ESTONIA

INTERNATIONAL SECURITY AND ESTONIA 2018

VÄLISLUUREAMET
Estonian Foreign Intelligence Service

CONTENTS

INTRODUCTION

I am pleased to present the Estonian Foreign Intelligence Service's third public report, in which we describe the world security environment surrounding Estonia.

In 2017, Russian meddling abroad was starkly exposed for a large share of the public in the US and Europe. The topic received an unprecedented and quite deserved level of attention. Defining moments included the unanimous assessment of US intelligence agencies regarding Russia's interference in the 2016 American election, French president Emmanuel Macron's denunciation of Russian media channels as "agents of influence", and German chancellor Angela Merkel's warning to Russian president Vladimir Putin not to meddle in the German election.

Estonian security institutions have been talking for years about attempts on Russia's part to splinter the unity and trust that exists between nations in the West. The awareness of this fact is now spreading more broadly in the US and in many places around Europe. Unfortunately, no changes can be seen in Russia's behaviour. In the years ahead, Russia seems likely to continue its politics of division and opposition to the system of Western values. In our report, we illustrate on just how broad a front Russia is waging this battle by listing the conflicts and regions where we see Russian interference as highly likely this year.

MIKK MARRAN
Director General,
Estonian Foreign Intelligence Service

Russia's fight against the West also takes place on Russia's own territory. The respective chapter of the report examines the *modus operandi* used by Russian special services to recruit or intimidate foreign nationals inside Russia (a practice known as gathering "intelligence from the territory"). The purpose of the chapter is not to dissuade people from visiting Russia, but we do draw attention to the large scale and aggressiveness of the activities pursued by Russia's intelligence services, and describe the dangers that people could face who travel there.

In early 2018, the big question pertaining to Russia is what will happen after its March presidential elections. The world is witnessing a carefully choreographed piece of theatre that attempts to leave the impression of free elections. But behind the scenes, a cynical plan is being executed to ensure Putin and his inner circle retain their grip on power for yet another term. In the report, we detail how complicated this task is given Russia's declining socioeconomic indicators and gathering mood of protest.

Our aim is to cover the events in Russia that tend all too often to reach the public in distorted or incomplete fashion. The Putin regime is masterful at fostering a false image and creating deceptions. A vivid example of the above is Zapad-2017, the major military exercise held last autumn. For the benefit of the entire international community and the Russian public, it was painted as a minor counterterrorism exercise held in Belarus, but actually this was but a disguise for large-scale manoeuvres that were a test run for all stages of a full-scale war on NATO. Although this was not the first time this scenario had been rehearsed, a greater level of concealment could be detected on this occasion. Unfortunately, disinformation and half-truths also showed up in Western coverage of the exercise.

Although Russia conducts large-scale military exercises, our report states clearly: the threat of a direct military attack on NATO member states in 2018 is low. We will discuss this matter in more detail in the chapter on the Russian military.

Estonian security does not exist in a vacuum; our security and well-being depend on that of our friends, and their vulnerabilities are our vulnerabilities. That is why our report also covers the issue of terrorism. Although the threat of terrorism is low in Estonia, it is high in Europe as a whole, and poses a threat to Estonian citizens travelling abroad.

An acute problem that emerged in 2017 was the threat from North Korea, which could lead to noteworthy developments this year. In spite of the fact that the Korean peninsula is geographically far from us, increased tensions in that region also impact our security. We are therefore keeping a close eye on the situation there and also in other distant conflict zones.

The Estonian Foreign Intelligence Service recently marked its 25th anniversary. Our mission continues to be the same – to protect the Estonian state from external security threats by providing trustworthy intelligence for decision-makers. Our task is to ensure that when Estonian leaders gather to make key decisions from the standpoint of security, they know more about the topic than what is available over public channels.

Just as important is the realization that we – the government, society and the citizens – create our own security space every day. The well-known slogan to "think globally, act locally" is also valid when it comes to understanding security in the Baltic Sea region in 2018.

Bonne lecture!

THE DOMESTIC POLITICAL

In 2018, internal tensions will grow in Russia, the economy will remain stagnant, and the regime will fail to convince the populace that there is light at the end of the tunnel. In the coming years, this may destabilize the foundations of the current political system in Russia.

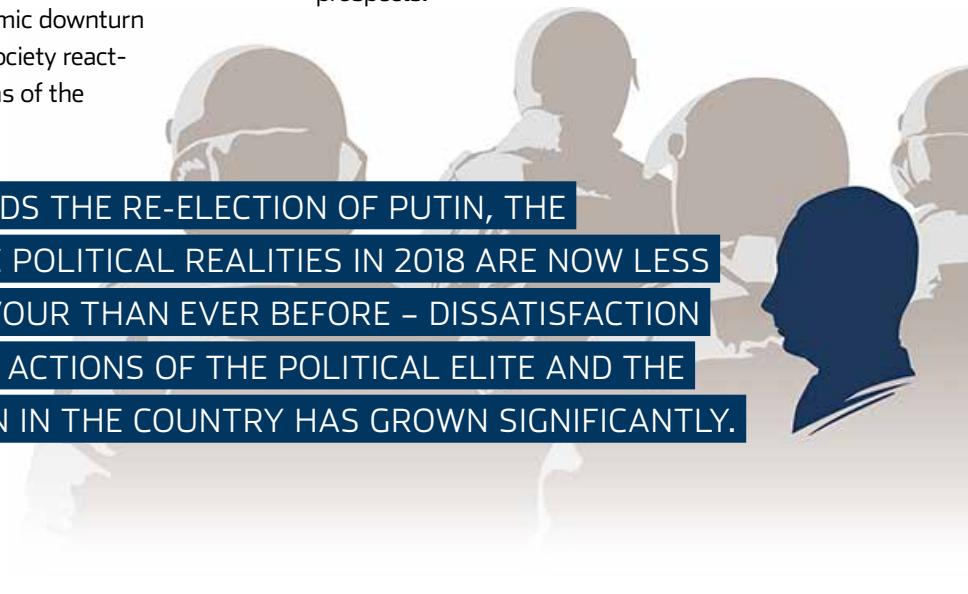
The main goal for Putin and the political ruling clique is to stay in power. In the short term, this means that the 2018 presidential elections have to be carried out smoothly. The unfavourable domestic political situation will give the Kremlin less manoeuvring room.

As regards the re-election of Putin, the domestic political realities in 2018 are now less in his favour than ever before – dissatisfaction with the actions of the political elite and the situation in the country has grown significantly. Political activism is simultaneously on the rise, especially among young people. Even though Russia's current political leaders have never shied away from using various administrative means for influencing election results, such attempts will run significant risks on a backdrop of general discontent. The ruling elite remember 2011, when State Duma election fraud was the last straw that led to resentment brimming over into protests among the middle class in the largest cities. The elite want to avoid a repeat of such a scenario at all costs. But eliminating the root causes of the dissatisfaction – political and economic stagnation – is impossible as long as the system continues to be tilted in the ruling clique's interests.

SITUATION IN RUSSIA

THE DOMESTIC POLITICAL REALITY

The domestic political situation in Russia in 2018 will also be characterized by growing discontent among the population. The reasons for the broader dissatisfaction of its citizens come down to the political and economic impasses, either separately or in combination. The first serious signs of growing discontent emerged in the second half of 2015, when the number of protests increased due to the country's economic difficulties. During that time, public accusations against the Kremlin and Putin were rare, and the direct triggers for the protests and the slogans were largely apolitical. But the scope of political demonstrations had grown significantly by spring 2017. Russia's economic downturn affected how society reacted to the actions of the ruling elite. With the personal standard of living declining, the lavish lifestyle of senior officials and corruption cases caused greater resentment. Moreover, as the recession dragged on, there was increasing lack of confidence in the capability of the central government, all the more since top Russian leaders did not go beyond well-worn clichés in addressing solutions to the country's problems. As a result, many citizens have long since started to doubt whether their leaders' prescriptions are feasible. A certain segment of society – above all, the younger generations – are bothered by the political system itself; the stagnated, kleptocratic system is seen as the main obstacle to the country's development, and is seen as having a negative impact on their future prospects.



AS REGARDS THE RE-ELECTION OF PUTIN, THE DOMESTIC POLITICAL REALITIES IN 2018 ARE NOW LESS IN HIS FAVOUR THAN EVER BEFORE – DISSATISFACTION WITH THE ACTIONS OF THE POLITICAL ELITE AND THE SITUATION IN THE COUNTRY HAS GROWN SIGNIFICANTLY.

When comparing the current situation to 2011, the main differences are the variety of reasons for the discontent and the spectrum of those dissatisfied. In 2011, the catalyst for the protests at the start of the decade was dissatisfaction among a fairly small part of society – mainly the Moscow and St. Petersburg middle class – with the current political system. The overwhelming majority of people in Russia did not support the protests.

Putin's public approval ratings are still high, but it is questionable how reliable or valid the figures are, given the current atmosphere in Russia. First of all, the ratings results cannot be fully interpreted without knowing the exact changes that have taken place in recent years in the structure of the response rate, especially among those who declined to answer. Secondly, the accuracy of the results is influenced by self-censorship as people may be reluctant to criticize the regime.

A transformed media space and new ways of exchanging information play an important role in the broader spread of criticism of the Russian regime. While Kremlin-controlled information channels are still domi-

Prime Minister Dmitri Medvedev's luxurious winter residence in Sochi

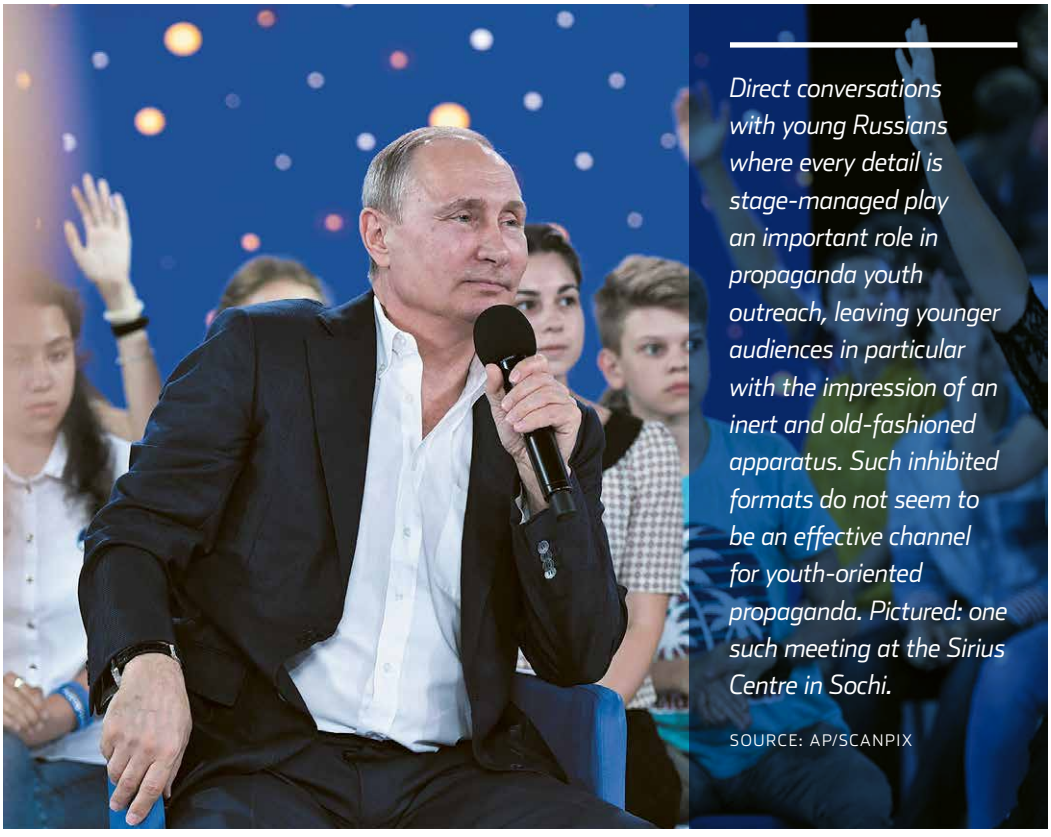
SOURCE: HTTP://AVMALGIN.LIVEJOURNAL.COM/4271637.HTML

nant in the sphere of traditional mass media, especially television, their impact on society has decreased as new media become more extensively consumed; this trend will continue. The widespread use of social media has brought Russia's outlying regions closer to the large cities than ever before. That is probably one reason why the protest demonstrations of 2017 spread so widely. New media platforms also offers convenient ways to organize demonstrations – ones that can be hard for state security institutions to track. This forces Russia's elite to worry even more about how they will conduct the 2018 presidential elections.

In response to the broader protests, propaganda targeting the younger generation was increased with an attempt to enforce even tighter control over exchanging information online. One aspect that characterizes youth-oriented activities is their reliance on old concepts – emphasis on World War II themes and military-oriented patriotic education – that are out of step with the times.

While new media has been harnessed to influence young Russians, so far it

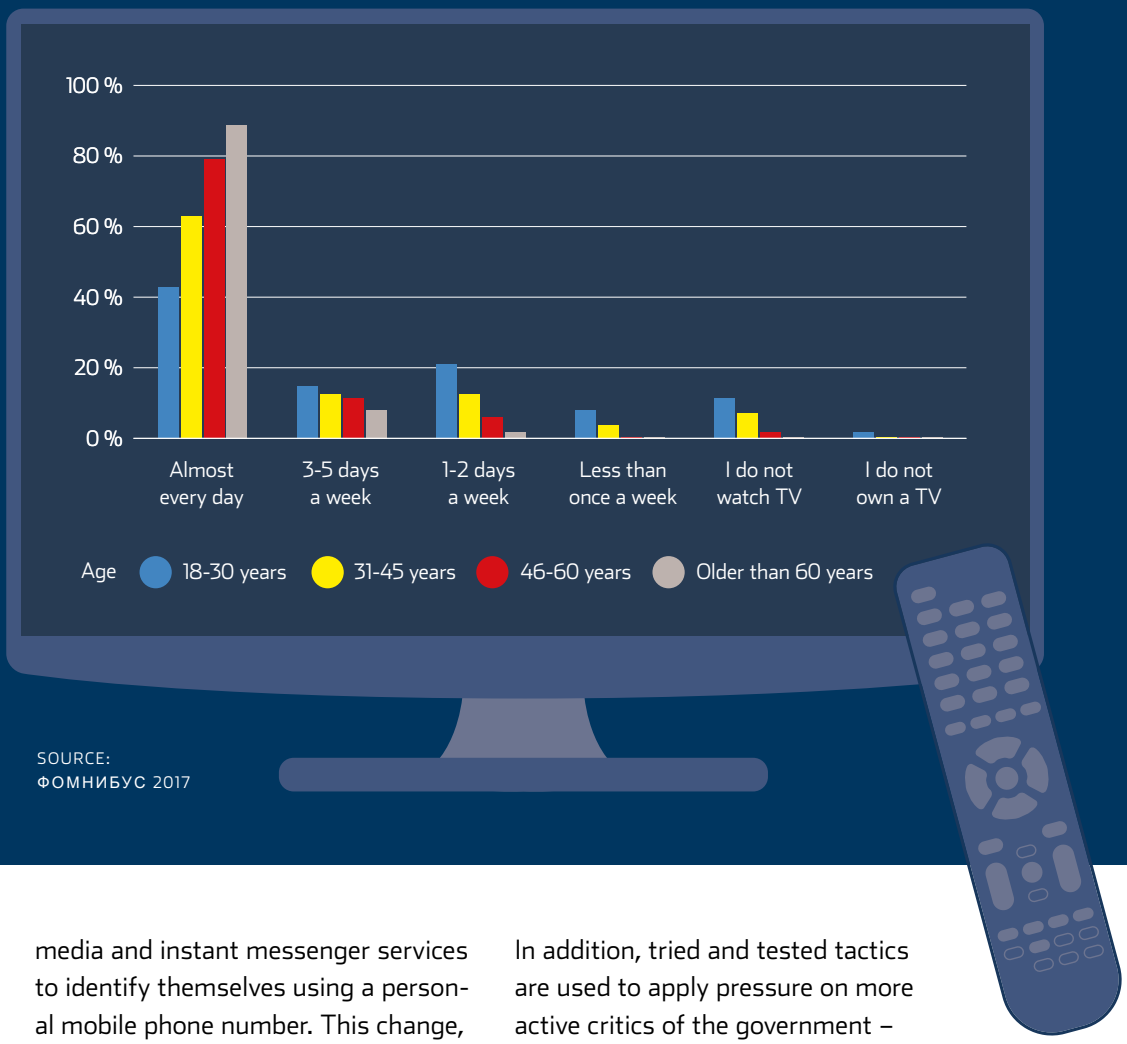
has not achieved impressive results. More often than not, the anti-opposition propaganda on new media has left an awkward impression. Important steps were taken earlier, too, for improving the possibilities of controlling the internet and new media. In 2017, the Russian regime showed more speed and muscle in clamping down on internet freedoms. In July, the State Duma adopted a decision under which the Russian internet supervision authority *Roskomnadzor* will have the right to blacklist anonymizers and VPN services, which are used for viewing websites blocked in Russia. The State Duma approved a proposal requiring all users of social



Direct conversations with young Russians where every detail is stage-managed play an important role in propaganda youth outreach, leaving younger audiences in particular with the impression of an inert and old-fashioned apparatus. Such inhibited formats do not seem to be an effective channel for youth-oriented propaganda. Pictured: one such meeting at the Sirius Centre in Sochi.

SOURCE: AP/SCANPIX

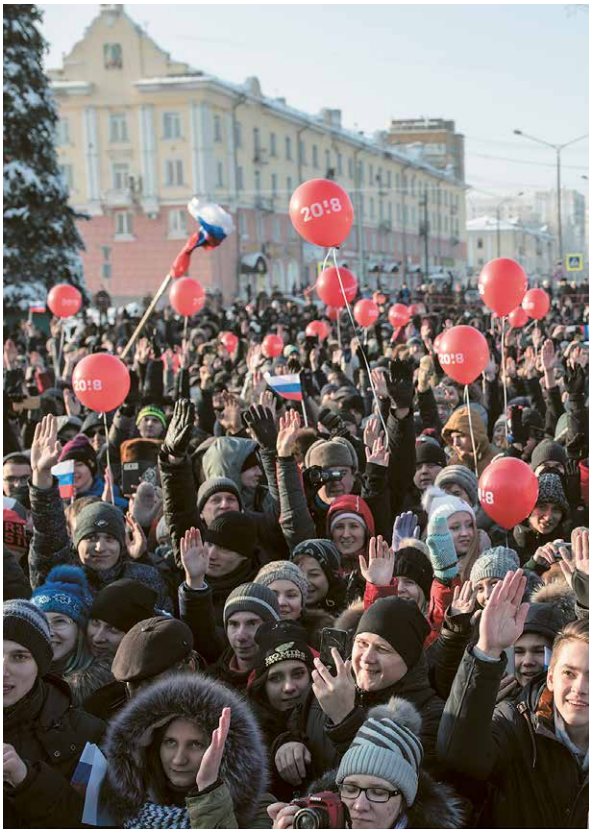
TV CHANNEL VIEWERSHIP IN RUSSIA BY AGE GROUP



SOURCE:
ФОМНИБУС 2017

media and instant messenger services to identify themselves using a personal mobile phone number. This change, it is hoped, will foil the anonymity of protest organizers. It is not likely that the measures to curb Internet freedom will succeed in being fully implemented.

In addition, tried and tested tactics are used to apply pressure on more active critics of the government – unfounded accusations and searches of organizations' offices and activists' homes, organized hooliganism against persons and their property, and pressuring people through employers and education institutions. Russia



Navalny supporters at a rally in Novokuznetsk on 9 December 2017.

SOURCE: AP/SCANPIX

continues to be a country where the more active critics have a justified fear for their own safety and that of their loved ones. It is likely that the ruling elite will try to further strengthen their pressure methods against critics of the regime and control of transmission of information.

In the run-up to the presidential elections, there has been increased emphasis on feigning political pluralism to increase the semblance of legitimacy of the vote and as a sump for opposition-minded sentiment. As people in Russia have long found it hard to take seriously opposition candidates who are officially sanctioned by the regime, the Kremlin will need at least one fresh new candidate to play the role of "independent" challenger. The person suitable for this would be an individual who is well-known and of some interest to the public, while safe and not posing a real threat of unseating the incumbent. In 2012, this role was played by Mikhail Prokhorov. In 2018, both Ksenia Sobchak and Pavel Grudinin appear to fit this role. Sobchak is well-known and merits attention, but most Russians view her as an unsuitable candidate for president or as any kind of serious politician. For the latter reason, Sobchak's criticisms of

the government are entirely safe as far as the Kremlin is concerned and her political agenda is perfect material for the appearance of an open public debate.

Despite the central government's actions against opposition and manipulation of popular sentiment, there is, for the first time in years, reason to speak of a credible opposition force. Aleksei Navalny gained noteworthy influence among the population and has become a real threat for the Kremlin. Key reasons for his success are his skilful use of social media to get out his message, as well as the fact that he speaks of problems that matter to society. The main reason for his success, however, is the change in the social situation. General discontent has grown, and this provides a grateful audience for an opposition leader who speaks openly about problems and creates opportunities to protest against them.

FOR THE FIRST TIME IN YEARS, THERE IS REASON TO SPEAK OF A CREDIBLE OPPOSITION FORCE IN RUSSIA. ALEKSEI NAVALNY GAINED NOTEWORTHY INFLUENCE AMONG THE POPULATION AND HAS BECOME A REAL THREAT FOR THE KREMLIN.

THE RUSSIAN ECONOMY

The growth and decline of the Russian economy reflect oil price fluctuations, not structural development of the economy itself.

The current functioning of the Russian economy can no longer guarantee the well-being of society. Fundamental reforms are needed, but it is unlikely they will be undertaken, as this would be contrary to the interests of the ruling elite. To distract from the real economic problems and mislead the Russian public and the West, the Kremlin is maintaining the appearance of public debate on possible reform and liberalization of the Russian economy.

President Vladimir Putin and his inner circle continue to use state power to maximize their personal influence and to provide for their own financial security. The silencing of critics and pressure on civil society also means the creation of an environment extremely unfavourable to economic development.

The primary condition for surviving and being successful in Russia's business world is not having competitive goods and services, but a patron who is as high as possible in the power hierarchy. In more profitable sectors, enterprise is in the hands of the ruling elite or closely connected circles, and there is no actual competition. Such a system is favoured by a biased judicial system that is controlled by the ruling elite, in which no independent entrepreneur can expect the transparent administration of justice. Providing closely connected businesses with profitable government contracts has become so much the norm that the Russian press uses

rankings of income earned by performing government contracts as a measure a companies' influence.

Falling energy prices and economic sanctions experienced in recent years amplify the structural problems in the economy and have highlighted the need for reforms. Compared to the low oil price in 2016, the past year brought slight economic growth, which tends to feed a misconception that the hardship has been overcome and keeps reforms from being implemented.

To summarize, the Russian economy has a complex problem based on the following factors.

» The state plays a dominant role in the economy, and thus market-economy processes have marginal influence, being akin to imitations of a true market economy. Initiative from private enterprise faces too high a risk in such an environment.

» The economic structure is tilted toward large companies. Small enterprise is hindered by bureaucracy and arbitrary exercise of power and corruption among lower officials. The low proportion of small businesses leads to a lack of competition, which in turn creates more inefficiency.

» The labour market is not flexible. Crises are not used to spur reform of the labour market by retraining and developing small business. In a crisis, there is a reluctance to lay off workers and a preference for riding out the crisis, with the burden borne collectively.

» Citizens have low trust in those who are beyond their immediate social circle and this mistrust is amplified by recurrent experiences of dysfunctional rule of law. This in turn breeds apathy and a waiting attitude. Citizens do not view change positively, and as a result have low courage for action, yet these two things are indispensable for carrying out economic reforms.

HOW MUCH RUSSIAN FAMILIES WITH TWO CHILDREN HAVE LEFT TO SPEND AFTER ESSENTIALS

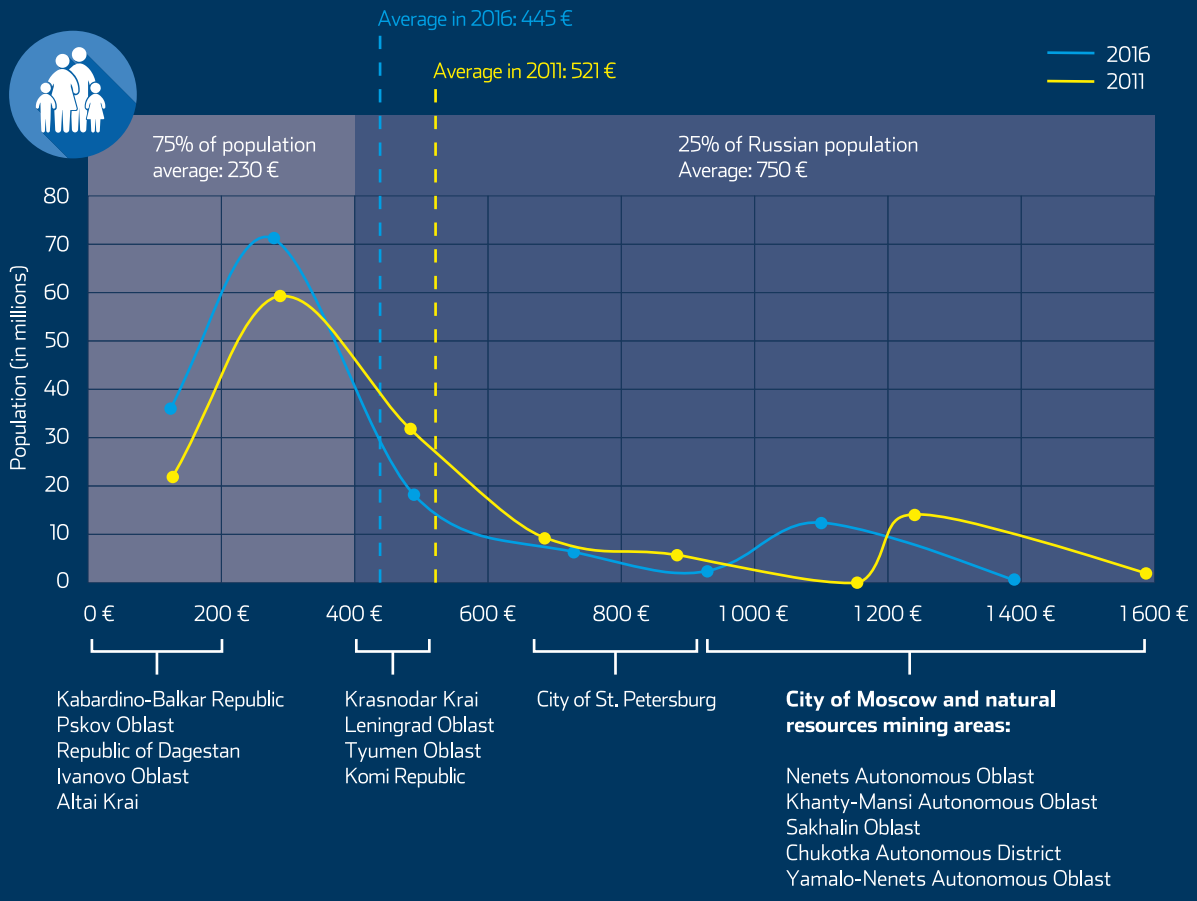
One indicator characterizing a country's social landscape is the compulsory costs of a family with two children. This type of household accounts for the greatest share of the population and is a good basis for generalization. Monetary value shows the amount that should cover monthly expenses, such as clothing, footwear, transport, durable goods, and leisure activities.

Looking back on Putin's third term in office, 2012–17, we see that this indicator has dropped about 15 percent since 2011. Even more important than the decrease is that social stratification has increased.

Only a very small share of these households earns the arithmetic mean income, and the absolute majority has to subsist at very low income levels. Only a small proportion of Russian inhabitants enjoy a standard of living equivalent to the average of Western countries.

The social stratification also has a regional dimension. A large part of the well-being for Russian citizens is defined by where they live. It is often possible for Russian inhabitants to upgrade their standard of living just by moving from rural areas to cities, and from the cities to foreign countries. The realization that part of their problem is rooted in where they live makes Russian citizens less enterprising and reduces the regional tax base even further.

The falling standard of living in regions makes it more costly and complicated for the Kremlin to ensure the county's integrity and the current economic mechanisms are incapable of solving this problem. At the same time it is clear that fundamental changes for improving the business environment



and restructuring the economy would weaken the positions of the elite and the economic circles associated with them. Continuing on the same economic policy course could end in social collapse. Whether that indeed happens depends more on the Kremlin's ability to divert the attention of the masses than on economic measures.

THE EFFECTS OF THE SANCTIONS

The consistent implementation of sanctions has come as a surprise for the Kremlin. In hoping that the West's unity in establishing and maintaining the sanctions would be short-lived, Russia made a miscalculation. The error is due to the inability to see Western policy as values-based. Perhaps the Kremlin hoped that pragmatic and economic considerations would win the day and a return to mutually beneficial deals would be imminent, as the Russian market and opportunities in Russia are indeed important for the West. But it failed to recognize how thoroughly Russia's actions went against Western values and how this has destroyed trust in Russia.

The West's sanctions imposed on Russia have had economic and political impact. The solidarity between Europe and the US has been substantial, to the Kremlin's surprise. Politically, Russia is displeased at finding itself in isolation at a time that it seeks a role as a global player. Potential new American sanctions cause anxiety among Russia's elite and would strengthen the effect further.

Although Russia would not gladly admit it, the sanctions have had a comprehensive and long-term effect on the Russian economy. The sanctions will shave at least one percentage point off of Russia's economic growth in 2018. Along with structural problems and low oil prices, Russia's economy will be stuck in low gear. The longer sanctions last, the more ingrained the tendency for investors and companies to forgo any transaction that may have a Russia connection.

Domestic Russian propaganda is fairly adept at creating a myth of how the "unjust" Western sanctions are an attack by an external enemy that is causing economic hardship for ordinary Russians. This narrative shields Russia's leaders from criticism for a failed economic policy, and helps to some degree to paper over the fundamental weaknesses in the economy.

Even now, import substitution policy and counter-sanctions breed a patriotic spirit in Russia, but this is no substitute for a new economic environment and

THE SANCTIONS WILL SHAVE AT LEAST ONE PERCENTAGE POINT OFF OF RUSSIA'S ECONOMIC GROWTH IN 2018.

Contraband cheese seized on the Russian-Finnish border in August 2017.

SOURCE: HTTP://SZTU.CUSTOMS.RU

does not lead to a rise in well-being. So far, the import substitution programme has only been partly fulfilled. There are clear problems with availability of high-tech parts in the energy sector and the military industry is also experiencing a drought when it comes to components sourced from the West. Injections of capital into Russian companies have nearly dried up. Russia's other partners do not appear to be interested in filling the vacuum. High interest rates and Russian banks' difficulties in raising capital have a stranglehold on small- to medium-sized enterprises and their borrowing needs. Russia's own counter-sanctions have not been effective in the area of import substitution and have not managed to drive a wedge between EU member states. In their zeal to impose countersanctions, Russian authorities have shot themselves in the foot, causing disgruntlement among the population by destroying smuggled food. Russian people, however, are keen to acquire contraband products. Certain Western foodstuffs have a firm local following (even everyday perishable staples such as cheese) and are of a quality Russian goods cannot compete with, and thus they are actively smuggled in.

It is currently premature to predict whether sanctions will lead to comprehensive changes in Russian policy or deter planners of future Russian foreign policy adventures. Until the presidential elections, President Putin will not be able to make sudden moves that are comparable to losing face. Even during a new term for Putin, Russian society cannot for long delude itself by blaming the West for its problems or think that the country's basic economic problems were caused by sanctions. Russia is not devoid of economic and political knowledge, and a consistent sanctions policy will help these ideas gain better traction in Russia.

THE RUSSIAN MILITARY

The only existential threat to the sovereignty of Estonia and other Baltic Sea states emanates from Russia. However, the threat of a direct Russian military attack on NATO member states in 2018 is low.

As long as Russia is ruled by an authoritarian regime whose top priority is to exercise political dominance over its neighbours, Russia will continue using military pressure against Estonia, Latvia and Lithuania. Considering that authoritarian regimes tend to see threats where none exist, it is not completely beyond the realm of possibility that the Russian leadership will make a strategic miscalculation, believing that NATO's collective defence is not effective.

Russian military planners do not view Estonia, Latvia and Lithuania separately; they approach Europe and NATO as a whole. In Russia's latest major military exercise Zapad-2017, Russian armed forces practiced a full-scale war with NATO in Europe. According to the scenario, the conflict started in Belarus. As usual, one of the main elements of the military exercise simulated an offensive against Estonia, Latvia, Lithuania and Poland. In the course of the exercise, Russian armed forces underwent all phases of an all-out war: Russia's military intervention in response to a "colour revolution" in Belarus, escalation into a conventional war with NATO, and finally, to nuclear war.

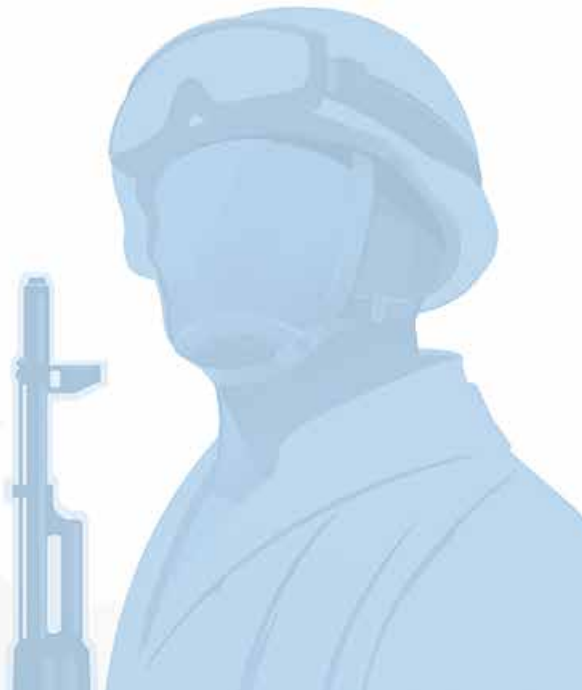
Russia's general behaviour in relation to military exercises shows that the country's leadership does not care about the fundamental values of international treaties, including the principles of building transparency and trust. What was, according to the official notice, a six-day exercise actually lasted six weeks. Russia's official media coverage significantly distorted the size of the exercise as well: publicly, the exercise area was declared as Belarus and Kaliningrad, but actually the exercise was held all over western Russia, from the Barents Sea to the border of Ukraine. Furthermore, officially it was declared

that 12,700 troops took part but actually there were more than 100,000.

The nature of the exercise was nothing new: anti-NATO scenarios have been used in most Russian armed forces exercises, including all of the previous Zapad exercises. Although the plans and scenarios have remained the same, the Russian armed forces are able to practice the military operations in greater detail with each exercise cycle – a number of the elements previously simulated on a map are now played out in the field.

In 2018, the Russian armed forces' annual exercise will be held in the Far East, under the name of Vostok-2018. The scenario will involve a regional conflict in the Pacific Ocean region. We know from previous years that somewhat paradoxically, the Vostok exercises are also targeted mainly against a perceived threat from the United States.

The largest land border between Russia and NATO increases the military importance of the Baltic Sea region for Russia. Besides regular military exercises, the Russian armed forces have consistently strengthened their presence in the region with the most modern weapon systems as well as the establishment of new units and commands. The same trend continued in 2017. The first group of new Su-30SM fighters was deployed in the Kaliningrad Oblast. In the Western Military District, new divisions are formed and infrastructure is built. In 2018, the Baltic Fleet will get its first two Karakurt-class missile corvettes. The importance of these ships lies above all in their weapons systems. The new Kalibr cruise missiles, which can attack land targets within 2500 km, will be part of the ships' arsenal. In 2018, the Russian armed forces will complete the rearmament of the Kaliningrad missile brigade with the Iskander missile



Russian President Vladimir Putin, Defence Minister Sergei Shoigu (on the left) and Chief of the General Staff of the Armed Forces Valeri Gerasimov (on the right) observing the Zapad exercise in the Luzhsky district in the Leningrad Oblast.

SOURCE: AP/SCANPIX

The shooting of Iskander-K missile during the Zapad-2017 exercise in Luzhsky district which is roughly 100 kilometres from the Estonian border.

SOURCE: AP/SCANPIX

system. This system can be used to attack strategic targets within a radius of 500 km.

In 2018, the formation of a National Guard based on internal forces and Ministry of the Interior institutions and units – a process started in 2016 – will be completed. In the final phase of the reform, the OMON and SOBR special police units will be integrated completely into the National Guard's paramilitary structure, and the National Guard will thereafter be prepared to fulfil all of its domestic security and national defence functions. In connection with this year's presidential elections and the football championship in Russia, the National Guard will be put to the test, as the post-reform security services must ensure that the elections proceed without major protests and unrest.

The weaknesses of the Russian armed forces must also be taken into account when assessing Russia's military capability. Neglect, corruption and theft are still prevalent in the Russian armed forces. Although the number of contracted military servicemen is growing due to economic difficulties, the number of disciplinary violations has also increased in the past year, suggesting low morale among the newly enlisted. With economic problems deepening and the cuts and inflation spreading into the armed forces budget, disciplinary problems and tensions are likely to rise in the future as well. Staff turnover is still high among younger officers. For young officers, the Russian armed forces provide limited decision-making freedom, discourage their initiative, and assign menial service duties – all

of which lower morale. Also, the lack of qualified junior specialists remains a problem. These shortcomings will affect the military readiness of all combat units.

The Russian military operation in Syria has essentially exhausted itself after achieving its three primary goals. In terms of publicity, Russia has managed to abundantly but not convincingly promote itself as a participant in solving the world's problems and a force against terrorism. Russia has been able to secure the right to use the port of Tartus, and has in essence used Syria as a testing range for its weapon systems. Further involvement in the conflict would expose inherent weaknesses in Russia's military and diplomatic capabilities. These factors influenced Russia's announcement in December 2017 that Russia had won the Syrian war and was withdrawing its troops. At the same time, in 2018 Russia is likely looking for ways to get involved in other conflict areas in the Middle East and Africa. The main purpose of such activity is to irritate the West, and not necessarily contribute to the resolution of these conflicts.

Russia's war against Ukraine will continue in 2018. Russia's goal is to maintain a constant level of military activity in eastern Ukraine and, through that, keep the internal situation in Ukraine unstable.

The likelihood of Russia's covert or overt military intervention in countries where it claims to have privileged interests, such as Belarus, Moldova or Kazakhstan, is medium. Previous military

The Russian nuclear submarine Dmitry Donskoy *cruising by Denmark's Great Belt Fixed Link crossing.*

SOURCE: REUTERS/SCANPIX

interventions in Georgia (2008), Ukraine (2014) and Syria (2015) show that the Russian leadership has the will and the readiness to intervene militarily outside its borders. The "colour revolution" element at Zapad-2017 also shows that Russia wants to be prepared if necessary for a rapid military intervention in Belarus, if the Belarusian people's bid for democracy starts posing a threat to the survival of the Kremlin-obedient regime. It should be noted that the term "colour revolution" can be used by the Russian leadership in the public narrative to describe almost any situation. It can also be used to describe both actual and hypothetical future events, thus helping to justify pre-emptive operations.

IN 2018 RUSSIA IS LIKELY LOOKING FOR WAYS TO GET INVOLVED IN OTHER CONFLICT AREAS IN THE MIDDLE EAST AND AFRICA. THE MAIN PURPOSE OF SUCH ACTIVITY IS TO IRRITATE THE WEST, AND NOT NECESSARILY CONTRIBUTE TO THE RESOLUTION OF THESE CONFLICTS.

HOW RUSSIA IGNORED INTERNATIONAL AGREEMENTS

A good example of Russia's lack of transparency is its attitude toward international agreements related to regional security. One such is the Vienna Document on Confidence- and Security-Building Measures from 2011, which the OSCE countries including Russia have signed.

WITH THE ZAPAD EXERCISE, RUSSIA IGNORED THE LETTER AND SPIRIT OF THE VIENNA DOCUMENT AGREEMENT.

Russia did not notify Zapad-2017 to other states party to the Vienna Document, even though the number of military personnel (over 20,000 land and airborne forces) exceeded the notification threshold. Paragraphs 38 and 40.1.1 of the Vienna Document oblige a country to provide 42 days advance notice of an exercise involving at least 9,000 military personnel.

Russia did not invite observers from other OSCE countries to Zapad-2017, although it should have done so. It invited only the defence attaches residing in Russia as "guests" on visiting day. Paragraph 47.4 of the Vienna Document obliges a country to invite observers to exercises involving at least 13,000 military personnel.

A couple of weeks before Zapad-2017's official phase, the Russian armed forces organised a covert large-scale snap exercise, involving more than 100,000 military personnel. Paragraphs 41 and 41.1 of the Vienna Document oblige to notify other countries of the start of a snap exercise. Such extensive snap exercises are held an average of five times per year by the Russian armed forces. In paragraph 67.1 of the Vienna Document OSCE countries pledged to hold a maximum of one exercise involving at least 40,000 personnel every three years.

Belarus, a participant of Zapad-2017, was not in violation of the provisions of the Vienna Document and was open to neighbouring countries and the international community.

RUSSIAN FOREIGN POLICY

Russian foreign policy and security policy is based on an adversarial stance toward the United States and the West in general. The main goal of the Putin regime is to end its political isolation and to restore its position on the world arena.

Russian foreign policy behaviour is opportunistic. To achieve its goals, Russia combines political, diplomatic, economic and military means in various global or regional conflicts. In this manner, the regime tries to leave an impression that it plays an important role in international politics and that without President Vladimir Putin it is not possible to resolve global problems. The Kremlin exploits and, if necessary, leverages conflicts around the world to increase its influence in various regions and undermine international processes and formats involving the West.

A central role in Russia's superpower ambitions is played by maintaining its sphere of influence in its neighbourhood, where its aim is to slow down the pace of democratization and any sort of Western integration. Russia does not draw the line there, and also meddles in politics in more distant countries. Its so-called fight against terrorism is one of the most transparent foreign policy pretexts used in recent years to satisfy its ambition of being a superpower in more distant regions. Russia uses the counterterrorism narrative to strengthen its foreign policy position and to establish relations on a political and security institutional level. While Russia seeks to show its readiness for international cooperation by invoking the fight against terrorism, this is a front for acting contrarily to the West, often

President al-Assad and President Putin in the Hmeimim Air Base in Syria on 11 December 2017 where Putin announced that Russia's mission in Syria is accomplished.

SOURCE: XINHUA/ SIPA USA/SCANPIX

flouting international conventions and agreements.

In 2018, Russia will continue its opportunistic foreign policy. It will persist in its broader opposition to the West and actively oppose NATO enlargement and sow division in the EU. As to countries in the region, the Kremlin will continue to oppose NATO enlargement to Finland and Sweden and also maintain its efforts against potential enlargement in the Balkans. In the Western Balkans, the Kremlin can be expected to seek closer relations with Republika Srpska in Bosnia and Herzegovina and continue influence operations and intervention in internal Montenegrin politics in the run-up to the presidential elections.

Russia's role in Syria is currently significant. Using this position, Russia will continue to stake out a more favourable position in international talks in several other conflicts, including on Ukraine issues. We can expect that "cooperation offers" concerning Libya and Syria will be extended to Europe. In the Persian Gulf, Russia will try to strike a balance between intensifying cooperation (including military) with Qatar and Saudi Arabia's regional demands.

In Afghanistan, the Kremlin will continue meddling on the pretext of fighting terrorism. The same counterterrorism pretext will also continue to be used in various Central Asian countries, to preserve or strengthen its role as a guarantor of security and to intervene in their local politics.

EXAMPLES OF RUSSIAN MEDDLING

In the Western Balkans, Russia is actively trying to hinder NATO enlargement. Although Montenegro's accession could not be prevented, Russia is attempting to portray the actions of the EU and the US as a failed project and maintain a global superpower image through its historical ties in the region.

In Libya, Moscow's broader goal is to obtain a new ally on NATO's southern border, whose influence could be used against European countries. Russia has actively supported the Libyan National Army led by Gen. Khalifa Haftar, a force opposing the UN-supported Libyan unity government. Alongside political legitimacy, Russia supports Haftar also in other ways. For example, Russia has repeatedly taken on the printing of Libyan dinars, which are delivered to the cash-poor territories controlled by Haftar. Russia is also maintaining ties with the Libyan unity government, which understands that Russia is equally capable of escalating the conflict as it is of defusing it.

In the Persian Gulf region, Russia is trying to undermine the US-led regional security architecture. To do so, Russia is trying to benefit from the frictions between the US and its Arab allies concerning, above all, Iran's role in the region. Russia has courted the monarchies around the Gulf both economically and politically. It is also preparing arms sale transactions with both Saudi Arabia and Qatar. In the same way, Russia has also repeatedly passed itself off as a so-called neutral peace broker in the Yemen civil war. With these steps, Russia tries to undermine the US's regional role and simultaneously transform itself into an indispensable negotiation partner in the Middle East.

In the case of Syria, the Russian narrative trumpets an ongoing fight against terrorism, but the reality is that Russia is there in order to halt a string of defeats for the Bashar al-Assad regime while trying to increase its presence and possibilities to influence developments in the region. In this sense, Russia's intervention in Syria since 2015 has been successful. Although Iran's influence in Syria has grown significantly as a result of the conflict, Moscow has managed to reinforce its military presence in Syria. In addition, Russia has succeeded in breaking out of the diplomatic isolation imposed on it due to the Ukraine conflict, achieving a situation where at least in the Syrian issue, Russia can act as an equal counterpart alongside the leading countries and regional forces.

Regarding intervention in the North Korea crisis, Russia's ambition is clear: to become an internationally recognized global actor, and to undermine the role of the US at the same time. Russia is exploiting the conflict to spread a narrative that the US is principally to blame in the North Korea question. Russia volunteers itself as a "peace dove" which prefers diplomatic channels and could possibly broker talks.

In Afghanistan, Russia is using counterterrorism rhetoric to justify its activities. Russia is increasing its troop presence under the guise that the American-led coalition is failing in its fight against drug trade and terrorism. Russia maintains contacts with the major parties to the Afghanistan conflict in order to keep its options open for any future scenario. Similarly to its actions in Syria, Russia has also tried to form alternative coalitions and negotiating platforms that undermine the formats established on the basis of international agreements.

OUTLOOK FOR THE MINSK AGREEMENTS

Russia has only partially achieved its desired goals in its aggression against Ukraine. Crimea is occupied, the war in eastern Ukraine continues to destabilize European security, and Ukrainian society and economy are still vulnerable. But Russia's main goal – to draw Ukraine into its sphere of influence – is slipping away irreversibly. The Minsk Agreements, which brought the worst of the fighting to a halt in eastern Ukraine, coupled with Ukrainian resistance and the unanimous pressure from the West, has kept the fighting to the level of local skirmishes, which no longer poses an existential threat to Ukraine. The fighting nevertheless has had a heavy human toll. Russia seems unwilling to break it off, but rather uses the violence as an instrument to achieve the control of Kyiv it yearns for.

It has been more than three years since the Minsk agreements were signed. Russia has had many opportunities to bring the conflict to a peaceful solution, if it wanted to. Instead of cutting off its proxies in eastern Ukraine and no longer equipping and directing the militants, the Russian administration is playing a two-faced game. The occupied eastern Ukrainian areas are being integrated with the Russian economy and society to a greater extent while Russia feigns commitment to the Minsk accords and diplomatic solutions. These mutually exclusive trends gained particular momentum in 2017.

In a situation where Russia's opposition to the West and the ever-deepening isolation could become permanent, the Kremlin is attempting to save face. The upcoming presidential elections in Russia are also forcing Vladimir Putin to propose actions that have at least the semblance of being peace-oriented. In September 2017, Russia's president made a proposal to the UN to send an armed mission to eastern Ukraine to provide protection to the OSCE special observer mission operating there. This idea was meant to take the initiative out of Ukraine's hands, as the Ukrainian president had announced a plan prior to the UN General Assembly meeting to demand UN peacekeepers be sent to the area. Russia's proposal was nothing but an attempt to defer a solution to the conflict burdening Ukraine. At a time when the international community is waiting for true steps to be taken to resolve the bloody conflict, Russia is only suggesting solutions that would only make the conflict more entrenched. Russia apparently sees this as a sustainable

RUSSIAN FOREIGN POLICY INITIATIVES TO WATCH IN 2018:

- International initiatives on Ukraine and in the Middle East
- Pressure on Europe regarding Syria and Libya
- Negotiations between warring factions in Libya
- Activities in Afghanistan justified by the fight against terrorism
- Influence activities in Montenegro and Moldova before and during elections
- Ever closer relations with Republika Srpska in Bosnia and Herzegovina
- Consolidation of influence in Central Asia

prospect, as it believes that it can shift the responsibility to various international organizations in a manner that reduces Russia's accountability while increasing the status of the self-proclaimed formations – the Donetsk and Luhansk people's republics – that undermine Ukraine's territorial integrity. Russia's calculations are predicated on the belief that multiple frozen conflicts on its borders are a manageable strategy for the long term and that this will yield direct political benefits for Russia, giving it an instrument for keeping its neighbourhood at heel.

However, Russia's rationale for attacking Ukraine is increasingly on unstable footing. At the Valdai Discussion Club forum on 19 October 2017, President Putin floated a new pretext – the claim that it was trying to prevent a Srebrenica-type tragedy in Donbas. By citing the goal of avoiding massacres in eastern Ukraine as an excuse for maintaining control of the Ukrainian border, Putin

AT A TIME WHEN THE INTERNATIONAL COMMUNITY IS WAITING FOR TRUE STEPS TO RESOLVE THE BLOODY CONFLICT, RUSSIA IS TABLING IDEAS THAT WOULD ONLY MAKE THE CONFLICT MORE ENTRENCHED.

The building where the paramilitary representation of the Donetsk people's republic in Ostrava, Czech Republic was registered until April 2017.

SOURCE: GOOGLE MAPS

once again confirmed what he himself, his diplomats and officials have schizophrenically persisted in denying for many years – Russia controls the occupied areas of eastern Ukraine because it has a specific strategy for doing so. Yet it is evident that Russia's assessment of the situation – which was the grounds for its aggression against Ukraine – was not even close to reality. Considering Russia's potential from the standpoint of security, this conveys a negative message, at least in Russia's neighbourhood.

Examples of manipulations against the West orchestrated by Russia can also be seen in the phantom representations of the eastern Ukrainian separatists – in particular the Donetsk People's Republic – in Europe. In 2017, the "representation" in Italy was joined by centres in Greece and France. The latter one is led by a failed and convicted municipal politician. In April 2017, the paramilitary representation of the Donetsk People's Republic in Ostrava, Czech Republic (pictured), was closed by court ruling and in December, Russian agent of influence Johan Bäckman, who had previously claimed to represent the Donbas in Finland, announced a new representation had been opened in Helsinki. Such groups – although marginal – spread disinformation, originating from the Kremlin via the "Donetsk foreign ministry", aimed against Ukraine and the West. As the Donbas separatists' attempts to imitate diplomacy in the West have proved unrealistic, Russian agents attempt to register the representations or NGOs and associate them with existing associations.

ROSNEFT AND GAZPROM AS THE TOOLS OF RUSSIAN FOREIGN POLICY

General economic constraints will keep Russia's foreign policy influence in check in 2018 as well. The Kremlin has little money to support governments of Moscow's liking and thus it will rely on the large state-owned corporations Rosneft and Gazprom.

This is risky business – for instance, Rosneft's loans and agreements in Venezuela (totalling 6,7 billion EUR) may end up making a loss if the Venezuelan government continues on the same economic policy course, which has made what was once the wealthiest country in South America insolvent.

Rosneft's investments (totalling 1,2 billion EUR) in Iraqi Kurdistan, the independence referendum of which was not recognized by the Iraqi central government, are also in doubt. Baghdad has restored control over the oil fields and has contested the Rosneft deal with the Kurds.

In Serbia, Gazprom uses the same influence means that it did in Ukraine: a long-term supply contract has been signed with a monopoly, Srbijagas. This enterprise is characterized by corrupt schemes, politicians' participation in company management and opaque transactions. Through Gazprom, Russia establishes relationships that make CIS countries dependent on Russia. For example, the price of the natural gas sold to Belarus and Kyrgyzstan is decided by the Kremlin, like investments into the gasification of Kyrgyzstan. The expenses from this type of foreign policy instrument are borne by Gazprom.

The risks assumed by Rosneft and Gazprom in the state's foreign policy interests are compensated by the risk-free redistribution of oil and gas exploration sites in Russia.

RELATIONS BETWEEN BELARUS AND RUSSIA

President Alyaksandr Lukashenka's autonomy is dwindling, and although Belarus is stable on the surface, uncertainty is growing in the country.

Above all, the country's uncertainty is based on its almost full dependence on Russia. Most of the crude oil imported from Russia is exported from Belarus as refined oil products. This accounts for almost a third of the budget revenue of Belarus. The 1,6 billion EUR loan allocated by Russia in 2016–18 is essential for refinancing past loans taken by Belarus. Belarus's economic dependence gives Russia leverage it can use if necessary to force Belarus to take decisions not benefitting Minsk's development. For example, if oil exports using Latvian and Lithuanian ports are re-routed to Russian ports, Russia will assume direct control over Belarus's petroleum exports.

Russian control over Belarusian military capabilities is increasing; the legal framework is being supplemented to bring the armed forces of both countries under a joint command in the case of a threat, and there is deepening harmonization of both countries' armed forces and training of units at the tactical level, right up to the creation of mixed units. The Belarusian armed forces are also equipped with Russian military equipment, making Belarus technologically and financially dependent on Russia for decades to come. The leaders of Belarus are interested in inexpensive solutions for maintaining their armed forces while Russia's goal in this cooperation is to strip the Belarusian armed forces of

Belarusian president Alyaksandr Lukashenka and Russian president Vladimir Putin.

SOURCE: AP/SCANPIX

their autonomy so that they would be crippled in case of a conflict.

The protests of spring 2017 showed that if Russia decides to reduce economic support to Belarus – as it temporarily did that year – this will have a direct effect on the socioeconomic situation in Belarus. In this situation, Belarusian officials were forced to find other income sources to fund the budget, such as the "social parasites tax" (imposed on people who have worked less than six months per year), which brought thousands of people to the streets in Minsk and the regions. A steep rise in utilities expenses in 2018 will directly hit the wallets of Belarusian people. With the standard of living declining, more and more Belarusians are travelling abroad in search of work, above all to Russia and Poland.

In terms of foreign policy, Belarus has attempted to foster the image of a guarantor of regional security, hosting talks on the eastern Ukraine conflict and promoting the Helsinki 2.0 initiative aimed at getting China, Russia, the US and EU leaders behind the negotiating table, looking for new and constructive solutions. Taking part in the Zapad-2017 exercise as an ally of Russia dealt a significant blow to this image. Belarus's initiative to invite foreign observers to the exercises did not reduce neighbouring countries' fears related to the exercises. The two countries' presidents did not meet in the course of the exercises, which shows that Russia does not consider Belarus an equal partner. In the run-up to Zapad-2017, the FSB detained a Ukrainian citizen, Pavel Grib, on Belarusian territory. This demonstrated a direct subordination to the Russian special services and makes one doubt whether the Belarusian authorities are capable of keeping developments under control in their own country. In addition to Grib, the arrests of the Ukrainian journalist Pavel

Joint exercises are one measure by which Russia increases its control over Belarusian military capabilities.

SOURCE: TASS/SCANPIX

Sharoiko and the businessman Aleksandr Skriba are a sign of the country's efforts to please Russia in sowing tensions in relations with Ukraine.

The common visa space agreement between Belarus and Russia means that visa policy is essentially placed under Russian control. Belarus will essentially lose its right to decide on who enters the country – yet another step in the erosion of sovereignty. Russia's decision to set up temporary border checkpoints on the Belarus-Russia border in spring 2018 and intensify checks on the roads and railways should also be seen as pressure on Belarus. Should the visa issue be resolved, some other topic would come up immediately, such as infiltration of terrorists from Belarus to Russia or growing cross-border smuggling, which would be prevented by more effective border controls.

After the 2018 presidential election, Russia will continue applying pressure and increasing control over the Belarusian economy, politics, military and social life, as the complicated situation in the Belarus economy will increase internal discontent and instability. Once again, the sale of strategic Belarusian companies to Russia and the establishment of a Russian military base on Belarusian territory will be on the agenda. Street protests would be sparked more by a worsening socioeconomic situation than calls from the fragmented opposition.

The demise of the sovereignty of Belarus would reinforce Russia's sphere of influence in the proximity of Central Europe.

INTELLIGENCE FROM THE TERRITORY – THREAT TO FOREIGN NATIONALS IN RUSSIA

Russia's intelligence services systematically look for ways of recruiting foreigners on Russian territory and gathering information on other countries. This entails certain risks for people travelling to Russia.

According to its own terminology, Russia's intelligence services abroad gather information mainly through what is known as "legal residency" and "illegal residency". In the former case, intelligence officers act as diplomats representing their homeland and they are protected by the Vienna Convention. In the second case, officers act under the cover of a businessman, researcher, journalist or other profession. Such individuals do not enjoy diplomatic immunity and will be punished if caught. Both legal and illegal intelligence activity abroad is risky and resource intensive.

As in the Soviet era, another intelligence collection method remains in the current Russian Federation namely "gathering intelligence from the territory". That means information about foreign countries is not gathered on their own territory but on Russian soil. These Russian officers do not travel abroad but rather meet and recruit foreign nationals in Russia. It is substantially cheaper, safer and more effective as Russian intelligence officers can work in their home country without fear of being apprehended, and it is much harder for foreign counterintelligence to keep track of such activities.

As the threats from gathering intelligence from the territory faced by foreign nationals in Russia tend to be underestimated, we deem it necessary to cover the topic in our threat assessment in greater detail.

THREE GROUPS OF OPERATIONAL STAFF

Gathering information from the territory is carried out in Russia basically by three groups of operational staff:

FOREIGN INTELLIGENCE SERVICE

The Foreign Intelligence Service of the Russian Federation's (SVR) Directorate for gathering information, which has an organizing and coordinating role, in cooperation with other units in the SVR headquarters;

FEDERAL SECURITY SERVICE

The Federal Security Service of the Russian Federation's (FSB) regional directorates' intelligence departments in Russian federal subjects (oblasts, krais and republics), in cooperation with other FSB units;

ACTIVE RESERVE

The active reserve – intelligence officers posted to Russia's national or regional institutions, companies and organizations, with the possibility of establishing contact with foreign nationals: government institutions' or universities' external relations departments, NGOs with international ties or the funds behind them, organizations that maintain ties with Russian compatriots abroad, companies doing business abroad, etc. In intelligence terminology, officers use the "cover" of the relevant institution's employees. The true identity (i.e membership in the Russian intelligence services) and duties (recruitment of sources and collection of intelligence on foreign countries) of these officers, who carry out their cover duties similar to ordinary employees working at the given institutions are carefully concealed. The cover of actual or fictitious institutions can also be used for the purpose of establishing contact with foreigners by the SVR directorate's relevant department department and the FSB regional directorates' intelligence departments' staff.

In addition to the FSB and the SVR, *razvedka s territorii* is also used by the General Staff of the Armed Forces of the Russian Federation's Main Intelligence Directorate's (GRU) intelligence units. Besides intelligence units, all other units of Russia's special services gather information on Russian territory, based on their functions.

The task of the Russian special services is to determine which of the foreigners visiting Russia could have access to political, economic and military information of interest to the services, establish contact with them (usually by using some cover) and if suitable, recruit them. Alongside foreigners, Russian citizens are also recruited if they have a possibility of collecting intelligence from abroad or assisting Russian intelligence in recruitment of foreigners. In addition to collecting intelligence, the task of individuals, such as journalists and politicians, who are recruited by this method is spreading (dis)information through their acquaintances and social media to support Russia's foreign policy course and discredit its global adversaries.

Major international events taking place in Russia – political and economic forums, scientific conferences, youth festivals and sports competitions – play an important role in intelligence collection. Russia typically spares no expense in organizing such events that often attract the elite from all over the world. This creates a favourable opportunity for Russian special services to find targets for human intelligence and collect information.

THE TASK OF THE RUSSIAN SPECIAL SERVICES IS TO DETERMINE WHICH OF THE FOREIGNERS VISITING RUSSIA COULD HAVE ACCESS TO INFORMATION OF INTEREST TO THE SERVICES.

As visitors to Russia must first fill in a visa application form and, for events, usually a participant registration form, they supply the organizers and Russian special services with the information needed to make a preliminary selection of targets. Russian special services can also, through the assistance of officers employed under cover in various institutions or their co-optees, invite persons of interest to Russia. Visitors from abroad usually come to such events without family members, live in

hotels and feel less inhibited outside official events, which makes it easier for special services to establish contact and access their personal items such as telephones and computers. Unsuspecting visitors may not have a clue of what is going on around them in the preliminary phase of an intelligence operation.

In the case of important international events taking place in Russia, the FSB sets up an operational staff that can involve several thousand operational personnel from intelligence, counterintelligence, counterterrorism and technical support (signals intelligence, which involves wiretapping and covert surveillance). Although in the current tense international security situation, the importance of counterterrorism and event security should not be taken lightly, Russia's special services are devoting just as much attention to collecting intelligence from foreign visitors as they do to security.

It should be emphasized that RT is not conducted only in Moscow, although this is where the concentration of foreigners and special service personnel is highest, but also in Russia's regions. This is also true for intelligence operations at international events, which often take place in other large Russian cities or places selected for that purpose.

The Russian Federation's governing institutions and other institutions that interact with foreigners employ many "former" KGB officers who worked in foreign intelligence in the First Main Directorate or its successor, the SVR. Although it is publicly claimed that these officers have retired from the intelligence service, it is suspicious that they still work in positions that provide direct access to foreigners or hold senior positions in such institutions. In addition to those whose intelligence career in the KGB's First Main Directorate or the SVR is listed on their

IN THE CASE OF IMPORTANT INTERNATIONAL EVENTS TAKING PLACE IN RUSSIA, THE FSB SETS UP AN OPERATIONAL STAFF THAT CAN INVOLVE SEVERAL THOUSAND OPERATIONAL PERSONNEL.

The St. Petersburg international economic forum is one venue where international business meets Russian intelligence.

SOURCE: TASS/SCANPIX

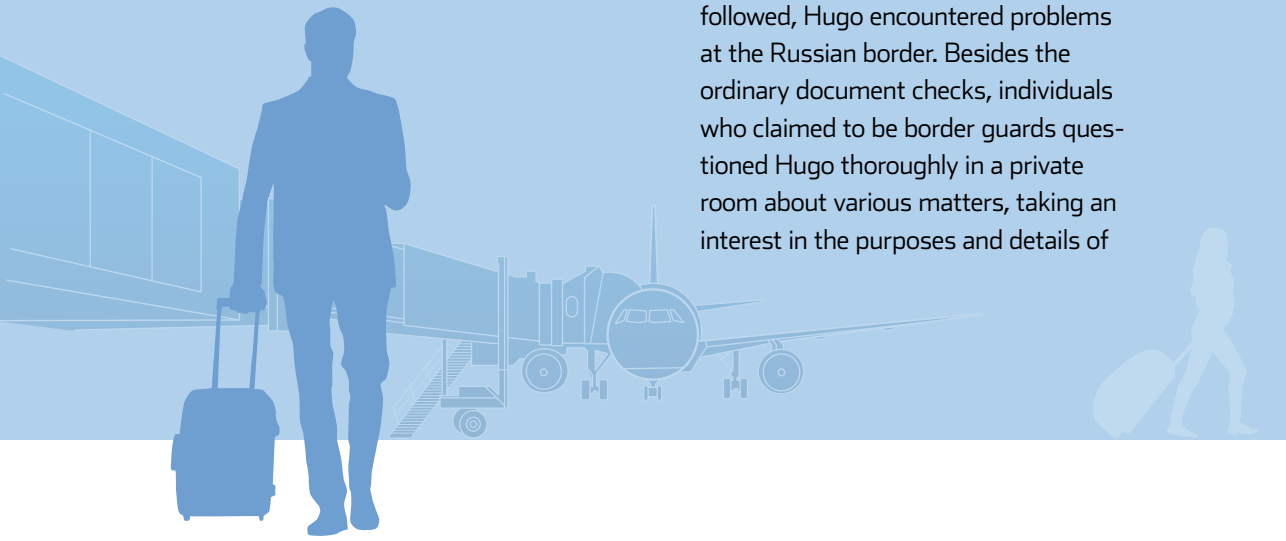
public CVs or has been exposed by the intelligence agencies of other countries, there are also younger and lower ranking "officials" who have been detected as intelligence officers by means of intelligence collection.

The purpose of this chapter is not to discourage foreign readers from visiting Russia or to make them paranoid while they are in Russia. However, visiting Russia does run certain risks and people involved in political, social and business circles in particular should critically analyse any incidents that may occur during their stay in Russia and any individuals who seek to strike up an acquaintance. Visitors should pay close attention to their personal belongings, especially communication devices and computers. We would also like to stress that unfortunately intelligence threats present in Russia are more nuanced, and the details of which cannot be disclosed to the general public. Should anyone who has visited Russia suspect that they have been approached by the Russian intelligence services, they should contact the security services of their respective countries.

AN EXAMPLE OF RUSSIAN SPECIAL SERVICES IN ACTION*

Hugo, a businessman from one EU member state who provides consulting on exports to the management of an electronics manufacturer, visits St. Petersburg regularly for business meetings with the company. Hugo is 45, married and father of two children. His hobbies are classical music and tennis. As a young man, Hugo studied as an exchange student for year in one of Russia's well-known universities and is therefore fluent in Russian.

During his visits to Russia, Hugo made a new acquaintance through the existing business partner, Sergei. As they got along well and had a shared interest in playing tennis, the men became friends. After some time, Sergei started expressing great interest in the details of Hugo's company's business activities and contacts in Europe. Hugo, well aware of the constraints of confidentiality and business secrets, avoided disclosing any details about his company to Sergei. In the months that followed, Hugo encountered problems at the Russian border. Besides the ordinary document checks, individuals who claimed to be border guards questioned Hugo thoroughly in a private room about various matters, taking an interest in the purposes and details of



his travel, professional and private life and his contacts in Russia and elsewhere. His baggage was also searched thoroughly each time. When Hugo complained to Sergei about the harassment by the border guards, the latter offered his personal assistance and proposed to use his "acquaintances" at the FSB. In exchange for solving his problem, Sergei asked for Hugo's assistance in "procuring certain information" from Hugo's company's headquarters. Hugo did not consent. Then Sergei hinted that "Russian authorities" could create bigger problems for Hugo in Russia than mere inconveniences on the border, but Hugo acted as if he did not understand the threat.

HUGO, WELL AWARE OF THE CONSTRAINTS OF CONFIDENTIALITY AND BUSINESS SECRETS, AVOIDED DISCLOSING ANY DETAILS ABOUT HIS COMPANY TO SERGEI. IN THE MONTHS THAT FOLLOWED, HUGO ENCOUNTERED PROBLEMS AT THE RUSSIAN BORDER.

The next time Hugo landed at St. Petersburg airport, border control told him his visa had been revoked and he could not enter Russia. Hugo is stuck with the apartment he bought in central St. Petersburg and is looking for a new job.

The case of Hugo shows that doing business in today's Russia is risky. Even if one does everything by the book, Russia's special services can confront people with a choice of whether to commit treason or give up their business.

* *Note: Names and other details have been changed to protect the safety of those concerned, but the description of the patterns used by the Russian special services is accurate.*

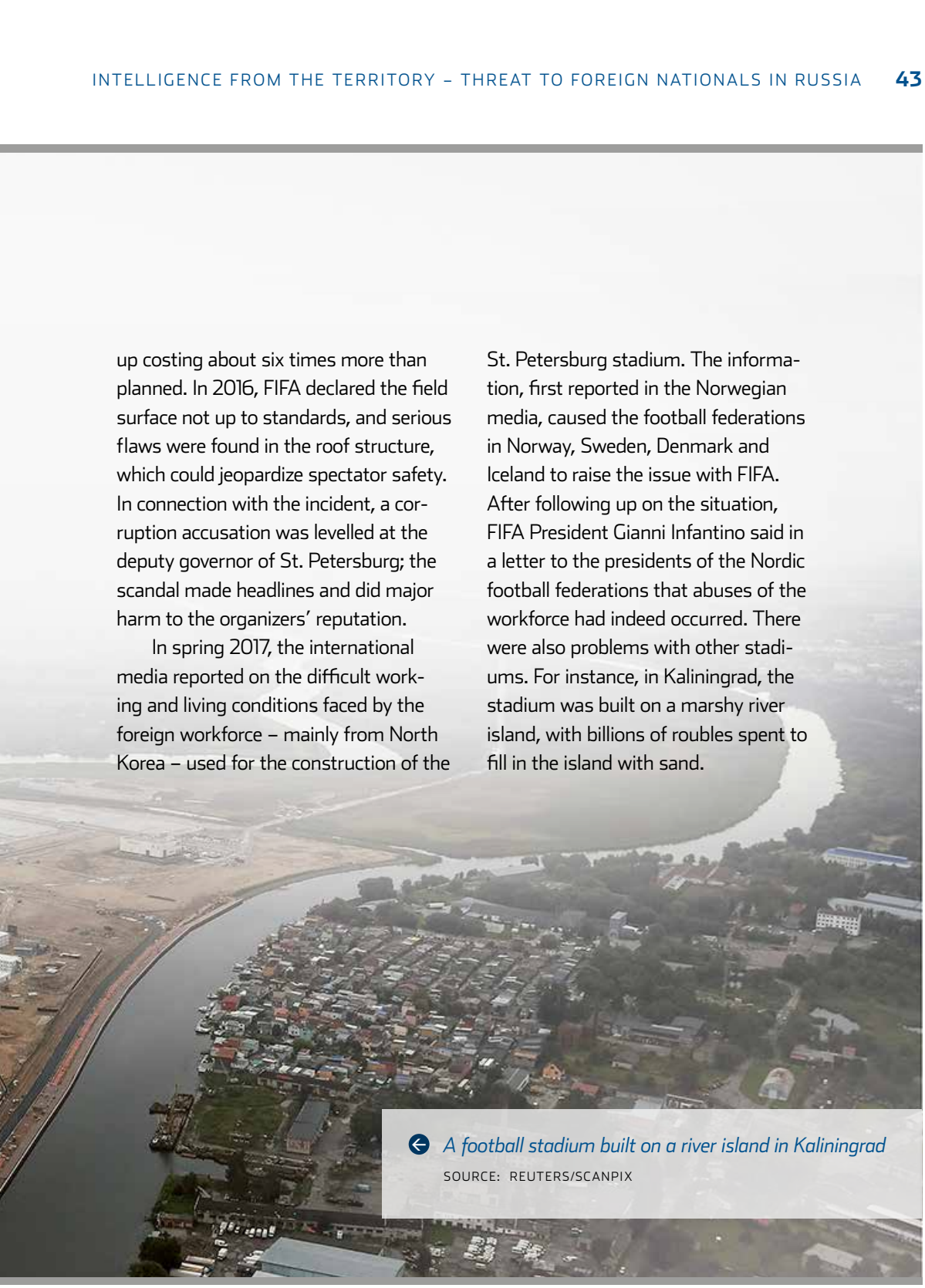
THE FIFA WORLD CUP IN RUSSIA – PUTIN'S PR PROJECT

From 14 June to 15 July 2018, 11 cities in Russia will host the FIFA World Cup. Organizers expect up to a million international tourists. The Russian authorities have waived visa requirements for fans as long as they have a passport and an official fan card, which is available to official ticket holders. In the cities hosting the games, security forces will make efforts to minimize the risk of terrorism and prevent demonstrations. Russian security forces will also be keeping a closer eye on people visiting Russia during the tournament.

This year's tournament is a gigantic PR project for Russia that is intended to send a clear signal to the international community that Russia has succeeded well despite sanctions and been able to break out of international isolation. Yet like the Olympic Games held four years ago in Sochi, the organizing of the tournament has proved more costly for the Kremlin than it expected and has been marred by corruption incidents and other scandals. The problems with the construction of the so-called super-stadium in St. Petersburg have received the most coverage. It eventually ended

up costing about six times more than planned. In 2016, FIFA declared the field surface not up to standards, and serious flaws were found in the roof structure, which could jeopardize spectator safety. In connection with the incident, a corruption accusation was levelled at the deputy governor of St. Petersburg; the scandal made headlines and did major harm to the organizers' reputation.

In spring 2017, the international media reported on the difficult working and living conditions faced by the foreign workforce – mainly from North Korea – used for the construction of the St. Petersburg stadium. The information, first reported in the Norwegian media, caused the football federations in Norway, Sweden, Denmark and Iceland to raise the issue with FIFA. After following up on the situation, FIFA President Gianni Infantino said in a letter to the presidents of the Nordic football federations that abuses of the workforce had indeed occurred. There were also problems with other stadiums. For instance, in Kaliningrad, the stadium was built on a marshy river island, with billions of roubles spent to fill in the island with sand.



A football stadium built on a river island in Kaliningrad

SOURCE: REUTERS/SCANPIX

INFLUENCE OPERATIONS

Although Russian meddling in the internal affairs of several countries was exposed in 2017, this did not deter the Kremlin from undertaking new influence operations. In 2018, Russia's influence activities will be just as active as in past years.

For Russian special services, influence operations are an inexpensive, effective and well-established instrument in their arsenal. The capability in the field of information warfare is growing (see sidebar on information war units) and Russia is already well-prepared for more extensive disinformation campaigns.

Russia will continue its attempts to influence democratic decision-making processes in the West, especially in EU countries that have elections in 2018. The Kremlin believes that creating confusion in Western countries gives Russia greater freedom of action and increases its influence.

Increasingly Russia believes that the state is forced to wage a hidden political struggle against the West and this self-delusion is spurring it to expand its influence operations and information warfare capability. That means disseminating even more disinformation and more attempts to recruit Western politicians, businessmen and opinion leaders abroad.

The aftermath of the Russian military intelligence operation in Montenegro and the intervention in elections in the West are good examples of how the Kremlin has been exposed and how operations that seemed audaciously successful on paper have actually produced the opposite result.

Since the US presidential election in 2016, awareness of the Kremlin's activity in the West has increased significantly. This has not deterred Russia and it is continuing its efforts to undermine – hack, leak or spread disinformation – supporting the European politicians who have proved suitable for the regime in Moscow. In 2017, "Moscow's hand" was detected in an impressive number of Western countries: the US, the UK, Germany, France, Spain, the Netherlands, Norway, Denmark, Sweden, Bulgaria, Montenegro, Malta and elsewhere. Moscow's attempts to influence

In particular, Moscow looks for receptive members of the European Parliament to influence decision-making processes in Europe.

SOURCE: REUTERS/SCANPIX

Italian domestic politics should be noted in particular. Since the Crimean referendum in 2014, politicians and businessmen mainly from the northern regions of Italy have acted in accordance with the Kremlin's policies both in their home countries and in occupied Ukraine.

In the case of Estonia, Latvia and Lithuania, we see attempts by the Kremlin propaganda machine to tarnish and diminish the centennial celebration events (see sidebar). Russia is certainly interested in the Latvian parliamentary elections this autumn. Information attacks on NATO forces in Estonia, Latvia and Lithuania will continue at a pace similar to 2017.

The Kremlin has not lost hope of creating a favourable geopolitical situation in Ukraine. Putin's regime plans to keep Ukraine – which is attempting to integrate with the West – in constant political crisis. Covert influence activities continue in oblast politics, in the media and among members of parliament. Attempts are made to provoke demands for autonomy, above all in the country's western oblasts. Russia has systematically developed a network of agents of influence both inside and outside Ukraine, who from time to time speak out in support of the Kremlin or against the Ukrainian state. These same agents of influence publicly support the autonomy demands of the Kremlin. The

broader the network of Kremlin agents of influence becomes, the harder it is to determine whether a political initiative is genuine or an assignment from the Kremlin.

Russia finances, expands and uses the networks of its agents of influence actively to disrupt and influence decision-making processes in Europe. If necessary, there is a readiness to mobilize them for the domestic audiences in support of the Kremlin's internal policy. Agents of influence are usually recruited in Russia and, in general, this is preceded by an invitation from a Russian politician or Kremlin-associated business person. Active agents of influence travel to Russia regularly and justify these trips with public events or meetings with State Duma committees or members of parliament, United Russia politicians or representatives of the radical Liberal Democratic Party. For these visits to Moscow, the agents of influence receive cash payments, which are often quite modest and should not normally be sufficiently motivating for anyone. Activists residing in Europe who are not Russian citizens but have earned the trust of the Kremlin may be used as coordinators to process the agents of influence. In general, the recruited agents of influence communicate with the Russian side via a coordinator located in Europe. Their task is to hand out assignments from Moscow to the West and to offer payment for it. Regular assignments often lead to a situation where the recruited agents of influence are themselves interested in earning easy money and they pitch projects to Moscow. In particular, Moscow looks for receptive members of the European Parliament, but politicians on the national and local level are also of interest. Besides recruiting individuals, Moscow's aim is to achieve influence on how political parties view Russia. For this purpose they pay special attention to party leaders and members, who are seen as future leaders and opinion

(CONTINUES ON PG 48)

ACTIVE AGENTS OF INFLUENCE TRAVEL TO RUSSIA REGULARLY AND JUSTIFY THESE TRIPS WITH PUBLIC EVENTS OR MEETINGS.

INFORMATION WARFARE UNITS TARGETING NATO

The Kremlin believes that informational superiority will decide the global power struggle. A doctrine formulated by the Chief of the General Staff of the Russian Armed Forces Valeri Gerasimov calls for constant informational confrontation, with no distinction drawn between war and peacetime.

Already in November 2015, an information warfare centre was set up as a separate unit in the Russian Southern Military District. A year later, information warfare units were formed in each of the Russian Federation Armed Forces military districts, including the Western Military District bordering Estonia. As a result, the Russian armed forces are conducting information warfare in other countries similar to the one waged against Ukraine for several years already.

The main target for the Western Military District is NATO and its member states. Under the Gerasimov doctrine the Russian armed forces wage a constant information war and we can expect information and psychological operations in 2018 against Estonia and NATO in general – e.g. spreading false information to discredit allied soldiers or Estonian inhabitants.

In general terms, the purpose of the information warfare centres is to undermine the adversary's resistance before a military conflict and to maintain a dominant position once it has begun. More specifically, the centres try to use the information and psychological operations to discredit the political leadership of the adversary, generate distrust in the commanders of the adversary's defence forces, create a negative image of the adversary's government and society among allies and in Russia, undermine the reputation of the adversary's armed forces and demoralize the adversary's soldiers and civilians. To do this, they need to strengthen the position of both their own media and the Russian state media in a target country to dominate the media sphere in a conflict situation. This also includes a direct element of subversion, as domination of the information space requires a take-over or destruction of the opponent's communication infrastructure. To conduct the information war, the centres create "special materials". These are fabrications that are designed to create maximum interest and are disseminated among the adversary's population, members of the defence forces, decision-makers and allies. Disinformation is spread on online news sites, video sites, social media, and traditional media both in the adversary's country and Russia. Besides a massive information offensive, more specific targets may be attacked. For example, information warfare units could monitor members of the defence forces through social media and map their social circle. After that they start sending messages to mobile phones and calling family members in order to threaten or flatter, or spread disinformation via social media accounts or e-mail.

KREMLIN'S USE OF HISTORICAL EVENTS IN INFLUENCE OPERATIONS

In 2018, Estonia, Latvia and Lithuania will mark the centenaries of their independence. The Kremlin's messages on this occasion are disseminated by history propagandists and pseudo-think tanks trying to tarnish and diminish these events. One of the first signs of the information influence campaign planned for 2018 was a conference held on 24 October 2017 in St. Petersburg, "Wars and revolutions in 1917-1920: Birth of Finnish, Estonian, Latvian and Lithuanian statehood". The organizers were the Russian Baltic Studies Association coordinated by the Presidential Administration and an even more ambitious tool of the Kremlin, the Alexander Gorchakov Public Diplomacy Fund. Russia actively searches historians from the Baltic states who would be prepared to legitimize, by their participation, the Kremlin's propaganda aimed at Estonia, Latvia and Lithuania. It is clear that Russia does not seek a genuine dialogue or discussions, i.e. establishment of a platform for academic relations;

rather, it tries to simply exploit representatives of the imaginary adversary.

The Kremlin has still not unequivocally condemned the Soviet regime's crimes against humanity in Russia and other countries, and

leaders. They are offered high-level meetings in Moscow or Sochi.

Along with current decision-makers, potential future leaders are also groomed. To influence and recruit youths who are politically active and live in the West, so-called youth forums are organised. The culmination of youth forums in 2017 took place in October, when Russia held the 19th international youth and student festival in Sochi for tens of thousands of youths, including from the EU. The programmes in Sochi and at other similar events include tours and other attractive entertainment activities. The main emphasis in the programmes lies on lectures, however, where the participants are indoctrinated with

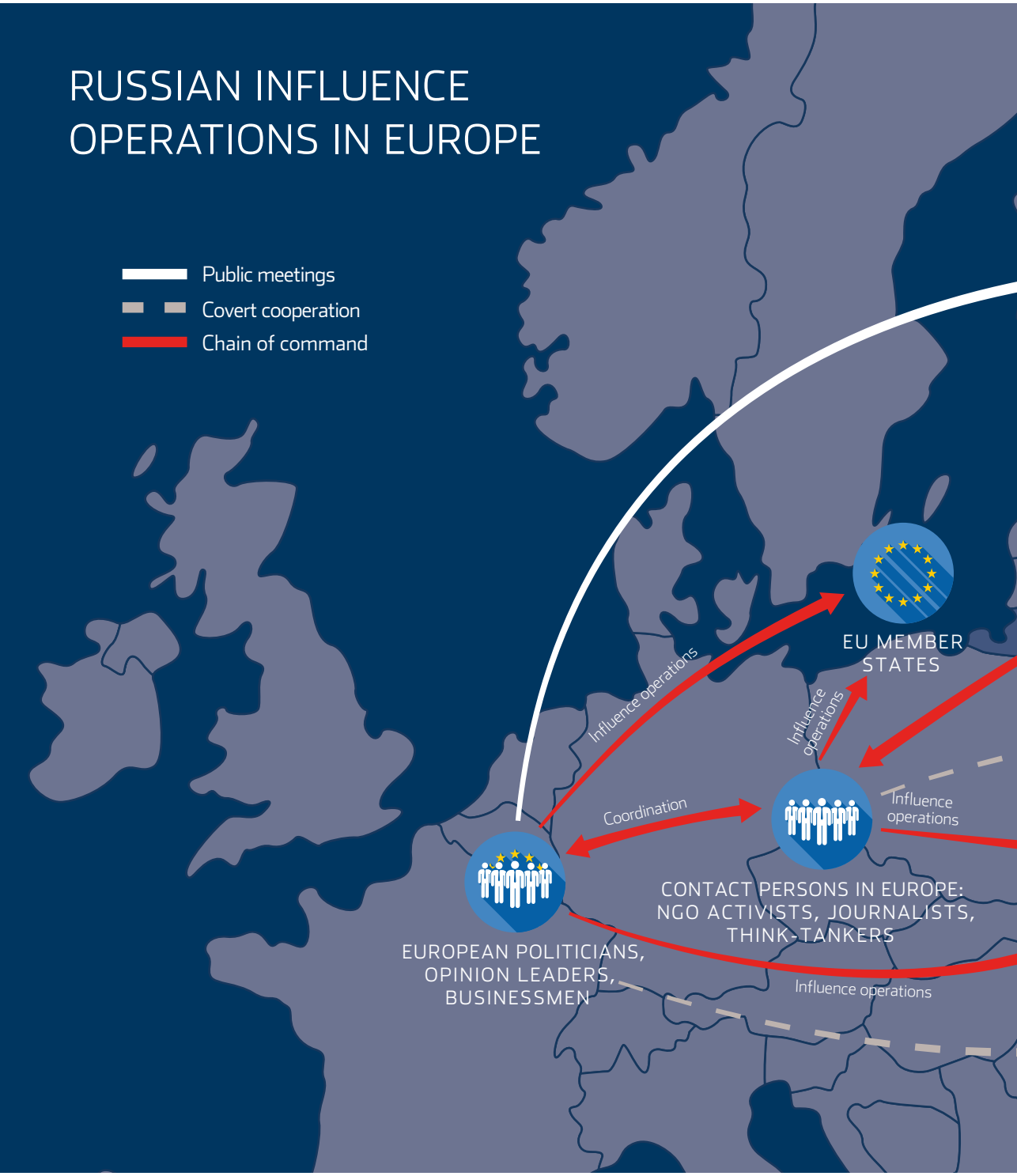
The Director of the Russian Foreign Intelligence Service Sergei Naryshkin heads a meeting of the Lenfilm Studio Board of Trustees at the Russian Historical Society.

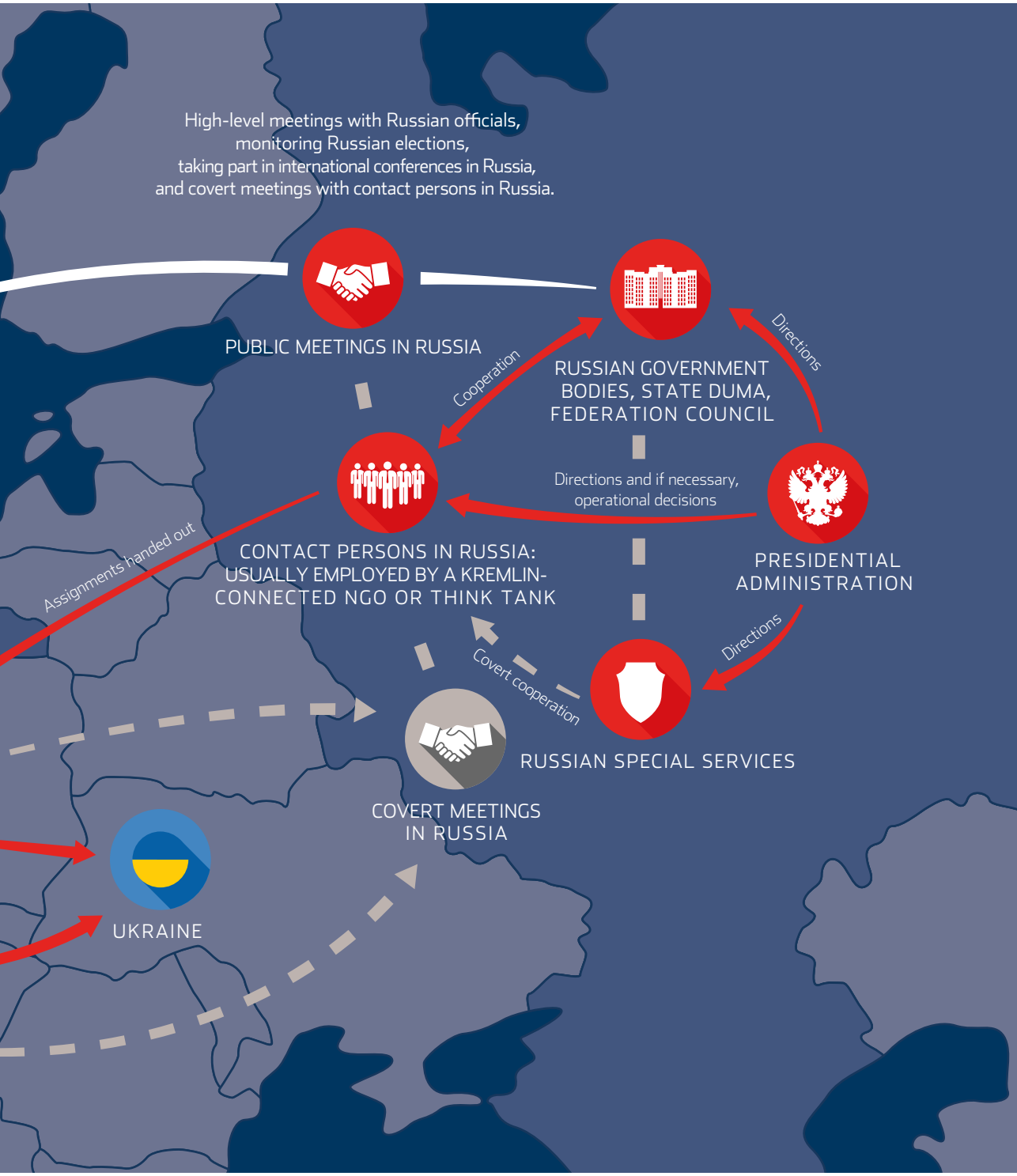
SOURCE: TASS/ SCANPIX

tries to direct the assessments of sensitive historical events through government institutions, including the special services – just as it did in Soviet times. For example, Putin tasked the the Russian Historical Society (led by the director of Foreign Intelligence Service of the Russian Federation (SVR), Sergei Naryshkin) with coordinating most of the events devoted to the 1917 revolutions. However, much more important than the anniversaries of the revolutions are the celebrations of the "great victory" of the Soviet Union in World War II and the restoration of the empire. The once occupied and/or satellite states of the USSR are, in the opinion of the Kremlin, still a part of Russia's sphere of justified interests and the Russian-speaking inhabitants of these countries a part of a fictitious "Russian world".

A recent example of exploiting World War II themes in the Kremlin's propaganda interests are the active history measures approved in April 2017 by the Putin-led Pobeda (Victory) committee, which in 2018 aims to spread the Kremlin's view of WWII through conferences, exhibitions and veterans' cooperation. The committee includes Alexander Bortnikov, director of FSB.

the Kremlin's vision of international relations and Russia's "heroic history", where Russia is in the role of the liberator and the main (if not the only) champion for peace. Ever-present is the notion that the fight against fascism has not ended in the Baltic states. The event in Sochi was the grandest, but smaller forums have taken place and will continue to be held in both Russia and European countries. They are always related to the Kremlin – specifically, the Presidential Administration – through embassies or NGOs that act as cover organisations. The Russian special services involved in organizing the forums gather comprehensive data on the unsuspecting youths and try to recruit activists who catch their attention.


RUSSIAN INFLUENCE OPERATIONS IN EUROPE
Public meetings
Covert cooperation
Chain of command
EU MEMBER STATES
Influence operations
Influence operations
Coordination
Influence operations
CONTACT PERSONS IN EUROPE: NGO ACTIVISTS, JOURNALISTS, THINK-TANKERS
EUROPEAN POLITICIANS, OPINION LEADERS, BUSINESSMEN
Influence operations


High-level meetings with Russian officials,
monitoring Russian elections,
taking part in international conferences in Russia,
and covert meetings with contact persons in Russia.
PUBLIC MEETINGS IN RUSSIA
RUSSIAN GOVERNMENT BODIES, STATE DUMA, FEDERATION COUNCIL
Cooperation
Directions
Directions and if necessary, operational decisions
CONTACT PERSONS IN RUSSIA: USUALLY EMPLOYED BY A KREMLIN-CONNECTED NGO OR THINK TANK
PRESIDENTIAL ADMINISTRATION
Assignments handed out
Covert cooperation
Directions
RUSSIAN SPECIAL SERVICES
COVERT MEETINGS IN RUSSIA
UKRAINE

CYBER THREATS

2017 showed that the cyber threat against the West is growing and that most of the malicious cyber activity originates in Russia.

For the Putin regime, cyber operations are a cheap and easily used means of advancing the regime's interests. It is a weapon used to silence the opposition within the country as well as to influence international organizations and foreign countries. Kremlin's policy is implemented by hackers, internet trolls and cyber criminals who at first seem to have no link to any state structures but who are central to Russian information warfare.

Over the years, Russia has invested steadily in developing its cyber capability. Russia emphasizes the importance of cyber warfare and espionage as equal to the conventional military capability. In doing so, Russia has become one of the world's leading players in the field of cyber espionage. In addition to Russian cyber espionage, one needs to continue to be attentive to North-Korean ransomware and other means of financial frauds, and Chinese industrial espionage.

RUSSIAN APTs

Last year, advanced persistent threats (APTs) of Russian origin received much attention. These are carefully targeted, long-term cyber operations in the course of which attackers combine multiple techniques to get the desired information about the target. Such operations are complex and resource-intensive, which is why they are not within financial reach for smaller groups or lone actors. Russian state interests and implementers are usually behind APTs.

RUSSIAN CYBER GROUPS PLAY THE KEY ROLE IN RUSSIA'S INFLUENCE OPERATIONS TOOLBOX.

Russian cyber groups – examples include APT28 (*Sofacy/Fancy Bear*) associated with the military intelligence GRU, SNAKE (*Turla*) tied to the federal security service FSB, and APT29 (*Cozy Bear/The Dukes*) associated with the FSB and the foreign intelligence service SVR – play the key role in Russia's influence operations toolbox. These are long-term Russian cyber operations with a clear direction based on Russia's interests and objectives. The selection of targets for the operations, techniques used and the long-term nature of the activities is consistent with the Russian Federation's intelligence needs. Good examples of the use of these sorts of attacks for political purposes include the GRU cyber operations against the World Anti-Doping Agency (WADA) in September 2016 and against the International Olympic Committee (IOC) in January 2018. It is not difficult to find Russia's motivation behind such attacks due to the recent extensive doping scandal that has affected Russian athletes.

Despite Russian special services cyber operations being technically sophisticated and their ability to cover tracks, there are a number of signs that leave no doubt as to the origin of the operations. It is evident that the work regularly goes on during working hours in the Moscow/St. Petersburg time zone, with observance of public holidays, and the traces of activity often contain references to written Russian and Russian word use.

WHO IS WHO IN RUSSIAN CYBER INTELLIGENCE?

As a discipline, cyber espionage in Russia is quite old. The KGB had top-level technical capabilities for spying on the West. Signals intelligence of the time encompassed much of what we today would call "cyber".

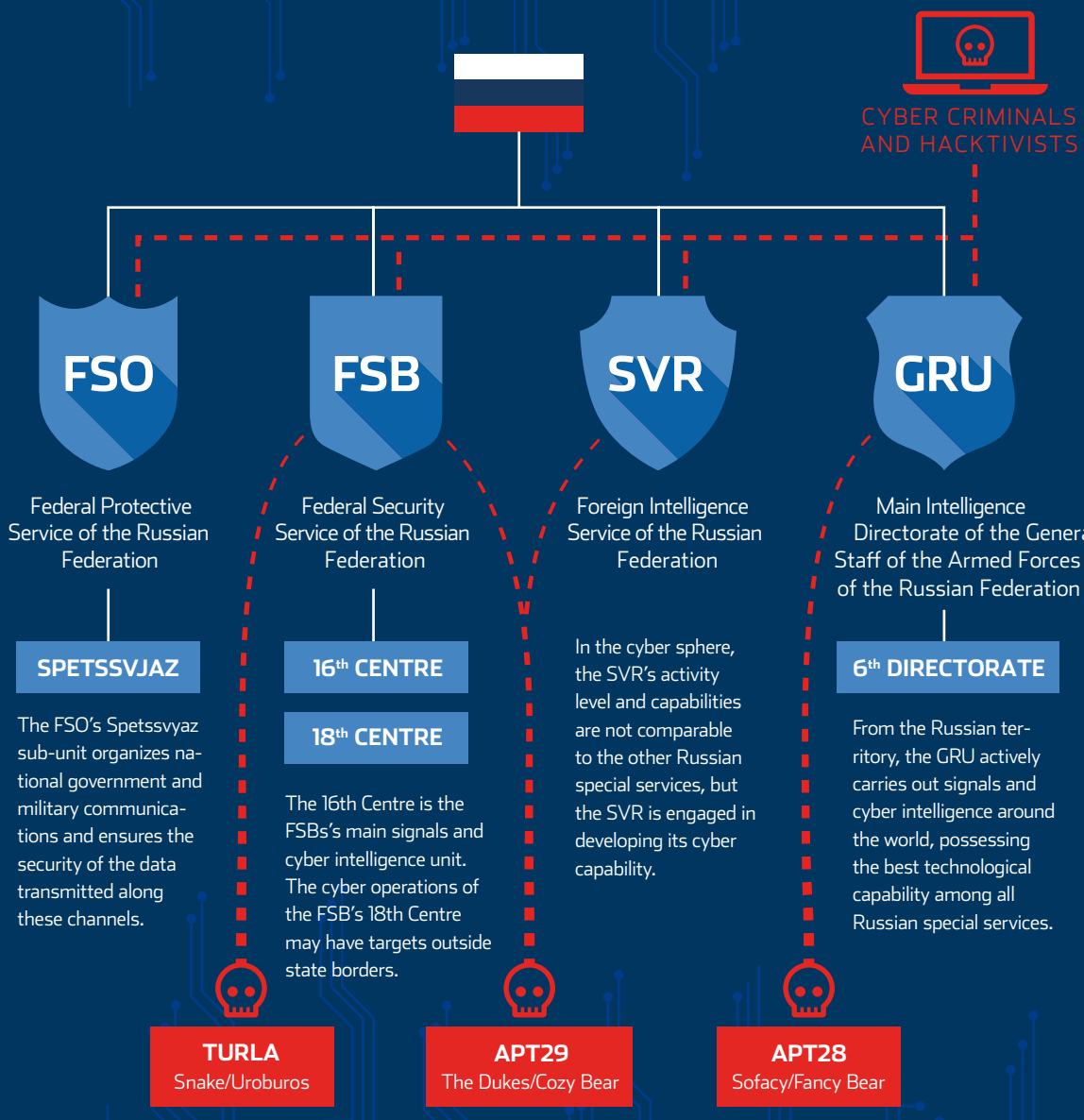
After the dissolution of the Soviet Union, KGB signals intelligence functions were divided between three Russian special services: the federal security service FSB, the foreign intelligence service SVR and the federal defence service FSO. In addition, the Russian military intelligence service GRU has considerable powers to carry out cyber and signals intelligence.

Below, we provide an overview of the role of the four services in Russian cyber intelligence:

FSB

The Federal Security Service of the Russian Federation (FSB) can be considered the most direct descendant of the KGB. The FSB does not deal only with counterintelligence; it also carries out surveillance and oversight of the Russian information space. In the cyber domain, the FSB has a number of capabilities, and besides domestic cyber activities, it can carry out operations abroad in coordination with Russian foreign intelligence. The FSB's function is to ensure information security in Russia, for which purpose the FSB is given the authority to conduct wiretaps and keep an eye on e-mail and data traffic within the country. To do this, an extensive system of monitoring and filtering information called SORM is used, which all communication service providers in Russia must join. The system is continually updated, but the service providers must cover the related expenses. Active cooperation takes place with the Russian mass communication supervision authority *Roskomnadzor* and the Russian Federation's Ministry of the Interior cyber crime fighting unit Directorate K.

WHO'S WHO IN RUSSIAN CYBER ESPIONAGE?



APT – or *Advanced Persistent Threat* – carefully targeted, long term cyber operations in the course of which attackers combine multiple techniques to obtain the needed information about the target.

FSO

The Federal Protective Service of the Russian Federation (FSO) inherited several key functions and obligations in the cyber field e.g. ensuring data security for GAS Vybory election system from the KGB. The objective of the FSO is to ensure encrypted communication connections, e.g. between the Kremlin and Russian military district staffs, and it thus maintains close control over strategic state information. Spetssvyaz, which earlier was under FAPSI (Federal Agency of Government Communications and Information) and briefly under FSB, has operated in the FSO jurisdiction since 2004 and likely plays the biggest role in developing the service's cyber competence. *Spetssvyaz* includes sub-branches that deal with organizing government communications and the aforementioned secure military communications in Russia. The FSO is also tasked with ensuring security of data transmitted in the state information exchange channels and the security of technical solutions used for this purpose.

SVR

Although the work of the Foreign Intelligence Service of the Russian Federation (SVR) – is based mainly on human intelligence and its cyber capability and activity are not comparable to the FSB or GRU, the SVR does have cooperation formats in the field of cyber and signals intelligence with other Russian special services. The SVR's focus lies above all on collecting strategic intelligence (an adversary's capabilities, developments, plans and intentions).

GRU LIKELY POSSESSES THE FINEST TECHNOLOGICAL AND OPERATIONAL CAPABILITIES AMONG RUSSIA'S SPECIAL SERVICES.

GRU

The General Staff of the Armed Forces of the Russian Federation's Main Intelligence Directorate (GRU) is the only intelligence service in this list that is not a direct descendant of the KGB. It employs nearly all intelligence disciplines in its activities, including cyber and signals intelligence. The Sixth Directorate, which can be considered the coordinator of GRU's signals intelligence, carries out its functions through various units located on Russian territory and the Russian Federation's foreign representations around the world. From active implementation of signals intelligence and electronic intelligence disciplines (ELINT) to development of cryptographic skills and solutions, the GRU likely possesses the finest technological and operational capabilities among Russia's special services.

EXAMPLE OF RUSSIAN CYBER ESPIONAGE IN ACTION

A few years ago, the Estonian Foreign Intelligence Service detected preparations and implementation of a phishing attempt aimed at the European Union member states by a cyber group connected to the Russian special services. A counteroperation mounted by the Estonian Foreign Intelligence Service identified the attackers' targets, a work time consistent with the Western Russian time zone and the information the attackers obtained. This was a long-running, large-scale operation. The main targets were diplomats in an EU member state, who received letters infected with malware. The data captured from the victims included documents, media files, personal data. The attacker also captured screenshots and installed keyloggers in the victims' devices. The losses for the target state amounted to about 80,000 stolen files – and over 20 GB – a year. As a result, it is highly likely that the attacker had an overview of the state's diplomatic communication over the course of the year.

Although the attack claimed victims in Estonia as well, thanks to active domestic and international cooperation, major damage was avoided and the relevant agencies were alerted early on. It can currently be said that better cyber hygiene and higher awareness of cyber risks could have made the situation significantly less damaging. Cyber espionage does not merely include work computers and professional e-mail accounts. People's private e-mail addresses, personal computers and, increasingly, other smart devices are just as important and effective sources of information.

TERRORISM IN EUROPE

The terrorist threat in Europe remains high in countries with a larger Muslim population, due to the geographical proximity of Syria and Iraq, figthers of the so called Islamic State (IS) returning to Europe and aggressive IS propaganda.

Last year saw major setbacks for IS, loss of territory and decreased support. Starting in 2012, up to 40,000 foreign fighters travelled to Syria and Iraq from more than 100 countries to fight; today their number is significantly lower. The image of IS has been tarnished by returned fighters. Considering the large number of fighters, there are, however, sufficient numbers of people who wish to continue the fight. Complete loss of territory in Syria and Iraq will not lead to a major decrease in terrorist threat levels in Europe.

A particular risk for Europe is posed by the foreign fighters returning to Europe with the flow of refugees, either at their own initiative or on orders from IS. A major cause of concern is the possible ties between IS and organised crime networks connected with illegal immigration.

A growing trend in IS propaganda is the incitement of women and children to commit acts of terror in order to get wider media coverage and because women and children are more likely to pass through EU migration checks.

In the attack in central Stockholm on 7 April 2017, Rahmat Akilov, a 39-year-old man from Uzbekistan, drove a truck down a crowded street, hitting pedestrians. Five people were killed and 15 injured.

SOURCE: REUTERS/SCANPIX

Due to loss of territory, May 2016 already saw a major change in the rhetoric used by IS. The fighters are urged to be patient and resolute and encouraged not to focus on the territory. Instead everyone's personal contribution in the fight was highlighted. Propaganda is used to inspire attacks carried out by lone wolves, a "successful" strategy in the past for the organization and vitally important to IS for preserving its "brand".

The spread of religious extremism in Europe is favoured not only by the armed conflicts continuing in the Middle East and Africa – which have no end in sight – but the fact that there are still countries where the government lacks control of part or most of its territory. So-called failed states are dangerous because of their associations with international crime and terrorism.

The general level of the terrorist threat in Europe will remain high and the likelihood of an attack is high most of all in countries with a noteworthy Islamic community. Terrorists are essentially opportunists and prepared, should a possibility arise, to commit acts of terror in other places as well. Comparing the threat emanating from the core of al-Qaida and the latter's affiliates, IS made the threat of Islamic terrorism much more acute, and much less selective in regard to targets and perpetrators. Considering the unprece-

As the use of illegal weapons and explosives is becoming increasingly difficult due to the efforts of Europe's law enforcement bodies and security services, IS has sent out instructions to use easily available means (such as driving a vehicle into a crowd of people, using knives to stab people in public, etc.) to perpetrate acts of terrorism, as well as preparation of peroxide-based (TATP) explosive devices. TATP was used for instance in November 2015 in Paris, March 2016 in Brussels, in May 2017 in Manchester and in the September 2017 attack in London's Parsons Green underground station. TATP was also planned to be used in the August 2017 Barcelona attack.

dented success IS had compared to its predecessors and the fact that IS was able to proclaim a caliphate in Syria and Iraq and actually control a certain area for some time, it is clear that the next generations of Islamic terrorists will look to IS above all as a role model and try to apply the tactics that worked for IS.

On 18 August 2017, Abderrahman Bouanane, a 22-year-old of Moroccan origin, stabbed ten people in the city centre of Turku, Finland. Two died of their wounds.

SOURCE: SCANPIX

NORTH KOREA'S WEAPONS PROGRAMME CONTINUES

North Korean leader Kim Jong-un has set a clear course for developing nuclear warheads mounted on a missile and missile delivery systems. In 2018, missile testing will continue, increasing the likelihood of miscalculations but somewhat unlikely to lead to a direct military conflict.

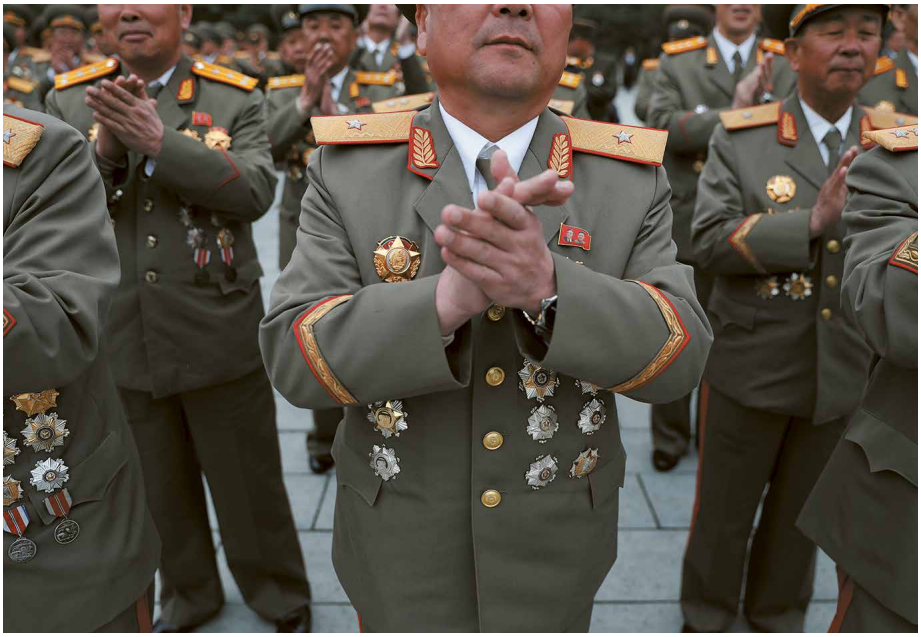
In 2017, the North Korean head of state Kim Jong-un continued developing the country's weapons programme. The country carried out the test of the most powerful weapon in the country's history, and conducted tests of intercontinental ballistic missile technology. Although the magnitude of the nuclear test is not by itself proof that a hydrogen bomb actually exploded, Kim is moving closer to his goal of possessing nuclear

North Korean leader Kim Jong-Un inspecting a launching drill of the medium-and-long range strategic ballistic rocket Hwasong-12 on 15 September 2017.

SOURCE: AFP/SCANPIX

warhead tipped missiles and a sufficiently advanced missile technology to reach his targets. The goal is mainly to pose a threat to the US West Coast.

Kim hopes that the international community will recognize North Korea as a nuclear power, which would give the regime a security guarantee and the chance for a strong position if peace negotiations are launched with the US. Focusing on developing missile technology in 2017, Pyongyang has managed to shift previous red lines and has prepared the international community for ever more threatening and far-reaching missile tests. In the second half of the year, North Korea launched missiles dangerously over Japan and threatened to attack Guam, while claiming that the missile and nuclear technological advances were only for self-defence.



Military officers at the birthplace of North Korean founder Kim Il Sung, a day before the 105th anniversary of his birth.

SOURCE: REUTERS/SCANPIX

The international community has condemned the missile and nuclear tests and today a large part of North Korea's trade is under UN sanctions. This is bound to have a long-term impact on the country's economy. In the near future, the sanctions may not yet force Pyongyang to negotiate with the United States or abandon its nuclear programme. Due to the sanctions, North Korea has been forced to find alternatives to guarantee the flow of hard currency. It is therefore possible that cyberattacks with economic motives from Pyongyang may increase.

For Kim, the development of the weapons systems takes top priority and it will continue in 2018, especially now that he is closer to achieving his goals. China has proposed a bilateral freeze mechanism that would see military exercises and provocations cease both on the US/South Korea and Pyongyang side, but neither side accepted the offer.

China has increased its economic pressure on North Korea and implemented the UN sanctions. However, China does not want to push the country to the brink, as it fears regime collapse, war and refugee flows. China

FOR KIM, THE DEVELOPMENT OF THE WEAPONS SYSTEMS TAKES TOP PRIORITY AND IT WILL CONTINUE IN 2018, ESPECIALLY NOW THAT HE IS CLOSER TO ACHIEVING HIS GOAL.

is probably not prepared to completely cut off North Korea economically before the US is prepared to hold talks or the US and China have a joint future plan for North Korea if the regime should indeed crumble.

Security considerations have led Beijing to adopt a more critical position towards Pyongyang. China is not interested in strengthened relations between the US, Japan and South Korea in China's neighbourhood. Neither does China view favourably discussions regarding South Korea's increased military deterrent capability through cooperation with the US. Increasingly, China wants to present itself as a responsible global superpower; and supporting North Korea damages that image and has

a negative impact on its important relationship with the US. Not insignificant is the fact that Beijing wants to be integrated with the international financial and economic system and not fall victim to sanctions unilaterally imposed by the US. All of these issues are discussed in China more intensively than previously and the public opinion regarding Pyongyang has taken a negative turn.

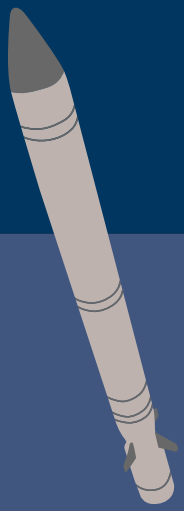
At the start of his term in office, the South Korean president Moon Jae-in suggested bilateral talks with North Korea, to which Pyongyang did not respond. This, however, also contributed to the US allies located around North Korea increasing their psychological and military deterrence capability.

It is possible that Kim is satisfied with the current status of the nuclear programme and will henceforth put more emphasis on improving its missile (in particular re-entry) technology. This will require further tests that will in turn increase the chance of something going wrong. It cannot be ruled out that North Korea may want to sell weapons technologies to terrorist groups. In addition, the lack of high-level multi-partite communications increases the possibility that various parties misread each other's red lines, with a risk of a tripwire being set off inadvertently.

The 2018 Winter Olympics in Pyeongchang, South Korea, will be a test of North Korea's attitude and give an indication of Kim's position on potential negotiations. It should also some insights into impact of sanctions on North Korea. The increase in tensions on the Koreas peninsula in particular and in Asia in general require the full attention of Europe.

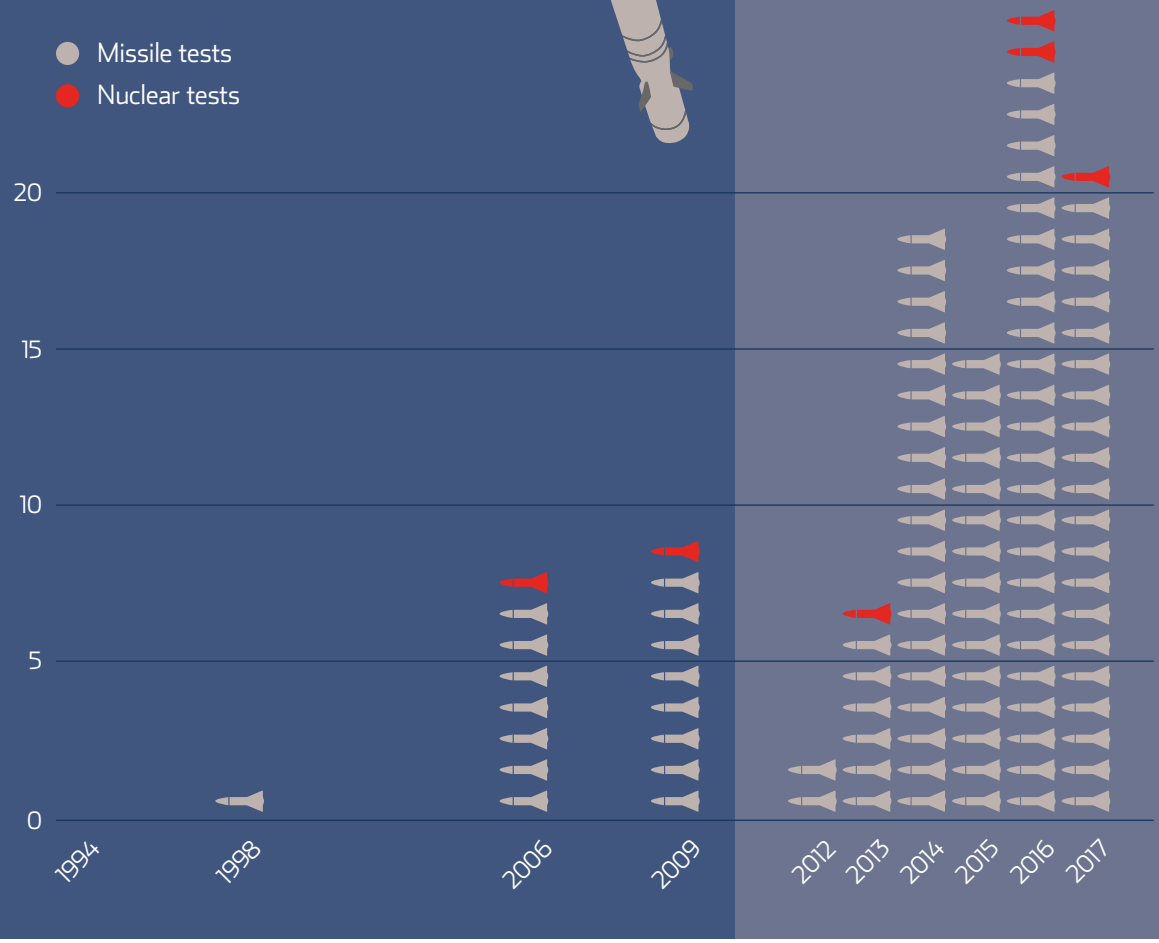
NORTH KOREA MAY WANT TO SELL WEAPONS TECHNOLOGIES TO TERRORIST GROUPS.

NORTH KOREA'S MISSILE AND NUCLEAR TESTS 1994-2017



KIM JONG IL
1994-2011

KIM JONG UN
2011-



THE ESTONIAN FOREIGN INTELLIGENCE SERVICE

COLLECTS,

PROCESSES

AND DISSEMINATES

INTELLIGENCE

ON **EXTERNAL SECURITY THREATS**
AFFECTING ESTONIA.

The Estonian Foreign Intelligence Service is on the front lines of Estonian national defence, because intelligence ensures early warning against any foreign threat.

The Foreign Intelligence Service ensures **secure communications** over the state's classified networks and carries out **counterespionage** for the protection of Estonian diplomatic representations and military units posted abroad. The Estonian Foreign Intelligence Service also **safeguards classified information of foreign states**, fulfilling the functions of National Security Authority.

The Estonian Foreign Intelligence Service is subordinated to the Ministry of Defence.

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