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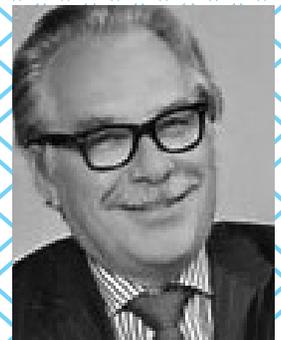
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Going digital in the
Baltic Sea Region



ERJA TIKKA
Finland's new strategy
for the Baltic Sea Region



BORIS MINTS
Business trouble
in Europe



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Contacts and
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BALTIC RIM ECONOMIES

The Pan-European Institute publishes the Baltic Rim Economies (BRE) review which deals with the development of the Baltic Sea region. In the BRE review, public and corporate decision makers, representatives of Academia, as well as several other experts contribute to the discussion.

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ANDRUS ANSIP

Going digital in the Baltic Sea Region

Expert article • 2257

The Baltic Sea is home to one of the most economically dynamic regions in Europe and the world. However, deepening regional integration has been a longstanding issue for the countries that share a coastline of some 8,000 km, on account of their differing economic priorities and political concerns.

While the region enjoys a high rate of economic growth, it also suffers from a relatively low level of internal competitive pressure; some of its national country markets are just too small. It is another reason to intensify Baltic integration, for more balanced collective prosperity.

This is why, back in 2009, the EU designed a macro-regional strategy – its first – to accelerate the Baltic Sea region's (BSR) integration and boost its economy – by promoting entrepreneurship, innovation, trade and digitally-driven growth. Better cooperation on digitisation and research can improve competition in each country, as well as in the BSR as a whole.

The Digital Single Market (DSM) that we are now building for all EU countries will have huge significance for BSR economies. They themselves have a big part to play in this project.

In terms of digital readiness, BSR countries are relatively advanced and rank as frontrunners in many areas of Europe's digital economy. The digitisation levels of their economies and societies are mostly above the EU average. In some cases, way above.

So, digitally speaking, the region is well placed to embrace technological progress and thrive on it. In addition, several BSR countries have a dynamic landscape for digital startups, along with like-minded attitudes towards developing and using digital technology in general.

However, there are some substantial differences between them in terms of digital progress. Denmark, Finland and Sweden occupy the top three spots in the European Commission's 2017 Digital Economy and Society Index. However, Latvia and Poland both fall below the EU average, although their problem areas are more specific.

In Latvia, for example, more people are going online and using e-government services. But half the population has no or low digital skills, although this is improving slowly. Latvians are increasingly shopping online, but businesses are using technology in only a limited way.

Estonia's digital landscape tells a similarly divided story. It is Europe's champion for providing digital public services. The level of digital skills is above average, so is people's internet use. But while several Estonian companies make use of e-invoices and cloud services, the low overall integration of digital technology by Estonian businesses puts the country well below the EU average. The EU as a whole is no stranger to the digital divide. National and regional differences like these are not unique. But we cannot allow them to expand any more if we are to build a fully functioning DSM across Europe. They should be minimised and ironed out.

Better regional integration in terms of digital policies allows innovative companies based in one country to grow and prosper from a larger and more developed home market. In the longer term, and as the DSM becomes a reality across all EU countries, they will benefit from a more integrated market on a regional and European scale.

One of the DSM's main aims is to use digital technology to link together people and businesses; countries, regions and communities.

That means removing all the digital differences around Europe, all the barriers – legal, administrative, technical – that are holding up its progress and spread. That way, everyone gains from the many opportunities offered by the digital age.

The DSM strategy aims to improve access for people and businesses to digital goods and services across Europe; to create appropriate and fair conditions for digital networks and innovative services to thrive, backed up by high-quality infrastructure across Europe; and to maximise the potential of the digital economy, making the most of

areas of new growth.

Europe's regions – their towns, cities and villages – have a major part to play in building the DSM.

This is where things are really put into practice, at grassroots level. If they do not work on a smaller regional scale, how can they work in a uniform and coherent way across the vast territory of the European Union?

In the digital world, that is vital – and especially in a single market.

For many years, Europeans have enjoyed the benefits of a common market based on four freedoms: the free movement of goods, people, capital and services.

This unique marketplace – the world's largest – is the foundation for the modern European Union as we know it. But it is not yet working properly in a digital context.

Our challenge is to extend the common marketplace that we have now for the physical world into the world of bits and bytes. That is what the DSM is about: allowing the freedoms of Europe's single market to enter the digital age.

Europe's regions – including all the BSR countries – are where the work to build a digital single market and economy begins in earnest. They are the starting point for Europe's ultimate digital success. ■

This unique marketplace - the world's largest - is the foundation for the modern European Union as we know it. But it is not yet working properly in a digital context.



ANDRUS ANSIP
Vice-President
Digital Single Market
European Commission

JARI LEPPÄ

Food production in Finland

Expert article • 2258

Primary production Sustainable, ethical and competitive primary production of a high quality is the foundation of the Finnish food system. Finland's clean soil, air and plentiful water resources constitute a good base for food production as well as for utilising our rich natural resources. Because of the northern location, fewer plant pests are found than elsewhere and so pesticides are not needed as much in primary production. The fertilisers used in Finland are of good quality and among the safest in Europe.

The situation with regard to animal diseases is extremely good and the use of antimicrobial drugs in livestock farming is low compared to elsewhere in Europe. Food production that is adapted to northern conditions, strong technological skills in northern conditions, as well as Finland's plentiful water resources, enable the sustainable production of food production that requires a lot of water and lays the foundation for new business opportunities.

The Finnish countryside also provides a variety of food: game, fish and natural products, such as berries, mushrooms and herbs.

Regional economy benefits from local agricultural enterprises Agriculture and food companies continue to have a major impact on our national economy. In some regions, their employment effect and the added value they create are truly significant. Our aim is to further improve food production and processing and the distribution channels in a way that the important role of Finnish food in the total market is maintained, and as high a proportion as possible of the economic benefits generated by the food system stays in Finland.

In the future too, food will mainly be produced in agricultural areas, but as technology and the operating environment develop it will also be produced nearer the consumer than previously in urban suburbs and in cities.

The existence of farms, fishing industry primary production and food processing companies also creates preconditions for the development of industrial sectors that serve food production, including machinery, instrument and electronics industries, and for using their potential in exports.

High production costs demand a strong policy

The European Union's CAP instruments maintain, and will develop further, diverse agricultural production, reasonable income levels for farmers and the availability of moderately priced food for consumers. In order to achieve the CAP objectives, farming is subsidised in all EU Member States, both from common EU funding and from national budgets. Agricultural support also indirectly subsidises consumers.

The northern conditions in Finland differ considerably from the natural conditions in other EU Member States. Another reason for the high production costs is the small size of farms compared to the

main competitors. A strong support policy targeted to basic farming is needed to maintain agricultural production in our country. However, Finland considers that, instead of passive farming aimed just to maintain production, the aid should focus on active production and measures to develop it. Securing profitable and sustainable primary production is the key prerequisite of the entire food system.

The number of livestock farms will reduce at the same time as their size is forecast to continue to increase. Prerequisites for improving the competitiveness of the Finnish farming and food sector include both continued structural development along current lines, which makes use of new technologies, along with specialisation and versatile development of farms. Improving productivity is one critical factor in promoting agricultural competitiveness.

Food exports as a key project

The Government Programme sets a clear target: food exports should be doubled by 2020. The main market areas for 'Food from Finland', the Team Finland growth programme for the food sector led by Finpro, are the Scandinavian and Baltic countries, Germany, China, South Korea and Japan.

For this year the Ministry of Agriculture and Forestry has agreed to allocate EUR 700 000 in additional funding for the programme to promote food exports.

To cope with the sanctions imposed by the EU and Russia, new export opportunities have been and will continue to be sought. New markets have been opened especially in Asian countries. Exports to Russia have not stopped completely, either: articles that have still been exported include compound feeds, raw coffee, cereal products, seed potatoes, alcoholic beverages and chocolate. Russia is still an important market for certain Finnish companies like Valio, and articles such as baby and infant foods and juices continue to be exported there.

To sum up, the way I see it Finnish food production and food industry have excellent opportunities to succeed also in the future. The world needs growing amounts of pure, safe and sustainably produced food – and this is exactly what we have in Finland. ■

Agriculture and food companies continue to have a major impact on our national economy. In some regions, their employment effect and the added value they create are truly significant.



JARI LEPPÄ
Minister of Agriculture and Forestry
Finland

JÖRGEN PETTERSSON

From crisis to success, how Åland became the Islands of Peace

Expert article • 2259

The autonomous Åland Islands are situated in the very heart of the Baltic Sea and therefore strategically important for all surrounding nations. Thanks to international agreements dating back to the Paris Peace Treaty of 1856, the autonomy is associated with demilitarization; military forces are not allowed in Åland, and fortifications may therefore not be built. The people of Åland do not have to do conscription in the Finnish military.

The demilitarization was confirmed and strengthened in 1921 by the League of Nations which also added neutralization to the "Convention of the non-fortification and neutralization of the Åland Islands" signed by ten member states – Germany, Denmark, Estonia, Finland, France, Great Britain, Italy, Latvia, Poland and Sweden. At the same time, the sovereignty of Åland was handed to Finland including the following wording: "Finland, resolved to assure and to guarantee to the population of the Åland Islands the preservation of their Swedish language, their culture, and their local traditions..."

The Soviet Union first approved the demilitarization in 1940 and then renewed it in 1947 when the Peace Treaty with Finland was signed in Paris between Finland and the Soviet Union, stating the following: "The Åland Islands shall remain demilitarized in accordance with the situation as exists at present."

While that has been a long time ago, the "Islands of Peace" description is still valid and more important than it has been for many years. The "Åland Example" is living proof of a functional crisis management and the fact that discussions and agreements can be reached even when circumstances are challenging.

The results of what happened almost a hundred years ago are many. Today, 30,000 people live on the islands with extremely low unemployment. Swedish is the only official language in Åland. The autonomy has developed over the years due to the three Autonomy Acts; the fourth revision of the Autonomy Act is in the making right now after joint parliamentary work between the parliaments in Finland and in Åland. Thanks to the autonomous status of the Åland Islands, the government and the parliament can participate as a separate entity in the work of various international organisations, one of them the Baltic Sea Parliamentary Conference (BSPC).

The BSPC, consisting of the parliaments around the Baltic Sea, was founded in 1991 with the primary goal of creating a platform for open parliamentary dialogue to overcome the cold war and to establish the Baltic Sea as a sea of freedom and cooperation. The presidency of the organization is held by the Åland Parliament from 2017 to 2018, with the annual conference to be hosted in August 2018 in Mariehamn, the capital of Åland.

Considering the current situation within Europe, it is important to remember that a fair solution to any challenge can only be achieved by dialogue and cooperation, particularly in times of crises.

We want to live in a free, peaceful and prosperous Baltic Sea region – especially since we are once again, after more than 20 years, in a tense, perhaps an inflamed situation. It is more important than ever to follow our guidelines, to follow our principal basis which is dialogue to resolve critical and tense situations.

The crucial foundation of the Baltic Sea Parliamentary Conference is: We want to be a political platform for cooperation, for commitment and for competence in the political dialogue of parliaments, governments and civil societies in the Baltic Sea region.

We should not take for granted that we parliamentarians can always find satisfactory solutions. But we have an obligation to our citizens to contribute to solving conflicts.

In order to achieve that, we must strengthen interparliamentary cooperation as well as the influence of parliaments. Their common will is of crucial importance in order to look for answers to international challenges such as the refugee crisis and the threats posed by terrorism. We parliamentarians as representatives of the citizens in our countries need to continuously work on deepening dialogue, on compromise and on cooperation related to the democratic values to face future international challenges.

The priority issues for the BSPC during the Åland Islands' presidency in 2017 – 2018 are therefore:

- To contribute to the development of sustainable societies in the Baltic Sea region based on democratic values, human rights and equal opportunities for all.
- To enhance cooperation and integration for a secure and prosperous Baltic Sea area. We want to further improve and develop means of democratic participation, e.g. through transparency, comprehensive information, government accountability and other instruments of citizen participation.
- To find common solutions on the topics of migration and integration based on mutual information and best practices. The issues of migration and integration pose a tremendous challenge to all countries in the Baltic Sea region as well as a great opportunity for their further development. This calls for intensive dialogue as well as close cooperation and also coordinated policies between the Baltic Sea States. Therefore, we have established a new working group that will analyse and discuss migration and integration.

The conference in Åland on 26-28 August 2018 will offer dialogue, debate, solutions, friendship and a strong will to make the Baltic Sea more prosperous than ever before. You are welcome to participate in this process! ■

JÖRGEN PETTERSSON

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VILLE ITÄLÄ

Spending EU taxpayers' money must bring better results

Expert article • 2260

Three years ago the European Court of Auditors (ECA) – EU's independent external audit body – warned that the culture of “use it or lose it” has to stop. The rationale behind the statement was that the focus on the use of EU taxpayers' money had been for many years on absorption, not on results. Later, we have repeated the message by saying that “wholly new approach” is needed. In other words the EU must invest its money better.

In the aftermath of the Brexit vote as the Citizens' trust to EU was very low, we highlighted that there should be reform which must be built on solid financial foundations. In our view, four elements were of particular importance.

First, the EU must keep good accounts. People cannot even begin to trust the Union if they do not believe that their money is properly looked after and accounted. Secondly, the EU must make sure its financial rules are correctly applied. Thirdly, EU spending must bring value-for-money; and fourthly the spending has to be open and transparent.

Each of these elements still requires significant efforts. Some improvements surely have taken place but the glass is still - at best - only half full.

In our annual report 2016, we concluded that about half of EU spending was below the 2% threshold for material level of error. As a result, we issued a qualified opinion on 2016 payments, rather than an adverse one. This was our first qualified opinion since we began to provide an annual statement of assurance in 1994. In addition, we could give a clean opinion on the 2016 EU accounts' reliability, as has been the case every year since 2007.

But despite improvements, the overall level of error for EU spending in 2016 was still at 3.1%, clearly above the material threshold of 2 %.

When presenting the annual report 2016 our President Klaus-Heiner Lehne stated that *“This year's qualified opinion reflects an important improvement in EU finances ... Going forward, we will take greater account of internal controls at the European Commission and in the Member States, so we can better promote accountability and further improve the management of EU finances. We will also increase our focus on performance to ensure EU citizens get value for their money.”*

So, in the years to come our work will put greater emphasis on verifying the audit results reported by the Commission, our main auditee. In addition, we will continue to devote more resources to performance related issues, to be published together with the annual report or in separate special reports.

EU's annual budget has been framed, and since 2014 regulated, by so called multiannual financial framework. The seven year framework, essentially expenditure ceilings, sets out how much and in which policy areas EU can spend taxpayers' money.

Commission's proposal for the next framework is planned to be published in May 2018. Our annual report 2016 (published in

September 2017) was thus the last one before the next round of intense and long discussions will kick off. As said before, even if there have been improvements in the management of EU budget, there is still plenty of opportunities to make the future EU budgets much more results-oriented and concentrate more on projects bringing real European added value.

It is of course important for our citizens to know that public funds are being spent lawfully. But even more importantly, people want to know what they got for their money. Did it make sense to build a particular road or airport in a particular place? Were jobs and growth actually delivered? Was this programme or project really worth funding from the EU budget instead of national budget?

Aiming at better value for money includes all the EU policies, not least the cohesion policy. Therein, the first question is, should the wealthier member states still implement their development projects with EU co-financing? Some people have also asked whether the traditional grant type financing is the most appropriate taking into account ownership of the projects? Or in the world of ultra-low interest rates, should the focus be more on loans and guarantee type of support? And finally, should the allocation of EU funds under cohesion policy be made more conditional on performance? These questions – made by some prominent experts – will certainly pop up in the discussions on the future financial framework.

As I mentioned in the beginning, the absorption of EU funds, especially in the area of cohesion policy, has been the main driver in the philosophy of the member states, and the Commission. The national envelopes, handed over to each member state for the 7 year period, have been ring-fenced and the only threat of losing even small part of them has been the inability to use them in 2 or 3 years.

There are signs that some member states have had genuine problems to find useful projects to be financed from their envelopes. One sign is that the total payments the EU is committed to making from future budgets (outstanding commitments) were higher than ever in 2016, at €238.8 billion.

The European Court of Auditors will continue to act as the guardians of the EU's finances and of our citizens' financial interests. We will continue to be an independent voice, highlighting things that work well and shining a light on uncomfortable truths when things are not working. And in a world of widespread misinformation and manipulation of data, the European Court of Auditors will continue to provide EU citizens with reliable and unbiased information. ■



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KARI HÄKÄMIES

Doing great and enjoying it – sea, internationality and other success factors of Southwest Finland

Expert article • 2261

Southwest Finland is located at the heart of the Baltic Sea. The region was originally inhabited because of the sea, fertile soil and good connections. The sea provided the means of livelihood, first fishing and later trade. Turku, the first capital of Finland, is also an old Hanseatic town. The sea and maritime businesses have always been vital to the region, and the curious and internationally oriented mind-set has driven the people of Southwest Finland to search for new shores and partners since days of old. The location by the sea also ensured that new trends and connections entered Finland through the southwest.

For centuries, the sea has been the backbone of our welfare, and with fertile soil and highly educated people the region is blooming like never before. Traditional industries, such as shipbuilding, are doing very well, and new innovative enterprises are also being established in the region. There is now talk of a positive structural change in Southwest Finland: new jobs emerge so quickly that the availability of labour raises questions. An exceptionally strong growth of manufacturing technology industry is also ongoing in the region, spearheaded by the repeated good news from the Turku shipyard and the Uusikaupunki automotive plant. The positive structural change indicates Southwest Finland's adaptability to changes. The region has an exceptionally diverse profile of business sectors, and its industrial structure is the most versatile in the country.

In addition to a diverse business structure, the strengths of the region include the location at an important node of the Baltic Sea in the Northern Growth Zone between Stockholm and St. Petersburg. Southwest Finland's foreign trade ports, good road and rail connections to the rest of Finland, and Turku international airport that serves both passenger and cargo traffic create excellent prerequisites for the operating of the export enterprises in the region.

The building of the Northern Growth Zone generates growth potential for the businesses throughout the zone. The goal is overall development of the operational concept in such a way that the growth zone will link different centres together to create a large labour market and economic region which will offer internationally

attractive investment objects to enterprises. The Northern Growth Zone is a platform for tests and pilots of digital service concepts, and an internationally attractive operating environment for businesses.

The regional programme is currently being updated, and an important role is played by regional smart specialisation strategy, where focal points for 2018–2021 are prioritised under three main themes: blue growth and modernisation of industry, innovative food production chains, and biosciences and health technology. In developing those lines of business, it should be kept in mind that no great achievements can be made alone. International contacts and co-operation are absolute requirements for staying at the forefront of the continuously accelerating change and development. A competent and enthusiastic network of partners is necessary.

When the regional programme and strategy are updated, it needs to be implemented in broad co-operation. The most important thing is to know what you want (that is often the most difficult issue). Secondly, you need to understand the region's engagements with the surrounding regions and strategies. Launched in 2009, the EU Strategy for the Baltic Sea Region (EUSBSR) introduced a new tool for the EU's policy aimed at strengthening the cohesive and regional co-operation. The key goal was to strengthen the co-ordination and co-operation between different sectors especially in those policy areas within which the "macro-

regional" co-operation was considered to be both appropriate and attractive. Those included, for example, the logistics industry and environmental protection.

The strategy was not originally intended to increase the resources offered by the EU, create new institutions, or generate new legislation, which is a positive thing within the Baltic Sea. Co-operation in the region has been characterised by an excessive number of providers and arrangements, through which the aim is to cover different goals and policy areas as broadly as possible. The Strategy for the Baltic Sea Region has encouraged a discussion and visions for the future of the region, but would it be better to divide the responsibility for the implementation more unambiguously to different providers? Or are the limitless possibilities for everyone to participate in the way they

The positive structural change indicates Southwest Finland's adaptability to changes. The region has an exceptionally diverse profile of business sectors, and its industrial structure is the most versatile in the country.

Expert article • 2261

choose the very strength of the strategy?

The importance of the bottom-up approach is often emphasised in discussions, but in order for strategies to be sustainable, the top-down capacity and commitment also need to be ensured. Luckily the macro-region strategies are already being prepared more broadly at national level in different ministries, and mutually conflicting strategies between the EU, state and regional levels are, of course, in nobody's interest.

Common visions and goals are needed today even more than before. Unfortunately we live in times of confrontation in Europe and in the rest of the world. As a result of Brexit and the independence campaigns in different regions, pushing one's own aims is taking the attention away from a broader benefit, the importance of co-operation and mutual dependence. Due to regional inequality and diminishing cohesion funds, the regions will be faced with a new situation in the coming programme period.

Southwest Finland is among the first to tackle the challenge. The Commission is planning a new kind of blue investments platform under the theme of blue growth together with the coastal regions of the EU. The idea is that concentrating the interests and challenges under different themes to the same platform will enable more efficient identification of common needs and project initiation, and ultimately confirm both public and private funding to support the investments. The platform would allow for the spreading of innovations from universities to the business world for supporting more sustainable blue business in the Baltic Sea region and the rest of the world. It

would also be extremely important to involve small and medium-sized enterprises through sensible subsidies and loans.

The discussions and visions are still at an early stage, but new and innovative solutions are being sought vigorously, and Southwest Finland naturally wants to be part of it. Proactivity, innovation and looking ahead create a brand suited to us and, in my opinion, to the whole of the Baltic Sea. Together and with the support of the common Strategy for the Baltic Sea we can brand ourselves globally as an interesting, innovative and safe region. It is obvious that if we stumble in our co-operation in the Baltic Sea, it will be very hard to brand the region and make it globally attractive.

Two years ago I wrote in this publication the sentences "We need better news. We need successes in working together." Now that we have got better news, what should we do with it? Together. ■



KARI HÄKÄMIES

Region Mayor
Regional Council of Southwest Finland
Finland

Pan-European Institute

BALTIC RIM ECONOMIES

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KALEV KALLO

Tallinn's public transport is part of a greater plan

Expert article • 2262

Since 2013, all citizens of Tallinn can avail of free public transport. The entire tram network will be updated by the end of 2017 and modern regular and hybrid buses have appeared on the streets. New routes servicing new logistic areas have also been added. Now you can take a tram from Tallinn city centre to the airport.

At micro level it is considered to be a tram or bus transport subsidy from the city budget and has been analysed as such so far. The size of the subsidy for Tallinn's public transport was 12 million euros a year just before transition. Both local and foreign experts have carried out cost-benefit analyses and it is now clear that the project has proven its worth, as the number of residents of Tallinn has grown rapidly and as such it has increased tax revenue. As of 1 January 2012, the number of people living in Tallinn was 416,144 according to the population register and as of 1 August 2017 it had grown to 445,480. The increase was 29,336 residents. In terms of Tallinn city budget, every 1,000 new citizens means one million euros additional tax revenue. Thus, the free public transport in Tallinn is definitely positive, even from an economic aspect alone.

In terms of city management, the free public transport serves as a means of promoting environmental and social purposes.

In 2006, when the current Prime Minister Jüri Ratas was the mayor of Tallinn, he initiated the idea of "Green Capital" with a purpose of improving the living environment in European cities and to first and foremost appreciate and reward the efforts cities make in improving the environment and quality of life. The conference of the Commission for the Environment, Climate Change and Energy of the European Committee of the Regions took place in Tallinn at the beginning of July, where I held an opening address and relayed that air pollution has become one of the main environmental issues in large cities. The increase in traffic volume and restructuring of the economy have caused rapid changes in this area all over Europe in the last decade: the focus has shifted from industrial areas to cities. This is further supported by the air quality monitoring stations in Tallinn. As of today, there are three national stationary outdoor air monitoring stations in Tallinn operated by the Estonian Environmental Research Centre. Since intense traffic flows through the centre of Tallinn, the purpose is to reduce the city centre's air pollution and ambient noise level via a more effectively drawn traffic plan and traffic intensity. For this we need to reduce the number of cars in the city centre and give priority to public transport. Free public transport together with a park and ride system is a perfectly suitable choice for achieving this purpose. The city initiated the park and ride project to reduce traffic in the city centre as early as 2007. As a part of this, four large car parks were built around the city centre, allowing their users to conveniently change for public transportation. The gate system of the park and ride car parks allows drivers who are not residents of Tallinn to use public transport for free and park for free as well. Thus, public transportation has been integrated in the city's means of solving environmental issues, and its results can already be seen – WHO lists Tallinn as the seventh

capital in the world with the cleanest air. Tallinn is moving in the same direction as the rest of Europe by prioritising pedestrians and public transport.

The availability of public transport also has a direct impact on the social sustainability of the city environment, since expensive public transport accelerates impoverishment, limits employment opportunities and promotes antisocial behaviour. Tallinn is not a homogeneous city; even its districts are very diverse. Since all resident groups in Tallinn have access to public transport, our region-based differentiation is considerably slower compared to many other European capitals.

All in all we can say that Tallinners are happy with their free public transport. This is further supported by the latest study on the citizen's satisfaction with public services of Tallinn, showing that 46% of people surveyed thought that the situation of Tallinn's public transport has improved within the last 12 months and the residents are happy with the service. The proportion of residents using the public transport has also increased. In 2014, as much as 62% of citizens used public transport daily.

According to the study published by the International Association of Public Transport (UITP) in autumn 2016, Tallinn is among the top three capitals in Europe where the number of public transport users increases most rapidly.

The UITP statistics show that the use of public transport has grown by nearly one fifth in Tallinn in the last five years. From 114 million journeys in 2010 we have made it to 143 million in 2014 taking all the bus, tram, trolleybus and train journeys within the city into consideration.

The number of bus transport users has grown the most in Tallinn. From 61 million journeys in 2010, we made it to 97 million in 2014. Thus, it has increased by more than a third.

Tallinn's experience in implementing free public transport has attracted widespread international attention. There are cities with free public transportation in the majority of European countries, such as in Poland, where public transport is entirely or partially free in 50 cities and dozens of other cities are preparing for a transition to free public transport. In the wider world, China has shown great interest in implementing free public transport in Chengdu with a population of 16 million. ■



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JARKKO VIRTANEN

Major events are an opportunity for the city to profile itself

Expert article • 2263

The Tall Ships Races sailing vessel event gathered nearly a hundred vessels in the summer of 2017 to the harbours of the Baltic Sea. Turku was once again one of the hosting ports and draw a record number of audience. The event also had a significant economic impact on the region.

Almost a hundred large sailing vessels left the River Aura at the end of July, heading for Klaipėda. This marked the end of the year's largest public event in Turku: over the preceding four days, 544 000 visitors in total had attended The Tall Ships Races event, making it a new record for Turku. This was the fifth time that Turku acted as a hosting port for the event.

The Tall Ships Races gave Turku an opportunity to be profiled as a joyful and capable event host and as an environmentally friendly maritime city. A survey conducted after the event on the spending of visitors demonstrates that major events also have an important economic impact on their organising cities. The economic impact of the event for the Turku region was between 27 and 30 million euros in total.

According to the visitor survey, conducted by an independent research company, 97 per cent of respondents who had visited the event found the event fairly or very good and 96 per cent would recommend it for others. The highest marks were given for the atmosphere, event areas and safety as well as order supervision.

Over 1 100 people in total responded to the survey. The survey was based on a random sample and only 52 per cent of respondents lived in Turku while others lived elsewhere in Finland. This demonstrates that The Tall Ships Races event raises interest extensively around Finland and visitors are prepared to travel to Turku for the event even from further away. The large number of visitors coming from other areas was reflected on an increased demand for services within the Turku region.

From the point of view of the total budget, contracts signed with collaboration partners have a key role. The number of contracts signed nationally was 21 and the number of contracts signed locally was 35. The total value of contracts was 1.42 million euros where the share of direct financial support was 415 000 euros and the share of barter was 520 000 euros. The remaining share consisted of profit from places of sales and restaurant provisions. There were approximately 320 places of sales in total on the riverside during the event. The budget of the City of Turku for the event was 655 000 euros.

Experience as an organiser helped with execution

With the event held in 2017, Turku became the city that has hosted The Tall Ships Races more often than any other city in the Baltic Sea region. Through experience, Turku has been able to optimise the harbour services required for the sailing vessel event, the programme concept, the crew services and opportunities provided by the event for the public and the business sector. This has also been internationally acknowledged and Turku has been asked to present its operating concept elsewhere.

The unique atmosphere of Turku stems from the fact that vessels can be brought right to the city centre. All vessels are moored in a

very compact area on both sides of the River Aura, so all services are found nearby and the atmosphere of the event is intense and lively.

Development of the riverbank changes the cityscape significantly

When Turku hosted the event for the first time in 1996, the banks of the River Aura looked very different from how they look today. Shipbuilding that had been in the area for centuries had moved to a new shipyard and the riverbanks had become waste land. The riverbanks have been subsequently renovated for residential and recreational use and the audience of the event was, for the first time, evenly split on both sides of the river.

The development of the riverbanks is still ongoing – one example of the process is the maritime residential areas and promenades currently being constructed on the eastern bank. Simultaneously, a modern residential area with wooden houses is being built on the western bank of the river, in the close neighbourhood of the Turku Castle, and a large complex of new buildings is being built in the prison area of Kakola. When completed, these projects will shift the focus of the city centre towards the sea and the downstream of the river. Turku will be a maritime city, even more so than before.

Social media channels leading communication

Altogether 120 journalists were accredited in Turku, including the most important national media and media specialised in boating. International journalists arrived from Britain, Germany, Russia, Sweden and South Korea, for instance.

The event in Turku was advertised in advance on television, on radio stations and in newspapers. In addition, websites offered up-to-date information in three languages.

Special effort was put into channels of the social media and this was reflected on their popularity. The Facebook pages of the event gained more than 20 000 likes and overall, updates on the page reached as many as 800 000 users during the event week. In addition to the event's own channels, posts on the Facebook, Twitter and Instagram accounts of the City of Turku reached tens of thousands of users. The total financial value of the attained media exposure was 1.17 million euros. ■

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KATHARINA FEGBANK

Hamburg's Baltic Sea Region strategy for science and research turns into practical cooperation through Baltic Science Network

Expert article • 2264

Even if the Free and Hanseatic City of Hamburg is not located on the shore of the Baltic Sea – 100 km separate Hamburg from the Baltic Sea – the city has already been involved for hundreds of years in the Baltic Sea affairs. Once Europe was reunited, the Senate named the Baltic Sea Region (BSR) as a priority of its internationalisation policy, especially in the area of science and research. After all, the BSR is not only a key economic region today, but also one of the most competitive and innovative science areas in the world, with an above-average density of first-class higher education institutions and research institutes in close proximity to Hamburg. The construction of the Fehmarn Belt Link will make it possible for the BSR to grow even closer in the coming decade.

The Hamburg Senate has, therefore, developed a BSR Strategy for science and research for Hamburg, which was approved by the Parliament. The goals of this intensive collaboration include an exchange of scientists and students as well as ideas, the shared use of large-scale research infrastructures, and joint participation in supra-regional, EU-wide competitions.

Having a strategy for your own region is a good starting point. However, how much more can be gained by joining forces and collaborating, especially in the fields where transnational cooperation brings an added value? So far, science policy in the BSR was organised and pursued mainly from a regional, national or a European angle, a macro-regional dimension was missing in this field. Despite the fact that various sectorial networks exist, there was a lack of a coordination framework in the field of higher education, science and research policy covering the whole BSR. By establishing the Baltic Science Network (BSN) in 2016 the gap was filled.

The BSN aims to forge the geographic advantage into more intensive academic relations, better framework conditions for enhanced cooperation in research and higher education at policy level and articulate BSR interests more clearly in Brussels.

The BSR as a macro-region offers stakeholders great opportunities, e.g. for expanding Nordic cooperation or for the smaller countries to have a stronger voice towards the EU.

Today, almost all science policy-relevant organisations from all ten states bordering the Baltic Sea, including Russia and Norway, are members of the BSN, as well as transnational stakeholders and universities or university networks. The EU perspective of the BSN is reflected by the involvement of BONUS, the joint Baltic Sea research and development programme, and the Policy Area Education, Research and Employability of the EU Strategy for the Baltic Sea

Region (EUSBSR). BSN receives start-up funding of approximately 3 million euros from the Interreg Vb Baltic Sea Region Programme.

BSN today focuses on five topics: research and innovation excellence; academic and researcher mobility; widening participation in the EU research funding programmes; learning of best practices and joint articulation of the science policy interests of the Baltic Sea macro-region. By the start of 2019, new innovative concepts, tools and strategies for more intensive transnational science cooperation will be finalised focusing on the outlined topics.

After 1,5 years, the initial analysis phase, which included studies, surveys and workshops, is almost finished. The first BSN working papers capture the essence of this period and pave the way for the next steps: defining areas of common interest and developing joint recommendations for BSR-wide strategies and research areas, mobility tools and support measures for widening participation. The aim is to establish a common science policy for the BSR in selected fields.

Policy fora, like the first Science Ministerial of the Council of the Baltic Sea States (CBSS), the 26th Baltic Sea Parliamentary Conference (BSPC) or EUSBSR Policy Area Education, Research and Employability (which awarded BSN with a flagship status) have recognised the Network's value. Consequently, BSN members have extended their outreach, e.g. during Fehmarnbelt Days 2016, 7th and 8th Forums of the EUSBSR and the CBSS Baltic Sea Science Day.

We must be aware that the BSN project will not solve all challenges we are currently facing across the BSR science systems. However, BSN is a promising starting point, which helps relevant actors to exploit the yet untapped potential of the BSR higher education, science and research landscape. A crucial asset of BSN is that it has the key stakeholders and decision-makers of science policy on board, either as project partners or associate organisations. Such a strong representation and ownership of the Network will allow BSN to turn its concepts into political reality. ■



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ERJA TIKKA

Finland's new strategy for the Baltic Sea Region

Expert article • 2265

“A healthy Baltic Sea with its vital marine life is a well safeguarded and sustainably-used resource. The Baltic Sea Region actively develops its know-how and uses its resources as a pioneer of sustainable development.

The Baltic Sea Region is stable and safe. Finland works actively to make the Baltic Sea Region a global leader in the bio economy and the circular economy; well-connected, innovative, competitive and at the cutting edge of utilizing new technologies and a producer of model solutions for safe and clean shipping, maritime industry, and sustainable use of the marine ecosystem.”

This is the Finnish Government's vision for the future of the Baltic Sea Region in a new strategy adopted recently. The document was drafted inclusively, consulting stakeholders like regions, business and research organisations and NGOs. Prime Minister Juha Sipilä calls it whole Finland's strategy, to be implemented jointly. Finland wants to boost its role in the Baltic Sea cooperation, he said.

The strategy sets goals for Baltic Sea cooperation, for EU-policies in the region and for Finland's own policies and measures to improve the environmental status of the sea and increase the region's security and prosperity in a sustainable manner.

Saving the sea, the climate change, urbanization and demographic changes, as well as pressures towards EU-policies like the future funding of cohesion policy, are seen as the biggest challenges for the Baltic Sea Region. However, the BSR has many strengths like stable societies, high level of education, a long tradition of mutual cooperation, innovativeness and the ecosystem services provided by the sea. There are many networks, promising start ups and clean technological solutions. The vicinity of the Baltic to the Arctic is also an advantage. By seizing its opportunities the BSR can truly become a global pioneer in sustainable development.

The strategic areas to be developed are blue growth, including the whole maritime sector and blue bio economy, the circular economy and the bio economy, connectivity, safety and security, innovations and capacity, as well as joint global and EU impact with intensified regional cooperation.

The good status of the sea is a prerequisite for blue growth where the Baltic Sea Region has a lot of opportunities, tourism included. The bio- and the circular economy are true assets in a region with two thirds of EU forest resources and vast areas. They do not only create jobs and save raw materials but help to decrease both nutrient and carbon emissions. Promoting circular and bioeconomy, together with innovative ways of reducing eutrophication and binding carbon to the soil must be included in the reform of the EU Common Agricultural Policy. Managing material circles also reduces marine litter and hazardous substances. There is also significant growth potential in the BSR in renewable energy sources, such as biomass, solar, geothermal, offshore wind and wave.

For Finland good transport connections are vital. But developing

them across and around the Baltic Sea, from west to east and north to south will bring prosperity to the whole region. As continuation to Rail Baltica the potential Helsinki-Tallinn tunnel, as well as extending the railway connection to the Arctic Ocean are chances worth to be examined. In the field of modern maritime industry, the Baltic Sea already offers globally a testbed for autonomous shipping. Intelligent ships and land logistics will take advantage of digital information and new innovations in robotics, automation and energy technology. The Baltic Sea Region also serves as a node of telecommunication networks.

The strategy refers to the deteriorated security situation in the BSR, but it does not deal with security policy in detail, as this issue has recently been discussed in the Government's Report on Foreign and Security Policy. In this strategy the emphasis is on maritime and aviation safety, as well as civil security and intensified cooperation between law enforcement authorities.

The Baltic Sea Region offers a channel of internationalization and exports for SMEs. By clustering with others in the region they can build service entities and capacity to enter world markets. An intensified cooperation between start up accelerators can strengthen the role of the BSR globally. A digital internal market within the BSR is also a feasible target while the rest of the EU moves behind. Increasing mobility of students and researchers and the joint use of costly research infrastructure also help to keep the BSR on top of the world.

Finland's strategy sets also goals for EU policies towards the Baltic Sea Region. It is necessary that the implementation of the EU Strategy for the BSR is strongly supported by EU funding even in the future. The funding of transnational and cross border cooperation programs, as well as the integrated maritime policy of the EU must be continued. Backing up the Northern Dimension Policy, especially in fighting fatal climate threats like black carbon, is also called.

The CBSS should return to political dialogue in the form of regular high level ministerials. The strategy also supports updating the Baltic Sea Action Plan of HELCOM. ■



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DMITRY CHUIKOV

Belarusian NPP – safe opportunity to increase energy security

Expert article • 2266

Belarus began considering construction of nuclear power plant in the 1980s when the activities for the potential NPP site selection were being carried out on its territory. There were plans to build the Minsk Nuclear Combined Heat and Power Plant. However, after the Chernobyl NPP disaster, the project was closed.

Belarus started to again consider the possibility of introducing nuclear power into the national energy mix in more than 20 years. The expediency of development of nuclear energy in the Republic of Belarus was conditioned by the following factors: low security of own fuel resources; the need to diversify energy resources and replace some of the imported natural resources - natural gas and oil; the ability to reduce the cost of electricity produced by the power system as well as the possibility of producing electricity for export. It's obvious that the work of NPP is to a much lesser extent dependent on the continuity of supply and fluctuations in fuel prices than stations on organic fuels.

The Concept of Energy Security of the Republic of Belarus approved in 2007 included a plan to commission two nuclear power units with total power capacity of 2000 MW by 2020. The Law on the Use of Atomic Energy in Belarus was adopted on July 30, 2008. It provides the legal basis for the safe development of nuclear power.

The primary criterion used in the site selection process was safety. About 50% of the Belarusian territory was excluded from consideration due to the location of air routes, trunk oil and gas pipelines and other industrial facilities, nature protection areas and mineral deposits.

Initially, 74 areas were identified for studies. After in-depth analysis 15 areas were suggested for further examination. Following engineering surveys and investigations 3 sites – Krasnaya Polyana and Kukshinovo in Mogilev Region as well as the Ostrovets site in Grodno region – were considered as alternative sites for the Belarusian NPP.

However, at the Krasnaya Polyana and Kukshinovo sites carbonates were found at a depth of about 45 m being an unfavorable factor (may cause karst processes) demanding costly engineering solutions in order to ensure safety of the future NPP. Therefore Ostrovets site was considered as a priority site for the NPP construction, while the Krasnaya Polyana and Kukshinovo sites were considered as reserve sites.

Further, a comprehensive environmental impact assessment (EIA) has been carried out for the planned NPP construction. All 3 above mentioned sites were considered in the environmental impact assessment documentation. None of the countries, which participated in the respective transboundary EIA procedure (Austria, Latvia, Lithuania, Poland and Ukraine; 2009-2013), presented any evidence of the possible significant adverse environmental impact as a result of the NPP construction at the Ostrovets site.

The site for the Belarusian NPP was selected in accordance with the IAEA recommendations, and the survey data for alternative sites were discussed with the IAEA experts during special expert missions in 2008. The IAEA experts highly praised the scope and quality of investigations carried out by the Belarusian party at each site, and noted that the national legislation norms of the Republic of Belarus in this area are stricter than the applicable IAEA norms.

All the necessary geotechnical, hydrogeological, geodetic, seismotectonic, hydrometeorological, environmental and other researches were conducted. According to the assessments of IAEA experts, the project which is underway can be considered as contemporary and safe. The evaluation of environmental impact shows no reason for concern.

The IAEA Site and External Events Design (SEED) review service hosted by Belarus in January 2017 also reviewed the design parameters of the Belarusian NPP against external hazards specific to the Ostrovets site and concluded that the NPP design parameters accounted for site-specific external hazards, such as earthquakes, floods and extreme weather, as well as human-induced events. The SEED team made no recommendations to Belarus. This means absence of gaps on this issue in respect to the Belarusian NPP project.

Belarus has chosen one of the most up-to-date NPP design “AES – 2006”, which is generation 3+ design with advanced safety features. This model has won international contests for construction of NPPs in Turkey, Hungary, Finland, Bangladesh, Jordan, Vietnam, where all the world leading NPP vendors participated.

The process of the NPP construction is highlighted by published and electronic mass media. Press tours for foreign journalists and Belarusian media are arranged on a regular basis.

The information on the NPP construction process is publicly available on the Internet including social networks. The websites of the national regulatory authority Gosatomnadzor, the operator – Ministry of Energy and NPP itself, a special information project of the Belarusian telegraph agency «BelTA» - regularly publish relevant information, news and reports.

This year Belarus published on Internet a number of confidential by nature documents. Report on the Review of Belarus under the Convention of Nuclear Safety (commenced in April 2017) is published by national regulatory authority Gosatomnadzor on its web-site in addition to previously disclosed national report as well as questions and answers. Belarus also published reports of two recently conducted major IAEA safety related missions – Site and External Events Design Mission and Integrated Regulatory Review Service (IRRS).

The construction of Belarusian NPP is being highly politicized by Lithuania. Concerns of the close neighbor due to geographical proximity or fears heated by recent nuclear accidents are understandable.

Expert article • 2266

Belarus has repeatedly invited Lithuania to address all safety-related issues by engaging in professional and practical expert discussions in various formats. However, while expressing concerns, Lithuania lingers to cooperate and has chosen the path of cold-war-style rhetoric and of unilateral actions such as adopting meaningless laws aimed at prohibiting import of electricity from the future NPP. Despite heated discussions and growing tension the return to a constructive and professional dialogue is crucial for ensuring safety.

Despite the negative attacks against Belarusian NPP made by some politicians who call for blocking the process of building and not buying “unsafe Belarusian nuclear energy” in the future, there are also those who take a constructive position in this regard. So, back in 2016 the Minister of Economy of Finland Olli Rehn announced that his country would not block electricity from the Belarusian nuclear power plant.

Anyway Belarus is smoothly moving ahead with the construction of its first NPP to increase the economic and energy security of the country. As a result, substantial part of imported energy resources

will be replaced (up to 5.0 million tons of fossil fuel per year) and the structure of the fuel and energy balance of the country will be changed. The introduction of nuclear power into the energy mix will lead to a reduction in the cost of energy and should increase the competitiveness of economy. In addition, NPP produces no ash or carbon dioxide, nitrogen or sulfur oxide emissions and would help to reduce greenhouse gases emission by 7-10 million tons annually. ■



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BALTIC RIM ECONOMIES

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MARIA BLÄSSAR

European defence cooperation and its relevance for Finland, Sweden and Estonia

Expert article • 2267

The EU has in recent years witnessed unprecedented developments that have inspired and compelled its Member States and citizens to reflect on what the Union should look like in the future. The rise of populism and anti-EU movements, the unstable conditions in the EU's neighbourhood, Brexit, changes in the EU's transatlantic relations, the growing flow of migration and a series of terrorist attacks have all had a fundamental impact on the EU. Gradually the EU has found itself affected by the return of geopolitics.

It was against this background that the European Commission adopted a White Paper on the Future of Europe sketching out different paths until 2025 for the EU comprised of 27 Member States (after Brexit). In a related Reflection Paper on the Future of European Defence, the Commission sets out scenarios on how the Member States could cooperate further on security and defence. Nowhere else in the EU have the recent changes in the external security environment been felt so vividly as in the Baltic Sea region. Unpredictability and increase in military activity now characterise the situation there. Ensuring stability in the region is a question of fate for the EU. The validity of the scenarios should be tested for this region while taking into account the different security policy solutions of certain Member States such as Finland, Sweden and Estonia.

The security policy choices of these three countries can be explained by historical reasons, geography and their different approaches to concluding international agreements and cooperating with partners. It has been suggested that Sweden and Finland are the odd men out in the Nordic-Baltic context, as they have joined the EU but are not NATO members. Finland has had a delicate position between Russia and the West, if only for the 1340 kilometre-long border shared with Russia. Even though not having been occupied by the Soviet Union during World War II, the tightened security situation in the Baltic Sea region following Russia's illegal annexation of Crimea and Sevastopol, and the conflict in eastern Ukraine points to a historical trauma that Finland has towards its big eastern neighbour. Considering Estonia's experience during the Soviet occupation, it is no surprise that Estonia had no hesitations to join NATO in 2004. Sweden enjoyed military guarantees from the US during the Cold War, while Russia's actions increased the strategic significance of Sweden as well as that of Finland.

Finland and Sweden have extended their bilateral defence cooperation extensively in recent years. They are both privileged partners of NATO. Many say that Finland and Sweden have shifted as close to NATO as possible without having become full members. For the moment, NATO membership remains an option for both countries, but does not seem likely at least in the very short-term, especially for Finland. A poll published in November 2017 suggests

that a clear majority of the Finnish population (59%) still oppose NATO membership. Finland has been strongly advocating the deepening of the EU's security and defence cooperation. Researchers point out that Sweden has warmed up to this slower than Finland and with less ambition and interest. That is changing, though. 23 EU Member States - including Finland, Sweden and Estonia - signed a common notification on 13 November 2017 expressing their wish to launch a Permanent Structured Cooperation in order to strengthen their cooperation in military matters, as foreseen by the Lisbon Treaty.

How could European security and defence cooperation, including the Baltic Sea region, look like by 2025? There have been many rapid and significant changes in the security environment, especially in the Baltic Sea region. The nature of security threats has changed and now includes hybrid threats and cyber-attacks. Security threats are now simultaneously soft and hard. The Commission suggests three scenarios. The direction to move towards further cooperation is the same, but the level of ambition differs, as it is clear that the current situation is insufficient. Economic and technological reasons alone require deeper cooperation. The Internal Market on defence is fragmented. The EU has 178 different weapons systems while the USA has only 30, just to name one concrete example. Another one is the number of different types of armoured combat vehicles: Europe has several while the US has only one. The lack of defence and security cooperation costs Europe 25-100 billion euros every year. EU Member States would gain a lot from sharing vehicles, standardising munition and carrying out research together rather than each country on its own. This is why the Commission has proposed a European Defence Fund. Europe's strategic autonomy requires more and better spending on defence if the EU wants to provide protection to its citizens.

It is fair to say that the first scenario - which depicts largely the current state of affairs whereby security and defence cooperation has already increased, but is still voluntary - would not be adequate especially for countries such as Finland and Sweden, which are not members of any military alliances. In this scenario, Member States would express solidarity on a case-by-case basis. The EU would be involved in relatively small-scale military and civilian missions and operations. The EU and NATO would continue to cooperate, but it would not be ambitious enough. Scholars have pointed out that the EU and NATO Member States need to find a shared understanding on the severe and complex challenges that they face. There is a clear need for joint active countermeasures and improved resilience to malicious influence by external actors. Coordination of EU and NATO activities in the area of defence capabilities is perceived as one of the most critical areas for the future years. This scenario would also fall short of the expectations to win any real economic benefits as

Europe's defence industry would remain fragmented. Most of the defence capabilities would continue to be developed and procured on a national basis.

In the second scenario, Member States would move towards shared security and defence and show much more financial solidarity and operational solidarity. This would enable Member States to counter more efficiently terrorist, hybrid and cyber threats and enhance border control. The EU's cooperation with NATO would further increase. The more systematic EU-NATO coordination would mean that the full range of tools and instruments of both organisations could be better used. The EU's military crisis management would become stronger and the control of external borders would intensify. Defence cooperation would become the norm rather than the exception. Given the momentum that has been building up in the past two years or so, one could expect this scenario to be a realistic one. The EU would have a bigger role in security and defence and the Member States would share some operational capabilities.

In the third scenario, Member States would deepen cooperation and integration towards a common defence and security area. This is the most ambitious scenario and would foresee a security and defence union. Solidarity and mutual assistance would become the norm. It would be fully based on Article 42 of the Treaty on European Union, which sets out the progressive framing of a common Union defence policy, leading to common defence. The protection of Europe would become a joint EU and NATO responsibility. Together they would enhance Europe's resilience and protect against different forms of aggression targeting the Union. Common defence would require a high degree of political willingness of the EU Member States which so far has seemed a distant and unrealistic goal. Although researchers have noted that Member States are waking up to a new reality which calls for the EU to respond to the new strategic environment, it seems inconceivable that Member States would, by 2025, go for systematic information sharing, technological cooperation and joint doctrines or allow for a greater level of integration of national defence forces.

Whatever security and defence policy solutions the Nordic countries such as Finland and Sweden opt for in the end – be it to seek full NATO membership as Estonia has done or to continue to be militarily non-aligned – it seems obvious that the economic, strategic and political drivers are now pushing European security and defence cooperation forward. EU cooperation in this field has been one of the priorities of the EU Presidency by Estonia (second half of 2017). It is likely to be so also during the Finnish EU Presidency in 2019. Although cooperation in this field may progress in line or contrary to the scenarios put forward by the Commission, there is a continued need in this field for further cooperation among the EU Member States and for further cooperation and coordination with NATO. This policy area is unprecedented in many ways: it is one of the most dynamic fields of European integration; an area that is now seeing more progress than during the past 15 years or so. There is also support among citizens in virtually every Member State for the EU to deliver more protection.

In Finland, Sweden and Estonia citizens are more eager on this than in the EU on average. ■

The opinions presented in this article are those of the author and do not represent the European Commission's official position.

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Russia research at the national defence university

Expert article • 2268

The National Defence University (NDU) is a military tertiary education institution belonging to the Finnish Defence Forces. Its task is to advance research in military science, to provide teaching that is based on research and best practices, and to educate students to serve their home country and humankind. To meet the needs of the Finnish Defence Forces and Border Guard, a central task of the NDU is to educate officers from Bachelor-level up to Doctor of Military Sciences.

The NDU works in close cooperation with other universities and organisations conducting research and providing teaching in military science. Military science is a broad concept encompassing numerous fields of study, which are bound together by wars, crises and related security threats as well as the efforts to prevent them.

Pursuant to the vision of its research, and through its long-range research activities, the NDU aims to be a lodestar in military science research, and its staff represents expertise in international military science know-how. The NDU's research aims at long-term and extensive research in military science in support of the long-term development of the Defence Forces and for the production of data and knowledge for teaching. Five focal points have been determined for this research: National defence, comprehensive security, Russia, NATO and international crisis management. Most research resources are focused on the field of national defence. This is in line the emphasis of the main tasks of the Defence Forces. However, we also strive to especially develop and broaden our research relating to Russia.

At the NDU and its predecessor the War College, the points of departure for security policy research relating to Russia have been practical ones. The task set for the War College, which was established in 1924, was to support our army in creating our own original tactics and strategy. In the research of the 1920s, the search for direction of our newly independent state and its army could be seen in the attitude of disparagement and contempt aimed at the Soviet armed forces. But already during the next decade, the red army's development was viewed more objectively. At the beginning of the 1930s, a line of research looked at the principles for the use of the red army and compared them to our own military practice. At the end of the decade, the amount of research increased and topics turned towards assessment of the operational possibilities of Soviet Union's armed forces.

After the Second World War, public research dealing with the Soviet Union came to an end within our Defence Forces, as interest in the activities of our neighbour's armed forces was not to be shown. At the War College, the need for information on the Soviet armed forces was satisfied by means of lectures and translations. The publication of research on the Soviet Union resumed after the mid-1970s. After the beginning of the 1990s, the amount of research conducted on Russia has increased and, after the breakup of the Soviet Union, it has not been necessary to conceal interest in this subject.

Much of our research on Russia has supported the original aim of the War College, i.e. the development of our own tactics and strategy. Our endeavour towards university level has expanded the scope of our research in the direction of basic research. The NDU's doctoral

programme has already produced one dissertation on Russian military art and next year two dissertations regarding Russia are due to be completed. The NDU is committed to allocating resources to research on Russia. A Russia Group led by a military professor was established in 2017 within the Department of Warfare. In addition to this, the first joint professorship of the NDU and the University of Helsinki has been assigned to research Russian security policy as part of the Russia Group.

The aim of the NDU's Russia Group is to promote research on Russia, provide teaching based on this, and participate in public discussion on the subject. Research extends into the fields of science of all NDU departments. Central research subjects include the Russian image of war and military art, building national defence will and enemy images in Russia, as well as research into the structures of the war industry system. A significant challenge has always been, and still is the low availability of staff with sufficient language skills and suitability for research aimed at Russia's hard security core. For this reason, one of the Russia Group's most important tasks is also to educate the next generation of researchers.

Networking within the Defence Forces is already progressing well, and in the coming years, the Group will build up cooperation with national and foreign partners in the field of research. Alongside of publishing research reports, an important and visible aim is arranging an international Russia Seminar for the first time in the spring of 2019. ■



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MATTI SARASMAA

Border – a barrier between Kainuu region and the Republic of Karelia?

Expert article • 2269

Kainuu region with 79 000 inhabitants and Viena Karelia in the northern part of the Republic of Karelia with 100 000 inhabitants compose an area which previously formed a cultural heritage but is currently divided by the state border. This region is probably best known for Elias Lönnrot who compiled the Kalevala epic.

This area's history has been part of border history. Connections to the eastern cultural heritage took place along the settlement of Kainuu. In 1323 Noteborg Peace Treaty divided Finland into western and eastern part and Kainuu was officially connected to the east. The very first time when ties with the larger eastern cultural area started to fail, happened after Finland gained independence in 1917. State border between Finland and the Soviet Union created in many ways barriers between these two states. Previous and natural contacts as well as economical activities decreased and even ended.

Border has evermore enabled industrial and commercial activities. For the area of Kainuu, building of the Soviet city Kostomuksha in 1970's and 1980's created enormous job opportunities and economical activities across the border. Building in Kostomuksha area was launched in late 70's when Finnish companies built not only the mine infrastructure around the iron ore deposit, but a whole city for mine workers, roads and railroad connections across the border. Kostomuksha project was a golden age for the Kainuu region, slowing down already ongoing negative removal from the area.

Volumes of cross border traffic go along the economic situation and national legislative changes can reflect strongly to the travelling willingness. Reciprocal sanctions set by the EU or Russia are not necessarily the main reason for an individual to give up cross border travelling but the exchange rate of rouble or tightening import restrictions might be reasons to stay in.

Annual border crossings via two international border crossing points in Kainuu (Vartiuss and Kuusamo) seem to have settled between 400 000 – 500 000. The volume of cross-border traffic is unlikely to change dramatically but light growth is hopefully coming on, meaning that 600 000 yearly border crossings could be a realistic number in the near future.

Fluent traffic is a question of balancing security and facilitation. Control carried out by all the authorities at the border doesn't exclude the smooth border crossings of personnel and goods. This principle can be reached only in close cooperation between the authorities on the border.

Agreement concerning the regime of the Finnish-Soviet State border and the procedure for the settlement of border incidents is a treaty which has been implemented already since 1960's. Based

on the agreement, Border Delegates compose a platform where all border incidents will be covered. This body is not only for solving problems occurring on common border section but also to facilitate legal cross border contacts. Hence, border authorities are accessible to all parties with cross border ideas and plans.

Sighing for a triumph, like the construction of Kostomuksha was for Kainuu, won't repeat itself. Project was a one-off and global markets are not operating the same way anymore. We must be realistic in our expectations of the border. It certainly will provide possibilities for people of Kainuu and Viena Karelia but when we are estimating how far the potential itself lasts we might easily end to conclusion that true

increase is depending on those who are outside Kainuu or Viena Karelia and have a reason to travel across the border via our border crossing points.

Our border crossing points are destined to serve personnel and goods crossing the border. The Regional Council of Kainuu has actively looked after the conditions of cross border traffic. Together with all the relevant stakeholders the Regional Council initiated a project to invoke financing of the EU ENI BCB funding. Hopefully

several millions euros can be directed to development of the infrastructure of Vartiuss Border Crossing Point in coming next years.

If we want to strive to fade out the cultural border between Kainuu region and Viena Karelia, focus should be on strengthening the intercourse. Furtherance the people to people contacts, tourism opportunities and collaboration between companies and communities are key factors. Opportunities are created step by step and innovative thinking is needed. The visa dialogue between the EU and Russia has been iced and visa free travelling is not in sight. Should we meanwhile consider solutions like local or targeted visa facilitation? This might not only rejuvenate travelling but also create small scale entrepreneurship on both sides of the border. If consensus of this kind can be reached or other ways to ease cross border traffic are found on our common geographical area of interests, border authorities will not be an obstacle. ■

Fluent traffic is a question of balancing security and facilitation. Control carried out by all the authorities at the border doesn't exclude the smooth border crossings of personnel and goods.



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Russia in a future world order

Expert article • 2270

The current reality is that Russia is no longer seeking to become a part of Europe. Rhetoric about a European destiny, a “common European home” and adaptation of the *acquis communautaire* have lost their previous attractiveness. This has occurred against the backdrop of decade long yet failed negotiations concerning the new CPA with the EU, as well as the idea of visa-free travel to the Schengen zone. During his first term, Putin raised the option of joining NATO several times – with no serious reply. Instead of that, Russia was confronted with the one-sided US exit from the BMD treaty and two waves of NATO enlargement as well as an attempt of a third one – for Georgia and Ukraine. This brief and incomplete set of events provide a narrative brief explanation as to why it is not only Moscow that could be blamed for the current state of affairs.

To answer the question “is Russia a part of Europe or apart from Europe” it is helpful to look into deep-rooted issues as well as at externalities. So what is «wrong» with Russia? Why did it not follow the obstacle-free track of say Estonia or Croatia?

First of all a vast territory: Russia covers 11 time zones, its borders with European states (6,500 km) are much shorter than the borders with Islamic states (11,400 km). The border with China is 4,200 km, plus 17 km with DPRK. Pacific Russia where there are sea borders with the US and Japan is a reality, which demands efforts and resources.

Secondly, over the centuries, Russia had to resist and crush numerous imperial ambitions by Mongols, Poles, Swedes, French and Germans. Four of them comes from the West. This has produced a heightened threat perception. However, this is our history. Revisit Tolstoy, Dostoevsky, Solzhenitsyn, Grossman. We still do not know the exact number of our casualties during the Second World War. During Stalin it was stated to be 7 mln., in Khrushchev times – 20 mln., Gorbachev - 27 mln. This February, during Parliamentary Hearings the figure 42 million was raised (based on secret archives of the State Planning Committee). Ponder – 42 million! Those who do not take this into account can hardly be considered experts in the “Russian Question”.

Thirdly, path dependence theory is not a mere invention of sociologists. Look how it works in case Turkmenistan and Estonia. Just 26 years ago, they had the same political systems. Nevertheless, when the iron grip loosened the former rapidly descended to Asian despotism, based on natural gas. The latter, as a good Brussels student, is moving towards Europe as an illiberal democracy. Russia, a country with no democratic traditions and experience underwent a very painful transition of its political system, dramatic change of state and economic institutions and structures. In the sense of political system and institutions it’s starts catching up from what it was hundred years ago, together with modernization and adjustment of soviet heritage. Of course, that’s produced a lot of frustration among Russians, especially among those, who overnight found themselves as unwanted foreigners. Look how sympathetically a similar issue, the fate of EU citizens in Great Britain, has been approached during Brexit negotiations.

Finally, the spirit of the Cold War victory, and the End of History

narrative blocked strategic vision. Lack of courage by Western leaders, pushes us back on the path already trodden. Instead of the great idea of Lisbon-Vladivostok Europe, we have just a Lisbon-Donbass fragile structure. I guess that plenty of people on both sides are happy with such an outcome.

Naturally, the cultural and historical heritage, geographic proximity, the concentration of economic activity and population in the European part of the country, the pipelines and other logistics pointing towards the West, will keep Russia within the European cultural and economic gravity for quite some time. But not more than that. Europe is now considered by society and elites alike just a neighbor, not a role model.

In my perception, the whole world order now is in a period of strategic abandonment. Power configuration now is a post-European one. Recent decades (1985-2007) were maybe one of the most prosperous period of European history. There was no more fear of nuclear Armageddon, or Soviet tanks. Market democracy went hand in hand with NATO marching east. Then the Great Recession appeared. Lehman Brothers was saved. But people’s houses, salaries, insurances and pensions – not necessarily. GDP per household in the US did not grow in the past 20 years. Social standards in Europe also declined. That means exhaustion of the social contract, which assumed that every next generation would be better off than the previous one and existed for half a century. In other words, kids’ living standards would be better than their parents’. Now this trend is broken, in both the EU and US. Naturally, this contract, formed in a bipolar, non-digital and pre-Global world, demands modernization. Globalization, which emerged as a liberal market triumph found a main beneficiary – China. This country builds roads, railways, ports, grids. Compare this with Trump’s signature project – the Mexican fence. Technology undermines the middle class – the pillar of democracy. The catastrophic design of a “Wider Middle East” brings Arab Spring and ISIS together with terrorist attacks in European cities and with an unprecedented wave of refugees. I am not mentioning human tragedies of millions refugees, treated initially like tradable commodities and then like an uninsured cargo. Who engineered this nightmare in Iraq, Libya, and Syria? Guess we all remember those names. Add here the political circus or “insult bazaar” (FT) during the past two years in the USA. The UK being stuck between a hard, soft and no Brexit. Those developments also explain why the attractiveness of the Western model is visibly fading in Russian society.

In 2007, at the MSC Putin warned the West that the period of Russia’s retreat and of the West exploiting the troubles of the post-Communist transition to sideline and marginalize Russia is over. The reaction was simplistic: it was portrayed as an effort to launch a new Cold War. The following year at the NATO summit in Bucharest he declared the “fast track” for Georgia and Ukraine, or a third wave of enlargement unacceptable for Russia and if it happens – called to “fasten belts”. This time France and Germany insisted on canceling MAP. But spirit of it prevailed, especially among new NATO members. In the West, there was no politician with enough imagination to escape conventional wisdom. This time, a mirror image of the Caribbean

crisis was already visible. Dr. Henry Kissinger recently raised an interesting question: "Is the wisest course to pressure Russia, and if necessary to punish it, until it accepts Western views of its internal and global order?" Where would this policy lead to? The answer, in my perception is rather simple: to a new bipolarity. On the one hand - Russia, China, the CSTO member states Iran, DPRK, maybe Turkey, Egypt, Qatar, South Africa; on the other - US, NATO, Japan, Saudi Arabia etc. The recent US sanctions against three very different states (DPRK, Iran, Russia) uniquely push the world towards this frightening scenario. Much courage and imagination is needed for choosing a road not travelled before. Without a new mode of dealing with each other and communication it would be impossible to find this, a bit more promising road. ■

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¹ Dr Henry Kissinger. "Chaos and order in a changing world", 2 August 2017.

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ARŪNAS AUGUSTINAITIS

Lithuania on the road to a shifting economic identity

Expert article • 2271

It has been almost three decades since Lithuania regained its independence. Nearly half of the time, beginning with 2004, Lithuania has been a member of the European Union and NATO. However, the usual point of reference used to analyse social and economic change has so far been one that described the country as a 'post-soviet society' or 'transition society'. This can be said both of Lithuania and, to some limited extent, of many Central and Eastern European countries.

Nonetheless, right now there are many indicators and the shifting political rhetoric pointing to the fact that Lithuania's social and economic life is undergoing deep processes critical to further development of the state, their understanding forming the foundation on which Lithuania's future choice will depend. These tectonic fractures in the social shift are still not being understood, structured, or strategized upon sufficiently. But they occur very visibly and strongly through everyday political, economic, ethical, or cultural decisions that are sometimes unexpected, quite often absurd, but always definitely standing to express the deep-seated fundamentalism of our problems, and their significance for the continued evolution of the state. This can be understood as a breaking point when the legacy of the post-soviet society has run out of steam and is going through an agony, but a new identity is only taking shape and is offering many controversial future alternatives and possible scenarios of development.

Contrary to Estonia, which has never strategically departed from its focused aspirations to attain a Scandinavian identity, Lithuania's social and economic processes have never been sufficiently balanced or cohesive on a strategic or value level. They have basically been kept focussed and in line by EU and NATO landmarks. Periods of excellent economic growth (with the exception of crisis years) brought up their own share of particular problems of continued retardation, half-baked decisions, and unused opportunities in different areas. We might say that the transition period has gone on for too long and only now people are starting to grasp some of the irreversible consequences and to feel a need for some real changes. The strongest push towards radical transformation with many direct and contingent consequences comes from the scale of migration in the European Union, which affects, both directly and not, all areas of life, and not necessarily in a negative way.

Be it for the country's predominantly catholic tradition or the fact that it has always been a bridge between the western-minded Europe and the space of the eastern Byzantine identity throughout the course of history, Lithuania's drive for socioeconomic transformation is affected by ideological and value-based stimuli just as strongly as it is by rational arguments and development policies that are grounded on evidence and open to the ideals of the globalised world. This leads to a certain degree of controversy in the economic policy, the way it happened with the implementation of the euro (01/01/2015) as more political than economic project. The country had not done its homework properly – the social system, education, healthcare, and public governance were yet to be reformed – leading to a slowdown the rhythm of Lithuania's economy, compared to many economic

leaders in the Eurozone. As a result, the country is experiencing a phase of unchecked growth of prices (and salaries, to an extent), with the inflation rate officially standing at 5% (as of November 2017); one might even suspect that processes of turning 'Greek' are at play, despite the positive and rather impressive GDP gain. On the other hand, however, even in the absence of a solid economic foundation, the euro introduction fully opened up floodgates of European social and economic integration, driving inevitable change in the fields that had been riddled by elements of post-soviet thinking.

Such fractures in identity usually happen in rather radical forms and through new ideological campaigns reflecting the *realpolitik*. It is like a compensatory mechanism that has been targeting structurally unreformed, post-soviet heritage-ridden fields for decades. The first reform of this type took place in the process of restructuring the social model, which produced a modernised labour code. Currently, matters of reformation of the systems of education and higher learning are becoming priority number one, with people realising the role the learning society and innovation economy plays in boosting the global competitiveness of the country. The country's ability to create an effective education system will largely determine the course Lithuania will take in the foreseeable future. This goes hand in hand with the budding vision of Lithuania as an innovative and technological country, its principal resource educated people, architects of new technologies. Ideologically, this translates into campaigns on mass education of IT and biotech specialists, shunning aside the classical social sciences and liberal arts.

Comparable expressions of the formation of the new and increasingly European economic identity extend to virtually all of the main spheres of life, from reduction of social isolation, integration of children at risk and orphans into families, radicalisation and politicisation of the anti-alcohol movement, to increasing the involvement of the church and the 'tough' pro-Atlantic foreign policy grounded on the promotion of growing patriotism. Without the shadow of a doubt, all of that also constitutes a move towards moral rebirth, its actual implications still rather vague.

Yet one thing is certain: the post-soviet identity is being pushed away and is losing its significance and effect on the development of today's society. Lithuania is at a crossroads and the path it chooses will determine whether actual processes of reforms and modernisation will begin and shrinking regions will be reborn as the country joins the Baltic, Nordic, and Polish strategic vectors in the new 'post-post-soviet' perspective of historical development. ■

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War memories and insecurities: the politics of memory in Lithuania

Expert article • 2272

The Soviet and German occupations during World War II, the anti-Soviet resistance and its repression through mass deportations after World War II have become pivotal traumatic events with a long-lasting impact on political identities in Lithuania. The losses resulting from these traumatic events were substantial. According to Lithuania's Genocide and Resistance Research Center, during the Holocaust, 240,000 people (200,000 Jews) were killed. In 1944-53, during the second Soviet occupation (the first one was in 1940-41), 186,000 were arrested or imprisoned, and 118,000 were deported. An estimated number of 20,500 anti-Soviet partisans and their families were killed during an intense war of anti-Soviet resistance. Many of those who were deported after World War II were either active resistance fighters themselves or related to someone who was an active resistance fighter.

After the restoration of independence in 1991, there was a clear focus on the losses experienced during the Soviet occupations. The German occupation, including the Holocaust, received less attention. But this is starting to change, albeit slowly, as the memory of the Holocaust is becoming integrated into national history and memory.

The losses experienced during the Soviet occupations became part of commemorations that started during the initial stage of democratization in the late 1980s. The lifting of censorship during the glasnost period under Mikhail Gorbachev unleashed an enormous wave of popular interest in the anti-Soviet resistance and its suppression, and the mass deportations carried out under Stalin. The repression and mass deportations under Stalin started to be called genocide. This term was borrowed from the Lithuanian diaspora, which had used it to gain political currency during the Cold War.

This was the beginning of a long lasting "fighting and suffering" memory regime, with the focus on the suffering experienced during the Soviet occupations and the admiration of armed anti-Soviet resistance. The first open public commemorations of mass deportations began in the late eighties. Many Lithuanians made pilgrimages to deportation sites in Siberia and Kazakhstan, erecting crosses and building monuments at former prisons and forced labor camps. The remains of former prisoners and deportees were brought back to Lithuania. The first museums commemorating the losses experienced under Stalin and the anti-Soviet resistance were opened.

In the late nineteen nineties, the Lithuanian state started to institutionalize the memory of anti-Soviet resistance fighters. In 1999, the Lithuanian parliament voted to make a declaration to defend the sovereignty of Lithuania that was signed by anti-Soviet resistance fighters in 1949 a legal document, thus emphasizing the importance of the anti-Soviet resistance for post-Soviet Lithuanian identity. In 1997, a new memory day entered Lithuania's national calendar: the Day of the (anti-Soviet) Partisans (the fourth Sunday in May). The Lithuanian parliament declared 2009 the year of Lithuania's freedom fighters, and revisited the 1949 declaration, describing it as "essential to Lithuanian statehood."

In the twenty first century, the partisan war and its official memorialization have become an integral part of state institutions. For example, in an exhibition about Lithuanian statehood that opened in 2016 in the Presidential palace, there is a section on the history of the anti-Soviet partisans. This history is presented as an integral part of the history of Lithuanian statehood.

However, this hegemonic memory has experienced challenges. Even during the initial stages of democratization, in the mid and late eighties, some historians and journalists started to publish works about the attacks of anti-Soviet resistance fighters against the civilians and other sensitive issues, such as betrayal and the collaboration of some of the anti-Soviet resistance fighters with Nazi Germany during World War II. Other works were published later, including the recent essay "Ką pagerbė Lietuva—partizanų vadą Generolą Vėtrą ar žydų žudiką" [Who Did Lithuania Honor: The Partisan Commander General Vėtra or a Jew Killer?] by Rimvydas Valatka, a journalist.

In 2015, a commemorative plaque to this partisan commander on the wall of the Lithuanian Academy of Sciences became the site of public controversy. (Vėtra worked in the Lithuanian Academy of Sciences in 1945-46.) The controversy stems from the fact that Vėtra also collaborated with the Nazis, signing a decree that ordered the moving of the Jews into ghettos. In the recent past, as the memory of anti-Soviet partisans was institutionalized by the Lithuanian state, this fact of his biography was obscured, and he even was awarded state honors posthumously. Despite the public outcry, the plaque is still in place, but the debates surrounding it demonstrate challenges to the hegemonic "fighting and suffering" paradigm and the willingness of society to face its painful past openly.

Most recently, in October 2017, statements made by Rūta Vanagaitė, a PR specialist and an author of several best-selling books, became the focus of another memory war. Vanagaitė made several inflammatory statements about Adolfas Ramanauskas-Vanagas (no relation), a prominent leader of the Lithuanian anti-Soviet partisans. Specifically, she suggested that he may have cooperated with the Soviet secret police and may have even participated in the Holocaust. These statements were immediately discredited by historians who have researched the anti-Soviet resistance, and Vanagaitė was widely criticized. Alma Littera, Vanagaitė's publisher, announced that it was ending its relationship with her and recalling her books from stores.

One of Vanagaitė's books, *Mūsiškiai (Ours)*, is well known not only in Lithuania, but also abroad. In this book the author openly acknowledges that her own relative, a former widely respected anti-Soviet resistance fighter, also participated in the Holocaust. Vanagaitė was heavily criticized for this book, with many public figures denouncing her for factual errors and even "betrayal."

Undoubtedly, these memory wars are related to the sense of national security. Vanagaitė was accused of being part of the information war waged by Russia against Lithuania. The strategic

communication department of the Lithuanian military was quoted during these memory wars. According to this department, which monitors the targets of foreign propaganda campaigns, the history of Eastern Europe during the twentieth century is the main target of Russian propaganda. Unfortunately, the current geopolitical situation makes an honest reckoning with the past very difficult.

Difficult, but not impossible. In Lithuania, public willingness to learn about the Holocaust has recently increased, partially as a result of the activities of non-state actors. For example, in 2016, there was a march in Molėtai to honor the memory of Jews murdered during the Holocaust. (There was a death march in Molėtai in 1941, when the entire Jewish community was killed by the Nazis and their local collaborators.) Organized by Marius Ivaškevičius, a famous playwright and attended by thousands, this march triggered soul-searching and discussions about the roles that ordinary Lithuanians played during the Holocaust. A willingness to talk openly about the most controversial aspects of these painful pasts is one way to address the insecurities related to current informational warfare. ■



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The Russia-EU crisis: lessons from the recent past

Expert article • 2273

There have been many ups and downs in the Russia-EU relations within the last 25 years but in 2014 they have entered a new particularly difficult phase with the clash of two differing regional strategies - Brussels' Eastern Partnership and Moscow's Eurasia Union concept. Ukraine has been central to both strategies, and "the either/or" choice presented to Kiev ultimately made a conflict inevitable. The conflict in Ukraine and over Ukraine has resulted in the suspension of the Russia-EU negotiations on a new Strategic Partnership, sanctions wars ending bilateral cooperation, and extremely hostile rhetoric that gains its own momentum.

Although Russia's incorporation of Crimea is widely perceived in Brussels as a turning point in the Russia-EU relations, the real roots of the conflict are much deeper being related to the uneven end of bipolarity and uneven demise of the USSR. The former did not result in any Peace conference on a new post-bipolar world order and common rules of behaviour.

The Paris Charter and the Budapest memorandum were adopted in November 1990 when the USSR still existed. With all good ideas Gorbachev never intended to change the bipolar world order and wanted to preserve two distinct social systems, one capitalist and one socialist. He intended simply for a new détente to end Cold war tensions.

The end of the bipolarity was embodied in the collapse of the USSR. In the post-bipolar time international actors started to apply the Helsinki principles selectively according to their foreign policy interests and preferences. No doubt, Russia and the West have very different views on the question "who first violated the status quo in the post-bipolar world order" and it is impossible to reduce these differing views to a common denominator. The EU (and the West at large) sees the recognition of Kosovo's independence as an exception, while Russia sees it as a precedent. For this reason Kremlin proceeds from the understanding that if the West can interpret the international norms as it wants then Russia can do the same.

The demise of the USSR was also uneven because it was dissolved with a stroke of a pen overnight without any serious negotiations between Russia and NIS on the problems of the Soviet legacy – economic relations, Russian speaking minorities, territorial borders and etc. Russia made its fair share of policy mistakes in the post-Soviet area during the 1990s. Russia's post-Soviet euphoria was replaced with a sense of loss of empire and status of world super power equal to the US. These post-imperial syndromes resulted in the Kremlin's policy of reassembling the CIS neighbours under the aegis "special relations" with Russia. However, Russia's neighbours were not just innocent victims. They did not understand that independence is a costly thing. Half-heartedly they accepted the model offered by Moscow because it was very difficult to resist cheap oil and gas

provided by Russia. It was the worst possible model of relationship - dependence on Russia and the growing dissatisfaction with this dependence. And in the end of the day this dichotomy resulted in the emergence of GUAM coalition (Georgia, Ukraine, Azerbaijan and Moldova) as a counterweight to Russia's domination in the CIS.

When the problem of the Soviet Union's nuclear legacy was solved, the EU and the West as a whole became obsessed with the prospect of a new Russian empire. They saw the separation of Russia from its CIS partners as a guarantee that the USSR would never be brought back to life. And this principle was put at the centre of the EU and NATO regional strategies that unavoidably bypassing Russia. However proponents of this view could not envision that these strategies would much sooner make Russia estrange itself from the West, adopt the stance of self-assertiveness, pivot to Asia and revival of "historic national values".

How to get out of this vicious circle? It looks that the future of the Russia-EU relations

It looks that the future of the Russia-EU relations as well as the genuine post-bipolar order will completely depend on how they will come out of the Ukrainian conflict.

as well as the genuine post-bipolar order will completely depend on how they will come out of the Ukrainian conflict. Peace in Ukraine is central to stability and security in Wider Europe. From this point of view President Putin's idea of deploying a U.N. contingent along the line of contact in Donbas could become the first step toward ending the crisis and hopefully toward building a new post-bipolar world order. The differences between Russia, Ukraine and the EU on the format of a peacekeeping operation should be at the centre of their negotiations. But if this operation takes place in Ukraine it would be the first international peacekeeping operation in the post-Soviet space.. The importance of this fact should not be underestimated. ■



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NATO Enhanced Forward Presence in Latvia – a historical moment but not yet the end of history

Expert article • 2274

In June 2017, Canadian-led NATO multinational battlegroup, consisting of more than 1,100 service-men and women from Canada, Spain, Italy, Poland, Albania and Slovenia, was inaugurated in Latvia. It was a truly historical moment for Latvia as stationing permanent, though rotating allied forces was a distant dream even in 2013 – before the turbulent events in Ukraine unfolded.

Though Latvia has been a member of the North Atlantic Treaty Organization since 2004, it was so “on paper only” as the collective defence clause stipulated in the Article 5 of the 1949 North Atlantic Treaty was not supported by credible practical means. While NATO in the post-Cold-war-era increasingly focused on issues other than the collective defence, the only meaningful allied presence until the Ukraine crisis in the Baltics was the Baltic Air Policing mission and modest military exercises. At the same time, the potential existential threats from Russia (that materialized elsewhere, i.e. in 2008 in Georgia, and since 2014 in Ukraine) were underestimated by most of the allies. Furthermore, Russia was considered to be a partner and any potential meaningful

allied military presence on the alliance's Eastern Flank was almost a taboo. Western allies were unwilling to antagonize Russia, which would protest any expansion of the NATO military presence towards its borders, and wished to abide to the 1997 NATO-Russia Founding Act. In this act, NATO ambiguously committed to not permanently station additional “substantial combat forces” in order to fulfil its collective defence duties. However, contrary to the arguments of Russia, the recently established NATO allied presence in Latvia cannot be reasonably considered as substantial when compared to the military of Russia which, furthermore, as the other party of the aforementioned Act has clearly violated the document, e.g. by not “refraining from the threat or use of force (...) against any other state, its sovereignty, territorial integrity or political independence (...)” (i.e. what it did in fact in both Georgia and Ukraine).

However, the allied presence attained is not the end of history for Latvia. Russia will remain a source of risks to the national security in the foreseeable future; and Latvia alone will not be able to defend itself against a possible conventional or non-conventional aggression. Therefore, it is clearly in the national interests of Latvia to retain and

expand the allied military presence as much as possible, although retaining and expanding the allied presence can become an even more difficult task than attaining the current presence was. There is little doubt that Russia will do its best to end the allied presence in Latvia. It will probably not only continue to criticize allied presence in Latvia (as well as in the other two Baltic States and Poland), but also use other active measures to cease the NATO allied presence near Russia's western border – if not in a short-term then definitely in a medium-term. It is likely that it will use “divide and rule” approach with the NATO member states – by exploiting the potential fatigue

and internal interests of the troops' contributing nations. If the situation in Ukraine is further “frozen” and no new regional Russia-related conflicts and provocations at the Eastern Flank of NATO emerge, one can imagine that Western entrepreneurs might call for using the business opportunities with Russia while pacifist groups might call to bring the soldiers back home. Such moves could be facilitated by Russia by using business groups and non-governmental organizations

While NATO in the post-Cold-war-era increasingly focused on issues other than the collective defence, the only meaningful allied presence until the Ukraine crisis in the Baltics was the Baltic Air Policing mission and modest military exercises.

as well as information operations to influence the opinion of the respective general public and governments.

However, it is not only about Russia when the allied military presence in Latvia is considered. It is also about what Latvia will or will not do to support the allies elsewhere. Latvia has to provide the best possible living and training conditions for the allied militaries (e.g. not yet all allied soldiers have the possibility to live under the “hard roof” while stationed in Latvia). It would also be wise to build larger barracks and other infrastructure to house considerably higher number of allied troops in the case there was a necessity to deploy them or a window of opportunity to relocate allied forces from other countries to Latvia.

Similarly, Latvia has to be supportive of the political and economic interests of the troops' providing nations in order to reciprocate. E.g., it should consider procuring military equipment from those nations – not only as an expression of appreciation, but also as a way to strengthen the military cooperation and mutual interoperability. It is also worth considering sending more troops to international operations abroad. Paradoxically, at the time when NATO allies had less solidarity

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with Latvia (before the Ukraine crisis unfolded), the latter provided considerable number of troops to international operations abroad – almost 400 soldiers served in Afghanistan and Iraq at some of the peak years. Now, however, Latvian contribution to the international operations has considerably decreased – to under 100 soldiers per year since 2015. Latvia should not only consider strengthening its presence in international operations that are significant to some larger allies, but also consider sending one or more units as a part of the Enhanced Forward Presence to Poland, Lithuania or Estonia. It would not be an unusual act as Poland, being assured under the same initiative, is contributing troops to Latvia. In other words, to attain a long-term commitment from allies, Latvia not only has to ensure its own defence to the extent it can, but should also reciprocate to the allies as much as possible. ■

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Struggle over history: resilience as tolerance towards one's own past

Expert article • 2275

Main points:
1) The right to determine history is usually part of the conflict, and is used as a means of justifying specific actions and for reinforcing loyalty to a group, but also for creating conceptions of the enemy.

2) Removing, or at least containing, antagonist relationships that are anchored in historical narratives and myths is a basic precondition for a durable peace and for resilient society in general.

3) This would require a change in how the past is remembered and narrated as well as how the past is present in the practices of today.

4) The acknowledgement and acceptance of the diversity of interpretations of the past are core building-blocks of a resilient society.

In the popular imagination, history is often presented as one explanatory factor in the emergence of conflict. However, in various internal, international and transnational conflicts, the ownership of history and the right to determine history is essential part of the struggle, and history is used as a means of justifying specific actions and of reinforcing loyalty to a group, but also for creating conceptions of the enemy. Denying the other side's truths but also physically destroying their sites of memory has become commonplace in current conflicts. Furthermore, in particular in the post-Soviet space the spread of counter narratives and misinformation in provocative purposes has become elementary part of conflicts. That has been the case also in the Ukrainian war (2014-) as well as in various conflicts among the Baltic States, their Russian speaking-minority and Russia.

Conflict generates us-versus-them, friend-enemy divisions and other dichotomies that are anchored in historical narratives and myths. Furthermore, historical stories and rituals of communal commemoration reinforce the victimization of one's own group and the guilt of others. These roles of victim and perpetrator may become important parts of the efforts of groups to justify their own goals and the ownership to history. Mutually antagonistic identities and hatred constitute the essence of the conflict. However, such an antagonist setting brings to the midst of uncertainty of a chaotic conflict a sense of meaning and helps a community to maintain some feeling of self-worth. Therefore, the situation can lead to 'securitization' of history narratives and memories related to the conflict efforts. Securitization is the development whereby the challenges and open criticism that are fundamentally characteristic of democratic discussion are forbidden, and in which dissenting interpretations are seen as destabilizing and even as an existential threat.

The precondition for reconciliation is precisely the breakdown of antagonism and of enemy conceptions that are maintained by historical narratives. The possibility of narrating alternative and even

contradicting interpretations without a fear of re-escalating the conflict or violence is prerequisite for sustainable peace but also core feature of a resilient society, if resilience is referring to the ability of individuals or communities to anticipate and manage risks, as well as to respond to, cope with, and recover from shocks.

However, reconciliation processes relating to history are generally held to be very slow-acting, usually spanning over generations. In Finland, for example, reference is often made to the idea that it is only now, a century after the country's bloody civil war, that the old dividing lines and wounds of that time have healed. And it is true that momentous changes mostly do not happen with a click of the fingers. Hatred does not soften into forgiveness overnight, nor does hostility turn to tolerance; the changes in the opposite direction, however, can be alarmingly rapid as the development in Ukraine indicates well.

To avoid posing an existential threat to the community revisions in historical interpretations should begin from small details. The overall goal of the reconciling transformation cannot be a uniform and harmonised interpretation of the past but the tolerance towards the diversity of interpretations. This is far from an easy goal during the conflict and it is even more challenging to achieve when the other side does not show any willingness to reconcile. However, regarding both the Baltic States and Ukraine, there cannot be any winners in the struggle over historical interpretations and furious defence of one's own interpretation just reinforces antagonism. Instead, an effort should be made to identify those history-related stories and interpretations that are at the core of group-identification and that are by the same token used to construct enemy images. There is a need for dialogic platforms of renarrating history and revealing plurality of possible standpoints.

The ability to be resilient against outside provocation is dependent on the community's ability to tolerate and engage contradicting interpretations of its past. That is why, for example, inclusion of minority's narratives to national history canon would increase inclusiveness and resilience of the Baltic societies. ■

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Security of Lithuania in the context of its relations with Russia

Expert article • 2276

“Security” is a broad term, which has many aspects. It is possible to speak about military security, economic (including energy) security, informational security, cyber security, etc. Today in Lithuania Russia is seen as a main challenge in all these security fields. However, some balanced – even critical – view is needed in order to understand, how reasoned and how politicized is that “Russian threat” discourse in our country.

Starting from military moment it would not be a big mistake to say that there is a confidence in Lithuanian elite (at least publicly) that Russia can attack Baltic states any time. But this position lacks reasonable explanation. Arguments of Russian war in Georgia and Ukraine are proposed. Also – Vladimir Putin’s nostalgia for Soviet Union. But the case of Baltic states is a totally different from the case of Georgia and Ukraine in geopolitical and even civilizational terms.

Geopolitical control of Ukraine is vital for Russian national security (as Kremlin sees it) and for its vision of new Empire in the post-soviet area. Importance of Baltic states in this sense is minimal. Secondly, there is a historical idea of civilizational union of Russia, Belarus and Ukraine, and Baltic states are aliens to Russia in civilizational terms. Finally, V. Putin perfectly understands the risks and the cost of direct confrontation with NATO.

So, Russian military threat to Lithuania seems to be more supposed and created than real, but very comfortable politically, because makes Lithuania important for the EU and the U.S. At the same time economic dimension of the question should not be ignored in this context.

Today the growth of Lithuanian military budget is very dynamic and in 2018 it will reach the level of 2 percent of GDP, what is unofficial rule of NATO. And many politicians (especially from conservative party) propose to make it even bigger. But they somehow forget the fact that socio-economic disjunction in Lithuania grows too, and society, possibly, needs state expenditure more than army.

Rather similar story is **with energy security**. Lithuania decided to build LNG terminal in Klaipėda, and this decision is being presented as a “great achievement”. Now our country really can buy all the gas it needs not in Russia. But there are two moments, which make the picture not so bright. First, the price of LNG today is tangibly bigger than the price of gas from “Gazprom”, and with more expensive energy resources economy of the state becomes less competitive, what is a crucial aspect of economic security.

Second, LNG terminal could be an effective decision if attractive for neighbors. But for the moment neither Poland, nor Latvia are interested in Lithuanian LNG because of its price and their own energy policy plans. Therefore, today the project is more a burden than a solution for Lithuanian state and its consumers. Our government had to evaluate such perspective before implementing it, but it did not.

There is an opinion that “Gazprom” is not a secure partner. But Germany does not support this argument and decided to impellent “Nord Stream-2” project instead of buying expensive American LNG. From its side, “Gazprom” (Russia) would not like to put at stake its reputation of reliable gas exporter, stopping its gas export (even to

such small, but European market as Lithuanian one).

Other strange situation develops around Lithuanian position on Astravets Nuclear Power Plant in Belarus. It is impossible to stop this project. But it is possible to cooperate with Minsk and “Rosatom” to make it safe. Lithuania still tries to close the project and decided not to buy its electricity in advance, thus limiting its electricity import diversification options.

In other words, both military and energy security are too much politicized in Lithuania in the context of Russian threat, and such approach results in unnecessary costs for its economy (its citizens), what is very important defect of national security policy. The same politicization happens with **informational security of Lithuania**, and its actions in this field also have negative – this time social – consequences.

It is clear that Russia is at “informational war” with the West. But it does not mean that Russian media should be forbidden or restricted in other way, as it is done in Lithuania on the background of doubtful arguments. And this is less about Russia and more about us – about our devotion to democratic values, because restricting Russian media instead of creating qualitative alternative we make at least three bad things. First, we lower Lithuanian people as unable to distinguish between information and propaganda. Second, we take from them an opportunity to choose, what they want to watch. Third, we restrict freedom of speech.

To sum up, Russia pose a threat to Baltic states (for example, in the field of informational and cyber security), but this threat should be treated as objectively as possible and should not be politicized, because such approach usually creates economic and social costs for ordinary people, whose interests are the biggest priority in any democratic country. So, the fundamental condition of Lithuanian national security is government efficiency, which means adequate perception of threats, thinking about the needs and expectations of citizens. ■

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Is it possible to reduce tension in the Baltic region?

Expert article • 2277

Relations between Russia and the West have hit a new low. Western experts have coined the term 'new normal' to describe the country's policy. This has warranted a new approach to dealing with Russia and reduced mid-term prospects of normalising relations between the county and the West on mutually acceptable terms. Alienation is growing on either side.

The new US administration is conspicuously reluctant to hold a dialogue with Russia. A case in point is Donald Trump's sudden and groundless refusal to meet Vladimir Putin on November 10, 2017, at the Asia-Pacific Economic Cooperation summit. Growing hostility and animosity between Washington and Moscow, on the one hand, and persistent alienation between Moscow and Brussels, on the other, pose an obstacle to the resolution of global and regional problems (Ukraine, Middle East, and North Korea). All this testifies to a serious erosion of the international relations system and the deteriorating efficiency of the system's administration. Moreover, the current situation may be interpreted as a harbinger of greater shocks threatening the modern world.

The political and security situation in the Baltic region remains tense. Following the NATO Warsaw summit, multinational battalionized battlegroups will be deployed to Lithuania, Latvia, Estonia, and Poland. The battlegroups will provide rotational presence and increase the numbers of national armed forces. For instance, the numbers of Lithuania's armed forces personnel grew by 50% in 2009-2017 – from 12,700 to 19,740 people. The Baltics are demonstrating an exceptionally high rate of increase in defence spending. In 2014-2016, the increase was 32%, 35%, and 26% respectively. In absolute numbers, defence spending rose 2.7-fold from 267.3 million euro in 2014 to 723.8 million euro in 2017. In Latvia, defence spending increased by 14.33% and 40.78% in 2015 and 2016 respectively. In 2017, it is expected to exceed the previous year's figures by 22.26%. In 2016, 2.5% of Estonia's GDP was allocated to defence. The Baltics are investing heavily in defence infrastructure. Since 2014, air bases in Łask (Poland), Ämari (Estonia), Lielvārde (Latvia), and Šiauliai (Lithuania) have been expanded and modernised. The polygons in Tapa (Estonia), Ādaži (Latvia), and Rukla (Lithuania) have been brought up to date.

At the same time, the national elites do not express their readiness to engage in a dialogue with Russia. Technically committed to a two-track policy toward Russia (the 'deterrence and dialogue' strategy),

the Baltic elites are giving priority to the deterrence component in dealing with Russia. A dialogue with Russia is viewed solely through the prism of regional security, i.e. as a means to prevent possible military incidents and tension.

Amid a lack of a visible dialogue, whose urgency was stressed by Germany's ex-minister of foreign affairs Frank-Walter Steinmeier, the Baltics' and Poland's persistence in increasing NATO presence at Russia's borders and constant NATO exercises cannot be interpreted by Russia as entirely peaceful and defensive actions. The deteriorating security situation, quickened by the historical traumas of certain states, is creating a climate that is extremely unfavourable for restoring dialogue and breaking the deadlock over contentious diplomatic and political issues.

Russia has to react to the military potential growing at its western borders. However, the spiral of mutual distrust must be stopped from escalating at both the level of Moscow and the Baltic region states and at that of Moscow-Brussels-Washington. There is a need to secure the prospect for a full-fledged dialogue, to abandon historical grudges, and to search for a way to break the deadlock. The goal is a professional, unemotional, and balanced dialogue, where participants listen to and hear each other.

Today, it is not always easy to reach an understanding with the national elites of the Baltics, Poland, and the Nordic countries. However, this does not mean that attempts at constructive engagement – if the mentioned countries show willingness to reach it – should be abandoned. Being surrounded by spots of military and political tension is not in Russia's best interests. A similar understanding demonstrated by the county's neighbours will improve the situation at the level of bilateral relations, contribute to a better political climate in the Baltic region, and ease the political and military tension. ■

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BORIS MINTS

Business trouble in Europe

Expert article • 2278

Let me express my attitude at this point in time. Where does the main developmental problem of European business lay? The answer is obvious – it's another time in the history of the continent where the political processes come before the economical ones. The opportunities of bureaucracy of all sorts have expanded unreasonably and bluntly, party and personal "insults" of government officials, their political ambitions, often prevail on the common sense of economics. There is no point in hiding this – the intellectual level of people who stand in charge of national and international institutions falls. The *jus gentium* is weak, the mechanisms of its appliance slip, any decision regarding rights violation, the restoration of lawful justice need arch-efforts and even then not always gives the results needed. Especially that applies to states that are involved in political conflicts. No point in hiding – the mechanisms that solve the situations of that kind that are practiced by the modern political and bureaucratic elite are based on restricting the freedom of entrepreneurs the result of which is the degradation of the economical situation for the population of the countries that are involved in the conflict, which means the reduction of the business profit in the best case scenario and bankruptcy with all of its negative consequences as for the employees working in these businesses so as for the budgets of all levels in the worst case scenario.

Let's phrase a question – who gets affected first by the sanction of this sort. The answer is certain, firstly it is the sections of the population that are oriented on the "western values", liberal democracy, market economy and human rights. At the same time sanctions lead to the unification of marginals, the society experiences an enforcement in nationalist and militarist tones, which makes politicians change the agenda to the side of flirting with them to win the elections. This is how it was in Iran, today we can see the growth in processes like this not only in Russia, but in all the states that are involved in this strange, destructive and counterproductive game. Before our very eyes the most educated, hard-working and active citizens become useless, so they have to leave their countries to look for a better place to put their work in. It's not only the countries that are under sanctions – it is enough to see how from the bureaucracy being unable to solve problems and put the interests of their citizens at the top the population of the Baltic countries decreases.

I always thought that business should stay far away from politics and I still stick to that opinion. One thing is certain – politics today is slowing down the progress of development and freedom which means it is time to stop running for the momentary benefit from indulging ambitions of the people that we choose and the political parties but a time to form an order of the society to develop.

Another example of how personal and regional interests are going against economics: there is a feeling that everyone forgot the economic sense behind off-shore companies. The off-shore schemes so-to-speak are not an invention of our time. The optimization of taxation based on the choice of territories with the best fiscal conditions was present even in ancient Athens. In the U.S. in the second half of the 50s off-shores gained distribution with a purpose of stimulating the investing processes, which made favorable conditions for investing and not the personal consumption of means from which the tax on income was paid to. This mechanism of stimulation the investing activity showed fantastic efficiency in both developed and developing countries. Did the need for investments in the world economics decrease? Did someone suggest a more effective mechanism of stimulating investments? No, nothing like this has ever happened. Just the enthusiasm of exposure of political or bureaucratic groups by others of the same kind regarding the resources of getting information of the amount of money in the personal bank accounts of government officials and politicians in the off-shore zones provoked a crazy informational campaign firstly in mass media and then in fiscal structures about the necessity of fighting this terrible evil, anachronism of the modern business. Princes, queens and presidents happened to be in the lists of the keepers of resources in the off-shores nowadays. But then it turned out that off-shores are different. In fact, turns out that there are the "right", the "good", but also there are Panamanian, Cypriot, etc. I think everyone understands what I am talking about. No economic law can be turned in favor of political methods, taking it on a double standard, closing your eyes on morals. Only the game by fair rules, rigorous of their execution, the genuine independence of governments and public opinion, international judiciary will give us an opportunity to develop as together for the whole world so as in every country separately. ■



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Contacts and contracts

Expert article • 2279

It is clearly the case, that when economic factors are sole or main drivers determining the dynamics of mutual trade between Finland and Russia the trade is lively, mutually beneficial and important to both parties. This is true whether we talk about export/import activities of companies or the border trade conducted by individuals from both countries. When administrative or geopolitical factors enter the stage the trade either grows out of proportion (as was the case during the times when Finland was part of the Russian Empire) or drops to zero (which happened e.g. during the times of the World War II).

Since 2014 we have been living in a mode, which is a mix of both elements. It is obvious that the sanctions and countersanctions have hampered the trade activity, both directly and indirectly. At the same time they have had a positive effect on the demand of Finnish cheese in the Eastern parts of Finland.

Business Team Russia, which consists of Finnish Russian Chamber of Commerce, Confederation of Finnish Industries, Finnish Chambers of Commerce, The Federation of Finnish Enterprises and East Office of Finnish Industries, has since 2002 been running a bi-annual survey on the perception Finnish companies have regarding the state of affairs in the Finnish-Russian Trade and what are their short-term expectations for business. Results of the latest survey were made public November 9 this year.

In general the mood is fairly optimistic and the number of companies stating that their exports have been growing outnumbered clearly that of those who have had no changes or a decline in their business. This can hardly be regarded surprising when the official statistics show that during January – August Finnish exports to Russia grew by one fifth and the imports from Russia even more than that.

When asked about the trends during the forthcoming 6 months the respondents are optimistic but somewhat less so than they were in spring. The biggest threats are deemed to be political risks, problems with access to finance and the instability of the rouble exchange rate. The issues are the same whether assessment is made regarding export activities or working of subsidiaries in Russia.

Political risks – this is my interpretation as the survey does not provide any deeper details – refer probably largely to the uncertainty created by the growing pressure and uncertainty stemming from the US and European sanctions. Partly the sanctions limit or forbid totally doing business with some Russian companies, banks and individuals. An insult is added to injury by the Finnish banks, which have taken extremely cautious standpoint and make it from time to time almost impossible to receive payments from a Russian customer.

Another factor having tangible influence is the import substitution program launched by the Russian government. In all the purchases made by state or majority state-owned companies goods and equipment produced domestically are given preferential treatment. In addition to this it seems to be that the Russian buyers are ready to

accept lower quality if the product carries the label “Made in Russia”. Russia First! – seems to be the line of thought.

The political risks work both ways: some Russian companies, even privately owned, are actually refraining from buying technology made in the USA or European countries even though the equipment in question is not under sanctions because they cannot be sure that the sanctions will not be extended to cover them in the future. “How would we get the spare parts needed in new circumstances?” goes the question.

In general the mood is fairly optimistic and the number of companies stating that their exports have been growing outnumbered clearly that of those who have had no changes or a decline in their business.

What is interesting to note is that many, around one third, of the companies who are active in imports from Russia state that they have no problems at all. Shows probably the power of a buyer. The customs rules and procedures give some a bit of grey hair, but the share of these companies is already clearly lower.

The situation gets gloomier when the participants are asked about their intentions to invest in to Russia in the future. Only a bit over 20

per cent say they have such plans even though Russian economy is forecasted to grow in the next years to come. My read is that in addition to the sanctions, the investments are held back by the forthcoming presidential elections. I am pretty sure that there are no problems to name the likely winner, but the issue is rather what will happen after the “new” leader is in power and has nominated the government with whom the future work is to be done. There seems to be consensus about the need to start reforms in the economy and before the direction is clear, most of the companies will lay low.

As to the investments, it is easy to believe that an investor behaves in a similar way regardless of the passport he/she is carrying. This suggests that the private Russian entrepreneurs will also be conservative until nature of the economic policies are being made known more widely.

Stability and predictability would boost both trade and investments. Another important thing is to have sufficient amount of contacts. Words of Nikolay Patolichev, former minister of foreign trade of the Soviet Union, “without contacts there are no contracts”, are true still today. ■



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ANASTASIA NEVSKAYA

TNC's from the Baltic Rim Economies lobbying in Russia under sanctions

Expert article • 2280

The 2014 political crisis between Russia and the West became the turning point in the domestic economic policy in Russia and the state's attitude towards the foreign actors in the Russian economy. The series of sanctions the sides exchanged in 2014 and later created a new economic reality in the relations between Russia and the European Union and established the new rules of the game for the European companies which have assets or interests in Russia. The TNCs from the Baltic Rim states were among the most affected as their interests are closely related to the Russian market.

The surveys show that the foreign companies operating in Russia have felt significant discomfort since 2014 not just because of turbulent economic environment but also because of the changed authorities' attitude towards them which entailed the unfavorable changes in institutional environment. The experts suggest that the political factor has become more important for the authorities than the potential economic impact from the foreign companies' activities. It means that the traditional steps taken by the foreign companies and their associations have become less effective even if the efforts were the same.

The economic sanctions and difficult political environment forced Russian authorities embark upon the path of import substitution. For foreign companies operating in Russia it means more and more requirements to localize the production in Russia. This requirement, according to the companies' allegations, now plays a much bigger role for the companies applying for subsidies or other benefits from the state than it was five years ago. In particular, the European automotive companies (including the German ones) were not welcome in the national consortium of manufacturers of electric vehicles which includes only Russian manufacturers now. The domestic manufacturers enjoy significant regulatory privileges and financial support from the state.

Those developments in Russian economic environment enforce the TNCs from the Baltic Rim change their ways of communication and interaction with Russian authorities. There are three major developments which are to be highlighted in this regard.

First, they started to use more "soft power" in their strategy towards Russian authorities. Taking into account that it is a challenge for them to get subsidies or enforce real institutional changes, they are concentrating on establishing and maintaining good long-term relationship with the stakeholders from the Russian economic policy bureaus. This strategy includes organizing cultural and sports events, lectures and conferences. It also includes growing number and scale of social responsibility events and launching new initiatives in the sphere of green economy. It means that the companies are eager to stay on the Russian market and now, during the period of forced

inactivity are busy with building up their ties and reputation for future steps.

Second, they started showing more willingness to cooperate with the Russian partners. In the period of the active growth on the Russian market (2000-2012) the companies from the Baltic Rim countries have shown little interest in joint projects with Russian counterparts, preferring "green field" investments and individual lobbying strategies or cooperation with the counterparts from the EU (IKEA, Auchan and Stockmann cooperation is a wide-known example). During the crisis the companies having close ties with Russian enterprises, especially with strategic ones, found themselves in a much better lobbying position than the rest (see the example of Renault-Nissan cooperation with AvtoVAZ). Since 2014 more EU companies, including the TNCs from the Baltic Rim Economies, have shown interest in joint lobbying with Russian firms for a new institutional environment that would be beneficial for the whole industries.

Third, the companies showed a propensity to lobby using the collective tools like business associations of the respective countries. The surveys show that the associations which are the least dependent on the national governments are the most effective. They are less limited by the political contradictions and are more flexible. They have proved to be an indispensable tool of resolving the practical and urgent business issues under uncertain and strained political interstate relations.

From the geographical point of view, it is German and Finnish firms which are the most active and consistent lobbyists in Russia among the companies from the Baltic Rim Economies. The countries are known for their pragmatic position and close economic ties with Russia (in case of Finland – regional and cross-border ties as well). They have the most developed collective lobbying structures and well-designed lobbying practices.

Another important point is the industry of operation. The retail giants from Scandinavian countries (IKEA, H&M, Stockmann) suffered more from the decline in purchasing power than from the difficulties with the Russian authorities. This point also counts for automotive companies (German BMW and Volkswagen), but here we have to add the increased necessity to localize more production stages. In general these companies, not affected directly by the sanctions, were able to go on with quite aggressive lobbying strategy. Food industry, mostly affected by the Russian counter-sanctions, also provides the examples of intense lobbying together with urgent localization (Valio, Ehrmann and other companies). The TNCs from the industries affected by the Western sanctions (military, financial, some oil and gas extracting firms) along with the companies dealing with information services have suffered severe time in Russia since 2014. The aggressive lobbying looked quite useless in this case, so

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the lobbying strategies practically collapsed.

As a general rule, the TNC's from the Baltic Rim states seem to face the same problems when lobbying in Russia as the rest of the EU companies. What makes them special is their strong attitude towards future work in the Russian market and willingness to maintain the ties and channels allowing them to defend their interests in the country. ■

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**BALTIC RIM
ECONOMIES**

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MARCIN KUZEL

Business internationalisation: foreign direct investment by Polish companies

Expert article • 2281

Foreign expansion of companies from developing countries is one of the most interesting phenomena of our time. The focus of entrepreneurs, managers, politicians and researchers is mainly on the experience of companies from the largest countries such as China, India, Brazil or Russia. Because of their huge and still unused economic potential, these countries form a natural hub in the rapidly growing markets.

Companies representing other countries and regions, however, also demonstrate accelerated growth and an increased level of internationalisation. Among them are countries from Central and Eastern Europe that have undergone system transformation, have relatively recently joined the global economic cycle and are now actively trying to make their mark on the world economic map. This group includes Poland, which due to its location, size and experience of the transformation as well as an ever-increasing number of multinational corporations, can claim to be the leader of the social and economic transformation in this part of the world.

Poland, just like other developing countries, remains primarily a net recipient of foreign capital but plays an increasingly active role in internationalisation processes. This is manifested by the growing scale of expansion among indigenous companies, which are engaged not only in foreign trade but also in manufacturing and service activities outside the home country meaning that they undertake and carry out foreign direct investment (FDI). According to new OECD standards in keeping FDI records under the so-called revised directional principle, the value of Polish FDI outward stocks (OFDI) reached USD 24 790 million at the end of 2016 and was 31% higher than in 2010, 6 times higher than in 2005 and 82 times higher compared to 2000 (UNCTAD data). This dynamic growth of foreign investment activity among Polish enterprises has been ongoing since 2004 and the intense growth of the OFDI value ("an exponential function of OFDI") is a proof of accelerated internationalisation among Polish companies in the last decade or so.

In spite of this dynamic expansion, however, the overall degree of internationalisation among Polish companies is perceived to be at a medium level (with some enterprises displaying a low level of involvement in foreign operations while others a high level of internationalisation) and is characterised by a significant degree of geographic concentration. According to Poland's Central Statistical

Office, in 2015 the number of Polish companies with foreign entities (shares, branches or establishments) reached 1760 (around 44% of them are classed as ultimate controlling institutional units) meaning it was over 59% higher than in 2008, that is when the records started. There were 4086 foreign entities alone, which is nearly 61% more than in the previous period. Foreign entities were located in 115 countries, mainly in Europe (3395), Asia (299) and North America (254). The majority of them (1828) were located in countries directly bordering Poland including in: Germany, Ukraine, Czech Republic and Russia. Most foreign entities – owned by companies in Poland – focused their activity on the service sector including on trade, motor vehicle repair (1230), information and communications (378), construction (361) as well as professional, scientific and technical activity (330). There were also 665 foreign entities actively involved in the field of industrial processing.

Researching the activity of Polish enterprises - foreign investors by Nicolaus Copernicus University has shown that FDI is an effective tool for building competitiveness in many cases regardless of the investment location or entry mode into foreign markets. In addition, there was a positive impact of FDI on the competitive potential among enterprises, both in relation to the main competitors in the domestic market and in foreign markets. It was also found that market stimulants were the most important factor in the FDI decision-making process by Polish investors, while the degree of meeting their expectations is relatively high, especially with regard to market expansion, improvement of existing resources, an increase in the company value and the return on capital. It seems that the above results may be an indication of further growth and intensification of foreign expansion among Polish companies through FDI. ■

FDI is an effective tool for
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foreign markets.



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HARRI KULMALA

One Sea – glimpse of the European Future that we want

Expert article • 2282

On 3rd of July, we published our report LAB – FAB – APP to direct the Future of European research and innovation (R&I) landscape in the form of ninth framework program (FP9). The report was given by a High-level group (HLG) chaired by the former trade commissioner Pascal Lamy and nominated by the current R&I commissioner Carlos Moedas. The primary target of our HLG was to maximize the impact of European R&I programs.

In LAB – FAB – APP, we give eleven recommendations to Europe. They all are based on the idea to invest in the European Future that we want. It is about what we Europeans want for Europe, and then implementing it. Extremely simple. We have the scientific evidence on how different scientific and research mechanisms impact our society and structures, and we know what we want from the R&I funding as outcomes: Jobs and growth.

One of our eleven recommendations is to increase the volume and share of mission-driven research. Another recommendation is to activate and mobilise individuals and citizens to take part in R&I activities. Hence, companies, businesses, European Commission, and taxpayers will be asked to define the missions that we fund in Europe, and to help in executing them.

Why did we end up with such recommendations? On one hand, there seems to be enough political capital and fact-based willingness in European Commission to try something new compared to what has been funded since the beginning of the framework programs' history. On the other hand, we have both statistical and qualitative evidence based on the empirical field work in forerunning countries, with novel R&I models, and under unconventional leadership, that classical call-based research-oriented proposal writing & project execution may not produce the highest impact. In contrast, these all may be needed, but they may boost the jobs and growth more when applied in novel combinations with private-sector leadership, non-hierarchical participation, and heterogeneously open ecosystems.

One of the forerunning, novel, and unconventional R&I set-ups in Europe is innovation platform DIMECC, a multi-organisationally owned non-profit company. We have led the digital transformation and co-creation activities of manufacturing industries in Finland since 2008 and the time-to-market and innovation probability of players in our platform has improved dramatically. We do not talk about incrementality, we talk about 20-fold pay back for R&I investments and speed-up of the classical R&I work by hundreds of percents. We do not talk about R&I, we talk about new business creation. We talk about P4.0, that means opening the industry-driven Public Private Partnerships to "People" in the context of digitalisation of manufacturing industries (Industrie 4.0).

With our partners, we launched One Sea as a mission deriving from private companies' foresight and strategies: There will be autonomous ships in traffic before 2025. Cargo ships and vessels will be redesigned and equipped with technologies to sail unmanned. The marine logistics regulation, management and control systems, and fundamentals of running sea logistics business will be changed. The change is mainly digitalisation, artificial intelligence to some extent, but also human behaviour changes. The mindset of how to order and book transport, how to track and follow logistics activities, and how to see ships and ferries as value adding moments in the time between production and customer use will change dramatically.

The Finnish minister for Transport and Communications, Mrs. Anne Berner, has supported the mission strongly, not only with public funding from Tekes, but with the strong marketing efforts to other countries and especially to countries and governments who appreciate official governmental status of new missions. Minister Berner is committed to work for changing the international rules and regulations to accept remote-controlled and autonomous marine traffic.

Private companies have connected their research, development, innovation, and new business creation efforts to One Sea, they take the joint mission forward by both using our platform for their own efforts and by show-casing their results and experiments to others for learning through our platform. Universities and public research institutes will get autonomous-theme related funding to technology, human behaviour, and business concept related R&I programmes and their competence and knowledge can be integrated to the mission. Finally, individual citizens, start-ups, inventors and everyone interested will have open forums and even the globally first ever totally open test site for autonomous marine technologies, Jaakonmeri, that we opened last summer close to the West coast of Finland.

One Sea integrates all systemically. The models, tools, instruments and methods are there already. Let's just create the European Future that we want! ■



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Agri-food complex of Russia: present and future

Expert article • 2283

Current decade has become the period of restoration of Russian agro-food complex (AFC) after its decline during the first stage of market reforms. The next 10-15 years can and should be decisive for the transit of the AFC, initiated and supported by the state to the pattern of sustainable growth and social-technological competitiveness.

Since 2006 state support for AFC strengthened within the framework of the National priority project and two State agriculture development programs. And that has stimulated influx of private (including foreign) capital and dynamic growth of the AFC. For 12 years (2006-2017) mid-annual production of grain has grown 1,6 times, of other crops – 1,1-2,8 times, of meat – 2,1 times. And only milk production decreased by 5%. While the population growth remained 1% this dynamics significantly increased national agro-food security and export potential. During 2006-2017 Russian agro-food export has grown 4,4 times, up to 20 bln USD, while its coverage of import – 2,6 times, up to 66%. Since 2016 Russia is the biggest world exporter of wheat and sunflower oil. In 2017 sugar, meat and even some milk products' export significantly increased. From the hindrance to economic growth AFC turned into one of its main drivers. Its average annual growth (3,6%) outstrips mid-global tempo. Agriculture and food industry share in the gross added value has reached almost 6% in 2016.

Still providing Russian population with food cannot be considered as optimal. In the current Global food security index ranking (September 2017) characterizing food affordability, availability, quality and safety Russia is 41th among 113 countries – behind USA and majority of EU 28 members, though ahead of its partners from CIS, EAEU and BRICS (excluding Brazil).

In 2014-2017 the high AFC dynamics is in many respects preconditioned with almost unique combination of nature (favorable weather conditions) and economic (the start of return of the earlier investments into industrialized sectors of agriculture, devaluation of ruble, food embargo and significant cash resources of the population) factors. *The effectiveness of the first group of factors is erratic, while the second group has short-term situational character. However defining strategic perspectives and development patterns of Russian AFC demands accounting of its objective long-term limitations in resource, nature-climatic and institutional-economic spheres.*

In the time frames of Russian AFC corresponding transformation two key turning points could be assigned – years 2020 and 2025. By 2020 the innovative-investment potential of the previous growth model would be exhausted. The current investment projects would be mainly accomplished; industrialized and vertically integrated production would spread on the sectors yet non-involved nowadays, namely, vegetable growing, gardening and dairy cattle breeding. The dependence on the imports of genetic-selection and seed-growing and animal- breeding materials would decrease. Russia's food security would strengthen, while agro-food export and import would be balanced.

After 2020 the new national agro-food system preconditions would start to be established. This system should solve the problems of food productions and consumption in complex, saving resources and

pressure on the environment (including bio-diversity) and diminishing 'input' into global climate change.

By 2025 the basis for this system could be created through deep AFC restructuring, including, as minimum:

- production-technological, among them 'moderate-innovative', based on the 'precision agriculture', and 'disruptive' one through implementation of the additive and cellular technologies, 'substituting' traditional stages of agricultural production;
- organizational and social, deterring excessive 'agro-holdingization' and optimizing combination of big, small and medium business (farming in particular);
- legal and institutional, providing for implementation of targeted, consequential, resources secured agri-food government policy, aligned interests of food producers and consumers and defending these interests in the foreign markets.

The updated version of the State program of agriculture development for its last 3 years (2018-2020) contains already certain elements of such a 'pivot'. The accent is shifted from the 'passive' import-substitution to increasing domestic demand and active 'pro-export' policy. The focus is strengthening of scientific and technological and investment potential and rural development. State financial support of the AFC is envisaged to increase 23% more than in the previous plans. Provides for the introduction of food aid for citizens with low incomes and of export promotion system. This could become the basis for a real 'global break-through' of Russian AFC into the advanced global agricultural space. The main country target - China, which is already the biggest importer of the Russian agri-food products (10% in 2016). In 2018 will start building of infrastructure net for the bulk Russian grain and oil seed deliveries to China conjuncted with initiative "One belt, One road".

In 2018 it is planned to adopt a new comprehensive State agri-food programme to 2030 or 2035. It foresees full-scale use in the production, distribution and consumption of digitalization, robotization, Internet of things, genomics, alternative energy sources, organic farming, disruptive food-production technologies and new systems of financing (among others Initial Coin Offering etc.). Assumingly, implementing these plans Russia by 2025 would be able to optimize domestic food consumption and increase its share in the global agricultural exports up to 3%, and by 2035 – up to 5-10%. ■



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After Brexit we need a new security and solidarity pact

Expert article • 2284

Brexit will produce new barriers for European politics, mobility and markets. That was indeed the aim, at least from some of the leavers. But Brexit will also put up new barriers for European security cooperation, which is more of a collateral damage. Both the UK and EU have every reason to minimize this damage and allow for a close future relationship on security and defence. That would best be accomplished through a wide selection of issue specific arrangements together with a more political declaration on solidarity and security.

The risks to security cooperation that are caused by Brexit span the full spectrum of activities wherein the EU engages. In areas such as crisis management, foreign policy coordination, counter-terrorism, cyber security and combatting organized crime, the UK's resources will be missed. At the same time, the UK might be cut off from important sources of information – such as the databases of Schengen and Europol – and miss the opportunity to affect the policies of other European states as well as outcomes on the ground. On a more general level, the most serious risk of Brexit is that the EU and the UK are drawn apart in their geopolitical outlooks. From the perspective of European security, such strategic divergence would make it more difficult to unite on issues such as Russia, the MENA region and the relations between EU and NATO. Finally, it is highly possible that Brexit will severely hurt the British economy and thus affect the country's contribution to European security, whether through the EU or via NATO.

Despite the sometimes harsh rhetoric surrounding the Brexit-negotiations, there seem to be a recognition that most of the cooperation in the security field will be of relevance for the UK after it formally has left the union. The DExEU's future partnership paper on foreign policy, defence and development, published in mid-September 2017, gave a clear message to the remaining EU member states that, despite Brexit, the UK still wants to maintain broad cooperation within the framework of the Common Security and Defence Policy (CSDP). The partnership paper goes into detail on how the UK wishes to have a "deep and special partnership" with the EU, for example by making military capabilities and assets available for EU crisis management missions (e.g. the Multi National Headquarters at Northwood) and through "close consultations" on foreign policy issues. In addition, the paper states that the UK wishes to join and contribute to the European defence fund, which aims to strengthen the European defence industry through multinational capability development projects.

Meanwhile, the EU position on post-Brexit cooperation with the UK within the security and defence realm has not yet been clearly expressed, which is largely the result of EU member states not wanting the issue to interfere with the ongoing Brexit negotiations. However, in the recently published joint notification letter that signalled 23 member states' intention to join the Permanent Structured Cooperation (PESCO), there is some indication that the UK will be given a special role within the CSDP post-Brexit. The notification letter states that third states may be allowed to participate in PESCO projects if they provide "substantial added value to the project" and "meet more demanding commitments" than the ones that PESCO members themselves must live up to. In other words, there is still a large room for manoeuvre

for the EU member states to decide how they wish to structure their future relationship with the UK in the area of security and defence.

Making full use of this constructive agenda, there are several ways that the UK and EU could cooperate post-Brexit.

In the field of intelligence and counter-terrorism, the EU27 would be well advised to incorporate managers and analysts from the UK at Europol and to find a bespoke arrangement allowing them direct access to databases in order to maintain current levels of interaction. A similar solution should be sought at the EU's intelligence hub IntCen where the UK could be allowed to keep staff that could then feed intelligence into the system and take part of joint analytical products. It is also important that other areas of cooperation which are not part of the EU, such as the decentralized Counter-terrorism group, are not made into EU agencies in order to avoid making EU-UK cooperation unnecessarily cumbersome. In the foreign and security policy area, the EU could also offer the UK permanent deliberation and policy-shaping roles within the PSC, although they would naturally lack veto or voting rights. One can also envision the secondment of staff and expertise within the External Action Service. While all this – together with issue specific solutions in areas such as sanctions, cybersecurity, disinformation etc. – would remedy some of the harm caused by Brexit, it runs the risk of fragmentizing and de-politicizing security cooperation.

Just as the various EU-UK trade and investment agreements will most likely be grouped in a future comprehensive free trade agreement after Brexit, it would be helpful to also group and develop future security and defence cooperation within a dedicated framework. Such a framework should include a political manifestation of solidarity and cooperative benefits. At the very least, The EU and the UK should issue a guiding declaration of solidarity and shared interests. A more ambitious alternative would be to find ways for the UK and the EU to sign a solidarity clause mirroring the substance (but not the processes) of the two existing solidarity clauses of the EU. A bespoke deal like this would clearly acknowledge the UK's importance for the safety and security of Europe and increase security for all European countries. Still, it would not create unnecessary risk of contagion. Indeed, it seems farfetched that members without the UK's specific ideational background would prefer an agreement that essentially mirrors EU membership without voting rights. ■



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Perceived economic exploitation and separatist regionalism in the EU: lessons from the Soviet collapse

Expert article • 2285

After months of political turmoil, there is as yet no state named Catalunya on the map of Europe, but the tug-of-war between Madrid and Barcelona is far from over. The dismissal of president Carles Puigdemont and the dissolution of the Parliament of Catalonia reflect the common interpretation of the call for secession as an elite-driven, politically motivated gambit. The central government's crackdown on the Catalan leadership, however, disregarded the underlying socioeconomic factors. Popular resentment against the Spanish model of resource distribution which, as *The Guardian* stated, equals an institutionalized system of "fiscal robbery", is a powerful catalyst for separatist demands in prosperous Catalonia. Hence, Puigdemont referred primarily to the unfair distribution of taxes in his already historic speech in the Catalan parliament on October 10th, while cultural and linguistic issues, which have long been the main bone of contention, were just mentioned in passing. National grievances, still the prime concern for the "independendistas", are now channelled through fiscal disputes.

Almost exactly thirty years before the Catalan referendum was held, on September 26th, 1987, a group of economists published a revolutionary reform plan at the opposite end of today's EU, in what then was the Estonian SSR. At the peak of glasnost, the appeal, which, referring to its signatories, is commonly known as the "Four-Man Proposal", promoted the vision of an economically self-governing republic, calling for the abolishment of intra-Soviet barter trade and the subordination of all industries and resources on republican territory to local control. The proposal, which thus demanded nothing less than a total recasting of the highly centralized Soviet modes of production and distribution, has been undeservedly neglected in the common narrative of the Soviet collapse, although it is an epitome of the potentially disintegrative effect of perceived economic exploitation. The fact that Estonia had the highest per capita income in the USSR, but virtually no control over the revenues, instilled a feeling of economic deprivation among the republican elites, triggering demands for public access to reliable statistics on the Soviet fiscal equalization scheme. Estonia's economy, as was argued, would have been at the level of Finland's if the country had not been annexed by the USSR, a statement that is reminiscent of the words of Puigdemont's predecessor Artur Mas, who claimed that Catalonia would have the unemployment rate of Denmark, the infrastructure of Holland and the education model of Finland if it seceded from Spain. Tiit Made, one of the authors of the "Four-Man Proposal", openly denounced the mighty all-union enterprises as tools of a "colonial policy" that behaved like "boyars", and thus reinforced the image of Russia as a backward occupying power,

which mobilized both nationalist sentiments and separatist activism. Estonia's Popular Front, a mass movement founded by the proposal's initiator Edgar Savisaar, served as an efficient mouthpiece of the pro-reform economists. The frequently evoked notion of *peremehetunne*, the feeling of being the "master in one's own house", soon became a political slogan that, eventually, fostered the radicalization of nationalist demands. Intriguingly, the idea of economic autonomy as a countermeasure to Moscow's extractive policies appealed not only to the Baltic sister republics, but also struck a chord in Moldova and Belarus, where nationalist activism was largely absent, thus accelerating the demise of the USSR as a quasi-federal political and economic union.

The case of late-Soviet Estonia illustrates how perceived economic exploitation, especially when paired with nationalist rhetoric, can gain unexpected momentum and release centrifugal forces, creating a "unity of purpose" that sustains the necessary popular support even through times of temporary economic hardship. Slovenian and Croatian separatism was fuelled by similar discourses, unleashing a chain reaction that eventually led to the violent destruction of Yugoslavia. The outcome of the Catalan drama will thus create a precedence that will be eagerly observed by the separatists in Flanders, who vigorously oppose the subsidization of less prosperous Wallonia with Flemish tax revenues, or the Lega Nord, which promotes the idea of a north Italian, "Padanian nation" as a counterweight to a resource-devouring, corrupt and indolent South. But the course of events in Catalonia should be closely monitored by Brussels as well, particularly in view of the ongoing fragmentation processes within the European Union. Proposals such as European Parliament president Antonio Tajani's idea to double the EU budget by introducing a so-called "European tax" might easily backfire, turning, to quote German Liberal Party leader Christian Lindner, the "systematic losers" of such a "Soviet-Union style system" against both the EU and the common currency. ■



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Harder times for minorities

Expert article • 2286

Two events in recent years have adversely affected the plight of European minority populations in the EU; But in two different ways.

The first concerns the great Motherland's jealous concern for her subjects in foreign countries. Russia believes it has the right to intervene whenever Russian minorities are in any way deemed to be under threat in other states. This "Putin Doctrine" has led to increased unrest in former Soviet states. The Russian occupation of the Crimea and eastern regions of the Ukraine has fuelled unrest, above all in the Baltic States.

The second event demonstrates how a minority's right to use its own language can be exploited by nationalist forces as a pretext for secession. The Catalonians' defiant declaration of independence around a month ago will make it more difficult for other minorities to promote their right to use their own language.

How do things look for the Russian minority in the former Soviet states bordering the Baltic Sea, or to be more precise in other words, the Baltic States?

One million Russian-speakers live in Estonia, Latvia and Lithuania out of a total population of around seven million. Even though relations between the various ethnic groups have improved in recent years, things can still get heated at times. This was for instance the case when the Bronze Soldier of Tallinn was relocated in 2007, the reaction to which exposed the deep fault lines just below the surface of Estonian society. On Victory Day each year in early May, thousands of Russians in Estonia make a pilgrimage to the statue of their revered Alyosha, which symbolises the Soviet Union's victory over Hitler's Germany.

The Russian-speakers are fervently cheered on by an army of Russian trolls spreading fake news and lies. To counter this Russian bias, Estonia and Latvia have introduced wall-to-wall public service radio in Russian.

Despite this, many Russian-speakers in the Baltic states feel offended and unfairly treated. In Lithuania all Russian-speakers are Lithuanian citizens, while the Russians living in Estonia and Latvia face the stark choice of either having no passport or applying for a Russian one. One of the reasons for restricting citizenship was to encourage as many people as possible to return to Russia after the collapse of the Soviet Union. This resulted in many Russians no longer feeling at home in the Baltic States despite having lived there all their lives.

Following the Russian annexation of the Crimea and parts of eastern Ukraine, the Russian-speaking minority are now perceived as a threat to national security in the Baltic States. Events in eastern Ukraine show that such a scenario is not unrealistic.

The three Baltic States are members of NATO. Public opinion in Estonia is strongly behind NATO troops being permanently stationed there to counter any threat from Russia. However, this opinion is not shared by those Russian-speakers who do not perceive Russia to be a threat.

This uncertainty has reduced support for the Russian language gaining official status in Estonia.

Nonetheless, the latest surveys reveal that an increasing number of Russian-speakers living in Estonia, Latvia or Lithuania feel a greater affinity with their Baltic home country than with Russia.

With regard to the situation in Catalonia, here it is necessary to differentiate between freedom of expression and a referendum on independence. To promote and appeal for one's cause is a democratic

right. However, neither national nor international law grants the right to secede and declare a brand-new country. Or even to hold a referendum on the matter, even though this in itself may appear a quite normal democratic measure.

The actual point of a sovereign state is that it has the right to exist. Just because an ethnic group inside the state decides that it would rather form a separate country, that doesn't mean that it will happen.

Minority languages were banned in Spain until Franco's death in 1975. Since then Catalonia has customised its population primarily by means of the Catalan language. One consequence of this is that the number of Catalan-speaking students in schools has risen to more than 35 per cent, while the number of students who only speak Spanish has fallen below 15 per cent. This might say something about the Catalanian leaders' intentions.

Catalonia's aspirations to independence are also the stuff of nightmares for the EU. In particular in an era of populist right-wing movements, this goes right against the union's basic tenets. The last thing the EU wants is for this situation to escalate. Consequently, Brussels is biting its tongue and rightly claiming that Catalonia is an internal matter for Spain alone.

The trend inside the EU is clear. It is becoming more and more difficult for minorities to gain understanding and support. Despite the guiding principles adopted by the European Council, there is no EU law to defend minority languages. Consequently, at-risk minorities have nothing to gain by approaching the EU. Apart from a cold shoulder. ■

The actual point of a sovereign state is that it has the right to exist. Just because an ethnic group inside the state decides that it would rather form a separate country, that doesn't mean that it will happen.



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European Turku

Expert article • 2287

Turku has often been called as Finland's gate to the west. Throughout its over 800-year long history, in fact the longest one in Finland, the city has seen and witnessed a lot in the mouth of the Aura River, in the coast of the Archipelago sea. Back in the days, traders of Hanseatic League started a stream of traffic to Turku, and over the years hundreds of thousands of ships have arrived to the harbour of the city and brought along influences from other cultures over the sea. Even though the title of Finland's biggest harbour has already floated to elsewhere, ships have brought something much more important, a blast of culture from Europe.

The Blast of culture has shaped Turku to be more unique among the other major cities of Finland. To become a European city is a multilevel matter. The cultural heritage together with modern national and international culture is the base for European culture. It is sense of solidarity with your own environment as well as with other EU-citizens. It is also a way of living and taking care of the city with responsibility and open attitude.

The Riverbank of Aura River is the heart and the cultural centre of Turku. Especially during the summer months, the Riverside is full of events and people, both locals and tourists. People of all ages gather together with their friends to enjoy coffee in one of the many cafés and riverboats or to buy some food from market stall, where vendors sell delicacies from all around the world. Street artists give their best, while people are roaming around without any specific destination. Warm and communal feeling completes the sense of solidarity. The sense, that you are also part of something bigger.

The sense of solidarity is one of the most important values of Europe. Last summer, were thousands of folk music and dance enthusiasts from all over the Europe gathered together to a folk culture party *Europeade 2017*. During the five days, there were over 600 performances in the riverside area and market places of Turku and the city centre swarmed with national costumed artists.

Citizens of Turku have always had a specific sense of solidarity. The Pride that they have for their city and a region's dialect have always been seen as a special richness. Nowadays Turku has become more multicultural and international. For Example, in 2016 there were over 2 000 international students in the University of Turku, of whom around 500 were exchange students. The international students became easily a part of the community of the university and the city and noticed the specific pride that the citizens have for the city.

A National culture is a part of a common European culture. In the year 2011 Turku was chosen as the European Capital of Culture. The idea of the Cultural Capital - initiative is to highlight the richness and diversity of European cultures and to raise awareness of their common history and values. In addition, one of the project's goals is to increase interaction between European citizens. As a result of the year 2011 Turku has become much more invested in the arts and in the accessibility of culture.

The old city of Turku has already a lot of similarities with other old European cities with its castle, cathedral together with market squares. As a whole the city still has a lot of capability to develop and become individualistic, well-known metropolis. The city council has made a vision about Turku in year 2050. One of the main ideas is that the old part of the city, near the Riverbank would become a European meeting point and another living room for the citizens. Universities would have a more central location, when the centre expands closer to them. The vision will improve the development of the city as the most important city of western Finland in the field of science, economy, and business.

European cities are invariably developing. A part of the vision of Turku is an expansion of the walking centre with a consumer-oriented public transport system. For a European city, it is also important to develop connections with other cities. Even though the airport of Turku is the fourth biggest in the country, the flight connections are still quite weak. For youths the idea, that the world is full of possibilities to catch, is quite tempting. Nowadays jobs can easily take you around Europe and that is why it is important, that the connections are good. There have been ideas about a one-hour train connection to Helsinki, which would enable easier commuting between Helsinki and Turku, and about a Hyperloop to Stockholm, which would make our western neighbour more accessible.

A view of Turku as a European city is a lot more than the Riverbank with its restaurants and cafés, events or ideas of development the city. Being a European is more like a feeling. The sense of communality and open atmosphere are things to cherish. A Cultural diversity, innovativeness and the atmosphere in the Riverbank create a basis for European Turku. ■



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The cooperation between the Academy of Finland and Russia

Expert article • 2288

Finland and Russia share a long tradition of scientific cooperation. During the past 15 years this cooperation has increased in several fields mostly because in early 2000s Russia started actively take part in the international research funding cooperation. It was seen as a sign of active internationalisation of Russian science, and also as a sign that Russia started to promote R&D, science, and innovation activities after a decade that could be called as “times of trouble” for science in Russia. The Academy of Finland has close cooperation with three Russian science and research funding organisations: The Russian Academy of Sciences (RAS), the Russian Foundation for Basic Research (RFBR), and the Russian Foundation for Humanities (RFH). Research funding cooperation is going on and planned on many fields. The aim of joint research funding is to fund top quality Finnish-Russian projects that give added value in research concerned with environment, well-being, society, and technology.

The agreement with the RAS was signed for the first time in 1971 and since it has been renewed several times. The agreement covers cooperation, for instance, in the form of joint research projects, symposiums and workshops, and researcher mobility. Within the framework of researcher mobility some 100 Russian researchers visit Finland every year and vice versa some 80 Finnish researchers visit Russia. The status of RAS changed significantly in 2013 due to a new law that broke the independent structure of the old Academy of Sciences. All financial and property issues were transferred to a new governmental bureau – Federal Agency for Scientific Organizations, FASO. However, these changes haven't had a major effect on the bilateral cooperation.

The cooperation between the Academy of Finland and RFBR started in 2003, and with RFH two years later. These two separate funding organizations were merged together in 2016. The cooperation with RFBR covers calls for joint projects and joint seminars. The first joint action with RFBR was a joint call in the framework of the Baltic Sea Research Programme (BIREME), which dealt with the ecological problems of the Baltic Sea and which run from 2004 until the end of 2006. Russia has top researchers and research infrastructure when it comes to the research of the Baltic Sea. Therefore, RFBR was participating also in the Joint Baltic Sea research and development programme (BONUS) that was a spin-off of the BIREME Programme. The aim of BONUS is to strengthen multidisciplinary marine research and improve societal impact of research and innovation, and to enhance cooperation of research funding agencies around the Baltic Sea.

The Academy has organised several joint calls with its Russian funding partners since 2003, both as separate thematic calls and in connection with the research programmes of the Academy of Finland:

- Human Mind Research Programme, 2014, RFH
- Earth Sciences, 2013, RFBR
- Programmable Materials Research Programme, 2011, RFBR
- Climate Change Research Programme, 2011, RFBR
- Programmable Materials Research Programme, 2011, RFBR
- Finnish and Russian common history, 2009, RFH
- Photonics and Modern Imaging Techniques Research Programme, 2009, 1RFBR
- Ubiquitous Computing and Diversity of Communication Research Programme, 2008, RFH
- Finnish and Russian languages in a multicultural world, 2008, RFH
- Materials technology and biosciences, 2007, RFBR
- Business Know How 2 Research Programme, 2006, RFH
- Optical material research, 2006, RFBR
- Substance Use and Addictions Research Programme, 2006, RFBR and RFH
- Russia in Flux Research Programme, 2005, RFH
- Baltic Sea Research Programme, 2004, RFBR.

The most recent cooperation between the academy of Finland and RFBR is in the field of Arctic research: in 2017 the partners organized a joint call within the Academy's Arctic Research Programme.

The cooperation between the Academy of Finland and the Russian research funding organizations is not only bilateral. The Academy of Finland and RFBR have also participated for a decade in the multilateral ERA.Net RUS project that was first launched in February 2009 under the EU Seventh Framework Programme. The aim of the project was to intensify and strengthen the S&T cooperation between Russian and EU Member States and Associate Members stakeholders.

The Academy of Finland, RFBR, RFH and RAS all participated in the ERA.Net RUS pilot call in March 2011 as well as in the following ERA-NET RUS Plus call in 2014. The latest pan-European joint action in this field was the ERA-NET RUS 2017 call that was organized by a wide group of European and several Russian research funding organizations this year. This was a step forward to a new kind of funding cooperation because this time the joint call was organized independently by the funding organizations and outside the EC framework programme. ■

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ANNA GREBENYUK

Evolution of STI priorities in Russia

Expert article • 2289

Many developed and developing countries set science, technology and innovation (STI) priorities on a regular basis as the main instrument for the government's STI policy. They are usually focused on solutions for key national socio-economic problems and ensuring the effective use of national competitive advantages. The STI priority-setting process is based on a wide range of information sources and a set of qualitative and quantitative foresight methods.

Russia has also accumulated substantial experience in the choice and implementation of priorities. Relevant lists of priority areas and critical technologies have been developed and regularly updated since 1996. These lists are one of the most important mechanisms of the state's STI policy, which is provided by the Ministry of Education and Science of the Russian Federation with the participation of all interested federal authorities. Since 2006, the selection of priorities has been based on the foresight methodology, which allows one to identify promising R&D areas with the greatest socio-economic benefits. Since 2009, these lists have been updated by a two-step process in accordance with the rules adopted by the decree of the Government of the Russian Federation: the first step involves the development of a national long-term prognosis, the second step includes the prioritization of the topics in the prognosis. These two documents are the key elements of the national strategic planning system, which also covers sectoral and regional priorities in the form of lists of critical technologies and key directions of research and development.

The current list of national priorities, approved by the decree of the President of the Russian Federation dated July 7, 2011 №899 includes nine priority areas and 27 critical technologies for both civil and military use:

- Security and counter-terrorism;
- Nanotechnologies;
- Information-telecommunication systems;
- Life sciences;
- Advanced weapons, military, and special equipment;
- Environmental management;
- Robotic systems of military, special, and dual purpose;
- Transport and space systems;
- Energy efficiency, nuclear energy.

In 2016, the priority-setting process shifted from choosing thematic areas to the selection of functional priorities in the format of the larger tasks. This new concept, based on modern approaches and best national practices, was reflected in the strategy of scientific and technological development of the Russian Federation approved by a presidential decree. The selection of priorities was based on grand challenges that determine the threats and windows of opportunities facing the country and the world by 2030, and they include:

- Information technologies, robotic systems, new materials, big data systems, machine learning, artificial intelligence;
- Environmentally friendly and resource-saving energy, improving the efficiency of extraction and deep processing of oil, new energy sources;
- Personalized medicine, high-tech health technologies, the rational use of drugs (especially antibacterial);
- Highly productive and eco-friendly agri- and aquaculture, rational use of chemical and biological protection, efficient storage and processing of agricultural products, safe and high quality functional food;
- Struggle against anthropogenic, biogenic, cyber, social and cultural threats, terrorism and ideological extremism, other hazards to society, economy and the state;
- Interconnection of the territory of the Russian Federation, intelligent transport and telecommunication systems, international transport and logistics systems, the development and use of outer and air space, the World ocean, Arctic and Antarctic;
- Effective response of Russian society to grand challenges based on the interactions of man, nature, and technologies.

Priorities should be decomposed at the level of concrete markets, products, and services that will be in high demand to address the aforementioned tasks. Also, there should be specified technologies, scientific problems, and research areas, which will allow for meeting the main goals of STI development in Russia.

The key tool for planning the implementation of priorities should be a system of long-term technology roadmaps, representing the agreed upon time processing routes, including R&D programs and strategies for technological development, the creation of innovative products and services, and access to markets. Priorities should be implemented by the integrated S&T programs and projects funded in the framework of the state program "The Scientific and Technological Development of the Russian Federation". ■

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TUOMAS KOIVULA

Top research in the Baltic Sea Region – spread the news!

Expert article • 2290

At its best, science brings order to the world: it offers explanations and gives individuals hope for a better future, such as new, scientifically researched treatments for diseases. Popularised and easily available scientific information offers, or at least it should, a possibility also for decision-makers to form an opinion and overall picture of a matter at hand. Therefore, scientific information can benefit people and create well-being in different ways.

Additionally, we can consider science communication as part of the academic community, as its basic responsibility. Large portion of new information is created with public funding and with the support of tax revenue, and therefore it is only natural that people have the right to know about the results.

Each day, high-quality research is conducted at the universities and research institutes in the Baltic Sea region, and we ought to and must tell about the results as extensively and understandably as possible. Communicating scientific achievements both in physical and digital forums slowly builds the reputation of the entire region – it is a sign of activity and vitality. One news article on a scientific discovery can be enough to inspire someone to come and work or study in the region.

At the end of this piece, I will give you perhaps the most important reason why we should engage in science communication right now. Before that, a few words about resources. Communications is often thought of as something that happens by itself. After all, everyone can communicate! Many believe that an expert can automatically talk about their work in the best possible way.

Science communication needs resources just like any other activity that aims to produce a commodity that would not exist without this activity. Communications experts should be involved in supporting and developing communications. A great deal of course depends on the researcher's own activity, however, communications training and other support services should be available for them. Furthermore, different media channels should also have science reporters and journalists who can dedicate enough time for their work. However, this is becoming rarer in the world where competition gets tougher all the time.

The Committee for Public Information in Finland advises scientists to introduce research results and new information to the general public. Science communications cannot just be disseminated from an ivory tower, but the researchers have to get out among the public. Different kinds of events provide a good opportunity to do this. A great example of an extensive, international scientific event is the Researcher's Night concept which is supported by the EU. On one Friday night in September, the Researcher's Night organised by the University of Turku and Åbo Akademi University filled the medieval Turku Cathedral with hundreds of people interested in science, who

came to listen to multidisciplinary presentations on the subject of change.

Our researchers have also solved big and small questions sent by the public in the Science Battle group competition developed by the University of Turku. Furthermore, we offer doctoral candidates an opportunity to participate in the international Three Minute Thesis competition. Entertaining? Wooing the audience? Sure! But at the same time an extremely efficient training in presentation skills and crystallising your point.

Children are also interested in science, just like adults. Since 2008, we have organised Children's University science lectures and camps to 7–13-year-olds. The feedback has been particularly good

– both from the children and experts. Researchers have considered the children as an especially challenging audience (the questions can be quite tricky!), but the experience as particularly rewarding and instructive.

Events are great forums for scientists, but perhaps the most influential and inclusive form of science communications is

digital communications. Social media has quickly become an integral part of people's experience of the world. It constantly shapes opinions and is a significant source of new information. This leads us to the final reason why we should communicate about science as actively as possible.

The prevalent understanding is that we are moving, especially in international politics, towards a post-truth era where the loudest "fact" wins. People have been displaying suspicion, even hostility towards scientific knowledge and academic expertise. Paradoxically, the regularly conducted Finnish Science Barometer simultaneously shows that people still trust universities and are interested in science news – even more than in entertainment and sports.

It would follow that science and expertise have a strong footing also in our increasingly digitalised society. If experts do not assert themselves in public discussion, their place will be filled – and certainly not with researched information valuable to all. We have not yet moved to the post-truth era, but we are in a danger of doing so if experts are under-represented in the forums where our conception of the world is shaped. ■

Communicating scientific achievements both in physical and digital forums slowly builds the reputation of the entire region – it is a sign of activity and vitality.



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Identifying potentials for scientific excellence in the Baltic Sea Region with reference to regional science and research collaboration

Expert article • 2291

Excellent science and research policy have long been widely recognised as vehicles for innovativeness and economic development at a national state level. The question has been what kind of public policy and coordination is needed to make sure that scientific excellence is reached in the domains that are the most promising for current and future development. There are at least two competing trends as to what kind of public policy should be deployed to secure the most economical use of available resources, and to make sure that public policy will support the development of timely and socially accountable science and research strategies. One trend addresses the idea of the developmental state and calls for active governments to undertake strategic actions stipulating technological progress. The other trend, related to neoclassical economics, seeks to limit the role of the state only to the most necessary domains, leaving the rest to regulatory market forces. Here, the state is regarded as a less efficient economic actor than the private sector. Both of these trends periodically win the upper hand in influencing decision makers, though instances of past economic prosperity and crises have demonstrated that the market can fail and the state must maintain some instruments to regulate economic activity. A certain degree of state interventionism has therefore been accepted. Now, is this also possible at the regional level and how can the emergence and optimal use of regional scientific excellence be ascertained?

When operating at a transnational level, like the Baltic Sea region, the situation regarding the development of synergetic science strategies to join national potentials is complicated. Not only must coinciding areas of actual or potential scientific top performance or examples of research infrastructure of supra-regional significance be identified, but one has to take into account quite diversified national strategies, interests, attitudes and policies. Furthermore, one has to recognise the significance of “soft” assets, such as for instance already-established best practice in scientific cooperation or existing research and innovation strategies of international organisations. All this poses a challenge to gaining a comparative and objective perspective on regional science policy, not to mention to providing a set of possible recommendations for the nationally based decision makers and science policy stakeholders.

These challenges notwithstanding, an international group of science policy investigators led by Kazimierz Musiał and Tom Schumacher, has been tasked by the Baltic Science Network (introduced elsewhere in this volume by Katharina Fegebank), to deliver an explorative study entitled *Scientific Excellence: Joint Potentials in the Baltic Sea Region*. The ambition has been to provide

an overview of the research landscape in the BSR, specify a few particularly promising areas of transnational scientific excellence, identify best-practice examples and limitations of transnational cooperation in science, map and compare existing and planned research and innovation infrastructures and, finally, analyse the involvement of BSR countries and their individual share within joint EU initiatives and programs.

Starting with the web application www.excellencemapping.net we have arrived at the first approximation of the BSR science landscape both in terms of assessing quality levels and identifying areas of specialisation. The web application has given us an image of a very uneven attainment of research excellence in the BSR and an unbalanced distribution of scientific potentials. Realising that webometric tools are biased towards publications of relatively large institutions, which exclude potentially excellent but smaller units, we have looked at the OECD and the EU data, including various country profiles that examine research and innovation performance. Additionally, the study has also drawn on evaluation reports coming from the national science systems. The analysis of national cases has provided basic insight into scientific areas of relative significance and potential for all BSR countries. In cases where the national perspective deviated radically from international standards, for the sake of correction and confirmation, other approaches were used in the study, such as university rankings and EU-documentation.

Based on these analyses, promising starting points for the development of joint areas of transnational scientific excellence have emerged. They include marine research and maritime technology, cultural heritage and identity, life sciences (including health, medicine, biochemistry and genetics), welfare society, and materials science. While highlighting these areas the study also asserts that in the knowledge-based regional economy an efficient development requires policy coordination and interventionism just as much as it does at the national level. ■

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The future of the Baltic region is water

Expert article • 2292

In this article, I suggest that climate change will affect not only the environment, but also - very strongly - the economy and the geopolitical landscape of the Baltic region. Water (both the sea, and fresh water as a strategic resource) will be the key word to understand the future of the region.

The Baltic region has a crossover of different cultures. The more evident outcome of this variety is the different languages spoken in the country of the Baltic area: these vary from Slavic to Finno-Ugric and Germanic families. In other words, if looked at in a long-term perspective, the Baltic area is a Melting Pot, with a sea which connects (and at the same time divides) different cultures.

It is largely expected that the physical, human and economic geographies of the Baltic area will be heavily affected by climate change. Global warming is already showing its effects in the Baltic region, but once put in a 30-year perspective, the impact is going to be tremendous. If we address longer time scales, in 2100 the entire area will have a very different physical shape, and undergo huge changes in its economic and geopolitical landscapes.

The opening of the Arctic shipping route is more on the future agenda than a current reality, but it will re-position the entire Baltic region in the logistic-chain of the future. Less discussed in the newspaper headlines, but still crucial, is the role of underground and undersea resource exploitation in the Baltic and Arctic regions. The official agreements about ocean-platform boundaries, coupled with climate change, is paving the way for future massive utilisations. This will have a relevant economic impact, and it also opens up concerns about the environmental effects of this process.

This raises the need for a new understanding of what a strategic resource actually is. We are used to correctly considering energy as a fundamental element of political concern and national well-being. This will naturally still be true in the future, but I wonder if in 2050 fossil fuels will have the same value we give them today. The rising relevance of renewable energy forms is gaining momentum, and what is more interesting, the final cost of those energies is decreasing at very quick pace. It could indeed be the case that other resources - beyond fossil fuel - will become relevant, or even strategic.

Forest and water could be important assets for the Baltic region in 2050. As a reference, we can think of the Amazon rainforest: the concerns about the destruction of that ecological system mainly addressed environmental issues. However, in the past decade, the preservation party has increasingly attracted supporters from other milieus. Brazilian top-rank policy-makers and stakeholders lobbied for the conservation of the Amazon rainforest not on ecological grounds *stricto sensu*, but considering the asset that the forest represents in terms of a strategic long-term fresh water reserve. The same can happen for the Baltic region, which again requires long term thought about preserving and nurturing those assets.

This openly call us to reframe the resource agenda of the future, avoiding any decisions which could further contaminate other resources. The need to preserve forests and fresh water, avoiding drilling both on sea and on land, should be indeed be considered from different angles. Avoiding the dissipation of this marvellous ecological system should be regarded as a priority.

But water can be also a threat for the Baltic coastline. Rising sea levels are no longer a matter of debate. What is under discussion is the pace of this process, in different scenarios. It is expected to rise anywhere between 0.3m and 2.5m during the 21st century. This will have enormous effects, with the most visible being in cities located along the coastline, from Helsinki to St. Petersburg. Again, water should be positioned as a top priority for the region, because the human, economic and environmental costs of this rise are simply beyond our current understanding.

If climate change is indeed a threat for a region defined by water, such as the Baltic Sea, let me complete this overview with another, apparently trivial, effect of global warming. The rise of the air and water temperature is an ongoing process, and any prediction is difficult. A trend of warmer water temperatures for the Baltic Sea is evident, and scientific assessments have been done that strongly predict this. In summer 2016 the water reached 20 Celsius, and such anomalies are becoming trends. If we consider a time-range of 2050, it could be possible that the Baltic Sea becomes a holiday destination, particularly considering the simultaneous and dramatic changes in terms of air and water temperature warming occurring in the Mediterranean Sea...

To sum up, the challenges ahead in 2050 and 2100 demand that we think out of the box in terms of strategic assets. Water should be put on the agenda for the Baltic region, assuming a greater relevance, both in term of troubles and opportunities. This change of attitude should happen now, before any further dissipation of this resource takes place. ■

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Monotowns in the Russian Arctic: time to change the track

Expert article • 2293

Today, about 30% of population of the Russian Arctic live in monotowns, in contrast to 10% on average in Russia. Monotowns are one-company or one-industry towns, and their economies, social life, environment, landscapes and people's identities are greatly shaped by backbone industries. In the Russian Arctic most spread are non-ferrous metallurgy and coal industry based towns, and the extractive industries prevail over the branches of processing.

In the post-Soviet times, with large numbers of unprofitable enterprises, many of monotowns faced mass layoffs, social unrest and a threat to become ghost towns. With a strong dependency on international markets, under the global financial crisis of 2008-2009, situation in these towns worsened and drew the attention of federal authorities. In 2009, the Russian Government started to address the monotowns' problems: a special commission was established and the most problematic towns were identified for the government support.

In 2014, the first government's list of Russia's monotowns was published. The latest official number of monotowns in the country is 319, and 14 of them are in the Arctic. Half of the Arctic monotowns belongs to the Murmansk region – one of the oldest industrial areas in the Russian Arctic.

The government's list divides monotowns into 3 categories according to their social-economic conditions. Today, 4 Arctic monotowns – Kirovsk, Kovdor and Revda in the Murmansk region, and Onega in the Arkhangelsk region – are in category 1 (the "red group") which includes towns with the most difficult situation. Category 3 consisting of towns with stable situation includes Norilsk in Krasnoyarsk Krai and Severodvinsk in the Arkhangelsk region. The majority of the Arctic monotowns are in category 2, which consists of towns under the risk of worsening situation.

The total population of monotowns in the Russian Arctic is about 630 th. people. All these towns are demographically declining, with Norilsk – a big mining and smelting city east of the Yenisei River – as an exception. Population decline is largely caused by migratory loss.

One of the most acute problems is deficit of local budgets. This is greatly a result of existing tax policy – local budgets have limited number of taxes, with 100% of value added tax being paid to the federal budget. Some companies register themselves outside the host regions and this reduces tax revenues, too. In 2015, only 3 Arctic monotowns had surplus budget – Kirovsk in the Murmansk region, Beringovsky in Chukotka and Norilsk.

Since 2009, monotowns receive federal financial support. One of the main requirements for getting the support was working out the towns' Comprehensive Investment Plans for 10-20 years. All the Arctic monotowns developed CIPs in 2010-2011, but federal support was given to only 3 of them – Kovdor and Revda, the metallurgy towns in the Murmansk region, and Severodvinsk, a shipbuilding town in the Arkhangelsk region. The policy of government subsidies was criticized for contributing to stagnation, and experts suggested to finance not towns but people, that implied paying more attention both to the option of people's re-location and use of diversification strategies.

In 2014, the federal government established the Monotowns Development Fund to support investment projects and education

of managers for monotowns, with focus on diversification and self-reliant development. So far, none of the Arctic monotowns received financial support from the Fund, but managers have been trained at the Skolkovo School of Management – the top business school in Russia with participation of international business.

Currently, one of the most discussed in Russia mechanisms of monotowns' development is establishing territories of accelerated social-economic development (TOR in Russian abbreviation) – an area within the administrative district or monotown which works as a centre for economic development with the potential to boost the economy of a surrounding area. TORs are zones of wide deregulation and tax stimulation.

Since 2015 TORs are set in the Arctic regions. Firstly, TOR was launched in Chukotka and included monotown Beringovsky, and in 2016 it has been approved for Kirovsk, a mining town in the Murmansk region.

Today, the Arctic monotowns are trying to change the track of development and remove mono-dependency. Kirovsk, for 90 years a host town for Apatit company which extracts and processes apatite ore and belongs to PhosAgro group, a big fertilizer producer, is an example of monotown putting strong efforts in finding new development paths.

Due to restructuring of Apatit company, in 2013-2015 the number of employed in the town with 28 th. inhabitants decreased by 3,5 th. people. The strategic priorities for the town became diversification based on tourism and development of the mining service cluster aimed to turn Kirovsk into a center for repair of equipment for enterprises in the region.

The distinct feature of the town's strategies has been close cooperation both with the main company and the regional government. The partnership agreements between the three parties are regularly concluded, and the town attracts investments through the public-private partnerships. For example, development of ski resort Big Wood in Khibiny Mountains was financed by the regional government and Apatit company.

The status of TOR allows to plan significant improvement of the tourist infrastructure in three years, and creation of two new skiing areas in the mountains in ten years. In a decade, it is expected to generate two thousand jobs in the tourist sector.

The local administration takes a proactive perspective. The mayor of Kirovsk, 39 years old Vladimir Dyadik, as well as five other people from the Kirovsk team, was trained at the Skolkovo School of Management within the program for monotowns. He says that education both of the leaders of monotowns and top-managers of the main enterprises helps "to think in a new way and to develop our towns in a new way". ■

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PAVEL DRUZHININ

Karelia – realities and outlooks

Expert article • 2294

In the 20th century Karelian economy was growing at a fast pace. The country needed the resources possessed by its northern regions. Qualified manpower was invited to Karelia to master new territories and new technology (migrant Finns, then the GULAG, then workers and specialists from other regions USSR). As a result, the population of Karelia tripled by the 1990s and its industrial production increased 70-fold. In addition to mining and extraction, the manufacturing sector was developing, primarily the production of forestry machinery and paper.

There have always been problems in the development of the northern economy, but it is only in the market economy settings that they started affecting the economic development. The heaviest decline in Karelia in the 1990s happened in manufacturing, and the rise in the 2000s had little effect on it. Mining and extraction cannot keep growing rapidly. As a result, Karelian GRP is now 2/3 of the 1990 level, and the population shrank from 800 000 to 625 000 people.

The main distinctive feature of Karelia is its position at the national border. In 1992-1995, when Karelia was building up its contacts with Finland and the EU, exports from Karelia quadrupled and production decline almost stopped by 1995. Over a half (in some years up to 70%) of the region's industrial produce was exported. The crisis and export restrictions nearly halved exports to Finland, thus aggravating the decline in the Karelian economy. Roundwood export from Karelia in 2006 was five times that of 1990, and in 2015 already it was below the 1990 level. The export of goods in 2015 was only 50% of the 2011 level.

The development of the Karelian economy in the past decade has brought to light its strong dependence not only on the volatility of prices in the global market and the rouble exchange rate, but also on the politics in Russia and other countries. Normalization of the relationship between the Russia and the EU could give a new development impetus to the Karelian economy.

The three sectors most commonly developed in the North are extraction and processing of raw materials, services to the local population, manufacturing of products with low material-intensity and minor costs of delivery to the markets (usually goods and services based on intellectual property).

Analysis of the structure of EU national economies showed that its northern member states feature a higher innovative activity and ICT share. No such pattern is observed for Russian regions. Russian authorities do not share the opinion that universities in the North require more support and priority funding or that they and the associated scientific organizations are able to open new alleys for the development of the economy of northern towns and cities.

One can thus conclude that economic development in Karelia in the coming decades will continue to rely primarily on extraction and processing of raw materials. Regional authorities count on further development of existing industries – timber processing and paper-making, stone mining and production of iron ore pellets, and possibly on new developments utilizing other natural resources.

The republic's economy has been increasingly gaining benefits from tourism. Traditional routes (Kizhi, Valaam and Solovki) are joined by new ones. This includes not only vacations in lakeside retreats or whitewater boating, but also innovative ideas. For instance, the Ruskeala Mining Park, based on the old marble quarry, was visited by over 300 000 tourists within a year.

Petrozavodsk University trains excellent software programmers, who have been among the winners of international collegiate programming contests, but no large firms serving the Russian market have so far emerged. At present, Finland's 10% ICT employment level is unattainable for Karelia.

In Petrozavodsk there are some companies whose operations are based on the use of intellectual property, own or borrowed innovative ideas. They manufacture fire robots and specialized exercise machines; medical firms develop new treatment methods. They are, however, few and their contribution to GRP is less than 1%.

Ideas come from leaders, and there is a deficit of new leaders in Karelia. Since the early 2000s, the best school graduates have been leaving for St. Petersburg and Moscow universities, hardly ever returning. The republic's authorities do not yet find this situation alarming, unlike the authorities of many other regions. Those few ones who have returned brought in new ideas. For instance, the Neurolepsy company, founded by St. Petersburg State University and ITMO University alumni is designing devices for predicting epileptic seizures, competing in this sphere with French and Finnish companies.

If the authorities wake up to the challenges before them, a new sector based on intellectual capital will emerge and begin to develop rapidly in addition to the slowly developing traditional sectors. ■

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The EU needs to fundamentally reform its asylum system

Expert article • 2295

The EU is still struggling to agree on coherent and sustainable asylum policies. The root cause of many problems remains unaddressed: Refugees can only apply for asylum within the territory of the EU, but they have no legal pathways to do. They are thus forced to enter the EU irregularly. This contradiction makes the asylum system unfair and poses high costs and risks for asylum seekers and the EU alike.

Asylum seekers need a lot of money to pay smugglers who take them on a dangerous journey into an uncertain future. The more the EU invests in border fences, the higher those costs and risks become. There are also much higher intangible costs, such as leaving one's home and family and friends behind. All these sacrifices are in vain, however, if a person fails to enter the EU or obtain asylum. Consequently, those who attempt the journey are usually young, healthy, relatively well-off, male, and prepared to take the risks involved. The current asylum system systematically excludes those who are most in need of protection. Unable to afford the costs or take the risks, they have no chance to apply for asylum.

Cost is also a major issue for EU countries. They need to provide for all asylum seekers while their applications are being processed – regardless of their prospects of success. The lengthy and often frustrating application process also impedes the economic integration of asylum seekers. Their real integration into society and the workforce often only begins after their application is approved. If their application is rejected, many asylum seekers are not repatriated. They remain in the EU, but with no clear prospect of integration. In addition, there are the costs of border security and the restriction of free movement within the Schengen Area.

Registration "hotspots" on the EU's external borders do not solve these problems and simply shift them to the EU's periphery. Asylum seekers still need to reach those centers through irregular channels and have already left their home country.

The EU therefore needs a fundamental reform of its asylum system. Asylum seekers should be able to submit an application while still in their home country or another non-EU state, e.g., through an embassy or field asylum office. If the application is approved, the applicant could then travel legally to the country of asylum. At the same time, external safe havens should protect vulnerable asylum seekers while their applications are being processed. Such a system would have to be backed by strict control of the EU's external borders. Applications for asylum made inside the EU would no longer be possible. Compared to the current system, the proposed system would be more efficient, more humane, and more equitable.

For refugees, the system would eliminate the considerable costs and risks described above. If their application is rejected, they would not have been removed from their social network and would not face stigmatization from family members who, at present, often heavily invest in the attempt to obtain asylum. Applying for asylum would now be possible for everyone, not just those who make it to the EU. As a result, even the most vulnerable refugees would finally have access to the asylum process.

For EU countries, the new system would eliminate the cost of hosting applicants with no chance of being granted asylum. They would also avoid the costs of repatriation or a temporary right to remain for rejected asylum seekers. Funding would be reserved for recognized asylum seekers, i.e., the most vulnerable refugees. The cost of operating field asylum offices and protecting vulnerable refugees abroad should be lower than that of hosting all asylum seekers within the EU.

Since only recognized asylum seekers would enter the EU, their integration could begin immediately. It would also be possible to give preference to families as functioning social units. With a clear and long-term prospect, asylum seekers would have best incentives to invest in the language and skills needed in their new home country. In addition, all security checks could be performed outside the EU. Unlawful entry into the EU would lead to automatic exclusion from the asylum process, thus reducing the flow of refugees across the Mediterranean and decreasing demand for smugglers.

Clearly, the proposed system would also come with challenges. A cheaper and more accessible asylum process would initially lead to an enormous increase in the number of applications. It may thus be necessary to limit the number of approvals. However, as the recent decline in the number of refugees making it to the EU shows, the current system already has an implicit cap. Even worse, it systematically excludes those who are most in need of protection.

The proposed explicit cap would be transparent and would select based on humanitarian criteria. It would also need to be sufficiently large and could vary with the number of refugees worldwide. Having greater control over refugee arrivals to the EU would likely also increase public approval. In addition, there would be more transparency about the global demand for asylum. The cap and the humanitarian responsibility that comes with it would thus remain subject of public debate. ■

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AIJA LULLE

Evolving migrant identities: on Russian-speaking migrants from Latvia in Europe

Expert article • 2296

M eet Irina: Born in Latvia as a non-citizen (former citizen of the Soviet Union), she was 17 when she obtained her Latvian passport: “My mother obtained her Latvian passport on the same day. We were singing the Latvian anthem shoulder to shoulder. A day or two later we went for our first trip abroad. To London!”

After a year, once Irina had graduated from the gymnasium, she boarded a plane to the United Kingdom. She even did not stay for her graduation party, so eager she was to study arts in the UK. Now, in her late 20s, Irina lives in London and works as an artist. “I am a citizen of the UK too now, and I feel myself as British as I can and as I want. Sometimes I even feel that I was born here. I absolutely love this country. But in the meantime, all the locals, of course, see me as a foreigner. ‘Oh, where are you from?’ they ask. What’s the difference? I hate this question. It’s like—which family do you come from? I like to say that my home is here. If I feel that I miss ‘the Russian spirit,’ I can find it in many places here. Even more than I would need (smiles)... On Old Street there are parties for Russians in London and something like 2000 people show up. And there are also other places with a very active social life of Russian speakers in London. But with Russians from Russia— I actually do not have such close ties, because I myself have never been to Russia, I’ve never lived there. I am a Baltic person, I feel most like a Baltic person. This could be a more precise way for me to define my identity. A Baltic person in London. And I speak Russian. But this pure Russian soul—that’s a bit alien to me.”

I interviewed Irina in 2015. I am a migration scholar and my main interest is in qualitative methods—how people themselves interpret their evolving migrant identities. Very little research exists regarding Russian-speaking migrants from Latvia, however some new studies have emerged during the past few years.

Identifying people as ‘Russian speakers’ is as a common convention among social scientists and more precise than the ethnic category of ‘Russians’. Many of those who identify themselves as Russian speakers and speak Russian as their home language come from ethnically mixed families and form mixed families themselves. Throughout the 20th century there have been large-scale changes in the proportions of various ethnic groups in Latvia. The largest inflows of people whose primary language was Russian took place during the 1960 and 1970s. According to the latest census data, the ethnolinguistic minority of Russian-speakers makes up about one-third of the Latvian population (36%).

In the mid-1990s, about half of the Russian population could speak Latvian, while something like nine-tenths of all Latvians could speak Russian. Currently, the younger generation of Russian speakers acquire Latvian quickly, and most finish school with a good

command of the language. Naturalisation is another important aspect of evolving identities and provides some historical background of many Russian speakers in Latvia. Naturalisation was introduced in Latvia in 1995; rates peaked immediately after Latvia joined the EU in 2004, but then plummeted around 2007 and continue to decrease year by year. Over the past two decades, the overall population in Latvia, including Russian speakers, has been declining rapidly due to emigration and for low birth-rate. Although reasons for emigration are very similar for Latvian and Russian speakers, Russian-speaking emigrants tend to leave for good; in other words, they consider return migration to a lesser extent. Those who leave tend to use their Latvian citizenship instrumentally, as a vehicle that allows them to cross EU borders freely. According to longitudinal research done by various Latvian-based research institutions, obtaining a Latvian passport is not seen as an emotional statement of loyalty to the Latvian state, despite the fact that the younger generation of Russian-speakers are well integrated into Latvian society.

The most realistic future scenario predicts the formation of more permanent emigrants outside of Latvia, where links to Latvia are personal and social (e.g. to relatives), as well as nostalgic (emotional ties to one’s place of birth), but ties to Latvia as a state are weaker. Indeed, as my research participant Irina said, “I am Baltic-Russian-Brit with passports from Latvia and the UK. I don’t see Latvia as some kind of sacred homeland. It is the country where I was born, and so what? When I visit Latvia, people also treat me as a foreigner. When I am shopping, or I go to a bar, or I try to buy a bus ticket, people hesitate—how should they approach me? In Latvian, Russian, English? In any language! I speak all of them, but somehow they see me immediately as a foreigner, even without asking.” ■



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Migration and the Lithuanian economy

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During the last two decades, Lithuania has experienced a very high rate of population mobility, which peaked during the early years of EU membership (2004–2006) and once again during the recent economic and financial crisis (2009–2011). Lithuanian workers took advantage of economic opportunities abroad and made the most of free movement within the EU and EEA. They settled in the UK, Ireland, Germany, Norway, and many other countries. Lithuanian citizens may be found working in all sectors of the host countries' economies, from low-skilled jobs in agriculture and the service sector, to technical, academic or managerial positions requiring highly sophisticated skills.

From the personal perspective of most migrants, mobility has worked well: they have not only gained income and learned new skills, but also contributed to the economies of the host (by paying taxes) and home country (by sending remittances). Nonetheless, behind every migration experience there is a story of success and disappointment, excitement and nostalgia, friendship and loneliness. These mobile workers have also undergone a process of redefining their links to the home and host countries, and, in broader terms, reinterpreting their identities, including the crucial question of whether they are settling abroad permanently, or one day plan to return.

During the same period, Lithuanian society has undergone a lengthy process of defining its own relationship to the mobile part of the population. The narratives vary, from celebration to despair. Migration has produced varied and complex effects, some of which are still unfolding. It has not only decreased the labour supply, but also the number of students and schoolchildren, due to the emigration of entire families, or family reunions in host countries. It has had a negative effect on the quantity and quality of public services, with many doctors and teachers opting for a career abroad. The country's demographic balance has been affected, as the migrant population predominantly consists of those aged 25 to 45. On the positive side, the majority of mobile Lithuanians maintain links to the country and do not define themselves as 'emigrants'. Some of them contribute to the home country's economy through their networks, business or charitable initiatives. A significant number of migrants have returned to the country, and brought with them not only their savings, but also the skills and connections they developed abroad. The migrants have attracted foreign direct investment into Lithuania, particularly by facilitating business connections; there are also examples of persons returning to Lithuania to establish branches of the companies in which they have pursued successful careers.

Academics and practitioners are engaged in a protracted discussion as to the best policies to address migration and encourage return. In essence, this discussion is about the ability of the government to direct the economy of the state, and to influence the complex decisions made by its people. Some authors take a state-centrist view and believe that a mix of political will, appropriate policies and adequate resources could change the dynamics of the current situation. Yet the process of migration has a great deal of inertia at a time when public resources are scarce, and demands upon them from all groups in society appear ever-increasing. Policy success depends

not only on the ability of the political leadership to identify the correct policy principles and say the right words, but also to gain trust, inspire and agree on compromises. It is also contingent on the administrative capacity of state institutions to actually work out the policy details and

implement them.

An appropriate policy mix would recognise migration as an important personal decision and acknowledge its benefits. All of these would be supported by policies aimed at maintaining links with the mobile part of the population, involving it in the political process of the home country, and cultivating cultural exchanges. In the long term the key is to tackle the economic and social factors involved in migration, which are also intrinsically linked to the overall economic and social success of the country. This means focusing on key drivers such as education and innovation, and at the same time finding the right balance between flexibility and security in the labour market. Indeed, various existing policies in different fields inadvertently encourage or discourage return migration and integration. They have to be rethought to take into consideration the needs of the mobile population. ■

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Making Lithuanian emergency medical service (EMS) system more urgent

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Substantial social, economic and political changes began after Lithuanian Independence has been restored in 1990. These changes became especially active in 2004 when Lithuania joined the European Union (EU). Lithuanian population dropped by 23 percentage points since Lithuania regained its independence. There are two main causes of this population decrease: high emigration and negative natural population change.

According to the official statistics on average 50 thousand people left Lithuania annually during the timeframe of 2010 to 2017. The emigration rates per thousand people are the highest in the EU. The negative impact of the emigration is offset a little by an increased immigration flow to Lithuania. Natural population change is a change of the population and its composition that are related to birth and death. There are three main causes of death in Lithuania: cardiovascular diseases, malignant tumours and external factors. These three causes account for 84 percent of all deaths, according to the 2015 data.

First let's look at the main external causes of death because EMS should be focused on the service demand. Difficult to understand why? But suicide is one of the biggest external causes of death in Lithuania. Suicide rates in Lithuania exceed the EU average suicide rate by more than three times. Other external causes are car accidents and falling accidents. Also, many deaths are caused by the large alcohol consumption. An ischemic heart disease is another factor influencing the EMS demand in Lithuania.

Statistical data about the Lithuanian EMS is not collected. The extent of the EMS is best represented by the absolute number of ambulance care services, which has decreased by 2010 but it reached 1993 level again by 2015. The number of the ambulance care services increased due to the closures of some hospitals in regional centres. The ambulance care services consist of four main groups: acute illnesses and conditions, accidents, transportation of patients and pregnancy/perinatal pathology. The volume of ambulance care services for the urgent illnesses and pregnancy related conditions have decreased but the numbers for the injuries and patient transportation increased. Urgent illness group consists of patients that seek care for the circulatory system diseases, oncological illnesses or respiratory failures.

Although the volume of the ambulance care services from 2001 to 2015 has been increasing very slightly, the dynamics of the ambulance care staff undergone more significant changes – the nursing staff dropped by 25 percent and the medical doctor staff decreased by 81 percent. Such a sharp decline in doctor staff is related to the new ambulance care service concept that was approved in 2002, according to which patients in most cases are transported to the doctors in ambulances, the so called Anglo-American model. Doctors are replaced by the paramedic staff.

Lithuania's Health care system is divided into three political and administrative levels: National Health, County Health, and Municipal Health. Its emergency care is free which is financed from Compulsory Health Insurance Fund and by the Government (for citizens without health insurance). The scope and requirements for the provision of the emergency care, including urgent care and ambulance work, are regulated by the Ministry of Health. Emergency care is commonly provided by general practitioners during services hours. Alternatively, and during the general practitioner out-of-hours services, it could be provided by the emergency departments at the hospitals.

Lithuanian EMS system was built taking into account the most effective EMS management models and applications from other countries. Lithuanian EMS includes: 1) pre-hospital phase, during which an initial medical care is provided to a patient at the place of an accident before the patient is taken to the nearest hospital; 2) in-hospital phase at the nearest hospital, during which urgent and effective medical care is provided to a patient to minimize the trauma or illness effects and the possibility of death; 3) inter-hospital or transfer phase when the patient's condition has been stabilized and the continuation of the medical care could be provided at another medical institution based on the specific patient needs; 4) post-hospital phase, during which the patient is transferred to the rehabilitation facilities for further treatment.

The research of the Lithuanian EMS system and its management was carried out jointly by scientists of Klaipeda University and Klaipeda University Hospital during 2015-2016. The research method was a Quantitative Analysis, and the instrument was four types of surveys. Respondents were chosen based on the competency: managers of the inpatient personal health care facilities and ambulance care services, managers of the intensive care units, and Heads of the Emergency departments. General set consisted of 168 persons related to the EMS system management. Survey volume was 117 from all over Lithuania. Survey sites included 60 hospitals and 19 ambulance care centres.

The following EMS management tools were analyzed during the study: the optimal number of the emergency care categories, their names and service times; the introduction of the fee for the non-urgent care services; initial assessment of the patient's condition performed by the nursing staff; location of the patient transportation; the determination of the Emergency Department employment indicators; the introduction of payment for the patients transfer between hospitals; emergency care coordination; a separate phone number for the ambulance care; mixed pre-hospital service model; use of the military medical staff; determination of the performance criteria; control of the emergency patient external and internal flows; regulating the patient transportation between hospitals; implementation of the standard protocol of the patient examination; providing information to the family doctors.

EMS process that includes coordination, command, urgent medical care at the place of accident, pre-hospital transportation, assessing patient's condition and providing first care, and transportation between the hospitals was analyzed during the research. Since the proposed model has both American and German emergency care elements, it was proposed to have a mixed emergency care model.

The analysis of the research data revealed that legal and general management methods should be used to achieve Lithuanian EMS system management goals and objectives. The study identified the following control weaknesses within the Lithuanian EMS system: lack of legal regulation within EMS system; inadequate assessment categories resulting in excessive patients flows; lack of approved protocols, algorithms and performance standards; lack of skilful and qualified resources; lack of EMS quantitative and qualitative performance measures; lack regulation within patient transportation between hospitals; lack of emergency care system funding; inadequate public awareness and education.

The following EMS availability and quality improvement measures have been proposed: patient selection should be optimized; quantitative and qualitative indicators within Lithuanian EMS should be developed and implemented; competencies of the nursing staff should be enhanced and the military medical staff should be used; establishment of regulations within; external and internal patients' flows should be regulated; long-term EMS management system should be developed and implemented; public knowledge and awareness should be enriched. In summary, the possibilities for the improvement of the management of the EMS system, the scope of EMS further application remains broad, and the presented improvement measures and developed model can already be successfully used to improve the availability and quality of the Lithuanian EMS. The proposed management of the patient flows and the regulation for the payment of emergency and emergency medical service is already being discussed by the Lithuanian Health Policy owners; therefore, it can be expected that the emergency medical service in Lithuania will become even more urgent in the future. ■

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Ten mysteries related to the contemporary Russian economy

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On the 1st of October 1939, Sir Winston Churchill began a radio speech as follows: *“I cannot forecast to you the action of Russia. It is a riddle wrapped in a mystery inside an enigma; but perhaps there is a key. That key is Russian national interest”*. After the Russian-Georgian war and the annexation of Crimea to Russia, foreign experts have begun to wonder what Russia’s current national interests are – and what its future actions may be? Have the West lost the key to the Russian thinking?

Ten mysteries related to the contemporary Russian economy puzzle me. First, Russia’s economic growth is slower than earlier in the millennium. Relatively slow growth underlines the need for reforms. Despite the need for change, some key decision-makers in Russia seem fixated on maintaining stability. But how can stability be maintained while there is an urgent need for a comprehensive reform? Or do we have to wait for real reforms until the stability nostalgia, arising mainly from the fear of the repetition of the events of the 1990s has disappeared?

The second mystery concerns the role of the state in the Russian economy. The state’s share of GDP has grown dramatically in this millennium. How can economic growth, dynamism and flexibility be achieved while the state’s role in the economy increases? Or is state capitalism just a temporary phase in Russia’s long-term transformation? Can we expect more private sector-oriented policies in the foreseeable future?

Three, some Russian politicians have stated that Russia will turn towards China due to Western sanctions. Does Russia really aim to re-orientate towards the East, or rather, does it intend to enter into more balanced external economic relations between the East and West. Here, we should not forget that Russia’s economy currently leans heavily towards the EU. EU-based companies – excluding those registered in Cyprus – are responsible for a third of Russia’s accumulated foreign direct investment, and the EU accounts for more than 40% of Russia’s foreign trade, over half of its crude oil exports and 75% of its natural gas exports.

Four, the renewable energy revolution is progressing surprisingly rapidly within the EU. Just 20 years ago, renewables covered 5% of our energy consumption. They now account for nearly 15% and the green revolution is likely to accelerate. Since fossil fuels generate the lion’s share of Russia’s budget revenues and the EU is the largest buyer of Russian energy, I wonder how Russia has begun preparing itself for falling demand in its largest energy export market.

Five, exposing companies to global competition is probably the only effective way of achieving sustainable global competitiveness. Russia’s current import substitution policy is ignoring this lesson, which makes me wonder how long Russia aims to protect with administrative means its industries. Moreover, should we expect more protectionism in Russia as a counter-reaction, what may happen in the world’s largest economies?

Six, despite the slowdown in Russia’s economic growth, its military spending remains high. According to the Stockholm International Peace Research Institute, official military expenditure exceeded over

5% of Russia’s GDP last year. The respective share was 2% in China, 3% in the USA and 1.4% here in Finland. Is Russia’s heavy military burden leading to a vicious circle, in which convenient conflicts are a political blessing, keeping the domestic audience satisfied with Russia’s military achievements at the expense of lesser improvements in living standards?

The seventh riddle concerns the role of business in building bridges between Russia and the West. It has traditionally been thought that economic interdependence would help to maintain peaceful relations between Russia and the West. After the war in Georgia and the annexation of Crimea to Russia, I wonder whether this is still valid. For example, Lithuania is perhaps the most dependent EU member state on the trade with Russia, but nevertheless, its relations with Russia cannot be characterized as smooth. Has geoeconomics been replaced by geopolitics? Does business build bridges any longer, or are we afraid that foreign companies and their investments serve as a Trojan horse?

Eight, Yegor Gaidar wrote a book called *“Collapse of an Empire: Lessons for Modern Russia”* 10 years ago. In his book, Gaidar warned Russia’s contemporary leadership about empire nostalgia, authoritarian rule, oil dependency and many other issues. Has modern Russia learned its lesson from the mistakes of the Soviet Union? And moreover, should the EU and US leadership read this book not only to comprehend Russia better but to understand our own foundations better?

The ninth enigma concerns the development of the rule of law in Russia. We read, every now and then, about a foreign firm or a foreign businessman being treated in an unruly manner by the Russian authorities. The latest case concerning a Finnish businessman is the destiny of Motorship Charlotte, which was confiscated by the Russian Customs in Vyborg this summer. Despite the fact that Russian business environment has clearly improved since the beginning of the millennium as reported by the World Bank, have the rules of the game become less clear again?

Ten, the last 100 years have seen several distinguishable stages of development in Finland’s economic cooperation with Russia, varying from non-existing relations of the crisis periods, politically-shadowed close cooperation of the clearing trade to the free market-based relations prevailing at the moment. I wonder what kind of cooperation between Finland and Russia follows after the sanctions have disappeared. ■

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