

# Developments in the Security Environment of the Baltic Sea Region up to 2020

**September 2012**

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ISSN 2228-0529

ISBN 978-9949-9174-2-6

## TABLE OF CONTENTS

<b>FOREWORD</b>	2
<b>EXECUTIVE SUMMARY</b>	3
<i>Global and institutional challenges</i>	3
<i>Regional challenges</i>	4
<i>General recommendations concerning external factors</i>	5
<i>Recommendations to strengthen regional security identity and to enhance regional cooperation</i>	6
<b>INTRODUCTION</b>	8
<b>Delimitations</b>	9
<b>GLOBAL TRENDS</b>	9
<b>US pivot towards Asia</b>	10
<b>Proliferation of Weapons of Mass Destruction</b>	10
<b>Middle East</b>	12
<b>High North</b>	12
<b>Rise of Russia</b>	13
<b>INTERNATIONAL ORGANISATIONS</b>	15
<b>North Atlantic Treaty Organisation – NATO</b>	15
<b>European Union – EU</b>	18
<b>SECURITY POLICY OF THE MAIN SECURITY ACTORS OF THE BALTIC SEA REGION</b>	20
<b>Russia</b>	20
<b>Other factors of concern related to Russia</b>	22
<i>Conventional Armed Forces in Europe – CFE Treaty</i>	22
<i>Nord Stream Gas Pipeline</i>	23
<i>Ballistic Missile Defence (BMD)</i>	25
<i>Soft power as a foreign policy tool</i>	26
<b>United States of America</b>	27
<b>Germany</b>	30
<b>United Kingdom</b>	33
<i>Baltic states</i>	36
<b>Estonia</b>	36
<b>Latvia</b>	39
<b>Lithuania</b>	41
<i>Nordic countries</i>	44
<b>Denmark</b>	44
<b>Finland</b>	46
<b>Norway</b>	48
<b>Sweden</b>	50
<b>Poland</b>	52
<b>COOPERATION OF THE BALTIC SEA REGION</b>	54
<b>Nordic cooperation</b>	54
<b>Baltic cooperation</b>	56
<b>Nordic-Baltic defence cooperation</b>	58
<b>Other cooperative schemes</b>	61
<b>CONCLUSIONS</b>	63
<b>Security challenges of the Baltic Sea region</b>	63
<i>Global and institutional challenges</i>	63
<i>Regional challenges</i>	64

## FOREWORD

A research team led by the International Centre for Defence Studies (ICDS) was asked by the Foreign Policy Committee of the *Riigikogu* (Estonian Parliament) to undertake research on the topic of ‘Developments in the Security Environment of the Nordic and Baltic Sea Region up to 2020’.

The purpose of the research project was to evaluate the security situation in the Baltic Sea region in a 10-year perspective; to provide an overview of the key security threats in the region; and to define possible areas for enhanced cooperation between the Baltic Sea countries.

Research was conducted by a research team, which included the following members: Riina Kaljurand, a researcher at ICDS, acting as project manager; Julian Tupay, a junior researcher at ICDS; Karlis Neretnieks, Major General (ret.) conducting research on Nordic and Baltic security for the Royal Swedish Academy of War Sciences; and Bo Ljung, former head of the Northern Security and Stability project at FOI (Swedish Defence Research Agency).

## EXECUTIVE SUMMARY

The purposes of this analysis were to evaluate the security situation in the Baltic Sea region in a 10-year perspective, to provide an overview of the key security concerns in the region, and to define possible areas where cooperation could be enhanced between the Baltic Sea countries.

### *Global and institutional challenges*

With relatively healthy economies, homogeneous culture and common membership of most Western security organisations, the Baltic Sea region is becoming increasingly secure, and is developing as an interface with the most developed region of neighbouring Russia.

However, the security of the Baltic Sea region cannot be seen separately from the security of the transatlantic space, as the variables of regional and global security are increasingly intertwined. When it comes to the factors defining the Baltic Sea region's security situation more specifically, the relevance of hard security concerns and guarantees to the Baltic Sea countries must be seen against the background of Russia's assertive behaviour in the region; its policies towards the US and NATO, and the vulnerability of regional security arrangements. While no direct military threat is perceived by any of the Baltic Sea countries, there is concern based on the growing imbalance of forces between Russia and the North Atlantic Alliance in the region. The capabilities of military forces in Europe and defence expenditure in the region are changing in Russia's favour. The modernisation of Russia's military forces and the deployment of the most up to date equipment along the borders of the Baltic states and in Kaliningrad will make it harder for NATO to bring reinforcements to the region should the need arise.

The growing scarcity of resources both in the US and Europe, changing geopolitical realities and the generational change in US leadership is leading to less focus on European affairs, requiring a thorough reassessment of both the distribution of burdens within the transatlantic alliance and of national contributions.

With no direct military threat in sight and with the continuing economic crisis in the eurozone, defence will not be a priority area for most of NATO's European allies and partners any time soon; and it takes time for defence budgets to fully recover.

The different priorities of the European NATO allies and partners have resulted in the gradual regionalisation of European security, putting more responsibility on regional arrangements. This is not necessarily a negative phenomenon as it enables more tailored solutions, but stronger regionalisation must not be

accompanied by the watering down of the security responsibilities of NATO and the EU.

The divide between the allies regarding NATO's deterrence posture in Europe leads to the risk that NATO's policies will fragment, especially those related to tactical nuclear weapons.

The increasing focus of Russia, the Nordic countries, the UK, the US and other players on the Arctic region can also impact the security situation in the Baltic Sea. The reallocation of resources and the attention, particularly of the Nordic countries, to the High North may result in a security vacuum in the Baltic Sea region and leave Russia considerable room for manoeuvre, both politically and militarily.

### *Regional challenges*

In addition to global and institutional security challenges, the security of the Baltic Sea region will increasingly depend on the ability of the Baltic Sea states to adapt to these concerns and changes, to converge strategic thinking, to cooperate and to offer regional solutions that would support the implementation of NATO EU policies.

Although, the Baltic Sea region has often been highlighted as a role model for efficient cooperation, the area of security and defence has remained a controversial one. There have been several sub-regional security cooperation formats since the end of the Cold War. Although, very useful at the time, these formats have not really succeeded in deeper integration in the region. The best push factors for cooperation have been the financial crisis and the Russia-Georgia war of 2008.

Against the background of changed security environment and the new fiscal realities, one can conclude that the role of regional security arrangements has radically increased and more emphasis needs to be laid on the development of common regional security identity and regional cooperation mechanisms. The different security outlooks, different threat perceptions and old prejudices are still present in the security policies of the Baltic Sea countries, posing a challenge to a deeper defence and security cooperation. However, analysis of the most recent security strategies of the Baltic Sea countries shows that a need for deeper regional cooperation has been recognised by all. The momentum for a Northern lead is there and it is important to take advantage of it.

## Policy recommendations

While the abilities of small countries to change the course of things are limited, there are diplomatic and political means to have an impact. Estonia has been a vocal proponent of further regional integration and it should continue on this path. Regarding the global, institutional and regional challenges of Baltic Sea security the following steps could be considered by Estonia:

### *General recommendations concerning external factors*

1. Constantly remind the US that it has loyal allies and partners in the Baltic Sea region by supporting the US in international institutions and participating in US-led actions where this can bring added value to regional security;
2. Regionalisation of security is inevitable but regional defence cooperation must be developed and supported to the extent it facilitates NATO and US activities. The countries in the region have to be prepared to pay for credible defence and to enhance security cooperation and the interoperability of their forces both when it comes to regional cooperation as well as to be able to operate together with US forces;
3. It is important to keep up defence spending to maintain the reputation of a credible ally;
4. US leadership in NATO and interest in the Baltic Sea region must be maintained;
5. Estonia must continue to stress the importance of Article 5 to keep up the momentum of the Lisbon process;
6. Regarding NATO's deterrence posture in Europe, it is in Estonia's interest to keep the balance of conventional forces, ballistic missile defence, and tactical nuclear weapons. Readiness, deployment and capabilities in Northern Europe to maintain deterrence must be improved;
7. It is important to develop other forms of cooperation with the US where there are coinciding interests. One possible area is to offer assistance in dealing with the Eastern Partnership countries. Forums for discussing developments in Russia, the High North or smart defence can also be organised by Estonia;
8. Regular high-level US visits to Tallinn must be maintained. Tallinn can be established as a meeting point for leaders from the US, the regional

capitals, Russia and the international organisations for discussions concerning regional matters;

*Recommendations to strengthen regional security identity and to enhance regional cooperation*

9. The attention of the other big players in the region such as Germany and Poland must be attracted by inviting them to participate in the common Nordic-Baltic initiatives and including them in the process of crisis management through common exercises, planning and training;
10. Regarding Russia's military deployment in the Baltic Sea region, territorial defence must not be forgotten. Estonia should support neighbours' efforts to make their territories available for systems able to counter S-400 and Iskander missiles;
11. More regular exercises are needed in the framework of contingency planning to strengthen the transatlantic link and to increase NATO's visibility in the region. This presumes national acceptance of the division of labour;
12. The possibility to use Multinational Corps NE Szezczin as a tool for increased cooperation and integration between NATO countries as well as NATO partners in the Baltic Sea region should be investigated;
13. To increase the confidence between the Nordic and the Baltic countries, cooperation should be encouraged and promoted in all areas (cyber defence, energy, societal security, military exercises and education);
14. Estonia should strive for a leadership role in Nordic-Baltic defence cooperation aiming at the integration of Nordic and Baltic defence capabilities. Cooperation within the framework of NORDEFECO should be increased;
15. The Baltic states and the Nordic countries should be invited to participate in each others' military exercises;
16. Estonia should also support involving Sweden and Finland in NATO planning and exercises, including contingency exercises. Finland and Sweden are of key importance when it comes to contingency planning for the Baltic states;
17. A new NATO 'Nordic Initiative' could be developed based on the advanced partnership idea involving Sweden and Finland;

18. Like Poland, Estonia should apply for observer status in the Arctic Council in order to keep up with developments in the High North and the activities of the parties involved, including the EU and NATO. In a 10-year perspective, Estonia should be prepared to give support to or simply assess the Nordic positions in the High North.
19. Defence cooperation between the Baltic countries has to be reformed and intensified in the areas of policy planning and procurement, logistics, infrastructure, training and education. A common procurement committee of the Baltic states should be established to synchronise procurement cycles and standardise procurement criteria;
20. The role of the Baltic Defence College in the Baltic Sea region must be promoted. The involvement of the Nordic countries, Poland, Germany, UK and US in the college as shareholders should increase;
21. In order to increase societal resistance and successfully manage the implications of Russian soft power, intelligence cooperation between the Baltic states must be enhanced, economic measures controlling Russian capital inflow (in key sectors of the economy and cultural organisations) must be established; new ways of integrating the Russian speaking minority have to be elaborated in parallel with awareness raising of a multicultural society among Estonians, Latvians and Lithuanians;
22. Creation of a stronger regional platform will compensate the increasing political influence of Russia in Northern Europe. It is important to raise awareness of Russian political and economic pressure in the Nordic countries, NATO, the EU and the US;
23. Estonia should take a more proactive position regarding the issue of Nord Stream by seriously calculating all costs and benefits, and assess all the risks. Estonia could drive a hard bargain when it comes to revenues from Gazprom;
24. Nord Stream is an international project. One way to solve the problem of security could be to create a very transparent joint Estonian-Russian security regime when it comes to protecting the pipeline and other related installations. Another way would be to make it an international task, involving German, Russian, Estonian and Finnish units and organisations.

## INTRODUCTION

Despite the enlargement of the EU and NATO in 2004, which extended the membership of either or both organisations to the Baltic Sea region countries (except Russia), the region still lacks a comprehensive approach to different security and defence issues.

Germany and the Nordic countries prefer the principle of desecuritisation of cooperation issues, thus avoiding causing irritation to Russia. Nordic defence cooperation is an excellent example of how to make efficient use of resources and means, but their cooperation in some areas, for example defence planning, is limited by political and legal obstacles depending on their membership in either the EU or NATO. The Baltic states and Poland have remained sceptical of Russia's democratisation attempts. Each country in the region wants to strengthen the security impact of the organisation in which it seeks security. It is important to every one of them that cooperative efforts are initiated in a forum where they can participate in decision-making processes.

Russia's ambition is to restore its influence in the region and to maintain its safe trade routes to Europe, yet its policies are controversial. It desires cooperation with the Baltic Sea countries, especially with the Nordic countries and Germany, to implement its technological modernisation agenda. At the same time, demonstrations of power along Baltic borders and in Baltic airspace, together with politically loaded and critical statements about the discrimination of Russian-speaking minorities in the Baltic states, indicate Russia's opposition to NATO and the US.

On the one hand, the security situation in the Baltic Sea region has never been more stable. On the other hand, the security environment is an ever changing entity and regional security depends more than ever on global developments and on our ability to adapt to changes.

The EU and NATO are facing great challenges in terms of economic recession, defence budget cuts, the decrease of military capabilities, the US pivot towards Asia, the unpredictability of Russia's domestic and foreign policy, the rising importance of the Arctic and the developments in China and in the Middle East.

All these changes influence the security environment of the Baltic Sea region and require that priorities be reassessed and resources reallocated. The weaker and the more fragmented the EU and NATO are, the more important regional security and defence cooperation becomes.

The study addresses three main research issues:

1. What are the key global factors that influence the security architecture in the Baltic Sea region?
2. What are the key regional factors that influence the security architecture in the Baltic Sea region?
3. What can Estonia do to improve the regional security situation?

The study is divided into six chapters: the first chapter outlines the structure of the study and gives an overview of the delimitations of the study; the second chapter is dedicated to the global security developments that have an impact on Baltic Sea security; the third one analyses the developments in the two major security organisations – the EU and NATO – and their impact on regional security arrangements; the fourth chapter gives an overview of the leading regional security actors and their foreign and security policy priorities – the littoral states and the non-littoral states that play a key role in the regional security architecture; the fifth chapter examines regional cooperative frameworks; and the sixth chapter outlines the most significant security challenges and offers policy recommendations.

### **Delimitations**

Although the concept of security includes both hard and soft elements, this study deals mostly with the hard security aspects of Baltic Sea regional security. This is partly due to the background and experience of the members of the research group and partly due to the short time limit of the study, which required limitations to be placed on its scope. The issues of energy security and Russia's use of soft power instruments in the Baltic states, for example, are of great importance, but both topics deserve more thorough research and would be better dealt with in a separate study. However, the specific issue of Nord Stream as well as the use of soft power have been touched upon to the extent they are relevant to the overall context. Other issues worth taking up in the context of Baltic Sea regional security are the 'new' security issues such as cyber, environment, transport and human trafficking.

This study gives a general overview of the hard security issues in the Baltic Sea region, outlining the security policies of all the littoral states and also of those other states connected to the Baltic Sea security architecture. Providing this overview according to country, rather than topic, inevitably limits the level of detail and depth that can be paid to each topic.

## **GLOBAL TRENDS**

There are two developments that are currently transforming international politics: a power transition from West to East and power diffusion away from states. This means that both the US and Europe must cooperate with others to achieve their objectives. While assessing the regional security environment, the global security environment must be kept in mind as it continues to present an increasingly complex set of challenges. We have chosen to describe the challenges relevant to the security architecture in the Baltic Sea region from the perspective of their significance for the US and for NATO, the two main security guarantors of the region.

## US pivot towards Asia

The US has been Europe's principal security partner and key ally in NATO and will continue to be so for the foreseeable future. However, as the strategic landscape has changed, the US has decided to change its posture in Europe. Having focused on and allocated immense resources to Afghanistan and Iraq for ten years, the US is undertaking a strategic pivot towards Asia. It is the intention of the US to secure and sustain America's global leadership by remaining an Asia-Pacific power. The Strategic Guidance Review<sup>1</sup> unveiled last January refers to the necessity to re-balance towards Asia-Pacific as the region has become a key driver of global politics.

The main rationale behind the strategic turn is twofold: economic and military. At a time of fiscal austerity, the Asia-Pacific region includes many global growth engines. Open markets in Asia provide the US with investment and trade opportunities, together with access to new technology. The economic recovery of the US depends heavily on exports and the ability of American firms to tap into the vast and increasing consumer base in Asia.

The growing American presence helps to reduce the risks of conflict in the region. The biggest risks pointed out in the strategy would involve a power vacuum related to China's rise; the South China Sea maritime territory dispute; and nuclear cooperation between North Korea and other countries in recent years. According to the strategy, the challenges in the region require that the US pursue a more geographically distributed, operationally resilient and politically sustainable force posture. The basing arrangements with traditional allies in Northeast Asia will be modernised and complemented with arrangements in Southeast Asia and into the Indian Ocean to better distribute military presence across the region.<sup>2</sup> Trilateral coordination with Japan and South Korea will probably be a key element of the US Asia strategy.

For the first time, Asia's defence spending is about to overtake that of Europe, which means that it is certainly in Europe's interest that the US rises to the challenges emerging from Asia. On the other hand, the European allies are most concerned about US guarantees under Article 5.

## Proliferation of Weapons of Mass Destruction

While there has been a major reduction in the global nuclear weapons stockpile since the mid-1980s, the number of nuclear weapon states has increased. Despite the current global rhetoric about nuclear disarmament from the nuclear

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<sup>1</sup> "Sustaining U.S. Global Leadership: Priorities for 21st Century Defence," *Defense Strategic Guidance*, January 2012. [http://www.defense.gov/news/Defense\\_Strategic\\_Guidance.pdf](http://www.defense.gov/news/Defense_Strategic_Guidance.pdf).

<sup>2</sup> H. Clinton, "America's Pacific Century", *Foreign Policy*, November 2011, [http://www.foreignpolicy.com/articles/2011/10/11/americas\\_pacific\\_century](http://www.foreignpolicy.com/articles/2011/10/11/americas_pacific_century)

armed states, the evidence points to a new era of nuclear weapons modernisation and growth.<sup>3</sup>

The only aspect of weapons of mass destruction (WMD) relevant to the Baltic Sea region is the question of tactical nuclear weapons in Europe. Although the possible spread of nuclear, chemical and biological weapons is a concern for most countries in the world, the implications of such developments are of lesser importance for security in the Baltic Sea region, perhaps with the exception of how developments in the Middle East (especially Iran) might influence the deployment of missile defence systems in Eastern Europe and Russian reactions to such measures.<sup>4</sup>

The EU and NATO are divided on this issue. At the Lisbon Summit in 2010, NATO members agreed to conduct deterrence and defence posture review to figure out what mix of nuclear, conventional and missile defence capabilities NATO needs. While Germany, Norway, Belgium and the Netherlands would prefer that such weapons would be abolished, or at least not stored in Europe, other countries such as Poland, the Czech Republic and the Baltic states have so far taken the position that the deployment of tactical nuclear weapons should be linked with what Russia does.<sup>5</sup> In this respect, France's point of view is that its weapons arsenal has nothing to do with either NATO or the EU – it is a question decided exclusively by France.

A renewed interest in the issue was created by the Russian Ladoga-2009 and Zapad-2009 exercises with their scenarios including the use of tactical nuclear weapons. This could partly be explained by Russia's current perceived inferiority in conventional forces to be compensated by the possible use of tactical nuclear weapons.

If the on-going Russian military reform is successful and NATO force reductions continue, the Russian argument may become a NATO argument instead. To compensate for the lack of conventional forces, tactical nuclear weapons may once again become the solution. The New START Treaty between the United States and Russia arguably represents the most significant arms control advance in two decades, but the treaty contains significant gaps, which means that it will not necessarily lead to significant reductions in the number of nuclear weapons held by both parties.

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<sup>3</sup> Data in this paragraph has been drawn from a comprehensive study by Ian Kearns, "Beyond the United Kingdom: Trends in the Other Nuclear Armed States," British American Security Information Council (BASIC), November 2011, <http://www.basicint.org/sites/default/files/commission-briefing1.pdf> (accessed in July, 2012).

<sup>4</sup> Iran continues to progress with its uranium enrichment programme despite UN Security Council sanctions. It also continues to develop ballistic missiles to target its regional adversaries, Israel and Eastern Europe. With sufficient foreign assistance, Iran may be technically capable of flight-testing an intercontinental ballistic missile by 2015.

<sup>5</sup> A. Somerville, I. Kearns and M. Chalmers, "Poland, NATO and Non-strategic Nuclear Weapons in Europe," Occasional Paper, February 2012, RUSI, London.

## Middle East

There has been more change in the Middle East since early 2011 than probably in any given period since the 1960s. What started off as a push for change in the Middle East and in North Africa is now dominated by a bloody civil war in Syria. According to many analysts, the phrase ‘Arab Spring’ has become a misnomer. The emergence of genuinely democratic states in the Arab world is quite unlikely in the medium term.

Since early 2011, power has changed hands in Tunisia, Egypt and Libya. Yemeni leaders were forced to step aside, while the Syrian regime is fighting a desperate battle for its survival with the help of Iran. Jordan, Algeria and Morocco have so far managed to fend off popular uprisings. Bahrain remains a revolt-in-waiting as the protests there are fuelled by the government’s failure to enact reforms that would end the discrimination of the majority Shiite population and to enable talks with the opposition.

There is no clear division between North Africa and the Middle East; the Arab Spring countries cannot be treated in isolation from the Gulf states, Israel and Turkey. Moreover, the confrontation between the Wahhabi regime and the predominantly Shiite population of the oil-rich Eastern Province of Saudi Arabia seems to deepen,<sup>6</sup> whereas tensions simmer around the Iranian nuclear programme and inflammatory statements regarding the possible closure of the Strait of Hormuz.

The oil and gas resources of the Middle Eastern and North African region remain crucial to meeting the world’s energy demand, but many states in the region face the challenge of rapidly rising domestic energy consumption and demographic and budgetary pressures to generate economic growth.

Potential unrest and unprecedented upheavals in the region also put more pressure on the international community. Until the Libyan crisis, Europe and NATO had been relegated to secondary status by the US administration as it shifted its focus to Asia. Future developments in Iran, in Syria, in the Gulf and in Egypt might force a reassessment of the US strategic posture.<sup>7</sup>

## High North

Another challenge for the international community is the emergence of the Arctic region as an area of international contention, prompted by global climate change and the importance of energy with which the Arctic is lavishly supplied. The region has not only become a focus for the littoral states of the region, but has also attracted the interest of NATO, the EU and China. The

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<sup>6</sup> J. M. Dorsey, “The Arab Spring Revisited: From Mass Protests to Local Revolts,” RSIS Commentaries, No. 156/2012, August 16, 2012, <http://mideastsoccer.blogspot.sg/2012/08/the-arab-spring-revisited-from-mass.html>.

<sup>7</sup> H. Ullman, “The Future of US European Command in a Post-Afghanistan, Post-Arab-Spring, Chaotic, Unpredictable, and Financially Constrained ‘New, New World’,” EUCOM Issue Briefs, 2012, <http://www.acus.org/event/future-us-european-command>.

tendency to evoke military and security issues over the region is escalating rapidly. Due to its environmental harshness and complicated territorial status, cooperation among all parties poses a huge challenge. Rising energy prices and technological advances have made it possible to exploit the energy resources in the region. New sea transportation routes are shortening the distance from Europe and North America to Asia, highlighting the increasing importance of commercial interests.

All this has brought many actors – both state and private actors plus emerging economies in Asia – to the Arctic and to the European High North.<sup>8</sup> Unlike the US, to whom other parts of the world seem strategically more relevant Russia attaches great significance to the Arctic. According to some estimates, the Arctic seabed could contain 20% of global oil and gas resources and the Arctic territory claimed by Russia could hold twice the volume of Saudi Arabia's oil reserves.<sup>9</sup> Russia's assertive behaviour in the region, coupled with the modernisation of its armed forces and improvements made to its Northern Fleet, has added security (in a military strategic sense) to the agenda. Besides economic aspects, the Arctic area is a key to the deployment of large parts of Russia's nuclear arsenal according to its strategic posture. Russia has also announced its intention to regularly patrol the Arctic Ocean with warships and submarines in 2015.<sup>10</sup> The border agreement with Norway indicates Russia's interest in stability and cooperation, but it is still perceived as a 'wild card' in the Arctic context. In this connection, Norway has opened an operations centre at its Operational Command Headquarters in northern Norway. The possible intervention of NATO in the Arctic Ocean has also been discussed as five Arctic littoral states are members of NATO. However, most members of the Arctic Council prefer keeping the organisation out of the region.

Increased military activity is part of the growing interest in the High North: several coastal states have expanded their military presence and bolstered their naval capacities there. The reallocation of resources and the attention paid to the region by the Nordic countries in particular will definitely result in a security vacuum in the Baltic Sea region and leave Russia considerable room for manoeuvre, both politically and militarily.

### **Rise of Russia**

Any major changes should not be expected in Russia's foreign and security policy despite its serious internal problems (potential disintegration; decreasing birth rates; the emigration of the young and the educated; the weakening of technological and social infrastructure; unsustainable economy; flourishing corruption and administrative inefficiency; emerging military tensions; and the

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<sup>8</sup> The Arctic littoral states are Canada, Denmark (including Greenland and the Faroe Islands), Norway, the United States and Russia, which is the biggest stakeholder in terms of geographic size and presence.

<sup>9</sup> D. Trenin and P. Baev, "The Arctic: A View from Moscow," Carnegie Endowment for International Peace, 2010.

<sup>10</sup> [www.barentsobserver.com](http://www.barentsobserver.com).

potential collapse of secular power in the North Caucasus) and external challenges (being surrounded by countries, alliances and unions that are more affluent and dynamic than Russia; the rise of China, India and South Korea; the demographic and political dynamics of Turkey and Iran; risks connected with Pakistan and Afghanistan; and new transportation links to the east and west of the Caspian). Even if the need to reform Russia's economy and political system has been acknowledged, it comes second after the more urgent priority to maintain its position as a global player. Based on Putin's public statements, Russia's south requires more focus and action, but the West will still remain its geopolitical rival and enemy.

Putin clearly states that the most important goal for Russian security policy is to be strong: "We should not tempt anyone by allowing ourselves to be weak."<sup>11</sup> While calling for extensive internal reforms, Putin explicitly prioritises investment in defence reforms. The strengthening of Russia's international position and the development of its economy and institutions can only be carried out if Russia is able to calculate the risks of possible conflicts, to secure military technological independence and to prepare a proper military response capability.<sup>12</sup>

Contrary to the decreasing trend in military spending of the main Western powers, Russia is on the rise and has overtaken Britain and France to become the world's third largest arms spender at \$72 billion in 2011. Russia's defence budget is expected to grow by 53% by 2014. It plans to spend over \$600 billion on upgrading its armed forces over the next 10 years, although doubts remain about the ability of its arms industry to be up to the task.<sup>13</sup>

Recent statements by Russian Chief of General Staff, Nikolai Makarov, also seem to reflect an offensive in Russia's security strategy. Makarov has warned NATO and the US that Russia might consider a pre-emptive strike on a missile defence system in Europe if the US-led NATO project continued as planned. He has also reprimanded Finland for too close cooperation with NATO.

According to the statements by Russian officials, the deployment of US anti-ballistic missiles in Europe is going to affect Russia's strategic nuclear deterrence capability and to upset the current military-political balance. Putin points out that Russia needs to strengthen its air and space defence system to respond to US and NATO missile defence policies.

The discrepancy between President Putin's foreign and security policy ambitions and Russia's actual capabilities to pursue them may increase, but the implications of the military reform should not be underestimated considering the ever decreasing defence budgets in the West.

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<sup>11</sup> V. Putin, "Being Strong: National Security Guarantees for Russia," *Rossiiskaya Gazeta*, February 20, 2012, <http://premier.gov.ru/eng/events/news/18185/>.

<sup>12</sup> Ibid.

<sup>13</sup> Sipri Yearbook 2012, Oxford University Press

## INTERNATIONAL ORGANISATIONS

### North Atlantic Treaty Organisation – NATO

It is hard to predict how NATO will develop in the future. The Lisbon Summit in 2010 made it clear that the core task of the alliance is territorial defence according to the terms of the North Atlantic Treaty, but the summit also stressed the importance of out-of-area operations and directed that partnerships with countries standing for the same values as the alliance should be developed.<sup>14</sup> On the whole, NATO gave a clear message that it had roles to play both regarding the security of its members and as a tool for promoting peace and stability on a global scale. The Chicago Summit in May 2012 confirmed this message and also stressed the role of partners when it comes to crisis management operations. During the summit, the alliance's intention to deploy a Ballistic Missile Defence (BMD) system in Eastern Europe was confirmed and the concept of 'smart defence' was endorsed.<sup>15</sup>

Nonetheless, the alliance has problems. The transatlantic fault-lines are well known. The US is increasingly exasperated with its European allies over the issue of burden sharing (for example through decreasing defence budgets, insufficient contributions to NATO missions and limiting caveats on many of the troops that are committed). In addition the US itself is faced with a steeply declining defence budget and an upsurge of competing powers in the Asia-pacific region. In June 2011, then Defence Secretary Robert Gates bemoaned the current burden sharing situation and especially the inadequate defence budgets of many European allies. He predicted a 'dim, if not dismal future' for the alliance should this development not be reversed.<sup>16</sup> And indeed there does seem to be a fundamental change in the alliance on the way. Fuelled by the ever growing scarcity of resources, the changing geopolitical realities and a generational change in leadership that lacks an intrinsic focus on European affairs, the US is seeking to forcefully redistribute the burdens within the transatlantic alliance.

The campaign in Libya, where the US only played a supporting role, has been heralded by many as a first glimpse into the 'new' NATO. Indeed, Secretary of Defence Leon Panetta underlined this view in a speech in Brussels in October 2011, where he described the Libya operation as demonstrating a new, more equal model of burden sharing. While this new *modus operandi* has been a success on many levels – it shows that NATO is not obsolete and can still achieve mission objectives despite already being heavily committed in Afghanistan, that some European allies and partners are still willing to carry

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<sup>14</sup> Lisbon Summit Declaration, November 20, 2010, [www.nato.int](http://www.nato.int).

<sup>15</sup> Chicago Summit Declaration, May 2, 2012, [www.nato.int](http://www.nato.int)

<sup>16</sup> US Department of Defense, "The Security and Defense Agenda (Future of NATO)," speech by Secretary of Defense Robert Gates, Brussels, June 10, 2011, <http://www.defense.gov/speeches/speech.aspx?speechid=1581>, (accessed on February 6, 2012).

their weight, and that NATO's command and control arrangements are capable – Libya has also shown that NATO is increasingly becoming fragmented, with allies able to pick and choose which alliance responsibilities to live up to. In the end, only 14 of the 28 members contributed to the mission and only six European states participated in the airstrikes (UK, France, Italy, Belgium, Norway and Denmark). Through its decision to take a back-seat and withhold needed assets (especially close air-support) Washington, has done what it has been criticising its European allies over for decades: corroding NATO by picking and choosing what to do for the alliance.

In addition, the Libya campaign once again underlined the drastic shortcomings of Europe's military capabilities. The US needed to provide strategic enablers, such as in-flight refuelling, but also Intelligence, Surveillance and Reconnaissance (ISR) capabilities (JSTARS and AWACS in particular). The fact that the Libya campaign was a very limited operation only exacerbates these shortcomings.

Despite the fact that Libya might not be a showcase of how future burden sharing in the alliance might look, it certainly points in the right direction. Europeans will be forced to carry more weight, simply due to the fact that the US will no longer pick up the slack. NATO – and from a US perspective that means the Europeans – is facing a real image problem. This, combined with the fact that today's policy-makers no longer take the necessity of NATO for granted, creates a momentum never before seen in the internal struggle for a new burden-sharing mechanism. Inevitably, the outcome will require the European allies to play a much more pivotal role within the alliance. It remains to be seen, whether Europe is willing and able to carry that torch.

The economic crisis has greatly exacerbated the downward spiral of defence expenditures. Britain, France and Germany are projected to decrease their defence spending by 14%, 2% and 21% respectively by 2015.<sup>17</sup> As a RUSI report has pointed out: “If future NATO operations are likely to be [...] dependent on the determination of France and Britain to act militarily, then bilateral and trilateral defence relations between the key European players may loom much larger in the future than their commitment to NATO, as such.”<sup>18</sup>

The solution NATO envisages to the financial conundrum is ‘smart defence’. The idea behind this is renewed culture of cooperation that encourages Allies to cooperate in developing, acquiring and maintaining military capabilities to undertake the Alliance's essential core tasks agreed in the new NATO strategic concept. That means pooling and sharing capabilities, setting priorities and coordinating efforts better. The aim is to eliminate the inefficiencies that arise

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<sup>17</sup> S. Fidler and A. Macdonald, “Europeans Retreat on Defence Spending,” *Wall Street Journal*, August 24, 2011.

<sup>18</sup> “Accidental Heroes: Britain, France and the Libya Operation,” *Interim RUSI Campaign Report*, September 2011, accessed at: <http://www.rusi.org/downloads/assets/RUSIInterimLibyaReport.pdf>

through duplication. It would create groups of states that only together have all the required capabilities, but individually specialise in certain segments of the full spectrum of forces. While this is certainly a sound concept, it is questionable whether states are willing to commit sufficiently to such a scheme, for it means surrendering the ability to act alone – and more important still, become dependent on other countries also when it comes to basic defence needs.

Despite the Libyan campaign, the on-going reductions in the armed forces of the main European countries underline the dominant role of the US in the alliance. It seems doubtful that the European component of the alliance will have any significant power projection capabilities in the future without early and substantial US support. This probably also applies to command and control.

Considering the increased reliance on the US when it comes to crisis management in Europe, the US ‘pivoting’ towards Asia-Pacific is disturbing. US assets in Europe will become scarcer. The real problem here is not that it might take a bit longer to move different kinds of military units to a crisis spot in Europe – it does not take so much longer to move a unit from the US to somewhere in Europe compared with moving a unit inside Europe. The biggest problem is probably that the European members of NATO will not have the same regular opportunities as before to train together with their most important ally. From a European point of view this will lead to a lesser understanding of US procedures and capabilities and from a US point of view to an erosion of the understanding of the capabilities of the allies and their peculiarities. The knowledge of how geography and terrain in different parts of Europe can affect military operations will also diminish. Overall, the alliance risks become less efficient.

There are some ways to reduce the problems emanating from the decrease in European capabilities and the American shift of focus towards Asia. The most important is probably to increase training and exercises based on NATO contingency planning with participation both from the US and the bigger powers in Europe. European units should also go to the US to train.

Another vital component could be to make contingency planning much more concrete by earmarking units (US and European) for specific geographical areas, thereby creating a bond between the forces of the host countries and the earmarked units. In this context, some kind of prepositioning of equipment and skeleton staffs should also be considered. This will not eliminate the problems created by reduced defence budgets and fewer US forces in Europe, but it could go a long way to making the use of scarce resources more efficient.

In the case of the Nordic-Baltic region, the non-NATO status of Finland and Sweden creates special problems. It makes operational planning and cooperation much harder and also leads to the duplication of capabilities. Here special arrangements could be considered where these two countries were more closely involved in different NATO activities in the Baltic Sea region.

### **European Union – EU**

As can be expected, the Europeans face similar problems in their own house. While defence budgets are not a bone of contention here, the question of what exactly security and defence entail, and hence require, remains just as unanswered in Europe as in the transatlantic alliance. Similarly, the idea of pooling resources to lower overall expenses on defence is also prevalent. The EU has promoted joint R&D and procurement under the auspices of its Common Security and Defence Policy (CSDP) (formerly ESDP), although with very limited success.

The Lisbon Treaty introduced a mechanism called Permanent Structured Cooperation (PESCO) to allow the member states to pursue intensified cooperation (within the EU27 framework) in the fields of military capability development and the creation of CSDP active assets. However, PESCO is yet to be established among a group of EU member states, the delay being largely due to the fact that the treaty remains vague on the necessary criteria and the member states are not of one mind.

Nonetheless, necessity has also created some momentum. The Ghent framework, which was initially a German-Swedish mechanism for sharing air assets, has now been adopted EU-wide as a framework for pooling and sharing resources. So far, the process has involved informal ministerial meetings and has led to the creation of a shortlist of projects.<sup>19</sup>

The other noteworthy development in the realm of defence is Battle Groups (BGs). Today, they form a vital part of CSDP and represent one of the true political successes in defence cooperation. The BGs are actually the result of a failure by the EU members to meet the self-imposed 1999 Headline Goals. This caused the BG concept to become a core element of the 2010 Headline Goals set out in 2004.<sup>20</sup>

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<sup>19</sup> Projects being considered are: Maritime Surveillance Networking; Air-to-Air Refuelling Capabilities; European Satellite Communication Procurement (ESCP); Medical Field Hospitals; Renewal of Current Military Satellite Communication; Intelligence Surveillance and Reconnaissance (ISR); Pilot Training; European Transport Hubs; and Smart Munitions. For more details please see “EDA’s Pooling & Sharing,” [www.eda.europa.eu](http://www.eda.europa.eu).

<sup>20</sup> After failing miserably to meet the very ambitious 1999 Headline Goals, according to which the EU should have had 15 brigades (50–60,000 troops) as rapid reaction forces ready by 2003, the members sat down in 2004 to create new headline goals. The 2010 Headline Goals envisioned around 13 BGs by 2010 (approximately 1,500 troops each), only parts of which would be deployable as rapid reaction forces. Hence the EU members simply gave themselves more time to achieve roughly a third of what they originally intended.

The BGs were intended to facilitate the transformation of the armed forces towards higher readiness and deployability and to provide the EU with rapid reaction forces independent of NATO. In political terms, the BG project has been a huge success. It has shown that EU member states can cooperate closely on defence and establish standing military formations. As such, they represent a very European success story in the field of multinational cooperation.

Militarily, however, the BGs get a less distinguished grade. For one, they have never been deployed, which goes back to the fact that strategic thinking in the EU is uncomfortably diverse. Though some member states have requested the deployment of the BGs on several occasions – Libya in 2011 only being the latest example – the troops have never actually left European soil.

On the whole, the BGs have also failed to act as a catalyst for transformation to the desired extent. While Sweden has to some extent been able to use its status as a framework nation to the Nordic Battle Group (NBG) to accelerate transformation, most states have not. There are several reasons for this. One is the fact that the requirements for the BGs are not really stringently enforced due to an overbearing desire to achieve political rather than military success on the project. This has led to substantial divergences in the potency and the salience of the BGs.

The other reason is the fact that most states deploy such a small percentage of their forces to the BGs that they fail to reach a critical mass to gain transformational impetus or their contribution is strictly in niche capacities, leading to development in their specific areas, but nowhere else.

So, what contribution can CSDP make to regional security? When answering this question, it should be kept in mind that many aspects of CSDP (i.e. PESCO or the Solidarity Clause) still mostly linger in the realm of the theoretical. It is quite clear, however, that CSDP cannot provide conventional military security to the Baltic Sea region in the foreseeable future. It lacks everything that makes NATO viable in this area: political will, funding, US involvement and infrastructure. This, however, seems to be a foregone conclusion since CSDP is in its essence not a tool designed to provide territorial defence.

However, as has been repeated *ad nauseam* for years and is reflected in almost any defence white paper, the contemporary security environment boasts mostly unconventional threats – proliferation, failed states, frozen conflicts, demographic changes, migration, communicable diseases, international terrorism, transnational organised crime, energy security, etc. – that require a completely different approach and toolbox from territorial defence.

Despite any foreseeable future transformation of CSDP, NATO remains the backbone of Europe's military security. The civil-military component – conflict prevention, stabilisation and state building capabilities – is where CSDP offers a valuable set of opportunities for the region.

## **SECURITY POLICY OF THE MAIN SECURITY ACTORS OF THE BALTIC SEA REGION**

### **Russia**

Russia's rise from its chaotic recent past has been accompanied by a return to a centralised and authoritarian rule and a security policy marked to a higher degree by military aspects. Russia could not prevent the newly freed nations in Europe from becoming members of NATO and the EU but seems to have succeeded – for the time being – in blocking further expansion of these two organisations. A feature of Russian security policy is to compensate for perceived strategic losses by attempting to increase Russian influence, to the greatest extent possible, in these countries – politically, economically, and as concerns their respective identity or self-perception.

In February 2010, Russia adopted a new military doctrine, part of it unclassified. It can – together with other documents previously made public – be construed as the basis for Russian security and defence policy towards 2020. Its expressed ambitions are to prevent further NATO enlargement, for Russia and its 'allies' to reach parity with NATO, and to form – under Russian influence – a new security architecture in Europe. NATO's increased role and power is alleged as a primary military danger, while Russia's active military build-up along Baltic borders is presented as a reaction to the possible US missile defence deployment in Poland and the development of NATO's contingency plans for the Baltic states. Even this most recent version of Russia's military doctrine refers to NATO enlargement as a threat to the Russian Federation. And protection of Russian citizens outside Russia is indicated as one of the military tasks.

Should the statements in this doctrine be taken at face value, there is a risk that conflicts of interest between Russia and the Western countries will harden. This could affect the Baltic Sea region as well. The dynamics of the region are characterised by increased trade and economic cooperation, and by wider cooperation in the security field. Of interest from an environmental point of view is the growing tanker traffic in the Baltic Sea, transporting Russian oil to export markets. It should be added that Russia's strategic interest in the Baltic Sea region is, or may be, compounded by its interests in the Barents Sea and Arctic regions due to the growing importance here of extraction and transport of oil and gas. These regions also have a residual nuclear strategic importance – the Kola base complex will thus remain vital to Russia. In fact, these three regions could be seen as constituent parts of a greater North European region.

The military situation in the Baltic Sea region is changing. Even earlier Russian documents and statements made it clear that the navy and the nuclear forces would be given priority during the rearmament process and that the navy would be given the task of protecting the Nord Stream gas pipeline. The construction of this pipeline, as well as the acquisition of amphibious assault ships from France, has aroused strong reactions in the Baltic countries and Poland.

The strategic importance for Russia of the Kaliningrad exclave will probably grow, as indicated by the deployment – or the threat to increase deployment – there of naval vessels and long range coastal and air defence missile systems. Tactical nuclear weapons are also (supposedly) stored there. It would be a mistake to see Russian military capabilities in this region as isolated. Russia's on-going military reform clearly indicates that the future Russian armed forces will be more based on capabilities that can be rapidly deployed to any part of Russia, than on large formations already deployed in perceived operational directions. Recent exercise patterns, organisational reforms and the creation of only four military districts for the whole of Russia all point in this direction.

The creation in 2010 of the Western Military District (by the merger of the former Moscow and Leningrad Military Districts) also indicates that the Russian General Staff considers the western, north western and northern directions as one operational theatre. Belorussia should probably also be included in this arrangement. The Belorussian and Russian air-defence systems are already integrated and, as the Zapad-2009 exercise demonstrated, the armed forces of both countries are able to act together at the operational level. This exercise was based on the scenario of a NATO attack against Russia and the use of nuclear weapons was notably part of the scenario.

Zapad-2009 and Ladoga-2009 exercises also showed, in addition to Russia's ability to make fast redeployments within Russia, that the Russian command system has the necessary skills to lead large-scale joint military operations over vast areas – a skill that most (if not all) European countries have lost. The US (and perhaps China) is probably the only country that can match Russian capabilities in this area.

Notwithstanding this new Russian operational concept, based on the rapid relocation of capabilities, the deployment of certain weapons systems in the Nordic-Baltic area must be taken into consideration. The deployment of Iskander missiles in Luga near the Estonian border, and a future deployment of such missiles in Kaliningrad, would pose a threat to all permanent military installations in the Baltic states, western Poland, parts of southern Sweden and southern Finland. The same goes for the S-400 air defence system regarding

air-operations. These developments would make it hard to bring in foreign reinforcements, and utilise their capabilities to the full.

Combined with the high readiness attributed to the new brigade structure (instead of divisions, of which large parts had to be mobilised) this gives Russia the capability to start military operations at very short notice, and without revealing preparations.

It also seems that the Western Military District has the highest priority when it comes to receiving new equipment. Considering the Russian plan to replace 70% of existing equipment with more modern systems by 2020, there is a risk that Western technical superiority, often taken for granted, may erode. Due to the economic crisis very few Western countries will start ambitious modernisation programmes in the near future. Although it is unlikely that Russia's very ambitious plans will be fully implemented, their gaining an edge in at least some areas, for example air defence, might be crucial.

Without making any predictions about Russian intentions, the capabilities of the Russian armed forces are likely to increase, relative to NATO's (except those of the US) in the next ten year period, in Europe as well as in the Baltic Sea region. Russia's ability to start military operations at short notice will also increase. Both these factors have to be considered when developing military capabilities in the region and when planning for contingencies.

### **Other factors of concern related to Russia**

#### *Conventional Armed Forces in Europe – CFE Treaty*

Concern is often expressed by the Western powers over Russia's decision in 2007 to unilaterally suspend its participation in the CFE Treaty regime. The main aim of the CFE Treaty, created in the late stages of the Cold War, was to make it more difficult to mount a surprise attack with a large number of mechanised units. The Treaty entered into force in 1992. Apart from limiting the numbers of different weapons systems, it also contained unprecedented provisions regarding verification, including allowing onsite inspections. In 1999, an adapted treaty (A CFE) was signed in Istanbul. This set national and territorial limits to replace the earlier system which had bundled NATO and the Warsaw-pact together and set limits for respective blocks. However, this adapted treaty has never come into force as a majority of the CFE states refused to ratify it. The main obstacle was the continued Russian presence in Georgia and Moldova.

In 2007 Russia suspended its compliance with the treaty. Apart from the Georgia and Moldova problems, new issues had appeared in the meantime. The Baltic states had joined NATO and the US plans for Ballistic Missile Defence (BMD) in Eastern Europe had become concrete, two things that greatly

disturbed Russia. In the case of the Baltic states, Russia tried to introduce provisions that would make it hard for NATO to reinforce Baltic defences in case of an emergency. The Obama administration tried to revive talks on the CFE treaty in 2010, but by 2011 it has already become clear that there was no substantial progress in sight.

Today, Russia regards itself as being inferior to NATO as regards conventional weapons. As a result, tactical nuclear weapons have probably grown in importance for Russia (as well as being crucial for operations in the Far East-China). This raises the question of the importance of counting and limiting the number of conventional weapons in Europe in general. Recent wars have shown that weapons such as sea-based cruise missiles are playing an increasingly important role. Strategic mobility is increasing, making it easier to deploy forces very quickly on a global scale. Smaller units today often have much greater 'combat power' than the divisions and regiments of yesterday, due to the introduction of precision guided weapons and advanced information technology. The US concept of 'Global Strike'<sup>21</sup> also means that treaties limiting assets in just one geographic area lose importance. Altogether these developments lead to the conclusion that the CFE treaty, or anything similar, might be of limited importance when it comes to security in the Baltic Sea region.

Today it is probably more important to keep track of the total capabilities of a country, its introduction of new technologies, the emergence of new organisational structures and the development of doctrines and their implementation in training. A basic platform for this exists in the revised version of the Vienna Document.<sup>22</sup> From an Estonian point of view, the introduction of even more areas of coverage in the Vienna Document could be of interest. Considering the recent update of the document and also the reluctance by some parties to introduce new provisions, e.g. regarding naval capabilities, perhaps some kind of 'regional Vienna Document' could be considered. Russia's willingness to participate would, of course, be crucial. Aside from the various confidence building measures regulated by treaty, good capabilities regarding intelligence collection, analysis and sharing is of crucial importance in assessing threats and developments in neighbouring (and other) countries.

### *Nord Stream Gas Pipeline*

Nord Stream AG, the operating company for the construction of the Nord Stream gas pipeline across the Baltic Sea floor from Russia to Germany, finished laying its second gas pipeline on the Baltic seabed in the summer of

<sup>21</sup> Air Force Global Strike Command (AFGSC) is a major command of the United States Air Force (USAF) outlined in a recent roadmap for the improvement of the United States' nuclear arsenal. Its mission is to develop and provide combat-ready forces for nuclear deterrence and global strike operations.

<sup>22</sup> *Vienna Document 2011*, <http://www.osce.org/fsc/86597>.

2012, and is considering adding two additional pipelines along a different route. These corridors would run through Estonian and Finnish economic waters, so the company has applied to both governments for permission to do studies. The aim of these studies would be to evaluate the feasibility of building a third and, possibly a fourth pipeline, and they would result in documentation that would be the basis on which the Nord Stream shareholders could decide on the continuation of the second stage of the pipeline's expansion.

The Estonian government took part in the consultation process for the first two lines, but refused a study request in 2007 due to environmental concerns. However, for Estonia the Nord Stream question has also been related to energy security and military security concerns. The latest statements from the Estonian Prime Minister clearly reflect that the position in this matter is unchanged. Estonia has no reason to join the Nord Stream project in order to receive gas, since this would not resolve the problem of having a monopoly gas supplier. There is also a risk that a Russian installation on Estonian territory might pose a certain military security risk. Russia might claim the right to protect the pipeline, for example by patrolling the area with armed ships and/or planes (helicopters). A wish by Russia to conduct military exercises based on scenarios in which the pipeline is threatened in one way or another cannot be excluded. In the longer run, allowing one installation might lead to future demands to allow other types of (or related) Russian installations, which would be harder for Estonia to turn down if a precedent existed.

On the positive side, the pipelines could also be economically beneficial for Estonia. There might be income coupled to transit fees or to a 'lease' allowing Gazprom to use Estonian territory. In the future, an arrangement with Gazprom might also open prospects for other energy related projects which may generate business in Estonia. The 'good will' factor should also be regarded as something worth taking into account, even if an immediate improvement in Estonian-Russian relations should not be expected. This 'good will' factor might also strengthen Estonia's negotiating position in other areas, e.g. Russia's demand for visa freedom with the EU. Also, Russia is dependent on good connections with its neighbours.

A possible solution that maximises the advantages and reduces the risks could be: to drive a hard bargain when it comes to revenues from Gazprom, and to create a very transparent joint Estonian-Russian security regime when it comes to protecting the pipeline and other related installations. This would have to include a joint command structure, and no activities without the participation of representatives from both countries.

There is also an aspect that is very seldom mentioned, Nord Stream is an international project. One way to solve the problem of the protection of the

pipeline could be to make it an international task, involving German, Russian, Estonian and Finnish units and organisations. This approach should be investigated further.

### *Ballistic Missile Defence (BMD)*

As the US deployment of BMD in Europe is seen to be one reason for Russia's assertive behaviour in the Baltic Sea region, the topic deserves a more thorough explanation.

The current BMD project – the European Phased Adaptive Approach (EPAA) – consists of 24 American SM-3 missiles, and a SPY-1 radar that will be deployed in Poland from 2018.<sup>23</sup> The main purpose of the system is to intercept medium range ballistic missiles fired from locations in the Middle East. A similar system will be deployed in Romania from 2015. In the longer perspective, perhaps from 2020, the systems may be upgraded to also have some capabilities to intercept intercontinental ballistic missiles.<sup>24</sup> The BMD system will not be a NATO system, but a shared responsibility of the US and other NATO countries.

The system has its origins in the existing ship-based Aegis system. The first ships with this system were deployed in the Mediterranean 2010. In 2011 the US had 21 ships of this kind; in 2020 there will be 43. From a European (and Russian) perspective such ships may be deployed in the North Sea/Nordic/Baltic region at short notice.<sup>25</sup>

This system is sometimes confused with the Patriot system that has been deployed to Poland by US, and which is primarily an air defence system with only a limited capacity to intercept short range ballistic missiles. From sites in Poland, the Patriot missiles will cover much of the airspace over the Kaliningrad exclave which might, with some justification, complicate discussions with Russia the BMD system and other matters.

Russia's main concern is that the US and NATO missile defences in Europe will undermine its strategic deterrent. There is a deep divide between the US and Russia over what a cooperative BMD programme should look like. The Russian government has concerns that the EPAA could eventually be directed against Russian ballistic missiles and is insisting on a legal guarantee that NATO's BMD system will not be used against Russia. The US has repeatedly stated that it understands Russian concerns, but that the EPAA will not be directed against Russia. The US position is that it is willing to offer political guarantees matched by cooperative confidence-building actions, but is unable to provide Russia with legally binding statements.

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<sup>23</sup> The discussions regarding missile defence have concerned two different projects. One that was put forward by the Bush administration in 2007 and another that was decided by the Obama administration in 2009, replacing the first project.

<sup>24</sup> Phased Adaptive Approach, <http://www.armscontrol.org/print/4392>.

<sup>25</sup> Ibid.

*Soft power as a foreign policy tool*

By adopting its compatriots' policy in 2008, Russia has created a legal tool for ethnic engineering in the Baltic countries.<sup>26</sup> It has deliberately created ethnic tensions by sponsoring different interest groups.<sup>27</sup> The Bronze Soldier incident in Tallinn in 2007 put a freeze on Estonian-Russian relations for two years.

Russian President Vladimir Putin recently signed into law a controversial bill that brands NGOs from abroad as 'foreign agent', while Russian Foreign Minister Sergey Lavrov has repeatedly said that an important aspect of government work is in making effective use of the whole set of elements of 'soft power' in foreign policy. Russia's activity towards Estonia, Latvia and Lithuania has been, and still is motivated partly by its wish to demonstrate its privileged interests in the Baltic states and partly by its determination to use the Baltic countries as an instrument to undermine the unity and policies of Euro-Atlantic institutions.

After the EU and NATO enlargement in 2004, Russia came increasingly to rely on various political, economic and military means to gain influence in Estonia, Latvia and Lithuania. As stated in a recent study by Chatham House, it is often difficult to make clear distinctions between Russia's cultural, economic and business spheres of activity since influence in the political sector is often achieved through economic and energy networks.<sup>28</sup> By creating asymmetric economic relations, Russian state-controlled or state-influenced companies have built a significant presence in vital parts of the economies of the Baltic countries. While the Baltic countries' energy sector is fully dependent on oil and gas imports from Russia, the financial sector, with more and bigger banks with Russian equity capital, also continues to be a concern especially in Latvia and Lithuania.<sup>29</sup> The economic crisis in 2008 hit the Baltic states hard and Russia had planned to buy up national infrastructure assets in the three states.<sup>30</sup> However, Estonia, Latvia and Lithuania handled the crisis relatively well and no major new Russian capital investment can be detected.

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<sup>26</sup> A. Kudors, "'Russian World' – Russia's Soft Power Approach to Compatriots Policy," Russian Analytical Digest 81/10, 2010.

<sup>27</sup> In 2007, President Vladimir Putin established the Russkiy Mir foundation, designed to promote Russian culture abroad. However, there is a consistent lack of transparency in its activities in the Baltic states. The foundation does not fully disclose its funds and the sums granted to different organisations.

<sup>28</sup> A. Grigas, "Legacies, Coercion and Soft Power: Russian Influence in the Baltic States," Chatham House Briefing Paper, 2012, [http://www.chathamhouse.org/sites/default/files/public/Research/Russia%20and%20Eurasia/0812bp\\_grigas.pdf](http://www.chathamhouse.org/sites/default/files/public/Research/Russia%20and%20Eurasia/0812bp_grigas.pdf).

<sup>29</sup> T. Malmlöf, "Ryskt ekonomiskt inflytande i de baltiska staterna – säkerhetspolitiska konsekvenser," Swedish Defence Research Agency, Division of Defence Analysis, Stockholm, 2010.

<sup>30</sup> The 'Lavrov Doctrine', see "Programme for the Effective Use of Foreign Policy in the Long-term Development of Russia," 2010, <http://pervodika.ru/articles/13590.html> (accessed on January 10, 2012).

Russia has harshly criticised Estonia and Latvia in the international arena for discriminating against Russian minorities and has demanded lower barriers for acquiring citizenship. Latvia has often been referred to as the weakest link in the Baltic chain as regards its vulnerability vis-à-vis Russia. The fairly large Russian minority there has provided Russia with an effective political lever to keep Latvia in the ‘outer circle’ of its ‘near neighbourhood’. In political and economic terms too, Latvia has been the most receptive of all the Baltics to Russian pretensions of influence.

Some stabilisation of the relationship between the Baltic states and Russia can be observed but this is not due to more favourable Russian policies, but because of the increasing maturity of the Baltic societies. Business is done on a daily basis. Democracy has strengthened, as has the internal capacity to resist negative external influences (e.g. the Latvian referendum on Russian as a second state language failed; Estonian political parties have become more aware of the problems related to the integration of the Russian speaking minority as well as multiculturalism in general; more Russian speakers find their interests represented by Estonian political parties earlier labelled as Estonian-centric; Russian intelligence gathering attempts have been intercepted in all Baltic countries). The Baltic countries have become more integrated with European structures through the EU’s policies, and NATO has finally developed contingency plans for the defence of the region.

### **United States of America**

The US is the main architect of the post-World War II security order. Despite its flaws, this architecture has enabled economic growth, has advanced human rights and has facilitated effective burden sharing among its allies and partners. Being the only superpower that possesses the necessary attributes in terms of military might, economic competitiveness, moral leadership and global engagement, the US has been the security guarantor of Europe for more than sixty years and will continue to be so.

The 2010 National Security Strategy, the 2011 National Military Strategy and the 2012 Defence Strategic Guidance clearly reaffirm the US’s commitment to the renewal and sustainability of its global leadership role. These strategic documents define its enduring national interests: the security of the US, its citizens, allies and partners; a strong and innovative economy; respect for universal values at home and abroad; and an international order advanced by US leadership. They also outline the country’s security challenges: defeating al-Qaida and its affiliates; deterring and defeating aggression; countering weapons of mass destruction; effectively operating in cyberspace, space and across all domains; maintaining a safe and effective nuclear deterrent.<sup>31</sup>

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<sup>31</sup> “National Security Strategy,” May 2010, [http://www.whitehouse.gov/sites/default/files/rss\\_viewer/national\\_security\\_strategy.pdf](http://www.whitehouse.gov/sites/default/files/rss_viewer/national_security_strategy.pdf) ;  
“The National Military Strategy of the United States of America: Redefining America’s

Military leadership by the US in the global security context means maintaining a credible capability to project military force into any region of the world.

Complex changes in the security environment and serious national deficit and debt problems<sup>32</sup> have forced the US to revise its latest military strategy and to reshape its defence priorities. 10 years of military engagement in Afghanistan and in Iraq have exhausted its military budget. President Obama called for reductions in the US defence budget in 2011. Accordingly, the Budget Control Act requires \$487 billion in savings from the defence base budget over the next ten years or \$259 billion over the next five years. Reflecting these reductions, the US Defence Department is requesting funding of \$525 billion for 2013, rising to \$567 billion by 2017.<sup>33</sup> The strategic guidance launched in January 2012 was developed under Obama's direction and in accordance with the new fiscal realities and the Budget Control Act. It is important to notice that the current cuts are closely interlinked with a strategic reorientation of the US.

The new strategic guidance reaffirms the maintenance of the world's finest military that supports and sustains US global leadership. In terms of military capabilities, US forces will remain capable across the spectrum of missions, but their main challenge will be operational access, which is determined by three main trends: the improvement and proliferation of weapons and other technologies; the changing US overseas defence posture; and the emergence of space and cyberspace as increasingly important and contested domains.<sup>34</sup> Accordingly, US forces will be smaller, more flexible, agile, and ready, technologically advanced and networked across the services, with diplomatic, development and intelligence agencies, and with allies and partners.

In terms of geostrategic priorities, the US is sustaining its global presence, while renewed emphasis has been laid on the Asia-Pacific region together with a continued focus on the Middle East. The commitments to Europe will be maintained, but the US force posture in Europe will change.<sup>35</sup>

The rationale behind the shift has been driven by the nation's growing economic and security interests linked to developments in the Asia-Pacific region. While the US economy is becoming more dependent on Asian markets

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Military Leadership," 2011, [http://www.jcs.mil/content/files/2011-02/020811084800\\_2011\\_NMS\\_-\\_08\\_FEB\\_2011.pdf](http://www.jcs.mil/content/files/2011-02/020811084800_2011_NMS_-_08_FEB_2011.pdf); "Sustaining U.S. Global Leadership: Priorities for 21st Century Defence," Defence Strategic Guidance, January 2012, [http://www.defense.gov/news/Defense\\_Strategic\\_Guidance.pdf](http://www.defense.gov/news/Defense_Strategic_Guidance.pdf).

<sup>32</sup> US public debt has reached \$15 trillion.

<sup>33</sup> "Defense Budget Priorities and Choices," January 2012, [http://www.defense.gov/news/Defense\\_Budget\\_Priorities.pdf](http://www.defense.gov/news/Defense_Budget_Priorities.pdf).

<sup>34</sup> "Joint Operational Access Concept (JOAC)," January 2012, [http://www.defense.gov/pubs/pdfs/JOAC\\_Jan%202012\\_Signed.pdf](http://www.defense.gov/pubs/pdfs/JOAC_Jan%202012_Signed.pdf).

<sup>35</sup> "Sustaining U.S. Global Leadership: Priorities for 21st Century Defence," Defense Strategic Guidance, January 2012, [http://www.defense.gov/news/Defense\\_Strategic\\_Guidance.pdf](http://www.defense.gov/news/Defense_Strategic_Guidance.pdf).

in its recovery, this also acts as a stabilising force against an increasingly assertive China and unpredictable North Korea.

The US efforts in the Middle East continue to counter violent extremists and the proliferation of ballistic missiles and the weapons of mass destruction. Iran is of special concern there in terms of developing a nuclear weapon capability. Bringing Iraq to closure and drawing down in Afghanistan also mean the reduction of US land force presence. However, this does not necessarily involve less US engagement in the wider Middle East, but more reliance on local allies, regional cooperation and the support of NATO and its partners.

Europe is still seen as America's key partner in the global economic and security context, but from the US perspective there is less of an existential threat to Europe than in the last century. Hence, in terms of military capabilities, the US clearly wants to see Europe more as a security provider who takes more responsibility for its own security and the security of its neighbourhood,<sup>36</sup> without the US always taking the lead. Europe's limited Libyan operation was possible only because the United States provided the electronic jamming, air defence suppression, 80% of the fuel, and most of the crucial surveillance, airborne refuelling and precision bombs.<sup>37</sup>

The most urgent issue for Europe is what consequences this shift will have for NATO and Article 5. Europe's reliance on US resources has become too excessive. At the same time, many NATO member states are reducing their defence spending as part of broader austerity measures, which may impact their contributions to collective security. In 2010, the US contributed 72.4% of NATO's total budget, while Britain, France and Germany taken together provided 14.52% and the other NATO members – 13%.<sup>38</sup> Despite the reassurances given by US Defence Secretary Leon Panetta at the launch of the new defence strategy in January concerning America's Article 5 commitments, US Commander in Europe, Admiral James Stavridis, has issued a public warning: "Without the four brigade combat teams and one tactical intermediate headquarters capability, European Command assumes risk in its capability to conduct steady-state cooperation, shaping and contingency missions," adding that if American forces in Europe were substantially cut back, "deterrence and reassurance [will be] at increased risk."<sup>39</sup>

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<sup>36</sup> Europe's neighbourhood covers the Middle East, North Africa, the Balkans, the Caucasus and the High North.

<sup>37</sup> T. Ries, "The Lost Alliance: NATO in Chicago" in NATO Source: Alliance News Blog, May 24, 2012, <http://www.acus.org/natosource/lost-alliance-nato-chicago>.

<sup>38</sup> Defence expenditures of NATO countries in 1990–2010, [http://www.nato.int/cps/en/natolive/news\\_71296.htm?mode=pressrelease](http://www.nato.int/cps/en/natolive/news_71296.htm?mode=pressrelease).

<sup>39</sup> D. Alexander, "Panetta Faces Tough NATO Meeting after Budget Shift," Reuters, February 1, 2012, <http://www.reuters.com/article/2012/02/01/us-nato-usa-panetta-idUSTRE8100CU20120201>.

The US Army has four brigade combat teams (BCTs) in Europe, so the removal of two BCTs and the Air wing would cut the forces in half. Instead, new measures such as V-22 Osprey<sup>40</sup> will be deployed, which help the military to maintain the ability to respond quickly to a crisis in the region. The drawdown of 11,500 troops in Europe, most coming from the loss of two Army brigades, will be mitigated by rotating troops through Europe from a ‘dedicated brigade’ in the United States. However, the interoperability of the alliance’s forces, joint practice time and training would suffer if the ‘dedicated brigade’ were based in the US.<sup>41</sup>

The new allies regard the deployment of US troops and nuclear weapons in Europe as key to visible reassurance. They may raise doubts about the effectiveness of NATO’s deterrence policy. To some extent this is compensated by US-NATO military exercises in the Baltic Sea. Four major multinational training exercises, including naval manoeuvres, amphibious landings and preparation for deployment to Afghanistan, as well as contingency exercises are held annually.<sup>42</sup>

These kinds of concerns become more relevant against the backdrop of Russia’s increasingly assertive foreign policy, its rising defence expenditure and increased military deployments along its western borders. Nowhere is the problem more apparent than in the three Baltic states. The issue becomes even more sensitive given Russia’s negative position on missile defence cooperation with NATO.

### Germany

Germany is the EU’s fourth largest and most populous nation. Its geographic location in the very centre of Europe had always dictated its security policy: to keep France in check and to occupy and settle at least as far eastwards as to hold the choke point on the North European Plain (roughly between Łódź and Gdańsk in Poland).

The end of World War II fundamentally changed the security paradigm in Germany. Ruined lives and destroyed property, out of which a new Germany had to rise, left an impression on the nation still palpable today. Germany transformed the ashes of its existence into lessons to learn, which are now deeply embedded and have most succinctly been displayed in three axioms formulated by Hans W. Maull:<sup>43</sup> ‘Never Again’,<sup>44</sup> ‘Never Alone’<sup>45</sup> and

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<sup>40</sup> The Bell Boeing V-22 Osprey is an American multi-mission military tilt-rotor aircraft with both a vertical takeoff and landing, and a short takeoff and landing capability.

<sup>41</sup> I. Brzezinski quoted in D. Alexander, “Panetta Faces Tough NATO Meeting after Budget Shift,” Reuters, February 1, 2012, <http://www.reuters.com/article/2012/02/01/us-nato-usa-panetta-idUSTRE8100CU20120201>.

<sup>42</sup> BALTOPS, ‘Saber Strike’ and ‘Baltic Host’, ‘Steadfast Jazz’.

<sup>43</sup> H. W. Maull, “Germany and the Use of Force: Still a Civilian Power,” *Trierer Arbeitspapiere zur Internationalen Politik*, 1999, No. 2, Universität Trier.

‘Politics, Not Force’.<sup>46</sup> The three axioms are still prevalent in German thinking today. The period between 1945 and the collapse of the Soviet Union – a period of unprecedented peace and prosperity, in which Germany was relieved of dealing with its own security since its armed forces were under NATO’s direct command and aimed at a single clear enemy – further compounded Germany’s aversion to the military dimension of security and allowed it to develop its ‘civil power’ identity.

This is especially manifest in the virtual lack of coherent strategic thinking on security matters and the deep-rooted aversion to military conflict. For politicians, security matters are at best something which would not lose them votes, but which could cost them elections at the worst. Hence open and honest debates on security and German strategic interests are minimal.

The two decades after the fall of the Iron Curtain have, however, tested this German identity. The first test came with the Kosovo crisis when Germany found itself in a position where it either had to abandon its pacifist inclination or watch its own earlier crimes repeated in its neighbourhood. Being an integrationist ‘civil power’ simply did not do the trick anymore. Kosovo also revealed the inadequacies of the German (and other European) armed forces in dealing with post-Cold War expeditionary missions.

The next test was brought on by 9/11 and the subsequent deployment of troops to Afghanistan. While it was initially sold to the German public as an armed humanitarian mission, the government was put under considerable pressure due to the increasing hostility the German soldiers faced as the war dragged on and the demands within the alliance for Germany to expand the rules of engagement for its soldiers to play a more combat-oriented role. The results pleased neither the constituency nor the allies. Although common wisdom holds that if both negotiating parties leave unhappy, it is a fair deal, Afghanistan really turned out to be a big loss for the administration. This is probably one of the reasons that drove Merkel’s government to the decision to abstain during the vote on the UN Security Council resolution on Libya. Germany feared that it would be branded a bad ally if the inevitable mission

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<sup>44</sup> ‘**Never Again**’ describes Germany’s cultural transformation towards democracy, human rights and pacifism. This concept also found its way into Germany’s legal and institutional structure. The constitution commits German foreign policy explicitly towards values such as European integration, multilateralism, peace and human rights. It also limits Germany’s freedom in the use of military force for territorial defence and for participation in collective defence arrangements. In addition, it creates a fairly weak central government, which is forced by the setup of the system (as shown above) to employ a consensus-seeking leadership style in order to prevent the rise of authoritarian regimes.

<sup>45</sup> ‘**Never Alone**’, or the German commitment to collective defence, the circumcision of its own sovereignty and tight integration into Western institutions, is a principle underpinned by the cognitive changes in Germany and the realities of the Cold War.

<sup>46</sup> ‘**Politics, Not Force**’ describes Germany’s pacifist and multilateral inclinations, which led it to prefer political solutions to resolve conflicts.

creep prevented German forces from fulfilling the role its allies wanted – as had happened in Afghanistan. Only this time there would be no real US involvement and Germany would be expected to play an even more important role.

Germany's disinclination to become a military, economic and civil power is also reflected in its defence expenditure which has continuously dropped since 1989 to reach a mere 1.3% of GDP in 2011. The armed forces are also being downsized to 175,000 personnel, roughly 10,000 of which will be available for expeditionary missions. For a country the size of Germany, this is a very small army and an even more limited capability for deployment abroad. Germany runs the risk of not only failing to meet its commitments within NATO, but also of rendering itself incapable of maintaining a credible full spectrum force.

These developments are underpinned by Germany's threat perception. The 2006 *White Paper*<sup>47</sup> broadly outlines the security environment as a conglomerate of complex, asymmetric and unconventional threats and challenges. It is significant that Germany's threat perception does not include conventional military aggression against its territory. This threat is neither perceived nor envisioned for the foreseeable future; instead the proliferation of weapons, international terrorism and destabilising conflicts in Europe's periphery are the only 'hard security' concerns identified by Germany. All other perceived threats are centred on environmental challenges, migration and the supply of resources. Hence Germany does not see itself in need of potent military deterrence.

It does, however, see itself in need of international cooperation. Germany is a strong supporter of European integration and the maintenance of good relations with Russia. Germany is very much betting on a common European approach – especially in terms of security – to save money and to further integrate Europe, the integrity of which it regards as an absolutely vital factor in its security. NATO is also important, but it is becoming increasingly burdensome for Germany to accept the direction in which its allies (the US and the UK in particular) are pushing NATO. From Germany's perspective, NATO's out-of-area activities have managed to accomplish very little of worth during the last decade.

Due to its strategic posture and declining defence costs, Germany seeks to develop and advance common European initiatives. It is a strong advocate of Permanent Structured Cooperation, Pooling & Sharing and the concept of Battle Groups (BGs). Together with its partners in the Weimar BG (France and Poland), Germany has announced that starting from its next readiness cycle in 2013, the Weimar BG would become a permanent and integrated civil-military

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<sup>47</sup>*Weissbuch zur Sicherheit Deutschlands und zur Zukunft der Bundeswehr*, accessed at: [www.bmvg.de](http://www.bmvg.de)

force. The primary reason for this is not to bolster the EU's lacking 'hard security' portfolio, but to create a nucleus for common procurement and to improve and streamline command and control procedures for CSDP operations.

### United Kingdom

Traditionally, the UK has been a very active power in world security affairs, having an almost single-minded transatlantic focus. As such, it clearly views NATO as the one principal international security organisation of value to its interests, regarding European efforts, such as CSDP, somewhat suspiciously. Although, the UK was instrumental in the inception of the EU's defence dimension, the developments envisioned for CSDP by other European states such as France or Germany, do not generally agree with the UK position that anything the EU does in defence should supplement and strengthen NATO. This position essentially remains unchanged under the current administration, despite the fact that the need to balance national budgets in this time of austerity has left its mark on the UK's defence.<sup>48</sup>

When the Labour government was voted out of office in 2010, the incoming governing coalition of Conservatives and Liberal Democrats took over a country in budgetary turmoil, a Ministry of Defence in crisis and armed forces committed to intensive combat operations in Afghanistan. In a flurry of activity the new government published a new National Security Strategy (NSS) (the third in as many years), a Strategic Defence and Security Review (SDSR) and a spending review in the first half year after the election.<sup>49</sup>

The resulting cuts in overall defence expenditure have, to the surprise of many, actually been rather mild, just 7.5% in real terms. Where the Ministry of Defence and the Defence forces were hit hard was in the censure they suffered for previous poor management of resources. As a result, £38 billion of unfunded equipment programmes have to be resolved, as well as the Trident submarine programme, which is estimated at £15–20 billion.<sup>50</sup> The MoD plans to spend £152 billion over the next ten years on new equipment.<sup>51</sup>

In a further step to keep a check on defence costs while still maintaining the necessary capabilities the UK signed a package of three substantial defence cooperation treaties with France in 2010. They cover cooperation in

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<sup>48</sup> M. Codner, "A Force of Honour? Military Strategic Option for the United Kingdom," Working Paper No. 2, RUSI, October 2009.

<sup>49</sup> In order to make this ambitious plan work, the government also created the National Security Council (NSC) – chaired by the Prime Minister – which would henceforth oversee National Security Policy. It also created the post of National Security Advisor, tasked with leadership of the Cabinet Office support to the NSC.

<sup>50</sup> P. Cornish & A.M. Dorman: "Smart Muddling Through: Rethinking UK National Strategy Beyond Afghanistan"; *International Affairs*, Vol. 88, Nr. 2, March 2012, p. 215

<sup>51</sup> The majority of this will go towards two new aircraft carriers (down from three), six destroyers (though 12 had been planned before the cuts) and 14 Chinook helicopters. Other programmes, however, have been scrapped, like the replacement for the Nimrod surveillance aircraft.

procurement – such as the A400M transport aircraft – and development, specifically of unmanned drone aircraft. The agreements also allow for French and UK aircraft to use each other's carriers, with the aim of fielding a UK-French integrated carrier strike group by 2020. It was further agreed to build a jointly run facility in France which will model the performance of French and UK nuclear warheads and materials. Lastly, the treaties provide for the deployment of a common high-intensity peacekeeping force with up to 5,000 troops from each state.

Despite the fact that the scope of these agreements is quite remarkable, it would be false to view them in the light of EU security cooperation. On the contrary, they are a step by the UK to strengthen the position of the nation state as a security actor, by developing and sharing these assets with the only other European member state which has a comparably capable military and strategic culture – and which recently re-joined the NATO command structure.

The three threat priorities outlined in the new NSS<sup>52</sup> – the first *White paper* among the Western allies created under the shadow of austerity and the need to reduce defence expenditure significantly – give a clear indication of where the UK wants to put its money in terms of defence. Conventional attack on NATO territory is only perceived as a remote possibility, while the conflict potential of the high north does not appear at all. One item that sticks out however, is the UK's classification of cyber security as being a priority one concern.

Nevertheless, after the substantial cuts and reforms outlined in the SDSR, the Coalition government has sought defence assurances in bilateral and multilateral partnerships. In addition to signing the Defence Cooperation Treaty with France, Britain has also been publicly pushing its defence relationship with the Nordic and Baltic countries, as well as Germany, the Netherlands and Poland.<sup>53</sup>

The UK initiated the formation of the Northern Group in 2010. At the first meeting of the Northern Group of Defence Ministers in November 2010, then

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<sup>52</sup> *A Strong Britain in an Age of Uncertainty: The National Security Strategy*, HM Government, 2010, p. 27.

**Priority 1** threats are considered the most pressing and immediate. These include terrorist attacks (more specifically, chemical, biological, radiological or nuclear (CBRN) attacks and the re-emergence of terrorism in Northern Ireland), cyber-attacks, natural disasters, communicable diseases and, lastly, international military crises that draw in the UK and its allies. **Priority 2** threats concern attacks on the UK or one of its overseas territories using CBRN weapons, the creation of safe havens for terrorists by armed conflict and failing states abroad, organised crime and the disruption of satellite communication as a result of attacks. **Priority 3** threats involve conventional attacks on the UK or one of its allies to which the UK is obligated, the increase of cross border trafficking, major accidents in UK nuclear facilities, the disruption of food, gas and oil supplies, and attacks on overseas territories as a result of territorial disputes.

<sup>53</sup> D. Depledge, "Looking North: Britain's Revitalised Interest in the Northern Areas of Europe," *RUSI Analysis*, March 9, 2012, <http://www.rusi.org/analysis/commentary/ref:C4F5A21ECCB16D/>.

Secretary for Defence, Liam Fox declared: “We cannot forget that geographically the United Kingdom is a northern European country. Let me be clear, this is not about carving out spheres of influence; this is about working together on mutual interests. For too long Britain has looked in every direction except its own backyard.”<sup>54</sup>

Further progress was made in January 2011 when, the Prime Minister, David Cameron spoke of Britain's broader interests in the North. While the Arctic was not mentioned in either the SDSR or the most recent NSS, concerns about climate change and resource competition were, and continue to be, indicative of the way in which broader defence and security issues already reach into the region.<sup>55</sup>

In March 2012, the UK and Norway signed a [Memorandum of Understanding \(MoU\) on the Enhancement of Bilateral Defence Cooperation](#) that provides a political framework for developing and furthering bilateral cooperation and relations in defence and security matters. There have been similar agreements concerning oil and gas exploration, the development of offshore wind farms, a North Sea power grid, biotechnology and scientific cooperation in the polar regions. However, the latest MoU on defence cooperation is regarded as the most significant, confirming that Britain's relationship with Norway, and northern Europe more broadly matters to defence and security policy, signalling willingness from the UK to commit to its interests in the region.<sup>56</sup>

The UK administration has increasingly found itself to be on an island, not only in the obvious literal sense, but also figuratively speaking when it comes to security and economic policy. Few of its traditional mainland partners in the ‘old’ Europe share the UK’s vision for the EU’s direction in those two critical policy areas. Alone, however, the UK is unable to impose its preferred direction on European affairs, as was aptly demonstrated by the UK’s inability to prevent the *Fiscal Compact* from becoming a reality.

The logical conclusion to this conundrum is to look for partners outside the UK’s traditional ones in the EU. The states of the Nordic-Baltic region are in many respects the perfect partners for the UK, as they “are already united by everything from wariness of Russia to an interest in shared energy grids. Scattered across Europe’s northern periphery, they know there is no point waiting for the world to come to them: hence their obsession with free trade, competitiveness and distance-shrinking digital technology. Some are voices for

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<sup>54</sup> Ibid.

<sup>55</sup> Ibid.

<sup>56</sup> Ibid.

open markets and budget discipline in the European Union, others for Atlanticism in NATO; many are both.”<sup>57</sup>

### *Baltic states*

#### **Estonia**

After Estonia’s full accession to both NATO and the EU, the horizon of its security challenges broadened and it adopted a new National Security Concept in 2010.<sup>58</sup> In the same year, its National Military Strategy was replaced by a National Defence Strategy based on a comprehensive approach to security, encompassing defence, foreign policy, economy, the environment, crisis management, law enforcement, energy security, information technology and the intelligence community.

The main idea behind the new strategy was to detect – in addition to military threats – threats of non-military character at an early stage to avoid the escalation of conflicts and to improve inter-institutional cooperation accordingly.<sup>59</sup> Estonia’s immediate security challenges are related to the security situation in the Euro-Atlantic area and especially in its close vicinity.

Estonia is vulnerable to global economic recession and financial crises due to its integration with the global economy, global markets and the eurozone. Estonia’s energy grid is only partly connected to western grids, which does not solve the issue of energy dependency on one key source (Russia).<sup>60</sup> This decreases the sustainability of critical services and makes the country vulnerable to political and economic pressure. It is important for Estonia to improve its energy efficiency and to diversify its sources of energy supply. Higher dependency on information technology and the transfer of critical services to cyberspace also increases the vulnerability of cyberspace and the availability of services. As a small nation, Estonia is also concerned about external and internal coercion, which may damage its international reputation and create internal instability and ethnic tensions between Estonians and the Russian-speaking minority in the country.

Even if a military attack against Estonia were considered to be highly unlikely in the near future, the possibility cannot be totally ruled out in the long-term perspective. The war in Georgia in August 2008 reinvigorated the traditional

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<sup>57</sup> “Nice up North. Why David Cameron Is Fascinated by Sweden and Its Neighbours,” *The Economist*, January 27, 2011.

<sup>58</sup> National Security Concept 2010, accessed at: [http://www.kmin.ee/files/kmin/nodes/9470\\_National\\_Security\\_Concept\\_of\\_Estonia.pdf](http://www.kmin.ee/files/kmin/nodes/9470_National_Security_Concept_of_Estonia.pdf)

<sup>59</sup> A Long-term Defence Development Plan 2013–2022 for the implementation of the National Defence Strategy is currently being drafted; it will be finalised by the end of 2012.

<sup>60</sup> Estlink 1 is the first electricity interconnection between Estonia and Finland to be followed by Estlink 2 in 2014. The main purpose of the connection is to secure power supply in both regions to integrate Baltic and Nordic energy markets.

Baltic security concerns about Russia. In addition to the use of economic and political means,<sup>61</sup> Russia has demonstrated its readiness to employ military force in order to reach its political goals.

The main security guarantees for Estonia include its membership in NATO and the EU and close cooperation with its allies and other international partners. As a result of Russian aggression against Georgia, the Americans were willing to expand the contingency plan for Poland, codenamed 'Eagle Guardian', to include the Baltic states in 2009. While the role of Western countries in shaping global political and economic processes has diminished, it is in Estonia's interest to preserve unity and cohesion within NATO and the EU and to keep the US engaged in European affairs and in the Baltic Sea region.

In order to preserve stability in the Baltic Sea region, Estonia aims to enhance political and practical cooperation in all critical fields with the Nordic and Baltic countries and with Poland, but also with Russia either on a bilateral basis or within the framework of the EU or NATO. Bilateral cooperation with the US is of strategic importance. Estonia's participation in both NATO and EU military operations and civilian missions plus its engagement in crisis management operations form an integral part of its security policy.<sup>62</sup>

Estonia's military defence is based on its initial self-defence capability and the NATO principle of collective defence under Article 5 of the North Atlantic Treaty. This means that the capabilities that are necessary for military defence and deterrence but which Estonia cannot develop on its own are ensured in cooperation with its allies in NATO. The Baltic states rely on NATO for air policing. The visibility and credibility of NATO are especially significant against the backdrop of an assertive Russia. Following the cyber-attacks on Estonia in 2007, a NATO Cooperative Cyber Defence Centre of Excellence was set up in Tallinn. In addition, the region has hosted US-NATO military exercises.

The financial crisis in Europe is certainly posing a great threat to the stability of national economies of EU member states and priorities in budget allocations. Estonia's recovery from the crisis was relatively less painful than that of its Baltic neighbours.<sup>63</sup> Its political commitment to NATO's 2% requirement remained steady. Today, Estonia is one of the very few NATO member states that have met the target of spending 2% of GDP on defence.

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<sup>61</sup> Russia has harshly criticised Estonia and Latvia in the international arena for the discrimination of Russian minorities and has demanded lower barriers for the acquisition of citizenship.

<sup>62</sup> Estonia participated in Iraq. In addition to its participation in Afghanistan (165 personnel to ISAF), Estonia has contributed to UN peacekeeping operations and the EU Nordic Battle Group.

<sup>63</sup> Due to economic recession, the Estonian state budget was severely cut in 2009. As a result, the defence budget amounted to €256 million (1.85% of GDP). In 2010, further cuts were made and the defence budget was reduced to €248.86 million (1.74% of GDP).

Having concentrated on the development of its capability to participate in international operations since its accession to NATO in 2004, Estonia now devotes increasing resources to enhance its territorial defence and host nation support capabilities.<sup>64</sup> The Estonian Defence Forces are heavily land-centric. The army has a small professional contingent (the Scouts Battalion), but the majority of units are reserve-based; compulsory military service remains, and is planned to remain, the basis for manning these units.<sup>65</sup> Major investments have been made in the reconstruction of the Ämari Airfield, in the renovation of training and housing facilities for conscripts, in a 3D mid-range radar system and in a new maintenance centre.<sup>66</sup>

The Military Defence Development Plan 2009–2018 set a specific period, after which Estonia was to have an interoperable defence force that would meet NATO's usability criteria and would support continued participation in operations led by NATO, the EU and coalitions of the willing outside its national territory.<sup>67</sup> However, the development plan was adopted before the financial crisis and it is unlikely that all its objectives (to develop command and control, intelligence, surveillance and communications systems; to develop air defence capabilities; to develop a high-readiness infantry brigade; to develop mechanised units; and to procure multi-role fast patrol boats) will be met within the planned timeframe. A new Defence Development Plan (2013–2022) is being drafted to better reflect the fiscal realities we live in.

One perceived weakness in Estonia's current defence concept is an imbalance between the development of initial self-defence capabilities and the capabilities that can be used in international operations. Although national security documents put equal emphasis on them, planning and force development activities focus on initial self-defence, while many capabilities developed for this purpose have limited or no use outside Estonia. Despite its impeccable performance in international operations, the Scouts Battalion – the professional expeditionary force – is undermanned and overcommitted, meaning that it is often necessary to deploy *ad hoc* units for international operations. The demographic trends that prevailed in Estonia in the 1990s are likely to cause problems for the military recruitment system in terms of the numbers of conscripts and professional soldiers in the very near future. The most critical period will come in 2013–2021. This might, in turn, complicate the fulfilment of Estonia's national and international tasks.<sup>68</sup>

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<sup>64</sup> Approximately 90% of the defence budget is spent on the self-defence capability, while direct and indirect costs of Estonia's international operations do not exceed 10%.

<sup>65</sup> Military Defence Development Plan 2009–2018, [www.kmin.ee](http://www.kmin.ee).

<sup>66</sup> Estonian Ministry of Defence, [www.kmin.ee](http://www.kmin.ee).

<sup>67</sup> Military Defence Development Plan 2009–2018, [www.kmin.ee](http://www.kmin.ee).

<sup>68</sup> Statistics Estonia, [www.stat.ee](http://www.stat.ee).

## Latvia

In order to take into account the significant changes that have occurred in the global security environment since 2008 – first of all, the global financial crisis and the Russia-Georgia war – the *Saeima* (Latvian Parliament) adopted a new National Security Concept in 2011 and a new State Defence Concept in May 2012. Both documents reflect the principles of the UN, the EU, NATO and other international organisations in which Latvia is a member. Hence Latvia is interested in enhancing the unity and functionality of these organisations. In addition to global threats outlined in the concepts, such as terrorism, the spread of weapons of mass destruction, climate change, organised crime and related environmental risks, Latvia has also taken measures to deal with new threats like cyberterrorism.

Latvia's security is first of all dependent on the developments in its immediate neighbourhood. The nation's overall assessment of regional security has become more positive after its accession to the EU and NATO in 2004 and the signing of the Russian-Latvian border treaty, which was ratified by the *Saeima* in 2007. Although direct military threats to Latvia or the Baltic Sea region are not likely to emerge in the near future, the situation concerning conventional armaments is affected by a decrease in mutual trust and the possible contingencies related to Russia's unilateral decision to suspend its commitment to the Treaty on Conventional Armed Forces in Europe. Latvia is therefore interested in the maintenance and the development of NATO's capabilities and effectiveness in the region.

Latvia's energy dependency rate is the highest among the Baltic states. Latvia constitutes the most vulnerable and the most insecure country in the Baltic Sea region in terms of energy security and different energy-related aspects, such as its very high dependency on Russia, its limited diversification potential, the limited counterbalancing measures used by it and its tendency to mix political responsibility with business interests.<sup>69</sup>

Latvia has the largest Russian-speaking minority in the Baltic states. This raises the issue of external and internal coercion, societal stability and loyalty among citizens and non-citizens. There is a need to increase public trust in state institutions and to consolidate civil society by encouraging naturalisation, reducing social and economic inequalities and creating a common information space.

Due to the global economic crisis, Latvian economy went into serious recession at the beginning of 2008, losing an estimated 25.5% of GDP. The Latvian government signed a loan agreement and programme with the IMF and

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<sup>69</sup> A. Spruds, „Latvia's Energy Strategy: Between Structural Entrapments and Policy Choices”, in Spruds, A. and Rostoks, T. (eds.) *Energy. Pulling the Baltic Sea Region Together or Apart*. Latvian Institute of International Affairs, 2009, pp. 223-249

started to rapidly accumulate debt.<sup>70</sup> In the first year of the programme, Latvia implemented fiscal adjustments worth more than 8% of GDP. Although this resulted in a deep recession, Latvia has restored confidence in its economy and has successfully returned to international capital markets by issuing two eurobonds since mid-2011. In the first quarter of 2012, Latvian economy has grown by 6.8%, which is the fastest rate in the EU. However, more structural changes and reforms are needed to keep the country on track.<sup>71</sup>

Latvia has based its security on collective defence; it is actively involved in strengthening NATO capabilities and participating in NATO-led operations. Since January 1, 2007, Latvia has transformed its military and has switched to a professional army to modernise its National Armed Forces (NAF) with the aim of better adapting to the changed security situation, facilitating the command structure and using its financial resources more efficiently. The NAF are built to provide national defence and to meet the requirements of the NATO principle of collective defence. They give priority to the development of combat capabilities used for fulfilling both national and collective defence tasks and to the development of host nation support capabilities. Other priorities include an effective early warning system and preventative measures. NATO's assurances and presence in the region, with the NATO Air Policing Mission as the most visible example, are considered to be crucial.

In addition, Latvia supports the development of EU military capabilities and CSDP, so that it could perform mostly crisis prevention and management tasks in EU-led missions. Cooperation with the other Baltic states is viewed as a key tool for facilitating the development of the armed forces in the Baltic states and their interoperability to ensure effective use of limited resources. Cooperation with the Nordic countries is also emphasised, especially in the areas of pre-deployment training and common contributions to operations; personnel training; logistics and procurement; advice on host nation support issues; defence planning and environmental protection.

As a result of the economic crisis, most development projects have been suspended in the NAF. In 2012, the defence budget equals 1% of GDP. The downward trend in defence spending seems to have been halted with a vote in the *Saeima* in May 2012 when a long-term plan to increase defence spending to 2% of GDP over a 10-year period was adopted. The bill was accepted unanimously by all parties, which is very encouraging as it lays the foundation for stable long-term planning.

The current Latvian army has focused on fulfilling its international tasks. If a conventional conflict affected Latvia, the army would have limited capacity for

<sup>70</sup> Macroeconomic Developments Report 2010, [www.bank.lv](http://www.bank.lv); M. Weisbrot and R. Ray, "Latvia's Recession: The Cost of Adjustment with an 'Internal Devaluation'," Centre for Economic and Policy Research, 2010, [www.cepr.net](http://www.cepr.net).

<sup>71</sup> "Latvia's Successful Recovery Not Easy to Replicate," IMF Survey Online, June 11, 2012, <http://www.imf.org/external/pubs/ft/survey/so/2012/CAR061112A.htm>.

fulfilling support functions and combat missions. The National Guard constitutes the main reserve for the NAF.<sup>72</sup> Due to considerable financial reductions, Latvia's defence structure was streamlined to focus on combat and operational capabilities: the number of headquarters was reduced, support agencies were reorganised and functions were merged between the headquarters and the MoD to have more personnel for operational units. Significant numbers of highly professional and motivated military personnel have retired in 2008–2010. It is doubtful whether the NAF are currently able to fulfil their tasks. Taking into account the demographic challenges and high levels of emigration,<sup>73</sup> it is unlikely that the NAF will be able to recruit and maintain sufficient numbers of educated and motivated personnel.<sup>74</sup>

### Lithuania

A new National Security Strategy (NSS) was approved in June 2012 by the *Seimas* (Lithuanian Parliament). The strategy reflects a wide spectrum of clearly-defined threats and risks both external (the global economic and financial crisis; the weakening of the Euro-Atlantic community; cyber and information security challenges; attempts by hostile external actors to influence Lithuania's political, social and economic system; international terrorism; transnational organised crime; WMD proliferation; energy dependency; and environmental concerns, e.g. global climate change and the construction of new nuclear power plants in the vicinity of Lithuania without adherence to international nuclear and environmental safety standards) and internal (uneven social and economic development; corruption; high emigration; political radicalism and extremism; crime; deteriorating public health; and economic vulnerabilities, e.g. attempts to monopolise certain sectors, a lack of investment diversification, technological obsolescence, a lack of competitiveness and poor critical infrastructure management).

Like the other two Baltic states, Lithuania was also heavily hit by the 2008 global economic crisis and its GDP fell by 15% in 2009. Fortunately, the economy is gradually recovering from the crisis – GDP grew by 1.3% in 2010 and jumped to 5.8% in 2011, making Lithuania one of the fastest growing economies in the EU. However, the second recession in the eurozone makes recovery complicated and time consuming, calling into question the adoption of the euro in 2014.<sup>75</sup>

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<sup>72</sup> A. Ermus, "Estonia's Closest Military Allies," *Diplomaatia*, April 2010, [http://www.diplomaatia.ee/index.php?id=242&L=1&tx\\_ttnews\[tt\\_news\]=1116&tx\\_ttnews\[backPid\]=554&cHash=00525e11eb](http://www.diplomaatia.ee/index.php?id=242&L=1&tx_ttnews[tt_news]=1116&tx_ttnews[backPid]=554&cHash=00525e11eb).

<sup>73</sup> From 2000 to 2011, the population of Latvia decreased by 13% due to negative birth rates and extensive emigration, <http://www.csb.gov.lv/en>.

<sup>74</sup> R. Rublovskis, "Comments on New State Defence Concept of Latvia," 2012, <http://liia.lv/lv/blogs/comments-on-new-state-defence-concept-of-latvia/>.

<sup>75</sup> Central Bank of the Republic of Lithuania, "Macroeconomic Forecast," August 2012, [http://www.lb.lt/macroeconomic\\_forecast](http://www.lb.lt/macroeconomic_forecast).

At the moment, Lithuania's energy dependency rate is 51.2%, having risen considerably after the closure of the Ignalina Nuclear Power Plant (NPP) in 2009. Lithuania wishes to continue to be a nuclear state and a new NPP in Visaginas is its biggest hope in terms of energy security. The government has decided to go ahead with the Visaginas project, although Latvia and Estonia still hesitate to fully and unequivocally commit themselves at this stage, Poland has put its participation on hold and Russia attempts to discredit the project.

In 2011, Lithuania also began to unbundle its energy networks (e.g. gas pipelines) to reduce its dependence on Russian energy. It plans to develop electricity links with Sweden (Nord-Balt) and Poland (Lit-Pol Link) and to build a gas pipeline with Poland. In addition, an LNG terminal is planned at the port of Klaipėda, with a Norwegian company already selected to supply a floating terminal and a gasification facility able to satisfy about a quarter of Lithuania's natural gas needs.

The probability of a direct military confrontation in the region is assessed as low. Still, military threats to Lithuania cannot be excluded in the future due to an increase in the military power of certain regional states, tendencies towards demonstrations of power, threats to use force and actual instances of its use. The militarisation of the Kaliningrad District has been raised as a serious issue by Lithuanian policymakers on a number of occasions.

Lithuania's membership in the EU and a strong NATO are the most important guarantors of its security, providing effective deterrence and, in case of a direct threat, also collective defence. The country's number one priority is to develop its armed forces and its national defence system in accordance with NATO's requirements. Participation in both NATO and EU missions is an essential part of this goal. Work continues on the formation of a Lithuanian-Polish-Ukrainian trilateral army brigade. Lithuania contributes troops to ISAF, leads a Provincial Reconstruction Team (PRT) in the Province of Ghor and deploys special forces in the south of Afghanistan.<sup>76</sup> To increase NATO visibility, a NATO Energy Security Centre of Excellence was officially established in Vilnius in June 2012. In collaboration with Estonian and Latvia, Lithuania also continues to provide host nation support for the NATO Air Policing Mission in the Baltic states.<sup>77</sup>

Although Lithuania's foreign policy is sometimes perceived as controversial, 'hyperactive' and 'too ambitious', occasionally surprising its partners, it has yet another priority: to enhance security and defence cooperation in the Baltic Sea region with the Baltic states and the Nordic countries. Cooperation with Russia focuses on bilateral confidence and security building measures, arms

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<sup>76</sup> There is an imbalance between military and civilian components of the national security instruments – civilian projects involving PRTs are scarce and underfinanced.

<sup>77</sup> Lithuania is also the only Baltic country that has a considerable air capability.

control and military transit to Kaliningrad. In addition, Lithuania develops strategic partnerships with the US and Poland.

Since joining NATO in 2004, the Lithuanian armed forces have been undergoing restructuring, gradually abolishing excessive military infrastructure, decreasing the size of various headquarters and reducing the number of units. The reforms focused on the formulation of a small professional all-volunteer force, the development of rapid reaction and host nation capabilities and participation in international operations, with the entire force being able to serve as a pool to generate contributions. Conscription was suspended in September 2008.

However, after the Russia-Georgia war, the Lithuanian political elite expressed a need to re-balance territorial and collective defence and to build a sufficient military reserve. Russian Zapad-2009 and Ladoga-2009 military exercises have only strengthened mistrust of Russia's intentions in Lithuania. In 2011, the Conscription Law was amended and conscription was reintroduced in the form of a basic training course for volunteers (with possible recourse to compulsory conscription if the number of volunteers is insufficient).<sup>78</sup>

The successful implementation of the NSS depends on economic resources, including those devoted to national defence. Considering Lithuania's constant defence cuts and its increasing participation in international operations, the potential for success is vague. Still, the new NSS stresses that reductions in defence expenditure constitute a very dangerous trend. Lithuania's defence budget is one of the smallest among NATO member states. The nation suffered severe budget cuts in 2009 when it reduced its defence budget to 1.01% of GDP. More cuts have followed and the defence spending in 2012 makes up only 0.8% of GDP.<sup>79</sup>

In 2009, the Guidelines of the Defence Ministry were approved to limit these negative influences on Lithuanian military capabilities in a time of economic crisis. Much emphasis is put on the maintenance of the already established capabilities and the implementation of international commitments, especially the NATO-led operation in Afghanistan, participation in the NATO Response Force (NRF) and standby in the EU Battle Groups. The functions and tasks of the National Defence System (NDS) institutions are being revised and their management is being optimised. Lithuania also hopes to enhance cooperation with the other Baltic states and to advance bilateral military cooperation with Poland to use its resources more efficiently. However, if current trends continue, Lithuania will have difficulties in fulfilling its NATO membership obligations and even in maintaining its present capabilities, let alone

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<sup>78</sup> The course is mainly used as a recruitment tool for the all-volunteer force, which struggled to fill the lower ranks, and as a means to replenish the military mobilisation reserve.

<sup>79</sup> Ministry of National Defence of the Republic of Lithuania,  
[http://www.kam.lt/en/budget\\_1065.html](http://www.kam.lt/en/budget_1065.html).

developing them further. However, the signing of the Agreement between the Lithuanian Parliamentary Parties regarding the Defence Policy for 2012–2016 in May 2012 can be viewed as a positive step which confirms political commitment to gradually increase allocations for the national defence system to 2% by 2016.

### *Nordic countries*

#### **Denmark**

The present Danish Defence Agreement, adopted by the *Folketing* (Danish Parliament) in 2009, covers the period from 2010 to 2014. In Denmark, decisions on defence are processed and decided upon somewhat differently from the other Nordic countries. The respective documents are shorter and more concrete, dealing more with competencies, equipment and personnel, and less with descriptions of the security situation and the development of regional and international threats, as is the case in the other Nordic countries. This reflects a general agreement between political parties concerning the role and tasks of the armed forces and the civil emergency organisations. The view is that for Denmark to make its mark in international politics, the primary mission for its armed forces is to take part in international operations within the framework of NATO. Thus the political agreement covers steps to focus the armed forces more effectively on the tasks given. This also means that certain competencies and resources have been, or are being, reduced or abolished, for which the Danish armed forces have to rely on their allies at least in more demanding operations.<sup>80</sup> Conscription has been retained, but in a very limited scope.

The latest Defence Commission was established in 2008 and presented its findings in March 2009.<sup>81</sup> A few months later the political parties reached an agreement, based on the Commission's proposals, for formal parliamentary confirmation.<sup>82</sup> The previous agreement covered the period from 2005 to 2009, during which the major reorientation towards international operations was completed.

It is assumed in Denmark that no military threats will be directed at the country in the foreseeable future. Instead, Danish security could be challenged by global threats and risks that can arise in today's more diffused, multi-faceted and unpredictable world. By joining international efforts to meet global threats, Denmark can assert its security interests. This means taking part in armed

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<sup>80</sup> Systems that have been abolished, or are being abolished, include submarines, air defence missiles, anti-tank missiles and artillery units.

<sup>81</sup> *Dansk forsvar. Globalt engagement* [Danish Defence. Global Engagement], Beretning af Forsvarskommissionen af 2008, Copenhagen, March 26, 2009, <http://www.fmn.dk/eng/allabout/Documents/SummaryReportDanishDefenceCommissionJune2009.pdf>.

<sup>82</sup> *Forsvarsforlig 2010–2014* [Defence Agreement 2010–2014], Copenhagen, June 24, 2009.

conflicts and stabilisation operations to sustain international order. In 2012, Denmark spent 1.45% of GDP on defence.<sup>83</sup>

With security challenges met far beyond its borders, it is assumed that Denmark's contributions to international operations will have at least the present extent up to 2025. Thus the armed forces must be able to participate in prolonged and occasionally intensive operations and to handle asymmetrical threats. In addition, continued development of the force structure is aimed at higher readiness and extended capability in international operations. In consequence, Denmark's operational capability will increasingly depend on cooperation with its allies. However, the increase of unconventional threats, such as terrorism and cyber threats, makes it necessary to adjust homeland defence accordingly. It is stated that this should be attained by developing a comprehensive defence system (i.e. the armed forces and the civil emergency organisation).

Even with the assumed absence of external military threats against NATO countries, the Danish armed forces must maintain their capacity for specific national tasks that concern the assertion of sovereignty, such as surveillance, early warning and the rejection of violators of Danish territory. Furthermore, as a consequence of climate change, increased activity in the Arctic and around Greenland is expected with added demands on capacity for these national tasks.

Given the structural changes made in the armed forces since 2005, the official documents state that a more direct link between tasks and the defence organisation has been established with units abroad in action or at home in readiness. The organisation is dimensioned for continuously maintaining 2,000 troops in operations abroad. A major goal is to uphold this level up to 2025. The focus is on the development of battalion combat teams able to function in all threat environments. Reductions in some existing systems may become necessary, so that funds could be transferred to the personnel side, thereby rectifying certain existing imbalances. Moreover, if called for, the armed forces should maintain a capability to bring into action one brigade-size unit and to raise two brigade structures. However, it must be assumed that such 'skeleton' units/structures without the required organic components, such as artillery and heavy anti-armour weapons, will have limited capabilities. The chief tasks of the air and naval forces concern domestic surveillance and the assertion of sovereignty, but also certain contributions to protracted international operations. The size and structure of the air force might be reduced in the future, pending a decision on the replacement of the present fighter fleet.

As a NATO member, Denmark has access to the cooperative activities within the alliance. Within the EU, though, Danish cooperation is limited by its CSDP

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<sup>83</sup> *The Military Balance 2012*, International Institute for Strategic Studies, London.

exception. As for Nordic cooperation, Denmark is a signatory member of NORDEFECO<sup>84</sup> and takes part in the activities within that arrangement. However, Denmark is not a participant in on-going major joint acquisition processes and has shown less interest in joint acquisitions than the other Nordic countries. For example, Denmark initially took part in a joint Nordic helicopter acquisition process some years ago, but then chose to opt out and select a different helicopter system. Denmark has recently shown a renewed interest in NORDEFECO, but it still remains to be seen what practical consequences this might bring.

## Finland

The foundations of Finnish security and defence policy are laid down in security and defence policy statements, occasionally published by the government. The last statement dates back to 2009.<sup>85</sup> A declaration on Finnish security and defence policy is also included in the present Government Programme presented on June 22, 2011.<sup>86</sup> The programme involves a reform of the armed forces, with an estimated 10% reduction in collected defence budget over a 4-year period from 2012 to 2015. (Defence costs equalled 1.5% of GDP in 2010.)<sup>87</sup> The reform takes into account a foreseen 20% reduction in the number of conscripts and is aimed at the demands the armed forces will have to meet in the future. A new statement is presently being prepared and will be published in the latter half of 2012. However, the basis of Finnish security and defence policy will remain the same.

The main task of the Finnish armed forces is the defence of Finland. In addition, they must be able to provide support for the authorities in case of catastrophes and other incidents that can befall society. Furthermore, they must be able to detail resources for international operations outside Finland. It is concluded that in the future a credible defence organisation must also be based on general conscription, with an ability to counter threats against Finnish territory and vital societal functions. However, there is a general awareness that in order to counter a large-scale attack on the country, foreign support will be required.

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<sup>84</sup> The acronym 'NORDEFECO' stands for 'Nordic Defence Cooperation'. Its purpose is to create the necessary prerequisites for enhanced cooperation to strengthen national defence organisations, to investigate areas for cooperation and to promote effective common solutions. Cooperation should be primarily developed on international operations, support for security sector reform in certain countries and support for international peace and security in general.

<sup>85</sup> *Finlands säkerhets- och försvarspolitik 2009. Statsrådets redogörelse* [Finland's Security and Defence Policy 2009. Statement of the Government], Statsrådets kanslis publikationsserie 12/2009, Helsingfors.

<sup>86</sup> *Regeringsprogrammet* [Government Programme], [www.regeringen.fi](http://www.regeringen.fi).

<sup>87</sup> *The Military Balance 2012*, International Institute for Strategic Studies, London.

In particular, developments in Finland's surrounding areas will influence its security. Conditions in the Baltic Sea region are regarded as more stable now thanks to NATO and EU enlargements. Developments in Russia imply opportunities for cooperation, but they may also entail risks and problems. Finland does not perceive any immediate traditional threats; instead, instabilities in the Eastern neighbourhood pose a challenge. Of course, its security also depends on global developments. The nation could be affected by crises with international complications and new non-military threats, which must be met through international cooperation.

The EU is viewed as a political union – not a defence policy one – which constitutes a platform for the Nordic dimension. The Finnish position is that the EU's role as an international actor should be strengthened. This applies especially to the European neighbourhood and the Eastern Partnership. Finland supports the improvement of the EU's crisis management capability and enhanced cooperation between the EU and NATO.

Finland welcomes the growing interest in the Baltic Sea region, indicated by NATO and the US and demonstrated by the rising number of NATO exercises. It also wants to participate in these exercises and intends to develop cooperation with NATO as it attaches great significance to transatlantic relations. Increased Western presence means that the responsibility for regional stability and balance is shared with several Western partners. Although British and German defence cuts point to a weakening in the West and the US has announced its intention to shift its focus to the Pacific, it is perceived in Finland that the ability to swiftly intervene in case of a crisis in the Baltic Sea region has still largely been maintained.

In addition, the conduct of the Russian armed forces implies that strategically significant changes are occurring in the region. The Finns are aware that Russia is now conducting exercises on a strategic level and deploying troops close to its western borders. They are also worried by the deployment of Russian missile systems with increased ranges in the vicinity of Finland.

Finland does not exclude future adjustments to its security policy. As regards NATO, the option to apply for membership is kept open. Moreover, future developments in the Arctic region and the High North could have repercussions for the Baltic Sea region.

The Nordic-Baltic region is undergoing integration, primarily in the field of economy. From the Finnish perspective, the creation of the NB8 bloc – the institutionalisation of cooperation – is not desirable. Far-reaching Nordic-Baltic cooperation, which would result in the regionalisation of security, must be avoided.

However, the maximisation of gains is crucial. The NORDEFECO format is appreciated, but its principal value is seen in increasing cost-effectiveness, not in operational cooperation. Still, the different systems and principles upheld in the Nordic countries might limit these possibilities. In the field of international cooperation, pooling and sharing are thought to represent a significant savings potential.

### Norway

The goals and resources for Norwegian security and defence policy, presented in government bills, are laid down in multi-year parliamentary defence resolutions and annual defence budget decisions. The last multi-year bills were made public in 2008 and 2012 respectively.<sup>88</sup> These documents stipulate that Norway must possess relevant forcible means to counteract pressure or aggression; in serious cases, this should be done within the framework of NATO. Security must be regarded in a broad context. Nationally, rational cross-sectoral cooperation between the military and the civilian authorities is needed. Internationally, it is in Norway's interest to contribute to international peace and security. It is also pointed out that *inter alia* cyber defence will be further developed. It should be noted that the Norwegian defence budget has increased over the last few years. In 2010, defence costs made up 1.44% of GDP.<sup>89</sup> General conscription has been retained, although the number of conscripts is limited by the needs of the defence organisation.

With petroleum and gas exploration expanding northwards from the North Sea to the Barents Sea over the last few decades, Norway is facing new security challenges. The strategic importance of the High North will increase further due to the continued melting of the Arctic ice cap, with new petroleum riches becoming accessible and new shipping routes being opened up. Moreover, given the role played by the Arctic region in the strategic nuclear weapons balance and missile defence, the nuclear powers will not lose their interest in this region. For Russia, the importance of its base on the Kola Peninsula will remain the same or possibly even grow.

However, the risk of future large-scale conflict in the High North and the Arctic region is rated as very low. Even though military presence by various nations could increase there in the future, it should primarily be interpreted as a marker for national interest.

With the emergence of new challenges and demands on Norwegian security policy, the government has outlined its priorities in the High North: good neighbourly relations with Russia; sustainable use of the energy resources in

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<sup>88</sup> *Et forsvar til vern om Norges sikkerhet, interesser og verdier* [A defence for the safeguarding of Norway's security, interests and values], Stortingsproposisjon 48, 2007–2008; *Et forsvar for vår tid* [A defence for our time], Stortingsproposisjon 73 S, 2011–2012. Both documents can be downloaded at [www.regjeringen.no](http://www.regjeringen.no).

<sup>89</sup> *The Military Balance 2012*, International Institute for Strategic Studies, London.

the Barents Sea; and the protection of fisheries and Norway's fishing rights. In this context, it should be pointed out that after several decades of stalled negotiations and frictions Norway has recently concluded an agreement with Russia on the division of the Barents Sea between the economic zones of the two countries.

Due to Norway's geographical position and its strategic interests related to natural resources, the principal military task of its armed forces is to have a capability to prevent and handle the new challenges, thereby contributing to Norwegian security and regional stability. Although the military scope of the challenges would be limited, they could arise rapidly. Norway is increasing its capacities for surveillance, the assertion of sovereignty and crisis management in the High North.

Developments in Russia also have a role to play as Russian and Norwegian interests in the the region could potentially or partly come into conflict. Situations involving Russian political pressure or violations of Norwegian rights could occur. Norway will have to handle these situations primarily by national means.

Official documents also point out that Norway's security could be affected by challenges related to global developments. Its armed forces must therefore possess a balanced structure with regard to national and international tasks, the latter involving conflict management together with its allies and partners. In addition, the importance of the UN in the maintenance of international order and Norway's support for the organisation is underlined.

A key factor in Norwegian security policy is the support provided by NATO and the US in particular. Norwegian security policy is based on an effective and credible NATO. As NATO remains the main platform of transatlantic security, strengthening the alliance is a vital Norwegian interest. Hence the Norwegian armed forces are required to be able to fulfil joint NATO tasks, including high-intensity warfare, the handling of escalating situations, territorial defence and international crisis management.

Consequently, given the developments in Norway's vicinity and in the international arena, its armed forces must be able to handle a wide spectrum of tasks. This requires a defence structure that is well balanced between reaction capabilities and endurance.

Norway wants to develop cooperation with its close allies and partners. It is perceived that multinational and bilateral cooperation will become increasingly more important in the development of capabilities and in curbing costs. The country is engaged in this kind of cooperation within the framework of NATO. In addition, it has actively developed Nordic cooperation in the fields of acquisition, maintenance and training, having completed joint acquisitions of

certain systems together with Sweden within the NORDEF format (and its predecessor, NORDAC).

### Sweden

The foundations of Sweden's present security and defence policy are laid down in two documents: a Defence Committee report, *Defence in Use*, from 2008 and a parliamentary bill, *A Functional Defence*, from 2009.<sup>90</sup> It should be kept in mind that the Defence Committee report was published a few months before the Georgia crisis in August 2008, painting a much rosier picture of the world than the one that prevails today. The report concentrated on non-military threats. In the field of hard military security, the report focused on international operations and the consequent demands on Sweden's security policy and its armed forces. The parliamentary bill that was published a year after the report, i.e. in 2009, mainly followed its recommendations, but also highlighted the need for national defence, though without making any significant changes to the force structure suggested in the report.

Swedish security policy has traditionally put heavy emphasis on international cooperation and the role of the UN and other international organisations, such as the OSCE. Although this general trend continues to prevail, the EU has largely become a key vehicle for Swedish initiatives in general security. The EU's difficulties in the creation of a common security and defence policy and its very limited military competence and capabilities have led to NATO becoming Sweden's main partner in hard security. NATO plays an indirect role in Sweden's security policy, but is directly involved in the development of its armed forces, their training and participation in international operations. This being said, the role of the NBG (EU Nordic Battle Group) with Sweden as its framework nation should not be underestimated. It has contributed greatly to Sweden's capabilities concerning cooperation and interoperability with neighbouring states and other nations. Apart from participating in different organisational structures, the two above-mentioned documents also stress the transatlantic link with the US and Nordic cooperation as important components in Swedish security policy.

Sweden's membership in the EU and its close military cooperation with NATO has gradually eroded the notion of Sweden being a non-aligned country. Sweden's 'Solidarity Declaration', adopted by the *Riksdag* (Swedish Parliament) in 2009, represents a *de facto* break with earlier policies. It states:

*Sweden's security is safeguarded not just on its borders. A security threat against a neighbouring country can have significant consequences for Sweden. Through cooperation with others, challenges and threats can be handled before they reach our own territory.*

<sup>90</sup> *Försvar i användning* [Defence in Use], Ds 2008:48, Stockholm, 2008; *Ett användbart försvar* [A Functional Defence], Proposition 2008/09:140, Stockholm, 2009.

*It is impossible to see military conflicts in our vicinity that would affect only one country. Sweden will not be passive if a catastrophe or an attack befalls another (EU) member country or a Nordic country. We expect that these countries will act similarly if Sweden is affected. Sweden should therefore be able to give as well as receive military assistance.*

*The armed forces shall, on their own or together with others, defend Sweden and promote our security both in Sweden, in our vicinity and further abroad.<sup>91</sup>*

The Solidarity Declaration makes it clear that the Europe of the Cold War era does not exist any more and that Sweden has to realign its security and defence policy accordingly.

The problem with Sweden's reorientation is twofold. Firstly, it is a hard sell when it comes to domestic politics. The notion of non-alignment is deep-rooted in Swedish society. A military alliance would meet criticism from large parts of the population. Although all parties in the *Riksdag*, except the extreme right and the extreme left, are fully aware of the advantages of close ties with NATO – which they support – neither of the major parties (the Moderates and the Social Democrats) is prepared to make this an issue. Secondly, the Solidarity Declaration, which could be a potent tool for making the new security and defence doctrine a useful instrument in Swedish security policy, lacks credibility mainly due to insufficient military resources and preparation. The latter would have to be conducted in very close cooperation with NATO. Membership in or a very special and close relationship with the alliance is probably a prerequisite for making the doctrine credible.

In the foreseeable future, the Swedish armed forces will be best suited for low- to mid-intensity international operations conducted on a limited scale. Reorientation towards a more potent organisation with a capability to carry out high-intensity operations in the Nordic-Baltic region will take considerable time, i.e. several years, provided that the necessary funds are made available. In 2012, the Swedish defence budget makes up approximately 1.09% of GDP,<sup>92</sup> whereas the same indicator was 1.22% in 2010.<sup>93</sup>

To get the most out of the money available, but also realising that a small country cannot afford all capabilities necessary for handling a serious crisis or for fighting a high-intensity war, Sweden has launched an ambitious defence cooperation programme together with its Nordic neighbours – NORDEFKO (for more details, see 5.1 'Nordic cooperation'). Judging from its achievements

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<sup>91</sup> *Ett användbart försvar*, Proposition 2008/09:140, Stockholm, 2009, p. 9 (unofficial translation).

<sup>92</sup> As reported in the OSCE "DP Report 2012," March 22, 2012.

<sup>93</sup> *The Military Balance 2012*, International Institute for Strategic Studies, London.

and discussions so far, NORDEFECO will mainly be a vehicle for economising on procurement, training and similar activities. It seems a remote option that any one of the participating countries would want to save money by abstaining from some operational capabilities and relying on others to provide them in a crisis. This kind of defence cooperation, i.e. operational dependency, is probably impossible as long as all countries do not belong to the same formal military alliance.

At the moment, Swedish security and defence policy is vacillating between two alternatives: a desire to make the EU its main security policy tool, while realising that NATO is the only credible option in terms of hard security, and a wish to be a credible partner in the Nordic-Baltic region, while not being prepared to pay the related political and economical costs. That being said, there is a foundation on which to build closer cooperation with its neighbouring countries in the Nordic and the Baltic Sea region. This fact should not be overlooked when involving Sweden in security initiatives.

### **Poland**

Poland's present security and defence policy is mainly based on two documents: *National Security Strategy of the Republic of Poland* from 2007 and *Strategic Defence Review 2010–2011: Professional Polish Armed Forces in a Modern State* from 2011.<sup>94</sup> When it comes to national strategy, NATO is highlighted as the most important organisation whose basic function as a tool for collective defence is stressed, while endorsing its ability to conduct stability operations, to participate in crisis prevention and to handle unconventional threats. The role of the EU as an instrument for enhancing Polish and European security is also seen as significant. The EU's key areas include energy security, combating organised crime and terrorism and the harmonisation of military procurement policies. It is underlined that NATO and the EU should complement each other.

Bilateral relations with the US are seen as a strategic partnership that should be strengthened. Poland's close transatlantic links are well illustrated by the deployment of US assets in Poland. A combined US-Polish air unit will be established in Poland with the task to support the Polish F-16 and C-130 systems, but also to facilitate the basing of US aircraft in Poland. The planned deployment of 24 SM-3 missiles and a SPY-1 radar in Poland in 2018 as part of a US/NATO Ballistic Missile Defence programme will further enhance cooperation between Poland and the US. Poland's relationship with the US and its membership in NATO form the cornerstones of the country's security.

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<sup>94</sup> *National Security Strategy of the Republic of Poland*, White Paper, Warsaw, 2007, <http://merln.ndu.edu/whitepapers/Poland-2007-eng.pdf>; *Strategic Defence Review 2010–2011: Professional Polish Armed Forces in a Modern State*, Report, Ministry of National Defence, Warsaw, April 2011, [http://www.dt.wp.mil.pl/plik/file/1\\_\\_DT\\_STRATEGIC\\_DEFENCE\\_REVIEW\\_REPORT\\_1\\_07\\_2011\\_1x.pdf](http://www.dt.wp.mil.pl/plik/file/1__DT_STRATEGIC_DEFENCE_REVIEW_REPORT_1_07_2011_1x.pdf).

The alliance has five roles:

- Article 5 guarantees that Poland will not stand alone in case of a conflict;
- The alliance is the decisive forum for discussions on security policy;
- The alliance is Poland's most important tool for crisis management;
- The alliance is a forum for dialogue with Russia;
- The alliance enhances confidence among its members.<sup>95</sup>

An initiative by then Russian Prime Minister Putin to jointly commemorate the 70th anniversary of the Katyn massacre in April 2010 was a significant step towards historical rapprochement between Poland and Russia. Both countries seek to gain from the rapprochement in relation to third parties such as the EU and NATO. However, it must be kept in mind that Poland's EU membership has proved to be much more consequential for its relations with Russia than its accession to NATO as it impacts EU strategies on many issues, energy being the most important one of them.<sup>96</sup> Poland is also interested in increasing its influence in the EU. After a successful EU Presidency, which included the launch of initiatives with Germany and France through the Weimar triangle and positive engagement of Russia, the country has already cemented its position in the first league of EU member states, giving it a strong leadership role in the Baltic Sea region.

While the engagement of Poland in the regional security initiatives is growingly important, the regional unity is darkened by a bilateral dispute between Poland and Lithuanian on the Polish minority's right to spell their names in the Polish way. The dispute has already had a spill-over effect to the area of defence co-operation resulting in Polish suggestions to operate the NATO's Baltic Air Policing from Estonia threatening the Estonian-Lithuanian confidence.

There also seems to be a growing interest in Poland to increase multilateral security cooperation by participating in other regional constellations, the Visegrad group being one. Poland, the Czech Republic, Slovakia and Hungary have decided to conduct common exercises and form a joint battle group under Polish command.<sup>97</sup> It is also increasing cooperation with other countries in the Baltic Sea region. Notwithstanding the recent frictions with Lithuania, it has been confirmed that planning for a Polish-Lithuanian-Ukrainian brigade will continue. Being in the forefront of developing and training special forces, Poland has taken a leading role in this field in the whole region and is

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<sup>95</sup> Policy brief by Adam Bugajski, Director of the Security Policy Department, Polish MFA, February 29, 2012, at the Polish Embassy in Stockholm.

<sup>96</sup> A. Nowak, 2010, Polish-Russian/Russian Polish Rapprochement: A Long-awaited decisive move. Notes internacionales, CIDOB, 23-24, December 2010

<sup>97</sup> G. Friedman, "Mini-Nato Formed in E Europe under Polish Command," *Firstpost*, May 18, 2011, <http://www.firstpost.com/world/mini-nato-formed-in-e-europe-under-polish-command-11597.html>.

cooperating with several countries, including Sweden. It has also expressed an opinion that Sweden and Finland should have a greater influence on NATO decision-making processes on the matters in which they are involved. While promoting and participating in these activities, Poland also stresses that different regional arrangements should not be allowed to jeopardise the cohesion of NATO and mutual commitments.<sup>98</sup>

Poland's military reform, based on *Strategic Defence Review 2010–2011: Professional Polish Armed Forces in a Modern State*, can mainly be seen as the last step in leaving former Warsaw Pact structures and creating a totally 'Westernised' military organisation to increase its fighting power. The armed forces will include only professional personnel; most of their equipment will have Western origins (although there will be some exceptions); staff and logistic components will be slim-lined. The Polish defence budget is one of the few in NATO that is not shrinking. It is planned to raise the present level of defence spending of 1.96% of GDP to 2% within the next few years.

When the reform is fully implemented, Poland will be the main (Western) military player in the region with considerable means to defend its own territory, but also to project military power in its immediate neighbourhood.

## COOPERATION OF THE BALTIC SEA REGION

### Nordic cooperation

Since the end of the Cold War, several cooperative arrangements between the Nordic countries have been established, constituting an important development in regional security and defence. Cooperation has largely been driven by economic incentives, but also by security-building ones.

In the mid-1990s, the Nordic countries initiated cooperation on materiel acquisition and the formation of units for international operations.<sup>99</sup> Ten years later this was followed by a broader cooperative arrangement to economise in the fields of education, training, maintenance and acquisition.<sup>100</sup> In 2009, these three cooperative formats were brought together under one umbrella – NORDEFECO. Although this instrument is limited to the signatory parties, it is partly open in the sense that other countries can participate on a case-by-case basis and it does not prevent any Nordic country from pursuing other forms of cooperation bilaterally or multilaterally.<sup>101</sup>

<sup>98</sup> Policy brief by Adam Bugajski, Director of the Security Policy Department, Polish MFA, February 29, 2012, at the Polish Embassy in Stockholm.

<sup>99</sup> Nordic Armaments Cooperation (NORDAC) and Nordic Coordinated Arrangement for Military Peace Support (NORDCAPS) respectively.

<sup>100</sup> Nordic Supportive Defence Structures (NORDSUP).

<sup>101</sup> For example, cooperation in the above-mentioned fields within NATO or the EU (e.g. the European Defence Agency – EDA). Another example is the agreement between the six major arms-producing countries in Europe (including Sweden) to promote common

The prime purpose of NORDEFECO is to strengthen the armed forces in the Nordic countries. However, there is no specific reference in the NORDEFECO agreement to their surrounding areas or to the Nordic-Baltic region. Instead, operational issues and the use of military units must remain in national hands as a precondition for cooperation. Sea and air surveillance, however, is suitable for joint initiatives.

The focus of Nordic cooperation on economic rationalisation can apparently be explained by the fact that the Nordic countries have different relations with NATO and the EU, but also by their desire to maintain their national freedom of action. Moreover, their strategic interests do not fully coincide: Denmark prioritises joint international operations with the alliance; Finland gives precedence to the deterrent capability of its armed forces; for Norway, the first priority is incident and crisis management in the High North; and Sweden has primarily concentrated on international operations within the framework of NATO and the EU, although it has lately also put some emphasis on its territory and the surrounding areas.

NORDEFECO is divided into five areas: *strategic development* (strategic analysis, long-term planning, research and development); *capabilities* (development plans and processes, common requirements, acquisition and life cycle support); *human resources and education* (exploring solutions for increased operational effect); *training and exercises* (coordinating military training exercises, facilitating joint exercise plans); and *operations* (international operations, logistics, relocation and transportation).<sup>102</sup>

In 2009, former Norwegian Foreign and Defence Minister Stoltenberg presented a report on Nordic security and defence cooperation, commissioned by Nordic foreign ministers.<sup>103</sup> In his report, Stoltenberg put forward 13 proposals for closer cooperation. Some of them were rather far-reaching and two in particular seemed to go further than at least the two non-aligned countries were prepared to accept – a Nordic solidarity declaration, in which the countries commit themselves to clarifying how they would respond if one of them were subject to external attack, and the establishment of a Nordic military amphibious unit which would gradually acquire an Arctic capability. Several of his other proposals seemed less controversial and could fall within the framework of already on-going or developing cooperation efforts. In any case, the Stoltenberg Report brought additional political impetus to the Nordic

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projects. Of course, NORDEFECO does not limit the discretion of each Nordic country to import and export defence equipment, to carry out deals on technology transfer, etc.

<sup>102</sup> See *NORDEFECO Annual Report 2011* published under the Swedish Chairmanship in February 2012 or the NORDEFECO website: [www.nordefco.org](http://www.nordefco.org).

<sup>103</sup> *Nordic Cooperation on Foreign and Security Policy*, proposals presented to the extraordinary meeting of Nordic foreign ministers in Oslo on February 9, 2009, [www.regjeringen.no/ud](http://www.regjeringen.no/ud).

cooperative arena with an eye on ‘hard security’ issues, referring to the fact that the Nordic countries have several strategic goals in common.

### **Baltic cooperation**

Military cooperation between the Baltic states dates back to the re-establishment of independence of all the three countries in 1991. It was initially born out of the need to build up and improve the skills of their Armed Forces and later on to ensure their defence structures’ interoperability with those of NATO states. Today, these two incentives have been complemented by a regional component – integration into Nordic military cooperation structures.

In 1992, the Baltic states signed a ‘Protocol on Agreement on Cooperation in the Field of Defence’, which laid down the foundation of future Baltic cooperation. In 1994, the agreement on the establishment and formation of the joint Baltic peacekeeping unit BALTBAT (Baltic Battalion) was signed.<sup>104</sup> A project for the Baltic Air Forces, BALTNET (Baltic Airspace Surveillance network), was launched in 1995 and BALTRON (Baltic Naval Squadron), a project for the navies was launched in 1997. The Baltic Defence College was founded in 1999 and was intended to train senior staff officers and provide them with a higher military education.

All these projects were initiated in order to obtain experience in international cooperation and consensus building; to use the interoperability between the Baltic states to enhance interoperability with NATO; become more effective in eliminating risk factors; to give the defence forces more visibility; and, ultimately, to join NATO. Baltic military cooperation was a precondition for entering NATO.<sup>105</sup> Western support was an essential element in the success of these major Baltic defence cooperation projects. The main contributors included the Nordic countries, France, Germany, the United Kingdom, and the United States.

After receiving the MAP in 2002 and joining the EU and NATO in 2004, Baltic military cooperation, although stable, slowed down and became more pragmatic focussing on the projects where there was a practical need to cooperate. This can to a large extent be explained by the Baltic states’ different priorities, interests, capabilities and readiness to cooperate. The existing projects were kept going but no new initiatives were launched.

The economic recession and also the Russia-Georgia war in 2008 reinvigorated the need to intensify military cooperation between the Baltic states. Despite scarce resources, there was a strong political will to support new initiatives. The three countries saw this as an opportunity and a great incentive to

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<sup>104</sup> BALTBAT fulfilled its mission and was closed on the eve of NATO membership.

<sup>105</sup> This is often called the ‘interoperability of minds’.

collaborate more. Another incentive for intensified talks between the three capitals was the drafting of NATO's new strategic concept.<sup>106</sup>

Since 2009, the Baltic states have been reforming their cooperation frameworks adding new dimensions and initiatives. Although there has been much talk of joint defence procurement in the past, there is a clear sense that progress must be urgently made in this field. A Joint Communiqué from 2009 contains firm instructions to national armament directors to look into and harmonise national legislation, processes and procedures in defence procurement, in order to enable much more common procurement in the future.<sup>107</sup> There are even some suggestions to consider joint maintenance as a logical extension of this idea, which would bring about further reductions in costs for the armed forces of the three nations.

Today, Lithuania, Latvia and Estonia develop the Baltic Air Surveillance Network BALNET, the Baltic Naval Squadron BALTRON responsible for mine clearance in the territorial Baltic Sea, and allocate personnel and financing for the Baltic Defence College BALTDEFCOL. Joint projects in military planning are undertaken and joint international exercises are held as well. In the first half of 2010 the trilateral Baltic Battalion BALTBAT conducted standby in the NATO Response Force (NRF). In the future, a legal basis is foreseen to provide for standing trilateral units designed for standby in the NRF and the EU Battle Groups.

A new initiative of Baltic defence cooperation, BALTTTRAIN, was endorsed in 2011, calling for the sharing of national infrastructures for training purposes and the specialisation of training areas. There are also agreements to increase contributions to the Standing NATO Mine Countermeasures Group 1 through BALTRON and for the joint procurement of ammunition for the Carl Gustaf recoilless rifle.

Since March 2004, when the Baltic states joined NATO, the 24/7 task of policing their airspace has been conducted by the alliance on a three-month rotational basis. At the Chicago Summit in 2012, NATO decided to make the Air Policing mission permanent. However, the Baltic states' contribution to the NATO mission has to increase by up to 50%, which means that joint efforts must be made to substantially improve host nation support capabilities.

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<sup>106</sup> According to an Estonian foreign ministry official, daily communication on different levels between the Baltic ministries of defence and foreign affairs has never been more intensive than during this period.

<sup>107</sup> T. Jermalavicius, "Baltic Defence Cooperation during Economic Crisis: Between Symbolism and Substance," ICDS Blog, 2009, <http://blog.icds.ee/contact/pohja-ja-baltimaad/baltic-defence-cooperation-during-economic-crisis-between-symbolism-and-substance>.

The NATO Air Policing Mission is currently carried out from the Lithuanian Air Force Base in Šiauliai. However, Estonia has also made huge investments and has completed the renovation of its Ämari Airfield and is becoming more vocal about the possible sharing of the air-policing mission with Lithuania.

The present air policing arrangement works well, although there are some drawbacks, one being the flying distances involved due to the aircraft being based in Lithuania for most of the time. If there is an intrusion into Estonian air space in the Finnish Gulf area, planes based 400 km to the south will have problems intercepting and identifying the intruder. That could partly be remedied by having aircraft based in Estonia for certain periods.

An advantage of developing Ämari (and Lielvārde in Latvia) into an 'ordinary' base for NATO air policing units is that this would enable total freedom of action for NATO regarding basing and the security situation. Having 'skeleton' ground crews from the country responsible for the air contingent present at Ämari or Lielvarde, would make it possible to immediately station aircraft at these bases for shorter periods. However, more research should be done on the cost-benefit factor of the possible rotation of hosts of the air-policing mission.

During the last couple of years the importance of widening regional defence cooperation and including Poland into Baltic defence initiatives has been strongly emphasised. At the annual Baltic Defence ministers' meeting in May 2011, it was recognised that the current framework of Baltic defence cooperation has to be reviewed to make it more compatible with NORDEFECO. In June 2012, the ministers agreed upon a new Baltic defence cooperation framework. There is a need to work towards more interaction in defence planning and deeper defence integration in the areas of joint procurement and training. The renewed interest of the UK in the region should not be underestimated either.

The Baltic states' ability to change the dynamics of cooperation and to integrate into the Nordic cooperation framework depends to a large extent on their will to work out the differences between their past choices and on the political will of Latvia and Lithuania to raise their defence budgets.

### **Nordic-Baltic defence cooperation**

Nordic-Baltic cooperation in the defence sector was launched immediately after the Baltic countries regained their independence in 1991. Their prospects of joining NATO were weak and a Scandinavian-style defence system was seen as a natural choice at that time. Assistance from the Nordic countries and their influence on the Baltics after the end of the Cold War should not be underestimated as their role in democracy building and in structuring the defence forces was invaluable. When NATO membership perspectives for the Baltic states had become more promising, the Nordic countries started to support Baltic integration with Europe and transatlantic structures as it was

clear that they would not be able to guarantee security in the Baltics should the need to do so truly arise.

The most successful and long-lasting cooperation format between the Nordic and Baltic countries is known as ‘NB8’.<sup>108</sup> This is an informal regional cooperation format involving Denmark, Finland, Iceland, Norway, Sweden, Estonia, Latvia and Lithuania. NB8 was established in 1992 aiming at closer cooperation between the Nordic and Baltic countries in social and economic fields, education, culture, research and innovation.

Within the NB8 framework, a new area of cooperation – outreach on defence and security sector reform – was developed to help transitional democracies promote good governance, enhance civil-military relations and strengthen the capacity of their security sector institutions. After Estonia, Latvia and Lithuania had joined NATO and the EU in 2004, the incentives for defence cooperation decreased as the Baltic states were busy bringing their defence forces in line with NATO requirements and the Nordic countries were also reforming their defence forces. Having undergone defence and security reforms themselves, the Nordic and Baltic countries launched a joint initiative in 2006 to support defence and security sector reform in Ukraine. Later on, the initiative was expanded to include Georgia and the Western Balkans. Due to an uneven availability of resources, the participating countries have had different levels of ambition concerning the expected outcomes of the initiative. However, when it comes to outreach – especially outreach to the Eastern Partnership countries – the principle of pooling and sharing is high on the agenda.

In this context, the Nordic Battle Group (NBG), an EU project, should also not be forgotten. With Sweden as its framework nation, the NBG consists of contingents from five countries: Sweden, Finland, Norway, Estonia and Ireland – a mix of non-NATO, NATO, non-EU and EU countries, all of which belong to the Nordic-Baltic region (except Ireland). Considering the contingencies the NBG has prepared for and its training locations (not just in Sweden), this type of setup could for the time being be a model for circumventing many of the present obstacles to military operational planning and training in the Baltic Sea region. The NBG was on standby during the first half of 2008 and the first half of 2011. The next Nordic Battle Group will be in operational readiness in the first half of 2015 and Sweden has also invited Lithuania to join the NBG in the beginning of 2015.

Another area of cooperation is sea surveillance in the Baltic Sea. Sea Surveillance Cooperation Baltic Sea (SUCBAS) has its origins in the Surveillance Cooperation Finland-Sweden (SUCFIS). In 2008, an initiative was taken by the two SUCFIS countries to enlarge their cooperation to

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<sup>108</sup> The format was initially called 5+3, i.e. five Nordic countries and three Baltic countries, but was renamed in 2000.

encompass all countries around the Baltic Sea, leading to the launch of SUCBAS in 2009. Today, all littoral states except Russia have joined the initiative and all eight SUCBAS countries – Finland, Sweden, Denmark, Germany, Estonia, Latvia, Lithuania and Poland – have implemented automated solutions to support the establishment of sustainable multinational Maritime Situational Awareness.

In 2009, the European Commission launched a European Strategy for the Baltic Sea Region, with the purpose of integrating existing programmes and inviting also non-members in the region to participate in these. The strategy includes various activities such as environmental protection, the removal of trade obstacles, the improvement of transport and energy infrastructure and the prevention of cross-border crime.

After the reinvigoration of Nordic defence cooperation in 2009 when NORDEFECO had been introduced and the Baltic states had been invited to intensify cooperation with the Nordic countries, a new dimension to Nordic-Baltic defence cooperation emerged. As a response to the Stoltenberg Report with its 13 proposals to improve foreign and security cooperation between the Nordic countries, an NB8 cooperation report called the '[NB8 Wise Men Report](#)' was launched in 2010. It had been initiated by Latvia, the coordinator of the Baltic countries and NB8 in 2010, who had urged the chairman of the Nordic Council of Ministers – Denmark – to audit Nordic-Baltic cooperation. The report was compiled by former Latvian Prime Minister and Foreign Minister Valdis Birkavs and former Danish Minister of Defence Søren Gade. The rapporteurs met with the representatives of all NB8 nations to get an overview of the nations' visions and proposals. So far, their report with 38 proposals, five related to security and defence cooperation, has stimulated discussions.

In 2011, the Baltic states were officially invited to participate in three activities in NORDEFECO's cooperation area of *human resources and education*: Advanced Distributed Learning (ADL), Veteran Issues and the Centre for Gender in Military Operations. Baltic representatives were also invited to participate in a Military Coordination Committee meeting for the first time in 2012 to learn about the developments and plans in different cooperation areas. However, mechanisms to be used for information sharing in the future are still in the making. The High North is another area where the Nordics would appreciate the engagement of the Baltic states.

Although the Baltic states have expressed their interest in deeper integration into the NORDEFECO structures in all areas of cooperation (strategic development; military capabilities; human resources; training and exercises; and operations), there are currently several obstacles in their path. There is a growing gap between the capability requirements and available resources,

making it difficult to deliver on common procurement programmes. Another reason for Nordic-Baltic cooperation having not achieved its full potential is the unwillingness on the part of the Nordics to fully include the Baltic states in existing cooperation structures. They have different relations with the Baltic states, different ambitions regarding NORDEFECO and, last but not least, different self-perceptions in foreign policy.<sup>109</sup> Their willingness to cooperate also depends on economic factors and on their wish to maintain their national defence capabilities and freedom of action. In addition, the Nordic countries are concerned about the possible increase in bureaucracy and formalism in Nordic cooperation after the inclusion of the Baltic states. Both the Nordic and Baltic states have expressed worries about US reactions to emerging regional defence cooperation formats as these might lead to a possible decrease in the attention paid by the US to the region.

As long as the Baltic states continue reforming their internal cooperative processes, their integration into the NORDEFECO format will be based on concrete practical steps which do not exclude bilateral or multilateral cooperation agreements between the region's countries that are interested in promoting cost-effectiveness. A joint Finnish-Estonian air surveillance radar procurement is a positive example of this.

### **Other cooperative schemes**

*The Weimar triangle*, consisting of Poland, Germany and France, initially served the purpose of normalising the relations between the participating countries. It was also intended to be a forum for coordinating policies regarding Russia and other post-Soviet states.

Lately, the Weimar triangle has become engaged in 'hard security'. During the Polish presidency, the group actively supported the notion of a common EU military headquarters and also decided to form an EU 'Weimar Battle Group' in 2013.

A study conducted by a German think-tank suggests that the group should promote three military projects: (1) organise a common support unit with logistic, medical and command units that could be used in humanitarian and military operations; (2) commonly develop a 'European' drone mainly for reconnaissance purposes (other interested parties should also be invited to participate in the project); and (3) commonly develop an infantry fighting vehicle.<sup>110</sup> Poland has made it clear that it would welcome other EU countries to join the Weimar triangle.<sup>111</sup>

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<sup>109</sup> R. Bengtsson, "Norden in the Arctic and Baltic Sea region," in T. Tiilikainen and K. Korhonen (eds.), *Norden – Making a Difference? Possibilities for Enhanced Nordic Cooperation in International Affairs. The Norden 2020 Project Report*, FIIA Report 29, 2011.

<sup>110</sup> M. Dickow, H. Linnenkamp, J-P. Maulny, M. Tulikowski, „Weimar Defence Cooperation – Projects to Respond to the European Imperative“, Stiftung für Wissenschaft und Politik

*The Visegrad group*, originally founded in 1991 to promote NATO and EU membership of Poland, the Czech Republic, Slovakia and Hungary, has put security issues high on the agenda over the last years. In 2011, the group decided to form a common Battle Group under Polish command in 2016. It was also decided that the member countries should conduct common military exercises already in 2013. Although the exercises will be conducted within the framework of the NRF, they will constitute a multilateral arrangement between the participating countries.<sup>112</sup>

*The Kaliningrad triangle* was initially a cooperative scheme between Germany, Poland and Russia to better integrate Kaliningrad with its immediate neighbours. The first meeting under this format took place between the foreign ministers of Germany, Russia and Poland in Kaliningrad in May 2011. At the meeting, the ministers agreed to promote easier visa arrangements between Kaliningrad and the EU and cooperation between universities. Developments in Belarus were also discussed.<sup>113</sup>

At a second tripartite meeting between foreign ministers in Berlin in March 2012, debates focused mostly on energy issues, but also on the situation in Syria and in Belarus.<sup>114</sup>

This high-level trilateral format for discussions between Germany, Poland and Russia is an encouraging and a somewhat disturbing sign for the other countries in the region. The encouraging part is that there is dialogue between the key countries in the region and that Germany and Poland have undertaken to keep the EU well informed about the discussions. At the same time, this might also raise fears that the interests of smaller states may be disregarded in the process. Considering current frictions on foreign and security policy within NATO and the EU, Germany and Poland should make special efforts to involve the Baltic states (together with Finland and Sweden) – not just the EU as a whole – in these discussions.

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(Germany), Polish institute for International Affairs (Poland) and Institute de Relations Internationales et Strategique (France), published November 2011.

<sup>111</sup> Radoslaw Sikorski, Polish foreign minister in Paris, March 22, 2012.

<sup>112</sup> G. Friedman, “Mini-Nato Formed in E Europe under Polish Command,” *Firstpost*, May 18, 2011, <http://www.firstpost.com/world/mini-nato-formed-in-e-europe-under-polish-command-11597.html>.

<sup>113</sup> “German-Russian-Polish Meeting in Kaliningrad,” Federal Foreign Office, May 21, 2011, <http://www.auswaertiges-amt.de/EN/AAmt/BM-Reisen/2011/05-Polen-Kaliningrad/110521-Kaliningrad.html?nn=479786>.

<sup>114</sup> M. Bosacki, “The Kaliningrad Triangle Foreign Ministers’ Meeting,” Ministry of Foreign Affairs of the Republic of Poland, March 21, 2012, <http://www.msz.gov.pl/The,Kaliningrad,Triangle,Foreign,Ministers%E2%80%99,Meeting,50443.html>.

## CONCLUSIONS

### Security challenges of the Baltic Sea region

#### *Global and institutional challenges*

With relatively healthy economies, homogeneous culture and common membership of most Western security organisations, the Baltic Sea region is becoming increasingly secure, and is developing as an interface with the most developed region of neighbouring Russia. However, the security of the Baltic Sea region cannot be seen separately from the security of the transatlantic space, as the variables of regional and global security are increasingly intertwined. When it comes to the factors defining the Baltic Sea region's security situation more specifically, the relevance of hard security concerns and guarantees to the Baltic Sea countries must be seen against the background of Russia's assertive behaviour in the region; its policies towards the US and NATO, and the vulnerability of regional security arrangements. While no direct military threat is perceived by any of the Baltic Sea countries, there is concern based on the growing imbalance of forces between Russia and the North Atlantic Alliance in the region. The capabilities of military forces in Europe and defence expenditure in the region are changing in Russia's favour. The modernisation of Russia's military forces and the deployment of the most up to date equipment along the borders of the Baltic states and in Kaliningrad will make it harder for NATO to bring reinforcements to the region should the need arise.

The growing scarcity of resources both in the US and Europe, changing geopolitical realities and the generational change in US leadership is leading to less focus on European affairs, requiring a thorough reassessment of both the distribution of burdens within the transatlantic alliance and of national contributions. The US has been forced to cut its defence spending and to focus its attention away from Europe and towards other regions, mainly towards the Asia-Pacific; its engagement in the Middle East will continue due to persistent unrest, the civil war in Syria and the development of the Iranian nuclear programme. The US provides more than 70% of NATO's resources and capabilities, which means that if the US decreases its contribution to collective defence or radically diminishes its defence posture in Europe, NATO's capabilities to handle a crisis in the Baltic Sea region will also decrease. The main global challenge for the Baltic Sea region is thus to keep the US interested in Europe, and more specifically in NATO and in the Baltic Sea region.

With no direct military threat in sight and with the continuing economic crisis in the eurozone, defence will not be a priority area for most of NATO's European allies and partners any time soon; and it takes time for defence budgets to fully recover. However, in order to remain militarily interoperable with the US and to secure its commitment to Europe, Europeans need to invest

more in information-based capabilities and modernisation. In this regard, pooling and sharing, joint procurements and the development of joint capabilities should be pushed forward. So far, the EU has done this with only limited success and it is too early to assess the effect of NATO's 'smart defence' concept.

The different priorities of the European NATO allies and partners have resulted in the gradual regionalisation of European security, putting more responsibility on regional arrangements. This is not necessarily a negative phenomenon as it enables more tailored solutions, but stronger regionalisation must not be accompanied by the watering down of the security responsibilities of NATO and the EU. This is especially important in the Baltic Sea region where the interests of two global powers meet and no regional arrangement can offer sufficient security guarantees. Nonetheless, there is a risk that NATO's central role will be undermined by limiting national caveats and by allies' picking and choosing what they will do for the alliance.

The divide between the allies regarding NATO's deterrence posture in Europe leads to the risk that NATO's policies will fragment, especially those related to tactical nuclear weapons. While Germany, Norway, Belgium and the Netherlands would prefer such weapons to be abolished, or at least not stored in Europe, other countries such as Poland, the Czech Republic and the Baltic states, have so far taken the position that the deployment of tactical nuclear weapons should be coupled to what Russia does.

The increasing focus of Russia, the Nordic countries, the UK, the US and other players on the Arctic region can also impact the security situation in the Baltic Sea. This trend is mainly related to new transport routes, new sources of energy and increasing commercial interests. However, growing military activity goes hand in hand with these economic interests and several coastal states have increased their military presence and bolstered their naval capacity in the High North. The reallocation of resources and the attention, particularly of the Nordic countries, to the High North may result in a security vacuum in the Baltic Sea region and leave Russia considerable room for manoeuvre, both politically and militarily.

### *Regional challenges*

In addition to global and institutional security challenges, the security of the Baltic Sea region will increasingly depend on the ability of the Baltic Sea states to adapt to these concerns and changes, to converge strategic thinking, cooperate and to offer regional solutions that would strengthen NATO and support the implementation of NATO EU policies.

Although, the Baltic Sea region has often been highlighted as a role model for efficient cooperation, the area of security and defence has remained a

controversial one. There have been several sub-regional security cooperation formats since the end of the Cold War, e.g. between the Nordic countries, between the Baltic countries, and between Poland and Germany. Some formats have brought together all the countries in the region, as well as the US and the UK, but these projects have been either politically motivated to support the Baltic states and Poland, or aimed at spreading reform know-how. Although, very useful at the time, these formats have not really succeeded in deeper integration in the region.

The best push factors for cooperation have been the financial crisis and the Russia-Georgia war of 2008. While territorial defence was downplayed in most Nordic countries' security strategies, it was again reintroduced after the conflict in Georgia. NORDEFECO was launched in 2009 with purpose of pooling scarce resources. Baltic defence cooperation, which had slowed down after joining NATO and the EU, also got a new impulse. The security concerns of the Baltic states were taken seriously by the US and NATO, which resulted in developing contingency plans for the Baltic states.

Against the background of changed security environment and the new fiscal realities, one can draw a conclusion that the role of regional security arrangements has radically increased and more emphasis needs to be laid on the creation of regional security identity and regional cooperation mechanisms. The different security outlooks, different threat perceptions and old prejudices are still present in the security policies of the Baltic Sea countries, posing a challenge to a deeper defence and security cooperation. However, analysis of the most recent security strategies of the Baltic Sea countries shows that a need for deeper regional defence cooperation has been recognised by all. In addition, the UK, a country not traditionally thought of as belonging to Northern Europe, has shown increased interest in the region. The relatively healthy economies of the Nordic and Baltic countries, and the fact that NORDEFECO is a good example of the functioning 'smart defence' concept, further support this idea. The momentum for a Northern lead is there and it is important to take advantage of it.

## LIST OF ABBREVIATIONS

ADL	Advanced Distributed Learning
AFGSC	Air Force Global Strike Command
AWAC	Airborne Early Warning and Control
BALTDEFCOL	Baltic Defence College
BCT	Brigade Combat Team
BG	Battle Group
BMD	Ballistic Missile Defence
BSR	Baltic Sea Region
C2	Command & Control
CBRN	Chemical, Biological, Radiological and Nuclear
CFE Treaty	Treaty on the Conventional Armed Forces in Europe
CSDP (ESDP)	Common Security and Defence Policy (formerly European Security and Defence Policy)
EPAA	European Phased Adaptive Approach
EU	European Union
GDP	Gross Domestic Product
HQ	Headquarter
ISAF	International Security Assistance Force
ISR	Intelligence, Surveillance and Reconnaissance
JSTAR	Joint Surveillance and Target Attack Radar Systems
LNG	Liquefied Natural Gas
MAP	Membership Accession Programme
MoD	Ministry of Defence
MoU	Memorandum of Understanding
NAF	National Armed Forces
NATO	North Atlantic Treaty Organisation
NB8	Nordic-Baltic 8
NBG	Nordic Battle Group
NGO	Non-Government Organization
NORDEFECO	Nordic Defence Cooperation
NRF	NATO Reaction Force
NSC	National Security Council
NSS	National Security Strategy
OSCE	Organization for Security Cooperation in Europe
PESCO	Permanent Structured Cooperation
PRT	Provincial Reconstruction Team
R&D	Research & Development
RUSI	Royal United Service Institute
SDSR	Strategic Security and Defence Review
START	Strategic Arms Reduction Treaty
SUCBAS	Sea Surveillance Cooperation Baltic Sea
SUCFIS	Surveillance Cooperation Finland-Sweden
UK	United Kingdom

UN	United Nations
US	United States (of America)
USAF	United States Air force
WMD	Weapons of Mass Destruction

## BIOGRAPHIES OF THE AUTHORS

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