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The Latvian Foreign and Security Policy Yearbook 2018 aims to contribute to the understanding of Latvia's foreign and security policy decisions and considerations in 2017, as well as assess the opportunities and concerns that await Latvia in 2018. During the past year Latvia saw considerable improvements in its security situation, while simultaneously met with new international and regional challenges. 2018 promises to be a similarly dynamic year full of opportunities and tests. Latvia will have to make brave and strong choices in its foreign and security policy.

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Editors: Andris Sprūds, Ilvija Bruģe

Authors: Māris Andžāns, Kristiāns Andžāns, Aldis Austers, Reinis Ābolstiņš, Una Aleksandra Bērziņa-Čerenkova, Sintija Broka, Ilvija Bruģe, Kārlis Bukovskis, Alina Clay, Lolita Čigāne, Mārtiņš Daugulis, Justine Elferte, Ilze Garoza, Ojārs Ēriks Kalniņš, Andis Kudors, Imants Lieģis, Žaneta Ozoliņa, Gunta Pastore, Diāna Potjomkina, Edgars Rinkēvičs, Uģis Romanovs, Ojārs Skudra, Andris Sprūds

Project coordinators: Ilvija Bruģe, Sintija Broka

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FOREWORD

Andris Sprūds, Director of the Latvian Institute
of International Affairs; Professor at Rīga Stradiņš University

The Latvian Foreign and Security Policy Yearbook is an annual publication in which the Latvian Institute of International Affairs continues to evaluate Latvia's international challenges and choices, to inform the public and to make recommendations to foreign policy makers and decision-makers. The year 2017 has been dynamic and challenging. Latvia has strengthened its security within the Euro-Atlantic community. In accordance with the decisions of the Warsaw Summit, NATO's multinational forces were deployed in Latvia and the other Baltic States. Latvia has fostered regional cooperation with its neighbouring countries within the framework of the EU and NATO. At the same time, pro-active policies have included support for the Eastern Partnership countries and cooperation with the Central Asian countries. The identification and development of opportunities in the general direction of Asia has continued.

However, the transformative global and regional environment is a clear challenge for Latvia's foreign policy. The last year has displayed the international and regional challenges Latvia will have to face in 2018. The Euro-Atlantic community has generally overcome the acute phase of the crisis. The wave of political populism has been slowed down through very significant elections in France and Germany. Despite Donald Trump's pre-election criticism of NATO, the United States has been sticking to its commitment to strengthen security on the Alliance's eastern flank. At the same time, Euro-Atlantic solidarity is no longer self-evident or carved in stone. Countries often have different positions regarding external threats, security promotion measures, relations with neighbouring countries, migration problems and large infrastructure projects. Europe continues to face the geopolitical ambitions of the great powers, in the first instance those of Russia. Latvia has tried to demonstrate its willingness to engage in dialogue with its largest neighbour, but relations with Russia have remained complicated. Disinformation campaigns have become an integral part of international relations.

We continue to believe and emphasise that the external and security policy begins with organising one's own home. The Euro-Atlantic area is a community of like-minded people, but the different approaches and challenges within it require a forward-thinking, smart and also rather flexible strategy. The most important thing for Latvia is to ensure its political, economic and social stability. The Saeima elections in 2018 will be an important benchmark for further successful development of the nation, especially in the context of the centenary celebrations of Latvia. Integrating society and building intrinsic trust is a continuous goal. Strategic communication is becoming increasingly important both externally and internally. Only a confident, secure and integrated country will be able to take advantage of full participation in Euro-Atlantic structures and implement a proactive foreign policy.

The Latvian Foreign and Security Policy Yearbook 2018 aims to provide an assessment and explanation of the challenges for Latvia's foreign and security policy in 2018. The publication analyses the events and decisions of 2017 and seeks to highlight Latvia's foreign and security policy scenarios and recommendations for 2018. Partnership and cooperation are essential to achieve a successful outcome. The Yearbook 2018 reflects the importance of cooperation – it has gained a lot due to the enthusiasm of our Latvian experts to share their views and suggestions. We are grateful for the support of the Saeima and the Foreign Affairs Committee and the European Affairs Committee in particular, which have made significant contributions and rendered support to the foreign policy research and public information. Their support has enabled us to publish this in two languages, as well as organise several regional debates with representatives of the Saeima with the aim of informing the public about different points of view and positions on important foreign policy issues. We have productive and mutually beneficial cooperation with the Ministry of Foreign Affairs, which enables a bridge to be built between policy-makers and stakeholders. The sustained and generous support provided by the Friedrich Ebert Foundation has also been irreplaceable. The Foundation has repeatedly demonstrated its commitment to promoting intellectual debate and exchange of views at national and international level, which has been an indispensable contribution to creating a stimulating and informed debate among decision-makers, experts and the wider public in Latvia. Finally, this publication benefits from a reader who is interested in understanding the challenges and perspectives that determine Latvia's ability to implement successful foreign and security policies in a complex regional and international environment. Similarly, to the previous year, 2018 will bring many challenges, complex decisions and opportunities. Latvia's centenary is a testimony to our ability to overcome difficulties and defend our interests internationally.

ADDRESS BY THE MINISTER OF FOREIGN AFFAIRS

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

The priorities of Latvia's foreign policy are aimed at the strengthening of Latvia's national interests – security and the welfare of its citizens – in a constantly changing and dynamic international environment. Following global development trends, Latvia strives to keep intact the core of the country's national interests in its foreign policy. Firstly, it is international order based on universal values and the international rule of law, as it forms the basis for Latvia's independence and sustained security. Our country is a full member of the Western system, with its inherent belief in the values of a democratic and rules-based state – humanism, rationality, secularism, the rule of law, human rights and democracy.

Latvia strongly advocates respect for international law, as it reflects a common understanding among the countries about all the applicable “rules of conduct” that contribute to predictability and, therefore, to stability and security.

This yearbook marks the most important foreign policy aspects for Latvia at a time when the celebrations of Latvia's centennial anniversary are underway. The events in Europe and throughout the world in 2017, the high-speed technological developments and accompanying social changes, as well as the finest details of Latvian history, have once again proven the necessity to establish close and strong alliances with countries that have a similar understanding of universal values and norms. Therefore, the global and European security architecture – the UN, NATO, the EU, the OSCE, the Council of Europe – best serves our external and security interests, as does the fact that the countries of the Baltic Sea Region have developed strong regional and bilateral cooperation.

Thus, alongside global governance based on values and international law, our independence and security is fostered by a strong European Union and Euro-Atlantic cooperation with the US and Canada in the area of security and economy. Latvia stands for a strong, united and free Europe, because it is an integral part of the existing international order. Latvia should be at the core of the European Union, not at its periphery. In order to achieve closer integration, we support a focus on closer cooperation in the areas of defence, internal security, energy, transport,

the strengthening of the euro zone and the convergence of living standards in the European Union, or the so-called cohesion policy. We support serious reforms within the European Union by actively participating in their formulation and implementation.

Latvia is located in the Baltic-Nordic region. It is in our interests to use the Baltic-Nordic Cooperation (NB8) and to enhance the effectiveness of the European Union in areas where these countries have a common and close political vision. This is a format offering good opportunities for deepening cooperation with other European regions, including the Benelux countries. The shared security interests of the Nordic-Baltic Eight include the need for a long-term vision of the United States' and the United Kingdom's involvement in the security of the Baltic Sea region.

Due to NATO's ability to provide territorial defence to the allies and the positive influence of the European Union on the political and economic stability of the continent, Latvia's security is currently at a higher level of quality than ever before throughout the entire century of Latvia's history. At the same time, there are continued threats and challenges to Latvia's security and national interests. These include the current aggressive foreign policy of the Russian Federation, the instability of the international system, illegal migration, international terrorism, which is also present in the Baltic Sea Region, and the threat of the proliferation and use of weapons of mass destruction.

At present, there is no evidence to suggest that positive changes could take place in Russia's foreign policy in the long term. Latvia is interested in a dialogue with Russia, based on unconditional respect for the ten principles of the Helsinki Accord, rather than the creation of new principles. Latvia believes that relations with Russia should be based on the two-track approach: deterrence of Russia's aggressive actions (NATO's presence in the region, sanctions, diplomatic pressure on international organisations) and establishing a dialogue on issues of mutual interest (the NATO-Russia Council, bilateral formats).

The concept of threat has evolved in scale in the 21st century, and we cannot focus only on military challenges, economic and financial crises. The functioning of modern societies depends on the overall resilience of society to external influences, the quality of the protection of information transmission systems, the security of critical infrastructure, as well as public media literacy.

Information and communication are integral parts of modern international conflicts. Information warfare is a special hybrid threat through which, using various propaganda and manipulative techniques, public opinion on socio-economic, political and identity issues is being affected. Latvia's ability to deal with hybrid threats is as important as the military capabilities of the state.

Changes in the structure of the global economy pose one of the biggest challenges to Latvia's foreign policy. The world business environment is currently changing

dramatically due to the rapid economic growth of Asian countries and regions. Latvia must be able to help its businesses find export opportunities in non-traditional markets and attract investments to increase labour productivity, strengthen the hi-tech economy and raise innovation capacity.

It is important for Latvia's security and prosperity that the regions which are geographically close and significant to the country and the European Union are safe and predictable. One of the best foreign policy instruments for this task is the development cooperation policy. In this respect, the priority regions of Latvia in development cooperation are the Eastern Partnership countries and Central Asia. Our experts help improve the capacity of public authorities in the Eastern Partnership countries to promote democratic participation, enhance regional policy and strengthen exports. In the Central Asian region, the focus of Latvia's development cooperation is on strengthening the justice and home affairs systems thereby improving the security of those countries' borders.

In its relations with the Eastern Partnership countries, Latvia supports the necessity to provide a clear eurointegration perspective for the countries which, in accordance with Article 49 of the Treaty of Lisbon, wish to join the European Union. So far, Ukraine, Georgia and Moldova have shown an active interest, and these countries need to undertake reforms to bring them closer to the European Union standards, and to be politically, legally and economically compatible with the European Union. Emphasis is placed on respect for the general principles of democracy and human rights, while taking into account the specific character of the development of each country. The European Union Association Agreements are seen as a motivating and effective preparatory tool in this context. Latvia, in cooperation with the Eastern Partnership countries, is in favour of respect for the principle of flexibility or the creation of a differentiated approach for each Eastern Partnership country, as well as for the establishment of individual forms of co-operation with the countries that have not expressed their wish to join the European Union. At the same time, Latvia strongly advocates the right of the countries themselves to choose their foreign policy course and resist any outside attempts to impose opinions on their future development.

The Ministry of Foreign Affairs is grateful for the long and successful cooperation with the Latvian Institute for International Affairs. One of the results of that cooperation is this yearbook, which offers a compilation of analytical articles and ideas for the successful implementation of Latvia's foreign policy, prepared by the leading Latvian foreign policy research institute. This volume confirms that the basis for Latvia's prosperity and security is the international order underpinned by the principles of international law and democratic values, in which Latvia actively participates. In this engagement, Latvia is a country rooted in Western values and culture, and committed to defending both its own interests and those of its allies.

LATVIA – KEEPING THE FAITH WHILE STAYING THE COURSE

Ojārs Ēriks Kalniņš, Chairman of the Foreign Affairs Committee, Member of the Parliament of Latvia; Chairman of the Political Committee of the NATO Parliamentary Assembly

Foreign policy is not entirely a matter of faith, but it's a necessary starting point. Faith in institutions, agreements, treaties, laws, and the commitment to abide by them is a must in any country's foreign relations. Of course, all of that can go up for grabs when the leaders, governments, and societies you deal with change their attitudes or change the rules. Resilient foreign policies must be prepared to adapt to whatever comes their way, but they cannot lose sight of basic principles. For Latvian foreign policy at the juncture of 2017/2018, multilateralism is that guiding principle that demands both faith and a firm commitment.

MAKING THE MOST OF MULTILATERALISM

Like the rest of the world, Latvia faced many international uncertainties in the beginning of 2017, yet in most cases our faith in our international commitments and institutions remains unshaken. NATO and the European Union continue to serve as Latvia's most important international assets, and while both have weathered challenges of their own, they continue to serve the purposes for which they were created. They represent the kinds of common values, goals, and concerns which are paramount in Latvia's national interests as well. That's the reason we joined.

Latvia's commitment to a strong NATO and European Union applies equally to the close cooperation we encourage between these two vital organizations. The division of labour between the soft and hard power these alliances wield is one of the advantages of belonging to both. If used properly, these two organizations can

help a country like Latvia achieve its economic, security, social, and diplomatic goals. If they help others do the same, the organizations grow stronger and everyone benefits.

Both NATO and the EU have demonstrated that the whole can be greater than the sum of its parts, which makes them even better equipped to distribute benefits to each member state. Both will always be works in progress and will encounter inevitable ups and downs, but in the end, it's up to each member state to decide how best to use the benefits that come from cooperation. Latvia recognizes that the whole needs to be healthy and united to better serve all its various parts, which is why the strength and resilience of NATO and EU will remain top foreign policy priorities in 2018.

SHAKEN BUT NOT BROKEN

In the beginning of 2017 many predicted that the departure of the United Kingdom from the EU would shake and possibly break the EU. Populism, nationalism, and xenophobia led to the emergence of new parties across Europe, while a new administration in the US began to question the benefits of its strategic relationship with the EU.

Elections in the Netherlands, France, and Germany demonstrated that majorities in these countries still had faith in the values of the EU. Pre-election hyperbole in the US has given way to a more pragmatic approach to US-EU relations. While most European voters indicated a willingness to stay the course on the EU, it was also recognized that adjustments needed to be made. Populist politics, driven to exacerbate problems rather than resolve them, made inroads in many parliaments; the causes and remedies for this viral threat to European unity must be addressed – nationally, at home, and collectively, throughout our region.

Latvia cares about what happens in Europe because Latvia shares in everything that happens in Europe. Full engagement in all aspects of European Union policy and politics is a must, and has been a Latvian priority since we joined. Even before handling the EU Presidency in 2015, Latvia contributed ideas to the Union and its various councils, while placing experienced personnel in the secretariat of the European Commission. Latvia and its people have a stake in the future of the EU.

BUILDING A FUTURE FOR EUROPE

Jean Claude Juncker's Five Scenarios for the EU offered a variety of institutional remakes that continue to be debated across the EU. They range from 'do nothing' to "do everything" but a consensus, as usual, indicates that the future nature and scope of the EU lies somewhere in between. Latvia has yet to take a firm position on any scenario, nor should it, since Juncker's scenarios are simply a starting point for a lengthy discussion. They are not final results that need to be voted on up or down. It is highly likely the EU's final decisions will be a synthesis of various overlapping proposals.

Latvia simply needs to be fully engaged in the decision-making process to maximize its various EU-driven economic, security, social, and political benefits. It needs to inform and involve the public of policy risks and benefits, and must seek a balance between sovereignty and solidarity that preserves our identity while strengthening the bonds between us.

We have believed in the European Project since its inception and after 14 years of membership, we are convinced that together, EU countries can better tackle global problems such as terrorism, uncontrolled migration, and climate change. Both solidarity and synergy are prerequisites for energy efficiency and security. And despite a natural diversity of interests and attitudes, broad-based unity can be achieved on important issues.

SECURING THE NEIGHBORHOOD – EASTERN PARTNERSHIP AND BEYOND

We believe the EU can be improved and expanded. Enlargement fatigue will prevail in the coming years, but it should never exclude potential members in the future. Since one of the priorities of the EU is enhancing security within its borders, pursuing the same in neighbouring regions only makes sense. For this reason, the Eastern Partnership Program must be continued, expanded where necessary, and adjusted as needed. The future of the EU depends on the future of the wider Europe around it.

Countries such as Georgia, Ukraine, Moldova, Armenia, Azerbaijan, and Belarus have all indicated a willingness to work with the EU, and some even seek future membership. In 2017, the EU's External Action Service developed a detailed plan to enhance these partnerships. It includes 20 Deliverables for 2020 which put words into action and allow each partner country to tailor its needs, interests,

and capabilities to what the EU has to offer. Given Latvia's geographic proximity, cultural familiarity, and hands on experience, it has taken a leading role in helping realize the goals of the Eastern Partnership. This remains a top priority in 2018.

DEVELOPING A COMMON DEFENCE AND SECURITY SPACE

In addition to the five future scenarios, the European Commission has also developed another three proposals for a common EU defence and security policy. This is welcomed as a necessary response to a long-recognized need for increased European defence capabilities, expenditures, and commitments. EU member states in NATO have always been aware of the disparity between European and US contributions to NATO. Presidents George W. Bush and Barack Obama both pressed NATO allies to increase military spending. President Donald Trump simply turned the 2 per cent GDP budget pledge into a reality show headline that has forced Europe to sit up, take notice, and seriously address all aspects of its defence capabilities and readiness.

The European Commission's Reflection Paper on the Future of European Defence offers three scenarios which can be summarized as Ad Hoc, Shared, and Common. As in Juncker's Future of Europe scenarios, the first proposal pretty much maintains the status quo and allows each EU member state to contribute where and when they choose. The second scenario calls for shared security and defence, greater financial and operational solidarity, and joint planning and command structures. The third proposal seeks greater integration of defence forces, as well as pre-positioned, permanent EU forces, and sounds the most like a European army.

The concept of a European army goes hand in hand with a totally federalized European Union, and both are viewed with scepticism by many EU states and have been rejected by the Latvian government. Latvia welcomes European strategic autonomy and closer defence cooperation within the EU, but draws the line at policies that would threaten the subsidiarity principle enshrined in the Treaty of the European Union. Latvia's foreign policy makers agree that European countries should do more on defence and security, but must not overstep the bounds set in the Treaty, and must avoid duplication of NATO's functions and capabilities.

THE COMING OF AGE OF NATO

For Latvia, NATO continues to be a success story, primarily because it has demonstrated its ability to respond to a new age of threats and security challenges.

If Russia's 2014 illegal annexation of Crimea and military intervention in Eastern Ukraine presented NATO with its greatest challenge ever, the Wales and Warsaw Summits rose to the occasion with concrete steps to provide all NATO member states with reassurance and deterrence from further Russian aggression. In 2017 we saw NATO's Enhanced Forward Presence arrive in the flesh (and armour) in Latvia, Lithuania, Estonia, and Poland.

Over 3,000 troops and dozens of planes from over 22 NATO member states have demonstrated their readiness to defend NATO's borders in the Baltic Sea region. While the number of troops is largely symbolic, the large number of countries involved sends a powerful signal to anyone foolhardy enough to challenge Article 5. The multinational nature of these battalions also promotes closer integration and cooperation between European and North American armed forces. This is invaluable experience on several levels.

Latvia's gratitude to Canada goes beyond this North American ally's decision to head the 7-nation battlegroup that is stationed in Latvia. We welcome Canada's continued engagement with Europe in all its aspects, and in 2017 we were the first EU member state to ratify CETA, the Canadian-EU trade agreement. It should not be forgotten that Canadian troops have defended Europe in two world wars and has always shared linguistic, cultural, and economic interests with Europe. It is a timely reminder that Europe has two North American partners in the Transatlantic Alliance.

And despite early anxiety over the Trump Administration's commitment to this Transatlantic Alliance, 2017 has demonstrated that the United States remains a global strategic partner for Europe. This is particularly true for the Baltic States. In December 2016, 15 Baltic parliamentarians met with 17 US Senators over a two-day period, during which common positions on all key defence and security issues, including Russia, were robustly reinforced. Throughout 2017, Baltic presidents, as well as defence and foreign ministers had frequent meetings with their American counterparts. US-Baltic relations have never been stronger and continue to grow.

SHARING THE BURDEN

Nevertheless, burden sharing remains one of NATO's greatest challenges in 2018 and beyond. Years of underinvestment in defence has eroded Allied forces and shifted the burden of responsibility for security and defence from the many to the few. This is neither fair nor sustainable. Growing international security threats demand that we not only spend enough on defence, but that we spend it wisely.

In 2018 we will continue to face a wide range of challenges. A resurgent Russia continues its campaign to alter the rules-based Transatlantic security architecture in its favour. It has been undermining democracy by spreading disinformation and interfering in free and fair election processes across Europe and in the United States. In addition, instability in the South continues, posing a direct threat to NATO Allies and partners. Domestic terrorism has swept through the heart of Europe and brutal attacks have taken lives in cities across Europe.

NATO has reacted to these threats with the Wales Capability Pledge which commits to the spending of 2 per cent GDP on defence by 2024 and 20 per cent of defence spending on innovation, research, and development, as well as the purchase of new equipment. However, contrary to some misleading interpretations, the 2 per cent goal is not enshrined in NATO's Treaty. It is a pledge. Nevertheless, we must also re-evaluate our contributions to collective defence missions and operations as a part of the broader project of ensuring readiness and collective defence.

And yet, we cannot lose sight of the importance of diplomacy, economic aid, and political instruments to advance security and stability in the Euro-Atlantic space. These non-military components of peace and security are often overlooked and undervalued. However, they cannot replace the necessary hard tools that are necessary.

In addition, we must better communicate the differences between cash, capabilities, and contributions in the burden sharing debate. If a country spends 2 per cent of GDP on defence but commits 70 per cent of that to salaries and benefits, its capabilities may fall far short of a country that spends 1 per cent on equipment. Others who fail to meet the 2 per cent guideline may contribute greater resources and larger contingents to NATO operations. Input is important, but output is even more so. Latvia will fulfil this 2 per cent pledge in 2018 but has been an active participant in several NATO operations from the moment it joined in 2004.

REGIONAL RELATIONS REMAIN ON A BALTIC-NORDIC TRACK

When Latvia joined the UN in 1991, its first diplomats in New York were faced with a mountain of paperwork and a labyrinth of policies that required votes that its fledgling Foreign Ministry had little time to prepare for. Within days, an informal Baltic-Nordic working group was formed at the UN and Baltic diplomats relied on their Nordic colleagues for guidance. While Latvia now shapes its own UN policies, this Nordic-Baltic cooperation has continued for the last 27 years in a multiplicity of formats.

The Nordic-Baltic Eight (NB8) has been one of the most successful in promoting cooperation and information exchange at government and parliamentary levels. Faith in this format has remained strong and continues to provide a constructive forum for regional discussions that often impact EU and NATO decision-making.

Other Nordic-Baltic venues, such as the Nordic Baltic Business Forum, which was held in Riga in October 2017, also promote greater cooperation in the pursuit of innovation, trade, and business development in the region. Also in 2017, the Baltics Dynamics Conference for science and technology parks, innovation, and research centres has expanded its scope and been renamed the Nordic-Baltic Dynamics Conference.

The Council of Baltic Sea States was formed in 1992 and continues its 26th year of activity under the Swedish Presidency in 2017–2018. Former Danish Foreign Minister Uffe Elleman-Jensen, who was one of the founders of the Council, went on to establish the Baltic Development Forum in 1998 and continues as its honorary chairman. Geography may help shape common security interests, but longstanding cultural affinities have accelerated cooperation in education, science, environmental concerns, and political alignment.

All the various formats for Baltic cooperation, the most prominent being the Baltic Assembly and Baltic Council of Ministers, continue to provide Latvia, Lithuania, and Estonia with various avenues of cooperation. Baltic organizations in turn have constructive working relationships with other regional groups, including the Visegrad 4, Bucharest 9, the Baltic and Black Sea Alliance, and the Benelux countries.

LOOKING EAST AS WELL

In the summer of 2017, three Chinese war ships entered the Baltic Sea for the first time. They were there to conduct joint exercises with the Russian navy, as part of a bilateral agreement in place for over a decade. Any concerns over this action were

quickly allayed when China used this opportunity to also conduct manoeuvres with NATO ships, and spend three days on a courtesy visit to Riga. Latvia's excellent relations with China, especially in trade and transit, can also be extended to Latvia's growing ties with regional powers such as Japan and South Korea.

In addition, Latvia continues to expand trade, assistance, and cooperation with Central Asia, especially Uzbekistan and Kazakhstan. China's One Belt, One Road project, as well as its 16+1 program, offer new economic opportunities across a wide swath of countries. Latvia finds itself ideally situated to take advantage of its strategic location in these ambitious projects. Here too, Latvia has taken a leading role in promoting EU relations with these important regions.

100 YEARS AND COUNTING

As Latvia prepares for the 100th anniversary of its declaration of independence in 1918, the lessons of the past must be the building blocks of a prudent strategy for the future. While emotionally essential, it's not enough just to remember and ceremoniously celebrate our nationally monumental events; while honouring our past, we need to understand its lessons: how we achieved our independence in 1918, what undermined it during World War II, what restored it 27 years ago, and what threatens it today.

The survival and prosperity of a country the size of Latvia depends on a multilateral system that works in its favour. And it will only work in Latvia's favour if it works in everyone's favour. All for one and one for all must be more than a slogan.

The pre-war rise and humble fall of the League of Nations in no way suggests that today's UN, NATO, or the EU are doomed to failure. Just the opposite. It shows how much more can be accomplished if a majority of the world's nations work together. Successful individuals learn from their failures and countries should as well. Our ability to address global problems depends upon the strength and resiliency of the multilateral institutions we belong to. The problem is not the organizations. It's how they work. And that's something the world needs to work at.

Latvia's first period of independence lasted only 22 years, and was followed by 50 years of repressive occupation by the Soviet Union. Since the restoration of Latvia's independence in 1991, Latvia approaches its 100th anniversary with 27 years of restored independence to build on. The last 14 of those have been as a part of NATO and the European Union, two multilateral organizations that serve as a foundation of Latvia's foreign and security policies. Latvia continues to have faith

in both these organizations and is committed to making them work. Our recent accession to OECD membership further expands our access to multilateral problem-solving in the economic sphere.

As we approach 2018, Europe and the world continue to face up to new challenges: the Catalanian crisis in Spain, policy differences between Hungary, Poland, and Brussels, and of course, the ongoing agony of Brexit. Little progress has been made in resolving conflicts in the Middle East or SAHEL region, uncontrolled migration continues to test the mettle of European governments and societies, and North Korea's Kim Jong-un keeps rattling his nuclear sabres as US President Donald Trump rattles back.

The only rational response to these other challenges is international cooperation and national resilience. For Latvia, it means keeping the faith in the international instruments we have joined and working harder to help them realize their maximum potential.

Staying the course is a nautical metaphor which works well in Jean-Claude Juncker's faith that "the wind is back in Europe's sails." The singer/songwriter Donovan once lamented the hopelessness of "trying to catch the wind," but then again, maybe Donovan wasn't a sailor. The forces that drive the future of Europe can't be contained, but they can be navigated if everyone on board shares an interest in reaching a common destination.

LATVIA IN THE EUROPEAN UNION: FROM AN EXISTENTIAL CRISIS TO FRESH WIND IN ITS SAILS

Lolita Čigāne, Chairperson of the Committee for European Affairs,
Member of the Parliament of Latvia

Following the British vote in June 2016 for exiting the European Union (EU) and the election of a new populist President of the United States, Donald Trump – a supporter of protectionism and the reduction of US global responsibilities, tumultuous clouds gathered over Europe, ahead of several major elections in 2017. The upcoming elections in the Netherlands, France, and Germany had raised questions about whether Europe would witness the victory of populism and protectionism by giving leadership to voices that oppose closer European integration. While waiting for the results of the elections, an alarming aspect emerged – growing publicity about third-country interference in US electoral processes, as well as in the British and Dutch referendums, and their possible intentions to influence the outcome of the French and German elections.

In 2017, Europe had already overcome the major migration crisis of 2015, however, internal and external security issues were high on the political agenda, and defined the domestic political debate in those countries hosting the largest number of asylum seekers and refugees. From the perspective of European politics, these topics are relatively easy to sell to the public, creating prejudices and dislike towards EU policies with ‘Brussels always to blame’. Towards the end of 2017, it must be concluded that the elections of this year have demonstrated the ability of the EU to resist populism. With economic growth as a backdrop, “the wind is back in Europe’s sails,” according to the President of the European Commission, Jean Claude Juncker.¹ This is a radically different assessment in comparison to his speech of 2016 that stated that the EU is in an existential crisis.²

In 2017, the Saeima Committee for European Affairs also closely followed developments in the EU, both observing and analysing the political processes and their impact on Latvia, as well as continuing work with specific policies – examining and approving the position of Latvia in the European Council.

EU EXTERNAL SECURITY

An Inclusive Approach to the Solution of Migration Issues

To the surprise of some observers, the EU's High Representative for Foreign Affairs and Security Policy, Federica Mogherini, put forward the Global Strategy for the European Union's Foreign and Security Policy (EGS) for approval by the European Council on June 28th, 2016, immediately following the Brexit vote. At the time, it probably appeared that the future of Europe was at stake, but the Europeans were looking into the distant future. However, this approach fully justified itself and allowed Europe to focus on the main issue - what future the EU Member States would forge for themselves, without allowing the Brexit process to dominate their future and debates. This strategy has played a crucial role in reducing migratory flows and was important both from the point of view of internal security and the policy topics of the EU countries.

The strategy highlights the pragmatic approach to tackling the EU's security challenges, emphasising that security in the EU is naturally affected by the security situation outside the EU, directly and specifically feeling the consequences of an unstable security situation beyond the EU's borders. F. Mogherini: "A fragile world calls for a more confident and responsible European Union; it calls for an outward and forward looking European foreign and security policy. This global strategy will guide us in our daily work towards a Union that truly meets its citizens' needs, hopes and aspirations; a Union that builds on the success of 70 years of peace; a Union with the strength to contribute to peace and security in our region and in the whole world."³

This realisation reflects a significant change in the EU's approach to addressing migration issues – in fulfilling its international obligations to host refugees and asylum seekers, Europe must also work on the sources of migration. War, violence, persecution, as well as economic hopelessness, a lack of education and life prospects, as well as climate change, are causes for intensive migration flows into EU Member States. The EU has also acknowledged that the low proportion of returning migrants, i.e. their further stay in the country even without refugee status or alternative status, acts as a magnet for illegal migratory flows.

In order to facilitate a return, the European Council concluded that there was a need for cooperation with specific countries of origin or transit of migration, focusing on the rapid and swift return of ineligible migrants, as well as the cooperation among EU Member States in their relations with the countries of origin. The EU determined that the framework for migration issues should be implemented in the African countries of Ethiopia, Mali, Niger, Nigeria and Senegal. Cooperation has also intensified with Afghanistan, Bangladesh, Egypt, Libya and Pakistan. For example, in the Sahel region⁴ the EU promotes internal security and development.

As part of the EU Trust Fund for Africa, 169 contracts have been signed so far, for a total of over € 1.2 billion, which is intended to support job creation or provide basic social services for the local population.⁵

In combating non-regulatory migration and enhancing security, the EU's Common Security and Defence Policy (CSDP) missions and operations have been strengthened in the region. The EU has deployed CSDP missions (Operation Sophia and EUBAM Libya, as well as missions to the Sahel region: EU CSDP mission in Niger, EU CSDP mission in Mali and EUTM in Mali) to combat smuggling of migrants on a wider scale. In the framework of mission Sophia, 117 people have been arrested, suspected of smuggling and trafficking humans, 478 smuggling vessels seized on the high seas at Libya, while 24,000 civilian and military security forces have been trained under the Sahel missions.⁶ Under these missions and operations, Latvia is currently participating in EUNAFFOR MED Sophia with one National Armed Forces (NAF) officer and EUTM Mali mission with three NAF soldiers.

In the framework of these missions, support for border control and training, and military and security advice is provided to the countries concerned; the mission experts work towards ensuring a sustainable rule of law by institution-building that strengthens the local capacity to create conditions for a safer environment, as well as economic growth and prosperity.

The Activities by the European Border and Coast Guard Agency (Frontex) in Countering Challenges Posed by Migration

Since the establishment of Frontex in 2004, its duties have been to promote, coordinate and develop integrated border management, but Frontex has had a limited role in supporting Member States in managing their external borders. The migration crisis sharply revealed the limitations of Frontex's capabilities – limited resources in terms of personnel and weaponry, restricted authority to initiate and implement operations for return or border management. Similarly, Frontex did not have a direct mandate for search and rescue operations. All of these circumstances prevented Frontex from fully addressing emergency situations, such as increasing migration pressures at the external borders of the EU Member States in the event of any Member State being unable to cope with migratory pressures.

In 2015, the European Commission proposed the creation of a European Border and Coast Guard Agency on the basis of Frontex. The proposal envisaged the introduction of supervisory duties and the 'right to intervene' at border situations requiring urgent action; similarly, it was foreseen to extend the powers of the Agency with regard to the processing of personal data, as well as to strengthen the

guarantees of fundamental rights and transparency. The text of the Regulation, agreed by the Council and the European Parliament, extended the Agency's mandate with respect to return operations, migration management, fighting cross-border crime, and search and rescue operations. The safeguards of fundamental rights and the overseeing of the Agency by the Council and the European Parliament were strengthened. If a Member State refutes the Council's decision to provide assistance, thus jeopardising the whole Schengen area, the other EU Member States may temporarily reintroduce internal border controls. The Regulation was signed on September 14th, 2016. The new European Border and Coast Guard Agency was launched on October 6th, 2016. It is anticipated that the Agency could have around 1000 employees by 2020, doubling the current budget of Frontex (from 176 million euros in 2016 to 320 million euros in 2020).

Frontex continues to provide local operational support to the Member States in the field of border management, deploying 1,700 border guards and other staff at various EU external borders. There are still some resource shortages, partly filled by funds and border guards from host Member States with Frontex co-financing, but the practical contribution of other Member States is needed to protect the EU's external borders.⁷

Frontex support is provided to Greece, Italy, Spain, Bulgaria, as well as the Western Balkan region. In Greece, Frontex are implementing three different operations: the joint Poseidon operation has deployed 888 officials and the Greek police, and commissioned 280 security experts with the co-financing of the Agency. Different patrol vessels and equipment were also deployed. The Agency also supports Greece in border control activities through joint operations – Flexible Operational Activities and Contact Points - and currently it has stationed 52 officials and a number of vehicles and equipment along the Greek land borders with Turkey, Albania and the Former Yugoslav Republic of Macedonia. Operational activities in Northern Greece have improved border surveillance and prevent further movement beyond the regulatory framework. There are 31 officers at the Greek land border with Albania and the former Yugoslav Republic of Macedonia; by mid-September 2017, an additional 35 officers were required, and by the middle of October – 37.

Within the framework of joint operation Triton in Italy and in the Central Mediterranean, the Agency has deployed 407 officers, including crew members of the technical units, coordination staff and experts to assist in access of the hot spots. Three aircrafts, three helicopters, two off-coast patrol vessels, six coastal patrol vessels, one coastal patrol boat and 12 mobile offices are sent to the area.

The Agency continues to assist Bulgaria in controlling its land border, including the prevention of non-regulatory secondary movements. Support is provided through

joint operations, Flexible Operational Activities and Contact Points, along the Bulgarian land border with Turkey and Serbia, as well as relevant air operations. Currently, there are 126 officers stationed with six thermal imaging vehicles, 38 patrol cars, one CO₂ detector, 39 smart-deck cameras and three mobile offices. The Agency is also currently implementing three joint operations to assist the Spanish authorities in coordinated operational actions at the external maritime borders of the Western Mediterranean and the Atlantic (near the Canary Islands) to control inappropriate migration flows towards the EU and to combat cross-border crime. The joint operation Indalo 2017 has been in place since May 2017, and in August 2017, Joint Operation Minerva and Joint Operation Hera were launched. Currently, 193 officials are deployed in Spain for maritime operations, supported by two aircraft, one unmanned patrol and one coastal patrol boat. In order to help border management in the Western Balkans, 44 officers are currently stationed in other Member States. The most important deployment is carried out within the framework of flexible joint operation activities at the Croatian and Hungarian land borders with Serbia, as well as in land border contact points and focal points between the Member States and the relevant Western Balkan countries. There are 11 officers in Tirana Airport to help and advise local authorities on border control issues, and they are technically supported by four patrol cars.

Thanks to the large-scale events outlined above, migration flows to the EU have tended to decrease, in particular through the Central Mediterranean region. According to Frontex, the number of illegal border crossings detected in the first eight months of 2017 is two-thirds lower than in the same period of the previous year, decreasing to around 142,700. The migratory flows in the Central Mediterranean were 81 per cent lower in August 2017 than they were in August 2016. The flow of Eastern Mediterranean migration has been low since April 2016, with the Turkish authorities continuing to monitor border controls and blocking a significant number of people before their departure. However, the Black Sea migration route from Turkey to Romania and Bulgaria is intensifying and the flow of Western Mediterranean migration has increased, so it is clear that further efforts are needed to seek and refine solutions in this area. In the long term, Frontex operations, CSDP missions and operations, as well as relocation and accommodation activities will be of great importance, therefore Member States should continue to work on the reform of the Asylum Legislative Package and the strengthening of the Border and Coast Guard Agency.

The Saeima European Affairs Committee continuously follows the activities of Frontex. By approving mandates to express Latvia's position at the Council meetings, the Saeima European Affairs Committee approves the framework and objectives for the work of Frontex. On November 7th, 2016, during the visit of the members of the Saeima European Affairs Committee and the members of the Saeima Defence,

Internal Affairs and Corruption Prevention Committee to Frontex in Warsaw, the Managing Director of Frontex emphasised the importance of Latvia's contribution to Frontex operations. On average, around 200 experts (border guards, border control experts, cynologists, etc.) participate in various joint operations of Frontex throughout the year, which, according to the Ministry of the Interior, is quite high for the scale of Latvia. As a rule, Latvia also tries to find additional experts when there are special calls for contribution (for example, when the EU-Turkey agreement was concluded, Latvia sent its expulsion experts as well as convoy staff).

BREXIT

On June 23rd, 2016, a referendum on leaving the EU took place in the United Kingdom. The referendum was attended by 72.2 per cent of the voters, 51.9 per cent of whom voted for Brexit. On March 29th, 2017, the UK's government announced its secession in accordance with Article 50 of the Treaty on the European Union. As negotiations should last for at least two years, the United Kingdom could leave the EU by March 2019. At the same time, the EU and the United Kingdom can agree on extending the negotiation process, and it is highly likely that, given the complexity of the negotiations, they could last for much longer than two years.

The margin of the UK referendum between those who voted for secession and those who supported staying in the EU was not very large – 1.3 million votes out of a total of 46.5 million.⁸ Unfortunately, after the referendum, it was confirmed that the outcome of the referendum was determined by the mass media's misrepresentation and the inadequate explanation of the EU decision-making processes over the years. The Brexit decision was also a surprise for the citizens of the United Kingdom themselves. It is possible that the majority might have voted differently, as the supporters of the withdrawal had used false arguments to justify why Britain should leave the EU, for example, the claim that £ 350 million per week for medicine might be saved after the UK's secession from the EU. Following the referendum, this campaign was declared a 'mistake'.⁹

In the context of exaggerations by the UK's tabloid press regarding EU policies, the tendency of Member State political leaders to attribute the EU's successes to themselves, while blaming Brussels in cases of difficult decisions, and the EU's traditional practice to keep silent in order to avoid criticising the leaders of its Member States, the result of the UK referendum does not seem to reflect the voters' well-balanced and informed decision. For example, the second largest UK market research agency Ipsos Mori found in its survey that only 22 per cent of respondents

considered their knowledge about the possible consequences of leaving the EU “good or very good”. The question was also raised about the sources the respondents had obtained information from about the UK referendum – about 34 per cent named the BBC, 20 per cent indicated newspapers, 18 per cent were persuaded by family members, and 16 per cent referred to the social networks.¹⁰

Unfortunately, the BBC’s high-quality broadcasts about EU issues also created mainly negative sentiments. In its April 2016 report, Swiss human rights’ analysts Media Tenor concluded that only 7 per cent of the coverage by the BBC about the EU was positive, but 45 per cent was negative.¹¹ It was estimated that the coverage of the news about the EU was more negative than the reflection of the actions of Russian and Chinese leaders Vladimir Putin and Xi Jinping; even the Syrian dictator Bashar Al Asad received more positive coverage than the EU. In addition, most of the UK’s best-selling newspapers, such as The Sun, Daily Mail, Daily Telegraph and Daily Express, were overly anti-EU: typical newspaper headlines before the referendum included: “The EU is brainwashing our children”, “Now the EU wants to ban our kettles” and “Let’s get Britain out of the EU!”¹²

All the aforementioned leads to the conclusion that the majority of the public in the United Kingdom received biased, distorted and often false information about the EU. This is significant since it gives the impression that the result of the referendum may not have been in the best interest of the members of the referendum, and creates a nihilistic attitude towards democracy and decision-making through a referendum in general.

The process of Brexit is one of the most complex issues in the history of the EU. The Saeima European Affairs Committee follows the development of this issue by approving Latvia’s positions for the relevant EU Council meetings. Particular attention is paid to the status of Latvian citizens in the United Kingdom after the secession, as well as the issues of their residence and social rights. This could potentially be a lasting issue, given the rights to pensions, the right of permanent residence obtained in good faith and similar issues.

THE EUROPEAN SEMESTER – INTERNAL SECURITY DIMENSION

Since the creation of the single market, but especially after the introduction of the single currency, the economic link between the EU Member States has increased significantly. Economic difficulties, a recession, or even a crisis in one Member

State, especially within the Eurozone, as we witnessed in 2009-2014 could lead to a domino effect – doubts about the viability of the euro as a single currency. In order to coordinate the EU's policies, and in particular the economic policy of the euro area, Member States have agreed on the so-called European Semester. Within the framework of the European Semester, the compliance of national budgets with the requirements of the Stability and Growth Pact is assured, while limiting the desire for additional expenditures at the expense of the state budget deficit. For example, with regard to Latvia, the deviation from the budget deficit targets is restricted to implementation of pension reform and structural reform in the health sector.

Within the framework of the European Semester, a dialogue is underway between the European Commission and the institutions of the EU countries, which results in an independent analysis of economic problems, and targeted, specific recommendations for reform are being drawn up for each Member State, which marks the potential direction for addressing the problems identified. The aim of the European Semester is to promote sound budgetary policies, stimulate the implementation of the necessary reforms and facilitate investment attraction, thereby bringing economic conditions and cycles of economic growth closer within the whole of the EU, and in particular in the euro area.

In Latvia, in addition to the requirements of the Stability and Growth Pact, the national Fiscal Discipline Law helps to maintain a balanced state budget by setting limits to the structural deficit, pace of expenditure growth, and determines the medium-term ceilings in the state budget. The European Semester also gives the public administration and society as a whole the chance to develop a positive attitude towards fiscal sustainability, coordination of economic governance and the implementation of structural reforms. At present, discussions are taking place among EU Member States on the need to make country-specific recommendations more binding. Currently, implementation of these by any Member State is optional. Although having improved over the years, the progress of implementing recommendations is low.¹³

The European Commission has been assessing the progress of the implementation of recommendations in Latvia since 2012. During this time, Latvia has progressed broadly in the energy market, justice and higher education; the implementation of reforms in these areas continues; the government deficit has decreased, and fiscal discipline is being maintained. The necessary legal framework for reforms has been adopted in the area of insolvency and vocational training, which has yet to be successfully implemented. However, there are also a number of areas where results in the implementation of recommendations are insufficient: year-by-year a repeated recommendation is made to Latvia that it needs to improve both the adequacy of social assistance benefits and the availability, quality and cost-effectiveness of

the health care system, as well as increased involvement of the unemployed in the labour market, reform of the public sector and reduction of the tax burden on the workforce. In general, the recommendations of the European Semester to the Latvian state are an unceasing reminder to change and, to a certain extent, may be thanked for movement in the long-needed reforms in the health sector.

One of the possible reasons why progress is slow in the implementation of recommendations by Member States, is that reforms are long-term and national governments do not feel directly responsible for implementing recommendations. Through parliamentary overseeing of the European Semester, the Saeima European Affairs Committee, in cooperation with the Social and Labour Affairs Committee and Budget and Finance (Tax) Committee, analyses national progress and possible scenarios for future decisions regarding the problems identified in the country-specific recommendations, their implementation and possible future scenarios. The views of the European Commission, relevant sectoral experts, social partners and non-governmental organisations are considered.

The economic analysis carried out within the framework of the European Semester will greatly contribute to the assessment of the future situation regarding the tax reform currently being carried out in Latvia, and its impact on the achievement of the planned goals.

CONCLUSION

The year 2017 proved once again the viability of the EU: the benefits of collective action far outweigh the individual losses and the decision-making delegation at EU level. Clear evidence of this is the confusion among the political elite in the United Kingdom, with regard to the post-Brexit process, who are only now becoming fully aware of the areas in which the EU acts and the benefits this collective action provides.

Similarly, despite of, or rather thanks to, the policy of seeking agreement or consensus that sometimes raises criticism about the slow and ineffective decision-making by the EU, 2017 delivered some good news both about the future of the EU and the organisation's ability to act. Through joint concerted actions, the EU has succeeded in stopping migratory flows that threatened the internal and external security of the Member States. The EU has successfully overcome the effects of the British secession vote, maintaining unity and consensus, and preventing Brexit from dominating its agenda and avoiding the possibility that secession processes could start in other countries.

By the end of 2017, in the situation of a growing economy and global demand, the EU expects to be a leader of the democratic world in areas such as peace, stability and climate change management. Likewise, the EU has intrinsically shown the ability of the Member States to overcome populism and to continue the path of democratic, pro-European development. The year 2017 started with deep concern, but it ends on an optimistic note.

ENDNOTES

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- ¹³ In only 9 per cent of the suggestions for the EU Member states set out by 2016 a “complete progress” has been reached, in 15 per cent – “considerable progress”, in 43 per cent – “some progress”, 28 per cent – “limited progress” and in 5 per cent – “no progress”. Available: “2017. gada Eiropas pusgads: konkrētām valstīm adresēti ieteikumi,” Komisijas 2017. gada 22. maija paziņojums Eiropas Parlamentam, Eiropadomei, Padomei, Eiropas Centrālbankai, Eiropas ekonomikas un sociālo lietu komitejai, Reģionu komitejai un Eiropas Investīciju bankai.

LATVIA'S "DUNKIRK" YEAR

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

The film "*Dunkirk*" released in 2017 is a historical tale of survival and resistance. Pressed by the enemy from the East onto the beaches of Dunkirk in Western France, hundreds of thousands of British, French, and Belgian soldiers, protected by their French allies, survived the attacks and escaped to England. Latvia's Foreign Policy survived in 2017. Given ongoing apocalyptic predictions about NATO's war with Russia soon being sparked on Latvia's territory¹ and given that there are no signs of a lessening of tension with the Eastern neighbour, survival during 2017 was no mean achievement.

Drawing another parallel about "escapes", Latvia's integration into Euro-Atlantic structures ensures that today's "escape route" and protection are provided by NATO and the EU. Hence the survival of both institutions – something rarely questioned during the decade after Latvia's accession in 2004 – is existential to Latvia's foreign policy. Regrettably, Putin, Brexit, and President Trump have each in their own way contributed to destabilising these Euro – Atlantic structures. As Uffe Ellemann-Jensen neatly put it at the 2017 Riga Conference, we now have a new acronym to deal with – PBT (Putin, Brexit, Trump).

The success of survival in 2017 was the result of a consistent and determined foreign policy approach in Latvia over the course of the year. The shock and turmoil on the international scene as a result of the outcome of the Brexit referendum and the US Presidential election in 2016 was handled with *sang froid* and no loss of vision about national interests. French Presidential and legislative (and German Parliamentary) elections in 2017 counterbalanced the angst produced the previous year. The general mood in Europe was fortified by a sense of hope and optimism, even if this was tempered by a certain resurgence of extreme populism.

Against this background, I propose to describe two successful elements of Latvia's foreign and security policy during 2017 which contributed towards survival. These are the deployment of Allied troops to Latvia and Latvia's contribution to the

projection of strategic communication as an everyday phenomenon. They illustrate how a consistent and determined approach has paid off. But Latvia still needs to pay special attention to certain ongoing internal problems, given that “State capture” has been described as the second most serious threat to the country. Hence, I will also mention the lively public discussion on this topic which cropped up during 2017, given the implications for Latvia’s foreign and security policy.

NATO TROOPS ARRIVE IN LATVIA

The security and well-being of Europeans has been shaken over the past few years by Russia’s aggression and Islamic terrorism. As a result, many innocent lives have been lost. Latvia has continued to perceive Europe’s security through the 360-degree lens. Third party interference in European countries’ internal affairs and unexpected attacks by radical extremists spread their wings. Terrorism on European soil extended as far as Finland during 2017. Elements of Russia’s aggression through hybrid warfare active measures hit the French, and to a lesser extent German, elections. Regrettably, Russia’s actions during the last year failed to lessen the threat perception in Europe. Whilst the level of threat of military attack by a third party remained low, Latvia continued to place defence and security at the top of the foreign policy agenda. Hence the importance of ensuring that NATO’s 2016 Warsaw Summit decisions were implemented.

The most crucial decision at Warsaw related to NATO’s enhanced Forward Presence- the deployment of partner troops to NATO’s territory in Latvia, Estonia, Lithuania, and Poland. The choice of Canada as framework nation in Latvia has proved to be fortuitous. Not only has it re-enforced transatlantic links at a time when the Alliance’s other transatlantic partner has cast some doubt on the strength of these links. Canada’s lead role has also contributed to solidifying Latvian – Canadian relations. It was no coincidence that Latvia was the first country to ratify the EU - Canada Free Trade Agreement.

The significance of ensuring the deployment of troops in the Eastern flank should not be underestimated. Early 2017 was perceived as being a vulnerable period. Russia’s leadership was no doubt rubbing its hands in glee over Brexit and the Trump election victory. Concerns were prevalent about further potential Russian aggression during the US Administration changeover. Predictions began appearing about the election of Marine le Pen as France’s next President as a follow-on from Brexit and Trump. By mid-year, however, this sense of vulnerability had been lessened. A political revolution in France saw Emmanuel Macron elected as President. NATO solidarity had

manifested itself with the arrival of “boots on the ground” on the territory of NATO’s Eastern flank. This was the re-assuring message that was issued by NATO Defence Ministers at the end of June: “Today, we declare that (these battalions) are ready and able to deter and, if necessary, immediately respond to any aggression in concert with national forces underpinned by a viable reinforcement strategy.”²

The readiness to engage in defensive operations was clear. It provides a crucial assurance about the deterrence and defence of NATO territory. The Canadian led battalion in Latvia consists of troops from Spain, Italy, Poland, Slovenia, and Albania. Latvia continued to ensure logistical support for the presence of these troops. At the end of August, two new barracks were completed, offering accommodation for over 600 NATO and Latvian troops. The timing of the deployment of NATO partner troops to the Alliance’s Eastern flank was also an important signal for the joint Russian-Belarus exercise “Zapad 2017” in September. This robust Allied presence combined with ongoing exercises helped to increase confidence in Latvia and the region. Confidence was also bolstered by clear NATO messaging about Russia’s lack of transparency in conducting “Zapad 2017” and the rejection of Russia’s assertion about the number of troops involved being 12,700. As NATO Secretary General Stoltenberg said in the New York Times: “The lack of transparency increases the risk of misunderstanding, miscalculations, accidents and incidents that can become dangerous...” He called on Russia to “respect both the letter and intentions” of the so-called Vienna Document,³ which commits Russia and Western nations to report all exercises with more than 13,000 troops or 300 tanks and to allow foreign observers to monitor those that do.⁴

Latvia’s perception was that although the exercise presented no immediate military threat, activities relating to hybrid threats needed to be monitored, including aggressive propaganda, fake news, the manipulation of public opinion, and cyber-attacks. The fact that NATO’s Warsaw Summit decision about Enhanced Forward Presence troops was carried out within one year was a considerable achievement. Their arrival on Latvian territory and the provision of logistical support to receive them contributed to enhanced security during 2017.

STRATEGIC COMMUNICATION

When Latvia’s Defence Minister Artis Pabriks proposed to his NATO colleagues the idea of establishing a Centre of Excellence for Strategic Communication some 5 years ago,⁵ nobody then could have foreseen the extent to which this issue would henceforth impact the international relations agenda. Strategic communication and

its link to propaganda, the information war, media awareness, fake news and hybrid warfare have, since then, become everyday events. Just as the cyber- attacks on Estonia in 2007 were used to launch the NATO Cooperative Cyber Defence Centre of Excellence NATO, so too Latvia's considerable experience of being subjected to an ongoing information war contributed to building niche expertise on this topic. Latvia's focus on strategic communication as an element of hybrid warfare in recent years has been rewarded by this issue having an unprecedented international profile during 2017. Allegations about interference in the 2016 American elections continue to have profound consequences on the Trump administration. A focus on awareness and preventive measures to counter interference in French and German elections in 2017 appears to have been successful.

As Foreign Minister Rinkēvičs pointed out at the end of 2016: "The approach of NATO and the EU towards the problem of propaganda has at last radically changed and member states are actively searching for solutions in the form of counter-activities."⁶

There are two examples of the strength of Latvia's capability in the Strategic Communications arena being highlighted in 2017. The first relates to Latvia's expertise about strategic communication being taken up by the US Congress. On 28th June 2017, Jānis Sārts, Director of NATO Strategic Communications Centre of Excellence gave evidence on Russian Interference in European Elections to the US Senate Select Committee on Intelligence.⁷ He described tools used by Russia, highlighted some case studies and responses made and offered some recommendations to the Committee. Jānis Sārts was in the company of some top renowned academic experts such as Ambassador Nicholas Burns, Roy and Barbara Goodman, Family Professor of the Practice of Diplomacy and International Relations, from Harvard Kennedy School of Government; and Dr. Constanze Stelzenmueller, Bosch Senior Fellow Brookings Institution.

The other positive example of capabilities in the Strategic Communication field relates to some proactive measures which elicited an over-exaggerated, harsh response from Russia. In July 2017 NATO released on YouTube a short documentary film entitled "Forest Brothers – Fight for the Baltics."⁸ It gives an account of events when the Soviet Union re-occupied the Baltic States towards the end of the Second World War and interviews surviving Forest Brethren and their supporters who carried on resisting Soviet rule into the 1950s. The NATO narrative of the film describes it as follows: "After the Second World War, soldiers from across the Baltics who had fought on both sides of the war disappeared into the forests to wage Europe's bloodiest guerrilla war against the occupying Soviet forces. This short docu-drama includes interviews with former partisan fighters and those who supported them and dramatic battle scene recreations and interviews with modern-day Special Forces of

Lithuania, the direct descendants of the Forest Brothers.” The film would probably have passed unnoticed had not its release provoked a harsh reaction from Russia. As reported in the news agency Delfi,⁹ Russia’s Foreign Ministry Director of Press and Information posted a detailed criticism of the film on her Facebook account, calling on NATO to “end the attempts at falsifying history.” These comments illustrate that in this particular case, rather than Latvia having to deal with Russia’s criticism, this role could be taken on board by NATO.

Providing national expertise to the US Congress and cooperating in the pro-active measures of producing a NATO film about Forest Brethren are positive examples of Latvia’s strengths in strategic communications. They illustrate the high level of interest strategic communications attract in today’s international relations.

THE “HOTEL RĪDZENE” CONVERSATIONS

Latvia’s strengths in Strategic Communication can be matched by the strength and prowess of investigative journalism that exists. In some ways, both areas are serving as a form of Latvian “soft power”, given that this expertise is being used as a foreign policy instrument of skill sharing. The heinous car bomb killing of Malta’s top investigative journalist in October 2017 shows just how risky this profession can be. Some deft investigative journalism resulted in the publication by Latvia’s weekly journal “Ir” of conversations recorded at Riga’s Hotel Rīdzene during 2009–2011. The conversations showed attempts at “State capture”. They highlighted how political power was being subverted to serve certain elite business interests. The transcripts also drew attention to a high profile criminal case (known as “the oligarch case”) about bribery and the ownership of Riga’s Commercial Port. The case was subsequently discontinued as the Prosecution maintained there was a lack of evidence. Journalists questioned whether the criminal case should indeed have been dropped.¹⁰

Also referred to as the “oligarch transcripts”, the publications describe plans for manipulating political power by working on the dismissal of Former Prime Minister Valdis Dombrovskis and ensuring the election of a compliant President. Current Prime Minister Māris Kučinskis has clearly distanced himself from the whole episode and stated that Latvia’s Anti-Corruption Office should review the events.¹¹ Given the widespread public reaction to the disclosure of these transcripts, on 27th July Latvia’s Parliament voted by a huge majority (86 of 100 MPs) to set up a committee to probe why the “oligarch case” was dismissed before being brought to court and investigate public security risks that might be deduced from the conversations. The Committee hearings could well continue through to 2018.

Andrejs Judins, a top Latvian lawyer and one of the MPs represented on the Parliamentary Committee has stated that “State capture ...is the second most serious threat to the state after the brutal take- over of power, when someone simply comes and occupies. State capture can destroy Latvia.”¹² Corruption and State capture issues in Latvia sometimes have links with Russia and roots that go back to Soviet era practices. Indeed, some academics, such as Lithuanian defence expert Marjus Laurinavičs, point out that corruption is one of the Kremlin’s most effective weapons against the West,¹³ which is all the more reason for Latvia to tackle head on such issues as they can also be regarded as elements of Russia’s hybrid warfare.

SCENARIOS AND POLICY RECOMMENDATIONS FOR 2018

2018 will be the year of celebration for the Latvian State, as it marks 100 years since the country emerged from a war-torn Europe. This will provide important foreign policy opportunities both at home and abroad. It will also be election year. What can be expected and what can be done?

The past four years have provided political stability and foreign policy consistency. The recent challenges posed by “PBT” have been well met. The successful arrival of NATO allied troops on Latvian soil during 2017 should be re-enforced. The current stage of deterrence should be fortified by moving, together with Allies, towards deterrence by denial. This means keeping Allies focused on addressing air and sea capability shortfalls. The robust US military presence in Europe should be openly supported by Latvia. The concept of creating a regional “Military Schengen” zone should be actively pursued to help ensure the speedy movement of troops and equipment. This is particularly pertinent to the strategy of re-enforcement.

Given the political unity around allocating 2 per cent of GDP to defence in 2018, this promise to our NATO Allies should be strictly kept bearing in mind predictions of around 4 per cent growth. Resources need to be spent in a transparent and predictable way. Latvia needs to continue to develop and promote its strength in Strategic Communication. The Centenary celebrations will provide opportunities for positive messaging at home and abroad. The expertise and contacts developed through the Riga NATO Centre of Excellence should be expanded and linked to ongoing hybrid warfare issues.

Latvia’s electorate should actively participate in the democratic process of Parliamentary elections in 2018, keeping in mind lessons learnt from the work of investigative journalism and Parliamentary enquires into sensitive internal

questions. The electorate should also remember Latvia's foreign policy successes during not only 2017, but the last four years.

During his visit to Latvia in October 2017, First Vice President of the European Commission Frans Timmermans remarked that Latvia is increasingly becoming a Nordic country. Given the resilience and determination of Latvia's population, 2018 will not only be a year of survival. It will also be the celebration of 100 years' survival, as the nation moves further towards becoming a stable, reliable, and predictable Nordic-European country.

ENDNOTES

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- ³ "Vienna Document 2011," OSCE, 22.12.2011, <http://www.osce.org/fsc/86597>
- ⁴ Andrew Higgins, "Russia's War Games With Fake Enemies Cause Real Harm," The New York Times, 13.09.2017, https://www.nytimes.com/2017/09/13/world/europe/russia-baltics-belarus.html?mcubz=3&wpisrc=nl_todayworld&wpmm=1&_r=0
- ⁵ NATO Strategic Communications Centre of Excellence, 2017, <http://www.stratcomcoe.org/history>
- ⁶ "Rinkēvičs: NATO un ES propagandas jautājumā ir beidzot pamodusies," Nozagts.lv, 07.12.2016, <http://nozags.focus.lv/news/rinkevics-nato-un-es-propagandas-jautajuma-ir-beidzot-pamodusies?9647>
- ⁷ "Prepared Statement of Janis Sarts, Director of NATO Strategic Communications Centre of Excellence On Russian Interference in European Elections," United States Senate Select Committee on Intelligence, 28.06.2017, <https://www.intelligence.senate.gov/sites/default/files/documents/sfr-jsarts-062817b.pdf>
- ⁸ "Forest Brothers - Fight for the Baltics," NATO, 11.07.2017, <https://www.youtube.com/watch?v=hSrQFp7FF9c>
- ⁹ Danute Tomsone, Katrīna Žukova, Filips Lastovskis, "NATO veidota filma par mežabrāļiem izraisa Krievijas amatpersonas apvainojumu plūdus," Delfi, 14.07.2017, <http://www.delfi.lv/news/national/politics/nato-veidota-filma-par-mezabraliem-izraisa-krievijas-amatpersonas-apvainojumu-pludus.d?id=49043247>
- ¹⁰ "‘Oligarch case’ transcripts scandalize Latvia," LSM, 19.06.2017, <http://eng.lsm.lv/article/society/crime/newspaper-releases-oligarch-case-transcripts.a240141/>
- ¹¹ "PM urges restraint on ‘oligarch transcripts’," LSM, 20.07.2017, <http://eng.lsm.lv/article/politics/politics/pm-comments-oligarch-transcripts.a243921/>
- ¹² "Judins: Svarīgi atzīt – valsts nozagšana ir fakts," IR, 31.08.2017, <http://www.irlv.lv/en/2017/8/31/judins-svarigi-atzit-valsts-nozagsana-ir-fakts>
- ¹³ "Krievijas kleptokrātijas uzbrukums," IR, 29.09.2017, <https://irir.lv/2017/09/29/krievijas-kleptokratijs-uzbrukums>

LANDMARKS OF LATVIA'S FOREIGN POLICY IN THE CONTEXT OF DISARRAY OF POST-LIBERAL WORLD

Ojārs Skudra, Associate Professor at the University of Latvia

THE QUEST FOR LATVIA'S NATIONAL INTERESTS

Reflecting on the results of the 2017 parliamentary elections in the Netherlands, Britain, Germany, Austria and the Czech Republic, as well as the outcome of the presidential election in France, one can convincingly argue in favour of the assumption that clarifying national interests in a country's foreign policy and, even more so in internal politics, has taken prominence in election campaigns and, in particular, government-building, as clearly demonstrated by the political marathon of the coalition-building in the Netherlands. One might surely predict that the topic of national interests will not be neglected during the election campaign of the 13th Saeima in Latvia, not to mention the subsequent intrigue of government formation, which will be actively manipulated by the Russian media and its agents of economic and political influence in Latvia.

In 2017, the implementation of the foreign and security policy in Latvia in accordance with its national interests, was mainly carried out by Prime Minister Māris Kučinskis, Foreign Minister Edgars Rinkēvičs and Defence Minister Raimonds Bergmanis, to the extent of their mandate, available resources and capabilities. E. Rinkēvičs' annual report to the Saeima on the tasks accomplished in 2016 and future activities, states that, "the priorities of Latvia's foreign policy in 2017 will be the following: 1) to strengthen the external security of the country in close cooperation with NATO allies and partners in Europe; 2) to actively engage in building an effective, united and secure European Union; 3) to further promote stability and development in the EU eastern and southern neighbouring regions; 4) to promote the opportunities of Latvian companies in export markets and to promote attraction of investments; and 5) to support and maintain close links with compatriots abroad."¹ The text of the

report contains notions such as Latvia's "national capabilities", "national security", "national legislation", "national security interests", "its interests" and "the EU as a union of nations,"² therefore the priorities of Latvia's foreign policy should be regarded as a display of the national interests of the Republic of Latvia. E. Rinkēvičs, addressing the Saeima at its foreign policy debate, once again highlighted the priorities mentioned in the report, avoiding the EU eastern and southern neighbouring regions, suggested that dreams about a "federal Europe" be forgotten, and stressed that, "it is in the best common interest of Latvia and the whole European Union to have a strong and jointly working union of nations,"³ that has not yet transpired.

Less diplomatic formulations on the national interests of Latvia are the National Security Concept (Information Part), which can be found on the website of the Ministry of Defence of the Republic of Latvia, while the website of the Ministry of Foreign Affairs only offers the concept in its March 2011 version, which is very different from the current version of November 2015.⁴ The unclassified text of the Concept uses terms such as "national interests of Latvia", "national interests of the Latvian State", "effective protection of national interests" and, of course, "the national security interests of Latvia".⁵

As the concept says, "Latvia's participation in NATO, (as in the case of other Member States – O.S.), does not address all issues related to national security," however, "the guarantor of security and defence of Latvia is the NATO collective defence system", because, "the presence of allied forces," which became a permanent factor from June 2017, with the arrival of the Multinational Allied Battle Group in Latvia, is considered "the most effective solution to the military security and defence of Latvia," as "it ensures deterrence, closer integration with NATO defence structures and armed forces, facilitates the hosting of allied forces and their response if needed."⁶ The concept has a cautiously formulated position on the role of the EU in ensuring Latvia's national security. Regarding foreign economic policy and foreign investment control, it is particularly emphasised that for the government, "it is essential to continue to protect national interests effectively within the framework of the EU and the World Trade Organisation," which can only be achieved by ensuring "effective access to decision-making processes and tools for protecting economic interests."⁷

When identifying the national interests of the Republic of Latvia, it is also worth looking at the website of the Ministry of Foreign Affairs in the section dedicated to the tasks and activities within the government's action plan.⁸ The tasks and measures concern the "national and regional security of Latvia", "Latvia's national interests", "interests of Latvia" and "priorities of Latvia's foreign policy".⁹ "Representation of Latvia's national interests" in the WTO and EU should mainly be provided by the Ministry of Foreign Affairs, but, "the UN, the EU and NATO membership" should be used to "fulfil the interests of Latvia in the context of bilateral, regional and global

foreign policy challenges.”¹⁰ The Action Plan aims to “maintain a regular political dialogue with the EU and NATO Member States,” in order to “identify similarly minded countries in matters of importance for Latvia, to hold consultations with a view to better protecting the common interests within the EU and NATO.”¹¹ It is believed that the EU needs to be further developed, “as a strong community of nation-states,” more closely associated with the European Economic Community (EEC), and must be done while “protecting national interests,” supporting and promoting the “implementation of a common foreign policy, security, energy and single market policy and stability of the euro area,” continuing “active work on the development of the Economic and Monetary Union (EMU).”¹² Latvia’s national interests are also linked with the EU’s Digital Single Market Strategy and “further involvement of the USA in strengthening Latvia’s national and regional security,” promoting “the US military presence and participation in regular military exercises in Latvia and other Baltic States.”¹³ The Action Plan encompasses all the priority directions of the foreign policy of the Republic of Latvia, listed by foreign minister Rinkēvičs, but, as in the above-mentioned texts, does not mention further integration policies in the EU and the Euro zone or, conversely, the negative scenarios of fragmentation and ‘different speed tracks’, both in the EU and in the global ‘world order’, because, as the RAND researchers conclude in their collective study, “we may be reaching the natural limits of key elements of the liberal order – namely, the further liberalisation of trade and the active promotion of democratic systems.”¹⁴ American scholars define the international order as “the body of rules, norms, and institutions that govern relations among the key players in the international environment,” which nowadays “includes a complex mix of formal global institutions, such as the United Nations and the World Trade Organisation; bilateral and regional security organisations; and liberal political norms.”¹⁵ This understanding of order is nowadays not acceptable either for People’s Republic of China (PRC) or Russia, so they “demand that any order designed to reflect great-power interests respect their own local spheres of influence, whereas the United States views such spheres as a violation of key principles on which the order has been founded.”¹⁶ Although “the order is robust enough to sustain some negative impacts, if negative trends were to accelerate in all three sources of equilibrium – economic indicators, US leadership, and governing systems (via the rise of authoritarian populism) – at the same time, the order could sustain fatal damage.”¹⁷ The current post-World War II and post-1989 liberal world order is already challenged by the Sino-centric model, as well as, potentially, other counter models that would be formed on the one hand by “a coalition of states that embrace nationalist, protectionist, and xenophobic foreign policies directly counter to the internationalising and neo-liberal ideological assumptions of the current order,”¹⁸ but, on the other hand, types of the religious counter versions of order created by Islamic world leaders - Pakistan, Saudi Arabia and Turkey. In such a global context, one should always look at those echoes that have emerged both within the EU and in the EU-NATO, EU-US relations.

SECURITY OF EUROPE AND THE BALTIC STATES THANKS TO NATO OR "BEYOND NATO"

The definition of the problem is loaned from the title of the book *Beyond NATO. A new security architecture for Eastern Europe* by Michael E. O'Hanlon, research director for the foreign policy program of Brookings Institution.¹⁹ M. O'Hanlon proposes a politically, diplomatically and internationally legally constructed East European Security Architecture (AEDA), which would include the neutral sovereign states of Finland and Sweden, as well as Ukraine, Moldova, Belarus, Georgia, Armenia, Azerbaijan, "and finally, Cyprus plus Serbia, as well as possibly other Balkan states."²⁰ The discussion process would begin with NATO, then include the 'neutral lands' and, finally, "formal negotiations could then take place with Russia," because "Russia would have to withdraw its troops from those countries in a verifiable manner, subsequent to which, corresponding sanctions would be lifted."²¹ The states would be completely sovereign and self-determined in every sense, with the exception of two aspects. First of all, when entering the EU, "its security-related pledges"²² would not be applicable, and secondly, "they would not join NATO in the future."²³ Mr O'Hanlon optimistically assumes that this project would help to resolve all territorial conflicts, ranging from Abkhazia to the East of Ukraine and the Crimea. Ideally, AEDA would be codified in the form of a contract, without creating a new organisation, but still providing monitoring and verification practices. The treaty would be ratified by all Member States, including the US Senate. As a compromise, Mr O'Hanlon also allows the format of the agreement to be concluded by the representatives of the national executives, as the ratification of the treaty in parliaments could be problematic. The author of the concept, however, admits a defying reaction by Moscow, because "Russia's political culture is likely to remain, in significant ways, non-Western and fiercely nationalistic for a long time to come,"²⁴ but the Russian Federation will persist as "a proud, nationalistic state with a strong military force."²⁵ The author substantiates the idea of AEDA, even in the form of a book when, "the arrival in power of the Trump administration in the United States provides a golden opportunity to pursue a new vision and a new paradigm,"²⁶ in order to achieve "a new security arrangement for the currently neutral and strategically contested countries of eastern Europe" and thus, "go far towards defusing hegemonic competition in Europe between NATO and Russia."²⁷

With respect to the idea of the 'golden opportunity', we should mention a couple of thoughts from the article *The Adults in the Room*, by well-known American journalist and author of many American foreign policy books, James Mann. The first one directly relates to Latvia as, "before Trump's first trip to Europe, Tillerson, Mattis, and McMaster joined together to incorporate into a draft of his speech a reaffirmation of Article V of the NATO treaty, committing the United States to the

collective defence of Europe. Yet Trump ultimately cut these words from his speech, but, after the understandable and predictable uproar, he rectified this and made the commitment.”²⁸ The second one concerns the views of the leading members of President Trump’s administration. J. Mann writes: “Tillerson seems to have an especially rosy view of Putin’s Russia, as well as an obvious aversion to issues of human rights and democracy. Last spring, McMaster, along with Gary Cohn, the director of the National Economic Council, wrote the startling *Wall Street Journal* Op-Ed that gave a Hobbesian underpinning to Trump’s “America First” worldview: “The president embarked on his first foreign trip with a clear-eyed outlook that the world is not a ‘global community’ but an arena where nations, non-governmental actors and businesses engage and compete for advantage.” It is the underlying foreign policy views and experiences of the three “adults” with military backgrounds – Mattis, McMaster, and Kelly.²⁹ In Latvia, it is not only the opposition in parliament and Russia’s agents of influence outside the Saeima that sees Russia through rose-tinted glasses. One might agree with the Director of LIIA, Rīga Stradiņš University professor A. Sprūds’ conclusion that, “the Latvian government’s strategic preferences and narratives largely correlate with dominant societal perceptions on security and international priorities and challenges. The strong transatlantic affiliation and close relationship with Western partners have been perceived as major security guarantees. At the same time, Russia is perceived as a major strategic challenge for Latvia due to negative historical experiences, the assertive Russian rhetoric regarding its neighbours and its military activities in proximity to Latvia’s borders.”³⁰

By comparison, the position of Professor A. Zagorsky at the Moscow State Institute of International Relations (MGIMO) and head of the Primakov National University of Economics and International Relations Research, on security narratives in Russia, is quite consistent with the findings of RAND on Russia’s position in its study about liberal international order. Describing the factors influencing the relations between the West and Russia, A. Zagorsky, referring to his article published in 2010, mentions three reasons why 21st century Russian Federation is “seeking increasing distance” in its relations with the West: firstly, the US and, to a certain extent, the EU “were in a relative decline, and significant shifts in the global distribution of economic power would strengthen non-OECD nations;” secondly, “this was diminishing the attractiveness of the ‘Western’ model of development and a perfect excuse for the increasingly authoritarian rule in Russia, as it implied that a nation does not need to be a liberal democracy in order to be successful on a global scale;” thirdly, “in order to pretend to play a role in the concert of global powers (old and new), a nation does not need to be a liberal democracy but should lead and represent a regional group of countries.”³¹ Characterising the “interests shared by Russia and the West,” A. Zagorsky accentuates Russia’s desire to be a “distinct and equal partner” in relations with the EU and “shield its neighbourhood” from the influence of the Western institutions,

reaching the conclusion: “Establishing direct co-operative relations between the Euro-Atlantic and Eurasian institutions is part of that vision of a future European architecture. This vision is very much inspired by historic examples, particularly by the Yalta order that granted the then Soviet Union the status of a permanent member of the UN Security Council and a ‘sphere of influence’ in what was then considered to be ‘Eastern Europe’. Although most often referred to in the context of global governance, the Yalta spirit is now experiencing a renaissance in Russia and has become a desirable vision for the future European order.”³² For A. Zagorsky ‘neighbours’ of the Russian Federation are inanimate objects that do not participate in the formation of the sphere of influence of Russia in the framework of the “future European order”.

With respect to pluralism of narratives, reference should be made to the American historian Timothy Snyder in an interview with the Latvian magazine “Ir”: “President Putin has chosen to rehabilitate a political thinker, a philosopher Ivan Ilyin, one of the most interesting fascist theorists of the 20th century – he called on Russians to build a fascist country. Alexander Dugin, one of the most important propagandists of the Ukrainian war, is a contemporary fascist, like Alexander Prokhanov, and one of the most popular writers in Russia. So, fascism is a realistic ideological trend and its presence in Russia is very pronounced.”³³

NATO’s role in Europe, including its relationship with the EU and Russia, is being assessed not only within academic circles and domains, but more importantly by politicians of NATO Member States and the Alliance’s leading officials. On October 26th, the NATO-Russia Council met for the third time since the beginning of 2017 to discuss issues such as Ukraine, Afghanistan and transparency and risk reduction under the leadership of NATO Secretary General Jens Stoltenberg. In a press conference after the meeting, J. Stoltenberg pointed out: “NATO Allies and Russia continue to have fundamental differences on the issue of Ukraine, how to solve the crisis in Ukraine. This conflict continues to have a profound impact on the security and stability of the Euro-Atlantic region, and it remains the primary reason for the current state of NATO-Russia relations. Improving the security situation in eastern Ukraine remains the priority in order to move towards the full implementation of the Minsk agreements.”³⁴ J. Stoltenberg positively assessed “a dialogue on air safety in the Baltic region” and the work of the Finnish-led team of experts “on Baltic Sea Air Safety” created as a result, which “so far is promising.”³⁵ During the meeting of the NATO-Russia Council, the Russian Federation and Belarus military exercise Zapad 2017 was also discussed, with attention to “the fact that the number of troops participating in the exercise significantly exceeded the number announced before the exercise, that the scenario was a different one, and that also the geographical scope of the exercise was much larger than previously announced.”³⁶ In response to a question by a Polish news agency on media reports that “NATO is planning to create two new headquarters in Europe,” J. Stoltenberg indicated that “NATO is adapting its

military posture because we have to adapt when we see that our security environment is changing, and we have adapted partly by increasing the readiness of our forces and partly by increasing our military presence in the eastern part of the alliance, and we do so not least because of the pattern we have seen of Russian behaviour over the last years, in particular with the illegal annexation of Crimea and the destabilising efforts towards Eastern Ukraine and Ukraine,” but “our response is defensive, it is proportionate, and NATO doesn’t want a new Cold War, we don’t want a new arms race, but we have to respond when the security environment is changing,” and added: “we are now in the process of assessing our command structure,”³⁷ including the format of the NATO Defence Ministers meeting. In response to AFP’s question about the report in the German press, that Russia informed Germany about the organisation of *Zapad* training every two years through diplomatic channels, J. Stoltenberg replied: “we are not informed today that *Zapad* is going to take place every two years.”³⁸ The Russian information warfare methods in this regard became evident when on October 26th, SPIEGEL ONLINE published an article in which it was reported that, on October 19th, Russia’s military attaché, in a confidential briefing, informed the military and diplomats of the intention to expand *Zapad* manoeuvres near the eastern border of NATO. Spiegel concludes that the western part “is the region most endangered for Moscow.”³⁹ The magazine was aware of both the secret report on the *Zapad* 2017 manoeuvres available to military personnel in Brussels and the fact that in 2017 on November 9th, Allied Defence Ministers would consider “yet another secret report” on NATO’s ability to defend in case of a “genuine confrontation with Russia,” which points to “significant deficits” and demands, “the creation of a new command in Europe.”⁴⁰ Der Spiegel had already reported on this second ‘secret’ report entitled “Progress report on the Alliance’s increased deterrence and protection,” on its website on October 21st, stating that, in February, 2017 NATO Defence Ministers gave orders to launch the reform of the Allied command structure. The naval command would be set up in the United States to transport troops and materials to Europe, while the second command could be established in Germany, with the aim of providing logistics between NATO forces in Western Europe and the Enhanced Forward Presence battle groups in the Baltic States and Poland, as well as elsewhere in the eastern border area of NATO. This change was subsequent to the annexation of Crimea in 2014 when, “suddenly, the war in Europe was again imaginable and it could no longer be ruled out that the Russians could turn to the Baltics as its next target.”⁴¹

Almost in parallel with the meeting of the NATO-Russia Council, joint exercises were carried out with rocket troops under the leadership of the President of the Russian Federation, Vladimir Putin, the North Pacific Fleet and military aviation, during which four intercontinental-range ballistic missiles, were launched from nuclear submarines and from Plisetskaya Kosmodrome in the north of Russia. Therefore, there is no doubt that Russia’s main opponent is the West, represented by the United States, the EU and NATO.

THE EUROPEAN UNION, A UNION OF STATES OR YET ANOTHER 'LEAGUE OF NATIONS'

Constant new publications on the post-liberal international order, the future scenarios for NATO and the EU, with partly overlapping or totally opposing views and arguments are continuously emerging. There are four key areas for development projections in the context of the EU: the Union's own development scenarios, as outlined in the EC's White Paper on the Future of Europe;⁴² and the EU President Jean-Claude Juncker's speech to the EP on the Status of the Union;⁴³ documents relating to cooperation between the EU and NATO;⁴⁴ The European Neighbourhood Policy;⁴⁵ and, of course, Brexit.⁴⁶ It is not just about scenarios in all cases, but also about specific decisions and policies, such as the agendas of the EU leaders.⁴⁷ None of the areas can be evaluated without examining the processes of change in the international order, still called the liberal order by optimists in contrast with the pessimists who believe that one or more orders emerge, allowing the use of the term 'post-liberal international order'. Before looking at the latest comments from sceptics, the article, "*An Open World is in the Balance. What Might Replace the Liberal Order?*" by Stewart M. Patrick, published on January 10th, 2017 in the online magazine *WPR World Politics Review*, predicted: "if Trump decides to abandon the eroding liberal world order, he could pursue at least five distinct alternative visions," namely, Concert Redux (parallels with the first half of the 19th century), Spheres of Influence, Fortress America (protectionism, isolationism), A League of Our Own (leagues of democracies, G7, NATO, OECD) and Ad Hoc World (specific responses to individual challenges).⁴⁸ According to S. M. Patrick, D. Trump's approach to world order could include measures from all five visions, because, "Trump will be drawn by temperament and efficiency to improvisational *ad hoc* responses to global dilemmas, [...] instinctively shy away from the notion of a league of democracies" and "only for political survival [...] will need to pay lip service to America's liberal ideals," but "he is unlikely to reinvigorate a liberal world order that is already on the wane."⁴⁹

Discussions about changes in the 'liberal order' which emerged as a set of rules, norms and institutions after the Second World War, continued within the academic and expert community of the United States throughout the year 2017 and will continue in 2018, because, in the field of practical foreign policy, the goals of the major powers differ, and they cannot be reached without creating formalised coalitions of allies. For example, the fact that RAND has hosted research that offered different visions, strategic concepts or orientations, testifies to the pluralistic spirit of this discussion. Another study by analysts who conducted 'health measurements' of the liberal international order offers four 'alternative visions' of the order: "Coalition Against Revisionism" and "Democratic Order", which stipulate that the "rule-making authority" is the United States with its partners, as well as the "Great Power Concert 2.0" and the "Global Constitutional Order," characterised by the

rules being formed by “all great powers,” and only in the presence of democratic order and global constitutional order would they be binding to all the Member States supporting this order.⁵⁰ Another team of RAND researchers have addressed “nine core objectives that the next administration [D. Trump’s administration] will need to achieve, as a minimum, in order to defend national interests,” including: “prevent hostile domination of Europe, East Asia, and the Middle East” and “make good on US commitments to NATO, the Asian allies, Israel, and others, while persuading allies to do more for their self-defence.”⁵¹ The fact that formulations of the objectives include NATO, but do not mention the EU is unlikely to be a coincidence, as many US experts do not consider the EU to be a strategically important actor in either security or international relations in general. The study outlines “three different strategic concepts or orientations,” as “there is no single way to satisfy these (nine) interests or objectives.” These three concepts presented for consideration to American political decision-makers are: “‘Come Home America’ – international restraint and domestic renewal; ‘The Indispensable Nation’ – America as a promoter of world order; and ‘Agile America’ – adapt and compete in a changing world.”⁵² According to the first, many international problems are beyond the control of the United States. The second attributes to the US the “role as chief promoter of the liberal international order,” while implementing the third one, the primary objective is “advancing the economic well-being of the United States and its friends.”⁵³

The concept of this kind and, most importantly, the lack of appropriate actions with respect to the EU, has prompted Thomas J. Wright, Fellow and director of the project at the International Order and Strategy at the Brookings Institution, to formulate in his latest book ‘responsible competition’ “as a strategy of liberal internationalism,” with a subsequent ironic remark about the EU: “Europe could build a real economic union [...] It could take a common position toward Russia and speak with one voice on critical foreign policy questions. In effect, European countries could create a United States of Europe, but this will not happen because the politics are too toxic. Calling for such a union is only marginally less fanciful than calling for world government.”⁵⁴ T. J. Wright’s concept of ‘responsible competition’ according to its creator “offers the best way of preserving America’s status as a liberal superpower and the US-led international order. It provides a framework for competition with rival powers that preserves a liberal international order as the organising principle of world politics.”⁵⁵ In Europe, the US faces two problems - “a weakened European Union that is gradually disintegrating, and a revisionist Russia that is using hard power to remake the European security order.”⁵⁶ In order to formulate a responsible competitive strategy in Europe, it is necessary to deal with two strategic issues: firstly, “how to re-engage with European allies in order to strengthen the European Union, liberal democracy, and internationalism, so that Europe is a partner in upholding the liberal international order,”⁵⁷ and,

secondly, “how to balance Russia responsibly so as to avoid a new cold war or an actual war.”⁵⁸ T. J. Wright supports Brexit and notes rhetorically, that “America’s objective must be a successful independent Britain and a successful European Union,”⁵⁹ meanwhile urging to keep in mind, that “in practical terms, the Russian model of order would mean the substantial weakening, and maybe even the end, of the European Union and NATO.”⁶⁰ T. J. Wright has no hopes that his responsible competitive strategy, welcomed by Francis Fukuyama and Strobe Talbott, would be received in the White House, because, “clearly, the United States is highly unlikely to pursue responsible competition under a Trump presidency,”⁶¹ which means, that “four years of American nationalism will weaken the liberal order.”⁶² Obviously, both Russia and China are eager to take advantage of it, as they “see great opportunities in Trump’s rejection of the liberal international order. They will surely test the United States in the years to come, probing the regional orders in Europe, East Asia, and the Middle East. Even if the United States seeks a rapprochement with Russia, it will be temporary and will only serve to worsen geopolitical competition in Europe.”⁶³

A preliminary conclusion could be that, in the foreseeable future, the EU will remain in the status of a union of states with features and processes similar to the League of Nations. With an insight into the strategic concepts of the representatives of the academic and expert community, the book *“A World in Disarray: American Foreign Policy and the Crisis of the Old Order”*⁶⁴ by Richard Haass, President of the non-partisan Council on Foreign Relations, which has won international acclaim, cannot be ignored. Based on the views of Australian scientist Hadley Bull on the international system, the international community and order in world politics, and on Henry Kissinger’s views related to H. Bull on the emergence of a new international order, R. Haass presents a politically theoretical rationale for “World Order 2.0,” which, in essence, “is realism updated and adapted to meet the exigencies of a global era.”⁶⁵ Without going into the description of R. Haass’ theoretical concept, a number of purely practical characteristics of international relations should be noted in the context of the problems of Europe and other regions of the world. The reality is that, “in many ways it makes more sense to speak of world orders than of world order.”⁶⁶ Turning to the Asia-Pacific Region R. Haass writes: “Order has to continue to be rooted in a balance of power and in economic interdependence. [...] The challenge is to shape the external behaviour of local countries, not transform them. Realism, not Wilsonian idealism, is the operative framework. The challenges stem from strong states, competing territorial claims, rival nationalisms, historical animosities, and a lack of diplomatic machinery and architecture. If there is a parallel, it is Europe before the outbreak of the First World War.”⁶⁷ Having pointed to many of the EU’s problems, including the increase in the number and strength of populist parties, R. Haass concludes that one of the

consequences is, “that the choice for many Europeans is not so much between that of a more centralised “United States of Europe” and a more decentralised “United Europe of States,” as between the latter and an even less integrated, more national version of the continent.”⁶⁸ R. Haass states: “the gap between political and economic realities may require a future EU that offers several levels of membership, possibly a version of what already exists in terms of an inner core of countries participating in the Eurozone. Such flexibility could prove essential if the EU is to remain intact,”⁶⁹ thereby supporting “close US–European consultation and coordination on the full agenda of global and regional issues, as well as relations with China and Russia,” because history shows that the US benefits from a close partnership with Europe, but “the real question is whether European governments will have the capacity and the focus to be meaningful partners.”⁷⁰

The ‘world in disarray’, in the title of the book, is a reality for several reasons, one of them being “a substantial gap between what is desirable when it comes to meeting the challenges of globalisation and what has proven possible. This gap is one of the principal reasons for the disarray that exists in the world.”⁷¹ R. Haass is convinced that, “the world cannot come up with the elements of a working order absent from the United States. The United States is not sufficient, but it is necessary.”⁷² He has concerns that, “the sort of political dysfunction that has characterised so much of America’s politics of late is likely to continue or grow worse. This would come at a considerable price,”⁷³ because “disarray at home is thus inextricably linked to disarray in the world. The two together are nothing short of toxic.”⁷⁴ The smartest way out of this situation would be “to start moving towards an international order without waiting for a crisis,”⁷⁵ which had occurred so many times in European, as well as in global, history.

CHALLENGES IN 2018 FOR NATO, EU AND LATVIA

We might concede, with some regret, that the forecast for 2017 to be another year of “crises and deals dictated by national interests by business” has been fulfilled. 2018 is also likely to bring along a number of international shocks.

NATO’s challenges, besides the restructuring of the command already mentioned, relate to the deterring of Russia from new military escapades, as well as the actual testing of EU-NATO cooperation, the US’s relations with the Alliance’s Member States in Europe, and the discussion on the development of a new NATO strategy, that could replace the current NATO Lisbon strategy, adopted in 2010. Patrick Keller, coordinator of Foreign and Security Policy at the Konrad Adenauer

Foundation and adjunct scholar at the American Enterprise Institute, rightly pointed out in one of his publications that, in order to meet the 70th anniversary of NATO on April 4, 2019 with a new alliance strategic document, “Member States should initiate developing a new Strategic Concept no later than spring 2018.”⁷⁶ Many elements of the concept, such as crisis management, cooperative security, the idea that “there is no going back to strategies of the Cold War”, that North Africa and the Wider Middle East, including Afghanistan, are “areas of particular concern,” in reality present “on the table; they only need to be formed to make a coherent picture.”⁷⁷ However, arguments put forward in NATO Member States, are both for and against the formulation of the future picture of a homogeneous alliance. It is logical that the United States is intensively pursuing research related to the strategic aspects of security and foreign policy.⁷⁸ A group of researchers from the Centre for Strategic and Budgetary Assessments, an independent, non-partisan policy research institute, formulates the thesis about “various combinations of the following ‘pacing’ scenarios,” which the Pentagon’s planners should consider, in a quite radical manner: “multiple, simultaneous, long-duration operations requiring force rotations; scenarios for Chinese and Russian aggression in the grey zone; large-scale information warfare conflicts with China; large-scale New Generation warfare conflict scenarios with Russia against one or more former Soviet states, including the highly vulnerable Baltic states; and, catastrophic homeland defence events.”⁷⁹

European analysts, albeit not all of them, believe that “‘post-American politics’ in Europe are possible, and even necessary, but will only come about if EU Member States recognise the need.”⁸⁰ Realising, that “the geopolitical logic behind Europe reducing its dependence on the US is very strong,” some analysts conclude that the new gravity centres will be formed by the United States, Britain and Germany; others are hoping that the partnership between the French President, E. Macron and German Chancellor A. Merkel (and its fragile coalition government) could have “the potential to serve as a moral centre around which, in a time of geopolitical uncertainty, much of the rest of Europe can rally.”⁸¹ Although, “a post-American Europe along these lines is difficult, but possible [...] but, of course it will probably not happen,” as “the Member States clearly prefer the old bargain that served them so well. For the most part, they will cling to it until its demise becomes clearer than truth.”⁸² It should also be noted that an essay by Anne Applebaum, a famous researcher of the European and post-Soviet countries, with an almost programmatic title “A New European Narrative?” ends with a pessimistic paragraph: “And if Merkel and Macron disappoint? One European diplomat of my acquaintance likes to compare Europe and the US to the Western and Eastern halves of the old Roman Empire. The West imploded, with drama, violence and crazy Caesars; the Byzantine East lingered on, bureaucratic, stodgy, and predictable, for many centuries. It’s not exactly an optimistic precedent for Europeans, but it’s a comforting one.”⁸³

Of course, Russia will hurry to use the geopolitical situation in the EU and in the transatlantic space to realise its own goals, because, as Dmitry Trenin writes, “the action in Syria has paved the way for Russia to re-enter the global geopolitical arena, beyond the former Soviet space, to which Moscow’s actions had been largely confined in the preceding quarter century. Indeed, this was the Kremlin’s overriding goal: to get the United States to recognise the Russian Federation as a global power. Moscow was not pleading with Washington for such recognition: it was demanding it, through its actions.”⁸⁴ Indeed, there is not and cannot be any reliable and strict future forecast. There are, however, opinions that, to some extent, are also predictions. Professor Thomas J. Jäger, Member of the Scientific Policy Directorate at the University of Cologne, on the occasion of the meeting of the EU Heads of State and Government on 19th and 20th October, published a comment entitled “Without leadership, without plans, powerless” (*Führungslos, planlos, machtlos*) in the German political culture magazine Cicero.⁸⁵ Jäger concluded that the EU administration is “rotten” and ineffective, the “European integration community” does not possess a “common good” (*Gemeinwohl*), but there are “different groups with different interests,” which they try “to push through”, and if anyone wants to “throw the EU into an even more serious crisis”, he/she only has to try to implement the conceptual notions of “avant-garde countries” and create a “Europe of different speed tracks and classes,”⁸⁶ including the area of defence, which the EU countries want to start with.

Whether or not this is the EU development forecast, we should know for certain by the beginning of summer 2018, when the course of the newly ‘re-elected’ president of Russia, Putin, will be clearly pronounced, the work on the new strategic concept of NATO will or will not commence and one will be able to safely conclude whether one of the 5 + 1 EU development scenarios and visions really has a touch of Realpolitik in the European policies of EU Member States.

In the context of security policy, and in particular foreign policy, we will experience an intensified “easternisation”⁸⁷ trend in Latvia in 2018, marked by a visit by Prime Minister Māris Kučinskis to the world’s potential ‘third great power’, India (after the US and China), the EU Eastern Partnership Summit in Brussels, the efforts of Latvia’s transit business to integrate into the Belt and Road Initiative in the geopolitical and geo-strategic direction of the PRC and, of course, Russia’s massive efforts to shape a coalition of states and their leaders, who ‘understand Putin’ within the EU, actively supported by the Russian-influenced agents in Latvia.

Concerns will intensify regarding the fragmentation of the system of Latvian political parties as an indirect, mediated expression of populism in the year of the general elections. Latvian politicians will have to explain national interests, development and degradation tendencies in the EU and the Euro zone, but most

of all relations between the EU and Russia, NATO and Russia. After the Saeima elections we should be able to determine which of these explanations have won and will further influence the security policy and foreign policy of the Republic of Latvia.

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THE BALTIC SEA REGION – A WIDENING OR SHRINKING OF COOPERATION?

Žaneta Ozoliņa, Professor at the University of Latvia

For a number of years, cooperation in the Baltic Sea Region has traditionally been regarded as one of the success stories of regional cooperation formats, not only in Europe, but also globally. Indeed, the accumulated experience of building relations in the economy, public safety, the improvement of the environment and political dialogue for two decades is a great benefit for the countries and for the region itself. In addition, during these years, it has succeeded in helping the Baltic States and Poland prepare for membership of the European Union (EU) and the North Atlantic Treaty Organisation (NATO) and, simultaneously, through networks of different regional formats (Baltic Sea States Council – CBSS, Helsinki Commission – HELCOM, Northern Dimension) to involve Russia in cooperation projects. The ability to find collaborative models with different national institutional identities is evidence that the common regional long-term interests take precedence over short-term individual ones.

Since 2014, the situation in the Baltic Sea area has changed, preconditioned by processes both outside the region and within it. The crisis in Ukraine and the ensuing occupation of Crimea, the promotion and intensification of conflict in eastern Ukraine were only the first signs of Russia's redefining foreign and security policy in relations with the West, which, of course, has a direct impact on the Baltic Sea region. Russia, in this case, is both a country taking part in the regional cooperation projects and, at the same time, should be regarded as an external factor. External factors in the region include, the US presidential election in 2016 with potential policy changes, the secession of the United Kingdom from the EU, and the growing presence of NATO in the Baltic States and Poland (NATO Enhanced Forward Presence).

Cooperation in the Baltic Sea region has consistently been one of the priorities of Latvia's foreign policy. Its opportunities for using the capital accumulated in the region have strengthened domestic and foreign policy in the integration of the EU and NATO and its actions as a fully-fledged Member State. The accumulation

of this political capital continued in 2016, when Latvia held its presidency in the Baltic Assembly (BA), the Baltic Council of Ministers (BMP) and NB8 (Denmark, Estonia, Iceland, Latvia, Lithuania, Norway, Finland, Sweden), as well as 2017 – the year that previous priorities have been inherited by future presidencies, thus ensuring the sustainability and interoperability of regional cooperation, bringing together countries to achieve common goals.

Despite these optimistic introductory words, however, the question is whether the regional capital accumulated over the decades will continue to work for the integration of the Baltic Sea countries, in the further expansion of co-operation, or whether it is possible that centripetal trends will appear in this geographic area, which would contribute to the fragmentation and narrowing of cooperation. To answer the above two questions, the article firstly addresses the external political factors affecting the Baltic Sea region. Secondly, focus will be on the main trends in the region that are important for Latvia's foreign and security policy. In conclusion, some of the ideas that will be addressed in 2018 will be highlighted.

INTERNATIONAL CHALLENGES FOR THE BALTIC SEA REGION

Looking at the latest global developments, almost all of them, to a greater or lesser extent, have left a footprint in the Baltic Sea Region. However, some of them have had a greater impact than others.

From 2014, the global political map has been dominated by fragmentation trends that may have had an impact on cooperation in the Baltic Sea region (BSR). There are several levels to distinguish. At global level, the most serious challenges are the desire of the United States and regional authorities to rewrite the basic principles of international order.¹ The previous order where the principles of openness and respect for international norms dominated, was favourable for the BSR, since it allowed free competition and economic and political participation. The rising level of anarchy, on the other hand, could reduce the willingness of the BSR countries to coordinate and even synchronise relations, but encourage them to position themselves individually, depending on national potentials. According to Christian Ketels and David Skilling, "The dangers of a fragmenting global trading system has led other small open economies to sharpen their domestic policies to increase resilience, to step up efforts towards regional and bilateral trade liberalisation, and to actively lobby for the global rules-based trading system in international discussions."² Of course, the most developed countries - Denmark, Iceland, Norway, Finland and Sweden have advantages in such an arrangement.

One of the most widely discussed international events with an impact on international order and security has been *the presidential election of the United States and the election of Donald Trump as president*. His vague messages regarding US foreign and security policy goals, as well as the role of Europe and, consequently, the subordinate position of the Baltic Sea space on the agenda of his presidency, have raised concerns about the economic and security implications of the region.

Although the US presence in the Baltic Sea region was not economically significant (except for Denmark and Iceland), the US's reliance on established international trade regimes and global competitiveness has also benefited the countries of the region. Similarly, the NB6 countries (Estonia, Latvia, Lithuania, Denmark, Finland, Sweden) relied on the forthcoming Transatlantic Trade and Investment Partnership Agreement, rejected by Trump, that would open new economic opportunities.

Politically, the BSR countries have lost their traditional global partner. With the election of Trump, tensions have arisen in relations between European countries and the US administration. If the previous administrations used a multifaceted formula in their political discourse to negotiate with Europe, consisting of elements such as security, climate change, respect for and strengthening of democratic values, respect for international law and multilateralism, then now there is only one key phrase – 2 per cent of GDP for defence expenditures.

As far as security is concerned, the United States is fully committed to the region as a great power and as a NATO member. Although Trump's reminder that the EU and NATO Member States should fulfil their commitments regarding regional and international security is highly justified, the focus on defence alone diminishes the scope of the transatlantic relationship, and consequently its potential. The current decrease of US interest in Europe and the BSR does not affect the region's cohesion or fragmentation. Focusing on security and defence issues in transatlantic relations has a positive impact on the regional security identity, which is formed by closer cooperation between NATO and the non-NATO countries (see chapter II of the article).

The United Kingdom's withdrawal from the EU (Brexit), and the debate about the future development of the EU, caused by this event, is another significant phenomenon affecting the cooperation of the BSR. Brexit is considered to be an expression of fragmentation accompanying the EU integration process. Given the fact that the six countries of the region are also EU Member States, it is important to establish whether the BSR shows signs of such fragmentation or a tendency to narrow cooperation.

Although there were no strictly defined coalitions within the EU after the 2004 enlargement, it is possible to talk about like-minded groups as 'soft or flexible coalitions'. The UK is a country whose positions on many EU policy issues were

similar to those of EU Member States in the BSR, with respect to the development of an open and competitive global economy, regional security, the Common European Security and Defence Policy, the EU relations with Russia, and other areas. After Brexit, the BSR countries will lose a reliable partner in shaping and implementing EU policies.

The UK, while not a part of the BSR, has been interested in close cooperation due to similar views about global processes. The Northern Futures Forum,³ proposed by former Prime Minister David Cameron, has served as a regular platform for meetings, discussing current events and highlighting topics of major importance for future development (transport, innovation, creative industries, etc.).

Initially, this forum focused on issues that are important for the competitiveness of the EU and their Member States; after the UK secession from the EU, the Northern Future Forum can draw another breath. It could become a platform for coordinating cooperation between the EU and non-EU countries on mutually important economic, political and security issues.

Despite the fact that the UK is leaving the EU, it will continue to fulfil its obligations to the BSR, as a member of NATO. Considering that the UK is the leading nation of NATO's Multinational Battle Group in Estonia, there is no objective basis for claiming that the country's presence in the region will diminish. Although politically (possibly) the NB6 countries will lack the support of the UK within the EU, this will not affect cohesion among the countries in the region itself.

One of the BSR's topical issues is the ongoing debate about the future of the EU. Following the European Commission's five development scenarios⁴ and subsequent publication of the reflection paper,⁵ discussions have commenced in the Member States. At regional level, the views of the BSR countries or the alignment of positions have not been sufficiently pronounced. Researchers, such as Ketels and Skillings have similar views, pointing out that the Baltic Sea Region has so far not positioned itself as a solid player with a considerable view about Europe's future. On the contrary, countries in the region are competing for short-term interests, especially in the Brexit case.⁶ They state: "The Region could do more for Europe and for itself, not least because its perspective cuts through the typical political coalitions within the European Union. Finding a common voice will not be easy. But it is a voice that would be listened to if the region musters the will to use it."⁷ They also indicate the areas where countries of the region can find agreement – "strong commitment to the Single Market with all of its elements; a commitment to an EU pushing for open trade and investment globally; a strong role of nation states and national decisions within the European Union; support for deeper collaboration among groups of member countries where desired; support for joint EU programs and policies open

to member countries.”⁸ Despite the diversity of policies in the countries of the BSR, the debate on the future of the EU could serve as an additional factor for even greater cohesion of the region.

One of the external and simultaneous internal factors influencing the development of the BSR is Russia. During the last two decades, the BSR was one of the spaces where Russia’s engagement and involvement in regional cooperation took place through diversified projects, despite the existing divergent values, political and economic systems. The CBSS was created at the time with the aim of creating a platform for all countries of the region to participate in joint cooperation projects, mainly having Russia’s involvement in mind. In turn, Russia’s economic and political presence in regional cooperation has significantly decreased, but its military presence has increased substantially with the subsequent demonstration of aggressive behaviour in the region. The BSR countries have not been prepared for Russia’s military ambitions. The case of Russia is one of self-isolation within the region, which in turn has stimulated closer cooperation of the BSR countries in the field of defence.

TRENDS IN THE BALTIC SEA REGION

The dynamics of international relations in recent years have left their effects on closer interaction as well as partial deceleration within the BSR. However, despite the variety of events and the pressure of external risks, the launched directions of cooperation and their intensity have not suffered. Along with international trends, the region has a number of significant areas of cooperation that are motivated by internal logic. In this section, the progress towards Latvia’s development and security in important areas such as economy, energy and defence, will be examined.

Economy

The economic cooperation of Latvia with other Baltic Sea Region countries has stabilised and there are no rapid breakthroughs or slumps in any of the sectors. Although the Nordic investments in Latvia in 2016–2017 have decreased slightly (Table 1),⁹ notwithstanding the unchanging nature of Finnish investments, contracts for a number of significant investment projects have been signed during this period. Major investment projects in Latvia for the previous 18 months relate to the sectors of trade, transportation and logistics, as well as information and communication services.¹⁰ These are: renewal of the fleet of the Latvian national airline stock company Air Baltic Corporation; construction of logistics centres

Table 1. Dynamics of Nordic investments in Latvia 2016 and 2017.

Source: Bank of Latvia, Latvian Statistical Database (2017). *Direct Investment Country Breakdown Tables*.
See website: <https://statdb.bank.lv/lb/Data.aspx?id=129>

Country	2016 investments (EUR m)	2017 investments (EUR m)	Margin (EUR m)	Margin percentage
Denmark	624	576	-48	-7,69 %
Finland	378	378	0	0,00 %
Iceland	104	77	-27	-25,96 %
Norway	787	717	-70	-8,89 %
Sweden	2403	2067	-336	-13,98 %
Total	4296	3815	-481	-7,69 %

RIMI LATVIA and IKEA; construction of the Ķekava motorway bypass; and several smaller industrial projects. In turn, investment in the financial sector has dropped, in particular regarding the merger of DNB and Nordea and the reduction of Swedbank's equity. Trends in the banking sector also partly reflect the reasons for Nordic investment shrinkage.

With regard to the trade balance between Latvia and the Nordic countries, trends in 2016–2017 are mostly positive, with the exception of Finland. In trade relations with

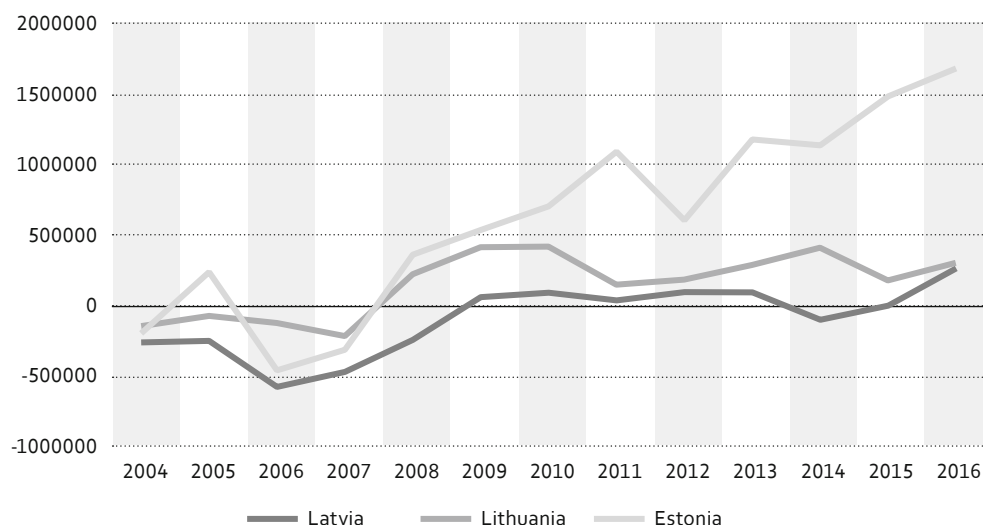


Figure 2. Total trade balance of the five Nordic and Baltic countries for 2004–2016 (EUR thousand).¹³

Denmark, the trade balance shows an increase of 316 million euros, with Iceland – 24 million euros, Norway 311 million euros, Sweden 360 million euros, and with Finland it decreased by 547 million euros. Compared to Lithuania and Estonia, in trade with the Nordic countries, Latvia is in a similar position to its southern neighbour, but both are considerably lagging behind Estonia, especially in relations with Sweden, Finland and Norway. Such a trade balance trend began five years ago and is currently steady. The trade balance between Estonia and the Nordic countries over the period 2016–2017 was 2160 million euros.¹¹ Meanwhile, the trade between Lithuania and the Nordic neighbours was 447 million euros in the same time-span.¹² Summarising the trade between the Baltic States and Northern Europe in recent years, Estonia's persistent trade dynamics with the countries of the region are evident, while the relations between Latvia and Lithuania are volatile, but with an upward trend indicating that the economic situation in the Baltic Sea region gives no ground for concerns about weakening of cooperation.

Energy

Energy is one of the sectors with different features – competition, lack of political motivation and enthusiasm, as well as activities driven by external pressure and internal regional co-operation. However, in spite of the complexity of inter-state relations, a number of important processes have taken place in the energy sector, and a number of important decisions with long-term results have been made that should increase the security of national energy supply and their economic competitiveness.

In an interview, the Deputy Head of the Energy Market and Infrastructure Department of the Ministry of Economics of the Republic of Latvia, Gunārs Valdmanis, mentioned the following issues as the most important common energy agenda in the Baltic States in the energy sector: 1) creation of a regional natural gas market; 2) the long-term solution to the supply of liquefied natural gas in the Baltic States; 3) adoption of the decision on the integration of the electricity systems of the Baltic States with the countries of the European Union.¹⁴

We can talk about success only in the case of the first issues; the development of the regional natural gas market, which is largely due to the fact that, in April 2017, a significant part of the energy reform was completed in Latvia and the natural gas market was opened for competition, thus making trade between the Baltic States both technically and legally possible. The most significant achievement in this area can be attributed to the fact that at same time the Baltic regulators developed a unified Baltic proposal for a regional pricing model for gas transmission service.¹⁵ The model offers the main principles of input and output of the natural gas system (the conditions under which Baltic market participants can pump in and retract natural gas from the system, and also use pipeline connections and other

infrastructures of the region), which will serve in future as guidelines for the gas market.¹⁶ In addition, the responsible ministries, experts, transmission system operators and regulators of the Baltic States have, in 2017, managed to agree on a work-list and schedule for the development of the gas market and compliance with the pre-determined deadlines by September 2017.

The development of the long-term liquefied natural gas infrastructure in the Baltic States has proven to be more complicated. Lithuania, Estonia and Latvia have not succeeded in reaching a common position, despite the stated commitment to do so by October 2017. The different opinions of the Baltic States are influenced by the disagreement over which region's infrastructure would be most useful in attracting EU co-financing. According to the vision of Lithuania, the EU's co-financing should be used (and, accordingly, it should apply already in 2017) to reduce the future costs of the already operating Klaipėda LNG terminal, as well as to build a new, low-capacity LNG terminal in Estonia.

However, this proposal is still not supported by Latvia, because the overall costs of the proposed proposal from Lithuania are still unclear, nor has it been compared with other possible projects (such as the development of a regional terminal in Estonia, Latvia or Finland) and the associated cost burden for end-users.¹⁷

The problem of integrating the Baltic States' electricity systems with EU countries, or the so-called energy system synchronisation project, is also a tough issue. It envisages that the future power systems of the Baltic States will operate in synchronous mode with the EU countries, and at the same time there will be a cessation of synchronous operation with the energy systems of Russia and Belarus. On this issue, the main obstacle is Poland, which does not support the idea of constructing a new terrestrial power transmission line from Poland to Lithuania; instead, it has proposed providing the synchronous operation of the Baltic States with Poland through the existing cross-border connection LitPolLink, in the future considering a new submarine cable from Poland to Lithuania. Although the Polish proposal has received criticism from industry experts (described as unsatisfactory from the point of view of security and costs) and criticised by both Latvia and Estonia, Lithuania has nevertheless officially announced that it is considering accepting the Polish offer and, if necessary, implementing the project without the participation of Estonia and Latvia.¹⁸ Estonia and Latvia, for their part, have repeatedly acknowledged that if the Baltic States fail to reach an agreement with Poland, they are ready to consider the possibility of building new connections and closer integration with the Nordic countries. Formally, the decision on the further development of the power system synchronisation project for the Baltic States and Poland is still pending, as the Baltic States previously agreed to adopt it by the end of 2017.¹⁹

Although cooperation in the field of energy has not been developed without difficulties, the agreements reached, mutually beneficial projects launched and the commitment of governments to continue them, show a trend of long-term co-operation.

Defence

Despite the fact that the major successes of the Baltic Sea region over the long term have been linked to diverse cooperation in various sectors, security and defence were left outside the field of active interactions. With Russia's growing aggressive behaviour in the region after the 2014 events in Ukraine, cooperation between the Baltic Sea States in the field of defence has increased rapidly.

One of the most significant trends over the past year relates to the growing cooperation of non-NATO countries Finland and Sweden with the Alliance. Naturally, the full membership of these two countries in NATO would eventually halt unnecessary manoeuvres by concluding agreements and co-operation memoranda; however, the overall format of co-operation increases the security of the Baltic Sea, the integration of countries in perceptions of threats, the choice of appropriate policies and their resilience.

The European centre of Excellence for Countering Hybrid Threats, established in October 2017, serves as an example for NATO-EU defence cooperation. The centre's work is only at the early stages, and it is therefore difficult to predict all its activities, effectiveness and impact, but the very fact itself suggests that both Europe and the Baltic Sea Region have an understanding and consensus on the importance of hybrid threats, as well as a commitment to develop a systemic approach to their avoidance and mitigation. Among twelve founding countries, eight are countries from the Baltic Sea Region (Estonia, Denmark, Latvia, Lithuania, Poland, Norway, Finland and Sweden),²⁰ which should accordingly create a favourable platform for formulating co-operation principles, projects and the implementation of their results.

In recent years, the Baltic Sea Region cooperation in the field of armaments has increased. Baltic-Nordic relations in the defence sector are no longer based on donations, but on the principles of equal cooperation and competition. The acquisition of second-hand weapons and equipment from the Nordic countries has decreased substantially, as there is a shift towards brand-new purchases from the military industry (Swedish SAAB, Norway Kongsberg, Finland and Norway's NAMMO).²¹

From the second half of the nineties until Latvia's accession to NATO, Sweden has been one of the most active countries in providing material and technical support to the Latvian National Armed Forces. In 2016, Latvia organised several purchases of Swedish weapon systems and ammunition, such as munitions of anti-tank weapons *Carl Gustav*, manufactured by Saab Bofors Dynamics. In January 2017, the Joint Procurement contract was concluded, allowing other Nordic and Baltic countries to participate in larger purchases, thus achieving a more competitive price offer. A similar procurement contract will soon be signed with Finland.²²

As far as Finland is concerned, equipment or armaments have not been purchased between 2016 and 2017, but the acquisition of Finnish experience has been significant, for example, the ability to test anti-tank missiles and artillery on Finnish equipment, exchange test data, individual training for special task soldiers in specific areas of warfare, winter training exercises (in cold and very cold climatic conditions), as well as public involvement in the design and adoption of a national defence concept.

One of the most significant contributions to strengthening Latvia's defence capabilities in 2016–2017 is the agreement with Denmark on the acquisition of air defence missile STINGER, signed in August.²³

The countries of the Baltic Sea Region have versatile experiences of cooperation in the fields of military education. For example, Norway, Sweden and Finland offer high-level and specific courses for Latvian soldiers and training for Latvian soldiers is taking place in Denmark where they are being prepared for the international anti-ISIL operation in Iraq, Latvians being included in the Danish contingent. In turn, Danish soldiers participate in the training of unexploded ammunition in Cēkule, Western Latvia each year. This training is also attended by Sweden. The Baltic Defence College, founded by the Baltic countries and partners, will mark its twentieth anniversary in 2018. BALTDEFCOL training and research programs are also considered to be a very successful trilateral co-operation project of the Baltic States, as well as a wider, regionally important military education and training institution.

Expansion of NORDEFCO (Nordic defence cooperation)²⁴ activities, increasingly involving the Baltic States in this collaborative format, testifies to a closer consolidation of the region in the defence field. In Iceland, in October 2016, the Baltic defence ministers signed a Memorandum of Understanding with Nordic countries on cooperation in the defence sector, the Nordic-Baltic Assistance Program, which is considered one of NORDEFCO projects. This program is organised in three clusters: 1) cyber defence, run by Estonia; 2) anti-corruption, led by Denmark, 3) operations, under the leadership of Norway. Latvia is engaged in a cluster of operations that meets the security interests of Latvia. Thanks to this program, the meeting of defence ministers and political directors has become a tradition in coordinating both the project and the current issues.

The regional cooperation in the area of defence has been intensive, as evidenced by the increase in defence budgets of the BSR countries, capacity building and modernisation, defence policy coordination and joint training and other measures to strengthen regional security in the region.

CONCLUSIONS

Despite the difficult international events of recent years and the escalation of tensions between Russia and other BSR countries, the prevailing trend in the region is deepening cooperation. The active participation in various regional formats and areas as listed in Latvian foreign policy priorities has been justified, as evidenced not only by the expansion of the interaction, but also by the deepening of concrete results in the areas of export, investment, energy and defence. At the same time, attention should be focused on a number of issues.

First of all, one must take into account that the BSR is a heterogeneous region in terms of political priorities and involvement, due to the variety of organisations and formats of cooperation it has in place. The growing disparity – different speed levels of cooperation, is witnessed by the priorities formulated by the countries over the last two years. For example, in 2016, when Latvia was the presiding country both in NB8 and in the three Baltic States, the priorities of the Baltic Assembly and the Baltic Council of Ministers were in line with national, regional and EU interests, and reflected the topicalities in the region. These encompassed security, including energy security, strategic communication, hybrid threats, education, science, culture, a favourable business environment and addressing current EU issues (migration, external borders, Eastern Partnership).²⁵ Similar priorities are also set for 2017, with Norway as the presiding country. Security in the region remains at the top of the list of priorities, with additional emphasis on economic development, transport and infrastructure.²⁶ Conversely, another logic appears in determining the priorities of the CBSS, where two principles are predominant in their formulation – national interests and those in which a compromise with Russia can be found. As a result, fragmentation appears in the coordination of the regional priorities. In 2016, under the Icelandic Presidency, the priorities of the CBSS were children, equality and democracy; in 2017, under the Swedish Presidency respectively - sustainability, inheritance and adaptation, which stem from the Swedish 2030 strategy.²⁷ While one country – Russia - wishes to distance itself from the region, the rest of the region chooses different forms of cooperation of varying degrees of intensity. At present, the NB8 countries have chosen the regional integration path, while the involvement of Poland and Germany takes place simultaneously at two levels – within the EU and at project level in the Baltic Sea area.

Secondly, in 2018, Latvia will take over the CBSS Presidency from Sweden. Latvia will have to define its priorities, given Russia's presence in this organisation. Obviously, it will not be possible to continue raising the same issues under the CBSS, which dominated under the Latvian Presidency in BA, BMP and NB8. This raises the question of formulating a multi-level policy for the Baltic Sea Region. One level concerns the use of EU and NATO formats in the context of the Baltic Sea,

which is already being successfully used. Another relates to the potential expansion of the region or expansion of activity beyond the region. For example, Belarus is in the status of observer in CBSS, and has a growing interest in cooperation with the EU and its Member States. Consequently, the CBSS could become a platform for involvement of a country neighbouring Latvia.

Thirdly, one of Latvia's security priorities for several years has been the fight against hybrid threats. The European Centre of Excellence for Countering Hybrid Threats, which is a joint NATO–EU project launched this October, offers new opportunities for raising awareness of the threats to the transatlantic and Baltic Sea space, and to offer its expertise. Considering the increasing number of decisions in the EU regarding security and defence policy issues over the previous year, which have not resonated widely in the discourse of Latvia's security policy, the active positioning and participation of Latvia in the early stages of the founding of the centre is essential for the defence and representation of Latvian security interests in the long-term, in the context of EU security, along with the existing Alliance policy.

Fourthly, the expansion and deepening of cooperation in the field of innovation and research would be important. NB8 countries are still divided into NB5 + 3 or could be referred to in NB7 + 1 format, in which Latvia is lagging behind in innovation performance. In line with the Global Innovation Index in 2017, Sweden ranked 2nd in the world, Denmark – 6th, Finland – 8th, Iceland – 13th, Norway – 19th, Estonia – 25th, Lithuania and Latvia, respectively, 33rd and 40th.²⁸ Within the EU in 2017, the first three places were taken by Sweden, Denmark and Finland, while Estonia and Lithuania are closer to the EU average,²⁹ and Latvia is in the last place among the BSR countries, but in 5th to last place in the EU ranking, with an index of 58.1.³⁰ The biggest gap between the countries in the region, still exist in the area of innovation which shows that the accumulated capital of cooperation in this area is not currently duly being used.

ENDNOTES

¹ For a more detailed analysis of the impact of Donald Trump's Presidency and BREXIT influence on the Baltic Sea Region see: Carlsen Per, External earthquakes, internal adaptation? Brexit, Trump and the Baltic Sea Region. Political State of the Region Report, Denmark: Baltic Development Forum, 2017, <http://www.bdforum.org/publications/2017-political-state-region-report-external-earthquakes-internal-adaptation-brex-it-trump-baltic-sea-region/>

² Christian Ketels and David Skilling, The Future of Europe and Globalization: Where is the Voice of the Baltic Sea Region?, Denmark: Baltic Development Forum, 2017, http://www.bdforum.org/wp-content/uploads/2017/06/EuropeAndGlobalization_FINAL.pdf, 3.

³ The first Northern Future Forum took place in 2011. The last meeting of this format, UK-NB8, took place in September 2017.

⁴ "White Paper on the Future of Europe," European Commission, 01.03.2017, https://ec.europa.eu/commission/publications/white-paper-future-europe_en

- ⁵ Reflection Papers on social dimension; harnessing globalization; deepening of the economic and monetary union; future of the European defence; EU finances, European Commission, 2017, https://ec.europa.eu/commission/white-paper-future-europe/white-paper-future-europe-way-ahead_en
- ⁶ Christian Ketels and David Skilling, The Future of Europe and Globalization: Where is the Voice of the Baltic Sea Region?, Denmark: Baltic Development Forum, 2017, http://www.bdforum.org/wp-content/uploads/2017/06/EuropeAndGlobalization_FINAL.pdf, 3.
- ⁷ Ibid.
- ⁸ Ibid, 14.
- ⁹ For the trends of 2017, the data used only concern the first three quarters, so it is likely that the drop in investment will be smaller.
- ¹⁰ Information obtained from the Bank of Latvia's 2017 and 2016 Macroeconomic Turnout Account: "Makroekonomisko norišu pārskats 2017," Latvijas Banka, 2017, https://www.bank.lv/images/stories/pielikumi/publikacijas/makroekonomikasnorises/MNP_2017_junijs_lv.pdf, "Makroekonomisko norišu pārskats 2016," Latvijas Banka, 2016, <https://www.makroekonomika.lv/sites/default/files/2017-01/4%20IKP%20anal%C4%ABze%20no%20piepras%C4%ABjuma%20puses.pdf>
- ¹¹ Data from the National Statistical Office of Estonia: Eesti Statistika, <http://pub.stat.ee>
- ¹² Data from the National Statistical Office of Lithuania: Oficialiosios statistikos portalas, <https://osp.stat.gov.lt>
- ¹³ The table is based on data from the Estonian, Lithuanian and Latvian statistical offices.
- ¹⁴ Interview with Gunārs Valdmanis, Deputy Head of the Energy Market and Infrastructure Department of the Ministry of Economics of the Republic of Latvia on September 18, 2017.
- ¹⁵ Ibid.
- ¹⁶ "Main principles of Entry - Exit tariffs," SPRK, 2017, <https://www.sprk.gov.lv/uploads/doc/PCattachmentfinal.pdf>
- ¹⁷ Ibid.
- ¹⁸ Ibid.
- ¹⁹ Ibid.
- ²⁰ For information on the European Centre for Countering of Hybrid Threats, see: Hybrid CoE, <https://www.hybridcoe.fi>
- ²¹ Interview with Ruta Ceple, Latvian Military Attaché in the Nordic Countries, October 3, 2017.
- ²² Ibid.
- ²³ "Latvija pērk pretgaisa aizsardzības sistēmu," LTV.LV, 21.08.2017, <https://ltv.lsm.lv/lv/raksts/21.08.2017-latvija-perk-pretgaisa-aizsardzibas-sistemu.id104491/>
- ²⁴ NORDEFECO was established in 2009 to promote cooperation in the field of defence between Denmark, Iceland, Norway, Finland and Sweden, bringing together existing projects in a better coordinated framework. Originally, Estonia, Latvia and Lithuania were not invited to participate in NORDEFECO.
- ²⁵ Ministry of Foreign Affairs of Latvia, 2017, <http://www.mfa.gov.lv/arpolitika/baltijas-juras-regions/baltijas-un-ziemelvalstu-sadarbiba>
- ²⁶ Ibid.
- ²⁷ Website of the Council of the Baltic Sea States, 2017, <http://www.cbss.org/>
- ²⁸ The Global Innovation Index, 2017, <https://www.globalinnovationindex.org/analysis-indicator>
- ²⁹ The EU average innovation index is 102, for Estonia it is 79.8, for Lithuania it is 79.4.
- ³⁰ "European Innovation Scoreboard," European Commission, 2017, http://ec.europa.eu/growth/industry/innovation/facts-figures/scoreboards_en

NATO ENHANCED FORWARD PRESENCE IN LATVIA – A HISTORIC CONFIRMATION OF THE RELIABILITY OF ARTICLE 5 OF THE NORTH ATLANTIC TREATY

Māris Andžāns, Researcher at the Latvian Institute of International Affairs; Assistant Professor at Rīga Stradiņš University

Uģis Romanovs, Researcher at the Latvian Institute of International Affairs; Lecturer at the Baltic Defence College; Military Advisor at Milrem

In terms of Latvia's defence, 2017 was another historical year since 2014 when along with Russia's aggression against Ukraine, for the first time in history a small and rotating though permanent US military presence was established in Latvia. Following lengthy discussions and preparations, in June 2017 the Canadian-led Multinational Battlegroup in the framework of NATO's Enhanced Forward Presence (EFP) was officially inaugurated in Latvia. Thus, after 13 years of NATO membership, Latvia finally became a member of the Alliance not only 'on paper', but also in practice.

Although the Canadian-led battlegroup is only one of Russia-detering activities of the allies alongside the NATO Response Force (NRF), the Baltic Air Policing Mission, missions of AWACS aircraft, the Standing NATO Maritime Group in the Baltic Sea and the military exercises in the region, the multinational battlegroup is the most visible and symbolic expression of the reliability of Article 5 of the 1949 North Atlantic Treaty.

Paradoxically, the only time the Article was activated was after the 9/11 terrorist attacks in the United States; not as initially anticipated that the North American allies would defend European allies against aggression from the Soviet Union, but

for the Europeans to support the United States in the fight against new threats. However, the activation of Article 5 in 2001, in particular with the limited support from European allies, in contrast to what was envisaged by the activation of Article 5 in Europe during the Cold War, undermined its importance. This was further aggravated by the reluctance of NATO's major allies to deploy permanent forces in the Baltic States and Poland, and the absence of Baltic defence plans, at least until Russian aggression against Georgia in 2008.

The authors of this chapter focus on the decision-making process leading to the expanded NATO presence in the Baltic States and Poland, assessing the military and political significance of this battlegroup against the threats posed by Russia, and propose means by which the allied forces could be kept in Latvia for as long as possible. It is underlined that it is essential that the Latvian public and decision-makers should not consider that this marks the "end of the history", and that the current situation – rotating allied forces in Latvia – will remain eternally. On the contrary, maintaining the allied presence in Latvia in the long run may prove to be a more complicated task than achieving their deployment.

MULTINATIONAL BATTLE GROUP IN LATVIA – FROM DECISIONS TO THEIR IMPLEMENTATION¹

The Meeting of NATO Heads of State and Government in Warsaw, July 8th–9th, 2016, or the Warsaw Summit, was symbolic from different points of view. It was held in the city that the 1955 Treaty of Friendship, Cooperation and Mutual Assistance between the USSR and its "satellite countries" was named after (the Warsaw Pact). From the perspective of Latvia, the most important decision of the summit was the decision on rotational permanent deployment of multinational battalion-level battlegroups.

Before the conflict in Ukraine, such a NATO decision was unimaginable. The potential aggravated reaction from Russia, and the possible incompatibility of such action with the 1997 Founding Act on Mutual Relations, Cooperation and Security between NATO and the Russian Federation, was kept in mind. The aforementioned act stated, among other things, that "in the current and foreseeable security environment, the Alliance will carry out its collective defence and other missions by ensuring the necessary interoperability, integration, and capability for reinforcement rather than by additional permanent stationing of substantial combat forces."² This NATO commitment has often been reminded in recent years both by Russia and by some individual NATO members in the context of strengthening the defence of the Baltic States and Poland.

The NATO Warsaw Summit decision on the deployment of battalion-level battlegroups in the Baltic States and Poland was prepared, discussed and approved at lower levels long before the Summit. The lines of the decision to be taken at the summit were known beforehand – the agreement was reached at the June 14th, 2016 meeting of NATO defence ministers. The decision of the ministers in turn was based on the opinion of the NATO Military Committee, endorsed by a meeting of the commanders of the armed forces of the allies on May 18th, 2016, while the NATO Military Committee made its point referring to the decision of defence ministers on February 10th–11th, 2016. Public information on the potential deployment of battalion-level units in the Baltic States and Poland had already appeared in public around the February meeting.³ As NATO's Warsaw Summit gradually approached, information on the deployment of battalion-size units was increasing, with the extent of public information rising in April 2016. The biggest intrigue was about which would be the leading country of the battalion-level unit in Latvia. The Canadian Prime Minister Justin Trudeau confirmed his country's leadership role at the Warsaw Summit, although information about the upcoming Canadian decision had been made public a month earlier.⁴

After the formal decisions were made, work continued to ensure the practicalities on hosting the battlegroup in Latvia. Since the NATO Warsaw Summit, a number of preparatory visits have taken place – the foreign, defence ministers and parliamentary delegations of Canada have visited Latvia; visits of strategic and tactical level defence representatives of allied armed forces also have taken place, as well as a number of visits paid by representatives of Latvia to Canada and other allied Member States. The inauguration of the Canada-led multinational battlegroup took place on June 19th, 2017 in Ādaži military base, where most foreign troops are stationed. For this purpose, the Ādaži military base has undergone extensive refurbishment. In 2017, new barracks were completed, ammunition warehouses were upgraded, improvements were made in the Ādaži ordnance yard (improved shooting areas in the training field, new field camps for soldiers); works continue on construction of the parking and maintenance facilities for combat vehicles.

CANADA AND ITS MOTIVATION TO JOIN NATO'S ENHANCED FORWARD PRESENCE IN LATVIA

Canada's motivation to lead the NATO Battlegroup in Latvia has not been completely explained apart from the largely general and declarative rhetoric of officials. During the NATO Warsaw Summit, in response to a Latvian journalist's question about the country's motivation to send soldiers directly to Latvia, the words of Canadian

Prime Minister Justin Trudeau that “the Canadian ties with Latvia have longstanding roots,”⁵ sounded rather vague. Although, of course, allies’ rhetoric about solidarity is important, usually every country’s actions, especially military measures, are driven by more egotistic, rational and practical considerations. Since it became clear that the battlegroups in Estonia would be led by the United Kingdom, in Lithuania by Germany and in Poland by the United States, Latvia remained the last of the four countries without clarity about the lead nation of its respective combat group. Looking at the events in a wider international context, it seems very likely that Canada took on this responsibility following the US insistence.⁶

One of the most elaborated explanations of Canada’s action has been provided by Leuprecht and Sokolsky. They explain Canada’s rationale for leading a battlegroup in Latvia because, firstly, Canada considerably depends on global trade, and is therefore interested in ensuring free and open trade in the world, which in turn may be impeded by conflicts. Secondly, Canada is interested in a strong and stable Europe and the European Union, and threats to any Member State of the Union would be detrimental to Canadian interests. Therefore, Canada prefers to deal with threats with relatively small investments rather than deal with the consequences of full scale crisis. Thirdly, since the start of the Second World War, the United States and Canada have followed the “continental grand strategy”, i.e., they have sought to keep threats and instability away from the shores of their continent. Therefore, the strategic culture of both countries is also oriented towards military missions overseas.⁷ Most likely, these factors, in combination with the US insistence formed the basis for Canada’s engagement as a leading country for the multinational battlegroup in Latvia.

Interestingly, Latvia’s strongest associations with Canada are related to ice-hockey (others that are often mentioned are welfare, maple leaf, nature, etc.).⁸ However, it is important to note that Canada is the second biggest country in the world by size of its territory. At the same time, it has only 36.7 million inhabitants⁹ (less than, for example, Poland, Spain or Italy). Despite the relatively small population, the Canadian economy is the tenth largest in the world, and the country is among the G7.¹⁰ Although the Canadian defence budget is relatively small in proportion to the gross domestic product (1.31 per cent), the defence spending in monetary terms is significant. Of the NATO nations only the United States, the United Kingdom, France, Germany and Italy spend more on defence than Canada.¹¹ This defence spending allows Canadians to maintain a capable armed force of approximately 73 000 men and women and modern military equipment.¹²

Although Canada has become the lead nation of the NATO battlegroup in Latvia both by coincidence and at the same time by certain logic, as seen from the explanation above, Latvia can be considered to be fortunate. Canada is one of the

only two NATO North American members, thus strengthening the Transatlantic link. Canada, too, is a significant economic and political power, also backed by formidable armed forces. Canada’s new role in Latvia is in line with its strategic political culture, which is based not only on its own interests, including global stability, but also on adherence to values. Moreover, as is often recognised by representatives of both the Latvian and Canadian armed forces, both countries have similar ways of thinking and mentalities, which facilitates understanding and cooperation with each other.

COMPOSITION OF CANADA-LED
MULTINATIONAL BATTLE GROUP

The Canadian led Multinational Battlegroup includes five other countries: Spain, Italy, Poland, Slovenia and Albania (apart from the separately deployed US forces).

Composition of the Canadian-led Multinational Battlegroup in Latvia¹³

Country	Number of personnel deployed	Units	The main military equipment brought to Latvia
Canada	450	Mechanised infantry battalion with infantry combat vehicles. Intelligence platoon and support elements	The Canadian infantry fighting vehicle (IFV) <i>LAV</i> is capable of carrying seven passengers. The maximum speed of the vehicle is 70 km/h. IFV is equipped with a 30 mm automatic canon capable of striking targets up to 3 km away.
Spain	300	Mechanised infantry company with infantry combat vehicles. Military engineers (movement assurance) and combat support elements	Main battle tanks <i>Leopard 2E</i> are considered one of the most effective third-generation tanks in NATO Member States. 62-ton tanks are armed with 120 mm guns and can travel at speeds of 68 km/h. The <i>Pizarro</i> caterpillar IFV is equipped with a 30-mm automatic cannon and a 7.62 mm machine gun with a shooting speed of 800 shots per minute. The Spanish combat support and combat service support units use <i>M113</i> armoured personnel carriers equipped with various weapon systems and engineering equipment.

Country	Number of personnel deployed	Units	The main military equipment brought to Latvia
Italy	160	Mechanised infantry company with infantry combat vehicles	Italian infantry company have <i>Freccia</i> infantry fighting vehicles equipped with a 30-mm automatic cannon. The vehicle excels by its high level of crew safety, with the ability to protect personnel from up to 30 mm shells or 8 kg mines.
Poland	160	Tank company with support elements	The 45-ton Polish PT-91 (<i>Twardy</i>) main battle tanks can move at speeds up to 60 km/h. They are equipped with 125 mm smooth-bore guns, 7.62 mm and 12.7 mm machine guns. The infantry units are transported by the <i>XC-360 Rosomak</i> vehicles, equipped with 30 mm automatic cannons.
Slovenia	50	Chemical, biological, radiological and nuclear platoon and support elements	The Slovenian contingent in Latvia has specialised equipment for chemical, biological, radiological and nuclear protection tasks, including reconnaissance and decontamination of personnel and equipment.
Albania	18	Military engineers (explosive ordnance disposal unit)	The explosive ordnance disposal unit of the Albanian Armed Forces uses different types of equipment, including the <i>PackBot</i> munitions neutralisation robot manufactured by <i>iRobot</i> .
Total number of personnel: 1138			

If Poland's interest in aiding the defence of Latvia is understandable given the almost identical threat perception to that of Latvia (Poland is often the most outspoken critic of Russia in NATO), then the participation of Spain, Italy, Slovenia and Albania in this battlegroup is less self-evident, especially considering the different security environment and threat perception of these countries (in other words, Russia does not stand among the most significant threats to their national security). Particularly noteworthy is the size of the armed forces sent by Spain (about 300 soldiers), representing more than a quarter of the total NATO allies' presence in Latvia.

In view of the previously mentioned 1997 NATO-Russia Founding Act, in particular the ambiguous commitment of NATO to avoid "additional permanent stationing of substantial combat forces,"¹⁴ it is clear that the size and structure of the battlegroups deployed in the Baltic States and Poland is a compromise between a real protection of

the Baltic States and Poland and the deterrence of Russia, the deterrence of Russia and potential provocation of it, and between the positions of NATO Member States with a more cautious view of Russia and those with a more conciliatory attitude towards Russia. Accordingly, the battlegroups established in the Baltic States and Poland can be considered to be a minimum military factor to deter potential Russian aggression, while at the same time keeping the size and composition of these units such that Russia should not perceive them as an objective military threat.

It is important to underline that the aim of the deployment of multinational battlegroups in the Baltics and Poland is not to achieve the numerical military balance with Russia: it can be estimated that about 40 per cent of its armed forces of about 831,000 are stationed in Russia's Western Military District.¹⁵ In other words, the numerical composition and equipment of the battlegroups located in the Baltics and Poland is not an outcome war-gaming as sometimes done by the think-tanks: for example, RAND experts concluded in 2016 that defence of the Baltic States against Russia would require approximately seven brigades, among them three heavy armoured ones, with adequate combat and combat service support.¹⁶ Thus, if the composition of the battlegroups were the result of war-gaming, instead of four battalion level multinational battlegroups, there would be at least ten times the size of the NATO ground forces deployed, complemented by air, naval and special operations components.

The multinational composition of allied forces in Latvia is simultaneously a challenge and an advantage. Challenge lies in each allied armed forces having different operating procedures and their work as one whole not being aggregated. However, since the aim of this battlegroup is not to create a military balance with Russia, the multinational composition of the battlegroups should be regarded as positive. The Latvian National Armed Forces and allied forces are given the opportunity to train interoperability and compatibility of procedures. At the same time, Latvia as the host nation does not depend on, for example, political decisions in one or two participating countries about possible withdrawal from the allied forces.

When assessing the military aspects of the presence of battlegroups, it is important to note the benefits for the Latvian National Armed Forces and the member countries of the battlegroups. Firstly, the Infantry Brigade of the National Armed Forces, thanks to allied units, has become a fully operational combat unit and is the first brigade-level combat unit since the restoration of the National Armed Forces. Establishing such a unit alone would require several years for the Latvian army. This situation gives the brigade units' commanders a unique opportunity to learn in practice the basic principles and details of all battle functions, allowing to more precisely define the priorities for development of military personnel training, as well as the combat capability of headquarters and units. The allied units in the brigade

can also identify hitherto unknown interoperability issues, in particular those related to command and control processes, the organisation of battlefield support, the division of the battlefield, or the synchronisation of different fire support systems (this knowledge will be transferred to higher levels of national headquarters, to be used for planning Baltic defence operations if necessary).

Another significant benefit is related to practicing the host nation support. Considering the geographic location of the Baltic States, terrain and the location of Russian air defence systems, one of the main challenges for the NATO forces in the event of a military conflict would be the provision of combat support: supply of combat units with ammunition, fuel, spare parts for military equipment, medical support. Along with the deployment and supply of allies, Latvia's long-term ability to host allied forces has been tested and improved, thereby raising awareness also of the sending NATO nations about the challenges related to deployment and supporting forces in the Baltic region.

LOOKING FORWARD TO 2018 AND BEYOND

According to the Ministry of Defence of Latvia, the Czech Republic and Slovakia plan to join the battlegroup led by Canada in 2018, thus stationing the formerly rotational forces of the Visegrad Group countries on a permanent basis¹⁷ (in 2017, a Slovak company-sized unit was already deployed in Latvia as part of the Visegrad Group initiative for the security of the Baltic States).

However, despite the anticipated expansion of the NATO Enhanced Forward Presence, it would be naive to assume that Russia has accepted the deployment of NATO allies in the Baltics and Poland as a *fait accompli*. Although Russian officials have regularly criticised this move by NATO, Russia has not been openly active in this regard. Most likely, Russia will try to gradually bring to an end the NATO allies' presence in the near future.

In the coming years, Russia could avoid provocations near the Baltic States and Poland (for example, in the course of the *Zapad 2017* exercise, Russia displayed self-restraint, contrary to NATO concerns) and normalise the situation in Ukraine (for example, by 'freezing' the conflict in the east of the country even further – similarly to the developments in Georgia). Such actions could help to naturally diminish the perceived threat of Russia within NATO in years to come (which even now is not high in some parts of Europe¹⁸). Secondly, Russia is more likely to take active measures to reduce the unity of NATO countries with its traditional 'divide and rule' approach,

by strengthening co-operation with the countries that have sent their troops to Latvia in economic and political issues (for example, by using economic groups as representatives of its political interests), raising public dissent to sending soldiers abroad in the respective countries (for example, through disinformation campaigns or using pacifistic groups), inviting NATO nations to act jointly against 'real threats' (for example, combating global or regional terrorism, normalising the general situation in the Middle East) but not to deal with 'non-existent threats'. Moreover, it will be an important task to sustain the longstanding interest of Canada and other allies in continuing to participate in the mission in Latvia even without Russia's activities.

Latvian foreign and defence authorities are well aware that there is no alternative to the presence of NATO allies as the basis for the independence and sovereignty of the country. Officials are also aware that the need for the allies' presence will continuously need justifying, and it will take efforts to ensure this presence. One of the most important tasks of 2018 will be to expand the NATO allied presence also in the sea and in the air – complementing and strengthening the Baltic Air Policing Mission and the Standing NATO Maritime Group in the Baltic Sea.

One of the criticisms expressed in informal talks by representatives of the allied forces in Latvia is the still insufficient host nation's readiness to provide adequate living conditions for all allied personnel – some of the soldiers were still living in tents in 2017 (as indicated by the Ministry of Defence of Latvia, it was scheduled by the end of 2017 to provide all allied personnel with accommodation under a 'hard roof'¹⁹). Although living in tents is a normal situation during combat missions, since it is in Latvia's interest to ensure the longest possible stay of the allies, *in the first instance, allied soldiers in Latvia should be provided the best possible living conditions*. Although the progress made by Latvia during 2017 has been obvious, it is still not sufficient – Latvia needs to realise that it needs the allied presence more than the NATO allies need it.

Secondly, it would be necessary to build considerably larger barracks and other structures in order to host at least twice as many military personnel in Latvia than is currently possible. This would increase the chances of ensuring stationing of more allied forces both in the short and long term (it would be a chance to offer good living conditions without additional preparatory processes). The Ministry of Defence is cautious about this possibility, traditionally anticipating that the State Audit Office will consider such action to be a waste of public funds.²⁰ However, the Member of the Board of the State Audit Office Ilze Grinhofa underlines that the Office primarily assesses whether the interests of the state are ensured (the potential risks are evaluated and control mechanisms are in place both in terms of control over the use of the spent funds and in relation to the compliance with the specific requirements of the defence sector). When assessing the efficiency of the use of funds, attention is paid to the relationship between

the intended goal and the result, i.e. to what extent are the objectives achieved, while assessing feasibility focusing on whether the activities are being implemented at the lowest cost while maintaining quality. In the opinion of the State Audit Office, the use of state budget funds allocated for national defence can be negatively affected not by the creation of infrastructure as such, but by the lack of long-term planning, as the consequences most often are hasty and futile decisions, mutually uncoordinated actions and poor-quality workmanship. Therefore, the State Audit Office in its conclusions has drawn the attention of the Ministry of Defence to the lack of its long-term vision for the development of a defence infrastructure, which has led to delays in the construction process and is already affecting the implementation of more than just one priority defence capability, including the hosting of allied forces. The State Audit Office suggests it is essential that solutions for the development of long-term defence capabilities and their provision with infrastructure, military equipment and human resources most suitable for Latvia's national interests are evaluated and clearly formulated.²¹

Thirdly, it would be desirable to be as responsive as possible to the interests of the allies in order to strengthen their determination to stay in Latvia. There is no doubt that the Latvian authorities are already aware and are positively responding to the pleas of the allies to support their interests in NATO, the United Nations and in other international formats. At the same time, consideration should be given to further strengthening military and other forms of cooperation with the respective allies. In particular, it would be worth considering purchasing military equipment from these countries, especially from Canada, Spain, Italy and Poland, which would further strengthen military cooperation, interoperability and, consequently, their interest in staying in Latvia. In this regard, the State Audit Office maintains that the evaluation of Latvia's interests is also important here. The evaluation and solutions in the acquisition of military and other equipment is the sole responsibility of the defence sector, since it is responsible for the national defence policy.²² The defence market has its own specifics: the main customer in this market is the public sector, and the assurance of national security is the basic duty of the state.²³ In the process of supplying the National Armed Forces, one needs a careful and balanced solution to ensure the combat capabilities of the armed forces and the survival of soldiers. Not everything can be measured by the lowest price, but qualitative aspects (performance, warranties, compatibility, etc.) are also important. The State Audit Office has drawn the attention of the Ministry of Defence to the application of a special defence procurement instrument, arising both from supranational laws²⁴ and national legislation²⁵ that would enable the safeguarding of essential national interests and allow the selection of trusted and reliable cooperation partners, particularly with regard to the stipulated exceptions for interstate cooperation among national armed forces (contractors).²⁶ In other words, the cheapest military

equipment from a randomly selected country will not always deliver a solution that is in the best interests of national security.

Fourthly, in order to increase the chances of sustaining and expanding the presence of allies, Latvia should consider showing more military solidarity to other NATO members. One of the possible directions for action could be increased participation in international operations and missions in Africa and Asia. Another possible route would be sending a unit of the National Armed Forces of Latvia to Poland, Romania or Bulgaria, where NATO allies have also stepped up their presence after Russia's aggression in Ukraine. Right now, such a model is already pursued both by Poland and Romania: they not only host forces of other NATO countries, but have also sent their soldiers to Latvia and Poland, respectively. If the costs of such a model of potential action would be too high for Latvia, then the alternative could be a deployment of a small unit of the National Armed Forces in Lithuania or Estonia.

ENDNOTES

¹ This section is based on: Māris Andžāns, Ilvija Bruģe, Mārtiņš Daugulis, Anda Rožukalne, Andris Sprūds (ed.), "Latvijas plašsaziņas līdzekļu noturība pret citu valstu vēstījumiem: Krievijas faktors NATO 2016. gada Varšavas samita kontekstā," Rīga: Latvijas Ārpolitikas institūts, 2016, http://liia.lv/en/publications/latvijas-plassazinas-lidzeklu-noturiba-pret-citu-valstu-vestijumiem-560?get_file=1, 25–26.

² "Founding Act on Mutual Relations, Cooperation and Security between NATO and the Russian Federation signed in Paris, France," NATO, 27.05.1997, http://www.nato.int/cps/en/natohq/official_texts_25468.htm; On analysis of the 1997 Founding Act on Mutual Relations, Cooperation and Security between NATO and the Russian Federation in the context of interests of Latvia, please see: Māris Andžāns, Ilvija Bruģe, Andris Sprūds, "NATO un Krievijas attiecības: Latvijas intereses formālo ietvaru un attiecību transformācijas kontekstā," Rīga: Latvijas Ārpolitikas institūts, 30.06.2016, <http://liia.lv/upload/content/nato-krievija-2016.pdf>

³ See: "NATO may deploy thousands of troops in Europe to ward off Russia," The Telegraph, 10.02.2016, <http://www.telegraph.co.uk/news/uknews/defence/12149403/Nato-may-deploy-thousands-of-troops-in-Europe-to-ward-off-Russia.html>

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- ⁷ Christian Leuprecht, Joel Sokolsky, "Canada's Enhanced Forward Presence in the Baltic States: An Enduring Commitment to Transatlantic Security," Andris Sprūds, Māris Andžāns (eds.), "Security in the Baltic Sea Region: Realities and Prospects. The Rīga Conference Papers 2017," Rīga: Latvian Institute of International Affairs, 2017, http://liia.lv/en/publications/security-in-the-baltic-sea-region-realities-and-prospects-the-riga-conference-papers-2017-643?get_file=1, 118-128. Interview with Christian Leuprecht conducted on 21.11.2017.
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- ¹⁵ "The Military Balance," International Institute for Strategic Studies, 2017, 211.
- ¹⁶ David A. Shlapak, Michael W. Johnson, "Reinforcing Deterrence on NATO's Eastern Flank Wargaming the Defence of the Baltics," RAND Corporation, 2016, https://www.rand.org/content/dam/rand/pubs/research_reports/RR1200/RR1253/RAND_RR1253.pdf, 1.
- ¹⁷ Interview with an official of the Latvian Ministry of Defence conducted 29.08.2017.
- ¹⁸ For example, a survey conducted by WIN/Gallup International in 2017 showed that the societies of four NATO countries could choose Russia as their ally if they faced a military threat: Bloomberg Politics, "Four NATO Nations Would Pick Russia to Defend Them If Threatened: Poll," Bloomberg, 17.02.2017, <https://www.bloomberg.com/news/articles/2017-02-17/melania-trump-s-slovenia-would-pick-russian-over-u-s-protection>
- ¹⁹ Interview with an official of the Latvian Ministry of Defence conducted 29.08.2017.
- ²⁰ Ibid.
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- ²² Article 11, Part 1, Paragraph 1 of the National Security Law, adopted 14.12.2000, <https://likumi.lv/doc.php?id=14011>
- ²³ Article 1, Part 2 of the National Security Law, adopted 14.12.2000, <https://likumi.lv/doc.php?id=14011>
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- ²⁵ Defence and Security Procurement Law, adopted 13.10.2011, <https://likumi.lv/doc.php?id=238803>
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LATVIA AND THE UNITED STATES: THE MORE THINGS CHANGE, THE MORE THEY STAY THE SAME

Diāna Potjomkina, Researcher at the Latvian Institute of
International Affairs

Alina Clay, Fulbright Student-Researcher

In Latvia, as elsewhere in the world, the inauguration of the new president of the United States raised a number of questions and suspicions. Would Donald Trump's administration develop a friendship with Russia through some kind of a Trump–Putin pact and ignore the smaller states in between? Could we still rely on the US to uphold its Article V commitments (NATO treaty's article on mutual assistance in case of an attack on one of the members)? What will happen with international trade? It can already be said that indeed, the year 2017 has brought some new trends in the Latvian–US relationship. These changes, however, should not be overestimated. Contrary to many analysts' and politicians' fears, we have observed a great deal of continuity in the Trump administration's approach to the Baltics, although it remains to be seen how much of that holds in 2018.

This article reviews Latvian-US bilateral cooperation in 2017, including the political dialogue, security and economic relations. It also touches on the wider Transatlantic context of this relationship. At the end, we offer some recommendations to Latvian policy-makers and other parties interested in developing relations between Latvia and the US.

BACKGROUND: THE (NOT SO SIMPLE) STORY OF LATVIAN-US FRIENDSHIP

The US and Latvia have embraced close ties for years. The US diplomatic recognition, granted to Latvia in 1922, did not waver during the entire time of Soviet occupation, with the Latvian legacy in Washington, DC being the only one in the world that continuously operated throughout the Cold War. Once Latvia regained independence, the US then supported it on its journey to joining NATO – even at times when some European NATO members were quite skeptical of such an idea. This explains why Latvia has been a stalwart supporter of the US as the linchpin of NATO and the primary guarantor of its military security. The US is the main, or perhaps even the only, “strategic partner” for Latvia. At times when US and its European partners have disagreed, Latvia has tended to side with the former (e.g. as part of Atlanticist “New Europe” lauded by the US Defence Secretary Donald Rumsfeld during the Iraq war) or stay silent. Closer military cooperation among European states was only accepted if it did not attempt to replace or weaken the European-US relationship. In a telling attempt to enhance the US engagement in Europe, the Latvian foreign minister even proposed a “Euro-Atlantic Eastern Partnership” in 2014,¹ although the idea did not come to fruition. From this vantage point, it should not come as a surprise that many Latvians were worried about Donald Trump’s wish to improve relations with Vladimir Putin’s Russia and his transactional approach to the security of European allies (Trump famously tweeted that “...vast sums of money to NATO & the United States must be paid more for the powerful, and very expensive, defense it provides to Germany!”² and made a point of all NATO allies spending at least 2 per cent on defence if they wanted ongoing US protection).

We should not assume, however, that Latvian reliance on the US has been absolute and unconditional. First, while “common values” feature prominently on media communiques, one could perceive this relationship as basically transactional in nature: the US provides security assurances in exchange for its smaller allies performing acts of loyalty, such as providing troops in Iraq and Afghanistan and defending its position on the international stage.³ Privately, even the more Atlanticist Latvians voice skepticism about, for instance, the US ignoring international law. It is also remembered in Latvia that both the US *de jure* recognition of Latvia in 1922 and the recognition of renewal of Latvia’s independence in 1991 came somewhat belatedly – basically, after the US made sure that the USSR would not create major impediments to this decision.⁴ Thus, we can assume that while Latvia is strongly interested in the US’ security guarantees and invests greatly in the relationship, it is not completely uncritical of US policies, nor does it rely *solely* on the US.

Second, there are certain political forces who use the US as a scapegoat for domestic and international problems, and certain groups of the population harbor

anti-American attitudes. They are either dissatisfied with the US “intervention in Latvia’s domestic affairs,” such as its support toward fighting corruption. They also condemn the US’ “imperialistic” policies or believe that Latvia should adopt a more low-key approach to international affairs and not provoke Russia unnecessarily. Understandably, this group does not have anything against the US disengaging from Europe.

Corollary: While Latvia remains a strong ally of the US and would be grateful if the new administration provided more cooperation and protection, it could also be expected to 1) have its own, possibly critical, opinion of the new US president and his policies; and 2) look for alternative ways of strengthening its security in case the US appears reluctant to provide support.

FOREIGN MINISTER’S REPORT: LATVIA’S PRIORITIES IN 2017

Overall aims for 2017 defined in the foreign minister’s annual report included strengthening the country’s external security, actively participating in the EU, promoting stability in the EU’s neighbourhood, supporting Latvian exports and attracting investments, and maintaining a close link to the Latvian diaspora abroad.⁵ Latvia’s relationship with the US is important for achieving all of these but the EU-related aim. The report highly values the strategic partnership with the US and promises to work closely with the new administration and Congress, as well as foreign and security policy experts. Security issues are highlighted as primary. The report also expresses interest in the EU-US Transatlantic Trade and Investment Partnership (TTIP), stating that this agreement has not only economic but also political significance. Speaking about bilateral economic relations, the US is highlighted as a potential market where a branch of the Investment and Development Agency of Latvia would be reopened in 2017. Moreover, the US was mentioned in the context of energy security, although in quite a vague manner.⁶

The report does not indicate signs of greater interest in developing the EU as a defence actor, which could be expected in light of worries about the US’ ongoing engagement in Europe. While it says that “it is important to strengthen the EU’s security and defence capabilities,” the report goes on to state that “Latvia considers the need to divide responsibilities between NATO and the EU to be an important principle. NATO has the main role in ensuring defence of its member states. In turn, the EU should play a greater role in civilian missions and operations, ensuring support to partner states, as well as in the fight against hybrid threats.” Similarly, Canada was described as an important partner, but not in any way as an alternative to the US.⁷

However, parliamentary debates that were dedicated to the foreign minister's annual report in the beginning of January showed a certain lack of consensus on relations with the US, as well as a rather high level of uncertainty and unease with the new administration. Coalition MPs stressed the importance of security and economic cooperation, and, according to Atis Lejiņš from "Vienotība" ("Unity"), the US "is the only great power that can outbalance Putin's Russia." However, even a few coalition representatives, like Ojārs Ēriks Kalniņš also from "Vienotība," noted that "We do not know how the new US administration will act in relations with NATO, Russia and China. [...] Last December [...] we heard convincing and repeated assurances that the previous US policy towards NATO and the Baltic States will not change. However, in order to ensure it, in 2017 both the foreign ministry and the Saeima [Parliament] should communicate more actively with Washington, DC legislators, foreign policy experts and administration." (In fact, Kalniņš and the Latvian ex-president Vaira Vīķe-Freiberga signed a letter to Donald Trump asking him not to harbor illusions about Russia.⁸) As a possible sign of Latvian politicians thinking about diversification of their security, Canada appeared more often in Latvia's political discourse than previously. Latvia's defence minister voiced hope that Canada will become associated with the military battalion stationed in Latvia, and not just with maples and ice hockey. The opposition, in turn, voiced muted hopes that "Trump will find agreement with everybody," stop unnecessarily interfering in other states' affairs and will curb such phenomena as globalization and migration flows. In the opposition's opinion, Latvia will only benefit from improved relations between Russia and the US.⁹ Thus, interestingly, the opposition took Trump's interest in developing friendly relations with Russia much more seriously than the coalition parties, although the latter were worried about a possible US-Russia rapprochement.

DONALD TRUMP ADMINISTRATION'S FOREIGN POLICY: "OLD WINE IN NEW BOTTLES" OR A PARADIGM SHIFT?

In 2017, US foreign policy toward the Baltic States became a pressing topic in both Baltic and US media and was viewed as susceptible to change and uncertainty in light of the new Trump administration. In fact, there is no consensus on how to appraise Trump's foreign policy. The more favourably inclined American analysts say that "Trump never questioned Article V" and point out that Trump's team includes such hawks as Lieutenant-General H.R. McMaster and General (Ret.) James N. Mattis, Fiona Hill dealing with Russia at the National Security Council, Kurt Volker as the special representative for Ukraine negotiations and Wess Mitchell, the new Assistant Secretary of State.¹⁰ Moreover, the system of checks and balances limiting the

president's powers is considered to be strong enough to guarantee against any arbitrary pro-Russia decisions, should the president ever decide to take such. The pessimists, in turn, dwell on Trump and his closest confidants' attempts to improve relations with Russia, Secretary of State Rex Tillerson's ties to the Russian state-owned companies Gazprom and Rosneft, and other links between Trump and Putin,¹¹ as well as Trump's refusal to clearly endorse said Article V and his general contempt for diplomacy and international agreements. Uncertainty remained a key word throughout 2017, as Latvian and international observers struggled to make sense of the latest developments in Washington, DC. There has also been a lot of uncertainty in Washington, DC itself, as posts in the State Department have been filling too slowly and investigations against the Trump administration's ties to Russia and Russian influence over the 2016 US presidential elections still continue.

Now almost a year into the new administration, a popular claim is that the US foreign policy approach is not one based on strategy but rather concrete transactions, akin to securing business deals.¹² This mentality could help explain Trump's insistence that all NATO members contribute equally to defense spending; this output is much more tangible and aligns with a business model more so than, for example, a symbolic meeting with foreign leaders. This idea underpins Trump's resistance toward verbally committing to NATO's Article V for so long, including in his May speech in Brussels at the NATO summit: no discernible transaction results from this action.¹³ (The commitment was finally voiced in a press conference on June 9.) In a similar vein, the appointment of Rex Tillerson as Secretary of State has ushered in a new chapter in US priorities abroad, which now center on boosting economic growth and national security rather than safeguarding human rights.¹⁴ Yet presumptions about the US foreign policy approach toward the Baltics have largely been shaped by what we have seen written in the media, like Trump's interview about not immediately defending the Baltics from a security breach,¹⁵ or official statements indicating the priorities of US interests abroad. Trump's "Twiplomacy," meanwhile, overshadowed much of the real US approach to Latvia.

That is to say, very little has definitively changed within US-Latvia and US-Baltic relations since the 2016 elections. Security cooperation not only remained intact but was even somewhat strengthened in 2017, and contacts with the Department of Defence are estimated by Latvian policy-makers as being extremely close. Aside from military efforts, diplomatic ties remain strong between the two countries, and both countries' respective Embassies continue supporting a diverse range of programs, cultural exchanges, and services. Lastly, in the past months, we have observed numerous visits to the Baltics by high ranking US officials, including Vice President Pence, Senator and Chairman of the Senate Armed Services Committee McCain, Senator Alexander, Senator Klobuchar, Senator Graham, Secretary of Defense Mattis, House Speaker Ryan, and former Vice President Biden. The United States also pushed

an impressive bipartisan effort to renew sanctions against Russia, which speaks directly to Latvia's national interests. Altogether, US military, diplomatic, and political efforts have not ceased since the Trump administration took office, but rather have underscored the US' protection of the sovereignty of the Baltic States. Moreover, these efforts undoubtedly have elevated the visibility of these three nations within both the US' mainstream media and that of the wider international community. The US president's somewhat impulsive rhetoric has not, until the moment when this article was written (October 2017), put Latvia in any real jeopardy.

POLITICAL DIALOGUE BETWEEN LATVIA AND THE US IN 2017

The above-mentioned duality in Latvia's attitude towards the US ("strategic partner" but with certain limits), in conjunction with the somewhat dual approach of the Trump administration (the president often playing the role of the "bad cop" with the vice president Mike Pence and the national security team being the "good" ones), could only produce somewhat ambiguous results. While bilateral cooperation remained close, and perhaps even intensified, the slow pace of new appointments in the State Department was not helpful. Latvian officials started voicing disagreement with Trump's other foreign policies. Moreover, a certain shift in attitude has been taking place. Doubts about the new power in the US spread widely in Latvia and somewhat dampened confidence in the "strategic partnership" with the US.

If we look at the intensity of bilateral meetings, overall it is similar to previous years. Contrary to the lowest expectations, active and high-level political dialogue continued with the US government and Congress. It could be expected that the strong interest of Congress in Latvia would not fade or weaken – after all, not only Democrats (D) but also many Republicans (R) have been dismayed by Trump's lackluster support to the Baltic States and took special care to reassure their allies. Indeed, numerous meetings with representatives of both the House and the Senate from both parties, as well a visit of Congressional staffers, took place. One of the most interesting meetings actually happened in the very last days of 2016, when the influential Senators John McCain (R), Lindsey Graham (R) and Amy Klobuchar (D) visited Riga in order to reassure Latvian policy-makers of their continued support. (It must be noted that Latvia has traditionally invested significant effort in developing relations with the US Congress; close cooperation takes part not only on the legislature-to-legislature level, as is the custom with other countries, but also between the US legislature and Latvian government officials.) Latvia continues to enjoy bipartisan support within the US Congress, and it is unlikely that this tradition will be reversed.

Executive-to-executive relations, however, reveal some new tendencies – even if it is too early to make definite judgments, as the new administration only took office in January and spent a significant amount of time and effort on the transition. First of all, it should be noted that the several high-level meetings that took place in 2017 were between the US and the three Baltic States, that is, not purely bilateral. These included the three Baltic presidents’ meeting with the US vice-president Mike Pence at the Munich Security Conference in February, Baltic foreign ministers’ meeting with their counterpart Rex Tillerson and with Lt-Gen McMaster in Washington, DC in March, and yet another Baltic presidents’ meeting with Pence in Tallinn in July. Of course, meetings with all three Baltic States are not in the least unusual, as Latvia, Lithuania and Estonia have broadly similar policies towards the US and face similar security issues. However, compared to the previous year, we do see one more interesting trend – fewer bilateral contacts between Latvian and American executives. In 2016, Latvian foreign minister had two official visits to the US, one visit was paid by the Latvian minister of defence, and in August, vice-president Joe Biden came to Riga with a farewell visit. Judging from the Latvian Ministry of Foreign Affairs’s record, there were also more lower-level executive-to-executive visits in 2016 than in 2017.¹⁶ With this in mind, we could wonder whether the high degree of Baltic unity was, at least to some extent, an attempt to increase the three countries’ faltering profile in Washington, DC.

Another reason for the comparatively less active executive-to-executive relations was probably the abovementioned slow pace at which State Department posts were filled. While the lower-level officers at the State Department stayed, key posts had to be filled by the new administration. This took more time than expected, as the State Department was, in fact, one of the most laggard agencies in this regard. The abovementioned Wess Mitchell only took office in mid-October, while some other high-level positions remain vacant. As an anonymous interviewee noted, for a long time, the State Department was full of “acting” officers who did not really have a mandate for substantial talks and could not provide concrete responses. Most likely, this situation was not created intentionally in order to ignore the Baltic States and their security concerns vis-à-vis Russia. Secretary of State Rex Tillerson proved rather inefficient in managing the State Department; there are numerous accounts of a growing gap between the top leadership and foreign service officers who carry out day-to-day work.¹⁷ Indeed, the state of mild mayhem in the State Department is in itself telling of the new administration’s approach to diplomacy.

If we look at the substance of the meetings, we also see that Latvia’s worst fears have not materialized. The readiness of the US to support Latvia in its main priority area – security – has been reaffirmed during multiple bilateral and US-Baltic meetings, and there is currently no indication that the US would abandon its commitments within NATO. As could be expected, security was the main topic in the meetings. Since Latvia is increasing its defence budget to 2 per cent of its GDP

in 2018, in accordance with the NATO requirements, it has remained in a good position to ask the US for continued cooperation and engagement in the region.

However, bilateral cooperation in security and in defence was not the only issue on the agenda. Latvia and the US also discussed economic cooperation and energy (on which we explore later in the paper), joint efforts in development cooperation, including US support of a high-level education programme run by Latvia and targeted at EU's neighbouring countries, as well as international issues such as Syria, North Korea, Eastern Partnership and Central Asia. Not all opinions were shared by Latvian and US interlocutors. While the areas of agreement (such as US support to some Latvian development cooperation projects or operations in Syria) clearly merited more attention in the communiqués, from anonymous interviews¹⁸ we know that Latvia “was not very happy” with Trump's intention to withdraw from the Paris Climate Agreement, escalationary rhetoric towards North Korea, the US freezing negotiations with the EU on the Transatlantic Trade and Investment Partnership, probable renewal of sanctions against Iran for its nuclear programme and absence of strategic thinking on the migration crisis and its causes. On all of these issues, we notice not simply bilateral Latvian-US disagreement, but rather a split between the EU and the US. Europeans believe that the indiscriminate use of force and unilateralism are not the best solutions to the abovementioned problems and will lower, rather than improve, the level of international security. Top figures of the US administration, however, do not appear to value diplomacy.

Latvia, of course, cannot be happy about the rift among its closest allies. As the foreign minister noted when presenting the annual foreign policy report to the Parliament, Europe and the US have been tightly linked for the last 100 years, and better cooperation is in the interests of both.¹⁹ However, it seems that Latvia is starting to pay more attention to the EU side of the equation. As one anonymous interviewee said, both the EU and NATO are very important, and Latvia would like to see more respect for the EU on the American side. In particular, the interviewee highlighted the importance of the EU in agreeing on sanctions against Russia: this is a diplomatic measure that lies outside the realm of NATO. Thus, unlike fifteen years ago when discussing the war in Iraq, it could be said that Latvia tends to appreciate the position of its European partners, even if it might not be explicitly voiced in public or in negotiations with Americans.

Interestingly, Latvian decision-makers involved in relations with the US have somewhat different appraisals of the current state of relationship. While one anonymous interviewee lauded the many meetings that took place in 2017 as “fantastic” and “lacking precedent,” another one was more neutral and stressed that while bilateral relations have largely continued in “business as usual” mode, there are also some conceptual disagreements over broader political issues. There is truth in both points of view, but whatever the conclusions for now, we still do not know how the situation will evolve in 2018.

SECURITY DIALOGUE BETWEEN LATVIA AND THE US IN 2017

Unlike political relations, security ties between Latvia and the US remained absolutely unambiguous in 2017. This is a very important trend, since security has been the highest priority for Latvia.²⁰ As mentioned above, Latvian officials value cooperation with the Pentagon very highly – unlike the case with the State Department, it was not tainted by lack of key personnel on the American side or other communication problems. Even if Trump notoriously did not refer to NATO's Article V in his speech at the NATO summit in Brussels, this commitment was reaffirmed on other occasions; as one anonymous interviewee said, these affirmations were “specific” and came “from all levels of the administration,” including the highest ranks. Moreover, bilateral consultations on security were specific, dealing with specific and pragmatic ways of how the US can provide support to Latvia.

In practical terms, in accordance with Operation Atlantic Resolve, as of February 2017, the United States stationed more than 225 troops and a number of battle tanks and vehicles to Latvia, which are expected to remain until November. This development supplements the already-present rotations of US troops in the country. In 2016, the US contributed over 9 million USD of Foreign Military Financing to each of the three Baltic States and another 1.2 million USD each year in International Military Education and Training. These figures enjoy widespread support by the US Senate and have not been changed by the new administration (even if Trump did request to cut Foreign Military Financing).²¹ The annual Silver Arrow exercises have taken place from October 16 – October 29 this year. Among other countries, the US fully participated in the Saber Strike 2017 and Iron Wolf exercise across the Baltics from May 28 – June 24. For the 2018 fiscal year, the Department of Defense has asked for close to 4.8 billion USD for the European Reassurance Initiative, which is a significant increase from its allocated 3.4 billion USD in 2017 and 789 million USD in 2016.²² On its side, Latvia upheld the previously made commitment to increase its defence budget to the requisite 2 per cent in 2018, and made other efforts such as increasing the National Guard to include 8,000 people.²³ Moreover, on January 12, 2017, Latvia and the US signed an intergovernmental treaty on defence cooperation that described, in detail, the framework of both countries' security relationship and the rights of US troops stationed in Latvia.

Cooperation on security stretched beyond merely military defence. Latvia's long-standing interests have been cybersecurity and strategic communications, especially taking into account the fact that Riga hosts the NATO Strategic Communications Centre of Excellence (StratCom). Although StratCom started operations in 2014, the US did not sign up as a Sponsoring Nation or even a Partner Country. However, according to an anonymous interviewee, in 2017, Latvia received signals that the

US might contribute to the Center, perhaps even by sending in an expert. Energy security is yet another aspect discussed bilaterally in 2017. As Trump himself pointed out at the Warsaw summit of the Three Seas Initiative, “We are sitting on massive energy and we are now exporters of energy. So, if one of you need energy, just give us a call.”²⁴ Judging from official communiques, Latvia is indeed interested in importing liquefied natural gas (LNG) from the US.²⁵ Some Latvian businesses have started using LNG from the Lithuanian “Independence” terminal in Klaipeda (incl. the state energy company Latvenergo), and Lithuania only started receiving US LNG in summer 2017. However, the US presence on the Latvian gas market has not been clearly established yet, and it remains to be seen whether and how this will happen. As one anonymous interviewee noted, Latvia lacks a clear strategy in this regard, and a durable regional solution has not been reached yet.

We could, however, ask whether Latvia’s reliance on the US as a security provider has wavered in view of Donald Trump’s penchant for developing close and friendly relations with Russia. This question escapes a straightforward reply. Yes, at least officially, the US is still viewed as the primary guarantor of Latvia’s security. As the foreign minister said in August, “Even if we can feel the difference of opinion between the EU and the US on several issues, the US is and remains our most important strategic partner. We are pleased with the strong and increasing US support to security of the Baltic States.”²⁶ Yet, there are also some indications that Latvia’s security thinking is slowly shifting. Unlike several years ago, when ideas on strengthening EU’s common defence were shunned as weakening NATO’s role, Latvia has become somewhat more receptive to European efforts. As one anonymous interviewee noted, “Diversification is normal, if one partner starts changing, you search for another one. [...] Nobody can replace the US as a superpower, but we cannot rely on it for 100%. [...] For us, Europe is closer.” In 2017, Latvia has expressed support for closer EU cooperation on security and defence, with the aim of increasing Europe’s not only civilian but also military capabilities.²⁷ Artis Pabriks, the former defence minister quoted by the *Washington Post* at the end of 2016, offered an even more pessimistic view: “The dreams that Americans or God will save us, it’s somehow over [...] We simply have to stick to the view that if something should happen, we will fight like the Finns in 1939, so the West will have to help us.”²⁸

Another interesting trend in Latvia’s foreign and security policy has been increased cooperation with Canada. This is largely explained by the fact that Canada is currently leading the NATO’s enhanced Forward Presence (eFP) battlegroup in Latvia. In the opinion of some analysts, Canada was, in fact, swayed in favour of this decision by the US.²⁹ Others say that an increase in interest towards Canada is unrelated to the new US administration (anonymous interviewee). However, it is still interesting to note how Canada has started playing a fairly prominent role in Latvian foreign policy discourse, rising from a country with which Latvia

traditionally enjoyed cordial but not particularly strong relations, to almost a key ally. Among other things, Latvia also became the first EU state to ratify the EU–Canada Comprehensive Economic and Trade Agreement (CETA).

ECONOMIC AND PEOPLE-TO-PEOPLE RELATIONS BETWEEN LATVIA AND THE US IN 2017

Bilateral and EU–US trade was the main topic in this category in 2017. Currently, the volume of bilateral trade is very small: the US was Latvia's 13th exports partner in 2016, accounting for 1.57 per cent of total exports, and 24th imports partners, accounting for 0.92 per cent of total imports. The volume of bilateral trade grew by approx. 8 per cent in 2016 compared to the previous year, but the overall trend, at least since 2009, is not very encouraging. The same can be said about trade in services and investment.³⁰ However, the Latvian government and a certain segment of the business community are intent on improving these figures and worked actively towards this end in 2017. There have been some bilateral meetings at the political level, including notably on transportation issues, but it seems that most work has been done by the Latvian side – both in the government and private sector.

An important and long overdue step has been the opening of a branch of the Investment and Development Agency of Latvia (IDAL) – as planned in the foreign minister's report. In fact, such a branch operated from 2005 to 2009 but was closed during the economic crisis that hit Latvia, quoting a lack of funds and interest among businesses. In the opinion of an anonymous interviewee, the US is still very far from being a priority for the Ministry of Economics and the IDAL, as these institutions (somewhat mistakenly) believe there is not enough interest on the Latvian side. However, according to the interviewee, this attitude started changing in 2017. The interviewee highly valued the active work of the IDAL branch. It started operations in the US “on the ground” in June 2017 and, although it is currently based in Washington, DC, it might be moved to San Francisco soon – to be closer to the high-tech opportunities that the US offers. Since Latvia also has a very active economic affairs diplomat at the Embassy in Washington, DC, who cooperates closely with the IDAL branch, the US might be covered “from both flanks” in 2018.

The main event of the year 2017 in the economic sphere was the “Spotlight Latvia” conference that took place on October 26 at the Waldorf Astoria in Chicago.³¹ The conference, organized mainly by the Latvian diaspora in the US but also supported by the Latvian Embassy, introduced Latvian companies to the US business community. The event gathered prominent American business representatives (and

was “fully booked,” according to an anonymous interviewee) and was described as a great success: the first Latvian-US economic conference on such a high level with positive feedback from all sides and expectations for future cooperation. On this occasion, a new chamber of commerce – the Latvian Chamber of Commerce in USA – was also established. This organization already has approx. 75 members and will hopefully be more active than the pre-existing Latvian Chamber of Commerce in the Americas, which, in the opinion of an anonymous interviewee, was not particularly active or connected to Latvian business.

Latvian-US business relations can boast several success stories. In particular, Latvian companies such as Printful or “Valmieras stikla šķiedra” (known in the US as “Valmiera Glass USA Corp”)³² are successfully operating in the US market and creating hundreds of jobs, something that is very much in line with the new US president’s wishes. For Latvian businesses, the main impediment, apart from the geographical distance, is a lack of expertise and understanding about what opportunities exist on the other side, and the lack of support from the state is not helpful either. For American businesses, in turn, Latvia is just one of the many possible markets and, unlike some other partners – even neighbouring Lithuania and Estonia – Latvia has not promoted itself actively enough. This affects not only trade relations but also the inflow of American investment, which remains low. As an anonymous interviewee said, Latvia also has issues with its business environment, such as not having enough of a qualified workforce and being located on the border with Russia, which scares off some investors, but a lack of adequate self-promotion could be considered the country’s greatest challenge. “Sometimes I see how Estonians are ahead of Latvians in promoting their country in America, for instance, Estonian prime minister travelled around the US and told what a good place it is. I was thinking why Latvians are not doing the same,” told Roberts Blumbergs, organizer of the “Spotlight Latvia” conference.³³

It is interesting to note that while Latvia has been very supportive of the TTIP, hoping that it will benefit Latvian business,³⁴ there was no comprehensive evaluation of its consequences done on the Latvian level – at least to the best of this author’s knowledge. Therefore, the news that Trump froze negotiations on the TTIP was taken quite calmly: “Well, if there is no TTIP, then bilateral relations and private business relations are even more important.”³⁵ Two anonymous interviewees also believe that TTIP negotiations would be difficult in any case. For instance, as one of them said, Americans possess less awareness of fake news than Europe, which could create problems when discussing data movement and the digital market.

On the people-to-people level, two trends stand out: the Latvian diaspora and the Latvian basketball player Kristaps Porziņģis, who plays for the New York Knicks. The Latvian diaspora, which has remained an ardent supporter / lobbyist

for Latvian-American relations, in 2017 was traditionally active in dealing with members of Congress – alone and as a part of the Joint Baltic American National Committee. In fact, the American Latvian Association (ALA) in 2017 created a Public Affairs Office in charge of political information work. One example of its work was that it organized a major effort during the Baltimore Latvian Song and Dance Festival, at which 1350 guests wrote postcards to their elected representatives, supporting those who worked on the Baltic Caucus and inviting others to join.³⁶ Furthermore, the diaspora has started paying more attention to promoting economic relations as evidenced by, in particular, the “Spotlight Latvia” conference.³⁷ As for Kristaps Porziņģis, the celebrity who regularly attracts international attention to Latvia, he was even mentioned in Trump’s thank-you to the Latvian president, who had earlier congratulated Trump on his inauguration.³⁸

The official Latvian public diplomacy approach in the US cannot yet be considered quite as successful as its diaspora, businesses or celebrities. While this is understandable given the limited amount of funds at Latvian foreign ministry’s disposal, this situation should be remedied if Latvia wants to take full advantage of the Latvian–US relationship. One challenge that came with Trump’s inauguration is the need to build bridges with pro-Trump stakeholders. Latvia has, in fact, been very active in building rapport with leaders of American Jewish organizations, such as the American Israel Public Affairs Committee, which hosted the Latvian foreign minister at its annual policy conference,³⁹ or the American Jewish Committee. This is a good strategy, considering Trump’s long-standing support to Israel.⁴⁰ Latvia has also attempted to engage the Heritage Foundation (called “Donald Trump’s think tank” by CNN⁴¹), for example. In fact, James Jay Carafano, Heritage’s vice president, was a speaker at the Riga Conference 2017. However, it seems that much more has to be done before Latvia gains visibility in these circles (for instance, why would a Heritage event on Russia and the Baltic States feature no Latvian or any other Baltic speaker?⁴²).

The public debate in Latvia on the US was quite uncertain and broad in 2017. Policy-makers – at least those directly engaged in building relations with the new administration – stressed the positive sides of the relationship and continuously reassured society that the US will remain a loyal ally.⁴³ However, the very fact that we should think about US assurances indirectly reflected that something could possibly be amiss. Wider public discussions mainly centered on the same issue, that is, how Trump’s administration will influence Latvia and whether our security is still guaranteed. An additional layer of the debate was dedicated to Trump’s personality and policies. While some considered him unfit to become a president, others lauded Trump’s skills and bravery. (Further, the notorious newspaper *Neatkarīgā Rīta Avīze* continued its series of articles “unmasking” George Soros’s alleged influence over Latvia, probably in line with its owners’ political agenda.) Opinions in Latvia have been split, just like those in the US.

CONCLUSIONS AND RECOMMENDATIONS

Donald Trump's election did usher in a number of changes to Latvian-American relations, although we can also summarize from 2017 that "*plus ça change, plus c'est la même chose*" – "the more things change, the more they stay the same." While there have been certain concerns over Trump's commitment to his NATO allies and approach to Latvia, they have not materialized – at least not yet. Latvia's security dialogue with the US on the political and working level is as close as ever, perhaps even closer than before. Political dialogue is still generally cordial, even if the very slow pace of appointments in the State Department and disagreements on global policy issues have not been helpful. Economic relations are on the (slow) rise, and new initiatives and projects emerge, despite the TTIP having been frozen.

At the same time, uncertainty already crept into the Latvian-US relationship before the elections and remained constant throughout 2017. The main reason for it was Trump's apparent wish to improve relations with Russia while ignoring traditional American allies. As Ojārs Ēriks Kalniņš said (quoted by *Washington Post*), "If President Trump could work a deal with President Putin that would reverse the annexation of Crimea, remove all Russian troops from Ukraine and remove the buildup of troops on the Baltic border, then we say more power to him [...] But if a good relationship is at the expense of the Ukrainian people or security on our borders, that does trouble us."⁴⁴ As we have seen, Trump's team seems to be doing a good job of ensuring that America's obligations are met, and the president himself has reaffirmed his commitment to NATO, but feelings of insecurity persist. Latvia has already started looking more attentively in the direction of Canada and the EU. However, one of the recommendations for 2018, especially concerning the discussions within society, is to completely leave beyond the debate about a "supportive – unsupportive" US and move towards a proactive assessment of real-life cooperation. Insecurity can be paralyzing.

In general, Latvia in 2018 will have to continue working with all American stakeholders – from the presidential administration, Pentagon and the State Department to think tanks, NGOs and media, not forgetting old friends who might not be supportive of Trump, but also forging and reinforcing new connections – closer to the new president. As Glen Howard wrote recently, Trump's administration is now supposed to develop a new national security strategy.⁴⁵ It will be Latvia's responsibility to make sure it and its position is visible and recognized in Washington, DC. Moreover, it is important to remember that while it is pertinent for the three Baltic States to speak as one on security matters, given their similar concerns, Latvia should be more independent and proactive in the economic sphere, within which the other two Baltic States are its competitors – and more successful ones at that.

Latvia faces a tough choice when developing its position on issues of disagreement between the EU and the US. While the bilateral relationship has largely been constructive, this cannot be said about Transatlantic relations. In this situation, the third recommendation would be for Latvia to stick to its long-term principles and interests: international order and international law. Understandably, it is tempting to keep a low profile and not contradict Trump's approach on such issues as North Korea and Iran. However, in cases when it is reasonable to object, especially when taking part in decisions on the EU's common policy, Latvia should be open about its preferences for a rules-based global order. Indeed, it seems probable there will be multiple opportunities for Latvia to prove itself in this way in 2018.

ENDNOTES

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- ² @realDonaldTrump, 18.03.2017, <https://twitter.com/realDonaldTrump/status/843090516283723776>
- ³ See: Matthew Crandall, "Trumping Up Baltic Foreign and Security Policies," FPRI, 14.02.2017, <https://www.fpri.org/article/2017/02/trumping-baltic-foreign-security-policies/>
- ⁴ See: Edijs Boss, "A Strategic Appraisal of a Centenary of US-Latvian Relations: The Baltics in American Policy from Wilson to Obama" in Andris Spruds, Diana Potjomkina (eds.) *Latvia and the United States: Revisiting a Strategic Partnership in a Transforming Environment*, Riga: Latvian Institute of International Affairs, 2016, <http://liia.lv/en/publications/latvia-and-the-united-states-revisiting-a-strategic-partnership-in-a-transforming-environment-514>
- ⁵ Ārlietu ministra ikgadējais ziņojums par paveikto un iecerēto darbību valsts ārpolitikā un Eiropas Savienības jautājumos, 2016, http://www.mfa.gov.lv/images/ministrija/Arpolitikas_zinojums_2016.pdf
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STRATEGIC COMMUNICATION IN LATVIA: WRITING A NEW PAGE IN A WESTERN SENSE OF SECURITY AND FOREIGN POLICY

Mārtiņš Daugulis, Researcher at the Latvian Institute of International Affairs; Lecturer and Head of the Political Communication Program, Rīga Stradiņš University

The year 2017 is marked in the strategic communication of Latvia's security and foreign policy with the fact that all involved players and institutions have settled on the same page concerning the significance of strategic communication. Alongside the prospect of NATO's strategic communication, the outlook of the European Union's strategic communication clearly stands out on the agenda, albeit just at the starting phase, but still with the explicit potential for development. Moreover, this "same page" (or common understanding) is considered to be the first opening of the overall Western sense of strategic security, not only in the context of the hybrid war and new unconventional threats, but also in the context of society's management and engagement in dealing with challenges in the context of Europe and the entire Western society. Among the trend-followers, as usual in many policies and action policies in Latvia, one can postulate that Latvia and its institutions are among the first ranks of both the formation of common opinions in the fields of strategic communication and security policy, and in its own development, promptly adapting institutional activities to strategic communication challenges. At the same time, being forerunners is not a choice, but the only option in situations where strategic communication capabilities are constantly being tested – both by allowing targeted possibilities for anti-government actions and by responding to the *ad hoc* challenges of the branch.

Considering the wide field of strategic communication in the context of the foreign policy report, the author brings together in this chapter 2017's Foreign Policy

Report commitments to security, defence and EU unity with the most outstanding challenges of strategic communication, meanwhile also highlighting Latvia's contribution to the development of strategic communication, as well as outlining areas that will be in the circuit of strategic communication for Latvia in 2018.

THE REGULATORY ASPECTS OF STRATEGIC COMMUNICATION IN THE CONTEXT OF GLOBAL SECURITY AND FOREIGN POLICIES

The Western societies have been facing the presence of strategic communication over the last decade, as the habits of public information consumption change. Along with the classic division of strategic communication, where one area is related to challenges of a military nature, and the other – to the role of communication for organisations in fulfilment of their respective missions from private to national level,¹ terminology and dictionaries increasingly refer to strategic crisis communication as the ability to respond to intense and unexpected threats to the information environment. Typically, it is precisely the strategic aspect of crisis communication that is most often associated with the challenge of defending the value level – the crises are unpredictable, and used as a provocative tool in the informational environment, directly affecting fundamental values in the broadest sense, thus requiring an adequate response.² All of these areas are closely interrelated, as often military strategic communication, government public communication in the sense of daily management (which we can universally also comprehend as a principle of good governance in the context of communication) and strategic crisis communication, as a response to unplanned situations, overlap and are not mutually separable.

Accordingly, a view emerges here offering strategic communication not as an additional functional sector, with its own distinct field of activity, but as a universal competence that accompanies any decision or activity.³ Such a view, although easily understandable, is a challenge from the point of view of both form and content. With respect to form, one should be aware that each institution, whether governmental or non-governmental, has its own internal hierarchical structure of functions and delegation of responsibilities. Classically, these are public relations and communication departments that run strategic communication. There are two risk factors in this situation, however; first of all, the whole capacity of the organisation is not utilised, as it could be if strategic communicative competence was distributed to all members of the organisation; and secondly, the selected 'communicator's' response capability is also limited in the event of a crisis, because, while the message

goes through the internal harmonisation process within the organisation, time is lost which can be a decisive factor in cases of crisis communication.⁴ From the point of view of content, the dispersed strategic communication competence also allows the use of resources in message formation and more efficient transfer, with each member of the organisation serving as a unique multiplier of organisational values in the context of strategic communication. A parable from the field of NATO public diplomacy serves as a Utopian example, when the goal is to make each NATO soldier a fully-fledged 'ambassador' in social networks, thus counter-balancing the existing anti-NATO propaganda. To make this happen, consistent awareness raising is necessary at the level of values, turning recipients into participants in strategic communication.

Stepping back a little, in order to look at the problems in an even broader context, strategic communication also directly concerns the common understanding of what kind of 'order' the international system should be, marking the distinct problem of the 'post-truth' era – different value systems use strategic communications to question the 'truth about the rules' the countries should respect within the international system. Consequently, strategic communication serves not only as a response to the challenges of foreign policy, but also as a tool for consistently strengthening existing values in 'peacetime'. This is another prism of strategic communication that emphasises the need, not only to descriptively review the challenges of today, but also to prescriptively prepare for future threats. As Mervin Frost and Nicholas Michelsen point out in a NATO StratCom study, strategic communication is considered to be prudent and should be called strategic only if its individual communicative examples coincide with the long-term values and strategies expressed by the actor and in what value system that actor is located.⁵ The sustainability of this strategic communication also justifies trends such as the convergence of areas for the promotion of defence capabilities - for example, the inclusion of some basic defence principles in the content of basic education, the improvement of the general skills of media literacy and critical judgement in society, as well as paying special attention to ethically challenging issues in the political environment, thus strengthening the system of values, which corresponds to the understanding of democracy. So, this would be the challenging part of the issue: domestic policy has now become a more possible weapon in the communicative environment of the foreign policy than ever before. In this regard, a national strategic communication does not only mean to develop strategic communication capabilities in the field of foreign policy and security, but also to be able to manage internal political processes, knowing that they are also part of the strategic communication.

Consequently, one can conclude that at the normative level, strategic communication is currently experiencing not only a horizontal expansion of the

concept, a gradual transformation from a 'separate existence' into 'coexistence' in each field and branch, but also a deepening of the concept – realising that effective strategic communication also requires long-term homework on the preparation of all groups of society, strengthening of values and explanations; the true conformity of the state with the principles of good governance – their implementation and explanation – because they are the content of strategic communication that can be used (in particular, in case of absence of these principles) as an argument in informational clashes in areas so far commonly assigned exclusively to foreign or security policy.

STRATEGIC COMMUNICATION IN THE CONTEXT OF THE LATVIAN FOREIGN AND SECURITY POLICY IN 2017

The report of the Minister of Foreign Affairs recognised five directions as the foreign policy priorities in 2017: 1) strengthening of the national foreign security in close cooperation with NATO allies and partners in Europe; 2) active involvement in building an effective, united and secure European Union; 3) promoting stability and development in four EU eastern and southern neighbourhood regions; 4) promoting the opportunities for Latvian enterprises in export markets and in investment attraction; 5) supporting and maintaining close links with compatriots abroad.⁶

From the angle of strategic communication, this article outlines the 2017 priorities No. 1 and 2, where strategic communication – both in terms of security and defence, as well as in the interpretation of good governance – are carried out more prominently. At the same time, other foreign policy priorities should also be considered in detail corresponding to the strategic communication principles outlined above, but the challenges (and also examples of good practice) are not as well reflected as in the context of the first and second of the 2017 foreign policy priorities. But, beforehand two aspects of the report will be highlighted:

First, the introductory part of the report is concluded with a paragraph which is essential in the context of a broader understanding of strategic communication: "The involvement of the Latvian public in European and foreign affairs in the various challenges is more important than ever. Public awareness, support and involvement will be central to Latvia's foreign policy in 2017. The Ministry of Foreign Affairs will continue its regular dialogue with non-governmental organisations, think-tanks and social partners. The visits to the Latvian regions for the exchange of ideas on Latvia's foreign policy will take place."⁷

This quotation in essence reveals a permeating element of strategic communication in the sense of good governance to all the above-mentioned points – public involvement; raising awareness and support; promoting dialogue among institutions and reaching out to the regions in the exchange of thoughts about foreign policy - these are the long-term tasks of sectoral communication. As the strategic communication concept develops, it is essential that these commitments are emphasised separately and not perceived as self-evident. Being aware that the context of the whole written piece is as important as the text, in this case, the placement of the quotation in the introductory part as a conclusion, demonstrates the ‘co-integration’ of the strategic communication with all other priorities in the foreign ministry’s vision, which is already a significant aspect, as, by transferring experience, it can serve as an example to other national sectoral authorities.

Secondly, it is particularly positive that the report consistently addresses strategic communication in the sense of military defence in the context of hybrid threats, reflecting both the situation and the opportunities for cooperation in the field of strategic communication and transfer of experience; also highlighting Latvia’s support for the NATO Strategic Communication Centre of Excellence (StratCom).⁸ The year 2017 is marked by a common understanding in the area of identification of disinformation and the awareness of skills (and recognition of their necessity) at all levels in this area. In addition, the ‘scope’ of the NATO StratCom has increased substantially in 2017, both in terms of topics and organised events – from high-level conferences of European importance to technical step-by-step seminars on digital threat identification and prevention. It is important to point out here that the Centre of Excellence works not only on the basis of empirical analysis, but also proposes conceptual theorising in close cooperation with the European academic environment, thus expanding the common knowledge base on the challenges and trends in the security strategic communication of the day. The fact that the Centre, regardless of its geographic location, also addresses the problems of NATO’s southern borders in the context of terrorism, greatly adds value for Latvia and the country’s wider recognition beyond the problems exclusively related to our region.

Addressing the challenges of strategic communication in the foreign policy priorities of 2017:

Strengthening the country’s foreign security in close cooperation with NATO allies and partners in Europe – a clear strategic communication challenge in this area was the military exercise of Russia and Belarus *Zapad 2017*. The manoeuvres were peer-viewed, not only by the Baltic States, but by the whole world for several reasons. First of all, the size of the forces participating in the training was unclear: the officially declared volume by Russia was less than 13 000 soldiers or approximately one division, however, the movements of military vehicles and equipment testified to a

much larger number – the media spoke about over 100 000 participants. However, recognising that the exercises not only had the primary objective of testing capabilities, but also a secondary one – that of demonstration of power⁹ - this case was a particular challenge for state institutions and officials when commenting on the situation in the informational space, to simultaneously avoid becoming disinformation amplifiers, while objectively substantiating the need for readiness in the event of a real threat.

Secondly, the possibility of using the training to cover another task raised concerns. Force mobilisation of a similar scale is notorious following the incursion of Russian forces into Georgia in 2008 and Ukraine in 2014. Information from Russia itself also pointed to the broad scope of training and the testing of offensive capabilities – mobilisation of forces, the movement of heavy military armaments, weaponry simulations and also elements typical for hybrid-war, such as cyber-attacks, etc. Russia also planned to simulate the transition from ‘deterrence’ and defensive positions to escalation of the conflict, including the testing of attack capabilities. *Zapad 2017* has already been ‘branded’ in the information space as the largest showcase of Russian military forces in recent times.

Considering the above-mentioned circumstances, the use of the *Zapad 2017* training for misinformation purposes, or the use of NATO’s reactions in the Russian information space was not only a high-risk possibility, but to a certain extent was perceived as self-evident even before the beginning of the exercise. Indeed, *Zapad 2017* was in the headlines of the Russian national media throughout September, becoming the leading story in TV news consistently from September 14th, for example, the First Channel included it in every news release until the end of the military training.¹⁰ Both the Russian media and the statements of officials put the emphasis on the defensive nature of the drill and NATO’s ‘unfounded’ response, which posed a threat to the security situation throughout the region. Summarising this period in the Russian informational space regarding NATO, the communicative narrative aimed at portraying the image of a ‘hysterical’ West and a total defiance of its rationality. In some cases, this narrative has also been taken over by Western sites,¹¹ but had a rather marginal, non-systemic character, and in general, NATO’s information space can be regarded as fully sustainable against the narrative of the propaganda and disinformation in that given period.

Looking specifically at the case of Latvia, this sustainability has a strategic communicative merit. Latvian officials, the military, NATO representatives and others officially involved during the *Zapad 2017* training expressed a straightforward message: the security situation has not changed, Latvia is safe as a member of NATO, but some elements of tension are possible. NATO officials expressed a similar message in interviews with Latvian media, too, pointing out that they were following

the military exercises of Russia and Belarus and would make sure that the Alliance was not taken by surprise.¹² The message was monolithic, constant and consistent – on the one hand confirming the security and defence line of Latvia and NATO, on the other hand, also pointing to the lack of transparency in Russia's exercise. The strategic message was also unanimously communicated from various institutions, as well as a message being delivered to the general public about possible provocations, with a specific appeal about what action should be taken in such cases.

Considering the aforementioned, the military exercise *Zapad 2017*, although widely considered to be a display of Russia's capabilities, served as a good opportunity for the demonstration of the strategic communication capabilities of Latvia and NATO as a whole. Being aware of the specifics of the informational environment and the 'war of messages' in the informational space, the author of this article believes that the use of strategic communication by Latvia and NATO in this particular case is to be regarded as an unprecedented achievement, which will serve as a sample for analysis and source of experience in the upcoming challenges, as well as providing effective day-to-day strategic communication. The apparent investment of resources to the development of precise strategic communication measures, as with *Zapad 2017*, is perhaps the norm, not the exception in today's environment to preserve the lines of truth in the age of 'post-truth'.

Assessing the active involvement in shaping an efficient, united and secure European Union, the Brexit issue remains unambiguously the major communication challenge, but in the second half of 2017, a 'newcomer' – the Catalan independence issue, also took rank. Both challenges, of course, are to be understood in the sense of good governance of strategic communication, although they can be linked to the challenges of strategic communication in the area of security and defence (as already stated in the normative setting: the absence of communication of good governance can become a weapon in an unconventional context).

In the case of Brexit, the interests of Latvia are formulated by three priorities: first, the maintenance of close economic relations between the EU and the United Kingdom and a model of economic cooperation that ensures free trade, and is based on the principles of the EU single market; secondly, close political relations between the EU and the United Kingdom, especially in matters of foreign and security policy, as well as freedom and justice; and lastly, the maintenance of the legal status of the Latvian nationals living in the United Kingdom and judicial certainty in the area of employment and social security.¹³ Although initially all parties concerned recognised the Brexit negotiations as a form in which all parties were interested in defining concrete steps as soon as possible, 2017 has shown that the negotiation process could be described as 'dragging' and, accordingly, the previously mentioned interests of Latvia are now part of the EU interests in the overall negotiation process.

The slow progress in the secession talks also motivated negotiators from the European Commission to discuss the possibility of a 'Plan B' in case negotiations with the UK fail,¹⁴ which suggests the necessity of considering such strategic plans also for the representation of Latvia's interests, in the event of a negative scenario being implemented. Also, Latvian foreign minister Edgars Rinkēvičs has publicly confirmed, on several occasions, that there was a serious risk of Brexit negotiations ending without an outcome, and that the two sides would enter into an unknown territory by March 30th, 2019.¹⁵ From a strategic communication point of view, in terms of good governance, it is worthwhile thinking in advance about the clarification mechanisms of the process to the parties affected by Brexit. From the strategic security and defence perspective, preparations for a negative Brexit scenario, and its possible use in the context of disinformation and propaganda hybrid threats, are extremely important.

The second outstanding communication challenge in foreign policy, in the context of EU unity, is the question of Catalan independence. The issue was still in the process of being resolved as this article was written, so it is possible to talk about the prism of communication in the context of the Catalan independence referendum and its interpretations in the information space, as well as the risks involved. Bearing in mind the priorities defined by the Ministry of Foreign Affairs, the message in the official position, which focuses on the aspect of unity of the EU over other circumstances, is logical, thus denying Latvia's support for the independence of Catalonia.¹⁶ At the same time, it must be acknowledged that the relationship triangle between Catalonia, Spain and the European Union has undeniably created an unprecedented situation in all categories of norms – both in terms of legal aspects and values. In this situation, strategic communication passes into a moderate crisis communication regime (or at least it should be perceived this way in Latvia) for two important reasons:

1. The question of Catalonia is polarising society in Latvia – according to available public surveys, 33 per cent of Latvia's population evaluate the separation of Catalonia from Spain positively, 32 per cent do not consider it as a correct decision, while 35 per cent do not have an opinion on this issue.¹⁷ Given the fact that the issue of Catalan independence is far from the stage of resolution, such a pronounced diversity of public opinion (and the proportion of the undecided) can serve as a platform for discrediting the official position of Latvia (and the EU as a whole) reducing its credibility.
2. In close connection with the above-mentioned point, the context of the hybrid threat in strategic communication also adheres to this issue, because Russian mass media are already widely using the Catalan issue (and responses by officials to it) in order to degrade the image of Latvia and other EU countries and challenge the core values of their democracy. Thus, one of the tasks of the foreign ministry's

strategic communication would be timely preparation for a wider explanation and justification of the Catalan question and Latvia's position in the community, without leaving the opportunity to fill the information gap with false information in the context of a hybrid threat. The independence of Catalonia will certainly not disappear from the European agenda – and the explanation of the national position (which at the same time respects fundamental European values) will become a cyclic necessity because, even if essentially resolved, it has a huge potential for hybrid attacks in the European information space.

CONCLUSIONS AND RECOMMENDATIONS FOR THE DEVELOPMENT OF STRATEGIC COMMUNICATION IN 2018

Consequently, we can conclude that the strategic communication tools in preparation for 2018 need to be 'sharpened' in due time, because the idea of a united Europe will face enough challenges that, in the context of an informative hybrid threat, will be promptly used by actors interested in dissemination of messages about the EU and Latvia, as well as their individual officials to control the situation and act rationally in the public interests. However, as demonstrated by the use of strategic communication in the context of *Zapad 2017*, with due readiness, awareness of the seriousness of the issue and inter-agency cooperation, the informational conflict can *per se* be used as a platform for strengthening our own message – as long as this message is focused, objective, explanatory and, even though this play of words may sound awkward – strategic.

The area of strategic communication in the context of security and defence has the opportunity to develop more rapidly in Latvia than in other countries, because in essence the country is in a constant situation of hybrid threat – conflict in the information environment. Any instance of 'communication weakness' can be used to turn it against the core values of Latvia and the whole EU or even to challenge their very right of existence. In this situation, the development of the strategic communication field is logical, and, not least, should be continuously supported.

In 2017, Latvia, as a member of the EU and NATO, faced a series of strategic communication challenges, of which the most visible one – the military exercise *Zapad 2017* and the context of its informational environment – serves as an example of good practice at the same time. Looking ahead, the strategic communication capability needs to be strengthened at the same time in preparation for specific issues, such as Brexit and the Catalan independence; as well as developing strategic communication competences in the country as a whole.

Further development is recommended in the following strategic communication topics:

- Strategic communication as a concept of security and defence has been firmly established in Latvia, but it would be advisable to develop this concept through the prism of good governance and a presence on all public policy issues (thus securitising the state and society and being aware that, in the age of digital information, any defect of good governance can be used as an informative attack platform to a more exaggerated extent);
- Strategic communication as a universal competence in the formulation and implementation of all policies and in 'co-existence' with the government to public communication on all issues should become a priority in Latvia, also in explaining the policy of the European Union – any unexplained aspect of EU policy can be used as an attack on the informational space in the context of hybrid threats;
- Strategic communication research – both in the NATO Strategic Communication Centre of Excellence and in the performance of Latvian academic and research centres – must be strengthened and promoted, in accordance with the clearly visible growth criteria of state and public resilience in the field of strategic communication;
- Promoting inter-agency cooperation for a common understanding of strategic communication as such, and possible problems, is to be continued on the previous scale;
- Maximising the inclusive nature of strategic communication – promoting openness and cooperation with the media, non-governmental organisations, the research sector;
- Maximising public education and promoting sustainability in terms of core values and the specifics of the 21st century of information consumption and hybrid risks – the acquisition of knowledge and skills in all groups of society, thus contributing to the societal sustainability against informational pressures in the context of hybrid threats, is considered to be essential;
- The maximum involvement of society in the implementation of the objectives of the strategic communication and in the management of processes should be regarded as the norm, in accordance with the principles of good governance;
- The opportunities of strategic communication's financial instruments in the context of the European Union should also be fully exploited; at the same time proactively offering Latvian expertise at all levels to the development of the European StratCom.

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FROM CONCERNS TO AMBITIONS: LATVIA'S EU POLICIES FOR 2018

Kārlis Bukovskis, Deputy Director of the Latvian Institute
of International Affairs

Justīne Elferte, Head of the International Department
at the Riga Graduate School of Law

The European Union (EU) has faced a vast number of immediate challenges over the last decade. While 2016 brought Brexit - the second biggest blow to the European project in its history since the “Empty chair crisis” of 1965 – in 2017, the project seems to be back on track. Bruised, but not fatally wounded. Deepening of the EU integration during times of crisis has, once again, proven itself to be the central strategy. And those countries that have braced this process together are looking towards Europe returning to normality. Latvia has also been among the staunchest supporters of the EU.

For Latvia, 2017 could also be seen as a return to normality. After the turbulent years of severe economic and financial crisis, after the preparations for introduction of the Euro and the following adaptation to membership in the Eurozone, after the successful Presidency of the Council of the European Union in 2015, membership in OECD and facing the consequences of the Brexit referendum in 2016, this year brought, and 2018 should continue as, a year of economic growth and geopolitical cementing of Latvia in the EU and NATO. In this state of normalisation, Latvia's best choice for its 2018 EU policy would be to increase activity and ambition levels. Latvia, with its capital Riga, is naturally in a central position, not only in the Baltic states, but the whole of Northern Europe. It is in a central position to be a coordinator and aggregator of the Baltic approach to the future of the EU. Moreover, ambitions and pro-active diplomacy would be at the core of political and, consequently, economic de-marginalisation of Latvia.

Based on this, the article will first deal with the concerns and challenges of 2017, while the second part will address the potential developments in 2018 and options

for an ambitious take on 2018's developments. It will conclude with concrete proposals regarding Latvia's policies for 2018. The first subchapter outlines the damage that has been caused by triggering British departure of the EU. That is followed by an overview of the most important aspects of Latvia's EU policy in 2017. The looked at aspects are: the national elections in France, Germany and the Netherlands; the rise and fall of Euroscepticism; the improving situation with the refugee influx into the EU and the concluded visa liberalisation process with Georgia and Ukraine. The second part of the paper will seek to identify achievements and ambitions to strive for in 2018 and beyond, via a reshaping of the EU and the next multiannual financial framework, capitalising on the new trade agreements, defence integration, addressing climate change and EU enlargement.

CONCERNS AND NORMALISATION

Although 2017 started with major concerns regarding the future of the EU due to several important national elections, it ended on a hopeful note that was also strongly expressed in the State of the Union speech by the President of the European Commission. At its basis - whilst a soon to be former Member State, the United Kingdom (UK) tries to find its place elsewhere, the floor is open for new initiatives to continue EU integration and socio-political inter-dependence. In the history of the European Union, 2017 will be remembered not only as the year the Brexit negotiations were launched. It should also be remembered as the year the EU dodged the Frexit, Nexit, and Oexit bullets.¹ Just as there were initial doubts that the UK government would actually follow the referendum results of 2016, there were also forecasts that the country may not trigger Article 50 at all. These hopes were unjustified and, in March 2017, the UK's Prime Minister, Theresa May, announced that indeed the UK was going to leave the EU. The negotiation process, initiated by Article 50² and its guidelines are set by the European Commission³ which has been given the mandate by the Council to lead these by Michel Barnier on behalf of the EU. The negotiations are led by David Davis on behalf of the UK.⁴

The primary concern not only for both sides, but also for Latvia, is that of the citizens of either party living within the borders of the other country and thus, respectively their future rights. Theresa May has clarified that the objective to safeguard citizens' rights is a top priority and that those living lawfully within the UK will be able to stay.⁵ Once negotiated, the agreement on citizens' rights will have to settle a number of guarantees in terms of healthcare, pensions and other benefits, for the citizens of the EU having contributed to the UK economy, the same way that UK citizens have to the EU.⁶ The economic and social future of about

150 000 Latvian citizens living in the UK⁷ has been of particular importance for the Latvian government and its citizens over the past year, and will remain so until an agreement is approved and implemented.

The second largest concern, both for the negotiators and Latvia, is the financial settlement. The UK's commitments to the EU2020 budget play a central role. In Latvia's case, the worst case scenario of "hard Brexit" could cost 52–56 million euros in the shape of the loss of potential project co-financing from the EU budget for 2019 and 2020 respectively,⁸ as well as damaging the 600 million euro exports to the UK.⁹ This scenario became less likely with the developments in the last months of 2017, with the British position being to agree for a 35–39 billion pound "settlement bill,"¹⁰ and that "(...) commitments taken by the EU28 will be honoured by the EU28 (...)."¹¹ Brexit talks have caused quite significant turmoil in EU politics, and it is evident that a lot of issues still remain to be settled before the negotiation period of two years elapses in March 2019. Among them is not only the future trade deal between the EU and the UK, but also the re-location of two EU agencies previously located in London¹² and the euro-denominated clearing worth 650 billion euros every day.¹³ Latvia did not submit its bid in either case. This time it was not due to the lack of ambition, but the heavy competition, underdeveloped financial market and the relatively recent successful campaign for hosting another EU institution – BEREC in Riga.¹⁴ The First Vice-President of the European Commission, Frans Timmermans, recently stated in Riga, that the "EU is not all about Brexit! We cannot stand by as the world moves on."¹⁵ Although Timmermans was referring to the advancements in the digital arena, technological developments and communications, this should also be taken as a nod that Brexit is also an opportunity. From a Latvian perspective, this means the possibility to look for British companies that would be interested in relocating their activity to Latvia after Brexit.

Another major aspect in 2017 was several national elections with notable candidates challenging the European integration project. The elections in the "EU-engine" countries – France and Germany, were of paramount importance. The race between a natural far-right party representative, Marine Le Pen, and independent centrist, Emmanuel Macron, in France was the edgiest. Prior to her defeat, Le Pen's campaign stated that she would allow the country to take a vote on a French exit of the EU if she was elected. With only 22 per cent of the population supporting the French exit from the EU,¹⁶ Marine Le Pen had to concede to the pro-EU populist-in-method Macron, and abandoned the hard Eurosceptic position shortly after the elections.¹⁷ Just two months previously, due to even lower Eurosceptic sentiments in the Netherlands, a populist, anti-EU and anti-Islam candidate, Geert Wilders, had been defeated by the centre-right Prime Minister, Mark Rutte.

European ideals were also tested in the German elections to a less than encouraging result. Angela Merkel's Christian Democrats came out with a thin majority in the German elections in September, with many of her previous voters no longer believing in her – mainly because of her liberal policies towards refugees. With the original intention of SPD becoming the opposition, Merkel has been experiencing difficulties forming a new coalition. Additionally, Germany is about to experience internal battles as the Bundestag is joined by the far-right Alternative for Germany (AfD) party – opposing Merkel's and SPD's Martin Schulz's intentions within the ever more integrated EU.¹⁸

Hence, 2018 will emerge with a strong pro-EU trio of Merkel-Macron-Schulz. This is a strong political signal, not only regarding the future of the European Union, but also to small countries like Latvia that will have their elections in October 2018. Although the Latvian national elections will yet again embrace catch-all and populist methods in debating, the overall low levels of backing the Eurosceptic ideas¹⁹ in the Baltics, together with the strong EU-integration message from France, Germany and other EU countries, as well as the geopolitical realities of the Baltic country, should prevent anti-EU politicians gaining substantial representation.

At the core of the national electoral debates in 2017 was the remaining dissatisfaction with policies regarding refugees and immigrants, subsequent to the refugee crisis of 2015 and 2016. In comparison, this year the influx of refugees has been remarkably smaller with 144 656²⁰ refugees and migrants arriving in Europe by sea, which was significantly lower than approximately 360 000 arriving in 2016. The relocation and resettlement schemes adopted by the Council in 2015 have ensured that 20 869 persons have been relocated from Italy and Greece, whereas 22 504 persons have been resettled from outside of the EU (namely Turkey, under the 1:1 mechanism) to the Member States.²¹ Latvia's resettlement numbers in 2017 were 65 per cent with 346 of the initially planned 531 people being relocated or resettled. Therefore, although initial anti-refugee rhetoric by politicians and Latvia's society did some damage to the country's image, the overall impression of Latvia as a staunch EU supporter has not changed. Moreover, Latvia has avoided the political and legal wrath of the European Commission, unlike Poland, the Czech Republic and Hungary. The current political elites of three of the Visegrad Countries have been emerging as EU's internal opposition and Latvia's ability to manage its association with them will be one of the challenges of 2018.

Another aspect on the EU agenda that continued and concluded in 2017, is the work on cooperation with the Eastern Partnership countries and namely progress in the "Visa Liberalisation Dialogues" being conducted with Georgia, Moldova and Ukraine. While Moldova has already fulfilled these criteria since 2014, the decision on Georgia came into force on 28th March 2017. It took less than five years

for the process to be concluded successfully. Whereas for Ukraine, the process began in 2008 and it took seven years until the Visa Liberalisation Action Plan was implemented and a visa free regime became a reality on 11th June 2017. Latvia had the Visa Liberalisation process for the three countries in its foreign policy goals since the Visa Liberalisation Dialogues began. Although Latvia has limited foreign policy resources, it has used experience exchanges regarding the combating and prevention of corruption quite efficiently, with Latvian experts raising the level of expertise in Ukrainian institutions, including the National Agency on Corruption Prevention and the National Anti-Corruption Bureau.

A PLACE FOR AMBITIONS IN 2018

2018 borrows a lot from 2017's processes off which, the most important for Latvia and the EU will be the future of the EU debate and the ongoing discussions regarding the shape of the next multiannual financial framework. Prior to the State of the Union 2017 speech, Jean-Claude Juncker had released a white paper on the future of Europe by 2025. Although it paints a dark picture for the future with phrases such as: "(...) there is a real risk that today's young adults will end up less well-off than their parents,"²² it must also encourage EU leaders to be dynamic and goal-orientated. Previous years of fears among the EU population are now calling for the EU and national leaders to agree and act on people's demands for greater security – be it military, domestic, environmental, economic, social or the EU's immediate neighborhood. With varying degrees of attention, these issues will also be important for Latvia.

Having outspoken French and German leaders for a united Europe may indeed give the Union a boost, as much as it might also hinder integration. On 1st March 2017, "The White Paper on the Future of Europe: Reflections and scenarios for the EU27 by 2025" by the European Commission provided five scenarios for the future of the EU. Published just before the Dutch and French elections, the document seemingly offered five options for the EU. Curiously, after all the most challenging elections were over, Juncker himself started talking about the sixth scenario,²³ as neither of his previously proposed five would appease him. Hence, the White Paper had a short lifespan, with the Commission issuing a great number of reflection papers on specific areas: on the social dimension of Europe, on harnessing globalisation, on the deepening of the Economic and Monetary Union, on the future of European defence, and on the future of EU finances. These five reflection papers, although mostly repeating ideas exercised on the EU discourse for many years, and even decades before, are now the basis for the discussions on the future of the EU.

Latvia's interests in the European Union have remained unchanged – seeking to avoid a multi-speed Europe, while being in its core if it becomes unavoidable. Although a multi-speed Europe is reality,²⁴ Latvia is not far from the core politically and from the perspective of the depth of integration. Although the position has often been that “the European Union is a union of nation states,”²⁵ Latvia's historical long-term rationale has been for joining and cementing itself in the EU and its core frameworks. Hence, continuous balancing between inter-governmentalist and federalist perspectives, based on national challenges and international options, is the reality of Latvia's EU policies.

Based on this, it is clear that Latvia's choices for the Commission's proposals are doomed to be reactive unless a more pro-active, more ambitious stance is taken. Latvia's ability to pick one topic or one issue and “own it” is not impossible. Moreover, Latvia's expertise and foreign policy specialisation in relations with Central Asian countries is a good example that it is achievable. Either, Latvia opts for conceptual issues such as democratic legitimacy and simplicity of the European Union, or more practical aspects, such as facilitation of people-to-people engagement among the EU Member States, is of secondary importance. The fundamental aspect is that Latvia selects from a great catalogue of issues and becomes a protagonist of the issue. This is essential, not only from the perspective of the EU, but also domestic legitimisation of Latvia's EU policies.

The second topic of 2018's EU is the post-2020 European Union budget. Considering the challenges caused by the UK and its rebated financial contributions by leaving the EU, the next financial perspective will again be a hard nut to crack. With Latvia's primary economic interests in the European Union being economic and social cohesion, the country will undoubtedly fight for both co-financing for cohesion projects and agricultural subsidies. Due to most of the EU2004 enlargement wave countries catching-up with the older EU Member States, the demands for more targeted cohesion support in the form of infrastructure projects, exporting industries, research and development, digitalisation and robotisation will gain more ground on both sides. Taking this into account, Latvia must be ready to think, propose and lobby more ambitious projects. Although the agricultural sector will remain a substantial destination of EU financing and the European Social Fund is an important tool of gaining broader public support and legitimisation of the EU, those are the financial instruments based on the country's “envelope principle” that will most likely change. Hence, Latvia should not be afraid to propose ambitious, “largest in the world” sized projects. With substantial specialisation in ITC and state owned Lattelecom and Latvijas Mobilais Telefons, for instance, there is a possibility to “think-big”.

This is closely connected to another economic challenge topical for 2018 – global trade. Namely, 2017 has started bringing fruits from the Comprehensive Economic

and Trade Agreement between the EU and Canada (CETA). From the Latvian perspective – trade relations with Canada go hand in hand with security relations within NATO and its national airline company AirBaltic being among the most loyal customers of Canadian Bombardier planes. At the same time, the current exports to the North American country, worth only 18.8 million euros²⁶ is obviously destined for an increase. 2018 will see continued negotiations on the EU-Japan Free Trade Agreement, where Latvian design and niche products could find acceptance and interest from consumers in Japan. It is not only about increasing the current 28.19 million-euro export to Japan. In the case of both Japan and Canada, there is potential for attracting new partners and investors for Latvian companies to go global. Finally, the positive result of the negotiations on CETA has given a boost not only to an EU-Japan agreement, but also raised hopes on opening similar negotiations with Australia and New Zealand.

Next, from a global perspective, climate change will also remain a worldwide concern in 2018. The EU has set joint goals through which it will be a leading example of an environmentally friendly functioning economy, whilst Latvia as part of, and a smaller contributor to, the whole of the EU has already set an example for the other Member States in its environmental performance. The EU has realised that it can be a role model and has set optimistic targets for its own region. The EU is part of the Paris Agreement, and all EU Member States have set forth their national climate action plans and are set to continentally reduce emissions by at least 40 per cent by 2030. The President of the United States has declared that his country is no longer going to take part in the Paris Agreement. This does not, and more so, should not discourage the EU from continuing its united efforts as a forerunner amongst all other contracting states. Moreover, it should encourage Latvia to step-up its contribution on climate change. Climate challenges are among those where Latvia's position is seldom heard. Despite the country promoting itself as one of the greenest countries in the world,²⁷ and having one of the most influential green parties in the world, based on government and presidential representation, it is a shame that Latvia is so inactive and often perceives environmental standards as a burden.

This leads to more local challenges of the European Union and Latvia for 2018. Namely, the defence and domestic security policy. Security at home is a matter of strengthening the EU stance on terrorism within its borders. It took the EU decision makers just over a year to agree on the Terrorism Directive,²⁸ which ensures that certain terrorist acts are criminalised in all Member States, and was adopted in March 2017. The directive concerns the consequence of a terrorism act, whilst agreement on preventative measures is still needed from the legislators. By amending the directive (2015/849) the legislators would increase the powers of national financial intelligence units, increase transparency, as well as enabling it to cope with threats arising from new technological developments used for financial

transactions. Preventative measures are at the core of enhancing security at home, thus approval is expected by the end of the year, or in early 2018. It was made clear in the annual report issued by the Ministry of Foreign Affairs that security in the Union amongst all Schengen borders was a priority in the 2016 report²⁹ and has proven to be so in 2017, and it is safe to assume that it will remain so for the years to come. Latvia has been fortunate not to have been targeted by any attacks, however, the mechanisms set in place to prevent any attacks in the future are of paramount importance.

As for the military security perspective – in 2018, Latvia will have fully complied with the guidelines set by its NATO allies to spend equivalent to 2 per cent of GDP on defence. Although Latvia remains loyal to NATO, and the current policy has been similar to “do not fix what is not broken,” after its initial reluctance Latvia decided to become part of the Permanent Structured Cooperation on security and defence (PESCO), i.e. the new EU defence pact. This is yet another example of a multispeed Europe, as only 25 out of the future 27 EU countries are members of the formation. The EU Defence Union, which Jean-Claude Juncker, President of the European Commission, foresees by 2025,³⁰ still intends to cooperate closely with NATO, as agreed in 2016 in an EU-NATO Joint Declaration to improve on their strategic partnership. One of the priorities that they set was supporting Eastern and Southern partners’ capacity-building efforts. Thus, the regional cooperation will remain an important factor for the whole of the EU, its neighbours and its NATO allies, especially Canada and the US. This logic has a second direction - it is not only in the interests of the EU and NATO for the Western Balkan region to be closer to the Union, but also for NATO to remain as an anchor for defence in the EU. The same logic applies to the currently turbulent Turkey; Turkey is extremely important for Europe, explicitly due to the agreement on migrants, trade and defence, as Turkey is a pivotal ally in NATO.

This leads to the final aspect where Latvia has also actively voiced its concerns before – EU enlargement. Just a year ago, Turkey was still identified as a strategic partner for the EU and Latvia. The past twelve months are proof that diplomatic relations and 12 years of work, since the accession negotiations began, can reverse at record speed. Since 2015, President Recep Tayyip Erdogan has been looking for political inspiration in Russia, and even encouraged policies in his country, which go directly against the values of the EU and democracies. Furthermore, the questionable results of the referendum in April 2017 allows for changes in the Turkish Constitution, providing enough basis for the European Parliament to encourage the freezing of accession talks. There is currently a less antagonistic outlook on the EU relations with the Western Balkans and Eastern Partnership countries. Strategic progress with the Stabilisation and Association Agreements with each Western Balkan country is of importance for the EU, but it is expected

that Latvia will continue contributing to the process in a similar way as it does with Ukraine – through the support of capacity enhancement of the persons implementing the Accession agreements.

CONCLUSIONS AND SUGGESTIONS

Latvia's participation in the European Union and the Eurozone are essential for the country's development in a safe, well structured, predictable and promising environment. While the EU faces political challenges, Latvia's position towards the European Union has not been challenged in the same way as it has in many other EU countries. The reason for this is not just the overwhelming public support for the project. There are strategic interests, direct and indirect financial and economic gains and sharing of the same values. The Latvian society seemingly acknowledges the destructive force of anti-Europeanism and the geopolitical vacuum that it could cause. Hence, besides the arguments and suggestions for more ambitious Latvian positioning on the EU policies and choosing specific EU issues as pet-projects, which are mentioned in this article, two more practical suggestions can be indicated.

Firstly, Latvia needs a clear narrative and strategy for its EU policies. And the Saeima European Affairs Committee, together with the Ministry of Foreign Affairs and the respective line ministries should head the process of defining the Strategic Principles of Latvia's Participation in the EU (*Latvijas darbības Eiropas Savienībā stratēģiskie principi*). This would not only allow the hopes, plans and ambitions of every sector for the next 10 years to be addressed, but also fill the current absence of conceptual and strategic planning documents on the EU. Most importantly, it would also provide a clear narrative for every citizen of Latvia on membership in the EU. Finally, it would be a symbolic document adopted for Latvia's centenary, demonstrating the continuous process of Latvia's participation in world politics.

The second suggestion is for Latvia to become a promoter of EU policies and funding, facilitating people-to-people relations. Insufficient socio-political integration between the EU citizens and lack of personal contacts and interaction with each other is damaging the popularity of the EU. Too many people are disconnected from the EU. Hence, Latvia could argue for geographical de-marginalisation and people-to-people integration. The Erasmus+ program has been very successful, but often exclusively benefits young people and academics. Travelling and closer ties among the general population of different countries must be enhanced. For instance, partner-city and partner-village networks must be significantly expanded and cultural exchanges facilitated.

Therefore, Latvia should not fear ambition. The success of the Presidency of the Council of the EU, significant accumulated EU membership experience and administrative capacities on EU matters makes Latvia a mature EU Member State. The learning and adaptation process is over and more pro-active policies are needed. Ambitious projects are needed, not only as a practical gain in the end, but also as inspiration and motivation. A weak and inactive policy would be a failure. Hence, Latvia should not waste its opportunities in 2018.

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REFORMS OF THE EUROZONE – VISIONS, CHANCES AND RISKS

Aldis Austers, Researcher at the Latvian Institute of International Affairs

On September 13th, 2017, President of the European Commission, Jean Claude Juncker, speaking to the European Parliament on the State of the Union, noted with satisfaction that over the past two years, growth in the Eurozone and the EU has surpassed the US. Looking towards 2018, the last active year before the European elections in 2019, he considered it important to continue the course and to build a more united, stronger and more democratic Europe by 2025.¹

Despite the optimism of Jean Claude Juncker, the Eurozone members are still fragmented, while the deep gap between the periphery of the Eurozone and the nucleus countries has not diminished, regardless of improvements in the economic situation. Excessive government debt, unemployment and lack of investment in the periphery, on the one hand, and labour shortages and excessive savings in the core countries, on the other hand, are the most visible examples of existing fragmentation. So far, the stabilisation of the economic situation has been possible exceptionally thanks to the technocrats of the European Central Bank who did everything “to save the euro”.

At political level, the visions for solutions vary. If the core countries like to talk about fiscal discipline and structural reforms at the periphery (for example, with regard to labour regulation and social security policies), peripheral states emphasise that the institutional differences are too wide to implement such structural reforms without risking the collapse of the existing socio-economic systems, therefore, solidarity within the Eurozone is needed. In 2017, these two narratives were joined by a third one, mainly advocated by France, and this is about institutional changes at the level of the Eurozone, namely the establishment of its common budget and the post of finance minister.

Latvia has declared that it is in its interests to have an effective, strong and united EU as a union of nation-states. At the same time, Latvia emphasises that it sees

itself closely integrated with the EU core and wants to see Europe as a politically united and economically competitive organism.² The Latvian authorities have not yet revealed what this could all mean in the context of the Eurozone reforms. The foreign minister's annual report on the accomplishments and intended activities of the country's foreign and EU affairs, which was released at the end of 2016, only mentions the Eurozone once – in the context of Latvia's slow export growth towards the Eurozone.

SUSTAINABLE ECONOMIC GROWTH RETURNS TO THE EUROZONE

The 2017 in Eurozone will end with the fastest economic growth in the decade: the annual real GDP growth is projected at 2.2 per cent. While the Eurozone's economic performance is still lagging behind the EU's overall performance (the EU's economy is projected to reach a solid growth of 2.3 per cent this year), the results are much better than expected at the beginning of the year (when the forecast for Eurozone was within the limits of 1.7 per cent). Greece has also returned to economic growth, in 2017 reaching 1.6 per cent of GDP in real terms. Latvia, after a few years of modest growth, has re-emerged among the leaders with a 4.2 per cent GDP growth in 2017.

The European Commission points out that the number of employed people in the EU has reached its historically highest level. Moreover, the volume of investments is growing and the general government deficit and government debt on average are gradually decreasing. It has been observed that the process of convergence of real incomes between EU Member States has resumed.³ Economic sustainability is evident in the economic trends indicators, with both business and consumer confidence rising faster than the real GDP in 2017 (see Figure 1).

The long-awaited sustainable economic growth will certainly ease the situation of commercial banks, which have been mired due to many bad loans, high capital requirements and negative interest rates, preventing them from returning to profit. Tax revenues will also increase, thus easing the situation of the Member States that are experiencing fiscal difficulties. In addition, due to monetary stimulus, interbank cash loan rates have been at a super-low level for some years and range around zero. As a result, the euro is falling against the US dollar, thus contributing to the export of the Eurozone.

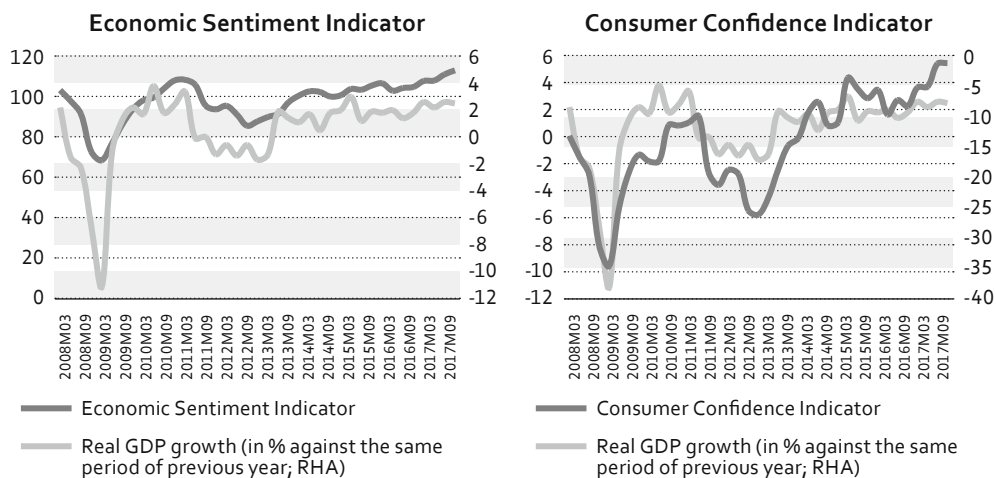


Figure 1. Growing economic optimism in the Eurozone Member States.

Source: Eurostat data [namq_10_gdp] and [ei_bssi_m_r2]

DESPITE ECONOMIC GROWTH PROBLEMS REMAIN

The recovery of the economic situation will certainly diminish the motivation to pursue reforms both at Member State level and at Eurozone level: putting up with complacency is a major threat. The Commission itself acknowledges that GDP growth and inflation remain contingent on policy support (not least by the European Central Bank) and not as much on the initiative of market players. Economic recovery is still incomplete, with a significant shortage of activity in the labour market in certain regions and with an atypically slow increase of wages in other regions.⁴ In addition, historical experience shows that it takes at least 2–3 years before the fruits of economic growth reach the public masses. Therefore, in spite of recovery, the future of the political elites currently in power will continue to be endangered by radical populist forces.

The recovery after the financial crisis of 2008 was not easy. The Eurozone experienced a double economic recession (in 2009 and 2012), and its recovery was slower than, for example, in the United States. There were several reasons for this. First, fiscal consolidation, which was implemented in both the Eurozone core (creditors) and peripheral (debtor) countries, intensified the economic problems in the more severely affected peripheral countries. The Eurozone, however, would have overcome the crisis much more successfully if the fiscal consolidation with structural reforms had taken place in the debtor countries and the expansionist fiscal policies in the creditor countries had been implemented, but there was a lack of political will on both sides.

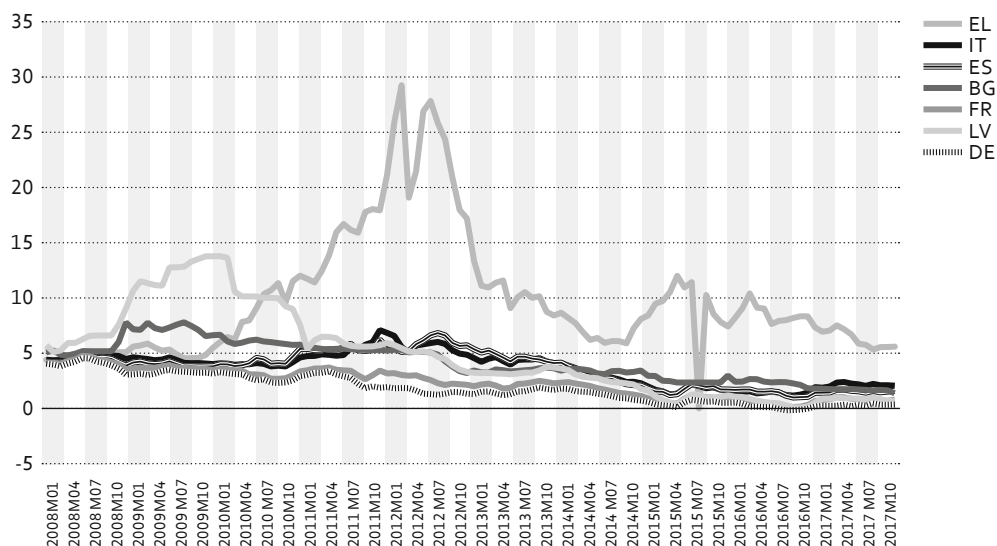


Figure 2. Long-term interest rates in selected Eurozone Member States

Source: Eurostat data [irt_lt_mcby_m]

Secondly, the ECB began to implement its monetary stimulus programs much later than the Federal Reserve System of the United States and the Bank of England. In addition, fearing inflation, at the beginning of 2011, the ECB, led by Jean Claude Trichet, hastily steeped interest rates, creating additional problems for debt-torn peripheral countries of the Eurozone. The inkling that the main problem of the Eurozone is not inflation, but deflation, came only in 2015,⁵ several years after the change of the ECB leadership by the end of 2011, when Mario Draghi became the president of the ECB.

Significant economic disparities still persist among Eurozone members. Monetary conditions also differ substantially, in spite of the single monetary policy, as evidenced by the different long-term interest rates (see Figure 2) and cash loan rates (see Table 1 in the annex). Moreover, not all Eurozone countries benefit from the fall of the euro in currency markets, as due to low inflation the real euro exchange rate in some Eurozone member countries is actually appreciating. The Eurozone's core countries – Germany, Austria and Benelux – have reached their potential ceiling and can only grow at the expense of the imported labour force, while the economic situation in the periphery of the Eurozone is still tense. For example, the unemployment rate reached a record low 4.1 percent in Germany, while in neighbouring France unemployment exceeded 10 per cent. In theory, the French unemployed will provide a substantial margin of labour and a driving force for economic development in a situation where Germany's economic potential will be

exhausted; at present, however, the macroeconomic conditions in France are not yet such that would put pressure on those spare straits of labour.

Further successful economic integration within the single market under financial and monetary fragmentation of the Eurozone is not possible. At the moment, capital flows to the periphery of the Eurozone are still being secured artificially through EU budget and ECB operations which is not sustainable in long-term. Here, this means not only Greece, but also Latvia and the other Baltic States, which until now have witnessed a deflux of private investment from the investors from the Eurozone's core countries. In these circumstances, there is a very high risk that capital flees from the periphery of the Eurozone, and this may be caused by what appears to be a negligible asymmetric shock. There are several factors that can cause this asymmetric shock. For example, it may be triggered by a new banking crisis, an unexpected political crisis, the halt of a major foreign investment project, natural disaster, etc. Although it is difficult to judge the consequences for the time being, Brexit in March 2019 may also create a strong economic shockwave.

The economic imbalance in the Eurozone will also affect the development of Latvia. The influx of EU funds has revived the investment climate in Latvia and led to economic growth driven by domestic consumption. At the same time, exports to Eurozone core countries are decreasing, which is due to excessive accumulation in these countries.⁶ Latvia and the rest of the Baltic countries have been developing asymmetric economic relations with the core countries, especially Germany, as evidenced by the significant negative trade balance. If the growing trade among the Baltic states is not taken into account, the Baltic economies generally move away from the Eurozone, as their export markets are located in areas with other currencies. Turning trade to third-country markets means that the area of political interests of the Baltic States centred on Germany no longer coincides with the economic interests of these countries, currently centred on Scandinavia and former USSR territories.⁷

The Latvian public has negative sentiments about labour migration, while Latvian entrepreneurs are not particularly active at investing abroad. Under such circumstances, Latvia's future economic growth will be highly dependent on the combination of fast-growing wages and productivity gains. In any case, inflation is expected to increase as a new wave of borrowing will further fuel the economy, due to low monetary interest rates (the ECB is not willing to revise rates in the near future) and a high demand. The 2018 state budget would have been the right moment to begin to create fiscal reserves for bad days, but, as the approved state budget testifies, the Latvian government has chosen to go through a path of fiscal stimulation, opting for a budget deficit in 2018.

TOWARDS A SUSTAINABLE EURO: COMPLETION OF THE RECONSTRUCTION

Eurozone reform issues have not been on the agenda of European leaders since July 2015, when the last summit on the euro was held.⁸ There were several reasons for this. Firstly, the most acute phase of the crisis had been overcome by 2015 without the need to resort to “heavy artillery”: the problems could be localised within the periphery without endangering the centre using *ad hoc* solutions. Secondly, with the rise of populist movements and national elections approaching, a number of Eurozone Member States, including France and Germany, did not have the political will to challenge controversial issues in the Eurozone. Now the critical elections are behind, and pro-European political forces have won, so the end of 2017 and 2018 is the best time to come to an agreement on the final elements of the completion of the Eurozone’s reconstruction. Later implementation of the reforms may be overdue, given the huge uncertainty surrounding the effects of Brexit and the fact that the ECB has already used all the instruments at its disposal to overcome the previous crisis and will not have effective means of stabilising the situation in the event of a new crisis.

The point is that the focus in the current reform of the Eurozone has been on strengthening fiscal discipline (Fiscal Compact from 2013), improving the monitoring mechanism (European Semester from 2010), setting up emergency financial assistance instruments (European Financial Stability Facility from 2010, and European Stabilisation Mechanism from 2012) and better governance of the banking system (Banking Union from 2013). However, several important issues remain unresolved. If, in the area of fiscal discipline and supervision, significant progress has been made so far, then in the area of joint macroeconomic risk management, for example through fiscal support (solidarity) instruments, the solutions were of an *ad hoc* nature and with limited scope. In these circumstances, the financial stabilisation of the Eurozone has been largely dependent on the ECB’s actions.

With the improvement of the situation in the Eurozone, in 2016 and 2017, the ECB began to reduce its purchases of securities, thereby demonstrating a growing belief in economic improvements, but at the same time, the ECB points out that economic growth is based on “very favourable financial conditions,” which in turn “are entirely dependent on the ECB measures.” In other words, the economic growth of the Eurozone is still unable to develop autonomously from monetary stimuli. Therefore, as reported, the ECB will continue to implement both the securities purchase program and the ultra-low interest rate policy at least until the end of September 2018.⁹

What the ECB does not say, but what worries macroeconomic experts, is that, in the face of a new major financial crisis, the ECB will no longer be able to save the situation, since all the tools at its disposal are already in place. In the event of a new crisis, the only salvation will be fiscal solutions, but there has been no agreement on their creation. Namely, despite the steps already taken, the current shape of the Eurozone has several significant disadvantages. Firstly, there has been a failure to break the link between banks and individual governments, i.e. to set up a banking supervisory system working autonomously from individual countries.¹⁰ Secondly, there is no automatic risk reduction and balancing within the Eurozone provided by the capital union, banking union or fiscal union (joint debt issuance). Thirdly, there is no mechanism for adjusting the growing competitiveness gap between the Eurozone members (instead of earlier currency devaluations).

The View of the European Commission

In May 2017, the European Commission published a reflection paper on the deepening of the Economic and Monetary Union (EMU). Issues of EMU reform were also addressed in the annual report by the President Jean Claude Juncker to the European Parliament “On the State of the Union”.

It should be noted that, in the last five years, the Commission, in cooperation with other EU institutions (the Eurogroup, the President of the Council of Europe and the ECB), has come up with a number of views on the future of EMU. In 2012, the document “Towards a Genuine Economic and Monetary Union” was published. This ambitious plan envisaged the creation of an integrated financial framework (among other things, a common mechanism for the transformation of banks and guaranteeing deposits), an integrated budget framework (including fiscal solidarity in various forms) and an integrated economic framework (including greater coordination of labour mobility and tax policies). This plan was not accepted, because fiscal solidarity aspects received controversial assessments from the Member States. A new paper entitled “Completing the European Economic and Monetary Union” – the so-called “Five Presidents” was published in 2015. In this paper, more attention was devoted to the implementation of economic structural reforms, and a gradual approach to reform was proposed, with the controversial focus of fiscal solidarity measures being postponed until the second phase of the reform (until 2025).

In the current reflection paper, the main emphasis is placed on the outline of the principles essential for the successful operation of the EMU and the provision of various alternatives, enabling the Member States themselves to decide how to implement the outlined principles. It is significant that this paper proposes

to link the payments from the EU Structural Funds to the implementation of structural reforms and use part of the EU budget for the euro stabilisation objectives, including the creation of a European unemployment insurance scheme. It is proposed to merge the positions of the Eurogroup's President and the Commissioner responsible for EMU, as well as to create the European Monetary Fund analogous to the International Monetary Fund (IMF). This would simplify the current complicated and, most importantly, politicised decision-making process under the European Stabilisation Mechanism (ESM). Recent hints from the European Commission indicate that the Commission wants to integrate all the Eurozone instruments, including the EMU framework and the "fiscal compact", into the EU's legal system. The Commission's approach, however, has already been criticised for talking about things involving additional powers for EU institutions that are unlikely to have supportive political will, but without addressing the essential issue – creation of a framework for the stabilisation of the Eurozone's finances in times of crisis.¹¹

The French View

The victory of pro-European Emmanuel Macron in the French presidential election in May 2017, and the victory of his *En Marche!* party in the parliamentary election in June, allowed European leaders to breathe a sigh of relief – the anticipated victory of radical euro-sceptic and anti-euro leader of the National Front, Marine Le Pen turned out to be unfounded. Unlike Le Pen, Macron positioned the EU in his pre-election campaign as an opportunity for France to rebuild its impoverished influence in both the European continent and the world. According to his vision, France needs a more integrated but reformed European Union: membership in the EU is not an end in itself – it must serve the interests of the Member States and their public. The EU needs to become more socially just and integration processes must focus on the euro: the Eurozone needs its own budget, a unified tax policy and strong political leadership in the shape of a Eurozone finance minister. It is important to note that the issues of French internal reforms – the effectiveness of labor legislation, health, pensions and the social system – are based on the need to restore France's political influence in the continent. Macron understands that without reform, France – and himself personally – cannot hope to gain authority in the eyes of Germany, or to persuade Germany to invest more in European level investment programs. Consequently, Macron's proposals for the creation of a Eurozone budget and finance ministry are symbolic in affirming the convergence of Member States and the fact that partners (in particular, Germany) are reckoning with France.

The implementation of internal reforms will not come easy to Macron: the French social system experienced the last reform in 1995, and since then any attempts to renew reforms have faced strong protests. Macron's European ideas have met strong criticism, too. For example, it was pointed out that the creation of additional institutions would only complicate the already complex structure of the Eurozone. Moreover, as Member States have no appetite for additional competences of EU institutions, the idea of a Eurozone budget and a Eurozone finance minister would be simply a decoration without real substance. There are also concerns that France's visions of a social Europe mask the desire to move the French social model to Europe.

The German View

EU enlargement and the 2008 crisis have elevated Germany to the position of the most influential member of the EU and its chancellor Angela Merkel has become an uncontested leader of Europe. The problem, however, is that Germany is not ready to recognise this role, and consequently, in its internal debate, avoids talking about Europe's problems and Germany's role in overcoming these problems.¹² For example, during the German parliament's pre-election campaign in the summer of 2017, unlike France, practically no EU topics were raised. In the elections, which took place on September 24th, Merkel's Christian Democrats retained the majority securing her the chancellor's post for the fourth consecutive term. Despite this victory, the representation of the Christian Democrats in Bundestag will be significantly reduced, weakening Merkel's position. The formation of a government with the Free Democrats and the Greens did not succeed.¹³ The Social Democrats' consent to participate in the formation of a new coalition government gives hope though. German Social Democrats are the likeliest partner for both Merkel and the French President Macron, as Social Democrats are the most supportive political force in Germany for closer European integration, but the party, after a relatively unsuccessful start, had decided to remain in opposition following this election.

Germany has long objected to the write-off of Greek debt and any long-term fiscal commitments with respect to other Eurozone Member States. In Germany's view, all that is needed for Eurozone Member States is fiscal modesty and structural reforms to avoid crises in the future. On 27th September, during a visit to the last meeting of Eurogroup finance ministers during his term, German Finance Minister Wolfgang Schäuble presented his colleagues with an informal document outlining Germany's views on Eurozone governance reforms. It said that Germany could agree to a small Eurozone budget in order to reward those Member States that are trying to implement structural reforms. Germany would not object to the creation of a Eurozone finance minister, but such a minister should deal with policy coordination,

not fiscal redistribution issues. Germany also supports the idea of setting up a European Monetary Fund to provide financial assistance to Member States experiencing difficulties in exchange for the restructuring of the national economy.

The Latvian View

The Latvian government has so far avoided commenting on its views on Eurozone reforms. Behind the scenes negotiations have shown a willingness to accept partial Greek debt write-offs and readiness to accept the reform of the Eurozone, because, ultimately, Latvia's participation in the Eurozone makes geopolitical sense from its own perspective. At the same time, representatives of the Latvian government are very cautious about the ideas of fiscal union, because they believe that helping out wealthier and fiscally irresponsible countries would be extremely unpopular. Moreover, it is also a matter of concern that fiscal union may have to raise tax rates that would make it difficult for Latvian entrepreneurs.

Indeed, Germany's fears that fiscal solidarity could cause moral harm are real. This is confirmed by the theory of fiscal federalism and by the experience of the United States and other countries.¹⁴ On the other hand, the economic theory also proves the fact that different countries are affected by economic shocks differently and that solidarity may be deemed necessary in a monetary system, to avoid panic in crisis situations. This means that Eurozone Member States should be able to obtain assistance from the European Stabilisation Mechanism before the country loses access to the bond market. Moreover, in an economically integrated space, individual small countries can no longer significantly influence either their financial institutions or the situation on the labour market; therefore, in an integrated space, it is essential to ensure solidarity between the strong and the weak regions, not only in the aspect of financial stabilisation, but also of development in order to avoid a permanent economic downturn in such countries.

The return to economic growth in Latvia may lead to a false impression that Germany is the real partner of Latvia in the Eurozone. Undeniably, good relations with Germany are very important and need to be developed, but the fact that Germany has so far done nothing to reduce excessive accumulation, thus facilitating the export opportunities of other countries, shows that Germany is not prepared to subordinate its economic interests to needs of the periphery. This fact is also confirmed by Germany's cool attitude to the EU single market's deepening initiatives, which would mean significant reforms in Germany, for example, with regard to the liberalisation of the services sector and the transition to a digital economy. Instead, Germany's leaders are more likely to talk about structural reforms in peripheral countries, thus forcing partners to do what they themselves do not want to do at home.

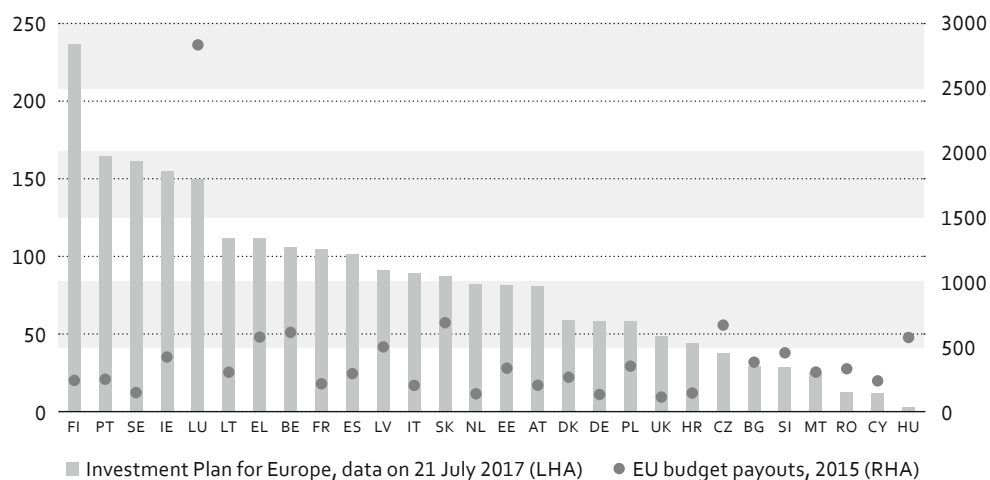


Figure 3 The results of the European Investment Plan compared to the EU budget in the EU Member States, euro per capita.

Source: European Commission, https://ec.europa.eu/commission/publications/investment-plan-results-so-far_en

In the event of a worst-case scenario where a new crisis hits the Eurozone, its periphery countries including Latvia, will be most affected. In order to prevent this and reduce the uncertainty of deterring investments, it is necessary to continue and, above all, complete the reforms in the Eurozone, in a way that respects the diversity of national economies. Public investment (national or European) will continue to be a significant driver of economic development at the periphery of the Eurozone, and therefore, in a situation where the range of ECB instruments is exhausted, it is important to establish a single fiscal framework for crisis situations.

It is also important to note that before the acquisition of the EU funds of the financial period 2014–2020, there was also a slowdown in investment in Latvia in the second half of 2016. In the field of foreign investments, 2017 has not been encouraging to Latvia – the amount of accumulated foreign investment is decreasing.¹⁵ A similar situation has likely occurred in the other Baltic states. For various reasons (demography, rule of law, eroding economic relations with Russia, etc.) the Baltic region is not attractive for large-scale private investment. Therefore, in the Baltic states public foreign investment, namely, EU fund payments are all the more important. The launch of these payments in 2017 has also helped revive private investment in the region: in the case of the Baltic States, private investment follows public investment.¹⁶ The European Investment Plan works differently. It is, in fact, a guarantee system, wherein the EU guarantees investment projects carried out and financed by individuals. Such a guarantee system is sufficient, for example, in the case of Portugal, but it is not able to

mobilise private investment in the Member States of the central eastern European region. Figure 3 shows a comparison between EU Member States in funds received from the EU budget and the European Investment Fund (per capita). It can be clearly seen here that economically lagging Member States (mostly from the CEE region) receive relatively more from EU budget than the better developed EU Member States in the west. In the case of a European investment plan, the situation is different: the most advanced Member States are relatively large beneficiaries. One-time large-scale investment projects, though, explain the comparatively good performance of Estonia and Lithuania (for example, in the case of Estonia, the reconstruction of Tallinn airport).

Finally, as far as social Europe is concerned, according to the plan, driven by French President Emanuel Macron, and subsidised by the European Commission, Latvia, as a socially disadvantaged country, could benefit from the 'Europeanisation' of the social sphere. However, high social standards can create significant fiscal risks, so the issue of social Europe must be linked to the issue of fiscal union. If a fiscal union is created, which allows the receipt of assistance before a country loses access to financial markets in the event of a crisis, the progress towards a social Europe should be supported.

CONCLUSIONS AND RECOMMENDATIONS

The Eurozone has returned to sustainable economic growth, creating an opportune moment for completing the Eurozone institutional reforms. The risk is that economic growth will increase self-confidence and disperse a sense of urgency. Unfortunately, the institutional structure of the Eurozone is still incomplete and new turmoil could be more problematic than the 2008 crisis: the debt of the Eurozone countries has substantially increased as a result of the 2008 crisis, and capacities of monetary redress have been exhausted.

The completion of the reforms is hampered by the internal political situation in the most important Member States of the Eurozone and disagreement between them. Currently, the elections in the Netherlands, France and Germany are behind us, so 2018 is a good time to complete the reforms. Delay in reforms may later have painful effects on economic development. On the one hand, Brexit could create a new shockwave, where the periphery will suffer the most. On the other hand, there is just over a year left until the next European elections and appointment of a new European Commission, but the shift in the EU elite will delay implementation of reforms.

The question is also about who will take patronage over the reforms in the Eurozone. At the moment, French president Emanuel Macron is the keenest candidate, but his authority will depend on how France succeeds in implementing domestic fiscal and social reforms. The difficulty in setting up a government in Germany and the position of the new government in the reform of the Eurozone will determine whether it is possible to restart the French-German 'engine.' The upcoming parliamentary elections in Italy in May 2018 will also have an influence – there is a real possibility that anti-euro parties will gain significant representation in the next term of the Italian Parliament. No less important is the issue whether the Member States will have an appetite for more after modifying the EU's basic agreements. If this is not the case, solutions are more likely to be sought outside the EU's legal framework, which in turn will mark more strongly Europe's division into integration projects of different speed-tracks.

The write-off of Greek debt will certainly be one of the first issues to address. The next item on the agenda will be the transformation of the Eurozone budget and/or the European Stabilisation Mechanism into a format that would not only help to effectively assist Member States in trouble, but also provide financial resources for the protection of the European Deposit Guarantee Scheme and the system of banking restructuring. In order to implement these measures, Member States will have to accept more delegation of competences to the EU institutions, including those related to monitoring and economic management of the national budgets.

From the point of view of Latvia's interests, it is essential to promote the safe and stable functioning of the Eurozone. The Latvian economy is experiencing the institutional weaknesses of the Eurozone, for example, in the context of attracting trade and investment to Latvia. (It should be noted, however, that staying outside of the Eurozone Latvia's economic situation would certainly not improve, on the contrary, it would be much worse.) Latvia should support the partial write-off of Greek debt and complete the fastest possible institutional reforms in the Eurozone. With regard to the reforms in the Eurozone, Latvia should join other countries in the periphery of the Eurozone in order to put pressure on Germany and other core countries in the Eurozone. After all, Germany is also obliged to implement a series of structural reforms as pointed out by the European Commission, such as liberalising the services sector, digitising the economy, streamlining the banking sector and investing more in infrastructure.

ANNEX

Table 1. Economic Indicators of the Eurozone and its Member States, 2016

Source: Eurostat Data [nama_10_gdp], [une_rt_a], [prc_hicp_aind], [bop_gdp6_q], [bop_c6_q], [bop_ip6_q] un [gov_10dd_edpt1]; ECB statistics; European Parliament, "Non-performing loans in the Banking Union: state of play," Briefing, 13 July 2017, [http://www.europarl.europa.eu/RegData/etudes/BRIE/2017/602072/IPOLE_BRI\(2017\)602072_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2017/602072/IPOLE_BRI(2017)602072_EN.pdf).

Country	Real GDP growth (% of previous year)	Unemployment (%)	Inflation (%)	Current account deficit (% of GDP)	Current account balance (million euros)	International investment position (% of GDP)	Budget balance (% of GDP)	Government debt (% of GDP)	Bank lending rates (data for Sep- 2017)	Bad loans (% of GDP, Dec-2016.)
Eurozone	1,8	10,0	0,2				-1,5	88,9	1,52	6,4
Belgium	1,5	7,8	1,8	0,1	409,0	51,2	-2,5	105,7	1,46	3,2
Germany	1,9	4,1	0,4	8,3	262402,0	54,4	0,8	68,1	1,38	2,5
Estonia	2,1	6,8	0,8	1,9	400,3	-37,1	-0,3	9,4	2,07	1,3
Ireland	5,1	7,9	-0,2	3,9	10816,0	-176,2	-0,7	72,8	2,31	13,6
Greece	-0,2	23,6	0,0	-1,1	-1872,0	-139,4	0,5	180,8	4,21	45,9
Spain	3,3	19,6	-0,3	1,9	21483,0	-83,9	-4,5	99,0	2	5,7
France	1,2	10,1	0,3	-0,9	-20374,0	-15,7	-3,4	96,5	1,51	3,7
Italy	0,9	11,7	-0,1	2,7	45572,0	-9,8	-2,5	132,0	1,39	15,3
Cyprus	3,0	13,0	-1,2	-4,9	-889,0	-127,8	0,5	107,1	3,68	44,8
Latvia	2,1	9,6	0,1	1,4	342,0	-58,9	0,0	40,6	2,83	3,2
Lithuania	2,3	7,9	0,7	-1,1	-433,3	-43,2	0,3	40,1	2,4	3,8
Luxembourg	3,1	6,3	0,0	4,8	2563,0	34,7	1,6	20,8	1,24	1,1
Malta	5,5	4,7	0,9	6,6	658,4	47,6	1,1	57,6	3,08	4,4
Netherlands	2,2	6,0	0,1	9,0	63375,0	69,1	0,4	61,8	1,35	2,5
Austria	1,5	6,0	1,0	2,1	7512,0	5,6	-1,6	83,6	1,29	5,3
Portugal	1,5	11,2	0,6	0,7	1320,0	-104,7	-2,0	130,1	2,67	19,5
Slovenia	3,1	8,0	-0,2	5,2	2107,6	-36,9	-1,9	78,5	2,63	14,4
Slovakia	3,3	9,7	-0,5	-1,5	-1204,9	-62,4	-2,2	51,8	2,05	4,2
Finland	1,9	8,8	0,4	-1,4	-2985,0	-2,3	-1,7	63,1	1,87	1,9

ENDNOTES

- ¹ "Komisijas priekšsēdētāja Žana Kloda Junkera runa par stāvokli Savienībā, 2017. gads," Eiropas Komisija, 13.09.2017, http://europa.eu/rapid/press-release_SPEECH-17-3165_lv.htm
- ² "Ārlietu ministra ikgadējais ziņojums par paveikto un iecerēto darbību valsts ārpolitikā un Eiropas Savienības jautājumos," Ārlietu ministrija, 2016, <http://www.mfa.gov.lv/aktualitates/zinas/55747-latvijas-2017-gada-arpolitikas-prioritates-arejas-drosibas-stiprinasana-vienota-eiropas-savieniba-latvijas-tautsaimniecibas-konkuretspejas-veicinasana-es-kaimini-un-sadarbiba-ar-diasporu>, 10–13.
- ³ "2017. gada rudens ekonomikas prognoze: turpināta izaugsme politikas izmaiņu apstākļos," Eiropas Komisija, 09.11.2017.
- ⁴ Ibid.
- ⁵ Grégory Claeys, "How to build a resilient Monetary Union? Lessons from the euro crisis," ADBI Working Paper Series No.778, 09.2017, 11.
- ⁶ "The German problem: Why Germany's current-account surplus is bad for the world economy," *The Economist* (Print Edition), 08.07.2017, <https://www.economist.com/news/leaders/21724810-country-saves-too-much-and-spends-too-little-why-germanys-current-account-surplus-bad>
- ⁷ Excessive current account surplus (above 6 per cent of GDP) is considered as a significant indicator of imbalance in line with the macroeconomic imbalance procedure introduced in 2011. In the case of Germany, the European Commission has carried out in-depth investigations into excessive current account surpluses for several consecutive years with specific recommendations to the German government on how to reduce this surplus, for example by promoting public investment, reducing tax burdens, etc. Unfortunately, as acknowledged in the 2017 report, Germany has been selective in implementing the recommendations and the current account surplus will not decrease in the coming years. See: "Country Report Germany 2017 Including an In-Depth Review on the prevention and correction of macroeconomic imbalances," Commission staff working document SWD (2017) 71 final, European Commission, 22.02.2017, 14–16, 20.
- ⁸ This euro summit was devoted to the Greek financial stabilisation program following the referendum on the terms of the international loan program organised by the Greek radical Left *Syriza* government. The results of the summit can be read here: "Euro Summit, 12/07/2015," European Council, 12.07.2015, <http://www.consilium.europa.eu/en/meetings/european-council/2015/07/12/>
- ⁹ As ECB President Mario Draghi argued in July 2012, "the ECB will do everything it can to save the euro. [...] And believe me – it will be enough!" he added being confident at that time. See: Mario Draghi, "Monetary policy and the outlook for the economy," Speech at the Frankfurt European Banking Congress "Europe into a New Era – How to Seize the Opportunities," Frankfurt am Main, 17.11.2017, <http://www.ecb.europa.eu/press/key/date/2017/html/ecb.sp171117.en.html>
- ¹⁰ There are a number of missing elements for completing the proposed European Banking Union. The first missing element is a common deposit guarantee system. The European Commission submitted its proposal in November 2015, but no progress has been made in the negotiations between Member States. The fact that, in the absence of such a single deposit guarantee framework, it is possible that deposits flee from one country to another, offering them more and more guarantees propping up the troubled banks, and that this can ultimately lead to a situation where countries are not able to compensate for lost deposits, as the 2008 crisis has well shown. The second missing element concerns the unified banking regulation mechanism. Its current decision-making process is too complicated and politicised for the mechanism to function effectively. However, the biggest problems relate to the creation of a financial source for the stabilisation of systemically important banks in trouble. A bank resolution fund has been set up, with capital up to 55 billion euros in 2024, which will be provided by the banks themselves. However, this money will not be enough to stabilise the banking system in a new emergency of extreme crisis.

- ¹¹ Daniel Gros, "The Commission's Views on Strengthening the Eurozone: Barking up the wrong tree?" CEPS Commentary, 14.09.2017, <https://www.ceps.eu/publications/commissions-views-strengthening-Eurozone-barking-wrong-tree>
- ¹² "Germany and Europe: The reluctant hegemon," *The Economist* (Print Edition), 15.07.2013, <https://www.economist.com/news/leaders/21579456-if-europes-economies-are-recover-germany-must-start-lead-reluctant-hegemon>.
- ¹³ The talks broke out due to the withdrawal of the Free Democrats. It should be noted that the Free Democrats and the Greens have divergent views on many issues, including the development of the EU and the Eurozone. Unlike the Greens and the Christian Democrats, the Free Democrats are against the reforms of the Eurozone and believe that the economically weak countries should leave the Eurozone.
- ¹⁴ In a situation where the federal government has assumed responsibility for the debts of its sub-entities and these sub-entities have enjoyed fiscal autonomy, the latter have tended to pursue loose fiscal policies. See: Marek Dabrowski, "Monetary Union and Fiscal and Macroeconomic Governance," European Commission Discussion Paper 013, 09.2015, 25.
- ¹⁵ Māris Ķirsons, "Ārvalstu investori šogad turpina pērn aizsāktu savu ieguldījumu samazināšanu Latvijā reģistrēto uzņēmumu pamatkapitālā," *Dienas Bizness*, 08.11.2017, <http://www.db.lv/ekonomika/arzemnieki-turpina-atkapsanos-no-latvijas-468606>
- ¹⁶ "Crowding out effect and public capital elasticity in Latvia for the development of the EU funds impact assessment methodology," *Projektu un Kvalitātes Vadība Research Report*, 2013, 9.

LATVIA–RUSSIA RELATIONS

Andis Kudors, Managing Director and Research Fellow
at the Centre for East European Policy Studies

Latvia's relations with Russia are increasingly inseparable from the European Union's and NATO's relations with Russia. Although the newly appointed Russian ambassador to Latvia, Yevgeniy Lukyanov, stated in an interview with *Telegraf* that: "We do not divide nations into big and small ones, and we strive to maintain an equal dialogue with all countries,"¹ the reality does not always support the ambassador's words. Under such circumstances, speaking unanimously with the EU or NATO about matters of concern to Latvia is much more effective than attempting to persuade Moscow separately. The former situation is also illustrated by a statement on the website of the Ministry of Foreign Affairs of Latvia, namely, "the dynamics of the bilateral relations of Latvia are also influenced by the general direction of relations between the European Union and Russia. Latvia follows the common position adopted by the European Union in response to the unlawful annexation and destabilisation of the Crimea in Ukraine, in 2014."²

In complying with the principles of international law and solidarity with Ukraine, Latvia thus expresses its opinion on the nature of Russia's foreign policy, which, unfortunately, does not increase security in the EU Eastern Partnership countries, but rather destabilises them. Despite Russia's unpredictable actions, Latvia has tried hard for many years to build a good, neighbourly, relationship with Russia; in practice, however, it is evident that Russia has never really been interested in such relations at the highest political level. Moreover, it is not easy to build good neighbourly relations with official Russia, which has been trying to discredit Latvia in the eyes of the international community for so long.

Communication is an important part of any relationship, and this is no exception in international relations. The classical foreign policy definitions usually focus on policies implemented by governments in the international arena, but in the age of information, along with classical foreign policy expressions, the role of public diplomacy has grown significantly. In particular, public diplomacy methods can be used effectively in addressing the broader public of a democratic state, since its

subjects are not a passive audience, but voters who influence the country's internal and external policies.

We have heard about the 'informational background' of the relationship, separated from the Realpolitik. Indeed, some of the messages distributed by individuals in a foreign country or even by its parliamentarians should be ignored because they do not represent the official position of the government. We have acted accordingly, perceiving Vladimir Zhirinovskiy and Alexander Dugin as a 'background', but the words by the Russian ambassador communicates the official foreign policy of Russia towards Latvia. It is important to note that what Russia's President, the Prime Minister, the Foreign Minister and other government officials express is not a 'background', but rather a part and parcel of Russia's foreign policy. In addition, certain actions can also be part of strategic communication. For example, the laying of flowers on the grave of war criminal Vasily Kononov on January 1st, 2016 by Ambassador Alexander Veshnyakov was a message in itself.

How should messages be evaluated that come from a state-controlled media, whose role is to take part in the implementation of public diplomacy? It is worth recalling that the tasks of public diplomacy are always subordinate to the tasks of the foreign policy, therefore it is reasonable to perceive such messages as part of the country's foreign policy and react accordingly. The creators and implementers of Latvia's foreign policy have often chosen a non-response policy, which in many cases has proved to be a rational and forward-looking approach. But has it in all cases?

This article is written with the aim of examining the most topical issues of Latvia-Russia relations in 2017, paying particular attention to the dimension of communication, which these days is inseparable from the foreign policy.

NEW AMBASSADOR – BUT ARE THERE NEW MESSAGES?

In 2017, a new Russian ambassador, Yevgeniy Lukyanov, was accredited to Latvia, having previously served at the Security Council of the Russian Federation (SCRF) from the end of 2010 till 2016 as the Assistant Secretary of the council and later as its Deputy Secretary. If there is another important institution besides the Presidential administration during the reign of Vladimir Putin, then it is the Security Council. The decision made by a small circle to annex Crimea, of course, once again emphasised that 'Vladimir Putin' is the main institution of the Russian government, but even authoritarian leaders in the system of centralised power need their own formal and informal circles of trusted persons. One such circle is the SCRF, chaired

by the Russian president; its permanent members are the Director of the Federal Security Service (FSB in Russian), the Head of the Presidential Administration, the Minister for the Interior, the Minister of Foreign Affairs, the Chairman of the Council of the Federal Assembly (upper house), the Chairman of the State Council, the Chairman of the government, the Deputy Chairman of the SCRF, the Secretary of the SCRF, the Director of the External Intelligence Service (SVR) and the Minister of Defence. The heads of power structures and key state institutions are clearly represented. The work of the Deputy Secretary-General in such an institution gives him the opportunity to talk about the most important issues of national security and foreign affairs. In addition, this position has given Yevgeniy Lukyanov the opportunity to become personally acquainted with the Russian elite. Although the Russian ambassadors are not given much room for manoeuvre in the implementation of foreign policy, Mr Lukyanov, nonetheless, will probably be able to use his contacts to strengthen certain intergovernmental (or business-level) cooperation activities, by creating linkage among officials.

Lukyanov told the magazine *Otkrity Gorod* that he would strive to reach 'normality' in Russia-Latvia relations in the next four years.³ Interviews and actions presented by Lukyanov indicate the possibility that the new ambassador will pay heed to the various burial sites, memorials and monuments associated with the USSR and Russia. Issues of historical symbols will continue to be bones of contention in the context of Latvia's upcoming centenary in 2018. During his cadence Veshnikov visited the grave of the war criminal Vasiliy Kononov, and in so doing provoked the Latvian public. It is possible that Lukyanov's activities in this regard will be less provocative, focusing on the question of cultivating the myths of Soviet and Russian history, restoring old monuments and supporting the creation of new ones, which will invoke memories of the previous link of the territory of Latvia to the Russian Empire and the Soviet Union. 'Monument Wars' may return to Latvia in the coming years. In the aforementioned interview with *Otkrity Gorod*, Yevgeniy Lukyanov said that he, as a person from the Baltic region, had a very persistent nature.⁴ It is no surprise then that he will continue the practice of his predecessors in interpreting history, as he himself says: "And now, from time to time, populist attacks on our country are taking place in connection with the historical problems; also demands for compensation for the so-called 'Soviet occupation' are being put forward."⁵ In addition, in 2013, Veshnikov said that, "no Soviet occupation has ever taken place in Latvia."⁶ It is worth noting that for a few years now, the representatives of the Russian side, at official level, have been cultivating the topic of occupation more than the Balts themselves..

SECURITY AND PHOBIAS

The experience of Lukyanov's predecessor, Alexander Veshnyakov, before becoming ambassador to Latvia, was related to one of Russia's important domestic policy areas, namely the organisation of elections, in his position as the Chairman of the Central Election Commission of the Russian Federation. Veshnyakov's rhetoric became much sharper than usual, after excluding the political party Harmony Centre in the ruling coalition, in 2011. If we evaluate Lukyanov's previous activities in the field of national security, then it should be concluded that Vladimir Putin sent a security policy expert to Latvia to provide appropriate diplomacy in the 'post-Crimean' period, when the military presence of other NATO members was being strengthened in the Baltic States.

There is no direct military threat from Russia to the Baltic States at present, largely due to the fact that the Allies have been providing their continuous presence with regular training in the Baltic States and Poland. This aspect does not provoke Russia, but creates clarity about the state of matters in the Baltics. In a statement by Lukyanov about NATO in the Baltic region, there was also an emotional spark: "But then was the first wave of enlargement, then the second wave. Now, NATO units are located 140 kilometres from my hometown (meaning St Petersburg - *author*), 500 kilometres from Moscow!"⁷ Did the military strengthening of the Kaliningrad Oblast and Ostrov (about 50 km from the border of Latvia) not take place before the NATO allies arrived in the Baltic States? The official Russian anxiety about NATO's 'expansion' towards the East is largely played out, as rational-minded people in Russia realise that NATO has no plans to attack Russia. The real worry in Moscow is about the democratisation of Russia's neighbours, which could undermine Russia's influence in the region and possibly also invoke democratic changes in Russia itself. This scenario gives the masters of Kremlin reason to be afraid, after the 'coloured revolutions' in Russia's neighbouring countries in 2003 and 2004. But how can they confess to be afraid of democracy and the rule of law, which would ultimately deprive the narrow circle of Russian elites of its control over state resources? So, it is better to mobilise their people with the term 'NATO's expansion'.

What other messages about the vision of Latvia–Russia relations have been expressed by the Russian ambassador? In an interview with *Telegraf*, Yevgeniy Lukyanov said: "We are constantly hearing from our Latvian partners about the mystical 'hand of Moscow', a 'hybrid war' and 'aggressive propaganda.' It is very difficult to treat phobias, so I can only, once again, call on the inhabitants of Latvia to analyse information and not believe in the myth about Russia's aggression. All these accusations in our address are completely unfounded and, unfortunately, are poisoning the atmosphere of our bilateral relations."⁸ In response to the words by the ambassador, we could say that the inhabitants of Latvia are already analysing

the information and do not 'believe in myths,' but rather see Russia's aggression in Ukraine themselves. But Mr Lukyanov, that there is no real hybrid war in Latvia, because it would require a small but still active component of conventional warfare. The Russia-Belarus military exercises *Zapad 2017* could not really be considered as such, since the training from the perspective of the Baltic States was perceived more than a strategic communication action rather than a military event. However, we can surely say that official Russia uses separate elements of the hybrid war against Latvia, similar to those used against Ukraine. One of them can be referred to as 'aggressive propaganda' mentioned by the ambassador. It is visible to a naked eye – you only need to switch over to Russian television channels, directly and indirectly controlled by state in the evenings and read messages in the Internet media.

Yevgeniy Lukyanov's accusation of Latvian side having phobias is not the ambassador's private judgment, but goes well with the official Russian communication practice. The programme *Theory of Lies* of Latvian television channel TV3, on October 8th, 2017 analysed the comparatively common method used by Russian officials and diplomats, namely, if Russia's foreign policy is criticised, then the critics are perceived as persons suffering from Russophobia.⁹ Russia's Foreign Minister Sergei Lavrov also indicated to mental illness of the opponents: "Up to now, some sick people have been running up some sort of bills, I do not know what for. For the fact that we created their (*meaning the Baltic countries - author*) industry, modernised their economies by investing a lot more per capita than in the Russian Soviet Federal Socialist Republic respectively? I believe that they are people with an incurable psyche."¹⁰ The Russian television channel RT created the *Russophobe Top 10*, which includes NATO and well-known scientists in the West - Anne Applebaum and Timothy Snyder. The Economist's analyst Edward Lucas, who is also on the list, said this was their tactic when they were unable to cope with the facts and arguments provided by the opponents.¹¹

The rude communication style of Russia's top diplomats has been experienced, not only by the Baltic States, but references to "donkey ears", "incurable psyche" and "phobia to be treated" by official Russian officials makes it difficult for them to establish a respect-based relationship. It should be mentioned here that Latvian diplomats and senior officials do not allow themselves to express opinions about Russia and its representatives in the same manner.

ECONOMIC RELATIONS

Within the framework of bilateral trade relations, Russia is an important partner for Latvia; in 2016, it was the third largest export market for Latvian goods after Lithuania and Estonia. In terms of imports, Russia ranked fourth with more than 949 million euros or 8.53 per cent of Latvia's total import share.¹² The total exchange of goods with Russia in 2016 amounted to 1.74 billion euros, which is 8.36 per cent of Latvia's total trade.¹³ However, compared to 2015, the total trade with Russia has decreased by 7.53 per cent.¹⁴ This decline is related to several aspects, which may include both the sanctions regime and the weakness of the Russian rouble, as well as Moscow's decision to re-route the flow of freight from the Baltic States to its own ports. Despite this trend, in 2017, according to an unofficial assessment, Latvia's exports to Russia have risen sharply.

This is one of the small indicators showing that in 2017 there has been a slight improvement in the relationship between Latvia and Russia – if the ice is not quite melting, then it is at least cracking a little. In February 2017, the delegation of the Russian Chamber of Commerce and Industry (CCIRF) stayed in Riga, to coincide with the 10th anniversary of the Latvian Chamber of Commerce and Industry's cooperation with the CCIRF.

The visit by Riga City Council, led by Mayor Nils Ušakovs, to Tatarstan took place in April 2017, and was dedicated to the first direct flight between Riga and Kazan. In 2017, the work of the Intergovernmental Commission intensified: meetings of the Economic Cooperation Working Group took place in March. It is probable that the new ambassador of Russia will try to take some steps of rapprochement, but it is too early to judge how significant these might be. At the level of Russian businessmen, there is an understanding of the fact that Latvia is a transit-logistics centre viable for Russia with its ice-free ports and well-developed transit service traditions. The background of political relations is not very promising – both countries are facing elections in 2018 – parliamentary in Latvia, and presidential in Russia. In addition, Latvia's steps towards strengthening the role of the state language in the education system are likely to be actively commented on by Russia and affect the atmosphere of relations.

Latvia's activities in strengthening energy security will continue in line with EU competition regulations, which will, of course, also affect the positions of Gazprom. The dialogue with the US will be pursued in the field of energy security for the establishment of the natural gas market in 2018. The Foreign Policy Report by the Latvian foreign minister for 2016, and scheduled activities for 2017, stated that, "Latvia will continue to oppose the projects that conflict with or jeopardise the implementation of the objectives and principles of the Energy Union – such as the implementation of the *Nord Stream II* project."¹⁵ The Russian ambassador to

Latvia commented on the position of Latvia as follows: “I assume that the approach shown by the government of the state is a vivid example where political dogmatism dominates economic efficiency.”¹⁶ Latvia not only follows economic efficiency, but also the principles of energy security and international law. Clarity about its values and their pursuit is not political dogmatism.

DEMARCATATION OF THE BORDER

The demarcation process of the border between Latvia and Russia, successfully concluded in 2017, was launched in 2009 and was possible thanks to the 2007 border agreement, and should be evaluated positively. On October 25th, at the Ministry of Foreign Affairs, the co-chair of the bilateral Demarcation Commission – Latvian Consul General in St Petersburg Irina Mangule and Ambassador Extraordinary and Plenipotentiary Alexey Obukhov signed the final documents of the demarcation of the border between Latvia and Russia.

The work of the joint Latvian-Russian Demarcation Commission was successful, as it was not politically linked to other bilateral issues. Both parties were equally interested in establishing order along the border. Russia, at the time of the conclusion of the border treaty and subsequent years before the annexation of Crimea in 2014, was lobbying for the introduction of a visa-free regime with the European Union; one of the technical preconditions for that was, and is, order and control on Russia's borders. In this context, Russia's border control situation in the south with Central Asian countries was particularly accentuated; however, border issues with the Baltic States also remained unsettled for many years: the process was not closed with Estonia, while the organisation of transit and communication from Russia's mainland to the Kaliningrad exclave had to be solved with Lithuania. Since 2014, the abolition of the EU-Russia visa regime has not been on the agenda, but practical clarity about the precise frontier line in nature will allow both sides to prevent border offences more effectively. For Latvia, the new situation will facilitate control of smuggling and illegal immigration. The border between Latvia and Russia is also the external border of the EU and NATO, so proper management of it is both a matter of national security and an issue for Latvia as a fully-fledged Schengen Member State.

The signed documents have yet to be approved by the governments of both countries; after the exchange of diplomatic *notes verbales*, the process of demarcation of the Latvia-Russia border will be fully completed. As far as Latvia is concerned, there should be no problems with this and, so far, nothing suggests that the Russian government might reconsider.

CULTURAL EXCHANGE

For a number of years, the Russian side has wanted a large-scale cooperation agreement in the field of culture and science between the two countries. Moscow believes that current cooperation based on short-term cooperation programs is not sufficient. This year, Yevgeniy Lukyanov noted that it would be important to prevent the cultural sphere from being placed under the sanctions regime. He suggested that the cultural relations between Latvia and Russia could develop more dynamically if an intergovernmental agreement was concluded, which would, among other things, include the opening of the Russian Centre for Science and Culture in Riga.¹⁷ When the Moscow Cultural and Business Centre – the Moscow House – was opened in 2004 within the framework of Russia's compatriots' policy, a number of events were organised at which Russia's and some local historians stated that there had been no occupation of Latvia. Unlike the Moscow Houses managed by the municipality of Moscow City, the Russian Science and Cultural Centres referred to by the ambassador are subordinate to the Federal Agency for the Commonwealth of Independent States, Compatriots Abroad and International Humanitarian Cooperation – *Rossotrudnichestvo* under the Ministry of Foreign Affairs of the Russian Federation.

Rossotrudnichestvo is the institution responsible for the implementation of Russia's soft power abroad. Its long name incorporates the linkage of the CIS and the compatriots' policies with public diplomacy in Russia's foreign policy. In 2012, Head of *Rossotrudnichestvo* Konstantin Kosachev¹⁸ noted that "the soft power of Russia is basically the 'Russian world' in the broadest sense - both compatriots and sympathisers, as well as those specialising in Russian issues."¹⁹ Russia's compatriots have a special role to play in implementing the soft power of Russia. With respect to the centre proposed by the Russian ambassador, it is worth remembering how soft power and its aims are perceived in Russia. Russian Foreign Minister Sergey Lavrov, speaking to an audience of Russian diplomats, said: "With the strengthening of 'soft power' factors in the range of contemporary diplomatic tool-kit that include the ability to influence the conduct of other nations with the attractiveness of a country in culturally-civilization, humanitarian-scientific and in other spheres, strengthening of the positions of the Russian language and Russian culture abroad becomes an increasingly important task."²⁰

The keywords here are "to influence the conduct of other nations." Whatever the degree of 'softness' of the soft power, the goals of its implementation are always related to the desire to make changes in the domestic or foreign policy of other countries. Russia's foreign policy makers never concealed that they were viewing cultural cooperation and the spread of Russian language as one of the means of achieving its foreign policy goals.

Rossotrudnischestvo runs a wide range of issues – from the promotion of Russian language and culture, national image-building, implementation of the compatriots’ policy and ending with a specific interpretation of the history of Russia and its neighbours. Russia has inherited not just one or two methods of propaganda dissemination from its Soviet past, but also a network of cultural centres and representations that were placed under control of *Rossotrudnischestvo*. For example, Berlin has the largest Science and Cultural Centre established in the Soviet era, with cinemas, exhibition halls and a hotel on six floors and an area of 23,000 square metres. The expansion of the presence of *Rossotrudnischestvo* by 2020 was planned by opening new centres of science and culture in almost a hundred countries. Among the CIS countries, *Rossotrudnischestvo* is represented not only in Turkmenistan, a country that is trying to follow its own path with little connection to Moscow, but in Georgia, which left the CIS, the Russian Science and Cultural Centres were opened after the Russian-Georgian War, in 2009 in Sukhumi and in 2010 in Tskhinvali. In the Baltic States, according to official information, there is only one representative of *Rossotrudnischestvo*, working at the Russian Embassy in Vilnius.²¹

The public part of the Latvian Security Police Report of 2016 describes the negative side of the Russian compatriots’ policy as follows: “Compatriots are simultaneously regarded as accomplices and supporters of foreign policy interests in their countries of residence, giving the possibility for Russian state institutions to interfere in the internal affairs of other countries, to influence significant decision-making and to weaken the national security system of these countries in the long-term.”²² Given Russia’s regional ambitions, the aggressive nature of its foreign policy and a specific perception of what it can afford in the framework of the compatriots’ policy, Latvia does not need a Russian Science and Cultural Centre. Cooperation in the fields of culture and science can take place regardless.

RUSSIAN MEDIA AS FOREIGN POLICY TOOLS

The 2016 report by Latvia’s Constitutional Protection Bureau (SAB) states that, “Given the crucial importance of information in all socio-political processes, Russia’s influence in the information space of Latvia remains one of the most significant long-term threats to Latvia’s national security.”²³ If the information space contains one of the most significant threats to national security, then are the actions by the Latvian government appropriate to prevent or at least to mitigate this threat? Regretfully, the answer to this question is negative. Consistent action would be needed, that is, if government representatives disagree with the conclusions of the SAB, they should voice this, but if they agree, then this consent should take the

form of statements about the severity of the problem and the launch of the necessary policies for coping accordingly.

First of all, it is important to remember that Russian media activity in Latvia is not just a business, where the main goal is to earn money by selling advertisements. The presence of Russian media and the impact on the local public and political processes in Latvia should be seen as part of Russia's foreign policy. Russia's Information Security Doctrine, which was adopted in 2000²⁴ already made reference to the "information war" and "information weapons"; foreign activities aimed at pushing Russia out of the global information space were mentioned as one of Russia's security threats.²⁵ The need to create conditions for activities to neutralise disinformation about the Russian foreign policy at Russia's representations and organisations abroad was mentioned in the doctrine as one of the defensive measures.²⁶ It is noteworthy that, already at the very beginning of Putin's reign, Russia's official understanding of the best defence was translated into the need to implement the activities in the information space abroad themselves.

Another document, different from the rest of Russia's foreign policy and conceptual documents due to its greater openness, is the 2007 Russian Foreign Policy Review. The word 'review' can be misleading; in practice the document was created in the form of a concept and a summary of recommendations, involving a large number of scientific institutions that helped define anti-Western sentiments in Russian foreign policy. The Russian Foreign Policy Review includes a section on information support in foreign policy, which prescribes both the promotion of Russia's image abroad and the need to dispel anti-Russian sentiment in the US and in some European countries. In addition, the Review points out that Russia should stop apologising to the West and launch an offensive information campaign.²⁷ The document states that, "Our main task is to create effective information campaigns wherever the real challenges to Russia's interests appear, maintaining a broad public consensus on Russia's foreign policy course."²⁸ The task is defined in a precise and clear way – it is to ensure that the public of foreign countries support Russian foreign policy activities. This is not an extraordinary task in itself; many countries widely use public diplomacy as a means of addressing a wider audience abroad. However, it must be taken into account that the objectives of public diplomacy are always subordinate to foreign policy objectives. The trouble arises from the fact that, in order to fulfil Russia's ambitions in the neighbouring countries, its leadership was ready to give the order to start wars in Georgia and Ukraine.

The third document that helps to understand Russia's plans in the information area of the neighbouring countries (including Latvia) is the Russian National Security Strategy, adopted at the end of 2015. Its chapter on culture (similar to the 2009 National Security Strategy), indicates the need to create a single "humanitarian

and informative-telecommunication space in the CIS area and in neighbouring regions.”²⁹ What might those neighbouring regions be outside the CIS? China, Mongolia or Norway seem quite improbable; the Baltic States are the best fit for the “neighbouring regions” referred to in the document.

FIGHT FOR HEARTS AND MINDS IN LATVIA

Asymmetry is one of the key words when talking about the penetration of the Russian information space in Latvia, which, according to the Russian National Security Strategy, is viewed as a security policy issue in Russia. According to the world’s media freedom index by international organisation Reporters without Borders in 2017, Latvia is ranked as the 28th most free out of 180 countries.³⁰ Such an indicator is a good achievement in itself, but there are several problems. One of them is the disproportionately large presence of Russian media in Latvia. This is especially true in cable TV provider packages, and Russian radio stations which have large numbers on the FM range. Latvian publicly funded media in the Russian language (Latvian Radio 4, the united Latvian public media internet portal LSM.lv and channel LTV 7, which air some programs in Russian) cannot counterweigh the well-funded and more attractive TV channels of Russia – RTR Planeta, NTV Mir, First Channel (in Latvia as retransmission channel PBK), REN TV Baltija and others present in Latvia’s information space. One of the major problems is the enormous difference between the funding of the Latvian and Russian television channels, where Moscow channels have higher funds. The divided information space increases the vulnerability of Latvia to disinformation and propaganda spread by Russian media, whose negative effects hamper integration of society.

Russian information campaigns can be seen as communication *with us*, but part of these campaigns is communication with Latvia’s allies in Western Europe and the US *about us*. Russia’s information campaign against Latvia was illustrated by the former Deputy Director of the Second European Department at the Russian Federation’s Ministry of Foreign Affairs, Mikhail Demurin, who, in a lecture at the Moscow State University School of Economics in summer 2007, stated that the economic policy towards the Baltic States should be supplemented by political and informational means: “And the whole set of these tools should be geared towards making Estonia, Latvia and Lithuania extremely embarrassing partners within the European Union and NATO [...]”³¹ This is exactly what has been happening in the course of recent years – Russian diplomats and public diplomacy implementers have tried hard to discredit Latvia in the eyes of Western allies. However, this has become more difficult since the start of Russian aggression in Ukraine in 2014.

CONCLUSIONS OR “WHERE IS LATVIA’S MACRON”?

Unlike 2008, at present, Russia’s disinformation and propaganda activities are experienced not only by Russia’s neighbouring countries, but also by Western Europe and the United States. French President Emmanuel Macron emerged with great conviction against the background of many other Western leaders, stating at the press conference in the presence of Vladimir Putin on May 29th, 2017: “I have always had wonderful relations with foreign journalists, provided they really are journalists. [...] When news organisations disseminate defamatory information, they are no longer journalists but agents of influence. During this presidential election campaign, Russia Today and Sputnik have served as such tools of influence that periodically spread lies about me and my campaign. [...] We’ll say the truth: Russia Today and Sputnik did not act as professional media and journalists, they simply acted as agents of influence, distributors of propaganda and lies.”³²

The French president pointed to the crucial fact that neither Russia Today nor Sputnik are to be considered as media or their employees as journalists. This message from the head of one of the most influential EU Member States helps encourage policies that thwart the spread of propaganda and disinformation in Europe. Experts and politicians from several EU Member States signed a letter in October 2017, calling on the Head of the EU Foreign Service, Federica Mogherini, to take seriously the negative effects of Russia’s information campaigns on the security and democracy in the EU and to activate countermeasures.³³ Russia Today and Sputnik are not as dangerous for France as RTR TV, NTV and other Russian state-controlled media are for Latvia. Despite this, we have not heard similar statements from Latvian officials. It is not just about statements, but about the lack of understanding on the part of Latvian politicians about the importance of independent and professional media for the development of a consolidated democracy.

One must agree with those who argue that the counter-action to Russian propaganda and spread of disinformation has to be complex. However, the word ‘complex’ is not limited to civil society initiatives. There should be complex cooperation among state institutions, where the work of the Media Division of the Ministry of Culture is not the only activity. The monitoring capacity of the National Electronic Media Council (NEPLP) needs to be increased in order to detect irregularities and enforce sanctions where necessary. It is necessary to invest not only in the availability of Latvian public television and radio channels throughout the whole territory of Latvia, but also in their quality and activity, to help attract the public’s attention as there is competition with those who invest a lot of financial resources. The Baltic Media Centre of Excellence is a success story, but it cannot correct the work of those journalists who do not follow the principles but

indulge a few wealthy individuals in Latvia, compromising the idea of independent journalism. Such an environment helps the spread of Russian propaganda, as ethical boundaries fade away. There is a need to ensure that EU legislation does not allow the registration of Russian TV channels in one Member State while in reality they act in another, thus impeding the application of sanctions. In terms of the integrity and resilience of Latvian society against Russia's propaganda, it is of principal importance to implement the transition to instruction in the State (Latvian) language in public schools.

There is already enough knowledge about Russia's influencing methods; appropriate action policies now need to be implemented. From the above-mentioned tasks, it appears that they are not primarily in the area of responsibility of the Ministry of Foreign Affairs of Latvia, however, the ministry's voice should be more definite at the level of problem identification. From the Russian side, it belongs to its foreign policy, therefore, the Latvian Ministry of Foreign Affairs has its say about it, and has a shared responsibility to ensure that not only a sporadic struggle of civil society takes place in Latvia, but also the implementation of the action policies in the framework of a strategy for public resilience and security of information space.

Latvia's foreign policy in 2018, despite the possible negative 'information background' in Russia, will develop in line with the EU and NATO common understanding of their interests and values, urging all countries to follow the principles of international law while keeping the door open for possible amelioration of relations with Russia. In its relations with Russia, Latvia should continue the two-way policy pursued over the course of several years – restrictive measures (sanctions) and dialogue at the level of diplomats and experts.

2018 is election year both in Latvia and Russia. Generally, during the pre-election period, politicians use sharper rhetoric when addressing tense issues. Foreign countries and their representatives also tend to be at the receiving end of a dose of colourful phrases. There is nothing to suggest that the next year will be an exception in this regard. Russian media will be ready to replicate the statements of Latvian parliamentarians on topics related to Russia's internal and external policies and to pass them for comments by leading politicians and experts in Russia. The media agenda will be purposefully subordinated to highlighting the necessary accents on the political agenda according to the pre-election stage. With this in mind, the Latvian officials should follow the best principles of strategic communication.

Recent Russian macroeconomic indicators, which are closely dependent on oil prices, show that in 2018, the economy should give Putin a moderately favourable environment for furthering his future objectives. The transfer of the presidential election to March 18th, the same date as when the treaty on accession of the

Republic of Crimea to Russia was signed, points to unchangeable strategic vectors of Russia's foreign policy in the near future. Russia's involvement in solving the Middle East problems is continuing the Moscow-based strategic game launched several years ago, with the aim of becoming an influential global centre of power, by becoming active in the regions where the United States is pursuing tactical neutrality. The main objective of the big game in 2018 will remain the same – to maintain the *status quo* for the Russian power elite for as long as possible.

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THE EASTERN PARTNERSHIP – STILL A PRIORITY FOR LATVIA

Ilvija Brūģe, Researcher at the Latvian Institute of International Affairs

The Eastern Partnership states have long been a priority for Latvia bilaterally and within the EU. In January 2017, the Latvian Ministry of Foreign Affairs once again listed the Eastern Partnership as one of the top foreign policy priorities. Stability, security and development in the six eastern neighbours are crucial for Latvia and the EU's own stability and safety. Latvia as a country on the EU's and NATO's external border, and as Russia's neighbour, has traditionally been the buffer between the West and Russia. Although this is unlikely to change, Latvia should use all other possible means to lessen Russia's influence in the region and spread the EU's values and norms. Furthermore, when engaging in this region, Latvia has a comparative advantage in comparison with many other western and even central European states, as it is well aware of the eastern partners' Soviet heritage and the political, economic and legal challenges faced by these countries.

2017 has been a simultaneously successful and fatigued year for the EU's Eastern Partnership initiative. Three out of six countries have now signed and ratified their Association Agreements and fully entered into the Deep and Comprehensive Free Trade Area (DCFTAs); two more (in addition to Moldova) out of six countries have finally reached a visa free regime with the EU. However, five of the six countries continue to experience military problems and all six, economic and political problems. The Eastern Partnership fatigue in the EU and among the eastern partners themselves is not eased by the lack of loud, obvious deliverables that the EU can offer in the future – the visa free regimes and DCFTAs for those who wanted it are there, but what next? What were the expectations and outcomes of the Eastern Partnership Summit in Brussels? How does that conform to the Latvian foreign policy priorities and ambitions? What do the eastern partners need from the EU and Latvia? This article will attempt to answer these questions, as well as describe the achievements in 2017, and set some predictions and suggestions for the future.

THE EUROPEAN UNION AND THE EASTERN PARTNERSHIP – THE YEAR OF THE SUMMIT

2017 in the EU's Eastern Partnership can hardly be described as a year of success, however, it has been marked by several considerable achievements – the DCFTA with Ukraine finally entered into force in October 2017, after a lengthy negotiation process within the EU. In addition, Georgia and Ukraine have now joined Moldova, and enjoy a visa free regime with the EU – since March and June respectively. There is ongoing communication with the other three eastern partners – Belarus, Armenia and Azerbaijan, and evidently the EU has finally grasped the differences among the countries in the region, trying to identify the individual areas that provide cooperation possibilities with each of them.

That said, what is often neglected in the EU's Eastern Partnership policy's achievements, is the intangible, lengthy and hardly noticeable reform process that is ongoing in each of the countries, or at least in those that have signed the Association Agreements and DCFTAs with the EU. Despite some specific and undeniable success in administrative, normative and practical reforms, in particular in the associated countries, these results remain largely unnoticed by society in these countries. "There is a growing perception that AA/DCFTAs are delivering less than expected. The Associated states embarked on a vast reform process that is similar to the countries from Central Europe despite having less resources."¹ Indeed the eastern partners have embarked on a reform course similar to that carried out by the eastern and central European countries that joined the EU in the 2004 and 2007 enlargement rounds, without having a clear membership option, and without having access to the massive financial assistance that the EU provided in the form of Structural Funds. In addition, Russia's looming presence – in economic, historic, political and even military terms – further complicates the ability and willingness of these societies to embark on a painful reform process that only leads to an uncertain end. In 2017, the EU has exhausted the tangible rewards that it used for motivating its eastern neighbours – the agreements are signed, visa-free regimes introduced, and now it's all about the reforms.

On the other hand, it is no news that the EU itself has lost enthusiasm for its Eastern Partnership policy, not only because it is itself experiencing an identity crisis, but also because the eastern partners keep "letting the EU down" with their slow and ambiguous reform process and corrupt political elites. The EU Eastern Partnership policy urgently needs a new "success story" that would prove the policy worthy of the time and investment spent. Instead, it seems that the EU's Eastern Partnership policy is destined to be tarnished by repeated corruption and embezzlement scandals. This year it was Azerbaijan's turn – a large-scale money laundering scheme was discovered, exposing not only the Azerbaijan

elite's schemes of embezzlement, but also its attempts to impact the Council of Europe's decision making. Although this is not as clearly linked to the Eastern Partnership as, for example, Moldova's EU Funds' embezzlement scheme, it once again calls into question the EU's commitment to human rights and democracy over economic and political interests.

The bottom line is that the EU itself also fails to address the issues that are crucial for its eastern partners. For example, Ukraine and Moldova are seeking a clear pledge from the EU that one day they will be allowed to become part of the EU, with President Petro Poroshenko warning that "closing the door to membership would validate the Kremlin's claims to "special interests" in the region."² Publicly, the associated partners stress that the political support, the willingness of the EU to offer a potential spot "in the family" is the most crucial. However, statements by these pro-European elites in both countries, that have already somewhat discredited themselves, can hardly be taken at face value. It is clear that these political statements are just as much aimed at the local public, and putting responsibility on the EU's indecisiveness moves it away from the local elites. More important, from a political point of view, is the EU's reluctance to address larger issues, focusing instead on small tangible deliverables that might spur interest in local society about the reform process. "The EU hopes that focusing on concrete measures that will improve people's lives in the partner countries – such as small business loans and reducing mobile phone roaming charges – will improve its popularity and see off the lure from Moscow."³

However, by doing so the EU avoids dealing with the most burning issue that concerns all of the eastern partners (except perhaps Belarus) – the ongoing frozen (and not so frozen) conflicts. There have been repeated calls for the EU's closer engagement in solving these issues that, to a large extent, prevent a deep-rooted reform process from taking place. However, the EU is hardly united in its attitude towards Russia, and even less so – in actions or investments that would engage the Union in a political and, possibly, military stand-off with Russia. Since the 2015 Riga Summit, where criticism regarding the Russian aggression in Ukraine was clear and outspoken, currently the EU's rhetoric, despite repeatedly assuring Ukraine that it supports its integrity, is quite soft. Furthermore, it shies away from engaging in settlement of the dispute between Armenia and Azerbaijan in Nagorno Karabakh, which in 2016 almost evolved into a full-scale war.

In fact, the EU's Eastern Partnership is currently struggling to stay alive as a pan-European initiative. As part of the EU's Common Foreign and Security Policy it must have a stamp of approval from all the EU Member States. However, taking into account the regional preferences among the EU members, and without neglecting the extreme importance of stability and peace at the Union's external borders,

perhaps the EU should consider rethinking its southern and eastern policies giving more say to the countries most affected by developments in these neighbourhoods. Latvia, like the other Baltic States and Poland, is among the strongest supporters of the EU's Eastern Partnership policy, and is willing and able to set the agenda, not least, because it has gone through the EU accession process itself and has explicit knowledge of, and historic ties to, each of the current eastern partners.

LATVIA'S INTERESTS, AMBITIONS AND ACHIEVEMENTS

Eastern Partnership as a Foreign Policy Priority

According to the annual report of the Latvian Minister of Foreign Affairs Edgars Rinkēvičs, delivered in the Latvian Parliament on 26th January 2017, building resilience and improvement of cyber security and strategic communication in the Eastern Partnership is a clear priority of Latvia within the EU Global Strategy, along with strengthening the EU's security and defence capabilities. The report stresses that Latvia is interested in averting hybrid threats not only at national and EU (and NATO) level, but also in its neighbouring regions. Furthermore, the Eastern Partnership is also among the priorities of the Baltic-Nordic cooperation (NB8) format. Beyond more declarative statements of support for implementation of the Association Agreements and DCFTAs with Ukraine, Georgia and Moldova, further improvement of relations with Belarus, Armenia and Azerbaijan and preliminary support for the priorities set out in the Brussels Summit (24th November 2017), the Latvian government also sets out its priorities regarding each of the eastern partners.⁴

Latvia's closest neighbour *Belarus* is also a crucial partner. Latvia supports the EU's rapprochement with Belarus, including the easing of the visa issuance procedures; support for Belarus's reform process, by sharing expertise in reform processes and democratic elections; support for implementation of Bologna process' standards in higher education; as well as support for Belarus's membership in the World Trade Organisation. Furthermore, Latvia has set cooperation with Belarus as a bilateral priority, with political dialogue and wider sectoral cooperation, especially in economics, transport and transit at the forefront. Regarding *Ukraine*, Latvian priorities were first and foremost related to promotion of good governance with a focus on the fight against corruption, agricultural and rural, as well as regional development and active engagement of civil society in decision making. Furthermore, Ukraine is Latvia's first priority in development aid, once again with the focus on a sustainable reform process. As priorities in its relations with

Moldova Latvia has set out the implementation of the Association Agreement, Moldova's reform process, as well as having more active bilateral relations, including high level visits and widened economic cooperation. Regarding *Georgia*, Latvia decided to continue its 2016 policy, focusing on a visa free regime, continued political development and inter-sectoral cooperation, especially in the spheres of defence, internal and legal affairs, education and economics. In relations with *Azerbaijan* Latvia is committed to a renewed dialogue between Azerbaijan and the EU, and interested in maintenance of a bilateral dialogue with Azeri officials. Similar priorities were set out for relations with *Armenia* – continued dialogue on the EU-Armenian cooperation format and dialogue at a bilateral level. What is important to stress is that, in addition to these priorities, Latvia has also voiced strong support for the Ukrainian and Georgian NATO ambitions, promotes its business ties with Azerbaijan and Armenia, and sees the Eastern Partnership region, along with Central Asia, as the primary destination for its development aid. Projects target such sectors as improvement of public governance, business development and strengthening of export capacities, as well as management of state security institutions and promotion of democratic participation, civil society, gender equality, human rights and education. Furthermore, Latvia actively engages in the promotion of independent media and improvement of the media content and critical thinking among its eastern partners. Latvia's practical ambitions in the Eastern Partnership clearly exceed those of an average EU Member State, especially when considering bilateral cooperation with each of these states over the past year.

Bilateral Relations

Regarding Latvia's bilateral relations, for the purpose of this article, the eastern partners will be divided into three sub-categories, depending on where Latvia's focus lies. This is not to prioritise specific areas of cooperation over others, but to demonstrate the dynamics of the relations. Latvia's foreign policy towards Ukraine and Georgia is mainly oriented at promoting reforms, providing development aid and political and military assistance (for the most part in knowledge-sharing, training and observation missions). Both countries are important also in economic terms, though, perhaps not as crucial as politically, especially since both are Latvia's allies in countering Russian influence in the region. *Georgia* is one of the priorities of Latvian development cooperation. Trade wise – it is the 56th most important partner with 19.07 million euros in trade in 2016.⁵ Here, the geographical distance as well as Latvia's membership in the EU must be taken into account. The political relations between the two countries are illustrated by the number of official visits over the past year – these include (but are not limited to) visits and meetings of Ministers and State Secretaries for Foreign Affairs, inter-governmental committee meetings,

as well as a visit of the Latvian President Raimonds Vējonis to Georgia in March 2017. During this visit, which took place at the time of the visa-free regime between Georgia and the Schengen Zone being introduced, the Latvian President once again praised Georgia on its dedication to deeper Euro-Atlantic integration, and stressed Latvia's support for Georgia's future NATO membership and closer cooperation with the EU. He also stated that each country has the right to take decisions on its foreign and security policy without external pressure,⁶ referring to Russian influence. Latvia's support for Georgia's aspirations for closer cooperation with NATO was further illustrated by the fact that the Latvian Armed Forces engaged in joint-response training exercises with the Georgian Army.⁷

Since the annexation of Crimea, *Ukraine* is the priority of the Latvian development cooperation policy, and Latvia participates in the EU and OSCE missions in the country. Ukraine is also an important economic partner, and in 2016 ranked 21st in Latvia's external trade balance with 198.7 million euros.⁸ Several visits of Latvian ministers (including the Prime Minister) to Ukraine took place over the past year, and in April 2017 Ukrainian President Petro Poroshenko arrived on an official visit to Latvia. During the joint press conference, Poroshenko expressed his appreciation for Latvia's firm stance and support for Ukraine's European integration, as well as for the financial help and exchange of expertise in implementation of the necessary reforms.⁹ In turn, Latvia's President reaffirmed the support, as well as "urged the international community to assist Ukraine in its efforts to stabilise the situation in the region," while Latvian Prime Minister Māris Kučinskis highlighted the growing economic and trade cooperation between the two countries.¹⁰ As with Georgia, Latvia is clear on its stance on the preservation of Ukraine's territorial integrity, and its cooperation with NATO, and assists in training Ukrainian police forces and its army. Politically, Latvian officials are very outspoken when drawing their red line in relations with Russia about the annexation of Crimea and war in Donbas. On 15th May 2017, the Latvian Minister for Foreign Affairs Edgars Rinkēvičs participated in the EU Foreign Affairs Council meeting in Brussels. During the working breakfast with the EU and Ukrainian Ministers for Foreign Affairs, he called on the EU for continued unity against Russian aggression in Ukraine, and maintenance of sanctions until full implementation of the Minsk Agreements. He also called for continued support for Ukraine's reform process and the political will to continue the started reforms.¹¹ In August 2017, the Latvian Armed Forces and Minister for Defence demonstrated their support to Ukraine by attending the Independence Day military parade.¹²

Moldova, although still ranked in this category, falls short of the importance that Latvia has assigned to its cooperation with Ukraine and Georgia. Although it has been among the development cooperation priorities since 2005, and in 2016 was the 61st most important trade partner, the cooperation between the two countries is

somewhat restricted to political level, most likely due to Moldova's lack of NATO aspirations. That said, Latvia is outspoken in its support for Moldova's euro-integration process, and the focus of bilateral cooperation is on dialogue between state, municipal and non-governmental organisations. Latvia's policy in Moldova in 2017 was mainly oriented on development cooperation, and aimed at speeding up Moldova's reform process to promote its integration with the EU.¹³ During his visit to Moldova in early November, the Latvian Minister of Foreign Affairs met with Moldovan President Igor Dodon who assured the minister that Moldova is not turning its back on the EU, but nor is it turning its back on Russia. According to the minister: "He [Dodon] said that he wants to see Moldova as a neutral state and establish balanced relations. We believe that no one is allowed to use pressure to limit free will. In any case, the EU will not be the one to introduce any repressions or sanctions."¹⁴

Latvia's foreign policy towards the second group of countries, Belarus and Azerbaijan, is mainly based on economic and transit interests. Although in 2016 *Azerbaijan* was only the 64th most important trade partner to Latvia with 13.32 million euros,¹⁵ it is extremely important as a potential route for transit from Central Asia to Latvia and the EU. This was underlined by the working visit of the Latvian President Raimonds Vējonis to Azerbaijan in March 2017, and Ilham Aliyev's official visit to Latvia in July 2017. During the latter, the transport ministers signed cooperation agreements in transport, construction monitoring and education, while the presidents signed a Declaration on Strategic Partnership. As Raimonds Vējonis stated: "This year has been very intensive, different exchange visits have taken place, and good relationships have developed not only between the state leaders, but also between parliaments, governments and municipalities. [...] All of this gives hope for new economic projects and increased mutual trade."¹⁶ He also stressed Latvia's interest in continued cooperation in the transport sector, and especially within the North-South Transport Corridor framework. In addition, Vējonis declared support for Azerbaijan's territorial integrity, while calling for a peaceful resolution of the Nagorno Karabakh conflict. Importantly, he also called for Azerbaijan to work on its human rights record. Meanwhile, Ilham Aliyev highlighted Azerbaijan's willingness to cooperate with Latvia on all possible matters, and on economy and trade in particular, seeing Latvia as its gate to the EU.¹⁷

Belarus is well known to be Latvia's priority due to the proximity of the two countries and their close historic ties. Traditionally, Belarusian goods account for approximately 20 per cent of all Latvian transit – mainly oil and oil products, as well as the chemical industry. Belarus is the 16th most important trade partner and its external trade balance in 2016 was 298.45 million euros, which accounted for 1.11 per cent of Latvia's exports and 1.72 per cent of its imports.¹⁸ Hence, Belarus is Latvia's most important trade partner from all the Eastern Partnership

states. Meanwhile, politically, relations with Belarus are not that simple. The two, probably most important developments in the bilateral relations in 2017, was the official invitation to Alexander Lukashenko to visit Latvia, and Belarus's participation in Zapad 2017. The timing of the invitation is related not only to the fact that most of the EU sanctions against Belarus have been lifted, but also because of Latvia's interest in increased trade cooperation with Belarus. In fact, it is mutually beneficial as Belarus is interested in better cargo tariffs, while Latvia – in increased transit. In addition, Latvia and Belarus have agreed to co-host the 2021 Ice Hockey Championships, and support construction of a new nuclear plant near Lithuania's border.¹⁹ The situation on military issues is more complicated, as Belarus participated in the Russian training manoeuvres Zapad 2017. However, it must be noted that Belarus was very forthcoming to Latvia and the international community providing information on the number of troops involved in the training and guaranteeing that Russian troops would not remain in Belarus's territory after the manoeuvres.²⁰ In addition, Latvian representatives, along with observers from six other states, were permitted to observe the Belarus-Russia joint training.²¹

Although in official statements Latvia prioritises all the Eastern Partnership countries, in its bilateral relations it is clearly evident that Armenia is the country that, while important, is crucial neither in trade, political, nor in development cooperation. This is both due to the geographical distance, and due to the limited potential of trade growth. In 2016, *Armenia* ranked 87th among Latvia's trade partners with 4.57 million euros, and the most important political visit was the visit of the Armenian Minister for Culture to the Armenian cultural days in Latvia. Needless to say, the absence of an Armenian embassy or consulate in Latvia (Latvia has only a consulate in Armenia) illustrates how much of a priority these relations are for each of the countries. This, however, has the potential to change now that Armenia has more actively embarked on its route to euro-integration.

Latvia's Support for the EU's Eastern Partnership Policy

The significance that Latvia assigns to the Eastern Partnership is clearly reflected in how actively Latvia advocates for the EU's continued and deepened engagement in the region. Latvia has been an active promoter of the Eastern Partnership since its inception, and set it as a priority of its Presidency in the EU Council. Latvia has considerable experience in reform processes and actively shares its knowledge and expertise in border control, good governance, regional cooperation, transport and other spheres.

During the EU Foreign Affairs Council meeting in Brussels, Edgars Rinkēvičs urged ministers to keep the Eastern Partnership high on the EU's agenda and

ensure future development of this policy. “We should continue the implementation of the Riga Summit decisions, and maintain the Eastern Partnership as a united political framework for all the partners. Simultaneously, it is crucial to observe the differentiation principle and think how we could move on with the most ambitious states, especially through promotion of trade relations.”²² In addition, he praised the EU’s current support for the partner states through easier travelling and lifting custom taxes on trade. He rightfully claimed that the EU should focus on citizens of the eastern partners, as they are, and should continue to be, the main recipients of support, and remain at the centre of the Eastern Partnership policy. Another thing that the EU should take into account when setting its policy with the eastern partners is the tangible aims and targets for individual states and their policy as such.²³

A Conference of the Baltic Assembly, with participation of the Benelux Parliament, GUAM Parliamentary Assembly, Nordic Council and Visegrad Countries entitled “Together in Strengthening Our Cooperation”²⁴ dedicated to the Eastern Partnership, took place on 9th June 2017 in Riga, Latvia. The Parliamentary Secretary of the Latvian Ministry of Foreign Affairs Zanda Kalniņa-Lukaševica once again stressed that the Eastern Partnership must be the EU’s foreign policy priority. She also praised the tangible results achieved since the 2015 Riga Summit, such as, visa free regimes with Georgia and Ukraine. She called for a continued reform process from the partner states and full implementation of the Association Agreements and DCFTAs. Both sides should focus on practical, achievable initiatives that would further the cooperation. “Summit must jointly set out a plan for further development of the Eastern Partnership policy. Attention should focus on spheres where we can reach positive results [...], while considering opportunities to promote relations with the more ambitious partner states that seek more dynamic relations with the EU.”²⁵

During the Eastern Partnership summit in Brussels (24th November 2017) the Latvian Minister of Foreign Affairs repeatedly stressed the importance of decisions taken in Riga: “It is essential to apply differentiation and seek a mutually acceptable solution for further cooperation, both with more ambitious countries and those who do not aspire to considerably deepen contacts in the future.” [...] The minister also underlined that Latvia would like to see close cooperation with the Eastern Partnership countries on security, digital economy, energy and transport. He highlighted one of the key aspects in the Eastern Partnership policy – support for partner countries in countering security challenges, such as hybrid threats. The minister stressed in this context that media independence, the quality of journalism and media literacy should be fostered in the Eastern Partnership countries.”²⁶ Similarly to Edgars Rinkēvičs, the Latvian President was also very outspoken in his support for the eastern partners and their euro-integration aspirations. “It is

important that both the EU and Eastern Partnership citizens see that our partners are carrying out the necessary reforms and that development of their economies provide new opportunities and strengthen the rule of law.”²⁷ He stressed the importance of tangible achievements in order to gather support for the cooperation with the eastern partners. Raimonds Vējonis also highlighted that the countries that have achieved the most in their reform process should also enjoy closer cooperation with the EU - “Reform struggles must be rewarded.”²⁸ By this, the Latvian President reaffirmed Latvia’s strong support for closer and deeper cooperation with Georgia, Moldova and Ukraine. However, the attempts of Latvia and other countries in the region to push for a more active Eastern Partnership policy were not reflected in the most recent summit in Brussels, on 24th November 2017. The only slightly tangible result beyond declarative statements was the 20 deliverables set out for 2020, and it remains to be seen whether this will be enough for continued and strong engagement between the EU and the partnership.

SUMMIT AND ONWARDS – PARTNERSHIP THAT DELIVERS OR LESS FOR LESS?

The European Commission’s press release on the outcomes of the Brussels Summit opens with the following: “It was a moment to celebrate the achievements of the last two years in the EU’s relationships with its six eastern partners, and to look forward to implementing 20 deliverables by 2020 that will bring tangible benefits to citizens.”²⁹ This declarative statement has already received some criticism, despite the fact that the Commission itself labels the Eastern Partnership as a “Partnership that delivers”.³⁰ The cooperation set out for the next few years will focus on the four priorities set out at the Riga Summit in 2015 – stronger economy, stronger governance, stronger connectivity and stronger society, which marks the continuity of the EU’s policy. On the other hand, setting out 20 tangible deliverables to be achieved by 2020 is an example of the EU taking into account at least some of the criticism. The deliverables include, but are not limited to: support for grassroots civil society organisations; support for businesses through provision of loans; provision of new trade opportunities with the EU and among the partners; support for energy efficiency measures; development of transport links (by 2030); harmonisation of roaming tariffs, cheaper access to the internet, and support for jobs in digital industries; support for youth and education programmes; support for strategic communication.³¹

In addition to declarations of commitment to closer relations, the summit brought some progress in the EU-Armenia relations, as the two signed a Comprehensive and

Enhanced Partnership Agreement aimed at improving Armenia's environmental standards, democratic institutions and business environment. In addition, the EU and Armenia initialled a Common Aviation Area Agreement, aimed at better connectivity and a common regulatory framework. Furthermore, the EU somewhat furthered its relations with Belarus and Azerbaijan by establishing a new Coordination Group. This, although a positive development, left the other three countries, that are much closer to the EU, somewhere in the background.

The EU's approach to its Eastern Partnership has been fatigued since 2015, and its ambition and willingness to set out some clear deliverables gives at least some sort of measurement tool for the EU's policies. At the same time, the summit failed to go any further than declarations of future cooperation, which is unfortunate, as this region should in fact be of a great importance to the EU. In response to Georgian, Ukrainian and Moldovan expectations of future membership perspectives, the summit merely acknowledged their "European aspirations and the European choice".³² Simultaneously, the joint declaration states the commitment of the EU and its six partners to similar values of democracy, rule of law, human rights etc., in fact putting Georgia back in the same basket with Azerbaijan or Belarus. As the Atlantic Council's senior fellow Anders Aslund commented, "The EU [instead of focusing on agreements with Armenia, Azerbaijan and Belarus] should have adopted a strategy for Georgia, Moldova, and Ukraine, and given some benefit to Georgia which has done far more than the others."³³

Another particularly important deficiency of the summit and the Eastern Partnership policy was the failure to achieve unity among the EU countries in their stance towards Russia, which is directly responsible for military conflicts in three out of six countries, and involved to some extent in two more. Understandably, the closer partners' expectations were that the EU would engage with them beyond mere "soft power". Instead, "the EU stopped with the euphemism: "The European Union committed its support to the territorial integrity, independence, and sovereignty of all its partners." The EU made clear that it offers no security or even sympathy."³⁴ In fact the EU failed to offer anything tangible to the reformists among the eastern partners. It would have been crucial in order to boost public trust and support for the EU policies within the Union and among its aspiring partners. In the declaration, the EU talks about "more for more" for the most proactive members, but in fact it gave "less for less"³⁵ failing to protect its partners, reward their reformist agendas or offer market access, substantial financial aid, and even less so a future EU membership.

CONCLUSION AND RECOMMENDATIONS

Since its inception in 2009, the Eastern Partnership has been a clear priority for Latvia, 2017 being no exception. The bilateral and multilateral formats of cooperation during the past year only reaffirm Latvia's dedication to these six countries politically, economically and even militarily. In fact, Latvia's especially strong ties with the three associated partners is something that the EU could learn from, however, there are a few recommendations that the Latvian government could take into account to further improve its Eastern Partnership policy:

- Latvia should continue to maintain strong economic and cultural ties with the partners, but also work more on its own “soft power” image (a strategy actively used by Estonia) in these countries. Latvia (similarly to the other Baltic States) has an image of a successful reformist in these post-Soviet states. Use of this image, along with practical input in the reform process of the partners, would not only let Latvia more actively promote the EU agenda in the partnership countries, but also push it into the foreground of the EU Partnership policy, perhaps leveraging it more influence.
- Latvia's responsibility in 2018 is to maintain the Eastern Partnership on the EU agenda, and push for the EU's more active engagement in civilian sector reform. This can be done by being a similarly active promoter of the policy in bilateral meetings and international forums as it has been in 2017.
- Latvia's responsibility (with other NB8 countries) is to ensure that the Eastern Partnership remains a priority region of the EU's Common Foreign and Security Policy, as well as its own priority in development cooperation.
- Latvia must continue to voice strong support for the Eastern Partnership at international forums, as well as continue the format that brought together the Baltic Assembly, Benelux Parliament, GUAM Parliamentary Assembly, Nordic Council and Visegrad Countries in June 2017. A forum of countries that are engaged and interested in continuous cooperation with the eastern partners would ensure that there is an alliance within the EU that would (and could) push for a joint partnership policy. Similarly, it would serve as a platform to discuss the priorities and needs of the eastern partners. This would allow Latvia and the group to push the EU for more tangible deliverables, and eventually, perhaps, for the EU membership perspective for the frontrunners of the reform process.
- Latvia should engage in a more active bilateral policy with Armenia, now that the latter shows a willingness to engage in closer relations. Simultaneously, Latvia should continue developing economic ties with Azerbaijan and Belarus. That said, Latvia should certainly prioritise its closest partners – Georgia, Ukraine and Moldova.

On a wider EU Eastern Partnership policy there are also some things that could be done despite the lack of will of some of the EU countries to engage in the region.

- Inform and educate: the EU should stress not only its criticism of the eastern partners, but also highlight the positives. It should inform the EU societies that the partners' membership is currently not on the cards. Meanwhile, the EU should give the partnership states a political message that potential membership could be reconsidered in future.
- The EU should pay more attention to political challenges and hard security challenges in the region. The first implies a stronger oversight of the political elites, while the second envisages moving away from a mere "soft power" stance and engagement in settlement of Russia's sponsored conflicts in the partner states. The EU should also engage more (or even at all) in a peaceful settlement of the Nagorno Karabakh conflict.
- Keeping in mind that cooperation with all the partners should take place in all feasible formats, the EU should give a clear priority to the three associated members that have (for now) a clear pro-European agenda. Some benefit for implementation of reforms will be crucial now that the EU has run out of "carrots".

To conclude with the statement of Latvia's President at the Brussels Summit: "There must be, this sort of candy for good work. We, from the Latvian side, support the approach that for good work, including various reforms, these countries should somehow be rewarded."³⁶ Such policy from the EU would give some hope of irreversibility of reform in such countries as Georgia, Ukraine and Moldova, and, in the longer term, perhaps in Armenia, while giving the partners motivation to stay (or return) to the pro-European pass.

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COOPERATION BETWEEN CHINA AND CENTRAL AND EASTERN EUROPEAN COUNTRIES ("16+1"): NEW TRENDS, FUTURE DEVELOPMENTS AND IMPLICATIONS FOR LATVIA

Una Aleksandra Bērziņa-Čerenkova, Head of China Studies Centre at Rīga Stradiņš University; Head of the New Silk Road Programme of the Latvian Institute of International Affairs

Following the meeting of heads of government of China and 16 central and eastern European countries in Riga, Latvia (also referred to as the China-CEEC Riga Summit) in November 2016, the year 2017 has shown several trends in terms of how the Chinese side views the cooperation with the 16 central and eastern European countries, commonly referred to as the "16+1", including Latvia. In the light of these developments, this paper addresses the changes in the approach towards the "16+1" cooperation from China and aims to analyse the prospects of the cooperation within this platform, focusing on the benefits and risks for Latvia.

LATEST ADJUSTMENTS OF THE "16+1"

China's cooperation with central and eastern European countries has been active since 2012, when Wen Jiabao, Prime Minister of the People's Republic of China's at the time, announced "China's Twelve Measures for Friendly Cooperation with Central and Eastern European Countries", during the first China-CEEC Summit in Warsaw, and called for deepening practical cooperation in trade, investment, fiscal and financial areas through a multilateral cooperation including the People's Republic of China, on one side, and 16 countries, namely, Albania,

Bosnia and Herzegovina, Bulgaria Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia, on the other side.¹

At the time, the biggest emphasis was placed on establishing a US\$10 billion special credit line, a certain proportion of which would be concessional loans, and an investment fund, which had the goal of raising US\$500 million in the first stage.² Although other aspects of cooperation were also mentioned, the economic and investment element was the leading motivation. Even though the promise of funds still appears in the official “16+1” outcome documents, it has been noted by experts that what was initially economic cooperation has gradually shifted towards political and other areas.³ This aspect has gradually influenced the cooperation process, and, as a result, during late 2016 and throughout 2017, several new trends have developed in terms of functions, champion projects and the further fate of the cooperation platform itself.

The Sixth Summit of Heads of Government of Central and Eastern European Countries and China took place in Budapest in November 2017, and concluded that these developments, including regional diversification between the Baltics, Visegrad group and the Balkans, a boost in the Three Seas Port area cooperation, further integration of the “16+1” into the Belt and Road initiative, and the growing centrality of the people-to-people aspect of cooperation will arguably become more visible during the “16+1” cooperation agenda for the following year. The trends have been analysed below.

NEW TRENDS OF THE RENEWED INITIATIVE

Acknowledgement of Differences

In the first instance, the differences between the Baltic, Visegrad 4 and Balkan regions included in the framework have been acknowledged. The countries involved differ in terms of history, economy and EU membership. Admittedly, the opinions on the mutual differences between the countries included in the cooperation platform have been voiced and widely debated since 2012. This factor has been stressed continuously during “16+1” think tank and business events. Diverse political, geographical, historical and economic backgrounds aside, dealing with the sheer number of partners has also been problematic. The wide numbers of partners represented on one side and just one, albeit large, partner on the other created a bottleneck in terms of investment pitches among the 16 countries. This issue has

finally been addressed by the Chinese side, introducing a more differentiated proposal to the partners according to the region.

The Chinese Academy of Social Sciences (CASS) published a report in 2015, stating the differences and complexities of the aforementioned countries, and paving the way of synergy between the Belt and Road Initiative (BRI) and “16+1”, ultimately concluding that the differences are to be regarded in terms of mutual complementarity.⁴ It is this theoretical proposition that has gradually led to the regional diversification proposals voiced by the CASS in 2017.

This trend has been presented in the proposal for the diversification of cooperation – the cooperation with the Balkan region would focus primarily on energy and infrastructure, the Visegrad Group (Poland, Czech Republic, Slovakia, Hungary) is viewed as a partner for trade and a destination for direct foreign investment, whereas the Baltics have been given the role of partner in logistics and transportation.⁵

This development is quite beneficial for Latvia. Prior to this, Latvia would position itself as a good location in terms of logistics, but the Chinese side would speak of a poor infrastructure in the Baltics and the need to make use of the Chinese infrastructure building capacity. On the Latvian side, however, as well as in the other “16+1” EU members, implementing this proposal was not of particular interest, due to three main reasons: firstly, issuing government guarantees to Chinese companies, as requested by the Chinese side, is highly problematic; secondly, every project has to undergo tendering procedures rather than being granted to a pre-chosen contractor, and lastly - EU funding is available on favourable terms for such infrastructure projects – for example, the Rail Baltica project.⁶ The contrast between Chinese and European narratives deadlocked infrastructure development in terms of China–Latvia cooperation. Now, however, when the priorities for the Baltic region are being explicitly set by the Chinese side, more proposals and higher efficiency in transport and logistics cooperation are to be expected.

Cooperation in the Three Seas Port Area

Secondly, the Three Seas port area cooperation is regarded as a prospective extra-regional practical cooperation measure.⁷ Because all involved sides have had high expectations for the China–CEEC cooperation since 2012, but concrete flagship developments have been lacking, “negatively influencing the enthusiasm of the central and eastern European countries to participate in “16+1 cooperation” and the Belt and Road construction”⁸ – the need for a success story became more urgent.

An article on the “China Youth Daily” website, originally referencing the “Blue Book of Europe” report, published by the Chinese Academy of Social Sciences, stated that the Three Seas port area cooperation initiative has the potential to become exactly such a success story. This information was also picked up by industry-specific web pages such as ChineseShipping.co.cn. The 2016 Riga Guidelines for Cooperation between China and Central and Eastern European Countries had already given a significant limelight to the Three Seas ports cooperation, stating: “The participants welcome and support Port Area cooperation between China and CEECs bordering the Baltic, Adriatic and Black Sea, [...] to promote cooperation among the major ports of the coastal areas, support building coastal industrial clusters, and encourage cooperation in infrastructure development, including railways, roads, waterways and logistics hubs.”⁹

Throughout 2017, the Three Seas port area cooperation idea has been developed further. Working groups, curated by the National Development and Research Commission and Ministry of Foreign Affairs have been established to review the project, and such major companies as China Development Bank, China Merchants, COSCO Shipping, among others, have been brought in to establish opportunities by country.¹⁰ It is viable that China will further promote the Three Seas port area project in 2018, shaping the exchanges of the large Chinese companies with Latvia in the vein of port zone cooperation.

“16+1” Linkage to Belt and Road Initiative

Thirdly, the “16+1” is being linked to the Belt and Road initiative, presenting it as a more institutionalised and small-scale test run for the BRI.¹¹ With the development of the BRI, the “16+1” cooperation initiative poses a problem for China: if the BRI overlaps with “16+1”, the reasoning behind keeping the format needs to be solid. The first objection states that by conducting similarly shaped cooperation through two channels, the process appears to be a waste of resources. Secondly, since the beginnings of the cooperation format, China has faced questions regarding the non-involvement of Belarus, Ukraine, and Moldova in this particular body of cooperation. Shifting the stress from the current format to the Belt and Road cooperation would solve this problem. Thirdly, focusing on the BRI rather than “16+1” would make EU’s accusation of China being a dividing factor among the ranks of the EU members unviable. However, putting the brakes on for the “16+1” or reducing the political level of the interactions would be perceived as a failure.

Therefore, it would seem that currently China’s position is formed in such a way as to avoid cutting off any solutions in terms of the future of the “16+1”. On one hand, the great progress that has been made is emphasised, and the institutional cooperation

along the pillars of cooperation within the format is still in place.¹² On the other hand, however, discursively, China's cooperation with central and eastern European countries is shown as a link in the Belt and Road construction, stating that the "16+1" is merely a promoter of the Belt and Road implementation.¹³

Even with regard to people-to-people cooperation, as considered below, one of the champions of the China-CEEC exchanges, the course towards the Belt and Road initiative are quite clear: "People-to-people exchanges have become an important starting point in the eastern European countries for participation in the Belt and Road initiative. The Belt and Road initiative framework covers all 16 central and eastern European countries. The countries will be able to benefit from each other's strengths and engage in mutual cooperation."¹⁴

Although the "16+1" is not expected to be abolished in the near future, more focus on shifts towards its synergy with the Belt and Road initiative should come from the Chinese side.

People-to-people Aspect of the "16+1"

Finally, the people-to-people aspect of the "16+1" cooperation is becoming the success story of the cooperation initiative. People-to-people cooperation is, indeed, the only aspect of the cooperation that has been growing problem-free and is positively viewed by the inhabitants (especially the participation of the respective countries in the "16+1 culture season"¹⁵), thereby, becoming the "success story" of the cooperation format.

This aspect is also easy to showcase: apart from the tourism sector, no solid financial outcomes are expected from it. In terms of cultural cooperation, events, concerts, festivals, exhibitions, writers' seminars and other forms of cultural exchanges are the goal, not the means, as opposed to, for example, business forums, and accountability arises from the events themselves. In the case of academic and research cooperation, again, progress can be measured in the signed MOUs, and the mere fact that China has invested in educational exchanges is viewed positively. There are two directions to this particular pillar of cooperation - creating opportunities for organisations and individuals of the 16 countries to obtain an audience in China, and assisting the respective Chinese content in its "going out" ("走出去"), in order "to expand and enhance the influence of Chinese culture overseas, including the CEE countries."¹⁶ As "pragmatic/meaningful/practical cooperation" has been the signature phrase for shaping the "16+1" perception on the Chinese side, the ever-growing and diversifying content of people-to-people contacts under the auspices of the China-Central platform is handy for demonstrating an upward curve of development.

It should also be noted that Xi Jinping's "The Chinese Dream of the Great Rejuvenation of the Chinese Nation" has gained significant momentum in Chinese official political discourse since 2012. As one of its central goals is "that the Chinese nation can stand more firmly on its own two feet among the world's nations and make new and equal contributions to humankind,"¹⁷ such soft power goals as the spreading of "excellent traditional Chinese culture" hold a more central position in China's foreign policy. Therefore, it is plausible that the "going out" direction of China's people-to-people cooperation with other regions of the world, including the central and eastern European countries, shall increase.

CONCLUSIONS

The endgame of China's new multilateralism is bigger than the cooperation with 16 European nations. The CEEC platform "is a "sub-regional model" serving as an experiment based on a specific long-term strategy of building multilateral relations,"¹⁸ which can also be regarded "as a good "sample house" for China's cooperation with countries along the Belt and Road Initiative."¹⁹ It is understandable that China would be interested to incorporate almost six years of cooperation, diplomacy and management experience into the Belt and Road project, because its scale, unlike that of the "16+1", suits the ambition of the government that states China should implement Xi Jinping's "two [global] guides" [两个引导] idea by "guiding the international community to build a more just and equitable new international order."²⁰

Still, a large multilateral format evolving into an even wider and more diverse one, which is the Belt and Road initiative, holds risks for the Baltic nations. The most discussed is the possible loss of annual bilateral meetings. However, with the increase of partners in an already partner-saturated setting, another risk to consider is weakening of political will for cooperation with Latvia on China's side in general, that could result in reduced interest from China's big businesses and less people-to-people traction.

In terms of positive developments, the Chinese side has been working towards diversifying cooperation proposals for the "16+1", granting, albeit discursively, the Baltic region the leading role in transport and logistics, and looking into port cooperation to cover the Baltic, Adriatic, and Black seas, paving the way for more viable proposals and higher cooperation efficiency in those sectors. In consideration of the development of the "16+1" initiative regarding the Baltic region so far, it is plausible that people-to-people cooperation shall remain the most

dynamic aspect of the cooperation in 2018. Paradoxically, in light of the above-mentioned diversification of proposals, it can be concluded that China's cooperation format with central and eastern European countries simultaneously faces both a fragmentation and a solidification. Fragmentation, in terms of function variations for different member regions, and solidification, - in terms of integration of CEEC into a bigger picture: the Belt and Road initiative.

Drawing upon both the assessment of the previous operation practice within the cooperation platform, as well as the development prognoses for 2018, several policy recommendations for Latvia have arisen.

- Keeping in mind the regional diversification that has transpired in China's academic reports, Latvia should continue to focus on the logistics and transportation sectors when presenting its respective offers to China.
- The fact that the "16+1" cooperation is increasingly discursively and, in some cases, institutionally being linked to the Belt and Road initiative by the Chinese side should be taken into account, and more emphasis should be placed on the BRI when presenting cooperation proposals to the Chinese partners, focusing on Latvia's advantages in terms of Belt and Road instead of "16+1".
- As people-to-people projects are positively viewed and financially supported by the Chinese side, Latvia should make use of this opportunity to showcase its abilities in terms of education, tourism, culture and other fields, and to make Latvia more familiar within China, thus helping to solve the issue of Latvia's underrepresentation in Chinese domestic information space thus far.

ENDNOTES

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LATVIA AND CENTRAL ASIA: AMID INTERESTS, CHANCES AND RISKS

Gunta Pastore, Foreign Affairs Advisor to the Speaker
of the Latvian Parliament

Throughout the past year, Central Asia has been in the news, with both positive and negative contexts. On the one hand, transnational terrorist acts committed by Uzbek citizens made the news headlines, reminding the world of security threats related to Central Asia. On the other hand, some positive developments have begun in the region.

Central Asia has organised an unexpectedly high number of summits and regional partnership events in 2017. Uzbekistan, the most densely populated country in the region, once isolated, is experiencing a positive change. Reforms launched by the new president, Shavkat Mirziyoyev, and re-established contacts with the neighbouring countries give hope for new dynamics in the region. Kazakhstan also has ambitions – and not only for reforms, as evidenced by the large-scale international events taking place in Astana – the exhibition EXPO 2017 in summer and the OECD Eurasian Week in October. This development in the region is welcomed by Central Asian partners, including Latvia.

Last year, Latvia continued its pragmatic foreign policy in relations with Central Asian countries both in terms of political dialogue and in economic cooperation. It is important to understand that Latvia's pragmatism in cooperation with the region does not contradict, but rather is in line with the interests of Latvia in the European Union and NATO. Significantly, the European Union, in its new global strategy, also emphasises the need for the principled pragmatism in external relations. The careful diplomacy of Latvia in Central Asia is part of the new understanding of Europeans about building relations with this region.

However, it must be acknowledged that, compared with 2015, when Latvia as the presiding country in the Council of the EU successfully positioned itself as a facilitator of relations between the EU and Central Asia, it has now diminished its

activity. It has an objective reason. Latvia faces serious geopolitical challenges, and foreign policy resources need to focus on these. However, it is important for it not to lose the positive results of the work already carried out.

Latvia has a substantial advantage in Central Asia – a good reputation. Even the most influential Member States of the EU are not perceived as seriously in this region. Uzbeks, Kazakhs, Kyrgyzs, Tajiks and Turkmens appreciate Latvia's understanding and moral support shown to the countries of Central Asia in difficult situations. Latvia in Central Asia is also seen as an example of the success of reforms, as far as they make their respective efforts.

The Latvian government has pledged to continue in Central Asia, in 2017, to “raise the profile of the region on the EU's agenda.”¹ Regarding foreign policy support for the economy, Foreign Minister Edgars Rinkēvičs points out that “the opening of markets must be based on the specific needs and interests of entrepreneurs.”² In this respect, the activities of the Latvian transport sector are notable, especially in cooperation with Kazakhstan – an important transit hub to and from China. It is clear that Latvia must be present in the region and be active at a time when there are new opportunities there.

This chapter focuses on, firstly, the development of the Central Asian region. Secondly, in assessing Latvia's bilateral relations in the region, the emphasis is placed on economic cooperation. Thirdly, Latvia's activities in the European Union are considered, positioning itself in this ‘niche’ region, as well as Latvia's assistance to the countries of Central Asia in the framework of development cooperation. Attention is also paid to the potential for the development of relations in 2018.

DEVELOPMENT TRENDS IN CENTRAL ASIA

The economic potential of the Central Asian region is increasingly linked to the transit possibilities between Europe and Asia, in particular, the role of the region in the Chinese New Silk Road initiative. The region's huge energy resources are not forgotten either. At the same time, the role of the Central Asian region should be looked at in a broader perspective – through the European prism to global developments. Traditional oriental values in Central Asia are enriched with the influence of 150 years of European culture and law. Consequently, it is possible to spread the European approach and develop business cooperation in Central Asia.

At the same time, the region has high security, economic and political risks that restrict the use of its economic potential. Five countries – Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan – as a geographical area have been

closed for a long time. The region is one of the weaker integrated parts in the world, occupying only a peripheral place in global trade. Stability in the region is fragile, and could even be described as “fragile stability”.

The greatest external security risks in the region are still terrorism, extremism, the destabilising effects of Afghanistan and the Middle East, and the efforts of the Islamic State – *Daesh* – to strengthen its influence in the region. Terrorist attacks by Uzbek citizens in Europe and the United States show that an increasing number of terrorists come from Central Asia. If the religion and radicalisation of Islam in the region itself is limited, then Central Asian immigrants in Russia and elsewhere subdue to the propaganda of extreme Islamist groups and present a problem. It is estimated that the *Daesh* in Syrian and Iraqi wars have about 1500 warriors from Uzbekistan in their ranks. Along with the downfall of *Daesh*, the question arises - where will the people of Central Asia who were fighting for it head for? In particular, the younger generation, armed with Western language skills, is increasingly seeking to choose the West as its destination of migration, including Europe.

Security risks remain within the region, too. They are linked to the economic downturn and slow recovery, rising social inequalities and poverty, health care and education. Business development and investment are hampered by corruption and an insufficient rule of law. The drop in the global prices for the traditional exports of Central Asia – oil, gas and cotton – undoubtedly severely damaged the economy, as did the slowdown of the economic growth in China and Russia – the key export partners for the region.

Against this background, Uzbekistan, which is now opening up, is building grounds for optimism. Uzbekistan is a key country; no regional cooperation models are possible without it. The course set out by President Mirziyoyev – cooperation with neighbours, addressing cross-border disputes, *inter alia* water and transit routes issues, raises hope. Equally, efforts to liberalise the economy, and in particular the decision on the convertibility of the national currency, are signals to foreign investors. The actions of the president are also seriously aimed at curtailing radicalisation and knocking out the Islamic flag from the hands of extremists, while preserving religious tolerance. The main foreign policy priority of the president is to strengthen relations with its neighbouring countries. Contacts are also actively being made with China, Russia, Turkey. The transport and transit sector is highlighted as strategically important in the relationship with Moscow. The efforts to attract foreign capital from China and Korea are evident.

Kazakhstan, the region's most advanced country, is on the road to its economic recovery. Kazakhstan is a country with ambitions, positioning itself as a bridge between Europe and Asia, as well as the economic and financial centre of the region.

Since 2017, visa restrictions have been lifted for EU and OECD citizens to help promote foreign investment. Astana aspires to be an active international player and has had some success as seen by the election of Kazakhstan as a non-permanent member of the UN Security Council for 2017–2018. Several peace talks in Syria have also been held in Astana. It is symbolic that President Nursultan Nazarbayev presented a program for the nation's spiritual renewal, which includes a transition to the Latin alphabet by 2025, seeing the abolition of the Cyrillic alphabet, introduced by Stalin. In the future, this could reduce Russia's influence. However, the political risks are linked with the unclear transition of power. 77-year-old Nazarbayev is the first, and only, Kazakh president to date. He has ensured stability in the country during his 26 years of rule and major reform strategies have been adopted, but longevity still has its limits.

Kyrgyzstan, the only democracy in the region, is in a critical economic situation. At the same time, the openness of the state to regional cooperation should be welcomed. The agreement between President Atambayev and the president of Uzbekistan on closer cooperation between the two “brother nations”, including the completion of the China–Kyrgyzstan–Uzbekistan railway and the resolution of their water conflicts was an important step. The presidential elections in October were perceived as being atypically open for the regional standards. The European Union has proposed a new cooperation agreement to support reforms for the victorious Sooronbay Jeenbekov. The new reality with low global oil and gas prices also suggests structural reforms for Turkmenistan's political elites.

In foreign policy, the countries of Central Asia continue their ‘multi-vector’ approach, largely balancing the competing influence of China and Russia. In addition, China's influence is increasing – not only in the economy, but also in the security and military field, focusing specifically on, for example, counter-terrorism measures. The European Union, although not a powerful player in the region, remains a significant trading partner.

The return of the US's interest in Central Asia is also becoming apparent, with President Donald Trump's new strategy and “responsible policy” in Afghanistan. Kazakhstan and Uzbekistan have also been in the forefront of promoting the United States' interests in the past. This year, Kazakhstan re-launched the military cooperation plan for 2018–2022, and Donald Trump has praised the president of Kazakhstan as the regional leader in advancing the strategic interests of the United States and NATO. The United States has also restored cooperation with Uzbekistan both in terms of security and economy.³ Among other things, after the Uzbek president's visit to the US, Exxon Mobil is considering its entry into this Central Asian country.

To summarise, the role of the Central Asian region is growing both as a transit bridge between Europe and China and as an economic cooperation partner. The

commitment of the region's political leaders to move towards closer regional cooperation is a historic milestone, creating the preconditions for stability, security and economic competitiveness of the region. The elites in Uzbekistan and Kazakhstan, despite the economic downturn, are determined to go through the path of reform that could lead to more serious socio-economic reforms. This is a window of opportunity for Latvia and the European Union as a whole.

LATVIA IN THE REGION – ECONOMY AT THE FOREFRONT

In cooperation with Central Asia, economic issues are at the forefront in the case of Kazakhstan and Uzbekistan. This is also reflected in foreign policy. It must be remembered that political and diplomatic support is essential to foster economic cooperation with the countries of the region. Latvian business undoubtedly received this support in 2017. Political and sectoral dialogue between Latvia and Central Asia has been continuing, albeit with varying intensity.

The highest level contacts with Kazakhstan and Uzbekistan have been maintained by the Latvian president, the parliament and its speaker, and sectoral ministries. The most visible manifestation of the cooperation was the participation of President Raimonds Vējonis at the exhibition EXPO 2017 in Astana, where the Latvian IT clusters and the transport and transit sector were also represented. In May, Ināra Mūrniece, the Speaker of the Saeima, received Nigmatilla Yuldashev, the Speaker of the Uzbek parliament, in Latvia, and on this occasion the emphasis was also placed on economic cooperation. Latvia has agreements with all Central Asian countries on economic cooperation, supervised by the Intergovernmental Commissions, assessing how to improve cooperation. Last year, such a commission also had a session with Uzbekistan.

Officials at bilateral high-level visits traditionally attest to friendly relations between countries, as well as beneficial economic cooperation. In this context, it is useful to examine how the economic cooperation has evolved and what the results are.

Trade

Statistical data shows that Central Asia's place in Latvia's total trade volume is quite modest, and this trend remains unchanged. The share of goods and services to Central Asia in total exports is below 2 per cent. At the same time, Latvia has a positive trade balance with all the countries of the region. Sales volumes tend to

fluctuate over a wide range. For example, Latvia's trade with Uzbekistan in 2016 grew by 42 per cent, but in the first half of 2017 had already fallen by 21 per cent. This indicates that the transactions concluded are one-offs rather than regular.

However, considering that Latvia's exports to countries of the EU Eastern Partnership, such as Georgia, Azerbaijan, Moldova and Armenia, are also small, it cannot be said that entrepreneurs have no interest in the region. Central Asia is not the top priority region for Latvian business, unlike other export markets overseas – China, the Gulf states, Iran, India, South-East Asia, but interest about the region is present and gradually increasing.⁴

In the eyes of entrepreneurs, the advantages of Central Asia are the following: unsaturated markets, free market niches and language skills of the locals, namely, Russian as a communication language. But there are also serious risks. First of all, Central Asian markets are far away, they are relatively small, volatile and externally vulnerable. Secondly, the stagnation and low purchasing power of the economy over recent years and the fall in the exchange rate in Kazakhstan and Uzbekistan has tarnished the business interest. Also, there are obstacles such as non-transparent regulations (Kazakhstan is an exception) and corruption risks. In order to seriously restore the interest of entrepreneurs about the Central Asian countries, it is important for them to resume economic growth and improve the application of the rule of law.

Central Asia, like other distant markets, has certain specifics. Latvia produces relatively few 'niche' goods feasible to transport over long distances. The share of high-tech in the Latvian export portfolio is still small. The situation is improving, the share of the remote markets is growing, but it is a lengthy process.⁵

Kazakhstan is Latvia's largest trading partner in the region, accounting for 0.7 per cent of Latvian total exports. Kazakhstan is interested in major projects, such as waste management, which are difficult to access for Latvia as a small country. But the increasingly important and evidently promising area of cooperation is services – not only transport and logistics, but also ICT services. A positive example is the agreement reached between Latvia, Kazakhstan and Sweden on cooperation in the field of information and communication technologies during the EXPO 2017 in Astana. Latvia has opened a representative office of the Latvian Investment Development Agency in Kazakhstan, which could give a new impetus to business.

Uzbekistan is in the first place in the region in terms of Latvian exports: half of that amount is exported to Kazakhstan and a small portion to other Central Asian countries. Uzbekistan was ranked 22nd among Latvia's export partners in 2016. It should be noted, however, that exports to Uzbekistan are very volatile. Latvia delivers chemical products, but it should also find a niche for other products, both

goods and services. In this context, several Latvian and Uzbek business forums that have taken place this year in Latvia, attracting a large number of Latvian businessmen, deserve recognition.

Transportation and Transit

Transportation and transit have a special place in cooperation with Central Asia; it is Latvia's largest export group in services. It should be recalled that Latvia has a good experience in co-operation with Uzbekistan, an important partner in the so-called NATO Northern Distribution Network, which provided return freight flows to Afghanistan. This transport corridor, which was active in 2009–2014, operated as a multi-mode transporting network. Although Latvia did not succeed in turning its route into a permanent commercial corridor, it gained vast experience in cooperation with partners from Central Asia and other participating countries.

Currently, the countries of Central Asia are becoming more significant in the field of transportation within the Chinese context. Latvia is working intensively to become part of China's Belt and Road Initiative. At a time when Russia is re-routing the flow of freight from the Baltic States to its own ports, it is important for Latvia to diversify its transit sector, and container cargoes to and from China is considered to be the most prospective market. In particular, Kazakhstan should be highlighted, which has the advantage of a developed infrastructure and the link with China. Chinese President Xi Jinping officially presented his New Silk Road project in Astana in 2013.

The contacts between the Latvian transport industry and Kazakhstan have been intense this year, also attracting political support. Within the framework of EXPO 2017, the "Latvian Transit and Logistics Week" was opened by President Raimonds Vējonis. In September, Kazakh Vice-Prime Minister Askar Mamin paid a visit to Latvia, which resulted in signing of the letters of intent and the important message that "Kazakhstan chooses Latvia as the main centre of freight logistics and distribution in the Baltic region."⁶ In October, the first container train followed the route China–Kazakhstan–Riga. It is symbolic that the ambassadors of Kazakhstan, Russia and China participated in the welcome ceremony in Riga, confirming their political support. However, it is important that this traffic becomes regular.

The Ministry of Transport notes that the work on the Eurasian transportation corridor through Latvia is only in its initial phase. It is proceeding in difficult conditions, taking into account the interests of the transit countries involved – Russia and Belarus, as well as tough competition with Lithuania. One should not forget that the key country for the transit from Kazakhstan to Europe is Belarus.

Russia, which is also a transit country on this route, should also be taken into consideration. An important step therefore is to appoint permanent representatives of Latvia to work in the region. The Attaché of the Ministry of Transport has taken over duties in Astana, Kazakhstan, therefore now Latvia's transport interests are represented in all strategic sections of the New Silk Road – Kazakhstan, China, Belarus.

In case of Uzbekistan in the field of transport, Latvia is interested not only in transit of Eurasian including Chinese cargoes, but also air transport, namely flights through Riga from Tashkent to New York. Uzbekistan started direct flights from Tashkent to New York with the new *Dreamliners* in summer, raising fears that flights through Riga could be cancelled. In August, the Latvian-Uzbek Intergovernmental Commission in Riga, dispelled these concerns, promising to continue the passenger air transportation. In November, senior officials from the Ministry of Foreign Affairs and the Ministry of Transport of Latvia visited Tashkent and talked with the Uzbek government and Uzbekistan Airways. It is important for Latvia to maintain passenger air transportation to New York.

In general, Latvia's efforts in the field of transport and logistics in Central Asia cannot be regarded as *fait accompli*. The attraction of new freights is a time-consuming process, and the results depend not only on Latvia. Work will continue in 2018 in a heavily competitive environment.

Education

The export of Latvian higher education in Central Asia has now become a success story. Uzbek students in Latvia continue to rank second after German students, and their number is growing, reaching over one thousand. 358 Kazakh students study in Latvia, and this number is tending to increase. Evidently, Central Asian students have an interest in Latvian universities in the transport, finance, aviation sectors, as well as in agriculture and veterinary medicine. The competitiveness of Latvian universities is ensured by the quality of studies which meet EU standards.

In summary, despite the economic downturn in the region, Latvia's trade volume with the region is gradually increasing. As one can see, cooperation in the service sector in transport and logistics, ITC and higher education has the most perspective. According to the Ministry of Economics, Latvia's businessmen should look for niche products to provide for Central Asia and to consider the next steps – product certification, waste management and water treatment, to prove their ability to offer new services to the partners.

LATVIAN SUPPORT FOR CENTRAL ASIA IN BRUSSELS

Latvia's foreign policy is not separable from the EU's common foreign policy. Latvia does not have a big influence in shaping the EU's common foreign policy, but in relations with Central Asia it has secured its place at the EU's negotiating table. Looking from the EU's perspective, the Central Asian region is not even in the "neighbourhood of EU neighbours". For Europeans, the region is very much peripheral, mostly attractive in the context of the Chinese New Silk Road Initiative. Here, Latvia has no serious competitors in Brussels, and Central Asia remains a Latvian niche region in shaping EU common foreign policy.

Central Asia was one of the foreign policy priorities of the Latvian EU Presidency, and, as far as possible and with far fewer resources, Latvia continues its work in this regard. Therefore, it is to Latvia's great benefit that at present its most experienced experts in the EU institutions hold positions in charge of Central Asia. From the point of view of Riga, this is especially important, because the institutions build EU foreign policy on a daily basis – the EU External Action Service, the EU Commission, the EU Special Representative in Central Asia. At practical level, Latvia continues to support EU programs in Central Asia, the BOMCA-9 border management program being one of the most important, which is run by the Latvian Border Guard.

Evaluating the EU relations with Central Asia in 2017, the key word has been "partnership". It is clear that in the new geopolitical situation, the European Union needs allies. The notion of partnership was also extensively repeated at the EU-Central Asia Foreign Ministers' Meeting in Samarkand in November. The meeting in Samarkand was a historic event, too, as the foreign ministers of all five Central Asian countries adopted specific regional cooperation plans⁷. From the perspective of the EU, the commitment of the countries of the region to closer cooperation is a long-awaited event. This is in line with the EU efforts to promote Central Asian regional cooperation, which so far the EU could not successfully foster from the outside.

Latvia's foreign policy makers have continued to keep the Central Asian topic on the EU foreign policy agenda. It should be recalled that, in 2016, when the EU elaborated a new Global Foreign and Security Policy strategy, Latvia pushed for the inclusion of Central Asia in the geographic regions of importance for the European Union. This was also achieved. Latvia also urged the EU to play a greater role in strengthening regional security as well as in developing European and Asian transport and energy transit connections.⁸ An important milestone is the so-called 'pragmatic approach' included in the Global Strategy. The strategy talks about threats and Europe's need for allies. This is also reflected in the EU's relations with Central Asia.

After careful analysis one could say that the EU is learning from its own experience and modernising its approach to the Central Asian region. Overall, EU foreign policy from a “normative power” has become more strategic and “more geopolitical”, losing the illusion that partners will always strive for the EU democratic model. It is evident that the EU has become more attentive in choosing a more positive and constructive tone in its relations with the Central Asian countries, abandoning the previously criticised “teacher-student” approach, which caused a negative reaction from the countries in the region. Interestingly, the EU even received criticism from the Human Rights Watch of a “very poor” statement on Tajikistan and its human rights violations.⁹ In summary, the EU’s new approach is in line with Latvia’s understanding that relations with the Central Asian countries must be implemented on an equal footing and that local traditions must be respected.

In 2017, the Central Asian region has not been high on the EU’s foreign policy agenda, but it is significant that the European Union has kept the region in its focus. EU institutions, including the Central Asia Special Representative Pēteris Burians, and the European Commission, have followed the path and been active in their efforts to promote EU–Central Asia cooperation. In June, foreign ministers of the EU Member States adopted the conclusions of the Foreign Affairs Council, promising to continue to build strong relations with the Central Asian region. However, the most important item in this document is the commitment to develop a new EU-Central Asia strategy by the end of 2019.

Concerning the new EU-Central Asia strategy to be developed, the first informal discussions have begun. Member States have made it clear that the new strategy must no longer be the same kind of ‘Christmas tree’ as it is today. The EU must be realistic in its plans and focus on the key areas where the EU can bring tangible benefits to the region. EU advantages in education and border security are highlighted. Considering China’s growing influence in Central Asia, there is growing interest among Member States about the EU’s involvement in the Chinese Belt and Road Initiative. An important argument is that China is ready to invest in the security of the Central Asian region, and in this respect its interests coincide with those of the EU.¹⁰

One of the reasons for developing a new EU strategy for Central Asia is also the need to plan further EU funding for the region. Since 2007, when the EU adopted its first strategy for Central Asia, the EU has gradually increased its financial support to the region, which is over one billion euros for that period, an increase of 56 per cent compared to the previous one. However, there is no illusion that the EU’s next multi-annual budget (2021–2027) will remain unchanged. There is already a heated debate in Brussels about where to take money from for the ever-expanding needs of the EU; the current funding is being reviewed and cut. Against this background, the

EU institutions, especially the European Commission, deserve appreciation that the Central Asian region should not be excluded from funding – a position which Latvia actively advocated.¹¹

In 2018, when the EU starts reviewing the strategy, Latvia will have to play an active role. From the point of view of Latvia, the European Union must maximally support the socio-economic reforms of the Central Asian countries, the transition to a market economy, mitigating the losses associated with reforms. The EU has the experience and expertise to help create an environment conducive to investors, presently limited by corruption and a lack of good governance, including discrimination, for example in the field of taxation. Secondly, the EU must support the efforts of Central Asian countries to promote security and prevent radicalisation. Central Asian countries are now opening their doors after prolonged isolation, and not just in words, but in deeds trying to follow the path of cooperation.

The development of the new EU strategy for Central Asia will include not only formal debates in the Member States, but also seminars and discussions with EU Member States and Central Asian countries, involving the non-state sector, experts, academics and entrepreneurs. Latvia with its successful experience in organising such discussions before and during proposal preparation for EU foreign policy makers, should be actively involved.

Practical Support from Latvia

Latvia as a Member State has continued to foster the implementation of EU policies in Central Asia, with practical support for EU programs and initiatives. In the previously mentioned BOMCA-9 consortium, Latvia, via its State Border Guard, fulfils the responsibilities of the Leading Member State. Referring to the proposal of the European Commission, the State Border Guard will continue the management of the BOMCA-9 consortium until the end of 2019, which is to be regarded as a significant success of Latvia in the implementation and management of EU programs.

Latvia's experience with its leading role in the "platforms" of the EU-Central Asia sectoral dialogue has not been that positive, however. Latvia is one of the few EU Member States to lead the EU-Central Asia Educational Platform, as well as participate in the Rule of Law Platform. It must be admitted that, in both cases, the experience of Latvia has not been fully successful. Within the Education Platform, coordinated by the Ministry of Education, Latvia, for the first time in history, hosted the EU-Central Asia Ministerial Education Summit in Riga in 2015; the second such meeting was held in Astana in June. The management of the platform is

costly and requires investment, but EU funding goes to intermediaries – consulting companies of the Member States. Similarly, Latvia's participation in the Rule of Law Platform, which focuses on economic governance, is very suitable for the transfer of Latvian experience, but Latvia's experts are not actively involved.

As is evident, Latvia's participating experience in the EU programs is ambiguous. Although significant steps have been taken in this direction, Latvia, as a small country, does not have enough resources to win the big EU tenders, where the major EU Member States have more opportunities. The Central Asian countries are the priority partner countries of Latvia in bilateral development cooperation, and this support is closely related to "Latvia's foreign policy priorities, the needs of partner countries, the advantages of Latvia's expertise."¹² At the same time, it must be acknowledged that funding for Latvian bilateral development co-operation is still very limited, so it is very important that Latvia continues looking for opportunities to pool resources with other donors, by participating in EU and international donors' projects.

In bilateral development cooperation, Latvia is currently implementing projects in Central Asia in the area of counter-terrorism, strengthening of the capacity of the state administration, regional planning, and the agricultural sector. The transfer of Latvian e-government and e-service experiences to Central Asia, especially Uzbekistan and Kazakhstan, is emerging as a prospective area. As recognised by Latvian experts working in the region, Latvian projects and experts are in demand there. And right now, Latvia should have the ideal opportunity to help. The Central Asian countries have embarked on reform plans, for example, Uzbekistan has been making efforts to implement the reform of the administration necessary for the transition to a market economy. It is also important for Latvia to become involved in these processes in order to prove itself as a responsible member of the EU.

CONCLUSIONS, SCENARIOS AND RECOMMENDATIONS

In general, it can be concluded that, during the past year, deeds have prevailed over talks in Latvia's cooperation with the Central Asian countries. Political dialogue and economic contacts have continued to play a positive role, albeit without significant results. As a positive trend, it should be noted that, despite the economic downturn in the Central Asian region, Latvia's trade volume with the region is gradually increasing.

Looking ahead to Latvia's cooperation with Central Asia in 2018, Latvia is keen to ensure that the processes raising optimistic hopes in the region do not lose

their momentum, so that the initiated reforms are transformed into economic liberalisation and closer integration of the region. Central Asia is currently at breaking point; it is opening up after a long period of isolation. It is difficult to predict further development because the numerous challenges will not disappear. The region's future scenarios could equally be either positive or negative.

Judging by the current trends in the region, it seems likely that positive changes are to be expected, but it is not possible to predict how fast these will be. The pessimistic scenarios, that anticipate the differences between Central Asian countries deepening further and these countries moving away from the EU, have not materialised. On the contrary, regional relations have become friendlier. In this regard, the president of Uzbekistan has merits for his efforts to renew cooperation with Kazakhstan, Kyrgyzstan, Tajikistan and Turkmenistan, in order to jointly build a stable and economically developed region. All Central Asian countries, despite their divergent relations with Russia or China, are showing an interest in closer ties with their neighbours. This was confirmed by the Samarkand EU-Central Asia ministerial meeting in November, which brought optimistic news to Brussels.

However, time will tell how consistently reforms and co-operation initiatives will be developed in the region. The coordination in implementation of these reforms will be important. In certain areas, such as the liberalisation of currency in Uzbekistan, reforms can be implemented more easily and quickly, but, for example, administrative reforms can last for years. It is difficult to predict when exactly the reforms will deliver results. The economic development will also depend on the effectiveness of foreign investment projects. Of course, socio-economic differences and sharp contrasts in the societies will remain, creating risks of unrest and radicalisation, despite the strong control. Overall, given the region's internal processes, it seems that stability in the region will also remain fragile in 2018.

The political leaders of the Central Asian countries will definitely play a crucial role, as they determine the political direction of the region. Battles between leaders have so far weakened the region's growth. If the positive cooperation between Uzbekistan and Kazakhstan continues at the highest level, it will be an impetus for the integration of the whole region. At the forefront stands the 'big unknown' – the future of Kazakhstan, because a change of political power is expected there, sooner or later. The uncertainties with the continuity of power could cause different scenarios of development at national and regional levels.

It should be noted that the stability and development of the region will be influenced not only by the internal dynamics of the Central Asian region, but also by the geopolitical context and the development of interests and influence of the dominant players – China and Russia. It is projected that China's economic growth

will continue: as a result, Chinese influence in Central Asia is expected to increase accordingly. China's need for energy resources in the region will grow in any case.

The trends in the foreign policy of the Central Asian region show that the so-called "multi-vector" foreign policy, which has allowed the countries of the region, especially Kazakhstan and Uzbekistan, to maintain a balance between the interests of different players and cooperation partners, each forming its own niche, continues. Such further development would also enable Latvia and the European Union to move forward with their cooperation priorities.

In general, further consolidation of the region and economic liberalisation will depend on the ability of national leaders to transform their political commitment into actions. Latvia and the European Union should provide maximum support to their Central Asian partners in this process.

Recommendations for the following year:

- Latvia and the EU should support the socio-economic reforms of the Central Asian countries and the transition to a market economy. The region's efforts to promote security and stability must be endorsed.
- Latvia must maintain a high level political dialogue in its bilateral relations with the Central Asian states. Practical support to entrepreneurs in regional markets should continue.
- Latvia's bilateral development cooperation with the Central Asian countries will remain limited for financial reasons in 2018. Latvia needs to look for opportunities to work with other donors, especially EU institutions and Member States in implementing projects.
- Active participation in the development of the new EU Strategy for Central Asia, which will also be the basis for the next EU financial framework (2021-2027). The mandate of the Special Representative for Central Asia in 2018 should be endorsed.
- In the context of EU funding, there is a need to ensure that EU programs for Central Asia are maintained, in particular in the areas of security, education, the rule of law (BOMCA, Erasmus+), and also for twinning programs in the future.
- It is important for the EU to maintain an individual approach to each of the Central Asian states, but the regional approach should not be discarded. Countries of the region are open to regional cooperation and the EU's experience is essential. It is therefore important that EU funding is maintained to strengthen regional cooperation. The Baltic States should consider sharing their experiences of regional cooperation.
- Together with NATO, Latvia must continue to support the security and stability of the region, including the continuous functions of the Latvian Embassy in Uzbekistan as the NATO point of contact.

ENDNOTES

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- ¹⁰ Interview with a representative of an EU institution, Riga, 20.10.2017.
- ¹¹ Ibid.
- ¹² "Latvijas attīstības sadarbības politika," Ārlietu ministrija, 2017, <http://www.mfa.gov.lv/arpolitika/attistibas-sadarbibas-politika>

DIFFERENTIATED APPROACH OR IMITATION OF AN APPROACH TO THE MIDDLE EAST REGION

Sintija Broka, Researcher at the Latvian Institute
of International Affairs

Instability in individual countries and extremist group activities, together with armed conflicts, render the Middle East region fragile, which has contributed to the deterioration of the security situation in the European Union's (EU) Southern Neighbourhood. In his annual report for 2017, regarding the southern neighbourhood and the Middle East region, Minister of Foreign Affairs of the Republic of Latvia Edgars Rinkēvičs, points out that the unstable security situation in some countries increases the threat of terrorism, promotes radicalisation and migration flows to Europe.

The Middle East region is still highly stereotyped and considered as a whole by the wider Latvian public. At EU level, building relations with the countries of the Middle East is practised extensively both geographically and in substance. In 2017, the European Commission began to set priorities in the framework of the European Neighbourhood Policy with each of the EU southern neighbours. The alignment of the EU Neighbourhood Policy goes along with the export of democracy, the rule of law and respect for human rights. The EU contributes to inclusive economic development in individual countries, provides support for conflict and crisis areas and is the leading aid provider to the victims of the Syrian crisis. At the same time, the EU supports international peace efforts in the Middle East region and is engaged in resolving the issue of Iran's nuclear program.¹

Thus, the 2017 priorities of Latvia in the security policy as a part of the EU are to promote stability in the EU eastern and southern neighbouring regions; the work to strengthen the EU security and defence capabilities is also essential in this respect. In this process, Latvia supports the promotion of stability and cooperation in the region, as counterweight to radicalisation, illegal immigration and terrorism. In identifying the causes of these phenomena, Latvia believes that it is important to

promote economic reforms, education, a favourable business environment and youth employment in the EU's Southern Neighbourhood. In order to promote regional cooperation, Latvia also participates in the work of the Union for the Mediterranean (UfM), which is one of the regional dimensions of the European Neighbourhood Policy. The Union for the Mediterranean comprises 28 EU Member States – the European Union and 15 Mediterranean countries (Albania, Algeria, Bosnia and Herzegovina, Egypt, Israel, Jordan, Lebanon, Mauritania, Montenegro, Monaco, Morocco, Palestine, Syria (temporarily suspended), Tunisia and Turkey). The League of Arab States has participated in all UfM meetings since 2008, while Libya has been granted observer status.²

With regard to the promotion of Latvia's cooperation with the countries of the Middle East, the priorities for the establishment of bilateral relations are quite clear: the Gulf States. Given the international importance of the Gulf States, it is vital for Latvia to understand the region's political as well as economic dynamics, investment arrangements and the long-term goals. Today, the region has become one of the most important regions in the world – large energy resources, attracting an active presence of foreign countries and major powers in the region, long-term stabilisation processes and the conflict about the Iranian nuclear program implicate areas far beyond the region. Along with more developed relations with the United Arab Emirates (UAE), Latvia has been active in strengthening relationships both in the context of the Gulf States and the wider Middle East region. In the case of Latvia, building such relationships means entering a new and not entirely familiar region of the world. The UAE is a bridge for Latvia to broader cooperation with other countries in the Gulf region and the Middle East.

Taking into account the fact that Latvia is moving towards a sustainable economic model based on growing exports and development of external demand-driven sectors, the export growth will only be ensured in the long term by increasing the competitiveness of Latvian companies and increasing the export market share, not only in the most important trading partner countries, but also in conquering new fast-growing markets. Consequently, relations must be strengthened both from the point of view of the contractual legal framework and in the context of bilateral economic relations. Promotion of economic relations with the Gulf States is one of the priorities of Latvia's foreign economic policy.

FORMATION OF A CONTRACTUAL LEGAL BASIS BETWEEN LATVIA AND THE GULF STATES

The attraction of foreign investments is primarily the task of the Ministry of Economics and the Latvian Investment and Development Agency (LIAA). The Ministry of Foreign Affairs and the embassies in cooperation with the LIAA act as instruments for carrying out this task abroad. The mission of the foreign ministry is to develop the contractual legal basis, the development of bilateral investment protection agreements, as well as investment protection sections in the contracts concluded by the European Union.

Visit by the President of Latvia Raimonds Vējonis to the United Arab Emirates

On January 23rd, 2017, the first resident ambassador of the United Arab Emirates (UAE) to Latvia H.E. Mrs. Hanan Khalfan Obaid Ali al Madhani was accredited to Latvia. Consequently, the Memorandum of Understanding between the Republic of Latvia and the UAE on mutual recognition of relations between the two Heads of State was signed on 27th February 2017 and entered into force on April 28th, while the two countries' agreement on economic cooperation was signed as early as June 8th, 2016. Likewise, cooperation in agriculture is being developed between the Ministry of Agriculture of the Republic of Latvia and the UAE Climate Change and Environment Ministry and a Memorandum of Understanding was signed, which came into force on February 26th, 2017.

The visit of the President of the Republic of Latvia, Raimonds Vējonis to Dubai at the beginning of 2017 also gained wide public attention. During the visit, the President met with Vice-President, Prime Minister of the UAE, Emir of Dubai Sheikh Mohammed bin Rashid Al Maktoum, Minister of Foreign Affairs and International Co-operation Sheikh Abdullah bin Zayed Al Nahjan, and the speaker of the UAE Parliament – President of the Federal National Council Amal Al Qubaisi. During the visit, Latvian Transport Minister Uldis Augulis signed a Memorandum of Understanding between the Republic of Latvia and the UAE on the mutual recognition of driving licences of both countries. The signed memorandum will enable the citizens of the Republic of Latvia and the UAE to exchange the driver's licence issued in their respective country and receive a driving licence issued in the other country without the need for taking exams. The conclusion of the Memorandum of Understanding will potentially strengthen bilateral relations and facilitate cooperation between the Ministry of Transport and the Ministry of the Interior of the United Arab Emirates as well as the issuing authorities – the Road Traffic Safety Directorate of Latvia and the Directorate General for Traffic Coordination of the Ministry of the Interior of the UAE.³

A Memorandum of Understanding on agricultural cooperation was also signed in the framework of the visit. Shortly after the president's visit to the UAE on May 18th, 2017, the Minister of Agriculture of the Republic of Latvia Jānis Dūklavs and Head of the International Accreditation Centre of the UAE Amina Ahmed Mohammed, signed a Memorandum of Understanding on Cooperation in the Field of Agricultural and Food Products Certification and Institutional Validation. The main objective of the signing of the Memorandum of Understanding was to promote cooperation between the competent authorities of the two countries in the certification of halal products and institutional accreditation, thus creating favourable conditions for promoting mutual trade with agricultural and food (halal) products between Latvia, the UAE and other Gulf countries.⁴

62 representatives from 44 leading Latvian companies in the fields of education, food industry, IT, timber industry, transport and logistics, metalworking and engineering, construction, architecture and area planning, tourism, medicine and health care, chemical industry, etc. participated in the visit. During the visit, the Latvian-UAE Business Forum, as well as individual meetings with potential partners were held; there was a contact exchange point for the two countries' businessmen and the Latvian stand at the Food and Hospitality Exhibition *Gulfood 2017* was visited. Director of the Latvian Investment and Development Agency (LIAA) Andris Ozols, and the Arab League, a regional, independent organisation of Arab countries with 22 participating states and four observer countries, signed a Memorandum of Understanding on the establishment of the Latvian-Arab Business Council. According to the Ministry of Economics of the Republic of Latvia, Latvian food producers have great potential for cooperation.

SIA Mottra attracted interest from a five-star hotel restaurant chain, as well as retail chain stores in the UAE. SIA Meat Processing Company Nākotne, which is certified according to the UAE market, plans to start meat exports in the very near future; AS Tukuma piens ("Baltais"), which has been exporting its products to the UAE for half a year already, following participation in *Gulfood 2017*, will expand the range of export products with a new product – a protein yoghurt cocktail. The University of Latvia established several valuable contacts regarding organisation of training in Latvia, and the law firm Eterna Law started negotiations for its inclusion in the UAE Association of Lawyers within the framework of the visit. Clean technology cluster Cleantech Latvia had several meetings where cooperation in the field of zero energy buildings, waste management and environmental impact assessments for industrial enterprises was discussed. The jewellery brand SIA Anita Sondore started negotiations on designing a jewellery collection and selling products in stores.

At the same time, UAE real estate developers Bloom Holding are interested in implementing projects in Latvia and started negotiations with the Sarma & Norde

architect firm within the framework of the visit. UAE businessmen also showed an interest in the 3D modelling services of SIA Mikrokods, which would allow real estate buyers to remotely view buildings in the 3D environment. UAE entrepreneurs were also interested in investing in education, in the production of organic products, and about selling various foods on the EU market. Many UAE companies see Latvia as a potential centre for pursuing their economic interests in the wider region.⁵

Direct business contacts and dialogue at enterprise level are vital for the strengthening of economic links. The UAE is already the most significant Latvian trade partner among the Gulf States. In recent years, the foreign trade turnover of Latvia and the UAE has grown steadily. Development of the bilateral cooperation between Latvia and the UAE is being assisted both by the Embassy of the Republic of Latvia and by the representation of Latvia's external economy. Strengthening relations with the UAE also helps to gain ground in the wider region. Along with the visit of Latvian businessmen to the UAE, the Foreign Ministry of the Republic of Latvia sees wider cooperation potential with Kuwait.

Visit of Arvils Ašeradens and Andris Ozols to Kuwait

From March 1st to 3rd, 2017, a working visit to Kuwait by the Deputy Prime Minister, Minister of Economics, Arvils Ašeradens and Director of LIAA Andris Ozols took place as an extension of the visit to the Gulf region. Representatives of 62 leading Latvian educational, food industry, IT, timber industry, transport and logistics, metalworking and mechanical engineering, construction, architecture and planning, tourism, medical and healthcare companies participated in the business visit. During the visit, a meeting was held with Kuwaiti Deputy Prime Minister, Minister of Finance Anas Al Saleh, Kuwaiti Minister of Oil, Electricity and Water Issam Abdulmohsen Almarzooq, as well as representatives of the Kuwaiti Chamber of Commerce and Industry and its Vice-President Abdul Wahab M. Al-Wazzan. Ašeradens also met representatives of the Kuwait Investment Authority, one of the world's largest public investment funds.⁶ During a meeting with Kuwaiti officials, the Latvian delegation discussed the possibility of concluding an agreement on economic cooperation with Kuwait, emphasising that Latvia is interested in developing cooperation in the fields of agriculture, food processing, construction and tourism. Ašeradens also informed Kuwaiti officials of opportunities for cooperation in areas such as education, metalworking, transport and logistics, real estate, hotels, textile, etc.

According to the representatives of the Ministry of Foreign Affairs of the Republic of Latvia, the next step after reinforcing relationships with the UAE is building relations with Kuwait.

Developing economic relations with the Gulf States is one of the priorities of Latvia's foreign economic policy. Kuwait is currently the third most important trade partner of Latvia among the Gulf States by the total trade in goods. Consequently, a visit to Kuwait by the Minister of Foreign Affairs of the Republic of Latvia Edgars Rinkēvičs, accompanied by a delegation of Latvian businessmen took place on October 11th–12th, 2017 in order to strengthen cooperation. On October 11th he signed the Agreement between the Government of the Republic of Latvia and the Government of Kuwait on Economic and Technical Cooperation. This is the most important bilateral agreement on economic cooperation, covering cooperation in the fields of trade, industry, agriculture and food industry, construction, transport, science, information and communication technologies, tourism, investment, etc. The agreement foresees *inter alia* establishment of a joint Latvia-Kuwait committee to examine the topical issues of economic cooperation and possibilities of its widening.

Secretary of State Andrejs Pildegovičs' Visit to Iran

During the visit, a meeting was held with Iran's Foreign Minister Mohammad Javad Zarif, Deputy Minister of Foreign Affairs for European and American Affairs Majid Takht Ravanchi, Deputy Minister for Science, Research and Technology Professor Hossein Salar Amoli, and Deputy Minister of Agriculture Khodakaram Jalali. In cooperation with the Chamber of Commerce, Industry, Mining and Agriculture of Iran, a Latvian-Iranian seminar was organised to introduce Latvia and discuss cooperation opportunities in the transit, logistics and forestry sectors. At the same time, an Iranian-Baltic Association was established in 2017 to promote economic and cultural ties between Latvia and Iran.⁷

Among the main priorities of the Ministry of Transport of the Republic of Latvia (MoT) is the attraction of new markets and new cargo segments, in particular container transport, to the Latvian transit corridor; active work is underway, including the laying of a new route from Iran and India. On April 4th, 2017, the MoT Secretary of State Kaspars Ozoliņš, presented Latvia's transport and transit potential to Iranian business representatives.⁸

The VAS *Latvijas dzelzceļš* (VAS LDZ – State Stock Company Latvian Railways), has already been well evaluated for the possible role and place of Latvia in the development of the North-South Corridor project, and has shown an active interest in cooperation with Iran. Meetings have been held with members of the Iranian Chamber of Commerce and Industry. Representatives of more than 40 organisations expressed interest in cooperation with Latvia. It should be emphasised that a visit to Iran is another step that contributes to the integration of the Latvian transit and

logistics industry into emerging markets. The VAS LDZ visit to Iran in November 2017 also testifies to active work in the field of transport and logistics.

Visit of the Minister of Economics Arvils Ašeradens to Israel in September 2017

Minister of Economics Ašeradens visited Israel from September 4th–7th, 2017. The purpose of the visit was to learn from their experience of innovations and start-ups in ecosystem management and to strengthen bilateral economic relations. A delegation of representatives of start-up companies and universities accompanied the minister. During the visit Ašeradens met with Israeli Minister of Economics Eli Cohen and representatives of the Israeli Chamber of Commerce and Industry. The minister also visited the University of Tel Aviv and became acquainted with its Technology Transfer Centre *Ramot* and the *StarTau* Business Development Centre. At the end of the visit, the minister, together with representatives of Latvian start-up companies and the Latvian Start-up Association, visited one of the largest start-up and innovation festivals in the world – DLD Tel Aviv Innovation Festival.⁹

LATVIA'S APPROACH TO BUILDING ECONOMIC RELATIONS WITH THE MIDDLE EAST

The Latvian strategy for building and strengthening relations with the countries of the Middle East is not specifically selected or adapted. There is no distinct strategy for the Middle East market.¹⁰ The establishment of bilateral relations with the countries of this region stems from the Guidelines for Export Promotion of Latvian Goods and Services and Attraction of Foreign Investment 2013-2019. These guidelines are a medium-term policy planning document covering all sectors of the economy and defining the main objectives, principles and lines of action for export promotion and foreign direct investment over seven years, regardless of the partner country. The purpose of the guidelines is to create a uniform, dynamic, close cooperation-based export promotion and investment attraction process involving all stakeholders, including public authorities, the private sector, municipalities and scientific institutions with a specific responsibility and competence.¹¹ The aim of the guidelines is to improve the competitiveness of the Latvian economy in the open markets of products (goods and services) and capital. Consequently, the share of high and medium-high technology sectors in Latvia's exports and attracting foreign direct investment to external demand-oriented industries is being promoted and facilitated. In order to achieve the goals set in the guidelines and to resolve the identified problems, the Ministry of Economics, in cooperation with the

involved ministries and social partners, has theoretically focused on both increasing the competitiveness of enterprises and acquiring external markets, as well as developing foreign direct investment promotion mechanisms.¹²

A GAP AMONG STATE INSTITUTIONS: INDISTINCT DIALOGUE OR A SKETCHY APPROACH?

Although the task of the Guidelines for Export Promotion of Latvia's Products and Services and Attraction of Foreign Investments 2013-2019 is to create a uniform and dynamic export promotion and investment attraction process based on close cooperation among state institutions, the private sector, municipalities and scientific institutions, relations with existing and potential partners are developed both as a part of official bilateral visits and separately. Consequently, the development of common strategies for the entire Middle East region is vital. According to Executive Director of the Arab-Latvian Chamber of Commerce (ALCC) Khaled Elawat, national strategies should be based on economic cooperation, promotion of mutual trust with uniform standards, according to the priorities of Latvia's foreign trade in 2017. ALCC serves as a mediator for building a link between Latvia and the Arab world. ALCC specialises in providing a network of services and valuable information for entrepreneurs, businesses, public officials, trade development agencies and academic institutions. Its main objective is to support, promote and improve economic and trade activities in both regions. The Executive Director points out that uniform and clearly defined strategies between the Ministries of Economics and Foreign Affairs of Latvia are of great importance for representation of the interests of the parties in the context of international co-operation. The ALCC representative notes that intensive cooperation takes place every day with LIAA, the Latvian Chamber of Commerce and Industry (LCCI) and the Ministry of Economics, however, there is no support from the Ministry of Foreign Affairs of the Republic of Latvia for the development of common strategies.¹³

From the government's perspective, cooperation with the EU southern neighbours and the Middle East countries is being developed primarily through strengthening relations with the Eastern Partnership countries, including both economic and security cooperation. The progress made in the context of the Eastern Partnership and Central Asia – Asia direction could serve as a good precondition for building relations with the countries of the Union for Mediterranean, the Gulf region and the wider Middle East region, says Vice-Chair of the Saeima Foreign Affairs Committee Rihards Kols.

It is clear that Latvia as an EU Member State should be guided in its bilateral relations by the context of its common EU values, but the overwhelming problem is

the passiveness of the Foreign Ministry in terms of strengthening bilateral relations, to set priorities outside the mechanisms of the EU, as Kols points out. The Foreign Ministry's action plan is the annual report by the Minister of Foreign Affairs on the accomplishments and intended activities in the foreign policy of the country and on issues of the European Union. Currently, there is no results-based foreign policy in Latvia with a control mechanism or activity reference point. The action plan for relations with the Middle East does not mark the goals and tasks of the forthcoming year's work, so there is no control of the intended activities, or time limits for carrying out tasks or common reporting systems. Latvia's foreign policy exists *de iure*, but *de facto* it is just a replication of EU activities, says Kols.¹⁴

A lack of actual activity is also observed through imitation of activities in specific cases. On May 15th, 2012, the Cabinet of Ministers approved the establishment of the Council for the Coordination of Foreign Economic Policy. The main objective of this council is to ensure coordination of cooperation between state administrations and business organisations in the formation and implementation of a successful foreign economic policy, to increase the competitiveness of Latvia's economy and enhance its export capacity. The establishment of the Council is based on the Government's action plan to exclude fragmentation in external economic policy support measures in the process of information exchange, decision-making and implementation.

The last Council meetings were held in March and June 2016; at a meeting of one and a half hours in March it was decided:

- To take note of the reports of the Deputy Prime Minister, Minister of Economics and the Ministry of Transport on priorities for the promotion of foreign economic relations in 2016;
- To take note of Minister Rinkēvičs' report on cooperation in the framework of the countries of Central and Eastern Europe and China cooperation platform (16 + 1);
- To take note of the report of the Latvian Chamber of Commerce and Industry on the preparation for the participation in the exhibition EXPO 2017.

In June 2016, the Council (in less than one and a half hours) decided:

- To take note of the report of the Minister of Foreign Affairs on the process of Latvia's accession to the OECD and further steps;
- To develop the priority activities of Latvia in the OECD, involving sectoral ministries and organisations representing business interests;
- To take note of the information on Latvia's economic cooperation target countries in 2016–2017.

Until November 2017, there is no information on the meetings held during the year, the assessment of the fulfilment of the decisions taken or the planning of new activities.

Over a two-year period, the Council for External Economic Policy Coordination has not considered it necessary to develop coordinated strategies for strengthening economic ties with the Middle East. The Saeima Cooperation Group with the Parliament of Iran established in 2015 and the Iran-Baltic Association founded in 2017 leave a similar impression. Most importantly, there is no clarity about objectives, strategies, cooperation of these groups or associations; information on their priority sectors, values and their message are also lacking

CONCLUSIONS AND RECOMMENDATIONS FOR 2018

The Gulf States and, above all, the UAE are powerful connection channels with the Middle East – the region is important for the development of business. The development of bilateral cooperation between Latvia and the UAE is now supported by the Embassy of the Republic of Latvia in the UAE, as well as the Latvian Foreign Economic Representation in Dubai and, of course, the United Arab Emirates Embassy in Latvia. Also, high-level visits by politicians serve as a signal for furthering economic cooperation in the business environment of both countries. However, there are clearly distinct national approaches to building relations with the Middle East. Namely, the faithful following of the EU strategies for the Union for the Mediterranean and the countries of North Africa until the establishment of bilateral relations with the wider Gulf region through development of relations with the UAE in particular, seems to be a comparatively inconsistent and short-term strategy. This contributes to a situation where the business sector is moving much faster than the state, as business opportunities are sought in a number of different countries throughout the Middle East region. However, the Foreign Ministry is building dialogue in regions where it feels comfortable and, in the context of bilateral relations, largely ignores those countries, where the potential difficulties in shaping dialogue would be routine.

The Middle East maintains sufficient potential for the establishment of a business dialogue and involvement of the Ministry of Foreign Affairs of Latvia. Firstly, *the red zone*, or the so-called war zones in the region. These countries provide comparatively large potential for Latvian entrepreneurs: in one to three years' time, these countries will need almost everything starting from construction company services, engineering and infrastructure development, etc. Secondly, *the orange zone*, semi-fragile regions, the territories torn by internal conflicts, including Egypt and Sudan, are an area for export of public diplomacy, education, transit and technology. Thirdly, *the green zone* contains stable kingdoms where demand for high-quality goods and services, for ecological products and services is constantly increasing.

These countries have an increasing interest in niche product support in strategically advantageous countries like Latvia.

It would be important to establish a dialogue between the institutions representing businesses and the Ministry of Foreign Affairs on strategies for acquiring networks in the red and orange zones. Creating intergovernmental dialogue with these regions would have a significant impact on business opportunities for them. Political dialogue undoubtedly develops the potential of economic relations, but, as Rihards Kols points out, the Ministry of Foreign Affairs does not have the courage to try and build relations with the countries of the Middle East region's red and orange zones.

Although there is a clear government approach to the implementation of the European Neighbourhood Policy: in the Eastern Partnership – cooperation; in the Union for the Mediterranean – providing for peace, but the imitation of cooperation observed in some cases remains unclear. Most of a number of cooperation groups established in the recent past, have been set up without clear tasks and work plans, including the Iran-Baltic Association, the Saeima cooperation group with the Iranian Parliament, and the Foreign Economic Policy Coordination Council, where there are virtually no working strategies from the government, no transparent agenda, no available partners, nor clearly defined values represented or strategies being directed – there is no single message representing the common interests of the state. With Latvia's commitment to support the adoption of the new Action Plan for the Union for the Mediterranean in 2017, the last meetings at the highest level were held in Lisbon, May 2015 and in Tangier, May 2016.¹⁵

The foreign policy of 2017 was formed within a single political party, so the question about the gaps between political groups, government and businessmen is a question of the ability of the internally unstable Unity Party to push forward a uniform economic dialogue with the wider Middle East region, and this still remains open. At the moment, it would be vital to partially abandon the principle of the Ministry of Foreign Affairs of the Republic of Latvia not to develop a separate strategy for a particular region. Along with the work of the UAE's Embassy in Latvia, the government and the responsible ministries should get acquainted with the long-term strategies and priorities of the UAE in the region, and then produce an elaborated cooperation proposal. The government's decision to participate in the Dubai EXPO 2020, which will give Latvian entrepreneurs unprecedented opportunities, is very significant.

At the same time, following the long-term national strategies, it is necessary to continue active negotiations with the Islamic Republic of Iran, with the involvement of VAS Latvijas Dzelzceļš, in order to strengthen Latvia's position in the transport and logistics sectors; in addition, the dialogue on cooperation in the forestry sector should develop. The work with Kuwait and other Gulf States should be intensively

pursued. More attention needs to be paid to building interest in the North African region. The ongoing talks on the conclusion of an Economic Cooperation Agreement with Algeria should be continued and deeper government engagement opportunities should be sought, based on the long-term plans of Algeria. More targeted efforts should be made to strengthen relations with Egypt as well, through the strengthening of economic, infrastructure and transit links. Only by building relationships through long-term strategy harmonisation will successful long-term cooperation with most partners in the Middle East region be possible.

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EXTERNAL VECTORS OF THE LATVIAN TRANSPORT SECTOR

Māris Andžāns, Researcher at the Latvian Institute of International Affairs; Assistant Professor at Rīga Stradiņš University

Kristiāns Andžāns, Associated Researcher at the Latvian Institute of International Affairs; PhD. student at Rīga Stradiņš University

Transport is one of the most important sectors of the Latvian economy. Together with the storage sector, it accounts for around one-tenth of the national economy by value added, and ensures approximately the same share of all jobs.¹ An integral part of the transport sector is its external or international vectors, in particular, cargo and passenger transport.

2017 has been rich in events for the transport sector. During the first three quarters, a slight decrease in rail transit cargo volumes continued, and concerns about a further decrease in the volume of Russian cargo were raised (though these did not turn out to be founded). The anxiety about the future of the East–West Corridor has been accompanied by active attempts to develop new cargo corridors crossing Latvia. At the same time, the Rail Baltica project, or the return of the Baltic States to Europe by railway, moved forward. The aviation industry developed with the upward curve, marked not only by the renewal of domestic flights to Liepāja (it has a reasonable international potential as well) but also by the expansion of the network of the direct destinations from the Rīga airport and its stable leading position in the Baltics.

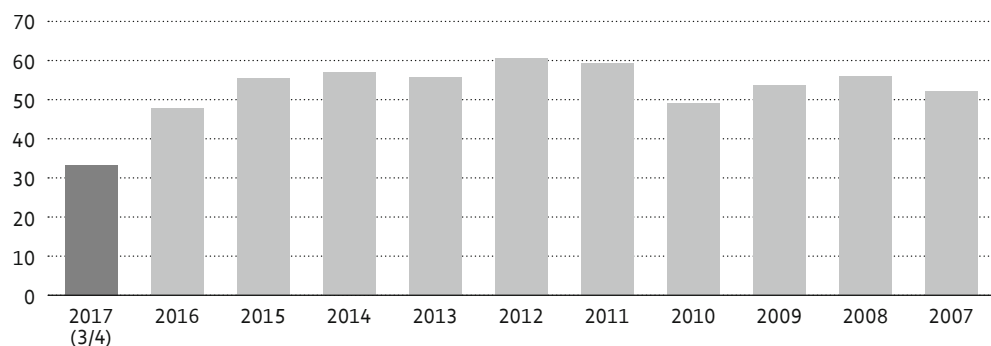
The authors of this chapter examine the most important external vectors of the transport sector and the internal and external factors that influenced them in 2017.² They also outline the potential developments in 2018.

CARGO TRANSIT THROUGH LATVIA³

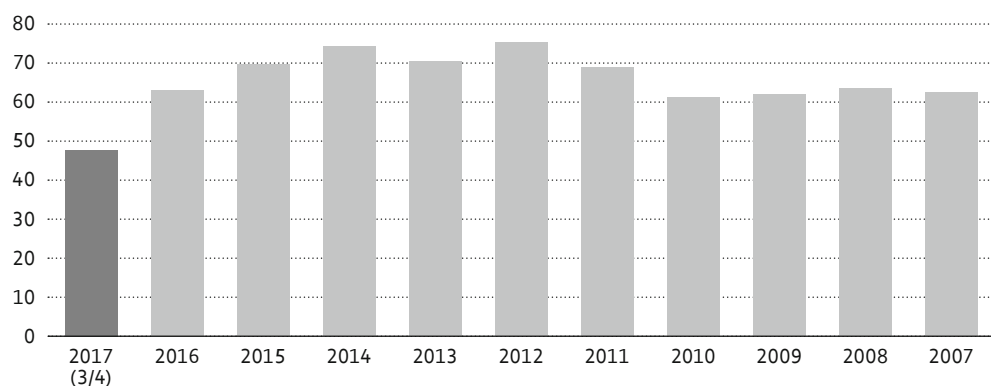
2017 was a complicated year in the cargo transit subsector, where the dominant cargo flow continued to be in the East-West direction, in other words, Latvian

railways and major ports continued to operate as Russian cargo export gateways. For example, the port of Rīga, the largest in Latvia, notes that up to 80 per cent of its cargo comes from the Commonwealth of Independent States' (CIS) countries,⁴ while 79.2 per cent of the volume of "import" and land transit⁵ cargo of the largest Latvian rail carrier LDz Cargo⁶ in 2016 came from Russia, followed by Belarus with only 15.3 per cent – well ahead of other countries' cargo volumes.⁷

The total volume of cargo in recent years, including 2017, continued to decrease on Latvian railways. During the first three quarters of 2017, the volume of cargo carried by rail was the lowest of the previous decade, which is 2.8 per cent less than during the corresponding period of 2016 (Graph 1). At the same time, cargo turnover in Latvian ports during the first three quarters increased slightly (3.9 per cent) compared to the previous year. The volume of cargo in Latvia's largest port in Rīga decreased by 5.1 per cent, while it grew by 15.5 per cent at Ventspils port and by 22.8 per cent in Liepāja (Graph 2).⁸

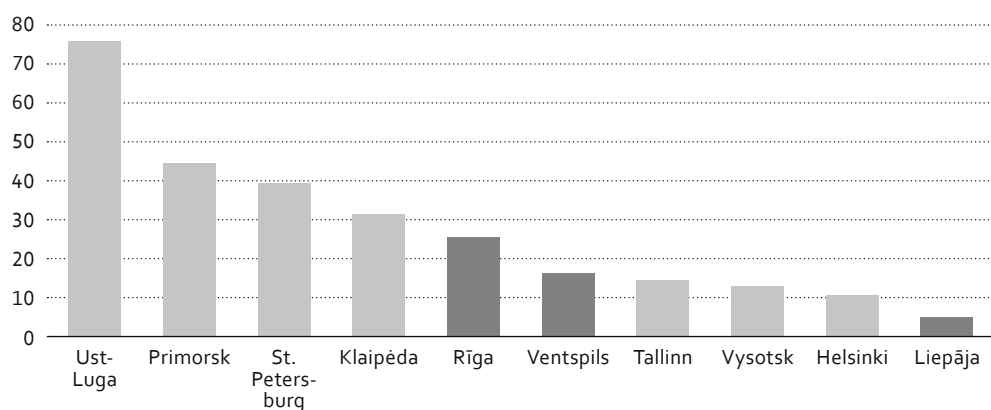


Graph 1. Cargo turnover in the Latvian railways from 2007 to the first three quarters of 2017 (million tons / year).⁹



Graph 2. Cargo turnover in the Latvian ports from 2007 to the first three quarters of 2017 (million tons / year).¹⁰

2017 was also marked with rumours about a possible sudden decline in Russian cargo volumes. In May, it was alleged that there could be a significant reduction in the volume of Russian transit cargo; that allegedly would be Russia's response to the decision of the Latvian government to prohibit Ventspils Freeport Authority from engaging in support of the Nord Stream 2 construction.¹¹ These rumours did not turn out to be founded, however, one should take into account that such rumours are likely to reoccur, and in the future Latvia should anticipate a further reduction in cargo volume from Russia. What is difficult to predict currently is when, and at what speed, these cargoes will diminish. History shows that political strategic and tactical decisions in Russia can have a significantly greater impact on the vectors of economic activity than they would normally have in western countries. In this respect, it is worth remembering that Russia's Sea Port Infrastructure Development Strategy until 2030 stipulates that "[t]he main challenges for the [Russian] Baltic Sea ports will be the reorientation of cargo from the Baltic States and Scandinavia to the ports of Russia."¹² Russia has been actively developing its new port in the Gulf of Finland – Ust-Luga, in addition to the ports of St. Petersburg and Primorsk, in order to ensure the reorientation of cargo to its ports. Facilities at Ust-Luga started operating at the beginning of the previous decade, however, it was already processing 93.4 million tons of cargo in 2016¹³ and its capacity is planned to increase to 191 million tons in 2025¹⁴ (Rīga and Ventspils ports processed 37.1 and 18.8 million tons respectively in 2016¹⁵). The statistics of the east coast ports of the Baltic Sea (connections with 1520 mm railways) in the first three quarters of 2017 confirms this trend. Data shows that the ports of Rīga and Ventspils individually handled more cargo than the port of Tallinn, but less than Ust-Luga, Primorsk and St. Petersburg, as well as the port of Klaipėda (Graph 3).



Graph 3. Cargo turnover in the eastern coast ports of the Baltic Sea (connections with 1520 mm railways) in the first three quarters of 2017 (million tonnes in the corresponding year).¹⁶

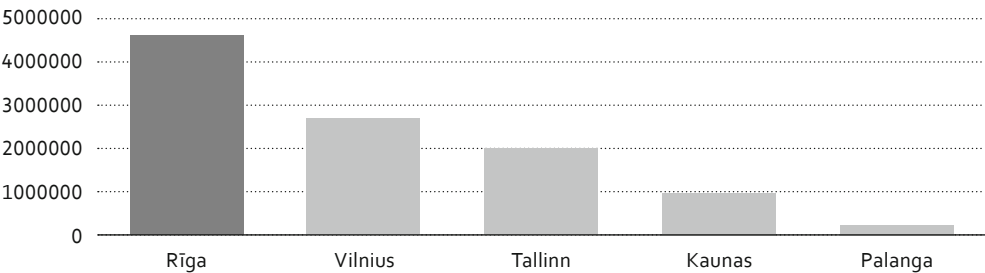
One cannot but mention the “agreement on ensuring continuity of cargo transport” between the two countries reached between during the meeting of the Latvia-Russia Intergovernmental Commission in August 2017.¹⁷ However, it would be naive to believe that such an agreement could change Russia’s strategic political and economic priorities. Perhaps this was only coincidence, but exactly on the same day that the agreement on “the continuity of cargo transport” was announced in Riga, Vladimir Putin, President of the Russian Federation, while in Kaliningrad, called for the cargo shipments to be directed via ports of Russia, not through other countries: “We have to support jobs in Russia, but not elsewhere,” he said.¹⁸ Putin also called on Belarus to use the Russian ports instead of the Baltic States’ ports: “Belarussian NPZ [oil refineries] are processing our oil (...), so it is necessary to offer it as a package – our oil along with the use of our infrastructure.”¹⁹

At the same time, in 2017, Latvian state institutions and transport companies continued to actively develop new transport corridors. In 2017, much attention was paid to the development of cargo traffic with the People’s Republic of China, which already is well connected by container trains to Western, Central and Southern Europe through Latvia’s neighbouring country Belarus. Two ‘Chinese trains’ are worth noting in 2017: the third ‘test train’ from China reached Latvia in October (the first was in 2008 and the second in 2016), but in May the first train was sent in the opposite direction to Kashgar in the western part of China. Although potential cargoes with this or any other country would not be able to substitute the volumes of Russian cargo currently shipped, the development in the direction of China and elsewhere, as well as higher value-added cargo could reduce the expected impact of diminishing cargoes in the Latvian transit corridor.

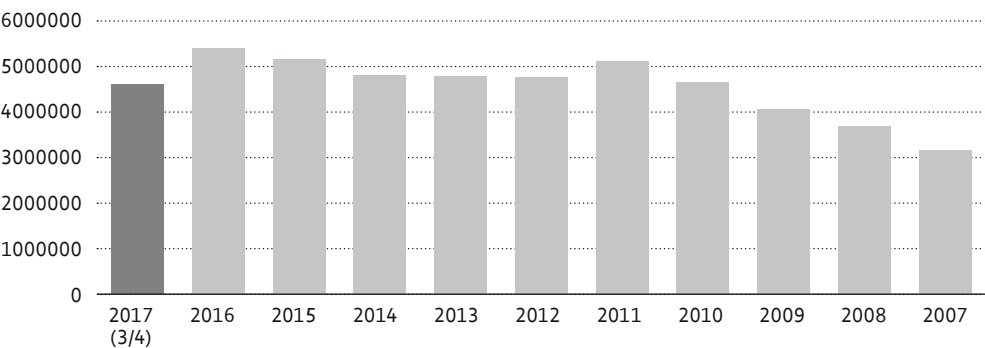
Also important to mention is the penalty of 27.87 million euros imposed by the European Commission in October 2017, on the Lithuanian railway company Lietuvos geležinkeliai, for unjustified dismantling of the Mažeikiai-Renģe railway²⁰ (this route was closed in 2008, and later the Lithuanian side even removed the tracks). News of the decision by Lithuania to restore this railway line, while appealing against the amount of the fine imposed, appeared in December this year. Once the dismantled track is restored, Latvian ports and railway companies will once again be able to compete with Klaipėda port in shipping oil products from Mažeikiai refinery.

INTERNATIONAL AIR TRANSPORTATION

In 2017, Rīga International Airport maintained a solid lead position in the Baltic States in terms of the number of passengers carried, ahead of Vilnius and Tallinn, Kaunas and Palanga airports (Graph 4). During this period, more than 4.6 million passengers used the Rīga airport, compared to about 4.1 million last year. Consequently, it is likely that the final figures of passengers carried in 2017 will beat the current record of 2016. It is worth noting that the share of transit passengers of Rīga airport was still growing, accounting in the first three quarters of the year for about 1.3 million or 29.5 per cent of the total.²¹



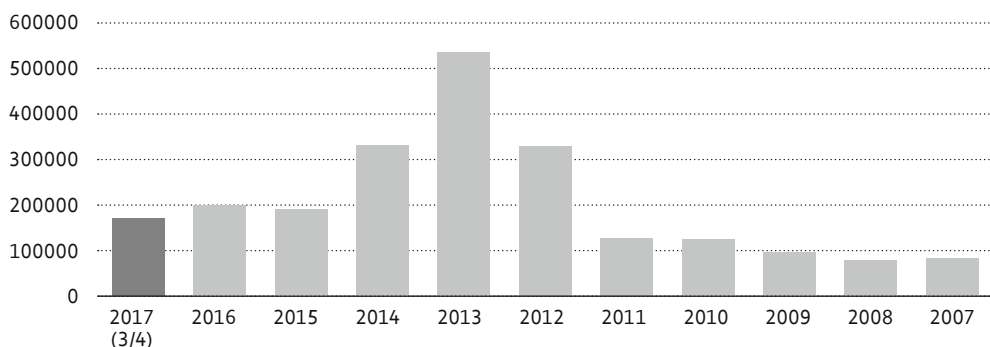
Graph 4. Number of passengers carried at the major airports in the Baltic States in the first three quarters of 2017.²²



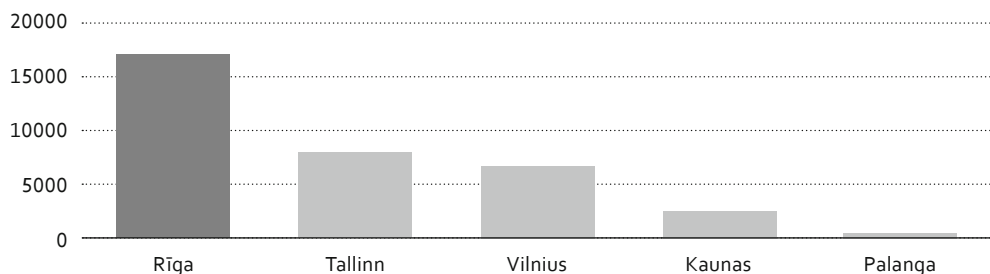
Graph 5. Number of passengers at Rīga airport from 2007 to the first three quarters of 2017 (passengers / year).²³

In April 2017, Rīga airport welcomed its sixty millionth passenger since the restoration of Latvia’s independence.²⁴ The airport also became one of the five fastest growing European airports in the category with a passenger range of five to ten million a year.²⁵ The modernisation of Rīga airport and the extension of the route network continued. Most of the new destinations were opened for the summer season, when it was possible to fly to 89 direct destinations with 17 airlines.²⁶

Rīga airport also serves as a cargo handling centre, which complements the ports, roads, railways and oil products' pipeline forming the Latvian transport corridors. In this respect, the first three quarters of 2017 saw an increase in cargo volumes compared to the same three quarters of the previous two years.²⁷ However, this is considerably lower than the cargo volumes of 2012 until 2014 when a significant increase in volume was provided by the Northern Distribution Network or the NDN cargo route to and from Afghanistan. At the same time, Rīga airport in 2017 retains a solid leading position in the Baltic States in terms of the volume of transported cargo. Currently, China is one of the main targets for attracting more aviation cargo; a small, but regular cargo service with China has begun in 2017.



Graph 6. Cargo turnover at Rīga airport from 2007 to the first three quarters of 2017 (tons / year).²⁸



Graph 7. Cargo turnover at major airports in the Baltic States in the first three quarters of 2017.²⁹

Re-opening of the domestic flights from Rīga airport to the renovated Liepāja airport in May 2017 cannot be considered only as an internal vector of the transport sector. From 2007 to 2008 Liepāja airport provided air traffic to Copenhagen and Hamburg, and from 2008 to 2009 also flights to Moscow.³⁰ 59 flights were made in each direction in the first three quarters of 2017 (2004 arriving and 2107 departing passengers) between Rīga and Liepāja; 54.76 per cent of passengers used it for transit

flights,³¹ which also marks the role of Liepāja airport in international passenger transportation. In the future, Liepāja airport has the potential to compete with Palanga airport in Lithuania, located about 65 km to the south. International flights are operated from Palanga airport to ten foreign airports by nine airlines (including seasonal flights).³²

It is also worth mentioning the potential of Jūrmala airport (more commonly known as Tukums aerodrome). It was reported in 2017 that, because of changes in ownership of the airport, its certification process could be resumed, in other words, it could regularly service passenger aircraft. Currently, its vision of development is to be a reserve airfield for Rīga airport, an Air Baltic aircraft maintenance and refuelling airfield, and an airport for the low-cost airlines.³³

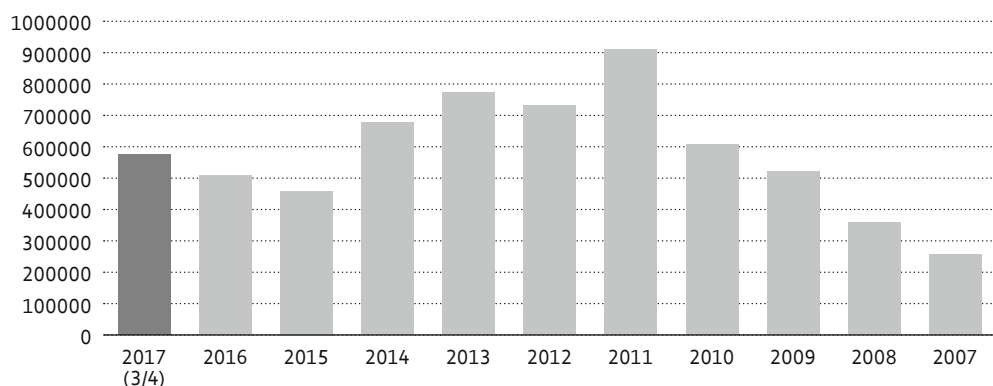
The aviation sector still has considerable potential for development and growth. New destinations from Rīga airport are likely to be opened in 2018 (it is equally possible that a small part of the existing routes could be closed if they are not profitable). In the next few years, it is planned to connect the airport with the new Rail Baltica railway line. In 2018, significant progress is expected in the process leading to the construction of an airport train station. The new railway connection is expected to give impetus to attract new passengers from Lithuania and Estonia (for example, it would be possible to arrive in Rīga airport from Pärnu in Estonia and Panevėžys in Lithuania in just under one-and-a-half and one hour respectively³⁴).

INTERNATIONAL PASSENGER TRANSPORTATION BY SEA

In 2017, the largest number of passengers was transported from Latvia by Tallink on the route between Rīga and Stockholm by passenger ferries. More than 576 000 passengers were transported in the first nine months of 2017, which is more than in the entire years 2015 and 2016 (Graph 8). The company's ferries also provided transportation of cars and lorries.

In addition to regular ferry traffic with Stockholm, cruise ships have often docked in the port of Rīga in recent years. According to the schedule of cruise ships in Rīga port, from the beginning of January 2017 until mid-October, 87 cruise ships planned to enter the port; among them also Costa Pacifica with capacity of almost 3,800 passengers.³⁶

It is necessary to note the passenger transportation besides the port of Rīga, which is provided from the ports of Liepāja and Ventspils. However, the ships used on these routes are primarily intended for shipment of goods, therefore passenger



Graph 8. Number of passengers carried between Rīga and Stockholm from 2007 to the first three quarters of 2017.³⁵

transportation is secondary. Regular ferry traffic is provided from the port of Liepāja to Travemünde in Germany (operator Stena Line), while Ventspils port provides ferry connections to Nynäshamn in Sweden (operator Stena Line).

INTERNATIONAL LAND TRANSPORTATION OF PASSENGERS

Due to an unsuitable railway infrastructure to western and central Europe these countries can only be reached by land using public bus transportation services (except for the possibility of transferring several times and travelling for a significantly longer period than when using bus services). For the time being, only destinations within the territory of the former USSR – Moscow, St. Petersburg, as well as Minsk (the first two are serviced by a Latvian, but the latter by a Belarussian company) – are accessible by direct train traffic from Latvia. There is also a symbolic railway connection with Valga, the border town of Latvia and Estonia, though, one has to transfer to Estonian trains to be able to further go to Tartu or other cities in the country. In June 2017, information emerged that the Lithuanian railway company Lietuvos geležinkeliai could start passenger transport to Daugavpils.³⁷ However, this connection might be more of a symbolic nature, as it would only require about 15 kilometres to extend the existing route between Vilnius and Turmantas in Lithuania.

It is unlikely that significant developments in the field of international passenger land transportation will occur in 2018 apart from the development of Rail Baltica project (further discussed in the next section). It is expected that Rail Baltica

will have a fundamental impact both on international cargo and passenger transportation – it is likely that with implementation of this project the bus services will continue to western and central Europe, however, it will not be able to provide the same speed and comfort as high-speed train traffic (the prices of Rail Baltica tickets are likely to be higher through and therefore bus traffic in the low-cost segment will probably continue).

RAIL BALTICA AS THE RETURN OF THE BALTICS TO EUROPE BY RAIL³⁸

In 2017, activities continued to pave the road for the construction of the European Standard or 1435 millimetres wide Rail Baltica railway line connecting the Baltic States and Poland. The new railway line will significantly change the vectors of Latvia's international passenger transport. By reducing the travelling time by half between the metropolitan areas of the Baltic States, societies of the Baltic countries will be brought closer to each other, as well as to the rest of Europe.

The most significant development at the political level in 2017 was the conclusion of an intergovernmental agreement on the Rail Baltica among the Baltic prime ministers. Its ratification process in all three parliaments ended in October. The intergovernmental agreement clearly and unambiguously confirmed the willingness and readiness of the three countries to implement the Rail Baltica project. The agreement stipulates different issues – both definitions of terms and a schedule for the construction of new infrastructure, infrastructure maintenance issues and responsibilities of the parties involved.³⁹

The updating of the socio-economic indicators of Rail Baltica or the cost-benefit analysis project, was also an important development in 2017. A comprehensive analysis was first carried out in 2011, when Rail Baltica's second feasibility study was published. The now updated assessment shows that the total cost of the new railway project will be around 5.8 billion euros, of which EU co-financing could reach up to 4.6 billion euros.⁴⁰ It is estimated that Rail Baltica will positively affect the three Baltic countries: the multiplying effect of the gross domestic product is expected to be worth 2 billion euros, whereas the socio-economic benefits – 16.2 billion euros. It was also forecasted that it would result in 13 000 new or retained jobs in the construction industry (during the construction phase) and 24 000 jobs in the directly and indirectly linked sectors.⁴¹ Thus, the latest assessment provides further evidence that the new railway line will be essential for the economy and society of Latvia and the other two Baltic States. In addition, during the past year, an

increasing number of practical measures have been taken in Latvia to prepare for the construction process of Rail Baltica. The identification of cultural-historical values in the territory of Latvia was commenced. The draft reconstruction project for Riga Central Railway Station was determined. The first round of the procurement competition for the construction of the station's transport hub was launched. Also, the first-round competition for the selection of candidates for the construction projects of the Riga airport's railway station and its related infrastructure was completed.

In parallel with the progress achieved, also dissent about the project remained. For example, an association called for a change in the location of the railway line in the Salacgrīva district, although the first level court rejected the claim. Similarly, several non-governmental organisations in the Baltic States began collecting signatures for a petition for the suspension of the construction of Rail Baltica, or the non-signing of the abovementioned intergovernmental agreement. However, this petition has not received much response (only 815 signatures have been collected), or influenced decision making.⁴²

The process of completing Rail Baltica project is already considered to be virtually irreversible. However, there is still a substantial amount of work ahead to ensure the attraction of the necessary funding for the construction process, as well as the design, construction of the railway infrastructure. The key task for 2018, together with the preparations for the attraction of finances, is the adoption of a decision on how the new infrastructure will be managed – whether one company in each of the countries crossed by the new railway line will be responsible for this, or if the entire Rail Baltica infrastructure will be managed by one single company.

EXTERNAL VECTORS OF THE TRANSPORT SECTOR IN 2018

In 2018, the transport sector is expected to face both significant challenges and opportunities. The least positive news can be expected in the transit sub-sector, which at the same time can be considered the least predictable. It is unlikely that a significant increase in cargo will occur. On the contrary, most likely, Latvia will need to take into account the gradual decline in cargo volumes, which could be further aggravated by Russia's political decisions at any time. It would be naive to assume that such decisions of Russia could be reversed without giving in return principally unacceptable things such as greater influence in the economic and political processes in Latvia. Therefore, Latvian institutions and companies should continue to work on attracting new cargo, preferably with higher added value, to strive to restore the cargo flow through the

Mažeikiai–Rēnģe railway line as soon as possible, and work to further improve the efficiency of the entire sector. At the same time, it is increasingly necessary to realise that the cargo turnover achieved in recent years is unlikely to be reached ever again and that the transit sub-sector is facing significant alterations.

If there are no major new developments expected in international passenger maritime and land transport in 2018, then the most promising area of development in the transformation of land transport corridors is the construction of the new railway line Rail Baltica, which will better connect not just Latvia and the other Baltic States over the next decade, but also bring them closer to the rest of Europe. The new railway line could serve as an important ‘game changer’ not only in passenger traffic (also strengthening the role of Rīga airport in the region), but in cargo transport too. Although various important decisions have so far been taken and the creation of the new railway line has become almost irreversible, there are still various challenges to be faced. The experience of Latvia so far shows that where there are significant funds, there are plenty of those interested in them (let us recall the unsuccessful procurements of new passenger trains). Latvia’s decision makers and implementers should be better aware of the high economic, political and social value of this project and should aim at its faster and more complete implementation.

Looking at the transport sector as a whole, it is worth noting that, on the one hand, it is largely subject to the principles and pressures of the business environment, in particular in the field of cargo transport. On the other hand, the transport sector is essential not only to the functioning of the economy of the country and its companies, but also to the functioning of society as a whole. The external vectors of the transport sector are indicative of the country’s foreign policy orientation and they also limit foreign policy choices. Therefore, the Latvian authorities should more clearly define westernisation of the external orientation of the transport sector, as the related short-term challenges should pay back at least in non-material terms in the long run.

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THE REGIONAL AND GLOBAL CHARACTER OF ENERGY SECURITY

Reinis Āboltiņš, Lattelecom Energy Market Expert;
Associated Researcher at the Latvian Institute
of International Affairs

The year 2017 is characterised by the presence of several important energy security features. The opening of the gas market, discussions about the future support for energy production and the creation of an active energy consumer have been high on the agenda of the industry, as well as that of the general public. The ways in which the various aspects have appeared on these agendas have been different, but the effect is similar. If the opening of the gas market was motivated by the need to fulfil the European Union's energy regulations, then the realisation that the sectoral policy could have been more qualitative entered the agenda through increased attention and interest of experts, politicians and the wider public – something that previously rarely came to mind in daily life. The positive aspect of this is that sometimes even a chaotic exchange of views draws much needed attention to a sector that has been ignored for quite some time.

THE EVENTS OF 2017 AND FORECASTS FOR 2018

2017 in Latvia saw at least three significant events in the energy field. Firstly, on April 3rd, amendments to the Energy Law came into force, which lawfully opened the gas market in Latvia and terminated the monopoly of the Joint Stock Company AS Latvijas Gāze. This event has also had a wider impact on the development of a joint regional Baltic gas market. Secondly, a broad resonance was triggered by discussions about the electricity production support system, highlighting the need for electricity consumers to be better informed about the formation of electricity

prices and the possibilities of influencing their energy costs through their actions. The debate clearly highlighted the importance of decision-making based on systemic analysis and the lack of such an approach in energy policy planning in Latvia. Thirdly, following global trends, for the first time since January 2015 a new, dynamic player – telecommunications company Lattelecom, previously with no links to the energy sector, entered the electricity market, creating real competition in Latvenergo's home market and emphasising the importance of active consumer participation.

The trends of 2017 will continue in 2018. In the field of external energy relations, Latvia will be involved in the development of the Baltic regional gas market. Due to the size of the small domestic energy market, Latvia should assess its energy independence in the wider context of resources, technology and the legal framework available for the sector in the countries of the Baltic Sea Region. Cross-border infrastructure development plans create obligations that will have to be fulfilled to connect the third interconnection between Latvian and Estonian electricity transmission systems within a few years, which will improve the security of Latvia's energy supply. It is never too early for timely policy analysis and the subsequent preparation of energy sector policy proposals, as the energy industry requires timely decision-making and consistent implementation of decisions. Finally, communication with energy consumers focused on market opportunities, which also has huge potential for improved energy end-use efficiency, is the right direction of numerous actors in the energy system, and worth investing resources and efforts in today. There is no doubt that in 2018, energy marketers will continue to focus more and more on the creation of a new generation of consumers-producers – motivating the wise use of energy technologies and energy.

These measures have something in common – they all are directly related to energy security. Regional cooperation for the development of energy infrastructure of common interest, carefully considered and evidence-based decision-making and strategic foresight policies, and responsible, interested and engaged energy consumers – all of these elements constitute an integral part of energy security and each of them has a role to play.

TEN YEARS TO ACCEPT THE NOTION AS SELF-EVIDENT

Is ten years a long time? For the state and the public, it seems too long. Ten years in the energy sector is not a long period, however knowing how much time is required for generating solutions, for coordination and adoption of decisions, for preparation

and implementation of projects. National security is unthinkable without energy security. If the state is not independent in terms of energy, it is not independent in other ways either. Dependence on external energy and supplies of energy resources increases risks and threats in the event of conflicts, and makes the country dependent on the preferences and readiness of other countries to use energy as a policy instrument.

The concept of energy security has gone a long way in becoming one of the most important combinations of words used in modern international politics on a regular basis, even on a daily basis. It seems unimaginable that this concept was almost unknown in Latvia a decade ago. There was even less clarity about how exactly to measure energy security, which indicators should be used, what factors should be considered to quantify this concept or convert it into one or more figures, which could be calculated to estimate whether energy security was low, medium, or high.

Is ten years a long or a short time for the concept to enter into daily life? In 2017, roughly ten years have elapsed since the representatives of various target groups in Latvia began to learn the concept of energy security. The international environment, too, gave reason to familiarise oneself with this concept: the energy consumption of the European Union was increasing, while one of its largest energy suppliers, the Russian Federation, actively nationalised the largest energy company in the country, Yukos, allowing the EU cooperation partners to cautiously realise that state control over the extraction of resources and their flow can affect interstate relations and energy can be used as a foreign policy instrument.

An understanding that energy security is one of the most important pillars of national security was slowly emerging in Latvia's politics ten years ago, mainly due to the efforts of researchers and experts to focus the attention of a wider range of policy makers and decision makers onto it. It is safe to say about these target groups in 2017 that the concept of energy security has become firmly established in the minds of policy makers, decision makers, civil servants and specialists at all levels responsible for the sector. The public understanding of what exactly energy security means has evolved very slowly over a decade, and it can be said that for the general public this concept is still, if not unfamiliar, then only remotely understandable and the focus for them is the cost of the energy consumed daily. From an average consumer's point of view, energy security implies the ability to receive electricity in all weather conditions at the lowest possible price.

SYSTEMATIC ANALYSIS AND INDICATORS

The concept is simplified in public communications, making it easier to grasp. Therefore, one usually talks about energy security as a state's ability to provide a physical flow of energy with a view to delivering energy to consumers to the extent required, when and where necessary. The level of security in this case is determined by measuring the risk to the ability to deliver energy to consumers. Calculation of the energy security level is based on estimates of energy supply and the impact of increased energy costs on the consumer.

Experts and researchers are more scrupulous about energy security, wrapping it into many calculations: one of the main objectives of this approach is to create an energy security assessment method that would consider a wide range of factors and indicators and enable the determination and comparison of the level of energy security in different times and in different countries.

A more complex model of energy security should take into account physical, financial, domestic and foreign policy factors. These factors should be assessed from the point of view of the probability of a threat and the severity of the potential consequences of the threat. In the context of energy security, the 'security at all costs' approach is not acceptable. If a negative financial impact reaches a certain benchmark, then the threat of energy security becomes real as safety starts to cost too much. For example, Latvia, which normally imports about one-third of the electricity consumed per year, would theoretically be able to produce electricity independently, but then the price of electricity would be much higher.

It should also be taken into account that factors can be dynamic. In order to determine the impact of such factors on energy security, not only the direct effect of each individual factor, but also the interactions of several such factors must be taken into account. For example, even if Latvia is theoretically able to produce all electricity independently, it should be taken into account that about one-third of the electricity is produced by large electric power plants that use natural gas for energy production. There is a high degree of certainty that in a situation where Latvia has to independently generate all electricity, there would be a limited availability of gas. The model of developed energy security analysis should take into account the possibility of various scenarios, including those related to foreign policy developments. The modeling of energy security in Latvia must be seen in the interaction between the energy systems of the Baltic States and the Scandinavian countries, also considering the framework and context of economic and political cooperation.

DETERMINATION OF THE EUROPEAN UNION AND STRIVING TOWARDS THE GOAL

Energy security has a high priority at EU level. This approach is reflected in the prepared and approved policy documents and drafts. Interestingly, the factors that are directly related to the physical feasibility of supply, such as infrastructure, its workload, the need for a new infrastructure, are assessed in the first instance, but also considering the regulatory environment necessary for the functioning of the free energy market.

Since 2014, two important strategic documents have been prepared and approved at EU level, which directly refer to the energy security of the European Union. In 2014, the European Energy Security Strategy (EESS) was endorsed, which, for the first time, more clearly than ever signalled the linkage of the energy sector with security issues. The Energy Union Strategy (EUS) was officially presented under the Latvian EU Presidency at the beginning of 2015. The idea of an Energy Security Strategy (ESS) is built on the foundations of the EESS, but for the first time, arranges under a common denominator a wide range of topics that all have an impact on the energy security of the EU and its Member States.

The scope of the ESS shows that energy security concerns both infrastructure and regulation. Without infrastructure, physical production and supply of energy are not possible. On the other hand, the energy market will not operate without legally enforced competition principles and structure.

On November 30th, 2016, the European Commission presented a new package – Clean Energy for All Europeans. It explicitly highlights the basic principles for improving and maintaining energy security – energy efficiency, global leadership in the use of renewable energies and strengthening the role and possibilities of the energy consumers. 2017 has passed with the further implementation of this decision. The growing concept of ‘consumer-producer’ is gaining a stronger presence, prompting the consumer to think about the long-term trend of the energy industry: in the very near future, many relatively small consumers will influence the safety of the system, and will also actively participate in energy production thanks to the development of technologies and solutions.

Latvia is a part of the energy system and energy market of the Baltic States; therefore, it plays an important role in the functioning and development of the Baltic energy market. Already in 2016 decisions on infrastructure and market development were adopted at both the Baltic and Latvian national levels. These events and decisions have already had a far-reaching impact on the further integration of the Baltic States both into the Nordic-Baltic regional market and into the wider European Union internal energy market.

The NordBalt Electricity Interconnection, approved several years ago, began operating in February 2016. As previously predicted, it has balanced the market price of electricity in the Baltic Sea countries. One can even say that in the Baltic Sea countries, which are members of the Nordic-Baltic power exchange Nord Pool Spot, during the two years of interconnection, electricity prices have stabilised and experience only relatively small seasonal fluctuations.

Energy experts also discuss the role of the second potential electricity interconnector – NordBalt 2, which would connect Latvia with the central part of Sweden – in closer future cooperation between the Baltic States and Scandinavia, providing balancing and system frequency assurance functions. On the other hand, any serious investment in new interconnections or generation capacities raises fixed costs in the end-use cost of electricity.

Taking into account relations between EU Member States and energy suppliers, it should be noted that energy policy is an essential element of external relations. Russia is among the largest single natural gas supplier to the EU, however, 2016 became historical in world energy relations as the year that the United States started to export natural gas to other regions of the world, including the European Union. In summer 2016, Portugal became the first EU Member State to receive liquefied natural gas (LNG) from US exporters. In 2017, the supply of natural gas from the US to liquefied natural gas terminals in Europe continued: LNG tankers with valuable energy resources were shipped from the USA and unloaded at the Klaipėda LNG terminal. The fact that suppliers have an interest in sending a gas tanker to a remote region of the world illustrates the assertion that gas in the open market is like any (albeit strategically significant) commodity someone is willing to pay for and someone else is ready to deliver. Commercial rationale for deliveries is the best indicator of productive trade relations, which is little influenced by political factors.

INFLUENCE OF GLOBAL EVENTS

In the context of global developments, it should be noted that the United States has continued to support EU countries, encouraging the conclusion of deals for the supply of liquefied natural gas from producers in the United States. At the level of diplomatic relations, the USA has demonstrated that Latvia and the Baltic States as a whole are important strategic partners for the development of the regional natural gas market. Such cooperation should be considered as a strategy to mitigate the risks associated with the influence of one dominant supplier – the possible manipulation of supply volumes, delivery conditions or the pricing on natural gas.

Since the United States began particularly active recovery of shale gas in 2007, international LNG markets have been waiting for supplies from the US. The gas consumers in the EU Member States have also set expectations for a resurgence of the market when US exporters begin to deliver gas outside North America, including European countries. Traditionally, the consumers most willing to pay for LNG are in East Asian countries, but EU gas markets are also considered to be good and solvent for the seller.

Many US manufacturers have applied for licences to export liquefied natural gas. However, it should be taken into account that US exporters will sell LNG not only in Europe, but in different regions of the world. In the case of the optimistic scenario, destinations in the European Union could be reached by about one-third of the US's LNG exports. Gas tends to float to those markets where it costs more, and there are at least three large LNG consumption centres in the world – East Asia, Brazil and Europe, with Japan and India to be distinguished separately.

The global price rationale of LNG is the following: due to the warmer winters, consumption of gas is diminishing in the most solvent markets, so the LNG supplies to consumers in European countries are increasing. This scenario also means more competitive prices, including comparability with pipeline gas supply. In such situation, the argument that the pipeline gas is always cheaper than liquefied natural gas is no longer valid. The structure of the global gas market plays an important role here.

There is another detail relevant to the extraction and production of global energy resources: countries are increasingly focusing on sustainable development issues. The European Union has taken on the role of global leader in climate change mitigation measures by setting common goals for reducing emissions of greenhouse gases, renewable resources and energy efficiency in the EU Member States. Latvia's progress towards reaching the EU climate and energy targets for 2030 is gradual, and official policy is to achieve these goals in a way that is friendly for economic growth, without drastic breakthroughs that could harm the competitiveness of the key economic sectors.

However, it is important to consider global trends, allowing increasingly more space for innovation, optimal use of energy and technologies and solutions related to the integration of renewable energies into complex and smart energy systems. In 2018, Latvia should be able to prepare and strengthen a strategic vision and regulation for the use of renewable energy resources in energy production in the long-term, to locally create a stable and predictable investment environment, but in a global context, Latvia would be competitive as an expert on the use of renewable resources and renewable energy technologies.

REGIONAL COOPERATION FOR DEVELOPMENT OF A SINGLE ENERGY MARKET

Energy is an important economic sector in every country, but its role is even more significant in countries that do not have abundant energy resources and need to import them from producers in other countries. Asymmetric relations in the energy sector are related to the energy security risks arising from bilateral relations or geopolitical factors. Geopolitical factors have already had an impact on the flow of energy from suppliers to consumers: in the Russia-Ukraine conflict one of the significant indicators of growing tension has been the communication between Russia and Ukraine on the supply of natural gas.

The efficient functioning of the energy market, as foreseen by the EU Gas Directive,¹ can only take place if all countries in the energy market in the region provide third-party access to transmission and storage infrastructure without impeding physical gas flow between countries. The supply of natural gas to the Baltic States has long been on the agenda of the EU energy security policy. Building a free gas market and creating and securing alternative sources or routes of gas supply continue to impact EU-Russia relations. The amendments to the Gas Supply Security Regulation,² which entered into force in 2017, highlight and strengthen aspects of regional cooperation.

Until the gas market was opened in April 2017, natural gas for consumers in Latvia could only be supplied by AS Latvijas Gāze: there was no competition in the market, because, due to the restrictions arising from the 1997 privatisation agreement of AS Latvijas Gāze between the shareholders and the Latvian State, obstacles were put in the way of other potential suppliers in Latvia. With the opening of the Latvian gas market to competition in 2017, consultations of the Baltic States, Finland and the European Commission on the development and implementation of the regional Baltic and Finnish natural gas market model could continue more efficiently.

Latvia adopted amendments to the Energy Law at the beginning of 2016, opening the way to the liberalisation of the gas market one year later, in April 2017, taking the last formal step towards the full implementation of the requirements of the third EU energy package. Before the decision was adopted, the gas market legislation in Latvia raised concerns for neighbours in the region that had already liberalised their gas markets. This decision played a decisive role in the development of a unified Baltic gas market, and in 2017, market players and other stakeholders began to understand more fully the scope of the work to be done on the creation of a single market. Establishing a unified gas market in the Baltic States is essential for Klaipėda LNG terminal, which can be considered a *de facto* regional terminal, to be used to strengthen the energy security of the region in the most efficient way.

The fact that Lithuanian endeavours to cooperate with Latvia and Estonia in 2017, to achieve tangible European Commission support for the Klaipėda LNG terminal project, ended without a positive result should not be considered a foreign policy failure in the field of energy security cooperation between the Baltic States, as the parties concerned were aware of the risks as to why this particular initiative could fail. Overall, cooperation between the Baltic States in the energy sector can be judged as a pragmatically successful one: Latvia has finally opened its gas market and gas transmission system operators are working together to establish a unified and well-functioning Baltic gas market; the power system works well; electricity producers and transmission system operators have found the optimal mode of coordination in order to mitigate the potential negative effects of electricity shortages and technological constraints.

The cooperation between the Baltic States and Finland in providing the countries of the region with sufficient natural gas supplies and reserves is in direct agreement with the EU energy security policy and legal practice, creating such cooperation patterns between EU Member States that strengthen national energy security and cooperation. Such action is in line with the EU Energy Union and the fundamental principles of solidarity and cooperation between Member States in crisis situations.

Coordination of the operation of the regional electricity transmission systems has always been in place and its main goal continues to be to ensure uninterrupted supply of electricity to consumers. This was the objective for the cooperation of the electricity transmission system operators (TSOs) in the framework of the coordination of the Russian, Belarus and three Baltic States' transmission system operators (BRELL), the Baltic States' TSOs' Coordination Framework (BALTSO) and the ENTSO-E of the European Electricity Organisation. But there are still other details, lesser-known to the wider public that fill out and define the activities of the TSO daily.

The energy sector has historically experienced several stages in development. Initially, State-owned, vertically integrated monopolies dominated the energy sector, and the operating environment was highly regulated. The sector has evolved – separate business-oriented infrastructures and trading companies compete with each other for customers. There is still one natural monopoly: the transmission infrastructure is managed by one independent system operator, ensuring compliance with the so-called third-party access principle in equal competition between market participants for the transportation of electricity or natural gas.

The interconnection of the Baltic electricity transmission systems or operation with the EU transmission system would ensure the higher and constant quality of electricity. Similarly, the integration of electricity networks into the UCTE (since

2009 – ENTSO-E)³ system and the possibility of disconnecting from the BRELL system⁴ is directly linked to the reduction of the risk of electricity supply.

The integration of the Baltic energy systems with the wider European and Scandinavian energy system is a logical step towards the development of a unified regional energy market in the countries of the Baltic Sea Region. Infrastructure improvements have strengthened the energy supply of the Baltic States, and in particular of Lithuania and Latvia, and helped to develop market processes. NordBalt electricity interconnection between the southern part of Lithuania and southern Sweden, as previously forecast, has balanced the market prices of electricity in the Baltic Sea Region countries, lowering them in Lithuania and Latvia, and slightly increasing Nord Pool Electricity Exchange prices in the fourth price zone of Sweden (SE4). The LitPol interconnector between Lithuanian and Polish electricity transmission systems serves more as an opportunity to supply electricity than a factor affecting market developments.

In the context of international relations, Latvia's position on the Nord Stream 2 gas pipeline project remained unchanged in 2017, while continuing to state that this project does not comply with the principles of the EU Energy Union and could have a negative impact on the security of gas supply of several EU Member States. Although the Nord Stream 2 project does not directly affect the individual interests of Latvia, solidarity between the EU Member States on strategically important issues is at least desirable, if not obligatory.

PARTICIPATION OR CREATING RISKS FOR OURSELVES

Latvia as a single player does not have much influence – it has a small electricity and even smaller gas market, therefore cooperation with other countries of the region is more a necessity than a friendly gesture. Latvia's energy security should therefore be regarded in the context of regional cooperation and developments in the EU, and even globally. Latvia has to be part of the regional energy market and should strive to ensure that the market works best for the benefit of the consumer.

The electricity market will continue to evolve at regional level, with the tendency to increasingly integrate into the wider EU electricity market. The Nord Pool Nordic-Baltic Electricity Exchange is seen as a good example from an organisation and transparency perspective, and efforts are being made to implement the Nord Pool Stock Exchange model outside the Baltic Sea Region, by expanding the number of actors involved and developing a wider single EU-wide electricity exchange.

The gas market, coupled with the US's involvement in export activities, has become even more saturated and creates an increasing number of options for buyers in all major natural gas consumption regions, including the EU. Latvia as a wider EU market participant should support initiatives and projects that strengthen the principles of the Energy Union and reduce gas supply or price risks.

Energy security involves not only physical, but also economic, social and even political aspects of infrastructure. To be able to assess risks, threats and opportunities to prevent and mitigate risks as much as possible, analyses of energy security indicators and factors should become a regular task providing measurable and comparable information and guidance for action to all those involved – companies, public administrations, policy makers, decision makers, liaison organisations, consumers and others. Significant work on the analysis of information related to energy production, supply and adequacy is already being carried out by the electricity transmission system operator, which prepares regular reports for ENTSO-E about the PSO Development Plans.⁵

However, there is at least one immediate observation that highlights the factors associated with energy security: it is difficult for a country with a physically very small energy market to take care of energy security in an autonomous way; it requires regular and thorough analysis based on factors that affect energy security. Staying removed from regional and global developments increases security risks, while participation reduces them.

ENDNOTES

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THE ROLE OF DIASPORA IN THE FRAMEWORK OF LATVIAN FOREIGN AND SECURITY POLICY

Ilze Garoza, Researcher of the Latvian diaspora

Over the years, the concept of diaspora and the analysis of diaspora issues have become increasingly prominent in the studies of international relations, with the meaning of diaspora taken as “part of the nation that is scattered abroad from its native land, which is aware of its affiliation with the country of origin.”¹

Latvian policy makers and sociology scholars have focused on the diaspora issue more intensively in recent years, raising the issue of the role of the relatively large Latvian diaspora in the overall framework of the national development of Latvia. As argued in the Latvian Foreign and Security Policy Yearbook 2017, the Latvian diaspora is at the same time the object and the subject of Latvia’s foreign policy; on the one hand it is the target audience of the foreign policy of Latvia, on the other hand – the foreign policy agent and support mechanism for the implementation of Latvia’s foreign policy goals and priorities.² The aim of this article is to look at the role of the Latvian diaspora in the framework of Latvia’s foreign and security policy, paying attention to the main events of 2017 in relations between the Latvian state, the Latvian diaspora and its countries of origin in the world, as well as current tendencies in the development of the Latvian diaspora policy.

DIASPORA POLICY IN LATVIA

As explained on the website of the Ministry of Foreign Affairs of the Republic of Latvia, “in view of the great flow of emigration over the last 20 years, cooperation with the Latvian diaspora has become one of the most important activities of the Ministry of Foreign Affairs.”³ According to the assessment of Professor Mihails Hazans of the University of Latvia since 2000, around 260,000 Latvian residents

have left the country (and have not returned).⁴ Meanwhile, according to estimates by the Consular Department of the Ministry of Foreign Affairs, around 370,000 or 15 per cent of all Latvian nationals are living abroad.⁵

Although in recent years the flow of emigration from Latvia has decreased compared to the massive wave caused by the economic crisis in 2009 and 2010, experts point out that “the migration balance in Latvia has remained very negative, with the country losing more than 10,000 people every year as a result of migration.”⁶ At the same time, migration experts point to the high proportion of young and highly educated people among emigrating compatriots as a dangerous tendency for Latvia’s development. According to experts, “Latvia cannot afford not to implement a diaspora policy” against the background of “an ageing population, increasing demographic pressure, brain drain, a rising labour shortage and the lack of openness of society towards immigrants.”⁷

In order to provide Latvian citizens and persons of Latvian origin living abroad the opportunity to create, maintain and extend ties with Latvia, as well as to promote the preservation of the Latvian language, culture and affiliation to Latvia within the diaspora, to provide favourable conditions for cooperation and return to the country of origin, the institutions responsible for diaspora in cooperation with the social partners are developing and implementing a diaspora policy aimed at achieving these objectives⁸. Currently, the main document regulating diaspora policy is the “Guidelines for National Identity, Civic Society and Integration Policy for 2012-2018”, developed under the guidance of the Ministry of Culture. According to these guidelines, the Latvian diaspora policy is defined and implemented in four complementary ways: (1) maintaining Latvian identity and ties with Latvia, promoting the spread of the Latvian language and culture in the world; (2) promoting the civic and political participation of the diaspora; (3) cooperation with the diaspora in the fields of economy, culture, education and science, the promotion of intellectual potential; and, (4) the provision of support to those who wish to return.

Diaspora policy coordination in Latvia takes place through a permanent working group, a council within the framework of the National Identity, Civil Society, Integration Guidelines Supervisory Board, under the auspices of the Ministry of Foreign Affairs since 2013, in cooperation with the Ministry of Culture, whose task is to ensure a long-term, well-coordinated cross-cutting policy on diaspora issues. This working group is led by the Ministry of Foreign Affairs in cooperation with the Ministry of Culture, which serves as the secretariat of the working group.⁹ The main partners of the Latvian government in the implementation of the diaspora policy are the diaspora organisations, among them the highest representation of the Latvian diaspora organisations – the World Federation of Free Latvians (PBLA) and its member organisations – the Latvian associations in the USA, Canada, Australia, Russia, South America and Europe.

The Latvian diaspora policy and its support programs for implementation in 2017 were carried out through the Latvian Ministry of Foreign Affairs, the Ministry of Culture, the Ministry of Education and Science and its subordinate institution, the Latvian Language Agency. In addition to the above-mentioned institutions, individual diaspora outreach activities and civic participation support programs from 2015 to 2017 operated under the umbrella of the Society Integration Foundation.

According to the information provided by the ambassador-at-large for cooperation with the diaspora, Atis Sjanīts, the total funding allocated by the Latvian government to support diaspora during the last three years amounted to almost 1 million euros annually.¹⁰ In relative terms, the largest amount of 2017 funding was allocated to support Lettic education outside Latvia with 200,000 euros from the budget of the Ministry of Education and Science¹¹ plus an additional 125,000 euros for the development of Latvian language distance learning programs. Emphasising the priority importance of Lettic education in the diaspora policy of Latvia, in line with the promises made publicly by Latvian Prime Minister Māris Kučinskis in the summer of 2017, an increase in funding for diaspora education to more than half a million euro starting from 2018 was planned. With this decision, Latvia partly follows the example of Lithuania, which devotes a significant part of the diaspora policy funds directly to supporting diaspora education programs.

A very important diaspora support program exists under the auspices of the Latvian Ministry of Foreign Affairs, which funds and supports projects in the fields of culture, education, economy and sport, as well as in promoting youth civic participation. The total funding provided by the Ministry of Foreign Affairs' diaspora programs amounted to 226,000 euros. The support for the Latvian diaspora organisations from the Ministry of Foreign Affairs through its network of diplomatic missions must also be mentioned, providing facilities for various cultural and social events and educational programs. Meanwhile, during the last three years, the Ministry of Culture has allocated almost 200,000 euros annually for diaspora events, most of which was intended to maintain the tradition of the Latvian Song and Dance Festival and to ensure the availability of Latvian culture outside the country, as well as for 3x3 and 2x2 summer camps in Latvia and abroad. Starting from 2017, the triennial budget of the Ministry of Culture also includes annual support for the activities linked to the centenary of the Latvian state in the amount of 100,000 euros.

A new direction of cooperation has developed between the diaspora, the Ministry of Economics of Latvia and its subordinate Latvian Investment and Development Agency, which, tasked by the Ministry of Economics in 2017, developed a cooperation strategy project for the involvement of the diaspora in the national economy of Latvia.

It is very important that in recent years Latvia's institutions responsible for diaspora are more eager to learn about the diaspora and its problems; the Diaspora and Migration Research Centre at the University of Latvia (LU DMPC) was established in 2014 for this purpose, and is run with the support of the Ministry of Foreign Affairs. In 2017, the LU DMPC conducted several major studies on the involvement of the diaspora in the Latvian economy, the role of Latvian scientists residing abroad in the development of Latvian science, as well as the reintegration of the repatriated Latvian citizens into the professional activities in Latvia.

GUARDING LATVIA'S EXTERNAL AND SECURITY INTERESTS

As noted in the introduction to this article, the Latvian diaspora is not only the target of the foreign policy of Latvia and the target population of the diaspora policy, but also an active cooperation partner and support mechanism for the implementation of Latvia's foreign policy goals and priorities. As the times and circumstances of international politics change, the roles of these organisations have changed, however, their common goal to work for the benefit of the Latvian people and the Latvian state, including the representation and protection of Latvia's interests in the countries of residence around the world, remains unchanged.

According to a public opinion poll, ordered by the World Federation of Free Latvians (PBLA), and conducted by the company SKDS,¹² 68.5 per cent of the Latvian population surveyed agrees with the statement that the PBLA, founded in 1956, plays an important role in representing Latvia's interests outside Latvia. A similar question about whether PBLA has made a significant contribution to strengthening Latvia's security was answered positively by 56.7 per cent of respondents. Below are some examples of how the Latvian diaspora participates in defending Latvia's foreign policy and security interests.

Historically, the Latvian community living in the United States and its representative American Latvian Association (ALA) have played a particularly important and influential role in promoting Latvia's foreign policy goals. According to the most recent American Community Survey, the United States has more than 85,000 inhabitants who indicate their Latvian origin.¹³ The majority of them consist of Latvians who emigrated to the United States after the Second World War, and their descendants. The ALA had more than 5,000 members in 2017, and the names of about 12,000 Latvian persons in its database. Although the Latvian community against the background of other ethnic communities does not boast numbers, it is

characterised by very active, purposeful and successfully coordinated activities in the fields of Latvian education, culture and information.

The 2017 international policy is marked by the changes in the leadership of the world's most influential nation, notably with the politically inexperienced Donald Trump becoming the President of the United States. In response to developments, including the doubts expressed by the US presidential candidate during the election campaign, about the meaning and significance of the NATO alliance, the ambivalent attitude of the US administration towards Russia's meddling in the US presidential election and international security order, the operation of the External Information Division was renewed under the auspices of ALA, and the *Call to Action Unit* or the rapid response team was established in the spring of 2017. The strategic objective of setting up such a unit was to be able to react promptly to events that potentially pose a threat to the security of the Latvian people and the Latvian state through the development of targeted information campaigns aimed at protection of Latvians and Latvian security interests in the United States. Since the creation of the *Call to Action Unit*, about 170 American Latvians have expressed their readiness to participate in the information campaigns organised by the unit.

One such campaign was launched in summer 2017, when during the Latvian Nationwide Song and Dance Festival in Baltimore, USA, the ALA External Information Division gathered and sent over 1,350 individually addressed and signed postcards to elected representatives in the US Congress. The contents of the postcards included an invitation to the US Congress to support the expansion of sanctions against Russia as a response to its interference in the US electoral process and the widespread aggression in Europe. The bill also included a requirement for the US President Donald Trump to ask approval by the US Congress before relaxing the sanctions regime. It should be noted that on August 2nd, 2017, with the signature of the US president, the law adopted by the US Congress entered into force. Targeted engagement and information campaigns in response to propaganda and disinformation campaigns expanded by Russia and informative action on the *Nord Stream 2* project in Europe were set as the next tasks for the ALA External Information Division.

At the same time, the objective of the ALA Information Division is, with the help of the Joint Baltic American National Committee (JBANC), to seek the official Baltic lobby of the United States, to involve as many US congressmen as possible in the Baltic Caucus at the House of Representatives, and the Baltic Freedom Caucus in the Senate. Up to now, 74 members have joined the Baltic Support Group in the US House of Representatives. Twenty two joined the group in 2017, when the Baltic Caucus celebrated its 20th anniversary. JBANC points out that the increase in the number of members in 2017 is the fastest growth in the Baltic Support Group over the last 15 years.

VOICE OF BALTS IN WASHINGTON

The Joint Baltic American National Committee (JBANC) was set up for political lobbying by the American Latvian Association, the American Estonian National Council and the American Lithuanian Council in 1961; its priority tasks in 2017 were raising support for the sanctions' legislation against Russia, for the National Defence Authorization Act and funding for the European Reassurance Initiative, as well as for the bill for naming the square next to the Russian Embassy after Boris Nemtsov, a Russian human rights defender killed in Moscow, in 2015. Likewise, the lobbying work by JBANC in favour of the implementation of the Magnitsky Law in the United States remains unchanged in recent years, and is closely coordinated with the promotion of a similar draft law in the Canadian parliamentary corridors in cooperation with the defenders of the Baltic interests in USA's northern neighbouring country.

In order to draw Washington's attention to Russia's aggression in Eastern Europe, besides the above-mentioned activities, on May 19th-20th, 2017 the Joint Baltic American National Committee held its 12th conference in Washington, D.C. titled "New Realities: The Baltic Region in a Changing World". The conference was attended by representatives of diplomatic corps, academics, politicians and security experts from the United States and the three Baltic countries. The focus of the conference was on the changes that took place in the US government and their impact on US-Baltic relations and the security of the region. This 12th conference also paid attention to cyber security and the promotion of economic cooperation between the United States and the Baltic region.

Since Russia's unlawful annexation of Crimea, the Joint Baltic Committee, in order to urge US counteraction to Russian aggression in eastern Europe, has intensified cooperation with the American Ukrainian community, supporting its efforts to make the United States more active in curbing Russia's aggression. JBANC has significantly strengthened its cooperation with the Central and Eastern European Coalition, co-opting against Russia's efforts to undermine international security in Europe. One such cooperation project was the policy forum in the US Congress on 27th September on the threat posed to Europe by the *Zapad 2017* military exercise.

According to the head of ALA Pēteris Blumbergs, the Baltic message to the United States is nothing new. For years, Latvians, Lithuanians and Estonians have been talking about Russia's imperial propensities, which the Americans have started to notice and respond to only in recent years. The ALA chairman explains that doubts over the future of the NATO Alliance and the substance of Article 5 raised during the presidential campaign before the US elections, have greatly increased the interest and motivation of American Latvians to engage in political campaigns that have not been experienced at this level since the years of NATO enlargement. "Our

representatives are in Capitol Hill literally every week to further the protection of the Baltic States' interests," notes the ALA chair.

Since the NATO Warsaw Summit in summer 2016, Canada has taken up a pivotal role in strengthening the security of Latvia as well, by assuming lead nations' role in the summer of 2017 for the multinational NATO Battalion in Latvia, with the purpose of deterring Russia's further aggression and strengthening the collective defence. While issues related to military security are managed at the level of the Ministries of Defence and the armed forces of the NATO Member States, the Latvian diaspora takes an active role in the information field, disseminating information and reacting to defamatory writings and publications, as well as misleading interpretations of history and purposeful disinformation campaigns. At the same time, representatives from Canadian Latvian organisations were directly involved in the training of the Canadian Armed Forces, introducing to them the history, culture, politics, economy and other topics about Latvia.

In 2017, Latvian organisations both in the United States and Canada continued their information work, which was launched many years ago, to remind of the Soviet Union's crimes against the Baltic States. For example, the Latvian National Association in Canada in 2017 actively participated in the Black Ribbon Day – the remembrance day of the victims of totalitarian regimes organised by the Central and Eastern European Coalition, which is annually celebrated in Canada on August, 23rd recalling the 1939 Molotov–Ribbentrop Pact. Similar commemorative events on August 23rd, 2017, were organised by the JBANC, which has set as one of its goals the inclusion of August 23rd in the United States' calendar of commemorative dates. The American Latvian Association has joined and financially supported the activities of the Victims of Communism in the United States and also participates annually in remembrance events of the victims of the Communist regime. Meanwhile, the LNAC, like the ALA, participates annually in the commemoration events of the victims of the deportations on June 14th and actively supports the construction of a memorial to the victims of the Communist regime in Canada's capital Ottawa, scheduled to be completed in 2018.

THE CENTENARY OBJECTIVE – TO RENDER SUPPORT AND TO ENHANCE LATVIA'S RECOGNITION

In addition to the active defence of Latvian foreign policy and security interests, the American Latvian Association continued in 2017 to implement several programs aimed at supporting the solution of demographic issues in Latvia, as

well as strengthening the links between the Latvian community living in the United States and the Latvian state. For example, in 2010, the ALA transferred 149,000 US dollars to Latvia in support of large families and children in difficulties, under the Safe Bridge program. Since the establishment of the program in 1994, the ALA Division “Cooperation with Latvia” has transferred more than three million US dollars to Latvia. At the same time, the ALA continues to lead the educational programs “Sveika, Latvia!”, “Heritage Latvia” and “Hello, Homeland!” created in the late nineties. Since 2015, the youth practice program “Spend Summer in Latvia!”, created by the ALA, has increased in popularity. Nearly 50 young people from the United States, Canada and Australia have participated in it within a three-year period.

In connection with the upcoming centenary of the Latvian state, the American Latvian Association has set raising the profile of Latvia in the United States as one of its main tasks. For this purpose, the ALA has established the Latvian State Centenary Club; the funds donated by its members will be used to support various events, undertakings and campaigns. As the first major event in the United States to mark the centenary of the Latvian state, the Latvian Nationwide Song and Dance Festival in the USA brought together over 3,200 participants in Baltimore at the end of June 2017, in the presence of Dace Melbārde, Minister of Culture of Latvia.¹⁴

A prominent event in promoting Latvia’s visibility, was the *Chicago Spotlight Latvia* Business Conference in October 26th, 2017, aimed at displaying the offers of Latvian enterprises in the field of transport and logistics, the food industry, industrial production and IT. As Latvia’s Ambassador to the United States Andris Teikmanis emphasised in his opening speech, this is the largest business event to have taken place in the history of Latvia–US economic relations, that brought together more than 200 economic cooperation partners from Latvia and the United States, including more than 40 heads and representatives of Latvian companies. The ambassador pointed out that 2017 was a historic year in the economic relations between Latvia and the US, given that the Latvian Investment Development Agency (LIAA) has finally been able to resume its activities in the USA, and this year Latvia’s exports to the USA have increased significantly. In the opinion of the ambassador, an important support mechanism for further trade communication will have been the Latvian–American Chamber of Commerce officially opened at *Spotlight Latvia*, which attracted more than 50 new members from Latvia and the USA at the conference. It is planned that the newly formed Chamber could act as the representative of Latvian business interests in the United States, and could also develop a mentoring program for the acquisition of the US market. Among the founders of the Latvian - American Chamber of Commerce are a number of business professionals from Latvia; lawyers, real estate agents, PR and marketing specialists, as well as other professionals.

When asked about the forthcoming *Spotlight Latvia* events, chairman of the organising committee of the conference, the Latvian Honorary Consul in the Illinois State, Roberts Blumbergs, suggested that conferences of this kind, just like the Olympics, could be held in the US every four years. Meanwhile, the head of the Latvian - American Chamber of Commerce Mikus Kīns noted that similar events in the future could be held not only in Chicago, but also in New York, San Francisco and elsewhere.

EUROPE – STRENGTHENING TIES WITH LATVIA

As mentioned in the introduction of this article, since 2000 more than 250,000 Latvian citizens have emigrated from Latvia; most of them have found their residence in other Member States of the European Union and the European Economic Area. Compared to Latvian communities in the USA, Canada and Australia which emerged in the post-war years, Europe has a relatively young Latvian community and, apart from the exile communities and organisations in Germany, Britain and Sweden, Latvians there are at the very beginning of the self-organisation process. In these circumstances, the activities of the European Latvian Association (ELA) in 2017 focused on the identification, unification and strengthening of cultural, civil and economic ties with Latvia among Latvian nationals living in Europe. In 2017, the number of ELA members increased to 23 organisations in 19 European countries.

In June 2017, in Eslingen, Germany, the commemorative “Eslingen Song Festival – 70” gathered over 700 participants and 1000 spectators from 11 countries worldwide. As the organisers pointed out, the 70th anniversary of the Eslingen Song and Dance Festival is the largest celebration of Latvian culture in Europe, since the revival of the tradition of the song and dance festivals in Europe, involving both exiles and recent emigrants. The Eslingen Festival paid tribute to the first Song and Dance Festival in Eslingen in 1947, but also introduced the preparatory cycle for the upcoming XXVI Latvian Nationwide Song and XVI Dance Celebration in Latvia in 2018. In addition to this celebration in Europe, there are four regional cultural festivals planned in 2017 and 2018 covering Dublin, Stockholm, Roosendaal in the Netherlands and Antalya in Turkey.

In the context of the centenary of the Latvian state, the European Latvian Association (ELA) organised the European Congress of Latvians from 27th to 29th July, during which a Road Map for the centenary of Latvia was elaborated, providing a vision to Latvian citizens living in Europe about the desirable future directions of Latvia’s development. The congress built on a number of previous preparatory events – the workshop cycle “[ie]dRosme”, which crystallised the

topics and issues of interest for the Latvian expatriates. The organisers emphasised that the congress was meant not as a closed ELA event, but as an open forum for civic stakeholders from Latvia, various European countries and beyond. In total, 283 participants from 25 countries participated in the congress; over the course of three days, nine working groups agreed on thirty work tasks to be carried out to create a Latvia one could be proud of.

In order to strengthen the civic ties within the Latvian diaspora, the ELA deployed a wide-ranging series of activities in 2017, aimed at networking for diverse professionals across Europe. One of these events took place in London, on September 30th, also involving the Latvian Embassy in the United Kingdom and the Latvian Investment and Development Agency. As a result of the meeting, a new platform was created for networking Latvian businessmen and professionals from Europe under the title *Team Europe*, whose activities will focus on identifying this resource, interconnecting and engaging them in the Latvian economy. In addition to the London event in 2017, the ELA hosted a series of networking activities in Luxembourg, Frankfurt and Stockholm, each focusing on a different target group – financiers and entrepreneurs, doctors and medical professionals.

Against the background of other diaspora organisations, the European Latvian Association was distinguished by its determined efforts to influence the political agenda of Latvia by proposing in the Saeima several amendments to the laws affecting Latvian citizens living in Europe. Thus, the issue of taxation of cars registered outside Latvia, which was introduced in 2016, reappeared on the parliament's agenda following the objections raised by the ELA, and achieved a favourable outcome in 2017. As the ELA argued in its letter to the Saeima Budget and Finance Commission, this norm “not only impedes the policy declared by the Latvian state itself regarding diaspora and re-emigration, but also raises concerns about unequal treatment of Latvian nationals living abroad, which contradict the Satversme (*Constitution of Latvia*).”

Likewise, the ELA encouraged in 2017 to change the existing regulation of double taxation of pensioners who return from European countries, or the protection of the non-taxable minimum pension earned abroad upon returning to Latvia. As in the case of the United States and Canada, by preventing a 23 per cent income tax deduction from pensions that would be inviolable in Europe, Latvia would signal that its seniors are welcome to return to their homeland, argued the authors of the petition.

As the chairman of the European Latvian Association Kristaps Grasis points out, this is a decisive time in relations between the diaspora and the Latvian government to understand the role played by the Latvian diaspora for the development of Latvia, taking into account that almost one fifth of Latvian nationals now live outside

Latvia, with the majority in Europe. “It is very important for the Latvian society to see and understand the Latvian diaspora as a part of Latvia as an important, useful and significant part,” explained the ELA’s chairman, emphasising the need for creating mutually beneficial and useful forms of cooperation between the Latvian state and its citizens around the world. Meanwhile, experts surveyed by the LU DMPC emphasise that Latvia needs an “inclusive approach” in its relations with the diaspora, suggesting that diaspora be perceived as “part of the nation that is on the other side of the border as a result of globalisation, economic, personal or historical circumstances” and in the efforts to build mutual cooperation to emphasise “reciprocity” and “the unique experience and knowledge of the diaspora as a value cherished by the state.”¹⁵ Experts acknowledge that in recent years, cooperation with the diaspora has become more intense, rich and diverse, but it is necessary to work on concrete successive measures aimed at strengthening cooperation, as well as promotion of re-emigration.

The movement “With World Experience in Latvia”, founded in Latvia in June 2017, was a significant step forward in identifying the experience of repatriates and promoting positive re-emigration stories, which began in November 2016, when a series of monthly meetings of repatriated Latvian nationals were organised in Riga. As the founders of the association “With World Experience in Latvia” explain, “it is a movement that brings together those who have returned or moved to Latvia or wish to do so, as well as all those who work hard without complaining, so that we can all live better, here in Latvia.” Since the very beginning of the movement, its Facebook page and group has attracted more than 2,500 followers, while the number of participants of the monthly meetings has exceeded 340. Remarkably, the meetings organised by the movement cover not only the city of Riga, but also Liepāja and Cēsis. Within just a few months, the movement has manifested itself as an active participant in the public debate on re-emigration issues, by giving interviews to the Latvian media and participating in various forums in Latvia and abroad.

CULTURAL DIPLOMACY REACHES IN AUSTRALIA AND SOUTH AMERICA

Besides the numerical majority of the Latvian diaspora living in Europe and North America, the Latvian communities in Australia and New Zealand, Russia and South America, who informally carry out the functions of Latvian cultural diplomacy, cannot be ignored. Starting from the 56th Australian Latvian Cultural Days in Melbourne, which took place on New Year’s Eve 2016/2017, and ending with the Australian Latvian Youth Days in Sydney, scheduled for late 2017, Australian

Latvians continue to live an active social life while maintaining the Latvian language and cultural traditions in Australia. The repeated appeal to the Latvian government from the local Latvian community to establish an embassy in Australia to promote bilateral relations between the two countries and serve the Latvian community living in Australia is still unfulfilled.¹⁶ Although the Australian diaspora, as evidenced by publications in its media, actively follows the security situation of Latvia and international security policy, as recognised by the Latvians living in Australia themselves, their influence on international security policy is very negligible. Therefore, Australian Latvians continue to cultivate and popularise Latvian cultural traditions and, through the network of Saturday and Sunday schools, provide for the transfer of the Latvian language to future generations born outside Latvia.

The same role of cultural diplomacy has been assumed by the South American and Caribbean Latvian Association (DAKLA), whose members include the descendants of the late 19th century immigrants and post-war refugees in the middle of the 20th century. The most active community operates in Brazil, where Latvian national holidays and midsummer festivities are celebrated. In November 2017 around the time of the Latvian Independence Day, the oldest exile dance group “Kamoliņš” from Great Britain, together with folk group “Dūdalnieki” visited the Latvians in Brazil and gave concerts in Novodessa and Ijuí. Along with the performances of the artists, the Latvians of Brazil hosted twinning evenings, as well as discussion groups on diaspora-related topics. In 2017, the Brazilian Latvian choirs (Novodessa, São Paulo, Vārpa, Ijuí) learned the repertoire in preparation for the grand concert in Brazil, “With Latvia in the Heart” scheduled for November 17th, 2018. Due to local political and bureaucratic reasons the planned construction of the Latvian House in Brazil, originally planned to be finished by 2018, was delayed in 2017.

The Latvian community in Russia is a separate group in comparison with the Latvian diaspora in the West, because of its very limited opportunities to expand the activities beyond the maintenance of the Latvian language and cultural traditions in Russia. Nevertheless, Russian Latvians in 2017 were purposefully preparing for the centenary of the Latvian state, receiving artists and folklore groups from Latvia.

CONCLUSIONS AND RECOMMENDATIONS FOR THE NEXT YEAR

Taking into account the current numbers and growing trend of the Latvian diaspora, according to its experts, Latvia is compelled to implement an effective diaspora policy.

As the term of the National Identity, Civil Society and Integration Policy (NIPSIPP), which regulates diaspora policy, ends in 2018, the issue of the future of the diaspora policy, the model of its management and the financing available for its implementation has become acute. As the prime minister, foreign minister and ministers of culture, science and education agreed in summer 2017, the administration of the diaspora policy is planned to be transferred to the Ministry of Foreign Affairs with the task of coordinating the diaspora policy in cooperation with the Ministry of Culture, Education and Science and Ministry of Economics. In order to ensure the effective continuation of diaspora policy, following the expert recommendations, it is necessary to establish and strengthen a model for the effective coordination and implementation of diaspora policies, to provide for clear delegation of powers and responsibilities, and to ensure adequate funding for the implementation of diaspora policies. As argued by the diaspora organisations, in order to ensure predictability and continuity of diaspora support measures, the financing for the implementation of the diaspora policy needs to be included in the Latvian government's basic budget.

Together with an open debate on the future of diaspora politics in the summer of 2017, discussions about the broader regulation of relations between the Latvian diaspora and the Latvian state became animated in the circles of the diaspora. To resolve this issue, a proposal was made at the Congress of European Latvians to draft a Diaspora Law, which would explicitly address the interpretation of relevant laws and clarify the norms regarding the rights and obligations of Latvian nationals residing abroad. Regardless of whether the need for such a law is recognised or rejected, the question of the relationship between the state and the diaspora of Latvia should be resolved in an open dialogue, recognising its lasting role in the overall national development of Latvia.

Latvia celebrates the centenary of its statehood in 2018, and this offers a unique opportunity to address, involve and attract Latvian citizens living abroad and strengthen their sense of belonging to the Latvian state. With the centenary approaching, a number of countries with sizeable Latvian communities are planning various activities aimed at marking this great anniversary. In some places, they will be patriotic, mobilising and consolidating Latvian societies, while in other places, such as the United States, this will be the case where events are aimed at involving the local public as widely as possible. In some cities, events are planned that cover the diaspora of all three Baltic States, thus strengthening links between the Baltic communities, which should be useful in the process of further cooperation between communities. Information about the upcoming centenary events in the United States is available at the www.latvia100usa.org website developed specifically for this purpose by the American Latvian Association. Meanwhile, the calendar of planned events in other parts of the world can be found on the website www.latviesi.com and on the websites of local organisations.

The centenary of the Latvian state and activities related to it provide fertile ground for dialogue between the state of Latvia and its citizens in the world, as well as updating everyone's role and opportunities to participate and contribute to Latvia's growth. Dace Melbārde, Minister of Culture of the Republic of Latvia, has done significant work by personally participating in various cultural events of the diaspora, addressing compatriots in Australia, the USA and Europe in 2017. In this context, the program established by the Ministry of Culture for the support of Latvia's centenary activities outside Latvia and administered through the World Free Alliance of Latvians over a three-year period, providing financial support to the events and programs of the 100th anniversary of the Latvian state is notable. With the centenary of the Latvian state it is necessary to strengthen the communicative link between the state and the diaspora so that the slogan "I am Latvia", also applies to the part of the Latvian society living abroad.

The issue of communication will also be crucial in connection with the upcoming Saeima elections in 2018, when the vision of Latvia's political parties about the role of the Latvian diaspora in the framework of the national development should become clear cut.

Taking into account the fact that only 11 per cent of Latvian citizens living abroad are involved in diaspora organisations,¹⁷ it would be desirable to continue the support provided by the Government of Latvia for promoting civic participation and strengthening the capacity of diaspora organisations. The media in Latvia and that run by the diaspora play a very important role in this matter, providing an opportunity for the public to learn about the possibilities of participation in various cultural, social and civic processes in Latvia and abroad.

In order to promote the active and targeted involvement of the Latvian diaspora in the representation and advocacy of the strategic interests of foreign policy and security of Latvia, it is necessary to promote communication and information exchange between the Latvian representations and the compatriots living in the country concerned, about their participation in the implementation of the abovementioned goals. In certain situations, it is necessary to strengthen the mandate of the diplomatic and economic representations of Latvia by including the cooperation with the Latvian diaspora with provision of appropriate resources, in its sphere of activity.

In order to create policy-based research and situation-based assessment, it is necessary to continue the research work on diaspora issues, examining and identifying the situation and needs of the Latvian diaspora as well as possibilities for further cooperation.

Looking into the future, the challenge of diaspora organisations themselves will be to find a common language and forms of cooperation between traditional,

well-rooted exile organisations and the new, pulsating wave of emigration, which is at the very start of its path of self-organisation. As the Latvian Foreign Minister Edgars Rinkēvičs said, the ministry can cooperate with each group separately, but it is much more sensible to do it in a unified and coherent manner.

ENDNOTES

- ¹ A. Chander, "Diaspora bonds," *New York University Law Review*, Vol. 76, 2001, <https://ssrn.com/abstract=275457>
- ² I. Garoza, "Latvijas diasporas loma Latvijas ārpolitiskās rīcībpolitikas ietvarā," Andris Sprūds, Ilvija Bruģe, Kārlis Bukovskis (eds.) *Latvijas Ārējā un Drošības politika*. Gadagrāmata 2017, Rīga, Latvijas Ārpolitikas institūts, 2017.
- ³ "Diasporas politika," Latvijas Ārlietu ministrija, 2017, <http://www.mfa.gov.lv/arpolitika/diasporas-politika>
- ⁴ M. Hazans, "Migration experience of the Baltic countries in the context of Economic Crisis," M. Kahanec, K. F. Zimmermann (eds.) *Labor Migration, EU Enlargement, and the Great Recession*, Berlin–Heidelberg: Springer, 2016.
- ⁵ "Vienojošas nacionālās identitātes un Latvijas kultūrtelpas nostiprināšana," Ekspertu ziņojums, 2017. [Unpublished]
- ⁶ *Ibid*, 21.
- ⁷ *Ibid*, 9.
- ⁸ The most recent, expanded and simultaneously more detailed overview of the success of the past diaspora policy and future tasks can be found in the expert report prepared by the University of Latvia's Diaspora and Migration Research Centre: "Strengthening the unifying national identity and cultural space in Latvia. Proposals for the plan for the integration of society from 2019 to 2025."
- ⁹ In 2017, the Diaspora Policy Co-ordination Working Group was convened twice, focusing on issues such as re-emigration, Lettish education and the availability of Latvian national media content outside of Latvia.
- ¹⁰ D. Kokarēvica, "Vissvarīgākais – latviskā izglītība," *Latvijas Avīze*, 28.06.2017, <http://www.la.lv/vissvarigakais-latviska-izglitiba/>
- ¹¹ In 2017, outside of Latvia, 103 self-organizing schools operated in 25 countries, which is a significant increase compared to 2010 in the 30 operating Latvian Saturday and Sunday schools in the world.
- ¹² A. Kaktiņš, "PBLA darbība Latvijas sabiedrības vērtējumā," *Pasaules Brīvo latviešu apvienības ieguldījums Latvijas neatkarības atgūšanā un tās stiprināšanā*. PBLA 60. gadskārtas konferences referātu krājums, Rīga: LU Akadēmiskais apgāds, 2017, 149.
- ¹³ "People reporting ancestry. 2014 American Community Survey 1-Year Estimates," Fact Finder, 2017, <https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk>
- ¹⁴ For comparison, about 2,000 spectators arrived in Milwaukee five years ago.
- ¹⁵ "Vienojošas nacionālās identitātes un Latvijas kultūrtelpas nostiprināšana," Ekspertu ziņojums, 2017, 35. [Unpublished]
- ¹⁶ Currently, Dace Treija-Masy, the Ambassador Extraordinary and Plenipotentiary of Latvia to Japan, is responsible for the Australian Latvian community and cooperation with Australia.
- ¹⁷ "Vienojošas nacionālās identitātes un Latvijas kultūrtelpas nostiprināšana," Ekspertu ziņojums, 2017. [Unpublished]

CONCLUSIONS

Ilvija Brūge, Researcher at the Latvian Institute of International Affairs

As every year, the Foreign and Security Policy Yearbook of the Latvian Institute of International Affairs, reviews the achievements of Latvia over the past year and looks at the challenges and opportunities awaiting it in the upcoming year. Practitioners and experts of foreign and security policy, as well as from other sectors, have evaluated Latvia's achievements in 2017: on a global, EU and national scale, highlighting the main challenges that the country can expect in the coming year. The yearbook looks at Latvia's security within the Baltic Sea Region and NATO, at relations with the United States, Latvia's close and crucial ally, as well as at the country's accomplishments in the field of strategic communication. The Yearbook also analyses Latvia's successes and failures in the European Union and the Eurozone, as well as forecasts Latvia's further development, and offers recommendations for new influence mechanisms of influence. A significant part of the Yearbook is devoted to Latvia's policy towards the east. The authors analyse the persistently fragile and precarious relationship with Russia; Latvia's contribution to the Eastern Partnership policy and to the Central Asian region; as well as potential cooperation mechanisms with China and the Middle East. As usual, energy and transport areas were also important issues for national security and played a role in foreign policy. Finally, over the past few years cooperation with the diaspora has become an important priority of Latvia's foreign policy. It gains further significance with the approaching centenary of the Latvian state in 2018.

The novelty of this year is a survey of authors of the Yearbook who were asked to evaluate Latvia's policies in specific areas. The table below shows how they assessed the performance of Latvia in each of the country's foreign and security policy priorities.

Policy Area	Evaluation*
Latvia's NATO policy	4,3
Latvia's relations with China, incl. 16+1 format	3,7
Latvia's contribution to the promotion of strategic communication	3,6
Latvia's activity in the Eastern Partnership region	3,6
Pursuit of Latvia's interests in the context of the EU CFSP	3,5
Latvia's macroeconomic performance	3,5
Latvia's energy policy	3,5
Latvia's cooperation with diaspora	3,5
Latvia's policy in the Baltic Sea Region	3,4
Latvia's relations with Russia	3,4
Latvia's activity in the Central Asian region	3,4
Latvia's relations with the US	3,3
Latvia's action and role in the Eurozone	3,3
Latvia's transport policy	3,2
Latvia's activity in the Middle East region	2,8
Promotion of Latvia's image internationally	2,8

It is evident that Latvia's achievements in NATO are most appreciated, mainly because NATO finally took into consideration the concerns of the Baltic States and Poland over Russia's revisionism and aggression in the region. In 2017, an unprecedented manner NATO stepped up its presence in Latvia, Lithuania, Estonia and Poland. Latvia's foreign policy in the Middle East region, on the other hand, has received the worst assessment for its activity, as the region is only gradually gaining political and economic importance for Latvia. Nevertheless – more disappointing is the fact that promotion of Latvia's image abroad, which has a particular importance as Latvia approaches its 100th anniversary, has not been sufficiently active in the opinion of the experts. It is crucial that both, Latvian policy makers and society, take this into account and in 2018 puts in every effort to improve this situation.

As for other areas and priorities of Latvia's security and foreign policy, 2017 seems to have been a successful year for Latvia in both regional and transatlantic relations. According to the experts, Latvia has invested heavily in promoting cooperation with China and the United States, has continued to insist on the importance of the Eastern Partnership and Central Asia policy, as well as expressed its support to the countries of these regions, both bilaterally and within the EU. Latvia has also successfully defended its interests within the

* Score from 1 to 5, where "1" is the worst possible and "5" is the best possible estimate.

EU, as already mentioned, within the framework of the Common Foreign and Security Policy, in the EU's internal policies and in the Eurozone. Finally, Latvia has been able to withhold Russia's pressure and continue to pursue a rigorous, independent, self-sufficient foreign policy in its relations with this problematic neighbour, while contributing greatly to the development of strategic communication. It seems that this year has been quite successful for Latvia (albeit not outstanding) also in economic matters, in spite of various global challenges, and the country has at least partially fulfilled its commitments in the energy and transport sectors. Finally, Latvia's cooperation with the diaspora, while imperfect, in the opinion of the experts, is to be evaluated positively, if we put aside the unfortunate lack of image promotion of Latvia abroad.

Looking ahead to the priorities of Latvia's foreign and security policy for the year 2018, the authors of the book have their own recommendations. Latvia's active policy in NATO is considered to be an unequivocal priority of the country's security policy, recognised by the absolute majority of the surveyed authors. This is followed by Latvia's cooperation with the other Baltic Sea Region countries, as well as cooperation with the United States and the development of strategic communication. It shows that security issues will continue to play a key role in Latvia's foreign policy and will largely determine its decision-making capability and limitations in 2018. Latvia's active policy in relations with China, as well as defence of its interests in the framework of the EU's Common Foreign and Security Policy, are also recognised as essential. Another four areas that were recognised as most crucial by about one-third of the authors, are Latvia's activities in the Eurozone, a strong energy policy, as well as relations with Russia and active engagement in the Eastern Partnership region. The last two, of course, cover both Latvia's bilateral efforts with each of the countries and the country's ability to influence the EU's policy in the region. The authors consider Latvia's cooperation with the Central Asian region as well as cooperation with the diaspora as relatively low priority directions for Latvia. This does not imply that these areas should be crossed out from the list of Latvia's foreign and security policy priorities. They are simply as obviously relevant as the physical security provided by NATO and cooperation with partners in the Baltic Sea Region and Transatlantic space.

2018, similarly to the previous years, promises Latvia new opportunities as well as continued and new challenges. Latvia must successfully use its position within the multilateral framework and in the region, as well as utilise its knowledge and experience in relations with other regions of the world. By doing so Latvia would not only gain practical security and tangible benefits and prove itself as a significant regional actor, but could also showcase itself as a success story, from which other countries historically connected with Latvia – both in the Eastern Partnership and the Central Asian region - could learn. To achieve this, Latvia must become more active, courageous and self-confident, both in its bilateral relations and within the multilateral framework, of course, not forgetting about the importance of diplomacy.

ABOUT THE AUTHORS

Kristiāns Andžāns is a Rīga Stradiņš University PhD student in political science. He holds an MA in International Relations and Diploma from Rīga Stradiņš University, and studied at the Zuyd University in Maastricht, the Netherlands as a BA student. His main research areas are the Baltic States' transport and energy policies and their development. Along with his studies, he has been working in the Latvian state administration since 2014.

Māris Andžāns is a researcher at the Latvian Institute of International Affairs and assistant professor at the Rīga Stradiņš University, where he received PhD in political science in 2014. He has ten years of experience in the Latvian state administration. During this period, he has held various positions in the coordination of EU–NATO issues, security of transport and communications, civil-military cooperation, aviation, electronic communications and postal services. He was also Chairman of the Latvian National IT Security Council and Chairman of the Advisory Council on Dangerous Cargoes. He has represented Latvia in various NATO–EU working groups as well as in the national oversight mechanisms of EU agencies.

Aldis Austers is a research fellow at the Latvian Institute of International Affairs. He studied economics at Riga Technical University and international relations at Vienna Diplomatic Academy. He worked for an extended period of time at the Foreign Affairs Ministry of Latvia and the Bank of Latvia. Along with work in the Latvian Institute of International Affairs, he is a part-time lecturer at Rīga Stradiņš University and Riga Graduate School of Law. His fields of interest include monetary economics, political economics, the migration of people and European integration.

Reinis Āboltiņš is an energy market expert at Lattelecom. Previously, he was a consultant to the Saeima European Affairs Commission with specialisation in energy, environment and climate matters. Prior to his work in the Saeima, he was a researcher of energy policy at Providus Centre for Public Policy for five years. Since April 2016, he has been a member of the President's Commission on Energy Security and has been a member of the Energy Committee of the National Economy Council of the Ministry of Economics, as well as an Expert at the Foreign Investors'

Council in the Energy and Transport Working Groups in Latvia. R. Āboltiņš is a lecturer of the “Energy Policy and International Relations” course at the University of Latvia as well as a guest lecturer at the European Energy and Environmental Law course at the Riga Graduate School of Law. He is a PhD student of the Riga Technical University Energy and Environmental Science program.

Una Aleksandra Bērziņa-Čerenkova is Head of Rīga Stradiņš University China Studies Centre and Head of the New Silk Road programme at the Latvian Institute of International Affairs. She has a PhD in Political Science. The topic of her thesis was “Traditional Chinese Discourse in Hu Jintao’s Report to the 17th National Congress of the Communist Party of China”. She has a Bachelor’s degree in Chinese language and culture (with Distinction), and a Master’s degree in Political Science. Her research focus lies in the field of contemporary political discourse in the PRC, as well as the implementation of China’s “Diplomacy for a New Era” policy. She has studied at both Beijing Language University and Beijing Normal University. She spent two semesters as a senior visiting research scholar at Fudan University School of Philosophy, Shanghai.

Sintija Broka is a research fellow at the Latvian Institute of International. She holds BA in International Economics from the University of Latvia and MA in International Relations from Rīga Stradiņš University. Currently, she is a PhD student at the Rīga Stradiņš University. Her research and academic interests are related to the Middle East research - economic sustainability, religion, and politics as well as international terrorism. Her latest analysis focuses on foreign policy analysis of Gulf countries.

Ilvija Bruģe is a Researcher at the Latvian Institute of International Affairs. She holds a BA in Political Science and MA in International Relations from Rīga Stradiņš University, as well as an MSc in Social Anthropology from the University of Edinburgh. She is currently in her 3rd year of PhD studies. She is a co-editor and author of several articles and books, and has worked as a research analyst for a UK-based political risk advisory and as a national expert for various international research projects. Her research interests are linked to socio-economic, historic, political and cultural developments in post-Soviet area and in Ukraine in particular.

Kārlis Bukovskis is the Deputy Director and a researcher at the Latvian Institute of International Affairs (LIIA), the author of numerous articles, and the scientific editor of several books. Bukovskis is also a lecturer on global political economy, international financial system and the EU integration at Riga Graduate School of Law and Rīga Stradiņš University. He acquired Master’s degrees from the University of Latvia and the University of Helsinki, and currently is a PhD candidate. Bukovskis has dealt with European Union institutional, political and economic

developments while serving at the Ministry of Foreign Affairs of Latvia, the Secretariat of the Latvian Presidency of the Council of the European Union (where he developed the Presidency's six-month work program), and also at the Ministry of Finance of Latvia.

Lolita Čigāne is a Member of Saeima, the Latvian Parliament, since 2010. She was appointed to her current duties as the Chairperson of the European Affairs Committee in 2014, after being elected to the Saeima for her second term. From 2005 to 2010 she worked as a political analyst, a deputy head of mission and a campaign finance expert in about 15 Election observation missions of the Organisations for Security and Cooperation in Europe (OSCE/ODIHR): Armenia, Croatia, Kyrgyzstan, US, Bulgaria, FYROM, Hungary, Slovakia and other. L. Čigāne has an extensive experience in the NGO sector – for six years she worked as a public policy analyst and project director at the Soros Foundation Latvia and Center for Public Policy Providus. In 2008–2010 she was the head of the board at the Transparency International Latvia. L. Čigāne holds Master's degrees in Political Economy and International Relations and European Affairs from the London School of Economics and the Budapest Central European University.

Alina Clay is a 2017–18 Fulbright Student Researcher affiliated with the Latvian Institute of International Affairs. She holds a BA from the University of Tennessee and will pursue a MSc degree at the Edmund A. Walsh School of Foreign Service at Georgetown University next fall with the support of the Pickering Foreign Affairs Fellowship. Her research interests are Latvian national security, informational warfare, and transatlantic security, as well as theoretical approaches to power and knowledge. She has had previous work experience in non-profits, academic institutes, policy centers, and most recently the government.

Mārtiņš Daugulis is an associate researcher at the Latvian Institute of International Affairs and Head of the Rīga Stradiņš University program “Politics and Political Communication”. He specialises in strategic and political communication issues, both as a researcher and as a lecturer at the Rīga Stradiņš University and at the Latvian Judicial Training Centre. Outside the academic and research fields, M. Daugulis has acquired professional experience in public administration (Ministry of Economics), European Union institutions (European Parliament) and media (LNT News Service). Currently, he is working on PhD thesis about the strategic communication and foreign policy priorities of the People's Republic of China.

Justine Elferte is the Head of the International Department of Riga Graduate School of Law. Justine holds a BA in law and diplomacy at the Riga Graduate School of Law and continues her MA studies in international and European law

and collaborates in research with the Latvian Institute of International Affairs. In addition to her current academic and professional activities, she gained experience working with the representatives of the French government at the Secretariat during Latvia's Presidency of the European Union. J. Elferte's academic interests are the European Union, with a focus on the European Union's foreign policy, changes in the concept of sovereignty and security issues.

Ilze Garoza has worked as project manager and clerk at the American Latvian Association since 2011. From January 2015 until August 2017, she served as Secretary-General of the World Federation of Free Latvians. In 2007, she graduated from the University of Latvia with a degree in communication and received an MA from the Education Policy and Management Department of the University of Minnesota. Previously, she worked as an international news journalist in the newspaper "Neatkarīgā Rīta Avīze", and editor of the magazine "Latvija Eiropas Savienībā". Since 2009, she has been focusing on research of the Latvian diaspora.

Ojārs Ēriks Kalniņš has been a member of Saeima and Head of the Foreign Affairs Committee since November 2010. Since November 2011 he has been the Head of the Latvian Delegation in the NATO Parliamentary Assembly and was elected as Chairman of its Political Committee in October 2015. From 2000 to 2010, he was the Head of the Latvian Institute, before that, from 1993 to 2000, he was the Ambassador of Latvia to the United States and Mexico. In 1972, O. Ē. Kalniņš received a BA in philosophy from Roosevelt University, Chicago.

Andis Kudors is a 1996 graduate of the International Law and Economics Program at the University of Latvia's Institute of International Affairs. From 2005 until 2011, he studied political science at the University of Latvia, specializing in Latvian-Russian relations and earning a BA and then an MA in Political Science. He is continuing his doctoral studies at the University of Latvia. Since 2006, Mr. Kudors has been executive director of the Centre for East European Policy Studies (CEEPS). His main research interests include current foreign policy trends in Eastern Europe and Russian foreign policy. He is particularly interested in Russia's compatriot policy, Russian soft power, public diplomacy and propaganda as well as in Russian Orthodox Church activities in Russian foreign policy. Andis Kudors is member of Foreign Policy Council at Latvian Ministry of Foreign Affairs since 2011. He had been Fulbright scholar at the Woodrow Wilson Center in Washington DC from October 2014 till January 2015.

Imants Lieģis is currently Latvia's Ambassador to France. Between March 2009 and November 2010, he served as Latvia's Minister of Defence and Acting Minister of Justice (May–November 2010). He was elected as a Member of Parliament (Saeima) in 2010. He joined the Latvian Ministry of Foreign Affairs in 1992. Born

in England, he worked as a Solicitor for ten years before moving to Latvia. He has served as Ambassador in a number of countries including Spain and Hungary, the Benelux countries as well as to NATO and the EU Political and Security Committee. I. Lieģis is a member of the European Leadership Network and cooperates closely with the Latvian Institute of International Affairs.

Žaneta Ozoliņa is a professor at the Department of Political Science at the University of Latvia. Her research interests are related to Latvia's foreign and security policy, issues of the European Union and NATO, as well as cooperation in the Baltic Sea region. She is author of more than 80 publications and a monograph editor. Ž. Ozoliņa is a scientific editor of the magazine *Latvia's Interests in the European Union*. She is a member of the European Council of Foreign Relations (ECFR), the International Council of the Baltic Development Forum and the Vision Group of the Baltic Sea States Council.

Gunta Pastore is the Foreign Affairs Advisor to the Speaker of the Saeima. She has worked at the Ministry of Foreign Affairs since 1994, dealing with Latvia's accession negotiations to the EU, the Eastern Partnership and Central Asia regions. During the Latvian Presidency of the EU Council in 2015 she coordinated EU-Central Asia cooperation. She has a PhD in Political Science from the University of Latvia, 2015. G. Pastore underwent a research exchange at the Swedish Defence Academy in 2013. Her research interests are the role of EU Member States in shaping EU foreign policy.

Diāna Potjomkina is a Researcher at the Latvian Institute of International Affairs and a lecturer at the Rīga Stradiņš University. She has worked as a project manager and advisor for the European Movement – Latvia (where she is currently a board member) and as an expert for three opinions at the European Economic and Social Committee. D. Potjomkina received her Bachelor's and Master's degrees cum laude from the Rīga Stradiņš University. She spent the 2015/2016 academic year at George Mason University in the United States as a guest researcher within the framework of the Fulbright Program. Her main research interests include: the foreign policy of Latvia and Europeanization processes, relations with the US and CIS/Eastern Partnership, the foreign relations of the EU and the US and public involvement in decision-making.

Edgars Rinkēvičs is the Minister of Foreign Affairs of Latvia since October 25, 2011. He was Head of the Chancery of the President of Latvia from October 2008 till October 2011. He served as a State Secretary in the Ministry of Defense of the Republic of Latvia from August 1997 till October 2008. He also worked as Chief of the Office for organizing the NATO Summit of Heads of State and Government, which took place in Riga, in 2006. E. Rinkēvičs graduated from the University

of Latvia and received his Master's degree in Political Science in 1997. From 1999–2000 he also studied at the US National Defense University, Industrial College of the Armed Forces and has a graduate degree in National Resource Strategy.

Uģis Romanovs, Lieutenant Colonel, Ret., is a research fellow at the Latvian Institute of International Affairs and a lecturer at the Baltic Defence College (BALTDEFCOL) in Tartu, Estonia. He is also military adviser of Milrem, an Estonian defence solutions company, and runs its research and development project “Digital Infantry Battlefield Solutions”. Additionally, he is a faculty member of the “Military Leadership and 289 Security” professional Master's programme, run by the National Defence Academy of Latvia. His main research interests are related to the military security of the Baltic region.

Ojārs Skudra (Dr. hist., 1992) has been associate professor in communication science at the University of Latvia, Faculty of Social Sciences since 2007. His research interests are related to system transformation processes in Latvia, the role of media in political communication processes and international communication developments, including discussions on issues of international order and security policy in the elite circles and expert communities of NATO and EU countries. O. Skudra has numerous publications on these and other issues in Latvian and foreign academic editions and collections of articles. Besides his academic work, he has been commenting on international events in media.

Andris Sprūds is the Director of the Latvian Institute of International Affairs and a professor at Rīga Stradiņš University. He has an MA in Central European History from the CEU in Budapest, Hungary and in International Relations from University of Latvia, as well as holds a PhD in Political Science from Jagiellonian University in Krakow, Poland. A. Sprūds has been a visiting student and scholar at Oxford, Uppsala, Columbia and Johns Hopkins University, as well as at the Norwegian Institute of International Affairs and Japan's Institute of Energy Economics. His research interests focus on energy security and policy in the Baltic Sea region, the domestic and foreign policy of post-Soviet countries, and transatlantic relations.



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