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YEARBOOK 2017

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The Latvian Institute of International Affairs (LIIA) continues to assess Latvian foreign and security policy, inform society and provide recommendations for foreign policy makers and shapers. The *Latvian Foreign and Security Policy Yearbook 2017* aims to contribute to the understanding of Latvia's foreign and security policy decisions and considerations in 2016, along with opportunities and concerns for 2017. 2016 has been a complex, challenging and dynamic year. Latvia has effectively strengthened its Euro-Atlantic links and further integrated into the Western community. However, the global and regional developments have been creating a challenging canvass for Latvia's foreign policy. The previous year clearly highlights those fundamental international and regional challenges and tests that will have to be dealt with in 2017.

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INTRODUCTORY REMARKS AND ACKNOWLEDGEMENTS

Andris Spruds, Director of the Latvian Institute of International Affairs, Professor at Riga Stradins University

The Latvian Institute of International Affairs continues to assess Latvian foreign and security policy, inform society, and provide recommendations for foreign policy makers and shapers. The year of 2016 has been complex, challenging, and dynamic. Latvia has effectively strengthened its Euro-Atlantic links and further integrated into the Western community of like-minded nations. The NATO Warsaw Summit reassured solidarity and security for the alliance's Eastern flank. Multinational troops will soon be deployed in Latvia and other Baltic countries. Latvia successfully accomplished its long-term goal of becoming a member of the OECD.

Latvia was also able to take advantage of other opportunities. Latvia continuously extends its diplomatic activities and economic cooperation to Asian countries. 2016 was a year of expanding relations with China. The Summit of China and Central and Eastern European countries in Riga allowed Latvia to demonstrate its strong commitment to the dialogue, initiative in agenda-setting and institutional readiness to coordinate activities in the 16+1 format. During the Latvian Presidency of the Council of the European Union, Central Asia's direction was firmly placed on Latvia's diplomacy map. Latvia continued its cooperation with the countries of the region in practical terms and in the context of Europe's Global Strategy.

The global and regional developments, however, have continued to create a challenging canvass for Latvia's foreign policy. The previous year clearly highlights those fundamental international and regional challenges and tests that will have to be dealt with in 2017. The Euro-Atlantic community has experienced rather unexpected trajectories. Great Britain has voted to leave the European Union. Donald Trump's protectionist rhetoric has brought him victory in the United States presidential race. The tragic loss of human life in Nice and elsewhere contributes to an ensuing apprehension of vulnerability and insecurity among European societies. The terrorism and protracted migration crisis strengthen more protectionist and nationalist voices. The political and economic sustainability of the traditional European project, which has been characterised by openness and tolerance, appears

to face challenges. This sets the tone for the forthcoming important elections in France and Germany.

Europe also continues to face the re-emergence of geopolitical ambitions and concerns. Relations with Russia remained complicated but Latvia has attempted to demonstrate a willingness to engage in dialogue with its large neighbour. However, engagement and expectations of wider regional cooperative frameworks have apparently been replaced by growing mistrust, mutual deterrence strategies and great power rivalry. We experience disinformation campaigns. Latvia has continued to pursue its engagement strategy by leaving open channels of dialogue with Russia and promoting the europeanisation of Eastern Partnership countries. However, lingering conflicts in the neighbourhood and the refugee crisis have reminded Latvia that reassurance, solidarity building and home works are continuous efforts in progress.

We continue to believe and emphasise that foreign and security policy starts at home. The Euro-Atlantic area remains a community of the like-minded, but the diversity of approaches may take its toll and must be managed. The questions of long-term economic, social and institutional sustainability, global effectiveness and relevance, and ability to speak with a common voice remain. Latvia above all has to ensure its political, economic and social stability. Municipal elections will be important tone-setters for parliamentary elections in 2018. Integration of society and building confidence domestically are permanent tasks. Only confident, secure and integrated country will be able to take advantage of their full-fledged membership of Euro-Atlantic structures and proactive foreign policy.

The Latvian Foreign and Security Policy Yearbook 2017 aims to contribute to the assessment and understanding of Latvia's foreign and security policy challenges and opportunities in 2017. The publication scrutinises developments and decisions in 2016 and endeavours to outline scenarios and recommendations for Latvia's foreign and security policy in 2017. Partnerships are always instrumental in achieving a successful result. Yearbook 2017 is a manifestation of the significance of partnerships, as it benefited considerably from our Latvian experts' willingness to share their insights and advice. We are grateful to the Latvian Parliament for its support. Particularly, the Foreign Affairs Committee and European Affairs Committee have been instrumental and supportive of foreign policy research and information of society. The generous support provided by the Latvian parliament allows us to publish in two languages. It has also made it possible to organise a number of regional debates with Latvian parliamentarians and to inform society on opinions and positions on important foreign policy issues. We have an excellent and mutually beneficial cooperation with Ministry of Foreign Affairs. This cooperation helps to bridge the gap between the communities of practitioners and think tanks. Moreover, the long-lasting and generous support given by the Friedrich Ebert Foundation has been instrumental. The Friedrich Ebert Foundation has repeatedly demonstrated its leadership in promoting intellectual engagement

and a thorough exchange of thoughts at a national level and beyond. This has been an indispensable contribution to an invigorating and informed debate among the decision-making and expert communities, and the general public in Latvia. Last but not least, this publication benefits from readers interested in understanding the challenges and prospects for Latvia successfully implementing its foreign and security policy in the demanding regional and international environment. Like the previous year, 2017 is a year with numerous tasks, difficult decisions and windows of opportunity.

ADDRESS BY THE MINISTER OF FOREIGN AFFAIRS

Edgars Rinkevics, Minister of Foreign Affairs of the Republic of Latvia

At a time when the pace of global development opens up new positive opportunities to international society, while simultaneously carrying along new threats and problems, Latvia is closely linked to the events in geographically near regions and in more distant parts of the globe. The year 2016 has been marked as the year in which international society, including Latvia and Europe, have faced new types of instability sources.

In 2016, several interlinked operational directions in the foreign policy of Latvia were intermingled in a complex way. Foreign policy focused and will continue focusing on maintaining the *status quo* of the European Union, addressing the issue of external security, including the strengthening of Latvia's external borders, as well as on promoting external economic ties and trade. The country cannot be secure if its economy is not growing, whereas the economy cannot grow in the absence of necessary security guarantees. The economy and security cannot be separated from each other.

In 2016, when the 25th anniversary of the restoration of independence of Latvia was celebrated and regional development trends were analysed, an understanding took hold regarding the framework of co-operation between Nordic and Baltic States as a like-minded group of countries of the region, having common values in the sphere of security and economic co-operation. This year once again proved that our region is the zone where the interests of the European Union, the North Atlantic Treaty Organisation, and Russia overlap. Therefore, Latvia focused on strengthening its position as the promoter of co-operation between the Baltic States and the Nordic countries, by fostering a political dialogue regarding challenges shared by the region and working on the development of regional energy and transport infrastructure.

On a broader scale — in the European Union format and in the Transatlantic space — the year 2016 to a certain extent could be divided into two different stages: before the referendum in the United Kingdom, before and after the US presidential election. Both of these events have raised the issue of the European Union future, further economic growth and security. The work with the new foreign policy of the European Union and the global security policy strategy was indicative of understanding for the part

of the EU institutions and the Member States of international events and the place of the European Union in them. Today, this strategy is viewed in a different reality. It has served and continues to serve as a confirmation to the will of the European Union to strengthen its global role, while maintaining a shared vision and implementing joint action. In 2017, it is important to ensure continued work on the practical implementation of positions outlined in the strategy.

Decisions adopted at the NATO summit in Warsaw and their implementation are important for the security of Latvia. The alliance has acknowledged today's risks of non-traditional threats. The commitment confirmed at the summit to ensure collective defence guarantees in case of a hybrid threat was particularly important for Latvia, along with the joint declaration of leaders of NATO and the EU on the strengthening of co-operation of both parties in security matters. The fact that Canada will assume the duties of the leading country for the alliance battlegroup in Latvia and that NATO will enhance security of the people in the Baltic States and Poland is a concrete example of implementation of these decisions.

For the Foreign Service of Latvia in 2016 it has been important to provide support to Latvian companies in entering external markets. Throughout the year, the Foreign Service has been intensively working by organising business forums and informational seminars about export opportunities abroad. Diplomatic representatives have been present at economic co-operation promotion events to boost the trust of international partners in Latvia, as well as have promoted the dismantling of bureaucratic obstacles that prevent successful entrepreneurship. The work on consolidating contractual bases is not a short-term task or a clearly visible branch of the foreign policy. Returns from this work should be seen in the medium- and long-term perspective. This branch is an indispensable framework of promoting economic connections. The year 2016 saw co-operation with the Latvian diaspora whose potential should be used in a meaningful way also further on.

The year 2017 will be intensive and eventful. The foreign policy of Latvia will have to be shaped, bearing in mind the upcoming events in Europe and the world. The new US administration will start its work, and the potential Brexit process of the United Kingdom will become more concrete. The foreign policy of Latvia will have to be resilient and effective, while maintaining extensive use of adaptation abilities and professional skills according to the development of international events, while clearly remaining focused on the preservation of fundamental democratic values, including the rule of law and human rights. In 2017, Latvia will continue the preparations for the hundred-year anniversary celebration of Latvia, and we will be instrumentally using the events planned within the framework of the celebration to achieve the foreign policy goals.

LATVIA 2017: SEEKING SECURITY THROUGH PRINCIPLED PRAGMATISM

Ojars Eriks Kalnins, Chairman of the Foreign Affairs Committee of the Parliament of the Republic of Latvia

Latvia's 25th year of restored independence unfolded on a global backdrop that was tumultuous, to say the least. In 2016, with armed conflicts in Europe's eastern and southern neighbourhoods, streams of migrants flowing across the continent, and Great Britain threatening to cut itself out of Europe's troubled Union, Latvia did its best to hold a steady course on the international scene. Latvia's policy responses to what has been a string of seemingly endless global and domestic challenges have been shaped primarily by two factors: principled pragmatism and constructive cooperation. In other words, try to do what is right by working with others who share the same goals.

During the last 25 years Latvia has pursued its national interests by working with as many others as has been prudently possible. It has taken an active role in every international organization that impacts its economic, security, and political goals, and has not shied away from engagement. From joining the UN in 1991 to entering OECD in 2016, Latvia has used the benefits of multinational organisations to listen, learn, and speak out when interests require it and principle demands it.

If membership in NATO and the EU were Latvia's preeminent foreign policy priorities of the 1990's, then keeping these organisations strong, united, and stable has been the main order of business in 2016. And things will be no different in 2017. In 2016 Latvia worked with both NATO and the EU to address the three main threats to European and global security: 1) Russia's ongoing aggression in Ukraine and violations of international law; 2) international terrorism spawned by Daesh/ISIL and other jihadist groups; 3) mass migration caused by the conflict and ensuing humanitarian crisis in Syria, Iraq and other parts of Northern Africa.

LATVIA'S FOREIGN POLICY PRIORITIES

In 2017, Latvia's Foreign Ministry envisions a foreign policy that aligns with the country's primary national interests: to work toward the long-term unity and effectiveness of the EU and NATO. Priorities include:

1. Strengthening our external security through cooperation with our Allies in NATO.
2. Preserving and developing the best aspects of EU integration, contributing to the unity and effectiveness of the EU.
3. Continuing to promote stability and development in Europe's Eastern and Southern Neighbourhoods.
4. Strengthening the Latvian economy through foreign investment and new export markets
5. Maintaining and supporting constructive contacts with the diaspora.

Latvia's foreign policy is shaped by many factors, and both the government and parliament need to see eye-to-eye on most of them if that policy is to succeed. So far they have. Among the issues that dominate Latvia's foreign policy thinking at the end of 2016 are the ones outlined below.

DEALING WITH RUSSIA

Prior to Ukraine, Russia was considered a strategic partner for the NATO alliance, albeit a problematic one. Today it is a strategic problem for everyone. In 2016 Russia's aggressive politics in Ukraine continued unabated. Ongoing violations of international law, coupled with ruthless military action in Ukraine and Syria have fed into global uncertainty concerning future Russian moves. Russia's use of military means to further political goals not only threatens neighbouring countries but has worsened the security situation of Europe as a whole.

Latvia fully supports the EU's Two-Track approach to Ukraine. Russia's illegal annexation of Crimea cannot and should not be recognised by the world community. This is a matter of principle for Latvia, since it too was illegally annexed by the USSR in 1940, and the preservation of this non-recognition policy was significant when Latvia restored its independence in 1991. At the same time, Latvia supports the EU's sanction policies toward Russia as one of several political instruments that could possibly end the conflict and loss of life in Eastern Ukraine. While Russia has failed to fulfil the Minsk agreements, Latvia still sees this as the only viable path toward a resolution of the crisis.

While standing on principle, Latvia has always taken a pragmatic approach to its relationship with neighbouring Russia. Despite heightened tensions internationally,

and especially along Latvia's border with Russia, Latvia has always maintained practical contacts with Russia on various levels, beyond the scope of the post-Ukraine sanctions. This includes ongoing consultations on border demarcation and security, customs, people-to-people contacts, trade and transit issues. A bilateral working group on these issues is slated to continue its work in 2017. In addition, Latvia continues to maintain and expand contacts with Russia's civil society and NGO community. Dialogue is happening all around.

Latvia welcomes dialogue with Russia, as long as it functions hand-in-hand with deterrence. Experience has taught the Latvian political leadership that the best dialogue is one based on firm principles, political solidarity, and a strong defence. These are essential preconditions for deterring Russia from any kind of destabilising actions in our region. In the last two years, NATO has been the primary provider of that stability in all the countries that border Russia.

THE NECESSITIES OF NATO

It has been said that no one has done more to strengthen, unify, and revitalise NATO than Vladimir Putin. Almost all of NATO's activities of the last three years have been in response to Russia's actions in Ukraine, international terrorism, and armed conflicts in the south. NATO's activities in the Baltic Sea region are a direct response to Putin's posturing on NATO's borders, and thus, of special interest to Latvia.

If *NATO's Wales Summit of 2014* was about reassurance and deterrence, then the *Warsaw Summit in 2016* was about defence, adaptation and resilience. The NATO countries needed a viable defence against a real military threat, they needed security strategies to adapt to innovations of modern warfare, and they needed NATO member states to be strong, stable, and resilient in response to just about anything. In the process, NATO began to address all the other psychological, political, and economic factors that make up the 21st century's latest version of hybrid war. Some now call it Full Spectrum Warfare, and use it to describe everything Russia (and Daesh/ISIL, for that matter) has brought to bear on its neighbours and the international community. The Warsaw Summit recognised this and acted on it.

From where Latvia sits, Russia's actions in Ukraine, its foreign policy, and focus on military might over domestic needs, all send the same clear signal that Russia's preferred position of engagement is from strength. Whether that strength is real or perceived, it is a key factor in any dialogue with Russia, and must be dealt with prudently.

Russia's military strength is very real and is robustly represented along the borders of the Baltic States, Finland and Norway. Its potential intentions are revealed through

regular, wide scale military exercises that play out detailed attack-invade-and-occupy scenarios, along with mock seizures of strategic buildings and objects across the border. In the air, Russian military aircraft routinely buzz, swoop, and perform other actions that violate all sorts of military air safety standards. If those signals are not strong enough, the entire Russian military infrastructure stretching from Poland to Norway has been upgraded; old Soviet bases have been renewed, modernised and equipped with latest generation military hardware. The Warsaw Summit's decision to deploy four multinational battalions to the Baltic States and Poland addressed these concerns directly and was a good example of *both* defence and adaptation. It was a clear signal to the Latvian population, as well as Russia, of multinational NATO solidarity. Questions about the sanctity of Article 5 had arisen among the public in early 2014; this decision put boots on the ground to back up the words on paper.

Although the total number of troops being sent will not exceed 4,000, Russia responded to the NATO decision by announcing their readiness to bring in 10,000 more troops and 2,000 armoured vehicles. One-upmanship is also a common feature in Russia-NATO relations. The length of time these troops will stay in the region is described in various ways, all of which conspicuously avoid the word "permanent". But whether it is called persistent rotational presence or endless existential recycling, the effect is the same. Latvia desires a long-term presence of NATO troops, in significant numbers and deployments, to serve as an effective deterrent in our region. Call it what you will, it all amounts to the same thing. For us, the key phrase is "as long as necessary." How long is "necessary"? That's up to Russia. It should be emphasised that the main purpose of NATO's actions in the Baltic Sea Region is deterrence, i.e. to have enough hardware and troops in place to prevent a conflict from ever occurring.

As a long-time supporter of closer NATO-EU cooperation, Latvia welcomed the NATO-EU Joint Declaration signed in Warsaw. This will bring the NATO-EU partnership to a higher level, with stepped up cooperation in such areas as maritime security and hybrid warfare. During its 2015 EU presidency, Latvia proposed greater EU involvement in combatting the weaponisation of information. This program, initiated by EU Vice President and High Representative Federica Mogherini has expanded visibly in 2016 and is showing promising results.

On close analysis, every major decision the 28 NATO member states have made concerning the security of the Baltic Sea Region during the last two years has been instrumental in enhancing the security of the Baltic countries and reducing potential threats from Russia. More needs to be done, but all the right steps have been taken. Latvia has also taken the right steps by passing a law mandating that Latvia's annual defence budget reach 2% of GDP by 2018. Last year, defence expenditures went up by 40% and will continue to do so this year and next. Political and public support for defence-strengthening measures was consistent throughout 2016, largely from the realisation that security and a strong defence begin at home.

In Latvia, Canada's choice to be its NATO "framework" nation and battalion leader was greeted with enthusiasm far beyond defence and security circles. Latvia and Canada have intensified trade and other contacts in recent years, and the Latvian diaspora there has always been active and influential. From a Transatlantic point of view, a more visible Canadian presence on the Continent is welcomed.

THE TRANSATLANTIC ALLIANCE AND THE UNITED STATES

The United States has always been one of Latvia's key strategic partners, and has maintained a principled and consistent policy of support for the Baltic States during these last 25 years. This support has been especially robust during the last two years, since the outset of the Russian-Ukrainian crisis.

Issues of security, NATO, and Article 5 commitments to the Baltic States received noticeable attention during the US Presidential campaign, which may in the long run only strengthen the bonds of the Transatlantic ties between Europe and the US. By highlighting these issues and some misperceptions about them, members of the US Congress and the Washington foreign policy establishment were able to forcefully reiterate their longstanding support for Latvia and its Baltic neighbours. While Congressional support for close Transatlantic ties remains firm, the same cannot be said for the Transatlantic Trade and Investment Partnership (TTIP) with the EU. Coupled with growing opposition in Europe, pre-election rhetoric in the US suggests this transatlantic deal may be dead in the water in 2017, or at least cast adrift for the near future. Latvia has been a strong proponent of TTIP and can only hope that a new political climate will renew interest.

STRATCOM IN THE AGE OF FULL SPECTRUM WARFARE

The use of combined military and non-military means to achieve political ends has been commonly described as hybrid warfare. Both Russia and Daesh use these methods, in different ways for different ends, and do so with bold, even mocking, impunity.

One critical decision taken at the Warsaw Summit was to establish clear guidelines for triggering Article 5 in cases where hybrid methods are used to disguise an attack on a NATO member state. Latvia's strategy to combat hybrid warfare is to strengthen its national capabilities while working closely with the EU and NATO. This includes strengthening our defence of critical infrastructure objects and border controls. Latvia has taken a leading role in strategic communications, both in NATO and the EU. The

NATO Centre of Excellence for Strategic Communications was established in Riga in 2014. Based on the success of the Riga StratCom centre, Latvia used its 2015 EU presidency to propose a similar idea for the EU. The idea was well received and in 2016 the European Union's External Action Service established EU Eastern StratCom Task Force.

The NATO StratCom centre in Riga continues to expand its role as the “brain” of NATO's anti-information warfare operations. The centre continues to undertake new tasks and enhance operations, and is attracting experts from many countries. Sweden has indicated its readiness to join in 2017, as have France and the Netherlands. The centre has several important functions: along with public diplomacy, it researches and analyses new methodologies in information warfare, expedites an exchange of information between various countries, and provides specialised training.

TACKLING TERRORISM AND KEEPING THE PEACE

In 2016 there was some international success in battling terrorism: anti-terrorist legislation, disruption of terrorist communications and financial networks. A global coalition has undertaken the fight against Daesh, and Latvia is a part of that.

Since international terrorism respects no borders, it is in Latvia's national interests to actively engage in a unified international approach to combat its causes and consequences. Latvia participates in the global coalition to fight Daesh/ISIL and in early 2016 Latvia sent 6 military instructors to join the Danish contingent in Iraq. In 2016 Latvia participated in EU, NATO and OSCE missions, and for the first time, joined a UN peacekeeping mission. Latvia participates in 3 EU civilian missions in Ukraine, Georgia, and Afghanistan, and 3 military missions in Mali, the Somalian coast and the Mediterranean.

The war in Syria has created a humanitarian crisis and exacerbated the uncontrolled migration across Europe. Unfortunately, the increase in acts of terrorism across Europe has spawned radicalised responses, including xenophobia, religious intolerance, and insular nationalism. The democratic principles that have united Europe are under attack from inside and out.

COPING WITH THE CAUSES AND EFFECTS OF MIGRATION

The issue of migration remained a major topic of concern, but in 2016 excited emotions gave way to a calmer, more deliberate and serious approach to solving its complex problems. While displaying solidarity with other EU members and agreeing to accept 700+ refugees at the end of 2015, so far very few have arrived or remained in Latvia during 2016.

Latvia is putting all systems and infrastructure in place to fulfil its obligations, but agrees that the EU's number one priority is to halt the flow of illegal migrants to begin with. As an EU country with an external border, Latvia believes all of the EU's external borders must be fully secured, rigidly controlled, and securely fortified, and has already contributed 30 border guards toward this end. In principle, Latvia is ready to share the burden. Latvia, however, wishes to avoid sharing the kind of chaos that rippled through Europe in 2015.

Despite internal political turmoil in Turkey in 2016, the Turkey-EU agreement has proven to be effective in reducing the number of illegal migrants pouring into Europe from Turkey and Greece. Latvia actively supports this agreement and welcomes the EU's unified approach to strengthening FRONTEX as well as working with such refugee countries of origin as Mali, Senegal, Nigeria, Niger, Libya and Jordan.

BREXIT AND THE FUTURE OF EUROPE

In 2016, as they do every year, Latvians celebrated the Midsummer Night in a big way, culminating on June 23rd in an ancient all-night bonfire blazing tradition called *Jāņi*. In the Baltic region, the Summer Solstice is an annual time of transition, when the Sun reaches its highest position in the sky and the long days grow shorter once again, and the vigorous promise of spring shifts to the slow inevitability of summer.

For Europe, this Solstice was pivotal as well. Both Britain's Brexit referendum and Europe's new Global Strategy were scheduled at this astronomically transitional time. Since Europe's place in the world was directly affected by the UK's place in Europe, uncertainty of the referendum's outcome prompted EU Vice President Federica Mogherini to delay the release of the Global Strategy by one week. If the British decision to leave the European Union threatened to leave the EU smaller, more vulnerable, and less united, you could not tell from the ambitious globalism proposed by the European Global Strategy. Here as well, the concept of principled pragmatism figured prominently in the EU's strategic approach to the challenges facing its 28 member states.

The EU's new Global Strategy stressed European security first and foremost, underlining the EU's need to work even more closely with NATO in areas of common interest. While some in the EU used the potential departure of the UK as an opening for the development of a "European army," Latvia remained sceptical. While not ruling it out completely, Latvia believes that Europe's NATO members should first strengthen their own contributions to the alliance, and develop much closer cooperation between the EU and NATO on security issues. Perhaps in European defiance of Great Britain's expressed "otherness", the EU Global Strategy stresses "togetherness" as the only path toward such common goals as more resilient societies, a more integrated approach to conflict resolution, and long-term solutions in energy security and climate change.

While disappointed by Brexit and concerned about how the complex, multi-institutional divorce will play out in the ensuing years, Latvia sees no other alternative to the EU. Even if diminished in one way, the EU remains a major player on the global scene.

NORDIC BALTIC COOPERATION ALONG THE AMBER GATEWAY

The organic nature of Baltic-Nordic cooperation goes beyond geographical proximity. From the early Viking and Hanseatic eras, extensive trade, sporadic conflict, and shifting conquests have led to intense interaction at all levels, including cultural. This was revitalised and enhanced with the return of independence for Baltic countries in 1991, leading to 25 years of growing integration in Baltic-Nordic relations. This period has seen an advance in all aspects of cooperation, from common security, political and economic interests, to shared environmental, social, and political concerns. These interests are not only touted in joint declarations, but rigorously pursued in various policies. The ability to work within the overlapping NATO and EU formats has led to more effective Nordic-Baltic synergies in other multinational organizations.

As a strong proponent of Nordic-Baltic "togetherness," Latvia used its 2016 leadership role in several Baltic organizations to encourage even greater region-wide cooperation. During its presidency of the Baltic Council of Ministers priorities included regional energy and cyber security, as well as regional transportation. In addition, Latvia continued to shine a spotlight on the importance of the EU's Eastern Partnership, and worked with its Baltic region's neighbours to keep the entire EU fully engaged in the challenges of the Eastern Neighbourhood.

In August, Latvia also hosted the 25th Baltic Sea Parliamentary Conference. Latvia has taken an active role in promoting parliamentary engagement in all aspects of its own foreign affairs, and worked to encourage greater synergy and support between

governments and parliaments in Nordic-Baltic regional assemblies as well. The Nordic countries have a long tradition of parliamentary activism, which has been emulated and successfully embraced by Baltic legislators.

The Nordic-Baltic Eight (NB8) format has proven highly successful in promoting cooperation and information exchange at government and parliamentary levels. In recent years, NB8 has evolved from a body primarily concerned with regional affairs, toward joint external action. For example, during Chinese Prime Minister Li Keqiang's visit to Riga in November 2016, Latvia proposed that the next NB8 speakers' meeting take place in Beijing. This practice has already been undertaken by the NB8 Foreign Affairs chairpersons, who have "taken their show on the road" to Washington, D.C. and Tbilisi, Georgia, and are considering a similar visit to London in order to shore up parliamentary contacts with British MPs. Great Britain's interest in the NB8 format was established in 2014 under Prime Minister David Cameron, when he participated in the extended NB8+1 Nordic Future Forum in Helsinki, Finland. This arrangement takes on a new dimension in light of Brexit and is welcomed by Latvia.

RAIL BALTICA – ANOTHER BALTIC WAY

Plans for building a high-speed rail superhighway stretching across the three Baltic countries were finalised in 2016, and construction is slated to begin in 2020, with completion scheduled for after 2024. This ambitious Joint Venture between three governments is unprecedented internationally, and despite occasional disagreements on details, will serve as another example of forward-thinking Baltic unity. The project is being co-financed by the European Commission, which has allocated 442.2 million euros (81%) for its construction. This sizable EC contribution can be better understood in light of plans to eventually extend Rail Baltica from Helsinki in the north to Warsaw (and beyond) in the south.

Apart from the trade and tourism benefits it will bring, this project also has important logistical implications for NATO. In 1989, millions of Baltic people joined hands to form The Baltic Way from Tallinn to Riga to Vilnius, leading to the restoration of their independence and their return to Europe. Rail Baltica will accelerate Baltic integration into the European trade, transit, and tourism sectors.

THE EASTERN PARTNERSHIP

Latvia has a long and abiding interest in its eastern neighbours, dating back to darker days when democratic ways were but a dream. As a member of the EU, Latvia has been an effective advocate for the Eastern Partnership, and an active participant in shaping and carrying out its policies. Latvia is on the ground in several countries with both government and NGO advisors, and serves as a consultant to other EU countries. Latvia's investment in strengthening the EU's involvement in the Eastern Partnership countries during Latvia's EU Presidency in 2015 brought dividends in 2016, as the EU worked on new agreements with Ukraine, Georgia, and Moldova. In addition, Latvia continues to expand cooperation with Armenia and Azerbaijan, and is cautiously optimistic about promising new developments in Belarus.

CHINA AND CENTRAL ASIA

Latvia's legendary Lielvarde belt is traditionally woven with cosmic symbols open to wide interpretations. Yet none would disqualify modern-day Latvians from linking up to another belt of growing global significance: China's Belt and Road Initiative. The Lielvarde belt thinks globally, as does this Chinese vision of turning the old Silk Road into a transnational, 21st century superhighway of trade and transit.

In 2016, China brought its Meeting of Heads of Government to Riga, Latvia from November 4 through 6. This 5th annual edition of the "16+1 Summit" brought together 16 prime ministers and over 600 guests, among them, 350 Chinese entrepreneurs. The Chinese initiative directed at central and eastern European countries both within and outside of the EU is a key part of China's foreign and development policy. Latvia took a firm decision to explore this initiative and was rewarded with the November 2016 summit highlighted by the attendance of China's Prime Minister Li Keqiang.

In recent years, Latvian foreign policy has developed a very targeted focus on Asia. With embassies already in Beijing and Tokyo, Latvia moved in 2015 to be the first of the Baltic States to open an embassy in Seoul, South Korea, and sent a full time ambassador there in 2016. Latvia's interests in the Pacific Rim are a logical extension of Latvia's traditionally friendly and well established relations with Central Asia. People-to-people contacts between Latvia and the "Stans" of the former USSR go back to the Soviet days, leading to business ties and strategic transportation links. The region has enormous economic potential, relative political stability, and numerous threats and challenges, but most importantly, lies in the direct path of China's Silk Superhighway. Latvia focused the EU's attention on the Central Asian countries during its Presidency of the EU in 2015, and in 2016 continued to provide pragmatic assistance in such areas as education, training, legal reform, local governance, and civil society.

OECD

On July 1, 2016 Latvia achieved a goal it had pursued for 20 years and became a member of the Organization for Economic Cooperation and Development (OECD). In Latvia's case, the process of qualifying for membership brought immediate benefits by prompting the government and parliament to make a series of necessary legislative changes in a number of key areas. As Prime Minister Maris Kucinskis stated, "it has been the driving force behind reforming the governance of state-owned capital enterprises and has also served as an additional incentive to enhance our capacity in countering bribery in international business transactions." A seal of approval is also a call to action, and Latvian authorities have vowed to make full use of all the advantages offered by OECD membership and seek to better align its policies with those of the world's most developed economies. The success of this process will depend on both the political will and skill of Latvia's leadership in applying the lessons learned from OECD. Another welcome benefit from membership has been an increase in Latvia's credit rating.

Latvia's economic priorities include increased productivity, an inclusive and functioning labour market, higher qualification and training in the labour market, reduction of tax evasion and the grey economy, and a more vigorous campaign against money laundering and corruption.

ENERGY SECURITY

Given its role in the economy and its impact on geopolitical considerations, energy security remains one of Latvia's—and the region's—top priorities. On the one hand, Latvia is trying to get its own house in order by restructuring its internal energy market, while on the other, Latvia continues to work in support of EU policies. The full liberalization of Latvia's gas market takes place in 2017, while work continues between the Baltic States and Finland to develop and implement a natural gas model. Work has also been started to fully integrate the Baltic electricity grid with the European grid. Latvia supports the EU Energy Union but opposes projects like Nord Stream II, which undermine the Union's goals and principles.

COOPERATIVE DEVELOPMENT

In September 2016 Latvia joined the UN in adopting its Sustainable Development Goals to end poverty, protect the planet and ensure prosperity for all. Latvia's national

commitment to Agenda 2030 is focused on the EU's Eastern Partnership region and Central Asian countries. Cooperative development programs will continue to work in such areas as governance, economic development and reforms, civil society, gender equality and education. These programs have been particularly successful, and will continue, in Ukraine, Moldova, Georgia, Uzbekistan, Kyrgyzstan and Tajikistan.

While Latvia's direct financial investment in cooperative development has been modest, its programs have attracted support from other countries. The US, Norway, Sweden, Luxembourg and the Netherlands have all contributed to the Riga Graduate School of Law program which provides courses on EU and international economic, political and legal issues to students from Central Asia and Eastern Partnership countries.

Latvia has also attracted multi-national support for the development of The Baltic Centre for Media Excellence, a new clearinghouse for professional journalism training that reaches beyond the Baltics. With its base in Riga, the centre's operations cover the entire region delivering tailor-made training modules to newsrooms of national media outlets. The centre also promotes media literacy and research of media trends. While the centre is an independent, non-profit association, its work supplements that of the NATO Centre of Excellence for Strategic Communications.

DIASPORA

There was not much of a Latvian diaspora prior to World War II, which means that most Latvians abroad today are refugees of the Soviet occupation or their descendants. However, their ranks have swollen in the last 25 years by a new generation of economic emigres seeking better jobs, higher salaries, and new opportunities in more prosperous countries. The numbers who went to the UK and Ireland were especially alarming after Latvia joined the EU in 2004.

Today, approximately 370,000 Latvians (citizens and descendants) live in 120 countries around the world. These numbers continue to increase, as do participation in organizations, schools, and cultural activities. New organizations are being formed where they previously had not existed, for example Turkey and Ukraine. The Latvian Foreign Ministry's "World Latvian" concept is based on the premise that all Latvian citizens, regardless of where they live, can remain actively engaged in Latvian issues. While Latvia is a leader in IT data transfer, social media usage, and Internet speeds, Latvians around the world have demonstrated an eagerness to make use of these technologies to cooperate with the homeland in areas of business promotion, civil involvement, education, science, and culture. Latvia's embassies are actively engaged in maintaining these ties. Also, the Latvian government continues to work closely with the World Federation of Free Latvians and the American Latvian Association,

two of the largest and most influential diaspora organizations. In 2016, the Foreign Ministry initiated and supported almost 100 projects in 27 countries to support Latvian organizations abroad.

One of the most important annual events is the World Latvian Economic and Innovation Forum, which brings successful entrepreneurs and business leaders of Latvian descent to Riga to exchange information and develop joint projects. The first regional (outside Latvia) gathering of this group will take place in Melbourne, Australia in December 2016. This coincides with Latvia's strategic focus on deepening ties with Pacific Rim countries.

MOVING TOWARD THE CENTURY-MARK

In 2016, Latvia marked the 25th anniversary of its restoration of independence in 1991. In 2018, Latvia will mark the 100th year since the establishment of the Republic of Latvia in 1918. Although 50 of those 100 years were under foreign occupation, the last 25 years have demonstrated that the Latvian desire for freedom, independence, and stability is stronger than ever. Security is a necessity for survival, but it must stand on principle. Our future depends upon our ability to constructively cooperate with all those who share our values and principles, and our ability to coexist with those who do not.

DIFFERENT FACES OF SECURITY IN EUROPEAN AND LATVIAN POLITICS

Lolita Cigane, Chairperson of the European Affairs
Committee of the Parliament of the Republic of Latvia

The volatile situation in several neighbouring regions of the European Union and the influx of asylum seekers into Europe have caused alarm and premonition of changes to our continent. The issue of internal and external security at this time has turned into a priority both in the EU and in Latvia. The word “security” now resounds in politicians’ addresses, public opinions, and media information. Security is associated not solely with the defence of the Member States and the external borders of the EU, but also with the battle with terrorism, attempts to ensure stable neighbourly relations with eastern and southern regions and the strengthening of independence of our energy and transport infrastructure. Today, the feeling of threat sharply contrasts the introductory remarks of 2003 EU Security Strategy: “Europe has never been so prosperous, so secure nor so free. The violence of the first half of the 20th century has given way to a period of peace and stability unprecedented in European history.”

There are currently growing concerns, even scepticism observed in the EU’s political environment and society— Member States’ domestic policies still focus merely on domestic policy solutions as opposed to broader European project values. Furthermore, public statements of EU politicians, Member States’ parliamentarians are increasingly expressing the will to be in charge of the situation, by placing less emphasis on the formerly predominant belief that the EU as a single entirety is superior in its abilities and capabilities to resolve problematic situations.

At this time, which is rather tense for the EU politics, we are glad to have instruments of engagement provided to the European Affairs Committee by the architects of this engagement. While there is a certain note of bitterness perceived from parliaments of EU Member States regarding isolation from developments in the EU and the proposed solutions to crises, the European Affairs Committee of the Parliament, having the rights to decide, is present in the development of positions of the State of Latvia and additionally speaks up about issues it believes to be relevant. Thus, by carefully

following the EU agenda and political developments, in 2016, issues of regional security, in the broadest sense of the word, were given an important role on the agenda of the Parliamentary European Affairs Committee, and it is expected to be included on the agenda of 2017, too.

TERRORISM: COMBATTING TERRORIST FINANCING

The year 2015 was eventful for Latvia as it assumed the role of presidency at the Council of the EU for the first time. Those, who were involved in activities of the presidency, will remember this unique experience for a long time. However, the year 2015 also introduced a shocking note of terrorism in the history of existence of the united EU, leaving an imprint on 2016, as well. According to the annual report of Europol¹, in 2015, more than 200 terror attacks have been carried out in the EU, claiming the lives of 151 people and leaving 360 injured. The threat and acts of terrorism in the EU are not a new phenomenon; nevertheless, the dynamics of terrorism activities in the EU over the last few years have significantly increased and the threat of terrorism has become exacerbated.

The increased terrorism threat is often linked to the migrant crisis, which unexpectedly affected the EU on an unprecedented scale. Europe obviously was not ready for this wave of migration, even though in the eyes of asylum seekers Europe has long been the symbol of welfare and a chance for a better life. Europe as an “unwilling” magnet of “soft power”² entices with its openness, democratic ways, freedom of movement and speech, development of information technologies, welfare. At the same time, the aforementioned aspects do not always have a positive effect on the overall security of Europe, because in some spheres, advantages of the EU region make Europe vulnerable, including towards threats of terrorism.

Immediately after the bloodshed in Paris in January 2015, the ministers of justice and domestic affairs during the presidency of Latvia came out with the Riga Joint Statement on Counter-Terrorism. In the statement, the ministers stressed that the fight against terrorism must be intensified both at the EU level and at the level of Member States; it must encompass such spheres as transport, finance, information technologies and relations with third countries. Furthermore, it was emphasised that the key threats to the EU domestic security are linked to radicalisation, recruitment and terrorism financing. Step by step, the EU is fulfilling its commitments, by investing extra efforts in the combat against terrorism financing. Already last year, on 20 May 2015, the fourth Anti-Money Laundering Directive was adopted; its aim is to prevent abuse of the EU financial system for money laundering and terrorism financing purposes. The Member States are urged to transpose it as quickly as possible, however not later than by June 2017.

In addition, on 2 February 2016, the European Commission (EC) published the Action Plan to strengthen the fight against terrorism financing, with the key focus on following the terrorist financial flow, stopping the movement of monetary means, blocking sources of revenues used by terrorist organisations. The Dutch presidency (in the first half of 2016) prepared Council conclusions on the Action Plan, specifically underlining such spheres as virtual currency, improved availability of information of supervisory services and enhanced co-operation, measures regarding pre-paid cards and restriction of illegal cash circulation. The Member States are urged to build an EU platform, in which law enforcement bodies could voluntarily share publicly available information about persons and groups of persons, whose terrorism-related assets are to be frozen on the instructions of certain Member States, which have started to consider the need to restrict cash payments. It is also planned that, starting from 2018, 500 euro banknotes will be removed from circulations.

To continue the work, on 5 July 2016, the EC proposed to introduce changes that would expand the authority of EU supervisory services and promote their co-operation; prevent the risks of terrorism financing related to virtual currencies and the use of anonymous pre-payment instruments, such as pre-payment cards; impose a duty to do more vigorous checks, applicable to high-risk third countries. Already in early 2016, the European Affairs Commission of the Parliament backed the commitment undertaken by the government to transpose the Fourth Anti-Money Laundering Directive by the end of 2016, whereas in November it expressed support to the new EC proposals for the Fourth Anti-Money Laundering Directive. We see that these proposals have the potential of preventing terrorism financing opportunities, as potential terrorists are stripped of the possibility of accessing cash, thereby promoting internal security in the EU. For Latvia, these are significant changes, as it is an important instrument in the fight against funds of unknown origin in our banking sector. We are content that, before amendments to the Fourth Anti-Money Laundering Directive have taken effect, Latvia has already proactively integrated some elements in its regulatory enactments — the Account Register Law, as well as more rigorous client study requirements have been defined for high-risk countries.

STRATEGIC COMMUNICATION

The threats of international terrorism experienced in 2015 also highlighted EU's weaknesses in the fight against propaganda campaigns and disinformation — the so-called new security threats. Availability of information, freedom of opinions, possibilities offered by modern media platforms, increasing fragmentation of the information space, increasing use of possibilities enabled by the Internet not only ensure quick communication, but, unfortunately, make our democratic societies

vulnerable. Information and communication have turned into a weapon of influence in today's political battles. This is also confirmed by the High Representative of the EU for Foreign Affairs and Security Policy Federica Mogherini, who stated that in today's circumstances, as public opinion is shaped, by addressing emotions, and personal convictions are more important than objective reflection of facts; media quality no longer determines the importance of information.

We addressed the need for strategic communication during our presidency at the Council of the EU. If initially the attitude for the part of many Member States was sceptical, thinking that Latvia is merely addressing problems of its own information space, now, however, there is a stronger understanding of the importance of strategic communication. Now, we agree that strategic communication is an important instrument to enhance the defence abilities of EU institutions and NATO, to protect society against various types of disinformation and deliberately misleading propaganda narratives, as well as to promote the awareness and critical thinking. In March of 2015, at the EC's External Action Service, the Eastern Strategic Communication Task Force (East StratCom Task Force) was created with the mandate to prepare disinformation reviews and analyse Russia's propaganda, thereby strengthening the information space in the Eastern Partnership (EP) countries. The East StratCom Task Force also prepares easy to grasp and clear materials about the EU in Georgian, Ukrainian, and Moldovan languages, thus ensuring accessible and positive communication about the EU.

In their work in Latvia and internationally, members of the European Affairs Committee of the Parliament use the opportunities to express their support to the importance of strategic communication and the need to strengthen the resources of the East StratCom Task Force. We have proposed to use more opportunities for this task force to co-operate with the NATO Strategic Communications Centre of Excellence, which was established in Riga in 2015 and helps to promote the development of strategic communication at the NATO level. We are satisfied that in the fall of 2016, Sweden also joined the NATO Strategic Communications Centre of Excellence.

In the 21st century, digital economy is assuming an increasingly more important role in the lives of the people and state institutions, therefore the protection of digital data and cyber space from cyber criminals, which include organised crime syndicates and terrorist-extremists, as well as security services of certain countries, is of utter importance. Several large-scale cyberattacks on Lithuanian state authorities have taken place, including the websites of the Parliament, the President's office, the government and several ministries. Likewise, there is information about hackers attacking the US Democratic Party's e-mail servers and there is pronounced suspicion of the possible influence of Russia in the US presidential election process. Previously, there have been extensive reports of cyberattacks on Estonian state authorities, banks and newspaper websites during the relocation of the so-called "Bronze soldier" monument. There have also been cyberattacks on the Vatican City and Pentagon. These and many other

security challenges have clearly shown that the EU, including Latvia, must strengthen its defence abilities against cyber threats and hybrid threats, by, *inter alia*, mobilising the available instruments and seeking new solutions.

The European Affairs Committee of the Parliament welcomes the increase of cyber resilience, combatting cybercrime and the increasing importance of cyber diplomacy in the EU common security and defence policy, by emphasising activities that are particularly important for Latvia in spheres of cyber security, defence of strategic communication infrastructures, and development of military capabilities. Thoroughly considered action against hybrid threats, as well as institutionalisation of hybrid security policy administration are an important step towards strengthening the EU's abilities to withstand disinformation campaigns. At the NATO summit in Warsaw, leaders of NATO and EU countries agreed on future steps in co-operation and on harmonised conduct in case of various threats, by adopting a joint declaration, which, *inter alia*, provides for strengthening political and practical co-operation between both institutions in matters of cyber security and prevention of hybrid threats.

Well-considered regulation of the EU media space is an equally important instrument for protecting the information space. The Audiovisual Media Services Directive provides for free circulation of services within the EU Member States, while guaranteeing diversity of cultures, consumer protection (especially minors) and freedom of mass media. In the recent years, the audiovisual media sector has undergone substantial changes, which cannot be linked solely to the rapid development of technologies and innovative media services; changes are also observed in the media market competition, user habits, and distortions of media objectivity caused by the geopolitical situation.

The presidency of Latvia at the Council of the EU contributed to the development of the European Digital Single Market, by identifying the strengthening of cyber security and review of audiovisual regulation as the key challenges. In 2015, the European Affairs Committee of the Parliament, too, urged the national parliaments of EU states to use the green card mechanism and to encourage the EC to initiate specific amendments in the Audiovisual Media Services Directive. We urged to expand the geographical coverage of the Directive, to encompass also the audiovisual media service providers, who are registered outside the EU, but whose target audience are EU's citizens, to introduce a more effective mechanism for prohibiting cases of incitement to hatred; we underlined the need to increase the overall consumer protection level, by allowing the Member States to resolve issues related to television broadcasts of unacceptable content. We are content that EC's proposals for amendments to the 2016 Audiovisual Media Services Directive provide for adaptation of the Directive to current circumstances, by including provisions regarding video sharing platforms, simplifying the regulation of the country of origin principle and consolidating the independence of Member States' regulators. This will resolve the problems raised by the European Affairs Committee of the Parliament in this sphere.

EASTERN PARTNERSHIP

Being aware of the great importance that the membership of Latvia in the EU and NATO has contributed to the development and security guarantee of Latvia, we believe that we must, inasmuch as possible, support those political powers, which in what are known as the Eastern Partnership (EaP) countries — especially in Georgia, Ukraine, and Moldova, but also in Armenia, Belarus and Azerbaijan — envisage closer co-operation with the EU in the future social development strategy. This is necessary not only for the sake of social development in these countries, but also for us, the Baltic and EU Member States, because stable and predictable neighbours to the east are also a guarantee of stability and security for our region.

Therefore, the EaP has always been a special focus of attention of Latvia, as it tries to keep it on the EU's agenda. As a result of the Riga EaP summit, which took place during the presidency of Latvia, the EU has managed to achieve a significant progress in relations with EP countries, which has allowed to move ahead, by implementing specific (bilateral) commitments at a much more practical level. It was the Riga summit, where, for the first time at an official policy level, individualised approaches to each of the EaP countries were approved. Future work with EaP matters will be continued during the Estonian presidency of the Council of the European Union (second half of 2017). Taking into account the global security and policy context, in which the attention of countries of the world is now focused on other regions, such as the Middle East, the EaP summit will be an opportunity for the Baltic States to emphasise and reiterate the importance of the EaP region.

The situation of co-operation with EaP countries must be viewed in a broader context, by taking into account both external and internal circumstances, which leave an impact on closer EU integration of these countries. Internal political processes of the EaP countries, along with challenges experienced within the EU this year (migration, Brexit, terrorism, the Dutch referendum on the Ukraine Association Agreement), motivate the EU not to lower its guard in this region, but instead strengthen it, because negative development scenarios in EaP countries can lead to security threats across the EU. This idea is also reflected within the context of the European Neighbourhood Policy, which emphasises that the countries of EU neighbouring regions, including the EaP countries, are an important partner for EU co-operation in various directions, including security matters, such as the role of a facilitator in the Minsk negotiations between Russia and Ukraine.

Alongside internal difficulties, EaP countries are faced with external security challenges. Russia's aggression towards Ukraine and other strategically aimed activities of Russia are intended to undermine the EaP countries and their relations with the EU. We must be aware of Russia's interest to strengthen the Eurasian Economic Union space with the participation of EaP countries in it, by challenging the EaP countries to choose between moving towards the EU or the Eurasian Economic Union.

Additionally, the growing general Euroscepticism and populism in the EU Member States is relevant and must be borne in mind, as it is simultaneously projecting in the EaP countries, too, including the role of Russia in popularising it, which can threaten the route of EU integration, as well as the general political climate. Therefore, at this time, it is important that policy-makers in the EP countries have pro-European inclinations and do not succumb to the provocations to move away from the EU.

The election result in Georgia, which is regarded as the country which out of all EaP countries has best managed to set itself on the route of pro-European development, truly reaffirms the country's pro-European focus, thereby imparting hopes for continuing successful and effective reforms. This year's parliamentary election results of Belarus opened up an opportunity for democratic opposition parties to participate in elections. From a sceptical perspective, the progress could be viewed as insignificant and insufficient, because only two representatives were elected from opposition parties; nevertheless, this step is welcome and it confirms that, in the sense of foreign policy, Belarus is looking for broader partnership.

However, the presidential election in Moldova, which resulted in the election of the pro-Russian representative of the Party of Socialists of the Republic of Moldova Igor Dodon, must be considered cautiously and with certain concern. On numerous occasions, the new President of Moldova has reaffirmed strong ties with Moscow and the willingness to join the Eurasian Economic Union. During his campaign, he proposed to organise a referendum on the withdrawal of Moldova from the EU Association Agreement, which took full effect on 1 July 2016. The aforementioned aspects could change the former aspirations of Moldova to come closer to the EU, thus turning the signpost of Moldova's political climate towards Moscow. It must be noted, though, that the Prime Minister of Moldova Pavel Filip (Democratic Party) has emphasised that Moldova should not steer away from the path towards the EU, by pointing out that the function of the President in Moldova is merely representative.

To sum up, any efforts to move towards the EU, including through implementing reforms, give an additional guarantee for long-term stability, security and territorial integrity of the region and these countries. An equally important aspect is the co-operation with the civic society, state administration, businesses and media of EaP countries. A good example of good practice to mention is mutual experience exchange formats, which is the right way of transferring our experience and actively involving EaP society in the EU integration process. The fact that several such activities and projects aimed at EaP countries were included in Latvia's Development Co-operation Policy Plan for 2016 deserves a positive assessment.

As regards the progress that EaP countries achieve in the implementation of reforms, each country is moving ahead at its own rate. This is a reminder that it is important to maintain the principle of differentiation. It is commendable that, in the European Neighbourhood Policy review, which was published in 2015, the principle of

differentiation is emphasised as a crucial cornerstone for the EU neighbourhood policy framework. At the same time, it must be noted that the process of implementing reforms is essential and necessary for the EaP countries, though it is not always recognised, especially for the part of society; therefore, it is ever more important to explain it to the people, by demonstrating the short-term and long-term gains and concrete results.

The EU, for its part, cannot delay making decisions on commitments implemented by states with regard to the introduction and implementation of the necessary reforms. It was important for the EaP countries to receive specific confirmation from the EU, including individually from Member States, regarding support to the efforts exerted by the EaP countries. Otherwise, the support of society for reform-focused political powers diminishes. Liberalisation of visas (Georgia, Ukraine) will be a specific, palpable result, which is necessary for both parties, especially for the people of EaP countries, in which, unfortunately, scepticism is on the rise, as society fails to see concrete results, and EU reform fatigue is setting in. Certainly, the process on the EU side has not been simple, because some Member States have been hesitant in making the final decision on visa liberalisation with Georgia and Ukraine, with regard to discussions on a visa regime suspension mechanism under extraordinary circumstances.

The European Affairs Committee of the Parliament has showed support to EaP countries by way of political statements, bilateral negotiations, and by employing all international participation formats, to voice political support, first and foremost, to visa liberalisation with Georgia and Ukraine.

The Dutch referendum on ratification of the Ukraine Association Agreement had a negative impact on EaP countries. Thanks to the people of Ukraine — the so-called Euromaidan or “Revolution of Dignity” — in the first half of 2014, the Association Agreement was signed, but its application is encumbered by Dutch political discord. The Netherlands is the only EU Member State, which still has not ratified the Association Agreement, because in the referendum that took place in April 2016, 61 % of referendum participants voted against the EU-Ukraine Association Agreement. We must hope that the government and the parliament of the Netherlands will soon be able to find a democratic solution to the problem, without endangering Ukraine’s path towards EU integration.

ENERGY INDUSTRY

The EU is one of the largest energy consumers in the world. The EU produces a substantial part of the energy it consumes, using imported energy resources; however, the EU imports about a half of fossil energy resources from third countries. To reduce the dependence on energy resource supplies from third countries and the related risks,

the EU continues implementing the policy of diversification of supply sources and routes, strengthens the EU internal energy market, enhances Member States' regional co-operation formats, improves energy efficiency and invests funds in innovative energy technologies. Energy efficiency and reduction of carbon emissions in the economy have been granted a special role in the EU energy and climate policy.

The so-called EU Third Energy Package (TEP) is of utter importance for Latvia, which is an isolated gas supply region, as it is the main instrument for establishing an effectively functioning and dynamic internal energy market. The legislative package was adopted already in 2009, and Latvia has undertaken to introduce the TEP requirements in the energy market. Nevertheless, in 2015 and in early 2016, after submitting proposals for amendments to the Energy Law, to comply with the TEP principles and requirements and to promote energy security of Latvia, fierce counteraction emerged for the part of those opposing a free energy market.

The proposal submitted by several parliamentarians suggesting to open the gas market in Latvia and, thereby, to ensure that the natural gas market is comprehensively functioning in all three Baltic States was not well-received at the Parliament. When considering amendments to the Energy Law in the spring of 2016, diametrically opposite tendencies were observed, namely, attempts to delay the introduction of a free natural gas market, threatening unreasonably high gas prices and creating a climate of doubts about whether the market is possible and whether it would benefit the consumer. This situation was in stark contradiction to the core principles laid down in the EU Natural Gas Directive — to offer a real choice to all consumers in the EU, new business opportunities, cross-border trade with an aim of achieving higher efficiency, competitive prices, better service provision standards, and strengthening the security and sustainability of supplies. For example, implementation of the so-called third party access principle in late 2016 was still delayed by the monopolistic gas supplier and trader AS “Latvijas Gāze”, under the pretext of rights that had allegedly been granted to it in the company's privatisation agreements to be the sole gas trader in Latvia up until the end of March 2017. The EU laws are essential in ensuring energy independence of Latvia; without these laws, it might not be able to withstand the political pressure and lobby in the field of gas supplies.

An integrated energy market is one of the cornerstones of the European Energy Union (EEU), which was soundly laid in the EU policy in 2014, by approving the European Energy Security Strategy (EESS). The EESS, on the grounds of which the view on energy supply security included in the EEU was further developed, clearly says that “energy security matters are too frequently addressed at a national level, while disregarding Member States' interdependence. Closer co-operation is a solution for better energy security, firstly, by using the well-functioning internal market and strengthening co-operation at a regional and European level, especially as regards the development of energy networks, market openness and, secondly, a more uniform access to implementing external energy policy.”

One of the central operational directions of the EU in enhancing security is the creation of an energy security framework that ensures sustainable development and benefits for each EU Member State individually and for the EU on the whole. To achieve this goal, in 2015, during the presidency of Latvia in the Council of the EU, the process on the establishment of EEU called the Riga Process was commenced. In 2016, the process was continued, as the EC drafted legislative proposals for the establishment and consolidation of Member States' solidarity, mutual trust, physical inter-connections, and uniform access to energy relations with third countries. We will be able to speak of a successful conclusion of the Riga Process only when, in the drafting of new and improving existing energy sector regulation in the EU, equivalent and balanced consideration is given to all five EEU pillars — energy security, solidarity and trust; a fully integrated European energy market; energy efficiency that supports energy consumption; low carbon economy; and, finally, research, innovation and competitiveness.

In late 2016, the European Affairs Commission of the Parliament reviewed Latvia's national position on the EC's legislative proposals forming the EEU strategy; with these proposals, the resilience of the EU and the Baltic Sea region on the whole and Latvia in particular against risks related to the energy supply security was strengthened. Among such initiatives, worth noting is, for example, the proposal for the Security of Gas Supply Regulation and the proposal for the EU Council Decision on establishing an information exchange mechanism with regard to agreements that EU Member States conclude with third countries in the energy sphere. Furthermore, implementation of climate goals laid down in the Paris Agreement is aimed at more sustainable production and use of energy, which will contribute to reduce the EU's dependence on imports of fossil energy resources from third countries.

Nord Stream 2

A very important role in the energy supply of the EU is attributed to natural gas, and more than one third of natural gas in the EU is supplied by Russia. Natural gas consumption differs significantly between EU Member States; thus, for instance, Germany is the biggest gas consumer in the EU, and several challenges of Germany and the whole EU are related to it. Germany and Russia, having the role of the biggest client and the biggest seller respectively, have interdependent interests. It must be admitted that it is difficult to expect Germany to voluntarily complicate its relations, including between energy companies, for the sake of EU's energy solidarity. Therefore, the conduct of the EC is welcome, as it achieves the creation of a uniform information exchange and monitoring mechanism for monitoring intergovernmental agreements in the energy sector.

Germany, being the largest natural gas consumer, maintains friendly relations with the largest gas supplier, and, as a result of the close friendship, the gas pipeline *Nord Stream*

was created. At this time, Russia is purposefully striving to complete the second stage of this project — *Nord Stream 2*. Even though the EU advocates a united position in relations with external energy resource suppliers, such a policy implemented by individual Member States complicates the implementation of a uniform policy. In this context, it is important to continue developing co-operation of EU Member States, to achieve that the spirit of solidarity established under Article 194 of the Treaty on the Functioning of the EU is abided by in EU external energy relations. Deficiencies of solidarity of EU Member States and differences of economic interests, as well as domination over solidarity are highlighted by the aforementioned natural gas pipeline project *Nord Stream 2*. It is one of the projects that is causing most division of the EU unity in the energy sector. The economic reasoning behind its utility is questionable, whereas the geopolitical impact is unmistakable, because the implementation of the project will increase the risks of energy supply security of several EU Member States and neighbouring states.

The implementation of the project would most directly affect the interests of Ukraine; natural gas deliveries through Ukraine have decreased dramatically over the past years. Simultaneously, Ukraine is an important natural gas transit state — about 15 % of the EU natural gas are imported in transit through the Ukraine gas pipeline system. For Ukraine, the provision of transit services guarantees about 2 billion euros in revenues each year. However, with reduced gas transit, the increased political vulnerability of Ukraine would be a more significant threat than reduced revenues. Given limited possibilities of supplying natural gas from the EU, the Russian energy holding Gazprom would be able to disproportionately dictate the conditions of gas supplies and pricing, as shown by the 2009 gas supply crisis. To create an opportunity to exclude Ukraine from the EU gas supply routes, Russia's strategic plans include the implementation of at least another gas pipeline project *Turkish Stream* or *South Stream*. With the new pipelines, it is possible to ensure such technical gas transmission possibilities that can replace the amount of gas transmitted by land pipelines so well that Belarus could also be excluded from the natural gas circulation.

By implementing the *Nord Stream 2* project, not only Ukraine's energy supply security risks would increase disproportionately, but it would affect also several EU Member States, who receive natural gas through the pipeline, which runs through Ukraine, Slovakia, the Czech Republic and Hungary. For example, risks for the energy supply of Slovakia would increase substantially and directly, because natural gas supply to Slovakia is ensured, for the most part, directly through the pipeline from Ukraine. The so-called north-south interconnections are still insufficient to ensure the necessary amount of natural gas supplies in case if the east-west gas transit is significantly reduced or terminated.

Taking into consideration the role of energy within the context of regional security and geopolitical developments, the European Affairs Committee of the Parliament in 2016

evaluated the impact of the *Nord Stream 2* project on the unity and energy security of EU Member States. Parliamentarians made an announcement, in which they voiced a critical stance towards this project, by emphasising that *Nord Stream 2* is not in the interests of the EU and is at variance with the EU's principles of solidarity, mutual trust and regional co-operation emphasised in the approved Energy Security and Energy Union strategies, arising from Article 194 of the Treaty on the Functioning of the EU (TFEU). The *Nord Stream 2* project does not serve to strengthen good neighbouring relations, does not help to diversify EU's energy supply sources and routes that are in contradiction with the united EU external energy policy, and it debilitates the EU's positions in international relations.

TRANSPORTATION — PROJECT “RAIL BALTICA”

In transportation, just like in the power industry, there are directly apparent consequences in Latvia caused by the close integration in the Soviet infrastructure, which had been deliberately shaped over 50 years of occupation. The rail connections of the Baltic States in the east-west direction are well-developed, whereas in the north-south direction and to the rest of Europe, there are practically no connections. With increasing trends of isolationism in Russia, aimed at ensuring infrastructural self-sufficiency, it is expected that in the nearest future, cargoes from Russia will be circumventing Latvian roads and ports.

The project “Rail Baltica” is the largest joint rail transport infrastructure project in the Baltic States aiming to connect our region to Europe and integrate the Baltic States into the European railroad network. It is planned that the project will encompass four EU countries — Poland, Lithuania, Latvia and Estonia, and indirectly also Finland, by extending the route with the connection Tallinn-Helsinki; the maximum speed of the train will be 240 km/h and the distance from Tallinn to the Lithuania-Poland border will be made in 4.5 hours.

The project “Rail Baltica” is the gain of the century for the economy of Latvia, as it is important from the viewpoint of regional cohesion and security, especially taking into account the insularity of the Baltic region. The transport sector expert Tālis Linkaitis has stated that economic growth is closely linked to a well-developed transport infrastructure. Thus, the project “Rail Baltica” will create potential for a new growth boost, possibilities of creating new jobs, and will strengthen competitiveness of the state. In addition, the project is utterly necessary for diversification of our transport solutions.

At the moment, Latvia can boast with the airport “Riga” as the largest air traffic hub in the Baltic States and with the national airline AS “Air Baltic Corporation”, which ensures regular connections to more than 50 destinations in Europe and beyond.

However, it must be remembered that air traffic is not the only effective way of connecting Latvia to Europe; railroad connections have an extensive hidden potential, especially taking into account the fact that Central European citizens are actively using train traffic to travel from point A to point B quickly, inexpensively and comfortably.

The Coordination Committee of the European infrastructure connection instrument “*Connecting Europe Facility*” (CEF) in Brussels decided that EU co-funding of 442 million euros (81.83 % of eligible costs) will be allocated to the first stage of the project “Rail Baltica” announced by the joint venture of Latvia, Lithuania, and Estonia “RB Rail”, whereas 225 million euros will be allocated for the second stage. It is expected that project-related research in all Baltic States will be completed this year; in 2018–2022, research and technical project will be completed; in 2019–2020, land acquisition will be completed; in 2022, the first phase of construction will be completed, whereas in 2025, construction will be completed in the Baltic States. Since the very beginning of the railroad project “Rail Baltica”, the European Affairs Committee of the Parliament has been closely following the progress and activities of the project, by releasing statements and calling for support to project implementation, which has given positive stimuli for a successful progress of the project.

In the announcement made on 7 March 2016 about the railroad project “Rail Baltica”, the Committee urged the involved parties to ensure full and enduring support to further development and advancement of the project, as well as to observe the time-schedule defined for project implementation, which would guarantee that EU co-funding can be received and absorbed according to the project plan. We also reminded of the joint commitment of the Baltic States to implement the “Rail Baltica” project and emphasised that the delay in adopting decisions can harm timely implementation of the project. It was further emphasised in the announcement that the project “Rail Baltica” would promote mutual solidarity of the Baltic States, good neighbourly relations, and deeper integration of the European transport infrastructure, as well as diversification of types and solutions of transportation. On 19 September 2016, the heads of parliamentary European affairs committees of the Baltic States and Poland made a joint statement voicing support to the project “Rail Baltica” and urged the responsible parties to strictly observe the project deadlines, not to lose the EU funding provided for it. Likewise, the heads of parliamentary European affairs committees of the Baltic States and Poland informed that they are aware of that responsible project management and observation of good governance principles are a pre-requisite for obtaining trust and support of society and for successful implementation of the project. In the statement, the responsible parties are urged not to delay further project development, while striving to preserve the necessary quality standards.

It must be noted with satisfaction that, at the beginning of October 2016, all of the involved parties signed the agreement on funding and implementation of the railroad project “Rail Baltica”. It is a crucial turning point in the progress of the project and it

allows to believe that the obtaining of EU co-funding is not under threat, and in 2025, people in Latvia will be able to reach Tallinn from Riga in two hours.

CONCLUSIONS

EU security matters have a central role on the EU agenda. In comparison with last year, this year considerable progress was achieved in all spheres, and actions dominated over words. Today, we can appreciate that the presidency of Latvia triggered EU responses to the analysed significant challenges in many spheres, at the right time and with the right force.

Next year will start with the election of the President of the European Parliament, followed by elections in many EU super powers. It will be interesting for political observers and experts to follow the processes and observe the political powers, to whom the reins of government will be handed over in France, Germany, the Netherlands, and how the election result will affect the EU policy. Likewise, we will be looking at how and when the United Kingdom will be invoking Article 50 and what will the United Kingdom's offer and vision be for further EU-United Kingdom co-operation.

We are hopeful about the action programme proposed by the EC for 2017, especially regarding the initiatives that are aimed at facilitating the EU as a strong participant in global developments, at ensuring effective and truly secure EU, and, of course, at the development of issues of a fair economic and monetary union. Although the spectrum of opinions also at the European Affairs Committee of the Parliament regarding EU policies and their effectiveness is vast, however, the general view remains unchanged of that the EU is an important development guarantee for us, within the core of which we wish to exist.

ENDNOTES

¹ European Union Terrorism Situation and Trend Report 2016

² The concept "soft power" was introduced by the Harvard University Professor Joseph Nye in the 1980-ties.

LATVIAN FOREIGN POLICY: DEFENDING NATIONAL INTERESTS IN THE WORLD STRUCTURED BY POLITICS OF REALISM

Ojars Skudra, Associate Professor at the University of Latvia

Since 11 February 2016, the Latvian foreign policy has been implemented by a new government lead by the Prime Minister Maris Kucinskis, while maintaining the same parliamentary majority and Edgars Rinkevics in the position of the Minister for Foreign Affairs, in order to ensure continuity of the Latvian foreign policy. The “existential challenges” of the previous year¹ were joined by new ones, which were underscored by the British vote to withdraw from the EU at the referendum of 23 June 2016, military and political activities of Russia in the Middle East and in Europe, as well as radical discussions on the change of focal-points of the foreign policy and security policy of the USA during the course of the presidential election campaign and after the victory of the Republican candidate Donald Trump in the presidential election. Decisions made at the level of NATO countries and heads of governments during the Warsaw Summit, held on 8–9 July 2016, and the commencement of implementation of these decisions, as well as the signing of the EU-Canada Trade Agreement (CETA) on 30 October 2016, which could take full effect only within several years, are the processes relevant to the national interests of Latvia.

In his speech during foreign policy debates at the Parliament on 26 January 2016, E. Rinkevics defined the mutually related key duties of the foreign policy, namely, strengthening of Latvia’s external security by ensuring long-term presence of NATO forces in the region; promotion of unity and effectiveness of the EU; completion of the process of accession to the Organisation for Economic Co-operation and Development (OECD) and facilitation of Latvia’s foreign economic relations and acquisition of new markets. Achievement of these objectives, as concluded in the report of the minister to the Parliament, “causes favourable pre-conditions for Latvia in order to effectively respond to the global and regional security challenges,” among which “combatting international terrorism and de-escalation of the Syrian conflict, overcoming the migration crisis,

strengthening the security on EU's external borders, facilitation of stability in the EU's neighbouring regions and ensuring the economic growth in the Eurozone should be highlighted as particularly important in the coming years".² Processes of international relations in 2016 and the related crises underlined the strengthening of Latvia's external security as the central issue, among others, which can be effectively addressed only by preserving and strengthening the member state status in NATO and in the EU.

NATO SUMMIT IN WARSAW, RUSSIA, AND SECURITY OF THE BALTIC REGION

To evaluate the summit results, a scheme, even if only fragmentary, is necessary of the discussion and reasoning behind it, which took place before the summit, as well as after its completion with decisions made regarding the Alliance's intentions, which were in general favourable to the Baltic States. In the recent years, two diametrically opposite opinions have permeated the discussion on the adequate response of NATO towards Russia's foreign policy. At the beginning of January 2016, Stephen M. Walt, Professor of International Affairs at Harvard Kennedy School, published an article in the magazine *Foreign Policy* exploring what the world of realists would look like if liberals and neoconservatives, which dominate the US foreign policy, had allowed the realists to create it within 25 years since the end of the Cold War. That is, provided that the American leaders Bill Clinton, George W. Bush and Barack Obama had adopted the view of realism and the USA had not insisted on expanding NATO or at least restricted it, by admitting only Poland, Hungary and the Czech Republic. In the view of realists, superpowers are particularly sensitive to changes of power near their borders; such experts as George Kennan warned already in 1990-ies that NATO expansion will inevitably damage relations with Russia. "Expanding NATO didn't strengthen the alliance; it just committed the United States to defend a group of weak and hard-to-defend protectorates that were far from the United States but right next door to Russia."³ Elbridge Colby from the Center for a New American Security voiced a completely opposite opinion — upon analysing the development of the Russian nuclear doctrine, he wrote on the website of the Foundation for Strategic Research of France: "Moscow might think, [...] that its ability to conduct controlled limited nuclear operations would give it the upper hand in a crisis or conflict stemming from, [...] a politically ambiguous dispute in Ukraine, Georgia, and perhaps even the NATO Baltic states."⁴ Since there is no reason to think that Moscow has stopped its attempts to test, how far such logics can reach, E. Colby concluded that, therefore, the key task of NATO is to adequately prepare for the fact that Russia might use such a limited nuclear power in practice or as a threat in order to achieve a desirable result.⁵

Security issues of the Baltic States in the context of NATO-Russia relations remained the focus of attention of politicians and international affairs researchers of think-tanks throughout the whole year, mostly reaching negative conclusions with respect

to the ability of NATO to guarantee the defence of the territory of its most exposed member states against the possible aggression of Russia.⁶ On the premise that the global instability will continue or even increase, once B. Obama has left the post of the President of the USA, experts' views on the ways to avoid conflict threats in the NATO-Russia relations significantly differed. Experts, who consult the Western Europe, including the German government and its Parliament, felt particularly cautious about the fact that the Republican candidate D. Trump is like "a text-book populist", who very skilfully capitalised on the anger of the white middle class directed at the "Washington's" government and the Congress, as well as at "the political and intellectual class".⁷

The adoption of the Global Strategy on Foreign and Security Policy for the European Union at the Summit of Member States and the Heads of State or Government on 28 June 2016 could not significantly reduce the tensions that existed with respect to the issue of guarantees of security of the Baltic States. Only the meeting of the North Atlantic Council that took place on 8–9 July 2016 at the level of Heads of States or Governments in the Polish capital Warsaw, was able to subdue these tensions for some time. The communique of the Warsaw Summit emphasised that the NATO "will effectively implement" the three main objectives of its Strategic Concept — collective defence, crisis management and cooperative security, and with regard to the worried Baltic States it was resolved to strengthen the presence of the Alliance in the Baltic States and Poland by deploying multinational, rotational forces in the region, thereby demonstrating NATO's solidarity, commitment and ability to immediately respond to any aggression, in co-operation with the local forces.⁸ Heads of NATO states and governments welcomed the proposal of Canada, Germany, the United Kingdom and the United States to undertake the so-called framework nation's role for the deployment of multinational forces.⁹ They have alluded to the fact that Russia's policy and activities have impaired the stability of the security environment and have increased unpredictability; NATO allies emphasized that the Alliance does not want confrontation and does not pose a threat to Russia, but they do not intend to depart from their principles.¹⁰ However, the discussions did not end with the adoption of the communique of the Warsaw Summit, because, according to Wojciech Lorenz, the researcher of the Polish Institute of International Affairs, the strategic discussion between Russia and the West regarding post-Soviet countries and NATO and the EU's frontier countries is not over, and the outcome depends on unity of the EU and NATO in the upcoming election years, when Russia will attempt to exert extra pressure in order to achieve deviation from strategic objectives.¹¹ Ivan Timofeev, Director of Programs at the Russian International Affairs Council, agreed with W. Lorenz in principle, considering that the willingness of Russia to be involved in the "low cost" conflict with NATO member states is credible and therefore real threats exist that Russia-NATO relations in the Baltic Sea region and other regions might get out of control.¹²

At the time, when the heads of NATO member states in Warsaw discussed the strategy of the Alliance, John J. Mearsheimer and S. Walt, internationally recognised US

professors, advocating similar views, published an article in the July/August 2016 edition of the magazine *Foreign Affairs* regarding “a superior U.S. grand strategy”, in which they emphasized that “offshore balancing is a realist grand strategy, and its aims are limited. Promoting peace, although desirable, is not among them.”¹³ Both professors believed that the USA should withdraw its presence from Europe and should hand over NATO tasks to the Europeans themselves, because, seeing as no European country, including Germany and Russia, due to the decreasing population, is able to dominate in the region, there is no reason to keep the US military forces in Europe.¹⁴ Leaving the European security in the hands of the Europeans might, of course, lead to conflicts, but they would not jeopardize the most important interests of the USA itself. “Thus, there is no reason for the United States to spend billions of dollars each year (and pledge its own citizens’ lives) to prevent one.”¹⁵ Of course, such objectives cannot be reached in a short period or by disregarding the position of other NATO member states, however the victory of D. Trump in the presidential election confirmed that a large part of US society is strongly favouring the mood of isolationism, which also includes the notion of global re/division into the spheres of influence of superpowers.

Claims suggesting that political populism in the USA is something unexpected or even a big surprise must be regarded as absolutely unreasonable. Already in August 2016, the well-known US scientists — Professor Ronald F. Inglehart from the University of Michigan and Professor Pippa Norris from Harvard Kennedy School — published a research on the phenomenon of D. Trump, the growing impact of Brexit, and the left-wing and right-wing populism in the Western liberal democracies.¹⁶ In order to test two alternative approaches, when explaining the wide support to populism — the perspective of economic uncertainty, whose supporters emphasise the impact of the post-industrial economy on the changes in the workforce and society, and the “cultural backlash thesis”, which emphasises “a retro reaction by once-predominant sectors of the population to progressive value change” — both researchers used the Chapel Hill Expert Survey (CHES) of 2014, to identify the ideological position of 268 political parties in 31 European countries, and the Pooled European Social Survey 1-6 (2002–2014), to test the probative value of the comparative data at an individual level regarding the influence of considerations of economic insecurity and cultural values on the decision to vote for a populist party.¹⁷ Even in countries with a small number of populists elected to parliaments, such parties are able to “exert tremendous ‘blackmail’ pressure on mainstream parties, public discourse, and the policy agenda [...] with massive consequences”¹⁸, like it was strikingly demonstrated in the EU membership referendum of the United Kingdom.

R. Inglehart and P. Norris were certain that the US presidential election campaign reflects the phenomenon of populism, but D. Trump’s populism was based on statements that he does not represent the Washington’s political elite and that he has become a billionaire on his own. Thus, he represented the “ordinary Americans disgusted with the corrupt establishment, incompetent politicians, dishonest Wall Street speculators,

arrogant intellectuals, and politically correct liberals”.¹⁹ In political practice, it means nationalist isolationism in foreign policy, but in domestic politics it may be viewed as xenophobic authoritarianism.²⁰ Of course, only after D. Trump assumes the post of the President of the USA, the rest of the world will be able to see whether the pre-election statements and promises are reflected in the post-election actions.

The populism conceptualisation offered by R. Inglehart and P. Norris has a lasting value, offering to perceive it “as reflecting a loose political ideology emphasizing faith in the ‘decent’, ‘ordinary’ or ‘little’ people over the corrupt political and corporate establishment, nationalist interests (Us) over cosmopolitanism cooperation across borders (Them), protectionist policies regulating the movement of trade, people and finance over global free trade, xenophobia over tolerance of multiculturalism, strong individual leadership over diplomatic bargaining and flexible negotiations, isolationism in foreign and defence policies over international engagement, traditional sex roles for women and men over fluid gender identities and roles, and traditional over progressive values.”²¹ The biggest advantage of this conceptual, generally descriptive explanation of populism lies in its relevance, when explaining the political populism in the United Kingdom, Germany, France, Italy, Austria, Finland, Greece or any other country or society, where a consolidated or emerging liberal democracy exists. It also helps to explain, why the EU, if it is perceived and implemented as a project of the cosmopolite liberal elite, inevitably has to face crises that threaten its existence. R. Inglehart and P. Norris propose to consider the political spectrum by using two axes: populist right-wing—populist left-wing and cosmopolitan liberal right-wing—cosmopolitan liberal left-wing. According to this classification, the National Alliance (*Nacionālā Apvienība*) was mentioned in the research as a populist right-wing party. The researchers conclude their study with a warning suggestion, formulated in the form of an assumption, which the Democratic Party of the USA, except for the populist left-wing politician Bernie Sanders, could not and, most probably, did not want to listen to: “If the cultural backlash argument is essentially correct, then this has significant implications; the growing generational gap in Western societies is likely to heighten the salience of the cultural cleavage in party politics in future, irrespective of any improvements in the underlying economic conditions or any potential slowdown in globalization. The orthogonal pull of cultural politics generates tensions and divisions within mainstream parties, as well as allowing new opportunities for populist leaders on the left and right to mobilize electoral support.”²²

Researchers of the Public Religion Research Institute came to similar conclusions, when conducting interviews of 2010 respondents in September 2016, though failing to see any problem with political populism. The research suggested that there is no consensus between Americans regarding authoritarianism. Thus, 46 % of Americans agreed a leader must be willing to break rules in order to improve the general situation, but 52 % disagreed with this statement; 55 % of Republicans agreed with the statement, but 57 % of Democrats disagreed.²³ From the perspective of Latvia’s national interests,

the researchers' claim that such differences are not observed in the opinions about NATO was of importance: approximately a half of supporters of all parties consider that the use of military force is acceptable in order to defend NATO allies. Less than a half of supporters of each party considered that force can be exerted only in there are threats to the USA itself.²⁴ The survey demonstrated voters' moods, which should be assessed differently than the opinions expressed by representatives of research institutes, think-tanks and education institutions in their publications. A common feature of such diversity of opinions and views is realism and proposals of possible solutions to military political and strategic issues relevant for such realism.

In September 2016, P. Rudolf, a member of the Americas Research Division of the German Institute for International and Security Affairs, published a research on the topic "American policy on Russia and European security order". The research considers the NATO-Russia conflict with respect to the European security order after the Warsaw Summit. P. Rudolf views it as a clash between the liberal policy idea (NATO) and Russia's ideas of the geopolitical order, according to which it concerns "the geopolitical competition of the USA/NATO and RF in the post-Soviet space".²⁵ Russia does not consider the EU as a separate actor, independent from the USA, but the USA and NATO, in accordance with the military doctrine of December 2014, are regarded as a military threat both at a regional and (nuclear) strategic level. At the request of the US Congress, the Pentagon has already performed an analysis on the possible reactions in relation to the potential threat of Russian medium-range missiles in Europe, but its contents are kept secret. In order to avoid proliferation of nuclear weapons in Europe, P. Rudolf suggests returning to "the recognition of the spheres of influence", because it is compatible with rule-based liberal order if threats to use or actual use of military force are excluded. Therefore the USA must provide an answer to the fundamental question, whether they are ready to recognise the spheres of influence of Russia and China or their objective is "a geopolitical hegemony-oriented policy".²⁶ According to the opinion of P. Rudolf, D. Trump could be "rather open to thinking in terms of spheres of influence", which would mean to exclude Ukraine's possible accession to NATO, but to establish its association with the EU in a way that would be compatible with free trade between Russia and Ukraine. P. Rudolf formulated the closing thesis in the form of an assumption, which would have consequences on the sovereignty of Latvia, namely, that "if something like the Russian sphere of influence is accepted, then it would transpire in an informal way and in an implicit form on the basis of actual compromises."²⁷

The research of US Davis Institute for National Security and Foreign Policy "2017 Index of U.S. Military Strength" rather suggests that such conciliatory and business-like ideas do not prevail among security policy experts of the powerful Heritage Foundation. The introductory remarks of the research propose that the leading role of the USA is being questioned more than ever since the end of the Cold War and extensive pressure is exerted on its security.²⁸ M. Murphy writes about allies and the free world in the conclusions of the section "The Importance of Alliances for U.S. Security" of

the research, stating that China, Iraq and Russia are revanchist powers, willing to unilaterally change the order existing in their regions with as minimum political and military expenses. In order to do so, they should decrease the global power of the USA and overturn the existing doctrines.²⁹ In the section “Assessing the Global Operating Environment” of the research, when describing the situation in Europe, it is suggested with regard to the Baltic States that it not the armament of Russia, but rather finances, propaganda, pro-Russian NGOs etc., the purpose of which is to undermine the state, will pose the biggest threat to the Baltic States.³⁰ In the chapter “Threat to U.S. Vital Interests”, when describing the situation in Europe, once again attention was focused on Estonia and Latvia, because these are NATO countries with the big Russian ethnic communities and there are concerns that Russia could use this situation as a pretence of aggression. This position is understandable considering Russia’s actions with regard to Crimea.³¹ It is reasonably suggested that “the inability to reach ethnic Russians in their vernacular remains a glaring vulnerability for planners when thinking about Baltic security.”³² In the conclusions about the significance of the Russian factor it is claimed that Russia poses risks to the NATO and US allies in the Western Europe and also threatens the US interests in the Central and Eastern Europe, the Arctic, the Balkans and the South Caucasus.³³ Therefore, taking into account the aggression of Russia and the will to use any means to achieve its objectives, the authors of the research “assess the overall threat from Russia as “aggressive” and “formidable””.³⁴ Furthermore, “Concept of the Foreign Policy of the Russian Federation”, approved by Vladimir Putin, the President of Russia, on 30 November 2016, does not propose any changes in these assessments, because “the struggle for domination in the formation of the key principles of the future international system organisation grows into the main trend of today’s stage in the global development”; besides, this is happening under the circumstances of “aggravating political, social and economic contradictions, growing instability of the global political and economic system, and an increasingly important role of the force factor in international relations.”³⁵

It would be baseless to claim that Latvia has not done or is not doing enough to take care of its national security. It refers not only to the participation in the improvement and implementation of NATO and EU security policy, but also, for example, to the Joint Task Force, the establishment of which was instilled in the memorandum of understanding, which was signed with the United Kingdom, Denmark, Estonia, Lithuania, the Netherlands and Norway already at the end of 2015. In an interview with the LETA news agency and the defence portal *Defence Matters*, the British Major General Stuart Richard Skeates, the Commander of these forces, stated that “these are global response forces — they are able and are designed to operate in any crisis situation anywhere in the world at any moment. And — in very high readiness.”³⁶ From the perspective of Latvia’s national interests, the range of political instability issues, which the EU faced in 2016, in particular after Britain voted on 23 June 2016 to leave the EU, were not less important than the military political and military strategic issues.

REFERENDUM ON THE EXIT OF THE UNITED KINGDOM FROM THE EU AND THREAT OF FURTHER FRAGMENTATION OF THE UNION

Results of the referendum can be quite reasonably regarded as the first big win of populism in a developed Western liberal democracy. The possibility of this outcome was suggested by the market and opinion research company Dalia Research Berlin on the grounds of the representative survey performed in April 2016 in all 28 EU countries on the instructions of the Bertelsmann Fund. The two main conclusions from the results of the survey were that, firstly, for 45% of the British people, who voted to leave the EU, economic considerations were not the key priority, and, secondly, the European Commission is not ready to provide answers to the question about the models of co-operation that can be offered to the Member States that are not willing to take the road towards deeper political and economic integration.³⁷

In the light of the British referendum, the European Council on Foreign Relations also turned to the issue of organised political populism of the EU countries, by conducting a research, encompassing 45 political parties across all 28 EU countries. Researchers interviewed representatives of 41 parties, but all 45 parties were included in the analysis of their public reports. In this selection of parties, unlike the data used by R. Inglehart and P. Norris, Latvia was represented not only by the National Alliance (*Nacionālā Apvienība*), but also by the Social Democratic Party “Harmony” (*Sociāldemokrātiskā partija “Saskaņa”*). One of the key conclusions in the research summary publication was that these parties represent both the clear left-wing as well as the ultra-right-wing spectrum and their positions on international relations question the existing order in Europe — they are sceptical of the EU, they are negatively-inclined towards the USA, but sympathising towards Russia, as well as preferring closed borders, low migration and protectionism in trade and willing to return to direct democracy.³⁸ The researchers also forecast that these parties will call for at least 34 referenda in the next few years to address various issues related to the membership in the EU and the Eurozone, as well as to the refugee resettlement quotas.³⁹ It could be viewed as a certain historical irony that, almost a week after the British referendum, which demonstrated the power of political populism in the UK’s systems of political parties and media, as well as the disinclination of mainly English voters to participate in the further implementation of the project of the united Europe, on 28 June, the Council of the European Union adopted “A Global Strategy on Foreign and Security Policy for the European Union” with the promising name “Shared Vision, Common Action: A Stronger Europe”.⁴⁰ From the perspective of Latvia’s national interests and in the context of processes of international relations of 2016 one of the most significant theses of the new strategy suggests that the EU must be strengthened as a security community that, if need be, would be able to act both independently and in co-operation with NATO, which would have a positive impact on Transatlantic relations, too.⁴¹

Soon after the approval by the EU Council, the new strategy encountered criticism which, on the one hand, can be explained in the light of the theoretical and conceptual position of the leader of the authors' team Nathalie Tocci, the Deputy Head of *Istituto Affari Internazionali*, with regard to the key word being 'resilience' or increased EU's resilience against internal and external threats. On the other hand, the international and security policy experts believed that "the proposal of clearly defined objectives, strictly defined (long-term) time horizon and methodological progress" cannot be found in the wording of the strategy and therefore it is not reasonable to refer to the document as "a strategy", but rather as a summary of many objectives, which leaves an overall impression of "admirably defensive general foreign policy trends".⁴² Similar considerations have been formulated also by K. Melling, the expert of the German Marshall Fund of the United States, in the summary material, drafted following the workshop organized by the European Union Institute for Security Studies on 17 October 2016. He underlined that the EU Global Strategy (EUGS) contains rich language on defence, but the EU does not have the capacity to turn it into real actions. However, the ability to act is much more significant than political objectives, and will, which can quickly change.⁴³

In the middle of November, the EU Foreign Affairs Council took a decision to implement the EUGS⁴⁴, but the High Representative of the Union for Foreign Affairs and Security Policy, Vice-President of the European Commission, and Head of the European Defence Agency Federica Mogherini submitted the "Implementation Plan on Security and Defence" for review at the Council of the EU.⁴⁵ Both documents received their final approval at the meeting of the Council of the EU in December 2016. F. Mogherini undertook to submit the first annual report on the implementation of the EUGS in June 2017.

The signing of the Comprehensive Economic and Trade Agreement (CETA) between the EU and Canada on 30 November 2016 was another important event, which, in principle, corresponds to the national interests of Latvia. The agreement supplemented the Joint Interpretative Declaration between the European Union and Canada, which, for its part, is supplemented with "no less than 38(!) statements or declarations (including the intra-Belgium Statement) [...] made by EU member states or institutions."⁴⁶ This means that the CETA could provisionally take effect in March 2017 at the earliest, but in full scope, if at all, within several years. Germany, Poland, Belgium and Austria announced their commitment to terminate the provisional implementation of CETA should any of the EU Member States refuse to ratify the agreement.

Among the less significant success stories of the foreign policy of Latvia in 2016 is the official accession of Latvia to the Organisation for Economic Co-operation and Development (OECD) on 1 July, as it became the 35th member of this organisation of developed countries of the world. Cautious optimism is in order regarding the 5th Meeting of Heads of Governments of Central & Eastern European Countries and China, which was held in Riga on 5 November 2016 and was led by the Prime Minister

of Latvia M. Kucinskis. The real gains for Latvia can be more comprehensively assessed in late 2017 at the earliest.

And last but not least – in October 2016 the governments of the Baltic States and Poland “finally reached all the necessary political, financial and technical agreements to implement one of the most ambitious projects inside the European Union – linking Finland, the Baltic States and Poland with the unified Trans-European Transport Network [...], which will also have important logistical implications for the North Atlantic Treaty Organization (NATO).”⁴⁷

The fact that the Bertelsmann Fund published the generally positive results of the survey conducted in August 2016 in the EU Member States regarding the fear from globalisation, clashes of values, and support to populist parties only in November⁴⁸ — on the eve of re-election of the President of Austria and the constitutional referendum of Italy — indirectly suggests how controversial the year 2016 has been, but simultaneously demonstrates that it has brought many optimistic hopes. To some extent, the awaiting approach symbolized the fact that the EU will possibly face even more serious political challenges and crises in 2017 than it did in 2016.

CHALLENGES OF 2017 FOR THE NATO, EU AND LATVIA

We can consider development trends in international relations in 2017 in the light of the following question: Will it be another year of crises and dealings dictated by national interests? It is difficult to predict crises, unless you are the retired British General Sir Richard Shirreff, who has described everything in detail in his fictional book “2017 War with Russia”, including the fact that on 22 May 2017 at 1900 hours “Latvia is almost completely in Russian hands,”⁴⁹ or the Latvian business and politics super-veteran Vilis Vitols, who highlights that the “issue on confrontation” in the relations between the West and Russia “is not about *whether*, but rather *when* and *how*”.⁵⁰

Academic or expert writings on NATO in 2017 suggest that in 2017 the meeting of the heads of states and governments of the Alliance will take place in Brussels, most probably in the form of a mini-summit, where the US President D. Trump will have his debut and sound “the starting signal for a strategy debate”, which will end with the adoption of the “new Strategic Concept” in 2018 or 2019 — on the 70th anniversary of NATO. This is suggested by Karl-Heinz Kamp, the President of German Federal Academy for Security Policy.⁵¹

The Bratislava-based Globsec Policy Institute (GPI) in its text “Globsec NATO Adaptation Project” on the framework of the global situation, which is to be projected also across the whole 2017, states that NATO once again needs to be able to guarantee

the necessary military resources, including for the potential use of force in order to stand up against Russia. “The seizure of Crimea from Ukraine and the robust use of force in Syria demonstrate the lengths Moscow is prepared to go to realise what it perceives as its strategic interests.”⁵² One of the questions, which will have to be answered not only by NATO, but also by the EU is “what of geopolitics and Europe?” The text of the Bratislava Institute reasonably states that the EU currently does not have a military force, but could form it over time. After having lost the UK, which was and still is the most powerful military force and the second most powerful economy in Europe, this ambition might not only be cut back, but there could be an increase of the tendency “to reinforce the soft power leanings and preferences implicit in the July (in the text — *a remark by the author O.S.*) 2016 EU Global Strategy”, which will mean that the EU will still be an indecisive and weak military force.⁵³

The presidential election in France will be essential for consolidation of the EU or further fragmentation thereof if Marine Le Pen, who is defending the populist right-wing position and who says “I am anti-Merkel”, because “the euro is a currency created by Germany, for Germany” and “strategically, there is no reason not to deepen relations with Russia”, is elected president.⁵⁴ This will mean that a referendum to leave the Eurozone will take place in France.

On the contrary, if France is led by the “self-proclaimed Gaullist” F. Fillon, who considers that Europe is France’s power tool and that reconciliation policy will be the best solution for relations with Russia, then, from the perspective of the national interests of Latvia, it will be decisively important, whether France comes closer to Russia in 2017, and even more so, if the USA assumes the same direction. That would give final approval for Russia’s annexation of Crimea and would strengthen the Bashar al-Assad regime in Syria.⁵⁵ Associate Professor Camille Pecastaing from Johns Hopkins University School of Advanced International Studies believes that today the EU still stretches from Ireland up to Latvia, but if the situation in the East of Europe continues to deteriorate, Germany, without having France’s support, would be forced to choose between the West and the East of Europe.⁵⁶ That would mean that the scenario of *de facto* recognition of areas of influence would start to come true. It must be added here that the British government, will, of course, try to delay the start of negotiations regarding the exit from the EU as much as possible, until after the election of the new president of France and until the foreign policy course of the country is defined.

Of course, these changes in France will be closely related to the issue of EU sanctions imposed on Russian individuals and companies. On the other hand, there are no big changes expected in Germany after the Bundestag elections in the autumn of 2017, unless, within the framework of the campaign, the Social Democratic Party of Germany decides to call for a vote for the coalition of social democrats with the post-communist left-wing and Green Party. A coalition with the Chancellor Angela Merkel in lead after the parliamentary elections would be the more suitable outcome for the interests of Latvia.

With regard to the political situation in Latvia, which undoubtedly reflects the foreign policy of the country, it can be expected that the Union of Greens and Farmers (*Zaļo un zemnieku savienība*) and “Harmony” (*Saskaņa*) will strengthen their positions in city councils, which might lead to an increased pressure of Russia to achieve re-organisation of the Latvian government to include representatives of “Harmony”. Therefore, we can surely expect that Russia’s media, but not only, will be actively participating in the discussions of pre-election campaigns.

Within the framework of NATO and the EU, as well as in relations with Russia, the implementers of Latvia’s foreign policy can expect a year of serious challenges, which will increase the burden of responsibility. Therefore, a well-considered and effective domestic policy will be a significant resource for strengthening the positions of Latvia in NATO and in the EU.

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LATVIA'S FOREIGN POLICY – PREDICTABLE PRAGMATISM IN UNPREDICTABLE TIMES

Imants Liegis, Latvian Ambassador to the Republic of France, former Minister of Defence of the Republic of Latvia

Two existential blows struck Latvia's foreign policy in 2016: the UK referendum decision on Brexit and the election of Donald Trump as President of the United States. These blows were not fatal, but they have meant that Latvia, along with many other countries in Europe and beyond, will face unprecedented challenges during the years ahead. As Minister of Foreign Affairs Rinkevics pointed out in Paris on 16th November, 2016 at a conference marking the 25th anniversary of the renewal of Baltic-French diplomatic relations in the presence of Foreign Ministers of France, Estonia and Lithuania, the next 25 days, 25 weeks, and 25 months will be crucial for Latvia in facing these challenges.

The unpredictability of how Brexit will proceed is matched by the uncertainty of what a Trump presidency will mean in practice. Before addressing the implications of this new world disorder for the Euro-Atlantic region, I will highlight two significant successes for Latvia's foreign policy during 2016, namely, the outcome of the NATO Warsaw Summit and accession to the OECD. Both achievements reflect the consistent and determined approach of Latvia's foreign policy during the international turmoil in 2016.

DEFENCE AND SECURITY STABILITY

Defence and security issues remained the top foreign policy concerns in 2016 and will continue to do so for the immediate future. Vigilance and determination underlined the foreign policy approach to these issues.

Although the July NATO Summit in Warsaw may have been somewhat overshadowed by the turmoil created by the UK Brexit vote, the decisions taken by the Alliance were

very beneficial in advancing Latvia's security environment. In Latvia, the outcome was perceived as being a success for Latvia's foreign policy. The previous NATO Summit of 2014 in Wales had underlined reassurance measures for the Eastern flank of the Alliance in response to Russia's military aggression against Ukraine. Warsaw consolidated reassurance measures by adopting unprecedented decisions on deterrence and defence, which elevated the significance of collective territorial defence. NATO decided to increase the number of Allies' troops to battalion level in each of Estonia, Latvia, Lithuania and Poland. Referred to as an "enhanced forward presence", the decision is defensive in nature and meant primarily as a form of additional deterrence.

In the lead up to the Summit, there were considerable behind the scenes negotiations concerning the question of which NATO ally would take the lead role in each of the four Eastern flank countries. As news emerged that Germany would be the "framework nation" in Lithuania and the United Kingdom in Estonia, it was Canada that agreed to take on this crucial role in Latvia. At one stage it seemed that the US could have been an option for Latvia, but they took on responsibility for Poland. Given the uncertainties posed by a "brexiteering" UK and the unexpectedness of a Trump takeover of the US administration in January 2017, it seems that Latvia certainly did not draw the short straw with Canada as framework nation. The visit of Canada's Minister of Defence Harjit Singh Sajjan to Latvia in October 2016 and his presence at the Riga Conference offered Latvia first hand proof of a committed, strong and reliable ally.

Latvia's determination to surge ahead with necessary commitments to security and defence were also displayed in the course of 2016. The defence budget as a percentage of GDP rose to 1.4% and there was a repeated public commitment to carry out the promise of reaching 2% by 2018. The new Government led by Prime Minister Kucinskis agreed on an increase to 1.7% for 2017 and parliament adopted the budget without any overriding problems. In light of Donald Trump's comments during the Presidential campaign questioning whether the US would come to the assistance of a NATO ally which does not pay its way, the determination to commit 2% of GDP to defence certainly took on a new degree of urgency.

Although the primary focus of the Warsaw Summit was on increasing resilience in the Baltic region, Latvia's foreign policy continued to acknowledge the "360 degree" approach to Europe's security in the course of 2016. In practice, this meant expressing solidarity with France in light of the terrorism threat, which again resulted in several barbaric acts on French soil during the year. Latvia's participation in the UN Mission in Mali and the training mission in Iraq is the ongoing manifestation of this solidarity. An essential element to the "360 degree" approach is retaining an ability to look at the broader challenges to Europe's security emanating from the south of the continent and not just focussing on the challenges from the east.

Given the recent resurgence of hybrid threats and the lessons learnt from Russia's implementation of the Gerasimov doctrine (based on defeating the enemy without

firing a shot) during the aggression in Ukraine in 2014, the Warsaw Summit also focussed on these issues. Indeed, Latvia's Permanent Representation at NATO paid particular attention to hybrid threats in the run up to the Summit, as there was a recognition that an attack against a member of NATO could fall short of what is traditionally perceived as an "Article 5" scenario. Although deep within the Warsaw Summit Communiqué text, the linking of hybrid warfare to collective defence and Article 5 was nevertheless considered by Riga as an important achievement. The relevant text (paragraph 72) reads as follows: "NATO is prepared to assist an Ally at any stage of a hybrid campaign. The Alliance and Allies will be prepared to counter hybrid warfare as part of collective defence. The Council could decide to invoke Article 5 of the Washington Treaty." In light of the number of ongoing predictions about Latvia and/or the other Baltic States being the subject of Russian aggression during the next year, with a scenario of inciting members of the ethnic Russian community, this acknowledgement of the dangers of hybrid warfare by NATO is helpful, though the formulation could remain open to interpretation.

At the same time, the hybrid threat need not be over exaggerated. For example, unlike France, Latvia is not in a state of war, and the threat level assessed by Latvia's authorities continues to be low. Regrettably, France has been subjected to a number of barbaric terror attacks on its territory in the last few years. The perpetrators have usually been young French citizens of non-French ethnic origin who have come under the influence of radical Islamic groups. This raises fundamental questions about the integration of certain minority groups into French society and in many ways provides a contrast with the (comparatively successful) integration policies that Latvia has pursued.

It needs to be kept in mind that this particular hybrid element is based on attempts to break the will of the people, and is a form of psychological operation. For this reason, during 2016 there was an ongoing expression by Latvia of the determination to defend the country in the event of attack, a sentiment that has been reflected in both actions and words. The increase of the defence budget is one example, as is the reference by President Vejonis that Latvians would no longer be asked to "stay put" ("stay put in your place" was the controversial phrase used by former President Karlis Ulmanis in 1940 when Soviet troops entered Latvian territory). Defence Ministry officials have also referred to the importance of Article 3 of the Washington Treaty, which states that Members of NATO "by means of continuous and effective self-help and mutual aid, will maintain and develop their individual and collective capacity to resist armed attack." In discussions with officials at Latvia's Defence Ministry, it has also emerged that the readiness amongst the Latvian population to defend the country has never been at such a high level.

OECD ACCESSION

Latvia successfully completed negotiations to join the OECD during the first part of 2016, and joined the organisation with the deposit of the Instrument of Accession at the French Ministry of Foreign Affairs on 1st July 2016. Latvia's Ambassador to the OECD, Ivita Burmestre, took up her duties in August 2016 having successfully steered the negotiation process from Riga during the preceding three years.

The change in governmental coalition in February 2016 could have cast some doubts about Latvia's commitment to joining the OECD. There was no change in Foreign Minister, with the experienced Edgars Rinkevics continuing to lead the push for accession. Nevertheless, the switch of Prime Minister from the "Unity" party ("*Vienotība*") to the "Union of Greens and Farmers" ("*Zaļo un Zemnieku Savienība*" (ZZS)) meant that the *éminence grise* of ZZS, Aivars Lembergs, in theory could have put a spanner in the works of accession. Together with the ZZS party leader Augusts Brigmanis, Lembergs had expressed a distinct lack of enthusiasm for joining OECD over the course of the previous year.

Even though the new Government's declaration was somewhat ambiguous in referring to "completing outstanding open (OECD) questions by the end of 2016", the new Prime Minister, Maris Kucinskis, did not hesitate to take the OECD "bull by the horns" and ensure that the process was completed by the middle of the year. There was also an awareness in government circles that things could have gone either way, with indications that the United States were coming up with some last minute objections. The Prime Minister took a personal interest in the process from the beginning of his premiership, and was therefore able to be in the limelight and attend the signing ceremony in Paris in June 2016.

During the preceding months there were two crucial meetings in March and April attended by high-level delegations from Riga led by Justice Minister Dzintars Rasnacs and Deputy Prime Minister and Minister of Economy Arvils Aseradens respectively. Both Ministers had to persuade the representatives from 34 Member States that Latvia had met or will meet by specific deadlines, the various outstanding requirements outlined in previous OECD reports. These requirements related to the implementation of OECD principles and guidelines for the governance of State Owned Enterprises (SOE) in Latvia, specifically addressing slackness in the supervision of Latvian banks in the area of money laundering, as well as ensuring the proper functioning and independence of the main anti-corruption agency in Latvia and improving procedures relating to anti-bribery measures.

Having been personally present at both meetings, I can attest to the professionalism of both the Ministers and the members of their delegations in handling a number of thorny questions raised by representatives of the Member States with conviction and openness. For example, clear deadlines were given for the appointment of Boards of Directors for

several Latvian SOEs along with explanations about legislative changes. Explanations were also provided about the activities of the Financial and Capital Markets Commission (FCMC), which monitors banks in Latvia. In the early part of 2016 the FCMC changed directors (with the new director attending the March OECD meeting) and beefed up the number of staff dealing with the implementation of the amended Law on the Prevention of Money Laundering and Terrorism Financing. A number of banks in Latvia received hefty fines following the changes to the FCMC. Assurances were also provided concerning the withholding of political interference in Latvia's Corruption Prevention and Combating Bureau.

Considering the positive outcome, it is clear that Latvia's representatives were persuasive in their arguments. Indeed, bearing in mind that Latvia was invited to begin negotiations to join the OECD at the same time as Columbia (i.e. 2013), the fact that Latvia was able to complete these negotiations in the relatively short time span of three years, leaving behind Columbia by acceding alone, attests to the skill and determination of Latvia's negotiators.

DISORDER AND TURMOIL IN THE EURO-ATLANTIC REGION: BREXIT AND TRUMP

Despite the successes of Latvia's foreign policy during the course of 2016 in joining the OECD and witnessing a successful outcome of the NATO Summit in Warsaw, external factors caused shock waves throughout the Euro-Atlantic area, not least in Latvia itself. The UK referendum result on 24th June and the US election of President Trump on 8th November have unforeseeable and unpredictable implications. Both events merit separate consideration given the impact on Latvia's foreign policy and given that the geopolitical environment has become increasingly unstable.

Brexit

Latvia has pursued a policy of integration, but not federalisation vis-à-vis the European Union, based on both economic and security considerations. Though unpopular at the time, Latvia's accession to the Eurozone in 2014 was with hindsight seen as being of particular importance, just a few months before Russia's annexation of Crimea and subsequent action in eastern Ukraine. Similarly, the importance of making improvements to good governance in the process of joining the OECD also had implications for the country's stability and security. An unnecessary change of Government coalition in early 2016 failed to dent Latvia's integrationist approach. Latvia took a pragmatic line in reacting to the shock of the Brexit vote. Expressions

of regret were balanced with an emphasis on the importance of the UK as an ally and partner of Latvia, and the need to find a solution acceptable to all parties.¹ There followed a call for the UK to decide on making its article 50 of the Lisbon Treaty submission “as soon as possible,” so as to reduce chaos and uncertainty for those living and working in the UK. Whilst acknowledging the value of discussion about Brexit amongst different groups of Member States, a clear desire was expressed to ensure that a common position at 27 should be maintained based on the interests of all stakeholders when it comes to the withdrawal negotiation process.

Since the referendum decision there have been consistent and ongoing expressions about protecting the interests of Latvian nationals living in the UK. Their numbers are estimated at 150,000–200,000. Latvia’s general priorities within the EU remained unchanged: a strong Eurozone, the establishment of the Energy Union, and the reinforcement of internal and external security. The underlying approach has been to avoid punishing the UK for the decision taken by the referendum and to await clarity from the British partners. In tune with most other Member States, Latvia recognised that any future UK access to the Single Market would require acceptance of all four freedoms. It should be noted that the UK had over the past few years developed special relations with the Nordic-Baltic group of eight countries, with annual meetings at Prime Ministerial level taking place.

Latvia also recognises the important role played by the UK in Europe’s security and defence policy. As a result Latvia would prefer to maintain as much UK involvement in Common Foreign and Security Policy activities as possible. In common with the UK, Latvia was not a greatly supportive of pushing ahead with the idea of creating an EU Military HQ in Brussels, and likewise remains opposed to any prospect of creating a “European army.” However, the Brexit vote initiated several attempts to move towards greater EU cooperation in defence and security.

An initiative spearheaded by Germany and France was submitted immediately after the referendum with the joint demarche of Foreign Ministers Frank-Walter Steinmeier and Jean-Marc Ayrault entitled “A strong Europe in an Uncertain World” proposing, amongst other things, a European Security Pact. There followed a further demarche laying out proposals for developing European defence by Ministers of Defence Ursula von der Leyen and Jean-Yves Le Drian submitted to the EU Head of Diplomacy Federica Mogherini at the beginning of September.

These initiatives are direct repercussions of the Brexit vote. The ideas put forward may not be new, but the context is now much more favourable to promoting such ideas amongst the 27 Member States. Latvia is firmly against any moves towards developing a European Army and regards the transatlantic link as the ongoing basis for Europe’s security. Whilst Latvia fully supports attempts to achieve better EU-NATO cooperation, the prospect of duplicating capabilities between the two organisations is unacceptable. At the same time, Latvia acknowledges the importance of agreeing

about developing instruments and capabilities which would help to confront security challenges, whether of an internal or external nature.

The policy approach towards Brexit has therefore been cautious but clear in defining Latvia's national interests. The focus has been on the need to clarify the position of the UK and thereafter maintain member states' unity during the negotiation process. Clearly the question of maintaining cohesion amongst EU and NATO member states also applies to the reaction towards the unexpected election of Donald Trump in November 2016.

Trump

The unexpected election of Donald Trump to the position of US President was the second political tsunami of 2016. Together with Brexit it has created what Ian Bremmer of the Eurasian Group called a "radically unstable geopolitical environment" when speaking on CNN on 13 November 2016. The instability is based on Trump's lack of political experience, the uncertainty of the extent to which campaign rhetoric will turn into policy, and a sense of unpredictability regarding his foreign policy approach. At least some consolation can be found in the fact that America's democracy has an inbuilt system of checks and balances, which could rein in a wayward President.

Latvia's initial reactions to the election of President Trump were measured. Foreign Minister Rinkevics was widely quoted by the Latvian press agency LETA on 9th November, the day after the elections. He pointed out that Latvia is ready to work with any administration and Congress elected by American voters, as has been the case for the preceding 25 years. He cautioned about "over exaggerating" reactions to the election results and not panicking, as well as reiterating that the main cause for concern about regional security emanated from Russia. A few days later during an interview with Bloomberg he said, "I don't have...concerns that the US will abandon its commitments under NATO"².

This latter point was perhaps the most pertinent in view of candidate Trump's rhetoric about NATO during the campaign. On 22 July 2016 in an interview for New York Times,³ in direct reference to the Baltic members of NATO and their ability to rely on US military aid in case of an attack from Russia, Donald Trump replied that if these countries have fulfilled their obligations the US would come to their aid, but avoided to provide guarantees in case they have not.⁴ This interview prompted a cascade of reactions and concerns about potential US isolationism. Clearly, Latvia's commitment to "fulfilling obligations" by ensuring that 2% of GDP is paid towards defence is of crucial importance as we wait for the new administration to take office. However, it needs to be said that the request for European countries to devote more money to defence has been made regularly by previous US Administrations, and should not come as any surprise.

Comments about not fulfilling commitments to NATO combined with an admiration for the leadership qualities of President Putin—which pre-date his Presidential candidacy—present a toxic mix. An early telephone call between the President elect and President Putin took place and there could well be a meeting between them prior to Trump’s inauguration as President. Of course, there is nothing wrong with attempting to make a new start in US-Russia relations. Both of Trump’s predecessors sought a new approach upon taking office. President George W. Bush, after meeting President Putin for the first time in 2001, said in response to a question about whether he could trust Putin “I looked the man in the eye. I found him very straight-forward and trustworthy—I was able to get a sense of his soul.” President Obama introduced a policy of “re-set” of US-Russia relations. Russia’s subsequent actions regrettably demolished concepts of trustworthiness and defeated attempts at “re-set.” The question is: will President Trump make use of “lessons learnt” from his predecessors?

Rather than re-set, there are concerns that Trump may decide to do a deal with Putin. Would this be a division of “spheres of influence” along the lines of a “Yalta 2,” something that Russia would be interested in achieving? A potential litmus test will come with the question of sanctions against Russia, where US-EU unity has proved to be surprisingly resilient during the last two years. An early decision by President Trump about the lifting of sanctions against Russia could start to unravel this transatlantic unity.

2017: WILL PREDICTABLE PRAGMATISM SUFFICE?

Latvia seems to have gained a reputation for developing a pragmatic approach to foreign policy during the last few years. There has been a readiness to preserve channels of communication with Russia, although through NATO this comes with a proviso of acting from a position of strength. Latvia is seen to be a reliable partner of Germany, whilst relations with France are based on an unprecedented level of agreement on issues of mutual concern. This pragmatism will be put to the test as crucial elections in both France and Germany take place in 2017, just as it was put to the test during 2016 by events in the UK and US.

If we look ahead towards defence and security as well as OECD related issues in 2017, there are a number of matters to bear in mind concerning Latvia’s future foreign policy approach. First and foremost, no efforts should be spared to ensure that the decisions of the Warsaw NATO Summit are implemented. Insofar as such implementation depends on Latvia, this will mean delivering all host-nation support to receive the Canadian led battalion of Allied troops. It will also mean removing any logistical barriers that could hinder the transfer of either equipment or troops. Interoperability between Latvian and

NATO troops needs to be achieved speedily along with rules of engagement. Likewise, issues relating to integrated command and control, pertinent for any operation, will need to be refined. In view of the recent military build-up by Russia in Kaliningrad, Latvia will need to keep the question of area access denial on the agenda of NATO. There should be absolutely no political backsliding in devoting 1.7% of GDP to defence.

Ongoing measures should be taken to illustrate Latvia's determination to comply with article 3 of the Washington Treaty. These could include strengthening the role of the civilian population in defence by increasing the numbers serving in the volunteer National Guard (Zemessardze) and the army reserves. There should be no hesitation in letting it be known that a potential aggressor would face fierce, determined civil and military resistance against hybrid or non-hybrid attacks. Showing a determination to defend and explaining how to react in case of attack are crucial elements of deterrence. Lithuania has published and distributed a civilian instructions manual about measures to be taken by civilians in the event of a military attack. Perhaps Latvia should do likewise.

The implementation of Warsaw decisions also means ensuring that the force generation of troops takes place as planned. The NATO Defence Ministers meeting in October addressed this issue. This will mean working closely primarily with Canada, but also the other contributing nations that have indicated a readiness to send their troops to Latvia, namely Italy, Spain, Poland, Slovenia and Albania. It will be crucial to display military resilience based on NATO's core principle of collective defence. There should therefore be no doubt left about the nature of the deployment. Although essentially defensive and deterrent in nature, the presence will need to ensure combat readiness. I was personally reminded about this particular issue during an informal discussion with a high ranking French Ministry of Defence official, who was asked, somewhat surprisingly, by a diplomatic colleague from a European ally about the question of engaging in combat during the deployment of the Enhanced Forward Presence troops.

Secondly, Latvia needs to continue to remain vigilant on questions of good governance within the country. The accession process to the OECD highlighted the issues that needed addressing, and that continue to have implications even after joining the OECD. Peer review and ensuring the implementation of decisions whether on questions of bank supervision, appointing independent board members to State Owned Enterprises or ensuring the sound functioning of Latvia's Corruption Prevention and Combating Bureau will have to be resolved. US Vice President Joe Biden also addressed the issues of good governance and corruption during his visit to Latvia on 23 August 2016. In the presence of all three Baltic leaders he said the following: "In democracy, it's a civic duty to ensure governments are accountable to their citizens and not the narrow interests of the powerful. The rule of law has to apply equally to everyone. Justice systems must be equitable and efficient and transparent...rooting out corruption is essential to preserve your national sovereignty. It's a cancer to the body politic. It's among the highest acts

of patriotism to root it out. Its how you protect the future you have worked so diligently to build.”⁵ Given that during the final stages of accession to the OECD Latvia received notice of certain last minute concerns emanating from the US, Biden’s words should not be taken lightly.

Dealing efficiently and openly with these controversial questions will also help to refute ongoing allegations about vulnerabilities to potential interference from Russia in Latvia’s internal affairs. Of course, concerns about Russia’s interference through hybrid warfare tactics apply not only to Latvia, but also throughout Europe and the US. Allegations of interference in the US election process, false stories about attacks on refugees in Germany, support for extremist parties in France and elsewhere are amongst the tactics used. In this context it is important to recall the aims of meddling, as described in a recent study by the STRATCOM Centre of Excellence in Riga. “The purpose is to create doubts and mistrust towards the western media and the political ‘elite,’ slowing down decision-making processes through media and diplomacy, affecting the unity and cohesion of alliances (including attempting to play countries out against each other), covering up real objectives and, not the least, affecting civil society and its perceptions, beliefs and behaviours, in the countries in question.”⁶ Latvia has regrettably been grouped with Bulgaria, Slovakia and Hungary as a country prone to Russian influence⁷ so it is important to take active measures that help to refute such allegations and recognise the hybrid warfare elements of Russia’s actions.

Latvia needs to balance a potential weakening of the transatlantic link under a Trump presidency with ongoing pressure to strengthen security in Europe. In doing so it will be important to avoid any perceptions that the US is being pushed away from engagement in Europe. In parallel there should be an ongoing readiness to cooperate in those European projects which avoid duplication of NATO business, but which embrace the concept of a 360-degree approach towards European security. The planned participation of Southern flank NATO countries in the Enhanced Forward Presence will be a good opportunity to further strengthen links with our Southern European allies.

Baltic-Nordic (NB8) regional cooperation could also take on new relevance in this rapidly changing security environment. Latvia placed security issues as the top priority on the agenda in coordinating the NB8 cooperation process during 2016, as well as in the framework of leading trilateral Baltic cooperation at the Baltic Assembly and Baltic Council of Ministers.⁸ At the same time, Latvia has been a strong supporter of closer cooperation between NATO and Finland and Sweden. The fact that for the first time Sweden and Finland joined the heads of state and Government for the NATO Warsaw Summit on 8 July 2016 indicates their continuing moves towards strengthened cooperation with the Alliance. Without developing a strictly regional forum, the need to closely cooperate with Nordic partners should carry on apace, especially given Sweden and Finland’s ongoing security concerns as non-NATO members.

NB8 links have developed with the UK during the last few years. The “North Sea” link to the United Kingdom may need to be refined according to how Brexit proceeds. Ensuring ongoing UK engagement in security and defence issues in the Baltic region could prove just as important as protecting the interests of Latvian nationals living in the UK. The former will require enhancing the link through NATO. The latter will be a question pursued during the EU Brexit process. If Brexit ultimately takes place, France will be the EU’s only remaining nuclear power and permanent member of the UN Security Council.

Latvia’s foreign policy has been resilient and pragmatic during the 25 years since independence was regained. Security and defence will continue to dominate the agenda and focus minds. There appear to be no indications of a change of course in the immediate future. Indeed, Nellija Locmele, the Editor of Latvia’s top weekly magazine *Ir* accurately describes the current situation in the magazine’s issue published just before the 98th Independence Day celebration: “Latvia, as a small state, is of course dependent on the rules of the game...and it is difficult to imagine our security outside a stable and legal international order. This is exactly why, as a member of the EU and NATO, one has to make use of and value the fact that Latvia has strengthened her influence more than at any time during our previous history,”⁹ an optimistically sober assessment of Latvia’s foreign policy approach in unpredictable times.

ENDNOTES

¹ “Statement by the Foreign Ministry concerning the results of the referendum in the United Kingdom,” *Ministry of Foreign Affairs*, 24.06.2016, <http://www.mfa.gov.lv/en/news/latest-news/54121-statement-by-the-foreign-ministry-concerning-the-results-of-the-referendum-in-the-united-kingdom>

² Gregory Viscusi, Helene Fouquet, “Baltics Press EU to Beef Up Defense After Trump Campaign Threats,” 16.11.2016, *Bloomberg*, <https://www.bloomberg.com/news/articles/2016-11-16/baltics-press-eu-to-beef-up-defense-after-trump-campaign-threats>

³ Direct quote from the New York Times interview of 22 July 2016 with David E. Sanger and Maggie Haberman:

SANGER: My point here is, can the members of NATO, including the new members in the Baltics, count on the United States to come to their military aid if they were attacked by Russia? And count on us fulfilling our obligations — —

TRUMP: Have they fulfilled their obligations to us? If they fulfill their obligations to us, the answer is yes.

HABERMAN: And if not?

TRUMP: Well, I’m not saying if not.

⁴ “Transcript: Donald Trump on NATO, Turkey’s Coup Attempt and the World,” *The New York Times*, 21.07.2016, http://www.nytimes.com/2016/07/22/us/politics/donald-trump-foreign-policy-interview.html?smid=tw-nytimes&smtyp=cur&_r=0

⁵ “Remarks by Vice President Joe Biden at The National Library of Latvia,” *The White House Office of the Vice President*, 24.08.2016, <https://www.whitehouse.gov/the-press-office/2016/08/24/remarks-vice-president-joe-biden-national-library-latvia>

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- ⁷ Heather A. Conley, James Mina, Ruslan Stefanov and Martin Vladimirov, "The Kremlin Playbook. Understanding Russian Influence in Central and Eastern Europe," CSIS, 2016, <https://www.csis.org/analysis/kremlin-playbook>
- ⁸ "2016 – Year of Baltic and Nordic Cooperation," *Ministry of Foreign Affairs*, 11.03.2016, <http://www.mfa.gov.lv/en/policy/baltic-sea-region/2016-year-of-baltic-and-nordic-cooperation>
- ⁹ Nellija Ločmele, "Svētki mākonos," *Ir*, 16.11.2016, <http://www.irlv.lv/2016/11/16/svetki-makonos>

SECURITY POLICY OF LATVIA: SHAPING DETERRENCE POSTURE

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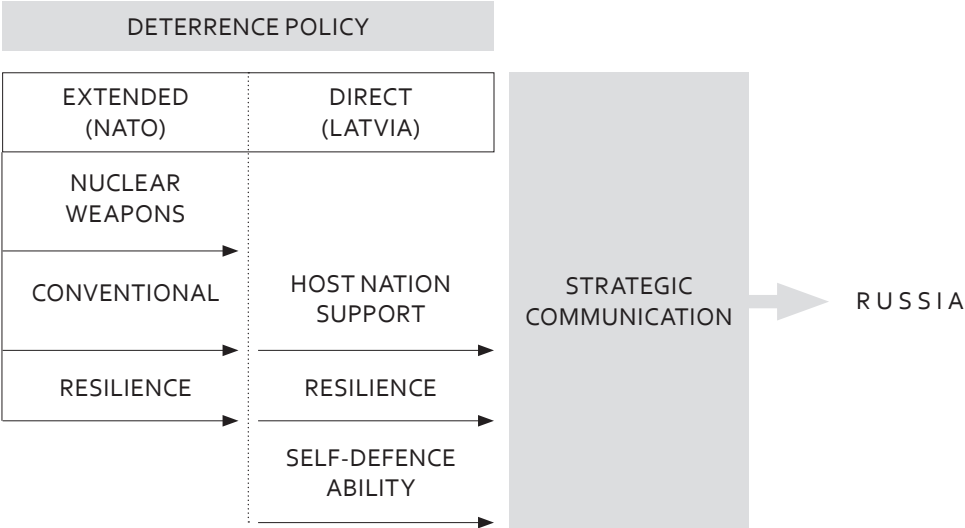
For NATO and Latvia, the first year after the onset of crisis in Ukraine was dedicated to identifying the intentions behind Russia's aggressive foreign policy in the form of warfare in Ukraine and most importantly — defining the weaknesses of NATO and Latvia, of which Russia could take advantage. From the first day of crisis, the alliance many times reassured the capacity of functioning of Article 5 of the North Atlantic Treaty Organisation and, at the Wales Summit in September 2014, demonstrated its ability to respond to new threats, by reviewing the concept of rapid response forces, establishing integrated units in its Eastern flank and taking other measures. As its main weaknesses, Latvia identified Russia's extensive propaganda in the information space, the poor co-operation of the civilian and military sectors, the restricted capacities of the domestic authorities due to lack of funding and insufficiently developed self-defence abilities.

The main task in the field of security policy in 2016 was to formulate the deterrence posture at NATO and national level to show to Russia that its aggressive foreign policy in the case of the Baltic States would entail very high costs. In May, the Parliament approved the new State Defence Concept which supports a defence posture based on three pillars — the resistance ability of the state and social cohesion, development of self-defence abilities, and deterrence measures, which primarily include carrying out the host nation support activities to ensure hosting of NATO forces. At the Warsaw Summit in July, the NATO deterrence posture was approved; it is based on the policy of use of nuclear weapons, increasing resilience of member states and a range of conventional measures, among which the most important is the deployment of multinational battalions in the Baltic States and Poland. In addition, an American military company still remained in Latvia, and the USA continued making substantial investments in the Latvian defence sector.

Upon conceptualising these two documents, it can be concluded that a two-tiered deterrence posture is being implemented (see Figure 1). NATO and the USA implement

extended deterrence¹, by ensuring stationing of their forces on a rotational basis and active participation in the military training, as well as by training Latvian armed forces in specific military skills. Latvia, however, at a national level implements a direct deterrence policy in order to demonstrate that, in case of military aggression, Russia will face a very heavy resistance and that all support measures of a host nation have been implemented to ensure that augmentation forces from NATO can be deployed as quickly and effectively as possible. To ensure that such two-tiered deterrence policy works, the implemented measures must be communicated in a uniform strategic communication against Russia.

Furthermore, the regional aspect is of utter importance, because the direct deterrence policy would not be successful if Latvia did not co-operate and coordinate its activities in the defence sphere with the other two Baltic States. Moreover, to strengthen the direct deterrence, Latvia is also co-operating with NATO partner countries Sweden and Finland, which, due to Russia’s aggressive foreign policy and military manoeuvres in the Baltic Sea region have also reviewed their defence policies. Accordingly, the objective of this article is to analyse the main operational directions taken by Latvia and the implemented measures in 2016 to form the deterrence policy against Russia. The main operational directions in the specific time period are: preparation for the NATO Warsaw Summit, intensifying strategic partnerships with the USA and other regional countries, and measures to strengthen national security.



1. Figure: Deterrence policy against Russia implemented by NATO and Latvia.

PREPARATION FOR THE NATO WARSAW SUMMIT

Regardless of the fact that the member states at the NATO Wales Summit agreed on the establishment of a Very High Readiness Joint Task Force (hereinafter — the VJTF), which would be smaller in number (5000 troops) and accordingly faster to deploy, the implementation of this decision has not been smooth. Like the previous concept of rapid response forces, NATO response force (hereinafter — the NRF), the VJTF too suffers from the same problems, namely, the slow process of adopting a political decision, uncertainties of their incorporation into the NATO forces command structure at a time of crisis, the slow pace of deployment of the ground troops element and the excessively vast range of tasks.² This significantly deteriorated the plausibility of the NATO deterrence policy in terms of ability to quickly respond and deploy its forces in a timely manner for the defence of the Baltic States in case of Russian military aggression. Therefore, the matter of forces being present in the Baltic States and Poland rather justifiably was included in the NATO agenda.

A historical moment this spring was the gathering of the parties, who form foreign policies of the Baltic States and Poland, and formulating a common stance for the Warsaw Summit, by urging NATO member states to deploy multinational rotational battalions, to deploy armament for NATO forces dispersedly across the territories of all countries and to formulate the policy for the use of nuclear weapons. Even though in several military simulations it was found that several heavily armoured brigades should be deployed and kept permanently in each of the Baltic States to withstand a conventional invasion of Russia, due to various considerations, the Baltic States did not request that. Firstly, the deployment of permanent brigades is considered a breach of the NATO and Russia Founding Act of 1997, which prescribes that NATO will not significantly change the conventional forces of the Eastern and Central European countries. Therefore, this decision between the NATO member states is regarded as excessively escalating with regard to Russia.

Secondly, NATO member states have no political will to deploy their forces for permanent stationing in the Baltic States. This decision is not supported either at a political or social level. Therefore, the battalion-sized rotational forces are not perceived as a provocative solution to reduce the sensation of threat in the Baltic States. Thirdly, contribution of these battalion-sized forces to strengthening the defence of Latvia would be of higher quality. Several NATO member states consider the deployment of rotational military personnel in the Baltic States as an opportunity to train the Baltic States in their lacking military skills. And finally, financial considerations must also be taken into account. The infrastructure of Latvia is underdeveloped for permanent deployment of such a numerous force as a brigade. In order to build a suitable infrastructure in a medium-term, significant spending would be required, which is not available in the Latvian defence budget. Funding is much more needed in other sectors. Nevertheless, the Baltic States' military budgets have sufficient funds to host battalion-sized rotational forces (about 1000 foreign military personnel) and NATO member states have the political will to cover costs for the participation of their personnel in NATO forces.

The declaration approved at the Warsaw Summit also gave answers to other issues of the Baltic States and Poland. It provides for three elements that the NATO deterrence policy is based on: The first element is the decision made to work on the NATO policy for the use of nuclear weapons. As regards this matter, it must be said that the summit only opened discussions of this topic. Currently, NATO holds discussions on how to implement it in practice. One of the first steps is to include this issue in military training focusing on decision-making. The second element is increased resilience of the member states. The Resilience Guidelines were approved, formulating national competences of the member states for ensuring their defence in such areas as cyber-defence, social cohesion against hybrid threats (information warfare, inciting social unrest, etc.) and civilian-military co-operation in crisis management. The last sphere is particularly important as it provides for strengthening the ability of national decision-makers to make decisions quickly in a crisis situation, checking the efficiency of all institutions involved in crisis management and especially working on the hosting of NATO forces.³

And finally, the third element of the deterrence policy is conventional measures, out of which the main decision was to deploy multinational battalion-sized rotational battlegroups⁴, providing for physical presence of NATO member states' forces and integration into the Latvian armed forces to provide a significant contribution in a crisis. It is worth noting that these battlegroups function as a part of the strategy for the use of nuclear weapons, because they involve NATO member states, which have nuclear weapons — the United Kingdom, the USA, Italy and Germany. Therefore, from the viewpoint of the deterrence policy, much greater importance is attributed to these NATO forces.

In addition, commitment of prepositioning of arms and fuel in the Baltic States was voiced, because, without it, the effectiveness of functioning of the NATO multinational battalions in a crisis situation would be questionable, and accordingly they would not operate as an important element of the deterrence policy. Ammunition and fuel are the Achilles's heel of the modern-day ground troops. Therefore, prepositioning spread across the territories of the three Baltic States is an extremely important step, because this way rapid reaction of these battalions and augmentation forces, such as the VJTF, during crisis is ensured. Certainly, in this context, a very relevant issue is the type of ammunition to be prepositioned and how compatible it is with the Baltic States' forces and NATO augmentation forces.

By looking from the perspective of Latvia, a Canadian-led multinational battalion, which will also include Spanish, Italian, Albanian, Slovenian and Polish units, can be considered a significant first step within the framework of the policy for deterring Russia. The new State Defence Concept prescribes that the deterrence policy is one of the strategic principles of defence of Latvia. NATO unity and solidarity are the cornerstones of the deterrence policy, guaranteeing joint reaction in a crisis. Whereas the presence of NATO forces materially strengthens the deterrence policy, as it serves as a practical confirmation of solidarity of NATO member states.⁵ Therefore, the

deployment of a multinational battalion is an important political step in strengthening the deterrence policy, however not in a military sense, because the force ratio is disproportionate if compared with the Russian forces in its Western Military District. Therefore, in addition, it is necessary to ensure a closer partnership with the USA, which is a global level military superpower and has for many years been significantly contributing to the development of the Latvian defence system, by supporting the development of specific military skills.

STRENGTHENING STRATEGIC PARTNERSHIPS WITH THE USA AND OTHER COUNTRIES.

The USA has been a long-term strategic partner of Latvia, holding primary importance in the defence of the Baltic States. The concept includes a task to foster the understanding of the US policy-makers about the geopolitical challenges of Latvia. In return, Latvia commits to participate in US-led military operations and organise defence procurements to facilitate military-industrial co-operation, thereby promoting compatibility of skills.⁶ Due to the same considerations, for several years, Latvia participated in the US-lead operation of coalition forces “Operation Iraqi Freedom” (2003–2008) and, in 2016, in the military operation “Inherent Resolve” implemented by the international coalition, led by the USA and battling the terrorist organisation “Daesh”.⁷

In principle, the USA has been the only country that has significantly contributed to the defence of Latvia (“Office of defence cooperation”) since the crisis in Ukraine, by providing financial aid, establishing a permanent administrative unit for communication with the US policy makers and ensuring military rotational presence. Financial aid has been allocated to the NAF projects and training, by ensuring training facilities and the necessary means, as well as by inviting Latvian soldiers to courses and training in the USA. Additionally, extensive funding is channelled to Latvia and other countries of the region through the European Reassurance Initiative Fund. Within the framework of this project, construction of barracks is funded at the Adazi Military Base and the Lielvarde Base, as well as other host nation support investments are made. Within the framework of this fund, Latvia will receive air defence radars.⁸

The Office of Defence Cooperation in Riga was established as an instrument of the defence sector, through which direct contact with the US government is ensured without the intermediation of NATO institutions. The US position is that Latvia and the other Baltic States are a strategic buffer between Russia and NATO. This is why military development of our region is important at NATO level, and in 2016, the US maintained its military presence within the operation “Atlantic resolve”, ensuring the

presence of 200 US soldiers, of which 130 soldiers are at the Adazi Base, but 90 soldiers are at the Lielvarde Base with “Black Hawk” helicopters.⁹ Even though the American companies will leave after the multinational battalions are deployed in the Baltic States next spring, along with the deployment of the American brigade in Germany, its elements will regularly rotate to the Baltic States and Poland. Thus, the American presence will be ensured in this case too, and that is significant from the viewpoint of the deterrence policy.

Another important strategic partner of Latvia in the defence sector is Norway, with which particularly good co-operation formed owing to the long-term participation of Latvia in the NATO mission in Afghanistan, where the Latvian armed forces were a part of the Norwegian Contingent. This year, Norway continued providing support to the training of soldiers in the Latvian Special Tasks Unit (STU). This is particularly significant after the onset of the crisis in Ukraine, when the boosting of STU forces (especially increasing the number) was set as one of the priorities requiring extra capacity also in the training sphere. Canada, for its part, has become an important co-operation partner for Latvia as it committed to assume the lead for the NATO multinational battalion to be deployed in Latvia.

Latvia, like the other two Baltic States, has focused its efforts on deeper integration in the region of the Nordic countries. Taking into account military manoeuvres of Russia in air and sea and its activities in the public space, both Sweden and Finland have started discussions about the need to join NATO and the necessary measures to strengthen national security. However, so far nothing suggests that these countries would need political support for a change of the existing defence posture model, which in its foundations is based on the commitment not to join any alliance (the so-called non-alignment strategy). Thus, for example, in the case of Sweden, defence spending has been substantially increased, mandatory military service has been reinstated and broad discussions are implemented about increasing societal resilience. Sweden and Finland understand the threatening atmosphere experienced by the Baltic States, as they actively participate in military training, including training, in which situations of invoking Article 5 of the North Atlantic Treaty are played out and which prior to the crisis in Ukraine were deemed a breach of the non-alignment strategy.

The positive vote at the Swedish Parliament regarding the ratification of the host nation support agreement with NATO was crucial for the security of the Baltic States. The agreement allows deploying NATO forces in the territory of Sweden and to organise military training. The previous NATO and Sweden agreement that was in force since 2014 prescribed that helicopters, aircraft, and ships can be deployed within the territory of Sweden only upon its invitation.¹⁰ The ratified agreement establishes that, in return, Sweden receives NATO security guarantees and that, in case of Russia’s aggression, the alliance will provide its support. From the operational perspective, this step was crucial for the defence of the Baltic States, because, without such an agreement, NATO access

to the Baltic States from the west would be geographically cumbersome in case of a crisis. It is particularly important strategically because of the ability of Russia to preclude access of NATO forces (especially the land element) to the Baltic States from the south because of the Suwalki corridor, which connects the Kaliningrad Oblast to the territory of Belarus along the Lithuanian-Polish border. Therefore, this agreement guarantees a military contribution, as well as a crucial investment in the NATO deterrence policy.

Even though the measures implemented by NATO and the USA to strengthen the defence of Latvia are very substantial, as they ensure an extended deterrence policy, nevertheless, a direct deterrence policy can be ensured only by Latvia itself.

MEASURES TO STRENGTHEN NATIONAL SECURITY

Following two years of diligent work at the Ministry of Defence and organisation of public discussion cycles on what the State Defence Concept should be like, in June 2016, the document was adopted at the Parliament. It describes the security environment of Latvia, by identifying the aggressive foreign policy of Russia, instability in the south of the EU, and the increasing threats of terrorism as the key threats. Continued implementation of the state defence in the upcoming years will be based on three principles: deterrence policy as means for reducing external military threats, the state's capacity to act and its will (in other words — its resilience), implementation of the state's defence and overcoming external threats.¹¹ Since the role of NATO and the USA within the context of extended deterrence policy has already been analysed, the other two strategic principles, namely, resilience and implementation of state defence, will be considered in more detail.

National resilience of a country is determined by several factors. It is, firstly, the ability to gather timely information about the situation and to identify threats, because Russia is employing asymmetrical warfare methods, which are relatively difficult to recognise. Therefore, there should be a very high intelligence capacity at the national level, and intelligence exchange should be improved between the Baltic States and within NATO itself. Out of all three Baltic States, Latvia has been working on this issue most actively. Following unsuccessful attempts spanning over several years, this year, an agreement was reached on the establishment of joint Baltic headquarters in Riga. In practice, it means regular (2–3 times per year) meetings of military planners of the Baltic States, during which operational plans are discussed and coordinated, intelligence is exchanged, and synchronised host nation support¹² activities are carried out.¹³

Secondly, inter-institutional co-operation is vitally important to ensure effective functioning in a crisis situation. Because of this, the Ministry of Defence organises regular training for the Cabinet members and other state officials involved in the

decision-making process regarding the conduct in case Article 5 of the North Atlantic Treaty must be invoked. In addition, there have been very positive developments in the co-operation between the Ministry of Defence and the Ministry of the Interior, having regards to the fact that national defence is unfathomable without close co-operation between the defence and interior affairs sectors. Both ministries have formulated proposals for a review of the existing regulatory enactments with the objective of improving the effectiveness of crisis management. An important step was the drafting and approval of the Civil Defence and Catastrophe Management Law in October, by clearly stipulating the duties of institutions and officials involved in crisis management.¹⁴ In addition, amendments have been introduced in the National Armed Forces (NAF) Law, by prescribing that, in war times, the border guard is incorporated in the NAF.¹⁵ The Ministry of Defence has commenced regular border guard training and has undertaken to purchase arms that could be compatible with the NAF arms. And finally, both ministries have agreed on the Latvian Eastern Border Defence Concept, which provides for creating a 12-metre-wide zone, thereby improving mobility and enhancement of the early warning system. The project will be funded from the budget of the Ministry of the Interior, and it is expected to finalise it in 2019. This year has been particularly important for the strengthening of the interior affairs sector, as its budget has been increased by 40 million euros and a new remuneration system model has been developed, which could guarantee a sustainable personnel system.¹⁶ These measures implemented in both sectors are regarded as very important steps to strengthening Latvia's resilience against threats presented by Russia's asymmetrical warfare (the so-called hybrid war).

Thirdly, the involvement of civic society in the state defence is a material component of the direct deterrence policy. Passive society that does not trust in the capabilities of its national armed forces to defend Latvia is a part of the Russian asymmetrical warfare, which maintains and disseminates messages in the information space about Latvia as a failed state. Initially, due to the numerically large community of Russian-speakers in Latvia, action policy planners had concerns that a large part of society could be open to Russia's propaganda messages and ideas of separatism, especially in the Latgale region. However, an analysis of public opinion polls carried out at a national level and in the Latgale region showed that, even though there are Russian-speaking groups, which agree with Russia's messages about Latvia, the possibility of mass protests occurring and backing of Russia's implemented activities is very low. Behavioural analysis of Latvian society showed that the majority of people do not wish to stand out in a crowd and they do not believe that their actions (including, through protests) can in any way change the events in the country. Therefore, it was concluded that it would present a certain challenge for Russia to mobilise large masses of people to support any unrest. As regards the Latgale region, it is important to highlight the high level of patriotism seen in the groups of society speaking in the Latgalian dialect and their backing of the Western-inclined geopolitical orientation of Latvia.¹⁷

The concept also clearly defines that the state defence is unconditional and it is the duty of every citizen to defend the country and resist the aggressor.¹⁸ The way to achieve it is to raise patriotism through active NAF activity in the regions and activities of the National Guard, as well as promoting the Youth Guard among the youths. The latter is considered an objective of central importance, for which financing was allocated soon after the Ukrainian crisis, and this year work continued on the implementation of the Youth Guard Development Plan 2015–2024, by increasing the number of instructors and youth guards, as well as allocating 2 million euros to it every year. One of the objectives is to achieve that basic defence is taught also in schools.¹⁹ However, it must be critically regarded that at a national level there is no purposeful policy in the civil defence sphere for informing and educating society of their duties and conduct in case of crisis. For example, since the onset of crisis in Ukraine, Lithuania has issued two publications to inform society about these issues. In Latvia, there still seems to be lack of understanding among the action policy makers in the sectors of defence and internal affairs that civil defence is one of the cornerstones of a country's resilience.

Finally, strengthening of the information space and cyber security are also considered a measure of enhancing a country's resilience. The concept stipulates that strategic communication abilities must be enhanced at the level of ministries and the government, by paying special attention to coordination of communication.²⁰ Unlike Estonia, Latvian policy-makers have not agreed on the creation of a television channel in Russian, but only allocated extra funding to Latvian public media and establishment of a special strategic communication unit subordinated to the Cabinet of Ministers. To prevent cyber threats, however, for several years now the Ministry of Defence has been working on the establishment of cyber units within the framework of the National Guard, and they have achieved good results in the training which took place in 2016.

The second strategic principle of defence included in the concept is the implementation of national defence and overcoming external threats, including contribution to collective defence and development of self-defence capabilities. Contribution to collective security remains a corner stone of the Latvian defence policy, ensuring the potential of functioning of Article 5. Latvia continues to support the NATO-implemented policies in other regions, by participating in the NATO training operation "Resolute Support" in Afghanistan and ensuring readiness of its forces both within the NRF and the VJTF.

As regards self-defence abilities, the crucially necessary NAF operational abilities include the element of land forces, National Guard, STU, early warning abilities, airspace monitoring and anti-aircraft defence,²¹ on the development of which the Ministry of Defence is working in two ways — by making the necessary procurements and by increasing the NAF personnel (up to 17,500 soldiers²²). Over the last two years, the Ministry of Defence has been actively working on procurements of communications facilities, anti-tank weapons, airspace monitoring systems, infantry mechanisation

platforms and other procurements. There is not much time, because many of the procurements were started in 2015 and they must be completed in 2018, when the Ministry of Defence will have to demonstrate that it has managed to absorb all of the additional funds allocated to it and that 2 per cent of the gross domestic product is an objective necessity rather than just formal compliance with NATO requirements. Taking into account that the anti-aircraft defence system is extremely expensive and the budget of Latvia does not have sufficient funds for it, the ministers of defence of Latvia and Lithuania signed an agreement in the fall of 2016 which provides for synchronisation of activities in procurements of the defence sector, especially those concerning medium-range air defence systems.²³

Considerable investments were continued in ensuring the host nation support tasks, by developing the Airfield “Lielvarde”, expanding the Adazi Military Base (construction of barracks, training facilities, warehouses, and other structures) and working on the command structure. The NATO Force Integration Unit (NFIU) started to function fully in 2016, having recruited the necessary staff (41 staff members) and continuing integration in the Latvian defence system.²⁴ As is known, the NFIU will gradually assume the central role with regard to rapid deployment of NATO augmentation forces, stationing of the multinational battalion and organisation of military training in the territory of Latvia, because they will have all the required expertise in logistics, statutory regulation, and command structure at their disposal.

Furthermore, substantial resources were allocated to the organisation of military training events (planned number of events: 70) with participation of the Baltic States, Germany, Norway, Denmark, the USA, Canada, Germany, the United Kingdom, Belgium, Poland, the Netherlands, as well as such NATO partner countries as Finland and Sweden. These training events are essential, because in practically all of them, a certain host nation support element is tested, and overall, they foster compatibility of the Baltic States and the NATO member states’ forces, coordination of regional support for NATO forces, by using military and civilian resources and helping to integrate civilian institutions and officials in regional level decision-making and examining adequacy of statutory regulation.²⁵

Thus, 2016 has been very important in strengthening the national defence abilities, by making the necessary procurements and increasing the number of armed forces personnel, organising numerous military training events, as well as dedicating plenty of time to the strengthening of civilian-military co-operation. Meanwhile, insufficient attention is paid to the development of the civil defence system, which is a cornerstone to societal resilience

EXPECTATIONS IN THE SECURITY POLICY SPHERE IN 2017

As regards the forecasts for the upcoming year, there is a range of issues in each of the aforementioned activities, which will have to be addressed by security policy makers. Firstly, it is necessary to implement the decisions adopted at the NATO Warsaw Summit. It is important for Latvia that the multinational battalion deployed in the spring is effective and capable to act, because only then it can be guaranteed that it will function as an important element of the deterrence policy. It is necessary to clearly stipulate the battalion command management in times of peace and in crisis, its tasks and conditions of engagement, as well as to ensure that the rotation of forces transpires in a way that the battalion constantly has the maximum number of soldiers.

Secondly, at a regional level, the integration and co-operation of Baltic States in the military sphere will remain as the cornerstone of defence of this region, by seeking ways of achieving better information exchange and working on the development of the early warning system. In this same context, the understanding of the importance of Poland in the planning of Baltic defence is ever increasing. In a broader region, Latvia will continue developing closer co-operation with Sweden and Finland, which will be primarily achieved through military training.

Thirdly, Latvia will continue positioning the USA as its key strategic partner, bearing in mind the extensive investments of the latter in the strengthening of the Latvian defence system. Furthermore, more in-depth co-operation with Canada and other countries — Italy, Spain, Albania, and Slovenia — will develop as they start their participation in the multinational battalion.

Fourthly, at a national level, Latvia has a very long to-do list to ensure an effective direct deterrence policy. A range of measures must be implemented to host and ensure the stationing of the multinational battalion and to develop a system of rotation of forces. At the same time, it is necessary to work on integration of forces in the make-up of the Latvian armed forces, at least insofar as it refers to possible crisis scenarios. In its communication with the public, it is important for the Ministry of Defence to explain the objective of deploying a battalion and its task, not to allow for the spread of Russia's propaganda messages claiming that "there are occupant forces in Latvia" or that "the presence of NATO is provoking Russia".

In the sphere of civilian-military co-operation, work will be done on the development of the early warning system and border guard training. There will be attempts to achieve societal resilience and social cohesion through measures promoting patriotism, by popularising armed forces through National Guard and Youth Guard activities. The suitability of the total defence model for Latvia will be at the centre of defence policy discussions.

POLICY RECOMMENDATIONS FOR 2017

Firstly, it will be necessary to implement joint strategic communication from NATO through to the national level of member states by employing political and military instruments. Effectiveness of the deterrence policy will be greatly dependent on how it is communicated to the opponent. Taking into account the deterrence policy decisions approved at the summit (in the spheres of military resilience and use of nuclear weapons), it is particularly important that joint strategic communication is effectuated at the entire NATO level juxtaposed against Russia, by sending clear messages about the deterrence policy activities. In the existing communication, certain differences can be observed between how the NATO strategic level or certain member states are communicating and what, for instance, the Baltic Sea region states are communicating. This does not guarantee the maximum effect in the deterrence sphere, which could be achieved if joint communication were ensured.

Secondly, it is necessary to strengthen co-operation among the Baltic States and more broadly with the Baltic Sea region countries in the sphere of intelligence to improve the functioning of the early warning system. This is a very sensitive issue for all countries; however it is extremely significant to ensure effective conduct in case of a potential crisis.

Thirdly, at a national level, a comprehensive approach must be implemented in Latvia in enhancing societal resilience. National security is a vast combination of inter-sectoral measures, which provides that the education, information, and involvement of as vast part of society as possible in the state defence is not only in the competence of the defence sector, but also that of domestic affairs, education, culture and other sectors, and that a comprehensive approach is required. This approach should definitely be implemented to develop the currently non-functioning civil defence system, which is a crucial element of societal resilience.

And fourthly, Latvia must seek co-operation partners within NATO to develop essential self-defence skills. Even though the deployment of multinational battalions in the Baltic States is an important witness to political solidarity within the framework of NATO, if considering from the military viewpoint, it cannot withstand the military superiority of Russia. Moreover, it must be borne in mind that NATO is faced with significant problems in ensuring fast redeployment of the rapid response force. Therefore, the only way of strengthening the NATO deterrence policy against Russia is to help the Baltic States to improve their self-defence abilities, thereby increasing costs for Russia if it decides to act aggressively in this region.

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IMPORTANCE OF STRATEGIC COMMUNICATION MATTERS AND THEIR DEVELOPMENT IN THE LATVIAN SECURITY POLICY

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Strategic communication as a concept in the international security policy is increasingly gaining importance. When analysing strategic communication and its place within security policy of a specific country, a distinction between two strategic communication spheres must be made. One of the spheres is related to commercial, national, non-governmental, and political organisations, in which strategic communication is interpreted as a targeted use of communication in the fulfilment of an organisation's mission. The second interpretation of the concept refers to the military sphere. Potentially lethal operations — this is a feature that distinguishes military communication from communication at a political level, on which the content of the communication is mostly words and images, therefore military communication can have an infinitely higher impact on individual perception. Since actions in the military sphere often speak louder than words, it is important to integrate military operations in and to coordinate them with communication and information activities of the military organisation¹. The objective of this section is to look at and analyse both directions of strategic communication, to analyse the measures at a national and international level, leading to changes in the Latvian security policy, and to analyse the importance and development of strategic communication matters in the Latvian security policy (the method and means employed by state authorities, leaders, experts, etc. to communicate security-related measures intensifies the impact of these measures on national and international security alike). Secondly, it aims to outline the existing and potential challenges within the context of military strategic communication — information campaigns (propaganda), psychological operations, manipulations and distortion of information.

THE CHANGING SECURITY ENVIRONMENT: FACTORS AFFECTING THE SECURITY OF LATVIA AND THE ROLE OF STRATEGIC COMMUNICATION

Following the Russian aggression in Ukraine in 2014, changes in the volatile international security environment have intensified, as several international players adapt to the existing security challenges. Various security-promoting measures are implemented within the framework of national and international security organisations, leading to changes in the national and regional security context. From the viewpoint of security of Latvia, 2016 has been important in the light of several interconnected developments. Firstly, an historic decision was made at the NATO summit in Warsaw regarding the deployment of permanent allied forces in the Baltic States and in Poland. Secondly, in Latvia, like in other Baltic States, several security-enhancing measures have been implemented in co-operation with the allies, to foster the deterrence policy. Thirdly, since the restoration of independence, the biggest increase in defence spending of about 45 % over a year has been experienced; this provides the financial base for the development and strengthening of National Armed Forces and offers an opportunity to co-operate more closely with the allies, by strengthening the national defence ability and participating in missions and operations abroad.

In 2016, the security policy of Latvia was most significantly influenced by the NATO summit in Warsaw. The summit agenda included four key items: (1) strengthening of collective defence and deterrence policy of the alliance; (2) response of the alliance to challenges in the east, including future relations with Russia; (3) NATO involvement in the resolution of challenges in the south; (4) NATO mission in Afghanistan. The main focus at the summit was on matters of security of the Baltic States and Poland and the necessary measures to deter Russia from potential aggression. For Latvia, the most important decision made at the summit was regarding strengthening of the allied presence in NATO member states in the east. At the summit in Warsaw, it was announced that several allies (Canada, the USA, the UK, Germany) will undertake the leading state responsibilities of multinational battalion-size allied battlegroups in the Baltic States and Poland, which will be deployed in these countries in 2017 for the purposes of deterring further Russian aggression and strengthening collective defence. At the meeting of NATO defence ministers that took place in October 2016, other member states, too, announced their plans to include armed forces and equipment in the multinational battalion-size allied battlegroup.

With the adoption of decisions at the NATO summit in Warsaw, one of the priority foreign policy and security policy goals defined in various national documents, including in the 2015 annual report of the Minister for Foreign Affairs of Latvia on the achievements and planned action in foreign policy and in European Union affairs, was achieved: "The aforementioned trends and events necessitate that also in 2016 the main goal of foreign policy of Latvia will be ensuring state security and national economic interests.

Therefore, the foreign policy of Latvia will focus on the fulfilment of the following goals: to strengthen external security by achieving long-term NATO presence in our region and to promote effective counter-terrorism efforts by the EU and NATO [...].”²

The long-term presence of allied forces has been one of the key interests of the defence sphere already since joining NATO; it has been facilitated mainly by the aggressive conduct of Russia in the international arena and in particular its activities near the border of Latvia. In the context of these historical events in the sphere security policy, the role of strategic communication is important, firstly, when communicating to society the impact on and importance of this decision on national security, and, secondly, in order to promote and disseminate messages to the potential aggressor explaining the importance of the decision, thereby deterring them from any type of activity against the state and reducing possible escalation.

Along with the decision to ensure the presence of allied forces in the Baltic States and Poland, a joint stance and approach for the part of the executive branch were observed. In the assessment of the defence authorities (the Minister for Defence³, the NAF commander), the diplomatic corps, and of the President of the State,⁴ the presence of allied forces is perceived as an important achievement, which, firstly “makes the state more secure”, secondly, strengthens co-operation with the allied forces, and thirdly, deters the opposing force from potential aggression. Since the decision was made to deploy forces, a stark difference of opinions can be observed in the information space of Latvia regarding the positive or, quite the contrary, the negative impact of this decision on national security. Several in-depth interviews have emerged in the information space focusing on finding the purpose, structure, and influence of the planned forces. The most important messages that are spread in society for the part of government representatives after the decision was adopted are “NATO — one for all, all for one”, “Article 5 of the North Atlantic Treaty is proven with actions”, “The security concerns of Latvia (the Baltic States and Poland) are understood and taken into account”, “NATO is ready to withstand any challenges”, etc. Among the messages communicated in the public space, less is said about how this decision could affect the relationship with Russia and what changes it can bring to the security of the region.

The messages of the political elite correlate with the public sentiments. In assessing the development of the situation in the sphere of national security, the most significant precondition for the strengthening of security and defence of Latvia is NATO backing. According to a public survey,⁵ NATO support, the presence of allied forces, as well as military exercises in the territory of Latvia are perceived as the most significant aspects proving that the security and defence of Latvia have improved. Society in Latvia deeply trusts NATO. Increased presence of allies in the territory of Latvia is perceived by the public as a positive development. About 60 % of Latvian population believe that the presence of other NATO states’ armed forces in the territory of Latvia is increasing the security of Latvia. Contrary to the frequent claims that the deployment of these forces

contributes to unnecessary escalation, allied activities in the region are received with popular support.

Within the framework of strategic communication and Latvian security policy, an important aspect is the divergent opinions and the position on issues important for the defence between the Latvian- and Russian- speaking population. The Russian speakers are often considered as “the Achille’s heel” (means/excuse) of the Latvian security policy, due to which aggression could be exerted in the country. In addition, historically, the majority of this group are subjected to two different strategic communication discourses, which are regularly conflicting each other. This is also reflected in the way this community views and assesses activities of international organisations, especially NATO, in Latvia. According to the public survey,⁶ about 60 % of the Russian speakers fully or rather distrust NATO, only 3 % of respondents fully trust the alliance and the activities carried out by the allies in the region. Since 2013, the Russian-speaking community has increasingly regarded NATO as being “a bad thing”.

This situation is mainly affected by two interlinked aspects: (1) proactively organised foreign (mainly Russian) campaigns with an aim to denigrate allied activities in the region; (2) deficiencies or shortcomings in the strategic communication of the Latvian political elite with the Russian-speaking audiences to explain events and adopted decisions, which are related to the security of Latvia. The strategic communication (propaganda) of Russia, promoted by state funding, is sufficiently effective, resulting in the strengthening of a narrative favourable for it in society or in a certain community. Those carrying out Russia’s propaganda have identified certain players, measures, and parties of influence, with the help of which the consolidation of a specific position in a specific group of society is promoted. The implemented strategic communication activities for the part of Russia are aimed, firstly, at causing distrust in the current political elite, which has undertaken and continues to ensure ever closer integration in international organisations of the west and bilaterally strengthens the co-operation with the allies and partners in economic and military matters alike. The effectiveness of Russia in manipulating information not only in Latvia, but also in Europe, overall depends on three aspects:

1. The ability and possibilities “to rename” democratic values: democratic values in the western world are accepted as self-evident. They are often “challenged” with the help and means of various information campaigns. Ideology-based information campaigns that are implemented in Latvia are trying to undermine norms and values that are customary and safeguarded in developed western societies.
2. The ability of transatlantic society to communicate about measures and steps to be taken and adopted to protect its territory: the Russian-speaking community is obtaining information predominantly from mass media that are linked to Russia. It is a great “machinery” that covers the information field, which is difficult to “penetrate” with explanations of the implementation of specific security policy decisions. The proposed range of information is so overpowering that often there is no room for other, opposing views. Furthermore, such information and means of

passing this information on promote alternative manifestations of values and norms. As a result, opposing opinions about security-related matters become an object of discussions about what one believes in, thereby encouraging strong-worded and conflict-tended communication.

3. The ability of western, including Latvian, political elite to be critical towards the grounds of and necessity for the adopted decisions: self-criticism and ability to maintain peace and conviction when confronted by an opponent, as well as the ability to understand the opponent's conduct and motivation are preconditions for successful strategic communication.⁷

By deploying permanent troops and abstracting from specific countries and geographic location, theoretically a contrary effect could be achieved: from deterring the opponent to more escalation and insecurity in the region. NATO communication with regard to deployment of forces in the Baltic States and Poland was based on reasoning that the presence of allied forces is of defence nature, it is proportionate and conformant to international regulation, without violating the NATO-Russia Founding Act⁸. Contrary to the NATO premise that the planned allied presence is of defence nature and that it does not violate the undertaken commitments, the response of Russia soon after the decision was made on the allied presence in the Baltic States and Poland has contributed and continues to contribute to tensions in the region. Several leaders of Russia, including its president Vladimir Putin, have come out with messages of discontent and implicit hints of "response moves" to such policy.⁹ Public communication between the heads of state of Russia and the allied powers has been aimed rather at confrontation than communication.

Confrontation has transformed from public/strategic communication into real acts. According to statements by Russia's official representatives, in order to balance powers with NATO due to the established four battlegroups in the Baltic States and Poland (with about 1000 troops in each country), Russia is adopting several military measures.¹⁰ In 2016, Russia has, by restructuring its forces, established three new divisions (two in the Western Military District, one in the Southern Military District), a large-scale military exercise has been carried out near the Baltic borders, forces have been relocated from other districts to the Western Military District, military infrastructure has been developed, among other measures. The lack of transparency and information exchange has caused concerns among the promoters of security of Latvia about the true intentions of Russian activities.¹¹

Demonstration of military power is one of the means employed in strategic communication of security policy. The aim of the show of power is mainly to send a message to the opponent, thereby trying to influence the adoption of a specific approach, policy or decision. Show of military power in the strategic communication of Russia is a regular occurrence. During regional meetings, when it is planned to adopt decisions that are supposedly unfavourable for Russia, often large scale military

activities are carried out in the region. Likewise, frequently, “a response” to various political announcements or occurring processes is given by demonstrating military power. Irrespective of the extent of military activities carried out by Russia, the military activities occurring in the Baltic States, with or without allied involvement, are perceived as escalating in the Kremlin. Upon comparing the Russian and NATO activities in the Baltic region, it can be concluded that the number of troops and the purposes of exercises differ significantly (exercises of offensive and defensive nature). The most extensive training in the Baltic region in the recent years with the participation of allied forces included a total of about 13,000 troops, whereas the unexpected checks for combat readiness and the planned exercises of Russia have involved up to 100,000 and even more soldiers.¹² The force ratios are disproportionate.

The challenges thrown by Russia, uncertainty about its plans and intentions of activities have been among the central issues of discussions in the strategic communication of the Latvian security policy. Several documents issued in 2016 relating to the security of Latvia have contributed to and influenced the importance of this issue. In the State Defence Concept and in the National Security Concept, it is indicated that the significance of external risks and threats to Latvian national security keeps increasing. The existing security environment is a complex interaction of several military and non-military aspects. Russia’s aggression in Ukraine, its military training and show of power near the Latvian borders, as well as attempts to influence the national politics situation using various economic and political means create the need to assume a comprehensive approach in order to eliminate the threat.¹³ It is assumed that Russia is willing to achieve its goals as regards its neighbouring countries using any means, including the use of military activities in order to impose its foreign policy and security orientation choices.¹⁴

MILITARY STRATEGIC COMMUNICATION

With the development of information and communication technologies, the ability to affect people’s emotions and awareness in political and military battles often turns out to be more important and decisive than the ability to exert a physical force. One of the key principles laid down 2500 years ago by the Chinese warrior and philosopher Sun Tzu “supreme excellence [in the art of war] consists in breaking the enemy’s resistance without fighting” is gaining increasing relevance in the context of today’s politics and discourses. From this perspective, strategic communication is relevant not only between countries, but it is used and employed by various international players. For example, a number of terrorist groups are intensively and successfully using communication strategies and instruments, and this motivates western democratic states and international organisations formed between them to seek solutions of how to effectively use the informational, cognitive, and emotional dimension in achieving its

strategic and tactical goals. Military strategic communication is used to persuade people to accept ideas, political and operational directions; to convince the allies and friends to provide support, to recruit the neutrals to join you or at least remain neutral, and make the enemy believe that you have the power and willingness to dominate over them; to persuade the population to support their leaders' policies and, therefore, the will of the nation would help achieve national goals.¹⁵

Military strategic communication is one of the concepts that is relevant in the military sector of NATO, as well as of the USA and other western countries and their allies from the military perspective. In the Latvian security policy, ever more attention is paid to strategic (military) communication. A proof of that is the agreement reached between Latvian diplomats and representatives of defence authority with NATO that a NATO Strategic Communications Centre of Excellence would be established. Since the Centre was established, it has carried out several analytical studies regarding informational and psychological campaigns/operations aimed at NATO member states, including Latvia. In several studies, the Centre has analysed the ways and means employed by Russia to influence the conduct and opinion of a specific community or group. As regards the Russian propaganda and its impact, it is suggested that society of Latvia is not homogeneous and it can be divided into three groups. A part of society has been hypnotised by the Russian media, and these people "will be very difficult to return back to earth" in at least the medium-term. Another part of society understands that Russia is engaging in propaganda, and it is already a success, because people are not perceiving the information flow at face value. And then there are those, who accept some of it and do not accept the rest.¹⁶

The Security Police have also identified propaganda as one of the risks to the security of Latvia in several of its reports. It is emphasised that the most significant risks to the security of the information space of Latvia are still created by informational influence activities of Russia, the goal of which is, by means of biased and false information, to erode the Latvian people's feeling of affiliation to and trust in Latvia, all the while boosting loyalty to Russia and support to its interests in Latvia. Taking into account the determination expressed in strategic documents of Russia to develop informational influence resources, it can be expected that Russia will continue propaganda campaigns aimed at Latvia.¹⁷

CHALLENGES AND RECOMMENDATIONS FOR 2017 WITHIN THE CONTEXT OF STRATEGIC COMMUNICATION

1. Within the context of military strategic communication, it is necessary to implement several measures:
 - At the state level, closer ties must be promoted with non-governmental organisations, experts and other parties of influence, which represent and/or affect

the public opinion. Mutual communication with the parties of influence may not be based on “imposing” an opinion, but rather, by encouraging a dialogue, answers must be proactively offered to matters that are relevant for society.

- Journalists’ competence must be improved in security-related matters: not only concerning the current national defence affairs, but also regarding developments in the international security environment and their impact on national security.
 - It is necessary to ensure publication of information, establishing facts and/or expounding methods about how other international players are trying to affect the Latvian security environment. When explaining tactics and methods, the weak points not only in the conduct of society, but also in the daily lives of individuals must be pointed out.
 - Communication about the security environment must attract attention and it must be explanatory. Bearing in mind the fact that defence is becoming one of the priority areas, in which additional funds are invested, public understanding of the use of funds and the development of national defence must be ensured.
 - At the state level, uniform position/narratives must exist regarding security-related matters. The position must concern matters of broad spectrum or those that are relevant on the Latvian security policy agenda. Manipulative activities, irrespective of whether those are internet trolls or a disinformation campaign in social networks, can be successful if an alternative position is not proposed at a state level.¹⁸
2. In the upcoming years, and especially in 2017, the importance and place of strategic communication matters in the Latvian security policy will become ever more relevant. As stated before, in 2017, allied forces will be deployed in the territory of Latvia. With the deployment of forces, better understanding must be ensured about the functions and capabilities of these NATO battlegroups, their involvement in conflicts, synergy with Latvian national forces, among other aspects. To leave less room for interpretation of the purpose of deployment of allied forces, the political elite of Latvia must have a more united position and justification when effectuating strategic communication. Differences in opinions and positions can add to insecurity and a challenge of the adopted decision. It is expected that the deployment of allied forces can become “a hot potato” in the Russia’s information campaign. It cannot be ruled out that various means and possibilities will be sought to denigrate the allied forces, thereby demonstrating that their activities in Latvia are illicit, undignified, escalation-promoting and inconsistent with international agreements.
 3. An explanation of the adopted decisions as regards the state security, free of ideological premises and deliberate “imposition” of opinion, is a precondition for public understanding of the state of security and national defence. Even though there are obstacles to addressing the Russian-speaking audiences, strategic communication with this community must be stronger at the state level. Lack

of information and explanation gives grounds to a more effective disparaging campaign. Failing to offer an alternative version of the importance and impact of events or adopted decisions, the specific community will perceive the offered information as the only and the true information. If the Russian-speaking community is ignored, it can lead to a deeper social divide and can serve as the grounds for Russia's military or any type of hybrid warfare in Latvia.

4. In the context of growing threats and the Latvian military budget, communication of fundamental principles of state security and defence policy is essential at national and international level. Firstly, the public understanding of national defence principles, the role of an individual and involvement in its enhancement are a precondition to successful state defence. Taking into account the fact that, within the context of existing threats, security has become one of the priority spheres of the government, resulting in significant investments in the strengthening of defence ability, state level communication about the developments in state defence must be proactive and clear, to promote public confidence and feeling of security. Similar improvement of understanding will also be necessary at international level, in order (a) to explain to the allies how the state defence is strengthened; that Latvia is fulfilling commitments which it has undertaken; and what mutual development channels are necessary to promote security; (b) to send a signal to the potential aggressor that the state defence is being strengthened and that Latvia can inflict maximum damage and losses in case aggression is used against it.
5. As the state defence and co-operation with partners and allies is boosted, we have to expect that provocative conduct (show of force) near the Latvian border will continue and most probably will become more intensive. This situation necessitates state level coordinated and explanatory information not only about the large-scale activities carried out by Russia, but also about the performed and planned state defence counter-action. To reduce the national risk potential, public understanding of the situation control is a crucial precondition.
6. Deterrence in the Latvian security policy is one of the central pillars. Deterrence is successful if the opponent is certain that its losses by engaging in warfare are bigger than gains. To enhance deterrence, by using various means of strategic communication, the necessary messages must be created and sent to the potential aggressor about losses that they may suffer, by getting involved in any type of warfare with Latvia. Within this context, irrespective of the already adopted decisions regarding the engagement of NATO in the region, it is important to continue consolidating the co-operation with the allies. From the perspective of sending strategic messages, the involvement of certain states and the way in which the allies will guarantee the presence of forces in the region will be of decisive importance. Power and force are aspects that the Kremlin respects. This is why the engagement of such countries as Germany, the United Kingdom, Canada, and, especially, the USA in the region will determine the deterrence reliability and will reduce the possibility

of miscalculation. It is not only the involvement of allies, but also the development of national abilities — both soft power and hard power elements — that determine the success of deterrence.

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ENGAGING IN THE FIGHT AGAINST INTERNATIONAL TERRORISM FROM THE VIEWPOINT OF INTERESTS OF LATVIA

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Since the beginning of the 21st century, terrorism has frequently been included on the list of priorities of international agenda. The backwash of the fight against international terrorism, which is directly affecting the foreign and domestic policy of Latvia, cyclically ends up on the agendas of the state's leading decision-makers, ever since the 11 September 2011 terrorist attacks in the USA triggered Article 5 of the NATO Treaty. Engagement of Latvia in the combat against international terrorism has been rather reactive than proactive. Initially, the fight against international terror became binding on Latvia as a candidate state of the EU and NATO, which in its foreign policy had to prove solidarity, but in domestic policy, within the capabilities of the state, to restrict the risks of terrorism and its support. Later, counterterrorism operations turned into a regular, though not key component of the country's foreign policy within the framework of these organisations.

Seemingly, all these years, the background of Latvia's relatively inert and declarative policy of battling terrorism was formed of considerations that the threat of terrorism in Latvia is low and therefore no significant resources should be invested in battling terrorism. On a broader scale, the war on terror is a more relevant component of international politics; therefore it is not efficient for Latvia to completely isolate itself from it. Without denying the presence of greater terror threats in our partner countries, the ever increasing role of the fear-mongering policy must be taken into account in the perception and presentation of the true harm of terrorism — because statistically, if compared to the last three decades of the 20th century, the number of terrorist attack victims in Europe has decreased.¹

Currently, the fight against terror in the European Union, following a number of terrorist attacks in the EU Member States in 2015 and 2016, is an urgent issue of the

agenda. The involvement of Latvia in the measures of this cycle of counterterrorism policy activity is not limited to foreign policy gestures. A range of activities related to the implementation of specific projects — such as a reporting system for online content and the approval of the passenger name record (PNR) directive — falls within the competence of the domestic affairs sector. Taking into account the importance of investigation, operative information and analytical work not only at an international, but also at a national level in combating terrorism, it is impossible to draw a line within the framework of counterterrorism between aspects of foreign policy and domestic policy. Operative work in battling terrorism at a national level is directly linked to the exchange of operational information and its compatibility at an international level, while the involvement in international level political initiatives cannot be logically detached from national abilities and the assessment of security threats in Latvia. Therefore, within this article, foreign and national aspects in combatting terrorism will be considered in a joint context.

COMBATting OF TERRORISM AS AN ASPECT OF DOMESTIC SECURITY

In the counterterrorism sphere, the state's key duty is to prevent terrorist attacks or preparations for terrorist attacks within its territory; that is predominantly the task of domestic security authorities, and success largely depends on effective mutual co-operation, including international co-operation. High quality investigation and intelligence gathering are the most effective, the most difficult, and simultaneously the least visible stages in the fight against terrorism. It was specifically the investigative work, by gathering information about structures of terrorist organisations and neutralising specific individuals in their hierarchy that most effectively allowed debilitating *al Qaeda* in Iraq in the final phase of the international military operation in 2007–2009.² At the same time, the well visible, but at the same time indirect elements of battling terrorism, such as security checks at airports and other public locations, in addition to police patrols on streets, and military operations in hot-spots, continue imposing an ever increasing burden on the budgets of western states and on the overall public morale.

For some time now, Europe has been balancing on the edge of embellishment as it responds to terrorist attacks and the threat of terrorism as such. However, there is a greater chance of drowning in a bath tub than falling victim to a terrorist, as recognised in the upper echelons of the executive branch in the USA³ — a country, which is still the most ambitious fighter (as well as a target) of terrorism. In the USA alone, more than 75 billion USD are spent on battling terrorism. To justify such spending, as opposed to other state-funded activities in preserving the lives and health of the population,

several large-scale terrorist attacks each day should be prevented.⁴ This disproportionate response is at the base of asymmetrical warfare and the target of any terrorist attack — the greater the panic and feeling of fear in society, the more effective the terror mission has been and the greater the motivation to repeat attacks. This exaggerated reaction is not unfamiliar in Europe, too — we have seen soldiers in streets and the state of emergency in France throughout 2016, alongside attempts to prohibit ultra-conservative women's bathing suits and to prevent covering of women's faces on streets right here, in Latvia.

Indeed, despite the low threat of terror, the security theatre of preventing fear is well known also here, in Latvia. That included stationing of additional police patrols at Riga's public transport hubs following the 2016 terror attacks in Brussels, which, according to the claims by competent authorities, was not related to preventing the threat of terrorism.⁵ Furthermore, extensive counterterrorism drills are regularly organised — the last having taken place in the fall of 2016 at the Riga Airport involving twelve various institutions.⁶ Without denying the need of the relevant services to be ready to respond in crisis situations, it must be borne in mind that the goal of terrorism is to achieve public fear and excessive steps for the part of state authorities. Therefore, a balanced inertness, patience or even indifference towards terrorist provocations can prove the most effective method of preventing it.

BATTLING INTERNATIONAL TERRORISM AND LATVIA'S COUNTERTERRORISM POLICY

The response of Latvia to the efforts of curtailing terrorism has a cyclical nature reflecting the international agenda, by responding to a demand or attempting to forecast it. This also directly affects the foreign policy rhetoric of Latvia, in which the counterterrorism topic over the last two years has become increasingly more visible. For comparison: terrorism is mentioned twelve times in the 2016 Annual Report of the Minister for Foreign Affairs on the achievements and planned activities in the foreign policy and in the European Union matters, whereas in the 2015 report, only five times.

At the same time, there are few concrete proposals or initiatives in the positions of foreign and domestic policy of Latvia regarding preventive steps to be taken in battling terrorism. In comparison with 2015, in 2016, a new risk has been identified — the radicalised fighters with battle experience returning from Syria and Iraq. This thesis is mentioned in both the Annual Report of the Minister for Foreign Affairs and in the National Security Concept.⁷ However, this threat assessment thesis is not yet extended to publicly available foreign affairs policy documents and the Ministry of Defence, before the authorities of domestic affairs and security, which are in charge of studying

internal threats, have deemed these risks as high enough to affect the overall level of terrorism threats in the country.⁸ Furthermore, the Report of the Minister for Foreign Affairs does not identify activities, with which Latvia could help reduce these new threats in other European countries, in which the risk of returning terrorist organisation fighters is potentially higher; this compels us to see the declarative nature of Latvia's foreign policy for battling terrorism. This diplomatically correct, but distanced position is understandable and justified; if one rationally considers the information at the disposal of the state administration concerning terrorist threats in Latvia; according to the information publicly voiced by the Security Police, the threats are still low.⁹

Therefore, it is only natural that a uniform national counterterrorism policy has not yet been formulated in 2016 either, due to the lack of relevance in domestic policy and the related lack of resources. For example, in the line ministries involved in combating international terrorism, at best, there is a total of one whole full-time policy expert post in each. Meanwhile, in operational agencies, although more numerous, the human resources cannot be compared to the counterterrorism units of the majority of western states. As a result, Latvia's contribution to the war on global terror is often measured through its participation in international military missions, which basically is only a small, but easy to account for, part of the totality of activities of combating terrorism.

In the war on terror, the policy of Latvia is characterised by a tendency to ensure a sufficient level of activity to avoid collective sanctions of strategic partners or international organisations, in which Latvia is a member. Thus, for example, the first significant steps in the arrangement of the legal framework of money laundering in Latvia were related to the increasing international pressure to ensure a sufficiently transparent banking sector to combat the funding of terrorism.¹⁰ Even though the results cannot be regarded as Latvia's international achievement in combating terrorism, it is, nevertheless, a step towards reliability of Latvia's banking sector and of the economy on the whole. A different, positive motivation that encourages involvement in the development of specific terrorism combating skills or co-operation mechanisms is the possibility of attracting funding from international organisations. However, as is the case with capacity building projects in general, it is not always possible to achieve a long-term result of such funding and of work invested by national human resources in absorbing it. It is particularly true, if projects are insufficiently integrated in the national system and harmonised with local needs. However, if the result is successful, similar to the example with aligning the legal framework in the money laundering sphere, building counterterrorism skills can support the implementation of broader national interests. Just like the act of joining the counterterrorism mission in Afghanistan pursuant to Article 5 of the NATO Treaty promoted Latvia's strategic goal of becoming a NATO member state.

The current forecasts of 2016 and 2017 provide for an increased threat of terrorism in Europe after the seemingly inevitable territorial defeat of ISIS. Mathematically, such an

analysis of threats increases the risks of terrorism also in Latvia, both directly and as a support base for organising possible terrorist attacks. Similarly, from the risk assessment viewpoint, the involvement of Latvia's National Armed Forces (NAF) in international operations in Afghanistan and Iraq increased the probability of Latvia becoming a point of interest of international radical fighters; likewise, raising the refugee topic in media and the growing informational confrontation with Russia theoretically increases the intensification of domestic right-wing radicals.

Nevertheless, we have managed to avoid ideological terrorist attacks in the territory of Latvia or a central role in planning a terrorist mission in another country. Similarly, nuclear terrorism has been considered inevitable for more than a decade now. However, owing to the effective work of security organisations, luck, or lack of terrorist capacity, this apocalyptic scenario has not been brought to fruition. The example of Latvia rather suggests the opposite — the lack of a nationally coordinated and targeted counterterrorism policy and implementation strategy has not deteriorated the security situation in the state. At the same time, it cannot be denied that certain counterterrorism activities have provided an added value in achieving strategic and good governance goals in Latvia.

LATVIA'S POSSIBILITIES WITHIN THE FRAMEWORK OF INTERNATIONAL COUNTERTERRORISM POLICY

As has already been concluded, the analysis or assumptions of threats by the responsible authorities of Latvia regarding the costs and benefits do not justify extensive investments of Latvia in the fight with international terrorism. At the same time, we are not in a position, in which Latvia with its foreign policy can fully isolate itself from our collaboration partners in such a politically important matter neither in 2016 nor in 2017. Furthermore, there are numerous examples of results achieved through participation in counterterrorism in other foreign and domestic policy sectors of the state¹¹. Therefore, it must be systematically assessed which counterterrorism activities Latvia should engage in to be able to ensure the best contribution while receiving maximum possible return for strengthening internal security.

Worth noting are those counterterrorism activities, in which Latvia has already been elaborating or which we wish to improve in line with broader considerations. That would result in voicing solidarity towards our international co-operation partners and developing national potentials that can be transferred to other sectors currently of higher priority for the situation of Latvia. The possible operational directions are:

- strengthening foreign policy priorities in co-operation with global partners;
- cyber security;

- strategic communication;
- strengthening the capacities of security agencies, especially in the area of operational co-operation.

Global Co-operation

Combating terrorism is one of the topics that has an important role in the EU-US dialogue and regarding which there is relatively high consensus in the light of current relations. Since the small countries are gaining the most from accessing operational information of large countries, it is in the interests of Latvia to maintain the positive atmosphere of this co-operation, also when combating terrorism is put on the back burner in international politics. Taking into account the strategic interests of Latvia in the EU-US co-operation and the currently increasing political contradictions between Europe and the USA, any successful co-operation format between the two sides of the Atlantic Ocean will be beneficial for the foreign policy of Latvia.

For Latvia, the increasing radical world perception among religious Central Asia youths, especially in Uzbekistan, Kyrgyzstan and Tajikistan, might result relevant.¹² The development dynamics of this region presents additional security risks for Latvia, as it tries to be as visible in the region as possible; it also opens up opportunities to create an additional substance for co-operation with this region that is so very important for Latvia's foreign policy.

Cyber Security

Even though combating terrorism, reducing cyber threats, and strategic communication are mentioned as separate topics in the 2016 Annual Report of the Minister for Foreign Affairs regarding the achievements and planned actions, these processes have not been considered in a uniform context. At the same time, organising a terror attack without internet or communications can no longer be imagined. Just like combating terrorism.

Increasingly important matters in counterterrorism are those that are related to the terrorists' seemingly unhindered use of the internet for carrying out basic operations, including financial flows, planning and tactical communications, recruitment and public relations. Furthermore, within the EU, discussions regarding cyber security remain on the agenda. Within the context of combating terrorism, particularly important matters are encryption, data security and privacy. Access to digital data, encryption keys, data protection and terrorism propaganda reporting platforms developed into an important component during the hearing of the new European Security Commissioner at the European Parliament in 2016.¹³

At the same time, it is important for Europe, which is lagging behind in the development of digital economy, to avoid seemingly effective, but technologically analphabetic solutions in fighting terrorism, such as restricting the security of encryption keys. Even if such radical steps turn out to be the only solution as positioned in September 2016 by the heads of security services of the United Kingdom and Denmark¹⁴, upon taking respective decisions, the gains/losses balance must be clearly apprehended. There are risks that steps, which ignore the rapid development of technologies, cannot be fully implemented and they will substantially delay the progress of digital economy of the involved states. It can also improve the positions of economic competitors, because the internet multinationals are better positioned in lobbying their interests at their countries of residence and have greater opportunities to re-orient service offer centres to other countries in the light of new rules that excessively restrict competitiveness. As a result, the respective internet communication services continue being globally available, including to terrorists, but now in other countries' security and taxation jurisdictions.

On the other side of the scales is the reasoning that the availability of large-scale encoded and uncoded data flows would substantially improve the operational and analytical work of security agencies. The potential of improvements is particularly high in such countries as the USA or the United Kingdom, whose security authorities' possibilities to obtain and process data are considerably better than those in smaller countries. Already now there is an abundance of assumptions about the true capabilities of security services of these countries, owing to data analytics and access to companies based within their territory (USA) or internet data highways (United Kingdom).

Theoretically, an aligned international regulatory framework for the work of security authorities with internet users' information, already starting with 2017, would also improve the possibilities of access of the small co-operation partners to the relevant investigative end-products of the large countries. Therefore, it is in the interests of Latvia to have effective co-operation between the EU and US operational authorities in the spheres of information exchange, compatibility and automated analytics, which, ideally, could be used not only in combating terrorism, but in preventing and investigating other criminal activities, too. Nevertheless, mutually complementing progress towards one or the other direction of digital co-operation of security authorities cannot be fathomed without a shared understanding between the involved countries of limits of data protection and privacy, which has already caused endless discussions and exacerbations in international relations in the USA and in Europe.

In this sense, Latvia can try to position itself as a broker in this international terrorism combating discussion regarding a balance between security and privacy in cyber space, especially taking into account its experience and expertise in the sector of information and communication technologies (ICT). Furthermore, due to pragmatic considerations, it is in the interests of Latvia to have the utmost possible favourable environment of the

development of internet technologies in Europe, taking into account the increasing proportion of the sector in national economy. Timely involvement of Latvian experts in formulating information exchange standards opens up opportunities of involving the ICT sector of Latvia in the development of relevant information security and information exchange products, which would allow building the necessary expertise in Latvia and would diminish the current dependence on products supplied by other countries. In Latvia, there is already a European-level success story of information security in state administration — CERT¹⁵; furthermore, Latvia has internationally recognised encrypting specialists in the academic environment. There are also relevant developments in the private sector, which altogether form a basis for the development and export of competitive ICT security products. Thus, combating terrorism in cyber space is a sphere, in which it would be rational to replace the previous observation tactic with more active engagement in the international policy formation already starting with 2017.

However, if we wish to be active and reliable in negotiations on international cyber security, we must be able to position ourselves or determine the limits of positions regarding data security and privacy matters; this is a homework that Latvia has not yet done. Just like most European countries. Nevertheless, this is likely an easier task for Latvia than for countries, whose population and companies have a manifestly more sensitive attitude towards the state meddling in the private life. At the same time, the interests of the sector can serve as a counterbalance to ensure that the result is not overly policing for consumption beyond Latvia.

Strategic Communication

One of the most visible examples in using opportunities offered by the internet for criminal purposes in the recent years is popularising ideas that justify terrorism, which has led to a range of terror attacks and thousands of volunteers that have joined ISIS in Iraq and Syria. From among informational and psychological activities of terrorist organisations in the digital environment, we can distinguish direct hate speech and incitement to violence, as well as substantially more nuanced propaganda activities. Removal of hate speech and other unlawful content from the internet, though challenging, can be resolved with relatively easy methods, namely, by gathering and making the relevant information unavailable. In Latvia, too, increasing importance is attributed to various voluntary involvement solutions, whereby the State Police is successfully co-operating with reporting platforms and digital media.

It must be noted that, to address non-objective journalism, incitement of hatred, and promotion of warfare, the National Electronic Mass Media Council of Latvia, since the onset of the conflict in Ukraine, has decided to prohibit rebroadcasting of certain television channels of the Russian Federation in Latvia.¹⁶ Namely, Latvia's information

space in 2016 and in 2017 is faced with similar challenges to a democratic and free circulation of information and strategic communication in a modern juxtaposition.

The fight with propaganda requires substantially more complex solutions, within the framework of which we need opportunities to respond with informational operations of commensurate efficiency. Thus, for example, in the USA, it is the State Department that is responsible for the campaign to combat the international terrorism message in the digital environment. Even though there are still no possibilities in state administration of Latvia to limit such criminal propaganda, experts based in Latvia have made certain advances in the analysis of terrorism propaganda in social media within the framework of the NATO Strategic Communications Centre of Excellence.¹⁷

Consequently, strategic communication can already in 2017 be developed into a potential contribution of Latvia in the fight against international terrorism. Although the most important aspect in combating terrorism propaganda is its local nature and popularisation of alternative messages in the zone and language of operations of terrorist organisations, these possibilities can be enhanced with the help of support in social media training and in the development of an operational level communication framework. Especially because in the arsenal of those combating international terrorism these local possibilities are still underdeveloped.¹⁸ Therefore, the investment of Latvia in the areas of strategic, operational, and tactical communication is more achievable and has a better return potential than other counterterrorism capabilities, for which we need physical resources that are not attainable for us, such as intelligence and analysis support. These capabilities can also be used in reducing more extensive threats to Latvia and in combating information activities carried out by Russia.

Co-operation and Information Exchange between Operational Authorities

Combating of international terrorism in its core is based on high-quality investigative work, as well as timely availability of investigative and intelligence information for operational services. The decisive importance of such operational work and information exchange is confirmed by the case of the Brussels Airport suicide bomber Ibrahim El Bakraoui, whose name and possible connection with a terrorist organisation, as it turned out, was known to both Dutch and Belgian security agencies. However, the analysis of the threats that this person presents had not been supplied to the competent operational authorities on time. Lack of access to information is not a new problem — delays in co-operation and exchange of operational information between domestic authorities are regularly observed among domestic authorities of Latvia and other countries alike. Not to mention the complications and the time obstacle that must be overcome if investigation is taking place on an international scale. In addition, these problems affect the overall investigation of crimes, where terrorism is only a small part of the combined number of criminal offences.

In the case of Latvia, organised crime inflicts a substantial direct harm on the state, whereas terrorism up to now has been a threat to the public morale rather than to physical well-being. Cross-border organised crime investigation is kindred to international terrorism investigation. Whereas the political aspect rose in relation to combating terrorism is sufficient to give a push for resolving reciprocal challenges of domestic authorities and cross-border co-operation. Such systemic improvements in the case of Latvia are particularly useful for improving the State Police's capabilities of combating organised crime. Furthermore, foreign funding is available for these projects, such as in the case of information exchange of the EU Passenger Name Record (PNR) with the USA, Australia, and Canada. Nevertheless, such added value must be planned in due time, so that, as a result of narrowly formulating the fight with terrorism, situations would not arise within certain domestic authorities when the State Police unit in charge of combating organised crime, in the end, does not have access to the PNR data.

All the while, special attention must be paid to data security, because centralisation and connectivity of databases make them into increasingly more appealing cyberattack targets. Especially if database security enhancement lags behind the rate of improving their utility. The related data security and privacy risks have already caused controversy in several European countries, including Germany, Denmark, and France.¹⁹

CONCLUSIONS AND RECOMMENDATIONS

Even though the threat of terrorism in Latvia is low and it is not rational to invest extensive public resources in curtailing this security risk already from the budget of 2017, the agenda of combating international terrorism contains a range of elements that affect broader national interests in the areas of foreign affairs, domestic affairs, security and economy. This article considered those spheres related to combating terrorism, which might be important for Latvia or the enhancement of which could ensure additional added value, by transferring the systemic gains of such involvement also to other sectors in the economy and domestic affairs of Latvia. In order to achieve the maximum added value from this exercise of planning strategic interests, it is necessary to timely define the position regarding important terrorism combating elements, such as in the matters of privacy and development of the information and communications sector. Otherwise, there is a high probability that the position will be defined elsewhere and Latvia will have to accept it as a member of international organisations, by managing to achieve cosmetic changes in a best case scenario.

Such risks are particularly relevant within the framework of the terrorism combating policy, because, even though this topic on the international agenda is mainly given a

secondary role, it features unpredictable and relatively brief periods of activity, which are related to the dynamics of terror attacks. During the active phase, decisions on policy directions or internationally binding regulatory enactments can be made within a few months. If an issue is raised on the international agenda, about which Latvia is lacking a uniform position and which requires the involvement of several authorities, the probability of timely convening is minute. In this situation, the foreign affairs sector has a tendency to attempt managing the political discussion about matters that fall within the competence of other ministries, especially if the response of the competent authorities is not fast enough to fit in the schedule of international negotiations processes. This consequently leads to potential conflict situations between the foreign affairs sector and the involved national agencies, thereby additionally reducing the possibilities of defining a quality policy and national interests within an already restricted time period.

Instead, in a small number of priority issues, added value of timely policy coordination must be employed, while in other matters of combating international terrorism, the diplomatic resources can be maintained as the key instrument for balancing between the minimum possible investment of national resources and the international pressure. Such division of responsibilities already in 2017 would facilitate the capabilities of a sufficiently fast response to issues of combating international terrorism in foreign affairs, by ensuring the quality of positions and potentially also the reputation of expertise, when the issues of combating terrorism concern the spheres relevant to Latvia, such as Central Asia, cyber security, strategic communication or exchange of operational information.

In 2017, the following tasks of policy and priority planning should be completed or commenced:

1. *Global security.* The Ministry of Foreign Affairs and the Ministry of the Interior must send a message within the framework of the US-EU dialogue and to Central Asia countries about the willingness to enhance co-operation in the field of combating terrorism.
2. *Cyber security.* The Ministry of Justice must formulate the national position on data security and privacy, as well as include consultations of experts from private and academic sectors in the formulation of the position, by balancing economic considerations of security and sectoral development. Whereas the Ministry of Foreign Affairs, along with the competent line ministries, should explain these positions to the partner states, identify like-minded partner states, and proactively participate in debates regarding the relevant policies within the EU, UN, and EU-USA formats.
3. *Strategic communication.* The Ministry of Defence should identify those aspects of combating hateful propaganda in the digital environment and social media, which are shared by terrorist organisations and security services of aggressively inclined

states. Taking into account the identified capabilities, the Ministry of Defence and the Ministry of Foreign Affairs must assess the already developed resources, which Latvia with minimal investments can offer to the initiatives of combating international terrorism; furthermore, they must assess the weak points that Latvia can improve using projects of combating international terrorism.

4. *Co-operation of operational agencies.* The Ministry of the Interior should assess how the initiatives of co-operation between operational agencies in combating international terrorism could offer a broader contribution to fighting organised crime in Latvia. Likewise, it is important to ensure relevant communication between Latvia's security and domestic affairs authorities to transfer the gains of exchange of international operational information to the competent Latvian agencies, for example, by improving the State Police's access to PNR data. Additionally, it is important to draw attention to the security of databases of operational information exchange, including by involving representatives of the ICT sector and academia of Latvia as consultants.

All of these tasks require the involvement of more ministries than stated on the list of recommended tasks. Therefore, even though a single leading authority is required, the work task must be formulated at the government level, by envisaging leading and supporting organisations for each case. Since it is the foreign affairs authority that most frequently has to explain the policy of combating international terrorism to our partners, the initiative in the government regarding the drafting of relevant decrees could come from the Ministry of Foreign Affairs.

Finally, by involving experts of the private sector affected by the competent authorities battling terrorism and their operations, the shortlist of priorities could significantly change the emphases. Here, the most important is to ensure that considerations of defence and foreign affairs, as well as domestic affairs, economic and financial considerations are included in the planning process and in the analysis. This should be done with an aim to gain added value not only for Latvia's capabilities of combating terrorism, but, more importantly, also for other spheres of Latvia's economy and security. Terrorism often is nothing more than a struggle for attention, so that with the help of criminal activities, changes in the public morale and behaviour are achieved. Therefore, rationalism of the competent authorities, assessment of counteraction and proportionality, as well as patience and even certain acceptance can prove to be the most effective long-term instrument in battling international terrorism both in domestic and foreign policy within the framework of 2017.

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LATVIA'S INTERESTS IN THE EUROPEAN UNION: BETWEEN CLARITY AND UNCERTAINTY

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Last year for the European Union has not been poor on the whole — it brought about moderate stability in two matters, which last year, in 2015, were the most painful issues in the EU. Since the agreement entered into between the EU and Turkey in March 2016 on the return of irregular migrants to Turkey, the incoming flow of migrants and asylum seekers to the EU has decreased. Another topical issue of 2015, namely, the Greek crisis, the amount and conditions of loans to be allocated to it, and related reform questions, were relatively quietly resolved in 2016 at a technocratic level, without loud statements by politicians or EU leaders in the public space, as had been the case before. At the same time, the unity of the EU regarding sanctions against Russia and in the matters of Ukraine and Crimea has been preserved, and further integration processes have progressed not only in the Economic and Monetary Union, but also in the sector of Justice and Home Affairs. The EU-Canada free trade agreement was concluded, albeit with a political drama. The macroeconomic situation in the EU does not appear bad, either — data for the first nine months suggest that in 2016, the EU is expected to see a minor GDP increase, and the number of unemployed Europeans has also slightly decreased.¹

The report published by the Minister for Foreign Affairs in January 2016 on accomplishments and further work with respect to national foreign policy and the European Union (hereinafter — the Report) identified the following as the main challenges expected in the EU in 2016: terrorism, uncontrolled migration flows, ensuring increased stability and economic growth in the Eurozone, and security at EU borders.² And, even though, from a superficial perspective, it might appear that at least two of these challenges have become irrelevant, in a long term, there is no reason for feeling content. The main causes of migration — warfare and military conflicts, poverty, as well as climate change — have not disappeared. The incompleteness of internal structure of the Eurozone continues affecting the European single currency project and therefore the EU's economic development. Furthermore, economic stabilisation occurring at the macrolevel within the

EU does not mean that the standard of living is increasing in all EU Member States and for all groups of population. Whereas, in terms of security, besides the complicated situation at its borders to the east and south, Europe is faced with increasing risks of internal terrorism and more frequent actual terrorism incidents.

In addition, in 2016, the EU saw challenges, which, though not completely new or unfamiliar, now appear to have escalated to an unprecedented level. Namely, it is the “backsliding” observed in several Union Member States (but not only) as regards the embodiment of fundamental principles of democracy safeguarded in the EU. This tendency must be seen within the context of growing popularity of right-wing populist parties and politicians, who are often Eurosceptic of the idea of Eurointegration, in many EU countries. To top it all, next spring, one of the Member States — the United Kingdom — is likely to start the process of official secession from the EU — the first in the history of the Union. Thus, politically, the EU must find a solution of how to stop and reverse the EU division processes.

When operating under circumstances of political fragility of the European idea, it is important that the state-defined interests in the EU have a clear content and are attached to a specific goal, inasmuch as possible, as well as that they are shaped as separate, but mutually *deliberately* aligned components of a single totality. Only substantial clarity that is not superficial creates the possibility for a small state to be proactive and not solely reactive in defending its interests in the EU.

Likewise, within the context of the aforementioned, public explanation of Latvia's interests in the EU to public administration players and to society on the whole is more important than ever. The interests of Latvia and its defining documents do not exist solely for “domestic use”. To ensure political legitimacy of identified national interests, it is important that Latvia's society is aware of and understands the national position regarding decisions adopted at the EU level and how these decisions can affect each one of us in the real life. Provision of adequate information regarding successful and also unsuccessful functioning of Latvia in the EU nowadays is a requirement of strategic communication. Otherwise, the news will be dominated by scandalous, inaccurate information shaped from fabricated sources. Under these circumstances, it becomes rather easy to manipulate the general public opinion regarding Latvia's participation in the EU and its utility.

LATVIA IN THE EUROPEAN UNION — INEFFECTIVE?

In the last year's Report, within the context of EU-level challenges, Latvia's core interests in the European Union for 2016 were identified, by emphasising the need to continue *unity and solidarity* of the EU, including the EU fundamental values and the Schengen system. Within the framework of core interests, two issues were underscored:

solidarity of Member States in the sphere of migration and asylum and the future of EU-UK relations. Under the circumstances of the current migration policy crisis, the first issue is directly related to the risks posed to the functioning of the Schengen zone. The interests of Latvia in this aspect are broadly defined — the state favours “a complex solution for creating a comprehensive EU migration policy”³ and, for this purpose, it has set the following priority directions: enhancing co-operation with third countries, strengthening EU external borders, effective return policy, combatting organised crime, especially in the sphere of illegal migration, as well as implementing the existing decisions. In other words, the national key interests identified in the Report correspond to the key operational directions in the EU migration policy.⁴ The position regarding the preferable EU approach to the distribution of asylum seekers is defined slightly more specifically, by stating that Latvia in this sense favours the voluntary model. At the same time, it does not mention such an operational direction as legal migration policy, which is identified as a separate element in the EU’s migration policy. The level of elaboration of national interests reflected in the Report must be regarded as insufficient, because one of the fundamental issues as regards the current migrant crisis in Europe is that asylum seekers are only a part of the migrants, while the rest rather match the profile of economic migration. To comprehensively resolve the European migration crisis, the problem of asylum seekers and economic migrants must be addressed to an equal extent. And this means that it would be useful to define the national position not only in the first, but also in the second of the mentioned issues.

As regards *the future of relations between the EU and the United Kingdom*, the Report states that it is in the interests of Latvia to have a strong United Kingdom in a united and strong EU, by explaining that “Latvia will be abiding by the principle that we are “united in diversity” and respects different cultures, historical experiences and constitutional structures of the Member States. Latvia will continue defending EU fundamental principles and results achieved in the process of EU integration, as well as supporting observance of the principle of solidarity in the EU.”⁵ National key interests worded this way are fundamental and ambitious. However, their weakness is their vagueness. The above quotation could be equally well applied to, say, Latvia’s interests in relations with any other EU Member State or to Latvia’s interests in EU’s relations with the United Kingdom, only 10 or 5 years ago. And, if so, one must ask, how these vaguely worded interests reflect the (existing at the moment of writing) dynamics of EU-UK relations.

Furthermore, lack of specificity often brings about the risk of identifying mutually conflicting interests. For example, the part of the Report, where it states that Latvia “will continue defending EU fundamental principles and results achieved in the process of EU integration”⁶, most likely, means defending also the four fundamental freedoms of the internal market, because these are fundamental principles of the EU. At the same time, it states that “It is in Latvia’s interests to have a strong UK within a strong and united EU. Latvia will be abiding by the principle that we are “united in diversity” and respects different cultures, historical experiences and constitutional structures of the Member

States.”⁷ It can be applied to Latvia itself and it can serve as a reference to that Latvia will respect the UK’s sceptical attitude towards the EU, which has formed historically and in the circumstances of the common law system, as well as its publicly voiced will to obtain special rights as regards the restriction of free movement of persons within its territory. However, free movement of persons is one of the EU’s fundamental principles, the defence of which has been simultaneously promoted by Latvia as one of its fundamental interests. This way, the wording of the Report does not allow perceiving a specific position of Latvia in this matter and does not allow to fully use the Report to discuss Latvia’s interests in relation to the EU-UK’s relations in point of fact. This delays the achievement of the main objective of the Report, namely, to ensure the possibility for the Parliament of Latvia to implement the supervisory function over the executive branch and over the general course of national foreign policy.

Possibly, the insufficient level of specificity has also led to that the part of the Report, which is dedicated to Latvia’s interests relating to the UK’s future in the EU, does not even address the issue of (at that moment, still to come⁸) the EU and UK negotiations on reviewing the conditions of UK’s membership in the Union. The result of these negotiations was the agreement on EU reforms, which was concluded in February 2016 by the British Prime Minister David Cameron at the time with the EU and which affected further developments, namely, the Brexit referendum and its subsequent results in the summer of 2016. Even if we disregard the referendum on UK’s membership in the European Union, which took place on 23 June 2016, the agreement on EU reforms was important for Latvia (and every other EU Member State) because, with it, the conditions of the UK’s membership in the EU were reconsidered in such spheres as Member State sovereignty, economic governance, competitiveness, and immigrants’ social benefits. As a result of negotiations, the UK achieved that, among other things, it was allowed for four years to reduce immigrant access to social benefits for the upcoming seven years, under certain circumstances. Furthermore, this agreement prescribed that non-Eurozone states do not have to fund “bail-out” measures of a Eurozone state. This aspect is important for the EU within the context of Eurozone development, regardless of the future of the UK in the Union. Unfortunately, the Report does not allow gathering Latvia’s position on the said issues.

Another direction of Latvia’s core interests in last year’s Report addresses economic matters, by indicating that economic growth of Latvia requires economic rejuvenation in the EU. Therefore, in 2016, Latvia committed to support such political and economic processes in Europe, which are aimed at the development of a united and solidary EU, economic growth and enhancement of global competitiveness. The need to continue initiatives commenced in the first half of 2015 during the presidency of Latvia is underlined. As regards the *Mid-term review of the Multiannual financial framework 2014–2020*, the Report identifies the interest of Latvia not to reduce the planned funding for cohesion and agriculture.

Within the context of this matter, it must be remarked that discussions have already started on the EU budget formation principles for the next financial planning period of

the EU (post-2020). And, taking into account the high level of dependence of Latvian economy on funding received from the EU structural funds, the unclear situation with the UK's membership in the EU,⁹ as well as the already existing unequal access to funding granted within the framework of the Common Agricultural Policy, the fact that deserves acknowledgement is that already at the end of 2016, there are clear attempts to define Latvia's priorities within the post-2020 budget context, in the preparation of certain national positions in this respect.

The Report states that Latvia will be actively engaged in discussions on *the enhancement of the Economic and Monetary Union* and that it is in the interests of the state that the EMU is stable, more resilient against shocks, and that its enhancement facilitates the elimination of economic, social and territorial disparities between countries and regions. Likewise, Latvia believes that negotiations should take place in as inclusive manner as possible, without excluding non-Eurozone countries. Unfortunately, even though the content of proposals, including in the Five Presidents' Report form was published already in June 2015 and in more detail in October 2015, the Report does not contain more specific references to Latvia's interests in issues related to the enhancement of the EMU, like the banking union, in relation to which, in November 2015, the European Commission published a proposal on the European deposit insurance system, as well as a Communication document on measures for the comprehensive establishment of the banking union. Furthermore, in the EMU section, there are no references to the public statement given in the fall of 2015 by the President of the European Commission regarding the creation of a European Social rights pillar, which is to be developed on the grounds of the already existing EU social *acquis*.

Similarly, the Report includes a declarative reference to *the European Strategic Investment Fund (ESIF)*, on which an agreement was made during the Latvian presidency and which is one of the key reforms promoted by the current President of the European Commission Jean-Claude Juncker to restore economic growth in the Union. The report mentions that Latvia backs quick and effective implementation of the European Investment Plan.

For the sake of fairness, it must be explained that this matter acquired comprehensive outlines only last year, when in September 2016, the President Juncker presented the EC's proposal for the continuation and intensification of ESIF operations also further on, namely, to launch the so-called ESIF version 2.0. In its document, the European Commission states that the independent reports attest to the utility of the ESIF and thus justify further expansion of the Investment Plan, too.¹⁰ At the same time, the European Court of Auditors, which must give one of three independent reports about the ESIF, in November 2016, stated that the EC's plans to increase the ESIF are premature and based on insufficient evidence.¹¹ Accordingly, in the future, Latvia should also be critical in assessing information provided by the European Commission, and, based on a clear vision, explain its position to the people of Latvia about how the increase of the proposed Investment Plan will be better than the current plan version.

Latvia's position is rendered somewhat more concrete as regards the extensive and material initiative *European Digital Single Market*, in relation to which Latvia in 2016 undertakes to encourage efforts on removing further obstacles and enhancing standards, as well as to support EU's strategic progression towards European cloud computing and data circulation. Furthermore, the section covering the *EU Single Market* is somewhat more concrete, too; within its frameworks, it is important for Latvia that the business environment in the EU is improved, quality of employment is raised, the principle of mutual recognition is consolidated, as well as opportunities of cross-border business operations in the sector of goods and services are enhanced. Here, emphasis is placed on the special interest of the state to facilitate comprehensive and even application of EU requirements in the services sector across the Union. In terms of labour force mobility, Latvia supports such solutions that do not lead to discriminatory conditions for job seekers or obstacles to service providers.

Overall, it can be concluded, that the lack of concreteness of the Report is compensated by defining that the main interest of Latvia is the form of resolving the respective issue, rather than the contents or what is to be achieved within the framework of the matter. Thus, for example, in developing the European Digital Single Market, Latvia will be advocating "an approach which is careful and well thought out vis à vis reforms"¹², without specifically defining the material contents of reforms that Latvia would prefer. As regards the enhancement of the Economic and Monetary Union (EMU), Latvia "will be actively engaged in these [discussions on the enhancement of the EMU]", without elaborating on the measures that our country will propose and/or advocate, to achieve the desirable EMU stability, or without explaining the model of EMU structure that would be the most suitable for Latvia's interests and economic structure.

Furthermore, in this section of the Report covering, inter alia, matters of EU global competitiveness, Latvia's interests in the context of the EU's trade policy are not discussed. Though, the Transatlantic Trade and Investment Partnership Agreement, which (at least in 2016) was one of the trade agreements currently under development, is discussed separately in another section of the Report.¹³ However, taking into account the fact that the trade policy is in the exclusive competence of the EU, Latvia's individual interests in this respect can be realised only through the EU's prism. One of the reasons why it makes sense for small countries with a small market to be a part of the EU is the fact that, in external trade negotiations, all small EU Member States are participating as a part of a bigger regional player, which offers potential access for third countries to a market of not only 2, 3 or 6 million, but to a market of 500 million citizens. Therefore, it would be logical to include external trade matters in the section of the Report, which plans the continued functioning of Latvia within the EU.

In the light of the above, the overall impression is that Latvia is uncertain about its interests and main arguments in favour of membership in the EU. An analysis of the Report unveils problems of horizontal nature with regard to the definition of Latvia's interests: namely, *uncertainty* and *fragmentation*. If the form or procedure

of defending one's interests (namely, the way that interests will be defended, e.g., "actively", "carefully", "well thought out") dominate over the substance, then it is difficult to understand the specific set goal, towards which state officials will be striving in negotiations about the respective matter. Likewise, it is not possible to understand the potentially conflicting mutual hierarchy of interests, namely, who to prefer in a situation, when the achievement of several goals is preferable, but the reality of negotiations forces to make concessions in one matter to gain something in another. As a result, the Report is not fulfilling its key objective: firstly, it does not enable the Parliament to comprehensively implement the supervisory function over the executive branch and over the general course of the state's foreign policy. Secondly, it does not provide meaningful information to the general public regarding the state's interests and planned activities in the EU.

In essence, the challenge presented by drafting the Report is a problem of policy planning. The drafted document in the current form could give society an impression that there is no common "picture", because the document clearly attempts to include everything in one place — truly important processes that are relevant to the respective time period, along with issues, which are clearly a priority for a single department within a certain ministry. As a result, the Report is not a programmatic or conceptual document, but rather an enumeration of political initiatives and strategies currently relevant for the EU, supplemented with a brief opinion of Latvia regarding its relevance.

Thus, several recommendations can be given for drafting future Reports to ensure that they are more convincing in performing their task of defining and explaining Latvia's interests in the EU. First of all, the institutional approach or the "file approach", which is popular in the bureaucratic apparatus, in defining state interests must be given up. Instead, the functioning within the EU must be planned based on priority policy goals. The current approach resembles the accession negotiations, when Latvia had to scrupulously perform screening of 31 *acquis communautaire* sections, in order to later agree with the European Commission on what else must be accomplished to become an EU Member State. It is time to leave behind the years of apprenticeship and the mindset that was typical of the accession period, and to become a full-fledged EU Member State — such that does not shape its national interests, by subordinating and linking them to EU's strategies and policy documents right from the outset.

Instead, it would be more useful to initially structure the Report on Latvia's planned activities and its interests in the EU around certain attainable policy objectives, thus shaping Latvia's national narrative for membership in the EU. And only then identify the EU initiatives and strategies that these objectives are linked to and which specific institutional activity results should be attained, as representatives of the specific institution participate in the relevant negotiations. This way, it would be possible to develop proactive participation of Latvia in the shaping of EU policies. Finally, the Report, unfortunately, does not answer the most important question — how is Latvia planning to strengthen the EU as a joint project of its Member States and societies.

PROSPECTS FOR 2017: EUROPEAN UNION AND LATVIA

It is expected that in 2017, the main processes in the functioning of the EU will be those that rapidly developed in 2016. These matters are particularly important because they are not decisions “only” regarding yet another EU policy direction and its development, but are rather fundamental, in defining the form of the EU’s existence in the future. From a global viewpoint, Europe appears to be on cross-roads, where it must decide whether the EU exists predominantly as an economic project or it is a project of shared values, too.

The first fundamental matter of the future of the EU in 2017 will be *the United Kingdom and Brexit*. More precisely, the form and level of integration of further EU-UK relations are of importance. Following the agreement on EU reforms reached in February 2016, the British Prime Minister at the time David Cameron announced a referendum on whether the United Kingdom should remain in or leave the EU. As a result, on 23 June, the United Kingdom experienced something that many only a year ago could not have even imagined — in the referendum on UK’s membership in the EU, the choice was made in favour of leaving. The referendum result in numbers: 51.9 % or 17.4 million votes were cast for the option “leave the EU”, whereas 48.1 % or 16.1 million votes were in favour of “stay in the EU”¹⁴, which points to the high level of polarisation of British society in this matter.¹⁵

The referendum results shocked both the United Kingdom and EU institutions. It is worth noting that only after the referendum had taken place, the involved parties — both the Brits and the EU — started substantial discussions on what it really means and how the “exit” from the Union should be effectuated. Even though officially, the United Kingdom has not yet notified the EU on its withdrawal, it is highly unlikely that the current British government and the Parliament will radically change the path towards Brexit. Thus, it is expected that in March 2017, the United Kingdom will officially “trigger” Article 50 of the Treaty on EU. Brexit is important for Latvia both as an individual Member State with a relatively large diaspora in the United Kingdom, as well as because of the effect that Brexit might have on future European integration processes.

Firstly, data of various studies suggest that about 100,000 Latvian émigrés reside in the United Kingdom.¹⁶ This group of people will be directly affected by decisions made in the future regarding the rights of citizens of the EU Member States residing in the territory of the United Kingdom. Strict limitation of free movement of persons can radically reduce the possibilities of Latvian citizens to work, study, or establish businesses in the United Kingdom. Such a scenario would have adverse consequences on the amount of money transferred by émigrés to Latvia, forming a substantial contribution to the GDP of Latvia. For example, according to estimates of the Bank of Latvia, in 2014, Latvian nationals living abroad had transferred about 595 million euros to Latvia, which is approximately 2.5 % of the GDP of Latvia.¹⁷ Whereas, the World Bank estimates that in 2015, émigrés had transferred 1.33 billion euros to Latvia,¹⁸ which is equivalent to about 5.5 % of the GDP of Latvia.¹⁹ These estimates include all

money transfers of Latvian nationals living abroad. The amount of money transferred from the United Kingdom is accordingly much lower (no reliable data are available). Nevertheless, in the light of the fact that the United Kingdom is among the main countries of destination of Latvian émigrés, the total amount of money transferred to Latvia still must be rather substantial numerically.

Secondly, the developments in Britain have encouraged the Eurosceptically inclined political powers in other EU Member States, too — the Brexit process and the expected official negotiations on the withdrawal from the UK in 2017 will coincide with elections in several EU countries, thereby expanding the possibilities of right-wing populist (they are usually Eurosceptic, too) powers to take over political power and encourage further division processes in Europe. Furthermore, France and Germany are among the EU Member States, which will hold elections next year — these are countries that, taken together, are referred to as “the engine of the EU” — in April 2017, France will hold the presidential election, whereas in August–October 2017, Germany will have the federal parliament elections.²⁰

In the light of the aforementioned circumstances, the key interest of Latvia, if it supports continued development of the EU as a project of political values, is not to allow that, as a result of Brexit, additional models develop, which enable integration happening at “various speeds” and levels. Already now, integration in the EU is differentiated, i.e. it envisages different levels of integration between the Union Member States (Eurozone, the Schengen area) and with third countries. The UK’s main interest in the Brexit talks will be to maintain the existing access to the Internal Market as regards free movement of goods and capital, but to restrict free movement of people, while preserving the rights of its citizens to live and work in the European Union. In essence it means that the United Kingdom wishes “to pick and choose” the level of integration for each of the Market freedoms. However, in a long term, this would diminish the effectiveness of the Internal Market. Secondly, if the EU agrees and creates a special integration level specifically for the United Kingdom in a particular element, in the future, there will be no arguments to refuse similar requests that other EU Member States might potentially make. And such requests, which in a long-term could shatter the functionality of the Union and the core idea of its formation, could become very real, if the popularity of right-wing political powers observed today keeps increasing in Europe, which will be the second fundamental issue for the future of the EU in 2017.

Increase of popularity of right-wing populist parties and “backsliding” of EU Member States in the dimension of democratic values. The year 2016 saw greater popularity of right-wing (and usually, also Eurosceptic) powers. Within the context of development of this trend, Poland amended the procedure, which regulates the work of the Constitutional Court, thereby endangering the principle of independence of the judiciary (similar processes have also been observed previously in Hungary after the *Fidesz* party²¹ acceded to the power in 2010). In addition, Poland changed its media regulation, by imparting rights to the government to approve public TV and radio hosts. As a result, the European Commission warned the government of Poland about the fact that its

activities are posing threats to the principle of rule of law in Poland. Poland responded to the European Commission, by reprimanding it for interfering with its home affairs. This conflict situation has revived a discussion on possibilities of invoking Article 7 of the Treaty on EU, which envisages depriving an EU Member State of its rights to vote if it is found that the state it is in breach of fundamental EU values, namely, principles of freedom, democracy, rule of law, and human rights. However, practical imposition of this type of sanctions is highly unlikely, because it would require the consent of all EU Member States, and it is clear that such a proposal will not be backed by, at least, Hungary, against which a proposal to invoke Article 7 of the Treaty on EU was already submitted in late 2015 via the European Citizens' Initiative. Besides these democracy "backsliding" tendencies in Hungary and Poland, there are concerns about the aforementioned fact that the year 2017 will see the presidential election in France and the federal parliament election in Germany and, just like it has already happened in Hungary and Poland, the political influence of right-wing powers is increasing in these countries that are crucial for the functioning of the EU.

Due to a number of reasons, it is important for Latvia to withstand tendencies of "backsliding" democracy and right-wing populism both at home and in the EU. Firstly, right-wing populist parties are usually Eurosceptically inclined towards matters of European integration, and this position is at variance with Latvia's expressed support to a united and strong EU. Secondly, processes of "backsliding" of democracy are in stark contradiction with fundamental EU values and can pose a real threat to democracy. It must be especially viewed in the context with that right-wing populist parties in the EU receive support, including financial, also from Russia. Therefore, this, in fact, also becomes a matter of domestic security of Latvia. Moreover, in the context of Latvia's set priority to facilitate the development of Eastern Partnership and to promote principles of democracy and rule of law within the European Neighbourhood Policy countries, it must be noted, that failure to apply these same principles as regards the EU Member States poses a risk of losing authority in defending these matters beyond the EU borders.

Turkey on the road towards authoritarianism. Turkey is yet another country, with which the EU has historically formed special relations. Turkey's accession talks were started already back in 2005, however it is unlikely that Turkey will be joining the EU any time soon. The year 2016 has been controversial for the development of EU-Turkey relations. The European Union — and also Latvia as an EU Member State — finds itself in an awkward position. Namely, Turkey borders Syria and Iraq, and it is a transit state for asylum seekers coming from these neighbouring states, as well as from Afghanistan. Its geopolitical position renders Turkey strategically important for the control of incoming migration flow,²² as well as in the fight against terrorism. Turkey uses this advantage in its negotiations on liberalisation of the mutual visa regimen. At the same time, Turkey, which is a parliamentary democracy only "on paper", in reality is turning into a *de facto* presidential system, in which the incumbent President Recep Tayyip Erdoğan, especially after the military coup attempt, which took place in July 2016, is showing

authoritarian tendencies, and in future is likely to try to change the constitution to expand presidential powers.

The fact that Turkey is geopolitically important in tackling migration and terrorism issues decreases the EU's capacity to influence the activities of the President R.T. Erdoğan, as he strives to consolidate his power. Nevertheless, the EU may not ignore Turkey's inclination towards authoritarianism, firstly because the dimension of democratic values is a fundamental pillar in the structure of the Union itself. Secondly, it would mean unequal attitudes towards other countries, with which the EU has concluded association agreements envisaging the observation of human rights and democratic principles as one of its fundamental elements. Thirdly, it can serve as an additional argument for Eurosceptics within the EU, including those EU Member States, where "backsliding" is observed as regards the embodiment of fundamental principles of democracy.

From the EU's external trade perspective, it must be noted that the EU currently continues negotiations on bilateral trade agreements with Japan, Tunisia, and the Philippines. It is also expected to begin negotiations with Mexico, Indonesia and Mercosur in the nearest future. A particularly sensitive matter in mutual alignment and reduced fragmentation of national interests is the planned trade negotiations between the EU and Mercosur. In this case, Latvia's economic and environmental protection interests might potentially be mutually competing. Namely, on the one hand, Mercosur is offering access to a large market of South American countries. But, on the other hand, these countries have universally recognised problems with greenhouse gas emissions, especially in the agricultural sector. The EU, however, and also Latvia at a national level, encourages a transfer to a low carbon economy in all sectors. Thus, for example, in the current programming period of EU funds (2014–2020), Latvia has defined low carbon economy as one of the priority focuses of EU funds, to which support financing is channelled.²³

The aim of Latvia's environmental protection policy is reflected in the national strategy on the absorption of EU funds, whereby it strives towards a low carbon economy. If, by means of an external trade agreement, import of goods is encouraged into the EU from countries that are classified as high carbon economies²⁴, then the efforts invested to achieve a low carbon economy within our territory are neutralised. Attention should be paid to aligning these mutually conflicting interests, when planning Latvia's activities within the EU for the upcoming years.

In consolidating the global role of the EU, traditionally, the matter of the European Neighbourhood Policy (ENP) is stressed in Latvia, EU's relations with Russia, Middle East and Asian countries are considered, as well as support is expressed to facilitating EU's values and to the implementation of sustainable development. It is the interests of Latvia to have a uniform ENP, which is based on an individual approach and corresponds to the level of interest of each neighbouring state in co-operating with the EU. The work on the introduction of association agreements of Ukraine, Georgia,

and Moldova was defined as a key priority. Juncker, the President of the European Commission, has publicly declared that during the convocation of this Commission no further expansion of the EU will take place. Therefore, there is the risk of the spillover effect, namely, that the European Neighbourhood Policy is also attributed an equally low priority in the hierarchy of EC's interests. Latvia, being one of the most active facilitators of Eastern Partnership, must continue paying extra attention to maintaining and strengthening co-operation between the EU and countries of the Eastern Europe and South Caucasus, because it serves the geopolitical interests of Latvia.

CONCLUSIONS AND RECOMMENDATIONS

In defining Latvia's interests in the EU for 2017, we must keep in mind that *action within the European Union is an extension of interests of internal politics*. Furthermore, it is not only the internal politics of Latvia but also that of other EU Member States (and not only) that affect the future of the EU. Under circumstances when political developments in other countries, namely, their attitude towards consistent abidance by principles of democracy and human rights, results of national elections etc., can radically affect further development of the EU as an economic *or* political project, it is important for Latvia to ensure strict abidance by these principles (this must be interpreted in the broadest possible sense, starting from solutions to the asylum seekers' problem, and ending with aspects of independence of domestic public media), as well as to motivate and support other EU Member States in maintaining *political values* inasmuch as possible.

Secondly, to effectively ensure the aforementioned links between Latvia's domestic policy situation and interests and the state's planned activities within the EU, it is recommended to plan the latter separately from traditional foreign policy activities. In other words, in the future, the development of a separate uniform planning document specifically regarding Latvia's membership in the EU should be supported, by structuring it around *some but critically important and clearly defined political goals*. Development of a separate report executed this way will enable clearer conceptualisation of the direction of Latvia and the European Union, resulting in the very necessary bond between the national action policy of Latvia and EU's policies.

ENDNOTES

¹ "European Economic Forecast. Autumn 2016," *European Commission* Institutional Paper 038, 11.2016, 1.

² "Ārlietu ministra ikgadējais ziņojums par paveikto un iecerēto darbību valsts ārpolitikā un Eiropas Savienības jautājumos," *Ministru kabinets*, 05.01.2016., 11.

³ Ibid.

- ⁴ "A European Agenda on Migration," *European Commission* COM(2015) 240 final, 13.05.2015, 14.
- ⁵ "Ārlietu ministra ikgadējais ziņojums par paveikto un iecerēto darbību valsts ārpolitikā un Eiropas Savienības jautājumos," *Ministru kabinets*, 05.01.2016., 11.
- ⁶ Ibid.
- ⁷ Ibid.
- ⁸ The United Kingdom explained its opinion about the necessary reforms relating to the conditions of its participation in the EU to the President of the European Council Donald Tusk in November 2015, see: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/475679/Donald_Tusk_letter.pdf
- ⁹ Up until now, the United Kingdom has been one of the largest EU net payers (which means that its contributions into the EU budget exceed the payments that it receives in the form of funding for various EU programmes).
- ¹⁰ "Strengthening European Investments for jobs and growth: Towards a second phase of the European Fund for Strategic Investments and a new European External Investment Plan," *European Commission* COM(2016) 581 final, 14.09.2016.
- ¹¹ "EFSI: little evidence that increase is justified, say EU Auditors," *Press release of European Court of Auditors*, 11.11.2016.
- ¹² "Ārlietu ministra ikgadējais ziņojums par paveikto un iecerēto darbību valsts ārpolitikā un Eiropas Savienības jautājumos," *Ministru kabinets*, 05.01.2016., 12.
- ¹³ Ibid., 21–22.
- ¹⁴ The total turnout of the referendum was 72.2 per cent. Within the British context, that is a high voter activity; for comparison, in the previous four general elections, the turnout in the United Kingdom has ranged between 59.4 % in 2001 and 66.1 % in 2015 (data source: *UK Political Info*, www.ukpolitical.info).
- ¹⁵ The polarisation is further aggravated by the fact that in Scotland, 62 % of referendum voters voted "remain", while 38 % voted "leave" (the total turnout in the referendum in Scotland was 67.2 per cent). Therefore, unlike the rest of the United Kingdom, in Scotland, there was a clear majority of referendum voters, who voted to remain in the EU.
- ¹⁶ Mārtiņš Kaprāns, "Latviešu emigranti Lielbritānijā: transnacionālā identitāte un attālinātā nacionālisma konteksti," Mieriņa, Inta (ed) *Latvijas emigrantu kopienas: Cerību diaspora* (Rīga: Latvijas Universitātes Filozofijas un socioloģijas institūts), 2015, 108.
- ¹⁷ Māris Klūga, "Vairāk nekā puse aizbraukušo sūta naudu Latvijā palikušajiem," *LSM*, 04.03.2015., <http://www.lsm.lv/lv/raksts/zinju-analize/zinas/vairak-neka-puse-aizbraukuso-suta-naudu-latvija-palikusajiem.a119738/>
- ¹⁸ This indicator (the absolute sum of money transfers) is presumably higher than in Lithuania or Estonia.
- ¹⁹ "Personal remittances, received," *World Bank*, 2015, <http://data.worldbank.org/indicator/BX.TRF.PWKR.CD.DT?end=2015&start=2015&view=map>
- ²⁰ Moreover, in 2017, the Netherlands will hold its parliamentary election.
- ²¹ It position itself as a nationally conservative party.
- ²² It is estimated that currently there are about 3 million asylum seekers staying in Turkey, and that is a higher number of asylum seekers than in any other country.
- ²³ "Projektu atlases," *ESfondi*, 2016, <http://www.esfondi.lv/visas-projektu-atlases>
- ²⁴ That is, of course, unless the trade agreement regulates this aspect in some way, by linking the carbon emissions level with availability of products of the respective sector.

IMMIGRATION AND REFUGEES IN THE EUROPEAN UNION AND LATVIA

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In the 2016 Report by the Minister for Foreign Affairs regarding the achievements and planned activities in the foreign policy and EU matters, it was stated that Latvia is in favour of a solution creating a comprehensive EU migration policy. The priority operational directions identified in the Report within the framework of such a solution were applicable to the consolidation of co-operation with third countries, strengthening of the external EU borders, effective return policy, fighting organised crime, in particular in the sphere of illegal immigration, as well as to the implementation of the already adopted decisions. The Report also emphasised that Latvia will be implementing the commitments assumed in the international law sphere and within the EU framework with regard to persons, who require international protection, while underlining that Latvia is in favour of the model of voluntarism in the EU functioning as regards the allocation of asylum seekers.

In 2016, it was apparent that the attitude in Latvia towards the refugee crisis from the viewpoint of state interests was assessed in relation to the overall development of the European Union, where it was important for Latvia that the EU is united and strong rather than weak and fragmented. Secondly, it has been important for Latvia to prove itself as a responsible partner capable of solidarity, especially towards the Member States that are most harshly affected by the crisis. And finally, in the position of Latvia within the context of the refugee crisis, the aspect of possible recurrence of similar crises, in which Latvia might be more directly involved, was an important component of justifying its interests.

The objective of this article is to evaluate the situation nearly a year on after the announcement was made by the Minister for Foreign Affairs in the EU and Latvia. Have the commitments been met and how reasonable is it to think that the acceptance of asylum seekers in the EU and the situation in the Schengen system has normalised? Has Latvia been a constructive partner in crisis resolution, since it is not in the epicentre of asylum seekers' crisis, and to what extent the solutions reached correspond to the interests of Latvia?

THE SCALE OF THE CHALLENGE OF ASYLUM SEEKERS AND LEGACY BEFORE 2016

The sudden avalanche-like wave of asylum seekers in 2015, though expected, nevertheless caught the EU Member States unprepared (in 2013, the number of asylum applications was 431 thousand, in 2014, 627 thousand, whereas in 2015, already 1.3 million, of which more than 1/3 were filed in Germany).¹ This caused tensions between the Member States, soon escalating into an emotional crisis of mutual trust, in the centre of which were the so-called transit states (Greece, Italy, Hungary, and Bulgaria), on the one side, and the asylum seekers' destination countries (Germany, France, the United Kingdom, Sweden, and Austria), on the other side. Both groups of states were hoping for solidarity from other Member States, however there were differences in understanding of what such solidarity should be like — while the first group demanded a shared distribution of unregistered refugees and their registration in the destination states, the second group, quite on the contrary, reminded about the duty imposed by the Dublin Convention to first register and only then transfer. The resulting situation in 2016 resembled the worst-case scenario of the infamous “prisoner’s dilemma”.

Accordingly, in the sphere of asylum seekers, the EU activities in 2015 were far from what could be regarded as the optimum. Firstly, it was once again proven that trouble arises when you least expect it and that misfortunes seldom come alone. The crisis gave a new moral blow to the cohesion of Member States, which had already been suffering for a long time in the tense economic situation and nearly led to the collapse of one of the most important integration achievements — the Schengen system for free movement of people within the EU. *Secondly*, owing to the zeal of “fence” building on the EU internal borders,² thousands of refugees were “stuck” where they did not want to be and where nobody was welcoming them, namely, within the transit state territories. Needless to say, it caused dissatisfaction and, as despair grew, it led to protests.³ *Thirdly*, such a massive presence of unregistered and poorly provided for asylum seekers within the EU territory, combined with lack of understanding of the Western culture and the feeling of impunity, escalated into a real challenge for the public policy and safety, which was starkly proven by the events that took place at the 2016 New Year’s celebrations in Cologne.

ON THE WAY TO NORMALISATION OF THE SITUATION IN 2016

In order to lead the Member States’ discussions onto a more pragmatic course, in late 2015, it was proposed to the European Commission to implement a range of short-term and long-term measures. The emphasis was placed on immediate relief of Greece and Italy from the masses of asylum seekers, envisaging, on the one hand, shared distribution of asylum seekers from Greece and Italy to other EU Member States, but on

the other hand, an agreement with Turkey on stricter border controls, combating people smugglers, and the return of rejected asylum seekers to Turkey. To strengthen the ability of the EU to manage migrant crises of this scale in the future, it was proposed to improve the functioning of the European Border and Coast Guard Agency *Frontex* and to move towards the establishment and implementation of a truly joint European asylum seeker policy, incl. by expanding the possibilities of legal immigration to the EU.⁴

Luckily, the results are there. *Frontex* data about monthly illegal migration show that, starting from the spring of 2016, there has been a decreasing tendency of illegal immigration. The number of illegal border-crossings has most rapidly decreased on the Eastern Mediterranean route, namely, from Turkey to Greece. A decrease has also been observed on the second most important route — the Western Balkan route. At the same time, a result that is not particularly comforting is the increase of immigrants on the Central Mediterranean route from Northern Africa to Italy. For example, if in October 2016, the number of illegal immigrants on the Eastern Mediterranean and Western Balkan routes had decreased to 3100 and 1700 individuals respectively, which is a miniscule part of the indicator in October 2015, then the Central Mediterranean route saw a new record in October — 27,500 cases. The dynamics of illegal border-crossings on the most popular routes is shown in Figure 1.

In the fall of 2016, upon summarising the achievements, the President of the European Commission Jean-Claude Juncker was glad to announce that in 2015 and 2016, the EU has managed to mobilise 15 billion euros for resolving immediate and long-term immigration challenges and that the implemented measures have brought results.⁵ A large part of these resources are allocated to improving the conditions of asylum

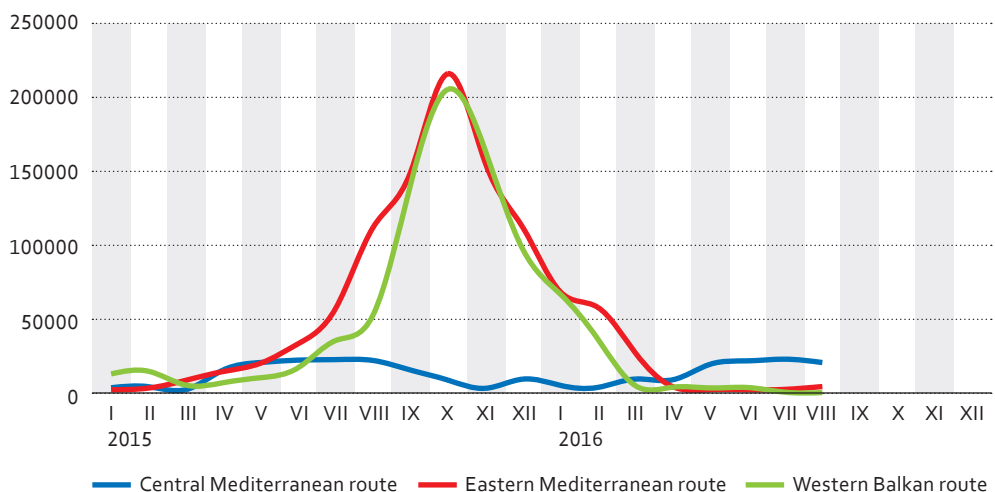


Figure 1. Cases of illegal border-crossings on the most popular immigration routes in 2015 and 2016. Source: Frontex data

seekers in Turkey, Greece and Italy, to strengthening the EU refugee service capacity, and to supporting those Member States, which participate in the relocation of asylum seekers within the EU. Furthermore, within the Schengen context, the commitment of the European Commission to restore control over adequate functioning of the system must be emphasised, on the one hand, by exerting pressure on Greece to ensure more effective defence of its external border and stopping the approach of wave-through of refugees, and, on the other hand, before the situation has normalised, by supporting the preservation of temporary border controls on internal borders in Austria, Germany, Denmark, Sweden and Norway. The Commission aims to lift controls on EU internal borders by December 2016 at the latest, so that the Schengen area would restart functioning normally at the end of the year.⁶

Even though the influx of new immigrants has decreased and, supposedly, will remain at a relatively low level also in 2017, thus giving a chance to pause and normalise the functioning of the Schengen system, at the EU level, there are still substantial issues, which, if left unresolved in a timely manner, threaten to lead to a new and quite possibly deeper crisis very rapidly. The existing challenges are linked, firstly, to expedient registration of incoming asylum seekers and processing of asylum applications.⁷ An equally significant problem is the lack of resources of the responsible border control and immigration services. Irrespective of the fact that a decision has been made to strengthen the functioning of *Frontex*, Member States still have not provided the required number of experts to the European Asylum Support Office (shortage of 59 experts) or *Frontex* (shortage of 194 experts).⁸ It must be noted that, irrespective of the involvement of NATO forces in sea patrols and *Frontex* activities, the number of illegal immigrants who die in the Mediterranean Sea continues increasing. From 1 January until 23 November 2016, 4663 people have died or gone missing in the Mediterranean Sea, which is a much higher number than during the whole of 2015, when 3770 migrants perished in the Mediterranean Sea.⁹

The relocation of asylum seekers from Greece and Italy to other Member States within the framework of the shared relocation programme is not transpiring smoothly either. By 18 November 2016, out of the 160 thousand people expected to be relocated, only 7534 people or 5 % were relocated. The comparison of asylum application data suggests that most asylum seekers still independently reach the asylum destination country and that personal motivation of asylum seekers is of great importance, when choosing the destination country.¹⁰

Successful control of the refugee crisis is impeded by the deteriorated relations with Turkey following the attempted coup on 15 July 2016. 3.1 million asylum seekers have settled in Turkey. The reducing illegal immigrant flow to Europe is mainly due to more intensive border control activities of Turkey, pursuant to the agreement between the EU and Turkey reached on 18 March 2016.¹¹ In response to the Resolution of the European Parliament on suspending the accession talks with Turkey because of attacks

on opposition carried out by the government, the President of Turkey Recep Tayyip Erdoğan has threatened to open the borders for a new wave of immigrants into Europe.¹²

Finally, an important obstacle to mention is the ill-considered or even destructive — sometimes cynical — conduct for the part of some Member States. It is worth to note the rather unsuccessful communication of the German Chancellor Angela Merkel stating that asylum seekers are welcome in Germany, which, though coming from heart, in practice turned out to be just a rhetoric.¹³ Furthermore, while in the case of Germany it cannot be reproached for lack of asylum seekers, one of the economically strongest EU Member States — the United Kingdom — up to now has not shown solidarity with continental European countries in the resolution of the refugee crisis. In addition, with the increase of populist sentiments in the European countries on the whole, but particularly in the Central Europe, instead of raising rationally justified objections, EU initiatives are torpedoed with open propaganda of political nature to increase popularity or to resolve domestic policy issues that are unrelated to immigration. Thus, Hungary has convincingly been the greatest disappointment for EU authorities and partners. Alongside the Czech Republic, the Slovak Republic, and Romania, it not only attempted to block the agreement on temporary relocation of asylum seekers, but together with the Slovak Republic it filed a petition at the Court of Justice of the EU regarding the cancellation of the relocation decision. Furthermore, Hungary organised a referendum on EU relocation quotas, which took place on 2 October.¹⁴

LATVIA AND THE CRISIS OF ASYLUM SEEKERS — A STORM IN A TEACUP?

If compared to the developments in the EU's southern and central part, the situation in Latvia as regards asylum seekers remains relatively calm. Even though the number of illegal immigrants significantly increased from 265 in 2014 to 745 in 2015,¹⁵ it is not a lot for the total Latvian population (0.03 % of the Latvian population, while the number of illegal immigrants in Germany is 0.4 % of the country's population). It must be noted that Latvia is a transit country for asylum seekers, who go to Europe through Russia. In 2014, Latvia received 364 asylum applications, in 2015, 328, but until 23 August 2016, 180 asylum applications. The most frequent countries of origin of the asylum seekers were Georgia, Ukraine, Iraq, Afghanistan and Syria. In 2014, the international protection status was granted to 24 individuals, in 2015, to 29, but by the end of August 2016, to 68 individuals. As can be seen, along with the number of asylum applications, the number of reviewed applications has also increased. In 2015, 170 applications were reviewed, but by 1 September 2016, already 190¹⁶, and another 195 applications were yet to be reviewed.¹⁷

Regardless of the domestic policy battles, the government of Latvia supported the decision of the Council of the EU on relocation of asylum seekers and agreed to accept up to 776 people in several stages (250+281+ potentially another 245). Since the Council decision imposes the obligation to implement the relocation within two years after the decision is made, out of the planned 531 asylum seekers, which Latvia is to accept by September 2017, as of 23 August 2016, Latvia had accepted 63¹⁸, but by 18 November, already 148 individuals.¹⁹ Currently, seven experts from Latvia have been allocated to work with asylum seekers in Greece and Italy.²⁰ Figure 2 shows the current situation with the relocation of asylum seekers within the framework of the EU programme.

The decision on the support for the EU relocation programme was not an easy one for the government of Latvia. It must be reminded that the first decision of the Council of the EU regarding relocation was made in May 2015 — back when Latvia held the presidency of the Council of the EU. The leading pro-European party at the time “Vienotība” had to invest considerable effort in convincing the more conservative and therefore more sceptically inclined coalition partners “Union of Greens and Farmers” and “National Alliance” to support this EU relocation programme. In exchange for support, “Vienotība” had to promise that Latvia will not be receiving more than 776 relocated asylum seekers, that the screening of individuals to be relocated will be subject to certain criteria, that the extent of benefits to be paid to refugees will be reduced, and that, further on, the government will require the Parliament’s approval for admitting additional refugees.²¹

On 11 February 2016, a new government was formed in Latvia, led by the Prime Minister Maris Kucinskis from the Union of Greens and Farmers. Even though the new government declaration regarding the planned actions supported previous Latvian

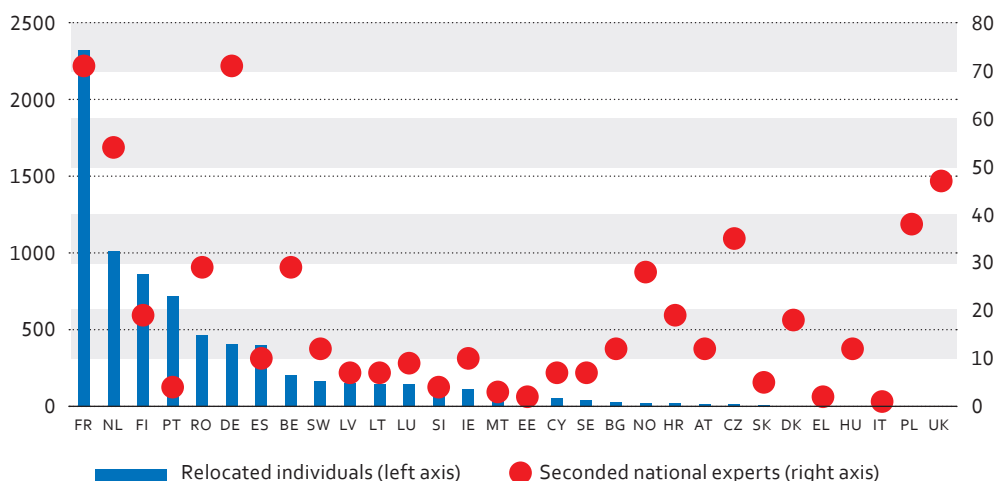


Figure 2. Number of relocated asylum seekers and seconded national experts, situation as of 18.11.2016. Source: European Asylum Support Office

government decisions regarding participation in the EU solidarity mechanism, the declaration underlined that Latvia has exhausted its potential to receive more asylum seekers, therefore it will only support such relocation mechanisms in the EU, which are based on the principle of voluntary action. The new government underlined the commitment to review every asylum seeker who comes to Latvia, taking into account the aspects of state security, public policy, and integration.²²

To make the relocation process manageable and controllable, on 30 November 2015, the government of Latvia approved a plan of action for relocating and accepting asylum seekers in Latvia. Pursuant to this plan, several selection criteria are established for the individuals to be relocated, such as families with children, with at least one adult, preferably knowledge of one of the European languages, have professional training, and these people must have identification documents.²³

Here, within the context of 2016, it must be mentioned that, initially, the relocation of asylum seekers to Latvia did not transpire very smoothly. Issues arose in the co-operation with Italian and Greek colleagues, while the reprimands were aimed at Latvia. The Commission was forced to repeatedly — in June and July — point out that the Baltic States have rejected relocation offers without a reason, which, in the view of the Commission, was at variance with the spirit of the relocation programme.²⁴ Starting with August, the situation normalised.²⁵

State budget expenditure allocated to relocation and resettlement of asylum seekers over a two-year period is estimated at 15 million euros, of which 43 % is to be covered from the EU structural funds. A large part of this funding — 5.1 million euros — is to be allocated to the expansion of the asylum centre “Mucenieki”. The rest of the funding will be used for: transporting asylum seekers to Latvia — 2.5 million; food, health checks and medical treatment — over 2.5 million; for learning Latvian, interpreters, subsidised jobs and consultant costs — 4.6 million.²⁶ It must be added that the costs for transportation of asylum seekers are covered by Greece and Italy, to whom the European Commission has allocated adequate funding (900 EUR per person). For each asylum seeker, Latvia receives a single payment of 6000 EUR from the EU Asylum, Migration and Integration Fund.²⁷

In the fall of 2016, Latvia’s society learned that, despite the careful screening process and cheerful reports about the life in Latvia, 21 out of 23 relocated asylum seekers, to whom Latvia had already granted international protection, had left Latvia for Germany, by claiming that it is nearly impossible for a refugee to set up life in Latvia.²⁸ Seeing as the refugees do not have relatives or support communities in Latvia, integration is encumbered by the lack of social contacts, whereas the mentors supplied by the state are described as lacking interest to resolve refugee problems. It has been problematic to find housing, because the allocated benefit of 139 EUR is basically too small to rent a place, whereas the weak Latvian language knowledge makes it very difficult to find a job.²⁹ For comparison: the minimum wage established in Latvia in 2016 is 370 EUR, whereas the

minimum pension amount is 64.03 EUR. It must be noted that it was the comparison of the pension received in Latvia that was one of the reasons why on 22 December 2015 the government decided to reduce the refugee benefit from the previous 256 EUR to the current 139 EUR.

LATVIA AND THE COMMON EUROPEAN ASYLUM SYSTEM

When analysing the stances of Latvian politicians and the public about how the Common European Asylum System should be formed, four sets of issues can be distinguished in Latvia's public discussions:

1. more careful balancing of Member States' interests and the common EU interests;
2. stricter division between an asylum seeker system dominated by humanitarian-moral aspects and the immigration policy, which is based on economic and demographic considerations;
3. balancing of humanitarian core values with security considerations;
4. balancing of humanitarian and moral aspects with the Member States' willingness to permit changes in the existing cultural values.³⁰

The legal framework of the European asylum system was formed before the asylum seekers' crisis began,³¹ therefore it does not reflect the challenges that the EU Member States are now confronted with. In May 2016, the European Commission presented the First reform package of the Common European Asylum System.³² A significant element of the new proposal is joint EU resettlement regulation, which would provide for lawful migration possibilities. Namely, according to the vision of the Commission, even though the Member States continue to decide on how many people would be resettled each year, annual EU resettlement plans would be created, based on general geographic priorities and on the grounds of which resettlement would be performed, as well as the maximum total number of individuals to be resettled the following year. The Commission believes that this approach will ensure safe opportunities of arrival in Europe for individuals, who require international protection.³³

As regards more careful balancing of national interests and common EU interests, up to now the dominating opinion in Latvia has been that EU Member States must correctly approach their commitments within the EU, including towards asylum regulation, by referring that to the conduct of Greece and Italy. According to the existing system, asylum seekers do not have the rights to choose the Member State, in which they would like to receive protection — the Member State in which the asylum seeker arrives is the one, which must grant asylum. Additionally, if the asylum seeker has left for a different Member State, the former has a duty to admit the asylum seeker back.

However, as has been stated before, this system does not work and has led to the wave-through approach, on the one hand, and closure of borders, on the other. The political elite of Latvia understand that, if solutions are not sought for the refugee crisis or by acting destructively, something of greater importance is endangered, namely, the idea of unity of Europe, which is perceived as one of the cornerstones of Latvia's security. Because of this, though with clenched teeth, Latvia supported the proposal on the asylum redistribution system and did not join the Visegrad Group in opposition. In the end, the proposed quotas were fair enough, taking into account the population, composition and wealth of the country.

As regards the distinction between the asylum system, namely, humanitarian considerations, and the immigration policy, the views of Latvian society and political powers are rather polarised. Social groups promoting Europe, non-governmental organisations and especially Latvian diasporas around the world emphasise specifically these humanitarian considerations, based in the historical experience of Latvia itself, when other countries gave asylum to refugees from Latvia, for example, after World War II. Even though the majority of today's asylum seekers are likely economic migrants, from the viewpoint of humanitarian considerations, everybody without an exception must be granted at least temporary asylum, because, without a detailed research of each asylum seeker's personal situation, it is not possible to find out whether this person is under threat in their homeland. Simultaneously, many are concerned about the ageing of Latvian society, which results in lack of labour force. An influx of young human resources would offer a significant support to the economy of Latvia. Employers understand the demographic risks well, therefore they have urged the government of Latvia to ensure that asylum seekers could work legally.³⁴ However, as is often the case in Latvia, economic considerations take precedence over politics.

Discussions about the security in the context of asylum seekers' crisis, especially in 2016, are taking place on several conceptual levels. On the one hand, it concerns the interest of Latvia to have a united and strong Europe as an effective guarantee for the Latvian national security. Furthermore, in the context of asylum seekers' crisis, the question of strengthening the eastern border Latvia has been raised, since it is also the EU external border. This aspect is particularly emphasised by the National Alliance politicians.³⁵ It cannot be excluded that destabilisation towards the east of Latvia could lead to an influx of similar masses of asylum seekers, which will flow through Latvia, therefore it is important for Latvia to show solidarity today, to receive solidarity tomorrow.

On the next level, it concerns security risks related to terrorist infiltration among asylum seekers. Despite the close co-operation between the USA and other Western countries, as they carry out military operations in Muslim regions, up to now Latvia has not been a terrorist target. However, taking into account the objective of the Islamic State to spread panic and their non-systematic (chaotic) ways of carrying out acts of violence, Latvia could become a target of attacks. The government of Latvia has undertaken to address these risks and duly examine the alibi of asylum seekers relocated

to Latvia. However, as has been pointed out, prolonged stays at asylum centres — either legal or illegal — promote religious radicalisation and recruitment of new terrorists, therefore, from the security viewpoint, it is more important to resolve this problem.

LATVIA AND INTEGRATION OF ASYLUM SEEKERS

A particularly relevant issue in the public discourse of Latvia and of other post-Soviet countries is the ability of accepting people coming from a different culture. An opinion has been voiced that, by accepting foreigners, changes in the existing cultural values are inevitable — the only question is about the extent to which each society is willing to accept these changes. Needless to say, that this aspect is most actively exploited by nationalistically inclined political powers. In the previously mentioned foreign policy debates at the Parliament in 2016, for example, the parliamentarian Edvins Snore from the National Alliance reminded the colleagues how sensitive the migration topic is in Latvia “following the migration and colonisation waves that washed over Latvia during the Soviet occupation!”³⁶ In any case, while in the older Member States (EU-15), especially in those with colonial experience, extensive positive and negative experience has been accumulated regarding Arabic Muslim integration, then in several former Warsaw Pact countries the mere idea of Muslim neighbours can cause feelings of horror and let the imagination run wild even as far as imagining conflicts of civilisations, as is so explicitly proven also by the Latvian experience.³⁷ The best method to fight such prejudice is the promotion of direct social contacts, as well as information campaigns, which help understand Muslims as people, who are affected, say, by the same problems as Latvian inhabitants. This is a task that should be implemented in 2017 and in the subsequent years.

Integration of asylum seekers in Latvia is a major problem. In the course of history, Latvia has been both the sending and the host country, therefore the notion of integration should not be alien to it. However, as it turns out, if comparing integration policies between 38 European countries, Latvia ranks next to last in 37th place, leaving behind only Turkey, and it is classified as unfavourable for integration (Lithuania ranks 34th, but Estonia, 22nd).³⁸ It is pointed out that Latvia’s current approach does not provide for a targeted support and rather creates obstacles than offers opportunities to third (non-EU) country nationals to integrate. A particularly unfavourable situation is in the health (38th place), naturalisation (38th place), political engagement (33rd place) and education (33rd place) sectors. The spheres in which Latvia does better are employment (28th place), family reunification (28th place), and obtaining a residence permit (30th place). Latvian experts and politicians alike agree that Latvia lacks a targeted policy and action of responsible authorities.³⁹ Thus, the parliamentarian Solvita Āboltiņa (“Vienotība”) has urged to think “whether, having overcome our own difficulties, today we are ready to turn our backs against our partners. Will we really be so double-faced and will take active part in distribution of the joint budget, at the same time pretending that we are not able to lend at least a symbolical shoulder for support?”

Indeed, public opinion polls show a very high level of intolerance in Latvia towards immigration of third (non-EU) country nationals. According to the Eurobarometer data, 87 % are negatively disposed towards immigrants from third countries, and that is the highest percentage in the EU (followed by the Czech Republic with 85 % and Hungary with 83 %).⁴⁰ At the same time, if we look at respondents' answers about what they feel are the most significant challenges in their personal life and in the life of the state, only a very small part of respondents (2 %) have indicated immigration as a personal problem, while 13 % perceive it as a problem in the life of the state (see Figure 3). This confirms that the anti-immigrant sentiments are largely linked to prejudice rather than personal experiences.

CONCLUSIONS AND RECOMMENDATIONS

The storm has subsided, however the situation in the EU on the whole is very unstable and, as the “winds” change, the crisis can restart with full force. Temporary stabilisation of the situation is achieved, owing to provisional solutions, therefore EU authorities and Member States may not rest on their laurels, but instead continue the work on creating permanent mechanisms for normalisation of the situation (for example, restriction of

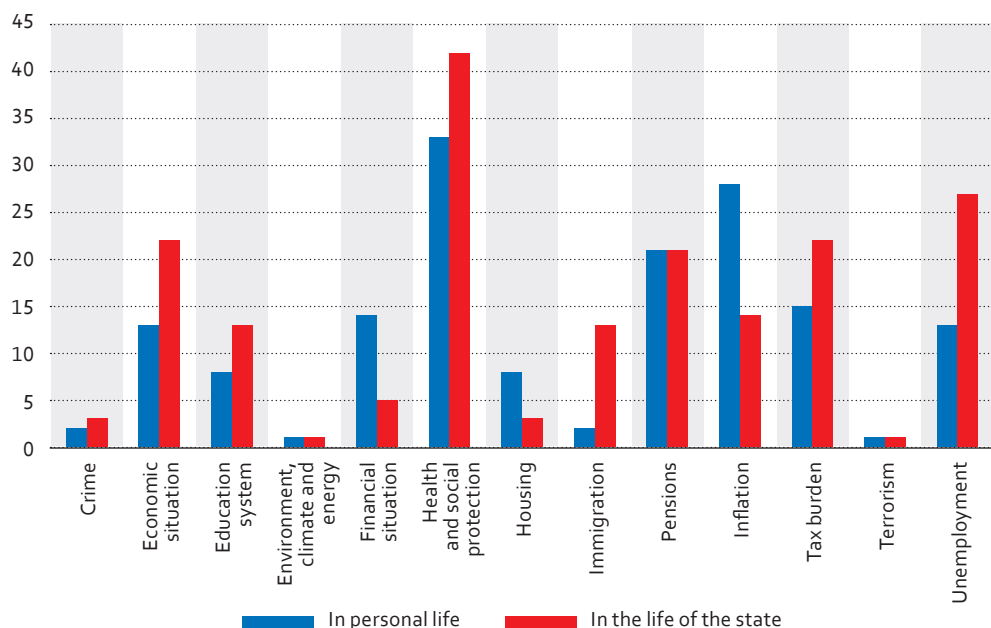


Figure 3. Most significant challenges in personal life and the life of the state according to a public opinion poll conducted in May 2016 (%). Source: Eurobarometer

illegal immigration, fast registration, shared distribution and effective return) in such refugee crises.

As regards the current asylum seekers' crisis, further co-operation between the EU and Turkey will have a great impact. Even though Turkey understands its importance and will be speaking with the EU from power positions, Turkey is and will remain dependent on the EU funding — the offered 6 billion over four years (2015–2018) is a large enough sum to motivate Turkey to continue co-operating.

Finally, the EU must invest every effort to stabilise the situation in Syria and restore normal functioning of the state power also in other Northern African countries, which have suffered from civil wars. Since this goal will not be achievable in the short term, EU asylum seekers must be ensured more options of legal entry, in order to reduce the number of migrants drowning in the Mediterranean and restrict people smugglers.⁴¹ It is equally important to guarantee returns or removals of asylum seekers to third countries more effectively. In this sense, the EU has not been particularly successful, because removal depends on the willingness of partner countries to co-operate.

The decision of the government of Latvia to support the EU resettlement programme and not to join the Visegrad Group in blocking this programme was a correct one. From the viewpoint of Latvia's interests, it is important to support such solutions that reduce the tensions between Member States and allow Latvia to position itself as a reliable partner. Germany has admitted more than a third of all asylum seekers, therefore it is important for Latvia to co-operate with Germany in creating mechanisms for crisis regulation. It must be noted that in the fall of 2017, Germany will hold parliamentary elections and, having regard to the positive attitude of the incumbent head of the government towards the Baltic States, it is important that Angela Merkel manages to maintain her positions also following the election. The support of Germany is extremely important for Latvia in such spheres as security and economic growth. Furthermore, under circumstances of destabilisation to the east, Latvia, too, can be affected by a cataclysm of asylum seekers of a similar scale, therefore such crisis solution mechanisms should be established, which would eliminate problems in the territory of Latvia.

From Latvia's viewpoint, the admission of 776 asylum seekers is not a problem. In fact, admitting even ten times more asylum seekers would not present any problems to Latvia. The fleeing refugees have placed Latvia in a rather unflattering situation. This is an indication of that solidarity in admitting asylum seekers cannot be a mere formality, but instead we must seriously think of ways of organising refugee integration in society of Latvia, by reducing social prejudice and allocating sufficient funds for the refugees to be able to sustain themselves until they find permanent means of livelihood. The government must think of how to promote the employment of asylum seekers and how to provide more information about the culture and traditions of Arabs and Muslims of other ethnicities.

ENDNOTES

- ¹ “Asylum and first time asylum applicants by citizenship, age and sex. Annual aggregated data (rounded),” *Eurostat*, [migr_asyappctza].
- ² According to the European Commission data, following the outbreak of the refugee crisis, since September 2015, border controls on the internal borders were unilaterally restored by eight Member States. See: “Back to Schengen: Commission proposes Roadmap for restoring fully functioning Schengen system,” *European Commission*, 04.03.2016, http://europa.eu/rapid/press-release_IP-16-585_en.pdf
- ³ “Refugees attack EU asylum offices on Lesbos,” *EurActiv*, 24.10.2016, <https://www.euractiv.com/section/global-europe/news/refugees-attack-eu-asylum-offices-on-lesvos/>
- ⁴ Jean-Claude Juncker, “State of the Union 2015: Time for Honesty, Unity and Solidarity,” *European Commission*, 09.09.2015, http://europa.eu/rapid/press-release_SPEECH-15-5614_en.htm
- ⁵ Jean-Claude Juncker, “State of the Union 2016: Progress on the European Commission’s 10 Priorities,” *European Commission*, 14.09.2016, https://ec.europa.eu/priorities/state-union-2016_en
- ⁶ “Back to Schengen: Commission proposes Roadmap for restoring fully functioning Schengen system,” *European Commission*, 04.03.2016, http://europa.eu/rapid/press-release_IP-16-585_en.pdf
- ⁷ In September 2016, EU Member States processed the highest number of applications to date — 110 thousand, thus demonstrating a substantial increase of capacity, however, this capacity is still insufficient to quickly manage the increasing number of applications, as a result of which, by the end of September, the number of unprocessed applications had reached more than 1 million, of which a half had been waiting for a review for more than six months. See: “Latest asylum trends - September 2016,” *European Asylum Support Office*, 09.2016, <https://www.easo.europa.eu/sites/default/files/Latest%20Asylum%20Trends%20September%20-%20final.pdf>
- ⁸ “Third Report on the Progress made in the implementation of the EU-Turkey Statement,” *European Commission*, COM (2016) 634 Final, 28.09.2016, http://ec.europa.eu/enlargement/news_corner/migration/com_2016_634_f1_other_act_863309.pdf/
- ⁹ Data of the International Organisation for Migration: <https://www.iom.int/>
- ¹⁰ Elspeth Guild, Sergio Carrera, “Rethinking asylum distribution in the EU: Shall we start with the facts?” *CEPS Commentary*, 17.06.2016, <https://www.ceps.eu/publications/rethinking-asylum-distribution-eu-shall-we-start-facts>
- ¹¹ Turkey has committed to strengthen the battle with people smugglers and to receive back from Greece asylum seekers who have arrived there illegally. In exchange for every returned illegal immigrant, the EU promised to receive one Syrian asylum seeker from refugee camps in Turkey (according to the principle “one in, one out”) and to allocate significant — 3 billion euros large — additional financial aid to improve the living conditions in the Turkey’s refugee camps. See: “Letter from President Juncker to the President and the Members of the European Council on progress in the implementation of the Facility for Refugees in Turkey,” *European Commission*, 17.10.2016, http://europa.eu/rapid/press-release_STATEMENT-16-3465_en.htm
- ¹² Zia Weise, Peter Foster, “Erdogan threatens to open Turkey’s borders to Europe in protest at EU,” *The Telegraph News*, 25.11.2016, <http://www.telegraph.co.uk/news/2016/11/25/erdogan-threatens-open-turkeys-borders-europe-protest-eu/>
- ¹³ Von Frida Thurm, Carsten Luther and Paul Blickle, “Willkommen in Deutschland?” *Zeit Online*, 01.02.2016, <http://www.zeit.de/gesellschaft/fluechtlinge-in-deutschland>
- ¹⁴ Even though a vast majority of the referendum voters voted against quotas, the referendum result was not legally binding because of the insufficient turnout. Nevertheless, the failure of the referendum did not prevent the autocratic leader of the country Viktor Orban to proclaim victory and push through the parliament a law against the distribution quotas.

- ¹⁵ "Third country nationals found to be illegally present - annual data (rounded)," *Eurostat*, [migr_eipre].
- ¹⁶ "First instance decisions on applications by citizenship, age and sex. Quarterly data (rounded)," *Eurostat*, [migr_asydcfstq].
- ¹⁷ "Persons subject of asylum applications pending at the end of the month by citizenship, age and sex. Monthly data (rounded)," *Eurostat*, [migr_asyenctzm].
- ¹⁸ "Patvēruma meklētāji," *Pilsonības un migrācijas lietu pārvalde*, 2016, <http://www.pmlp.gov.lv/lv/sakums/statistika/patveruma-mekletaji.html>
- ¹⁹ "EASO and relocation," *European Asylum Support Office*, 2016, <https://www.easo.europa.eu/relocation-0>
- ²⁰ Ibid.
- ²¹ "Valdība samazina bēgļu pabalstus līdz 139 eiro," *LSM*, 22.12.2015., <http://www.lsm.lv/lv/raksts/latvija/zinas/valdiba-samazina-beglu-pabalstus-lidz-139-eiro.a160836/>
- ²² "Deklarācija par Māra Kučinska vadītā Ministru kabineta iecerēto darbību," *Ministru kabinets*, 02.2016., http://www.mk.gov.lv/sites/default/files/editor/20160210_mkucinskis_vald_prior_gala_vers_0.pdf
- ²³ Mudīte Luksa, "Pārvietojamās personas: atlase, uzņemšana, izmitināšana, integrācija," *Latvijas Vēstneša portāls "Par likumu un valsti"*, 08.10.2015., <http://m.lvportals.lv/visi/skaidrojumi?id=274214>
- ²⁴ See: "Fourth report on relocation and resettlement," *European Commission*, COM(2016) 416 final, 15.06.2016; "Fifth report on relocation and resettlement," *European Commission*, COM(2016) 480 final, 13.07.2016.
- ²⁵ "Sixth report on relocation and resettlement," *European Commission*, COM(2016) 416 final, 28.09.2016.
- ²⁶ Unlike Estonia, in the case of Latvia, asylum applications of individuals relocated from Greece, Italy and Turkey are reviewed, when these individuals are already in Latvia, therefore upon arrival in Latvia they, along with other asylum seekers, are settled in "Mucenieki". During the stay in "Mucenieki", asylum seekers receive a daily allowance of 3 EUR for covering food, hygiene, and public transport costs (on 12 July 2016, the allowance was increased from 2.15 to 3 EUR). Latvian language classes are available to asylum seekers free of charge. When the asylum seeker has received a refugee's status or the so-called alternative status, they must leave the asylum centre and find a new home on their own. See more on the distribution of state funding and acceptance of asylum seekers here: "Ar patvēruma meklētāju uzņemšanu saistītās izmaksas vēl tikai pieaugs," *TVNET*, 09.22.2016., http://www.tvnet.lv/zinas/latvija/583303-ar_patveruma_mekletaju_uznemsanu_saistitas_izmaksas_vel_tikai_pieaugs
- ²⁷ Mudīte Luksa, "Pārvietojamās personas: atlase, uzņemšana, izmitināšana, integrācija," *Latvijas Vēstneša portāls "Par likumu un valsti"*, 08.10.2015., <http://m.lvportals.lv/visi/skaidrojumi?id=274214>
- ²⁸ "No 23 statusu ieguvušajiem bēgļiem Latvijā palikuši divi; visi pārējie jau ir Vācijā," *LSM*, 05.09.2016., <http://www.lsm.lv/lv/raksts/latvija/zinas/no-23-statusu-ieguvusajiem-begliem-latvija-palikusi-divi-visi-parejie-jau-ir-vacija.a199311/>
- ²⁹ The state of Latvia pays monthly residence benefit to refugees for 12 months (for 9 months, to individuals with the alternative status). The sum of benefits for an adult is 139 EUR, but for every next family member and unaccompanied children 97 EUR. A person, who has obtained a refugee status, receives also all state social benefits relevant to their situation (e.g., family benefit).
- ³⁰ These directions were outlined at the meeting of the Expert Council working group of the University of Latvia regarding asylum seekers' rights and policy in the European Union and Latvia on 14 October 2016.
- ³¹ The European Asylum System is based on six EU laws, which stipulate common standards for qualifying individuals as refugees or persons (Directive 2011/95/EU) entitled to receive

- alternative protection, common procedures for granting international protection status (Directive 2013/32/EU), common standards for acceptance of applicants (Directive 2013/33/EU), criteria and mechanisms to designate the Member State, which is in charge of reviewing a third country national's application (Regulation 604/2013), and, finally, the decision on provisional measures for relocation of asylum seekers from Italy and Greece (Decision No. 2015/1601).
- ³² This package included proposals for establishing a fairer Dublin System, which would be based on a temporary asylum seekers' relocation system between EU Member States, enhancing the European dactyloscopy or Eurodac system, and establishing an adequate European Asylum Agency. According to the Commission's plan, a stable, harmonised and integrated European Asylum System will be created with common procedures for granting international protection status, common standards regarding the protection and rights of people, who have received international protection, incl. access to the labour market. See: "Pabeidzot kopējās Eiropas patvēruma sistēmas reformu: ceļā uz efektīvu, taisnīgu un humānu patvēruma politiku," *Eiropas Komisija*, 13.07.2016., http://europa.eu/rapid/press-release_IP-16-2433_lv.htm
- ³³ "Likumīgu migrācijas iespēju uzlabošana – Komisija ierosina izveidot kopīgu ES pārmitināšanas regulējumu," *Eiropas Komisija*, 13.07.2016., http://europa.eu/rapid/press-release_IP-16-2434_lv.htm
- ³⁴ "Uzņēmēji gatavi nodarbināt bēgļus, taču vajag valsts atbalstu," *LETA/TVNET*, 30.09.2015., http://www.tvnet.lv/zinas/latvija/578031-uznemeji_gatavi_nodarbinat_beglus_tacu_vajag_valsts_atbalstu
- ³⁵ For example, see the statements made in 2016 by the National Assembly representative Ināra Mūrniece during the foreign policy debates at the Parliament. See: "Transcript of the third (extraordinary) meeting of the winter session of the 12th Parliamentary convocation of the Republic of Latvia," *Saeima*, 26.01.2016, <http://www.saeima.lv/lv/transcripts/view/340>
- ³⁶ "Transcript of the third (extraordinary) meeting of the winter session of the 12th Parliamentary convocation of the Republic of Latvia," *Saeima*, 26.01.2016, <http://www.saeima.lv/lv/transcripts/view/340>
- ³⁷ This concerns the theatre production by the director Alvis Hermanis in the New Riga Theatre in September 2016 titled "Submission". The performance is based on the novel of the same title by the controversial author Michel Houellebecq, and it tells about the progression of the European civilisation towards apocalypse and the expected submission to the much more vital Islamic culture. The director commented that "Western society is in a pit, and it keeps on digging. Our performance is a dedication to all the diggers." See a review of the performance here <http://www.jrt.lv/paklausanas>.
- ³⁸ Thomas Huddleston et al., *Migrant Integration Policy Index*, 2015(8) (Barcelona/Brussels: CIDOB and MPG), 144-147.
- ³⁹ See, for example, the remarks by the parliamentarian Solvita Āboltiņa during the parliamentary foreign policy debates in 2016: "Transcript of the third (extraordinary) meeting of the winter session of the 12th Parliamentary convocation of the Republic of Latvia," *Saeima*, 26.01.2016, <http://www.saeima.lv/lv/transcripts/view/340>
- ⁴⁰ "Immigration of people from outside the EU," *Eurobarometer*, 05.2016, <http://ec.europa.eu/COMMFrontOffice/publicopinion/index.cfm/Chart/getChart/themeKy/59/groupKy/279>
- ⁴¹ According to some news, smugglers' income is estimated as high as 5 billion euros. See: Joel Lewin, "Europe's people smugglers earned more than \$5bn in 2015," *Financial Times*, 17.05.2016, <https://www.ft.com/content/9b00f2ce-e9d7-30c4-a490-532a59a35c55>

LATVIA-RUSSIA RELATIONS: THE COOL STABILITY

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At the meeting of the Russian Foreign Policy and Defence Policy Council on 9 April 2016, the Minister of Foreign Affairs Sergey Lavrov announced that, on the instructions of the President of the State, the Ministry of Foreign Affairs of Russia is working on a new foreign policy concept. The work was completed and the new concept was approved with a decree by Vladimir Putin on 30 November. Taking into account the issues in the Latvia-Russia relations up to now, it is important to follow those foreign policy changes of Russia, which can affect the events and processes in Latvia the most. The new concept provides for succession of foreign policy of the Putin era, and like the previous two, it refers to a multipolar world, in which the poles of power correspond to the centres of individual civilisations. Russia uses the theme of civilisations to justify its anti-western policy and disregard for human rights. The new concept once again reiterates that Russia will continue restricting democratic liberties within its borders, by invoking cultural and state administration traditions specific to Russia. Multi-polarity in international relations in the official understanding of Russia also implies its rights to control the foreign and domestic policy of its neighbouring states. As of now, nothing suggests that Russia is planning to change this position next year.

Similar to the foreign policy concepts of 2008 and 2013, the new version, too, refers to the desire of Russia to consolidate the world of its compatriots living abroad, and this directly affects Latvia and a considerable part of its inhabitants. The use of Russia's media to achieve foreign policy goals is yet another foreign policy dimension that leaves a considerable impact on processes in Latvia. In Russia's foreign policy concept of 2016, the wording is even more unambiguous and persuasive than before. One of the defined foreign policy priorities is "Strengthening of positions of Russia's mass information and mass communication means in the global information space and dissemination of Russia's views about international developments to vast circles of international society".¹ A simple conclusion can be drawn from the above, namely, that Russia is not planning to justify its propaganda and disinformation campaign, but rather will continue as usual.

The negative influence of Russia's media on political and social processes in Latvia could also be observed in 2016, when, similar to the previous years, Russia, via media,

tried to justify its aggressive conduct in foreign policy. The events in Ukraine were the topic addressed in the Russian media in 2014 and early 2015, whereas in 2016 news and commentaries about the war in Syria were dominating. Public opinion polls show that the views of foreign policy and events in the international arena are sometimes diametrically different among the Latvian-speaking and Russian-speaking audiences living in Latvia. Even if disinformation disseminated in Russian television for the most part is not directly related to Latvia, nevertheless, the radically different views of acceptable and unacceptable conduct in foreign policy delays the process of achieving social cohesion in Latvia.

Latvia-Russia bilateral relations in 2016 did not take extremely sharp turns. Security concerns of the Latvian population have decreased, after having substantially increased in 2014 following the unlawful annexation of Crimea. Technical co-operation of the Ministry of Foreign Affairs and the Ministry of Transport with colleagues of these sectors in Russia has continued as usual. In October 2016, the President of Tatarstan Rustam Minnikhanov visited Latvia; the work of the commission of border demarcation is approaching the finish line. The volume of Latvia-Russia mutual trade has decreased in 2016, compelling Latvian businesses to seek new opportunities by forming relations with other countries, including China. The atmosphere of Latvia-Russia mutual relations in 2016 was affected by the sanctions imposed by the EU on Russian officials and politicians, as well as Russia's announcements of NATO as a security threat to Russia. Russia's aggression towards Ukraine is affecting the relations between the European Union and hence also those of Latvia with Russia. Latvia's foreign policy with regard to Russia can no longer be clearly separated from the common foreign policy of the EU. With its cautious attitude towards diplomacy, Latvia fits in well within the European understanding of the most acceptable practice in international relations.

PRAGMATIC VS. NORMATIVE FOREIGN POLICY TOWARDS RUSSIA

From time to time, Latvian media engages in discussions about the most acceptable kind of foreign policy in relations with Russia — based either on pragmatism or on normativism. Without expanding an extensive analysis of each of the concepts, we shall simplify them by perceiving pragmatism as orientation towards gaining material, physical goods, as opposed to normative foreign policy, which is based on specific values, legal principles, and their dissemination. One of the most typical examples of normative foreign policy is the Neighbourhood Policy initiated in 2004 by the European Union, whose objectives were (and still are) the promotion of democracy, market economy, rule of law, security, good governance, fundamental freedoms and human rights in the EU neighbouring states to the south and east. By the way, this objective must be regarded as pragmatic, too, because wealthy, stable and safe countries add to the security and

prosperity of Europe. Thus, the distinction between normative and pragmatic foreign policy often is rather relative. The results of EU normative foreign policy in various countries are rather different, which raises the question of its effectiveness.

It is a pragmatic move for Latvia to object to Russia's aggression against Ukraine, because for countries that are not as powerful economically or in the military sense, observation of international legal regulations in international relations serves as a guarantee of their existence. Here, the pragmatism of Latvia and trust in values go hand in hand and cannot be juxtaposed. The international political realism theory provides more trust in power than in norms. The star of neorealism theory John Mearsheimer in his addresses after the 2014 annexation of Crimea voiced the opinion that the West is to blame in the conflict escalation in Ukraine, because it disrespects the red lines drawn by Russia. But what about the rights of Ukrainians, Moldovans, and Georgians to implement a foreign policy, which in their opinion will allow contributing to national security and welfare of the people in the fastest possible way? Would the doors of NATO be open to Latvia, Lithuania, and Estonia if in 2004 the alliance member states were guided purely by mercantile interests, forgetting about the values and solidarity with the Baltic states that suffered from the Soviet occupation.

We can safely say that before the annexation of Crimea, Latvia tried to implement pragmatic rather than normative foreign policy towards Russia. The consistently high position that Russia assumes in the Latvian import and export indicators serve as proof of the aforementioned. In this context, it must be asked what would the "more pragmatic" policy referred to by some Latvian journalists, experts and politicians mean in relations with Russia? In this respect, it must be borne in mind that Latvia's "pragmatism" has boundaries, namely, in striving to improve the relations with Russia, we do not have to give up our selected national development model, which, besides the understanding of development of Latvia as a national state, provides for trust in generally recognised international rights principles. This article looks at the main tendencies in 2016 in the Latvia-Russia relations, by considering them in a broader context of regional and global events and processes. The article also considers the possible developments of international relations in 2017.

VISITS, MEETINGS AND INDIVIDUAL ACTIVITIES

Even though Russia's aggression in Ukraine has reduced the scope of co-operation issues of Latvia-Russia, co-operation has still continued in several practical spheres. In 2016, the work of the joint demarcation commission of Latvia and Russia was continued, approaching the completion of in situ demarcation of the border between both countries. Although the work of the inter-governmental commission has been suspended since 2013, meetings in one of its sub-sections — the Transport Working Group — still convene. The

Minister for Transport of Latvia and the head of the Latvia-Russia Inter-governmental Commission Uldis Augulis visited Moscow in the spring of 2016, where he met with the Russian Minister for Transportation Maksim Sokolov. Communication on co-operation in the sphere of transport and logistics continued at the Transport Working Group meeting in Sochi, where Latvia was represented by Augulis. The Minister for Transport of Latvia met with the Minister for Transportation of Russia Sokolov and the president of the company “Russian railways” Oleg Belozarov. Possibly, the Intergovernmental Commission will restore full function and will convene in a meeting in 2017.

Besides the implementation of foreign policy, which is coordinated and managed by the Ministry of Foreign Affairs of Latvia, activities initiated by certain politicians have also been implemented. One of such activities was an unofficial meeting of ministers with the Deputy Prime Minister of Russia Arkady Dvorkovich on 2 August 2016. Dvorkovich arrived in Riga on an informal visit and met with the mayor of Riga Nils Usakovs and with three members of the Union of Greens and Farmers (ZZS) — the Minister for Finance Dana Reizniece-Ozola, the Minister for Transport Uldis Augulis, and the Minister for Agriculture Janis Duklavs. The Minister for Foreign Affairs Edgars Rinkevics explained that he was aware only of the meeting planned with Duklavs. Dvorkovich, who is backed by Dmitry Medvedev, assumed the post of the Deputy Prime Minister in 2012. Even though formally this post is very high in the pecking order, judging by the informal — actual criteria of Russia’s elite, Dvorkovich is not exactly in the Olympus of power in Russia. Nevertheless, he should not be underestimated either; Dvorkovich is the person of trust of D. Medvedev, and he symbolises the new generation of the Russian elite, which, together with D. Medvedev, must appear modern, such that can promote the loyalty of Russia’s youth to the state power and would give at least some hope for the liberally inclined of Russia.

The said meeting highlights two matters: firstly, attempts continue in Latvia to decentralise foreign policy. Even though, pursuant to the law, the coordinating role in the foreign policy of Latvia is assumed by the Ministry of Foreign Affairs, there are some politicians and political powers, which try to approach international relations at their own discretion. This tendency is observed not only in Latvia, but in other countries as well, where economy-related authorities try to act “directly”, beyond the mandate granted to them by the state. However, such practice in relations with Russia is unacceptable. Since the sanctions of the EU were imposed on Russian officials and businesses, the Ministry of Latvia of Latvia has been the state authority responsible for making sure that the sanction regimen is not violated in Latvia. Secret “arrangements” in international contacts, which are very much preferred by Russia, is a dangerous practice for Latvia. It is specifically in the building of relations with Russia that Latvia must try to maintain transparency, so that something is not “arranged” for the purposes of narrow business interests, which might harm the interests of Latvia.

An individual, alternative approach in relations with Russia is also assumed by Nils Usakovs, who since 2009 has tried to form close ties with Moscow. If Riga represents only itself in these relations (at least in the official sense), then Moscow is also

unofficially involved in the implementation of policy of Russia's countrymen living abroad and that is a part of official foreign policy of the state. In 2016, Usakovs said that he hopes the EU sanctions imposed on Russia will be lifted. Already back in 2014 he commented to the LNT programme "900 seconds" that the imposition of sanctions on Russia to stop its aggression in Ukraine was a delirious idea. Usakovs encumbers the implementation of a coordinated foreign policy in relations with Russia, which has challenged the existing international order, by annexing Crimea in 2014.

Another tendency that was highlighted by the visit of Dvorkovich in Riga, was the attempts of Russia to find the weakest points in the common foreign policy of the European Union to reduce the pressure of sanctions imposed on Russia because of its aggression in Ukraine. Latvia, undoubtedly, does not set the tone in foreign policy decisions of the EU; however it can influence the overall mood in Brussels in such matters as Eastern Partnership and relations with Russia. To influence the Baltic states in these matters would also mean influencing those, who up to now have shown the strongest solidarity towards Ukraine and the strictest stance against Russia. If Russia managed to convince all Baltic states or at least Latvia that sanctions must be lifted then that could be used to convince the Western Europe about it as well, to wit "if even the angry Baltic states believe that the sanctions must be lifted, then we in the Western Europe should also reconsider it". That, of course, has not yet been achieved, but similar "testing the grounds" for the part of Russia has been happening also elsewhere.

TRUMP, PUTIN AND THE SECURITY OF RUSSIA

The USA-Russia relations are an important factor affecting the security situation of Latvia. At the moment (in late 2016), we still do not know the politician Donald Trump; up to now we have only known an odious businessman and a presidential candidate, who employed populist methods and made controversial promises during the pre-election campaign. The politician Trump can be judged only from his first works which will likely be related rather to domestic policy and will be more moderate than the statements he made during the campaign. At the same time, it must be emphasised that such an important and up to now active country in international politics as the USA would not be able to simply self-isolate even if such a decision were made in the President's administration. Firstly, it is not in the (economic) interests of the USA, secondly, not all republican representatives in the Congress think like Trump as regards the role of the USA in the international arena.

Russia as a risk factor for the security of Latvia following Trump's election can grow especially at first, while it is unclear what policy will the newly elected US president be implementing in relations with Russia. The Baltic states see the USA as a strategic partner in the sphere of security and the key factor balancing the influence of Russia;

therefore, Trump's statements about NATO have caused certain nervousness. Presumably those, who up to now were hesitant regarding the allocation of 2 % of the GDP towards national defence spending, have been persuaded. Regional collaboration for strengthening security will become increasingly important, engaging the Baltic states, Sweden, Finland, and Poland. Due to security risks caused by Russia, three directions must be highlighted in the strengthening of Latvian security: strengthening of defence abilities using own capacities; closer regional co-operation in the security sphere; lobbying with the allies in the West, especially in Washington.

In 2016, Russia continued its aggression in Ukraine, by prohibiting the government of Ukraine to control its eastern border. Russia's involvement in the Syrian conflict has substantially hindered its resolution. One of the reasons of such involvement is the attempt to escape western sanctions and to reduce the situation of isolation, in which Russia found itself as a result of aggression against Ukraine. The Obama administration understood the strategic goals of Russia well, and therefore in Syria it co-operated with Moscow only on a tactical level to reduce the possibility of mutual incidents in the warfare in Syria. It is not yet clear whether the US President-elect Donald Trump will act similarly.

Members of Trump's pre-election team, inter alia candidates to various posts, made statements in late 2016 favourable to Ukraine, however Trump's own claim stating that the Crimeans wish to be with Russia does not promise anything good. The USA is not a party to Normandy format negotiations; however its position influences the Minsk negotiations on Ukraine. On the other hand, Putin (as of November 2016) does not want rapid changes in Ukraine not to provoke the newly elected US President and not to destroy the hopes of improved relations. The progress of Ukraine towards integration in the West is already encumbered due to the annexed Crimea and the warring regions; and as of now that is sufficient for Putin. Whether or not it will be enough in the context of the 2018 Russian presidential election and in the negotiations of the upcoming months regarding Syria, is yet unknown. The first statements by Trump about the future of Ukraine, after 20 January, once he has assumed the Presidential post, will largely determine further plans of Russia, because Putin assesses the world from the perspective of territories of exclusive interests, namely, if this place (Ukraine) does not belong to Americans, then it belongs to him.

If Putin manages to take advantage of the situation and improve Russia-USA relations, then those official Russia-sympathising political forces in Latvia will probably urge to improve Latvia-Russia relations even more actively than before. In practice, it might present an invitation to reduce the sanction pressure on Russia, to battle for not diverging transit to Russian ports, etc. To change the overall strategic choice of the modern-day Latvia (looking towards the West) in a way that the foreign policy vectors are aimed at Russia will be unlikely, however the attitude in Latvia towards the European Union in the upcoming years will experience challenges. The favourable attitude of Latvian citizens towards NATO, however, will be more difficult to challenge, because the modern-day Russia led by Putin itself encourages the Baltic states to think about the non-substitutability of transatlantic ties more frequently.

On 31 December 2015, the new National Security Strategy of Russia was approved; it stated that “the activation of NATO block countries’ military operations, further expansion of the alliance, approximation of its infrastructure to the Russian border poses threats to national security.”² If something is referred to as a threat, then prevention measures must follow. In the interview of November 2016 given by Putin for the film of Oliver Stone “Ukraine on Fire”, he admitted the possibility that Russia could carry out missile attacks on NATO objects if they threaten national security: “we must take response measures, in other words, put those objects under the hit of our missiles, which, in our opinion, start posing a threat to us. The situation makes you tense up [напрягает — Rus. lang].”³ Here, the rich Russian language allows translating Putin’s words “put under hit” also as “aim at”. In either case, the aim of these statements is to warn the West that it will not be easy to rein Moscow in, because it will try to rein in the USA and its allies.

ECONOMIC RELATIONS

The EU sanctions have affected the economic relations between Latvia and Russia, but they can still be regarded as normal and in some sectors as good. In the first half of 2016, with 8.36 % out of the total trade proportion, Russia was Latvia’s fourth largest partner of trading goods and third largest partner of exports of goods.⁴ It must be noted that in the 1st half of 2016, the overall trade turnover with Russia has decreased by 9.44 % if compared with the 1st half year of 2015.⁵ The causes for the decrease are diverse; in the light of sanctions and Russia’s countermeasures, the economic stagnation of Russia is regarded as the most significant factor influencing the drop of the volumes of mutual trade.

In the lead up to the end of 2016, the state of Russia’s economy in 2016 was assessed and scenarios for 2017 were discussed. The Minister of Finance of Russia Anton Siluanov, when presenting the draft state budget of 2017–2019 at the State Duma in November, stated that the next year’s “budget is tough [жёсткий — Russ. lang.] and corresponds to the new economic realia”⁶. It is created on the assumption that the price of oil per barrel will be 40–50 USD. The Chairman of the State Duma Committee for Budget Issues and Taxes Andrei Makarov allowed for the possibility that the price of oil in 2017 might temporarily fall even down to 15–20 dollars.⁷ There are still no other significant resources apparent, with the help of which, without selling oil and gas, a new push could be given to the economic development of Russia. For the year 2016, the Ministry of Economic Development of Russia has forecasted a GDP increase of 0.6 %, but in 2017, an increase of 1.7 per cent. In either case, the state budget sections of defence, security and preservation of order will remain as the priority spheres, however the proportion of the defence expenditure in the gross domestic product will decrease from 4.7 % in 2016 to 2.8 % in 2019.⁸ According to Siluanov, it will not affect the extent of armament procurements for the Russian army.⁹ The Russian Reserve Fund will also be used for public expenditure, and it is expected to be depleted by the end of 2017.

The appeal of Russia in the eyes of foreign investors diminished following the detention of the Minister for Economic Development Alexey Ulyukaev on account of accepting a bribe in November 2016. Even though the official version is that this is Putin's battle against corruption, the Russian media reported that this event is most likely linked to Ulyukaev's disagreements with the CEO of Rosneft Igor Sechin, a close ally of Putin, regarding the sale of the company Bashneft. The turbulence linked to the stage leading up to the presidential election in 2018 is not likely to improve Russia's appeal in the view of foreign investors. Bearing in mind the current economic state of Russia and its perspectives for the upcoming years, it can be expected that the Latvia-Russia trade volumes will continue falling also next year.

At the meeting with Putin in September 2016, the president of the Russian oil pipeline company Transneft Nikolay Tokarev announced that by 2018 Russia will stop exporting oil products through Baltic ports. He explained that Russia is re-orienting the cargo flow from Ventspils and Riga ports to Ust-Luga, Primorsk and Novorossiysk. Even though there were suggestions voiced in Latvia that this statement should not be perceived at face value, it is, nevertheless, clear that opportunities should be sought in advance for replacing potential losses.

In 2017, Latvia must finalise the opening of the natural gas market, which will intensify the work on the development and implementation of a model for a regional Baltic and Finnish natural gas market. In the field of electric power, work towards synchronisation of electric power networks of the Baltic states with the European network will have to be carried out. Even though in the recent years the Russian company Gazprom intensified lobbying to prevent liberalisation of the Latvian natural gas market before 2017, it does not have too many instruments at its disposal to significantly influence the process in 2017. Hopefully, the co-operation with the USA in the development of a real natural gas market next year will be one of the factors counterbalancing the influence of Gazprom.

RUSSIAN MEDIA, PROPAGANDA, AND COMPATRIOT POLICY

For many years now, messages in the leading media of Russia have been harmonised with the foreign policy objectives of Russia. Certain unchanging dominating narratives are observed, but the Russian TV has proven that, if need be, they can change emphasis literally within a day. The year 2016 in international politics was rather tense. The tension was caused by many factors, among which the most notable were the vote of the United Kingdom to leave the EU, the war in Syria and the refugee crisis in Europe, as well as the undeclared aggression of Russia in Ukraine. The destructive policy of Russia had its prehistory in Ukraine and Syria, which should be remembered to understand Putin's motivation at the global political level.

The third term of presidency of Putin started with concerns about the scale of protests of the Bolotnaya Square and the vigour of the new Russian middle class, arising from the desire to desacralise the power in Russia. Furthermore, the Arab Spring in the Northern Africa and the Middle East were not the factors that would allow the Russian elite to think only of the boom in the Far East regions of Russia and the Eurasian integration (these were the initially announced priorities of Putin for his third term of presidency). The aforementioned causes of agitation, in addition to the decreased popularity ratings of Putin and the increasing economic stagnation in Russia were the factors that motivated the president of Russia to start “the conservative turn” and anti-Western mobilisation of society in Russia in 2012 and 2013. The objective was simple — to maintain the *status quo* of the Russian power elite. The aggression against Ukraine and the involvement in the Syrian conflict must be primarily viewed specifically from the perspective of preservation of power of Putin and his circle of trust. Information campaigns of the Russian media must also be considered from a similar viewpoint. For balancing the Western influence, it was necessary to make the traditionally thinking Russian electorate in Russia and neighbouring countries support the foreign policy measures of Russia. The idea of the sinful and amoral West had to serve as the factor cementing Russia’s support of Putin. These measures were important for Latvia to correctly “read” the objectives and motivation of Russia’s actions, which would allow developing an adequate foreign policy in relations with Russia.

The new accents in foreign policy and in security policy had to emerge also in the new conceptual documents of Russia. For the security of Latvia in a broader sense, not only the hard security issues were important, but also everything that is related to the Russia’s compatriot policy and informational influence. The Foreign Policy Concept of Russia adopted in February 2013 did not bring innovations to this sphere — messages long familiar in the Baltic states regarding the need to protect the Russians living abroad were revived. Among the foreign policy priorities mentioned in the concept was “comprehensive protection of the rights and legal interests of Russian citizens and compatriots living abroad, supporting Russian approaches (российские подходы — Rus. lang.) in the protection of human rights in various international formats. The spread of the Russian language and strengthening of its position in the world, popularisation of cultural achievements of Russian nations, consolidation of the Russian diaspora in the world.”¹⁰ What is the “Russian approach” in the protection of human rights mentioned in the concept? It is, first of all, a selective approach. As heralded by the practices of implementation of the Russian compatriot policy in Latvia, organisations that are financially supported by Russia and call themselves human rights advocates only deal with a narrow number of matters that are linked to the issues of the non-citizen status and of the status of the official language. The selective approach is also manifested in the choice of countries to be criticised — the implementers of the Russian foreign policy chose not to see or mention the Russian issues in the Central Asia countries in the 1990-ties.

Russian compatriot policies as a factor delaying Latvian social integration leaves a particularly negative effect on the understanding of the history of Russia and Latvia by

Russians living in Latvia. 9 May in the near or more distant future cannot be imagined as a day that could unite Latvians and Russians in Latvia. And nevertheless, it is this day that is supported within the framework of Russia's public diplomacy and compatriot policy. A peculiar interpretation of history is one of the elements of Russia's compatriot policy. Latvia's international reputation still suffers from Russia's information campaigns, in which Latvia, alongside Ukraine and Estonia, is depicted as a land, where fascism is resurging and where the state power is actively supporting manifestations of Nazi glorification, for example, at the procession honouring legionnaires on 16 March. It is worth noting that defamation of Latvia is effectuated via RTR, NTV, TVC and other television channels, which are offered not only by commercial cable TV operators, but also within the packages of TV channels of Lattelecom — a company (partly) owned by the state of Latvia. As a result, Latvia is battling the impact of the Russian propaganda with one hand, while with the other hand it helps spreading the same propaganda and disinformation in Latvia.

During the reign of Vladimir Putin, within the construction of identity of the modern-day Russia, the victory in the Great Patriotic War is used to underscore how special the Russian nation is. The objective of these activities within Russia is related to the need to promote the loyalty of the people to Putin and the power on the whole. Whereas outside Russia, the victory over Nazism is used to explain that, seeing as Russia (the successor to the USSR) can resolve the European and global problems, and then Moscow may not be ignored in international politics. In a classical hero saga, alongside "heroes" you need "anti-heroes", who help highlight the good traits of the protagonist. In the mobilisation of Russian society and uniting it around "the nation's leader", it is important to form the structure "us" against "them". With this narrative structure, the Baltic states, which rejected regional integration projects offered by Moscow, are rather conveniently "the bad guys".

Russia's information attacks are commonly aimed at the audiences of the Baltic states and at those of Russia itself. In Russia, the news about Nazism in Latvia serve to strengthen the story of "the fortress under siege". In this context, Putin emerges as the successor of the USSR's victory over Nazism, and he must continue the case of the forefathers. Attempts to connect the nationalists of the Baltic states with Nazism, to generalise isolated cases to apply to the country on the whole, to connect the unofficial legionnaires' commemorative day with the support of the government to Nazism as such dominate in Russia's TV content. Russia's TV channels do not offer serious discussions about the legionnaires, but instead there is concealment, disinformation, cultivation of emotions and lies. In such TV programmes about Latvia and Estonia as lands of Nazism, there are no interviews with legion veterans or experts, historians who could send a balanced message. Russia's TV channel news depict only anti-fascist organisations in a positive light, which allegedly are alone in battling the rebirth of Nazism in the Baltic states.

When giving a master-class for students at the Moscow State University Higher School of Economics in the summer of 2007, the former deputy director of the Second European Department of the Ministry of Foreign Affairs of Russia Mikhail Demurin pointed out

that politics of economical nature with regard to the Baltic states must be supplemented with means of political and informational nature. "And the totality of all these means must be aimed at turning Estonia, Latvia, and Lithuania into utterly inconvenient partners of the European Union and NATO."¹¹ This quote starkly highlights the politics that Russia is implementing in the Baltic states, with one of the aims being to discredit the Baltic states. When considering Latvian and Russian relations, it is important to take into account that the informational campaigns implemented by the Russian television channels and other media against Latvia are not a self-initiative of the media, but rather a component of foreign policy and public diplomacy of Russia. In addition, it must be borne in mind that public diplomacy activities of any country are not a goal in itself but rather are subordinated to the foreign policy goals of the state.

A more serious attitude for the part of Latvian politicians and officials towards informational threats of Russia has been observed in Latvia since the annexation of Crimea, when it became clear that in Russia's hybrid war against Ukraine, the media and compatriot's policy activities play a major role. Nevertheless, it is important to take into account that Russia's propaganda and public disinformation also causes harm during times of peace, by distorting political processes and democracy on the whole. Even though the task of social integration of Latvia is mostly entrusted to Latvian politicians, officials and society on the whole, the integration process in Latvia would transpire much faster without the influences of the Russian media.

CONCLUSIONS

Latvia-Russia relations in 2016 are in a state that it had to inevitably reach, taking into consideration the principally different choices of development models over the last two decades. The choice of Latvia in favour of a rapid transit of democracy and integration in Western economic and security organisations was at variance with the vision of Russia's elite regarding the former Soviet republics, which supposedly should remain within the sphere of influence of Moscow. The process of structuring the Russian identity leaves out a truthful evaluation of the USSR history, which in modern-day Russian society would open the eyes towards understanding of neighbouring countries' inhabitants of the impact that Russia and the Soviet Union has on the fates of neighbouring nations. Unfortunately, the will of the Kremlin to control the neighbouring countries in order to preserve power in Russia itself has prevented a neutral, scientific view of the history of Russia. The desire of Moscow to see the former Soviet republics as its exclusive interest zone automatically leads to disagreements with its neighbours, which choose to implement foreign policy independently of Moscow. Since it is not in the power of Russia to change the choice of the Baltic states in favour of the West, there are still attempts made to discredit the Baltic states in the eyes of the Russian allies. This policy was continued also in 2016.

Irrespective of the destructive influence of Russia on inter-ethnic relations in Latvia and the state reputation in the international arena, Latvia has strived to seek the midway between normative and pragmatic foreign policy in relations with the neighbouring state obsessed with revanchism. As a rule, the scales have shifted more towards pragmatism, in official communication leaving the criticism of Russia's attitude towards democracy and human rights at the discretion of international organisations. For Russia, Latvia has always been a reliable economic relations partner, who duly and timely pays for the supply of energy resources and ensures favourable conditions for the transit of Russia's goods through Latvia. On numerous occasions, Latvia has tried to improve relations with Russia, such as by signing the border agreement in 2007 (giving up Abrene), and Valdis Zatlers, the President of Latvia, going on an official visit to Moscow and St. Petersburg in 2010. Unfortunately, instead of responding to Latvia's show of will to build respectful relations, the official Russia has set forth demands to change laws concerning citizenship, the official language and education in Latvia. It is worth noting that the relations, which improved after the visit of Zatlers, rapidly deteriorated, when in 2011 the party "Harmony Centre", which is politically supported by the Kremlin and the leading party of Russia "United Russia", was not accepted into the coalition in the Parliament of Latvia. All of the aforementioned suggests the unwillingness of the official Russia to form good relations with Latvia if the latter does not agree to make unilateral concessions in matters of domestic policy. In 2016, attempts were made to find possibilities of reducing the pressure of sanctions imposed on Russia, by finding cracks in the general foreign policy of the EU. Furthermore, Latvia's internal unity in matters with Russia was tested, but it managed to withstand the challenge.

The challenge thrown out by Russia to the democratic world by annexing Crimea has caused not only concerns, but also countermeasures to prevent security risks. Latvia's decision to allocate 2 % of the GDP to national defence spending already in 2018 is a principally important decision for the improvement of defence abilities and to comply with the mutual commitment made by the NATO member states. In Latvia and other Baltic states, steps are taken to prevent threats posed by hybrid warfare. Ukraine's experience is an important lesson for the improvement of Latvia's defence. In general, it can be claimed that Latvia is acting relatively quickly and decisively in the field of hard security. Unfortunately, the same cannot be said about the soft security sphere, in which the influence of Russia in Latvia is much greater.

In Latvia, like in Lithuania and Estonia, extensive knowledge has been accumulated about the harmful influence of Russia's propaganda and disinformation on democracy and the security situation in the Baltic states. Unfortunately, serious countermeasures are yet to be implemented in Latvia. Of course, steps have been taken to improve the understanding of Russia's influence among experts, journalists, and politicians. The establishment and rapidly growing capacity of the NATO Strategic Communications Centre of Excellence in Riga can be considered an achievement. However, it must be taken into account that the centre is a joint NATO institution, which can only devote a small part of its attention to the issues of Latvia. Another achievement is the recently established Baltic Centre for

Media Excellence, which will focus on issues related to journalists' work quality and other matters related to the media work. Amendments have been introduced in the Criminal Law of Latvia, to relieve the work of Latvian security authorities by performing counter-intelligence measures. Likewise, amendments were made in the laws concerning the transparency of NGO financing. This is an important step, because Russia is particularly active in using NGOs to achieve its foreign policy goals.

Sometimes, Russian propaganda reaches the audiences of Latvia due to journalists' lack of professionalism. There are two professional associations of journalists operating rather as trade unions and not as promoters of media quality. The National Electronic Mass Media Council (NEMMC) works according to its abilities; however the institution lacks media monitoring capacity. It would be useful to create a media ombudsman in Latvia, who, among other things, would perform a media monitoring function. The education sector is of great importance in reducing the influence of Russia's propaganda. The education system of Latvia, segregated according to the ethnic (language) principle, continues reproducing a segregated society of adults. The suspension of the education reform in 2004 has helped to maintain a fertile soil for spreading Russian propaganda and disinformation in Latvia. Moreover, media skills are still not adequately taught in Latvia's schools, and without these skills it is impossible to distinguish propaganda from information or news from public relations campaigns. As can be seen, a large part of these issues is not under the direct responsibility of Latvian foreign policy institutions; however these domestic policy steps are principally important to reduce the destructive impact of Russia on public and political processes in Latvia.

In 2017, Latvia must continue supporting those EU Eastern Partnership countries, which are actively continuing on the route of reforms and approaching the European Union. Solidarity policy must be pursued in relations with Moldova, Georgia, and Ukraine, by reminding these countries of the need to continue implementing democratic reforms. The policy of controlling Russia's territories of exclusive interests cannot be supported.

In 2017, Latvia in relations with Russia must continue participating in the implementation of the EU joint foreign policy, by continuing to impose sanctions for non-compliance of the Minsk Agreement. It is expected that in 2017, Russia will be actively seeking possibilities to agree on lifting the sanctions, by paying special attention to communication with the new US presidential administration and some political powers in Europe. Only significant steps in the fulfilment of the Minsk Agreement can serve as grounds for lifting the sanctions (moreover, the sanctions for the annexation of Crimea are to be viewed separately). Russia's interpretation on the sequence of implementing measures of the Minsk Agreement may not be agreed with. Elections in the separatist regions cannot be implemented without first giving the government of Ukraine a real chance to control the Eastern borders with Russia. The conflict could be resolved relatively quickly in the absence of armament, ammunition supplies and involvement of Russian military personnel. Latvia, along with the rest of

the Baltic states and Poland, must continue reminding the international society about Russia's aggression in Ukraine. We must continue the non-recognition of the unlawful annexation of the Crimea peninsula and must continue imposing sanctions on officials and politicians, who participated in the annexation process.

EU and US officials have finally reached an understanding that diplomacy of compromises alone is not the best method for stopping the aggressor country. Diplomacy and restrictive measures, however, are a set of instruments that have already proven their effectiveness in relations with Russia. At a level of bilateral relations, Latvia must continue along the golden mean between a normative and pragmatic foreign policy, while maintaining economic co-operation in the spheres, in which it is not bound by Russia's political demands towards Latvia. Overall, in the upcoming years, Latvia and the other Baltic countries in relations with Russia must arm themselves with strategic patience and try to avoid that in 2017 and 2018 Russia in the Baltic states creates a gap in the joint foreign policy wall of the EU.

ENDNOTES

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- ⁹ "Finance minister: Russia's 2017-2019 budget to ensure army modernization," TASS, 18.11.2016, <http://tass.com/economy/913254>
- ¹⁰ "Концепция внешней политики Российской Федерации (утверждена Президентом Российской Федерации В.В. Путиным 12 февраля 2013 г.), 303-18-02-2013," Министерство иностранных дел Российской Федерации, 18.02.2013., http://www.mid.ru/ru/foreign_policy/official_documents/-/asset_publisher/CptICkB6BZ29/content/id/122186
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THE GEOPOLITICAL CHALLENGES OF THE EUROPEAN UNION'S EASTERN PARTNERSHIP

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*Who rules East Europe commands the Heartland:
Who rules the Heartland commands the World-Island:
Who rules the World-Island commands the World.*
(H. J. Mackinder, Democratic Ideals and Reality, 1919)

As a geographic region, the EU Eastern Partnership countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine) have long been considered unstable socio-political territory. More specifically, the Eastern Partnership countries can be seen as pieces of fractured geographic zone (or shatterbelt)—a region lacking uniformity. Though the end of the Cold War ended the standstill between the two blocs, Russia still considers the countries of the former Soviet Union as its sphere of influence, viewing any third-country initiative in connection as intrusion into its national security. This conclusion follows from both the Russian Federation National security practices and Foreign policy concept analysis.¹

The EU launched the Eastern Partnership initiative in 2004, and although it accounts for a closer cooperation between six Eastern European countries based on the principles of international law, Russia has pursued policies and reacted from geopolitical point of view to this initiative. The EU has lost potential influence over the region by not taking into account Russia's approach, and by not wanting to play by Russian geopolitical principles. Although the EU Eastern Partnership Summit, which took place in Riga in 2015, largely served as a response to the annexation of Crimea and the continuing crisis in Eastern Ukraine, this reaction should be reassessed, as in many cases geopolitical tools have proven to be more effective as an opportunity for europeanisation. Although in the individual countries, the Association Agreements and the Deep and Comprehensive Free Trade Agreements are the first 'hard law' legal instruments (as

opposed to the Action Plan and the Association Agendas, which are referred to as 'soft law' due to a lack of accountability mechanisms), they do not offer the potential for EU membership, creating reasonable doubt as to how geopolitically motivating these contracts are in the Eastern Partnership countries.²

Thus, the notion of the Eastern Partnership countries as the border zone of democratic Eastern Europe and an EU buffer zone quickly erodes. Unlike Latvian, English makes the distinction between "borders" and "frontiers." In the early 90s, the "borders" of Eastern Partnership countries represented national sovereignty divisions; today they have become "frontiers", more typical of an age when territorial divisions were much weaker, informal, and overlapping. The inevitable conclusion is that the EU does not provide a safe buffer zone, and the Baltic States are geopolitically situated on the front lines against Russia.

Despite this pessimistic assessment, it should be noted that Latvian foreign policy towards the Eastern Partnership countries has always been consistent and positive. This positive relationship is one of the reasons why the Latvian Presidency of the EU Council prioritised strengthening the Eastern Partnership, and the region continues to lead our country's foreign policy priorities. According to the Latvian Ministry of Foreign Affairs: "Latvia continues providing strong support for the implementation of Association Agreements, closer economic ties, and visa liberalisation processes, thereby bringing the partner countries ever closer to EU standards."³

TASKS FOR THE PERIOD BETWEEN SUMMITS

On a more positive note, the Eastern Partnership as a platform continues working and developing despite many obstacles and despite the divergent interests of participating nations. Considering that EU export performance continues to improve in the countries with which the EU has concluded free trade agreements,⁴ on 13 October 2016, the EU signed a Mobility Partnership Agreement with Belarus, Georgia and Moldova, ratifying Association Agreements. A visa-free regime with Moldova has been introduced, and one with Georgia is likely to be introduced shortly, leading to the conclusion that the Eastern partnership as a foreign policy instrument works and is continuing to show progress.

On the other hand, the achievements may be viewed critically as well. To date, only three of the six Eastern Partnership countries have considered it necessary to develop closer ties with the EU by signing the Association Agreement and the Deep and Comprehensive Free Trade agreements: Georgia, Moldova and Ukraine. Moreover, in the case of Ukraine the treaty has not been ratified. Belarus is not even close to these processes, because since 1997 systematic political repression and human rights

violations have blocked any cooperation initiatives with the EU in the country which until recently was known as the “last European dictatorship.” Armenia and Azerbaijan have been invited to sign the two treaties, but the result is the opposite. Armenia, calculating geopolitical benefits, joined the Eurasian Economic Union initiated by Russia, while Azerbaijan opted not to accede to either bloc.

2016 can be viewed as the period between summits of the Eastern Partnership, characterised by the implementation of the conclusions of the 2015 Riga Summit, as well as collecting results and evaluating the areas of the cooperation mechanism that are not working. The Latvian contribution to the EU Eastern Partnership over the last year has been remarkable. The last summit was in Riga, and the Eastern Partnership has been, is currently, and will continue to be one of Latvia’s foreign policy priorities, conforming to the country’s national interests. Latvia has worked hard to encourage Belarus to be more open to the West, and the fact that Belarus has removed sanctions⁵ and increased constructive cooperation with the EU is largely due to Latvian efforts.

At the same time, relations with Ukraine have stalled after the Dutch referendum against the Association Agreement, as no solution has been developed to make further progress. At the moment there is no clear EU action following Dutch steps. It will be an extremely painful moment if the Netherlands decides to officially revoke its ratification of the Association Agreement with conflict-ridden Ukraine, which for 12 years has participated and has done its homework. Improving and resolving this highly uncertain limbo situation is one of the main objectives of the Eastern Partnership policy in 2017. In any event, for the time being, the Netherlands has not yet withdrawn its ratification, though for now the situation appears to be frozen and future steps remain impossible to predict.

The second challenge for the Eastern partnership in 2017 is the differentiated approach to the establishment of each Eastern Partnership member state, as discussed in the Eastern Partnership Riga Summit Declaration.⁶ Namely, Eastern Partnership countries should not be considered as a single region. Ukraine is currently fighting against massive Russian military aggression and propaganda, but the country is firmly committed to the path of europeanisation, despite the Dutch referendum against ratification of the Association Agreement. Moldova and Georgia have signed an Association Agreement and are implementing free trade agreements. Armenia is trying to sit on two chairs at once—joining both the Eurasian Economic Union and trying to maintain good relations with the EU and benefit from participation in the Eastern Partnership. Belarus has not sought involvement significant in the Eastern Partnership so far and has remained mostly oriented towards Russia. Last year, however, showed positive signals of Belarus’s potential desire to cooperate constructively with the EU. Azerbaijan has consistently maintained an interest in stable relations with the EU, which should be based on mutually beneficial energy and economic projects. Azerbaijan also expects the EU to contribute to a solution to the Nagorno-Karabakh conflict, a guarantee that the EU cannot give. This huge diversity of interests is currently one of the main Eastern Partnership challenges.

In 2016, at the beginning of the parliamentary foreign policy debate, Latvian Foreign Minister Edgars Rinkevics stressed: “Latvia is also essential to the single European Neighbourhood Policy, based on an individual approach and consistent with the national interests. The Eastern Partnership Riga Summit reaffirmed that the Eastern Partnership is a strategic and ambitious European Union policy, which continues to evolve.”⁷ These words reinforced the need to find specifically targeted and differentiated policies for each of the Eastern Partnership countries, as the previous approach of considering all six countries as a whole has proved to be unworkable. They also reinforce the need to continue to actively develop the EU’s Eastern Partnership policy in general, as it complies with the EU’s foreign policy interests.

At the same time, in 2016, Latvian foreign policy regarding the Eastern Partnership policy is relatively less active than in 2015. There is an objective foundation for this. Firstly, the first half of 2015 was characterised by the Latvian Presidency of the EU Council, a position that is expected to play a more active role. Secondly, the Latvian presidency took place during the Eastern Partnership Summit, which occurs every second year. This particular summit was noteworthy due to the priority placed by the Latvian Presidency on Eastern Partnership and the way in which the international agenda was shaken by Russia’s aggressive foreign policy towards Ukraine. Thirdly, there has been an apparent relaxation in Eastern Partnership policy during the period between summits. This break is evaluated in the previous policy, implementing the summit decisions and find solutions to existing problems.

EASTERN PARTNERSHIP STUMBLING BLOCKS

If the Eastern Partnership policy is to be a success, Eastern Partnership countries must also seek to succeed themselves. The biggest obstacles in this respect are systemic corruption, underdeveloped civil society and the many problems in the rule of law and human rights. Although historical speculation is not generally productive, it must be recognised that in the 1990s the Baltic States showed a significantly greater push for Europeanization compared to the current Eastern Partnership countries, resulting in membership of both the EU and NATO. It should also be recognised that the Baltic countries and the current Eastern Partnership countries are not directly comparable for several reasons. First, by the time of the awakening of the early 1990s, the Baltic States, including Latvia, had strong pro-European forces. In Latvia, it was the Popular Front followed by the existing “Latvian Way” union. Thus, in the Baltic States after the Cold War, a Europe-oriented ruling elite came to power, aligned with public opinion. Secondly, Russification it was not successful during the Soviet occupation of the Baltic States, and all three countries fully retained their language and national identity. Third, the Baltic States’ culture has long been European-oriented. Fourth, after the Cold War, when the country

was forced to choose a geopolitical orientation, the generation that experienced the inter-war period of Latvian independence was still living and with them the nation's historical memory of statehood. Fifth, the fact that the Baltic States' agreement with the EU included a paragraph on accession to the EU, acting as a positive incentive for political and economic compliance with the Copenhagen criteria, the OSCE and other international partners to meet the requirements for accession. These factors as a whole encouraged a much stronger and more determined approach to cooperation with the EU.

By contrast, the Eastern Partnership Association Agreements do not provide for accession to the EU. Rather, cooperation aims to provide economic benefits in a sort of 'europeanisation light' through "European Union law or the value of exports Eastern Partnership countries,"⁸ which is often an insufficient incentive. In addition, the Association Agreement and Deep and Comprehensive Free Trade Agreement implementation progress has both its bright and dark sides. Undeniably, by adapting to EU law and values, the economy is slowly restructured according to developed countries' economic similarities. Similarly, improving competitiveness makes economic development more balanced and fair, and increases the understanding and application of the rule of law in the economy. These benefits can be achieved in the long-term and can only be measured in the long-term. The downsides to this process are immediate however, and are the primary cause of resistance. Any reform process undergoes transient difficulties. These negative effects are particularly felt in the social sphere, and the Eastern Partnership countries societies are not domestically prepared following the many crises and shocks since the end of the Cold War. Similarly, artificially created issues have adverse effects—anti-European, anti-liberal, radical and ultra-nationalist movements, along with political conflict, causes a society that is already fragmented to break down more.⁹

It is also essential to understand that within the existing geopolitical context (five of the six Eastern Partnership countries have territorial conflicts¹⁰), cooperation with the EU does not provide any military benefits and guarantees of success. The EU approach is understandable, but at the same time should be viewed as lukewarm support, and would be feasible with the Eastern Partnership countries motivational content. On 7 May 2016 the Latvian Foreign Minister Edgars Rinkevics indicated at the Eastern Partnership Foreign Ministers' meeting: "Eastern Partnership country nationals practically feel the benefits of cooperation with the European Union, so the agreement on a Deep and Comprehensive Free Trade Area, the introduction of a visa liberalization and closer sectoral cooperation, are appropriate and necessary steps by the European Union. I call to extend and deepen cooperation in the transport, energy, trade, health and digital sectors. It is also important to further strengthen the resilience of partners to support the reform process by promoting public participation, interconnection of facilities and the development of strategic communications capabilities."¹¹

The development of agreements with Azerbaijan and Armenia is also on the table in 2017. Both countries show little enthusiasm for europeanisation and have expressed a desire to sign specific cooperation partnership agreements with the EU rather than the

Association Agreements. Although these agreements constitute a small step back for the Eastern Partnership policy intentions, as a whole they should be viewed as positive and feasible. It should be noted that in 2015, Kazakhstan entered into an expanded partnership and cooperation agreement with the EU¹², indicating that relations with Azerbaijan and Armenia could be legally regulated by specific agreements as well. At the same time, considering Armenia, Azerbaijan and Belarus's lukewarm positions on relations with the EU, the period between summits should be used to find and define the areas in which each of these countries' interests converge, to improve future cooperation.

Uncertainties around the Ukraine Association Agreement ratification process must be resolved in 2017. It is also important to institute a visa-free regime, and in November 2016, a meeting between Ukrainian and EU leaders arrived at a long-awaited decision on implementing a visa-free policy.¹³ The European Parliament makes the final decision on approval, and the agreement must still be signed and put into action. By contrast, Georgia's visa-free regime still requires full engagement, because for the time being it is stuck due to uncontrolled flows of migrants and the question of individual EU Member States' internal political issues.

CONCLUSIONS

The common denominator here is the European Union's interest in finding both a unique and collective approach to each Eastern Partnership country. Geographic determinists believe that geography is inescapable, and therefore decides the fate of Eastern Europe. In 1919, the father of modern geopolitics Halford John Mackinder expressed his belief that Eastern Europe (Belarus, Ukraine, Georgia, Armenia, Azerbaijan and Dagestan) is the key to the central heartland, from which both Germany and Russia draw their grandeur.¹⁴ Later, Zbigniew Brzezinski wrote that in the 1990s Russia began to resurrect the 19th-century doctrine of eurasianism as an alternative to communism, in an effort to recover the territory of the former Soviet Union.¹⁵ Eastern Partnership countries in the region are still looking for their home reference point, and are attempting to leave room for political manoeuvring and calculate the potential economic and political benefits and risks. Thus, for better or worse, the EU's Eastern Partnership policy drags it into a geopolitical struggle against Russia and the Eurasian Economic Union.

Conclusions on the recommendations with regard to the Eastern Partnership policy in 2016 and 2017 are as follows:

1. An Eastern Partnership policy toward Russian aggression in Ukraine has acquired a new urgency. Although its implementation has been a gradual process, results in 2016 can be considered moderately satisfactory.

2. The EU has lost impact in the region by not taking into account Russian geopolitics pursued by the Eastern Partnership countries. Geopolitical tools in many cases have proven to be more effective as an opportunity for europeanisation, so one of the challenges with regard to strengthening the Eastern Partnership is to find a political and strategic response to Russian geopolitics in the region while remaining faithful to Western values and the rule of law.
3. There have been positive developments in Belarus, which has cancelled some sanctions and has signed a partnership agreement for mobility, thanks largely to Latvian leadership. Georgia and Moldova have also ratified Association Agreements. Moldova has introduced a visa-free regime, and implementation of the agreement in Georgia is expected shortly.
4. Conversely, it should be noted that so far only three of the six Eastern Partnership countries have considered it necessary to develop closer ties with the EU by signing the Association Agreement and the Deep and Comprehensive Free Trade Agreements. Belarus, Armenia and Azerbaijan do not directly see the importance of their political development towards the West, and existing EU instruments have been inadequate in maintaining Armenian and Azerbaijani interest. Of great interest to the Eastern Partnership countries is diversity, which is now one of the main Eastern Partnership challenges.
5. Another negative factor is the stalling of relations with Ukraine in 2016, where further progress is in limbo following the Dutch referendum against the Association Agreement.
6. The EU should review its policy regarding the Association Agreements with the Eastern Partnership countries. Taking into account that they do not provide the opportunity for EU membership and other geopolitical conditions, the potential for motivation and europeanisation is relatively small.
7. The EU should consider that the Association Agreements and Deep and Comprehensive Free Trade Agreements have their own negative side effects. Any reform process can be associated with challenges, especially in the social field. Also, change creates a fertile ground for anti-European, anti-liberal, radical and ultra-nationalist movements that pose a risk to further split already fragmented societies.
8. EU policies and good-will are not sufficient to ensure that the Eastern Partnership is successful—Eastern Partnership countries must also work towards these goals. Even in countries that have expressed the desire for europeanisation—Georgia, Moldova and Ukraine—one of the biggest obstacles is systemic corruption, underdeveloped civil society and the problems of rule of law and human rights.
9. The confusion associated with Ukraine Association Agreement ratification process must be resolved in 2017.
10. Visa-free regimes should be implemented in 2017. In Ukraine, an agreement must be signed and put into effect. In Georgia, the process of creating a visa-free regime must be put into motion.
11. In 2017 the Eastern Partnership will attempt to develop a new agreement with Azerbaijan and Armenia, which will not be Association Agreements but rather

specific cooperation agreements. The period between summits should be used to find and define the areas in which the interests of each of these countries intersect, to make cooperation more extensive and productive.

When creating the Eastern Partnership initiative, the EU's intentions were very serious. The declaration context refers to the EU's strong and determined commitment to maintaining control of the region. "The European Union is concerned about what is taking place in Eastern Europe and the South Caucasus countries. With the enlargement of the Union, these countries have become next-door neighbours, and their security, stability and well-being increasingly affect the European Union. The European Union's external relations are very important for closer cooperation between the European Union and its Eastern European partners—Armenia, Azerbaijan, Belarus, Georgia and Moldova."¹⁶

EU Member States now have the task of committing to consistently and uniformly following the long-term strategy, both for the Eastern Partnership region and policies toward Russia. These two factors should be considered simultaneously, as the Russian policy towards neighbouring regions, and an aggressive foreign policy towards Ukraine and its europeanisation efforts have created a dilemma for the Eastern Partnership countries. This dilemma is purely geopolitical: neither the Association Agreement/Free Trade Agreements with the EU, nor participation in the Eurasian Economic Union pose a satisfactory solution to the political affiliation, economic problems, or security guarantees. The EU must be able to incorporate Eastern Partnership countries into the framework of cooperation to offer more than europeanisation. Free trade agreements and visa-free regimes are good steps forward in this area. However, prospects for cooperation should be expanded, possibly to include the possibility of eventual EU membership considering Russia's aggressive foreign policy.

Latvia's presidency of the EU Council raised issues around the Eastern Partnership and did much to raise awareness of the region's problems. Latvia "stressed the need for a balanced approach for the entire neighbouring region—both to the east and the south. The Presidency is actively seeking a compromise solution to the text of the Summit Declaration and urges the Member States to maintain a high level of participation in the summit."¹⁷ Latvia's EU Council presidency gave Latvia the role of godparents in the development of the Eastern Partnership, now it must continue to fulfil its obligations in that role.

ENDNOTES

¹ "Концепция внешней политики Российской Федерации 1993 года," Шаклеина. Т.А.Т.ИУ (ed) *Внешняя политика и безопасность современной России. 1991 - 2002. Хрестоматия в четырех томах. Документы* (Maskava, 2002), <http://archive.mid.ru//Bl.nsf/arh/19DCF61BEFED61134325699C003B5FA3>; "Концепция внешней политики Российской Федерации" Президент

- России, 15.07.2008., <http://kremlin.ru/acts/news/785>; “Об утверждении Концепции национальной безопасности Российской Федерации,” *Указ Президента Российской Федерации от 17 декабря 1997 г. № 1300*; “Стратегия национальной безопасности Российской Федерации в редакции Указа Президента Российской Федерации от 10 января 2000 г. № 24,” *Совет Безопасности Российской Федерации*, 10.01.2000, <http://www.scrf.gov.ru/documents/1.html>; “Стратегия национальной безопасности Российской Федерации,” *Президент России*, 13.05.2009., <http://kremlin.ru/supplement/424>; “Стратегия национальной безопасности Российской Федерации,” *Российская Газета*, 31.12.2015, <http://m.rg.ru/2015/12/31/nac-bezopasnost-site-dok.html>
- ² For more information see: Guillaume Van der Loo, “The Association Agreements and DCFTAs: Appropriate Legal Instruments for Exporting the EU’s Values and Internal Market Acquis?” in Aldis Austers, Ilvija Bruġe, Andris Sprūds (eds.), *Dilemmas of Europeanisation: Political Choices and Economic Transformations in the Eastern Partnership Countries* (Rīga: LIIA), 2016, 57-79.
- ³ “Austrumu partnerība,” *Ārlietu ministrija*, 2016, <http://www.mfa.gov.lv/arpolitika/austrumu-partneriba>
- ⁴ Association Agreements/Deep and Comprehensive Free Trade Area (AA/DCFTAs) signed in 2014 have brought the EU and Georgia, Moldova and Ukraine closer together. Cooperation with the other three Eastern Partnership member states is developed on a basis of more specific agreements.
- ⁵ On 25 February 2016 European Union Council decided not to extend sanctions regarding 170 people and three companies. However, the limiting measures were extended, including the arms embargo for Belarus and freezing of accounts, as well as travel ban on four persons in relation to undiscovered disappearances of two opposition politicians, one entrepreneur and one journalist. For more information see: “Belarus sanctions: EU delists 170 people, 3 companies; prolongs arms embargo,” *Council of the European Union*, 25.02.2016, <http://www.consilium.europa.eu/en/press/press-releases/2016/02/25-belarus-sanctions/>
- ⁶ “Joint Declaration of the Eastern Partnership Summit (Rīga, 21-22 May 2015),” *Ārlietu ministrija*, 21.-22.05.2015., http://www.mfa.gov.lv/images/File/RigaDeclaration_EaP.pdf
- ⁷ “Ārlietu ministra Edgara Rinkēviča uzruna Saeimas ārpolitikas debatēs 2016. gada 26. janvārī,” *Ārlietu ministrija*, 26.01.2016., <http://www.mfa.gov.lv/aktualitates/zinas/runas-raksti-intervijas-prese/49503-arlietu-ministra-edgara-rinkevica-uzruna-saeimas-arpolitikas-debates-2016-gada-26-janvari>
- ⁸ Guillaume Van der Loo, “The Association Agreements and DCFTAs: Appropriate Legal Instruments for Exporting the EU’s Values and Internal Market Acquis?” in Aldis Austers, Ilvija Bruġe, Andris Sprūds (eds.), *Dilemmas of Europeanisation: Political Choices and Economic Transformations in the Eastern Partnership Countries* (Rīga: LIIA), 2016, 57.
- ⁹ For more information see: Aldis Austers, “From the EU’s economic presence to successful europeanisation: theoretical insights,” in Aldis Austers, Ilvija Bruġe, Andris Sprūds (eds.), *Dilemmas of Europeanisation: Political Choices and Economic Transformations in the Eastern Partnership Countries* (Rīga: LIIA), 2016, 26.
- ¹⁰ Belarus is the only state that does not have an open or frozen conflict; however, Russian radar station and sea communication centre are located in its territory. The Eastern part of Ukraine, since Russia occupied Crimea in 2014, is controlled by pro-Kremlin separatists. The conflict about Nagorno Karabakh between Azerbaijan and Armenia continues since the war in 1988-1994, and Russia plays a crucial role in it. Moldova’s Transnistrian issue remains unresolved. Although the UN recognises the sovereignty of Moldova over Transnistria and international organisations have repeatedly called for Russia’s withdrawal of its military from the territory, Russia has not responded to these calls. In the territory of Georgia there are two frozen conflicts – in South

Osetia and Abkhazia. Since 2009 (after the 2008 war between Russia and Georgia) Russia has a military based in both regions.

¹¹ "Edgars Rinkēvičs aicina Eiropas Savienību aktīvi atbalstīt Austrumu partnerības valstis," *Ārlietu ministrija*, 23.05.2016., <http://www.mfa.gov.lv/aktualitates/zinas/50878-edgars-rinkevics-aicina-eiropas-savienibu-aktivi-atbalstit-austrumu-partneribas-valstis>

¹² For more information see: "EU and Kazakhstan sign Enhanced Partnership and Cooperation Agreement," *European Union External Action*, 21.12.2015, https://eeas.europa.eu/headquarters/headquarters-homepage/4453/eu-and-kazakhstan-sign-enhanced-partnership-and-cooperation-agreement_en

¹³ "Ukraine citizens to get visa-free travel to EU," *BBC*, 24.11.2016, <http://www.bbc.com/news/world-europe-38095930>

¹⁴ H. J. Mackinder, *Democratic Ideals and Reality*, 1919.

¹⁵ Z. Brzezinski, *The Grand Chessboard: American Primacy and Its Geostrategic Imperatives*. Basic Books, 1998, 110.

¹⁶ See: "Eastern Partnership," *European Union External Action*, 2016, http://www.eeas.europa.eu/eastern/index_en.htm

¹⁷ Juris Poikāns, "Eastern Partnership – Latvia's Contribution", in Andris Sprūds, Ilvija Brūge (eds.) *Latvian Foreign and Security Policy Yearbook 2016* (Rīga: LIIA), 2016, 39.

LATVIA AND CENTRAL ASIA: FROM VISIBILITY TO PRACTICAL WORK

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In 2016, Latvia's foreign policy was dominated by security concerns in its own region and multiple crises in Europe. At the same time, Latvia successfully advanced relations with Central Asia by taking advantage of its presidency of the European Union (EU) Council in 2015, by fostering bilateral ties. This chapter looks at how Latvia managed to pursue its interests in Central Asia through the European Union, and through its bilateral relations with five Central Asian states. How can Latvia maintain its focus on the region, given the substantially reduced financial and human resources after finishing its EU Presidency? Recommendations are also offered for Latvian foreign policy makers in 2017.

Overall, there has been continuity in 2016 in Latvia's policy towards Central Asia. Following Latvia's high visibility during its EU Presidency, 2016 marked a return to "normality." Although Central Asia did not feature highly in Latvia's foreign policy agenda, Riga continued to profile itself as the EU's expert on Central Asia. Latvian diplomats were engaged in EU policy-making and played a leading role in implementing EU programmes in Central Asia. Bilaterally, Latvia pursued its economic interests in the region to the mutual benefit of all parties.

In 2017, Latvian foreign policy should continue building pragmatic, business-like relations with Central Asia. As an EU member state, Latvia should continue to build economic and political bridges between the EU and the region. It should continue to advocate for a more realistic and tailor-made EU approach, and to actively engage in EU aid programmes, given Latvia's limited internal resources. At the bilateral level, Latvia should advance economic cooperation in niche areas, seeking opportunities through the "16+1" format (Central and Eastern European countries and China), which could potentially improve cooperation with Central Asia, while providing synergy with the EU-China partnership.

LATVIA'S INTERESTS – TRANSIT, TRADE AND SECURITY

Latvia's interests in Central Asia are primarily based on economic considerations. Two particular areas are worth mentioning: transit and transportation connections and increased trade. Latvia's approach fits well in a wider European vision to develop global trade and connectivity corridors with Asia as a key priority.

In the transit sector, Central Asia requires special attention due to its relationship with China. Latvia sees potential in China's *One Belt One Road* initiative, a multi-billion euro programme to build infrastructure connections – railroads, roads and ports – between China, Central Asia, and Europe. In 2016, China continued to push for the *One Belt One Road* initiative in Central Asia, intensifying its efforts in Kazakhstan. Latvia sees itself as an integral part of these future infrastructure connections, and is positioning itself as the potential gateway to Northern Europe.

In addition to the transit and transportation sector, the export market also warrants discussion. Although Central Asia is located more than 3000 km from Riga, the region has good trade potential, with a population of 70 million and a growing economy. Latvia has the advantage of knowledge about Central Asia as well as historical ties developed during the Soviet period. Particularly, after Latvia's financial crisis in 2008, its foreign policy makers felt economic pressure to search for new business opportunities. At that time, the most promising direction for diversification seemed to be Asian markets including Central Asia.¹ Since then, Latvian economic diplomacy has been a strong component of its foreign policy agenda.

Despite the obvious economic benefits, Central Asia is a fragile region and can easily drift into political turmoil, negatively impacting Latvia's economic interests. Thus, it is in Latvia's interest to protect the region's security and stability. Latvia has also forged cooperation with Central Asia through its involvement in the anti-terrorist coalition in Afghanistan. Negative developments in Afghanistan could have a spill-over effect on the neighbouring Central Asian region. Since 2003 Latvia has participated in the NATO-led operation in Afghanistan. Additionally, Latvia strongly supports the EU's 'soft security' measures in Central Asia through the border management programmes.

In 2016, Latvia continued to pursue the previously mentioned priorities. According to the January 2016 annual report of the Latvian Foreign Minister, Latvia's interests in Central Asia are "regional security and stability, the development of transport and transit connections, modernisation of the education sector, and increase in environmental standards".² Before turning to Latvia's foreign policy achievements, it is useful to understand the geopolitical environment in which these achievements have been made.

DYNAMICS IN AND AROUND THE REGION

Firstly, Latvia's interests are directly influenced by Central Asian internal regional dynamics. Principally, risks to leadership succession, economic challenges, and threat of Islamic extremism have the potential to affect Latvian interests. While the power struggle in the post-Karimov's Uzbekistan cannot be excluded, current regional developments indicate that the new leaders prioritise national stability and increased openness towards regional neighbours.

Secondly, the region's economic challenges can potentially play a negative role in Latvia's economic ambitions. The region's slow economic growth, problems with good governance, and rule of law in the economic sector can all hinder cooperation.

Thirdly, influential international actors in Central Asia may prove to be obstacles to achieving Latvian interests. The region has recently changed trajectory, focusing on Moscow and Beijing.³ Russia plays a dominant security role in Central Asia, while China is an increasingly influential economic actor through the *Shanghai Cooperation Organization* and by integrating the region into its *One Belt, One Road* initiative. Other states around the region – Iran and Turkey – are also increasing their regional presence. Central Asian relations with these large powers may influence Latvia's interests.

Fourthly, the presence of the Euro-Atlantic community in the region is declining, potentially impacting Latvia's interests. The EU is increasingly preoccupied with multiple internal crises, and there is a risk that it might be forced to focus financial resources to cope with internal issues such as the migrant crisis. Additionally, the US continues to withdraw its military from Afghanistan, reducing Central Asia's importance as the gateway to Afghanistan in America's strategic calculus.⁴

Within this geopolitical context, Latvia must be flexible and engage in various fora of international cooperation when looking for mutually beneficial cooperation. Within the EU, Latvia should insist on a more realistic approach towards Central Asia, narrowing focus to the areas where concrete positive impact can be achieved.

EUROPEAN UNION – LATVIA AS A BRIDGE BUILDER

In 2016, Latvia continued to be active in both EU policy formulation and implementation around Central Asian policy issues, thanks to Latvia's 2015 EU presidency, its expertise on Central Asia, and its ability to promote a positive image of the region. From Riga's viewpoint, the EU's active engagement in Central Asia is essential. The EU plays a positive role for the regional stability as a 'soft power.' There is an emerging consensus in Brussels that Central Asia requires more attention, as stability

in the region is crucial for security in Europe. The deteriorating security environment in Afghanistan may have a negative impact on the security of the whole region, and may increase the flow of illegal migration to EU countries.

It is crucial to analyse Latvia's policy achievements and whether Latvia lived up to its ambition to promote the EU Central Asia agenda in 2016. Latvia continued to be active in EU policy formulation in 2016. In particular, it successfully included its recommendations in the new EU Global Strategy on Foreign and Security Policy, thereby continuing Latvia's efforts from the its 2015 EU Council Presidency regarding the EU's Central Asia Strategy. In 2015, the EU attempted to adjust its policy in Central Asia as Russia and China increased influence, and the West's role in the region waned. The EU had lost its glitter as a model of prosperity and stability in Central Asia, and was seen as focusing on idealistic self-promotion over a practical capacity to solve international conflicts.⁵ The EU needed more efficient policy given its limited success in transforming the Central Asian states into democracies, and access to the region's hydrocarbon resources remained closed. In this regard, the revised EU Central Asia Strategy was a major step forward.

One particular issue where Latvia's position deviated from the overall EU approach is the promotion of democracy in Central Asia. Like other member states from Central and Eastern Europe, Latvia views the region as difficult terrain for Western-style democratisation, and has been unwilling to spend its scarce political and financial capital on promoting it.⁶ Policy makers in Riga act on the belief that diplomatic relations should be conducted between equals; the EU should avoid condescension and should respect local traditions, needs, and interests. In 2015, on Latvia's insistence, a strategic debate regarding EU policy vis-à-vis Central Asia took place, followed by the revised EU Central Asia Strategy. Latvia's policy positions gained support from the majority of the EU member states and were reflected in this EU policy document.⁷

During 2016, Latvia maintained a leadership role in the EU's Central Asia dossier. When the new EU Global Strategy on Foreign and Security Policy was drafted in the first half of 2016 under the leadership of High Representative Federica Mogherini, Latvia contributed to the process. In particular, Latvia pushed for a stronger reference to the role of Central Asia in the new EU Global Strategy. Latvian Foreign Minister Rinkevics specified that this means "not only fostering regional security, but also promoting transport, transit, trade and energy connectivity"⁸.

In order to support the new EU Global Strategy, Latvia organized an important outreach event in Riga in April 2016, focusing on the Strategy and on Central Asia. During the discussion among policy makers and academics from the international community, there was a broad consensus that a more result-oriented cooperation was needed, focusing on regional security, energy and transportation connectivity. They also encouraged synergy between EU policies and China's initiatives. Latvia's effort to include the topic of transportation connectivity in the priorities for the EU Central

Asia dossier was supported by the Kazakh representative, who called for demand driven cooperation with the EU, highlighting that Central Asia was an important hub with important global players and projects (China's One Belt One Road & the Eurasian Economic Union).⁹ The end-result of the EU Global Strategy, adopted in June 2016, conforms well to Latvia's national interests, which were incorporated into the EU's new approach. The Strategy confirms the EU's commitments in Central Asia, promising to deepen cooperation in such areas as "counter-terrorism, anti-trafficking and migration, as well as enhance transport, trade and energy connectivity."¹⁰ This is a concrete achievement for Latvia, evidence that Latvia continued to successfully bridge its national and the EU's approaches.

In the security sector, Latvia continued to raise awareness and encouraged international community to invest in security in Afghanistan and Central Asia. To that end, at a conference in Tallinn in May, Foreign Minister Rinkevics pointed out that attempts by ISIL/Daesh to influence the region is concern for Central Asia, and called for engaging with Central Asian countries as partners in joint efforts to ensure security in Afghanistan. Latvia's national position converges with the approach in Brussels, manifested in the pragmatic approach of High Representative Federicia Mogherini, when she stated during the EU-Central Asia Ministerial meeting in October 2016 that potential cooperation "increased connections, whether through investment or trade, infrastructure or people to people contacts," and expressed the EU's commitment to work together to focus more on economic stability and growth.¹¹

Latvia has gained additional influence in EU policy-making through leveraging important posts in the EU. Its foreign policy players received a boost in 2016 when the Latvian diplomat Eduards Stiprais was appointed Head of the EU Delegation to Uzbekistan – a crucial EU partner in the region. EU Delegations are instrumental in building stronger links with local communities, which is especially important given the new political leadership in Uzbekistan. Another Latvian diplomat continued to work in the European External Action Service dealing with the region. Employing national experts in EU institutions is an important tool for Latvia to maximize its influence in the EU as a bridge builder with Central Asia despite being a small country.

Latvia also made substantial efforts in the implementation of EU programmes. In Central Asia, Latvia for the first time took a leadership role in implementing EU programmes. Latvia's first-hand experience in the transition from the Soviet system has been well received by Central Asian partners. The Latvian government expressed a commitment to moving forward the initiatives launched during its EU Presidency. In the security sector, Latvia actively demonstrated leadership in the consortium for the EU Border Management Programme BOMCA 9. In the education sector, alongside Poland, Latvia continued to lead the EU-Central Asia Education Platform. In the environmental sector, Latvia moved forward with clean technology initiatives.¹² Involvement in EU programmes has advantages; Latvia can better attract international

resources to reinforce its activities in the region. Additionally, through its leadership position in implementing EU programmes, Latvian public administration gains important international experience. This allows Latvia to be more successful in the EU aid programmes.

As previously mentioned, Latvia acted as the leader of the consortium for the EU Border Management Programme BOMCA 9. This three-year programme is one of the major EU programmes in Central Asia, supporting Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan to control migration flows and trafficking of goods and persons. During 2016, Latvian border guards actively transferred their European experience, strengthening cooperation between local border agencies. The Latvian leadership in BOMCA 9 has been well received by Central Asian partners. Latvia's flexible approach and ability to respond to local needs, along with successful cooperation with other partners of the consortium (Lithuania, Portugal, and the European Commission) has produced good results. Given this positive experience, Brussels has encouragingly indicated that the BOMCA 9 could be extended after it expires in 2018.

In the education sector, Latvia has been leading in the EU-Central Asia Education Platform alongside Poland. Engagement in this sphere began when Latvia convened the first-ever EU-Central Asia Education Ministers meeting in June 2015 during Latvia's EU Presidency. The conference was a major success, and produced concrete results.¹³ Subsequently, there was a great enthusiasm for Latvia to take a leadership role in the Education Platform. Unfortunately, leading the Education Platform turned out to be a heavy burden for the Latvian national budget without the support of the EU resources. Latvian experts continued to contribute as national experts to EU, UN and OSCE projects in Central Asia, especially in education and the rule of law. International organisations thereby support Latvia's engagement in the region, which is valuable given the Latvian government's limited resources for bilateral aid and development cooperation.

With regards to EU aid programmes in Central Asia, Latvia has insisted on the need to maintain the EU's focus on Central Asia. In the international conference on EU-Central Asia in September, for example, the Latvian Foreign Ministry's Parliamentary Secretary Kalnina-Lukasevica advocated for EU development cooperation with the region. The secretary stressed the need for aid in public administration capacity building, echoing Latvia's positive experience in the previously-mentioned EU programmes.

Latvia's input in development cooperation is also a useful tool, especially regarding the co-financing of EU programmes. Latvia's Development Cooperation Guidelines for 2016-2020 include the Central Asian countries Uzbekistan, Kyrgyzstan, and Tajikistan among the development cooperation priority regions. In addition, Latvia continued to cooperate bilaterally with the US and other international donors to co-sponsor joint projects targeted at building export capacity in Central Asia. Latvia provided a training

programme for professionals from Central Asian states in the Riga Graduate School of Law, in cooperation with the Latvian Ministry of Foreign Affairs and other partners, which has been a valuable resource to Central Asian partners.

BILATERAL COOPERATION

“The relations are very friendly and based on mutual respect” is a good characterisation of the Latvian position on the Central Asian countries. Indeed, over the years Latvia has succeeded in building strong contacts at all levels. In 2016, Latvia has continued to prioritise relations with Kazakhstan and Uzbekistan. In this regard, Latvia’s diplomatic representations in both countries are a strong advantage, and are helpful in maintaining good relations with local communities.

In Latvian foreign policy, economic diplomacy is of particular importance, especially since the country’s financial crisis in 2008. Policy makers experienced pressure to search for new business and economic opportunities abroad. The main areas of cooperation are transportation, logistics, technology transfer, agriculture, environment and pharmaceuticals. The Latvian food industry is also well known in Central Asia. Education is a considerable area for international cooperation with more than 1000 Central Asian students studying in Latvian universities.

The slow economic growth of Central Asian countries in 2016 has left an impact on Latvia’s economic expansion in Central Asia. Despite this setback Latvia’s trade with the region is increasing. While trade turnover is relatively small, Latvian exports are seeing a positive trend. Latvia’s trade balance with Central Asia is positive, with Latvia’s export considerably surpassing import from the region. The transit and transportation sector is gaining a particular importance in Latvia’s relations with Central Asia, especially Kazakhstan. With Russian transit through Latvia’s territory decreasing, and with Russia’s Transneft planning to cease shipping petroleum products through non-Russian Baltic ports by 2018, Latvia is “reckoning with a year-by-year decrease” in shipments. In this pressing situation, Latvian Railways seeks to replace these transit shipments with others. Potential partners are China, Kazakhstan, and Belarus.¹⁴

Kazakhstan is Latvia’s most important trading partner in Central Asia, and it offers the greatest opportunities for cooperation. Economic cooperation has recently progressed well. In 2015 Kazakhstan was ranked 15th in Latvia’s service exports, and 30th in Latvia’s export of goods. Kazakhstan ranks third after Russia and Belarus in cargo volume handled in Latvian ports. It should be noted that in 2016 Latvia’s political dialogue with Kazakhstan focused particularly on transportation and transit sector. Several high-level Latvian Parliamentarians have made visits to Kazakhstan in 2016. In May, the Presidium of the Latvian Parliament visited Astana, where they met with

the highest officials of Kazakhstan. The Latvian MPs “acknowledged Latvia’s interest in cooperating with Kazakhstan in the transport, transit and logistics sectors in the framework of the development of the new Silk Road.”¹⁵ Another high-level delegation from the Latvian Parliament visited Kazakhstan in November, when the Foreign Affairs Committee visited Astana for the first time, and lobbied for more active cooperation in transportation and transit sector among other issues.¹⁶

Latvian Transport Minister Uldis Augulis also visited Kazakhstan several times in 2016. In May, at the Astana Economic Forum he presented Latvia as a logistics centre. He reminded attendants that Latvia is well positioned to be an active member in Eurasian supply chain, explaining that Latvia actively engages in the dialogue with China in a “16+1” format.¹⁷ The “16+1” cooperation format is indirectly linked with Central Asia, particularly Kazakhstan. In 2016, Latvia was entrusted with the organisation of a key event – the “16+1” Summit, which took place in Riga in November. In order to establish synergy between the EU and China, Latvian policy makers made a particular effort to bring the EU closer to “16+1”. For the first time, the EU took part in the “16+1” Riga summit as an observer. It remains to be seen whether these Latvian efforts will bring concrete benefits.

The Latvian-Kazakh Intergovernmental Commission for Economic cooperation took place in October in Astana, chaired by the Latvian Transport Minister Augulis. The commission again focused on the transportation sector, the education sector (more than 300 Kazakh students are in Latvia), and an increase in trade in goods and investment projects as promising areas of cooperation.

Latvia has focused its economic diplomacy on several particular regions in Kazakhstan. Kostanay region, for example, is home to one of the largest enterprises in Kazakhstan, JSC ‘LAMERC AGRO,’ which operates with the participation of Latvian investors. There also appears to be interest in cooperation in the processing of agricultural products and pharmaceuticals. Such international cooperation provides a good example how foreign policy helps entrepreneurs by investigating business opportunities and establishing initial government and private sector contacts.

Uzbekistan is another important partner for Latvia in Central Asia, having established close political ties, including at the highest level. Although there have not been high-level visit exchanges in 2016, Latvia maintained good working relations through its diplomatic representation in Tashkent. Since September, international attention has been devoted to the post-Karimov transition of power in Uzbekistan. There have been promising signs that Uzbekistan’s new political leadership could be open to reforms along with renewing regional ties. In contrast to past years, when Tashkent posed an obstacle to regional integration, Uzbekistan’s new leader, Shavkat Mirziyayev, has created hope in a new era of regional cooperation, improving ties with Kazakhstan, Kyrgyzstan, and Tajikistan.¹⁸

Uzbekistan is an important trade partner for Latvia. It ranked 34th in Latvia's export of services and 26th in Latvia's export of goods in 2015. Like Kazakhstan, Latvia's economic cooperation with Uzbekistan focuses on transportation, transit and logistics. Both countries have developed successful cooperation in aviation – Uzbekistan Airways uses Riga as an intermediate point in its flight route to New York. In November 2016, Latvia took part in the *Trans Uzbekistan 2016* international trade fair, positioning itself to become logistics platform connecting Uzbekistan with Northern Europe.

In the education sector, Uzbekistan is a leader: in the 2015/2016 academic year there were 874 Uzbek students studying in Latvian universities, ranking 2nd after Germany in the number of students in Latvia. Additionally, Latvia expanded successful cooperation with Uzbekistan in environmental issues, following Latvia's work during its 2015 EU Presidency in sustainable eco-efficiency and water expertise solutions. In November 2016 *Cleantech Latvia* opened the representative office of the *Baltic Cleantech Alliance* in Uzbekistan.

Latvia's relations with Kyrgyzstan, Tajikistan, and Turkmenistan are also positive, however, Latvia has not been particularly active in those countries. The three countries are only minor trade partners for Latvia: Kyrgyzstan ranks 52nd, Tajikistan – 93rd, and Turkmenistan – 55th in 2015. Additionally, Latvia does not have permanent diplomatic representations in these Central Asian countries. Latvia has, however, been engaged in the three countries through the EU-Central Asia Cooperation Border Management Programme BOMCA 9, the EU-Central Asia Education Platform, and through Latvian national experts participating in various international projects.

In conclusion, Latvia continued its bilateral pragmatic engagement in Central Asia, though not to the same extent as in 2015 when it successfully leveraged its EU Presidency to promote bilateral economic priorities. A number of factors have been helpful in Latvia's export promotion: efficient cooperation among Latvia's responsible stakeholders—the Foreign Ministry, the Ministry of Economics, and the Latvian Investment Agency all pooled resources when organising business missions. This good practice should be continued in the future. Therefore, the author of this paper rejects the criticism that “it is much spoken here that Latvia could become an excellent platform for business [...] However, till [sic] we only talk and hold off, instead of doing, nothing will advance.”¹⁹ Indeed, foreign policy achievements cannot be measured solely by numbers and the increase of trade turnover. Efforts invested can pay back only in the long term.

RECOMMENDATIONS

Listed below are some recommendations for Latvian foreign policy makers for 2017;

- At the bilateral level, Latvian foreign policy should continue to support its businesses entering Central Asian markets. Latvia is well known and respected in the region. Officials should seek the most efficient ways of pursuing Latvia's interests with the lowest possible costs.
- Economic diplomacy can carefully investigate conditions for launching new businesses. Latvia needs a flexible approach in seeking new economic partnerships. The focus should be on limited niche areas and prospective projects (also due to slow economic growth in Central Asia).
- Concerning the transportation and transit sector, Latvia's policy makers will need to make continuous efforts, given that business pressure will remain high. Latvia's ability to offer competitive transit tariffs, however, is highly important. In the transit business, there is a considerable competition in the Baltic region. Latvia's ability to attract new cargo is threatened by both Lithuania, which is particularly assertive with its Klaipėda port, and also by Estonia.
- Latvia should pursue its long-term agenda by prioritising cooperation with Kazakhstan and Uzbekistan. The transition of power in Uzbekistan creates new potential for cooperation, and therefore new high-level political contacts will be needed. In 2017, Kazakhstan is hosting the EXPO 2017 in Astana, and Latvia's high-level participation would be very beneficial in supporting the economic agenda.
- Parliamentary diplomacy is an important part in Latvia's foreign policy, and should be used effectively. For example, Latvian MPs could advocate that future NATO Parliamentary Assembly meetings take place in Kazakhstan.
- At the EU level, Latvia should continue to be active in policy formulation. Latvia should continue to advocate for more realistic EU policy in the region, and should prioritise goals that suit everyone's interests. Setting goals that are too ambitious can lead to frustration among the partners. Latvia should focus on improving the economic situation, rather than promoting democracy.
- In 2017, the EU Central Asia Strategy will be reviewed, and the action plans for the EU Global Strategy will be elaborated. Given the increasing convergence between approaches in Latvia and the EU towards Central Asia, Latvia should actively push for the EU's continuous engagement in the region.
- Latvia's participation in implementation of EU programmes has been sensible. Central Asian partners appreciate Latvia's leading role in EU BOMCA 9 programme and in the EU Education Platform for Central Asia. As a small state, Latvia gains more weight through dialogue with Central Asian partners, and also raises its profile within the EU.
- The second EU-Central Asia Education Ministers' meeting will take place in 2017. After that, it is unclear whether Latvia will be able to maintain the same level of engagement in the Education Platform with its limited resources. In this regard, financial support from the Brussels institutions would be of a great help.

- Latvia should advocate for further success in EU aid programmes during future decision-making sessions, including in the mid-term review of *the EU Multiannual Financial Framework 2014-2020*. EU aid programmes should focus on mutually beneficial practical issues – education, border management, economic transparency and the rule of law.

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“16+1” AND CHINA IN LATVIAN FOREIGN POLICY: BETWEEN VALUES AND INTERESTS

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Through cooperation between China and Central and Eastern European Countries—known also as the “16+1” cooperation format—collaboration with the Peoples’ Republic of China became one of the highlights of Latvian foreign policy in 2016. With the 5th Meeting of the Heads of Government of Central and Eastern European Countries and China, as well as its side events and related activities, Latvia has increased its visibility in China, as has China in Latvia. At the same time, space for questions and considerations on this cooperation remain, especially concerning the price to be paid in fostering the relationship with China and the prospects of this cooperation. Issues addressed in this article are not unique to Latvia but rather are applicable to any other member state of the European Union.

The chapter proceeds by explaining and assessing the “16+1” cooperation format, given that it only attracted general attention in Latvia in 2016. It is followed by analysis of the interests of China and Latvia, as well as their implementation in 2016. The closing part of the chapter contains conclusions and recommendations for 2017.

CHINA: ELABORATING A NEW REGIONAL CONSTELLATION IN EUROPE

Definitions of regions vary depending on the issues discussed, be they political, economic, linguistic, religious or others. Even when identical issues are addressed, however, interpretations and definitions of regions can vary significantly. The issue is

not only about how certain states identify themselves—which region they are a part of, or are not—and how they try to align and realign themselves in and among regional constellations. It is also how other states, proximate or distant, perceive them or try to align or realign them in regional constellations.

“Central and Eastern Europe,” in the interpretation of China, consists of Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, the former Yugoslav Republic of Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia. As a region along such borders exists nowhere else, it can be seen as a unique one: a region elaborated by China. It comprises countries with different political affiliations, including both members and non-members of the European Union (EU) and the North Atlantic Treaty Organization (NATO), countries with varying degrees of social and economic development, countries with different identities, cultures, nationalities and religions. Furthermore, not all of those countries engage in friendly relations among themselves.

The composition of this format raises not only many questions in general, but also specific questions related to the values and identity of Latvia. First, as China does not recognise Kosovo as an independent country, it does not treat it as a part of “Central and Eastern Europe”. Accordingly, some maps related to the “16+1” format even in Latvia do not contain the border lines of Kosovo (see Figure 1). Not only Latvia faces such a dilemma, nor does it change the Latvian official position towards the recognition of Kosovo. It does, however, signify a kind of a double morale if compared to Latvia’s principal non-recognition policy towards such territories as Crimea, South-Ossetia or Abkhazia. Secondly, given that “Eastern Europe” is often associated



Figure 1: Map of “Central and Eastern Europe” (sixteen countries of the “16+1” format)

Source: Website of 5th Meeting of Heads of Government of Central and Eastern European Countries and China, Investment and Development Agency of Latvia, 2016, <http://ceec-china-latvia.org/about>

with the Post-Soviet space and the negative connotations and associations it entails, one might ask the productivity of attempts to take pride in oneself as a part of “Central and Eastern Europe”, with an obvious emphasis on the latter part in the case of Latvia. Again, this question can also be addressed not only to Latvia, e.g. attempts in Estonia to construct and portray it as a Nordic country. It is also rather clear that because this project was initiated and led by China, discussions about the construction of the format as well as the difference in the approaches towards rights and freedoms in China and the EU could be counterproductive to the development of relationship with this country.

The “16+1” format was founded and is led by China to extend and deepen China’s relationship with the countries included in the format. Though it is often correctly underlined that this is a voluntary and cooperative “win-win” endeavor, it nonetheless invokes some questions about the format’s objectives. Even the title of the cornerstone document of the format, “China’s Twelve Measures for Promoting Friendly Cooperation with Central and Eastern European Countries”¹ includes the word “friendly”, and one might ask why “friendliness” should be so emphasised. Upon scrutiny, such phrasing is an example of different linguistic perceptions. From the Chinese perspective, the word “friendliness” carries no double meanings and no negative connotations. The word is used to emphasise sympathy over pragmatism, shared values over economic gain, preference over competition, and is thought to reassure the perspective partners, since solely “promoting cooperation” would sound too market-like. It is also meant to signal a more informal atmosphere, one with less rank and more equality. These aspects, however, are likely to escape the attention of the general public and even the involved parties, resulting in an ironic misunderstanding. Although the initiatives were called “friendly” as a means to declare equality and mutual sympathy, in the West, the wording could lead to the inference that either somebody else (apart from the author of those lines) considers that these measures are not friendly, or that they are not intended to be friendly indeed.

THE INTERESTS OF CHINA AND LATVIA

As emphasised by the Ministry of Foreign Affairs of Latvia, it sees the “16+1” initiative an instrument to complement both the bilateral dialogue with China as well as the EU-China dialogue.² According to the 2016 Annual Report of the Minister of Foreign Affairs, Latvia’s activity in “16+1” has paid off with the rights to host both the 5th Meeting of Heads of Government of Central and Eastern European Countries and China (Summit) and the 1st Transport Ministers’ Meeting in Riga, as well as the opportunity to coordinate cooperation in the format in the transport sector. The report also underlines that Latvia’s leading role in “16+1” will contribute to economic cooperation with Asia and beyond.³ Given the still growing size of its economy, China is a very attractive partner for many countries around the globe. Therefore, it is natural that Latvia, like many other countries, does its best to profit economically from the cooperation with China. From one point of view, China undoubtedly provides economic cooperation opportunities, though the country certainly has its own interests as well.

Economics cannot be separated from politics completely, at least in the case of the relationship between big and small countries (powers) and especially when countries with well-connected state and private sectors are involved. The “16+1” cooperation

format, at least in the initial stages, raised concerns in EU institutions. As 11 of the countries comprising “16+1” are members of the EU, the format has often informally been referred to as a possible tool for China to “divide and rule” in order to gain more political sympathy among the 11 countries in exchange for a closer economic cooperation—if not in the short term, then certainly from a longer-term perspective. That, in turn, could result in more favorable EU positions towards China in bilateral and multilateral formats. Therefore, if one were to ask why a global power should be concerned about distant, small countries (powers), then the answer lies in their membership in such organisations as the EU, NATO or World Trade Organization (WTO) or geostrategic significance and similar factors.

Additionally, the implications of the cooperation involve Russia. Considering China’s own history, despite the acceptance and incorporation of rather contradictory political notions into the interpretation of its own 20th Century experiences (such as gently revisiting the decisions of Mao Zedong without hurting his image within the eyes of the public) representatives from China tend to stress the one-sidedness of the Baltic countries’ position towards the region’s Soviet history, implying that certain matters of principle should be given up in order to fully normalise the political relationship with Russia.

Even though the prospect of trade and investment from China seems attractive at first glance, there are existing and prospective challenges. Trade between China and other countries often is unbalanced, with Latvia being no exception (see Chart 1). China’s share of total Latvian exports is three times smaller than its share of total Latvian imports. Furthermore, even though trade with China is gradually expanding, its share is rather limited compared to the general background of the external trade statistics of Latvia, especially considering China’s share in Latvia’s total exports—slightly above 1 %.

Furthermore, compared to the EU, China retains tighter control of access to its market. Foreign companies often face difficulties in entering and operating in the Chinese market, with Latvian companies being no exception. Online trading platforms such as “Taobao”, and multifunctional mobile social media with integrated trading and payment functions such as “WeChat” provide more opportunities for small importers without pressuring them for large quantities and dragging the company management into potentially corrupt schemes. Still, once an importer becomes significant, they still face the systemic issues of market accessibility, betting on the right partner from the Chinese side and taking a leap of faith when forming a venture, since winning a case against a local partner would be bordering on impossible and decisions of international arbitration courts are implemented.

When it comes to the Chinese industrial investment perspectives in the “16+1” context, Chinese proposals to Central and Eastern European countries seem too directly transferred from Chinese experiences in other continents and parts of the world. The

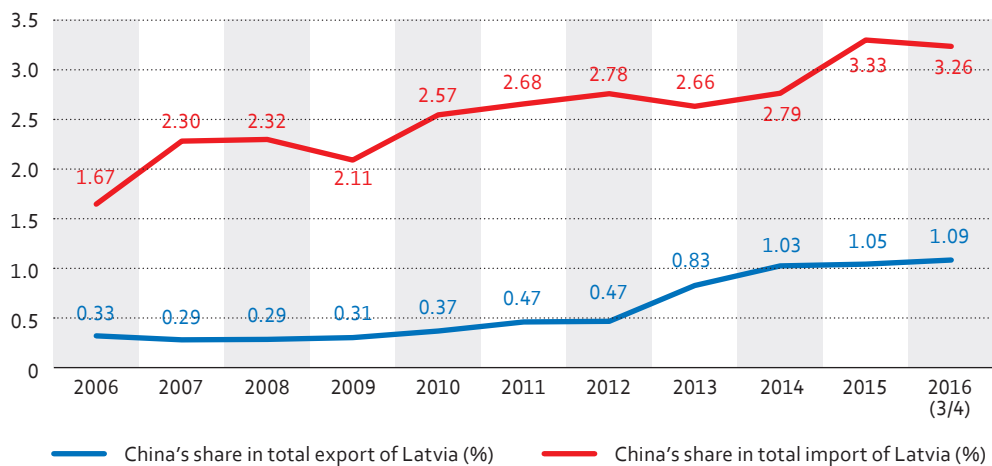


Chart 1: Trade between Latvia and China since 2006. Source: Central Statistical Bureau of Latvia⁴

similarities include the focus on large scale infrastructure projects, especially in the energy and transportation sectors, the preference to fund them from Chinese loans that usually require also guarantees from domestic institutions, the preference to select Chinese contractors, sub-contractors, labor, technologies, and materials. Such approaches, in general, are hardly compatible with EU legislation and therefore usually are much better suited for those “16+1” countries that are not part of the EU. Thus, it should also be stressed that this Chinese investment is not unconditional. Those points might account for the rather modest Chinese investments in Latvia to date—EUR 74.6 million or 0.56 % of all foreign direct investment in Latvia.⁵

Generous Chinese funding is available for institutions carrying out people-to-people and networking activities. The issue, however, lies in the accessibility of the funds—it would appear that only a limited number of certain Chinese counterparts are involved in the distribution of the aforementioned funding. Moreover, the current state of play does not allow foreign institutions to apply; they can only choose partners within the distribution circles. This clearly improves accountability on the Chinese side. On the other hand, depriving active non-Chinese organisations within the “16+1” format from initiative may ultimately lead to the project missing out on a higher added value opportunity. In all fairness, in some areas the distribution system has proved to be effective, such as the boost in Chinese scholarship accessibility, which is fully fueled by these funds.

LATVIA AND CHINA IN 2016

The highlight of the cooperation in 2016 undoubtedly was the “16+1” Summit in Riga in November, which brought Chinese Premier Li Keqiang to Riga. This well-attended Summit was supported by the Business Forum, the Think Tank Forum, the Sinologists conference in November, the National Coordinators Meeting in October, as well as the Transport Ministers’ Meeting in May, during which the Central and Eastern European Countries’-China Secretariat on Logistics Cooperation was launched by the Ministry of Transport of Latvia. Both the “Riga Declaration”⁶ and the “Riga Guidelines”⁷ bear the name of Riga and will be referred to as a part of the “16+1” cooperation format in the future.

From the perspective of raising its visibility, Latvia has possibly even punched above its weight in 2016, and has raised the profile of China and the “16+1” format domestically, as well as the profile of Latvia among the 16 countries and China. For example, months before the “16+1” events were hosted in Latvia, the format was virtually unknown beyond some governmental institutions, businessmen and experts engaged with China. In October 2016, a survey of Latvian political science students revealed a limited knowledge of both China and “16+1”: more than a half of them had never heard of the “16+1” cooperation format and over two thirds had not heard that the Summit was to take place in Latvia.⁸ Even though the post-Summit situation merits separate research, the level of recognition of the format and knowledge about China has definitely increased, given the publicity of the events in Latvia.

The events and activities, however, serve only as a platform for further development and more concrete deliverables. From the practical perspective, it is a positive signal that some Latvian food products have obtained Chinese certification. In addition, Beijing hosted the official “Taste Latvia” days in September, presenting Latvian food and lifestyle goods producers with an opportunity to meet their end customer along with Chinese companies interested in cooperation. During the events, several Latvian products attracted Chinese retailers’ attention and are expected to be available on the shelves as well as in online platforms. 2017 will show if these activities result in a meaningful increase in Latvian export to China.

Along with prospects of an extended presence in China’s market, one of the main interests of Latvia is the transportation of Chinese cargo through Latvian infrastructure. The pilot train from Yiwu in China arrived in Riga during the Summit in November 2016. It has again raised the prospect that China’s cargo might alleviate the current and expected loss of transit cargo from Russia to a certain extent. However, also in this respect, only time will tell if this pilot train will be followed by others or rather face the same fate as the previous pilot train in 2008, given such challenges as a considerably lower price in ocean shipping, other China-Europe cargo rail routes to the south of Latvia, traffic imbalance (from China to Europe) and the generally limited amount of cargo that can be expected to travel overland.

Among all cooperation elements, tourism has the potential to excel the most. Even though there are no direct flights between China and Latvia, the flow of visitors from China to Latvia has risen significantly in the recent years—from 457 in 2006 to 15,667 in the first three quarters of 2016 (see Chart 2 for more information).⁹ The visibility gained in China as a result of the “16+1” activities as well as a number of other interconnected factors, such as the option of applying for a Latvian visa at visa centres throughout China starting in 2016, raise further prospects of these numbers increasing.

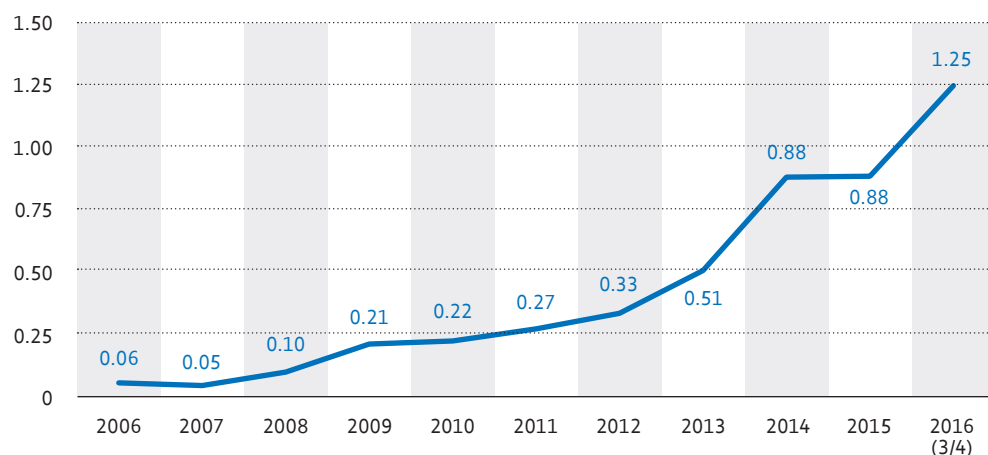


Chart 2: Chinese visitors in Latvia as a share (%) of the total number of international visitors since 2006. Source: Central Statistical Bureau of Latvia¹⁰

CONCLUSIONS AND RECOMMENDATIONS FOR 2017

Cooperation with China and the “16+1” format has been one of the highlights of Latvian foreign policy in 2016. The Summit on 5 November 2016 and its side events and activities have unquestionably increased the visibility of China in Latvia and *vice versa*. Latvia’s role in the “16+1” format intensified cooperation with China across different fields. It has given boost also in some economic cooperation spheres, such as trade, transport, and tourism.

However, in 2017 Latvia will not be at the centre of the “16+1” stage. Therefore, it remains to be seen whether the current groundwork will serve as a sufficient foundation to foster the economic relationship with China. Even though the “16+1” cooperation format includes more activities than just economic interaction, it still remains the primary focus of cooperation for most of the Central and Eastern European countries

that consider this format as viable. For Latvia, as a small nation and a small power, big and seemingly unlimited markets seem to serve as “eternal dreams” to bolster their economy. However, it should be noted that opportunities are accompanied by risks as well—economics cannot be separated from politics, and economic interaction is not a one-way street where only one party benefits. Therefore, the expectations regarding cooperation should not be set too high.

In 2017, Latvian institutions should leverage the solid foundations laid down in the previous year. First, they should further strive to equalise the currently misbalanced economic cooperation between the two countries, especially regarding the access of Latvian companies to the Chinese market. Second, more attention should be devoted to people-to-people cooperation, as economic cooperation can be more lasting and truly successful if all of the parties involved understand and respect each other's different mindsets. Last but not least, Latvian institutions should stay clear of significant trade-offs between interests and values, as not all success can be measured solely in financial terms.

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BASICS AND CHALLENGES OF LATVIA'S EXTERNAL ECONOMIC POLICY

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The key goals of the external policy of any country are security and welfare. After the restoration of independence, the progress towards achieving these goals on the whole has been successful. However, due to the history and geopolitical situation of Latvia and owing to the errors committed in the recent years, the path ahead is riddled with major challenges. Achievements of the last 25 years are substantial. The average income per inhabitant in Latvia exceeds the world average by 59 %¹ and since mid-1990-ties it has been increasing more rapidly than the world average. Latvia is a member of NATO — the most powerful military organisation in the world. On the other hand, the challenges are serious, too. There are no grounds to categorically claim that the election of Donald Trump as the US president has significantly deteriorated our security situation, however, the spectrum of possible future scenarios has certainly expanded.

Latvia's path to greater prosperity is also linked to serious challenges. In our country, the people's lives are better than on average around the world, but we are a part of the single EU market, where the average welfare level is considerably higher still. Since this sphere is subject to the principle of free movement of not only goods, services and capital, but also that of people, it has already resulted in high emigration rates since the accession to the EU in 2004, with the number of emigrants equalling about 1/10 of the population. Nobody can guarantee that the migration will stop. There are reasonable hopes that, in the light of increased influx of EU funds and lending, the more rapid growth achieved in the remaining years of this decade will be able to turn the migrant flow in the positive direction. However, for now, this most likely has not yet happened, even though one cannot exclude the probability that the current net migration statistics are deteriorated by counting the previously occurring emigration now; these signs could be observed a couple of years ago.²

LATVIA'S EXTERNAL ECONOMIC POLICY

As regards the external economic policy at a very high level of generalisation, we must perceive it as a possibility to free ourselves from the instinctive approach, which is apparently typical to Latvians, in communicating with the world — instead of striving for something good, they try to prevent bad things from happening. The origination of this approach is not incidental. For a prolonged time, the nation had been living in political and economic systems built independently of their will, in which the principle of negative motivation prevailed. Market economy is a system advanced by positive motivation — the potential of earning and making one's life better. The Soviet system and, in a more distant past, the feudal world order that reigned in Latvia was based on negative motivation. Public policy can change within a few months or years, but people's intuitive perception of the world can last for generations. Nevertheless, changes do occur, they are promoted by daily experiences formed of the new system of economic stimuli. The potential of earning, improving one's life, enjoyed by the people either as employers or employees in organisations operating ever more smartly, also changes the expectations and demands as regards social processes on the whole.

In security policy, the approach of “preventing bad things from happening” undoubtedly has a very important role. Latvia is an independent state that controls its territory, and, in this sense, the achievements must be maintained. Certainly, security is formed of networks of relations weaved with other countries, which can become ever stronger; however, as we have seen in 2016, due to events that are out of our control, seemingly irreversible diplomatic achievements can once again be doubted, at least theoretically.

Whereas in economic policy, emphasis must mainly be placed on the positive agenda. At the policy-making level, it is, first of all, the development of contractual relations which govern economic relations both by participating in this process via EU institutions and by entering into bilateral agreements. The practical level of policy implementation can be even more important in external economic policy, by helping Latvian businesses find new export markets and attracting investments. This is also the sphere, to which it is worth to allocate most financial resources, which businesses are faced with most, and which forms the notion of the overall external economic policy of the state.

In general, it can be claimed about Latvia's foreign policy that it has long been dominated by what are known as the “high” policy goals or security policy, especially following Russia's military intervention in Ukraine in early 2014. It is explicitly illustrated by the attitude towards the imposition of sanctions on Russia. Although Latvia and the rest of the Baltic States could suffer from these sanctions and have suffered on average more than other EU countries, we have rather taken the side of supporters of these sanctions. Certainly, “real policy” elements found their way into the position of Latvia, for example, by opposing the imposition of personal sanctions on the management of the Russian railroad system. However, overall, we have demonstrated

the ability of sacrificing economic interests in favour of security. This choice is understandable for a country with Latvia's experience and geopolitical situation.

However, it does not mean that economic objectives must be forgotten. Such painful dilemmas between economic and security objectives, luckily, are not a frequent occurrence. Furthermore, weak economic growth in itself can be an important risk to security, both by reducing the possibilities of spending sufficient funds on national security and further limiting demographic sustainability.

THE MULTIFACTORIAL ASPECTS OF ECONOMIC EXTERNAL POLICY OF LATVIA AS OF 2016

Participation in the EU Single Market

The main framework of Latvia's foreign policy is the membership in the European Union, which is of great importance from the viewpoint of both security policy and economics. It can be claimed that the single market to a certain extent transfers many developments occurring beyond the borders of Latvia away from the field of foreign policy. Due to the similar — and in some areas even identical — regulation, other EU Member States are much less “foreign” than they would otherwise be. This is particularly true of the other Baltic States. Many businesses do not view sales in these countries as export, but consider, for example, the entire Baltic States as domestic market. This view is particularly typical of food producers, whose goods in the Baltic States are distributed by the large sales networks through their structures. They operate in all three countries, thus releasing the producers from any export administration efforts. For participation in the single market, businesses most often do not need extensive support from national institutions. Perhaps this is the reason why among Latvian diplomats, who work in capitals of EU countries, there is nobody, whose only area of responsibility is economy. This, of course, does not apply to the representatives of the Investment and Development Agency of Latvia (IDAL), who in most cases work at embassies and are subordinated to both the IDAL and the ambassador.

There are a number of general recommendations, which could be made in this respect about the strategic political positions of Latvia as an EU Member State. One of them is to realistically assess the contribution of various types of EU funding to national development. Up to now, in negotiations about EU budgets, representatives of our country have been very emotionally speaking of the different level of aid in different EU states within the framework of the Common Agricultural Policy (CAP). It is indeed a matter that raises emotions. Concerns about whether we are considered as equals in Europe run very deep, and in this case, a precise coefficient can be attached

to the perceived or real discrimination, namely, the difference between the average area payments in Latvia and the EU average.

It is rather insulting indeed, however, the long-term effect on increased welfare of these payments should be assessed with a cool head. On the one hand, any addition to the income of Latvian population is welcome. On the other hand, this cash flow has negative effects, too. Environmental protection specialists are well aware that, at many places, the CAP is promoting particularly intensive and environmentally unfriendly management. Area payments increase the price of agricultural lands, making the owners richer, but it is not a gain for society on the whole. Area payments in places most suitable for management do not determine whether or not economic activities will take place there — it would happen in any case, only the land rent would be lower.

As regards less suitable places, the CAP makes agricultural operations possible in places, where it otherwise would not be expedient. This is certainly a gain at this time, when, in the absence of such support, a part of those people might leave to live abroad. Nevertheless, as urban economy grows, in a more distant future, these people will be necessary in the development of sectors that are unrelated to natural resources. It is clear that there are possibilities of increasing the added value in agriculture, but they are relatively restricted in comparison with the “urban” sectors. The development of these sectors can be facilitated by large infrastructural projects, which are financed from the Cohesion Fund, programmes of the European Reconstruction and Development Fund for promoting the investment approach, human resources development, among others. The cohesion policy should be specifically focusing on resource availability and on spending less diplomatic energy on CAP matters.

Likewise, it would be worthwhile to raise the issue of establishing a truly single market of services. As regards the possible *Brexit* solution, it is seemingly very principally pointed out to the United Kingdom that the so-called four freedoms, which include the freedom of movement, are inseparable and the UK cannot choose only the most appealing elements. However, there is a lot of hypocrisy in this position of the EU institutions and of several continental European Member States. When in 2004 the Commissioner for Internal Market Frits Bolkestein offered adopting the so-called Service Directive³, it was considerably debilitated, in effect, with the final version adopted in 2006, making the single market rather conditional in this sphere. States, whose competitiveness of services is comparatively good, namely, the United Kingdom and also the new Member States, would lose out in this situation. So it has transpired that with regard to goods, in the trade of which Germany is relatively good, the single market is functioning much better. A more available services market would open up more opportunities for Latvian inhabitants to go to work in other Member States in a short term, without moving there permanently.

Latvia and the EU Foreign Trade Policy

Being a member of the single market, Latvia cannot have its own independent trade policies with regard to third countries. The European Commission is negotiating with the World Trade Organisation on behalf of Latvia. It is a price to pay for the access to this common market, as well as for relative protection against third countries, which specifically turn against Latvia on political grounds. It can be added that Latvia's foreign trade is manifestly regional — we trade mostly with the European Economic Area countries, as well as former USSR countries, including, predominantly, with Russia, Belarus, and Ukraine. As regards export of goods, the part that is shipped to other countries is rather low, with 15.4 % in 2015, even though these countries form three fourths of the global economy. It can be explained with the current technological development level of the economy of Latvia — we simply produce a relatively small amount of goods that are specific enough to be worth shipping over long distances. The situation is improving, incl., the share of what are known as the exotic markets is increasing, but it is a prolonged process.

This is why for now, the interest of Latvia in how trade relations are formed with third countries, apart from the USSR, is relatively low, and influence in this process is inescapably rather limited — we are only one of 28 Member States, comparatively small, the experience of our representatives in the process of such trade negotiations is still being accumulated. Nevertheless, we definitely must get engaged in it. It is not that we cannot influence this process at all; there are positive examples, too. Just recently, the EU-Canada trade agreement or CETA was one of the most important EU's international trade negotiations. As pointed out by the Director of the Economic Relations, Trade and Development Cooperation Directorate of the Ministry of Foreign Affairs Martins Kreitus, in negotiations on CETA, Latvia influenced decisions regarding technical standards relevant to us, for example, regulations on the volume of alcoholic beverages, by achieving that manufacturers do not have to introduce changes in filling lines. The agreement stated that the rights prescribed in the CETA agreement will apply also to non-citizen passport holders of Latvia; likewise, restrictions will be preserved for purchasing agricultural land. Finally, even if unrelated to any “mercantile” interests, it is important to engage in these processes if only to show ourselves as a responsible member of the community of European countries and to gain experience. Direct impact on economic growth in the nearest future is not always the most significant consideration.

In shaping the positions of Latvia regarding trade agreements, often disagreements emerge between various groups of interest and their representatives in state administration. Thus, for example, the Ministry of Agriculture is more protectionist, while the Ministry of Foreign Affairs is focused on more openness. At this time critical for globalisation, it is particularly important for Latvia, being a small state, to ensure maximum openness. There are countries, whose inhabitants can live very well by using

only products made in their country, such as Germany or the USA. Economies of small countries are less self-sufficient, they must export more, to import goods, for the production of which it lacks the necessary scale, knowledge, or natural resources.

Membership of Latvia in International Financial Institutions

One of the foundation blocks of post-war global economic order is the so-called Bretton Woods Institutions — the International Monetary Fund (IMF) and the World Bank (WB), both based in Washington, D.C., USA. They both are a part of the UN structure, but that is rather a formality, because the influence of the IMF and WB is primarily determined by the economic weight of countries, and their operational goals are sufficiently specific. In this section, the Eurosystem or the European Central Bank (ECB) must also be mentioned, along with central banks of Eurozone countries, including the Bank of Latvia. The membership at the Bank of International Settlements is of lesser significance.

Latvia fully experienced the importance of the IMF during the 2008–2009 financial crisis, when the state faced risks of default and a crash of the financial system. Of the international loan granted to Latvia (7.5 billion EUR, of which only slightly more than a half was used), the IMF allocated a relatively small part, but it was decisive, owing to the technical competence in the resolution of crises. Latvia can certainly be regarded as one of the all-time most successful programmes of the Fund, at least in the light of initial expectations. The expectations were that the public debt increase will be much higher, up to about 90 % of the GDP (in reality, up to ~40%) and the recovery from crisis would be slower.

At this time, the money loaned by the Fund has long been re-financed in financial markets, however, it is likely that nobody in Latvia doubts the importance of this institution. The stable growth, the relatively low public debt and the greatly improved external position of the private sector suggests that we are unlikely to need additional assistance from the IMF any time soon. Furthermore, being a part of the Eurozone in this sense is a positive factor, despite the risks to the single currency itself. At the IMF, Latvia is represented through the Nordic-Baltic Group, which puts forward one of the 24 directors — Council members. This situation gives our country an influence, which is substantial, proportionate to the size of our economy and the population. This means that the group representing these countries has ~4.2 % of vote in the Council, even though only about 0.5 % of the global population live in the region. Furthermore, this group is regarded as rather “democratic”. It does not have a single dominating state. The culture of these countries is similar to ours, aimed at partner equality, their political culture is open, liberal. If, however, we consider the philosophy of economic policy, it greatly differs between the Nordic and Baltic countries. Nevertheless, if the opinion of Latvia in any matter is not taken into account, then at least adequate justification is offered. Likewise, even if the overall opinion of the group cannot be changed, the

representing director remarks at the Council meeting that Latvia has a different opinion in the specific matter. At the IMF, Latvia is represented by the Bank of Latvia.

The current agenda of the IMF now has several matters that could interest also Latvia. Among them is the provision of resources for a possible future financial crisis, by attempting to achieve a greater investment of regions in this process. Likewise, what are known as the macroprudential issues or a systemic approach to the financial sector stability are on the agenda, too. We are a country that has weathered a real estate and credit boom with a subsequent crisis, and nobody can guarantee that something similar will not repeat in the future. It is expected that, for some more years, interest rates in the Eurozone will remain at a very low level, the overall growth will stay rather weak and a part of the countries will suffer from very high unemployment and a large debt burden.

The potential growth rate of Latvia is above average, while the private sector debt level is low — this creates the possibility that in the future we might pass through another strong growth and fall cycle of crediting and real estate investments. It will take place under circumstances, when the ECB monetary policy, most likely, will not correspond to our needs, therefore it will be necessary to achieve a balanced growth with instruments designed for regulating the financial sector and fiscal policy. The IMF is currently also focusing on the *fintech* sector and its impact on the financial sector. This sector in our country is rather well-developed and is growing into an important export product.

The main task of the “sister” organisation of the IMF — the World Bank — is funding of development projects and technical aid to the poorest countries in the world. After the restoration of independence, Latvia received loans from the WB, however now, Latvia in the classification of this organisation has developed into a high-income state, which is no longer entitled to such support. Gradually, our country is becoming a donor country; for example, in 2015, the contribution into the budget the WB International Development Association for the first time exceeded a million euros in a year, but in 2017, it will be 1.243 million. The WB is currently working on the “*Forward Look*” strategy for the period leading up to 2030, to ensure two key goals — reduce extreme poverty in the world to 3 % and improve the well-being of the poorest people in all countries.

The name of the WB in Latvia is most often mentioned in relation to consultations provided regarding the reforms, for instance, in the sphere of taxation policy and health care. As suggested by opinions of various representatives of Latvia, who are engaged in this process, the WB experts in this process most often cannot come up with solutions, which, so to speak, discover a new America, however, their proposed choices can help in making specific decisions. Representatives of various local interest groups can engage in prolonged discussions about the benefits of one or another solution, but the WB can serve as a lay judge in this process — if we cannot agree on our own, let someone else decide the matter for us.

Another international financial institution was recently established with a supposedly regional focus, but in which many countries from other regions of the globe have joined in. It is the Asian Development Bank, whose initiator is China. Possibly, Latvia did not join it because our current strategic partner — the USA — had a rather negative stance towards it. However, Karlis Smits, the expert of the World Bank in China, based on sources of information at his disposal, is critical of this choice, by claiming that it may have left a negative imprint on the relations of Latvia with this country, which is rapidly becoming the largest economy in the world. Possibly, this decision should be reconsidered.

The membership of the Bank of Latvia (BL) in the Eurosystem is also considered a part of the external economic policy. According to the statements by the ECB employees, Latvia, along with the other Baltic States, on the ECB Council has assumed a rather reserved position, by opposing economic stimulus measures even more fervently than Germany does. On the one hand, this position can be understandable, except for situations when the economy is subject to special circumstances, such as reduced investments this year due to the cut in the flow from EU funds or the economic problems suffered by Russia over the past two years. Latvia experiences a rather high growth rate, and unemployment is of rather structural (or more accurately — geographic) nature. Our situation differs starkly from the overall situation in the Eurozone. On the other hand, a stimulating ECB policy is absolutely necessary for Latvia due to other reasons. Early in the Second World War, Latvia lost its independence, largely as a result of the gold standard policy. Today, the restrictions imposed by the single currency on countries' freedom to act, their macroeconomic effects and political consequences are starting to strongly resemble the situation in the interwar period, which was followed by an outbreak of radical right-wing politics. Undoubtedly, in this case the position formulation is influenced by the beliefs of the responsible officials of Latvia, which — it must be admitted — differ greatly from the mainstream or dominating beliefs in the economic profession.

OECD

In 2016, Latvia joined the Organisation for Economic Co-operation and Development or the OECD. It was an event that probably drew the most attention of society towards foreign policy developments. The impact of this organisation on the daily life in Latvia or on the availability of financial resources for development will never be as extensive as that of the previously mentioned organisations. However, the accession to the OECD is undoubtedly an important achievement as an additional confirmation for the quality of institutions and as a factor raising the country's reputation. First and foremost, the OECD is a large research organisation, which means that, over time, a considerable amount of additional information and analyses about our economy and society on the whole will become available. The

recognisability of the state will grow, as reference to it are contained, for example, in graphs and tables published in various business media only because the OECD has included it in a certain research or database.

EXTERNAL TRADE POLICY OF LATVIA — BILATERAL ASPECTS

Context of the Policy — Economic Structure and Development Goals of Latvia

Co-operation with other countries and their companies is a sphere, which has the most direct impact on the increase of welfare in Latvia. Therefore, this is a good place for offering a brief portrait of our economic structure, to give an idea of the goals that policy-makers must help to achieve.

Latvia is a country, which relatively recently has comprehensively incorporated in the international circulation of goods and services. Up until 1991, trade was mainly effectuated within the USSR, which accounted for only a few per cent in the world economy and in which the level of economic development was relatively low, if compared to that of Western Europe, North America, and Japan. During this time, the economic policy of Latvia was shaped within a framework of an externally imposed political system. Even though during the Soviet times Latvia experienced a significant technological progress and the industrial output increased many times over, the economic interests of the people were largely ignored in this process. Moreover, a production system built this way was not ready for being a part of the global circulation of goods and services. Afterwards, when, partially owing thanks to the popular political initiative of Latvia and the other Baltic States, the USSR collapsed, they had to scramble out of the ruins of the collapsed Soviet economy.

When the worst manifestations of chaos caused by the change in public policy were overcome by mid-1990-ties, the economy started rapid growth, and since then the GDP in real terms has increased by ~2.22 times.⁴ This has been achieved through the formation of new sectors and businesses and, in the light of new circumstances, by finding a new application for production assets and competences created before and during the Soviet times. The export structure of Latvia has rapidly changed during this time: the importance of simple wood processing and transit has diminished, the importance of food processing, specialised timber products, electronics, pharmaceuticals and high value services has grown.

The changing economic structure is creating new demands for the external economic policy. For example, in the early stages of shaping market economy, external trade was manifestly regional — to the former USSR countries, Nordic states, Germany. Our

products were not specialised enough to be worth transporting over long distances. Currently, the importance of geographically more distant European countries and the “exotic” markets is increasing rapidly, though regional markets are still of highest importance. Interestingly, the proportion of the other Baltic States has even grown rapidly. It is partially “an optical illusion” — goods distribution networks operating in the Baltic States bring about a large amount of re-export. Nevertheless, the real end demand has grown in Lithuania and Latvia, too. It is largely linked to the formation of a common food product market after the accession to the EU, partly with the so-called intra-industry trade or the division of trading processes among countries.

The biggest opportunity and challenge in the narrative of economic development of Latvia currently is the condition that time is working simultaneously in our favour and against us. On the one hand, businesses in our country are rapidly developing, along with their export product portfolios. Admirable achievements are made in many sectors. For example, if estimated in a nominal sense, since 2000, the export of IT services has grown by 20.2 times, tourism export by 15.9 times, business services export by 10.9 times (compared to the forecasted figures of 2016, based on the results of the 1st half of the year). Therefore, the makers of external economic policy are operating in an environment, which enables achievements. Businesses are quick to take the opportunities that open up on the world market.

On the other hand, while the income difference between Latvia and the richest EU countries remains so high, there is a risk of losing more people still. The makers of the external economic policy must be aware that every moment in this race with time is of essence. There is also a risk in the future to lose a part of the critical mass necessary for development — the number and versatility of existing and potential employees. The negative migration balance has substantially decreased in comparison with the crisis years, and the expected acceleration of the GDP growth could “pull” this balance over to the “+” zone starting from 2017. However, there are concerns that even in this case, a part of the population, who have high level, in-demand skills, might leave. The situation is not hopeless; already now, the GDP per capita in the nation’s capital and vicinity has approximated the EU average. Riga is a city with a particularly sophisticated architecture, well-developed cultural life and an impressive range of recreational possibilities in its vicinity. One of the solutions of the labour force problem is the work with the rapidly growing foreign student community, urging them to stay in Latvia.

Diplomatic Matters

Being a part of the single market does not mean that Latvia cannot have any contractual relations with third countries in matters of economy. With these countries, we can enter into economic co-operation agreements that do not concern the trading policy. Likewise, agreements can be concluded on investment protection, unless there is

a common agreement between the EU and the respective country. Likewise, the diplomats of Latvia in the third countries are getting involved in the solution of technical issues related to the economy. A typical example is certification of exported food products, which can have several levels — certification can be given to Latvia as a country of origin on the whole, or to its businesses, or even just some products. For instance, over the past year, such certificates have been obtained in China, the United Arab Emirates, Montenegro, and Australia. In this process, the Ministry of Foreign Affairs is collaborating with the Ministry of Agriculture and the Food and Veterinary Service. The diplomats' main task in this process is to ensure document circulation.

Export Promotion and Investment Attraction

Participation in the single market does not in any way restrict the work of those implementing the foreign policy goals, by promoting sales of Latvian goods and services in other EU countries and beyond. Several authorities are involved in it, and their co-operation on the whole appears to be acceptable, but could definitely still be improved.

It is self-evident that Latvian diplomats must get involved in the work of export promotion and investment attraction. All foreign embassies must have at least one employee, whose job duties include economic matters. At the moment, in the entire embassy network, there is only one person, who can deal solely with matters of economy — in Moscow. But even in embassies, which have only two employees, the job duties of one of them include economic relations. Since the network of embassies is rather vast, it is an important resource. Seeing as the importance of external trade in our economy is very ample indeed, a question may be raised whether the diplomatic corps should include more people, who are specialised in promoting export and attracting investments. It might, possibly, help to achieve these goals; however, the prevailing sentiments in state administration suggest that it is not among the most urgent tasks.

One of the considerations is that even in markets, which are a destination for a material part of the total export of Latvia, the demand of businesses for diplomatic services might be insignificant. As has been pointed out, selling in other EU countries from the viewpoint of the process is something between “classical” export and operating in the domestic market. Daily communication between the Foreign Service and businesses demonstrates that in routine situations businesses in these countries do not usually need the involvement of diplomats. The diplomatic resource can come in handy where political lobbying is necessary, by drawing attention of other countries' authorities to a specific issue. However, in EU countries with their well-aligned business environment, such situations are rare. In other countries, however, diplomat assistance has been requested, for example, when state authorities have not paid a Latvian business for the performed work.

In such situations, the status of the ambassador's post can be of importance. The work of Latvian diplomats up to now has not been characterised by involvement in public procurement processes. Perhaps, with time, the demand for the part of Latvian businesses for this type of support will increase, as their ability increases to create difficult, complex solutions for infrastructural and other large-scale projects. In either case, we should prepare ourselves for such a possibility. It must be noted that it has been typical of foreign embassies in Latvia to engage in such activities. For example, France was actively and openly trying to influence the choice of *airBaltic* in favour of *Airbus* airplanes, which, as we know, in the end, was unsuccessful. As claimed by representatives of our foreign service, in this line of work, one must always carefully consider, in which country and using what methods it is done. Possibly, in Sweden, with its political and business culture, such conduct might be perceived negatively.

Another condition that affects diplomats' level of activity in "practical" matters — export promotion and attraction of investments are among the basic functions of the Investment and Development Agency of Latvia (IDAL), which is under the subordination of the Ministry of Economics. Resources of this institution are very substantial, and it has a total of about 200 employees. Here, we can mention the level of awareness about developments in the economy and administrative capacity specifically in export promotion and investment attraction. For example, the IDAL has experts, who specialise, say, in metal processing and mechanical engineering — there are no such specialists even at the Ministry of Economics. The IDAL has a network of representatives abroad, and they usually are hosted by embassies, except in Kazakhstan, where the IDAL representative is based in the former capital of the country Almaty, which is still the business hub. Representatives of the IDAL are doubly subordinated — to the IDAL management and to the ambassador of Latvia in the respective state.

Thus, in shaping external economic connections, the IDAL can ensure both front-office or direct sales work and back-office or support and analytical work. Theoretically, it would be possible to concentrate the entire work linked to the "practical" aspect of the external economic policy into a single institution. Ideas of distribution of employees and competences among ministries are voiced from time to time, and sometimes, they are even realised. Theoretically, the transfer of the entire IDAL under subordination of the Ministry of Foreign Affairs would be possible, which would likely improve the co-operation between the IDAL and the diplomatic corpus. However, a situation, in which all institutions that should co-operate in resolving important matters are combined in a single hierarchical structure, will never be possible. Competences of various state authorities will always come into contact, but this geometry will be variable and also complex. For example, there are also arguments in favour of the IDAL staying under the subordination of the Ministry of Economics. Nevertheless, neither of these approaches will eliminate the need to develop the so-called horizontal co-operation.

Critical statements have been made about the work of the IDAL in 2016 in relation to the amount of attracted foreign direct investments. Without going too much into

details, in the recent past, it has indeed formed only a relatively small part of the overall foreign direct investment (FDI) flow. It might be related to certain shortcomings in the functioning of the IDAL, but there is also a counterargument. Several years ago, the IDAL announced attraction of investments in the export sector of business services. These investments are creating many jobs in spheres, where Latvia appears to be facing overproduction of specialists, according to the assessment by the Ministry of Economy — in social and humanitarian sciences. This has certainly promoted a rapid increase of business services over this period. However, in a purely financial sense, the sums invested in this process might be small, because they do not require expensive equipment, work premises, rent etc.

To a certain extent, a quality indicator of the work of institutions that attract investments is the FDI stocks as a proportion of the GDP. According to the OECD data, this indicator in Latvia in 2015 was 58.1 %, which surpasses the EU average of 48.1 %, while the OECD average was 38.5 %.⁵ This indicator was considerably higher in Estonia at 83.8 %, but in Poland, it was lower at 38.7 %. According to the Eurostat data for 2013, in Lithuania this indicator was 35.8 %.

TENDENCIES OF 2016 AND PROPOSALS TO POLICY-MAKERS IN 2017

As was already discussed in the article, in 2016, Latvia continued on its strategic foreign policy course that it has been implementing for more than 20 years, and it has been truly successful. Closer integration must be continued in the economic and political structures of the Western world. However, the year 2017 will see major challenges. Although these words may sound rather trite, the reality is very harsh — the post-war world order is under threat. Largely, the errors committed by political elites are to blame here, such as starting ill-judged wars, insufficient support to the victims of external trade liberalisation in the case of the USA, and the introduction of a single currency in the case of Europe.

The existing foreign policy course must be continued, but there must be scenarios for when structures important for the security and welfare of Latvia are weakened, or in a worst-case scenario, even lose a part of participants. Although a victory of Marine Le Pen in the French presidential election is unlikely and that would not immediately mean that France would leave the EU and NATO, it should at least be clear how to act in such a situation. No efforts would be sufficient to fully eliminate the consequences, though.

Therefore, through their participation in multilateral organisations, firstly, the EU and NATO must do everything to prove loyalty to these structures and their main member states, by increasing self-defence capacities and supporting the resolution of the refugee

problem. We must be ready to demonstrate that we are willing to offer sacrifices and can be useful to others, thus also influencing the preconceptions of voters of other countries. As regards the elements of economic foreign policy in the area of multilateral relations, there are not many possibilities of significantly influencing the progress of events in a short time period. To curtail the risk of political crises in Eurozone countries affected by austerity measures, Latvian representatives should exhibit better understanding towards their needs, by urging to implement fiscal and monetary policy that stimulates more growth already in the nearest future. It will not be much help now to refer to structural reforms as a theoretically perfect solution.

As regards the “practical” aspects of economic foreign policy, there are many more possibilities, and the situation is considerably more hopeful. With every year, the economy of Latvia reaches a higher level of technological development; the export potential and possibilities of attracting investments are increasing. Thus, for example, in 2016, in co-operation with the sectoral association, a yet unpublished research of the Latvian metal processing and mechanical engineering sector was conducted; it underscores the possibilities of attracting investments to manufacturing of specialised equipment (agricultural, mining equipment, etc.).⁶ Since the accession to the EU, this sector has been rapidly developing, as Latvia’s manufacturing factors are suitable for it. The relative advantages of Latvia are best manifested, by manufacturing medium level technology equipment, which is produced in serial, but not mass production, therefore it cannot be easily automated, which would cancel the advantages of our qualified labour force costs. It is the attraction of this type of investments, to which the IDAL and other responsible institutions should pay particular attention. Likewise, the successful work in attracting business service companies must be continued.

CONCLUSIONS AND RECOMMENDATIONS

The external economic policy of Latvia generally serves well to achieve our country’s growth objectives. Upon considering the positions of Latvia in international organisations operating in the sphere of economics, they appear rather adequate for our strategic interests, however, it must be added that more support is required for economic stimuli of the Eurozone already in the nearest future. By merely considering the rather impressive increase of export and foreign direct investments since the restoration of independence, it is impossible to assess the specific extent of contributions made by foreign policy makers and implementers or by state authorities, who are in charge of shaping the business environment “on site”, or by businesses, education establishments or other players, who develop production factors. Episodic impressions of the work of foreign policy makers and implementers are generally positive, and the strategic vision of their leaders appears logical.

At the same time, we could definitely wish for more resources allocated to this sphere, bearing in mind the role of external communications in our economy. For example, the amount of exports of goods and services correspond to 58 % of the GDP of Latvia (forecast for 2016). Nevertheless, the added exported value could equal a half of this amount. However, this does not disclose the overall importance of export — without it, modern economy in Latvia would not even be possible, as it cannot function without imported components. If we look at the locations of IDAL representative offices on the world map, it becomes apparent that there are countries and regions, in which it would be reasonable to establish more of them. Even though representatives of other sectors would argue that it is them, who need more money, additional efforts in attracting investments and promoting export could yield results already in the nearest future, therefore the created additional burden on the budget is rather conditional.

ENDNOTES

¹ Assessment of the International Monetary Fund of 2015, by comparing the purchasing power parity.

² “Pēteris Strautiņš: Statistika, liela statistika un informācijas karš,” *Delfi*, 11.08.2014., www.delfi.lv/news/comment/comment/peteris-strautins-statistika-liela-statistika-un-informacijas-kars.d?id=44826596

³ *Services in the Internal Market Directive 2006/123/EC*, also known as the „Bolkestein Directive”

⁴ 2015 in comparison with 1995.

⁵ “FDI stocks. Outward / Inward, % of GDP,” *OECD*, 2015, <https://data.oecd.org/fdi/fdi-stocks.htm#indicator-chart>

⁶ The abovementioned research was conducted by the author of this article.

LATVIA'S ACCESSION TO THE OECD—WHAT TO EXPECT?

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On 1 July 2016 Latvia joined the Organization for Economic Cooperation and Development (OECD) and became its 35th member. This concluded a voyage of 25 years since independence was regained; a voyage towards becoming a full-fledged market economy, well-integrated into Europe and the world. Having joined international organisations such as the International Monetary Fund, the World Bank, the World Trade Organization, NATO, the European Union and the Eurozone, OECD membership is the latest (and last?) such integration from a Latvian perspective. Why join the OECD and where can Latvia benefit from this membership?

THE OECD AT A GLANCE: HISTORY AND MISSION

The OECD dates from 30 September 1961, when it superseded the OEEC (The Organization for European Economic Cooperation), which had been formed in 1948 to administer the Marshall Plan. The first 20 countries in Table 1 (until and including Italy) are the founding members of the OECD, and today's membership, with Latvia, is 35 nations. The organisation has its headquarters in Paris and operates on a budget of some 320 mill. EUR annually. The next countries in the pipeline for membership are Colombia, Costa Rica, and Lithuania. As can be seen from Table 1, the original set-up was USA and Canada, the providers of the Marshall Plan aid, together with a host of Western European countries. Membership expanded slowly, with a complete standstill for over 20 years between 1973 and 1994 when Mexico joined¹. Since then new members have come from the former communist countries of Eastern Europe as well as from Asia and South America. The European expansion of the 1990s is interesting in a local context. The OECD expanded in 1995–96 with the countries of the Czech Republic, Poland and Hungary. These countries were very much seen as the economic front runners in Eastern Europe at the time, and became part of the Luxembourg Six

(the others being Cyprus, Estonia and Slovenia), the first countries to be invited in 1999 for negotiations for what would be the first enlargement of the EU into countries of the former Communist bloc.²

In short, the OECD's mission is to foster economic growth and trade via 'best practices'. It is often referred to as a 'club for rich countries', which on the one hand has an air of snobbishness to it but, on the other hand, clearly does reflect its focus on relevant issues for continuing economic growth in what are already prosperous countries. This creates a clear focus instead of having an organisation that prioritises 'everything'.

In short, the work of the OECD can be characterised as being based on extensive data collection from all its member states. This data forms the basis for high-level analysis, discussion, and decision-making. Section 4 discusses an important example of this namely the OECD Economic Surveys.

Membership also brings clear benefits to scholars and others with an interest in the OECD and its member countries, its vast array of available data,³ and its many publications; regular ones such as the OECD Economic Outlook, the OECD Factbook and the OECD Economic Surveys (see also section 4) as well as more specialised ones on such issues⁴ as education, migration, energy, transport and many other topics. Besides more data and publications – some 250 per year – OECD membership brings a much higher level of comparability to scholars from Latvia and foreign scholars interested in the economy of Latvia.

In charge of the OECD is its Secretary-General, currently José Ángel Gurría from Mexico. He heads the OECD secretariat with a staff of some 2,500. Decision-making is the responsibility of the Council, which has one member from each OECD member state plus one from the EU Commission. The secretariat will carry out the work and decisions resulting from the Council. Some 250 committees, working groups and expert groups involving thousands of representatives of national government administrations are involved in the various policy areas to contribute to the OECD agenda.

LATVIA'S ROAD TO THE OECD AND ITS MOTIVES FOR JOINING

Since regaining independence in 1991 Latvia has transformed its economy from a part of the planned economy of the Soviet Union into a fully-fledged market economy, seemingly through a very conscious strategy of integrating into international institutions promoting free markets, free trade, and democracy. Already in 1992 Latvia joined the International Monetary Fund and the World Bank, accession to the World Trade Organization took place in February 1999, membership of the European Union

on 1 May 2004, while the country joined the Eurozone on 1 January 2014, and then, on 1 July 2016, the OECD. If one also includes NATO, which Latvia joined on 1 April 2004, only 12 other countries share a similarly deep level of integration.⁵

As mentioned, a very conscious strategy was employed to become a part of what is still often labelled “the west”, and a move away from the Soviet past and the shadow of the Russian Federation. This “anchoring” has its strengths and weaknesses. In terms of the strengths, it is a very clear and long-term strategy while its weaknesses are perhaps expressed by the strategy displaying reaction rather than action, in the sense that Latvia seeks best practices instead of suggesting them. Latvia is more of a student than a teacher, if one can be allowed this somewhat patronising view.

Latvia’s road to OECD membership started in 2013, when on 29 May, accession discussions were opened.⁶ In October of the same year, the Roadmap for the Accession of Latvia to the OECD Convention (see OECD 2013) was approved. This roadmap outlined a detailed set of technical reviews to be performed by the OECD in cooperation with Latvian counterparts (the 21 OECD Committees on such issues, including among others competition, environment, public governance, and health). This framework is perhaps best compared with the chapters of *acquis* to be concluded whilst in negotiations on EU membership between 1995 and 2003. The OECD’s first mission to Latvia took place in December 2013, and over the two-year period of March 2014 to April 2016 the 21 OECD committees conducted their reviews. The following month, on 11 May 2016, the OECD formally invited Latvia to become a member country. The terms of accession were signed on 2 June, the Latvian Parliament (Saeima) ratified these terms on 16 June, and the country became a full member on 1 July.

How does Latvia compare with the other OECD members? A first examination might be GDP per capita, see Figure 1. Latvia is one of the poorest countries in the OECD and the poorest European member if one considers Turkey as non-European. This is of course not surprising, since its peers are among the richest countries in the world and the fact that Latvia is a relatively poor member is part of the strategy to use its membership to foster some degree of economic convergence, just as it does with membership of the European Union. Perhaps one can see OECD membership as a more explicit and direct aim at income convergence, whereas EU membership provides more indirect possibilities of convergence via the Four Freedoms and the not-so-detailed or binding recommendations in, for example, EU2020.

A second, and somewhat deeper, comparison is presented in Table 1 where the 35 countries are compared in terms of their rankings in the World Bank’s Ease of Doing Business Index, the World Economic Forum’s Global Competitiveness Index, Transparency International’s Corruption Perception Index as well as the world ranking of the countries in terms of their GDP per capita.⁷

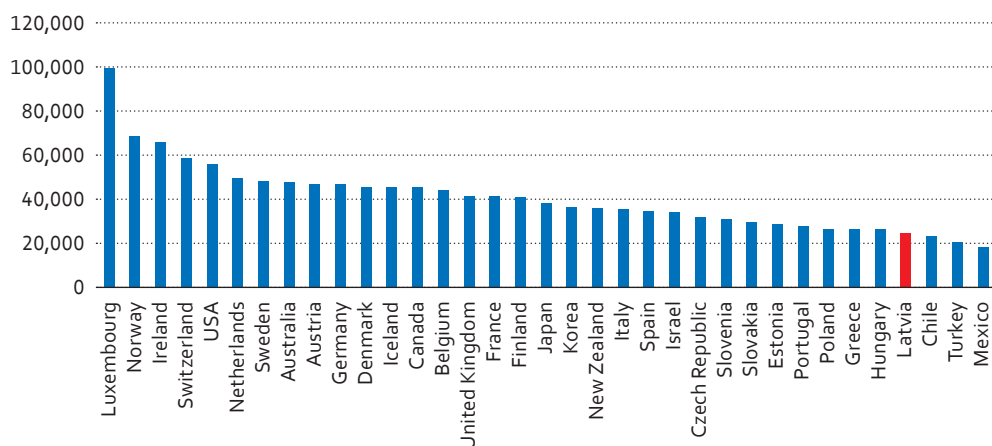


Figure 1: GDP per capita (2015), USD at PPS, OECD member states. Source: IMF.

Extreme care should be taken when using this data since a) this is perception data (except GDP per capita) and b) the impact of these rankings – be they good or bad – are hard to quantify in terms of impact on growth and prosperity. But a glance at the data reveals that Latvia scores better than what its position in terms of GDP per capita would indicate (Latvia scores much better than Greece, Hungary or Italy although these countries are still more prosperous than Latvia), indicating that reasonable structural changes have taken place, which should bode quite well for economic growth in the future. That said, Latvia's rankings are not overly impressive, but this is exactly where OECD membership comes in – Latvia can use its membership to adopt 'best practices' to introduce reforms based on experience from other OECD members.

Table 1: Member states of the OECD according to date of accession and rankings in terms of World Bank Ease of Doing Business (WB), World Economic Forum Competitiveness (WEF), Transparency International Corruption Perception (TI) and GDP per capita according to the IMF, 2015

Country	Date of accession	WB	WEF	TI	GDP per capita
Canada	10 April 1961	22	15	9	24
USA	12 April 1961	8	3	16	13
United Kingdom	2 May 1961	7	7	10	28
Denmark	30 May 1961	3	12	1	22
Iceland	5 June 1961	20	27	13	23

Country	Date of accession	WB	WEF	TI	GDP per capita
Norway	4 July 1961	6	11	5	7
Turkey	2 August 1961	69	55	66	64
Spain	3 August 1961	32	32	36	37
Portugal	4 August 1961	25	46	28	46
France	7 August 1961	29	21	23	29
Ireland	17 August 1961	18	23	18	9
Belgium	13 September 1961	42	17	15	25
Germany	27 September 1961	17	5	10	20
Greece	27 September 1961	61	86	58	49
Sweden	28 September 1961	9	6	3	17
Switzerland	28 September 1961	31	1	7	11
Austria	29 September 1961	19	19	16	19
Netherlands	13 November 1961	28	4	5	15
Luxembourg	7 December 1961	59	20	10	3
Italy	29 March 1962	50	44	61	36
Japan	28 April 1964	34	8	18	31
Finland	28 January 1969	13	10	2	30
Australia	7 June 1971	15	22	13	18
New Zealand	29 May 1973	1	13	4	34
Mexico	18 May 1994	47	51	95	68
Czech Republic	21 December 1995	27	31	37	41
Hungary	7 May 1996	41	69	50	50
Poland	22 November 1996	24	36	30	48
Korea	12 December 1996	5	26	37	33
Slovak Republic	14 December 2000	33	65	50	43
Chile	7 May 2010	57	33	23	58
Slovenia	21 July 2010	30	56	35	42
Israel	7 September 2010	52	24	32	38
Estonia	9 December 2010	12	30	23	44
Latvia	1 July 2016	14	49	40	54

OECD ECONOMIC SURVEYS—AN EXAMPLE OF THE BENEFITS FROM OECD MEMBERSHIP

OECD Economic Surveys are a good example of the work done by the OECD. Such a survey is produced each two years for every member country (and also for some large non-members such as China, Russia and Brazil). The first survey on Latvia dates from February 2015 (see OECD 2015) and the second survey will be based on missions to Latvia in May 2017.

The Economic Survey addresses economic issues that should actually be relevant for Latvia. Basic issues such as malnutrition, access to clean water are of course not relevant for a developed economy like Latvia. These may be issues dealt with by organisations such as the World Bank, whereas the OECD precisely addresses issues for high-income countries, notably issues that can influence a country's long-term growth, which is exactly what is needed for this country with its relatively low GDP per capita in the OECD peer group. Improving Latvia's long-term growth potential is crucial for its economic future, and with analysis of drivers of such growth, be they human capital formation, labour markets, innovation, competition and competitiveness, financial market developments, social policy, taxation policies and the health care system, the right sectors of the economy should be addressed, at least we hope so.

An Economic Survey will outline and identify the main economic challenges for the country and make assessments and recommendations but, and far more crucially, these recommendations will be part of a peer review in what is called the Economic and Development Review Committee (EDRC). The EDRC has a member from each of the OECD countries plus another member from the EU Commission. One may think of this procedure as friendly but insistent pressure, a mechanism to hopefully ensure at least some degree of implementation and ownership of the policy recommendations. This may echo the days following the financial crisis of the presence of the IMF in Latvia, when the fund was constantly engaged in securing local ownership of the programme that was put together by the IMF, EU, and local counterparts to ensure the programme's feasibility.

This mechanism is even more important in light of the main drawback of the Latvian economic-political establishment – a lack of proper implementation. A good example of this is the Latvia Competitiveness Report of 2013,⁸ which was commissioned by the Latvian State Chancellery. The report provided some important recommendations, but for obvious reasons did not contain implementation procedures which has limited what has actually been achieved in terms of progress following this report. One should hope – but perhaps not succumb to too much enthusiasm – that friendly peer pressure creates a greater chance of success.

That said, one should also critically review the novelty of the Economic Survey in its conclusions, and whether a similar report could have been produced locally. From

the key recommendations⁹ one can quote: “Strengthen efforts to tackle tax fraud and improve tax collection”. This is hardly a new idea, to put it mildly, but we may of course ask why it has not been done much earlier. Another recommendation highlights one of the main deficiencies of the Latvian economic-political system: “Raise additional revenue by increasing property and environmentally related taxes”. The idea to raise property taxes is not new either in Latvia and has indeed been supported by various local economists but with repeated flat refusal by the political establishment. A third recommendation also deserves mentioning: “Bring the governance of state-owned enterprises further in line with the OECD Guidelines on Corporate Governance of State-Owned Enterprises.” This recommendation serves as an example of new policy suggestions should be welcomed into the economic-political landscape. It should, in this context, also be mentioned that the OECD has forcefully argued for stricter anti-money laundering rules, which are also very welcome.

The practical work of researching a country consists of fact-finding missions to the country to meet relevant stakeholders such various government officials, central bank, social partners, academics, etc.

Looking at the Economic Survey for Latvia of 2015 one might ask if it could have been produced locally without the involvement of the OECD. I would argue against that notion. Firstly, it is almost always helpful to involve fresh eyes and minds to increase the probability of novel thinking. Secondly, while one may argue that Latvia has the analytical capability across various sectors of the economy – and this author has no problem with that argument – it is highly unlikely that these people would ever come together and form such analysis; 25 years of experience show that it has not been done. There is not much of a tradition of cross-sectoral cooperation in Latvia, thus this new kind of analysis should be welcomed. Friendly pressure will hopefully yield results, although it is most likely wise to remain moderately optimistic, given the outcome of previous reports, the National Development Plans etc.

A last comment also warrants some attention, however. Might there be overlap and a situation of “too many cooks in the kitchen?” The European Commission produces its own country reports (see EU Commission, 2016); the latest one for Latvia, Country Report Latvia 2016, dates from February 2016. This addresses many of the same issues as the OECD Economic Survey such as various fiscal policy issues, labour market, health, education, environment and governance. Is this optimal? Most likely not. Could one envisage some sort of either joint effort or at least more different approaches? For the former most likely not, for the latter it remains to be seen.

HOW TO ASSESS THE BENEFITS OF OECD MEMBERSHIP?

To quote from the OECD web site: “The US has seen its national wealth almost triple in the five decades since the OECD was created, calculated in terms of gross domestic product per head of population. Other OECD countries have seen similar, and in some cases even more spectacular, progress.”¹⁰ These are correct, if rather self-congratulatory words. The problem of course remains how much of this progress was due to OECD membership and how much economic growth would have happened anyway? This question does not have an answer that can be established, due to the lack of a counterfactual situation, for example a Mexico that had not joined the OECD. This calls for a different approach to evaluate the benefits of membership.

Before turning attention towards a possible evaluative approach, it may be worthwhile to warn those who might think that OECD membership will create a surge in economic growth, because this is rather unlikely to happen and for at least four reasons, namely:

1. Countries that are admitted to the OECD are already prosperous by world standards, therefore even in the case of Latvia with its somewhat low GDP per capita compared to the OECD peer group, much economic convergence has already taken place since independence in 1991, and remaining convergence is harder and thus occurs with lower growth rates – this is the usual assertion of the theory of conditional convergence.
2. ‘Reverse causality’ – countries are admitted to the OECD because they have already grown quickly and have therefore been successful economies; it is thus completely normal that growth rates should not increase due to membership.
3. Much will hinge on local policy makers and a rather rhetorical question – do we see a unilateral strong backing of the findings and recommendations of the OECD?
4. Warning signs from other member countries.

The latter warrants some more detailed commentary. As mentioned in section 2, the first OECD members from Eastern Europe were the Czech Republic, Poland and Hungary, generally seen as by far the wealthiest, most progressive and reform-willing countries from the former Communist bloc in the early 1990s. Have 20 years of membership propelled these countries even further ahead, economically? The Czech Republic remains the richest Eastern European country in the EU together with Slovenia. Poland, though poorer than Estonia and Lithuania, is lauded with having avoided a recession during the financial crisis of 2008–2010. It is hard to claim that the case of Hungary has been a success, however. It is just a tad ahead of Latvia in terms of GDP per capita, and Latvia has certainly caught up significantly in the past year from being 44 % below Hungarian GDP per capita in 1996, the year of Hungarian accession, to just 6 % below in 2015. A quick look at the structural indicators of Table 1 also reveals a country that does not seem to have used its OECD membership to its fullest. One could make similar arguments with Italy and Greece. As boring and annoying as it may sound, Latvian success will mostly depend on Latvia.

Latvia is thus not due for a growth miracle just because it has acceded the OECD, but its membership is the key to further and sustained economic convergence and, very importantly, to avoiding a potential middle-income trap scenario. If economic growth due to OECD membership cannot be quantified, what might be a second-best solution? A qualitative approach instead of a quantitative one might be suggested. Latvia could work on setting reasonable policy targets in all the spheres of possible structural change – labour markets, education, competitiveness etc. The more detailed the targets are, the better. And progress could then be measured by the degree of fulfilment of these targets. This may look at bit like assessment in terms of fulfilling the targets set by the EU's Lisbon Agenda, but it might still be a worthwhile endeavour.

CONCLUSIONS AND RECOMMENDATIONS

With accession to the OECD on 1 July 2016, Latvia has managed yet another and deeper level of integration into a select group of prosperous, free market democratic countries and this is indeed to be welcomed, for this is where Latvia belongs. The OECD is an important vehicle for future growth in Latvia and for further economic convergence, partly because of its focus on relevant issues for high-income countries, partly because of its possibility to exert peer pressure – the latter will hopefully have important influence – and Latvia should welcome this.

The list of areas where membership could and hopefully will bring progress already in 2017 are:

1. The labour market: The tax and benefit structure is highly skewed in favour of high incomes and causes a high risk of poverty which is detrimental for access to the labour market – hardly something Latvia can afford in a time of poor demographics and migration. Lifelong learning should be pursued to reduce structural unemployment, which has always been high in Latvia; also an issue a country with poor demographics cannot afford.
2. Tax administration: Tax collection must be improved. For years, basically every year since independence, the issue of the grey economy has been discussed without much reduction of it. A smaller grey economy helps the state budget, is fairer to existent tax-paying companies, and will attract more such companies.
3. Less dependence on sectors of the economy that are influenced by geopolitical events and thus are subject to volatility: Latvia has a comparative advantage in non-resident banking and should welcome this industry but with tighter regulation – this is already happening with OECD help and is highly welcome. Transit trade is another comparative advantage for Latvia but may not be so in the future if Russia chooses more transportation via Russian roads and railways – the OECD can help with diversification of the Latvian economy;

4. General education: An economy with a GDP per capita of just two thirds of the EU level does create shortcomings in its educational system. OECD membership will hopefully reignite real discussions on how to make proper reforms. This list is not even exhaustive.

Overall, however, the benefits of OECD membership will mostly be a function of how Latvia treats its membership, not of how the OECD treats Latvia. Therefore, hopefully Latvia will aim at close cooperation, setting realistic and forward-looking goals that can be better achieved through OECD membership. Given past experience, in particular with respect to EU membership, in terms of fulfilling the Lisbon Agenda and EU2020, but also in terms of growth *vis-à-vis* our Baltic neighbours, there is cause for optimism, but most likely not for celebration.

ENDNOTES

¹ Having become a member of NAFTA just a few months earlier.

² Latvia, together with Bulgaria, Lithuania, Malta, Slovakia and Romania became the 'Helsinki Six', invited for accession talks in 2001.

³ See: data.oecd.org

⁴ For more detail see: oecd-ilibrary.org

⁵ Namely Belgium, Estonia, France, Germany, Greece, Italy, Luxembourg, Netherlands, Portugal, Slovakia, Slovenia and Spain.

⁶ See further details at the OECD-Latvia web site: <https://www.oecd.org/latvia/latvia-accession-to-the-oecd.htm>

⁷ See data: "Country Report Latvia 2016," *EU Commission*, 2016; *International Monetary Fund*, <http://www.imf.org>; "Roadmap for the Accession of Latvia to the OECD Convention," OECD, 2013, www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=c%282013%29122/final&doclanguage=en; "OECD Economic Surveys: Latvia 2015," OECD, 2015; *Transparency International*, 2015, <http://www.transparency.org/cpi2015#results-table>; "Ease of Doing Business rankings," *World Bank*, <http://www.doingbusiness.org/rankings>; *World Economic Forum*, <https://www.weforum.org/reports/the-global-competitiveness-report-2016-2017-1/>

⁸ "Latvia Competitiveness Report," *SSE Riga*, 2011, <http://www.sseriga.edu/en/research/lcr/>

⁹ OECD (2015), p. 11.

¹⁰ See: oecd.org/about/history/

CURRENT DEVELOPMENTS OF THE TRANSIT AND LOGISTICS SECTOR OF LATVIA

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International processes in Europe and in the world directly affect the development of the transportation, transit, and logistics sectors in Latvia, too. Latvia, being a small country situated next to the Baltic Sea, handles various cargo flows and ensures a convenient connection to sea routes, especially from our neighbouring states Russia and Belarus, which ensure the biggest transit cargo flow through Latvia. In our economy, handling of transit cargo provides additional revenues of nearly one billion euros annually. Therefore, this is a strategically important services export sector, and the best possible conditions for its development must be ensured. Over the past few years, international processes have led us through ever new turns and, unfortunately, they negatively affect the transit sector of Latvia. At the same time, this is a time of challenges, when both the government and businesses are trying to strengthen the sector, diversify it and seek new opportunities. Latvia at this time must show utmost activity in the international arena; it must demonstrate the willingness and ability to change and offer ever new services to co-operation partners. Simultaneously, at the business level, too, the most creative possible services should be developed with maximum possible value added.

SITUATION IN THE TRANSIT SECTOR

In 2015, a total of 69.6 million tonnes of cargo were transhipped in Latvian ports. This was by 6.2 % less than in 2014. The ports of Latvia saw a record amount in 2013. That year, 75.2 million tonnes of cargo were transhipped. Unlike most EU Member States, in Latvia the majority of cargo is transported by rail. In rail transport, the situation is similar to ports. The trends are much the same. The year 2015 was concluded with

55.7 million tonnes of transported cargo, which was by 2.4 % less than in 2014. The year 2016 saw an even greater decrease of transported freight. The total cargo amount in ports in the 10 months of 2016 has decreased by 11.5 %, with 57.7 million tonnes of transhipped cargo. The highest reductions have been observed in coal and oil product segments. The main reasons for reductions in these cargo groups are related to the situation in the global energy market and Russia's efforts to move strategically important cargoes through its own ports. For example, in the 10 months of 2016, the port of Ust-Luga has transhipped 76 million tonnes of cargo, even though it started working only in 2009. Cargo amounts in Tallinn also continue reducing — in the 10 months of this year, by 11 % — with a total of 17 million tonnes of cargo transhipped. The results of the Port of Klaipeda are relatively better, because it does not handle large volumes of Russia's cargoes — only 2–3 % are Russian cargoes. At the same time, it is important to look back into the past. For example, if we look back twenty years, we see that the 35.3 million tonnes of cargo transported then is by twenty million tonnes less than now. Since then, the sector has undergone major changes, significant investments have been made in infrastructure, entrepreneurship has been developed, ever new private sector partners have been engaged from countries significant in the transit sphere, new services have been created. In a long-term, the transit sector of Latvia can adapt to international processes and react to market demands.

On a global scale, freight transport is linked to global economic trends and events in international trade. It is important to recall the most significant international processes that have left the greatest impact on the transport and logistics industry over the past few years:

1. Global financial crisis
2. Economic sanctions
3. Price fluctuations of energy resources
4. Development of the Eurasian Silk Road

Global Financial Crisis

The year 2007 saw the onset of the global financial crisis, which continued also in 2009 and consequently grew into a debt crisis of Eurozone countries in 2010 and 2011. One of the causes of the crisis was speculative housing market bubbles, which led to similar economic processes in very many countries of the world and were manifested as financial failures and global credit problems. The crisis affected the transport sector, but Latvia managed to overcome it with relatively good results. Globally, the after-effects of the crisis are still perceptible, and the use of the global fleet is far below the 90 % of the available capacity in practically all ship categories, apart from liquefied natural gas (LNG) carriers. In container shipments by sea, the capacity of container ships still significantly exceeds the market demand, and the multinational container

shipping companies continue commissioning the construction of ever larger container carriers. This can also leave a negative impact on sea shipping in a long-term. New ultra large container carriers will join the sea fleet. In this situation, the survival of smaller container shipping companies will be even more complicated. The large container vessels with deadweight tonnage of 18,800 TEU release by up to 60 % less CO₂ than ships that have been built in a relatively recent past. Thus, these container ships can fulfil higher environmental protection requirements. Large container shipping companies unite and form alliances, while smaller, aging ships are scrapped.

Changes are also taking place in the selection of shipping routes. Cargo ships that carry freight between Europe and Asia are most often routed around the Cape of Good Hope and not through the shorter routes via the Panama or Suez canals. Both canals have experienced serious problems due to the low fuel costs, as shipping along longer routes is cheaper than paying the canal fee, and only one week of transit time is saved. The transit time can be the only argument in favour of choosing the canal. The Panama Canal was opened after reconstruction on 1 July of this year, and now, with its 16 sluice system, it can handle the large Post and Neo Panamax type vessels.

The financial crisis of 2009 also affected many production plants, which had been transferred from the USA to China or other Asian countries. They are slowly returning to Europe. Moreover, it is believed that it is not long before goods will be increasingly made using 3D printers, and these plants will be located very close to the end consumers. Therefore, the need for large-scale transport of goods by sea might diminish. Smaller capacity container ships must focus on diversification of routes, by seeking niches for more direct traffic between regions and economising on costs of collection/distribution of containers and the time spent on this task. The Port of Gdansk might grow into one of such regional centres in the Baltic Sea, having built a deep-water terminal suitable for ocean container ships. However, in order to ensure successful operations, it must also guarantee fast transportation of cargo inland via good railway connections.

Economic Sanctions

Economic growth in the Baltic region is also affected by the geopolitical conflict between Russia and Ukraine, the EU-Russia relations and mutual economic sanctions, which adversely affect the export of Latvian food products to Russia. From the transit sector perspective, the most negative aspect is the ban of transit of food products through Russia to the countries of Central Asia, where the Latvian transit corridor can ensure very efficient transport.

To oppose Russia's aggression in Ukraine, in March of 2014, the European Union imposed a range of restrictions on individuals and businesses. Later on, the Russian Federation announced the Presidential Decree No. 560 of 7 August 2014, whereby Russia imposed a full, one-year embargo on agricultural products, raw materials

and food products (beef, pork, fruit, vegetables, poultry, fish, cheese, milk and dairy products) from the EU, the USA, Australia, Canada and Norway. Russia's customs services apply this Presidential Decree to the entry of any cargo across the border of the Russian Federation, which includes also freight transit through the territory of the Russian Federation to other CIS countries, such as Turkmenistan, among others. Additional sanctions imposed by the European Union on Russia came into effect on 11 September 2014, including oil and defence companies, as well as state-owned banks, by prohibiting their access to European financial markets. Among them was the company "Uralvagonzavod", which, among other things, builds tanks. This had a severely negative impact on the coal cargo volumes at the Freeport of Ventspils, because one of the main suppliers of coal at the Port of Ventspils was the Zarechnaya coal-mine owned by "Uralvagonzavod". Economic sanctions against Russia, its countermeasures, and the drop of the currency rate deteriorate the demand of Russia's consumers for imported goods even more. This, for its part, adversely affects the exporting European companies, which are focusing on the Russian market.

On 1 July of this year, Russia imposed additional restrictions on the transit of goods of Ukrainian origin through the territory of Russia, and these can mean complete stoppage of such transit through Russia. The already existing restrictions for the transit of goods to Kazakhstan have also been applied to transit to Kyrgyzstan.

Further deterioration of the geopolitical situation and imposition of new sanctions between the EU and Russia are among the most significant risks to economic growth. In such case, growth would reduce not only in Latvia, but in the whole Eastern European and Central European region. The indirect effects of sanctions imposed by Russia can prove greater than initially expected. The deteriorated mood of consumers, businesses and investors arising from the imposition of sanctions, along with the reduced external demand from other countries affected by the sanctions additionally slow down the internal consumption and new investments. At the same time, Russia continues implementing its transport policy, by re-focusing cargoes to its own Baltic Sea ports. In addition, transit is negatively affected by the worsening of Russia's domestic economic situation and the drop of oil prices on global markets, which has considerably reduced Russia's export revenues. The situation in Russia also delays the implementation of new infrastructural projects.

Price Fluctuations of Energy Resources

The drop of freight transport in Latvia is largely related to the decreased demand for coal and the drop in the Chinese stock market. For more than 10 years, the economy of China was rapidly growing and promoting the demand for supplies of inputs. The growing demand and the extraction costs affect the oil price level and fluctuations. The transport sector consumes nearly 90 % of the planned increase of oil product

consumption and China alone forms a half of the increase in the world oil product consumption in the transport sector. In the European Union, transport is highly dependent on oil and oil products. Russia's coal export amounts in the first half of 2016 increased by 13.3 %. This suggests that other transit corridors have been found, because a decrease in the volume of coal cargoes is observed in Latvian ports and on railroads. The situation is similar with regard to Russia's oil and oil products — in the first half of this year, Russia's oil export amounts increased by 1.5 % and amounted to 127.8 million tonnes. In this cargo segment, too, a decrease in Latvia's transit cargo amounts is observed. Furthermore, in June of this year, Russia announced that in the nearest future, around 20 million tonnes of oil products are expected to be supplied via pipelines to Russia's ports.

The low oil prices do not present direct threats to Latvia, since it is a country that imports oil products. This allows reducing production costs. Nevertheless, on the whole, it is not an unequivocally positive trend. It is important to stress that low oil prices are adversely affecting Russia's economy and will reduce its consumption, therefore there will be limited ways to compensate for the negative impact of the crisis and sanctions on the economy. Simultaneously, the lower oil prices are slowing down the already low inflation in the Eurozone and increasing the risks of deflation.

In the recent years, the value of the Russian rouble has plummeted, and Russia's growth forecasts are further decreased. With the exchange rate of the rouble remaining low and Russia entering recession, the export from Latvia to Russia will continue decreasing, thereby slowing down the overall economic activity. Russia's deteriorating growth indices and the falling value of the rouble against the euro reduce the competitiveness of Latvia's goods. Russia's economic prospects are further complicated by outflowing capital, the falling value of the rouble, and the increasing prices of food products. The exchange rate of the rouble is affected by several factors: the sanctions imposed by the West on Russia, the stronger position of the US dollar, and the fall of oil prices. The excessive dependence of Russia on the export of energy resources can mean that continued fall of prices of energy resources would lead the economy of Russia into recession.

Development of the Eurasian Silk Road

A positive trend to note is the development of the so-called new Silk Road. It refers to freight transport between Asia and Europe by land. Up to now, the absolute majority of cargo was shipped by sea. However, there has been an increasing emphasis on a more effective connection of continents by land. It is emphasised in China, Europe and a range of transit countries, including Russia, Kazakhstan and Belarus. The greatest emphasis is placed on attracting Chinese cargo. It is typical for China that, up to now, its cargoes were created as close to the eastern coastline and ports, as possible. Currently,

also the northern and north-eastern regions of China are undergoing development, so the cargo assembly locations are moving more inland and closer to the borders of China with Kazakhstan and Russia. Thus, ground transport is gaining new competitive advantages.

In 2016, better results had already been achieved. For example, already now several specialised container trains are running from several Chinese cities: Chongqing, Chengdu, Zhengzhou, Shenyang, Yiwu to several European cities — Duisburg, Lodz, Hamburg, Leipzig, even Madrid. This is already a reality; such ground transport is gaining increasing popularity in China and the volumes are expected to increase.

The most popular container train routes between China and Europe are:

- Chongqing–Duisburg cargo: computer technologies, transit time: 17 days;
- Chengdu–Lodz cargo: electronics, computer technologies, transit time 14 days;
- Zhengzhou–Hamburg cargo: auto components, electronics, transit time 15 days;
- Leipzig–Shenyang cargo: BMW components, transit time: 23 days;
- Madrid–Yiwu cargo: food (wines, olive oil, soda), transit time: 21–24 days.

All of these container train routes arrive in Central and Western European markets via Belarus, Poland and Germany. Whereas Latvia offers China a passage to the Northern Europe — the Baltic States and Scandinavia. Latvia is most conveniently located in the Baltics for providing services of distribution of goods to the Baltic and Scandinavian markets. From warehouses in Latvia, cargo can be delivered to any shop in the Baltic States and even to Stockholm or Helsinki within 24 hours, but within 48 hours cargo can be delivered anywhere in Northern Europe.

INTEGRATION OF LATVIA IN INTERNATIONAL TRANSPORT CORRIDORS

TEN-T

The transport infrastructure of Latvia, being an EU Member State, is integrated in the Trans-European Transport Network TEN-T. The EU invests a lot of efforts in infrastructural development. With the Regulation No 1315/2013 of 11 December 2013 on Union guidelines for the development of the trans-European transport network and repealing Decision No 661/2010/EU, the European Union has defined a transport infrastructure network, its criteria and development priorities. The network is structured on two stages: the comprehensive network and the core network. The core network must be developed as a priority, and its compliance with the Regulation must be ensured by 2030. Whereas the compliance of the comprehensive network to the

criteria must be ensured by 2050. Latvia was actively participating in the Regulation drafting process. An infrastructure analysis and development forecasts were made. Thereby, the main transport system elements of Latvia are included in the TEN-T network. The core network includes the ports of Riga and Ventspils, road and railroad connections from the ports to the neighbours in the east — Russia and Belarus — as well as the north-south motor roads and railroads and the Riga international airport. The comprehensive network also includes the Port of Liepaja, the airfields of Liepaja, Ventspils and Daugavpils, as well as several road and railroad sections. Descriptions of all infrastructure included in the TEN-T network are published in a specifically designed TEN-Tec database. It offers detailed information about the technical parameters of infrastructure, investments, and planned development projects. In 2016, pursuant to the Regulation, the preparation of a review has been started about the possible changes in the TEN-T network. The review contains recent, most up-to-date information about volumes of cargo and passengers, investments, planned projects and network compliance criteria. Based on this review, changes will be introduced in the network, by adding new elements and expunging redundant ones.

The drafting of the TEN-T Regulation practically coincided with the drafting of the Regulation No 1316/2013 of the European Parliament and of the Council on establishing the Connecting Europe Facility, amending Regulation No 913/2010 and repealing Regulations No 680/2007 and No 67/2010. One of the most important novelties in the context of this Regulation was the fact that thereby 9 priority Core Network Corridors were defined in the EU. Latvia is crossed by the North Sea-Baltic corridor. It stretches from Helsinki through Estonia, Latvia, Lithuania, Poland, Germany, Denmark, to the Dutch and Belgian ports. In the territory of Latvia, it also branches off towards the Port of Ventspils. In Poland, the corridor intersects the Baltic-Adriatic corridor and ensures connections down to the Adriatic Sea ports. It is a promising region, taking into account China's initiatives to make the sea routes to Europe more direct and effective. Thus, China is developing port infrastructure in the south of Europe and more direct inland connections with the central part of Europe. Latvia will be deeply integrated in these corridors, by implementing one of the largest European cross-border projects — establishment of a European standard railroad infrastructure going through the Baltic States *Rail Baltica*. For the implementation of the project, the Baltic States have established a joint venture stock company *RB Rail* and have practically reached an agreement on the route of the new railroad line and on most of project implementation matters and scopes of competence. It is planned to complete the project by 2022. In 2016, new calls for project applications were announced. Projects had to be submitted in the annual and the multi-annual programme by 7 February 2017.

Connections with Neighbouring Countries

The European Union is paying great attention to the connectivity of the TEN-T network with the neighbouring countries. In the implementation of neighbourhood policy instruments, financial support will also be granted to third countries for the implementation of cross-border projects. In the case of Latvia, the co-operation of the EU with Russia and Belarus is of essence. At the EU level, this co-operation is implemented through the Northern Dimension Partnership on Transportation and Logistics and the Eastern Partnership.

In 2009, in Naples, 11 transport ministers of the Baltic and Nordic countries and the European Commission signed a Memorandum of Understanding on the establishment of the Northern Dimension Partnership on Transportation and Logistics. Latvia, Lithuania, Estonia, Finland, Norway, Russia, Poland, Germany, Sweden, Denmark, Belarus and the European Commission are parties to it. Its main goals include strengthening co-operation in the transport field, improving the environmental situation in the region, meeting the demand for quality and effective transport connections and services, reducing administrative obstacles for the promotion of logistics and supply chains and information exchange for the implementation of common interests. The Partnership formed the Steering Committee, Infrastructure and Logistics Expert Groups, performed a detailed transport system analysis and defined the transport network of the Northern Dimension. According to the TEN-T Regulation, if a high-level agreement is reached with neighbouring states regarding connections of transportation networks, they can be reflected in EU level laws. Therefore, the agreements reached within the Northern Dimension regarding connections with the neighbouring states Russia and Belarus are included in the annexes to the TEN-T Regulation. These transport networks — roads and railroads alike — are in fact defined as far as the Ural Mountains situated in the central part of Russia. It is a very significant achievement. It is an agreement between the EU and Russia on transport connections and reflects mutual interests in the Eurasian space. Russia is also investing great effort in the development of its infrastructure along the Trans-Siberian mainline and other routes connecting Europe with Asia. The Northern Dimension Partnership on Transportation and Logistics continues its work in 2016 on resolving horizontal matters and on implementing specific investment projects. The Partnership Fund supports projects by allocating co-funding of up to 50 per cent. Even though the Fund is created only recently and does not have extensive resources, which are based on members' contribution, 30 projects have been submitted to receive funding. Two have been submitted in 2016:

- the project of Belarus “Belarus – ITS on the Road M1/E30” (ITS introduction on the road Brest-Minsk-Moscow);
- the project of Russia “Russia – Logistics Centre for the Bronka Port” (establishment of a terminal and logistics centre in the Bronka port).

In addition, within the framework of the Eastern Partnership, co-operation is encouraged with Belarus, Ukraine, Moldova, Georgia, Azerbaijan, and Armenia, and a transport infrastructure analysis has been made and agreements have been reached on the main connections with Eastern Partnership countries. In the case of Latvia, these are connections with Belarus and Ukraine. Simultaneously, these connections ensure predictable development spanning across the Black Sea, through Georgia and Azerbaijan, as far as the Caspian Sea. Recently, these connections have been gaining increasing importance, especially as routes that circumvent Russia have become more topical, by connecting the south of Europe with China via TRACECA corridors across the Caspian Sea through Central Asian countries to China.

Co-operation with the Central Asia is becoming more relevant, as the Central Asia is an important link in the Eurasian connections with China. During its presidency at the Council of the European Union in 2015, Latvia especially focused on co-operation with the Central Asia. It was included on the political agenda of the EU. Latvia was actively working and supporting the review of the EU-Central Asia strategy and its results were reflected at the 2015 Foreign Affairs council and in its conclusions. It is necessary to continue the work and develop co-operation with Central Asia states in strengthening the transport sector. The actively promoted TRACECA co-operation format and the development priorities identified within its framework could serve as a good basis for that.

CHINA'S VISION OF CONNECTIONS WITH EUROPE

China is increasingly focusing on trade with Europe and is trying to intensify co-operation both at the state and business level. The New Silk Road Initiative proposed by China — One Belt, One Road (OBOR) — is aimed at the development of connectivity and co-operation in the Eurasian continent. The strategy consists of 2 key components: on the ground, the Silk Road Economic Belt, and on the sea, the Maritime Silk Road. The strategy underlines the willingness of China to play a greater role in a globalised world and the need to increase China's export capacity.

In 2013, the President of China Xi Jinping presented the initiative of China to jointly form the Silk Road Economic Belt and the 21st Century Maritime Silk Road. This initiative is aimed at Eurasian economic integration via infrastructural development, culture exchange and expanding trade connections. In March 2015, China offered a new comprehensive document for the implementation of the aforementioned initiative, which provides for promoting co-operation between European, Asian and African countries in the widest variety of spheres — Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road. It describes the basis, structure, co-operation priorities and mechanisms of the creation of the initiative, as well as the role of China and its regions in the implementation of the initiative and joint future vision.

The Silk Road Economic Belt focuses on integration between China, Central Asia, Russia and Europe (the Baltic States), by forming the so-called New Eurasian Land Bridge and developing the economic corridors of China-Mongolia-Russia, China-Central and Western Asia and China-Indochina Peninsula and by taking advantages offered by international transport routes, leading through major cities with industrial and logistics parks. The 21st-Century Maritime Silk Road is formed to connect China's eastern coast with Europe via South China Sea and the Indian Ocean, as well as to connect China to the southern part of the Pacific Ocean. In maritime transport, the initiative will focus on the establishment of safe and effective transport connections, by linking the most important sea ports.

As regards the transport sphere, the initiative emphasises the need to establish connections between various routes, eliminate infrastructural bottlenecks, improve safety, and create joint mechanisms in the multimodal transportation process, incl. in customs procedures, transport regulations and standards, in development of port and aviation infrastructure, as well as broader use of IT in logistics processes. In the field of trade, the need is emphasised to reduce customs clearance costs in ports, by creating introducing the "single window" principle, as well as to reduce the trade non-tariff barriers and to prevent double taxation. In the field of financial integration, emphasis has been placed on the need to create the Asian Infrastructure Investment Bank and BRICS New Development Bank, continuing negotiations on the establishment of a financial institution of the Shanghai Cooperation Organisation (SCO) and starting the operation of the Silk Road Fund as soon as possible, as well as strengthening practical co-operation between the China-ASEAN Inter-Bank Association and SCO Inter-Bank Association.

Within the framework of the initiative co-operation mechanism, it is expected to strengthen bilateral co-operation, by forming mutual planning and to develop pilot projects. Joint projects must be implemented via various inter-governmental commissions, such as – joint committee, mixed committee, coordinating committee. The initiative emphasises China's regional aspect and geographic advantages of the specific regions, such as connecting China's northwest Xinjiang province with the West, Central and South Asia, by shaping the province into a logistics centre. Attention is also drawn to the advantages of China's provinces, which border Russia and Mongolia — Inner Mongolia, Heilongjiang, Jilin, Liaoning, by developing railway connections between China and Russia, including Russia's Far East region by sea, using multimodal transport. The advantages of a fast-speed train project Moscow-Beijing have been underscored for the development of a route from Asia towards the North. Likewise, the necessity to create a coordination mechanism is emphasised as regards railroad transport and customs clearance procedures in ports of the transport corridor between China and Europe in tailoring the China-European container train brand. China's central regions, where industry is concentrated, are of essence in the development of transport connections between China and Europe.

For the implementation of the co-operation mechanism, specific plans and time-schedules should be developed, by engaging all countries, which are affected by this initiative, as well as international and regional organisations. Since one of the aims of the initiative is to promote the development of Eurasian ground transport connections between China, Central Asia, Russia, and Europe (Baltics), it will stimulate transport development between Europe and Asia. New opportunities are created for Latvia to actively participate in implementing the strategy, use its transport corridor advantages and consolidate its positions in the logistics sector. It is particularly important to ensure an effective distribution business for Chinese goods in the Baltic Sea region.

Co-operation between the European Union and China in the transport sector

In June 2015, leaders at the summit of the European Union and the People's Republic of China agreed that it is necessary to improve infrastructural connections between China and Europe. To ensure practical functions, it was decided to create an EU-China Connectivity Platform. In 20–22 January 2016, the first meeting of the Connectivity Platform convened; the EU was represented by DG MOVE, and China was represented by the National Development and Reform Committee (NDRC). The work of the platform in the first meeting was dedicated to harmonising policies. The transport policy of OBOR and TEN-T and their connections to the neighbouring countries were discussed. Among the most significant topics on the meeting agenda are: identification of transport corridors and recording on maps, creation of lists of projects and priority activities, assessment of funding possibilities, experience exchange, development of cargo and passenger traffic in all transport types, especially in container transport by rail, customs formalities, mutual alignment of standards, introduction of innovative logistics solutions, among other matters.

On 29 June 2016, a meeting of the co-chairs of the Connectivity Platform took place in Beijing; the European Union was represented by the Commissioner for Transport Violeta Bulc, whereas China was represented by the chair of the NDRC Xu Shaoshi. They supported the need to promote transparency and fair competition in the implementation of international projects. Co-chairs agreed to create an expert group in financial matters, which would review the possibilities of creating new financial mechanisms. The first project list was outlined, and the necessity to improve connectivity, by enhancing customs and border-crossing procedures and logistics, was stressed. As of now, the European Union has summarised its list of projects. Latvia is included on the list of projects within the North Sea and Baltic corridor projects. The whole corridor from the European side is included as a project. In practice, it means that all 53 Latvian projects on the corridor are automatically recognised as projects of joint interests.

On 24–25 November 2016, the first meeting of the Expert Group convened in Beijing to discuss the list of projects and analyse funding possibilities. Apart from the aforementioned projects within the corridor, Latvia is also proposing other projects to China to be implemented using private investments. This was also notified during the meeting, and the Chinese side are aware of Latvia's projects.

Format of co-operation between China and Central and Eastern European countries 16+1

In 2012, China rolled out the so-called 12-point initiative for promoting co-operation with Central and Eastern European countries. Within the initiative, 12 co-operation priorities are defined, including Transport. Based on this initiative, the format of co-operation between China and Central and Eastern European countries (16+1) was created to foster the co-operation between the People's Republic of China with 16 European countries in various spheres, including transport. The initiative format includes 11 EU Member States (the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Romania, the Slovak Republic, Slovenia, Bulgaria, Croatia, Poland) and 5 Balkan countries (non-EU: Macedonia, Montenegro, Serbia, Albania, Bosnia and Herzegovina). An investment fund in the form of a credit line worth 10 billion USD is envisaged. The Secretariat is located at the Ministry for Foreign Affairs of China.

Within the framework of the format 16+1, member states during summits of the heads of governments, usually at the end of the year, voice the initiative of assuming responsibility for the coordination of a specific co-operation sphere. Latvia considers this format a good opportunity to strengthen co-operation with China and undertook the initiative and carried out a range of preparatory works; until the Summit of the heads of governments in 2015 in Suzhou (China), Latvia was entrusted within the format to coordinate the sphere of logistics.

The status of the coordinating state imposes new duties on Latvia and offers new possibilities. To fulfil the role of the coordinating state, a coordination secretariat has been set up at the Ministry for Transport. The following range of activities fall within its competence:

- to plan practical co-operation measures;
- to prepare information about co-operation and progress in the sphere of transport and logistics;
- to provide all the necessary information for public and private partners from the 16+1 format countries;
- to keep track of and participate in various events of the format;
- to support the organisation of the annual meeting of ministries of transport;

- to develop and maintain a website with information about 16+1 member states, establishment documents of the format, events and reports prepared within the framework of these events, the proposed possible co-operation with China in the sphere of transport and logistics.

Latvia is duly performing these duties, and already in 16–17 May 2016 organised the first meeting of ministers of transport and a high-level business conference in Riga. These events welcomed 194 participants (14 official delegations and 133 business representatives). The “Riga Declaration” was adopted. It aims to promote the development of effective Eurasian supply chains. Within the Declaration, the ministers agreed on strengthening bilateral and multilateral co-operation in the development of corridors and facilitated transportation of goods, they stressed the need to define transport corridors and outline them on a map, by joining the TEN-T network with One Belt, One Road, they emphasised the potential of container cargo flows between China and Europe, the demand for investments and implementation of infrastructural projects, reduced administrative procedures, simplification of documents, customs and border-crossing procedures, more effective involvement and use of academic potential, planning and information exchange. For coordination of the logistics sphere and active involvement of members, a special Internet portal has been set up www.ceec-china-logistics.org.

In 4–5 November 2016, Latvia organised a Summit of Heads of Government and a high-level Business Forum. The Forum drew in more than 750 high-level state officials and business representatives from 17 countries. What was important that this time, apart from the official format member states, Belarus also took part in an observer status. At the Summit, the Riga Guidelines and the Declaration of the Three Seas Initiative were adopted. Several Latvia-China bilateral co-operation documents were signed and the foundations were established for further work at a practical level. Among the most significant documents for the transport sector are the Memorandum of Understanding with China’s National Development and Reform Committee on co-operation in the sphere of transport and logistics and the Memorandum of Understanding with China’s Ministry of Transport, which is aimed at a closer TEN-T network integration with One Belt, One Road. Additionally, the Ministry of Transport signed co-operation documents also with Shandong Hi-Speed Group Co. Ltd and China Railway Rolling Stock Corporation. The State JSC “Latvijas Dzelzceļš” (LDZ) signed co-operation documents with China Merchants China-Belarus Commercial & Logistics Cooperation, CJSC, and “LDZ Logistika” co-operation document with “Transcontainer” on cargo transport from China to Europe.

The Memorandum of Understanding entered into between the Ministry of Transport of the Republic of Latvia and the Ministry of Transport of the People’s Republic of China outlines specific directions of further co-operation between both countries in the sphere of transport and logistics, including closer co-operation for consolidating the role of Latvia

as a transit state for the connections of China's One Belt, One Road initiative with Northern European countries, promotion of delivery of Chinese goods to Northern European regions via Latvian ports, co-operation within the EU-China platform, etc. The Memorandum is valid for five years from the date of signing and will be extended in case of successful co-operation.

The Memorandum of Understanding entered into between the Ministry of Transport of the Republic of Latvia and the National Development and Reform Committee of the People's Republic of China provides for co-operation of both parties in the sphere of transport and logistics, specifically in the development and modernisation of ports, railroad and motor roads, by attracting new investors. The Parties undertook to identify the priority co-operation projects and to support them, by promoting co-operation between both countries and attraction of investments.

The Memorandum of Understanding entered into between the Ministry of Transport of the Republic of Latvia and the China Railway Rolling Stock Corporation (CRRC) marks the interest of both parties to co-operate in the railway sector, by placing particular emphasis on the interest of the Chinese company CRRC to become engaged and participate in Latvia's railroad transport sphere, by contributing work and investments. Under the Memorandum, further operations will include deepening and expanding the co-operation, information exchange, as well as organisation of visits and consultations to identify the possibilities of the company CRRC to participate in the development of Latvia's railway market.

The Memorandum of Understanding entered into between the Ministry of Transport of the Republic of Latvia and the China's transport company Shandong Hi-Speed Group Co. Ltd promotes co-operation in the sphere of railway, road transport and logistics, by developing new transport connections and logistics centres. For now, both parties have agreed on active co-operation at expert level to gather information about potential co-operation projects.

The Memorandum of Understanding entered into between the State JSC "Latvijas Dzelzceļš" (LDZ) and the China Merchants China-Belarus Commercial & Logistics Cooperation will strengthen the co-operation with LDZ, increase the amount of cargoes transported between Latvia and Belarus, by including Latvia's container trains Baltika Tranzit and Zubr, as well as use of the potential of the new industrial park "Great Stone", and will offer transport and transit offers of Latvia and Belarus in co-operation with freight owners of Belarus.

The Memorandum of Understanding entered into between SIA "LDz Logistika" and the company "Transcontainer" will strengthen the co-operation in developing container trains in the China-Europe corridor.

During the Summit on 5 November, the test train Yiwu-Riga was ceremoniously welcomed, a special meeting took place with representatives of China's transport sector,

Yiwu city presentation event, and a round-table discussion organised by “Latvijas Dzelzceļš” with third countries’ representatives regarding the organisation of container trains between China and Europe. China is expressing great interest in participating in investment projects in Latvia. In the sphere of transport and logistics, negotiations are ongoing with China’s Development and Reform Committee on the introduction of Chinese investments in five most significant investment projects:

- at the Spilve Logistics Centre project in the Freeport of Riga;
- at the Northern Port of the Freeport of Riga;
- at the intermodal logistics centre of *Rail Baltica* near Salaspils;
- at the Riga airport logistics centre;
- at the national airline *Air Baltic Corporation*.

Apart from these investment offers, several smaller scale private investment projects have been aggregated in Latvia’s transport and logistics sector. The Ministry of Transport has included these projects in the joint offer, and information about them is available and is regularly updated on the website of 16+1 logistics secretariat. This year’s Summit has given Latvia an invaluable opportunity. It has resounded the name of Latvia in international media, especially in China. The head of the government and several ministers have claimed that, as a result of this Summit, Latvia’s recognisability has significantly increased, new contacts have been established, new co-operation possibilities have been formed, and it is the right time to intensively seek any possibility to activate co-operation on a very practical plane when promoting trade between Latvia and China and developing transport and logistics services.

ORGANISATION OF CONTAINER TRAINS

Co-operation with China and Belarus

It is important for Latvia to diversify its transit and logistics sector. The transit of container cargo to and from China is the most promising market. On 17 May 2016, the Cabinet of Ministers supported the changes in the structure of the State JSC “Latvijas Dzelzceļš” holding, whereby the subordination and functions of SIA “LDz Logistika” were changed. “LDz Logistika” was designated as the lead organisation to develop and actively promote joint offers of Latvia’s transit corridor internationally. These changes allowed the company to start more active work on the logistics strategy and the development of a joint offer in the interests of the entire transit sector. “LDz Logistika” is intensively working with the railway joint venture of Russia, Belarus, and Kazakhstan OTLK, the railway logistics company of Belarus *Belintertrans*, and the Russian company *TransContainer*. Work is also carried out with maritime shippers to ensure further distribution of China’s goods in Scandinavia. At the moment, the uniform

tariff offer has been developed for rail freight transport from the border of China to the ports of Riga, Ventspils, and Liepaja, as well as a uniform transport tariff has been agreed on together with Latvia's transit companies for shipments to the Scandinavian countries too.

An important element of organising logistics flows that can have a rather serious impact is China's industrial park "Great Stone" to be established in Belarus. *China Merchants Group* is the responsible lead for the part of China. Latvia has commenced co-operation. The visit of the Minister of Transport in Belarus took place already in October 2015, and it was followed by the visit of *China Merchants Group* in Latvia in December 2015. Colleagues of China and Belarus are informed about Latvia's possibilities, rail freight offers, and capacities of ports and terminals at the ports of Riga, Ventspils and Liepaja. The access from "Great Stone" to the Baltic Sea currently is a very relevant issue. *China Merchants Group* is considering possibilities at Lithuanian and Latvian ports, therefore, it is necessary to ensure the most advantageous conditions. Latvia has more opportunities than Lithuania — Latvian ports have vast vacant territories for building new terminals and logistics centres. Chinese partners have expressed interest in setting up a new deep-water container terminal and they attribute a particularly great importance to taxation issues and possibilities of developing value added services, assembly of goods, provided that the tax regimen stimulates the competitiveness of Chinese goods in the European Union market. It fully corresponds to the interests of Latvia as regards attraction of cargo flows and creation of new jobs and added value.

Shipping to Duisburg

In 2016, active co-operation has been carried out with one of the most significant leaders in the sphere of container transport in Europe — the Port of Duisburg. Several meetings have resulted in preparatory works to promote container transport from China to Latvia for supplying the Scandinavian market, in co-operation with the Port of Duisburg. At the moment, about twenty container trains per week run from China to Duisburg. It is a relatively significant flow of cargo. A part will be further forwarded northwards to Scandinavia. It is clear that it is more efficient to supply the Scandinavian market via Latvia. Therefore, the management of the Port of Duisburg has expressed interest in and started co-operating with the Ministry of Transport of Latvia and with "LDz Logistika". During the visit of the president of the Duisburg Port Erich Staake in Riga on 7 September 2016, he met the Prime Minister Maris Kucinskis, as well as attended several meetings at Latvijas Dzelzceļš and visited the Freeport of Riga. A Memorandum of Understanding was signed by the Ministry of Transport and the Port of Duisburg, inter alia providing for establishing a working group.

The Memorandum is based on the experience of the Port of Duisburg in organising European and Central Asia freight transport and the transit transport experience

accumulated by Latvijas Dzelzceļš. Within the framework of the Memorandum, mutual interest has been expressed as regards logistics and container transit, and it prescribes for drafting proposals for the development of strategic plans. A range of specific measures are envisaged for achieving these objectives. They are related to the use of capacities of container trains *Zubr* and *Baltika Transit*; development of new transit routes between China, Latvia and Scandinavia with an aim to introduce regular container shipments; development of Riga as a logistics hub for the Scandinavian region; information exchange about the amount of cargoes, their structure and route criteria, and drafting competitive proposals for the development of new routes and directions towards Central Asia, Far East and China.

Pilot container train Yiwu-Riga

During the visit of the Minister for Transport Uldis Augulis in China, on 20 October 2016, the first pilot container train set out from the city of Yiwu towards Latvia. This train was organised by “LDz Logistika” in co-operation with the attaché of the Ministry of Transport in China, China’s railway, Yiwu municipality and the Russian railway company *Transcontainer*. The train from Yiwu continued via border-crossing with Russia in Zabaykalsk, where it was loaded onto 1520 mm railway platforms and further on to Latvia without any obstacles. The train arrived in Latvia already on 3 November, having covered 11,066 km and reaching Latvia in a record time of 13 days, managing even up to 1200 km per 24 h. The cargo contained textiles, plumbing and household goods. This pilot train once again demonstrated the advantages of the Latvian corridor and proved the capacity of “LDz Logistika” to organise such train traffic. Further on, the work is continued on attracting cargo to the route Yiwu-Riga, as well as on establishing new routes. New possibilities have opened up for transport from one of the largest cities of China Shenzhen. At the moment, “LDz Logistika” is trying to intensively attract cargoes also for the trip back from Latvia and Scandinavia to China. This is a very important factor to ensure two-way traffic and reduce the costs of transport.

CONCLUSION: CHALLENGES IN 2017

The year 2016 has been very active for Latvia as it looks towards Asia. It has achieved significant results, but these achievements should not be viewed as a finished task. They must be viewed as a very important and successful beginning for Eurasian transport via Latvia. Undoubtedly, the topic of China in the transport and logistics sphere of Latvia will dominate the scene also in 2017. The Ministry of Transport has already started mid-term assessment of the Transport Guidelines. Next year, the Guidelines must be revised and the work in the sector so far will have to be evaluated, conclusions will have to be

made, sectoral trends will have to be analysed, and forecasts and priorities will have to be agreed on. However, it is already clear that efforts must be continued to diversify cargo flows, attract higher added value cargoes and acquire new markets, as well as seek new clients.

The main emphasis will be placed on China, attraction of cargo from and to China, organisation of container trains to China, as well as co-operation with China and Belarus in supplies to the industrial park "Great Stone". At the practical business level, "LDz Logistika" has been charged with a great responsibility to prepare joint offers of Latvia at a commercial level. In 2017, it has to work on developing corridors to China and attracting cargoes from China. Intensive activities must be carried out also in the Scandinavian market, the opportunities of using container transport to and from China and especially organising distribution in the Scandinavian market from Latvian warehouses must be promoted.

Certainly, co-operation must be also continued with other countries of the Central Asia and the Black Sea region. Active work must be continued on attracting investments in ports, aviation and ground logistics centres. It is necessary to consolidate the capacities of various sectors and design the broadest possible integrated offers with the objective of stimulating the development of vast value added services, distribution services, import, storage, packaging, assembly of goods and even manufacturing services. Tighter co-operation is required in this area with the Ministry of Economics, Ministry of Transport, Ministry of Finance, ports, railway carriers and the private sector. The Prime Minister Kucinskis and the Latvian Ports, Transit and Logistics Council are paying extensive attention to these matters. The year 2017 will be filled with challenges in this sector. Work will have to be done under circumstances of very tight competition.

ENERGY SUPPLY SECURITY OF LATVIA UNDER CIRCUMSTANCES OF TECHNOLOGICAL CHANGE

Juris Ozolins, Energy Expert

Discussions about flows of energy resources in sustainable systems fall within the range of interests of very many decision-makers, who adopt decisions at various levels. The attained quantitative and qualitative parameters, though, are what matter the most. This does not only concern representatives of energy companies or officials of the responsible ministry, but also politicians and diplomats, who, under the current and existing geopolitical circumstances, can do a lot to ensure availability of resources to the state economy and the people. This aspect is also reiterated in the Annual Report of the Minister for Foreign Affairs on accomplishments and further work with respect to national foreign policy and the European Union.

The report, which was published in early 2016, emphasised a range of current events regarding Latvia's security and tasks to be performed to deepen integration with the EU, including comprehensive implementation of the Third Energy Package of the EU in Latvia, implementation of the Baltic Energy Market Interconnection Plan, by particularly underscoring the operations of the Klaipeda Terminal, establishment of electrical power interconnections, and the single European Energy Union project.¹ This article will consider aspects that were included in and left out of the 2016 report, by stressing the latter.

Namely, the geopolitical situation of Latvia features several trends, which have not been duly noted and which should be dealt with more not only by line ministries, but also by the Foreign Affairs Service as a doorkeeper to the processes occurring in the international arena. To make the right choices in 2017, not only the classical variables must be taken into account: development trends in international oil and natural gas markets, Latvia's opportunities within their context, and convergence in electricity markets. The main focus is on the climate change policy² and technical revolution with subsequent disruptive changes with regard to traditional business and technology

models³. These are the things that could only do well for Latvia, which is an importer of energy resources — this would allow enhancing economic and energy security and, as a result, strengthen the overall internal and external security of the country.⁴ Latvia's energy balance is changing in favour of using local resources,⁵ nevertheless, the opportunities and challenges are still an open matter, in which the Foreign Service plays an important role. This is particularly relevant in the spheres of technology transfer and what are known as the know-how spheres.

CHANGES IN INTERNATIONAL NATURAL GAS MARKETS, AND THEIR RELEVANCE FOR LATVIA

Even though we must recognise that the declaration signed in late 2016 on the creation of a regional gas market between the three Baltic States by 2020⁶ is an achievement of foreign policy and security, we are, nevertheless lagging behind in terms of employing market advantages. This exerts additional stress on companies of the industry and state administration institutions, however, the situation is reparable. It must be remembered that only in late 2015 Latvia was conclusively the last EU country, which had not met its obligation in structurally establishing the EU internal gas market and in guaranteeing consumer rights in the light of new technological and infrastructural possibilities.

The key aspect of Latvia's and Baltic energy security is the technological walk of success of liquefied natural gas (LNG) in energy markets of the world. Extremely large investments have been made in gas transformation, export, transport fleet and import acceptance facilities. There is a global competition among LNG suppliers and at points of supply — LNG acceptance terminals. International natural gas markets in 2016 saw continuously decreasing prices — a process, which started in late 2014.⁷ Even though prices in Europe are still far higher than those in the USA, the additional premiums for gas to be supplied to European markets substantially decreased. By March 2016, Asia's LNG spot price premium above European hubs had practically approximated the zero. European prices fell to the lowest point since 2009.

Emphasis is often placed on the advantage of US companies in global competition as a result of lower prices of natural gas, oil products, and electricity.⁸ It is true that the USA has triggered significant changes in oil markets and now also in natural gas markets. With oil having been globally traded for thirty and more years, it is now joined also by LNG. LNG prices are exerting pressure on natural gas prices on borders everywhere, where there are import terminals. Nevertheless, according to all forecasts, the LNG production and export potential will be growing very rapidly. The advantage of US's low prices is inescapably diminishing, and European natural gas prices are becoming more competitive. Thus, for instance, supplies from Russia account for 40 %, from Norway,

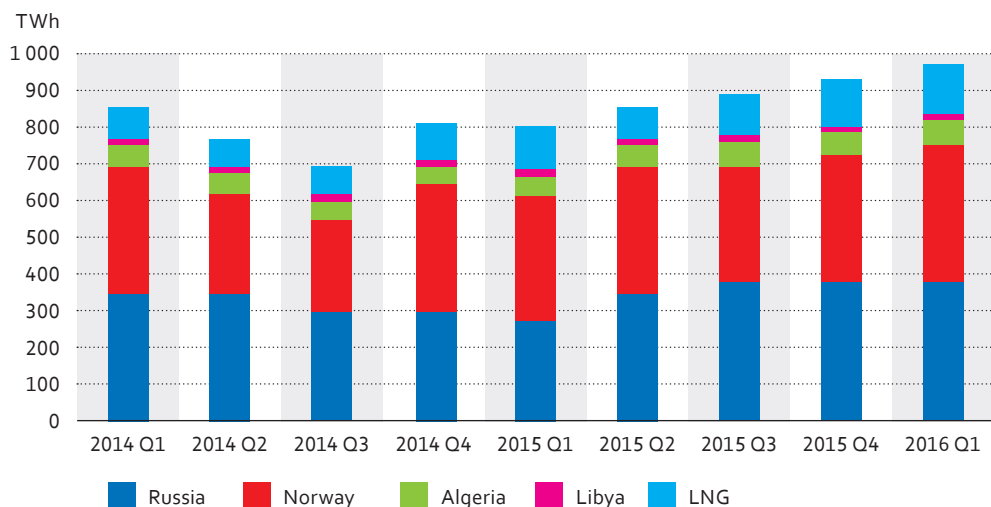


Figure 1. EU external natural gas suppliers TWh. Source: European Commission.

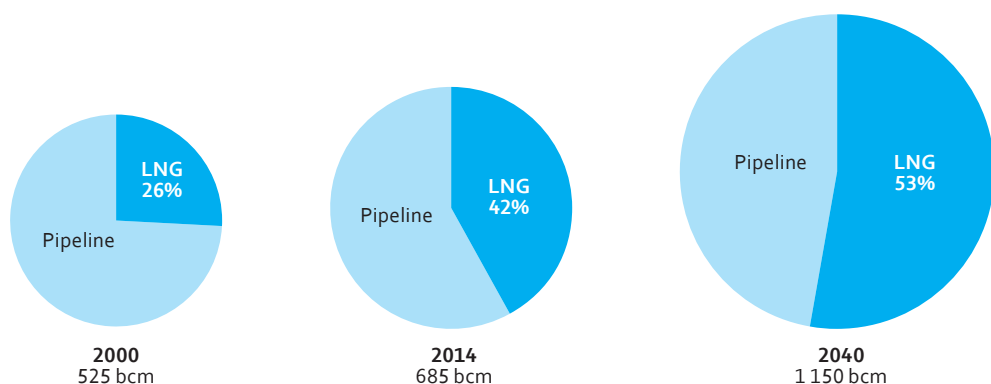


Figure 2. Share of LNG in international long-haul trade. Source: World Energy Outlook 2016.

37 %, from Algeria, 7 %, and from Libya, 2 % of the total supplies. The remaining 13 % reach the EU in a form of LNG (Figures 1 and 2).

Likewise, in 2016, it could be observed that, as a result of EU structural reforms, external circumstances and development of technologies, convergence and simultaneous decrease of gas trading prices are taking place (Figure 3).

In 2017, the International Energy Agency, among other things, is expecting an increasing LNG role in international gas trade. It means that the LNG will be playing the main role in the process of natural gas price formation and will approximate

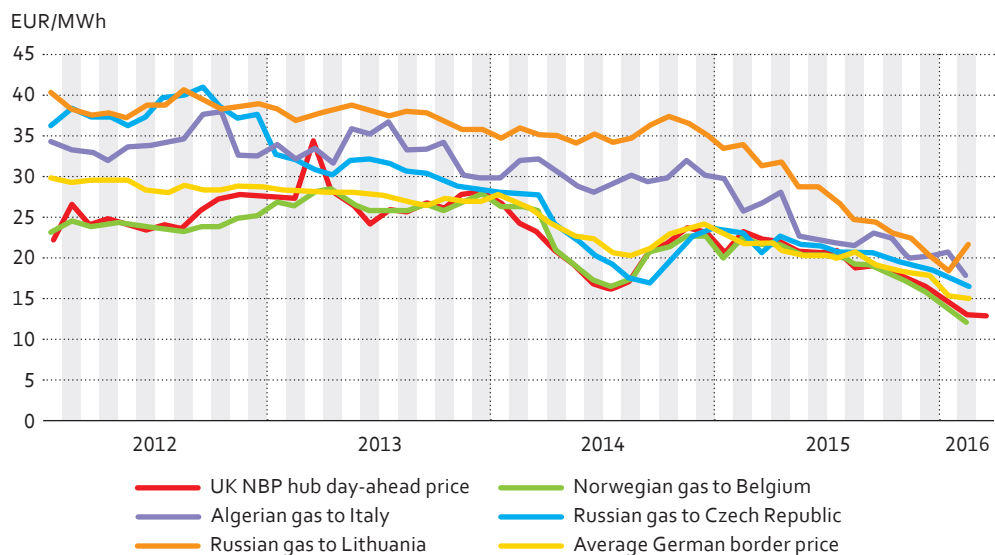


Figure 3. Price convergence in European countries €/MWh. Source: European Commission.

Figure 4. Baltic natural gas supply system.
Source: ENTSO-G.



natural gas to the status of global goods. In the light of these tendencies, for example, the government of Lithuania, without waiting for a resolution of the dispute on EU financing for an LNG terminal in one of the Baltic States, before the end of 2014, implemented a private-public partnership project in Klaipėda — an LNG terminal, which started its commercial operations in 2015. Construction of pipelines in Latvia and Lithuania have been completed, to ensure the use of capacities offered by the terminal for supplies to the Baltic States.⁹ The technical capacities of the terminal allow

providing for at least 85 % of the current natural gas market of the Baltic States, in which the Inčukalns natural gas storage facility could also play its part.

From 1 January 2016 until 5 November 2016, 87 %¹⁰ of Lithuania's internal consumption was supplied via Klaipeda LNG terminal, with an additional 13 % from Gazprom via Belarus. 1 % of the terminal's supply volumes was used for supplies to Estonian consumers. But already in September, 30 % of Estonia's internal consumption was ensured via Klaipeda LNG terminal.¹¹

Only for 20 days out of the reviewed period of 301 days, supplies were not carried out via Klaipeda LNG terminal. This is a sign that the LNG terminal is a serious competition to the underground gas storage facility in ensuring supply flexibility and, in many cases, in optimising costs of trade transactions. It must be noted that we are approaching the end of only the second year, since the terminal started commercial operations. New activities and more interest of suppliers could be expected with regard to new LNG export capacities entering the supply chains — it turns out that the capacities of import terminals (in receiving countries) are lower than export capacities.

Thus, in our region, consumers might experience a completely new situation, with offers coming not only from the *Statoil Melkøya*¹² terminal in the Barents Sea *Snøhvit* gas field, but also from other points of extraction. Interestingly, if the situation and solutions were simple, we would not see a desperate struggle around the *Nordstream 2* project, which is rather important matter of survival of *Gazprom*, having a traditional structure of industry and market. In this case, the areal of geopolitics is significantly expanded. It is expanded and emphasised by technologies, innovations and economic capabilities.

Finally, it is worth to note the occurring rejection of possibilities in the domestic gas market of Latvia. Namely, the EU's internal electricity and gas markets are created solely due to one reason — to ensure that consumers have the rights and possibilities to negotiate trading conditions directly with suppliers. In early 1990-ties, the EU started developing the legal system of consumers' and traders' rights to use the transport infrastructure, irrespective of proprietary relations. Basically, the last Natural Gas Directive in 2009 focused only on the main issue — consumer access to gas systems in commercial transactions and recommendations for institutional organisation of the gas industry. Latvia had achieved the rights not to establish a gas operator with proprietary segregation in the integrated company (AS "Latvijas Gaze") until actual alternatives of gas supplies emerge. However, no deviations were possible from the principles of the Directive regarding the key issue — consumers' access rights and gas operator duties. In April 2014, the current monopoly company "Latvijas Gaze" managed to block the granting of rights stipulated in the existing laws to Latvia's consumers, by referring to non-existent provisions in the 1997 purchase-sale privatisation contracts.¹³

As a result, on 8 March 2016, yet another set of amendments was introduced in the Energy Law, whereby, for at least the fourth time, the rights of Latvian consumers to

use the existing gas infrastructure in transactions with suppliers were pushed back. Legally it meant that the monopolistic situation of the external supplier *Gazprom* was extended at least until April 2017. It appears that the main reasons for creating such an unfavourable condition of consumers in Latvia was the unjustifiably postponed launching of the reform in 2011–2012, as it openly breached the provisions stipulated in the EU Natural Gas Directive, and the subsequent excessively ambitious decision to start the reform with an asset division model, instead of a gradual opening of the market, starting with the bigger industrial consumers. The assumption that the market should be and can be opened “right away” is not pragmatic and is not in the interests of the gas industry or the consumers.

Nevertheless, it derives from the above that the restructuring of “*Latvijas Gaze*”¹⁴ should remove obstacles to the commencement of functioning of a natural gas market of the Baltic States in 2017–2018. While the decision on preserving a monopoly in the internal market of Latvia could be considered a national matter, the practical functioning in the Baltic market, however, is linked to the geopolitical situation of Latvia. A state that is squeezed between two others delays the functioning of international markets. Currently, utmost importance is attributed to the commencement of functioning of the holder of transmission assets separated from “*Latvijas Gaze*” — *Conexus Baltic Grid* — as a full-fledged transmission operator, as well as a practical guarantee of consumers’ access rights.¹⁵

INTEGRATION OF THE BALTIC ELECTRICITY MARKET

Owing to the efforts invested by Latvia’s economic and power industry diplomats, as of early 2017, electricity markets of the Baltic States are successfully integrated in the Nordic trading system, connected with Poland, while maintaining trade relations with Russia (Figure 5). A close connection has been preserved with the joint Russia’s electricity system, and the Baltic States provide access for Russia to the Kaliningrad energy island (this also applies to natural gas), which presents a special diplomatic argument also in Baltic security negotiations. Baltic networks allow the transit of flows requested by the Russian system on the grounds of mutual agreement. However, this also imposes restrictions on the functioning of the Baltic internal market, entailing adverse financial consequences. These financial consequences serve as a rational justification for desynchronisation from the Russian system and for choosing the option to synchronise the Baltics with the systems of Scandinavia and Central Europe.

Latvia’s integration in the joint electrical power market is a positive development, especially for Latvia’s consumers. Even though Latvia joined the *NordPoolSpot* trading system later than Estonia (1 January 2011) and Lithuania (1 July 2012), namely, on 1 July 2013, wholesale price convergence has taken place in the Baltic States. What is

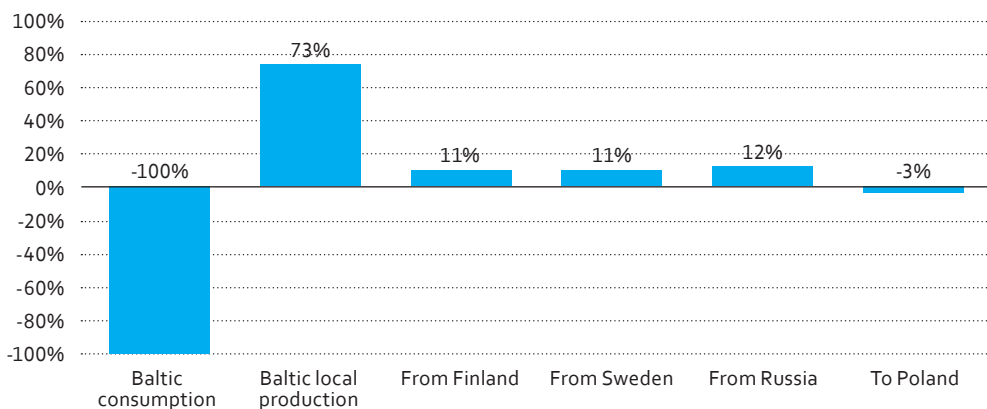


Figure 5. Commercial functioning of the Baltic States in the electrical power market (% consumption 01.01.–17.11.2016). Source: NordPool.

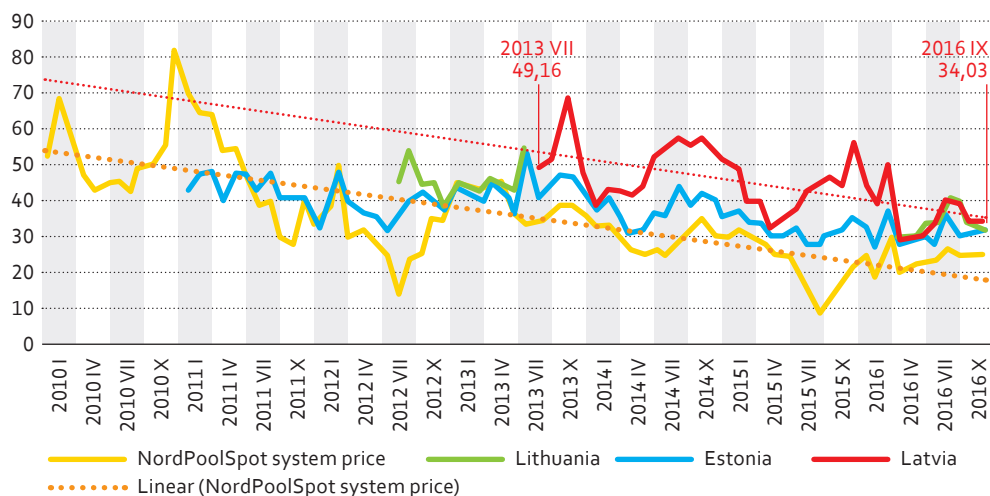


Figure 6. Convergence of Baltic and Scandinavian electricity prices. (Elsport Monthly average €/MWh). Source: NordPool.

more, prices are also converging with area prices of Sweden and Finland (Figure 6). It must be objectively admitted that Estonian and Lithuanian transmission operators did everything in the interests of Latvian consumers — as of now, Latvia has not made any investments in developing interconnections.

At the same time, Latvia's industrial consumers are actively voicing their dissatisfaction with the high prices of the supplied energy. There are certain grounds to that, even though objectively, the market price of electricity as a commodity has significantly decreased. The total payments of the Latvian economy for energy supplied in the market have diminished over the last two years by about 100 million EUR (Figure 7).

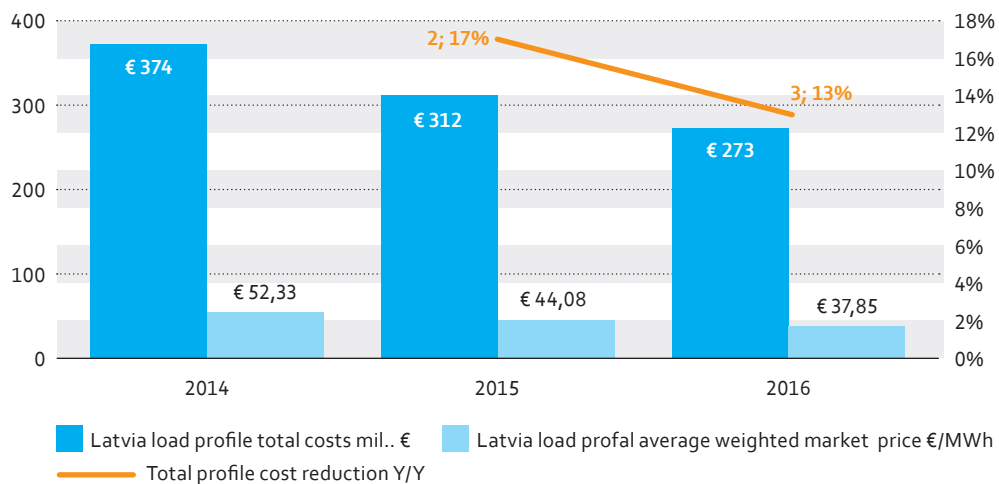


Figure 7. Reduction of wholesale costs of Latvia's electricity consumers.

Source: NordPool.

Thus, if looking from the energy security perspective, electricity in the Baltic States' electricity supply in 2016 was traded with partners in four neighbouring states. All cross-border trade takes place via exchange mechanisms, which increase competition, process transparency and security of cash flows. In the 11 months of 2016, the overall power trading balance of the Baltic States has been negative. The positive balance leader is Estonia, having been able to produce 126 % of the necessary consumption. Latvia managed to achieve 83 %, but Lithuania 25 % of the necessary consumption. It does not mean, though, that the Baltic States lack production potential. Everything depends on the primary energy price and technology. Estonia is using local bituminous shale, which is considered "dirty" fuel. The currently low emission prices in the European emissions trading system allow to successfully use the introduced technical enhancements and be profitable on the market. And finally, even though Russia's supplies via *NordPoolSpot* account for a substantial part — 31 % of consumption, it is not a mandatory physical condition, but merely the result of trading. It cannot be regarded as dependence on Russian supplies. It can be replaced with increased generation by Lithuania or supplies from Estonia, Latvia or Sweden practically at any time.

As regards Baltic, including Latvian, security and objects of foreign policy discussions, including in the context of 2017, we must also mention the matters of design, construction and further operational safety of the new *Astravec* nuclear power plant in Belarus; these matters are above any economic, financial matters or matters of inter-departmental interests. In this respect, matters of safety of Latvian and Lithuanian societies do not differ in any way — the distance from the construction site to the border with Latvia (100 km) does not differ much from the distance to Vilnius at 45 km. The Baltic States must employ all diplomatic weapons to achieve international control of the process.

It would be a grave error to believe that the *Astravec* NPP could contribute a positive investment to the European internal market and supply security. In the overall trade with the *NordPoolSpot* mechanism, this power plant, even if working at full capacity, would not have a major importance in the process of price formation. Furthermore, the Baltic States and the EU internal market does not need third country competition in the interests of supply security. Investments have been made in the Baltic States to increase generation capacities, which must be recovered economically, and investments must be made to ensure adequacy of generation. The effect of the *Astravec* NPP is insignificant for the purposes of disconnection of energy systems of the Baltic States from Russia and synchronisation either through Finland or Poland.

CLIMATE CHANGE AND ENERGY

Besides the issues of energy security and foreign policy traditionally relevant to Latvia in gas and electricity markets and supplies, we must address fundamental events that took place in late 2016, which cannot be disregarded by Latvia's decision-makers neither in 2017 nor in subsequent years. Namely, on 5 October 2016, the threshold was reached for the entry into force of the Paris Agreement already on 4 November. Even though the result of the US presidential election substantially affected the mood of the involved parties, nevertheless, all member states have remained loyal to the principles laid down in the Paris Agreement and the first year of action review has commenced. Thereby, the EU and Latvia have entered a new phase in matters regarding climate, environment, power industry, transport, agriculture, among other sectors of the economy. We can expect serious and new developments in science, education and technological discoveries.

Even though it is likely that climate change sceptics will continue seeking proof and deniers will continue denying, national diplomats will be asked to provide arguments, which they will accordingly seek, to meet the spirit of the Paris Agreement. Significant changes are currently taking place in the power industry around the world, determined by the demand and the supply side alike. The demand is significantly altered by the will to restrict climate change, as well as by significant changes in the economic structure. On 12 December 2015, the global agreement reached at the Paris Climate Summit provides for maintaining the average global temperature rise significantly under the 2°C limit above the pre-industrial level, and will try to contain the temperature rise within 1.5°C limit. To achieve that, it would be necessary to significantly reduce the increased amount of CO₂ emissions.

No matter the conduct of the next US administration after 20 January 2017,¹⁶ the shift of the economics and, in particular, industrial and financial industry to new technologies and market relations has started accelerating. The largest economies in the world, including the USA, and global corporations have started technological reorientation. Shifts are taking place to activate historical energy types, to improve energy efficiency

and to reshuffle whole industries towards work in line with other principles. The automotive industry is planning to radically change the drive method to electromobility by 2020. Even though forecasts are not always realised within the set timeline or scale, electrical power in daily lives, and especially in transport, will be activated due to health and transport safety considerations. Therefore, electricity will be used more, but the methods of generating and supplying it will undergo material changes. Their influence in comparison with the previous period will be assessed already in 2017.

Up to now, limiting the climate change and adapting to it were perceived as a threat to the economy and as an unnecessary burden. In 2016, however, we finally heard opinions that this also opens up opportunities for the economy of Latvia. And indeed, a country with such a low level of population density, sufficient forests and water resources cannot lose out in the era of clean energy growth. There are growth opportunities in sectors of agriculture, forestry, mechanical engineering, and renewable energy resources. Latvia has a chance to promote the green country reputation not only with words, but also with actions. It has to start taking this chance already in 2017.

UNIVERSALLY AVAILABLE ENERGY SOURCES — SOLAR AND WIND ECONOMY

The objectives of limiting climate change and adapting to it are not the only reasons for changing economic development perspectives. Threats in oil and gas extraction regions, as well as to transport routes compels us to seek energy forms, which formed the bedrock of economic life before two centuries of fossil energy. This refers to energies, which we have available within reach — sun, wind etc. Europe is motivated by the depleting local fossil fuels, China is motivated by the increasing demand and the massive environmental problems caused by the use of coal and traditional transport fuel. The USA finds itself in a conflicting position — technological progress and financial interests are pushing it to be the leader of clean technologies and an enthusiast of the Paris Agreement, whereas the vast possibilities of absorbing new oil and natural gas resources within its territory cause scepticism in a part of the industry about the assumed path towards the new economic development base. Nevertheless, the International Energy Agency forecasts substantial changes in the rise of energy demand in the upcoming 15 years,¹⁷ which will undoubtedly leave an impact on international trade and will place a new emphasis in negotiations about traditional energy types — oil and natural gas (Figure 8).

The relatively minor growth in the EU can be explained with the consistent energy efficiency policy of the EU. The legislative objective of the EU is to achieve minimum use of energy, without restricting economic growth and the quality of life. There have also been a number of quality leaps in new economic niches — electric transport in mobility, housing shift to energy-passive or even active forms, sharing economy, etc.

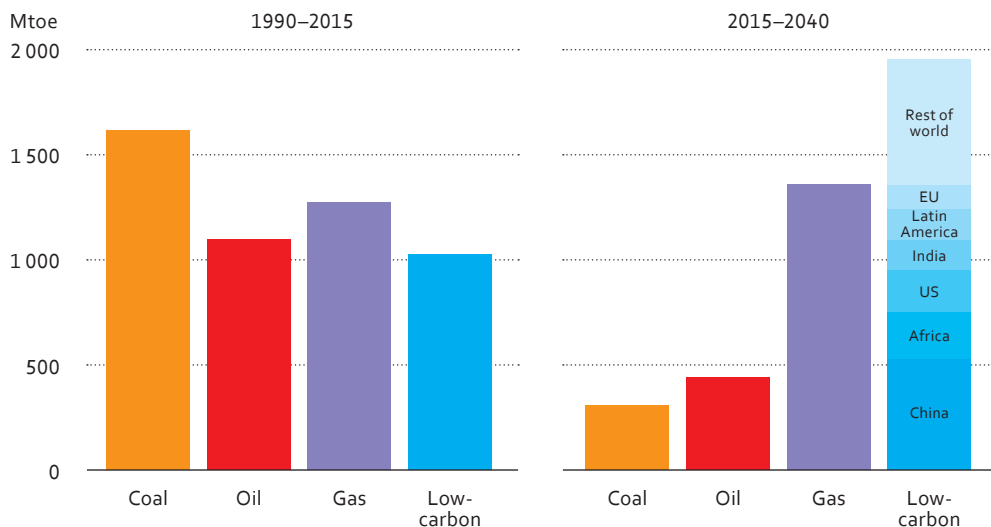


Figure 8. Changes in the demand increase structure. Source: IEA WEO 2016.

It must be noted that, for example, in Germany, wind energy in 2015 ensured 9.7 % and solar energy accordingly 6.2 % of power consumption. It is a significant part of generation, but it is predominantly based on private investments in households, industrial and commercial companies and consumers' co-operatives. Therefore, the transformation process in Germany, to a certain extent, serves as testing grounds for practical ideas for a reform of the whole EU energy system for 2020–2030.

After accession to the Organisation for Economic Co-operation and Development (OECD), a new task has been formulated for Latvia in 2017: to improve the quality of economic information and clarity of interpretation. Just like it is impossible to handle a successful business without good accounting, state policies cannot successfully be forecasted without good statistics. Even though gaining access to the OECD think-tank — the International Energy Agency — is a rather complex and intellectually demanding task, it must be planned already in 2017. Participation in the Agency helps learning more not only about other global markets, but also about your own country. This can be explained with better information absorption and use in the planning of economic policy and legislation.

The application and use of electricity will keep increasing, and we are nearing the moment, when the increase of fossil energy (oil, natural gas, coal) usage will reach its maximum (plateau). Already around 2027, the construction of solar and wind power stations in many places will be less expensive¹⁸ than the use of traditional fossil energy. The costs of manufacturing and installing wind turbines and photo panels (photovoltaic cells) are plummeting. This is owing to the global competition of inventors and manufacturers and the economic effect of scale. Doubling the increase of capacity of globally installed wind

generators cuts the generation costs by 19 %. In a similar progress, the cost cuts of solar technologies amount to 26 %. This phenomenon, which is known as “the learning curve”, has started accelerating. Technologies have disruptive features for the traditional market model and types of production. Fossil energy will still preserve its importance as an input and source of energy for a long time, but it will have to co-habit alongside sustainable energy forms and will have to fit in the energy balance. The Paris Agreement must be fulfilled, by finding economically and politically the most acceptable model of symbiosis both within national jurisdictions and regional boundaries.

Political rhetoric objecting the participation of Latvia in combating climate change is logical only insofar as it comes against a barrier of knowledge. Objections against and scepticism about safe and economically advantageous energy forms can be compared to scepticism in matters of defence spending. It is difficult, if not impossible, to test today. Today, these are merely strategic considerations, for which the political elite must take responsibility.

NEW CHALLENGES AND CHANGES IN ENERGY MARKETS

Finally, to fully grasp the future of the new international energy arena, there is another set of elements that may not be overlooked by the decision-makers of Latvia. Namely, the contradiction between traditional energy producers and new forms of energy is manifested as a dramatic fall of electricity prices in regional markets. Electricity prices have plummeted so dramatically that it is not possible to economically justify spending for modernisation of some existing power stations, not to mention the construction of new ones. The call for governmental or public assistance and intervention is loud and persistent. Baltic and Scandinavian electricity markets are fully integrated, and the close interconnections ensure price convergence. At the same time, the renewable resources, which were considered safe in the sense of supply security, would not be able to enter the market without support in one or another form. There is not one country in the EU, which has left the development of new technologies solely at the discretion of the market.

The EU is now seeking and willing to formulate a new electricity market model. It has two main tasks — to achieve the entry of power stations that use fossil energy resources into the market, when that is necessary for purposes of supply security, and to promote market integration of renewable energy, which simultaneously are also local resources. The new model provides for a special role to the consumers and at the same time also for renewable energy producers. Industrial and household consumers have an opportunity to use their territories for energy generation, without focusing on it as the main activity. By using the resources from one's own territory, such as wind or solar energy, consumers can exclude costs from the grid, and in case of overproduction transmit it into the common grid. This means a practical application of the sharing economy and an increase of the overall energy efficiency and security of the state.

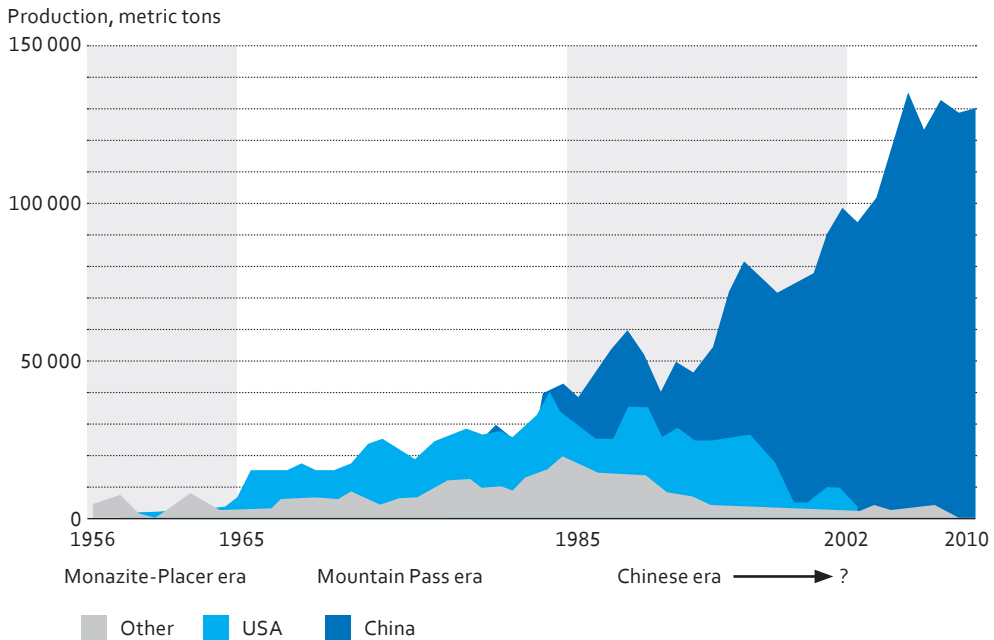


Figure 9. Extraction of rare earth metals. Source: US Geological Survey¹⁹

Likewise, if up to now attention to the geopolitical issue was drawn by international energy trading, location of resources, transport and transit through certain territories, now a new aspect is emerging — location, accessibility and trade of strategic inputs and materials. To wit, rare earth and other materials are necessary for the manufacture of solar panels (photovoltaic cells), wind generator magnets, grids, and batteries and engines of electromobiles. Their distribution around the world is vast, but in a form suitable for commercial extraction, they are focused in isolated locations. As shown in Figure 9, China is one of the places, where rare earth metals are focused.

Chinese dominance can also be explained with the fact that the separation of rare earth materials from ore is an extremely dangerous activity from the ecological perspective. It is not an accident that the largest rare earth metal factory in the world in the Inner Mongolia region of China is considered the most polluted place on the planet. Therefore, a new strategic goal has emerged — by technological means, to overcome the problem of pollution in the production process and eliminate Chinese dominance. Furthermore, other elements, too, are included among strategic materials to be used in electrical-technical and other industries. One such example is lithium, and its location is favourable for the democratic world — these resources are found in Chile, Argentina, Australia. Thus, the process of transformation of the energy industry is moving towards independence in the primary energy supply, but new dependencies are emerging: dependence on materials, technologies, and skills.

CONCLUSIONS AND RECOMMENDATIONS

Taking into account the technological and economic developments in the global energy sphere in 2016, there is a range of issues to be considered in the light of the specific situation of both the EU and Latvia. The year 2017 will be a continuation to the existing changes in the global energy market, and, by association, to relations between countries. Therefore, from the perspective of Latvia's external and security policy, it is fundamentally important that foreign policy experts and diplomats are carefully observing development trends and consult decision-makers as regards challenges and necessary actions. Several general conclusions are clearly distinguishable:

- In trade negotiations, security of flows of inputs and services necessary for the new technologies may not be disregarded.
- Possibilities must be balanced in the national economy with the necessity to achieve the guarantee of the economy from sustainable energy sources.
- Renewable energy is not exposed to any financial, economic, or energy crises. Unlike oil or natural gas, increased usage of renewable energy resources does not increase the price of the resource. Quite the contrary — technologies are becoming cheaper. The prime cost of sun, wind and water as raw materials is close to zero. Furthermore, integration of renewable energy in the market causes a demand for educated and qualified human resources — both “white” and “blue” collar specialists are needed, thereby creating jobs and fostering economic growth.
- Integration in energy markets, including in those mentioned in the article, can increase effectiveness of resource use, and it is a gain for security.
- It must be ensured that the process of the United Kingdom withdrawing from the EU or other re-integration processes do not change the functioning of Networks of Transmissions System Operators (ENTSO-E and ENTSO-G) and of the internal market. Energy flows across borders, using grids, are not related to physical movement of labour force or customs procedures.
- From it, the next large system dilemma emerges — cyber security. Markets and systems are of large-scale, therefore, a successful cyberattack can lead to catastrophic consequences — stoppage of economic functioning and even to life-threatening situations.
- This consideration enables the following resolution: when consumers are also producers (*prosumers*), it ensures a better resilience and ability to withstand in case of systemic interruptions.

Challenges in the power industry are challenges also from the geo-economic and geopolitical perspective. Nevertheless, if formerly the provision of energy resources, especially for smaller countries, depended on the ability of finding politically reliable partners, with whom asymmetrical relations would not develop, then with today's technologies in combination with available resources, self-sufficiency and self-provision become possible also for countries that have scarce traditional energy resources. The shift of technologies from the settled, traditional ways to new ones is a consuming and complex process, but it would yield political and economic returns in a medium

and long term. From this, the following specific recommendations derive for Latvian institutions in 2017:

- The Cabinet of Ministers must develop a platform for minister accountability and co-operation in line with the European Commission²⁰ format for the realisation of European Energy Union principles.
- The Foreign Service must ensure compliance with agreements concluded between the European Parliament and the Council regarding intergovernmental agreements on energy supplies from third countries.²¹
- The discussion of the so-called “Winter Package”²² of the European Commission, before approval as legislative enactments, necessitates well-coordinated co-operation between nearly all state institutions, dialogues with groups of the industry and social groups. The effects will start appearing after 2020, but already in 2017, several national plans will have to be ready.
- The Ministry of Foreign Affairs must be the leader in overcoming the next barrier in a near or more distant future within the OECD — it will have to promote the accession of Latvia to the International Energy Agency (IEA).²³
- An absolutely critical task is to practically implement the energy data and information transparency and interpretation in a way that is understandable to both the industry and the people. This is a requirement included in the “Winter Package” and in the report of the Agency for the Co-operation of Energy Regulators (ACER).²⁴ This is essential also for the Foreign Service officials in fulfilling diplomatic missions both within the EU and beyond its borders. Service employees must have good substantial support, including by using EU, Latvian and OECD databases.
- Even though the shaping of the Baltic gas market is largely (to the extent of 90 %) dependent on the industry’s (gas system operators’) co-operation with market participants within the framework of organisational and legislative framework of the EU laws²⁵, state authorities must carefully monitor the developments, including in close co-operation with our regional partners, by making use of their knowledge.
- And finally, the Ministry of Foreign Affairs must use the capacities offered by the US embassy, in order to obtain information about activities in the oil, natural gas and clean technologies sectors as expediently as possible. The position of the USA in climate policy matters will leave a decisive impact on the global energy market and relations with the EU.

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THE ROLE OF LATVIAN DIASPORA WITHIN THE FRAMEWORK OF FOREIGN POLICY ACTION PLANNING

Ilze Garoza, Secretary General of the World Federation of Free Latvians

In the light of the increasing number of Latvian nationals living abroad, the co-operation with the diaspora over the recent years has become an important component of the foreign policy action planning, which is developed and implemented by the Ministry of Foreign Affairs along with the Ministry of Culture, the Ministry of Education and Science, the Ministry of Economics, and subordinated institutions within their respective competence. According to the estimates of the Ministry of Foreign Affairs, the number of Latvian nationals living abroad has reached 370,000, most of whom live in the UK, the USA, Ireland, Germany, Sweden, Canada, Australia, and Russia.

By looking back at the co-operation of Latvia with the diaspora in 2016, this article will consider the Latvian diaspora, on the one hand, as a component of Latvian foreign policy action planning and, simultaneously, as a subject of the Latvian national cohesion and integration policy, for which various support mechanisms have been developed and made available through the Latvian foreign affairs authorities and diaspora organisations. In this article, the processes of this past year in co-operation with the diaspora will be analysed, firstly, through the prism of the annual foreign policy report of the Minister for Foreign Affairs of Latvia presented in January 2016,¹ and secondly, by using the directions of action outlined for co-operation with the diaspora in the Action Plan prepared by the Ministry of Foreign Affairs.

DIASPORA AS A SUPPORT MECHANISM FOR THE ACHIEVEMENT OF FOREIGN POLICY GOALS OF LATVIA

The report presented in January 2016 by the Minister for Foreign Affairs of Latvia Edgars Rinkevics regarding the achievements and the planned action in foreign affairs of Latvia and in European Union matters outlined the foreign policy priorities of Latvia for 2016, by setting forth the key goal — to ensure security and economic interests of Latvia.²

Strengthening of security of Latvia has also been one of the key goals of the World Federation of Free Latvians (WFFL) and its member organisations since the reinstatement of independence of Latvia. Latvian communities in the USA and Canada have played a particularly important role in the strengthening of transatlantic security and co-operation since the very first day of reinstatement of Latvian independence; already since the Cold War era, these communities have been gaining experience in communication with the governments of their countries of residence, by standing up for non-recognition of the occupation of Latvia in the free world. Support of the security of Latvia was initially imparted through a broad and financially extensive lobbying campaign to achieve the acceptance of Latvia in NATO, but, since Russia intervened in the Ukrainian conflict and Crimea was unlawfully annexed, attempts have been made to attract the attention of international society to the security of Eastern Europe and to ensure active involvement of NATO in the defence of the Baltic States.

Domestic developments in the USA in 2016, including the disquieting pre-election campaign that polarised the US nation before the US presidential election that took place in November, highlighted a range of matters related to transatlantic co-operation and security. The US Latvian community was dragged into these discussions in the most direct sense, as it was addressed by Latvian officials both overtly and covertly, urging to keep the interests of security of Latvia in mind when making their democratic choice and casting their vote. The statements voiced during the US pre-election campaign by the Republican Party presidential candidate Donald Trump in the *New York Times* magazine were a particularly alarming signal for the Baltic people; he stated that, should Russia decide to cross the borders of Estonia, Latvia, or Lithuania, he would still take time to consider whether to protect the NATO member states, which have not fulfilled their obligations as regards defence budget expenditures. The situation was further aggravated by the subsequent comments made by the advisor of Donald Trump, the former speaker of the US House of Representatives Newt Gingrich, as he compared Estonia to a suburb of St. Petersburg, on whose account the US should not risk to engage in a nuclear war with Russia.

In response to Trump's statements regarding the fundamental principles of NATO collective security, on 23 July 2013, the Board of the American Latvian Association released a public statement condemning such "irresponsible" claims that contradict the US foreign policy doctrine, which dates back to more than half a century. In its statement, the ALA also "categorically supported the preservation and promotion of transatlantic ties between the US and the European Union, the strengthening of NATO unity and

the defence abilities”.³ Meanwhile, as regards the US presidential candidates, the ALA decided to remain neutral, by stressing that, in capacity of a public non-profit organisation, it has always maintained political neutrality, thus reflecting the freedom of political choice of ALA members and US Latvians. Furthermore, in its position statement, the ALA explained that, over its 65 years of operation, the ALA has co-operated with many presidents and US administrations led by the Democratic and the Republican Party alike.

“In the election this fall, we, in capacity of a public organization, will remain non-partisan and will not be endorsing a presidential candidate, but we will be working to educate and inform the next US president about the efforts and concerns of Latvia and the Baltic States and their aspirations for international security and peace in Europe,” said the statement signed by the President of the ALA Peteris Blumbergs.

Taking into account the differences of political views among the members of the American Latvian Association and the Latvian, Lithuanian, and Estonian organisations represented in the Joint Baltic American National Committee (JBANC), the JBANC, like the ALA, decided to remain neutral with regard to US presidential nominees, but backed the statements jointly released by the Central and East European Coalition, and, simultaneously, via their communication channels, disseminated information about the position of different nominees in matters relating to transatlantic security and co-operation.

In response to the statements made by Donald Trump, the President of the Baltic American Freedom League based out of the West Coast of the USA, the former marine and Vietnam war veteran Valdis Pavlovskis, sent an open letter to the US presidential nominee, starkly condemning the readiness voiced by Trump to withdraw from the NATO agreements, which have helped to ensure peace in Europe for over 70 years, and urging him to confirm and promise not to abandon the Baltic States in front of Putin’s attempts to reinstate the Soviet era empire.

As regards the expansion of NATO military support to the Baltic region, the WFFL chairman Janis Kukainis, under whose leadership the lobby campaign to accept Latvia into NATO was implemented in early 2000-ties, has repeatedly and consistently reminded to the Latvian government that it must increase the defence budget to 2 %, by emphasising the critical political importance of this step in attempts to protect the defence interests of Latvia in the USA and Canada. This reminder was reiterated at the annual WFFL board meeting in October 2016: “We would like to repeatedly urge the government of Latvia to prove its commitment to ensure the security of Latvia and to meet NATO obligations, by allocating at least 2 % of the GDP to national defence forthwith. We would also like to appeal to the governments of our countries of residence to assume a strict position on the principles of collective defence of NATO and to provide defence in case of threats exerted against the Baltic States.” Furthermore, the WFFL board encouraged its member organisations — ALA and LNFC — to do everything possible to achieve the participation of the USA and Canada in the work of NATO Strategic Communications Centre of Excellence in Latvia, as urged by the

Director of the NATO Strategic Communications Centre of Excellence Janis Sarts at the WFFL board meeting in October 2016.

To foster information exchange and coordinate mutual activities, a meeting is organised on a quarterly basis in Washington, D.C., at the convocation of the Joint Baltic American National Committee, with participation of representatives of Baltic American organisations and ambassadors and diplomats of the three Baltic States. During these meetings, priorities of both sides as well as a plan of action for the upcoming months are discussed.

Due to increasing worries about the future of transatlantic relations, in 2016, the ALA and the JBANC in Washington, D.C., as well as BAFL in California actively continued to protect the security interests of Latvia in communication with the US State Department, US Congress and think-tanks based in Washington and California. In this respect, the ALA, in its communication with the heads of various institutions and organisations, tried to draw their attention to the threats of the hybrid war waged by Russia in the Eastern Europe, including the propaganda and disinformation campaign implemented by Russia around the world. The ALA particularly addressed this issue during the informational seminar that took place in March 2016 in Chicago and at the 65th congress of the American Latvian Association, which took place in May in Los Angeles, where the creators of the film “Master plan” Inga Sprunge and Sanita Jemberga were invited to speak about the methods of propaganda and disinformation employed by Russia in Europe. In September 2016, a panel discussion was organised by the ALA in Washington, D.C., which focused on the foreign policy programme of US presidential candidates, specifically concerning the Baltic States.

The central issues debated in the discussions in 2016 with US officials included the strengthening of transatlantic ties and security, in particular, backing the European Reassurance Initiative proposed by the US government, which was expected to receive 3.4 billion US dollars in 2017. In negotiations with US officials, the ALA has repeatedly urged to allocate these funds as close to the NATO eastern border as possible, thereby signalling an appeal to channel the funds to security enhancement projects in the Baltic region. At the same time, ALA representatives in negotiations with the US State Department officials endorsed continued economic sanctions imposed on Russia until it fully implements the Minsk Protocol with regard to Ukraine. In order to draw attention to the disinformation campaigns of Russia and to the response of the Baltic States, the ALA, together with the WFFL, organised a round table discussion in Washington in the summer of 2016, including Baltic media based in Washington and the *Radio Free Europe / Radio Liberty*, as well as representatives of the Centre for Eastern European Analysis. It was followed by a hearing at the US Congress organised by the Central and East European Coalition, focusing on the disinformation campaign launched by Russia in the western world. To promote awareness and understanding not only for the part of western politicians, but also for that of society at large, about the crimes committed by the Soviet Russia against the Latvian nation, in 2016, the ALA funded the translation and subtitling of the feature film “The Chronicles of Melanie” in English.

CONTRIBUTION OF CANADIAN LATVIANS IN STRENGTHENING THE SECURITY OF LATVIA

The Latvian National Federation in Canada is also playing an important part in the strengthening of transatlantic relations. Similar to the American Latvian Association, the LNFC has defined the provision of support to the strengthening of the Latvian national security and transatlantic ties as one of its key tasks. Like the ALA and the JBANC in the USA, the LNFC in Canada organises high level meetings with parliamentarians, government representatives and local think-tanks. Shortly after the Canadian prime minister Justin Trudeau took office, the LNFC sent a letter addressed to Trudeau congratulating him on the new position and taking the opportunity to remind about the terror crimes committed by the communists against the Baltic States and the efforts of “Tribute to Liberty” to set up a monument in Ottawa, Canada’s capital to commemorate the victims of the communist regime. According to the LNFC president Andris Kesteris, who has been simultaneously performing the duties of president of the Baltic Federation in Canada in 2016, the LNFC continued providing up front community support to Ukrainians of Canada and the struggle in Ukraine. An example of close cooperation was the role of LNFC and the Ukrainian Embassy during the film festival “Legacy of the Cold War”. Through the LNFC, other community organizations have contributed financially to the Ukrainian cause, which they consider as their own cause. The LNF encourages the public to attend rallies in sympathy with Ukraine, as well as representing the Baltic view in local media.

The LNFC is also directly involved in organising events to commemorate 14th June, which marks the mass deportations of the Baltic peoples and the Black Ribbon Day, the anniversary of the Hitler-Stalin Pact, thus reminding Canadian society about the crimes committed by the Soviet Union in the Baltic States. As required, the LNFC intervenes either publicly or through various levels of government, to correct misinformation, which may arise about Latvia and the Baltics.

Likewise, the range of LNFC priorities includes supporting the introduction of a Magnitsky – style draft law in the Canadian Parliament, which envisages imposing sanctions on Russian officials, who are involved in corruption schemes and human rights violations and who can be deemed jointly responsible in the case of the lawyer Sergei Magnitsky who died in custody. The LNFC works closely with the leadership of the other ethnic groups within the Central and Eastern European Council in Canada.

THE LATVIAN DIASPORA IN THE FOCUS OF ATTENTION OF INTERNAL POLITICAL DEVELOPMENTS IN EUROPE

In response to various security shocks in Europe, the European Latvian Association has also made its contribution in discussions about internal security matters of the European Union. In July 2016, in response to the terrorist attack in Nice, which claimed 84 lives, the ELA released a statement expressing its deep regret of the “inhumane attacks on the people of Nice and on its visitors when France is celebrating its fundamental values and those of the whole Europe — liberty, equality, and fraternity.” In its statement, the ELA pointed out that the increasing number of terrorist attacks in Europe is triggering the feeling of insecurity in everyone, who wishes to travel, study or work freely beyond the borders of Latvia, by calling to back an active Latvian and European Union policy in battling terrorism and radicalisation, all the while protecting the European space of liberty, equality, and fraternity.

Following the referendum on leaving the European Union that took place in June in the United Kingdom, Latvian diaspora organisations — the WFFL, the ELA, and the Latvian National Council in Great Britain (LNCGB) — met with diplomats of the British embassy to highlight the issues that are important for Latvia and the Latvian community. In this discussion, the WFFL voiced its concerns about the further role of the United Kingdom in the model of transatlantic relations and within the framework of international security system; the European Latvian Association highlighted the issue of the status of Latvian nationals living in the United Kingdom and of continuity of their acquired social security; whereas the LNCGB voiced its concerns of manifestations of intolerance towards immigrants, including those from Latvia, and emphasised the importance of forming a tolerant community.

As explained by the chairpersons of WFFL member organisations at the conference that took place in Riga in early October, marking the 60th anniversary of the WFFL, the domestic policy situation, its economic state, and the political culture traditions of each country of residence of Latvians largely dictate the focus and methods of operations of these member organisations. The chairman of the American Latvian Association (ALA) Peteris Blumbers explained that the political culture of the USA has fostered the development of a politically active Latvian community in the USA, which has actively encouraged close transatlantic relations and support to strengthening the security of Latvia. The role of the USA as the leader of the free world is not less significant, and that can be of crucial importance in strengthening the security of Latvia, emphasized Blumbers.

Taking into account the diverse circumstances, in which the Latvian community has developed in Europe, which is predominantly formed of the recent emigration, the ELA focus in 2016 has been on promoting internal co-operation and civic engagement in the European Latvian community. According to the ELA estimates, based on statistics of various countries, currently about 240,000 Latvian nationals live in various European

countries outside Latvia. As suggested by the chairman of the European Latvian Association Kristaps Grasis, the European Latvian diaspora is “a very rapidly growing body”, which has experienced a rapid increase over the last 15 years, but particularly so in the last 10 years.

In the light of the fast pace of assimilation of recent emigration, as captured by the researchers of the University of Latvia,⁴ the ELA stresses that, at the moment, the priority task is to reach out to these people, before they have fully assimilated in their countries of residence. Therefore, as explained by the ELA chairman, the organization now focuses primarily on the diaspora interests and much less on representing Latvia's interests abroad. This assumption is backed by a study performed in 2016 about civic engagement of Latvian nationals living in Europe. When describing their engagement in activities aimed at influencing social and political processes in Latvia and abroad, only 5.4 % of respondents pointed out that they have been in touch with parliamentarians or other state officials of their country of residence.⁵ However, many more respondents (31.8 %) had participated in e-democracy processes of Latvia, such as, signing initiatives in the civic initiative portal www.manabalss.lv. “Only by uniting and promoting their civic engagement there is a possibility that the European Latvian community grows into a single political voice,” explains the ELA chairman.

In 2016, the ELA represented 22 member organisations in 18 countries. Its priority task of the last year was building its social infrastructure, - ensuring that their member organizations are not merely names on a paper, but are fully functioning bodies. With the financial support from the government of Latvia, several projects have been implemented aimed at strengthening Latvian diaspora civic engagement in the countries of their residence. The chairman of the ELA identifies not only the strengthening of civic engagement, but also ensuring availability of Latvian education and access to Latvian culture in Latvian diaspora communities among the top priorities of the organisation.

To reduce the risks of assimilation in Latvian families with children living in Europe, the ELA, jointly with the WFFL, has stressed the need to provide all types of support to Latvian education programmes. For this purpose, in October 2016, the WFFL board confirmed a resolution, urging the Ministry of Education and Science and the Ministry of Foreign Affairs of Latvia, in co-operation with the EU competent institutions, to implement the Council Directive 77/486/EEC adopted in 1977 by the European Communities on the education of children of migrant workers; Article 3 of the Directive provides that “Member States shall, in accordance with their national circumstances and legal systems, and in cooperation with States of origin, take appropriate measures to promote, in coordination with normal education, teaching of the mother tongue and culture of the country of origin for the children referred to in Article 1”. The responsible institutions in the sector of education of Latvia were urged to develop a diaspora education development concept, as well as establish a diaspora pupils' exchange programme that would strengthen the ties of the diaspora youth with Latvia.

THE ROLE OF LATVIAN DIASPORA IN PROMOTING ECONOMIC DEVELOPMENT OF LATVIA

When considering the second objective set by the Minister for Foreign Affairs of Latvia for the year 2016, namely, protection of economic interests of Latvia in the world, the role of Latvian diaspora at this time can be viewed as secondary, because it currently does not have mechanisms of direct influence at its disposal, unlike the political spheres of influence, which are present in local Latvian communities living in other countries and having voting rights. At the same time, with direct financial support of the Ministry of Foreign Affairs of Latvia, initiatives have been commenced focusing on the promotion of economic interests of Latvia and trade relations, as well as on attraction of investments and knowledge capital, by engaging entrepreneurs and specialists of various sectors residing outside Latvia in this process.

In striving to promote a more targeted involvement of diaspora in Latvian economy, the WFFL, in co-operation with the Ministry of Foreign Affairs and the Latvian Chamber of Commerce and Industry organised the first World Latvian Economics and Innovations Forum (WLEIF) in Riga in 2013; it was followed by a second forum in Riga in the summer of 2015, during which the idea of bringing the forum closer to its potential target audience was proposed by the forum participants. At the initiative of WLEIF participants from Australia, the first regional forum with a focus on Asia Pacific region, was scheduled to take place in Melbourne, Australia, on 29–30 December 2016, in liaison with the 56th Australian Latvian Culture Festival. The event was organized in cooperation between the Latvian Association of Australia and New Zealand and the World Federation of Free Latvians, and the Latvian Ministry of Foreign Affairs.

According to the Central Statistical Bureau of Latvia, in terms of trade partners of Latvia, in 2015, Australia ranked 60th with the total trade turnover of 14.16 million euros. It ranked 53rd among export countries with the overall turnover of 13,213,386 euros or 0.14 % of the external trade balance of Latvia, and 71st among importer countries with turnover of 9,952,770 euros or 0.01 % of the Latvian import balance. Taking into account the small amounts of trade with Australia and Latvia's goal of opening new export markets, the Ministry of Foreign Affairs backed the organisation of WLEIF in Australia, aimed at promoting Latvian diaspora involvement in promoting bilateral trade and economic relations between the two regions. Apart from the first regional forum in Melbourne, in 2016, the WFFL and its member organisations implemented several other initiatives that were aimed at engaging the diaspora in Latvia's economic development.

Commissioned by the initiator of the World Latvian Economics and Innovations Forum — the WFFL, in September 2016, Ieva Birka prepared a report based on interviews with members of the Advisory Council of Diaspora Entrepreneurs, which was established under the auspices of the Prime Minister's Office in 2015. The report provided a self-assessment of the effectiveness of the Council and provided recommendations for its work in the future and the diaspora engagement in Latvia's

economy more broadly. The Council of Diaspora Entrepreneurs shared their scepticism about its current co-operation model with the government of Latvia, pointing out that the Council has not been convened since the change of Latvia's government at the beginning of the year, but had only received a notification that they may be integrated in the National Development Council, chaired by the Prime Minister of Latvia.

When asked how to promote the engagement of Latvian diaspora in the economy of Latvia, the Advisory Council of Diaspora Entrepreneurs underlined the need for creation a database of Latvian entrepreneurs and professionals around the world. The Council stresses that such an initiative with a call to join this database should be put forth by the state or a specific state official. Along with the creation of a database, it would be important to develop an effective and sustainable communication strategy with diaspora entrepreneurs and specialists of various sectors, by providing them with up to date information about participation opportunities.

It must be noted that, according to the data of the Bank of Latvia, Latvians living abroad over the past several years have been annually transferring to Latvia more than half a billion euros,⁶ which constitute nearly 2 % of the GDP of Latvia. It is important to achieve that these funds not only fuel internal consumption, but are also channelled in into programs supporting Latvia's economic growth and sustainable development.

The Council members believe that the government of Latvia should learn about and communicate with the patriotically-inclined diaspora, especially the ones with significant business experience and expertise in various areas. The co-founder of "TechHub Rīga" Andris Bērziņš points out that the patriotically-inclined diaspora is "the group, who, even if not returning, can favourably contribute to Latvia, by investing their time and ideas." Meanwhile, the vice president of NCH Capital Kārlis Cerbulis stresses that "... the initiative and the idea of working with diaspora is good, it is even critically necessary". Young professionals who have acquired education and experience abroad can provide a significant input in the development of various sectors and opening of new export markets. The member of the Advisory Council of Diaspora Entrepreneurs, the executive director of Nordplay Pēteris Stupāns believes that the global network of Latvian diaspora can be the key to success for Latvian exporting companies, knowing the market and culture, tastes and nuances of the specific country. To achieve the involvement of these people, the primary task would be the development and implementation of an effective communication strategy with the Latvian diaspora.

To foster networking of entrepreneurs and professionals living outside Latvia, in the fall of 2016, the European Latvian Association organised a series of networking events in a number of European countries, bringing together specialists of different fields. In early October, a seminar was organised in Tallinn, Estonia, for entrepreneurs and specialists of creative industries, whereas in November, a networking event was organised for finance specialists living in Luxembourg and its vicinity; furthermore, contact forums for doctors and dentists living in Berlin and Stockholm were organised. Shortly before

the Latvian Independence Day, following a proposal by the WFFL, a series of monthly meetings was started in Riga for young professionals, who have returned to Latvia after studying or working abroad.

STRENGTHENING CO-OPERATION WITH THE DIASPORA

Latvian communities formed of people who left Latvia at different times and under different circumstances show diverse levels of civic engagement and needs. While co-operation in the so-called Latvian exile countries can be developed on the foundations of organisations and social infrastructure created during the exile period, then, as regards the Latvian nationals, who have emigrated over the last fifteen years, the majority of whom have moved to live in other European countries, a new platform must be built for implementing co-operation.

The diaspora of Latvians as a subject of Latvian national cohesion and integration derives from the National Identity, Civic Society, and Integration Policy Guidelines adopted in 2011; the Guidelines regard the diaspora of Latvia as an integral part of the Latvian nation with its specific roles and responsibilities: “Every citizen and resident of Latvia, every Latvian carries into the world a part of responsibility about Latvia”⁷. On the grounds of these Guidelines, action policy has been developed over the last few years for co-operation with the diaspora across the globe, by envisaging funding from the Latvian government budget for this purpose. Currently, four mutually complementing operational directions are outlined in co-operation with the diaspora: (1) preservation of the Latvian identity and ties to Latvia, promotion of spreading the Latvian language and culture in the world; (2) fostering of civic and political engagement of the diaspora; (3) co-operation with the diaspora in economics, culture, education, and science, promotion of circulation of intellectual potential, and (4) provision of support to those, who wish to return.

Preservation of the Latvian identity and Ties to Latvia, Spreading the Latvian Language and Culture in the World

Within the framework of this operational direction, in 2016, with the intermediation of the WFFL, the support programme of the Ministry of Culture, which was commenced a year earlier, was continued to ensure the availability of traditions of the Song and Dance Festival and of Latvian culture abroad. In 2016, with the intermediation of the WFFL, backing was ensured by the Ministry of Culture of Latvia to nine projects in Europe, the USA, Australia and Russia, encompassing the Esslingen Song Festival, the Australian Latvians’ 56th Culture Festival in Melbourne, and the XIV Latvian Song Festival of America in Baltimore. Furthermore, funding from the MC in 2016 was allocated to the

Folk Music Group guest tour and master classes in Garezers, USA, the hundred-year anniversary celebration of the Smolensk Latvian Society, professional Latvian theatre guest performances in Ireland, the Latvian culture festival in the United Kingdom, the project of the New York Latvian choir master classes and creative workshops, a concert tour of Ilģi in the USA organised by TILTS.

In the sector of education, the closest co-operation is implemented between the WFFL Education Council, the European Latvian Association, the Minister of Education and Science and its subordinate institution — the Latvian Language Agency. The priority tasks set forth in the sector of education in 2016 for the part of diaspora organisations were maintaining the support of the Latvian government for Latvian education outside Latvia and for the operation of diaspora schools, the number of which exceeded 100 in 2016, as well as starting work on the development of a Latvian diaspora education concept, which would address the interests and needs of the older and the more recent diaspora.

Within the context of the upcoming hundred-year anniversary of the State of Latvia, in 2016, further co-operation was outlined between the Ministry of Culture of Latvia and the Latvian National Centenary Office and diaspora organisations. Starting with 2017, Latvian government funding in the amount of 100,000 euro will be earmarked for celebrating one hundred years outside Latvia. It must be pointed out that it is planned to use this funding on projects, which are managed by diaspora organisations themselves, thus strengthening their involvement in promoting the Latvian culture outside Latvia, which can simultaneously serve as an important stimulus in fostering civic engagement of the diaspora.

Strengthening of Political and Civic Engagement of the Diaspora

Promotion of the civic and political engagement is one of the key points in the National Identity, Civic Society, and Integration Policy Guidelines of the MC. Latvian embassies actively participate in the self-organisation of the Latvian diaspora and in the creation of new Latvian associations, by offering a wide range of support to the efforts of self-organisation of the diaspora, which is particularly relevant in the newly formed Latvian communities in Europe.

In the summer of 2016, upon a commission of the European Latvian Association, researchers of the University of Latvia developed a report “Civic activity of Latvian nationals living in Europe”, which showed that currently only every tenth respondent is engaged in the activities of public organisations of the Latvian diaspora.⁸ Likewise, the survey data show that “the civic engagement of respondents has been rather socially than politically inclined”;⁹ moreover, it has a greater potential to be focused on Latvia rather than on the country of residence.¹⁰ Diaspora organisations have admitted that the sub-programme of the Civic Engagement Promotion Programme created by the Social Integration Fund for the support of diaspora NGOs presents a very important support mechanism in promoting civic engagement of the diaspora.

Co-operation with the Diaspora in Economics, Culture, Education and Science

The previous efforts to promote co-operation with the diaspora in economics, culture, education and science have been described in the middle section of this article, expounding the key operational directions along with challenges. Within this context, several initiatives deserve a special mention — the WLEIF succession measures endorsed by the Ministry of Foreign Affairs, as well as support provided by the Ministry of Culture to the summer practice programme in Latvia initiated by the ALA, in which 18 youths from the USA, Canada and Australia participated in 2016. Worth noting are the unrelenting efforts of the Minister for Foreign Affairs of Latvia Edgars Rinkēvičs and the Minister for Culture Dace Melbārde in addressing the Latvian diaspora in person in various parts of the world, by urging them to actively engage in the processes of culture, education and economics, and in celebrating the upcoming hundred-year anniversary of Latvian independence. In 2016, under the leadership of the ELA, preliminary work has been started on the European Latvian Congress planned in the summer of 2017, in which it is planned to involve professionals of Latvian extraction in various sectors living and working in Europe; furthermore, a plan of action envisaged for 2017 is under development focusing on strengthening economic co-operation between Latvia and the USA.

Support to Those, Who Wish to Return to Latvia

The year 2016 marks the end of validity of the Re-emigration Support Activities Plan approved three years ago, which according to public statements released by the Ministry of Economics will not be continued, contrary to the reasoning of diaspora organisations suggesting that such conduct might be interpreted in the diaspora as no longer expecting emigration Latvians back in Latvia. This is further emphasised by the mixed messages and statements released to the press by Latvian officials. “At this time, I have no rights to urge them to return home, while we have nothing to offer,” said the Prime Minister Māris Kučinskis when commenting on re-emigration issue in February 2016.¹¹ Despite the fact that the Ministry of Economics had decided not to continue the Re-emigration Support Activities Plan, in the summer of 2016, the Latvian Institute started a campaign “I want you back”, which was recognised by the Prime Minister as a good idea, by adding that not everybody, who returns, would have something to do in Latvia now.¹²

Even though the previously approved Re-emigration Support Activities Plan has not directly resulted in the expected number of re-emigres, in the opinion of diaspora organisations, this plan, nevertheless, served as a political signal for the emigrated Latvian nationals that they were awaited in Latvia. With a view into the future, it is worth to mention the study conducted by the Centre for Diaspora and Migration Research of the University of Latvia in co-operation with the Ministry of Foreign Affairs of Latvia and the Investment and Development Agency of Latvia regarding

the possibilities of encouraging re-emigration and the existing obstacles, which will hopefully give an impetus for the development of a new, result-focused action plan.

In building relations with the diaspora, the diaspora's trust in the Latvian state administration, which at this time is outlining a critical picture, must be taken into account. In the survey conducted last year by researchers of the University of Latvia, which included 14,068 Latvian nationals from 118 countries, 91 % of the new emigration were fully or rather dissatisfied with the work of the Latvian government.¹³ On a seven-point scale, the trust in the Latvian government was assessed at 1.6, while the trust in governments of the respondents' respective countries of residence was assessed at 5.9 points.

As suggested in the opinion prepared on the instructions of the Ministry of Culture by the law office COBALT, one of the main challenges in the co-operation of the government of Latvia with the diaspora is the dispersion of accountability, fragmentation, lack of transparency as regards allocations by the government of Latvia to the diaspora support and the policy monitoring on the whole. At this time, diaspora policy development is carried out in horizontal co-operation between various ministries, none of which currently has the authority of overseeing programmes implemented by a different ministry. Taking into account the fact that the Re-emigration Support Activities Plan ends this year, but in two years, in 2018, the term of the National Identity, Civic Society, and Integration Policy Guidelines (NICSIPG), which encompasses diaspora policies, will end, the future of the diaspora policy is an urgent matter. The underlying uncertainty and the proposals prepared by the Ministry of Culture for continued management of diaspora matters encouraged the WFFL member organisations to adopt a resolution at the WFFL board meeting that took place in Riga in the fall of 2016; to achieve certainty and transparency, the resolution called for separating diaspora matters from the NICSIPG framework and urged to strengthen the role of the Ministry of Foreign Affairs in the development of a diaspora policy.

As emphasised by the ELA in a letter addressed to the Citizenship, Migration, and Social Cohesion Commission of the Parliament on 10 October 2016, "the versatile potential of the diaspora in facilitating the growth of Latvia, international visibility and strengthening modern Latvianness would be most effectively employed, by drafting a strategic document on Latvia and Latvians across the globe, instead of squeezing these goals into a general, so-called integration framework." In its letter, the ELA urged to foresee a clear and authoritative delegation of responsibility regarding diaspora matters within the Cabinet of Ministers, as well as to ensure cross-sector coordination of diaspora matters at a high level (for example, within the framework of a high-level Diaspora Affairs Council within the Prime Minister's office), which would render a comprehensive outlook on the various aspects of the diaspora policy.

FORECASTS AND RECOMMENDATIONS FOR THE UPCOMING YEAR

Co-operation with the Latvian diaspora to a certain extent is a matter of Latvia's national security and economic development, even if at the first sight it does not appear that way. As suggested in this article, the diaspora can play an important role in supporting the efforts of the Latvian government to ensure security guarantees to our nation by the international community. At the same time, according to a number of studies, the diaspora of Latvia can significantly contribute to the economic growth of Latvia, for the achievement of which it is necessary to develop an effective, goal-oriented strategy of continued co-operation and communication. To promote effective co-operation, diaspora organisations, for their part, are calling to define a clear delegation of responsibility for diaspora policies within the Cabinet of Ministers and to ensure effective policy coordination between institutions involved in their implementation.

The political upheaval in many European countries, the exacerbated migrant crisis, terrorist attacks on European soil, as well as the vote of the United Kingdom to leave the European Union present important challenges to the foreign policy and security for the European Union, as well as for Latvia and the Latvian community in Europe.

The lack of clarity regarding the foreign policy course of the President-elect of the USA Donald Trump after assuming the post in January 2017 suggests that organisations representing the Latvian community in the USA, such as the American Latvian Association, the Joint Baltic American National Committee, the Baltic American Freedom League, etc., together with the foreign affairs authorities of Latvia have extensive work ahead of them in representing and protecting the interests of Latvia in communication with the new US administration. To expand the moral rights of US nationals of Latvian extraction to call for greater engagement of the USA in the strengthening of security of the Baltic States, given the occurring changes in the US government, it is critically important for Latvia to uphold the commitment to fulfil the NATO member states' treaties, in particular as regards to the increase of the Latvian defence budget to the threshold of 2 % of the GDP as defined by NATO.

To promote the involvement of Latvian diaspora in the economy of Latvia, building on the experience gained at the first three World Latvian Economics and Innovations Forums, it is necessary to develop a comprehensive strategy for engaging the Latvian diaspora in Latvia's economic growth, based on the best practices of other countries, and taking into account Latvia's economic priorities. It is also important to set priorities, delegate responsibilities, and provide the necessary resources to implement the above-mentioned strategy aimed at promoting transfer of knowledge and cooperation between Latvia and Latvian expatriate entrepreneurs and professionals.

The involvement and support of the Ministry of Foreign Affairs deserves a very positive assessment as regards WLEIF succession measures, however, to achieve the

maximum result, it would be necessary to ensure much more active involvement of institutions directly in charge of Latvia's economic development, such as the Ministry of Economics and the Latvian Investment and Development Agency. In this respect, the WFFL has urged the Prime Minister of Latvia to activate the Advisory Council of Diaspora entrepreneurs, which was created in 2015, as a platform for sharing insights and recommendations between the Latvian diaspora entrepreneurs and professionals and the Latvian government. To ensure sustainable co-operation, it is essential to implement "smart, proactive and consistent communication", which would be aimed at promoting co-operation and involvement in economic growth processes of Latvia.

To strengthen civic engagement among recently emigrated Latvian nationals, it is necessary to continue the existing support programmes to strengthen the capacity of diaspora organisations. The hundred-year anniversary of Latvian independence, the celebration of which will start already in 2017, offers an excellent opportunity to address those individuals of Latvian descent living across the globe, who have, due to one reason or another, at some point lost their contact with the Latvian State, Latvian society and the Latvian culture. This is an opportunity to take advantage of this celebration to enhance affiliation of Latvian nationals living abroad to Latvia and engagement in its life.

ENDNOTES

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⁴ *Latvijas emigrantu kopienas nacionālā identitāte, transnacionālās attiecības un diasporas politika*, <http://migracija.lv/>

⁵ I. Mieriņa, M. Kaprāns, I. Koroļeva, *Eiropā dzīvojošo Latvijas valstspiederīgo pilsoniskā aktivitāte: Analītisks ziņojums*, 2016, 38.

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⁸ I. Mieriņa, M. Kaprāns, I. Koroļeva, *Eiropā dzīvojošo Latvijas valstspiederīgo pilsoniskā aktivitāte: Analītisks ziņojums*, 2016, 30.

⁹ Ibid., 28.

¹⁰ Ibid., 24.

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¹² "Premjers: "Gribu tevi atpakaļ!" akcija ir laba, bet ne visiem Latvijā būtu ko darīt," *LSM*, 22.07.2016., <http://www.lsm.lv/lv/raksts/latvija/zinas/premjers-gribu-tevi-atpakal-akcija-ir-laba-bet-ne-visiem-latvija-butu-ko-darit.a193130/>

¹³ Inta Mieriņa, *Prezentācija Amerikas latviešu apvienības 60. Kongresā*, 2016.

LATVIAN FOREIGN AND SECURITY POLICY RECOMMENDATIONS FOR 2017

The *Latvian Foreign and Security Policy Yearbook 2017* gives a chance to the most renowned analysts and experts in Latvia to express their conclusions about the events in 2016, as well as to offer their suggestions and recommendations for 2017. The Latvian Minister of Foreign Affairs was quite optimistic in his address about global and Latvian challenges, indirectly suggesting that the perceived danger in the current world can be misleading. Because of these unknown and deceptive circumstances, 2016 was, and 2017 will be a challenge to Latvia's international maturity in both, foreign and domestic policies. Now, Latvian society must stand up for the values and principles to which it strived at the collapse of the Soviet Union, and which have become part of every day life. According to Edgars Rinkevics, Latvian domestic relations and foreign activities should remain "focused on the preservation of fundamental democratic values, including the rule of law and human rights."

The authors of the book provide their vision on Latvian foreign and security policy tendencies in 2016 within a framework of particular topics. Each author offers not only a general assessment of situation and Latvia's performance, but also sets out a line of practical, specific recommendations that should be taken into account by policy makers. Hence, it is important to highlight Ojars Skudra's stark outlook on the geopolitical situation and where Latvia and the EU might find themselves in 2017, especially considering the French election. The author draws parallels of direct influence to the June 2017 Municipal elections in Latvia. "With regard to the political situation in Latvia, which undoubtedly reflects the foreign policy of the country, it can be expected that the Union of Greens and Farmers and 'Harmony' will strengthen their positions in city councils, which might lead to an increased pressure of Russia to achieve re-organisation of the Latvian government to include representatives of 'Harmony.' Therefore, we can surely expect that Russia's media, but not only, will be actively participating in the discussions of pre-election campaigns." Skudra warns that the Latvian national election and the strengthening of pro-Russian contingents could seriously challenge the way Latvia is perceived by its NATO and EU partners.

Imants Liegis made similar appeals to political parties to be responsible towards Latvian national interests and geopolitical destiny, writing about Latvia's geopolitical space, and Ieva Bloma examined Latvian interests in the EU. Liegis highlights that "Latvia has regrettably been grouped with Bulgaria, Slovakia and Hungary as a country prone to Russian influence, so it is important to take active measures that help to refute such allegations and recognise the hybrid warfare elements of Russia's actions." It is especially crucial considering the announcement of US Vice President Joe Biden in Riga regarding the necessity to reform the legal system and fight corruption in Latvia. Bloma reminds the reader that "[i]n defining Latvia's interests in the EU for 2017, we must keep in mind that *action within the European Union is an extension of interests of internal politics*. [...] [And u]nder circumstances when political developments in other countries, namely, their attitude towards consistent abidance by principles of democracy and human rights, results of national elections etc., can radically affect further development of the EU as an economic *or* political project, it is important for Latvia to ensure strict abidance by these principles [...]" Accordingly, the authors confirm the concerns expressed by the Foreign Minister Rinkevics that in these unclear circumstances it is important for Latvia to continue on its democratic course based on human rights and values of freedom and thereby clearly identify itself as a part of the Western world.

The most important aspect of Latvian geopolitics is the current security situation. This refers to both foreign and domestic security and the ability to respond to the challenges of strategic communication and terrorism. Liegis, the former Minister of Defence, emphasises several important points for Latvia in 2017: "First and foremost, no efforts should be spared to ensure that the decisions of the Warsaw NATO Summit are implemented. [...] [And t]here should be absolutely no political backsliding in devoting 1.7 % of GDP [and 2 % in 2018] to defence." These suggestions should apply to integrating Latvian and NATO armed forces, including creating integrated teams and control centres, and to the providing NATO forces with access to the territory of Baltics. Furthermore, the author examines the necessity of strengthening civilian defence capabilities by increasing the number of National Guard and army reserve officers and incorporating lessons from neighbouring countries' experience in civilian information. "Lithuania has published and distributed a civilian instructions manual about measures to be taken by civilians in the event of a military attack. Perhaps Latvia should do likewise."

Additionally, Nora Vanaga suggests promoting Latvia's security using similar arguments: "[A]t a national level, a comprehensive approach must be implemented in Latvia in enhancing societal resilience. National security is a vast combination of inter-sectorial measures, which provides that the education, information, and involvement of as vast part of society as possible in the state defence is not only in the competence of the defence sector but also that of domestic affairs, education, culture and other sectors, and that a comprehensive approach is required." The author also stresses that the Baltic states should develop their own defence capabilities and seek cooperation in the intelligence sphere and improve early warning systems in the Baltic Sea Region.

Vanaga also points out that “it will be necessary to implement joint strategic communication from NATO through to the national level of member states by employing political and military instruments.” This sentiment echoes the detailed analysis of Martins Vargulis regarding challenges to strategic communication in 2017. The author suggests that “At the state level, closer ties must be promoted with non-governmental organisations, experts and other parties of influence, which represent and/or affect the public opinion. [...] At the state level, uniform position/narratives must exist regarding security-related matters. [...] [Foreign] Manipulative activities [...] can be successful if an alternative position is not proposed at a state level.” The security expert emphasises that military communication must be engaging and ensure consistent promotion of Latvian state in order to avoid widespread dissemination of pseudo-news. Vargulis also points out that “[j]ournalists’ competence must be improved in security-related matters: not only concerning the current national defence affairs, but also regarding developments in the international security environment and their impact on national security.”

Peteris Veits discusses the importance of strategic communication within the context of the threat of terrorism. “The Ministry of Defence should identify those aspects of combating hateful propaganda in the digital environment and social media, which are shared by terrorist organisations and security services of aggressively inclined states. Taking into account the identified capabilities, the Ministry of Defence and the Ministry of Foreign Affairs must assess the already developed resources, which Latvia with minimal investments can offer to the initiatives of combating international terrorism [...]” Overall, the author concludes that there is a low threat of terrorism in its most common form. However, that is not to say that Latvia shouldn’t prepare and improve its domestic security against such perils, especially because this does not refer only to activities of *Daesh*. For example, “The Ministry of the Interior should assess how the initiatives of co-operation between operational agencies in combating international terrorism could offer a broader contribution to fighting organised crime in Latvia. [...] [Meanwhile] the Ministry of Justice must formulate the national position on data security and privacy, as well as include consultations of experts from private and academic sectors in the formulation of the position, by balancing economic considerations of security and sectoral development.” These specific recommendations demonstrate the need to acknowledge that without incorporating information about threats that have been identified by other countries, Latvia’s weaknesses can be exploited by various actors.

With regards to the multicultural dimension of Latvian foreign and security policy, it is crucial to mention Latvia’s membership in the EU. The EU is a direct extension of Latvia’s internal processes and Latvia is a deeply integrated country both politically and institutionally. Latvia is a part of the core EU – Eurozone – states, which in 2016 maintained a strong consensus. Including the resolution of the Greek crisis, Eurozone countries had a relative consensus on many questions on the EU agenda, although

the different opinions within the EU as a whole were more evident than before. 2016 also brought the continuation of the refugee crisis and a British vote favour of leaving the EU. Although the UK's decision currently seems to have brought the other 27 members closer together, the impact that Brexit might have on the European and Latvian economy remains to be seen. In her article, Bloma provides a detailed analysis of this problem and stresses the necessity for Latvia to carry out timely calculations in preparation for hard negotiations.

The lengthy and complicated decision-making process in the EU often creates the illusion that unity among the bloc's countries is almost impossible. Furthermore, the undiplomatic and even inconsiderate public rhetoric of the President of European Commission Jean-Claude Juncker, especially near the end of 2016, have contributed to growing concerns of unpredictability and apprehension. EU citizens may not notice that some of the gravest problems in 2015, such as migration and Eurozone debt crisis, have lessened as the EU has found solutions, at least in the short term. This proves that the EU is able to collectively solve problems and the hard-line stance of politicians in many EU countries, including Latvia, is devastating.

It is evident that EU member states have moved away from recent ideas of federalism to understanding of the EU as an inter-governmental organisation. This sentiment is not new and has been seen before in EU history. The willingness by many countries to slow down European integration does not imply an immediate renouncement of the achievements. Rather, it means that the rapid changes experienced by the EU in less than ten years have caused incomprehension and confusion. Many politicians across the Union now abuse this confusion. Governments need to explain the importance of the EU in the lives and value systems of their citizens in order to confront these challenges.

The EU long ago stopped being a foreign policy issue and has become a collective decision-making process over domestic processes and regulations in member states. Because of this, according to Bloma, in order "to effectively ensure [...] links between Latvia's domestic policy situation and interests and the state's planned activities within the EU, it is recommended to plan the latter separately from traditional foreign policy activities. [There is need for a] clearer conceptualisation of the direction of Latvia and the European Union, resulting in the very necessary bond between the national action policy of Latvia and EU's policies." Specifically, the author mentions the necessity of examining the conclusions regarding the EU from the Annual Foreign Policy Report of the Minister of the Foreign Affairs, and discussing it in a separate document providing a conceptual analysis of each issue. The researcher argues that this is very important, as, in some EU states and neighbouring countries, democracy is "backsliding" due to the growing influence of populist and Eurosceptic parties.

In 2017, populism and Euroscepticism will be the main challenges for the EU as a whole and for Latvia as an EU member state. The issue of migration and refugees was moved to the background in 2016, after 2015 it became one of the central causes for

pronounced disagreements and block building tendencies in the EU. Even though the stabilisation of Syria and resumption of governance in some North African countries are still unsolved issues, the influx of refugees has decreased. Aldis Austers examines this phenomenon, coming to the following conclusion: “The decision of the government of Latvia to support the EU resettlement programme and not to join the Visegrad Group in blocking this programme was a correct one. From the viewpoint of Latvia’s interests, it is important to support such solutions that reduce the tensions between Member States and allow Latvia to position itself as a reliable partner. [...] The fleeing refugees [in 2016] have placed Latvia in a rather unflattering situation. This is an indication of that solidarity in admitting asylum seekers cannot be a mere formality, but instead we must seriously think of ways of organising refugee integration in society of Latvia, by reducing social prejudice and allocating sufficient funds for the refugees to be able to sustain themselves until they find permanent means of livelihood.” Thereby, Austers confirms through a detailed analysis that the EU has the capacity to solve every issue that it meets. Taking into account the working principles and the institutional construction of the EU, it is often impossible to come to the immediate decisions often demanded by the society if the challenges are of exceptional shape or size. The EU is able to solve problems at home, but the development of a high-quality solution and democratic implementation take time. This should not be forgotten when thinking of the largest current challenge – Brexit.

When considering Latvia’s relations with its neighbouring states, first and foremost we must discuss Andris Kudors prognosis for Latvian and Russian relations prognosis in 2017. Kudors concludes that “[a]t a level of bilateral relations, Latvia must continue along the golden mean between a normative and pragmatic foreign policy, while maintaining economic co-operation in the spheres, in which it is not bound by Russia’s political demands towards Latvia. Overall, in the upcoming years, Latvia and the other Baltic countries in relations with Russia must arm themselves with strategic patience and try to avoid that in 2017 and 2018 Russia in the Baltic States creates a gap in the joint foreign policy wall of the EU.”

The author considers the damaging impact of Russian propaganda and disinformation on democracy and security situation in the Baltic states to be the main challenge for Latvia in 2017. He is straightforward pointing out that “Sometimes, Russian propaganda reaches the audiences of Latvia due to journalists’ lack of professionalism. There are two professional associations of journalists operating rather as trade unions and not as promoters of media quality. The National Electronic Mass Media Council (NEMMC) works according to its abilities; however the institution lacks media monitoring capacity. It would be useful to create a media ombudsman in Latvia, who, among other things, would perform a media monitoring function.”

This argument is supported by concerns expressed by Vargulis: “It is expected that the deployment of allied forces can become “a hot potato” in the Russia’s information

campaign. It cannot be ruled out that various means and possibilities will be sought to denigrate the allied forces, thereby demonstrating that their activities in Latvia are illicit, undignified, escalation-promoting and inconsistent with international agreements.” The central conclusion is that the battle for the hearts and minds of Latvian society cannot be limited to the Latvian speakers. Neglecting the Russian-speaking community may have dramatic consequences, by not providing adequate opportunities to create a sense of belonging in Latvia for all residents.

Two other neighbouring regions slid into stagnation or even consolidation of *status quo* in 2016 despite recent changes: the Eastern Partnership and Central Asian states. Gunda Reire concludes, that “the EU has lost impact in the region by not taking into account Russian geopolitics pursued by the Eastern Partnership countries. Geopolitical tools in many cases have proven to be more effective as an opportunity for europeanisation, [hence] [...] the EU must be able to incorporate Eastern Partnership countries into the framework of cooperation to offer more europeanisation. Free trade agreements and visa-free regimes are good steps forward in this area.” The author stresses that the Association Agreements are starting to lose their capacity to promote reform in the EU neighbour states, noting that the EU must find a solution for ratification of Ukraine’s Association Agreement in 2017.

Gunta Pastore draws similar conclusions regarding europeanisation in Central Asian countries. Among her numerous conclusions, the author indicates that considering current tendencies, “[a]t the EU level, Latvia should continue to be active in policy formulation. Latvia should continue to advocate for more realistic EU policy in the region, and should prioritise goals that suit everyone’s interests.” She argues that bilaterally, Latvia should promote economic diplomacy with Central Asian states and support its entrepreneurs entering markets of the region. Furthermore, despite severe competition in the Baltic region, Latvia could also be competitive in the transit of Central Asian goods. The events in 2016 have given extra hope for closer cooperation with Kazakhstan and Uzbekistan in particular, and successful Latvian Parliamentary diplomacy will be crucial in 2017.

Latvian diplomacy has attempted to spread further east in the last few years to China. 2016 has been a year of intensified cooperation with China, in which the “16+1” summit, according to the authors Maris Andzans and Una Aleksandra Berzina-Cerenkova, was Latvia’s main foreign policy event: “Latvia’s role in the “16+1” format intensified cooperation with China across different fields. It has given boost also in some economic cooperation spheres, such as trade, transport, and tourism.” Simultaneously, the authors predict that 2017 will not be as successful, and they are convinced that Latvia will not be in the centre of “16+1” cooperation format. Therefore, Latvia’s central task in 2017 is to balance the currently disproportionate situation in economic cooperation and ensure Latvian companies’ access to the Chinese market. The promotion of transit and intensification of people-to-people contacts are also priorities. Andris Maldups article further examines Latvia’s potential in the transit sector.

Latvia's trade and entering new markets, including China, is a new challenge that will supplement and change Latvia's trade and service sector in the future. Currently, the Latvian economy is still relatively regionalised and competition for a share of the EU internal market is ongoing. In this context, Latvia's economic diplomacy capacity is very important. Analysing Latvian external economic policy, Peteris Strautins concludes that "The external economic policy of Latvia generally serves well to achieve our country's growth objectives. [...] At the same time, we could definitely wish for more resources allocated to this sphere, bearing in mind the role of external communications in our economy. [...] If we look at the locations of IDAL representative offices on the world map, it becomes apparent that there are countries and regions, in which it would be reasonable to establish more of them." Strautins refers to Latvia's economic openness and the ability to convince consumers in other regions of the world to purchase Latvian produce. Importantly, Latvia's image and place in the international arena and international production chains are crucial in this context.

Morten Hansen analyses the most evident event in Latvia's economic policy in 2016 – joining the OECD: "With accession to the OECD on 1 July 2016, Latvia has managed yet another and deeper level of integration into a select group of prosperous, free market democratic countries and this is indeed to be welcomed, for this is where Latvia belongs." Hansen highlights that the OECD is an important tool for Latvia's further growth, especially considering that it is a new mechanism for exerting peer pressure on Latvia's reform process. At the same time, the expert suggests that it is crucial in 2017 to address the tax collection problem and tax structure, which currently benefits people with high income and fosters poverty. The poverty rate is an important element in defining access to the labour market. Hence, taking into account the Latvian demographic situation and the consequences of emigration, it is necessary to minimise structural unemployment by providing employees with new training opportunities. Hansen points out that education must be universal, and in this case, OECD membership and its recommendations could prove useful. The author reiterates that the World Bank and European Commission have indicated deficiencies in Latvia's education system for many years, limiting a more successful utilisation of the local workforce. Membership in the OECD repeatedly demonstrates the need for external expertise and support for the governmental sector in the implementation of structural reforms in Latvia.

Hansen also recommends reorienting Latvia's economic activity from more risky to more stable markets. This approach is supported by Maldups' analysis of Latvia's transit sector development where diversification attempts are most visible. "[...] it is already clear that efforts must be continued to diversify cargo flows, attract higher added value cargoes and acquire new markets, as well as seek new clients. The main emphasis will be placed on China, attraction of cargo from and to China. [...] [Also a]ctive work must be continued on attracting investments in ports, aviation and ground logistics centres. It is necessary to consolidate the capacities of various sectors and design the broadest

possible integrated offers with the objective of stimulating the development of vast value added services, distribution services, import, storage, packaging, assembly of goods and even manufacturing services.” The valuation of the transport sector expert directly marks the overall changes to Latvia’s foreign economic activity domain. The traditional Russian market is increasingly replaced by new cooperation partners and clients beyond the region due to limitations caused by sanctions and embargo.

Substituting the Russian market takes place not only in trade and transit—for a long time it has been present in the Latvian energy sector. Liberalisation of the Latvian natural gas market and joining the Northern power circuit were measures intended to diversify the energy market and promote the safety of deliveries. Juris Ozolins, however, points to new possibilities and necessities for Latvia in 2017 that are linked to the growing importance and popularity of new technologies and renewable resources. The author writes that “[r]enewable energy is not exposed to any financial, economic, or energy crises. Unlike oil or natural gas, increased usage of renewable energy resources does not increase the price of the resource. Quite the contrary — technologies are becoming cheaper. The prime cost of sun, wind and water as raw materials is close to zero. Furthermore, integration of renewable energy in the market causes a demand for educated and qualified human resources — both ‘white’ and ‘blue’ collar specialists are needed, thereby creating jobs and fostering economic growth.” The former Energy Minister of Latvia outlines a number of practical steps that should be implemented by Latvian diplomats in 2017, with the aim of continuing to promote the country’s energy security. Besides, “[i]t must be ensured that the process of the United Kingdom withdrawing from the EU [...] do[es] not change the functioning of Networks of Transmissions System Operators [...] and of the internal market. [...] The Cabinet of Ministers must develop a platform for minister accountability and co-operation in line with the European Commission format for the realisation of European Energy Union principles. [...] [While] the Ministry of Foreign Affairs must be the leader in overcoming the next barrier in a near or more distant future within the OECD — it will have to promote the accession of Latvia to the International Energy Agency (IEA).” At the same time, Ozolins notes that the US Embassy is the most important tool to trace the expected US position in relation to climate policy issues and world tendencies.

After the 2016 Presidential election, the US has become an unknown factor not only in relation to climate change and new energy technology domains, but also in regards to the European security framework and world trade principles. The US Embassy is not the only player in Latvian diplomacy relating to the US and its President-elect – an important player is the Latvian diaspora in the world, and in the US in particular. There are several elements that must be taken into account considering cooperation between the Latvian state and Latvians abroad. One of the most obvious examples mentioned in Ilze Garoza’s analysis is: “to define a clear delegation of responsibility for diaspora policies within the Cabinet of Ministers and to ensure effective policy coordination

between institutions involved in their implementation. [...] [I]t is necessary to develop a comprehensive strategy for engaging the Latvian diaspora in Latvia's economic growth, based on the best practices of other countries, and taking into account Latvia's economic priorities. [...] [In addition the hundredth anniversary of Latvia] offers an excellent opportunity to address those individuals of Latvian descent living across the globe, who have, due to one reason or another, at some point, lost their contact with the Latvian State, Latvian society and the Latvian culture."

Although the events of 2016 create a great deal of uncertainty for 2017, the analyses of the authors of this Yearbook demonstrate that Latvia is aware of challenges and opportunities provided by international commitments and partners in multinational organisations and bilateral relations, and purposely attaches itself to the Western world. From the perspective of the Foreign Affairs Committee of the Latvian Parliament, Ojars Eriks Kalnins acknowledges that: "The last 25 years have demonstrated that the Latvian desire for freedom, independence, and stability is stronger than ever. Security is a necessity for survival, but it must stand on principle. Our future depends upon our ability to constructively cooperate with all those who share our values and principles, and our ability to coexist with those who do not."

Lolita Cigane, the Chairperson of the European Affairs Committee of the Latvian Parliament derives to similar conclusions regarding the work of the Committee in 2016: "Although the spectrum of opinions also at the European Affairs Committee of the Parliament regarding EU policies and their effectiveness is vast, however, the general view remains unchanged of that the EU is an important development guarantee for us, within the core of which we wish to exist." Cigane's article proves the ability of politicians from all Latvian political parties to be leaders of the country and society when it comes to fundamental international matters for Latvia. Even more – the administrative apparatus and officials successfully used to opportunity to set the EU agenda in the first half of 2015, which will still resonate in 2017. "Today, we can appreciate that the presidency of Latvia triggered EU responses to the analysed significant challenges in many spheres, at the right time and with the right force," says Cigane.

Summarising the authors' conclusions it is possible to outline the main themes of Latvia's foreign and security policy in 2017:

- **Security.** The priority of security is an irrefutable task for Latvian foreign, domestic, and defence sectors. This theme includes strengthening the integration of Latvian and NATO military forces, primarily by implementing the decisions of the NATO Warsaw Summit and ensuring the defence expenditure reaches 2% of GDP in 2018. This theme also refers to relations with the Baltics' strategic partner – the US – and domestic security, including averting terrorism-related occurrences.
- **Cooperation.** The further development of the EU project is more crucial than ever. Latvia's task is to be an active and supportive partner in solidarity with both further integration within the Economic and Monetary Union and European Defence Union,

and regarding the economic challenges, consequences of mass immigration, and the challenges posed by Brexit.

- **Boldness.** In 2017 this will apply to the further development of suitable relations with China, and also to relations with Russia. The new security environment will provide new opportunities and it is necessary to improve relations with this neighbour following the increased presence of NATO partners in Latvia, the military capacity building on a national scale, and the arrival of the new Russian Ambassador. 2017 will bring new attitudes that will require the resumption of pragmatic relations with Russia.
- **Initiative.** Latvia must both address some of the most burning issues of the EU and assume leadership in promoting the Baltic union. Latvia is in a natural position to promote cooperation between the three Baltic States and strengthen their position on the international stage. The first specific initiative in this sphere is the creation of the Baltic Fund between the Parliaments of the three states. This initiative would provide financial support to promoting Baltic societal and cultural excellence in the world.
- **Information.** In addition to strategic communication, this theme includes public diplomacy, the involvement of NGOs, entrepreneurs, and diaspora in promoting the image and recognisability of Latvia in the world, as well as the domestic explanation of various processes. This theme plays a crucial role in ensuring the participation and involvement of Latvian society. Only an informed society with a shared understanding can jointly support the implementation of common goals and the achievement of common targets.

Latvian foreign and security policy in 2017 will face many challenges. These challenges, however, are identifiable. The aim of the authors of the *Latvian Foreign and Security Policy Yearbook 2017* was to uncover some of these challenges. The analytical assessment provides recommendations and contributes to the discussion on Latvian foreign policy interests and goals while also engaging the society.



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