriately – for embedded societal security.

There is among civil emergency experts and security planners a notable slide away from a primary focus on the security of the territory, a concern with keeping the geographical parameters intact in some fashion. The concern is now also with the security of critical functions of society. It is not the territory that is at stake, but it is the ability of the government and civil society to function, critical infrastructures to be maintained, the democratic ability to govern, to manifest certain basic values. Regardless of retaining full territorial control, there may be antagonistic forces undermining the functionality of society and the ability to govern. This paradigmatic widening from a territorial fixation to a societal security and resilience focus influences the thinking within the EU and NATO.

European governments increasingly deal with the security issues related to the critical functions of society and the requirements of

governance. With the possibility of antagonists striking vulnerable infrastructures, the real time character of these threats stand out. It is important not to build new vulnerabilities into infrastructures or into the fabrics of societies. Vulnerabilities can open up functional access points, channels of penetration for attacks by “another”, whatever that other may be.

The technological complexities of modern society open for high-risk, tight couplings across sectors and across national borders. Infrastructure interconnectedness has become part of our daily lives as society depends on reliable systems for energy supply, robust communications and functioning IT-networks. These spheres of activity are mutually dependent on each other. A breakdown in one system may give immediate effects in another. For example without electricity there will be no IT-function and problems with telephone services. Similarly, with a breakdown of an IT-network, electricity supplies may be interrupted. The combination possibilities of system flaws and targeted interventions are enormous with such interconnectedness among systems-of-systems.

Naturally, antagonists wishing to inflict harm upon a society have interests in finding the critical points, where various infrastructures connect. A major task in planning for societal security and for resilience is to transform potential vulnerabilities linked to this technological complexity into high reliability systems. This is an open-ended process involving many societal sectors and numerous government agencies. It cannot be accomplished without the active participation of those that actually own and operate most of these infrastructure networks, i.e. the private sector. Much work in the region is now devoted to bringing businesses into the planning for a resilient societal security system. This is a very difficult task as it must build on a whole-of-society approach rather than on the more familiar whole-of-government approach to national security.

Public expectations of government performance remain high in the face of a wide spectrum of threats to state security and to individual safety. At the same time, the available resources under the direct command of public authority to meet such threats have been redefined and often



reduced in scope and magnitude. This national deficiency has not yet been compensated for by enhanced multinational capacities. In spite of a general awareness of the importance of pooling resources internationally, when confronting trans-boundary threats, only modest added value in terms of tangible resources is yet generated from such cooperation.

Statements of solidarity have been combined with ad hoc arrangements for mutual assistance, when large-scale disruptions of societies have occurred. Today we witness the massive flows of migrants across borders. Recently we experienced the effects of flows of capital and infections. The consequences of the more frequent disruptions of transnational cyber flows are becoming increasingly evident. The governing structures for handling the multiple threats to embedded societal security are still primarily national in focus.

In order to meet these challenges together it is important to be inter-operative in technology and in communications across borders. But, we should also think about interoperability in terms of shared knowledge and of a common problem definition as a basis for joint efforts. It is important to build knowledge about societal security and resilience in all countries, as an analytical underpinning for the implementation of the security strategies by nations and by the EU. New requirements are levied on think-tanks to develop such knowledge in partnership with policy agencies and operatives. One needs knowledge about varied security threats and about relevant strategies and tools that is both based on scientific research and on practical experiences.

## POLICY NEEDS AND RESEARCH QUESTIONS

Societal security research has a solid foothold in some parts of Europe. It is less developed in others. Its academic branch can be traced to a sub-tradition of security studies that has sought to widen the concept of security to encompass non-state actors and non-state references. The so called Copenhagen School of Security Studies developed in the 1990s around prominent scholars, such as Barry Buzan and Ole Waever. Innovative academic work carried through to the next generation of scholars thanks to their intellectual leadership and mentorship.

The concept of societal security, and with a core of resilience, has developed as a guide for the policy developments for emergency management in many European nations. The emphasis has been placed on the functionality of society and on the values that lay the foundation for European societies rather than on the traditional emphasis on territorial concerns. Where it appears in policy circles it plays in a range of attempts to advance political priorities in the face of a new threat landscape, including threats to food and water supply, health, pollution and climate change, religion, culture and, last but not least, terrorism. The emergency management agencies of the Nordic countries, the Netherlands, and the UK Civil Contingencies Secretariat have built their policy doctrines and practices around this approach although using slightly different terminologies. In the United States, somewhat similar practices are conducted under the headings of Homeland Security and Community Resilience.

On the European Union level the societal security concept has taken hold. Several of the DGs of the European Commission work in line with this approach, such as DG ECHO, DG HOME, DG SANCHO and the Joint Research Center (JRC). There is a growing understanding in these DGs that the evolving policy doctrines and practices need to be underpinned by research based knowledge. The academic study of how the institutions of the EU are engaged in questions of societal security and crisis management has developed alongside these developments at the policy level.

The European Parliament has shown an interest in the direction of the EU security research program and in particular pointed to the importance of including the societal and ethical dimensions. Another parliamentary body, the Nordic Council, has for many years pushed these governments in the direction of giving more prominence to societal security concerns and has emphasized the importance of research in this field. This political interest was one factor behind the establishment of a Nordic research program on societal security in 2013 by the joint Nordic research council, Nordforsk, located in Oslo.

With funding from the EU FP7 program, SOURCE, the Societal Security Network, was launched in 2014 as a virtual center for research

support and coordination on societal security. It is a consortium of twelve partners across Europe. This platform will begin to integrate better the various research groups in this field that so far have worked in fairly isolation.

The last decade has brought fundamental changes in our research-based knowledge and experience-based understandings of security and insecurity. We know that we are confronted by a new landscape of security threats, new security actors, and new security technologies. The traditional roles of the state and state institutions are rapidly evolving both at the international and national levels making for a new complexity of multi-level security governance. Familiar legal and normative principles are being challenged by new expectations. These changes operate at all levels and across various domains of society.

The traditional goals of ensuring territorial integrity and national sovereignty are already complemented with securing critical functions of society. These are linked by shared transnational interdependencies that must not be transformed into asymmetrical vulnerability traps. Examples are the deliberate denial of critical metals or components or simply interruptions in access due to various types of disasters or interferences.

A range of institutions and professions have been traditionally responsible for ensuring the security of the state, of society and of individuals. However, the changing security reality, changing expectations and quickly evolving technological approaches to ensuring security put into question the traditional premises and practices of security institutions, professions, and the networks that connect them. New understandings are needed on how we can bring key institutions and professions, not least in the public sphere, more in line with the emerging security challenges of this century.

One analytical and operational challenge arising from the new security landscape is the growing intermixing of traditionally separate sectors of society through privatisation, outsourcing and just-in-time supply chains. New knowledge and expertise is needed on the mechanisms of interaction between widely different actors and subjects through processes of networking, collaboration, and information-

sharing. At first regard, all of these processes tend to indicate a move from formal to informal, network based governance. Yet research is needed in order to better understand the interplay of domestic, regional and global institutions in the face of informal governance that often lies beyond public visibility and democratic accountability. This includes, in particular, the increasingly trans-boundary character of governance, not only in a geographical sense, but in a conceptual sense as well. Where the legitimacy of security measures has been traditionally grounded in formal state connections, the soft and informal legitimacy that increasingly supports contemporary security measures is not yet fully understood.

The resilience of societies is generally assumed to be a public good. Considerable social science research is underway on the features of risk, organizational adaptability and the components of societal and community resilience. Important new knowledge is being generated through this established research. However critical reflection on the assumptions at the core of what we understand as “resilience” will likely reveal some surprising results. The assumption that increased societal resilience will take place without secondary effects needs further examination. In-depth studies are needed of the adaptability of law and legal systems, and of the capacity of existing institutions to address new risks and to foster resilience, just as critical investigations are needed of institutional designs for resilience and enhanced security. The ideal of an optimally resilient society also changes the premises for crisis management bodies and the high stakes decision-making and coordination they carry out under extreme information pressures. Security related investments in societal and community resilience need to be underpinned by social science scholarship.

## THE EU STRATEGY FOR THE BALTIC SEA REGION

The Baltic Sea Region is again whole and free but it is not yet safe and secure for the inhabitants of this region. More work in unison is needed in order for us to be able to declare our region fully safe and completely secure. Sweden, through the Civil Contingencies Agency, coordinates the

Policy Area Secure of the EU Strategy for the Baltic Sea Region. In this policy area, many regional cooperation activities covering several years aim to reduce existing societal vulnerabilities, build common capacities and foster a culture that enhances our shared safety and resilience. Increased resilience often goes hand in hand with innovation, new capabilities, skills and technologies and thus creates more growth. By 2030 the entire region should be as safe and secure as many of our local communities already are.

Today most major risk scenarios in the Baltic Sea Region involve critical flows of different kinds. These flows reach across national borders, across sectors and across levels of authority. There are flows of energy, essential goods, finances, information and people. These are beneficial flows across boundaries that we want to protect and to develop. They contribute to prosperity and wellbeing. But we also note undesirable flows across our borders, like viruses-both human and digital-extreme weather conditions, illegal and hazardous substances, narcotics, criminality and violence. Such flows harm the open, competitive markets and business activities of the region.

Sweden is active together with other nations of the region to examine these flows and to identify how we can strengthen the beneficial flows and limit the harmful flows across the region. The interoperability of civil protection and law enforcement authorities need to be further strengthened and we should develop more synergies in their daily practices. This is a multidimensional task with a foundation in science and technology but with great obstacles in organizational rigidities, professional legacies and closed mindsets. Trust needs to be built across national, sectoral and professional boundaries. Emergency management professionals that train, exercise and learn together may develop shared understandings of the major challenges to safety and security and can build an enhanced capacity to meet these challenges together. Preparedness well ahead of the acute emergency, whatever its origin, is the best way to limit the costly consequences of various disasters that may inflict harm on our societies and on our populations.

The strategic objective of PA Secure is to build a common culture of societal security. This is a long-term and complex task that demands strong

engagement and ownership from all stakeholder actors. For this reason, PA Secure launched in 2014 the Baltic Leadership Program for future high-level policy makers. The purpose of the Baltic Leadership Program is to equip the participants with the tools and perspectives needed to manage cross-border collaborations between diverse organizations in an intercultural context. In order to have an impact and drive change, the leaders of tomorrow need to be better prepared and better connected than ever before. The aim is to learn from the experiences of all the countries involved, gain new and lasting networks and to strengthen Baltic Sea Region co-operation in civil protection and law enforcement. The program helps create personal networks to pave the way for an ability to resolve national and transnational emergencies together in situations when this capacity really matters.

## RESILIENCE IS SHARED AND SHOULD BE PROJECTED FORWARD

Societal security and resilience became an important agenda item of the June 2016 European Council and of the July 2016 NATO Summit. At both meetings there were significant discussions of potential NATO-EU cooperation in the field of resilience. At the NATO Warsaw Summit allies agreed to a set of baseline requirements for resilience and made national pledges to meet those requirements. Finland and Sweden are also part of this collective reform work as they have formed Enhanced Opportunity Partnerships with NATO. The entire Baltic Sea Region is now engaged in a joint effort to enhance societal security through strengthening societal resilience.

These are positive developments that should be encouraged and supported by publics and parliaments. But they should be understood only as first steps toward a more effective and comprehensive resilience agenda. State-by-state approaches to resilience are important, but insufficient. Resilience must be shared, and it must be projected forward.

Resilience begins at home and is foremost a task for national governments. Yet in an age of potentially catastrophic terrorism, networked threats and disruptive hybrid attacks, no nation is home

alone. Few critical infrastructures that sustain the societal functions of an individual country are limited today to the national borders of that country. This means that traditional notions of territorial security must be supplemented with actions to address flow security – protecting critical links that bind societies to one another. Governments accustomed to protecting their territories must also learn to focus on protecting their connectedness. This requires greater attention to shared resilience. None of the seven baseline requirements for resilience established within NATO by the Warsaw Summit can be met without attention to shared resilience.

NATO and EU members also share a keen interest in projecting resilience forward, since robust efforts by one country may mean little if neighboring systems are weak. NATO allies and EU member states have a vested interest in sharing approaches and projecting operational resilience procedures forward to key neighbors such as Ukraine, Georgia, Moldavia, and Belarus.

Forward resilience should also include a temporal dimension through better performance with regard to early warning and foresight analysis. Only with improved coordination of the required forward looking capacities among member states, the NATO Secretariat and relevant EU institutions, one may avoid recurrent failures of imagination and surprise. Effective and legitimate resilience should over time encompass a spectrum that embraces national, shared and forward strategies.

## CONCLUSIONS: THE AGENDA AHEAD

PA Secure is the instrument of the EU Strategy for the Baltic Sea Region to advance the work on societal security and resilience in and around this region. Together we shall launch activities and programs that serve to strengthen our shared societal security through a whole-of-society approach. We shall learn how to meet and recover together from antagonistic threats and natural or man-made disasters. We shall invest hard to reduce local as well as transnational vulnerabilities. Our commitments to build trans-boundary capacities must be effective and enduring. We should promote a holistic framing in our preferred practices

and in the research and educational programs that are needed to underpin these reforms.

Safety and security is a required baseline for achieving economic growth, prosperity and wellbeing for many people in our region. The steadfast achievements in the Policy Area Secure therefore have major consequences also for other policy areas and for the overarching objectives of the EU Strategy for the Baltic Sea Region. The sight is set on 2030 in this important work of direct benefit to society, to business and to our people.



# Looking for Societal Security in the Norwegian Government's Discourse on Integration

Claudia Morsut

Migration is a social phenomenon intrinsically related to the human nature. People on the move are part of humankind's history and development. As other geographical areas of the world, Europe has also been shaped by migration. However, in recent years, migration has become a relevant and challenging issue at political level in Europe. On the one side, recent studies on demographic trends<sup>1</sup> show that European states need migrants, since they are increasingly unbalanced in the age composition of the population. There will be an increasing number of old people with severe repercussions on the pension systems of many countries in Europe. If properly integrated, migrants will pay for Europe's pensioners. In addition, the structural changes in the European labour market will require foreign labour forces in those areas of the job market that have become unable to attract nationals (constructions and health sector are two striking examples).

On the other side, we have witnessed an unprecedented high and uncontrolled number of migrants<sup>2</sup> crossing the European borders in the last two years, with the hope of finding better life conditions and security.<sup>3</sup> The media attention has mainly focused on the arrivals through the Mediterranean Sea from the North-African coasts and from Turkey to the Greek Islands, while little has been said about the eastern borders of Europe, where, actually, the scale of migrants is much smaller than the sea route. There is no state in Europe without the issue of migration on the political parties' agenda. Politicians seek to win popularity points by blowing on the emotional aspects of the migration issue, which touches the strings of identity and ethnicity. The fear of "the other", the "we" entitled to receive assistance from the state versus "them" receiving the

same treatment without being taxpayers or citizens (especially in times of economic crisis) is a recurrent topic in many of the European societies.

Norway is no exception in this context. In a recent conference gathering experts on asylum and migration policies from the Nordic countries<sup>4</sup>, the Norwegian Prime Minister Erna Solberg pointed out that migration is one of the main challenges for policymakers in today's society. I could not agree more with her. Her statement induced me to reflect upon the nexus between societal security and state integration policies in Norway, in these challenging times for many of the Scandinavian and Baltic region countries dealing with migration issues. In this paper, I will briefly examine policy documents periodically released by the Norwegian government on the issue of migrants' integration in order to understand to what extent the Norwegian government has coped with the challenges migration poses to societal security in the terms briefly described above.

## MIGRATION IN NORWAY IN A NUTSHELL

Norway is a small country in population, but considering the extension of its territory it can be ranked among the largest countries in Europe.<sup>5</sup> Between the 1950s and 1960s, Norway developed into a social-democratic state with a welfare system that has become known for being generous in terms of state provisions such as social security, social services, health, education, and housing. The access to the welfare state is a civil right despite of work position and is based on principles such as equality and solidarity. When it was built, Norway was an ethnically and culturally homogeneous country, with few migrants and few minority groups, later recognized as such by the state thanks to their hundreds of years' history in Norway.<sup>6</sup> The arrival of migrants in the 1960s was perceived as positive for the Norwegian economy since Norway needed manpower for its industry. Workers mainly from the neighbour countries (Sweden and Denmark), southern Europe, Turkey and Pakistan moved to Norway. They were considered guest workers who, as soon as they had gained enough, they would go back to their home countries. In the 1970s a new wave of migrants arrived to Norway: asylum seekers and spouses and children

of the same guest workers through family reunification. Despite the so-called immigration stop imposed in 1975, in line with similar restrictions in the neighbour countries, waves of migrants entered Norway in the following decades. The 1980s, 1990s and 2000s witnessed a raise in the number of asylum seekers due to wars and instabilities in various areas of the world.<sup>7</sup> Apparently, Norway seemed immune to the high numbers of migrants entering Europe from its southern borders in the last two years. However, in 2015 a new migrant route – the so-called Arctic route – was used by migrants mainly from Afghanistan and Syria to enter in Norway (and Finland) via Russia. The Norwegian authorities in Storskog, the main crossing point, had to deal with 5200 asylum applications in 2015, while in 2014 less than 10 were processed.<sup>8</sup> As the other Nordic countries, Norway represents an attractive destination for migrants thanks to its solid and generous welfare state. According to Statistics Norway, per January 2016, there were almost 1 million migrants from 223 countries and Norwegian-born to migrant parents in Norway. The main nationalities are Polish, followed by Lithuanians, Swedes and Somalians.<sup>9</sup>

## SOCIETAL SECURITY, MIGRATION AND IDENTITY

The Copenhagen School defines societal security as “the ability of a society to persist in its essential character under changing conditions and under actual threats”.<sup>10</sup> The most difficult part to grasp in this definition is the essential character of a society. The essential character is the set of properties a society holds in terms of traditional patterns of values, language, culture, association, religion, ethnic affiliation and customs. All this can be labelled as identity of a given society.<sup>11</sup>

The security of a society can be threatened by whatever puts the “we” identity – so the above aspects above – into jeopardy.<sup>12</sup> Threats reveal to what extent the sustainability of a society is maintained, evolved, changed. Wæver et al. use migration (both inward and outward) as one of the most striking examples of threats.<sup>13</sup> Migrants with their different identities have an impact on the host society that can be perceived as a threat.

When we consider Norway we can wonder: what is the essential character of the Norwegian society that makes this society different

from others? What is the aspect that, if taken away, would cause the Norwegian society to stop being what it is and starting to become something else?

Identity is one of the most complicated concepts used both at academic level and in the media. I do not aim, in this paper, to open a debate about the meaning of the term, but I agree with Joppke who underlines that “identity cannot be legislated”.<sup>14</sup> Identity is a recurrent term when we discuss the issue of migration. In the case of Norway, I can say, as first impression, that the Viking heritage, the Norwegian language, the harsh climate, the culinary tradition, the skiing traditions all contribute to describe the Norwegian identity as distinctive from other identities. Social cohesion, trust and openness are other factors that are present in the Norwegian society at a higher degree than in other societies. The Norwegian society possesses, in addition, a strong cohesion of its national culture and considers security and trust as preconditions for equal opportunity, thus also for freedom. However, the most interesting aspect of the Norwegian identity is, in my view, the word *likhet*, “which refers to a certain sense of non-hierarchical equality and a very specific view of affinity, feeds into ideas of one’s roles, rights, and responsibilities in society and emphasizes similar outcomes”.<sup>15</sup> In English, we can translate *likhet* with equality, affinity and similarity. Another aspect of *likhet* is the discourse of homogeneity. The Danish-Norwegian novelist Axel Sandemose in the 1930s wrote about the so-called Janteloven (the law of Jante). This law describes a negative attitude towards individuality and success and a positive focus on egalitarianism and homogeneity. Even nowadays, in many debates about values and identity, the law of Jante is used as an example of something typical Norwegian. The Norwegian welfare state was meant for a socially and culturally homogenous population, much more homogeneous than nowadays. The way the Norwegian welfare state works has a strong identity-building function for the Norwegian society. Migrants, at various stages, encounter Norwegian welfare policies, being policies on labour, education, health or integration. State authorities may consider migrants objects or targets of their welfare policies, but migrants possess an agency that may contribute to change national welfare policies towards them and thus the Norwegian identity.

## REFLECTIONS ON THE NORWEGIAN GOVERNMENT'S DISCOURSE ON INTEGRATION

The Norwegian Government has periodically submitted White Papers<sup>16</sup> to the attention of the Parliament on one particular aspect of welfare policies, such as integration, since the 1970s. These documents describe the development of the Norwegian integration policy and show, indeed, which kind of political discourse has been present in Norway in terms of decisions, strategies, and activities towards migrants in order to integrate them in the Norwegian society. None of the documents under lenses explicitly mentions the nexus between societal security and integration. However, they help reflecting about the way Norwegian policymakers have coped with issues of identity and integration, thus touching the core of societal security according to Wæver et al.'s definition.

The first White Paper dealing with migration is the *White Paper 39 (1973–1974): On immigration policy* presented by a government lead by the Labour Party.<sup>17</sup> The 1970s in Norway were characterized by the so-called immigration stop (that never worked) and the presence of labour migrants working mainly in the Norwegian industry. The main message of this White Paper is the free choice given to migrants to integration or assimilation (or to go back to their home country). Integration and assimilation are considered ways of living in Norway without any prejudice to the Norwegian identity. Norwegians and migrants' encounter can lead to new norms and values. So, eventual changes in some parts of the Norwegian identity are not considered negative. If a migrant decides to be assimilated, he will be most similar to a Norwegian in mind and body. The White Paper does not specify what to become Norwegian means, maybe taking for granted that everybody knows what to be Norwegian means.<sup>18</sup> Integration (which is both a process and a goal) is considered a weaker form of being part of the Norwegian society. In this case, a migrant will retain his national identity, his own language, his close links with his home country and to some extent his home country's customs and way of life, but he will be a functional part of society and adapt himself to it.<sup>19</sup> The relationship between the host society and the migrant is based on equality: Norwegians and foreigners

have the same rights and obligations (with some exceptions in the voting rights). The *White Paper 74 (1979–80): On immigrants in Norway*<sup>20</sup> takes a further step about integration compared to the previous White Paper. This document, as well, was released by a government led by the Labour Party. The degree of attachment to the host community is not only a free choice, but the respect of migrants' language and culture is considered pivotal in the integration process in order to reach a multicultural/pluralistic society. Migrants are let free to find their way in the Norwegian society. Assimilation is seen in very negative terms and authorities should avoid any situation of assimilation. Once more, the encounter between different identities is considered like a process of adjustment towards a multicultural/pluralistic society. The principle of equality is reinforced in this White Paper with the proposal to give the right of vote for local elections after three years of residence in Norway<sup>21</sup>. The *White Paper 39 (1987–1988): On immigration policy*<sup>22</sup> has the main focus on mutual responsibility, duty to participate in the daily life of the country and freedom of migrants to pursue their identity. The document underlines once more the principle of equality between migrants and Norwegians: "Equality between migrants and Norwegians implies that migrants have the same opportunities, rights and obligations as much as it is possible"<sup>23</sup>. The *White Paper 17 (1996–1997): On immigration and the multicultural Norway*<sup>24</sup> already from the title pinpoints that Norway is a multicultural society, with a variety of cultures which are allowed to co-exist. The White Paper stresses that integration is based on equal opportunities, rights and obligations for everybody despite of the origin. This means that migrants are free to exercise their specific cultural and religious identities, but with "certain limits"<sup>25</sup>. But what are these certain limits? The White Paper seems to take for granted these limits without specifying them. So who decides the limits of diversity? How can we define what is acceptable and what is not for the Norwegian society? What touches the Norwegian identity without threatening it?

All these White Papers do not offer a definition of Norwegian identity. Has this been a conscious choice of policymakers or a way to avoid a complex issue? In addition, they have all in common a positive attitude towards diversity, consider an asset that enriches the society.

Some answers to the questions above are provided by the last two White Papers I analysed. The *White Paper 49 (2003–2004) Diversity through inclusion and participation. Responsibilities and freedom*<sup>26</sup> was elaborated by a centre-right government. About ten years have passed between the last two White Papers on integration. In these years, the number of migrants has increased to important levels for a small country like Norway: more than 500 000 migrants from 208 countries lived in Norway in 2004. Among them, 120 000 children have both the parents from foreign countries and half of them were born in Norway.<sup>27</sup> This diverse population in terms of values, lifestyle and beliefs poses challenges to the model of integration proposed by the previous White Papers. For the first time, this White Paper underlines that the freedom to exercise your own identity has a clear limit in the respect of society (read the majority) basic values. The main message of this White Paper is that migrants have to accept the rules of the game, which are the fundamental principles of the Norwegian society and are not negotiable. In exchange, migrants will obtain rights and cultural tolerance. The *White Paper 6 Comprehensive Integration Policy Diversity and Community* was launched in 2012 by a centre-left government.<sup>28</sup> This White Paper, as well as the previous ones, restates rights and duties of migrants, but mainly in terms of seeking to reduce social differences and reinforcing gender equality. The novelty in the text is that the realisation of these two goals is mainly on the shoulders of the state, which assumes the role of a facilitator, so there is not so much focus on the duties of migrants, but on the tasks the state has to fulfil in order to include migrants into the Norwegian society (the state helps migrants to qualify for the Norwegian labour market; the state wants that their skills are better utilised; the state aims at more employed migrant females; the state will guarantee solid education for migrants' children). For the first time, fundamental values of the Norwegian society are spelt out: economic and social equality, gender equality, freedom of expression, freedom of religion and belief, solidarity, tolerance, public participation, protection of children's rights, multilingualism.<sup>29</sup> Thanks to these values, the White Paper recognises that the Norwegian society gives room to diversity. However, diversity can lead to disagreement and conflict. For the first time, the White Paper underlines that there is a

public debate in Norway about value collision and different interpretations of the same values. But, this needs to be solved through the respect of democratic rules and the Norwegian law (the certain limits are reiterated here as well).<sup>30</sup> Another novelty is the connection between integration and the need to control the borders of Norway from uncontrolled access.

## CONCLUSIONS

In reading these documents I found that there are recurrent terms used in all the White Papers: diversity, rights/duties, choice, and *likhet*, which is the most recurrent. Diversity is always described in positive terms, as enrichment for the Norwegian society. The cultural differences brought into Norway by migrants do not have a negative connotation. The White Papers offer a constant assurance to migrants that they have the right to maintain their identities (being them ethnical, cultural or national). However, rights are always intertwined with duties. Although the migrant is free to exercise his/her identity, his/her main duty is to stay inside the certain limits of the Norwegian society (read the majority), such as the Norwegian law and the respect for democratic rules. The dichotomy majority/minority is never mentioned in these documents, since it clashes with the principle of equality. Reflecting on this in terms of societal security, I argue that different identities are not considered a threat for the Norwegian society by the various governments behind these documents. *Likhet* is described in the same way as equality, affinity and similarity. However, I see an interesting paradox in the nexus integration-societal security. In pursuit of maintaining *likhet* as the reference of the government's integration policies, the Norwegian governments seek to reconcile the Norwegian identity, where *likhet* is central, with the freedom to pursue your own identity, which is, by definition, not the same as the Norwegian identity. They seek to guarantee equality for everybody, but giving room to diversity they strengthen differences. So, the risk is that the very same Norwegian identity loses legitimacy, since other identities can coexist. Here lies, in my opinion, the threat to the Norwegian identity.

To conclude, I think that, to some extent, the *White Paper 49 (2003–2004) Diversity through inclusion and participation. Responsibilities*



and freedom offers an interesting paradigm shift in this regard, which unfortunately, is not deepened and better elaborated in the White Paper and would have deserved a debate inside the Norwegian society, especially in the frame of societal security. In this White Paper, the Norwegian government seems more focused on the respect and management of the differences than on equality. It seems to suggest that diversity is there, so the elaboration of the integration policies has to start from what is diverse and not from equality. Equality is not anymore a condition sine qua non for integration. Maybe, this can be considered as a way to consolidate the Norwegian identity and to avoid the risk above.

## ENDNOTES

- <sup>1</sup> “The 2015 Ageing Report underlying Assumptions and Projection Methodologies,” EUROSTAT, 2015, [http://ec.europa.eu/eurostat/statistics-explained/index.php/Population\\_structure\\_and\\_ageing](http://ec.europa.eu/eurostat/statistics-explained/index.php/Population_structure_and_ageing)
- <sup>2</sup> I use this term including refugees seeking protection due to wars and persecutions in their home countries and economic migrants. The distinction has been quite difficult on the ground due to the high number of people crossing the borders, but it is clear in its legal aspects.
- <sup>3</sup> According to the UNHCR, in 2015 more than 1 million people crossed the Mediterranean, while more than 330000 have arrived so far. See: UNCHR, 2016, <http://data.unhcr.org/mediterranean/regional.php>
- <sup>4</sup> FAFO’s conference on European Migration and Asylum Policies for the Future – Nordic Perspectives, Oslo 21 October 2016.
- <sup>5</sup> Per July 2016, there are 5236826 people registered in Norway on a territory of 385178 km<sup>2</sup>.
- <sup>6</sup> Sami – aboriginals with more rights than the other minorities; Kvens; Jews; Rom (Gypsies); Romani (Travelers); Forest Finns.
- <sup>7</sup> Knut Kjeldstadli, Hallvard Tjelmeland and Grete Brochmann (eds.), *Norsk innvandrings-historie. I globaliseringens tid 1940-2000*, Vol 3, Oslo: Pax Forlag, 2003; Bo Bengtsson, Per Strömblad and Ann-Helén Bay (eds.) *Diversity, Inclusion and Citizenship in Scandinavia*, Cambridge: Cambridge Scholars Publishing, 2010
- <sup>8</sup> Frontex, 2016, <http://frontex.europa.eu/trends-and-routes/eastern-borders-route/>
- <sup>9</sup> *Statistics Norway*, 2016, <https://www.ssb.no/en/innbef>.
- <sup>10</sup> Ole Wæver, Barry Buzan, Morten Kelstrup and Pierre Lemaitre (eds.), *Identity, Migration and the New Security Agenda in Europe*, London: Pinter, 1993, p. 23.
- <sup>11</sup> *Ibid.*, 49.
- <sup>12</sup> *Ibid.*, 42.
- <sup>13</sup> *Ibid.*, 43.
- <sup>14</sup> Christian Joppke, “Immigration and the identity of citizenship: the paradox of universalism,” *Citizenship Studies*, 12(6), 2008, p. 536.
- <sup>15</sup> Trine Kvidal, “Tensions of Consumer Individualism Norwegian Identity in the Context of Globalization,” *Nordicom Review* 32(2), 2011, p. 112.

- <sup>16</sup> St. Meld. is the short version of Melding til Stortinget. It is a form of communication from the Norwegian government to the Parliament on a particular field or issue. Often its content is the basis of draft resolution or bill at a later stage.
- <sup>17</sup> St. meld nr. 39 (1973–1974). Om innvandringspolitikken. The title of this White Paper is my translation.
- <sup>18</sup> Ibid., p. 35–36.
- <sup>19</sup> Ibid.
- <sup>20</sup> St. meld. nr. 74 (1979–1980). Om innvandrere i Norge. The title of this White Paper is my translation.
- <sup>21</sup> Since 1983, foreign nationals with three years permanent residence in Norway have the right to vote in local elections.
- <sup>22</sup> St. meld. nr. 39 (1987–1988): Om innvandringspolitikken. The title of this White Paper is my translation.
- <sup>23</sup> Ibid., 9. My translation.
- <sup>24</sup> St. meld. nr. 17 (1996–1997): Om innvandring og det flerkulturelle Norge. The title of this White Paper is my translation.
- <sup>25</sup> Ibid., 9. My translation.
- <sup>26</sup> St. meld. nr. 49 (2003–2004). *Mangfold gjennom inkludering og deltakelse – Ansvar og frihet*. The title of this White Paper is my translation.
- <sup>27</sup> Ibid., 10.
- <sup>28</sup> St. meld. nr. 6 (2012–2013) En helhetlig integreringspolitikk. Mangfold og fellesskap. The English title is from a short version of the White Document. There is, actually another White Paper 30 (2015–2016) “From reception centre to the labour market – an effective integration policy on integration”, but the focus is mainly on one group of migrants – asylum seekers.
- <sup>29</sup> St. meld. nr. 6, 104.
- <sup>30</sup> Ibid., 105.

# Resilience Challenges in the Baltic Countries

Gunda Reire

The time when we used to think about the security only in terms of military capacity has passed. Nowadays, security cannot be addressed without examining societal processes, and this leads inevitably to the evaluation of societal resilience.

The recently adopted Global Strategy for the European Union's Foreign and Security Policy defines resilience as "the ability of states and societies to reform, thus withstanding and recovering from internal and external crises"<sup>1</sup> and emphasizes that "resilience is a broader concept, encompassing all individuals and the whole of society. A resilient society featuring democracy, sustainable development and trust in the institutions, lies at the heart of a resilient state."<sup>2</sup> Societal resilience reflects society's abilities or capacities to tolerate, absorb, cope with, and adjust to environmental and social threats of various kinds, mainly of external origin. For empirical studies, the definition of the risks or threats the society is exposed to, remains important. Three types of capacities form the societal resilience – coping capacity, adaptive capacity and transformative capacity.<sup>3</sup>

In this article, resilience challenges of the Baltic Countries are analysed. Therefore, societies' ability to cope with threats that are not related to defensive security and the concept of deterrence are addressed. The factors which reflect the Baltic societies' inner strength or weakness to withstand crisis, deflect attacks, preserve basic values, and not to become a target of societal manipulations are exposed and evaluated.

## RUSSIA'S INFLUENCE ON THE BALTIC COUNTRIES' RESILIENCE

Many of the Baltic Countries' societal resilience challenges are closely related to Russia's foreign policy thinking, its specific policy towards the Baltic countries and massive propaganda executed in the region. The departure point here is Russia's "insatiable desire for security, which expresses itself in expansion and buffer zones"<sup>4</sup>

Although there is discussion in the academic field that the "old school" geopolitics with its buffer states, heartland theory, and other requisites is outdated and even "archaic and fundamentally wrong",<sup>5</sup> one cannot deny that Russia strives to create an ideological influence buffer along its borders. "The annexation of Crimea executed by Russia in 2014, the constant efforts to control the situation in the Baltics, the creation of the Eurasian Economic Union and the Commonwealth of Independent States, and repetitive threats to NATO regarding the alliance's recurring rounds of enlargement are proof that buffer zones of ideological influence are still relevant in international politics."<sup>6</sup>

According to the Russian news agency TASS, the Foreign Ministry of the Russian Federation issued a report at the end of 2015 that summed up the results of the year, and it very clearly shows the desire to maintain control over Eastern Europe and the Baltic states as a buffer zone. The report declares that "the course that NATO has assumed towards 'detering' Russia, materialized as a buildup of military presence in countries of Eastern Europe and the Baltic States, increased in the number and intensity of exercises close to the Russian border, and necessitated measures to counter the threats that NATO creates for Russia's national security."<sup>7</sup> The report also emphasizes that "the remaining channels of a political dialogue with NATO and bilateral contacts with the leadership of the key member countries of the organization have been used for the explanation of negative consequences and potential risks from changes to the existing configuration of forces in Europe."<sup>8</sup>

In order not to be "surrounded by enemies"<sup>9</sup>, Russia has used various strategies, the most influential one being dependency. Large numbers of geographically concentrated ethnic populations – the so-called

compatriots – are located in the regions close to Russia’s borders in Latvia and Estonia. The presence of these Russians is likely to prove a major obstacle to Western efforts to wean these formerly constituent republics away from the Russian strategic grasp.<sup>10</sup> The level of dependence on Russia is also maintained and nourished with the help of the fifth form of strategic power – the infosphere<sup>11</sup>, and the number one tools in this form of power are propaganda and information war.

### Compatriot<sup>12</sup> Policy as a Factor of Resilience Challenges

The three Baltic States have survived extensive ethno-demographic changes after being incorporated into the USSR. In Latvia – the repatriation of 60,000 Germans in 1939, deportations of 200,000 Latvians to Siberia in 1941 and 1949, emigration of 120,000 Latvians in 1944, and forced immigration from Russia, Belarus, and Ukraine are all results of Soviet industrialization. Subsequently, through forced population movements, thousands of people from Russia, Ukraine, and Belarus immigrated to Latvia. Furthermore, retired military officers of the Soviet Union often chose Latvia as their place of retirement. The number of Eastern Slavs increased by more than 4.5 times in comparison to 1935. As Druviete emphasizes: “There is no other region in Europe which has survived such massive and forced ethno-demographic changes during such a short period of time.”<sup>13</sup> The huge immigration wave into Latvia was partially stopped only in 1990.

On June 13<sup>th</sup> and 14<sup>th</sup>, 1941, before the German invasion, Estonians also experienced mass deportation by the Russians of some 10,000 of their countrymen to Siberia. Out of those seized during the one-night operation, over 80 percent were women, children, or elderly people.<sup>14</sup> “The purpose of this action seemed to be to create terror rather than neutralize any actual threat to the regime.”<sup>15</sup> The 1941–44 German occupation caused more repression, especially of Estonia’s Jewish population, which numbered about 2,000.

Although during the Soviet period the rigid Russification prevailed, an asymmetric bilingualism developed. According to the 1989 census, 67% of Latvians, 37 % of Lithuanians, and 34% of Estonians had free command of

Table 1. Changes in the ethnic composition in the Baltics (in percent)

State	Pre- war period	1989	2000	2015 census
<b>Estonia</b>	(1934)			
Estonians	88.1	61.5	65.2	69.1
<b>Russians</b>	<b>8.0</b>	<b>30.3</b>	<b>28.0</b>	<b>25.2</b>
Ukrainians		3.1	2.5	1.7
Finns		1.8	0.9	0.6
Jews	0.4	0.3	0.15	0.2
Swedes	0.7	0.0		
Germans	1.5	0.2		0.1
<b>Latvia</b>	(1935)			<b>2014 census</b>
Latvians	77.0	52.0	57.8	61.4
<b>Russians</b>	<b>8.8</b>	<b>34.0</b>	<b>29.5</b>	<b>26.0</b>
Belarusians	1.4	4.5	4.1	3.4
Ukrainians	0.1	3.5	2.7	2.3
Poles	2.5	2.3	2.5	2.2
Germans	3.3	2.9	0.1	2.1
Lithuanians	1.2	1.3	1.4	1.3
Jews	4.9	0.9	0.4	0.4
<b>Lithuania</b>	(1923)			<b>2011 census</b>
Lithuanians	83.9	79.6	81.0	84.2
<b>Russians</b>	<b>2.3</b>	<b>9.4</b>	<b>8.5</b>	<b>5.8</b>
Poles	3.0	7.0	7.0	6.6
Belarusians	0.2	1.7	1.5	1.2
Ukrainians	-	1.2	1.0	0.5
Jews	7.2	0.3	0.1	0.1

Source: Druviete, I. *Sociolinguistic Situation and Language Policy in the Baltic States*, Riga: University of Latvia, 2010, p.13; Central Statistical Bureau of Latvia, 2016, [www.csb.gov.lv/en](http://www.csb.gov.lv/en); Lithuanian statistical system, 19 August 2014, [www.stat.gov.lt/en/lietuvos-statistikos-sistema](http://www.stat.gov.lt/en/lietuvos-statistikos-sistema); Statistics Estonia, 2016, [www.stat.ee/?lang=en](http://www.stat.ee/?lang=en).

Russian.<sup>16</sup> These figures seem to be artificially low in the official statistics; this could be characterized as a form of resistance to Russification. Almost all the adult population had quite good Russian language skills. At the same time, the retention rates for mother tongues were high: 99.6% for Lithuanians, 98.9% for Estonians, 97.4% for Latvians.<sup>17</sup> Due to unbalanced sociolinguistic functions and prestige, all Baltic countries developed two separate linguistic communities: a monolingual Russian community and bilingual Latvian, Lithuanian, and Estonian communities.

The phenomenon of “Russian-speakers” appeared.<sup>18</sup> As Diachkov states, “this conglomeration of ‘Russophones’ cannot be defined as a

national or ethnic minority in the Western understanding of the term, rather a group of minorities. Firstly, it was ethnically non-uniform; secondly, it was not a part and parcel of the local population in contrast to numerous ethnic minorities in the Western countries; and, last but not least, they were partially de-ethnicized and many of them preferred to identify themselves with ‘the Soviet people’.<sup>19</sup>

The high percentage of Russian-speaking population in Latvia and Estonia (and other post-Soviet countries too) “strengthens Russia’s argument that there is a ‘Russian world’ (*Russkiy Mir*) larger than Russia itself that lends legitimacy to both Russia’s great power status and its regional aspirations.”<sup>20</sup>

The reason why Lithuania has remained outside the realm of this manipulative tool is the low percentage of Russian-speaking population or ethnic Russians in this country. While 26.2% of the population in Latvia and 24.8% in Estonia are ethnic Russians, these numbers are much lower in Lithuania – only 5.8% of the population are ethnic Russians. It must be noted that Lithuania is vulnerable to demands from Russia for a corridor across its territory to the Kaliningrad exclave<sup>21</sup>, which is part of Russia’s Western Military District and where Russian ballistic missiles are deployed and facilities for storage of tactical nuclear weapons are located.<sup>22</sup> “Therefore, it is the military and geostrategic context, and not the ethnic one, which makes the Lithuanian-Russian relations in regard to the Kaliningrad exclave relatively painful.”<sup>23</sup>

Therefore, Latvia and Estonia have become an easy target for Russia’s manipulations and propaganda. Aleksandr Veshnyakov, the Russian ambassador in Latvia, recently declared that the “Russian world is without borders” and that one day Latvia could become a part of Russia, i.e., “if you will decide so – please! We are open to your membership in the Eurasian Union”<sup>24</sup>. These seemingly innocent words of the ambassador entail significant security threats. If the Latvian society becomes too receptive to Russian propaganda, a time may come when Russia’s plans will turn into reality by democratic means.

Russia’s authorities and media distort events in Latvia and Estonia, performing acrobatic feats of propaganda and intentional misinformation. This is applicable to announcements<sup>25</sup> on the education policy in Latvia,

legionnaires' marches on March 16, and the social and economic rights of Russian-speakers. There is a considerable amount of intense discussion about the situation of national minorities, particularly the alleged restriction of the rights of minority groups or the non-citizens in Latvia. The statements by high-ranking Russian officials that the Russian-speaking population of Latvia and the Baltics are being discriminated promote the increase of international tension, regardless of the conclusions of international human rights organizations.

Russia's statements regularly cross the dividing line between propaganda and misinformation, reaching the level of grand lies and absurd ideas. Describing the situation in Latvia, the epithet "soft ethnic cleansing" is used, or, for example, the representative of the Russian Federation in the Council of Europe disseminated a document in 2002 accusing Latvia of having a similar national minority policy to Macedonia. In 2005, Russia used UN institutions to make an appeal to Latvia's authorities to "implement as soon as possible the recommendations of international experts on the necessity of granting Latvian non-citizens the right to vote at municipal elections"<sup>26</sup>, although it was left completely unclear exactly which universally recognized experts and recommendations were being referenced.

This deep-rooted trend could not be rapidly whisked away after the regaining of independence. "Thus, this Soviet legacy, which can be described as a linguistically split society, still exists in the Baltic countries, although it does have a positive tendency to diminish over the years."<sup>27</sup>

## LANGUAGE THAT SPLITS SOCIETY

Four years ago, Latvia's independence was challenged – the language referendum took place on granting official ('state') language status to the Russian language. The proposal was rejected by three-quarters of voters. In 2012, the Latvian people expressed unequivocal support for the Latvian state and the Latvian language despite the economic crisis, massive pre-referendum populist rhetoric, and certain attempts to turn the referendum on the state language into a vote on the economy or on wounded self-esteem.

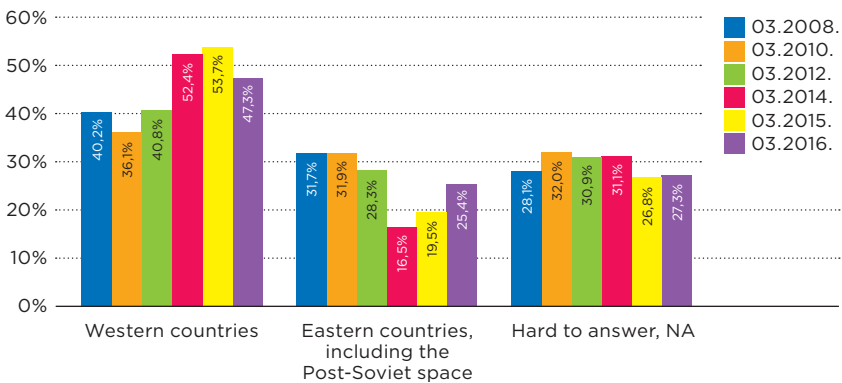


These developments serve as proof that the language issue is still part of a political agenda between Latvia and Russia. Russia's sociolinguistic policy towards the Baltics has deep roots, starting in 1939, and continues to be operational even nowadays. Meanwhile, there is a complex background to the language policy in Latvia where, since regaining independence in 1991, the country has promoted Latvian as the only state language, though Russian and other languages are widely used publicly.

It is important to mention that the Baltic societies are split along the lines of native language, separating Estonian-speaking, Latvian-speaking, Lithuanian-speaking, and Russian-speaking communities. These communities have opposing views on a number of significant issues, including the geopolitical orientation of the country, human rights, and other issues. This conclusion is clearly reflected in Figure 1 and Figure 2. The overwhelming majority of the Russian-speaking population prefers that Latvian foreign policy be oriented towards Eastern countries, including the Post-Soviet space, which does not correspond to Latvia's existing foreign policy course at large.

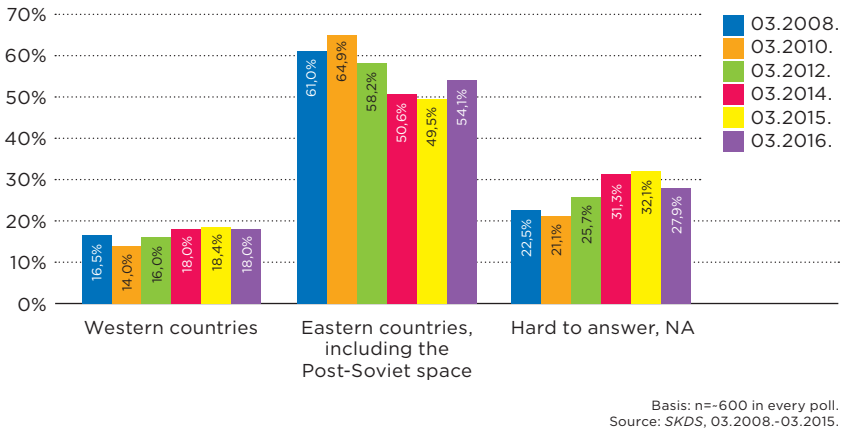
“It is evident that the Russian-speaking population has a totally different opinion about Latvia's international orientation. They see Russia from a different angle, which is constructed by Russia, its controlled

Figure 1. Preferable orientation of Latvian foreign policy (Latvian-speakers)



Basis: n=-600 in every poll.  
Source: SKDS, 03.2008.-03.2015.

Figure 2. Preferable orientation of Latvian foreign policy (Russian-speakers)



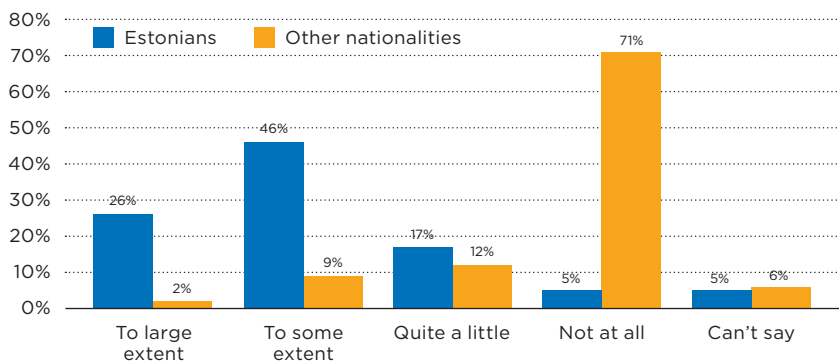
mass media, the pro-Kremlin party Harmony Center, and the Kremlin’s sponsored NGOs, which operate both in Latvia and internationally. An important role is also played by the *Rossotrudnichestvo* foundation, which has many representative offices co-located with Russian embassies.”<sup>28</sup> In addition to educational and scientific cooperation, it aims at assisting compatriots, promoting Russian language and culture, and protecting historic monuments and burial sites, which represent USSR legacy, in other countries.<sup>29</sup>

It is also noteworthy that only half of the Latvian-speaking population prefers foreign policy orientation towards the West, and this data is disturbing from the point of view of societal resilience against Russia’s foreign policy.

In Estonia, public opinion surveys show the same disturbing picture. Asked, to what extent is Russia threat to Estonian independence, 72% Estonian-speaking population considered it as large or “to some extent”. In contrary, 71% of Russian-speaking population does not consider Russia as a threat at all. (See Figure 3.)

These numbers serve as an awakening alarm, because large populations of Russian compatriots can have a significant social and political influence

Figure 3. To what extent is Russia a threat to Estonian independence? (2015)



Source: *Estonian Society Monitoring 2015*, 2015, [http://www.kul.ee/sites/kulminn/files/news-related-files/kokkuvote\\_eng.pdf](http://www.kul.ee/sites/kulminn/files/news-related-files/kokkuvote_eng.pdf)

in their countries of residence, including political agitation and subversion, cyber-attack, hostile propaganda, and other destabilizing effects.

In March 2015, Viktor Kalyuzhny, the former Russian ambassador to Latvia, revealed some old Russian Embassy plans to the Russian radio station “Eho Moskvi”. He said that they had a program: 2009 should be “Russia’s year in Riga, but 2010 – in Saeima [Latvian parliament]”.<sup>30</sup> Kalyuzhny admitted that “we did Riga”.<sup>31</sup> Namely, on June 6, 2009, municipal elections took place in Latvia, the winner in Riga was the pro-Kremlin party “Saskaņas Centrs” (Harmony Center), and the young politician Nils Ušakovs became the leader of that party and the Mayor of Riga. At the same time, Kalyuzhny expressed sadness about the failure to do the same in the Latvian parliament in 2010.<sup>32</sup> Saskaņas Centrs entered the parliament, but it was not included in the coalition government and stayed in the opposition. The plans revealed by Kalyuzhny indicate plans of subversion and an attempt by Russia to get embroiled in the internal affairs of Latvia; a serious violation of international public law.

Considering the recent political and ethno-demographic processes in the region, the Baltic states are among countries where consistent implementation of reasonable language policy principles is important for

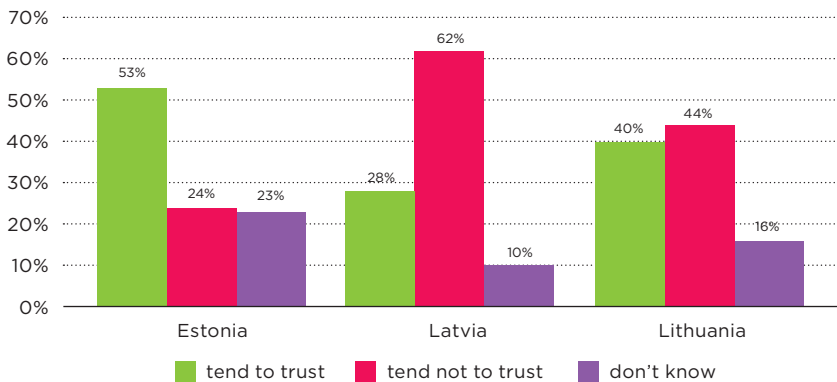
the maintenance of the language and strengthening of societal resilience. Strengthening of learning environments and widening of Latvian, Estonian, and Lithuanian language use environments are essential. The Russian-speaking part of the society is more receptive to the information that is provided in Russian language and, furthermore, to information that is provided in the context of the information war that is being waged by Russia. This language issue is one of the most important challenges to societal resilience in the Baltics, especially in Latvia and Estonia.

## TRUST IN STATE INSTITUTIONS

It must be emphasized that the possibilities of the Baltic state institutions to raise awareness about the foreign policy executed by Russia and its impact on the Baltic countries are limited. Firstly, the Russian-speaking population is greatly influenced by the Russian Federation's media and news and, therefore, tends to consider inconveniences as outright discrimination. The local national media policies oriented towards the Russian community in the Baltic states are currently marginal. It is necessary to engage the Russian community positively, but the broad distrust in state institutions and political parties is a major hindering factor to building effective integrational policy and communication with the Russian-speaking population (see Figure 4 – Figure 7).

The wide gap between the society and state can be considered as a significant barrier to building strong resilience against Russia's foreign policy, since it indicates low civic engagement and a perception of low individual political efficacy. In other words, it shows that people make judgments about their capacity to effectively perform in the political realm, and they are expressed as a feeling that the opportunities of an individual to influence the political and societal processes are very limited. Campbell, Gurin, and Miller have conceptualized political efficacy as the "feeling that individual political action does have, or can have, an impact upon the political process, namely, that it is worthwhile to perform one's civic duties".<sup>33</sup> These authors conclude that "lacking a sense of personal efficacy may nurture both feelings of distance and alienation conducive to disenchantment and ultimately to withdrawal from politics."<sup>34</sup>

Figure 4. Do you trust in the public administration (in the country)? (%)



Source: "Annex," *Standard Eurobarometer 85*, Spring 2016.

The Eurobarometer 2016 Spring survey shows that the trust of the Baltic populations in the state institutions is considerably low. The most critical situation is to be observed regarding Latvia and Lithuania, while Estonia's case demonstrates a more stable situation. 62% of the Latvian population and 44% of the Lithuanian population do not trust their public administrations. Interestingly, that in Estonia these numbers are much lower – 53% trust and only 24% of the population do not trust the Estonian public administration.

The same dynamics can be observed when public administration institutions are examined. Estonians tend to trust more both the national parliament and the national government, although also in the Estonian case the level of distrust can be regarded as high.

A very alarming picture portrays the Baltic societies' opinion about the political parties. In all three countries, distrust in political parties is very high – 69%, 86% and 87% in Estonia, Latvia and Lithuania accordingly. Considering the political parties as the main building blocks of the democratic system, the high distrust in political parties can be indicated as one of the main factors which challenges the societal resilience of the Baltic Countries.

Figure 5. Do you trust in (the nationality) government? (%)

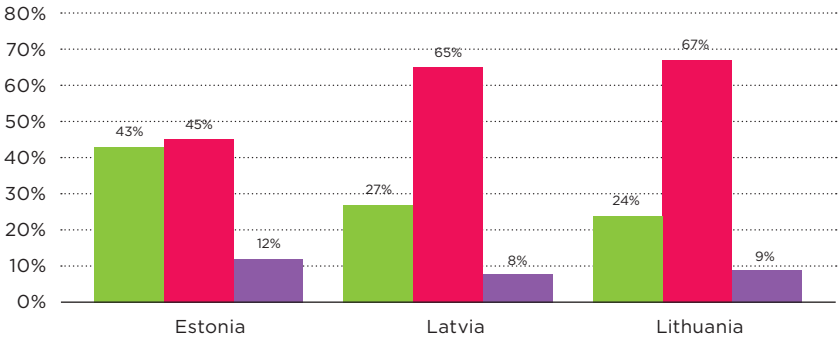


Figure 6. Do you trust in (the nationality) parliament? (%)

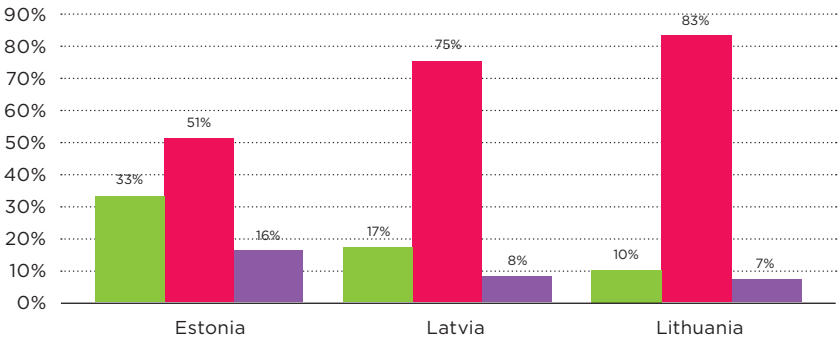
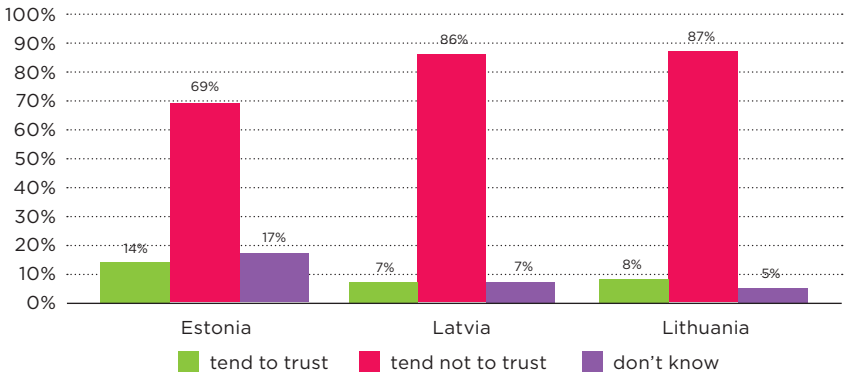


Figure 7. Do you trust in political parties? (%)



Source: "Annex," Standard Eurobarometer 85, Spring 2016.

## THE BATTLE OVER THE INFOSPHERE

In the Baltic countries, Russia massively breaks into the national infosphere. The most significant are TV channels CTC (entertainment format, uploaded with ideology), IBM (First Baltic Music Channel with Russian origin; local product with mainly Russian content), PBK (*Perviy Baltiysky Kanal*, local product with mainly Russian content), RT, TVc, MIR TV, RTR, *Perviy kanal*, newspaper *Rossiskaya gazeta*, news agencies *RIA Novosti* and *ITAR TASS*, and radio station *Golos Rossii*.<sup>35</sup>

It is important to mention that, in many cases, Baltic media cannot compete and match forces with Russian media because of financial restrictions. “The most popular Russian TV channels are under direct or indirect control by the Kremlin, therefore options of choice for the Russian-speaking population, theoretically, exist, but they are not available in praxis.”<sup>36</sup>

Table 2. Most Popular TV Channels in the Baltic Countries in 2015

Rank	Lithuania	Latvia	Estonia
#1	TV3	TV3	ETV (public broadcaster)
Share, %	16,3	11,5	15,5
#2	LNK	LTV1 (public broadcaster)	Kanal 2
Share, %	16,0	9,8	15,4
#3	LRT Televizija (public broadcaster)	PBK	TV3
Share, %	9,3	8,8	10,9
#4	BTV	LNT	PBK
Share, %	7,2	8,3	5,8
#5	NTV Mir Lithuania	NTV Mir Baltic	NTV Mir
Share, %	5,0	7,4	5,2

Data: TNS LT, TNS Latvia, TNS Emor; Share, % - share of viewing, the percentage of the total viewing audience watching over a given period of time. Period - 01.01.2015-30.09.2015. Channels in Russian language marked in yellow.  
Source: “The Parallel Universes,” *Re:baltica*, 23 November 2015, [http://www.rebaltica.lv/en/investigations/the\\_baltic\\_media\\_after\\_the\\_crisis/a/1285/the\\_parallel\\_universes.html](http://www.rebaltica.lv/en/investigations/the_baltic_media_after_the_crisis/a/1285/the_parallel_universes.html)

As data shows, PBK and NTV Mir have very high percentage of the total viewing audience in the Baltic Countries (see Table 2), although share of viewing of other Russian TV channels in the Baltics cannot be considered low either (see Table 3).

Table 3. Comparison of Share of Viewing of Russian TV Channels in the Baltics

Country	Channel	Share, % in 9M of 2015	Share, % in 2014	Share, % in 2013
Latvia	PBK	8,8	9,6	9,8
	NTV Mir Baltic	7,4	7,7	6,8
	RTR Planeta Baltija	6,5	5,0	5,7
	REN TV Baltic	3,5	4,3	4,7
Estonia	PBK	5,8	6,9	7,9
	NTV Mir	5,2	5,1	5,0
	RTR Planeta	4,6	4,6	4,1
	REN TV Baltic	1,8	2,0	2,1
Lithuania	NTV Mir Lithuania	5,0	4,0	5,5
	PBK	2,8	3,9	3,6
	RTR Planeta	*	2,6	4,0
	REN TV Baltic	1,1	2,3	2,6

Data: TNS LT, TNS Latvia, TNS Emor; share, % – share of viewing, the percentage of the total viewing audience watching over a given period of time. \* Since January, 2015, TNS LT is not measuring the audience of RTR Planeta. Source: "The Parallel Universes," *Re:baltica*, 23 November 2015, [http://www.rebaltica.lv/en/investigations/the\\_baltic\\_media\\_after\\_the\\_crisis/4/1285/the\\_parallel\\_universes.html](http://www.rebaltica.lv/en/investigations/the_baltic_media_after_the_crisis/4/1285/the_parallel_universes.html)

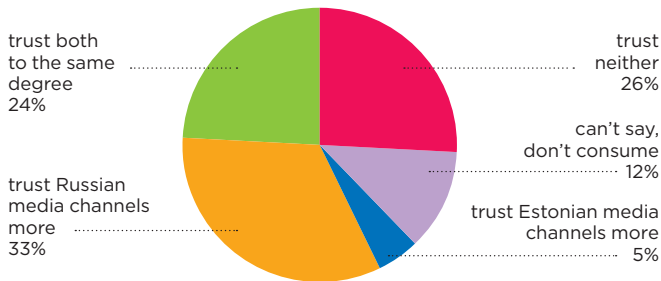
## RUSSIAN PROPAGANDA ISLANDS IN ESTONIA

In Estonia, Russian Federation media channels and the Estonian media often broadcast opposing positions in terms of news selection, the content, and world-view at large. When international news stories develop, the Russian-speaking population in Estonia trusts Russian Federation media channels significantly more than Estonian ones. Data shows that 33% of the Russian-speaking population favors Russian channels and only 5% favors Estonian channels. (See Figure 8.) This is clear evidence that the Russian-speaking population in Estonia predominantly lives in a different (Russia’s) information space.

Since the Russian-speaking population is concentrated in Tallinn and the Ida-Viru County, this situation is also reflected in media consumption and proves that “the social integration is marginal in Tallinn and the Ida-Viru County”.<sup>37</sup> Almost half of the Russian-speaking population (49%) living in the Ida-Viru County, 26 % in Tallinn, and 21% of those living elsewhere in Estonia trust Russian media more. These are two “islands”,

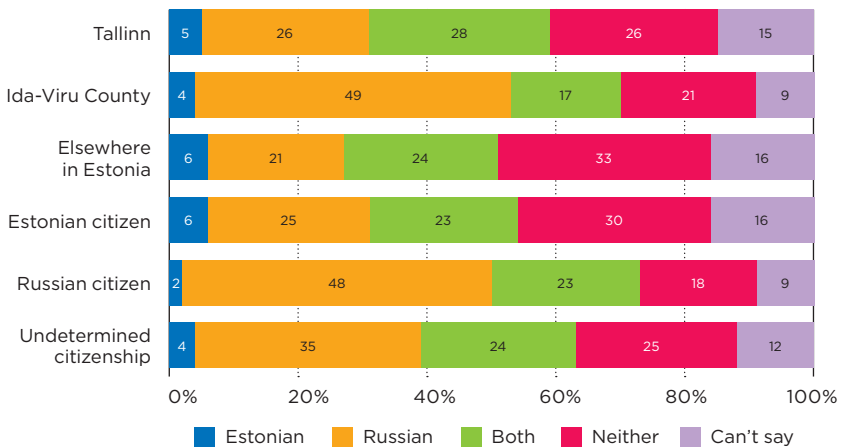


Figure 8. When news is reported differently, which do you trust more – Estonian or Russian media channels? (% , Russian-speaking respondents, June 2015)



Source: "Linguistic Human Rights and Security," *Estonian Institute of Human Rights*, 2015, aastakonverents.eihr.ee

Figure 9. When news is reported differently, which do you trust more – Estonian or Russian media channels? (% , Russian-speaking respondents, June 2015)



Source: "Linguistic Human Rights and Security," *Estonian Institute of Human Rights*, 2015, aastakonverents.eihr.ee

where Russia’s propaganda reaches its audience at a large scale. Moreover, people with Russian citizenship and undetermined citizenship tend to have more trust for Russia Federation media channels in Estonia – respectively 48% and 35%. (See Figure 9.)

It is important to emphasize that the majority of the Estonian-speaking population (63%) puts its trust in Estonian media channels, 11% trust both Estonian and Russian channels, and 12% trust neither.<sup>38</sup>

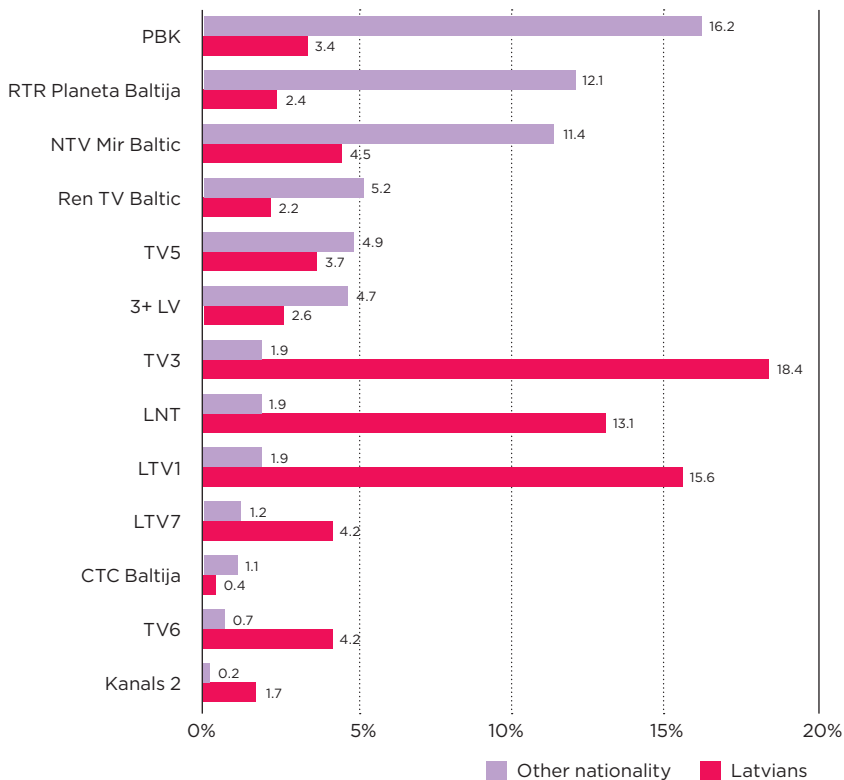
Thus, the information sources used by the Estonian-speaking and Russian-speaking communities are predominantly different. The information space is characterized by extensive language-based segregation that results in differentiated and opposing mindsets and views. Therefore, the Estonian government faces a hard challenge because it has to communicate and spread pro-Western ideas to audiences that are consolidated in Tallinn and the Ida-Viru County and commonly share the same world-view as promoted by Russia. It is more challenging than in Latvia, where the Russian-speaking population is spread across the whole country, not to mention Lithuania, where only 5% of the population is Russian-speaking.

In the Estonian case, these two “Russian-speaking islands” are hard to reach informationally and ideologically, because they form consolidated communities with a consolidated attitude and mind-set. It is a difficult task to shape the world-view of a monolithic societal group with a particular historical and ideological identity. This conclusion is also supported by the Estonian Integration Monitoring survey, which says that “all integration indicators are significantly weaker in Ida-Viru County compared to those in other regions of Estonia.”<sup>39</sup>

## Latvia’s Case – Fragmented Media System

In Latvia, the situation is different. Although the percentage of the Russian-speaking population is only slightly higher than in Estonia, the media consumption habits are different for the whole society. As data shows, in Latvia’s society’s TV watching habits, a big share is held by many media with Russian origin – PBK (The First Baltic Channel), REN Baltijas and RTR Baltija. In 2015, the most popular TV channels in the Latvian-speaking audience were Latvian channels, although PBK, REN Baltija, and RTR Planeta Baltija together also formed a noteworthy share. The audience of different nationality preferred PBK, NTV Mir Latvija, and RTR Planeta Baltija, which are all Russia-related TV channels. (See Figure 10.)

Figure 10. TV watching time share (%), Latvians and other nationalities (2015)



Source: Ministry of Culture of the Republic of Latvia.

Latvia has a multiform and fragmented media system, which is characterized by oligopolistic competition.<sup>40</sup> TV Channels that are related with the Russian Federation have big influence, not only on the Russian-speaking audience but on the Latvian population as well. “Following the tendencies of the media market and the conviction that the Latvian society will automatically join the audience of media created in Latvia has led to the situation that only a part of society, in a limited amount, if at all, is reached by information related to events in Latvia.”<sup>41</sup> Therefore, it can be concluded that, in comparison to Estonia, the whole society of Latvia is more or less influenced by Russian propaganda,

which creates anti-Western mind-sets and builds opinions about world events that are framed specifically according to Russia's national interests. Bernays stated it very simply: "We are governed, our minds molded, our tastes formed, our ideas suggested, largely by men we have never heard of."<sup>42</sup>

Russian TV channels provide entertainment, broadcast old Soviet films, and thus help to feel comfortable and create identity and cultural ties with the Russian Federation and the world-view that it spreads. This is a disturbing picture, because "what people knew, [Lippmann] argued, was only through a 'picture in their heads' of the 'Pseudo environment' to be found between people and their real environment. Understanding the way these pictures are formed, sustained, and challenged is important because it affected behavior."<sup>43</sup> As Lippmann wrote, "But because it *is* behavior, the consequences, if they are acts, operate not in the pseudo-environment where the behavior is stimulated, but in the real environment where action eventuates."<sup>44</sup>

Latvia's challenge is to strengthen the Latvian media, journalistic quality, and the ability to enhance the competitiveness of national TV content. This should include a clear strategy for how to attract the Russian-speaking population to Latvian media content and how to adequately finance this strategy.

## CONCLUSIONS

The Baltic Countries face various societal resilience challenges, and most of them are related to Soviet legacy and Russia's executed policy in the post-Soviet space which it regards as its sphere of influence. The Baltic states' history – the Second World War, the Soviet occupation, the Red Terror, and the ongoing attempts of Russia to regain control over the "hearts and minds" of Baltic societies after the end of the Cold War – has left a clearly visible footprint in the countries' demographics, language situation, struggles, and vulnerabilities. Therefore, the resilience deficit against various actions of Russia's foreign policy, particularly in fields such as language, media, and integration policy in the Baltic countries is to be observed.

The force of the Russian Federation is still concentrated on strengthening its international domination. The so-called “compatriot policy” is one of the tools for this aim. “[...] in practical terms, Russian compatriots have often been more visible as the instrument for broadening Russian foreign aims than as the objects of Russian policy themselves. Such a situation in society weakens the resilience capabilities of the Baltic Countries, because split societies are easy to manipulate, including politics. “To the extent that they identify with Russia not only culturally but also politically, Russian compatriots can amplify Russia’s political influence in the former USSR and provide political, economic, and military intelligence. [...] their alienation from their own governments creates a latent, potentially firm unrest, and other possible lever.”<sup>45</sup>

The lack of resilience capabilities can be observed in the infosphere of the Baltic Countries – it is dominated by Russian TV channels, especially in Latvia and Estonia. It is important to mention that the information received is determined by the consumed information channels and formulates an individual’s or group’s mind-set, which shapes their behavior. From the viewpoint of societal resilience, a secure Baltic infosphere is of utmost importance for the Western world, since the Baltic countries are located along the external border both of the European Union and NATO. Therefore, if the information war waged by Russia will continue to expand, the situation in the Baltic countries could be classified as a hybrid threat.

In addition, low trust in state institutions and public governance at large also nourish the decreasing of societal resilience in the Baltic Countries. Bearing in mind that “a resilient society featuring democracy, trust in institutions”,<sup>46</sup> the gap between state and society in the Baltic Countries, especially in Latvia and Lithuania, is too wide to serve as a building block of societies’ abilities to tolerate, absorb, cope with, and adjust to various kinds of threats. Therefore, it is a very important task for Latvia, Lithuania, and Estonia, together with their Western partners, to overcome these tensions in order to make the Baltic societies integrated, stable, and with a strong Euro-Atlantic identity.

## ENDNOTES

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- <sup>2</sup> *Ibid.*, 24.
- <sup>3</sup> See more: Markus Keck and Patrick Sakdapolrak, “What is social resilience? Lessons Learned and Ways Forward,” *Erdkunde*, Vol. 67(1): 2013, p. 5–19.
- <sup>4</sup> Marcel de Haas, *Russia’s Foreign Security Policy in the 21st Century. Putin, Medvedev and beyond*, London: Routledge, 2010, p. 3.
- <sup>5</sup> For example, see Benjamin Denison, “No, Russia Doesn’t Require Buffer States for Its Own Security,” *National Interest*, 3 December 2015, <http://www.nationalinterest.org/feature/no-russia-doesnt-require-buffer-states-its-own-security-14494?page=show>
- <sup>6</sup> Gunda Reire, *Resilience of the Baltic Countries against Russia’s Foreign Policy. Executive Summary*, Riga: Center for International Studies, 2016, <http://www.spcentrs.lv/document/resilience-of-the-baltic-countries-against-russias-foreign-policy/>, p. 5.
- <sup>7</sup> “Foreign Ministry: NATO continues creating threats to Russian national security,” TASS, 29 December 2015, <http://tass.ru/en/politics/847604>
- <sup>8</sup> *Ibid.*
- <sup>9</sup> Marcel de Haas, *Russia’s Foreign Security Policy in the 21st Century. Putin, Medvedev and beyond*, London: Routledge, 2010, p. 3.
- <sup>10</sup> Saul Bernard Cohen, *Geopolitics: The Geography of International Relations*, Lanham: Rowman & Littlefield, 2015, p. 219.
- <sup>11</sup> There are four basic forms of strategic power – sea, land, air, and space. All have their own physical environments that have unique characteristics. Lonsdale argues that nowadays it is possible to speak about the fifth dimension of strategy: the infosphere. It includes political agitation and subversion, cyber-attacks, hostile propaganda, and other destabilizing effects. See more: David J. Lonsdale, “Information Power: Strategy, Geopolitics, and the Fifth Dimension,” in Colin S. Gray and Geoffrey Sloan (eds.) *Geopolitics. Geography and Strategy*, London: Frank Cass Publishers, 2003, p. 137–157.
- <sup>12</sup> Russia defines the term “compatriots” very broadly, including Russian-speakers and ethnic Russians living abroad, as well as their families and others who have political, cultural, expertise, and other relations with the Russian Federation.
- <sup>13</sup> Ina Druviete, *Sociolinguistic Situation and Language Policy in the Baltic States*, Riga: University of Latvia, 2000, p. 8.
- <sup>14</sup> See more: “Estonia – The Soviet Era, 1940–85,” *Country Studies*, 2016, <http://countrystudies.us/estonia/3.htm>
- <sup>15</sup> Ina Druviete, *Sociolinguistic Situation and Language Policy in the Baltic States*, Riga: University of Latvia, 2000, p. 18.
- <sup>16</sup> See: Pēteris Zvidriņš, “Changes of Ethnic Structure in Latvia,” *Humanities and Social Sciences. Latvia*, Vol. 1(1), 1993, p. 10–26.
- <sup>17</sup> *Ibid.*
- <sup>18</sup> Ina Druviete, *Sociolinguistic Situation and Language Policy in the Baltic States*, Riga: University of Latvia, 2000, p. 23.
- <sup>19</sup> Mark Diachkov, “Problems of Linguistic and Cultural Adaptation of “Russophones” and Language Legislation,” *Language Policy in the Baltic States*, Riga: Garā pupa, 1994, p. 193.
- <sup>20</sup> Vera Zakem, Paul Saunders, Daniel Antoun, “Mobilizing Compatriots: Russia’s Strategy, Tactics, and influence in the Former Soviet Union,” *CNA*, November 2015, p. i.i.

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- <sup>23</sup> Gunda Reire, *Resilience of the Baltic Countries against Russia's Foreign Policy. Executive Summary*, Riga: Center for International Studies, 2016, <http://www.spcentrs.lv/document/resilience-of-the-baltic-countries-against-russias-foreign-policy/>, p. 5.
- <sup>24</sup> Ivars Ābolirņš, Ģirts Kasparāns, "Vešņakovs: Krievu pasaulei nav robežu. Mēs jūs gaidām, ja paši tā izlemsiet [Translation: "Veshnyakov: The Russian world has no boundaries. You are welcomed, if you decide so"]," *Sestdiena*, 6 February 2015, <http://www.diena.lv/dienas-zurnali/sestdiena/vesnakovs-krievu-pasaulei-nav-robezu-mes-jus-gaidam-ja-pasi-ta-izlemsiet-14086533>
- <sup>25</sup> For example, see the homepage of the Permanent Mission of the Russian Federation to the UN Office and other International Organizations in Geneva [www.geneva.un.mid.ru](http://www.geneva.un.mid.ru)
- <sup>26</sup> "Statement by H. E. Ambassador Yuri V. Fedotov, Deputy Minister of Foreign Affairs of the Russian Federation, at the high level segment during the 61st session of the UN commission on human rights," *Permanent Mission of the Russian Federation to the UN Office and other International Organizations in Geneva*, 17 March 2005, <http://www.geneva.un.mid.ru/press/2005-03.html>
- <sup>27</sup> Gunda Reire, *Resilience of the Baltic Countries against Russia's Foreign Policy. Executive Summary*, Riga: Center for International Studies, 2016, <http://www.spcentrs.lv/document/resilience-of-the-baltic-countries-against-russias-foreign-policy/>, p. 8.
- <sup>28</sup> *Ibid.*, 9.
- <sup>29</sup> More about Rossudrutnichestvo can be found on its website: <http://rs.gov.ru/en/activities>
- <sup>30</sup> "Bijušais Krievijas vēstnieks: 2010.gadā krieviem bija jābūt Saeimā [Translation: "The former Russian ambassador: in 2010, Russians were supposed to be in the Saeima"]," *Ir*, 10 March 2015, <http://www.irir.lv/2015/3/10/bijusais-krievijas-vestnieks-latvija-2010-gada-krieviem-bija-jabut-saeima>
- <sup>31</sup> *Ibid.*
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- <sup>36</sup> Andis Kudors, "Krievijas izpratne par publisko diplomātiju: starp maigo varu un manipulāciju," [Translation: "Russia's Understanding about Public Diplomacy: Between Soft Power and Manipulation"], in Andis Kudors (ed.) *Krievijas publiskā diplomātija Latvijā: mediji un nevalstiskais sektors* [Translation: *Russia's Public Diplomacy in Latvia: Media and Non-governmental Sector*], Riga: Austrumeiropas politikas pētījumu centrs, LU Akadēmiskais apgāds, 2014, p. 48.
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- <sup>40</sup> Anda Rožukalne, "Krievijas mediji Latvijā: īpašnieki, regulācija, ietekme [Translation: "Russia's Media in Latvia: Owners, Regulation, Influence"]," in Andis Kudors (ed.), *Krievijas publiskā diplomātija Latvijā: mediji un nevalstiskais sektors* [Translation: *Russia's Public Diplomacy in Latvia: Media and Non-governmental Sector*], Rīga: Austrumeiropas politikas pētījumu centrs, LU Akadēmiskais apgāds, 2014, p. 96.
- <sup>41</sup> Ibid.
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- <sup>43</sup> Lawrence Freedman, *Strategy. A History*, Oxford: Oxford University Press, 2013, p. 337.
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# Conclusions: Unity as the Way Forward

Ilvija Brūge

In the post-Warsaw environment the “Russia factor” is of the utmost importance, and certainly not only in the military domain where the strategic disputes and attempts to mark the spheres of influence at the NATO (EU) – Russia borders are the most obvious. Russia also employs economic and technological means while simultaneously using the crisis of the Western value system in order to sway the large Russian speaking (and not only) communities in the Baltic Sea Region towards appreciation of the Russian political and even autocratic values. This poses a question – how should the West and the Baltic Sea Region respond to this challenge? We must bear in mind that it is also a discussion on democracy and autocracy between one fragmented and one uniform actor who are economically interdependent. The authors of the articles published in this book “The Baltic Sea Region: Hard and Soft Security Reconsidered” provide their interpretations of the current situation and highlight scenarios of the potential post-Warsaw developments in military, energy, transportation and societal issues.

Mika Aaltola considers that one “future option [for the Baltic Sea Region] is the transformation into a configuration where the United States still plays a major, yet not hegemonic role”. Wojciech Lorenz, on the other hand, suggests that “If the West demonstrates unity and strengthens the credibility of deterrence, Russia will probably have to look for a face-saving diplomatic solution based on the current security architecture and respect for the rule of law”. However, he also highlights the importance of President Vladimir Putin’s personal approach to potential strategic goals that could sway the situation in unexpected directions and potential conflict. Margarita Šešelgytė suggests that the security spiral is already at place, especially after the Iskander missile deployment in Kaliningrad.

In this respect NATO's unity is of the highest importance, like the cautiousness from Russia, which is undergoing economic hardship and, hence, is likely to continue its revisionist foreign policy. In this respect the unity of NATO, and even moreso, its presence in the Baltic Sea Region is crucial. According to Henrik Praks, "NATO's Warsaw summit ha[s] undoubtedly strengthened the security of the Baltic Sea region." In essence, this supports the previous argument that NATO's strong and unified stance is essential in assuring the region's security. Interestingly, the perspective from Russia is very similar to that of the other authors. According to Ivan Timofeev, the most likely development scenario is a "sustained containment, with the security dilemma preserved", and considerable increase in dominance of either NATO or Russia in the Baltic Sea Region is unlikely.

This book also highlights the importance of the economic aspects for the security of the Baltic Sea Region. These are often intertwined with the political and military sphere. It is clear that currently there is no "common security" zone in the region. As argued by Kai-Olaf Lang, despite the "indications that susceptibility to third-party action i.e. to Russia in countries like Poland or the Baltic States is decreasing due to continued diversification policies, there is a certain likelihood that the broader risk assessment will remain unchanged". This is mainly attributed to the unequal perception of Russia by Eastern flank and the other European countries. On the one hand, countries like Germany and Austria tend to see Russia as an economic partner in the energy sphere. On the other hand, the Eastern European countries are clear on their stance that Russia has and will be using energy supplies as a political tool. The argument is further supported by Anke Schmidt-Felzmann, who argues that projects like Nord Stream 2 pose a serious threat to the Baltic Sea Region cooperation. She claims that Germany by its self-interested policy in the energy sphere, makes itself more susceptible to potential Russian pressure on political matters (e.g. EU sanctions, NATO's strategic objectives in the region), while opening the Swedish territory to the Russian state company employees. Germany's dominant position in the EU decision-making process can create a greater insecurity in the Baltic Sea region while generating "an overwhelming win-win situation, economically, politically

and geo-strategically [for Russia]”. From this perspective – similarly to the military domain – the best response would be the development of a uniform regional response to the situation, while focusing on diversification of the energy markets. The ability and willingness to implement a concerted action will prove or disprove the viability of the Energy Union, like uniform response to the military threats will demonstrate the efficiency of NATO.

Indeed, according to Reinis Āboltiņš, when considering the three Baltic States as a separate energy island, the energy diversification and improvement of energy infrastructure is of utmost importance for the security of the three states. Further search for partners such as Finland and Poland outside of this “island” is seen as a way forward by Tomas Janeliūnas and Kristina Rimkūnaitė. Simultaneously, it is vital that the three countries also position themselves as one region and a unified actor. The same applies to the transportation sector, and Rail Baltica project in particular, which according to Kristiāns Andžāns has become one of the central litmus tests for the ability of the Baltic states (and Finland and Poland) to create a stable sub-region in the Baltics. We should also not neglect the socio-economic benefits that the Rail Baltica could provide to the society. Viljar Veebel argues that aside from the project standing “as a successful example of regional cooperation with broad public support”, it also has “the emotional argument of “belonging to Europe”.

Not only political and economic cooperation, but also a general sense in the Baltic Sea Region societies that they belong to a larger regional entity with common goals and interests, remains an extremely important security aspect. Societal security and resilience have rightfully entered the Western international agenda. The Baltic Sea Region countries, which are exposed to similar societal threats, should search for uniform resilience approaches. As drawn by Bengt Sundelius: “State-by-state approaches to resilience are important, though insufficient. Resilience must be shared, and it must be projected forward”. Indeed, according to Gunda Reire, for the smaller three states of the region, which are extremely susceptible to Russia’s policy due to their history and ethnic divisions, and the low trust in the state institutions, individual resilience to Russia’s foreign policy actions is extremely complicated. Here the Western and Northern

regional partners become extremely important. By providing their long-term expertise on successfully embracing cultural, ethnic and national differences, as is emphasised in Claudia Morsut's article, the more developed countries of the region can provide for overall development of the Baltics.

The shared expertise and interconnectedness along with a joint, uniform stance against military, economic and societal security threats has a potential to lead to development of a joint regional identity. That will provide for both actual and perceived safety and security, which in Bengt Sundelius' words form a "baseline for achieving economic growth, prosperity and wellbeing for many people in our region".

## About the Authors

### **MIKA AALTOLA**

Programme Director of the Finnish Institute of International Affairs; Professor of International Relations at the Tallinn University, Finland.

### **KRISTIĀNS ANDŽĀNS**

PhD student in Political Science at the Riga Stradiņš University, Latvia.

### **MĀRIS ANDŽĀNS**

Researcher at the Latvian Institute of International Affairs; Assistant Professor at the Riga Stradiņš University, Latvia.

### **REINIS ĀBOLTIŅŠ**

Consultant at the European Affairs Committee of the Parliament of the Republic of Latvia (Saeima), Latvia.

### **ILVIJA BRUĢE**

Researcher at the Latvian Institute of International Affairs; PhD student in Political Science at the Riga Stradiņš University, Latvia.

### **TOMAS JANELIŪNAS**

Professor at the Institute of International Relations and Political Science of the Vilnius University, Lithuania.

### **KAI-OLAF LANG**

Senior Fellow of the EU/Europe Research Division at the German Institute for International and Security Affairs (SWP), Germany.

### **WOJCIECH LORENZ**

Senior Research Fellow at the Polish Institute of International Affairs, Poland.

### **CLAUDIA MORSUT**

Post Doctoral candidate at the Stavanger Centre for Risk Management and Societal Safety of the University of Stavanger, Norway.

### **HENRIK PRAKS**

Research Fellow of the International Centre for Defence and Security, Estonia.

### **GUNDA REIRE**

Director of the Centre for International Studies; lecturer in Diplomacy Studies at the Riga Graduate School of Law, Latvia.

### **KRISTINA RIMKŪNAITĒ**

Student at the Institute of International Relations and Political Science of the Vilnius University, Lithuania.

### **ANKE SCHMIDT-FELZMANN**

Researcher at the Swedish Institute of International Affairs, Sweden.

### **BENGT SUNDELIUS**

Professor of Government of Uppsala University and the Swedish Defence University; Strategic Advisor to the Director General of the Swedish Civil Contingencies Agency, Sweden.

### **MARGARITA ŠEŠELGYTĒ**

Associated professor and Studies Director at the Institute of International Relations and Political Science of the Vilnius University, Lithuania.

### **IVAN TIMOFEEV**

Director of Programmes at the Russian International Affairs Council (RIAC); Head of the “Contemporary State” programme at Valdai International Discussion Club, Russia.

### **VILJAR VEEBEL**

Researcher at the University of Tartu; Associate Professor of Social Sciences at the Estonian National Defence Academy.



