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## *Islands of Cooperation*

by FLEET

Fresh Look at Eastern  
European Trends

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### **FLEET (Fresh Look at Eastern European Trends; English for 'agile', 'nimble')**

- A FES-initiated network of young, open-minded experts specialising in security and cooperation in wider Europe.
- Members of the network come from across the OSCE area and work in academia, think tanks, political institutions and business.
- Since 2015 the group regularly meets for intensive workshops to discuss current challenges to security and peace in Europe and develop joint policy proposals on how to resume cooperation in the current crisis in order to ultimately restore the indivisibility of security in Europe.
- The regional composition of FLEET reflects the necessity to jointly discuss those issues with the EU, Russia and the countries in the shared neighbourhood.
- Each year FLEET focuses on a different topic within the broader thematic frame of security.

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## **Islands of Cooperation: A New Approach to Overcoming Geopolitical Deadlock in Europe in Small Steps**

*Evgeniya Bakalova and Tazio Schilling*

### Where We Stand

Almost three decades after the conclusion of the CSCE Charter of Paris for a New Europe (1990), an old, divided Europe seems to be back. The current vicious circles of mistrust and escalation dynamics, as well as the erosion of the previous normative and political consensus have marked a watershed for the post-Cold War order in Europe. Yet despite the antagonistic rhetoric and opposing conflict narratives, the **current situation is not marked by a clear-cut and irreconcilable ideological schism**, as was the case during the previous East-West divide. The density of interdependency and interconnectedness – not only on the inter-state, but also more importantly on the societal level – is much higher in the current crisis than even in the ‘warmest’ times of the Cold War period. This provides reasons for both hope and concern.

Taking the existing interdependencies and linkages into consideration, the **Islands of Cooperation** approach aims to bring a positive and constructive dynamic into the current security stalemate on the European continent by fostering pragmatic interactions in areas of overlapping interests. This approach represents a conscious departure from large-scale, paradigmatic and normatively laden cooperation projects in favour of low- to mid-scale practical and pragmatic engagement. It is dictated by a functionalist logic rather than ideological determinism.

The aim is neither to cement the fragile and unstable status quo, nor to restore the volatile and conflict-laden status quo ante, but rather to rationalise cooperation and promote a different type of political attitude to mutual relations. Within this new attitude:

- **Pragmatic cooperation** is perceived as a necessity dictated by the existence of common

challenges and converging interests, not as a reward for specific behaviour or achievements;

- **Trust** is not a prerequisite for cooperation, but rather cooperation is a means for achieving trust;
- **Differences** are treated as a normal element of problem-oriented communication, not as insurmountable barriers in the path of mutual communication;
- **Failures** are viewed as food for thought and lessons for improvement in the future, and not as evidence of incompatible or conflicting worldviews.

### What Went Wrong

Either an idealist or realist paradigm inspired most policy approaches that have defined international relations in Europe in the last three decades. While the former suffered from fallacious assumptions of ‘automatic’ normative convergence and tended to overlook historical, cultural and societal path diversity, the latter became victim of its own built-in pessimism and self-fulfilling prophecies. On the one hand, the policy approaches inspired by the liberal-idealist agenda often made the extent of cooperation and the intensity of exchange conditional on the implementation of the transformation agenda. Not only did such conditionality contradict the very idea it stood for – since cooperation was supposed to drive domestic change, not serve as a reward for its success – it also created asymmetries and inequality in the relations between involved parties. The realist paradigm, on the other hand, has contributed to the vision of divided security and the perpetuation of zero-sum thinking. Within the tit-for-tat logic, the other saw what one side interpreted as defensive steps as offensive tactics demanding reciprocal (at times asymmetric) responses. This led to further escalation.

However, while it is easy to analytically dissect the drawbacks and limitations of both paradigmatic policy approaches, the ultimate complexity of the current deadlock stems from the fact that in practical



terms they have become intertwined. This is for example evident in NATO's self-perception as not just a military alliance, but also a value community, and in Russia's securitisation of the 'colour revolutions' in its neighbourhood. ***In the current deadlock situation different threat perceptions, normative contradictions and perceived incompatibilities tend to reinforce each other.***

Today's security situation on the European continent has some parallels with conditions in the early 1960s following the construction of the Berlin wall, which saw low levels of trust; highly antagonistic mutual perceptions; irreconcilable narratives of what went wrong; opposing visions of how things should be; high risks of escalation combined with a shared interest to contain them; and the ineffectiveness and inconsistency of previous policy approaches. While it is true that we should not try to confront today's challenges by re-enacting past policies, the core principle of Egon Bahr's policy, namely 'change through rapprochement', remains relevant and applicable today: ***cooperation where possible, resistance where necessary.***

### From Paradigms to Pragmatism: the Islands of Cooperation Concept

The proposed Islands of Cooperation approach is based on the principle of isolating specific areas where interaction and cooperation are still possible for the sake of creating positive dynamics. In this way it shares some features with the idea of 'plural peace'<sup>1</sup> or 'corridors of dialogue through cooperation'<sup>2</sup>, currently debated in academic circles.

'Islands' signify specific areas or policy fields – different in scope and substance, but similar in their practical relevance for the participating parties. Ideally, such policy fields represent limited, low- or mid-range problem clusters representing common challenges for EU member states, Russia and the states in the joint neighbourhood.

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1. Dembinski, Matthias/Spanger, Hans-Joachim (2017): 'Pluraler Frieden' – Leitgedanken zu einer neuen Russlandpolitik, HSKF-Report Nr. 2/2017, Frankfurt/M.

2. Tamminen, Tanja/Relitz, Sebastian/Jüngling, Konstanze (2016): New Corridors of Dialogue: Strengthening Durable Formats for Engagement across Protracted Conflict Zones, Policy Paper, Institute for East and Southeast European Studies (IOS).

'Cooperation' is not synonymous with consensus, but rather implies basic agreement on the level of problem identification (common objectives), problem-focused interaction and goal-oriented practical steps. Cooperation understood as problem-solving interaction is thus not only a means to an end, but an end in itself. The goal is to return to constructive communication and gradually restore mutual trust.

### Advantages and Characteristics

The idea of Islands of Cooperation possesses several advantages in comparison with the previously outlined paradigmatic approaches:

- It follows a **functionalist logic** and is **neutral in normative terms**. The functionalist logic presupposes a problem-oriented rather than (contested) value-orientated approach. Yet it is also not completely value-free. It acknowledges the diversity of interests and normative orientations and is guided by consensually defined and agreed upon principles of international law, with the desire for peace as the main cornerstone of international relations in Europe.
- It is truly **process-based** and -driven. It is critical of the inherent determinism of past concepts and does not presuppose a particular pre-defined outcome. The utmost goal is the re-establishment of dialogue through interaction in areas of common challenges and overlapping interests. Positive 'spill-overs' into other areas are expected in the long run, but in the initial phase expectations should be kept low in order to avoid premature disappointments, which could stall practical progress in designated areas of cooperation.
- It is **inclusive** and presupposes no 'entry barriers'. It is not specifically tailored for individual state groupings or organisations, but can be easily integrated into the work of multiple international fora as it offers a framework for cooperation between individual countries.



## Guiding Principles

The positive potential of the Islands of Cooperation approach rests on a number of underlying principles:

- **Basket Approach:** Specific select issue areas are prioritised for initial engagement along the three dimensions of the OSCE (political and military; economic and environmental; and human dimension). The advantage of the basket approach consists in the inherent idea that lack of progress in one area should not stall progress in other areas. Although it could be argued that the OSCE system has failed to prevent political disagreement and even military conflict, it still represents the most inclusive international institution in the European space and provides an important platform for continued dialogue. Drawing on past criticism, it is important to avoid the hierarchisation of certain policy fields or issue areas.
- **Flexible Incrementalism:** A focus on small steps instead of large-scale aims and comprehensive roadmaps enables incremental accomplishments and gradual progress. Such an approach possesses the flexibility required for the adjustment of policy steps to specific (unexpected) challenges and is not impeded by initial lack of progress.
- **Equality:** Meaningful communication is possible only by recognising and respecting each other's interests in specific clearly delineated areas. Particular interests, concerns and threat perceptions should not be seen as obstacles, but rather as an opportunity for greater interaction. This requires sober analysis and the identification of overlapping needs and common challenges. Equality also means a conscious departure from patronising attitudes, accepting the value of each other's experiences, and acknowledging the fruitfulness of sharing experiences.
- **Reciprocity:** Cooperative steps are exchanged in kind, whereas non-cooperation leads to defection. Incentives are created through identification of common interest in the resolution of specific low-scale problems.

## Expected Outcomes

In addition to the specific benefits resulting from cooperation in designated areas of shared interests and common challenges, the Islands of Cooperation approach would contribute to the normalisation of relations between Russia, the EU and states of the common neighbourhood on a broader scale:

- The first and foremost aim consists of **returning to productive and constructive communication** in specific issue areas;
- Over time constructive communication and iterated problem-oriented interaction will lead to a **gradual restoration of predictability and mutual trust;**
- As the network of cooperative relations grows denser, trust will increase as well, ideally spilling over into other areas. Once trust levels can be restored, finding **regional answers to fundamental challenges** may become possible in time.

As an inclusive organisation with a broad understanding of security, the OSCE should support the 'small steps' approach. It can assist in creating Islands of Cooperation to overcome the current political deadlock and come closer to the vision of undivided security.



## From Words to Deeds: Charting Islands of Cooperation

Island of Cooperation	Problems	Small Steps
<p><b>Basket One:</b> Threat Perceptions in the OSCE Area</p>	<p>European security in general, and arms control more specifically remain topics for specialists. They both lack broader public awareness.</p> <p>This creates a gateway for misinformation and propaganda, which eventually heightens alarmist voices, particularly under conditions of mutual distrust.</p>	<p>Develop a <i>threat perception matrix</i> to take stock of the diverse approaches to external threats and sharpen the view on areas of normative divergence. Establish an <i>online debating platform</i> that brings together accurate information and thoughtful discussions, which are currently dispersed and separated, thereby popularising security issues among journalists and laymen.</p>
<p><b>Basket Two:</b> Microfinance Opportunities for Vulnerable Groups</p>	<p>Access to finance is limited among the vulnerable groups (i.e. refugees from the Donbas region), which prevents their integration into society and damages their social wellbeing.</p>	<p>Familiarise <i>vulnerable groups</i> with <i>microfinance opportunities</i> and increase their literacy in microloans through a series of workshops, conducted with the support and participation of governments and microfinance organisations.</p>
<p><b>Basket Three:</b> Radicalisation Prevention and Response</p>	<p>Different OSCE states have different concepts of radicalisation (which prevents effective cross-border cooperation) and different strategies of prevention and response (best practices and mistakes to be shared).</p>	<p>Research how the OSCE states define <i>radicalisation</i> in their legislation, how they fight against it and how they prevent it. <i>Conduct a study</i> in partnership with the OSCE Network of think tanks and academic institutions. Publish an OSCE Manual of Practices on Countering Violent Extremism and Radicalisation that Lead to Terrorism.</p>



## Annex

### Island 1 From Conflict to Engagement: Threat Perceptions in the OSCE Area

Vera Axyonova, Victoria Bucataru, Alexander Graef, Dzmityr Halubnichy, Alla Leukavets and Julia Wanninger

#### Security in Europe: What is at stake?

Today European security in general and conventional arms control more specifically remain topics for specialists. They both lack broader public awareness. Moreover, the level of knowledge concerning basic security issues and force posture among European constituencies is low. This creates a gateway for misinformation and propaganda, which eventually heightens alarmist voices, particularly under conditions of mutual distrust.

In August 2016 the then German Minister of Foreign Affairs Frank-Walter Steinmeier put forward a proposal for renewing discussions about conventional arms control in Europe. Supported by a group of like-minded states, the OSCE declaration signed in Hamburg in November 2016 welcomed the launch of a Structured Dialogue on both current and future challenges and risks to security in the OSCE area.<sup>1</sup>

Although there is currently no agreement on how to repair the European security order, most actors agree that there is a greater need than ever to increase predictability by enhancing mutual understanding of motives and interests. Without this, it will be

1. Since then the group of like-minded states has met six times in Berlin. In addition, there have been three meetings of the OSCE Structured Dialogue in Vienna. Simultaneously, the Austrian Chairmanship organised three break-out workshops on CSBMs, while in September 2017 the German Foreign Office together with the European Leadership Network held a track one and a half conference on "Making Conventional Arms Control Fit for the 21st Century" in Berlin.

impossible to create a positive policy agenda and return to deeper levels of engagement. In this context, we suggest starting work on finding ways to decrease the gap between existing threat perceptions among OSCE members by focusing on two ideas: the creation of a threat perceptions matrix and an online debating platform on European security.

#### Taking Stock: The Threat Perception Matrix

The Threat Perception Matrix (TP-Matrix) would provide a framework for thinking about security relations in the OSCE area after 2014. It would serve as a measure for evaluating and comparing perceived internal, external and transnational threats to national security (see Table 1). Although the TP-Matrix recognises the distinction between internal, external and transnational threats at an analytical level, it will show that, in practice, the borderlines between these categories are blurred, they are interlinked, and it is difficult to disentangle them empirically.

Table 1: Typology of Threats

Threat	Explanation
<b>External</b>	Emanates from outside the country and includes but is not limited to military aggression, international pressure (in the form of sanctions or embargoes) and information warfare.
<b>Internal</b>	Originates from within the country and relates to weak governance capacities, caused by corruption, organised crime or financial disparities.
<b>Transnational</b>	Deals with the phenomenon of cross-border scope, the dynamics of which are significantly, but not exclusively driven by non-state actors and includes activities such as terrorism, human trafficking, migration and cyber threats.





The larger goal of the TP-Matrix is to take stock of the diverse approaches to security among OSCE members. Both the process of conducting the necessary research and the final results will thereby contribute to sharpening perceptions of areas of normative divergence.

The TP-Matrix could be envisioned as a follow-on project to the 'Threat Perceptions in the OSCE-Area' report published by the OSCE-Network of Think Tanks and Academic Institutions in April 2014.<sup>2</sup> Because the analysis was completed before the dramatic events in Ukraine, it does not cover the subsequent developments in Western-Russian relations, which have led to a new wave of divergent threat perceptions, building upon tensions caused by previous crises in Kosovo (1999) and Georgia (2008). Hence, there is a need to assess the long-term impact of the crisis in and around Ukraine, its spill over effects and the implications for different dimensions of security and threat perceptions in Europe and beyond.

The project will deploy a robust methodology to map and quantify security perceptions in the OSCE area. The methodological framework will consist, inter alia, of expert interviews, public opinion polls and discourse analyses of a set of primary sources deemed representative of national security debates. The sources of data for such analyses will include state policy documents; parliamentary publications; academic publications and newspaper articles. The results of both public opinion polls and discourse analyses will be supplemented by several semi-structured interviews with experts and political elites in each of the case countries.

The application of different methods will allow the triangulation of research results, which will enhance their validity. As a result, through analyses of divergences and convergences of perceived threats in the participating states, the TP-matrix will provide a firm empirical ground for debate.

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2. Schmidt, Hans-Joachim et al., Threat Perceptions in the OSCE Area, in: Wolfgang Zellner (Hg.), Threat Perceptions in the OSCE Area, Bd. 2014, Ankara et al., 2014, available at <http://www.osce.org/networks/118080?download=true>

It can thus encourage discussion on ways of preventing new dividing lines in Europe and will help to elaborate a more structured approach in addressing current threats and challenges.

## Debating Security: [security-in-europe.org](http://security-in-europe.org)

At the present time the lack of public knowledge and the difficulty non-experts face in trying to differentiate accurate from false and misleading accounts heightens an already alarmist atmosphere. The heated debate concerning the Russian-Belarusian Zapad military exercise in September 2017 is a case in point. Despite evidence to the contrary,<sup>3</sup> preparations for exercises were accompanied by media hype and statements by officials suggesting that the exercise would be used as a cover-up for the permanent deployment of Russian troops or a military attack.<sup>4</sup>

Similarly, exaggerated or even false statements concerning the conventional force structure in Europe are common, which also contribute to negative but unfounded perceptions. Despite their crucial importance for European security, some topics such as non-strategic nuclear forces and ballistic missile defense are practically 'non-issues' in the public sphere. It is therefore difficult for citizens to form considered and informed opinions.

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3. Michael Kofman, What to expect when you're expecting Zapad, 23 August 2017, available at <https://warontherocks.com/2017/08/what-to-expect-when-youre-expecting-zapad-2017/>; Dmitry Gorenburg, Everything You Need to Know: Russia's Massive Zapad Military Exercise, The National Interest, 07 August 2017, available at <http://nationalinterest.org/feature/everything-you-need-know-russias-massive-zapad-military-21814>.

4. Mark Najarian, Senior U.S. Official Warns Of Russia's 'Clear, Real' Threat To The West, Radio Free Europe, 16 November 2017, available at: <https://www.rferl.org/a/us-diplomat-russia-real-threat-brian-hook/28858347.html>; Caroline Mortimer, Russia is preparing for huge war with west, warns Ukrainian President, The Independent, 8 September 2017, available at: <http://www.independent.co.uk/news/world/europe/russia-preparing-for-war-west-europe-vladimir-putin-ukraine-president-military-drill-moscow-crimea-a7936801.html>; Andrius Sytas, Baltic states seek more NATO help ahead of Russian exercise, 09 February 2017, available at: <https://www.reuters.com/article/us-baltic-nato-russia/baltic-states-seek-more-nato-help-ahead-of-russian-exercise-idUSKBN1502HZ>.



Against this background we suggest the launch of a common European website exclusively dedicated to European security. The larger goal is to create a platform that brings together accurate information and thoughtful discussions, which are currently too widely dispersed, and thereby popularise security issues among both journalists and laymen. The project could also serve as an opportunity to rationalise different approaches and concerns by comparing single positions, taking each of them seriously.

Examples of best practice already exist that inform the public debate based on careful research and expert knowledge (see Table 2). Although the focus of these projects in terms of content, style and target audience is somewhat different from the concept suggested here, they can be regarded as benchmarks for orientation.

The initial project website should be available in both the English and Russian language. In contrast to

professional (military) publications to which access is limited either by expensive paywalls or necessary security clearance, the content of the current project must be free and accessible. Because the target audience is the general public, which includes both laymen and journalists, information should be presented in the form of comprehensible articles with background notes, using a journalistic style of writing.

In order to ensure both high-quality content and the maximum different perspectives, the Regional Office for Co-operation and Peace in Europe (ROCPE) of the Friedrich-Ebert-Stiftung in Vienna can reach out to partners and stakeholders in the expert community for cooperation.

These include in particular the OSCE's Network of Think Tanks and Academic Institutions and the European Leadership Network, as well as the International Institute for Strategic Studies (IISS) and the Swedish Defence Research Agency (FOI).

Table 2: Examples of Best Practice

Project	Description
<p><b>Arms Control Wonk</b>  <a href="http://www.armscontrolwonk.com">http://www.armscontrolwonk.com</a></p>	<p>Internet blog founded in 2004 by Jeffrey Lewis, Director of the East Asia Nonproliferation program at the James Martin Center for Nonproliferation Studies, with a focus on nuclear non-proliferation. The website contains almost 3500 articles and also produces a podcast.</p>
<p><b>War on the Rocks</b>  <a href="https://www.warontherocks.com">https://www.warontherocks.com</a></p>	<p>National security and foreign policy website founded in 2013 by Ryan Evans as a podcast. Today it offers both free content and different membership options on a paid subscription basis that allows users to interact with experts directly.</p>
<p><b>NATO and Russian Military Exercises, FAZ</b>  <a href="http://www.faz.net/aktuell/politik/ausland/russia-conducts-three-times-more-war-games-than-nato-15162743.htm">http://www.faz.net/aktuell/politik/ausland/russia-conducts-three-times-more-war-games-than-nato-15162743.htm</a></p>	<p>In August 2017 the German daily Frankfurter Allgemeine Zeitung (FAZ) published an article comparing and visualising military exercises by NATO-members and Russia since 2015. For several months journalists analysed press releases, conducted their own research and addressed defence ministries directly. The investigation was conducted in collaboration with the Swedish Defence Research Agency (FOI).</p>



## **Island 2** **Microfinance Opportunities for** **Vulnerable Groups**

*Ewa Dąbrowska, Pavel Kanevsky, Vitaly Kravchuk  
and Aliya Tskhay*

### Microfinance as an Island of Cooperation

The political conflict between Ukraine and Russia and the resulting war in the Donbas distract attention from the socio-economic problems shared by both countries as well as other countries of the post-Soviet region. For instance, relatively underdeveloped financial institutions in the region means there is limited access to finance for small and micro entrepreneurs. As a consequence of this financial underdevelopment high poverty levels cannot be reduced in a sustainable way. While the contribution of small and micro entrepreneurship to economic growth is not always significant, such types of business activity supported by well-designed policy measures and training can provide an effective means for local actors to get out of poverty.

Post-Soviet countries including Ukraine and Russia share an interest in reducing poverty by supporting small and micro entrepreneurship and improving entrepreneurs' access to (micro)finance. A different set of organisations is active in the domain of microfinance in each post-Soviet country, but experience is not shared, even though the post-Soviet countries have a number of characteristics in common. The individual governments of Ukraine, Russia, and Kazakhstan do not analyse the effectiveness of policy measures in the area of microfinance undertaken by neighbouring countries either. Significant potential exists for cooperation between governments and business and civil society organisations working in microfinance to improve the structural conditions of providing microfinance in the region.

Since the beginning of the 'Ukrainian crisis', the poverty level in the region has increased, both due to the general economic decline and to rising inflation. Refugees from the Donbas region (about 1.7 million

in Ukraine and slightly less than a million in Russia) constitute a particularly vulnerable group in both societies having lost their homes and jobs. The socio-economic security of displaced persons (DPs) is an additional financial burden on the host countries and host regions. For DPs, the only way to finance their living is either to find a temporary job in the town to which they have moved or to set up a small informal business. However, finding employment is often problematic. Many DPs therefore choose to return to the Donbas, in spite of the ongoing military conflict. Loans available to refugees to set up a small business are very expensive. As part of the assistance that could be provided to such vulnerable groups (here, we refer in the main to refugees from the Donbas region) and as a potential area for cooperation between post-Soviet countries and the EU, microfinance presents an opportunity to alleviate the humanitarian crisis in the region.

Apart from supporting vulnerable groups, alternative sources of finance could help develop high-tech industries in the post-Soviet space, which has great potential, but at present lacks adequate financing. In Russia innovation start-ups are likely to look for financial assistance from the government, or government associated funds and grants. In this instance the very process of getting the money is complicated and bureaucratised. The spread of micro loans could solve the issue of innovation commercialisation. Linking alternative finance and technology could foster and diversify dialogue on science, technology and innovation (STI) cooperation between Europe, Russia and Ukraine. It could become particularly useful for restarting Russian-Ukrainian STI dialogue, which has ceased since the Ukraine crisis, especially as both countries face similar problems in terms of the modernisation and commercialisation of its innovation potential.



## Microfinance Organisations in the post-Soviet Context

The informal sector of the economy and the need to introduce microfinance in the post-Soviet states have been present since the collapse of the USSR. The general uncertainty and subsequent economic downfall of the 1990s led to informal ways of income generation. The development of small-scale entrepreneurship, merchants and trade has been prevalent in all post-Soviet republics. Informal businesses were supported during the early years of the former Soviet countries' independence by peer-to-peer lending, a form of non-regulated alternative finance. During the Soviet times, however, people were able to obtain loans at zero-interest from loan societies called *Kassa vzaimoposhchi*, an opportunity lost during the 1990s. As the idea of microfinancing is not new to the post-Soviet region, an opportunity exists for some of the past experiences and practices to be revisited.

Microfinance organisations are underdeveloped in Ukraine. At the present time there is no legal framework for dedicated microfinance organisations. However, micro-businesses may apply for funding from banks and non-bank lenders. The average interest rate (excluding commissions) on new bank loans to micro-businesses is around 20% per annum. If a request for a business loan is declined, informal businesses and start-ups may seek consumer loans. These loans are much easier to obtain. Although no business documentation is required, cash loans of this sort cost 50%-100% per annum. Non-bank lenders in Ukraine include credit unions and finance companies. The latter are not allowed to accept deposits. The credit union loan portfolio is very small - it amounts to just 61 million euros - 14 million of which represents loans to farmers and entrepreneurs. The median interest rate for such loans is 46% per annum. Some finance companies offer 'payday' type loans of several hundred euros for up to 30 days, at 1-2% interest per day. Crucially, there is an opportunity to obtain funding from the state. Unemployed persons wishing to start a new business can receive 12 months' worth of unemployment benefits in a single payment. Such people receive business training and are required to present a viable business plan. Besides, in pilot regions the government (together

with the World Bank) offers trainings and interest-free loans to low-income unemployed for opening new businesses.

The situation in the microfinance sector in Russia is better developed. In 2010, a law on microfinance organisations was adopted. However, it does not distinguish between responsible microfinance organisations and the 'payday' lenders and loan sharks. The law allows organisations of the latter type to register as 'microfinance organisations' and calls the type of credit they provide 'microcredits', which confuses Russian society. As in Ukraine, such organisations charge 1-2% interest per day and offer loans of up to several hundred euros. The majority of loans, however, are small loans of up to 100 euros. In addition, there are almost 2500 credit consumer cooperatives and agricultural credit consumer cooperatives that offer loans averaging about 1000 euros. There is one specialised microfinance bank, several commercial non-bank microfinance institutions and about 15 other banks offering microfinance products. Given the general economic downturn and following sanctions restrictions on access to Western credit, extra measures and programmes are necessary to unleash the potential of domestic credit in Russia, including micro-credit.

In general, limited access to finance for small businesses is not just a structural problem of the financial systems in the post-Soviet countries. Nor are the banks alone to blame for the current situation. Small businesses are frequently informal and their owners therefore do not represent a good risk. Banks consider small business loans to be an especially risky domain due to both the high regulatory and quality-of-credit assessment costs involved and to problems with collateral. Few banks decide to make investments in this area. Nevertheless, it is not inconceivable that small businesses could have access to affordable microloans in the future, which would potentially enable them to leave the grey zone at some point.



## Project Recommendations

To enable Ukrainian refugees, and citizens of other post-Soviet countries to set up small businesses, we propose a series of seminars for microfinance organisations working in those countries aimed at providing an opportunity for the exchange of experience and elaboration of development projects directed at two target groups:

- Vulnerable persons, especially refugees
- Entrepreneurs with an interest in technology

Organisations such as the Russian Microfinance Center, the European Microfinance Network, the Microfinance Center of Warsaw, the Consultative Group to Assist the Poor (CGAP) – a microfinance platform related to the World Bank, BF Consulting – a microfinance company from Zurich conducting projects in the post-Soviet space, and others could come together to elaborate a common project or a number of projects.<sup>1</sup> The presence of representatives from the Russian and Ukrainian governments could be beneficial in facilitating a dialogue towards developing a legislative framework to support microfinance development in these countries.

We propose to explore the issue of microfinance as an Island of Cooperation between the EU, Ukraine and Russia, and possibly other post-Soviet countries. To further understand how micro financing could work in assisting disenfranchised communities, we suggest breaking down the topic into a set of two seminars:

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1. These organisations have direct or indirect links to Ukraine, Russia and other post-Soviet countries. The Russian Microfinance Center was set up in 2002 and is active in defending the interests of the sector. Currently, it unites 400 organisations. In 2008 CGAP conducted its first study on the state of financial inclusion in Russia and has done significant work on microfinance in Russia since. The Microfinance Center is an NGO engaged in training microfinance professionals from the post-Soviet region and advocates good lending practices. The European Microfinance Network unites

### 1. Seminar on Microloans for Informal Businesses

This seminar will target specific issues related to the promotion of microloans to people who want to run their own small informal businesses. The aim of this seminar will be to disseminate information about the availability of microloans and opportunities to use them.

Questions to be addressed during the seminar:

- How to address the problem of Ukrainian refugees specifically?
- How does microfinance business in post-Soviet countries differ from that in developing countries?
- How to withstand competition from dubious moneylenders?
- How to lend to informal businesses?
- What kind of collateral could lenders demand from clients?

### 2. Seminar on Developing Policy Recommendations on Microfinance

Understanding the legislative and financial base of running microfinance programmes in Russia and Ukraine would be essential to ensure the sustainability of such programmes. Moreover, it would be important to engage government representatives and donor organisations in supporting microfinance programmes. Thus, a seminar dedicated to discussion of legislation on microfinance, offering policy recommendations, would contribute further to the implementation of an Island of Cooperation.

Questions to be addressed:

- How to improve legislation on microfinance?
- What kind of policies would support responsible microfinance institutions in the region?
- How to combine loans with some form of development aid?
- What could be done to create mutual microfinance funds for the sake of supporting promising businesses in the post-Soviet space?
- Should microfinance organisations collect savings?



The seminars could be organised in cooperation with Friedrich-Ebert-Stiftung and take place in Vienna. To act as a veritable Island of Cooperation between countries that are in conflict with each other, the seminars could focus on Ukraine and Russia, however, most of the aforementioned organisations have experience in Central Asia and the Southern Caucasus as well. We also anticipate that such a seminar series would have a spill over effect if deemed successful, in terms of the organisation of microfinance institutions and in providing loans to people in the targeted regions. The seminars would help to understand the scope (purposes for loans) and level of requirement (demand from the target population and what type of assistance is demanded) for microfinance in Ukraine and Russia. This, in turn, would be of interest to donor organisations and participating countries in assessing the economic development of border regions in conflict, and in supporting the re-integration of refugees into society.



## **Island 3 Radicalisation: Prevention and Response**

*Anna Gussarova, Giorgi Kanashvili, Yulia Nikitina,  
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### Problem Statement

Radicalisation as a phenomenon has no unified political, legal or academic definition. Prevention and response measures by different governments and international organisations vary according to their understanding, and national, regional or international traditions of dealing with such security threats. As a result, it is difficult for the international community to come to a single undisputed definition of radicalisation without making it too broad and, thus, non-operational. Moreover, the topic is highly securitised, politicised and biased.

Countries have different approaches for dealing with radicalism and the radicalisation process, but rarely exchange experiences. However, the potential for regional cooperation in tackling radicalisation could be high. Radicalisation is often understood as acts of extremism and terrorism, sometimes also including far-right and far-left political parties and xenophobic movements. Radicalisation potentially threatens established social stability and political regimes - acting by violent means or using rhetoric may also threaten the rights and equality of different social groups. Academic research has found a large variety of drivers for radicalisation, which makes it hard for prevention strategies to succeed. Most importantly, it is well known that personal experience plays a huge role in the recruitment process (e.g. subjective feelings of social exclusion, injustice and grievances).

The OSCE works intensively on countering violent extremism and radicalisation that lead to terrorism (VERLT) with both a large number of practical initiatives and analytical reports. Recently, the Organisation published a report<sup>1</sup> aimed at the clarification of definitions and sharing of good practices taken from individual OSCE countries. Our paper complements and develops the previous OSCE reports on radicalisation with additional practical recommendations and one key general recommendation.

### Practical Recommendations of the FLEET Working Group

In recent years, international experience has demonstrated that most successful deradicalisation programmes include three key components: emotional, economic and ideological (religious). Nowadays, 'smart' and soft approaches to deradicalisation are considered to be more successful than military means, and less likely to contribute to the creation of a new generation of extremists. Thus 'smart' and soft inclusive approaches to deradicalisation are needed, targeting youth, women, foreign fighters and the general public. This is a multi-layer challenge, which requests both top-down and bottom-up approaches, with all stakeholders included in the process. It means that there is a need to include civil societies, local communities and NGOs in prevention and response strategies.

### Emotional Component

In addition to explaining the dangers of violent extremism, a community-policing approach and to providing alternative narratives (which might, on occasions create the reverse scenario and attract the attention of youth towards radical ideas), it would be rational to promote alternative healthy ways of channeling the aggression of young people who feel aggrieved or want to obtain higher status within a group, or who are risk-prone. Aggression is perceived in modern societies as an 'outlaw' emotion.

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1. Peter R. Neumann. Countering Violent Extremism and Radicalisation that Lead to Terrorism: Ideas, Recommendations, and Good Practices from the OSCE Region, 28 September 2017. microfinance organisations from Europe. BF Consulting is its member and has been active in post-Soviet countries since the early 1990s. Recently, it has focused its activity on Ukraine.



However, it is natural and normal for human beings to feel aggression, because it is an inherent part of the skill set that has helped humanity survive. Social prohibition of the expression of aggression may lead either to radicalisation or to self-aggression (self-harm, taking selfies in dangerous places, even suicide). Healthy channels for aggression can be elaborated by a working group of psychologists with relevant expertise.

#### Recommendations

- Online computer games involving teams (a psychological expertise of the content is needed);
- (Cross-border) Volunteering in emergencies, internships at fire brigades, and participation in police operations;
- Physical activities requiring some additional equipment and supervision (e.g. mountain hiking or rafting for youth; archeological excavations; team reconstruction of historic battles);
- Business training involving high levels of competition and teamwork.

These activities should complement the existing programmes on response to radicalisation or radicalisation awareness programmes. Funding for these types of activities can be provided both by governments and the private sector in the framework of corporate social responsibility (involvement might include building infrastructure, sponsoring scout camps, hiking teams, etc.).

## The Economic Component

One of the key factors of youth radicalisation within the far-right and far-left movements and parties is economic instability and lack of life predictability. Young people across the OSCE region share common challenges such as: precarisation of labour, lack of jobs (structural unemployment), the inappropriateness of received education to the actual needs of business. The so-called 'lost generation' has rational reasons to feel lost, abandoned and betrayed. Populist and anti-establishment parties and politicians appear to offer an alternative. They promise rapid change to the current economic situation of young people, very often by creating

an image of the 'enemy'. Illiberal parties present refugees, Muslims, Jews, Roma, 'others' and 'elites' as the source of the aforementioned problems. A xenophobic approach has an increasing socio-economic dimension.

Youth radicalisation is strongly connected with a crisis of the welfare state. Deregulation, privatisation and social cuts have heavily demolished state effectiveness in providing health care, education and social care. Access to welfare state services such as kindergartens, hospitals and schools has diminished from decade to decade. Not only does the youth of today have less chance of getting a good and stable job, they are also less likely to enjoy good quality public services. Neoliberalism and populism are two sides of the same coin.

#### Recommendations

- Promotion of open dialogue with exploited and alienated representatives of precarious youth, within a given country and possibly in a regional context;
- Pilot programmes of jobs-sharing in countries facing structural unemployment among youth;
- Involvement of trade unions and NGOs in anti-radicalisation programmes at schools and universities;
- Promotion of the idea of a high minimum wage and other steps that prevent 'social dumping' between OSCE countries.

## Ideological (Religious) Component

The current approach towards deradicalisation is partially driven by the lack of political consensus over which tools to use in order to counter the ideological dimension of radicalisation. The ideological dimension is usually narrowed down to the religious dimension, which is a problem in itself. If we analyse just the religious component, the reasons for religious radicalisation differ between Muslim countries and non-Muslim ones. For instance, in Muslim countries the following aspects are usually seen as drivers for religious radicalization: religious illiteracy; the influence of foreign countries' ideological and religious organisations; domestic political stability





advocacy and inclusion. In non-Muslim countries, barriers to political and socio-economic integration of Muslim communities, the lack of autonomous Muslim political institutions and access to religious education could increase the level of radicalisation. However, there are some similarities between both societies, as well as the transnational linkage and spillover effects. The OSCE member states and its partner organisations have already launched a number of programmes, which includes support for competent Muslim NGOs in order to mitigate radicalisation risks.

#### Recommendations

- Monitoring missions to measure the level of radicalisation within the OSCE countries;
- Educational communication campaigns (through different types of media, including social media) as prevention tools in the battle against violent extremism with regional dynamics;
- Support local educational institutions in improving existing programmes, or elaborating new interreligious educational programmes.

#### Key Final Recommendation: An OSCE Manual of Practices

The OSCE has made a great contribution to counter VERLT, however, some gaps in practical knowledge still exist. We suggest a comprehensive review of radicalisation prevention and response practices in the OSCE countries to complement the 2017 report by Peter R. Neumann, which has a limited number of case studies taken mainly from North America, Western and Northern Europe, the Western Balkans and Central Asia (most Eurasian countries and eastern Europe are missing from these cases studies).

The analysis could be launched via the framework of the OSCE Network of Think Tanks and Academic Institutions. This network already has experience of conducting research concerning threat perceptions in the OSCE area.

In order to understand what is going wrong with current practices and how to address the issues more

efficiently, it is necessary to conduct comprehensive multi-layer research. We propose mapping the existing programmes and practices, analysing their strengths and weaknesses, and seek to shed light on the missed opportunities and to suggest future directions. This new comprehensive research could start with legal and terminology analysis at institutional and operational levels – looking at how the OSCE states define radicalisation, how they prevent it and fight against it. The research will provide the OSCE with updated information regarding the radicalisation trends in the OSCE area and offer the possibility of evaluating the existing practices and identifying new fields for cross-border cooperation. Simultaneously, the research will provide member countries with specific recommendations that they might also use for updating and improving their state deradicalisation approaches as well.

The study of different strategies of prevention and response will allow best practices to be shared and mistakes to be prevented. The description of the cases should be detailed and contain some guiding instructions. It is envisaged that the resulting OSCE Manual of Practices on Countering Violent Extremism and Radicalisation that Lead to Terrorism, will stand together with the UN and NATO manuals as a valuable tool in the fight against radicalisation and extremism.



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## ***FES ROCPE in Vienna***

The goal of the FES Regional Office for Cooperation and Peace in Europe (ROCPE) of the Friedrich-Ebert-Stiftung in Vienna is to come to terms with the challenges to peace and security in Europe since the collapse of the Soviet Union a quarter of a century ago. These issues should be discussed primarily with the countries of Eastern Europe – Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine – and with Russia, as well as with the countries of the EU and with the US. The security order of Europe, based until recently on the Helsinki Final Act (1975) and the Paris Charter (1990), is under threat. This is, among others, a result of different perceptions of the development of international relations and threats over the last 25 years, resulting in divergent interests among the various states.

For these reasons, ROCPE supports the revival of a peace and security dialogue and the development of new concepts in the spirit of a solution-oriented policy. The aim is to bring scholars and politicians from Eastern Europe, Russia, the EU and the US together to develop a common approach to tackle these challenges, to reduce tensions and to aim towards conflict resolution. It is our belief that organizations such as the FES have the responsibility to come up with new ideas and to integrate them into the political process in Europe.

We support the following activities:

- Regional and international meetings for developing new concepts on cooperation and peace in Europe;
- A regional network of young professionals in the field of cooperation and peace in Europe;
- Cooperation with the OSCE in the three dimensions: the politico-military, the economic and the human.

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