Atlantic Council

Nordic-Baltic Security in the 21st Century:

The Regional Agenda and the Global Role

Edited by Robert Nurick and Magnus Nordenman

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Foreword

The Nordic-Baltic region has undergone a remarkable transformation over the last twenty years, from a region of potential competition and instability in the aftermath of the collapse of the Soviet Union to a place of robust stability, deep Euro-Atlantic integration, and economic dynamism. This transformation was by no means preordained; it was the result of skillful execution of policy in Washington, the Nordic-Baltic countries, and beyond. Today, the accomplishments of the Nordic-Baltic region may represent the epitome of the US objective of a Europe whole, free, and at peace.

Over the last twenty years, the United States joined with its Nordic partners to support the restoration of independence of the Baltic states, secure their sovereignty, and support their successful efforts to join NATO and the EU. As we look toward the next twenty years, increasing regional integration and cooperation offers the prospect of the region playing a much larger role in transatlantic and global security. The countries of the region are already significant contributors to NATO and EU missions, ranging from Afghanistan to the Horn of Africa, and Sweden and Finland are today close NATO partners as well as active players in the formulation of the EU's external policies. With deepening regional cooperation on defense, security, and foreign policy, the Nordic-Baltic region is poised to assume more responsibility as a constructive leader in transatlantic and global security in concert with the United States, NATO, and the EU.

This compendium of policy papers seeks to capture the remarkable transformation of the Nordic-Baltic region, convey the range of perspectives from the region on the security challenges they face, take stock of what remains to be done at the regional level, and suggest actionable ways ahead to further deepen collaboration. Relatedly, it seeks to identify what the Nordic-Baltic region can do to play a larger role in the transatlantic context. The papers are the result of the deliberations of the Atlantic Council's year-long Transatlantic Initiative on Nordic-Baltic Security, which is generously supported by Sweden's Ministry for Foreign Affairs. The initiative aims to raise awareness in Washington on Nordic-Baltic security issues, provide a forum for informed discussion and debate on the region and its role in the world, and develop policy proposals on how greater regional cooperation can better address key foreign policy and security challenges. To achieve this, the initiative has included strategy sessions with policymakers and senior leaders from the Nordic-Baltic region and the United States, expert roundtables on key issues, collaboration with the intergovernmental enhanced Partnership in Northern Europe (e-PINE) bringing US officials together with those from the eight Nordic and Baltic countries, as well as written products by some of the leading analysts and experts from the region and the United States.

The Council intensified its focus on the Nordic-Baltic region over the past two years as a result of hosting numerous Nordic and Baltic senior officials, including presidents, prime ministers, foreign and defense ministers, and chiefs of defense. These strategy sessions underscored to the Washington policy community that the Nordic-Baltic region was cooperating on an increasing array of issues—indeed, it was increasingly acting as a region. However, there was little serious discussion about the region in Washington, and even less analysis about the implications of increasing regional integration on transatlantic relations. Therefore, at the urging of Atlantic Council board director ambassador Henrik Liljegren, the Council began the Transatlantic Initiative on Nordic-Baltic Security.

This collection of policy papers, the result of that effort, is especially timely, as 2011 is the twentieth anniversary of the Baltic states regaining their independence. This anniversary reminds us that the future of the region was once at the top

of the Washington policy agenda. The Atlantic Council's Transatlantic Initiative on Nordic-Baltic Security has been an effort to emphasize that the region once again should be on Washington's agenda, as the Nordic-Baltic countries, acting as a region, offer the United States a strong, dynamic partner whether working together on supporting reform in Europe's east, advancing European energy security, or defending against cyberattacks.

I want to thank Sweden's ambassador in Washington, His Excellency Jonas Hafstrom, one of the most strategic and creative thinkers in the diplomatic corps, for his personal involvement in this project, as well as Council Executive Vice President Damon Wilson and Council Senior Fellow Robert Nurick for their leadership in this effort. Magnus Nordenman, associate director of the Council's Program on International Security, also deserves great credit for his characteristically effective day-to-day management of this initiative.

The Council's mission is to renew the Atlantic community for twenty-first-century global challenges. The Nordic-Baltic region can and should play a leadership role in helping the transatlantic community tackle the many challenges that lie ahead.

Frederick Kempe
President and CEO

"Loose Ends and Their Virtues": Or, a conceptual non-framework for Nordic-Baltic security cooperation

By Edward Lucas

Look at the security arrangements for the eight countries of the Nordic and Baltic region and two things are immediately apparent. The countries that have the greatest needs have the worst security. And the countries that have the strongest defense are divided.

Estonia, Latvia and Lithuania are among the militarily weakest members of NATO. Only Estonia comes close to spending 2 percent of its GDP on defense—the NATO target. The latter two spend pitifully little on their military, around or below 1 percent of their GDP. Latvia has largely given up territorial defense and concentrates on supporting the mission in Afghanistan. In strictly military terms, this is the correct priority. NATO does not expect individual member states to plan for territorial defense. But Latvia's weakness is underscored by problems with its nonmilitary security, particularly in customs and border controls on its border with Russia and Belarus. Police forces in Nordic countries have complained about corruption there (a "happy hour" reputedly cost around €18,000 in late 2010), as crime, migration and narcotics easily travel through Latvia to its western neighbors. Lithuania's military is similarly overstretched and underequipped. Even Estonia, which spends almost 2 percent of GDP on defense, is finding it hard to maintain a proper security profile: NATO air-policing flights over Estonia were suspended in mid-2011 because all three of the country's rescue helicopters were out of action, breaching a NATO guideline.

The presence of the NATO air policing squadron, based at the Šiauliai Air Base in Lithuania, reflects a decision that it would not make sense for the three small countries to spend the large amount of money necessary to build up their own air force, either jointly, or worse, individually. The air-policing presence (combining the Baltic states' own NATO-standard radars with the visiting warplanes) was for a long time the most practical expression of the Alliance's expansion in the region.

Four warplanes alone (the French contingent at the time of this writing) can act as a symbolic tripwire, and can (at least in theory) deal with one-off intrusions. But the real defense against any putative Russian attack or subversion is based on NATO contingency plans, still somewhat sketchy, that involve reinforcement by Polish land forces, coupled with air support from an American carrier battle group somewhere in the North Sea. Such plans have yet to be backed up with force posture or substantial exercises.

By contrast, the Nordic countries have real military capabilities. Sweden's air force, Finland's artillery, Norway's navy and Denmark's expeditionary capability are among the best in Europe. Combined, the four continental Nordic countries would be one of Europe's military heavyweights. Yet they are not combined. Sweden adopts a policy of muscular friendship with NATO, but is not a formal member of the Alliance. Finland is jumpier, not least because of the personal hostility toward NATO expressed by the president, Tarja Halonen. Denmark is an ultra-loyal atlanticist wedded to the idea that America is the prime security guardian for Europe, and that anything that weakens or muddles the transatlantic relationship is to be avoided.

So although the pieces of the jigsaw make sense, nobody wants to put them together. The Stoltenberg Report about Nordic security cooperation in 2009, much delayed, had interesting proposals about cooperation between the Nordic five, but failed to meet expectations with regard to the Baltic states, giving only the most elliptical reference to defense cooperation outside the region.

Sweden is happy to support the NATO mission in Libya. Its "Solidarity Declaration"[1] of 2009 marked an important

1 Discussed at length in "Solidarity and Sovereignty – The Two-Dimensional Game of Swedish Security Policy" by Magnus Christiansson (Department of Strategy, Swedish National Defence College) published by the Baltic Defence College, Tartu http://www.bdcol.ee/files/files/BSDR%20vol%2012%20,%20no%202%202010.pdf

shift toward greater regional engagement. Swedish public opinion, and the opposition social democrats, seem happy to see it within an EU framework. But with public opinion in mind, Swedish policymakers regard any discussion of NATO membership as irrelevant and counter-productive.

Conversely, the Baltic states are glad to have NATO membership. They are even happier to have American-led exercises to back up their contingency plans. They talk quietly to their Finnish and Swedish neighbors but are unwilling to dilute the security that NATO provides with any taint of regional cooperation or involvement by "neutrals" (This is actually a misnomer: Sweden's official position is that it is not a member of any military alliance, which is not quite the same as neutrality.)

The stumbling block here is the desire for tidiness. Practical questions about security and defense cooperation are brushed aside in favor of the reductive (and to my mind, tangential) question of "whether Sweden and Finland are going to join NATO." A similar distraction is the question of when and if the EU will develop its own defense capability. Not only is this prospect politically invisible given current conditions, but the likelihood of it providing a credible alternative to the American-backed Article 5 guarantee in the event of a real showdown with Russia seems too far-fetched to contemplate. It is certainly no grounds for delaying practical cooperation now. Another slightly less-distant prospect is enhanced UK involvement in the region. Much attention surrounded prime minister David Cameron's Nordic-Baltic summit in January 2011, but the event focused on social and economic ideas such as e-government and health-care reform, rather than security, and there has been little follow-up. Even in their current state, Britain's armed forces would be a welcome addition to new defense configurations in the Baltics but they cannot be central.

My aim in this paper is to present a different framework of analysis, focusing on the immediate and practical gains from strengthened Nordic-Baltic cooperation, and leaving the distant and theoretical questions for later—or for never.

The key conceptual point is to accept that Finnish and Swedish security is intimately and irrevocably linked to the security of the Baltic states. If—to take one possible scenario—law and order were to break down in eastern Latvia or north-eastern Estonia, and Russian irregular forces were to exploit the situation, the result would be catastrophic for countries across the Baltic sea.

It is not just that business confidence would plunge; that Swedish and Finnish banks would find their borrowing costs and bad loans soaring; that supply chains for companies such as Ericsson would be disrupted and that customers would vanish; It is also the fact that there would be upheavals of economic and political migration, and world attention on the region as a zone of instability rather than one of prosperity and security. During the Cold War, the Iron Curtain ran across the Baltic Sea. Finns and Swedes could shut their eyes to the devastation and suffering in the occupied Baltic states. Not any more. Narva, Daugavpils and the transit routes across Lithuania to Kaliningrad are national security issues for policymakers in Stockholm and Helsinki, whether they like it or not.

With that in mind, a policy of non-intervention and neglect is not an option. We have already seen huge efforts by the Finns, for example, to bring Estonia's border guards up to the best EU standards. It would be pointless to keep Finland's long land border with Russia safe from drugs, terrorists, illegal migrants and other unwelcome transit if the same cargoes can slip across the Estonian-Russian border (a similar effort is now needed with Latvia). Finland has also made sure that Estonia's air-defense radars are of the same high capability as its own. Sweden has quietly but effectively provided large amounts of surplus (mostly non-lethal) military equipment from its old Cold War arsenals to all three Baltic states. Such efforts have laid the foundation for Baltic security.

The second conceptual point to grasp is that Nordic security already transcends the NATO or non-NATO divide. Behind the scenes Swedish and Norwegian officers, planners and spooks talk regularly (often with the Finns panting nosily behind for fear of being left out).

The task now is to focus not on big theoretical breakthroughs but on piecemeal practical progress, widening and deepening the existing cooperation wherever possible, starting with the least controversial elements and saving the difficult ones for later, when they may seem less threatening. Interoperability and joint procurement offer plenty of scope; so too does information sharing. This need not be full intelligence cooperation: simply developing maritime and airspace surveillance and emergency/rescue planning will bring big benefits. Next can come exercises; the Swedes could take part in Steadfast Jazz in 2013 (the American-led NATO exercises in the Baltic) as participants, rather than mere observers. The Baltics can be invited to take a more active role in Norway's annual Cold Response.

The more that the militaries and officials of the eight countries get to know each other, the more they will build trust and ultimately reap the benefits of their interaction, causing the remaining hurdles to diminish.

Given the need for low-profile cooperation instead of grand designs, I hesitate to set any concrete target. But one idea is worth considering: The Baltic air policing rota is potentially the single most vulnerable bit of the NATO commitment to its new members, largely because it involves real countries doing real things. The fudging of contingency plans, America's force posture review, or the postponement of exercises do not affect Baltic security directly, but air policing is vital. Countries that cannot control their air space lack an essential attribute of state sovereignty. As soon as Estonia, Latvia and Lithuania joined NATO, their allies began the policing mission. So far, the rota has always been renewed (the current one runs out in 2014), but any lack of enthusiasm by NATO members, or thinning out of the commitment, would be seized upon by Russia as a sign that the Baltics are "NATO-lite" rather than full members. It would also have an important psychological effect in the Baltic, eroding confidence (still surprisingly fragile in some quarters) in the post-1991 order.

My suggestion is to bring Sweden and, if possible, Finland into that rota as soon as possible. Doing so will share the burden of defending the Baltics with the two countries that most benefit from the security of their three small neighbors. It will be a powerful sign to Russia that the West's commitment to the Baltics is not a fit of temporary sentiment but the result of a lasting geopolitical embrace. An immediate step toward this goal would be for Estonia, Latvia and Lithuania to start offering aircrew and ground personnel for training in the Swedish air force, accompanied by a modest but more than symbolic financial contribution. In five years' time it is quite possible to imagine that the Gripen JAS-39 (or F-16) shepherding a "lost" Russian bomber out of Baltic airspace is flying from a Latvian airfield, flown by a Swedish pilot with a Finnish navigator, guided by a Lithuanian-run radar network and maintained by an Estonian aircraft engineer.

I do not discount the difficulties of achieving this vision. The Baltic states will need convincing that this does not dilute the core NATO commitment to their security. The question of the Article 5 guarantee is an especially hard one. If that plane is fired on, does NATO have to go to war? I would put this in the same category as many other hard questions, such as "Would the United States risk World War II to stop Russia from seizing Narva?" The point about security and defense planning is to create an environment in which the hard questions never get asked, because so many of the easier questions have already been resolved. Nordic-Baltic defense cooperation, like many other things, may look flimsy in theory. But in practice it can work soundly and effectively.

It is tempting to give this new arrangement a label: "NBC," for example, for "Nordic-Baltic Cooperation." But I think the effect will be more powerful without presenting a clear target to critics. Picking holes in practical cooperation that offers an obvious benefit is much harder than quibbling about principles and labels.

Besides tweaking the conceptual framework for regional defense, the Baltic states themselves need to keep their own security priorities clearly in mind. The main concerns are not military; rather, they are social, economic and diplomatic. But they underpin the three countries' credibility and attractiveness in the eyes of allies. For example, the continuing fiasco over energy security casts all three Baltics, but particularly Lithuania, in a bad light. Fully twenty years after the restoration of independence, and a decade since it was clear that Lithuania's Ignalina Nuclear Power Plant must be closed, plans to replace it still exist only on paper. In gas and electricity, little has been done to diversify supply, increase resilience, and reduce Russian influence. The lure of east-west transit trade has proved far more attractive, especially in Latvia, than the development of north-south rail and road routes that would integrate the three states properly into the rest of Europe. Migration as a result of the economic crisis also has corrosive effects, particularly in Latvia and Lithuania. Depopulated, vulnerable countries, run by questionable politicians, will find it hard to gain the attention they need when it comes to difficult questions of hard security.

The Baltic states also need to separate their security concerns from the wider East-West agenda. If every nuance of the "reset" in American (and later Polish) diplomacy is scrutinized for its effect on Baltic security, the result is exactly what the mischief-makers in the Kremlin want. The Baltic states become pawns in a bigger game, objects rather than subjects. It is unlikely that Europe and America will ever see their relations with Russia in the robust, clear-sighted way that the Baltic states would wish. But imperfection does not necessarily mean catastrophe. Avoiding the impression that the Baltic states are paranoid and needy consumers of security is the best way of ensuring that when help is needed, it will be provided. During the negotiations around NATO enlargement, the late Ron Asmus used to caution his friends in the former captive nations against "running into the room with their hair on fire." That was sound advice then and remains so now. The final message of this paper is that though plenty remains to be improved, with potential benefits all around, Baltic security has by historical standards never been in better shape.

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Sweden, Finland and NATO: Security partners and security producers

By Dr. Ann-Sofie Dahl

Sweden and Finland belong to a category all by themselves in the community of PfP (Partnership for Peace) countries. As old and solid democracies in a peaceful and stable corner of Europe, with similar long histories of peacekeeping experience, and with military contributions to most NATO missions since the end of the Cold War, the two countries appear to have little in common with the rest of the countries that make up the diverse PfP group.

Sweden and Finland readily fulfill all requirements for membership in the Alliance, politically as well as militarily; their applications would, according to some NATO sources, be a mere and quick matter of formality. Within PfP, they stand out as trusted security providers, rather than consumers, which can be relied upon to contribute militarily when need be. As a matter of fact, within NATO proper, Sweden and Finland are often seen as closer to NATO in many ways than several actual allies because of their substantial contributions and close cooperation with the Alliance. Yet, in spite of this impressive record, both countries have so far chosen to remain on the outside and to abstain from NATO membership.

Why is that? These two countries, in many ways such natural allies, remain on the outside, voluntarily abstaining from the influence and security guarantees included in membership, and with no visible signs of approaching a change of doctrine? What is the actual nature of their relationship with NATO and how is it likely to evolve? What, if anything, could bring them—jointly or separately—to fill out their membership application forms and deliver it to NATO HQ?[1]

Two countries, two doctrines

Outsiders may be excused if they tend to deal with Swedish and Finnish nonalignment as one. On the surface, and in addition to a multitude of cultural, political and other similarities, the security policies of the two Nordic countries may come across as close to identical, with similar labels of "neutrality" and "nonalignment" attached to their doctrines over the years.

In reality, however, there are great differences in the background and origins of the two doctrines. "Swedish neutrality"—a term no longer officially used after the country entered the European Union in 1995—and nonalignment date back to the Napoleonic wars; Sweden has had the rare privilege of living in peace ever since. Swedish nonalignment is one of political and national choice, and served from the 1960s through the 1980s as a political platform for an extensive activist policy, a self-assigned role as the "moral superpower" between the two blocs. The two superpowers were seen at the time, at least in official rhetoric, as morally and politically indistinguishable, in spite of the profoundly different political and moral systems that they represented.[2] This activism resulted in a far-reaching Swedish presence in the Third World, focusing on various forms of political support to radical, and often strongly anti-American, regimes, such as Cuba, the Sandinistas in Nicaragua, and Vietnam.

1 My thanks to Pål Jonson, Foreign Policy Advisor, Swedish Parliament, for his helpful comments on a preliminary version of this paper. For an extended version of this text, see the chapter on Sweden, Finland, and NATO by Ann-Sofie Dahl and Pauli Järvenpää in the forthcoming volume on *Security in the Nordic-Baltic Region in a Post-Unipolar World*, Ann-Sofie Dahl and Pauli Järvenpää (editors, 2012).

2 For an analysis of various aspects and policies of "the moral superpower," see my book with that title (Dahl/ Nilsson, *Den moraliska stormakten*, 1991). For an updated version in English, see "Sweden: Once a moral superpower, always a moral superpower?" in *International Journal* (Ottawa), Autumn 2006.

However, as became clear after the collapse of the Berlin Wall, Sweden maintained an elaborate policy of "double doctrines" during the Cold War. Parallel to the highly visible neutralist posture of the "moral superpower" there was also a separate, top-secret bilateral arrangement with a number of NATO countries, and to some extent with NATO proper, to ensure military support in the event of an attack by the Soviet Union.

This military cooperation which the officially neutral and nonaligned Sweden entertained with NATO and a number of NATO countries has been the subject of a number of investigations and studies since the early 1990s, when a first government report was presented on the controversial subject.[3] As was documented in that study, the top secret program started already in the early 1950s, with extensive preparations to facilitate the exchange of military support and sharing of intelligence with the Alliance and its members. It was primarily conducted with the two Nordic NATO allies, Norway and Denmark, Great Britain, and the United States.

Because of the valuable contribution and the role that the nonaligned country played for the Alliance during the Cold War, Sweden was actually referred to within NATO as its "seventeenth member"—this was, of course, at a time when NATO membership totaled sixteen.[4] Meanwhile the Swedish public was told that their country maintained a policy of strict neutrality between the blocs.

Swedish nonalignment and previously neutrality have thus been significantly more political in nature than its Finnish counterpart. Though Finland too was an active peacekeeper and mediator under UN auspices, Finnish nonalignment and neutrality have primarily been the result of geopolitical necessity. It is a direct consequence of the immediate geographic proximity of the country to the Soviet Union, now Russia, with which Finland shares a 1,300 kilometer long border, and with which it has fought two tragic wars in modern times. Finnish neutrality and nonalignment have been a matter of basic realpolitik, an instrument to avoid being absorbed by its giant neighbor. Thus, the term "Finlandization," used to describe the skillful maneuvering of Finnish politicians to uphold sovereignty under severe political and military strain.

While both countries place Russia at the center of their security concerns and defense planning, the Finnish perspective toward Russia remains one of more direct strategic concern. As then-Finnish defense minister Jyri Häkämies put it in surprisingly blunt terms at a presentation at the Washington think tank CSIS, there are three strategic problems on which to focus for Finland: "Russia, Russia, and Russia."[5] The 2009 "Russia Action Plan" was the first ever of its kind, reflecting the fact that Russia is now once again Finland´s most important trading partner.[6] The Action Plan provides guidelines for the management of Finnish relations with Russia from a broad and multifaceted perspective, with representatives from government as well as industry and business and the academic community involved in its work.

For both countries the Russian invasion and occupation of Georgia in August 2008 was seen as a reminder of the hazards of living next door to an increasingly confident and aggressive great power. It took several months for Swedish-Russian relations to recover after foreign minister Carl Bildt´s exceptionally—and unusually—harsh statement at the onset of the conflict, comparing Russian aggression in Georgia to Nazi Germany´s attack on central Europe.[7]

NATO partners

With the collapse of the Cold War and the dissolution of its Soviet neighbor, Finland took rapid advantage of the strategic window of opportunity, determinedly moving towards the West. The Finnish decision to purchase the F-18 Hornet, rather than the Swedish Gripen, temporarily strained relations with the Nordic neighbor in the 1990s, but was a solid manifestation of the country´s strategic perspective.

The two countries simultaneously joined the EU in 1995 after national referenda had been held the previous year. To Sweden, membership in the EU was primarily an economic issue, while for Finland—which took one further step of integration when joining the European Monetary Union—it was also a matter of national security. With EU membership, the term neutrality was gradually removed from official language of both countries; for an EU country to remain neutral if another is militarily attacked is seen as inconsistent with the basic idea and commitment of membership.

Sweden and Finland also moved in tandem to upgrade their relations with NATO in the post-Cold War world.[8] They were the first to sign up for the newly created

3 *Had there been war…* (Stockholm: SOU, 1994:11). Other studies include Robert Dalsjö, *Life-line Lost: The Rise and Fall of "Neutral" Sweden´s Secret Reserve Option of Wartime Help from the West* (Stockholm, Santérus Academic Press, 2006), and most recently Mikael Holmström, *Den dolda alliansen: Sveriges hemliga NATO-förbindelser*. (Stockholm: Atlantis, 2011).

4 Ann-Sofie Dahl, *Svenskarna och NATO* (Stockholm: Timbro, 1999).

5 Presentation by Jyri Häkamies, CSIS, September 5, 2007.

6 "Russia Action Plan," Government of Finland, April 16, 2009. Available at: http://formin.finland.fi/public/download.aspx?ID=42535&GUID={448538DA-BD92-4814-9B57-3590FB386721}.

7 Bildt´s statement is quoted in English by Ron D. Asmus in *A Little War That Shook the World. Georgia, Russia, and the Future of the West* (New York: Palgrave Macmillan, 2010), p 42.

8 Leo Michel presents a thorough analysis of Swedish-Finnish relations, primarily military, with NATO in "Finland, Sweden and NATO: From "Virtual" to Formal Allies?", *Strategic Forum*, National Defense University, Washington, DC, February 2011.

Partnership for Peace program in 1994; in the Swedish case, this was a significant step forward from the previously secret arrangement with the Alliance. References to the "significance of the transatlantic link" were also included as regular ingredients in official speeches and declarations, and have remained part of the official agenda of all governments, regardless of political color.

In the aftermath of the September 11 attacks on the US, Swedish prime minister Göran Persson paraphrased the *Le Monde* headlines in declaring in Riksdagen that "Today, we are all Americans"—a statement which would have been unthinkable by previous social democratic prime ministers.

As nonaligned partners, Sweden and Finland have participated in almost every NATO mission since the end of the Cold War, starting with SFOR and KFOR—in which Finland became the first PfP framework nation responsible for one of the regional forces—and with ISAF as their most demanding operation. In 2011, there were approximately 500 Swedish soldiers and 180 Finnish troops in the Swedish-led Mazar-e-Sharif camp in northern Afghanistan; Sweden is actually the only non-NATO European country to lead a PRT in Afghanistan.[9]

Both countries have also hosted a number of NATO exercises; air and sea exercises in the Finnish case while Sweden arranged an exercise on Swedish ground in 2009 called Loyal Arrow, with Finnish participation in addition to eight allied countries. Another first was the US-Swedish bilateral exercise which took place in Sweden in August of 2010 in Luleå located in the northernmost part of the country.[10]

However, Sweden and Finland took separate paths in the case of the Unified Protector mission in Libya in 2011. While Sweden participates—again, as the only European non-NATO country—with primarily a group of JAS-39 Gripen fighter jets performing surveillance tasks on NATOs behalf, Finland has for mainly domestic reasons opted to stay out of the conflict, although there has been a capabilities build-up of the Finnish F-18s precisely for missions of this kind. The strongest opposition has been voiced by the president herself, who has effectively blocked a Finnish contribution.

In addition to Finnish and Swedish participation in NATO operations, both countries provide active contributions to a number of missions run by the EU as a consequence of their membership in the union and in strong support of the Common Security and Defense Policy. Sweden has, for instance, dispatched land forces to the African continent in support of the EU missions in Congo and Chad, and participates in the EU antipiracy operation off the coast of Somalia.

The regional perspective

Not all involvement has taken place in far-away countries or on other continents. With the end of the Cold War, the regional perspective became a priority as a result of the increased sense of instability in the Baltic Sea.

In the 1990s, great efforts were made by the two countries to facilitate the membership applications by the three small and vulnerable Baltic countries to NATO, in spite of the fact that Finland and Sweden themselves were not members of the Alliance. Then-prime minister Carl Bildt was personally involved in the negotiations to withdraw Russian troops from the Baltic states.[11] Extensive programs were designed and implemented by the two Nordics, with Finland taking Estonia under its wings and Sweden working closely with both Estonia and Latvia, to improve the political and military readiness of the three Baltic countries. Much of this support was carried out in close cooperation with the United States.[12]

In the new millennium, Sweden has gradually taken on the role of a regional defense organizer. As part of this ambition, it has served as lead nation of the Nordic Battle Group under EU auspices—Finland actually participates in two battle groups, the Nordic plus the German-Dutch—and has pursued an increased level of regional defense cooperation through the build-up of the Nordic Defense Cooperation, a new structure which goes by its acronym, NORDEFCO.

During the last decade or so, bilateral defense cooperation has gradually expanded between the Nordics, with Finland and Sweden performing joint maritime and air force exercises.[13] This growing cooperation was upgraded, coordinated and brought to the regional level in 2009, as the five Nordic defense ministers from Sweden, Finland, Denmark, Norway, and Iceland agreed at a meeting in Helsinki to consolidate their various forms of joint military tasks and contacts into one single structure, NORDEFCO.[14]

9 Michel 2011, pp 7 and 13.

10 On recent Swedish exercises with NATO, see Magnus Nordenman, "Sweden developing greater regional defense role," *Atlantic Council* (July 28, 2010).

11 Bildt provides a personal account of this process in an article in *Foreign Affairs*, "The Baltic litmus test" (September/October 1994).

12 An account of Nordic policy in the Baltic in the 1990s is provided in Ann-Sofie Dahl, *US Policy in the Nordic-Baltic Region* (Stockholm: Santérus, 2008).

13 Details of the military cooperation between the Nordics, including the NORDEFCO, are outlined by Pauli Järvenpää and Tomas Ries in "The Rise of the Arctic on the Global Stage," in James Kraska (ed.), *Arctic Security in an Age of Climate Change* (forthcoming, Cambridge: Cambridge University Press, 2011).

14 For a thorough analysis of NORDEFCO and the consequences for Nordic-Baltic security, see the chapter by Pauli Järvenpää in the forthcoming volume on *Security in the Nordic-Baltic Region in a Post-Unipolar World*, edited by Ann-Sofie Dahl and Pauli Järvanpää (2012).

One reason for the expanded degree of cooperation at the regional level is budgetary: like most countries, the Nordics have had to cut their defense costs. Finland has reduced the national "wartime" troops—from an exceptionally high level—but the most dramatic changes have taken place in Sweden, which has embarked upon a major restructuring of its military. The most visible sign of the transformation of the Swedish military was the decision in 2010 to end conscription and replace it with an all volunteer force, a move which provoked an intense debate in the country.

With such major transformations, NORDEFCO provides a money-saving device as the five Nordics pool their resources, as well as an instrument to increase the efficiency of their military forces. Covering a wide area of defense cooperation, with more than 140 areas identified for potential cooperation—ranging from military education and joint exercises to matters of procurement and practical cooperation in Afghanistan—NORDEFCO is indeed a historical step in terms of regional cooperation. The three Baltic countries were invited to join NORDEFCO at a formal meeting in Tallinn in January, 2011.[15] At the time of writing, a response is still pending from the Baltic countries. They are however known to consistently favor NATO as their security partner, and have historically taken a skeptical view towards previous proposals for regional security arrangements under the auspices of their nonaligned neighbors.[16]

For Sweden and Finland, military cooperation with the three NATO allies (six if and when the Baltic countries join) in NORDEFCO provides added insight into the practices and thinking in the Alliance. But the outside status of the two partner countries also limits the amount of involvement and level of confidentiality shared by the allied neighbors. Among the allies, Denmark was a reluctant latecomer to the field, having voiced great skepticism beforehand with regards to the eventual outcome of this joint Nordic venture. Though Denmark was deeply involved in supporting the Baltic countries in the aftermath of the Cold War, making an important contribution to their final acceptance into NATO in spite of considerable opposition, Denmark has since basically abandoned the regional perspective in favor of its overseas commitments, primarily in Iraq and Afghanistan.

Many of the activities already undertaken or outlined as potential areas of cooperation within NORDEFCO correspond to the suggestions provided by former Norwegian foreign minister Thorvald Stoltenberg in his 2009 report.[17] But the article of the Stoltenberg Report proposing that the Nordics extend a mutually binding security guarantee has not met with much, or any, enthusiasm among the regional actors, all of whom apparently prefer their existing doctrines to a joint Nordic security guarantee.

Nevertheless, the issue of a Nordic solidarity statement had surfaced already in 2007, and again in 2008, in an effort to coordinate policy with Articles 42.7 and 222 in the Lisbon Treaty which provide the EU with its own "soft" version of a security guarantee. A "Solidarity Declaration" was issued in both Finland and Sweden in 2009, declaring in both cases that their country would not remain passive if another EU country or a Nordic neighbor, Norway and Iceland included, was the victim of an outside attack or struck by disaster; in addition, they expected solidarity to be reciprocal, so that they themselves would benefit from a similar kind of assistance from their Nordic and EU colleagues.[18] A common Nordic Declaration of Solidarity was presented at the biannual meeting of the Nordic foreign ministers in Helsinki on April 5, 2011.[19] The Nordic declaration stated in similar terms that "…should a Nordic country be affected, the others will, upon request from that country, assist with relevant means", adding that this would be done in accordance with each country´s security and defense policy.

While much has been made of these declarations in think tank circles in Washington, they have generated much less debate or interest back home. In Sweden, the declaration has been discussed only in rather limited circles, with little impact on public debate despite regular references to the declaration in government documents and a number of seminars organized to discuss the consequences of the declaration on the Swedish doctrine.[20]

Still, the Solidarity Declaration is dismissed by some as a nonevent, another play of words with little practical effect. This may be particularly true in Finland, where the attitude has been one of caution, as often prescribed by national tradition. As one leading Finnish security expert sees it, the declaration is of little actual value "unless backed up by contingency planning, training, and exercises."[21]

But while the declaration may be solely a statement of political intent, it definitely represents a step forward, perhaps

15 For example, http://www.acus.org/natosource/baltic-states-invited-join-nordic-defense-organization.

16 Dahl 2008, pp 68 ff.

17 Thorvald Stoltenberg, *Nordic Cooperation on Foreign and Security Policy* (Oslo: February, 2009).

18 The Swedish and Finnish solidarity declarations are discussed in Bo Hugemark (editor), *Till bröders hjälp* (Stockholm: Kungliga Krigsvetenskapsakademin, 2011).

19 The Nordic declaration on solidarity is available on http://www.formin.fi/Public/default.aspx?contentid=217312.

20 This public lack of interest is noted in Hugemark (ed.), 2011, p 11.

21 Interview, June 15. 2011.

mostly so for Sweden. By declaring not only a willingness to provide assistance but by openly stating for the first time ever—after decades of top secret military programs—the reliance on outside assistance for the defense of the country, it could be seen as "a small step for mankind but a big step for Sweden," as one security expert puts it.[22]

NATO membership: Is it whether or when?

The Finnish and Swedish Solidarity Declarations have as mentioned resulted in rather intense speculation overseas; is this in reality the first step toward a change of doctrine for the two countries? Is NATO membership right around the corner, the signing of the application forms to NATO HQ next on the list of activities for the two Nordics?

Not likely: there is little that would indicate such a move is in the near future for either country. Though the distinction between the Solidarity Declarations and an Article 5 guarantee might appear to be a matter of semantics, the fact remains that the former are purely unilateral declarations, with no military or political commitments of a formal, binding character attached. The intense cooperation pursued at a practical level with the Alliance has not resulted in any widespread demands that relations with NATO be taken to the next, formalized, level.

In a similar fashion, the lack of political influence on decision-making is apparently not seen as a major problem by very many, though the sudden realization of the consequences of being outside the decision-making process actually propelled Sweden to apply for EU membership in the early 1990, a process some expected to see repeated with the issue of NATO membership.

Some pro-NATO Swedes have been hoping for Finland to lead the way by applying for membership, with Sweden then following since it is generally assumed that the two would join simultaneously, if ever. Finland has indeed come across as the more forward of the two, with a number of government reports as well as academic studies analyzing the consequences of NATO membership published in the last few years; no such studies have yet been produced in Sweden. In 2009, a government report actually concluded that "strong grounds exist for considering Finland´s membership in NATO."[23]

Those expectations did however fade somewhat in the spring of 2011, as the True Finns made it into parliament—but not the new government—and with Erkki Tuomioja replacing conservative Alexander Stubb at the foreign ministry. It is thus no longer just a matter of president Halonen blocking the way into NATO, as a somewhat simplified analysis has had it. Nevertheless, the next presidential election is likely to have security policy implications, especially of course if there are candidates—as can be expected—advocating NATO membership for Finland.

Across the Baltic Sea, the coalition government has shown a surprising—given the dominance of the conservative or "Moderate" party—lack of interest in the entire issue of NATO membership since arriving to power in 2006. Prime minister Fredrik Reinfeldt clearly prefers to focus on domestic policy, and has handed over the realm of foreign policy entirely in the hands of foreign minister Carl Bildt. Although he personally played a major role in the democratization and liberation process of the Baltic countries when prime minister in the 1990s, and despite strong support for NATO membership in the rank and file of his conservative party (as well as in the traditionally pro-NATO liberal party which is also in government), Bildt expresses no great interest for the issue.

By referring to the need for political consensus, and for a broad majority in parliament—indeed crucial—the prime and foreign ministers effectively grant the strong anti-NATO forces in the social democrats the right to veto any change in security policy. The new leader of the social democrats, Håkan Juholt, whose main political work has actually been on defense issues in parliament, made a turbulent foreign policy start in his new role when advocating a number of different—and to some extent contradictory—positions with regard to the extended Swedish mandate in the Libyan operation.

In the meantime, debate on the future direction of Swedish security policy is limited, and even seen as counterproductive in some government circles; in due time and when the timing is right, they argue, there will be a debate and after that, perhaps, a change of doctrine. This is however an unfortunate attitude in many ways; a healthy debate which takes place over time—including a study of the pros and cons similar to the kind that has been undertaken in Finland—would provide a solid basis for a future change of doctrine. It would also quite likely remove some of the drama still surrounding NATO—and the myths regarding Swedish neutrality—in the mind of the Swedish people. This is, after all, what political leadership is all about: to advocate ideas and set the political agenda. In addition, the idea that debate on any issue can be—or should be—controlled and postponed until the timing is considered right does have a slightly undemocratic ring to it.

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22 Interview, August 15, 2011.

23 *Finnish Security and Defence Policy 2009* (www.vnk.fi).

Thus, if the Swedish government would at some point decide to move Sweden into NATO, it would do so without the benefit of any prior debate; indeed, this would be a risky political path for a policy change of that magnitude, especially if a national referendum would be required (as could be expected).

In the Finnish case, matters are slightly less difficult, and the issue of bringing about a change of doctrine might be facilitated by the tradition of the population following the political leaders, thereby making the limited degree of popular support—around 25 percent, basically the same as in Sweden—less of a concern.[24] In Finland, Russia still looms large in the background whenever NATO is discussed. To many Swedes, nonalignment—still often referred to as neutrality—remains more a matter of identity than of defense and security. In the absence of any debate on the issue, or of a coherent analysis of the pros and cons similar to the studies published in Finland, the question of NATO membership remains a largely abstract affair, even though Swedish (and Finnish) soldiers and military officers are at risk every day when serving under NATO command in Afghanistan and other operations, and in the Swedish case in the sky over Libya.

The old joke that was often heard in the pro-NATO community in the early 1990s, saying that Sweden would join NATO only after Albania did—at that time seen as an unthinkable scenario—has lost it charm, now that Albania has been an allied member for several years while Sweden remains in the diverse group of PfP countries, jointly with Finland. The best option for Swedes longing for their country to one day take a seat next to Albania at NATO HQ now seem to be to continue to pin their hopes on Finland to be the bolder one of the two nonaligned partners, and then for Sweden to follow suit.

Regardless of the process, it would be wise for the two countries to take advantage of a period of relative stability to rapidly proceed to upgrade their doctrines to full membership in NATO; in particular as there might be some uncertainties on the horizon with regards to the development of regional security in the very north of Europe.

Such a step would certainly benefit not only the two nonaligned countries themselves, which would come to enjoy the full security guarantee of Article 5 in addition to the political and decision-making influence exercised in the North Atlantic Council. The Alliance would also profit from such a development, as two stable democracies and reliable security providers belatedly join the ranks as full members.

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24 This number is quoted in Michel 2011, p 9.

Sweden and Stability in the Baltic Sea Region

By Karlis Neretnieks

On January 14, 2010, the Swedish parliament adopted a bill that stated: "Sweden will not be passive if a catastrophe or an attack will befall another (EU) member country or a Nordic country. We expect that these countries will act in the same way if Sweden would be affected. Sweden should therefore be able to give as well as receive military assistance."

This "Solidarity Declaration" is a drastic reorientation of Swedish defense and security policy. It means that Sweden has abandoned the last vestiges of its traditional 200 years old neutrality policy. Sweden seems once again be prepared to contribute to the stability of the region, not only by defending its own territory but also by participating in military actions in its neighborhood. The same bill also outlined a new force structure ("Structure 2014").

What lies behind this change of mind? One explanation comes from Colonel Bo Hugemark, who has tracked the process by which the Solidarity Declaration matured and became official Swedish policy.[1] He sees the declaration as the product of three converging historical threads. One is Swedish ambition to live up to its obligations implied by the defense clause (Article 42.7) of the EU's Lisbon Treaty. A second factor is the growing understanding among politicians and military officers that Sweden will inevitably be affected by a conflict in its vicinity, that neutrality is therefore not an option, and that the defense of Sweden in case of a serious military crisis will have to be conducted together and with the help of others. This line of thinking is not new; it first appeared in the 1996 defense bill, was elaborated in the bills of 2001 and 2004, and was clearly formulated in a "White Paper" in June 2008.[2] A third is the legacy of Sweden's historical role in the Baltic area. Swedish support for the sovereignty of the Baltic states was hesitant and diffident between the world wars and minimal until to the fall of the Soviet Union. After 1991, however, Sweden's role grew from a careful start via assistance in arming their Baltic defense forces to today's implicit security guarantee. If Colonel Hugemark's interpretation is correct, then the Solidarity Declaration implies not only a new security policy doctrine but a defense doctrine as well.

Other considerations probably played a role as well. Some have seen the declaration as reflecting a readiness to accept a new moral responsibility in foreign policy. Having been in the forefront for a long time in seeking to promote human rights and democracy worldwide, Sweden is now also prepared to help its neighbors to defend these values, with military force if necessary. Others note that the statement of readiness to come to the aid of Sweden's neighbors will encourage them to reciprocate on Sweden's behalf. Swedish observers may also view the situation in northern Europe as more favourable now for an activist Swedish policy in the region, or, conversely, that the emerging security environment—with NATO capabilities in Europe weakening and the US focusing more and more on other parts of the world—requires such activism on Sweden's part. The declaration might also be seen as a way to encourage increased Nordic defense cooperation, both in operational terms and in joint acquisition of equipment.[3] Finally, it could be seen as a return to the reasoning of Swedish king Gustavus Adolphus who in 1628, during the Thirty Year War, stated that "…the enemy should be prevented from gaining a foothold on the Baltic coast and that the war should be waged on foreign soil." In other words, it is better to engage the enemy abroad than to wait for him to enter your territory.

1 Bo Hugemark, *Historisk bakgrund till den svenska solidaritetsförklaringen, Till bröders hjälp*, chapter 2, published by KKrVa (The Royal Swedish Academy of War Sciencies), Stockholm 2011.

2 *Försvar i användning* (Ds 2008:48), Ministry of Defence, Stockholm 2008.

3 At the time when the "Solidarity Declaration" was passed by the parliament Sweden was negotiating with Norway concerning selling JAS 39 Gripen fighters. It is quite obvious that no country, Norway in this case, would accept a situation in which it did not have guarantees that their fighter fleet would be fully supported by the selling country in case of an armed conflict (in the end the Norwegians signed up for the American F 35).

In any case, more than 90 percent of Swedish parliamentarians ended up supporting the declaration. Virtually all groups—the EU friendly, the NATO friendly, the idealists, the pragmatists, everyone except the far left—could find reasons to support the bill.

What implications for Swedish defense policy?

The Solidarity Declaration raises a key set of questions: How do doctrine and capabilities correlate? How and to what extent will Sweden be able to contribute to security and stability in the region by supporting its neighbours, and to coordinate its efforts with them and others? In short, what are the conditions for the Swedish Solidarity Declaration to be credible?

To address these questions a working-group directed by Colonel Hugemark at The Royal Swedish Academy of War Sciences conducted a study to examine the implications of the Solidarity Declaration. The core of the study was an analysis of future Swedish military capabilities relevant to possible solidarity actions in support of the Baltic states.[4]

Future defense capabilities were derived from the "Structure 2014" outlined in the defense bill that contained the declaration.[5] The time frame for the study was 2014-2020. Three scenarios were analyzed. The first was a "peace crisis" resembling the "Bronze Soldier" incident in Estonia 2007.[6] The scenario posited that NATO decides to show its solidarity by staging a naval exercise in the Baltic Sea and by enhancing its air policing activities in the area. Sweden is invited to participate.

The second scenario is more serious. A political crisis leads to a Russian military build-up close to the Baltic states. It is unclear whether the build up should be interpreted as preparation for military intervention or rather as a way to apply pressure in a tense political situation. NATO responds by deploying ground forces to the Baltic states, so as to demonstrate its resolve to defend members of the alliance and hoping to deter Russia from military action. Sweden is invited to participate with ground and naval assets and is asked to allow basing of NATO (US) combat aircraft in Sweden.

The third scenario is a war situation in which Russia quite unexpectedly attacks the Baltic states. NATO immediately starts military operations to defend its Baltic members. In this case, Sweden is invited to participate with whatever assets it can bring to bear, and also is asked to provide basing facilities for NATO air and naval units, but also told (bluntly) that Swedish airspace will be used by NATO aircraft in any case to support NATO operations in the region.

These scenarios were not and should not be regarded as planning assumptions; rather, the analysis was meant to provide a wide picture of the range of Swedish military options in the event of a crisis in the Baltic Sea region. In other words, the scenarios were meant to illuminate the question, to what extent would Sweden militarily be able to live up to critical challenges implied by the new defense and security policy doctrine?

The main conclusions from the study can be summarized as follows:

- Any military operation in support of the Baltic states must be led by NATO. There are no other options. Sweden acting on its own at any crisis level, is out of the question. A very high degree of interoperability with NATO and common decision-making is thus a prerequisite for effective Swedish participation and/or support.
- The Swedish ground forces, mainly consisting of modularized reserve units, will have great problems deploying abroad well trained combined arms units of battalion size or larger at short notice. Deployment would probably take several weeks, or perhaps more, due to the need for refresher training and customizing the units for the specific task. Planners will also need to decide whether the first available units should be assigned to protect vital parts of Swedish territory (e.g., Gotland) or sent abroad. In a serious crisis—that is, one which could lead to sustained fighting—a quick reaction involving deployment of units abroad would therefore be a quite risky venture, as the units may lack sufficient preparation or may be needed at home. In less demanding situations of the "Bronze Soldier" type, there would probably be enough suitable active assets available for deployment within days.
- The navy will be well suited for most crisis-management tasks in the Baltic Sea, except for an outright war, where the lack of air defense missiles on Swedish surface combatants would constitute a decisive drawback,

4 Bo Hugemark (ed), *Till bröders hjälp*, chapter 9, published by KKrVa (The Royal Swedish Academy of War Sciencies), Stockholm 2011.

5 According to "Structure 2014" Swedish Armed Forces will consist roughly of: 8 maneuver battalions, 2 artillery battalions, 2 SAM-battalions, 2 engineer battalions, 1 ranger battalion, 7 corvettes, 4 submarines, 4 fighter squadrons (100 JAS 39 Gripen), 1 helicopter battalion, logistic, support and staff functions for all services. The majority of the units belonging to the ground forces will be reserve units manned with part-time soldiers. So far there are no plans regarding a Host Nation Support organization for receiving, or supporting, larger foreign military contingents.

6 "The Bronze Soldier" incident in Tallinn in Estonia 2007 was sparked by a decision to remove a Soviet war memorial from the city center to a military cemetery at the outskirts of the city. This led to quite violent protests from parts of the Russian speaking population of Estonia, including some quite nasty street fighting in Tallinn between protesters and the police. Russian mass media made a great affair of incident, supporting the protesters. The Estonian embassy in Moscow was besieged by Russian protesters for a week.

especially for escorting ship movements across the Baltic, but also for self-defense while carrying out other tasks.

- The air force will have a good capability to conduct air defense operations over the Swedish mainland, and to participate in air policing operations in neighboring countries. Its ability to render close air support to ground units will be limited due to a lack of suitable weapons. There is however a risk that, because of the very limited number of air defense units planned for the future Swedish force structure, many of the available planes will have to be used for protecting air and naval bases and other static objects.

- When it comes to basing foreign forces on Swedish territory, the picture is mixed. There will be no lack of basic infrastructure (airfields, harbors, etc.). It will also be possible to organize necessary support for smaller NATO units, such as an air squadron or ships that might participate in an exercise or similar activities. Would there be a need to receive and support larger forces—for example substantial parts of an American air expeditionary wing—there would be great problems in coordination, protection, logistical support, command and control and most other aspects of host-nation support. This is due both to the lack of a territorial organization able to handle these tasks and to the lack of thorough peacetime planning and training together with NATO. These deficiencies would affect Sweden's ability to support NATO crisis management operations (deterrence), or in the most dire scenario to help NATO defend the Baltic states, as well as to receive help in the event Sweden itself were threatened.

- The use of Swedish air space constitutes a special problem. It is hard to envisage a serious military crisis where there would not be a need to coordinate Swedish and NATO activities in the air. If the situation were such that NATO were to fly combat missions in the Baltic Sea area, large parts of Swedish airspace would have to be controlled by the Alliance.

- The Swedish island of Gotland in the middle of the Baltic Sea would have strategic importance in the event of a need to defend the Baltic states. Foreign deployments of long-range surface-to-air and anti-ship missiles on the island would seriously interfere with any air- or sea-transports to the Baltic states, and would also provide support and protection for the state's own operations in the area.[7] The island is thus of vital importance for any party involved in, or fearing, a military conflict with the Baltic states. If Sweden is not able to defend it, then to prevent foreign occupation NATO would have to deploy forces to the island—forces that otherwise could be deployed as a deterrent in the Baltic states.

The map above illustrates the importance of Swedish territory when it comes to military operations in the Baltic Sea area. For example, in case of a serious military crisis in the region, where Russian surface-to-air missile systems are deployed in the Kaliningrad exclave and in Belarus, flying over Sweden to the Baltic states would clearly be a lot safer than flying directly from Germany or Poland. Hence the stress (below) on Swedish air space and Gotland.

The overall picture that emerges from this analysis is one in which Sweden would have reasonably good capabilities to participate in and to support NATO military activities at low crisis levels. But in cases of extensive armed actions in and around the Baltic states Sweden's ability to give substantial support will be very limited, at least with short notice. If there would be an outright war in the Baltic Sea region Sweden most probably would have to use all its military resources to protect large parts of its own territory. The defense of Gotland, to take one important example, would use up several of Sweden's most qualified units very early in a crisis. NATO's use of Swedish territory and airspace for its operations might reflect prior planning, but, in current circumstances at least, would not have been exercised.

This said, some systems—such as submarines, signals intelligence, and air- and sea surveillance—would of course

7 The area of the island with its 3,140 sq. km makes it possible to deploy any kind of weapons systems there. Today there is no permanent Swedish military presence on Gotland except some lightly armed Home Guard units.

be useful in any type of crisis and could be utilized to support NATO. The intelligence gathered by these assets could be of great value for NATO decision makers: the systems are in place, are fully operational, and are optimized to work in the Baltic Sea environment. Vital information would thus be available early in a crisis. Moreover, Swedish analysts could contribute greatly, as they continuously monitor all military activity in the area, have done so for the last sixty years, and know what to look for. In addition to being good intelligence gathering platforms, conventional Swedish submarines are eminently well suited for offensive (and defensive) operations in the Baltic, thereby also serving as a deterrent against naval operations that could threaten the Baltic states. But the overall picture remains the same: Swedish capabilities to intervene abroad to help its neighbors are limited, and the necessary cooperation with NATO will to a large extent have to be improvised.

Another disturbing implication is that one of the main goals behind the Solidarity Declaration—namely, to pave the way for receiving foreign (NATO) support in case of a serious threat to Sweden or the Baltic states—has not been reached. If Sweden is to be able to cooperate effectively with and support NATO forces deployed on and around Swedish territory, then the necessary preparations must be made. In this area there is still a long way to go. Such preparations will also be necessary if other key goals of the Solidarity Declaration—fulfilling moral obligations, enhancing stability in the region, and bringing greater Swedish influence on security in the area—are to be fully realized.

In sum, there is a quite serious discrepancy between the stated Swedish doctrine and Swedish capabilities. This could have undesirable consequences. It might create false expectations (and thus planning assumptions) among its neighbors, in the belief that they can count on Swedish assets in case of a military crisis in the region. Perhaps most seriously, the Solidarity Declaration has definitely signalled that in case of a serious military conflict between the Baltic states/NATO and Russia, Russia should assume that Sweden will be an adversary. This in turn could lower if not remove a Russian defense planners inhibitions from involving Swedish territory (Gotland?) in operations from the beginning.

What should be done?

Fortunately several of these problems could be solved relatively easily. If Sweden were prepared to spend the same proportion of its GDP on defense as do its neighbors—up from roughly 1.1 percent to the roughly 1.5 percent that Norway, Finland and Denmark spend—many of the deficiencies in training and equipment of the armed forces, and in the defense of Gotland, could be taken care of within a reasonably short period of time, perhaps some five years.[8] Close and regular cooperation with neighboring states in planning, exercises and procurement would also help. In particular, the Baltic states should be invited to get much more involved in Nordic Defense Cooperation.

The most critical stumbling block, however, is probably the much closer cooperation with NATO that is needed if Sweden is to seriously participate in military crisis management in the Baltic Sea region, which in turn is a prerequisite for making the Swedish doctrine credible. The best solution would be if Sweden joined NATO, thereby being able to participate in Alliance decision-making and planning processes. If that proves impossible for domestic political reasons, then Sweden should at least participate in the exercises NATO conducts in the Nordic-Baltic region.[9] Sweden should also try to make arrangements that allow it to participate in NATO planning that concerns the Baltic Sea region.

It would be a pity if Sweden, and its neighbors, did not take the necessary steps to make the Swedish Solidarity Declaration the tool it could be for enhancing security and stability in the Nordic-Baltic region.

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8 Sweden spends 1.15 percent of its GDP on defence, Norway 1.5 percent, Denmark 1.44 percent and Finland 1.5 percent (the figures relate to 2010). Both Finland and Denmark are worse off economically than Sweden.

9 An opinion poll in May 2011 showed that 48 percent of the Swedish population was against NATO membership and only 23 percent in favour.

Nordic-Baltic Security: How relevant is NATO?

By Imants Liegis and Airis Rikveilis

Introduction

Less than a decade after Estonia, Latvia, and Lithuania became members of NATO, the Nordic-Baltic region seems to be confronted by a number of challenges. Some of these derive from the overlapping institutional interests and competencies in the region. All the countries concerned are members of either NATO or the European Union (EU); some belong to both. Moreover, as regional groupings the three Baltic states of Estonia, Latvia, and Lithuania and the five Nordic states of Denmark, Finland, Iceland, Norway, and Sweden are also engaged in regional cooperation activities among themselves. These forms of cooperation gain in significance during times of budgetary constraints, where sharing and pooling of resources makes sound economic sense. Indeed, Baltic cooperation is at its strongest in the defense and security field, where there are common interests which are pursued in both NATO and the EU.

Nordic security cooperation has taken on new momentum as well. The starting point here is the Stoltenberg Report “Nordic Cooperation on Foreign and Security Policy” of February 2009. The Nordic Five includes both non–EU (Iceland and Norway) and non-NATO members, and while Finland and Sweden are not members of NATO, their military capabilities and cooperation with the Alliance make them significant security actors in the region.

The Nordic-Baltic region has also attracted the interest of other NATO member states—in particular increased United Kingdom engagement, along with a parallel increase in the role of Poland.

For both historical and geographic reasons, relations with Russia—and the implications of domestic trends for Russia’s external policy—are inevitably central to the Nordic-Baltic security agenda.

Arguably, however, the central question concerns the future of NATO itself. NATO is still regarded as the main provider of defense and security. That is certainly the case for the Baltic trio; for them (and for others as well) the EU’s role in regional security is probably subject to a policy of “NATO first.” Foreign troops and post-Soviet infrastructures were still present on Baltic territory only seventeen years ago, and aspects of Russian policy—not least the intervention in Georgia just three years ago—have intensified security concerns in the region. NATO’s collective defense guarantees thus remain crucial, and any weakening of those guarantees would be viewed very negatively. This essay will address these and related issues in turn. It will conclude with some recommendations (and some cautions) for future policy.

NATO’s importance to regional security

The greatest challenge in the years ahead for the security of the Nordic-Baltic region will be “keeping the Americans in.” During the last year or so there has been speculation that the United States would like to hand over primary responsibility for the region’s security to the Nordic countries. This would mean the regionalization of responsibility for security and the beginning of the end of NATO. This is not to say that the region should shy away from taking on some responsibility for itself. Indeed this is already taking place to some extent. However, these endeavors should complement but in no way replace US engagement.

Secretary Gates’ recent Brussels speech has dramatized concerns about the future relevance of NATO and the problem of sustaining US commitments to the European continent. He raises two central sets of issues: troop levels and quality, and levels and effectiveness of European spending on defense. He noted that NATO’s European member military forces together

comprise about two million armed personnel—roughly similar in size to America's military. However, Europeans soldiers amount to less than one third of the main current NATO combat mission in Afghanistan, ISAF.[1] This reflects a structural problem: although European spending on defense amounts to more than $300 billion, the overall expeditionary capabilities remain relatively limited, which in turn has practical implications for contributions to NATO's operations.

The issue of Europe's military capabilities is hardly new. In the immediate aftermath of 9/11, NATO's then-secretary general Lord George Robertson warned that "if we are to ensure that the United States moves neither towards unilateralism nor isolationism, all European countries must show a new willingness to develop effective crisis management capabilities."[2] More recently, Marshall Billingslea, a former assistant secretary general for defense investment, maintained that "only eight NATO allies are investing around 20 percent of their budget in modernization and [they] are continually being put into the dilemma of either paying for operations in Afghanistan by sacrificing modernization at home or vice versa."[3]

These and similar statements were of course hardly meant to question NATO's continued relevance. To the contrary, as Lord Robertson (together with a former US defense secretary and high ranking state department official) recently wrote:"If NATO didn't exist today, would anyone feel compelled to create it? To this we respectfully answer: Yes, we would. NATO is in desperate need of reform, to be sure. But NATO is needed. An America that cannot be either isolationist or unilateralist must have allies in a dangerous, complex and highly integrated twenty-first century."[4]

From a Baltic perspective the November 2010 NATO summit in Lisbon had a positive outcome. Baltic worries about re-assurances and the core collective defense function of the Alliance were allayed with strong messages from the heads of state and government meeting, and NATO exercises and planning over the past few years have compounded the re-assurances from Lisbon. The Nordic partners—including non-NATO members Finland and Sweden—undoubtedly will have viewed these developments in a positive light as well, insofar as they mean a reinforcement of NATO's presence in the Baltics.

The Baltic countries certainly continue to regard collective defense as remaining front and center in Alliance strategy and planning. But meat has to be put on the bone through clear planning, exercises and infrastructure. A drift away from these practical measures could have negative strategic consequences which in turn could diminish the significance of the core functions on which the Alliance is based. The fine balance achieved at Lisbon among core NATO principles, engagement with third partners and new challenges has to be maintained.

Baltic security

During the preparations for accession to NATO, the Baltic countries set out on a path of close defense cooperation which encouraged interoperability with NATO and strengthened self-defense capabilities. A number of joint cooperation projects were set in motion: a joint maritime squadron; the Baltic Defense College in Tartu Estonia; a joint air space surveillance system based in Lithuania; a joint diving school hosted in Latvia. These have all withstood the test of time. In addition, funding of Baltic defense projects is shared equally among the three countries, and Estonia and Latvia cooperated in their respective acquisitions of radars from Lockheed Martin, thereby reducing the costs.

On the other hand, however, the oldest joint Baltic defense project—the Baltic Battalion (BALTBAT)—failed to survive as a long-term trilateral commitment, and was formally abandoned in 2003. A military exercise in the spirit of BALTBAT (Baltic Eagle) was held in 2009, BALTBAT units were deployed in the late 1990s in the Balkans,[5] and there is some cooperation between Lithuanian and Latvian soldiers in ISAF. The joint deployment of Baltic military forces in international operations has been the exception rather than the rule, however, because the tendency has been to make bilateral arrangements with other partners.

In the lead-up to NATO accession the Alliance realized that it would not make economic sense for the three countries to purchase expensive aircrafts to police their air space. Instead, the NATO partners undertook an agreement of solidarity to carry out the policing of NATO airspace in the Baltics on a rotational basis. This policy remains in place and is a good example of how allied resources can be pooled for a capability which cannot be covered at the national level. It also illustrates how the three countries are dealt with as a single region from the military point of view.

1 According to ISAF information and data on June 6, 2011 out of 132,000 soldiers in ISAF 90,000 were provided by the United States, 38,000 by other NATO allies and approximately 4,000 by non NATO partners. Available at ISAF web page http://www.isaf.nato.int/troop-numbers-and-contributions/index.php visited at July 17, 2011.

2 Lord George Robertson speech at Munich Conference, February 3, 2002, available at http://www.acronym.org.uk/docs/0202/doc03.htm#03 visited July 17, 2011.

3 Marshall S. Billingslea, speech at Riga Conference 2009 panel Milestones for the New Strategic Concept of NATO. Available at http://old.rigaconference.lv/?p=4&l=video&id=99, visited at July 13, 2011.

4 Cohen, William S., Nicholas Burns and George Robertson. "NATO on the brink." *The Hill*, July 12, 2011.

5 BALTBAT units representing each of the respective Baltic States were also deployed separately in SFOR from 1997-2000.

One consequence of the NATO air-policing decision, of course, is that the Baltic states cannot contribute air power to Alliance operations such as that in Libya. In light of secretary Gates' comment that many allies are "sitting on the sidelines" because they lack the military capabilities to do otherwise, this could be a sensitive issue. The capabilities shortfall in the Baltic case seems to be fully understood and accepted by the NATO allies, but makes it all the more important for the Baltic countries to ensure that they are able to contribute to the common good of NATO in other ways.

Defense budget constraints have recently been more evident in Lithuania and Latvia where, the economic recession has been more pronounced. Whilst Estonia is very close to the 2 percent of GDP sought within the Alliance, their Baltic partners' defense budgets hover around the 1 percent mark.

Nordic security

Nordic countries pursue their own security cooperation which cuts across institutional EU–NATO boundaries. Nordic cooperation has long-standing traditions which of course extend beyond security and defense questions.

Where Nordic security cooperation is concerned, the current reference point is the 2009 report by former Norwegian minister of foreign affairs, Thorvald Stoltenberg. Stoltenberg comments that "the EU and NATO are showing a growing interest in regional cooperation between member states and non-member states."[6] This of course echoes our own assessment, but also reinforces concerns such regionalization may be a convenient way of reducing US engagement and responsibility through NATO.

The report proposes that two or more countries could cooperate in joint defense arrangements, placing particular emphasis on defense cooperation among Finland, Norway and Sweden. Their chiefs of defense had prepared their own report with proposals for cooperation, which Stoltenberg acknowledges as "valuable." The report also notes that cooperative initiatives could be supplemented by mutually-binding governmental declarations of security guarantees.

Baltic concerns are reflected in an excellent critique of the report by Marika Laizane–Jurkane, who examines the policy proposals, the reactions from the Nordic states, and the lack of attention to the Baltics in the report. She comments that the "the weakest point …is the excessive focus on the Arctic region."[7] It is interesting to note the proposals concerning Nordic responsibility for the air surveillance and policing of Iceland's airspace, in light of the situation since the 2006 closure of the US air base at Keflavik. The report diplomatically shirks the question of Russia's impact on the region's security, although by addressing questions such as the High North, maritime issues, cyber security and Iceland's air space it seems apparent that Russia is the "elephant" in the Nordic security "room."

Nordic-Baltic security

In many ways, Nordic and Baltic security are separate but are becoming more intertwined. Thus, while Nordic ministers regularly meet among themselves, they have also begun to extend these meetings to their Baltic counterparts. This is indicative of closer cooperation between the two regions.

The engagement of the Nordic countries in Baltic security affairs over the past two decades has been genuine, but no doubt also has reflected national self-interest. The character of the post-Soviet geopolitical arena has had direct consequences for their own security and stability. Nordic support for the three Baltic countries has been explicit and solid, with many practical examples of support for the defense sector which continue to this day. There is thus a natural basis for security cooperation between the two regions.

The challenges faced by the Nordic-Baltic region are also inevitably linked to wider regional and transatlantic challenges: the unpredictability of nuclear neighbor Russia, unresolved issues relating to the High North, unfinished business in the NATO-EU relationship, and the complexities of Russia's relations with Europe and the United States. There is probably a convergent Nordic-Baltic understanding of these challenges. Note, for example, Sweden's 2009 Solidarity Declaration: "Sweden will not be passive if a catastrophe or an attack will befall another (EU) member country or a Nordic country. We expect that these countries will act in the same way if Sweden would be affected. Sweden should therefore be able to give as well as receive military assistance."

Noteworthy also is a follow-on study by the Swedish Military Academy examining how Sweden and Finland should react in the, albeit unlikely, event of Russian military aggression against the Baltic countries. The study identifies some important practical measures—namely, ensuring a bridgehead on Baltic territory, organizing joint maneuvers and educating the Swedish public to support assisting the

6 Thorvald Stoltenberg, Nordic Cooperation on Foreign and Security Policy, 2009, 5

7 Marika Laizane–Jurkane, Nordic Cooperation on Foreign and Security Policy, in *Rethinking Security*, Žaneta Ozolina (ed.), Zinatne, Riga, 2010, 184.

8 For a summary of the study, see the essay by Karlis Neretnieks in this compendium. Also see Juka Rislaki, *Ir* , Kopa pret Krieviju? (Together against Russia?), July 22, 2011, available at www.ir.lv/skats, and the reference in Bo Hugemark: *Till broders hjalp. Med sikte pa en svensk solidarisk strategi.* Kungl krigvetenskapsakademien,Stockholm, 2011.

Baltic countries[8]. Another follow-on study, the so-called "wise men report" issued in 2010 by the former Prime minister and Minister of Foreign Affairs of Latvia Valdis Birkavs and the former Minister of Defense of Denmark Søren Gade, identifies Nordic-EU Battle Group cooperation in operations in Africa and military education as possible areas for cooperation. Clearly, then, a combination of political and practical initiatives among the NB8 can help these countries address the security challenges they face in their region.

Practical cooperation is enhanced by Nordic-Baltic ministerial meetings that have begun to take place on the margins of EU and NATO defense ministers' sessions. These are in addition to regularly scheduled biannual meetings among the eight defense ministers. Regular contacts between ministers and military leaderships also take place. Such consultations on major issues give the Baltic and Nordic ministers additional leverage in the decision-making processes within both the EU and NATO, and probably gives the region more influence within both organizations.

Nordic-Baltic cooperation has recently been complemented by the engagement of two other important defense actors from outside the region—the United Kingdom and Poland.

When he attended his first NATO ministerial meeting in Brussels in May 2010, defense secretary Liam Fox approached his Nordic and Baltic colleagues to express the UK policy change and the new coalition government's interest in the region. There followed a joint meeting of UK-Nordic-Baltic Defense Ministers in November, 2010 in Oslo. Indeed the UK even organized a summit with Nordic-Baltic Prime Ministers in London in January, 2011.

According to Professor Julian Lindley-French of Chatham House, London, this change of policy reflects a UK interest in re-asserting balance of power politics in Europe. The argument is that, as natural geopolitical allies in Europe, the Nordic and Baltics, together with the UK, could help to counterweight a possible diminution of US interest in Europe, while also managing any potential prospect of an over-influential Germany, which in turn sits uncomfortably close to Russia.[9] It will be interesting to see whether this policy move results in any serious practical changes, given the relatively low key UK interest in Baltic defense issues in preceding years—to say nothing of the pressures on defense spending that the UK, among others, is facing.

As for Poland, this country has certainly become an increasingly important regional player, especially for the Baltic states. NATO planning issues have taken on added significance the past few years because the Baltics increasingly have been linked to Poland in NATO planning. Meanwhile, Poland's engagement in "Weimar triangle" cooperation with Germany and France—which includes an announced intention to of set up a Weimar battle group within the EU—solidifies Poland's role as a major European defense player. In re-asserting itself as a regional power, Poland has placed defense and security questions among its priorities for its EU presidency during the latter half of 2011—thereby appearing, without diminishing its commitments to the Alliance, to soften its "NATO first" policy. All in all, despite some challenges in Baltic-Polish relations, Poland should be seen as a crucial strategic partner of Latvia and an important regional actor.

Increased Nordic-Baltic security cooperation, and enhanced engagement by other countries, can thus have a constructive effect on the regional security environment. But these developments should not conflict with, but rather complement, US commitments to the region through NATO. Any endeavors to hand over responsibility for defense and security purely to the regional level should be flatly rejected. Regional cooperation—yes; regional responsibility at the expense of the US and NATO—no.

Russia

Russia is an important but controversial partner of both NATO and the EU, as well as being a nuclear power and one of five permanent members of the UN Security Council. These facts—and its common land border with the three Baltic countries, Finland and Norway—means that it is imperative to consider Russia when examining the security of the Nordic-Baltic region.

Any country bordering a nuclear power will have security concerns. Given the membership of NATO, the Alliance quite rightly places nuclear issues high on its agenda. The US-Russia "new START" treaty was a welcome development in the reduction of strategic arms. At the same time, the declarations that NATO will remain a nuclear Alliance as long as there are nuclear weapons provide reassurance.

Such reassurances are necessary for the region. After all, Russia has reportedly placed Iskander missiles in the Leningrad region, next to NATO's borders, from which the range of these missiles covers the three Baltic capitals as well as Finland. Russia also maintains a considerable number of tactical (or "sub-strategic") nuclear weapons. The reduction of such nuclear weapons is therefore a very pertinent matter, not least for countries bordering Russia. Maintaining robust information flows and consultations within NATO is crucial.

9 Conversation with authors, August 4, 2011.

Discussions of missile defense, also carried on in dual tracks, are the more immediate issue in Russia's relations with NATO, again with important potential consequences for the Nordic-Baltic region. Russia clearly wants a vote in NATO's decision-making in this area. It has suggested developing a joint system and has proposed a sectoral approach which seems to imply joint decisions with NATO concerning coverage of the Baltic states. These suggestions have been rejected by NATO, but Russia continues to press for agreement with hints that to reach a mutually-acceptable solution could jeopardize the whole NATO-Russia relationship.

The broader issue concerns how to manage relations with the increasingly assertive Russia that has emerged since the rise to power of Vladimir Putin. Russia's military intervention in Georgia in August 2008—the first attack by Russia on a sovereign neighbor since the end of the Cold War—led to increasing concerns in the Baltic countries, which were subsequently allayed both by the reassurances coming out of the Lisbon summit and by subsequent actions by NATO and the US to address security issues in the Baltic region. Some other Russian additional activities (large anti-NATO exercises in Belarus and Russia just across the border with the Baltics and Poland; Iskander missile deployments, and the purchase of Mistral assault ship from France) have not helped build mutual confidence, however.

There is also the unsettled security dispute surrounding the treaty on Conventional Armed Forces in Europe (CFE). Russia suspended implementation of the adapted treaty in December 2007; Putin and other Russian officials have variously cited American missile defense plans on the one hand, and the fact that the Baltic countries had not acceded to the treaty on the other, as key reasons.[10] Despite protracted discussions, the negotiations surrounding conventional forces in Europe seem deadlocked. Their outcome will inevitably impact the Nordic-Baltic region.

At the same time, however, the picture is not entirely bleak, as there are also important indications of positive practical cooperation with Russia. Not least is the transit of non-military goods through the port of Riga and across Russia by rail to the NATO-led ISAF operation in Afghanistan. This northern distribution line has proved to be an excellent alternative supply route, not only for the US but for other participating NATO allies as well. Russia's cooperative approach has been crucial for the success of this transit. It has also shown that cooperation is possible.

Another regionally-significant example of cooperation was the agreement between Norway and Russia, over their sea border, after decades of negotiations. The breakthrough may well be related to broader issues surrounding the High North, where Russia has made strong territorial claims.[11] Be that as it may, the agreement has removed a long-standing irritant in the region.

Conclusions and policy recommendations

With these considerations in mind, we would propose some modest recommendations. The major security challenges for the Nordic-Baltic countries are those that are on the one hand common to our NATO partners but have special regional dimensions. Military capability shortfalls, inadequate defense budgets, and newly emerging threats are challenges faced by most if not all NATO members. However, the region's geographical location and recent historical experiences (as far as the Baltics are concerned) mean that the challenges linked to Russia are especially pronounced. This in turn leads to greater emphasis on the core functions of NATO, with special attention to the role of the US in the Alliance. As a top priority, a strong NATO with a firm transatlantic link is and must remain the guarantor of security in the Nordic-Baltic region. An ongoing, indeed increased US commitment to the region is a strategic necessity.

As a corollary to this main priority, suggestions that primary responsibility for defense and security can and should be regionalized, need to be firmly rejected. NATO enlargement has meant enhanced security not only for the Baltic states but for the Nordic countries as well. This could be jeopardized were transatlantic or NATO links to be weakened. A clear policy pronouncement that the United States remains committed to the region and has no intention of passing primary responsibility for collective defense to any regional actors would be a welcome step.

In avoiding undue regionalization of responsibility for security, there are a number of matters that the Alliance needs to bear in mind. Attention needs to be paid to NATO infrastructure, host nation support and forward bases in the region. More use could be made of local training facilities, which may be relatively scarce elsewhere in the Alliance. As troops are drawn down from some parts of Europe, the US should be careful to sustain its effective presence in the East. It will also be vital for NATO to continue holding planned exercises, including those planned for Poland in 2013 to emphasize allied solidarity and NATO's core function through the practical readiness of military units.

10 In more detail see statement of President of Russian Federation Vladimir Putin, July 13, 2007 and position of Ambassador of Russian Federation in Latvia Viktor Kalyuzhny published in Latvian media in July 25, 2007.

11 See the reference to Deputy Prime Minister Sergei Ivanov at the Russian news agency *RIA NOVOSTI* web page, available at http://en.rian.ru/russia/20110706/165053561.html visited July 19, 2011.

What more should the regional countries be doing themselves? Deeper regional defense and security cooperation needs to remain high on the political agenda and the areas of cooperation expanded, whether Baltic, Nordic or Nordic-Baltic. In an era of declining defense budgets, the scope for pooling and sharing and the possibilities for developing niche capabilities need to be seriously examined: the time seems ripe to look at more imaginative proposals here. There is scope for examining possibilities for greater common procurement, which would require addressing defense ministry cooperation at the working level. Likewise, infrastructure projects could be pursued more vigorously, and there could be an examination of ways in which the Stoltenberg proposals might be expanded to encompass the Baltics.

Cooperation models should remain open and flexible to allow for the inclusion of countries outside of the Nordic-Baltic eight. Ongoing attention in this regard should be paid to the UK and Poland, but encouraging engagement by other major European partners such as Germany and France should not be excluded.

At the same time, some weak links within the region need to be strengthened. For Latvia and Lithuania this means getting defense spending up to the Estonian level; for all three countries it means ensuring that they remain reliable and predictable partners. Current Baltic engagement in Afghanistan is the proof in the pudding of Baltic commitment, but as this operation winds down, contributions to NATO capabilities need to be further streamlined.

Constructive initiatives currently include various joint Baltic projects as well as national efforts. Centers of excellence for cyber security in Estonia and energy security in Lithuania are positive examples. Latvia has developed (through good cooperation with the US Michigan National Guard) specialists in Joint Tactical Air Controlling a capability already deployed in battle in Afghanistan with trainers being offered to other NATO allies.

The invaluable experience of re-building democracy in the Baltics could be offered to support freedom and greater security elsewhere, such as in the "Arab Spring" countries. There is no better way to receive help and advice than from those who can offer their own personal knowledge of having gone through the painful transition process from captivity to freedom.

Finally, opportunities could be seized for expanding the positive areas of cooperation with Russia, such as transit to Afghanistan and fighting religious extremism and international terrorism. At the same time, attempts by Russia to promote the regionalization of European security or pursue policies leading to divisions within the Alliance must be clearly identified and opposed.

At the end of the day, NATO, together with a firm US commitment to Europe's security, guarantees the stability and security of the Nordic Baltic region. Increasing cooperation among the eight countries of the region can enhance, but should never replace this guarantee.

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Baltic Security: Why the United States (still) cares

By Leo Michel

When outgoing secretary of defense Robert Gates delivered his valedictory speech on NATO to a prestigious Brussels audience in June 2011, he did not mince words. After acknowledging that NATO "has for the most part come through" for the Afghanistan mission, and that a few smaller allies had joined the United Kingdom and France in making "major contributions" to strike operations in Libya, Mr. Gates spoke bluntly of his major worries.

NATO, he said, was turning into a "two-tiered Alliance" divided between members who specialize in "soft" tasks (such as humanitarian and development assistance and less risky peacekeeping) and those who conduct the "hard" combat missions—a development that he rightly called "unacceptable." Equally disconcerting, he suggested, was the connection between the "lack of will" demonstrated by some allies and their "lack of resources." Citing examples of the latter's impact on ongoing operations and future readiness, he warned: "If current trends in the decline of European defense capabilities are not halted and reversed, future US political leaders . . . may not consider the return on America's investment in NATO worth the cost."

Two months later, when the new secretary of defense, Leon Panetta, was asked in his first Pentagon press briefing how he saw NATO's future, he broadly endorsed his predecessor's remarks.

Some twenty years after reclaiming their independence from the Soviet Union and seven years after their accession to NATO, Lithuanians, Latvians, and Estonians may be forgiven for wondering—mostly in private, of course—what's going on here. Might the transatlantic security bonds (epitomized by the Article 5 collective defense provision of the 1949 Washington Treaty) that they worked so hard to join and strengthen be at risk? For their part, Finnish and Swedish officials who have worked diligently to partner closely with the United States and the Alliance—even while their governments have stopped short of seeking accession—are no doubt asking themselves similar questions.

After all, Baltic regional security issues (which also directly involve, to varying degrees, NATO allies Poland, Germany, Denmark, and Norway) have not been traditional headline stories in the American media, or frequent discussion topics among Washington's "think tank" community. But if the overall value of America's "return on investment in NATO" becomes heavily discounted within Washington's corridors of power, why should allies and partners in the Baltic region expect their interests to receive the same level of US attention?

Hence, without minimizing the challenges raised by the former and current American defense secretaries (more on this later), it's worth reviewing why the United States still cares about the security issues affecting the Baltic region. In fact, US interests in the region track neatly with the three "core tasks" of the Alliance affirmed by the new Strategic Concept approved at NATO's November 2010 summit meeting in Lisbon: collective defense, crisis management, and cooperative security.

Collective defense

American interest in the Baltic region can be traced back to the early days of the Cold War. For example, in a top-secret memorandum prepared for the National Security Council in 1952 (and declassified in 1991), US officials spoke of Sweden, Denmark, and Norway's "strategic importance to the defense of Europe and . . . the security of the United States." "Domination [of the region]," the officials warned, "would provide the Soviets with advanced air, guided-missile and submarine bases . . . to threaten allied operations in the North Atlantic and form a protective shield against allied sea or air attack from the northwest."

In addition, Soviet domination would severely reduce the region's contributions of raw materials, skilled labor, and industrial products to Western European economic recovery, and deliver "a serious [political] blow to the morale and common interests of the free world." For these reasons, the memorandum recommended a broad program range of US military and economic aid to NATO allies Norway and Denmark, while giving a "sympathetic" reception to Swedish requests for military and other assistance.

Regarding Finland, the memorandum noted that "although the Finns value highly their independence and are intensely anti-Soviet, this country's freedom of action in foreign relations is drastically curtailed by proximity to Soviet power." Hence, while expressing concern over Finnish trade in "strategic commodities" with the Soviets, it counseled that "the key to US policy is to avoid any steps which would threaten the delicate balance of Finnish-Soviet relations and call forth drastic Soviet measures inimical to Finnish independence."

The memorandum made no mention of Lithuania, Latvia, and Estonia—an omission reflecting, no doubt, Washington's de facto acquiescence to their forced incorporation into the Soviet state. But it advised that any Soviet use of force to "close" the Baltic or threaten NATO vessels or aircraft there could result in a declaration of Article 5.

In retrospect, the memorandum rather accurately presaged the main lines of US policy toward the Baltic region for most of the Cold War: containment of Soviet power by strengthening allies and declared "neutrals" both openly and behind the scenes. Indeed, as documented by one Swedish defense expert, successive Swedish centrist governments took detailed steps during the 1950s to facilitate wartime military cooperation with several NATO allies (notably the United States, the United Kingdom, Norway, and Denmark), and, to a lesser extent, with NATO itself. A significant number of the political and military elite reportedly were aware of these arrangements despite their public denials, and regretted their gradual disappearance following the social democrats' return to government in 1982.

To be sure, today's Russia does not represent the type of existential threat posed by the Soviet Union, but sorting out relations with Russia remains a major strategic challenge for the United States and Europe. Moreover, Americans and Europeans do not currently share a common assessment regarding Russian motivations or strategy, nor, indeed, is there internal agreement within the United States or Europe.

Particularly among allies and partners in the Baltic region, Russian behavior in Georgia (especially Russia's military intervention in August 2008) and elsewhere in the former Soviet space (for example, Moscow's suspected role in instigating "cyberattacks" against Estonia in 2007), in combination with menacing statements of intent (such as President Medvedev's vow "to protect the life and dignity of [Russian] citizens, wherever they are"), has refocused attention on NATO's collective defense role. None of these allies and partners has advocated simply returning to Cold War-type territorial defenses. However, all of them (including Swedish and Finnish officials) have looked for reassurance that NATO will be able to back up its Article 5 commitments.

Specifically, in the wake of the Russian-Georgian conflict, Poland and the smaller Baltic NATO states have made known their desires to see an updated Alliance threat assessment, contingency planning, and increased exercises relevant to deterring and, if necessary, responding to any eventual military intimidation by Russia. At the same time, other European allies, including some who were keenly aware of their significant dependence on Russian energy supplies, seemed less concerned about Russian military capabilities and intentions and, as a result, regarded some of those desires as needlessly provocative.

The United States, while trying to be responsive to the concerns of both groups, has had to balance additional strategic concerns of its own. These have included securing Russian cooperation on nonproliferation issues, fighting terrorism and extremism, and strategic arms reductions.

Nevertheless, the United States ultimately delivered on president Obama's pledge in his April 2009 speech in Prague, "to have [NATO] contingency plans in place to deal with new threats, wherever they may come from." In her July 1, 2011, interview with Lithuanian television, secretary of state Clinton confirmed that "we're now doing the kind of contingency planning that is necessary to reassure all of our allies."

Several other declarations and actions by the United States, within NATO as well as in a bilateral context, reflect its continued commitment to strengthening collective defense in the Baltic region. Examples include:

- US advocacy of strong language in the new Strategic Concept affirming that "the greatest responsibility of the Alliance is to protect and defend our territory and our populations against attack, as set out in Article 5"; NATO will "develop and maintain robust, mobile and deployable conventional forces to carry out both our Article 5 responsibilities and the Alliance's expeditionary operations, including with the NATO Response Force"; and "[a]s long as nuclear weapons exist, NATO will remain a nuclear Alliance";

- US commitment to develop, as stated in the Strategic Concept, "the capability to defend [allied] populations and territories against ballistic missile attack as a core element of our collective defense . . . [and] actively seek cooperation on missile defense with . . . other Euro-Atlantic partners"—an implied invitation to cooperation with Finland and Sweden;

- US participation in NATO's Baltic air-policing mission and various NATO exercises that foster effective mobility operations and strategic access to ranges, airspace, and airfields in the region;

- the April 2011 decision to retain three Brigade Combat Teams (BCTs) in Europe—one Heavy, Stryker, and Airborne BCT—vice the two foreseen by the defense department's 2004 plan. (The decision will be implemented in 2015, when the Pentagon projects a reduced demand on our ground forces following troop drawdowns in Iraq and Afghanistan);

- a US agreement with Poland to establish a US aviation detachment in Poland beginning in 2012, which will facilitate regular rotations of US military aircraft to train with the Polish air force beginning in 2013, and a separate agreement on deployment of US land-based missile defense interceptors in 2018; and

- upgrading of Finnish air defense capabilities, which rely on US-manufactured F-18 Hornet aircraft armed with Sidewinder and AMRAAM air-to-air missiles.

To be clear, none of these measures are specifically directed "against" Russia, notwithstanding accusations to that effect by certain Russian officials and commentators. Rather, together they weave a fabric of deterrence and defense relations between the United States and its Baltic region allies and partners that helps to protect broader US interests in European security, responds to those countries' legitimate security concerns, and lays the basis for expanded cooperation (see below) with Russia.

Moreover, the Baltic region allies and partners began to cooperate among themselves and with the United States to deter and defend against other threats to the safety and security of their populations even before the need for such efforts was formally recognized in the new Strategic Concept. For example:

- Estonia has taken a prominent role in conducting research and training on cyber defense through its NATO-accredited Cooperative Cyber Defense Centre of Excellence in Tallinn;

- Working with the Nordic Defense Cooperation structure, Finland, Sweden, and Denmark (with other NORDEFCO members, Norway and Iceland) collaborate on strategy development, capabilities, training, exercises, and planning and execution of their involvement in NATO- and EU-led operations (in January 2011, the Swedish chair of NORDEFCO invited his Baltic colleagues to cooperate with NORDEFCO in three specific areas);

- Within the Arctic Council, Finland, Sweden, and Denmark work with the United States, Canada, Iceland, and Russia to address *inter alia* issues related to environmental security and emergency prevention and preparedness and response; and

- Through its enhanced Partnership in Northern Europe (e-PINE) initiative, launched in 2003, the United States cooperates with the Council of the Baltic Sea States on military issues such as the security of energy supplies, environmental protection, nuclear radiation safety, and the fight against human trafficking. (The CBSS includes all countries bordering on the Baltic Sea, plus Norway and Iceland.)

Crisis management

In recent years, key US strategic guidance documents—the Quadrennial Defense Review (February 2010), US National Security Strategy (May 2010), and National Military Strategy (February 2011)—have emphasized the importance of strong and capable European allies and partners that broadly share US values and are willing to help shoulder responsibility for fostering peace and security both regionally and globally. By enhancing security in the Baltic region, the United States also helps those countries to develop the capabilities and to mobilize (and sustain) the political will to work together—often side by side with the United States in NATO, but also under other regional or international auspices—in a range of missions.

Afghanistan is, by far, NATO's greatest operational challenge, and all Baltic region allies and partners have been long-standing force providers to the International Security Assistance Force (ISAF). Their contributions and sacrifices are often underappreciated. Among the smaller allies, three—Denmark, Estonia, and Latvia—have suffered combat losses that, per capita, are close to or exceed those of US forces. Poland deploys over 2,500 troops, mostly in Regional Command East's Ghazni Province. Lithuania's 230-person contingent heads a Provincial Reconstruction Team (PRT) in Ghor Province. Sweden joined ISAF in 2002 and deploys around 500 troops, mostly in Mazar-e-Sharif; it is the only non-NATO European country to lead

a PRT, which includes around 150 Finnish soldiers. In addition, Latvia is a key hub for the Northern Distribution Network (NDN), through which critical supplies for ISAF transit through Russia, Kazakhstan, and Uzbekistan before reaching Afghanistan.

The Baltic allies and partners have served alongside US forces in NATO operations in Bosnia-Herzegovina and Kosovo, and Sweden has provided valuable air reconnaissance assets to NATO's Operation Unified Protector in Libya. In addition, several have participated in various EU-led military and/or civilian crisis management operations in the Balkans, Caucasus, and Africa. Virtually all of these latter operations were launched pursuant to a UN mandate approved by the United States, and several involved close cooperation on the ground with NATO and/or US personnel.

Four of the Baltic states—Poland, Sweden, Finland, and Denmark—plus Norway also have a long tradition of participation in UN-run peacekeeping and observer missions in Africa and the Middle East.

That the Baltic allies and partners bring distinctive and valuable skills to crisis management missions in and beyond Europe is indisputable, as is the fact that their contributions to international security help to ease the heavy burden on US forces and resources. This explains why the US European Command (EUCOM) correctly devotes considerable resources and personnel to joint and combined military training and exercises with Baltic region forces to improve their interoperability with US forces and their capabilities to perform complex counterinsurgency, stabilization, peacekeeping, air mobility, and maritime security tasks. Similarly, the United States has been a strong proponent of practical steps (now endorsed by the new Strategic Concept) to open consultations with NATO, "with any partner country on security issues of common concern" and to "give [NATO's] operational partners a structural role in shaping strategy and decisions on NATO-led missions to which they contribute"—provisions that are particularly relevant and important to Finland and Sweden.

Cooperative security

From an American perspective, one of the strongest attributes of the Baltic region allies and partners has been their individual and collective contributions to promoting Euro-Atlantic security through a wide range of relationships with third countries and international organizations beyond NATO.

Notwithstanding their nervousness regarding Russia, the Baltic allies and partners have not simply retreated into a defensive crouch. Instead, while keeping a close watch on Russian military- and security-related developments, they have pursued—albeit with varied areas of emphasis and at different speeds—a broad agenda of cooperation with their large eastern neighbor. In addition to including Russia in forums such as the abovementioned Arctic Council and CBSS, the Baltic-region allies and partners have sought, bilaterally and through the EU, to increase political dialogue, trade, tourism, investment, transportation links, and cultural exchanges.

Within NATO, the Baltic-region allies have supported the goal of a "true strategic partnership" with Russia that, as described in the November 2010 Lisbon summit declaration, could include expanded practical cooperation on Afghanistan (including counter-narcotics), missile defense, nonproliferation of weapons of mass destruction and their means of delivery, counterterrorism, and arms control. Prospects for cooperation in certain of these areas—such as missile defense and addressing the large disparity between NATO and Russian short-range nuclear weapons—might be problematic for some time to come. And Russia shows no signs of compliance with the Conventional Armed Forces in Europe Treaty, having suspended its implementation in December 2007.

However, progress is possible in other areas, as demonstrated by the NATO-Russia agreement in 2010 to expand the usage of the NDN and, more recently, the June 2011 joint demonstrations (along the Polish-Russian and Turkish-Russian borders) of the NATO-Russia Council Cooperative Airspace Initiative. (The NRC CAI is designed to prevent terrorist attacks using civilian aircraft by sharing information on movements in NATO and Russian airspace and coordinating eventual interceptions of "renegade" aircraft.)

Several Baltic-region allies and partners have been particularly active in building bridges of military and nonmilitary cooperation with other states of the former Soviet Union. In several instances, the size and historic experiences of the Baltic countries give them better insights and access to deal with the military and government structures of post-Soviet states in Eastern Europe and the Caucasus than might be the case for the United States and other allies.

In addition, the Baltic-region allies and partners have been among the strongest advocates of substantially improved relations between NATO and the EU—an important objective of the United States, as well. Arguably, the strategic imperatives of a much closer relationship between the two organizations have become even more pressing in

recent years as operational demands on US and European forces have remained high while defense resources are, in most of the allied and partner nations, on the decline. Moreover, absent a closer NATO-EU relationship, neither organization will likely be able to implement, in practice, an effective "comprehensive" civil-military approach to crisis management, which both groups claim is vital to addressing ongoing conflicts (such as Afghanistan) and preventing or, if necessary, responding to complex future contingencies.

Recommendations

If the above reminders of convergent interests between the United States and the Baltic-region allies and partners are reassuring, they should not encourage complacency.

Americans need reminding from time to time that, as Winston Churchill observed in 1945, "There is only one thing worse than fighting with allies, and that is fighting without them." The same sentiment can be expanded to dealing with the range of twenty-first-century challenges mentioned in the Strategic Concept and recognizing the security contributions made by the Baltic-region allies, as well as "virtual allies" Finland and Sweden, in and beyond their neighborhood.

At the same time, our Baltic-region allies and partners should not assume that they are exempt from the expressed and implied concerns recently voiced by American defense secretaries (and widely applauded by the defense affairs *cognoscenti* in Washington). Although all of these countries have taken important steps over the years to transform and improve their defense capabilities, they all—with the notable exception of Norway—are struggling to meet their current and future requirements with stagnating or, in most cases, declining defense budgets. And as NATO secretary general Anders Fogh Rasmussen pointed out in a recent *Foreign Affairs* article: "[G]iven the economic environment in Europe, it is highly unlikely that governments there will make any significant changes [in defense spending]."

Here, then, are three (modest) recommendations:

First, the Baltic-region allies and partners should seek to expand their cooperation—within NATO, NORDEFCO, and other multilateral forums—on pooling, sharing, and joint acquisition of defense capabilities along with common training and logistics. Fortunately, these countries are already a step ahead of most other allies in applying the "smart defense" concept advocated by secretary general Rasmussen. Finland and Sweden, for example, participate with ten allies in the Strategic Airlift Capability that manages and operates three C-17 strategic transport aircraft available for national, NATO, or EU missions. But some military experts from the region suggest that more could be done—for example, in cooperative air defense, maritime security, and efficient use of existing military infrastructure. Within NORDEFCO, a working group has already identified a "top ten" list of common capabilities with the greatest potential for cooperation.

Second, the Baltic-region allies and partners should establish a prototype International Community Planning Forum (ICPF) to promote practical collaboration on planning and implementation of a "comprehensive approach" among experts representing NATO, the EU, UN, OSCE, and other international and national organizations (including nongovernmental organizations and entities) active in international relief, development, and institution-building efforts. The prototype might begin with a series of structured workshops that serve as a "proof of concept" pending the eventual establishment of a permanent and direct arrangement once the NATO-EU political impasse is resolved.[1] Denmark, Finland, and Sweden have been leading proponents and practitioners of a comprehensive approach; hence, they are well positioned to lead this effort.

Third, the United States should include the Baltic-region allies and partners in a structured program of US military officers "embedded" in their national defense institutions and serving within the host country's chain of command. Such embed arrangements would promote: cross-fertilization of planning and operational expertise at influential nodes where allies and partners determine their national strategies, policies, and requirements; the ability to exchange information immediately at senior working levels; developing appreciation for different problem-solving cultures; and building networks for future collaboration.[2] This military embed effort could be complemented by the pilot program recently recommended by the Senate Armed Services Committee to assign civilian defense department staff as advisors to foreign ministries of defense in the interest of "providing longer-term government-to-government linkages and, ideally, expanding cooperation in areas of mutual interest."[3]

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1 See Leo Michel, "EUCOM and NATO-EU Relations after the Lisbon Summit: Bank Shots Score, Too." Paper for EUCOM Task Force published jointly by the Atlantic Council in cooperation with the Institute for National Strategic Studies, June 2011.

2 Ibid.

3 See Senate Armed Services Committee, National Defense Authorization Act, Senate Report 112.

The Challenge of US-Baltic Relations: Some lessons from history

By Walter Andrusyszyn

Setting the stage

The end of the Cold War and the demise of the Soviet Union and the Warsaw Pact contained the seeds of contentious volatility in what has been and still is perceived as the peaceful Nordic-Baltic region. The three Baltic states in particular, which had only experienced a few years of freedom in the previous 700 years, harbored lingering and strong concerns about the trajectory of Russian domestic and foreign policy in the post-Cold War world. The United States, on the other hand, hoped and believed that post-1991 Russia was steering a new path toward a democratic state that would find new roots of peaceful cooperation with its former subjects.

The relationship of the US with the Nordic-Baltic region in the post-Cold War period revolves around this fundamental difference of view on the future of Russia.

The reasons for potential volatility at the time were:

- the presence at the end of the Soviet period of roughly 100,000 active duty military (not counting the substantial numbers of Red Army retirees) in the three Baltic states;
- a large ethnic Russian population in Estonia (roughly 48 percent of the entire population); Latvia (about 35 percent) and Lithuania (9 percent); they were unhappy about the transition, feared being discriminated against in the future, and Moscow was politicizing these populations as a propaganda tool;
- the Kaliningrad enclave was separated from Russia proper by Lithuania and not only was it full of returning Red Army troops, but it also had the highest rate of HIV and tuberculosis in all of Europe;
- especially just after 1991, the Balts and the Russians living in the Baltic states were poor and uncertain about their futures; and
- Russia was bringing back hundreds of thousands of troops and military equipment through Kaliningrad and Lithuania.

Considering the above factors, it was as much a matter of luck as of policy that there was not a serious crisis in the years immediately fellow the transition.

In 1991, the US was already beginning to shift its focus to the Middle East in the wake of the first Iraq war over Kuwait. Although Washington was delighted with the turn of events in Europe and the end of the Cold War, there was a noticeable strategic vacuum in terms of US policy in Europe. In this period Europe turned to the US for leadership, but the period between 1991 and 1994 was marked by caution and inertia in Washington when it came to the direction of policy on Europe. Only when the Clinton administration endorsed NATO and EU membership for the former Warsaw Pact nations did a strategic vision for Europe begin to come together.

Shortly after Bill Clinton took office the United States launched a concerted diplomatic effort to help the Baltic states (and the Nordics) achieve Russian troop withdrawals. The core of the policy was to remove Russia's arguments against withdrawal, one by one—in particular the allegation that the Russophone populations were the objects of serious discrimination and needed protection. The Organization for Security and Cooperation in Europe established a mission in Estonia and Latvia. Clinton also personally brought this issue to the attention of Yeltsin and systematically urged him to begin a withdrawal of Russian forces from the Baltic states. To be sure, there were some hiccups along the way—the Skrunda radar in Latvia; housing for departing Russian officers; transit rights for access to Kaliningrad via Lithuania—but within a year, Russian forces had virtually departed Lithuania and within two years they had left the other two Baltic states as well (minus a few residual troops, for example, at Skrunda).

As the troops were withdrawing, there was a small group of officials in Washington who were beginning to address the vacuum on US policy toward Europe by arguing that it was in the US national interest to see the former Warsaw Pact nations, including the Baltic states, become members of NATO and the EU. In 1992, this idea was heresy, but over time the idea gained significant legitimacy, and the final results can be observed today with all of the Baltic states firmly enmeshed in Euro-Atlantic institutions.

The Security context

Given the last millennium of European history, two states will determine how peaceful or unsettled Europe will be: Russia and Germany. After 1991, most of Europe was comfortable with Germany's course; but skepticism remained about Russia. These dynamics remain to this day. For US national interests, given the overlapping broad range of interests with Europe, US global objectives are only achievable if its Europe policy is on a strong footing, and it is not today.

The key to success in Europe—from the US perspective—has always been a strategic purpose combined with a policy of engagement on specific problems. That combination was evident in the mid-nineties: a strategic goal of incorporating the former Warsaw Pact states, especially the Baltic states into NATO and the EU. For the Nordic-Baltic community, the specific issue was the withdrawal of Russian forces from the Baltic states.

Several European states had begun to engage as well. In particular, Sweden's young prime minister, Carl Bildt, viewed the presence of Russian forces in the Baltics as a threat to Sweden's security and made Russian troop withdrawal a priority of Swedish foreign policy. In 1992 he had convened a meeting of like-minded states (the Nordics, France, England, Germany, and the United States) to address the issue. This group, which became known as the "Stockholm Ad Hoc Group," initially had little momentum or support behind it. But once the critical policy elements—strategic purpose and a policy of engagement—had come together, the Stockholm Group converted from a talk shop to a work shop. Not surprisingly, the two most active states were Sweden and Finland. Their perspective from the very beginning was to draw the US closer to the Nordic-Baltic region as insurance against potential pressure and threats from the Russians. The greater engagement with these two "neutral" states led to a very active discussion, if not encouragement, in the mid-nineties about the increasing possibility of Swedish and Finnish membership in NATO. If it made strategic sense for the Baltic states, then it made just as much sense for them.

Sweden and Finland, however, had a conflicted position toward NATO. On the one hand, they valued the security advantages of NATO and were the most ardent supporters of NATO membership for the Baltic states. Yet, domestically, they prided themselves on their neutrality and there was insufficient public support for membership. The United States took it for granted that NATO was the indispensable Alliance for European states, but for Sweden and Finland, the Alliance was not as significant as a strong US presence in the region—and US engagement with the Baltic states fulfilled that purpose. So, in a twist of irony, Russian troop withdrawals and subsequent Baltic membership in NATO diminished the need for these two Nordic states to seek membership in the Alliance.

The US policy goal of the withdrawal of Russian forces was achieved with spectacular success and in a remarkably short period of time. It was so smooth that Washington never had the political urgency of defining its bilateral security relationship and strategy in the Nordic-Baltic region. Furthermore, throughout the nineties and, especially after September 11, America's strategic vision shifted southward to the Middle East. But given the uncertainty over the two key states in Europe (Germany and Russia) combined with the Rapallo nightmare for Eastern Europe of growing rapport between them, it remains essential for the United States to be actively engaged in the Nordic-Baltic region as part of an overall Europe strategy. Neither that engagement nor an overall Europe strategy exist today.

The setting and the challenge

Three countries in particular are now key to Baltic security: Russia, Germany, and the United States. Many Baltic officials appear to assess the trends in these countries as follows:

- **Russia:** Predictably, Russia is on the wrong path toward authoritarianism again. Sobered by the loss of empire, the new leadership in Moscow has found a stranglehold on Europe via energy resources. It is only a question of time before Moscow begins to pressure the Baltic states to re-establish a sphere of influence if not a compliant near abroad.

- **Germany:** This country still has the strongest economy in Europe—which is not saying much given the fragility of Europe's economy. The country's knee-jerk response to outside threats or pressure is to appease the aggressor, whether it be Russia or Iran. Simultaneously, it has become the toughest critic of Europe's best friend, the United States, and would rather see less engagement by the United States in Europe. Germany seems to be on a path

of preferring alternative universes over reality—the EU over NATO for Europe's security; alternative energy (which does not yet exist) over nuclear; and progressive entitlements over balanced budgets. The worst thing is that even the leadership of Germany realizes this alternative universe does not really exist, but it is what the voters want.

- **The United States:** Although NATO surpasses any alternative, the beginning of the demise of the organization was the 2008 Bucharest summit which failed to invite Georgia and Ukraine for membership, followed by the Russian invasion of Georgia that August. Getting the Baltics into NATO was harder, but there was not the energy or the leadership in 2008 to give support to Georgia and Ukraine. Secondly, the US economy took a nosedive in 2008 and has never recovered. The new administration, which prided itself on diminishing US power rather than exercising it, pursued an economic policy based on Keynesianism, but it has not led to growth. Third, the relationship with Russia is unsettling. As with every new administration, a reset button was hit, but, as Estonian president Toomas Hendrik Ilves once countered, that does not mean the memory files should be deleted. Not only is there very little engagement between the two countries, but the anti-democratic behavior of the Putin/Medvedev duo is also swept under the rug. The breathtaking fear in the Baltics is that the United States has not only become weaker, but that this weakness and lack of leadership continues to vector in the wrong direction.

These are not happy times for the Nordic or the Baltic states. Their primary bet was that the United States would continue to remain strong and, based on its own interests, and continue to want to maintain the leadership role in Europe. NATO well and good, but for the Baltic states and the Nordics it was the bilateral reliance on the United States as a counter to Russia that was the key to a secure future. The weaker the United States becomes, the greater the threat from Russia to the Baltic region.

Beginning with the tepid response to Russia's invasion of Georgia, one might readily imagine that the Nordics and Baltics see an American administration that shies away from exercising leadership in the transatlantic relationship. Secondly, without a strong economy no nation can maintain its power. Like a runner on one leg, the United States has been hobbling for the past three years and the economic indicators are hardly promising. The true nightmare is that the entire transatlantic community of states is hobbling economically, so even if the Nordic and Baltic states get their economic house in order (and they have been doing relatively well these past three years), there is no solace in their reliance on their post-Cold War mentors and protectors. Add to that the apparent reversal of traditional US support for its best ally in the Middle East, Israel (witness the president's May 9 speech) and one can begin to understand why the Nordic and Baltic states might well be nervous about the United States these days.

This is not a circumstance that can simply be repaired by policy prescriptions. In fact, US diplomats arrive every month with a new set of talking points to pound into the Baltic and Nordics—one month it is Kosovo, the next Belarus (a recent flavor of the month), but the points and the policy are empty and without purpose. The United States currently do not have a strategic vision and certainly not any engaged diplomacy on the menu of problems that generate the monthly talking points, so let us suggest a return to basics.

The key security issue for the Nordic-Baltic states is the future of Russia. The transatlantic community disagrees on the fundamental assessment of where Russia is heading and has allowed the reset button to squander into inertia. In part, the problem also resides in significant differences of view within the Alliance. Germany, France and Italy lead a cadre of Western European states which retain an unsubstantiated hope that Russia will indeed turn into a benign, constructive neighbor. The past NATO summits, not to mention the daily work of NATO, have been deeply split on Russia so that the past three years of pronouncements on Russia have had two different, inherently contradictory, sets of conclusions, side by side.

It would seem to be a matter of utmost US national interest to come to a conclusion for ourselves about how we assess Russia and its future role in our own identification of US national interests. Without arriving at that conclusion, no effective strategic vision can even be formulated.

In addition, an economically weak United States will continue to be a declining power. Unless we get our economy in shape, we can claim leadership all we want, but it will not happen. The reality is that the Nordics and the Baltics are among the states in Europe that want us to re-establish our strength and leadership. That is not necessarily true for all of their neighbors.

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Baltic Energy Markets: The Case of electricity

By Tomas Malmlof

Energy independence from Russia remains a crucial national security problem in the Baltic states. This issue brief outlines the present evolution of the Baltic electricity market and the implications thereof for Estonia, Latvia, and Lithuania, as well as for other countries. It also identifies the questions that need to be addressed in order to provide for a more secure, competitive, and sustainable electricity market.

Background

Even if the Baltic states have been successfully integrated in European and transatlantic security structures, their energy supply-systems are still very much dependent on Russian energy carriers and infrastructure. Russia has also pushed for a downstream integration of Baltic energy systems and companies through substantial targeted investments. On the contrary, with regard to the EU internal market, the Baltic states have been characterized as isolated energy islands, and their energy infrastructure has attracted fewer direct Western investments.

The present situation raises fundamental questions about the security of energy supply in the Baltic states. Low diversification of supply lines from abroad entails considerable technical risks. In most cases, existing connections are also associated with just a single or a small number of Russian energy suppliers. Thus, these suppliers have every incentive to behave like oligopolies or monopolies within their market segments, which is not in the best interest of consumers.

Overdependence on Russian energy carriers also has potentially uncomfortable political implications. Russia has openly declared that it considers its energy resources as potential instruments of influence in order to achieve geopolitical advantages and foreign policy goals.

Furthermore, the fact that Russian companies are keen to invest in the Baltic energy infrastructure might not be a problem per se but rather that they often seem to be operating without living up to the same standards as Western European companies. Main concerns are the often-unbroken formal or informal link of Russian companies with the state as well as a presumed export of a relaxed attitude towards bribing and corruption whenever the host country lacks effective instruments to fight corruption.

The Baltic energy sector has also generated some influential domestic companies. In many cases, these companies lack a strategic outlook and act out of shortsighted economic interest. It is not unusual that their affairs overlap or entangle Russian business or political interests. Under cover of the sector's lack of transparency, these companies sometimes function as a financing source for powerful local business interests and as a source of corruption of the political system.

Based on Russian economic levers and short sighted economic interests of domestic strategic companies within the energy sector, the Baltic states are thus at risk of being used as instruments of Russian influence toward Euro-Atlantic institutions, and as a buffer zone against the United States and transatlantic-minded states in Europe.

The Baltic electricity market

The electricity grid in the Baltic states is still interconnected to Russia, Belarus, and several other Commonwealth of Independent States countries through the Baltic part of the IPS/UPS power grid. The Baltic part was originally designed as a functional unit, with generation of base electricity in Estonia and Lithuania and balancing power in Latvia. Besides the geopolitical implications of this system in the present-day situation, there are technical constraints that create choke points, raise costs, and prevent optimal use.

Notwithstanding the interconnections between the Baltic and Russian electricity grids, abstention from extensive privatization of the electricity markets has successfully protected Estonia, Latvia, and Lithuania from unsought Russian investments. However, the unwanted side effect of current deregulation and restructuring of the Baltic energy markets in accordance with EU legislation creates new opportunities for Russian inroads into the Baltic electricity markets, which contradicts the energy security interests of the Baltic states.

Market players

In accordance with EU regulations, the Estonian electricity market has been reorganized in order to separate electricity generation, transmission, and distribution based on ownership unbundling. So far, the state company Eesti Energia dominates the wholesale and retail market. It produces over 90 percent of the electricity, of which about 95 percent is generated from oil shale from the northern part of the country. The transmission network is served by one system operator, Elering, another state-owned public company and former subsidiary of Eesti Energia. The distribution network is also characterized by high levels of concentration and state domination. There are in total forty network operators, of which Jautusvõrk LLC, a subsidiary of Eesti Energia, is the only operator with more than 100,000 customers.

Latvenergo, a state-owned vertically integrated utility, still dominates the Latvian energy market. This company imports, generates, transmits, distributes and supplies electricity to customers. The transmission system is operated by Augstprieguma Tikls, a subsidiary of Latvenergo. In 2009, there were eleven distribution-system operators in Latvia, of which only one, Sadales Tikls, another subsidiary of Latvenergo, had more than 100,000 customers. Both companies rent their network assets from Latvenergo.

The electricity market in Lithuania contains one transmission-system operator, Litgrid, and since the beginning of 2011, a dominant distribution system operator, Lesto. The company Lietuvos Energija owns most power plants, including the huge Elektrenai power plant, and is thus the only significant producer of electricity. It is also involved in sales activities and imports electricity from abroad. All three companies, Litgrid, Lesto and Lietuvos energija are more or less owned by the Lithuanian state and its shares have been handed over to Visaginas Atomic Energy (VAE). This is a project company set up and controlled by the state in order to facilitate the construction of a new nuclear power plant, Visaginas, as a replacement for Ignalina.

Dependence and national energy strategies

Estonian energy dependence on other countries is the lowest in the Baltic region. More than two-thirds of its primary energy is of domestic origin. Regarding electricity, Estonia is even a net exporter. However, because of stricter environmental requirements within the EU, and an ambition to keep oil shale as a strategic reserve, Estonia is preparing to reduce its present use. The intention is to replace the production loss with natural gas, renewable energy, and, after 2023, with nuclear power. The main challenge is to bridge a possible deficit gap from 2016 to 2023.

Latvian energy dependence amounts to three-fifths of its primary energy. Roughly, half of its electricity demand is met by its three hydro power plants, and another third is met by two gas thermal power plants. For the rest, Latvia has had to compensate its domestic electricity shortage by imports from Russia as well as from Estonia and Lithuania.

Increased domestic generation of electricity is an important part of Latvian strategy in order to enhance energy security. The possibilities for creating new hydropower capacities are limited, so Latvian energy planning focuses on an increased use of renewable energy resources. Most important is a more-extensive use of bio-fuels in existing and possible new power plants. Nevertheless, the reconstruction of the combined heating and power plants in Riga has been based on continued use of natural gas.

Lithuania has traditionally been a net exporter of electricity, but the decommissioning of the second and last unit of the Ignalina Nuclear Power Plant in December 2009 drastically changed the situation. The Elektrenai power plant that replaced Ignalina as a new base-load power plant covers only 50 percent of domestic demand for electricity. In addition, most of Lithuania's power plants, including Elektrenai, are fired by natural gas, and Russia is its only accessible supplier. Consequently, gas consumption in Lithuania has risen from about 30 percent of its primary energy supply to about 60 percent. As the remaining demand for electricity has to be covered by import, with Russia as the main supplier, Lithuanian energy dependence on Russia has increased significantly.

Based on past experiences, in Lithuania energy security is considered one of the most sensitive issues of economic and political survival of the state. The consequences of the closure of Ignalina have reinforced this view. Lithuania is currently investing in technical and environmental upgrading of the Elektrenai power plant in order to make it operate in accordance with stricter EU environmental requirements and to bring down production costs to a more competitive level.

Lithuania is also determined to build the Visaginas Nuclear Power Plant. However, this project has been considerably delayed. Lithuania has had difficulties creating a partnership based on trust and mutual understanding with its regional project partners, Estonia, Latvia, and Poland, and occasionally, they have considered launching separate national nuclear projects. It has also had problems finding an appropriate strategic investor. Nonetheless, in June 2011 the Lithuanian ministry of energy announced that it had received two competing US-Japanese proposals to invest in the Visaginas project from Hitachi-GE Nuclear Energy and Westinghouse Electric Company. In mid-July, a tender commission selected Hitachi Ltd. together with Hitachi GE Nuclear Energy Ltd. as the strategic investor. Estonia, Latvia and Poland participated in the consideration of both proposals. According to the Lithuanian ministry of energy, a concession agreement will be signed by the end of the year, and the Visaginas Nuclear Power Plant will thereafter be commissioned by the end of 2020. The reactor model offered by Hitachi is a third generation advanced boiling water reactor (ABWR), with a proven operational record of accomplishment that will add about 1,300-MW of electric power to the region.

Issues and challenges

In spite of internal differences, the Baltic states face similar strategic challenges of security of energy supply, sustainability and competiveness. All three issues are central goals of EU energy policy. Decision-makers in the Baltic region tend to prioritize security of supply. The present Latvian government lists promotion of energy independence and energy efficiency as part of its long-term political objectives and priorities. The Lithuanian national energy strategy approved by the government in October 2010 identifies energy independence—connection to European networks, diversified and secure sources of fuel and sufficient capacities to cover domestic demand—as its first priority, which should be achieved in the next ten years.

Security of supply

Within the EU, effective interconnection of the Baltic Sea region has been identified as a prioritized energy infrastructure project. The Baltic Energy Market Interconnection Plan (BEMIP) envisions the strengthening of the interconnection of energy infrastructure between the Baltic states and their Polish and Nordic neighbors. In 2007, Estonia was connected to the Nordic electricity market, Nord Pool, via the 350-MW Estlink submarine cable to Finland. A new link, the 650-MW Estlink 2, is expected to become operational in 2014. NordBalt is a planned 700-MW power cable between Sweden and Lithuania. This project has been delayed due to some internal competition between Latvia and Lithuania, regarding which country would get the connection point on the Baltic side, this project has been delayed. As for now, the cable will be commissioned in 2016. A 1,000-MW connection between Lithuania and Poland, LitPol, is also planned, which would connect the three states with the synchronous grid of continental Europe. So far, progress on this project has been slow. Lithuania has prioritized the connection to Sweden, as the implementation of LitPol has been informally conditioned on the success of the Visaginas Nuclear Power Plant project.

Slow progress on the Visaginas project has allowed Russia through the Federal Agency for Atomic Energy, Rosatom, to take tangible measures to initiate and start construction work on a nuclear power plant in Kaliningrad, the Baltiyskaya with a total capacity of 2,300-MW. Belarus has also announced that it will build a nuclear power plant of similar capacity in Ostrovets, close to the Lithuanian border, and for this purpose, it has secured necessary credits from Russia. Russia has been quite clear that at least the Baltiyskaya Nuclear Power Plant would generate electricity mainly for export to Western European and Baltic countries and not for internal needs. These intentions are also underlined by the fact that in December 2010 Kaliningrad brought a second 450-MW power generating unit of Kaliningrad combined heating and power plant on-stream, whereby this exclave became independent of imported electricity from the Russian mainland. The potential overcapacity of nuclear power in the Baltic region casts doubt on the financial viability of the Visaginas project. As Kaliningrad lacks necessary infrastructure for exporting electric energy, and Russia so far has not been able to provide any agreements with potential customers, there are strong doubts that the Baltiyskaya project is really intended for completion. On the other, it is the most advanced project: Serious money has already been invested in preparatory groundwork and construction work is scheduled to begin in early autumn 2011, according to official project information.

As an increasing number of higher-efficiency, gas-fired, combined-cycle electricity-generating power plants are replacing conventional gas- and oil-fired steam-power plants, a greater use of gas is expected, particularly in Estonia and Latvia. Liquefied natural gas, LNG, might provide for a counterbalance to Russian gas, as current spot market prices of LNG delivered to western EU countries are lower than pipeline gas sold to the Baltic states. However, there is a lack of suitable infrastructure for unloading, storage and gasification. A joint Baltic project would provide for necessary

economies of scale, in procurement, import, and storage facilities as well as minimize the Russian ability to use the supply and price of natural gas as tools of influence. No agreement on a joint project has been reached thus far, and all three states are considering suboptimal national solutions.

Competiveness & transparency

Even if unbundling of the electricity sector has taken place, all three Baltic states have kept national champions in transmission, distribution and electricity generation. In this way, they have been able to avoid market defragmentation and to exclude Russian capital from the most crucial parts of their electricity markets. On the other hand, the system also opens up for vested interests to influence energy sector decision making and to pursue policies that are discriminating to non-state actors.

Deregulation of the Baltic electricity markets will be completed in the next few years. All consumers will be eligible to choose their electricity supplier without constraints. Early deregulation has allowed Eesti Energia to establish itself in Latvia under the company name Enefit, with an aim toward providimng for all Latvian import of electricity. In a similar way, Latvenergo has entered the Estonian market, but its ambitions are limited to using its hydropower as a balancing resource.

A detrimental outcome of the deregulation is that it provides incentives for a greater demand for Russian electrical power. As a third country, Russia is not subject to the EU Emissions Trading Scheme (EU ETS) the cornerstone of EU policy to combat climate change reducing industrial greenhouse gas emissions. Production costs in Russia will therefore remain lower than within the EU. With an unregulated market, Baltic energy companies will consequently not be competitive with Russian suppliers. From the EU point of view, the Baltic region risks turning into a source for substantial carbon leakage, which would undermine the very idea of the EU cap and trade system.

In a similar way, the Baltiyskaya Nuclear Power Plant will be partly built with nonreturnable state funds from the profits of Rosatom, as the Visaginas plant will be more dependent on borrowed private funds. In this way, the Baltiyskaya project is likely to carry much less costs for debt servicing compared to the Visaginas. Possibly less stringent safety provisions on the Baltiyskaya might also have a negative impact on the financial feasibility of the Visaginas project. Inter RAO Lietuva, a serious independent supplier on the Lithuanian energy market and a subsidiary to the state-controlled Russian energy company Inter RAO, has already signed a long term contract on power supply for the Baltic region with the Baltiyskaya from 2017 to 2036. The company group behind Inter RAO Lietuva has also moved into Estonia and Latvia in order to facilitate further market penetration.

Energy saving and sustainability

In order to promote energy sustainability and to further diversify their use of energy carriers, all three Baltic states plan for a greater use of renewable energy sources, waste and bio-fuel. It is nevertheless questionable whether they are endorsing this development based on their own convictions, or if they are just following EU ambitions within the energy sector. Established traditional energy companies have occasionally shown some resistance to renewable energy and new energy sources defending their own interests; for example, wind power has been described as a luxury that only rich countries can afford.

The Baltic states are investing considerable effort in increasing the production of electric power. Much less attention has been paid to energy saving and efficiency. Given what is known about the enormous waste of energy that was the norm in the Soviet Union, there is probably still a great potential for energy-efficiency measures in those parts of the Baltic energy systems that have not yet been modernized.

Policy recommendations

The most pressing task for decision-makers with a stake in the Baltic electricity markets is to come to terms with the present regional deficit of domestically generated electricity, which is predicted to grow to at least 1.3-GW in 2020. This does not give Russia the opportunity to strengthen the prevailing asymmetric interdependency between itself and the Baltic states in the energy sector. It is imperative that all involved take a pragmatic and nonpartisan approach. Below follows a few suggested steps forward:

- To overcome the small market dilemma and maximize their power-generation efficiency, Estonia, Latvia, and Lithuania should consider setting up a joint supranational Baltic energy authority whose activities would be supervised by the three governments. In order for major projects to be effectively implemented in the Baltic region, or for the introduction of LNG as a game-changer, it will require close cooperation and coordination between the Baltic states, along with a deeper integration of their national energy markets. Still, national positions and thinking tend to dominate in Baltic energy planning. A joint authority would be better suited to pursue the regional perspective, which, in the end, would benefit all three states.

- Under all circumstances, Estonia, Latvia, and Lithuania need to apply a more systematic approach to all major energy projects in the Baltic region. How do they fit in with each other? Would it be more cost-effective to implement a small number of major joint projects rather than to seek separate national solutions? After all, growing energy interdependency between the Baltic states is not an issue—less dependency on Russian energy carriers is.

- A continuous strong commitment to the Visaginas Nuclear Power Plant from all project partners is essential if the project is to be implemented without turning into a financial quagmire. Given the risk for overcapacity of nuclear power in the Baltic region, credibility of the Visaginas project might depend on if future demand can be secured now.

- In order to enhance the effectiveness of their electricity markets, among other objectives the Baltic states should strive for equal market conditions based on free cross-border trade and competition, fair price formation, transparent capacity allocation and market information, efficient market monitoring and reduced market concentration. If they opt to keep their national champions, Estonia, Latvia, and Lithuania must at least make sure that these companies refrain from abusing their dominant position to bend national and regional energy policy objectives to suit their own economic and industrial interests.

- The Baltic states ought to pay more attention to energy saving and efficiency. This is the untapped potential of the Baltic energy sector, which would further improve Baltic energy independence from Russia.

- The EU has to make a thorough assessment of how free cross-border trade and market opening to non-EEA third countries affect the electricity market, in particular with regard to Russia as the third country and the Baltic region as the market. Of special interest is the competiveness of the Baltic power industry and possible carbon leakage as a consequence of Russia not being subjected to the EU ETS system. If need be, the EU should not hesitate to take appropriate action against Russia.

- The EU should welcome Russian investments in its deregulated electricity markets; however, a mandatory precondition should be that Russia allows similar foreign investments in its own power companies.

- With a regard for regional nuclear safety and an aim to somewhat equate the competition between Visaginas and the competing Russian and Belarusian nuclear power plants, the EU should join with Lithuania to request the highest international levels for a safety assessment by an independent international team, reviewing all provisions that the three plants will be equipped with; considering what impact a nuclear disaster might have upon the region, self-certifications are just not sufficient.

Summary

The Baltic states have so far successfully protected their electricity markets from unwanted Russian investments and unfair competition that might otherwise have made them more exposed to uncomfortable Russian economic and political influence. Mandatory implementation of certain parts of EU legislation undermines these achievements and might have a negative impact on other countries as well.

It should be possible to enhance Baltic energy security further and to dissuade Russia from taking unfair advantage of the liberalization of the Baltic electricity energy markets by:

- encouraging Estonia, Latvia, and Lithuania to adopt a joint pragmatic and non-partisan approach to energy strategy planning and market development; and by

- persuading the EU to further support the Baltic quest for energy security and enforcing reciprocal principles in trade and investments with non-EEA third countries, obtaining support for this policy from the international community.

Based on these two pillars, it should be possible to achieve further liberalization of Baltic electricity energy markets without undermining Baltic energy security.

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Energy and Regional Cooperation: Towards the Baltic Energy Rim?

By Dr. Andris Spruds

Can the Baltic Sea region serve as a litmus test for the efficiency of energy regionalization, a common EU approach, and an enhanced EU-Russia energy dialogue? There are reasons to think so. During the last twenty years, the Baltic Sea region has experienced an enlargement of the Euro-Atlantic institutions and a number of initiatives to institutionalize regional cooperation. The region was also the first to adopt an internal EU regional strategy with a strong commitment to further integrate the regional energy infrastructure and markets. Moreover, the Baltic Sea region is the only region where the EU countries have common borders with Russia, and this proximity may provide further opportunities for a closer regional and cross-border energy cooperation with an important EU energy supplier.

This paper will examine two broad issues—whether, and to what extent, energy has already become one of the most important tools for a closer regional integration and trans-border partnerships, and what are the major determinants, challenges, and windows of opportunities in the process in the Baltic Sea region. It will focus in particular on the natural gas sector, where a number of important developments are under way. The traditionally grid-connected and regionally constrained natural gas supplies are being increasingly transformed into a global commodity trade. Moreover, the International Energy Agency's "golden age of gas" in the regional context is expected to result in new infrastructure projects, exploration of unconventional gas, and ownership "unbundling," rather than simply reinforcing existing supply and industry structures. Taken together, these new dynamics may create an essentially transformed energy setting in the Baltic Sea region.

Regional multilateral initiatives

The regional energy initiatives have been advanced through various regional and sub-regional institutional frameworks. The Council of the Baltic Sea States (CBSS) includes all states in the region. However, the intergovernmental organization of eleven countries appears in a protracted quest for a new regional identity and function after the enlargement of the EU. The intergovernmental Baltic Sea Region Energy Co-operation (BASREC) as a part of the CBSS was initiated by the Baltic Sea countries and the European Commission with the following objective: "to promote sustainable growth, security and prosperity in the region and [BASREC] supports therefore the creation of competitive, efficient and well-functioning energy markets." Although the cooperation under the framework of BASREC provided political impetus for further confidence-building and cooperation in the energy sector in the region, the initiative has led largely to consultations rather than implementation of concrete projects. This has been particularly the case in the important and frequently contentious field of natural gas.

A number of energy initiatives in the region notwithstanding, an all-encompassing regional energy initiative does not yet exist. The existing institutions diverge in their objectives, scope, efficiency and political and financial capacity. The dense but partly overlapping, fragmented and inconsistent institutional contraption in the region has been the result of the various sub-regional processes as well as the national governments' approaches to issues of security of supply, liberalization and sustainable energy. Essentially, a "three layer" Baltic Energy Rim has come into existence in terms of institutional integration.

The core of the region has been formed by the five Nordic countries, which have a long tradition of cooperation through the Nordic Council and the Nordic Council of Ministers. These

countries have created an integrated Nordic electricity system (Nordel) and market (Nord Pool) that closely cooperate on a variety of the energy issues, and actively promote a sustainable energy agenda internationally. The Nordic countries, with nearly half of the regional GDP, have been the driving force behind creating an interconnected, transparent, environmentally friendly and sustainable energy rim.

The second layer has been formed by Germany, Poland, and the Baltic countries. All belong to the Euro-Atlantic institutions but their priorities differ. Germany and Poland have considerable interest in cooperating in the Baltic Sea region, but they have other important regional energy priorities as well. The Baltic countries have given high priority to the regional integration of their energy markets, but the legacy of the Soviet-era energy systems has created considerable institutional, regulatory, infrastructural and financial obstacles to overcome. Key to integrating the Baltic "energy island" into the regional—and above all Nordic—markets has been the adoption of the EU Strategy for the Baltic Sea Region and its integral part, the Baltic Energy Market Interconnection Plan (BEMIP), signed by the three Baltic and five Nordic countries in June 2009.

Russia constitutes the third layer. It has participated in some of the region's multilateral initiatives, but as a large energy supplier for the whole EU, it has not prioritized these regional activities. As a result, attempts to engage Russia in the joint regional projects have been timid and rather low-profile on both sides, focusing on energy efficiency and transport- and environment-related initiatives. The Northern Dimension initiated by Finland in particular has given priority to and partly succeeded in promoting cooperation in those fields. The Russian-German natural gas project, Nord Stream has demonstrated, however, the controversies and difficulties in forming a common approach on Russia's role in regional supply arrangements. Close cooperation and joint solutions to security of supply and liberalization have been politically elusive to date. Instead, not infrequently, Russia's considerable presence in national energy mixes in general, and in the natural gas sector in particular, has been viewed by many countries as a liability rather than an opportunity for regional integration.

Regional energy mixes and perceptions of security of supply

Security of supply has been high on the agenda for some time, as most of the countries in the region depend on imported energy resources. The issue was particularly accentuated by the Russian-Ukrainian gas crises and by the construction of the controversial Nord Stream pipeline project in the Baltic Sea. Although Norway has become a substantial energy supplier to the countries in its proximity, Russia plays the most important role in regional energy supplies. It has essentially become an "indispensable energy nation" in the Baltic Sea region. Russia's oil and gas account for a majority of Latvia's and Lithuania's primary energy balance. Although Estonia is relatively self-sufficient in terms of its energy supply, Russia secures Estonia's gas needs and a considerable share of its oil consumption. Russian energy resources also feature in Finland's energy balance. Sweden, Poland and Germany also rely considerably on Russian oil and gas imports. Indeed, having embarked on phasing out its nuclear capacities, Germany apparently will have to compensate with additional gas supplies, prospectively from Russia.

These regional supply commonalities notwithstanding, national energy mixes, supply patterns, and respective policy objectives vary considerably among the countries of the Baltic Sea region. In this regard, the Baltic Sea countries may be divided into several groups in terms of their supply situations, their policies regarding "energy security," and the perceptions of their "overdependence" on imported resources.

Germany, Denmark, Sweden, and Poland are reliant on outside supplies, but have developed considerable domestic production and generation capacities, have their own "national champions," and have shown increasing progress in supply diversification. This partly compensates for their reliance on imported energy, and allows them to approach energy security largely in economic and environmental rather than political terms. Thus, for example, Poland has adopted a two-track approach. On the one hand, Poland has attempted to engage constructively with its traditional supplier and has signed new gas-supply and transit agreements with Russia, until 2022 and 2019, respectively. In the process, the European Commission was particularly instrumental in signing a medium-term rather than a long-term supply contract, and ensuring third-party access to Poland's gas infrastructure. On the other hand, the Polish government has actively launched large alternative projects domestically, such as an LNG terminal in Swinoujscie and unconventional gas exploration. Although the political insecurity concerns have been alleviated, these potential regional game-changers may impose further pressure on natural gas prices and the "take-or-pay" contracts favored by Gazprom. Recent legal cases over the long-term contract pricing formula brought against Gazprom by Italian company Edison in 2010 and, more importantly, by German E.ON Ruhrgas in 2011 may well reflect new economic relationships between suppliers and consumers.

The Baltic countries (and, to some extent Finland) are considered to constitute an "energy island" within the European Union. Finland and Estonia, however, somewhat differ from their southern neighbors. Finland has been actively developing its own nuclear generation capacity, and, as a member of the regional "core layer," has electricity interconnections with its Scandinavian neighbors and participates in the common Nordic electricity market. Estonia has been a front-runner among the Baltic countries through infrastructural and regulatory advances to proceed with integration into the Nordic electricity market. Although both Finland and Estonia import natural gas from Russia, such imports account for only slightly more than 10 percent of the total energy balance of both countries. Estonia provides for about two-thirds of its energy requirements through domestic production—wood, peat, and, especially, oil shale production—and is to be directly linked with Finland via the Baltic gas interconnector.

But Estonia still shares some structural similarities with its southern neighbors. The country is part of the Commonwealth of Independent States/Russian electricity transmission system IPS/UPS, while the national gas monopoly's Eesti Gas largest shareholder remains Gazprom. The Estonian government will face the uncomfortable and challenging task of ownership unbundling in the gas sector.

Latvia and Lithuania appear to be the most exposed to imported resources. While Russian natural gas is estimated to account for around 7 percent of the EU's primary energy balance, it is more than 30 percent of Latvia's and even more in Lithuania after the closure of the Ignalina Nuclear Power Plant. Aside from the political implications, high reliance on a single supplier means potentially unfavorable price formations and few if any alternatives in case of gas disruptions. Limited infrastructure and supply and market alternatives have placed the Baltic countries, especially Latvia and Lithuania, high in the so-called "import vulnerability indexes," especially where gas is concerned.

Lithuania attempts to address its declared "energy independence" objective through various large-scale measures: a new nuclear power plant in Visagina (jointly with its Baltic neighbors), a planned LNG terminal in Klaipeda, electricity and gas interconnections with Sweden and Poland, and prospective exploration of shale gas. Although some progress has been made in all directions, there are questions about the feasibility and economic sustainability of these large infrastructure projects. Moreover, other projects in the region may compete both for market share and for possible EU co-financing: Sweden opened the region's first LNG terminal in May, 2011; Poland plans a terminal of its own; and Finland, Estonia and Latvia are apparently considering such facilities as well. Latvia aspires to become a regional gas distribution hub. A recently completed feasibility study on an LNG terminal near Riga has emphasized the importance of the country's central location in the region and especially its vast underground storage capacity—capacity that could be enhanced considerably.

The Baltic Sea region has thus witnessed a number of important developments that may become regional game-changers for security of supply and actually bring the region closer together. First, countries around the Baltic Sea seek to increase the options available to them for access to infrastructure and supplies. Although harmonizing their various national preferences has not been easy (as in the case of the LNG terminals), market forces and EU incentives increasingly motivate these countries to take common regional interests into account.

Second, domestic resources are being actively developed. Renewable energy attracts increasing investments and cooperation in the region, which has already become a "green energy laboratory" within the EU. Moreover, unconventional resources such as shale gas may become a regional game changer in the medium or longer term. Poland may possess a huge potential when it comes to developing its own natural gas reserves and the production would unequivocally lead to a much more diversified and competitive regional energy market. Latvia and Lithuania have also indicated a strong interest in domestic shale gas exploration.

Third, interconnections are underway. The EU has facilitated the adoption of the BEMIP. The first steps have already been taken to bring the Baltic countries into the EU energy "mainland" through the electricity interconnections, while the next phase would focus more on the regional gas market integration. In this regard, interconnections between Estonia and Finland and Lithuania and Poland are envisaged. Poland's role is particularly important as the country may serve as both an energy bridge for and potential natural gas supplier to the Baltic countries in the future.

The new regional dynamics, along with changes in the global market, have already begun to alter Russia's energy interactions with its EU neighbors. Russia has attempted to adjust, and its previous assertive approach has been superseded by more flexible and individually-tailored tactics. Due to the enduring pressures on gas prices Gazprom apparently has been willing to find a common language with its Polish and German partners in order to adjust the existing long-term "take-or-pay" contracts. Latvia and Estonia

received a 15 percent discount for the natural gas supplies from Russia for 2011. Arguably, therefore, Russia has become a more constructive regional energy supplier. On the other hand, Lithuania did not obtain a gas price discount, as the conflict over the ownership unbundling of national gas monopoly began. Market liberalization and ownership unbundling issues have thus become highly contentious items on the regional energy agenda overall, and in relations with Russia and its gas monopoly Gazprom in particular.

Regional energy market liberalization and integration

The liberalization of national energy sectors has become a precondition for the creation of more-integrated European and regional energy markets. The common regional electricity and gas markets, in turn, may lead to the bridging of the existing fragmentation, bring national policies closer and eventually improve the security of supply. The European Commission has been championing the liberalization agenda for years. Most recently, the Third Energy Package (adopted in July 2009) called for ownership unbundling, new interconnections and third-party access, harmonization of cross-border activities, stronger cooperation of TSO and regulators, increased transparency and an enhanced EC role in anti-trust, merger and subsidy issues. The policy responses of EU members, however, have varied considerably.

This applies to the countries around the Baltic Sea, which have shown considerable progress in market liberalization in the electricity sector. A competitive regional electricity market is in the making, and further integration into wider EU markets appears to be simply a matter of time. Competition in the gas sector, however, is proving to be more challenging because of the sector's traditionally more monopolistic structure. Sweden and Denmark have adopted full ownership unbundling. Germany and apparently Poland are joining other EU countries in opting for the third ITO (Independent Transmission Operator) option—the so-called "status quo plus" model that requires third-party (i.e., host-nation) access even without ownership unbundling of the supply and transmission assets.

The Baltic countries thus face considerable challenges on their road toward a competitive gas sector. The small size of the markets, the presence of natural monopolies, and long-term contracts with a single supplier limit the entrance of the other competitors. In light of their limited physical infrastructure connections with the rest of the EU, Estonia, Latvia, and Finland were exempted from the EU's unbundling directives until 2014. The situation is further complicated by the fact that Gazprom essentially controls both supply and distribution of natural gas in the three Baltic countries. This is an unparalleled situation in the European Union.

Under these circumstances, Finland and the Baltic countries have responded with diverging strategies and tactics. Estonia and Finland have indicated a preference to follow a Nordic model of a full ownership unbundling, taking advantage of their unbundling exemption and the relatively small size of their gas sectors to pursue a course of a gradual liberalization. Latvia has indicated a readiness to opt for the ITO option. This has apparently contributed to Gazprom's decision to offer Latvijas Gaze a discounted gas price for 2011 (Gazprom holds 34 percent shares and ITERA Latvija another 16 percent while EO.N Ruhrgas holds 47.2 percent.) However, Latvia's government will not be able to avoid contentious issues. Although liberalization has been postponed until 2014, the 1997 agreement between the Latvian government and Latvijas Gaze actually preserves the monopolistic nature of the gas sector until 2017. Moreover, Gazprom's lease of the Incukalns underground storage facility ends the same year and a mutually acceptable solution for this regionally vital infrastructural asset has yet to be found.

Lithuania has demonstrated tenacious efforts to liberalize its gas market. The Lithuanian government, unlike the governments of the other Baltic countries, has rejected the exemption alternative and opted for the immediate full-ownership unbundling option. In June 2011, as the first member of the European Union, the Lithuanian parliament enacted legislation that precluded a supplier of natural gas from owning or operating the transmission and distribution infrastructure in the country. The adopted legislation, which should take full effect by 2013, stipulates separating the existing gas transmission and distribution business from Lietuvos Dujos (Gazprom owns 37.1 percent, EO.N Ruhrgas—38.9 percent; and the Lithuanian government 17.7 percent) According to the law, the state will control the transmission infrastructure while distribution to consumers will become a separate business. As a result, relations between Lithuania and Russia—and especially with Gazprom—have deteriorated considerably. Both sides have appealed to the European Commission—Lithuania for strict enforcement of the EU unbundling directives, and Russia for relief from them.

This particular case points to some larger regional implications. The process of liberalizing the gas sector will certainly be complicated. Moreover, liberalization alone will not be the sole remedy for all regional energy dilemmas. Deregulation, reduced government control, and the dismantling of vertically integrated monopolies may cause

some concerns about security of supply and misuse of market power in some countries, or lack of sufficient infrastructure investments in the others. At the same time, ownership unbundling, third-party access, and new entrants would provide an important window of opportunity for the countries around the Baltic Sea, and Baltic countries in particular, to make the natural gas sector more efficient, prices more competitive and regional markets more integrated.

Towards the Baltic Energy Rim?

The Baltic Energy Rim remains in a work in progress. The developments in the Baltic region have been dynamic, yet results so far have been mixed. On one side of the ledger, the Baltic region still faces institutional fragmentation, limited supply and infrastructure options, inadequate interconnections to the rest of the EU, and a high degree of market concentration in the Baltic countries' natural gas sector. Nation states retain their dominating role in addressing their energy security needs. A certain inefficiency of the existing regional organizations exists. Although there are regional institutions that can build contacts and develop networks, energy cooperation remains a formidable challenge. Balancing national, regional, and European interests and forming a converging Baltic Energy Rim are complicated tasks. On the other hand, substantial progress has already been achieved in some areas, especially among EU members. A gradual institutionalization and Europeanization of regional energy cooperation provides a good basis for attracting investments, integrating regulatory spaces and markets, implementing trans-border pilot projects, reassuring the new members, and simultaneously engaging Russia, and this in turn opens a window of opportunity for the common Baltic Energy Rim in the future.

A number of factors are likely to influence regional cooperation in the energy sector in the coming years. First, EU policy will be critical. The EU increasingly sets the regulatory framework and creates the financial incentives that shape Europe's internal energy market, especially gas, and its interaction with outside suppliers. The EU has already facilitated financial contributions and multilateral participation in regional energy projects. The European Commission is actively involved in the energy dialogue with Russia. Although Gazprom can still deal bilaterally with consumer countries and companies, it does so increasingly within the regulatory framework established by the European Union. The important issue is whether the EU will be able to follow up on its own commitments and implement them efficiently and soundly, thus promoting joint regional projects and market liberalization.

Second, Russia will remain indispensible for regional energy supplies. But whether the existing asymmetries and Russia's large-scale regional projects and downstream presence will lead to an increasing mutual mistrust or to mutually constructive engagement will depend both on effective cooperation among EU members in the region, and, not least, on domestic developments in Russia and the energy strategies it adopts. Although the EU-Russia "modernization agenda" and the "reset" of US-Russian relations have provided new openings to engage Russia in a more-transparent and less-securitized manner, a breakthrough in the energy interaction will be much more difficult to achieve.

Third are the domestic energy policies and dynamics of the three Baltic countries themselves. Integration of the relatively small Baltic "energy island" into the European "energy mainland" is becoming a litmus test for the depth and width of the Europeanization of EU energy policy as a whole, and the Baltic countries are increasingly important players in regional energy developments. Although the current financial crisis has put constraints on large scale investment, farsighted Baltic political leadership and effective collaboration complemented by concrete energy undertakings will have a major impact on prospects for regional energy integration. It will therefore be critical that he Baltic countries deal efficiently with the "integration gap" in the region and delivery on their professed commitments—and not only in the energy sector.

What should be done?

First, it is of paramount importance that the EU and its member states demonstrate credibility and efficiency when implementing their commitments and legislation. Implementation of the Third Energy Package is key, and Lithuania has become a litmus test here. The European Commission will need to engage more actively in order to manage the Russia-Lithuania dispute and to provide the transition to full ownership unbundling. The EU should create a permanent financial budget line for important energy commitments, and might consider a further expansion of EU-Russia energy initiatives—for instance, the creation of a joint EU-Russia energy investment ombudsman, or a nuclear security council.

In any case, conceptualizing new models of regional cooperation and engaging Russia will remain on-going and important tasks. Transatlantic engagement will also have a role to play: US reengagement and reassurance

have produced wider political openings with Russia while easing concerns of the new members of the Euro-Atlantic community and contributing to a gradual de-securitization of their energy strategies. Cooperation in the Baltic Sea could also be linked with new efforts to establish projects in the Arctic, including in the Barents and Baltic seas.

Third, Baltic Sea regional institutional mandates can be extended. It may be useful for example, to create additional mechanisms for confidence-building, information exchange, and increased transparency. The Northern Dimension has helped to facilitate trans-border cooperation in the region, and its further harmonization with the EU Strategy for the Baltic Sea Region and its extension to wider energy issues would be welcome.

Last but by no means least, concrete projects need to be implemented in the region. Integration of electricity markets and grids is already taking place. A number of natural gas projects are conceivable: LNG technologies, unconventional gas exploration technologies, interconnections, and underground storage facilities. Once more, such ventures could be undertaken by networks representing stakeholders from the EU, the United States, or Russia. In any case, they—and regional energy cooperation in general—must be a truly Euro-Atlantic endeavor.

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Economics and Trade Around the Baltic Rim: Does Russia have a strategy?

By Pekka Sutela

How does Russia see its place and role in the Baltic Rim? How do Russia's economic and trade relationships affect—or reflect—its priorities for the region as a whole? Is Russia reacting to initiatives and changes originating with others? Is it rather a full partner, or even a change-maker setting the agenda? During the Cold War, the Soviet strategy here was straight-forward. Is there any strategy now?

Questions such as these are much on the minds of policymakers, business people, and political observers around the Baltic Rim. To address them, this paper will look at the character of the economic relationships between Russia and its Nordic-Baltic neighbors, identify key themes in Russian discussions of these relationships, and then turn to some key factors—especially ecological and logistical—that influence trade policies and political interests in the region.

Economic relationships and political interests

Russian economic and trade relations with its Nordic-Baltic neighbors vary considerably, and not surprisingly often look quite different now from Cold War days. Finland is an illuminating example. At peak in the first half of the 1980s a quarter of Finland's exports went to the Soviet Union, as Moscow used the bilateral trade mechanism to allocate Finnish producers a higher market share than would have been warranted by their international competitiveness. It was estimated that "eastern trade" provided 150,000 jobs in a nation of a little over four million inhabitants. Politically this reflected the privileged foreign policy relation between the countries. Economically it was facilitated by Finland's willingness to import most of its oil from the USSR—Italy was the other European country willing to do so, even if to a lesser degree. Institutionally the need to reflect Soviet centralized institutions and procedures brought into the country a closer business-political relationship, often a corrupt one, than what would currently be regarded as natural. Many of the jobs created proved to lack competitiveness as the economy opened and the bilateral trade system collapsed with the Soviet Union. This was especially so in textiles, footwear and ship-building. The deep Finnish recession—at a loss of 14 percent of GDP—in the early 1990s was however not primarily caused by the collapse of exports into the Soviet Union. Instead, this was a classic case of overheating created by gradual and asymmetric liberalization of financial markets and the capital account.

Though the claim has not been proven by research, Finland's eastern trade was regarded as highly profitable by its practitioners. This was due more to predictability and long production series than to overall price levels. Consequently industrial interests lobbied hard for the continuation of bilateral trade and had the almost full support of the state in doing so. The major exception was the central bank, which had been financing Soviet deficits to maintain a high level of Finnish exports, despite continuous and increasing problems in finding Soviet exports to balance the trade flows. Lobbying proved successful in convincing Finnish trade policymakers but in the end proved futile as the Soviet Union began to collapse.

In any case, such basis for lobbying no longer exist. Trade policy competence of EU nations lies in Brussels, a fact that however has not abolished the need for domestic trade policymaking both directly with outside countries and via the Commission. For example, increased Russian export tariffs for round wood are of direct importance to Finnish and Swedish industries, but also concern general principles of WTO accession. Though the matter is of modest macroeconomic scale, the Commission as well as domestic authorities have worked for years towards an acceptable solution. More generally, although Russian foreign trade

has been liberalized, some countries at least have found it useful to maintain (or even re-establish) governmental-level trade working groups and commissions with both ceremonial and practical tasks. Raising practical issues to the prime ministerial or presidential level may sometimes give relatively small matters an almost comical air. Finnish and Russian presidents have discussed over-weight rules for trucks any number of times. President Putin (with the economy minister) was once semi-publicly asked for better access to quality hops by beer brewers. Such instances are not unknown in trade policy more widely, but in Russia's so-called "vertical of power" to engage the interest of the prime minister becomes even more essential. This is true also elsewhere, (e.g., China or India).

Finnish-identifiable investment in Russia amounts to about 8 billion euros. In size, Fortum's co-generation of heat and power in Western Siberia dominates. The variety of activities is notable as the following examples show: Fazer bakes one third of its bread in St. Petersburg, Stockman has the largest modern city-center department store there, Tikkurila dominates the local paint market, and Nokian tires is Russia's largest exporter of consumer goods ahead of IKEA (or that is what they say). These and others are all part of Russia's ongoing structural change from planners' preferences to consumer demand. Therefore Finnish and other foreign firms have a very major indirect lobbying group among Russia's consuming class, as they have brought into the country totally new commodities and service standards. No conceivable Russian government would wish to close down McDonald's or Cosmopolitan magazine. Tourism creates a somewhat similar lobby. In 2005-2009 the Schengen area received about 13.4 million visa applications from Russian citizens. The refusal rate was just 2.2 percent. In 2010 Finland alone issued just above one million Schengen visas, most of them in St. Petersburg for multiple entry, with a refusal rate of less than one percent. Russians constitute the biggest single group of visitors to the country, and in 2010 they accounted for close to 90 percent of all tax-free sales of about 180 million euros in the country. The economic impact is mostly regional: two towns in southeastern Finland accounted for one third of all tax free sales, the same as Helsinki. Russian citizens also participate in several hundred real estate deals annually, usually as buyers and almost always in a few localities, again in southeastern Finland. Paradoxically this has raised objections as real estate prices there have tended to increase locally. A few of the deals have also raised security concerns.

Germany is another interesting case. Though Germany is not particularly dependent on Russian energy—and if highly ambitious plans to create energy self-sufficiency come true, will be even less so in decades to come—trade flows between Russia and Germany, Europe's two biggest economies, dwarf others in the Baltic rim. Poland also trades much with Germany, and its trade with Russia has also increased recently. Nevertheless it does not seem possible to identify distinct industries which would be particularly dependent on trade with Russia and would therefore be a basis for effective political lobbying. German industries have a strong tradition since 1952 of co-operating with their own as well as Russian and Eastern and Central European authorities in the framework of their Ost-Ausschuss—the Committee on Eastern European Economic Relations. This is a strong organization that reflects German traditions of public-private cooperation, so that the exact division of labor between Ost-Ausschuss and German authorities may sometimes appear unclear. Any German company with interests in this part of the world may join. This is not true of the East Office of Finnish Industries, established in 2008. Its membership is limited to 22 major corporations, basically one for each industrial sector, to avoid conflicts of interest. These companies, however, account for 80 percent of Finland's exports to Russia.

This percentage is of importance. In most cases foreign companies active in Russia are the large international companies of their nations. The membership list of East Office contains many of them, but others as well. Some come from ripe domestic markets, like retail, that view the east as the only major competitive growth market. Others have obvious logistics connections with Russia, and a third group—construction and related activities—also benefit from geographical proximity. The field is a varied one, which in itself poses an additional burden for trade policies. Diversity also tends to mean that the challenges faced by Finnish firms in Russia vary, though access to infrastructure and public sector relations tend to dominate.

The situation has been very different in the Baltic countries and Poland whose high dependency on Russian energy—and on Belarus and Ukraine as transit countries—has not been due to choice but to history. Political use of "the energy weapon" with pipeline delivery cuts for transit through Ventspils and as fuel to Mazeikiai has been true both in the 1990s and more recently. The unfortunate EU demand for the closure of the "Chernobyl-type" Ignalina Nuclear Power Plant as an accession condition has further worsened the situation. Poland looks to cut or abolish its gas dependency form Russia by unconventional gas. The Baltic countries

have so far been unable to find ways for new large-scale hydro or nuclear power to compensate for Ignalina. Power connections to the Nordic grid have been built and further ones are coming, though the capacity of the grid may under extreme conditions have problems, as seen above.

Ventspils has been called Latvia's greatest resource and the source of the "resource curse" there. The share of transport and communications in Latvia's GDP generally varied between 15 and 25 percent in the 1990s settling at closer to 15 percent towards the end of the decade. Until 2008 the share seems to have remained basically at the same level, with annual fluctuations. Estimating value added in transportation is however difficult, and definitions of the sector differ. Latvia's estimated share is high but not far above that in Estonia and Lithuania. The difference is elsewhere. Latvia was more privatized to oligarchs than its Baltic neighbors. Three of them, including the former chief of the Ventspils harbor, run political parties. Given the number of Latvian parties and the exclusion of the Russian speakers' parties from government so far, the oligarch parties are in government coalitions regularly. Oligarch interests, which may be closely aligned with Russian interests, have therefore had a louder voice in Latvian policy making than in Estonia and Lithuania.

There is little large-scale Russian outward investment around the Baltic Sea. Privatization in the region affected either strategic (often Nordic) investors or private domestic interests. Crucially the financial systems are practically Nordic-owned, which helped during the recent crisis. A partial exception is obviously energy. Here however the situation varies hugely across countries. Denmark and Sweden use no Russian energy. Russian gas accounts for some 10 percent of Germany's consumption of gas, and the share may increase after Germany's again changed policy toward nuclear power. Finland is highly—about 70 percent—dependent on imported energy. Of all imports again about 70 percent come from Russia. Finland brings all of its gas (10-15 percent of energy consumption), practically all of its oil, all coal as well as most oil products and some electricity and nuclear fuel from Russia. For long-standing historical reasons Lukoil owns a (well-run) gasoline retail chain in Finland. Gazprom is (like Germany's E.On) a minority owner of the Finnish gas distribution and pipeline company, which is majority owned by the state. Gazprom ownership is seen as economically beneficial, as it improves mutual access to demand and supply information. Russian electricity supplies were only disturbed during an exceptionally cold period in early 2006 (when Russia on the other hand increased pipeline pressure for gas as if to compensate); supplies from the Nordic grid also suffered at that time. No attempts by Russia to use energy dependency politically have been noticed in Finland. Whether dependency is excessive is an issue sometimes raised in Finland, and is a major argument behind continuing enlargement of nuclear power, though the next nuclear power enlargement project seems to have been postponed after Fukushima.

In 2003-2004 about 30 percent of Russian total imports by value entered the country through Finnish harbors. By 2010 the share was down to about one tenth, due both to increasing Russian harbor capacity and to stronger competition from Baltic harbors. There has been a very fast growing import volume to share. The east—west logistics industry tends to be a relatively weak lobby. The jobs created are mostly of local importance, large transport volumes also involve problems, the long-term sustainability of the business is in doubt and needed investment is dear. The great exception is Latvia and the Ventspils harbor, and in a different way passage to Kaliningrad through Lithuania.

Foreign trade statistics are often exaggerated. In the Finnish case de facto transit recorded as re-exports probably accounted at peak for some 30 percent of statistical exports to Russia. Russia's true share in Finnish exports was thus not 10-15 but rather 7-8 percent. Current statistics of a similar share are probably closer to the truth, as re-exports have declined as Russian logistics have improved.

Double invoicing is a separate issue. There exported goods—say electronics—are announced at true value in the exporting country, but at much lower value—say as cement—in the Russian customs, with the corrupt participation of Russian authorities. The aim was to escape import tariffs and VAT taxes. At worst, half of the value of Russian imports seems to have disappeared between the Finnish and Russian customs offices. The situation was similar at other borders. Russian customs statistics reduced Russia's true value of imports and thus consumption. The central bank made and still makes an adjustment in its balance of payments statistics, but only in the aggregate, not by country. Due to organizational and technical improvements on the Russian side and better international co-operation between authorities the discrepancy in statistics has arguably grown smaller but has not disappeared.

Russia: is there a strategy?

In light of these factors, how should we understand Russia's economic place and role in the Baltic Rim? Some of the extremes should be eliminated. Russia is not an outsider looming behind successive layers of cover. It does

participate in various cooperative structures, more actively in some than in others, and with an emphasis that usually tends to vary over time. That alone makes Russia problematic and demands patience and long-term commitment from willing partners. In that respect Baltic Rim cooperation does not differ from other forms of cooperation with Russia. Also, here like elsewhere the suppression of civil society in Russia limits the possibilities for grass-root contacts.

At the other extreme, Russia has no comprehensive long-term strategy—written or implicit—for the Baltic Sea Rim. If such a strategy existed (perhaps in secret) surely Russia's actions should bear marks of greater consistency than they actually do. Generally, Russia is naturally not lacking in planning documents but in their implementation. Still it is symptomatic how rarely the Baltic Rim is even mentioned in existing strategy papers. If it fleetingly appears, that tends to be in mundane connections. There might be different explanations for this lack of programmatic interest. Perhaps the end of European confrontation also spelled the end of the relevance of the Baltic Rim. Maybe Russia is widely satisfied with the situation as it is.

Contrary to the Barents and Euro-Arctic region—which got its Russian basic policy program in 2009—the fundamental 2008 Foreign Policy Concept does not even mention the Baltic Rim as a concept at all. Some Rim countries, notably not Sweden, Poland and Denmark, are mentioned as cooperation partners. On a lower level of priority, Russia also wishes to interact with the Baltic states "in the spirit of good-neighborliness and on the basis of reciprocal consideration of interests". At the same time, the debated rights of the Russian-speaking population there as well as "ensuring sustenance of the Kaliningrad Region" are "of fundamental importance."

The Concept was followed by several related papers, the foremost of which is the 2009 National Security Strategy until 2020. It has an evident relation with the Russia 2020 Socio-Economic Program, which has been antiquated by the 2008 crisis and is now being re-written into a program out to 2030. The strategy follows a wide definition of security. Economic security is seen as at least equally important as traditional hard security. The strategy discusses at some length the quality of life of citizens, health, technologies and economic growth in general. Something called "cultural security" also appears to be of importance. The role given to economic security surely reflects the well-known fundamental medium-to-long term economic challenges: demography, at best slow growth in energy production, inefficiency, dependence on foreign financial markets and such. It is also a matter of perceived strengths: still moderately good educational standards, a large research establishment, potential for Eurasian integration, the relative weakness of Europe and America and others. Temporarily humbled by the crisis, Russia again feels stronger and better able to influence the world.

The February 2010 "Lavrov Doctrine" looks at ways in which Russia's modernization could be assisted by partnerships with foreign countries. In what seems like a somewhat haphazard list of regional priorities the Nordic countries are seen as a source of technological modernization. Baltic countries get three mentions. Using their territory and transport infrastructure for transit into the EU and Kaliningrad is the first one. Also, Russia should increase its local economic presence now that the attractiveness of the Baltic states for EU investment is lower and "national assets" cheaper. Russia should specifically consider acquiring local companies in energy, information technology, logistics and transport.

This did more than raise eyebrows among the Balts who have traditionally worried about an eventual Russian economic takeover. Since the early 1990s, the Baltic economic strategy of deep integration with northwestern Europe and further was predicated on the fear of Russia either resurging and becoming aggressive, or becoming too weak for stability. The Lavrov Doctrine's explicit Russian commitment to protect citizens living abroad—though already traditional - has also raised worries. If the Russian nightmare scenario involves NATO cutting off transports to Kaliningrad, in the Baltic worst-case scenario Russian Mistral class assault ships would come to liberate their unsuspecting compatriots in Tallinn, Riga and elsewhere.

Ecology, logistics and the Baltic Sea

In addition to such general policy programs Russia has several sectoral doctrines, concepts and programs. Some of them like the 2001 Maritime Doctrine have been thoroughly superseded by time. Ten years ago Russian maritime priorities in the Baltic Sea included development of port infrastructure, cooperation with Baltic Rim countries, demarcation of continental shelves (a somewhat surprising topic in the Baltic Sea), the security and sea communications of Kaliningrad, and securing Russia's sovereignty in the region. To keep Russia's Baltic interests in their modest perspective one should note that while Baltic Sea had five priorities, the Arctic had ten and the Pacific eight.

Though of less strategic importance than in the past, the Baltic Sea very much remains a sea. Given high polluting levels, increasing traffic and the fragility of the sea, it is not surprising that environmental and logistics issues dominate the agenda

of Baltic Sea cooperation. These are also trouble areas where Russia has been active, sometimes surprisingly so.

The Baltic Sea is ecologically speaking exceptionally fragile for three major reasons. The sea is shallow and pollution does not need to be huge to cause high concentration levels. Saline ocean water flows through the Danish Straits into the sea only very exceptionally, and usually the sea-beds remain stagnant, containing little if any oxygen and thus little life. Finally, the catchment area of the sea is some four times larger than the shallow sea itself and home to some 85 million people. There is thus not only the pollution caused by large cities and major industrial plants, but half or more of phosphorus and nitrogen comes from diffuse sources, in particular countryside housing and agriculture. Fighting eutrophication and other pollution must therefore also be a civil society mission. In addition, the catchment area is divided between ten states—fourteen, if marginal countries are included as well. This includes much of Belarus, a country that is not involved in Rim cooperation. Baltic Sea ecology must therefore be a matter of international cooperation.

Additionally, significant amounts of military ordnance, including chemicals, were sunk into the sea at the end of World War II. This complicates such seabed construction as the ongoing Nord Stream gas pipeline, as sunken mines and other explosives have to be exploded and chemical deposits evaded. So far it seems that Nord Stream construction has tampered with the seabed much less than even optimists expected.

With the exception of establishing nature reserves, Russia has in general tended to given low priority to environmental concerns. In this light it is unexpected that Russia has proven a slow but in the end committed partner in Baltic Sea environmental cooperation, especially in the Baltic Marine Environment Protection Commission (known as the Helsinki Commission, or HELCOM). In practice, much depends on regional and local authorities. Fortunately, the biggest single Russian polluter, the water utility of St. Petersburg, has proven to be an exceptionally well-functioning and ecologically committed Russian organization. With some foreign seed money, but basically with Russian financing, the utility now handles 94 percent of its waste according to HELCOM standards. The 100 percent target should be reached by 2015. Contrary to most expectations, St. Petersburg compares very favorably with several western European cities in sewage management.

In fact, if Russia has a Baltic Sea strategic program, it consists of the draft national HELCOM maritime environment program under consideration of various national authorities. The European Union has its own Baltic Sea strategy which emphasizes environmental issues. Where these two approaches meet, a Northern Dimension of cooperation emerges, spearheaded by environment and logistics, but including other dimensions as well.

Not everything has been as successful. Getting the waste water of Kaliningrad properly treated has proven difficult. The newly built industrial-sized cow farms and chicken factories around St. Petersburg produce huge amounts of manure, which remains untreated and poses a major threat to the sea.

Marine traffic is a closely related hazard. The Baltic Sea carries close to eight percent of all global marine cargo, and currently one tenth of global oil cargo. The amount of oil transported in the Gulf of Finland has risen by seven times since 1995, and now reaches 150 million tons. This may increase up to 250 million tons by 2015. The biggest harbor in the Baltic Sea is the oil terminal of Primorsk north-west of St. Petersburg, with almost 80 million tons of cargo in 2009. It is followed by the St. Petersburg harbor and only then by Gothenburg in Sweden. Half of the twenty largest Baltic Sea harbors are in Russia. The huge harbor of Ust-Luga, under construction south-west of the city, should by 2015 be able to handle up to 170 million tons of cargo. It might handle one fifth of Russia's total oil exports, but also other transport, notably 1.5 million containers, much coal and some LNG. Russia's Transport Strategy until 2020 aims to have 90-95 percent of marine foreign trade use domestic harbors.

The decision to boost the harbor capacity of northwestern Russia was made in 1997 under Boris Yeltsin. The same year Vladimir Putin defended a candidate's dissertation in economics. The last of the three chapters was devoted to the harbor capacity of St. Petersburg and surroundings, and the implicit point of departure was that Russia should not be dependent on harbors on foreign soil. That was Russia's strategic choice. Such dependence was not in line with Russia's thinking on sovereignty and transport security. Prominent actors like Vladimir Yakunin, the head of Russian Railways, have claimed that the unreliability of the Baltic states transit routes forces Russia to give preference to boosting its own harbor capacity. On the other hand Baltic railway and harbor interests have been the prominent promoters of Baltic—Russian trade and investment. This asymmetry is now balanced by the Lavrov Doctrine, which prompts Russia to acquire Baltic assets.

Equally interesting, Russia has willingly risked larger goals when promoting logistical self-sufficiency. The dual tariffs of Russian railways, favoring transportation to domestic harbors

at the cost of foreign ones, are a long debated issue in EU—Russian negotiations on Russia's WTO accession. In the large picture dual tariffs are a decidedly minor issue. Giving them importance in accession negotiations, Russia signals its inability to decide whether accession is a policy priority or not.

To end on a more optimistic note, the goal of logistical self-sufficiency does not foreclose need for international cooperation. This is especially so in the shallow and heavily used Baltic Sea. At any moment, some 2,000 vessels are using it. The hazards of marine transport are not greatest where traffic is densest, but where routes cross. This is the case close to the Danish straits, where Swedish-German and east-west traffic meet. To the east, some 35 summertime ferry crossings between Tallinn and Helsinki meet with tens of tankers and other vessels on the east-west route. An oil catastrophe in these shallow and fragile waters would have immense dimensions, especially in wintertime. Fortunately, Russia has cooperated in two important dimensions. The use of single-hull oil tankers in icy conditions has been banned, and the ban should soon be extended to summers as well. There is also a real-time control system for all ships moving in the Baltic Sea, including the Gulf of Finland, where Russia works fully with Estonia and Finland. This is Russia's cooperation with its north-western neighbors at its best.

Conclusions

Russia, rather like Germany and Poland, does not identify itself as a Baltic Rim country, and has no strategy for the region. Usually Russia reacts to initiatives by others. It may often be a slow mover, but having become convinced may commit serious resources to an effort. Much depends on the quality and commitment of local actors. Though Russia suppresses domestic civil society and strongly dislikes the involvement of foreign or foreign-funded organizations inside Russia's borders, it is also reluctant to suffer the political cost of seeming a foot-dragger when faced with long-term and persistent foreign challenges. Environmental and logistics concerns in and around the Baltic Sea are a prominent example of this.

Seen from Moscow, the Baltic Sea Rim is about logistics more than anything else. Apart from connections with Kaliningrad, a full tenth of world's shipped oil goes there, and the sea is also Russia's key import route. Russia has devoted great resources to moving traffic from foreign countries to Russian harbors. This has succeeded, and the effort will continue. Nord Stream is another way of avoiding transit dependence. As Russia's import volumes continue to grow, transit will presumably not disappear. In other respects Russia's economic interests in the area are modest, excepting trade and investment relation with Germany and increasingly with Poland.

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Russian Policies toward the Nordic-Baltic Region

By Dmitri Trenin

Moscow's policies toward the Nordic-Baltic region are an important part of Russia's more general approach to Europe and the Atlantic community. They continue to evolve, presenting the countries of the region, the European Union, and the United States with new opportunities and options, while also challenging them in new ways.

To understand Russia's policies in the area, it is important to distinguish between the two very different elements which make up the Nordic-Baltic region, from Moscow's perspective. These are the Nordic countries Denmark, Finland, Iceland, Norway, and Sweden, which the Russian ministry of foreign affairs collectively refers to as Northern Europe and the three Baltic States Estonia, Latvia and Lithuania, which form a small, separate group. The contrast between the two could hardly be more stark.

Northern Europe

The Northern European group represents, traditionally, Russia's direct link to the West. By now, Russians have learned to respect their north-western neighbors, often admire them, and basically trust them. (The reverse is not always the case). On the Russian side, historical enmities with the Finns and Swedes have long been put to rest. Since the end of World War II, the evolution of relations with former Soviet adversary Finland has led to a historical reconciliation; the last of several wars with Sweden ended in 1809, soon after which Stockholm declared permanent neutrality; and with Denmark and Norway, relations have been friendly for centuries, except for the chill of the Cold War period.

Russia's current policy goals in Northern Europe include:

- keeping a stable security environment in the area which abuts the country's strategic assets: its "second capital," St. Petersburg; the Kola Peninsula, which hosts Russia's sea-based nuclear deterrent; and Russia's only exclave, Kaliningrad;
- getting access to the Nordic countries' advanced technology and investment resources; and
- being able to use the Baltic Sea for direct and unimpeded access, including by pipelines, to Russia's principal partner in Europe: Germany.

The second group, the Baltic states, is treated wholly differently by Moscow. Although their independence is not questioned, they are seen, historically, as former provinces of the Russian, and later the Soviet empires, still ungrateful for Moscow graciously freeing them in 1991. Having only grudgingly accepted the three countries' 2004 integration into NATO and the European Union, Moscow regards them as essentially anti-Russian in their foreign policies. Moscow believes that the Baltic states form a vocal anti-Russian lobby in both NATO and the EU. Moreover, Latvia and Estonia are faulted with refusing to grant automatic citizenship to their sizable Russophone minorities, and restricting Russian-language education.

Russia's policy goals regarding the Baltic States include:

- preventing the deployment of NATO's infrastructure in the Baltics;
- acquiring some key infrastructure assets in the Baltic States;
- getting Tallinn and Riga to lower the barriers for acquiring citizenship, and enhancing the political weight of Russian speakers in Estonia and Latvia; and
- defending the Soviet Union's role in liberating Europe from nazism.

Modernization

While these general views and policy goals are relatively stable, the Russian leadership's acute awareness of the pressing need to modernize the country, or face its further marginalization in the world, have recently added new elements to the table. President Medvedev's July 2009 speech to Russia's top diplomats sets the broad guidelines for what may be called "foreign policy to support domestic modernization:" the Russian MFA document leaked in May 2010 details the specific objectives in support of such a policy; and Prime Minister Putin's article in the German paper, Sueddeutsche Zeitung, in October 2010 reflects Moscow's desire for a closer economic relationship between Russia and the EU.

In this context, the Nordic countries, with their advanced economies and membership in the EU, are seen by Moscow as a valuable modernization resource. This pushes Russia to resolve outstanding issues with them, such as the Exclusive Economic Zone border dispute with Norway in the Barents Sea (resolved in 2010); to accommodate Finnish, Swedish and Danish environmental concerns in order to obtain their approval for the proposed route of the Nord Stream pipeline (taken care of in 2009-2010); and to seek to engage Nordic energy companies, such as Statoil, in joint projects, as in the Shtokman gas field. Norway and Denmark, moreover, are also littoral countries in the Arctic, where Moscow now focuses on promoting its claims using political and legal means. In 2010-11, Medvedev and Putin visited all Nordic countries; top-level contacts with Finland have been particularly frequent.

Under the same rubric of assisting modernization, which requires a progressive demilitarization of relations with NATO and a much-improved relationship with the EU, Russia has been taking initial steps in order to review its relations with the Baltic states. Latvia's president was invited to pay a first-ever official visit to Moscow in December 2010; a minister for regional development visited Estonia in May 2011. The logic here is broadly the same as in the case of Poland, which Russia has been seeking to engage since 2009, in order to remove obstacles to more-satisfying relations with the European Union, and to make the EU and NATO as a whole less suspicious of Russia by engaging some of the harsher critics of Moscow's policies.

Two Important Challenges

Russia's modified approach to the Nordic-Baltic region creates opportunities for healthier relations between the individual EU/NATO members and Moscow. This prospect, however, presents Russia's partners with two important basic challenges. The first one is analytical—how to read Moscow's overtures. The second is practical—how to deal with Moscow in the absence of genuine foreign policy coordination within NATO and the EU.

Dealing with the first challenge requires re-examining the drivers of Moscow's foreign policy. This is not easy, for the actual decision-making in Russia remains opaque, and the picture is confused. There is a temptation, in the cacophony of Russian voices and among the multitude of Moscow's specific actions, to look for the familiar, so as not to be bitterly disillusioned later. There is also a powerful argument for limiting one's exposure to authoritarian governments, of which Russia's is one. There is, finally, a genuine lack of trust between the Baltic states and Russia, and deep-seated suspicions toward Russia across the Atlantic community.

Yet two cases—the Norwegian case on the one hand, and the Polish case on the other—argue in the opposite direction. A long-time border dispute resolution and the beginning of a difficult reconciliation process suggest that Russia's foreign policy has indeed turned the corner and is essentially post-imperial. Moscow no longer has the resources, or the will, to restore the empire lost two decades ago. Instead, having accepted its new position, it is looking for a new international role: not uncommon among former empires. If Russia's neighbors in Europe and the Atlantic community agree on the finality of this change in Moscow's international persona, and see this as separate from Russia's political system, which remains essentially authoritarian, they would be able to take a constructive approach to relations with Europe's biggest neighbor.

This is the key point. Accepting Russia as post-imperial has been easier for the Nordic countries, which have felt self-confident and relatively secure for some time. Despite the ongoing Moscow-Warsaw rapprochement, it has been much more difficult for Poland, as the internal Polish debate following the crash of the Presidential plane in Russia in April 2011 demonstrates. For many in the Baltic States, the only real security guarantee can be a democratic Russia ruled by liberal governments and strategically aligned with the United States: a very tall order, to say the least.

This situation, however, makes it easier to tackle the other challenge: policy coordination. Poland has shown the way by being firmly committed to the Euro-Atlantic institutions and thus confident enough to reach out to Russia. The outreach, in turn, has strengthened Poland's position within the West. A similar attitude by the Baltic states could produce, in principle, similarly positive results, by making the Baltics more like the Nordics. Of course, Warsaw's

initial rapprochement with Moscow was neither doubted nor questioned by Poland's allies, who consequently showed their confidence in it. The Baltic countries, being much smaller and feeling more vulnerable, would require encouragement and support from their Nordic EU neighbors as well as from their NATO allies—above all, the United States. This clearly calls for policy coordination and leadership both within the EU and across the Atlantic.

Such leadership and coordination should address the following issues:

- NATO-Russia cooperation on ballistic missile defense;
- Baltic-Russian historical reconciliation;
- EU-Russia energy cooperation in the Nordic-Baltic region; and
- humanitarian issues.

Missile Defense

On missile defense, while the Russian proposal of sectoral defense has been rejected by NATO, Moscow's concerns over the security of its nuclear deterrent remain. The Russian military is adamant that US/NATO missile defenses deployed at sea in the Baltic could pose a threat to Russian ICBMs in the western part of the country. One way out of this would be to reach agreement soon on the modalities of NATO-Russian missile defense cooperation and to start practical cooperation where it is already possible: by establishing data exchange centers and resuming missile defense exercises.

The idea is that a modicum of trust thus built would make it easier for Russia to see the general US missile defense effort as benign, and for the US to take effective steps to accommodate valid Russian concerns. By agreeing to the principles of national sovereignty in protecting against incoming missiles, and of missile defense deployments commensurate with the pace of the potential missile threat, the Baltic and North Sea areas may be exempt from US/NATO-Russian tensions, without detriment to Europe's defense or Atlantic solidarity.

Reconciliation

When it comes to historical reconciliation with the Baltic states, Russia, of course, needs to take the first steps, just as it did with Poland. Russia needs to distance itself from the ineffective and self-damaging means of pursuing its policy goals toward the Baltic States, such as:

- staging noisy propaganda campaigns against the Baltic states' naturalization laws and practices;
- accusing Baltic leaders of being pro-nazi;
- organizing military exercises in the vicinity of the Baltic states' borders, especially without inviting their representatives as observers;
- overtly or covertly supporting pro-Russian political forces in the Baltic states; and
- subjecting the Baltic states to economic sanctions, and other attacks.

Instead, Moscow needs to show genuine respect for its Baltic neighbors and deal with the thorny issue of their historical grievances, particularly referring to the 1939-49 period. As in the Polish case, a simple reference to past condemnations of Stalin's crimes is insufficient. Moscow will need to honor the memory of the Balts who were murdered, jailed, or deported by Stalin's NKVD. It will need to acknowledge, and condemn, the illegal and involuntary annexation of the Baltic states by the Soviet Union. It will need to open up the archives that deal with this period to allow an objective study of the past.

The Baltic states, of course, will need to deal with their own past. They need to reject the notions that the German occupation was preferable to the Soviet one; that opposition to stalinism justified siding with the nazis; and that the defeat of Hitler in 1945 was "meaningless." In fact, all three notions harm the image of the Baltic states, in the eyes of nazism's victims and their descendants. In more practical terms, they need to make sure, as Estonia has done from the beginning, that the Soviet Union's occupation of their countries carries no financial consequences for the Russian Federation, whose population suffered from stalinism as much as any other country. With World War II being so central to the identities of the Baltic states and of Russia, "getting history right" by means of a moral compass is crucial.

Energy

On energy cooperation, it is important to make sure that

- Russia remains a reliable energy supplier to the region, as it has been, (i.e., for Finland);
- that interruptions of oil supplies, which happened with regard to Lithuania, are not repeated;
- that safety standards at the Russian nuclear power plants, both existing and envisaged, such as in Kaliningrad, are sufficiently high; and

- that exploration and exploitation of the energy resources in the Arctic are carried out in cooperation with Russian and international energy companies.

That said, the issue of energy companies "unbundling" will probably remain controversial between the EU and Russia and will hardly be resolved before there is full agreement on energy policy within the Union itself.

Energy activity, of course, is closely linked to ecological considerations. With the Nordic countries so keen on ecology, Russia will need to drastically upgrade its practices, and it will benefit from its neighbors' experience and technology. Disposing of the enormous waste accumulated in the Russian Arctic over the past several decades will require a monumental effort. On non-energy-related economic issues, increasing transportation links between Russia and its Nordic and Baltic neighbors is key. The high-speed train between Helsinki and St. Petersburg, launched in 2011, has been a breakthrough; the proposed Riga-Moscow rail connection could be another. These improvements make cross-border people-to-people contacts multiply, for the common benefit.

Other Unresolved Issues

On humanitarian issues, with the rise of new generations of Russian speakers the issue of citizenship in Latvia and Estonia is gradually being resolved. Societal integration between two communities, however, is becoming more important. Clearly, this is an internal matter for Tallinn and Riga. Contacts among the young people of the Baltics, the Nordic countries and Russia can be very useful both for cementing Baltic-Russian reconciliation and for creating a sense of community in and among the Baltic Rim nations. Mutual easing of the visa regime by the Schengen countries and Russia would help a great deal, especially for Kaliningrad, which lies inside EU territory, and for St. Petersburg, historically looking to Northern Europe.

Regional institutions, such as the Council of the Baltic Sea States (CBSS); the Barents Euro-Arctic Council (BEAC); and the Arctic Council, need to be turned into platforms for planning and execution of specific projects aimed at promoting and strengthening the culture of multilateral cooperation in the Baltic Sea area and the High North. These institutions also provide a vital link between the Nordic and Baltic states; the Russian Federation; and the United States and Canada. The resultant cooperation is an important contribution toward building an inclusive Euro-Atlantic security community.

There are other issues which may come to the fore in the near or longer-term future. One is the fate of US and Russian tactical nuclear weapons in Europe. Clearly, Europeans—including the Nordic and Baltic countries—are very much interested in removing those systems from their vicinity. A US-Russian dialogue has already started, and it needs to lead to negotiations with the aim of reaching an agreement on mutual redeployments and generally reducing the dangers posed by those weapons.

Another issue is the prospect of Finland and/or Sweden deciding to join NATO. There is no doubt about the sovereign right of each country to make decisions about its security arrangements. However they decide, they must make sure that such a step does not lead to decreased security for themselves or the region. The amount of trust that exists between Helsinki and Moscow and the mutual respect between Moscow and Stockholm are grounds to believe that this matter will be handled with the utmost care and responsibility.

As indicated above, the United States has a major role to play in preserving stability, strengthening security and promoting cooperation in the Nordic-Baltic region. Washington is the key decision-maker on the issue of cooperation with Russia on missile defense. Being so much stronger than Russia militarily, the United States has much maneuver room. This can be used to engage Russia in strategic collaboration with the US for the first time since World War II. Missile defense cooperation in Europe is not so much about Iran as about finally securing Europe from traditional threats and winning a useful independent partner for the United States globally: something certainly worth considering. Paying attention to Moscow's perceived vulnerabilities, without prejudice to the sovereignty and security of NATO allies, is a small but crucial step toward realizing that potential.

The United States can also play a critical part in facilitating Baltic-Russian historical reconciliation. Washington can embolden Riga, Tallinn and Vilnius in their quest toward "normalcy" in their relations with Russia. In other words, help the Baltics be more like the Nordics vis-à-vis their common neighbor. Achieving historical reconciliation will not happen overnight, but this needs to be encouraged because of the fundamental importance of the issue. Essentially, reconciliation between countries is not primarily about history, or foreign relations, but about the values that societies decide to adhere to. The United States need not mediate between Moscow and the Baltic capitals. It can, however, indicate its clear preference and serve as a source of confidence for its allies.

The United States is a major player in issues dealing with the Arctic, which have relevance to the Nordic-Baltic countries, and can ensure that all differences in the High North are decided peacefully, through negotiation or legal judgment. By making full use of the multilateral framework which already exists in the region; by supporting the legal mechanisms and the principle of fairness in solving the issues; and by showing the good example in its own problem solving with Canada, the United States can make a massively positive contribution. Fully acceding to the UN Law of the Sea Convention would strengthen US position and promote its own interests in the area.

These are only a few examples. If the United States does indeed play a constructive leading role, it will help turn the Nordic-Baltic region into a key element of a Euro-Atlantic security community, which will be the ultimate solution to the European security issue. As a result, substantial US resources will be freed up for use where they are sorely needed.

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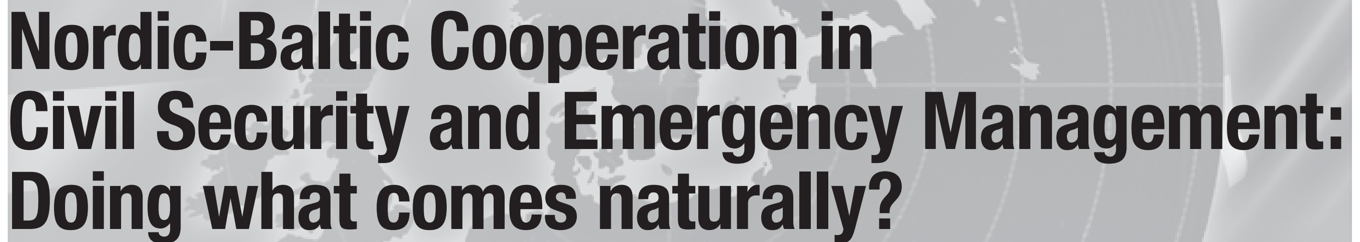

Nordic-Baltic Cooperation in Civil Security and Emergency Management: Doing what comes naturally?

By Alyson J. K. Bailes and Kristmundur Þór Ólafsson

Introduction: The many faces of security in the North

National defense and military security still loom large for nations in the Nordic-Baltic region, for obvious geostrategic reasons. Yet these states and their peoples have not neglected other aspects of security that affect their integrity, prosperity, and welfare. In the Cold War the Nordics were well aware of the risk of economic sabotage and blackmail, and applied a "total defense" concept that gave businesses and private citizens a role in protecting national assets under attack. Today, hostile use of nonmilitary levers is still an issue, as shown by Estonia's cyber experiences, and cases where energy or other key branches of trade have been manipulated to put pressure on these small states.

More broadly, however, Nordic traditions of free markets, social welfare, and environmental awareness imply a governmental duty to protect society and the individual against all hazards, including natural and accidental ones. The official security doctrine of Norway and Sweden today is in fact called "*societal* security," and the comprehensive security agendas of Finland and Denmark have comparable scope. The Icelandic government in the spring of 2011 invited parliament to help frame a similar broad security concept. The Baltic states who built new national security strategies in the 1990s were advised by the Nordics and influenced by NATO and EU doctrines, resulting in policies that emphasize border control, law and order, economic and energy security, and pollution control—among others—alongside basic territorial defense.

Within this civil security spectrum, major natural disasters and man-made accidents are a special focus for readiness, response, and recovery planning. Large, sparsely populated land and sea areas with overstretched infrastructure and often-fragile ecosystems make any such event a serious challenge for governments with limited material and human assets. Readiness can also be tested by a disaster out of area; for example, in the Indian Ocean tsunami of 2004, Sweden was totally unprepared to respond, and the repercussions contributed to the government's later election defeat.

Good-neighborly cooperation on such emergencies—and on "soft" security in general—would seem to be a no-brainer for the Nordic and Baltic states. These countries not only share values and many political, economic, and social features, but they are also more concretely interdependent than at any time since the medieval Hanse. The growth of cross-investment and business networks was highlighted by Swedish banks' exposure in the Baltics during the 2008 crash. Thousands of Nordic and Baltic citizens live and work in each other's states, and hundreds of thousands visit as tourists. Infrastructure breakdowns, pollution events, and epidemic diseases can spread through these interlocked societies with no respect for borders. Furthermore, since 2004, the three Baltic states have joined three Nordic states (Denmark, Iceland, Norway) as members of NATO, and a different three Nordics (Denmark, Finland, Sweden) in the European Union (EU). Coordinating Nordic and Baltic inputs into these organizations' own work on civil security makes sense both for protecting regional interests, and for adding Northern value to European and Euro-Atlantic policies.

But how much of this really happens? As explained below, the five Nordic states are only now getting serious about codifying and formalizing the civil security cooperation that has been building at expert level. Linking this work in a politically visible way with the Baltics is an even newer theme, promoted by the Nordic-Baltic "wise men's" report in 2010. Reasons for such slow progress can be sought both in the confusing mix of institutional frameworks covering the region, and in concrete differences of focus, structure, and attitude among these seemingly close-knit neighbors. What is being done to overcome such hindrances, and

is it enough? How important is cooperation of the "5+3," anyway, considering the other interests involved and options available? All of this will be explored in the following sections.

Top-down complexity: Overlapping institutions

Although Nordic-plus-Baltic cooperation in civil security may be logical, there are well-established alternatives in both smaller and larger configurations. Nordic cooperation as such is still limited to the five Nordic states, though the Nordic Council of Ministers seeks partnership with the Baltics, as well as Poland and Russia. While avoiding security and defense topics before 1990, the Nordic forums have since explored most "softer" aspects, along with sponsoring regional research programs. The three Baltic states have had their own Council of Ministers since 1994. Most states of the region also value their bilateral "homeland security" exchanges with the United States, which runs its own regional dialogue through the Enhanced Partnership in Northern Europe (e-PINE) initiative.

The very nature of nonmilitary challenges, however, argues for larger groupings that can match the transnational nature of most threats and risks, and multiply the resources available. For Northern Europe these options start with the UN and its agencies, and continue notably through NATO and the EU. NATO is best known for hard-security backup, but also offers support in air and maritime surveillance, search and rescue, and in efforts against smuggling (including WMD aspects), terrorism, and cyberattacks. The EU not only has policies in all relevant fields, from border management to public health, but since 2001, it has also built up mechanisms explicitly designed for civil protection and major incident response. Its new Lisbon Treaty, in force since December 2009, creates a kind of mutual defense duty against nonmilitary hazards: "The Union and its Member States shall act jointly in a spirit of solidarity if a Member State is the object of a terrorist attack or the victim of a natural or man-made disaster. The Union shall mobilize all the instruments at its disposal, including the military resources made available by the Member States" (Article 222). The new Treaty also strengthens the Union's responsibility and tools for civil protection systems in peacetime (Article 196), while detailed policy coordination is served by the first EU International Security Strategy, adopted in 2010.

Norway and Iceland have only limited direct access to these EU policies, mainly through their membership in the Schengen border control system and their liaison with Europol. But the EU has recognized the need for broader cooperation, both through its Northern Dimension (ND) scheme—created in 1999, for working with states north of the Baltic—and through its wider Baltic Sea Region Strategy, adopted in 2009 (see box). The Strategy—the first "macro-regional" one created in Brussels—aims to address the area's escalating environmental threats, uneven economic development, and patchy infrastructure by making better use of existing systems and relationships, including those with Russia and other non-EU members. Civil security is one of the cornerstones of the strategy and the associated action plan, which have fifteen priority areas and eighty flagship projects, due for a review in October 2011. Common investments in economic growth also serve a more-robust infrastructure and are helped by the Nordic Investment Bank, now operating at 5+3 with the Baltics. If ownership of the strategy as such is limited to the EU, the Northern Dimension for its part now allows equal control by Norway, Iceland, and Russia, alongside EU members, and also has broad soft-security relevance through its efforts to boost economic and social development and environment protection.

EU Baltic Sea Region Strategy of 2009: Key Civil Security Objectives

Cornerstone 4: To ensure safety and security in the region, i.e., by better accident response.

Priority Areas (numbers as listed in strategy):

3) Reduce use/impact of hazardous substances

5) Mitigate/adapt to climate change

10) Better access to and efficiency/security of energy markets

13) Lead the way in maritime safety and security *(Finland and Denmark coordinate)*

14) Reinforce maritime accident response capacity *(Denmark coordinates)*

15) Reduce volume of and damage from cross-border crime *(Finland and Lithuania coordinate)*

The North has also created its own regional groupings, all inspired by the demands of coexistence with Russia. Their Western inventors had a double aim: first, to pool resources against things that also hurt Russia, like transborder crime, disease, and nuclear pollution; and second, to build trust and codependence in order to reduce the motive for hostilities in any realm of security. The longest-standing is the Helsinki Commission (Baltic Marine Environment Protection Commission), launched in the 1970s but now based on a new convention from 1992. In that same year the Council of the Baltic Sea States (CBSS) was established to combine the 5+3 with Russia, Poland, and Germany, and in 1993 the Barents Euro-Arctic Council (BEAC) was

designed to cover the interface with Russia in the High North, promoting cross-border projects mainly in Norway's, Finland's, and Russia's Arctic provinces. The European Commission has come in as a member of all of these, and they typically have some larger Western states as observers, to help maintain balance. The CBSS has the largest and most explicit civil security agenda, ranging from accident response to longer-term infrastructure building, health, and education, with a myriad of subgroups and links to specialized networks (see box). The latest Norwegian presidency's priorities, for instance, included maritime policy and the fight against human trafficking. In BEAC, border management, fisheries, pollution cleanup, and accident response have been among the perennial themes. The Baltic states, however, lack seats both in the BEAC and in the Arctic Council (AC), where the five Nordics sit with Russia, the United States, and Canada, and which is drawing increasing attention for its role in tackling present and future challenges of Arctic warming.

CBSS Civil Security Functions:

- Border Control Cooperation
- Civil Protection Network
- Expert Group Children at Risk
- Expert Group Nuclear and Radiation Safety
- Expert Group Youth Affairs
- Prosecutors' General Network
- Tax Cooperation
- Task Force Organized Crime
- Task Force Human Trafficking

All of these bodies have managed to survive and coexist so far, and some of the obvious overlaps may be excused by noting the stabilizing "process effects" they are aiming for. In effect, the same officials are often addressing the same issue, but in different forums with a varying geometry. However, the smaller- and medium-sized groups are all hampered by lack of central funds, of other joint assets, of binding regulatory powers, and, in some areas (like terrorism), of hands-on expertise. Their limitations have frustrated some of their own members, leading to periodic speculation about amalgamating or at least more tightly coordinating them, and efforts (notably in the CBSS) to improve project impact. It might seem logical to conclude that larger and more resource-rich groups like the EU would bring clearer added value in security, above all for the largest transnational challenges. On that ground alone, adding a stronger 5+3 cooperation to the mix could seem like a step backwards. Yet with Russia, Norway, and Iceland—for their various reasons, outside the Union—providing for the North's soft-security needs simply as an EU subset is not practical politics. Even the local EU members are lukewarm about fully submerging in a Europe-wide security community: Denmark has an opt-out from the EU's internal security policies, and Sweden has been concerned that united EU emergency responses would give improvident Southerners too easy of a ride. To fully appreciate such misgivings about binding intensity in both local and continent-wide cooperation, it is time to look at Northern security from the bottom up.

Bottom-up complexity: National variations

Though small in population, the Nordic-Baltic states cover a huge geographical range, and their civil—as well as military—vulnerabilities differ accordingly. Natural hazards and climate impacts vary with latitude, and only Iceland suffers from the effects of volcanoes and earthquakes. Norway and Iceland are mostly self-sufficient in energy, while Finland and the Baltics are highly dependent. Patterns of crime, migration, multiethnicity, and exposure to terrorism diverge just as much. For such practical, but also historical, reasons, the eight states have different—albeit overlapping—formal definitions of civil (societal, comprehensive) security and of the state's role in it. They also differ in the balance of civil-military cooperation in this sphere; for example, Finland and Denmark involve the armed forces closely, while Sweden is more reserved, and Iceland has no military at all.

Divergences in official structure add to the challenge. Denmark and Sweden place coordinating responsibility for civil emergencies under defense ministries, while the other three Nordics use justice/interior ministries. The leading role of the PM's office is clearer in Finland and Sweden than elsewhere. Some nations devolve more responsibility than others to sectoral branches, and some (e.g., Sweden) prefer to focus it at the local government level. In these free societies, business actors, NGOs, and the local population possess many of the assets and skills needed for emergency response, and especially for recovery, but state policies vary in how far they recognize this. Denmark and Finland try the hardest to coordinate with non-state actors, including planning and training, while Norway does this in a few key branches, and Sweden and Iceland have been slower to approach the issue systematically. It is easy to imagine the diversity that results in relevant laws and regulations, and also in budgetary practice and resource management. As a result, not all Nordic-Baltic states even have a legal base

for allowing reciprocal operation of security personnel—civil or military—on each other's territory, or for providing such services, except against full repayment of costs.

All such issues could be overcome if all parties were in agreement, but questions can also be asked about these neighbors' mutual feelings and motivation. The Nordic states are prone to particularist feelings that lead them to minimize binding obligations and other limits on sovereignty—with Finland a partial exception. This sets them at odds with the three Baltic states' choice of maximum integration in both NATO and the EU, plus an intimate US partnership, as the price of protection. The Nordic Five have never exchanged full defense guarantees, and they made it very clear in the 1990s that they neither could, nor would, provide the strategic shelter that the Baltics needed. Civil security cooperation should in principle not raise such tough issues; nonetheless, it has its own sensitivity because of the way it intrudes within national societies and legal systems. This helps explain why the Nordics have consistently favored sectoralized networks, nonbinding cooperation, and voluntary convergence. Regional cooperation has helped to maintain a good image, garnering much domestic support as a result, but there is a price to be paid for this cooperation: an output hobbled by inertia and localized obstruction, competing claims from other partners and institutions, and the recurring fetish for self-sufficiency.

What is being done?

Several reasons are now combining to make Nordic states think again, and they are not unlike the factors underlying the Baltic governments' already more-integrated approach. The relative importance of "soft" threats continues to rise, especially those linked with the economy and energy, cyberattacks, climate, disease, and migration. Both in NATO and the EU—plus, in some cases, at the UN level—collective efforts to deal with them are developing fast and putting each part of Europe under pressure to define and stand up for its own agenda. Perhaps most crucial of all is the scarcity of national resources, in countries where tolerance is dwindling for high spending, either on defense or security in general. This has already pushed the Nordics to set up a new joint structure—Nordic Defense Cooperation for military cooperation, and to define (in a Norwegian-Swedish-Finnish report of 2008) 140 areas for pooling force capabilities. The thought of readdressing civil security in the same spirit was bound to arise.

The five Nordic foreign ministers asked former Norwegian foreign minister, Thorvald Stoltenberg, to come up with ideas across the whole defense and security field. His report, delivered in February 2009 (see box on next page), acknowledged how much was already being done in a disaggregated way, but called for new efforts in civil security monitoring, capacity building, training, and response, both in the Nordic-Baltic space, and when facing the new challenges of an Arctic region opened up by melting ice. His most radical proposal was for the Nordics to offer each other mutual guarantees in the name of "solidarity," echoing the ideas in the EU's Lisbon Treaty, which was then going through ratification.

This last idea in particular got mixed responses at first, and some Nordic observers questioned whether such Nordic closeness would not risk leaving the Baltics relatively exposed. But already on April 27, 2009, at Haga, near Stockholm, Nordic ministers adopted a declaration launching a new Cooperation on Civil Contingencies that goes as far as, or further than, Stoltenberg's ideas. In this so-called Haga process, eleven working groups are examining possible synergies in the fields of Education, Exercises, Chemical, Biological, Radiological, and Nuclear (CBRN) Risks, Emergency Services, Crisis Communication, Use of Volunteers, Fire Prevention, Research and Development, Preparedness for Summits, Protection of Critical Societal Functions, and Radio Communication Systems. A Nordic forum for IT security was added in 2010, and in April 2011, the five Nordic civil emergency agencies held a first joint senior officials' training course and exercises in Sweden.

On April 5, 2011, Nordic foreign ministers took an equally important political step by adopting a "declaration on solidarity" that echoes Stoltenberg's logic, though conspicuously *not* extending to military contingencies. The key language is: "On the basis of common interest and geographical proximity it is natural for the Nordic countries to cooperate in meeting the challenges in the area of foreign and security policy in a spirit of solidarity. In this context Ministers discussed potential risks, inter alia natural and man-made disasters, cyber and terrorist attacks. Should a Nordic country be affected, the others will, upon request from that country, assist with relevant means." The ministers further agreed that a first study of the practicalities of this new approach would focus on the risks of cyberattack.

Such evidence of political progress has posed again the question of Baltic involvement, and in 2010 the respective Danish and Latvian chairs of the Nordic and Baltic ministers' groups asked two "wise men" (former ministers) to report on how the broader 5+3 cooperation could be developed in foreign policy, security, and defense. The resulting report was ready in August of that year, and again included a high proportion of proposals on nonmilitary security cooperation,

while also advocating stronger "branding" for the 5+3 nexus as part of Europe's security geometry. Nordic and Baltic ministers will review its suggestions at their August 2011 meeting in Finland.

The stage may thus seem set for further progress by both the 5 and the 5+3, but prospects for the latter remain difficult to interpret. Many of the wise men's proposals on civil security amount to letting the Baltic states observe, or sit in on, specialized aspects of intra-Nordic work rather than creating a new ginger group of eight. One problem about the latter would, of course, be that many of the challenges it would address are already on the CBSS agenda, and the solutions would need action by Russia, Poland, and Germany as well. As so often happens, strengthening links between one set of regional actors could backfire if it creates strict dividing lines between other regional powers, including other EU members. This might actually be less of an issue if the 5+3 focused first on "hard" military cooperation, which has a solid basis in NATO, and traditions going back to the early 1990s.

A COMPARISON OF THE LATEST REPORTS

The Stoltenberg Report's Proposals on Nordic Cooperation:

- Peace-building (1 proposal)
- Air surveillance (1 proposal)
- Maritime monitoring and Arctic issues (4 proposals)
- Societal security (3 proposals)
- Foreign services (1 proposal)
- Military cooperation (2 proposals)
- Declaration of solidarity (1 proposal)

The "Wise Men's" Proposals on Nordic/Baltic (NB8) Cooperation:

- Foreign political dialogue (6 proposals)
- Cooperation on diplomatic representation (3 proposals)
- Civil security, including cybersecurity (12 proposals)
- Defense cooperation (5 proposals)
- Energy (2 proposals)
- The NB8 brand (10 proposals)

What needs to be done?

The latest Nordic efforts, including the April 2011 'solidarity' pledge by Foreign Ministers, have sent three good signals:

- There is new political steam behind the drive for civil security cooperation;
- Nordic professionals are willing to face realities and address tough issues together, starting with their own diversity;
- The first test-cases will build on concrete shared concerns, like cyber-attacks.

The main condition for breaking through past obstacles is to strengthen national coordination and monitoring. Impetus from the top of government must be carried through to sectoral ministries, to military partners where relevant, to societal partners and to the grass roots: with clear goals, time-frame plans and the message that inertia is not an option. Strengthening the role of PMs' offices (as several Nordics have done for defense and EU purposes) is an obvious route, helping to ensure a common message from coalition governments; to look at internal and external security holistically; and to squeeze adequate funding from treasuries. Equally important is for leaders to show that they will face up to and do their share in tackling the real obstacles to Nordic mutual learning and mutual help, be they material, structural, legal or psychological in nature. One iconic issue to tackle here would be building the constitutional/legal/practical bases for each state to receive military, police and other specialized help from neighbours, as well as sending it.

At the same time, *stakeholders need to see concrete benefit*, which is partly but not just a matter of funding. Priorities must be chosen that reflect local reality and allow maximum corporate and popular buy-in. Better coordination of regional groupings would help here to ensure synergy and avoid duplication in respective projects. Ongoing monitoring and evaluation should be stronger, including oversight by independent non-state actors, and should lead to clear rewards and penalties geared to project partners' performance. Two future-oriented 'flagship' themes for project design at NB8 level could be (i) IT security and (ii) practical security provision in multi-cultural communities.

How important is it to extend the process on a 5+3 basis? Baltic states' security profiles genuinely differ from the Nordic mean, in spatial and climate terms and, for example, the degree of multi-ethnicity. All three Baltic states are jointly integrated in the EU and NATO, and thus lack one major political driver of the Nordic efforts—the wish to show how

much can be done for the region's safety without a formal military alliance. In fact, 5+3 cooperation has often worked best in economic and technical areas where it is eased by similarity of governance. It is easy to sympathize with a Baltic wish to not be overlooked in more openly security-oriented exercises like the Stoltenberg report, but political correctness in including them should not go so far as imposing a rigid unity of approach that is neither natural nor really necessary.

Looking at the bigger picture may bring the soundest judgments. Part of that picture is that the United States and the West generally see a less sharp strategic challenge in the Baltic region than during the Cold War or early 1990s, and great-power attention is now shifting towards the Arctic where the Baltic states (as yet) are not players. The chances are thus reduced of any regional state getting a "free ride", in any branch of security. Given the countries' smallness, Nordic-Baltic political and practical solidarity in facing civil challenges must at least go far enough to:

- reduce the temptation for outsiders to single out any state for non-military aggression—here the Nordics especially could cultivate a 'solidarity reflex' that shows, at least, interest and concern when any regional state is targeted;
- convince large friends like the United States that real efforts are being made for self-help in civil security;
- thereby maximize the chances of the region getting what outside help it needs—in this as well as the military field—on the best terms; and
- ensure the North pulls its weight in, and adds its special value to, both European and global cooperation.

For these latter purposes, it seems unavoidable to go further in charting local resources/expertise and more openly accepting specialization for burden-sharing purposes, as has happened already to some degree with the military (Nordic Battle Group). The Arctic agenda offers new scope for a 'Northern' policy lead: the Nordics could propose desiderata for future non-military security in the High North, and seek Baltic buy-in (through both governmental and parliamentary channels) notably by drawing on relevant Baltic Sea experience—in accident response, pollution defense, and radiation security among others.

At the same time, the what and the how of both Nordic and Nordic-Baltic cooperation must be fine-tuned to reflect its specific logic, compared with the alternatives. Some regional security topics like disease, climate change, migration and international crime flows, or international transportation safety, make little sense to address without Russia or indeed, Germany and Poland. Others are best served by improving pan-European regulation and by a wider sharing of expertise and assets: This set of countries cannot find solutions like, say, terrorism or WMD challenges on its own.

The best Nordic-Baltic cooperation will thus be designed, at the same time:

- to meet first-order needs that are both common and distinctive to these states;
- to give added value compared with, or on top of, other relevant formats; and
- to distil results that can be fed into wider cooperation frameworks, be it the US partnership; the CBSS, BEAC and ND; or the EU and NATO.

While enriching the larger groups' civil security and emergency management policies, this would send the political message that Europe's North can get its act together in a field that speaks directly to its values, as well as its skills and needs. It would put some teeth into the EU's Baltic Strategy and further highlight its value as a possible model for other regions. It is an approach that all friends who have influence with the Nordic and Baltic states should encourage.

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Towards a common strategy for the Arctic: The Nordic countries can lead the way

By Per Augustsson

The changes taking place in the Arctic due to climate change are opening up a broad agenda of new strategic issues. These include management of oil, gas and fish resources, environmental protection, shipping, trade, economic development, legal issues, governance and security. Most of the issues are closely interlinked and a comprehensive approach to the Arctic will be needed in the coming years in order to tackle such challenges effectively. Since May 2011, all the member states of the Arctic Council have comprehensive Arctic strategies. The different strategies share many overall objectives. With closer Nordic cooperation on the Arctic, the Nordic countries could take the lead towards broader common international cooperative strategies for the Arctic. With a wider mandate and openness to new observers, the Arctic Council would be the natural place for such efforts.

New challenges, new opportunities

Climate change has a dramatic effect on the Arctic region. A great ocean is gradually opening up. Melting Arctic ice is not only producing new global and regional challenges, but also opportunities such as increased access to natural resources in the Arctic, and the possibility of new shipping routes and regional economic development. Some of these opportunities will not present themselves tomorrow, but rather decades into the future; nonetheless, strategic thinking about a range of issues in a changing Arctic is needed today. Some of the issues are:

- How can Arctic resources be managed in a sustainable way?
- How do we protect the Arctic environment?
- What should be done in support of Arctic research?
- How should the interests of local and indigenous populations be taken into account?
- What can be done to promote regional trade and economic development?
- Which investments are needed in new infrastructure and operational capabilities?
- Which safety measures are needed with regard to increased shipping to and through the region?
- How should legal issues and disputes regarding territory and economic rights of states be resolved?
- How can peace and stability be maintained in the region?
- What sort of international governance is needed in the Arctic?
- Who will provide international political leadership on Arctic developments?

Issues are interlinked

This is indeed a broad agenda that encompasses both national and international levels. Several of the issues have been the topic of various forms of international cooperation for years, both bilaterally and multilaterally. Experts and policymakers in the areas of sustainable development and the environment have for example been cooperating pragmatically and successfully in the Arctic Council and its working groups since 1996 (the Arctic Council is an international body exclusively focused on the Arctic, although with a limited substantial mandate). Search and rescue and the prevention and response to oil spills are concrete issues that have more recently made it onto the Arctic Council agenda. Meanwhile, other issues with “Arctic relevance” have

been or are being dealt with by bodies and forums such as the International Maritime Organization, various UN bodies, the Barents Euro-Atlantic Council, the Nordic Council, the EU's Northern Dimension policy and NATO. On some occasions, the five Arctic coastal states have met to discuss various topics. And as regards international law, the 1982 UN Convention on the Law of the Sea provides an overall framework (although not yet ratified by the United States).

All of these issues, dealt with by various bodies, are interconnected with each other in many ways. In the end, it is not really possible to separate discussions on the Arctic environment from resource extraction, shipping, research, or the situation for indigenous peoples. Energy resources, shipping and security are equally interlinked. Today, therefore, we need to focus not only on a range of different complex Arctic issues, but also on the interlinkages and "the big picture." If we do not, we risk fragmented Arctic policies.

Growing number of players

The group of Arctic stakeholders and interested parties is as complex as the range of Arctic agenda items. Eight countries with territory within the Arctic Circle (Canada, Denmark/Greenland, Finland, Iceland, Norway, Russia, Sweden and the United States) are members of the Arctic Council. They all have interests in the Arctic. At the same time they are as different as countries can be in terms of size, influence, history, Arctic capabilities, security political orientations and organizational memberships (for example, EU/NATO).

The level of engagement and relative degree of focus on the Arctic differs among the eight Arctic Council member states. In particular Russia, Canada, and Norway—all with great direct interests in the region—have been very active and view the Arctic as a priority issue. The United States—the power most often relied on for international political leadership—has kept a relatively low profile in the Arctic, although its engagement is now seemingly increasing. (It should be noted that both the US secretary of state and the US secretary of the interior participated in the last ministerial meeting of the Arctic Council in May 2011.)

Arctic indigenous organizations are participating on a permanent basis in the work of the Arctic Council, and a number of international and non-governmental organizations and non-Arctic states are participating as observers (including France, Germany, the Netherlands, Poland, Spain and the United Kingdom). The private sector and the research community are important stakeholders in the Arctic. There is also growing interest from China—including investments in research capabilities—and other Asian countries such as Japan and the Republic of Korea. In addition, the European Union is becoming more interested and is developing its own comprehensive Arctic policy. Several are on the waiting-list for permanent observer status in the Arctic Council (China, Italy, Japan, the Republic of Korea and the EU Commission). All of these different parties, whether inside or outside the Arctic Council, are now looking more closely at the Arctic as a region of growing importance to them.

A need for closer cooperation

The complex set of inter-related issues at stake in the Arctic, along with the complex and growing mix of interested states and other stakeholders, seem to suggest that cooperative management of the Arctic could benefit from three things:

- a comprehensive international agenda for the Arctic;
- one international forum, open to interested observers, where a comprehensive agenda may be discussed; and
- the formulation of common strategic priorities for the Arctic on a full range of issues.

In theory, one way to gather all issues and countries around common objectives would be to work out a comprehensive treaty on the Arctic (like there is for Antarctica), but there does not seem to be any great appetite among states for that, in particular since the UN Convention on the Law of the Sea already provides an excellent framework for many of the issues at stake in the Arctic. However, that should not prevent countries and other stakeholders from looking for new pragmatic ways to work closely together on the development of broader Arctic strategies.

On substance, there is a good starting point. Over the last five years, all of the eight member states of the Arctic Council (as well as the European Union) have presented comprehensive policy papers or national strategies on the Arctic; some have also been, or shortly will be, updated or further developed. Although the national strategies represent very different national perspectives, at the same time, they are similar when it comes to many of the overall policy objectives. In other words, even though the Arctic plays a different role in each country's national context and there are clear differences as regards geography, access to resources and security policies, the strategies display common general interest in sustainable development and management of resources, protection of the environment, international cooperation and regional security.

On process, there is also a good starting point. The Arctic Council is the only major forum exclusively focused on the Arctic. So far, its prime focus has been sustainable development and environmental protection. Recently, issues such as search and rescue and oil pollution preparedness and response have made it onto the council's agenda. If further strengthened, enlarged with new observers and given an agenda covering a broader range of strategic issues (while recognizing that some issues, i.e. territorial ones, must be left outside), the council could provide stakeholders with a forum capable of taking on more comprehensive strategic Arctic discussions. Needless to say, the Arctic Council could never replace other major international bodies mentioned above and should also not try to duplicate work done elsewhere. But new thinking on the council's role and mandate could broaden perspectives and promote better policies on this issue of increasing global interest and importance.

The Nordic countries can lead the way

Differences in history, geography, direct access to natural resources and NATO/EU memberships give the five Nordic countries partly diverging perspectives on the Arctic. Firstly, those differences have, at least historically, resulted in different degrees of relative priority for the Arctic as a general policy issue. Secondly, they naturally translate into different degrees of policy emphasis on issues such as oil and gas extraction, sovereignty assertion, the role of the armed forces in the Arctic, relations with Russia and the role of NATO and the EU in the Arctic. Although often referred to generally as "small" or "medium-sized" states, a couple of them—Norway and Denmark/Greenland—can indeed be considered superpowers in an Arctic context (for Norway, the Arctic—or "The High North"—is a top foreign and domestic policy priority).

At the same time, the Nordic countries—constituting five out of eight Arctic Council member states—share many similarities and interests, not the least of which is the broader interest of peace and stability in their neighborhood. They also share a number of more specific strategic objectives in the Arctic (see below). (The sense of shared Nordic interests in the Arctic may be even further strengthened in the future as global interest and the number of actors continue to increase.) With closer and deeper cooperation on the Arctic, manifested for instance by a common strategy, the Nordic countries could find new ways of working together to promote common policies. By doing this, they could also lead the way towards more common and comprehensive international strategies for the Arctic region.

The idea of closer Nordic cooperation on the Arctic is not new. In view of their successive chairmanships of the Arctic Council (2006-2012), Norway, Denmark and Sweden formulated common objectives on climate change, integrated resources management of resources, the International Polar Year, indigenous peoples/local living conditions and management issues (including a joint secretariat for the Arctic Council).[1] And in 2009, the Norwegian former foreign and defense minister, Thorvald Stoltenberg, argued for closer Nordic cooperation on Arctic matters in his report on Nordic cooperation on foreign and security policy.[2] In its introduction, Stoltenberg noted *inter alia* the following, after consultations with a variety of people in Nordic capitals:

- There is a wide-spread desire in all the Nordic countries to strengthen Nordic cooperation.
- There is a widely held perception that because of their geographical proximity, the Nordic countries have many foreign and security interests in common, despite their different forms of association with the EU and NATO.
- There is a widely held view that the Nordic region is becoming increasingly important in geopolitical and strategic terms. This is a result of the role of the Nordic seas as a production and transit area for gas for European markets and of the changes taking place in the Arctic.
- The EU and NATO are showing a growing interest in regional cooperation between member states and non-member states.

Stoltenberg put forward thirteen concrete proposals for closer Nordic cooperation, several of them with direct relevance in the Arctic context. Those included proposals concerning a Nordic civilian system for maritime monitoring and early warning; a Nordic maritime response force (search and rescue); a Nordic satellite system for surveillance and communications; a Nordic disaster response unit; a Nordic amphibious unit with Arctic expertise; and general Nordic cooperation on Arctic issues, with a practical focus on the environment, climate change, maritime safety and search-and-rescue services.

1 "Norwegian, Danish, Swedish common objectives for their Arctic Council Chairmanships 2006-2012," 27 November 2007

2 Thorvald Stoltenberg, "Nordic Cooperation on Foreign and Security Policy," Proposals presented to the extraordinary meeting of Nordic foreign ministers in Oslo on 9 February 2009

The national Arctic strategies of the five Nordic countries

As of May 2011, all five Nordic countries have developed national comprehensive strategies for the Arctic (a couple of them have also been, or are being, updated).[3] The national strategies are different and similar at the same time. They are structured differently, place challenges in different orders and reflect different political perspectives. This is hardly surprising as they represent the views of five different countries. At the same time, however, the strategies reflect common thinking on many points. Provided there is an interest in working more closely together and using the national strategies as a starting point, common ground should be easy to find in the following areas:

Management of resources

All five of the strategies reflect a positive perspective on the opportunities for the use of resources, coupled with a strong emphasis on, and high ambitions for, sustainability and eco-friendly, science-based resource management. Common themes in the area of resources are the need for a strong link between management and research, the need for international cooperation on management and research, the opportunities for use of Nordic expertise and know-how, the link between resources and regional security policies and the importance of respect for international law, including its relationship to resource exploitation.

The environment

The strategies indicate strong consensus on the importance of environmental protection in the Arctic. The need to develop more knowledge on climate change and the environment is generally underscored, as is the need to cooperate internationally on research. Another common point is the need for global attention to the Arctic issues and the importance of sharing information about the Arctic at the global level. More specific references are made to the need for a coordinated marine environment monitoring system, the need for an international agreement on mercury, and the issue of nuclear safety in the region.

Research

Policies on research are closely linked to several other policy areas, including the environment and management of resources. The strategies point to high levels of national ambition on research, with emphasis on leading competencies (some examples from the different strategies are climate change, the environment, shipping, Arctic technologies and oil and gas development) and the need for further research support. The need for international cooperation on research is emphasized, as is the importance of using research as the basis for policy decisions. Ideas and plans for research centers at different Nordic locations are mentioned in several of the strategies. The role of space and satellite technology is specifically mentioned in some of the strategies.

Economic development

The strategies all reflect a belief in the opportunities for economic development for the countries and for local communities in the region in view of ongoing changes. Emphasis is placed on opportunities for increased trade, exports, investments and tourism. The opportunity for Nordic expertise and know-how is highlighted, i.e. in environment and ship building technology. The role of business and the private sector is commonly highlighted. Another common theme is the importance of infrastructure development and cross-border cooperation on infrastructure policies. A couple of the strategies specifically emphasize new opportunities in port, transfer and service facilities in view of the expected increase in shipping activities.

Indigenous peoples

The importance of safeguarding and promoting the cultures and languages of indigenous peoples is generally emphasized. The strategies make various references to the need to support participation in decision-making processes, the roles of UN processes and the Arctic Council, the link between local competencies and business development, the need to fight negative health effects from climate change and environmental problems, and, more specifically, the issue of food security.

Shipping activities

All of the Nordic countries put great emphasis on the issue of increased shipping and maritime safety. The new agreement on Cooperation on Search and Rescue in the Arctic, negotiated under the auspices of the Arctic Council, is a very important step in this regard. Several of the Nordic strategies stress the need for better and joint monitoring and preparedness (including regarding oil pollution where the Arctic Council has decided to take further steps).
The importance of supporting efforts at the International Maritime Organization, including on a Polar code, are mentioned in several strategies. Other issues include the possible need for new shipping lanes and the need for development of good practices regarding cruise ships.

3 "The Norwegian government's High North strategy," Norwegian Ministry of Foreign Affairs, Oslo/Tromsoe, December 2006; "Nye byggesteiner I nord," Departementene, Oslo/Tromsoe, March 2009; "Arktis i en brydningstid," Namminersornerullutik Oqartussat Udenrigsministeriet, May 2008; "Ísland á norðurslóðum," Ministry of Foreign Affairs, April 2009; "Finland's Strategy for the Arctic Region," Prime Minister's Office, July 2010; "Sveriges strategi foer den arktiska regionen," Regeringskansliet/UD, May 2011

Perspectives in the strategies differ in various degrees on the following:

Legal issues

Several unsettled disputes still exist between states in the Arctic regarding territory, delimitations at sea, economic zones and navigation rights, and different overlapping claims to continental shelves have been or will be made by Arctic coastal states. These issues go straight to the heart of national interests and will remain sensitive until resolved. On the other hand, once resolved, opportunities for wider cooperation should increase further. The Barents Sea delimitation agreement between Norway and Russia may serve as an example in this regard. The different Nordic strategies generally point to a strong consensus on the importance of respect for and use of international law (including the UN Convention on the Law of the Sea) and established frameworks for the resolution of disputes and conflicts. There is naturally a shared interest in the orderly and peaceful resolution of all legal disputes in the Arctic.

Security

Differences in history, geography and organizational memberships (NATO/EU) give the Nordic countries partly different perspectives on Arctic security matters. The strategies reflect different degrees of emphasis on issues such as relations with Russia, the importance of firm assertion of sovereignty, the role of the armed forces, and the importance of cross-border and people-to-people cooperation. Relations with Russia constitute a particularly important part of Norway's strategy. In the 2006 document it was stated that "our relations with Russia form the central bilateral dimension of Norway's High North policy" and in the foreword to the strategy, the Norwegian prime minister Jens Stoltenberg noted as the first point among several the need to "continue to build on our good neighbourly relations with Russia." Cooperation with Russia was also one of the strategy's seven main political priorities (another one was people-to-people cooperation). Assertion of sovereignty as a policy priority was an important element of both the Norwegian and the Danish strategies. The first of seven priorities in the Norwegian strategy from 2006 was to exercise "authority in the High North in a credible, consistent and predictable way" and it continued to be one of seven priorities in the 2009 follow-up document. The other strategies put stronger emphasis on human security, non-military threats (for example environmental) and security-related issues linked to shipping or energy resources. The need for cooperation is generally underlined. There is a shared strong emphasis on the importance of international law and the overall objective of maintaining the Arctic as a low-tension region.

Governance

As regards international governance of the Arctic and the roles of different organizations and forums, the Nordic strategies on one hand display consensus on the general need for international cooperation on Arctic affairs.
On the other hand, the Nordic countries have different perspectives (perhaps not surprisingly) on the Arctic roles of organizations such as NATO and the EU, where Norway has emphasized NATO's role and Finland, as well as Denmark and Sweden in different ways, the EU's. Denmark makes special mentioning in its strategy of the "A 5" - format of Arctic coastal states. And several of the Nordic strategies put strong emphasis on the central or primary role of the Arctic Council. The need to strengthen the Arctic Council is underlined in several strategies, including the need to broaden the Council's agenda as it pertains to new sectors and admitting new observers, including the EU. Finally, several strategies refer to the need for a stronger focus on Arctic issues in Nordic cooperation.

All in all, the five Nordic strategies for the Arctic region show that, although the countries have different Arctic perspectives, they also share many interests and policy objectives. Closer Nordic cooperation on the Arctic could serve both Nordic interests and a broader interest of working towards common international cooperative strategies on the Arctic. With a broadening agenda, the Arctic Council would be the natural forum for discussion about such strategies among the most interested stakeholders.

Conclusion

To summarize, common strategic thinking about the Arctic will be needed over the coming years and decades as the Arctic continues to change and the number of interested players continues to increase. The Nordic actors will need to ensure a continued cooperative spirit among all stakeholders, a comprehensive approach to the issues and the good use of a further strengthened Arctic Council as the main Arctic forum. They will also need to welcome new observers into that forum and adopt a more global perspective on Arctic developments.

Finally, the Nordic countries could take the chance to work more closely together on concrete policy priorities for the Arctic. That could further strengthen common "Nordic perspectives" in the broader future deliberations on the Arctic. It could also benefit closer cooperation on the Arctic for example between the Nordic countries and the US and a further strengthened transatlantic dialogue on this major emerging issue.

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Baltic-Nordic-US Cooperation as a Vehicle for Democratic Change

By Kadri Liik and Riina Kaljurand

Twenty years after the collapse of the Soviet Union, the Nordic-Baltic region stands out as Europe's success story. The Baltic countries, which were seen by many as potential sources of tension in the early 1990s, have become stable democracies, firmly anchored in Western institutions. The whole region has benefited from the opening up of borders and the free movement of people, goods, and capital; and, in the aftermath of the 2008-09 economic crisis, it has become the corner of Europe where prudent and timely—and in some cases, even radical—measures have led to energetic economic growth, unburdened by excessive government debt. At the same time, cooperation in the field of security is also increasing. Not only do the proposals outlined in the Stoltenberg Report promise to take Nordic cooperation to an entirely new level—with follow-up reports extending the planning to the Baltic states, as well—but different bilateral and trilateral arrangements are also crisscrossing the Baltic Sea, inspiring outsiders to study the area as a model of regional cooperation worth following or learning from.

The Baltic-Nordic countries (henceforth, also referred to as the NB8) already have considerable experience in "exporting" their success story, working together to help reforms in countries that are currently undergoing democratic transitions or aiming to join NATO or the EU. This paper makes a case for bringing the issue of helping transitional democracies to the forefront of the Nordic-Baltic-US agenda too, as working together could magnify the results and benefit everyone involved.

Where should we engage?

Over the last two decades, the concept of democracy promotion has been both idolized and demonized. The successful transition of Eastern Europe and the color revolutions in Georgia and Ukraine have been interpreted as proof that democratization is a natural course of affairs, but the rollback of the Ukrainian Orange revolution, the Georgian war, and especially the difficulties faced in Iraq and Afghanistan have made the West wary of overcommitment and reluctant to be a sponsor, not to mention an executor, of regime change.

Ironically, at exactly the moment when the words "democracy" and "freedom" seemed on the verge of being expelled from the Western political rhetorical vocabulary, the North African revolutions brought the issue of democratic change and the associated policy dilemmas back onto the agenda. While the legitimacy and wisdom of sponsoring democratic regime change remains a matter of debate, it is nonetheless a fact that a great number of countries have brought down autocratic rulers, and could benefit from informed advice and help in building up new and more-democratic systems.

This paper has been written with the post-Soviet and Balkan democracies in mind. Being in Europe and aspiring to create a working relationship with Western organizations (depending on the country, these aspirations can range from a pragmatic economic relationship with Europe to full membership in both the EU and NATO), these states need to modernize their systems of government and adopt a considerable number of EU and/or NATO rules and procedures, placing the Baltic and Nordic countries with their combined experience in a perfect position to help.

However, the recipient countries' will to reform can fluctuate, depending on the nature of their political leadership, on whether or not they have a realistic prospect of full membership in the EU and/or NATO, and whether or not this prospect, if present, inspires them to conduct reforms. These factors explain why during recent years the focus of Nordic-Baltic outreach activities has shifted from Georgia and Ukraine to the Balkans. However, the question of whether it is wise to "abandon" a target country where the

will to reform is floundering, for whatever reason, remains. Those countries that fail to be inspired by the prospects of membership, or to be attracted by the ideals of democracy, might still be interested in making changes for the sake of trade with Europe.

In North Africa, the outlines of the emerging political systems or the countries' international ambitions are unclear; in fact, the whole region is still very turbulent, with violence raging in Syria and Libya. Also, the Arab world is probably less comprehensible culturally to the NB8 group than the post-Soviet or Balkan countries. However, once the dust has settled, it may well turn out that much of the practical reform experience of the Baltic states and the tutorship experience of the Nordic states can also be useful outside Europe.

Why the Baltic-Nordic tutorship team works

- Together, the Baltic and Nordic countries possess vast experience in outreach policy that is hard to rival. While the Baltic states' financial resources may be scarce—even though the sums spent on development aid are steadily growing—they do have firsthand reform experience that provides unique insights and equips them with informed views on a wide array of relevant issues. These range from fundamental political issues (such as the advantages and disadvantages of different constitutional arrangements) and practical legislative questions (i.e., how to implement programs such as NATO's Membership Action Plan, or how best to harmonize domestic laws with those of the EU's *acquis communautaire*), through practical diplomacy (how to promote your case internationally, how to work with different EU institutions during the accession period, etc.) and managing public opinion at home. The Nordic countries, by contrast, are better off financially and have a long history of being aid donors in very different parts of the world.
- The Baltic and Nordic countries share a similar worldview: Promoting democracy and good governance in their own and the EU's neighborhood is seen as a serious strategic issue rather than an act of charity.
- While enthusiasm for outreach and the targeting preferences of individual countries may vary—depending on, among other issues, the political leaders in power at any particular moment—the Nordic and Baltic countries are generally still united by a "let us get things done" attitude.
- The Nordic-Baltic world consists of small states, which means that no single country can overshadow the others, making them appear as mere satellites. Cooperation is a necessity not only when it comes to pooling resources, but also when it comes to gaining international support for, and attention to, issues and initiatives that are considered important by the NB8.
- Egalitarian cultures and small bureaucracies make things easier. The decision-making process tends to be a lot quicker in the Nordic-Baltic world than, say, in the bigger European countries that have bigger bureaucracies. There are already good personal links between policymakers and civil servants in different NB8 countries; people know their counterparts, and potentially bothersome questions can often be solved by a few phone calls.
- Between them, the Nordic-Baltic countries possess wide-ranging regional expertise concerning the target countries. The Nordics, for example, have already been engaged in the Balkans for a decade or more; among their politicians and senior civil servants are people who have long historical memories and personal experiences of the region. One can also meet Balkan immigrants in the Nordic states who, having once arrived as refugees, have now become MPs or civil servants, and work to enhance their new homelands' capabilities to help their former homelands.
- The Baltic states have a comparative advantage in the post-Soviet world. They know the peculiarities of the Soviet system and the special features of post-Soviet transition; they can serve as living proof that given sufficient political will, post-Soviet chaos can be turned into functioning democracy—which lends them a great deal of credibility in the target countries. Although twenty years have brought along an important generational change, there are still many people in the Baltics who not only speak Russian, but also have personal relationships dating from the perestroika years with politicians in countries such as Georgia, Ukraine, and Moldova. Adapting to post-Soviet business cultures and living conditions can be easier for Baltic diplomats than for their Nordic counterparts. One should also not dismiss the opportunities created by "special relationships" between individual countries—for example, the trust and goodwill that Estonia seems to enjoy in Georgia.
- Of the eight Nordic and Baltic countries, Sweden and Finland remain outside NATO, and Norway and Iceland are not members of the EU. Only Estonia and Finland are members of the Eurozone. While these non-overlapping memberships can occasionally complicate regional cooperation around the Baltic Sea, they may actually

serve as an asset when it comes to outreach policy. Among the target countries, some are deeply suspicious of NATO, but would like to be closer to the EU. Others see NATO membership as their highest priority, but fail to be inspired by the EU. Still others would like to improve their quality of governance and their practical ties to the West without (yet) considering potential membership in Western organizations. The Nordic-Baltic group includes suitable partners or role models for them all.

Ways to improve cooperation

In 2007, the International Centre for Defense Studies in Estonia and the Swedish Defense Research Agency conducted a study on ways to improve Nordic-Baltic assistance in security sector reform in third countries. A number of recommendations made by the authors can be adapted to apply to the entire spectrum of outreach activities. These include the following:

- A joint Nordic-Baltic conference on outreach activities should be held. On the political level the conference could be devoted to setting the strategic priorities and agenda for the future, but it should also serve as a meeting place for civil servants and experts who are engaged in outreach activities, allowing them to exchange experiences and contributing to the creation of "an outreach community."
- A Nordic-Baltic coordination committee for joint outreach activities should be formed. The aim would be to create a venue for information exchange, thereby making it possible to avoid duplication and enable the informed use of different countries' comparative advantages and strengths.
- A database should be set up where all states concerned list their assets, including expertise, that are available for outreach activities.
- The Nordic and Baltic states should launch a common initiative on how to better coordinate EU and NATO outreach activities.
- Joint Nordic-Baltic working/research groups should be initiated to investigate how to evaluate different outreach activities in regions where joint activities have been conducted.
- Jointly run centers could be established for training the civil servants, military, or future politicians of target countries. The Baltic Defense College in Tartu and the Eastern Partnership Training Centre in Tallinn already perform these functions, but the courses there might be in need of greater substance. The need for complementary courses, specially tailored study tours, and other regular or ad hoc activities should also be explored.

Why welcome the US to the club?

- The political incentive to invite the US to join the Baltic-Nordic countries' outreach activities is obvious. Twenty years ago the Baltic-Nordic region was the recipient of an extraordinary amount of US attention—the Baltic states as a security issue in need of a solution, and the Nordics as experts in the area. This type of attention is no longer there, but becoming a primary partner of the US in helping transitional democracies would help the region to maintain a close working relationship with Washington.
- The United States, being the sole global superpower, is clearly overstretched—not only financially and militarily, but also when it comes to attention and expertise. By engaging with the Baltic-Nordic expert networks, the US could get regular and institutional access to a vast pool of expertise on the target countries that it otherwise might lack.
- While the EU as a whole often displays a worrying tendency to imitate policymaking rather than engage in it, and sees international visibility as a goal in and of itself rather than as a by-product of successful policies, the Baltic-Nordic countries still tend to be goal-oriented. Although their means are more modest, they share the "can-do" attitude of the US, which should make them an agreeable partner for Washington.
- US involvement would also help to raise the profile of the target countries in organizations such as NATO and the OSCE, and also the EU.
- It could also lend our advice more credibility in the eyes of recipient countries—although care must be taken to ensure that US involvement is not misinterpreted as a binding political commitment to support certain politicians or a target country's membership in organizations such as NATO.
- However, the day may come when the question of NATO and EU membership for the transitional democracies, including those in the post-Soviet world, returns to the international agenda. Managing this will be a difficult task, making the involvement of American diplomatic and intellectual power indispensable.

The Russia question

Helping democracy in the post-Soviet world and maintaining a working relationship with Russia are often seen as

contradictory goals—but this does not need to be the case. In fact, when Russia has sought some harmony with the Western world (such as in the late 1990s and the early 2000s), it has also sought a working relationship with its democratizing neighbors, and sometimes even tried to learn from them. But when Russia has believed it could dictate terms to the West, positioning itself as the latter's geopolitical adversary (i.e., in 2004–08), Russia's post-Soviet pro-Western neighbors have been the first to feel the heat. It is also important to realize that Russia's antagonism has been inspired by fear—the color revolutions, for example, made Moscow panic in expectation of a domino effect. In order to preserve the ruling regime's security at home, tarnishing the image of and spoiling relations with countries undergoing democratic regime change became important.

At the time of this writing, Russia is yet again at a crossroads, and it is hard to predict what kind of attitude it will adopt toward the West during the possible propaganda wars of the upcoming election campaign, and once the new presidential term has started. However, whatever course Moscow adopts, the West should not make its work with transitional democracies dependent on Russia's goodwill, but rather see it as a strategic goal in its own right. In the long run, to be surrounded by democracies will also help democratic instincts in Russia itself—and a Russia that respects (even if it does not yet follow) the democratic way of life will always be a more-effective partner to the West than an arrogantly authoritarian Russia that fearfully guards its "zone of privileged interests."

Summary

No matter the ideological fashions of the day, democratic reform will be part of the practical political agenda for a great (and probably increasing) number of countries in the coming years. It is in the strategic interest of the West that these processes—regardless of where they take place—are successful. While the decisive role will always be played by the elites and people of the reforming countries themselves, outsiders should help to the extent they can. To this end, combining the outreach efforts of the Nordic and Baltic countries and the United States could be very effective. The recent reform experiences of the Baltics—coupled with the Scandinavian "business culture" of the Nordics and the political muscle of the United States—can result in a formidable team.

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The Nordic-Baltic Region as a Global Partner of the United States

By Damon Wilson and Magnus Nordenman

In recent years, quiet but steady efforts to increase cooperation among Nordic and subsequently Nordic and Baltic nations have created an opportunity for the countries in the region, when acting together, to have an outsized impact on global affairs. This trend is accelerating as the region is emerging from the current financial and economic crisis stronger than the rest of Europe. The increased frequency of Nordic and now Nordic-Baltic coordination meetings among regional officials—along with the landmark 2009 report by Norwegian former foreign and defense minister, Thorvald Stoltenberg, followed in 2010 by a comparable wise men's report, linking the Baltic states to this regional effort—have placed the idea of greater regional cooperation and even regional integration on the agenda.[1]

Relatively few on the American side of the Atlantic, however, have noticed this growing trend, appreciate its implications, or recognize the region as an emerging global partner for the United States. US support for Nordic-Baltic cooperation and systematic US engagement with the region offers an opportunity to repurpose this particular transatlantic partnership to more effectively advance common interests and values, both in Europe and globally.

Synchronizing the capabilities and policies of this region will allow it to play a much larger role than any one country from the Nordic-Baltic region could do on its own. Since the Cold War, the region has undergone a transition, from a potentially contested space in the 1990s to a region almost fully integrated into the range of Euro-Atlantic institutions and structures, which has transformed the Nordic-Baltic region from a security consumer into a security exporter. The countries of the region are already making important contributions to European and transatlantic efforts in diplomacy, development, and security, but more could be done if the resources of the region were thoughtfully combined and coordinated, and if the United States worked with these governments in a more coherent manner.

Global impact

In 2003 the United States initiated the enhanced Partnership in Northern Europe (e-PINE), which is a mechanism for US officials to meet their Nordic and Baltic colleagues together in "8+1" formats on a range of policy issues.[2] E-PINE reflects a US effort to engage more effectively the countries of the region, but also reflects Washington's recognition of their combined ability to shape outcomes within Europe's larger institutions. Today, the Nordic-Baltic region merits greater recognition from US and European policymakers for its contribution to the transatlantic community's global agenda, and, accordingly, e-PINE is ready to assume a greater policy coordination role.

The region has some 32 million inhabitants, and a combined gross domestic product (GDP) of close to $1.5 trillion, which makes it the tenth-largest population and fifth-largest economy in Europe. Furthermore, the region features relatively low levels of corruption, with the Nordic countries some of the least corrupt countries in the world. Also, the countries of the region place well in various international freedom rankings, with several of the states at the absolute top. The Nordic-Baltic countries also do well in surveys that measure the ease of doing business and creating new companies. The Human Development Index places many of the countries in the region among the most developed in the world.[3]

1 Thorvald Stoltenberg, *Nordic Cooperation on Foreign and Security Policy*, Oslo, 2009; Søren Gade and Valdis Birkavs, *NB8 Wise Men Report*, Copenhagen, 2010.

2 The eight nations, collectively known as the "NB8," include Iceland, Norway, Denmark, Sweden, Finland, Estonia, Latvia, and Lithuania.

3 Human Development Reports (http://hdr.undp.org/en/statistics/).

While these indicators of major socioeconomic accomplishments do not directly translate into capabilities that can be used for advancing the agenda of, for example, expanding Euro-Atlantic integration beyond its current borders, they do, as a whole, constitute a significant pool of soft power. This serves as a valuable example for other nations seeking to integrate into the transatlantic community. This is of significant value at a time when the Western model of development is increasingly in doubt around the world. The Nordic-Baltic approach can also serve as an effective road map for nations further away from the region, such as Georgia, Serbia, Montenegro, and Moldova, who are undertaking the reforms needed to be invited to join Euro-Atlantic institutions and structures.

The Nordic-Baltic region also has an impressive record in development, postconflict reconstruction, and peacekeeping. Taken together, the region is the second-largest contributor of foreign aid and assistance in the world. In combination the region already plays a major role as a donor to countries such as Belarus, Ukraine, Afghanistan, and Georgia.[4] Nordic and Baltic countries have a particularly effective voice on development issues given that none carry the same colonial baggage attached to the other major European donors.

This global activism is also found in key military operations around the world. The region collectively is the eighth-largest contributor to NATO's International Security Assistance Force (ISAF) in Afghanistan. At the height of the operations, the region was the fifth- and sixth-largest troop contributor to the NATO operations in Bosnia and Kosovo, respectively.[5] The Nordic countries also have a long legacy of being major contributors to United Nations (UN) operations around the world. While their contributions to these operations have declined in recent years as they shifted resources to those led by the European Union (EU) or NATO, the Nordic's consistent participation in UN operations has earned them goodwill and respect across the globe.

In hard-power terms, the combined capabilities of the region measure up quite well in comparison to its European partners. In Europe, only Germany has more fighter aircraft than the Nordic-Baltic region (which has 297 fighter aircraft). The region has 110,000 active-duty military personnel and some 600,000 in the reserves, which rivals the force levels of major European powers. Taken together, the active military components of the Nordic-Baltic region make it Europe's sixth-largest armed force. All of the Nordic-Baltic countries contribute forces to the ISAF mission, and two countries from the region (Denmark and Estonia) have sustained some of the highest casualty rates per capita of any contributing nation. Norway, Denmark, and Sweden have also contributed fighter aircraft to the NATO mission over Libya, conducting up to 25 percent of combat sorties during parts of the campaign. Additionally, several of the Nordic-Baltic nations contribute to the Nordic Battle Group, one of the operational pillars of the EU's crisis-response capability. Finally, many of the Nordic-Baltic countries are also active members of NATO's strategic airlift initiative, an important pillar in NATO's transformation toward a more expeditionary Alliance.

Numbers aside, the quality of Nordic-Baltic military forces is generally superb. The region has submarines, anti-submarine warfare capabilities, and mountain and arctic units that are recognized by the transatlantic military community as at or near the top of the class. Nordic-Baltic airpower is also likely to remain robust far into the future, with upgraded JAS-39-Gripens being introduced in Sweden, and the procurement of F-35s in Norway and Denmark.

In addition to these quantitative factors, the region also has a number of other qualities that positions it to have a larger impact in the transatlantic and global context. For example, several of the countries of the Nordic-Baltic region enjoy a global reputation as honest brokers, and they have made invaluable contributions to peace negotiations and confidence-building efforts around the world over the years. With the region working in concert, this role could be further magnified. Furthermore, given that the countries of the region do not have much of a colonial legacy, they could serve as effective actors and mediators in places that may still be concerned about European or Western intentions due to a history of colonization.

Drivers of Nordic-Baltic cooperation

The Nordic-Baltic region has basic characteristics that underpin a relatively high level of regional cohesion and provide a platform for expanded regional collaboration. Nordic-Baltic countries share geographic proximity, which has helped to foster a high level of social, economic, political, and cultural interaction. All of the countries in the region share comparable political values of democracy, free markets, human rights, and equality. They are also active in advancing these values beyond their current conventions. Furthermore, the region has a long common history. Warfare among them is a distant memory, and while national identities are distinct, regional rivalries do not serve to agitate negative populist feelings against other nations in the region. Strong,

4 "Aidflows," The World Bank Group (http://siteresources.worldbank.org/CFPEXT/Resources/299947-1266002444164/index.html).

5 "Past and Present Trends in Burdensharing," Congressional Budget Office (www.cbo.gov/doc.cfm?index=2976&type=0&sequence=2).

preexisting historical, political, and economic ties provide a solid foundation for further regional integration aimed at advancing the region's profile as an international player.

Drivers of Regional Integration

- Brings greater effectiveness and more capability to solve practical challenges
- Assists region in managing defense austerity
- Delivers increased influence on European, transatlantic, and global issues
- Hedges against potential Russian revanchism
- Achieves deeper Baltic integration into Europe
- Normalizes security relations between NATO and EU members

Considering the character of the region, and the already-significant contributions to international peace and security by nations in the Nordic-Baltic area, there are three primary and three secondary factors that motivate the Nordic-Baltic region to continue its drive toward enhanced collaboration and regional approaches to security and foreign policy challenges.

First, greater regional cooperation is a practical response to solving problems. Regional approaches can pay dividends by offering increased capabilities and effectiveness. Regional cooperation has already dramatically improved maritime domain awareness in the Baltic Sea. Search-and-rescue collaboration is a compelling area in which regional cooperation can more effectively save lives and conserve resources. Joint diplomatic representation—or at least sharing embassy facilities—and coordinated, shared diplomatic reporting (as is the case with Sweden and Finland) can expand diplomatic bandwidth while saving resources. While some governments in the region believe the proposals for Nordic-Baltic cooperation in the Stoltenberg and Gade-Birkavs reports are too ambitious, many of the specific ideas are practical, achievable, and merit follow-up. Consistent with the prudent culture of the region, the point is to pursue practical cooperation when regional efforts would produce more effective and less costly solutions to immediate challenges than national solutions.

Second, the coming age of defense austerity, despite the relatively robust growth numbers of the region, should also compel Nordic and Baltic countries to cooperate in order to maximize scarce defense funding and minimize costly duplication. This cooperation begins with training and education on the low end and extends to joint operations on the high end. The region has a solid track record to build on dating from effective regional cooperation in NATO's Balkan deployments and formation of the Nordic Battle Group, within the EU. The Baltic states' Baltic Defence College (BALTDEFCOL) is a practical approach to educating the officer corps of the three small countries in a cost-effective manner. BALTDEFCOL and other regional training and education efforts foster a stronger habit of cooperation within the armed forces, while providing military commanders with the building blocks they need to coordinate their actions across national lines. Greater regional military cooperation should not be seen as coming at the expense of NATO. In fact, the Alliance's smart defense strategy relies increasingly on multinational cooperation and pooling of assets to ensure that small- and medium-sized allies can more effectively contribute to Alliance operations. Nordic-Baltic cooperation already offers lessons for other regional groupings coping with austerity, such as the Visegrad Four nations of Poland, the Czech Republic, Hungary, and Slovakia.

The third compelling driver of greater regional cooperation is the fact that when the states of the Nordic-Baltic region speak and act together, they play a larger and more decisive role in European, transatlantic, and global security affairs. On certain issues, specific Nordic or Baltic countries can have a decisive, distinct role to play, such as Norway on Arctic matters, Sweden on Eastern Partnership, or Estonia on cybersecurity. Although few global policy decision-makers instinctively think of a Nordic-Baltic nation as a key actor when grappling with issues at the top of the global agenda, taken together, the Nordic-Baltic nations can have a global impact, as illustrated in the previous section. By joining forces, the United States and other key actors will increasingly be a factor in the importance of the region when developing policies on a broader range of global challenges. In short, the more coherent the region is as an actor, the more often the region will have a seat at the decision-making table.

In addition to these three strategic drivers of Nordic-Baltic cooperation for the purpose of transatlantic and global action, there are three additional rationales for deepening regional collaboration and synchronization. First, regional integration would further secure the Nordic-Baltic region against traditional security challenges that may emerge sometime in the future. That is, closer regional integration can serve as a hedge against the emergence of any future threat from a revanchist Russia. To be clear, Russia is not a threat to the region today. Indeed, several Nordic-Baltic nations are experiencing greatly improved relations with Moscow in the wake of the US-Russia "reset." Nonetheless, given history, it is only prudent to anticipate defensive strategies in the event that democratic backsliding in Russia produces

a more assertive Russian foreign policy. A more-integrated region is a stronger actor, mitigating the perceived or potential vulnerability of any one nation in the region. Again, Nordic-Baltic integration is not a substitute for NATO Article 5 security guarantees, or continued US security engagement in the region; rather, it is a beneficial complement.

Second, enhanced Nordic-Baltic collaboration would contribute to the deeper integration of the Baltic states into Nordic and transatlantic structures. Since the collapse of the Soviet Union, Estonia, Latvia, and Lithuania have been incredible success stories in building free market democracies integrated into NATO and the EU, while demonstrating their ability to weather severe economic crises. In historical terms, however, they have enjoyed regained independence for only twenty years. Embedding their societies more firmly in the Nordic community is an effective way to further boost the Baltic states' economic, political, and social resilience against undue influence from domestic and foreign corrupt or nefarious actors. The process of stronger regional integration will help mitigate the vulnerabilities of strategic sectors—such as banking, media, and energy—to manipulation.

Finally, Nordic-Baltic cooperation would serve to normalize security relations among European democracies with overlapping institutional affiliations (e.g., nations in NATO only, the EU only, or in both). Sweden's unilateral Solidarity Declaration has underscored Stockholm's effort to shed its Cold War neutrality as well as its expectation of cooperating with its neighbors to address any security threat to the region. Nonetheless, Sweden (as well as Finland) remains outside the Alliance structure, which is the ultimate guarantor of security for the other six Nordic-Baltic nations. In the near term, Nordic-Baltic integration can help to maximize the potential of NATO's partnerships with Sweden and Finland. By building pragmatic ties between NATO and EU nations, Nordic-Baltic cooperation can begin to rationalize NATO-EU relations, including reconciling defense planning processes across NATO and the EU. In the medium term, Nordic-Baltic integration could serve as the test bed for a solution to the political riddle of the NATO-EU relationship at the strategic level. Ultimately, routinized security cooperation in the region helps to prepare the groundwork for future political debates in Sweden and Finland on membership in NATO, as well as a more-formal EU relationship with NATO (e.g., eventual EU membership in NATO).

The limits of cooperation

To be sure, there are limits to an integrated Nordic-Baltic approach to regional, transatlantic, and global challenges. Finland, for example, has a very different defense concept from Denmark; Finland still relies on a large conscripted force primarily focused on territorial defense, while Denmark has transformed its military toward an almost-exclusive focus on expeditionary operations. Furthermore, the status of Sweden and Finland as non-NATO nations sets an upper limit to regional defense arrangements that involve the entire region. Comparably, Norway is not a member of the EU, and Denmark maintains its opt-out of European Union security and defense policy.

Regional cooperation in defense procurement, which could serve as an important pillar of continued military integration, has been met with decidedly mixed results. In the 1990s, an early joint procurement—a cooperative submarine project comprising Norway, Denmark, Sweden, and Finland as an observer nation—failed. The region also maintains a wide variety of fighter jets, including JAS-39 Gripens, F-16s, and F-18s, and Norway and Denmark have announced that they will procure F-35s in the coming years. While these platforms are very capable in their own right, they cannot, as a whole, serve as a basis for increased industrial and political-military cooperation within the region.

Furthermore, the countries of the region have different foreign and security policy priorities that may be difficult to synchronize. Norway is focused on Arctic and High North issues, and is hesitant to bring in a Nordic-Baltic perspective in that process, preferring to work directly with allies who are also Arctic countries, such as Canada and the United States. Denmark, on the other hand, has so far exhibited less enthusiasm for Nordic-Baltic cooperation in favor of continuing to strengthen Copenhagen's relationship with Washington. Meanwhile, the Baltic nations remain clear that their security—and, ultimately, their existence—rests with NATO, and are therefore wary of a Swedish or Finnish leadership role on regional security.

The way forward

There is no need—or political appetite—for revolutionary advancements in Nordic-Baltic cooperation and integration. No nation in the region has a grand strategy or great scheme for such integration. Rather, Nordic-Baltic cooperation and integration will continue as a product of pragmatic cooperation among close neighbors with shared interests on common challenges. At the same time, this evolutionary approach to regional cooperation does have strategic implications. Today, each proposal for NB8 collaboration reflects an approach of small steps. For all Nordic-Baltic nations, regional cooperation occurs in the spirit of complementarity with their other identities and institutional affiliations. Nonetheless, the accumulation of these small

steps has a significant impact as the region becomes a more coherent actor within Europe, the transatlantic partnership, and on the global stage. This outcome is good for the region, but also for its key partners, including the United States.

The way forward must be guided by the eight participating nations themselves. A proliferation of proposals are on the agendas of NB8 foreign, defense, and prime ministers, which provide a solid basis for moving forward in regional cooperation. The Nordic-Baltic region should, for example, take additional steps to pool its scarce defense resources, initiate joint defense planning, and reduce the current level of duplication among the armed forces of the region. Considering the Nordic-Baltic region's reliance on the maritime commons for, among other things, commerce and resource extraction, the Stoltenberg Report's proposal for a Nordic maritime response force and a Nordic maritime monitoring system should be of particular interest.

In turn, a Nordic-Baltic region that collaborates—thereby strengthening security in its own neighborhood and also providing robust capabilities for external action—will lead to more interest from Washington to focus on Nordic-Baltic affairs and to work with the region to tackle transatlantic and global security issues.

At the same time, the nations of the region will only share a more uniform will to proceed if the United States is a key partner in this endeavor. Washington must signal its strong support for regional cooperation and commit to engage in certain regional efforts. If the United States were perceived as viewing regional cooperation as justification for US disengagement from the region, the US position would undermine the motivation among the nations to pursue regional cooperation. Ironically, for the Nordic-Baltic region to become a more coherent, effective partner of the United States on the world stage, the United States needs to play an active (if supporting) role in promoting Nordic-Baltic integration.

The US administration has already demonstrated an interest in playing this supporting role. Washington can build on its efforts to date with the following steps:

- Offer a clear senior-level policy statement confirming Washington's support for the unfolding process of Nordic-Baltic cooperation and integration, and welcoming the prospect of the region as a key partner of the United States;
- Accelerate US administration efforts to rejuvenate e-PINE using this structure to more closely and routinely coordinate action on a full range of policy issues;
- Turn systematically to the Nordic-Baltic region as "go-to" partners with whom to strategize on how to support democratic and market reforms in Europe's East, especially Ukraine, Moldova, and Georgia, and to promote democratic change in Belarus;
- Determine several specific Nordic-Baltic projects in which the United States would participate (much as the United Kingdom is doing), such as forging a new, permanent air-policing system for Iceland, drawing primarily on Nordic assets with US participation;
- Engage regional leaders in an NB8 format, including:
    - US secretary of state Hillary Clinton participating in the Nordic-Baltic ministerial meeting in Vilnius in December 2011, on the margins of the annual foreign ministers meeting of the Organization for Security and Cooperation in Europe (OSCE);
    - US president Barack Obama meeting with Nordic-Baltic leaders at one of their upcoming summits; and
- Advance a new initiative in the run-up to the May 2012 Chicago NATO summit to break the NATO-EU logjam, using leader-level efforts to forge a genuine NATO-EU strategic partnership and bring the EU and non-NATO EU members further into Alliance defense planning and operations.

Conclusion

The Nordic-Baltic region has undergone an incredible transformation since the 1990s, from a region divided by the Cold War to a dynamic place where the Nordic-Baltic states help to export security far beyond their borders to places such as the Balkans, Afghanistan, and the Horn of Africa. However, if the region could operate as a cohesive whole, using coordinated and non-duplicated capabilities and policies, the efforts of the individual states could be further magnified, rivaling the efforts of much larger states in Europe and beyond.

A Nordic-Baltic region as a global actor would contribute much to NATO and EU efforts on multiple fronts, ranging from development and peacekeeping to collective defense and counterinsurgency operations. It would also make the region an attractive player for the United States, which is increasingly looking to share responsibilities with regional actors. For decades the Nordic-Baltic region was a major importer of security from the United States and NATO. Today, the region is able to boost its export of security. A regional approach promises to do just that, allowing the region to claim its role as a genuine global partner of the United States.

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