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Russia and the Baltics

The Ukrainian crisis and the Crimean annexation have been closely watched by the Baltic countries (Estonia, Latvia and Lithuania). For many, the recent developments are bringing recollections of the start of the Soviet Union. Anyone over the age of 30 remembers living under the Soviet rule, while those older remember the beginning of the Union in 1940. The stories of parents or grandparents deported or killed by Stalin's forces are still very much alive in the national identities. Additionally, the trade ties between the countries, especially fuel imports, remain significant. Therefore, signs of Russian aggression are taken seriously.

However, much has changed since then. In their 20+ years of independence, the Baltic countries have joined NATO and the EU. Estonia and Latvia have joined the Eurozone. NATO membership was viewed by the countries as the first and most important step in putting distance between themselves and Russia. On the flip side, Russia viewed the Baltic countries joining NATO as the West encroaching into its buffer states. Throughout the Crimean crisis, the three countries have comforted themselves with the knowledge that a NATO country has never been invaded.

The headlines in the Baltic newspapers are mixed. The governments are emphasizing the NATO-guaranteed protection. There are some local military strategists that have written about the lack of military

infrastructure and manpower to hold back a large-scale Russian invasion. The local blogosphere pokes fun at the skewed Russian media, depicting "professional protestors," or people, presumably Russian, who show up at any and every protest to encourage civil unrest.

At the same time, in Estonia, there are minimal, if not non-existent, civil and ethnic conflicts between the locals and Russians. It seems that support for the annexation of the Russian-heavy Estonian regions remains low. People of all ethnicities living in Estonia state that they hope for a diplomatic solution to the problems in Ukraine as the evolution will lay a roadmap for the East-West relations of the future.

In this week's report, we will explore the geopolitical atmosphere in the Baltic states after the Russian annexation of the Crimea, focusing on Estonia. We will start with a brief history of the relations between Russia and its Baltic neighbors. We will then take a look at what the local press is reporting, the reports coming out of Russia and the word on the street.

History

The tumultuous history between the Baltic states and Russia goes back centuries. The Baltic region has been divided and ruled by various groups over the centuries as the Germanic forces from the west, the Russian forces from the east and Scandinavian from the north have battled over the region for both military buffer states and trade routes.

Generally speaking, these outside rulers made the natives serfs, building mistrust in the motives of foreign influences.

The tug-of-war between the West and East has been age-old in the region. In Medieval times, the region remained unconquered, and the local people traded mostly with the Vikings and fought off perpetual Russian attempts to conquer parts of the area. The first time that Russia overtook parts of Estonia and Latvia was in the 16th century. This was mostly to gain Russian access to the Baltic Sea for trade purposes. Turmoil continued under Russian rule as the nationalist movement gathered steam. In 1918, three independent countries were established after advanced German forces chased the Russian army east. The countries remained independent until the 1940s when Russia invaded once more and merged all three into the Soviet Union. Stalin deported thousands of locals, while Russians were moved into the countries. As part of the Soviet Union, the countries were able to maintain their languages and culture, but lagged on industrialization.

As the Soviet Union started to unravel, the countries were given more freedom by the central government in Moscow. In the 1990s, the countries voted to secede from the union via referendums. Many Russians remained living in all the Baltic countries.



(Source: The World Atlas)

In 2004, the Baltic countries joined NATO and the EU. Estonia joined the Eurozone in 2011, and Latvia followed in 2014. Lithuania has its currency pegged to the euro, and is slated to join the monetary union in 2015.

The Baltic countries have viewed these developments as a strategic plan to distance themselves from Russian power, both militarily and trading. In fact, for these countries, NATO membership was viewed as essential as all the countries by themselves were too small in population size and GDP to defend themselves independently.

After Crimea

The Baltic countries view NATO membership as the minimum guarantee for safety, but Russia views the eastward movement of NATO as Western aggression. Many Russians, including Mr. Putin, believe that Mikhail Gorbachev received a promise that NATO would not extend beyond the united Germany. It can be argued that Russia had counted on using Poland and the Baltics as its buffer states. Mr. Putin stressed this point in his speech for the annexation of Crimea. On the other hand, after breaking away from the Soviet Union, the Baltics were more than enthusiastic about joining any and every Western union for military and trade protection.

Throughout the Crimean developments, the Estonian government has been suspiciously quiet as if not wanting to agitate an already irritated and unpredictable Russia. The government's official stance, weeks into the crisis, was that Russia would not take over any parts of Ukraine. Of course, the question remains in the definition of "take over," since clearly Russians now have the Crimea. Although the annexation was technically via a referendum, Russian

sympathizers along with Russian military forces reportedly took over all vital government operations, undermining the Ukrainian government.

More importantly, the Estonian government has stressed that Estonia, as a full NATO member, would be protected by NATO forces. Again, the question here is the pain tolerance of the various parties involved. For Estonia, given its proximity to Russia, the “red line” would likely be reached much sooner than for NATO, in general. By comparison, NATO is not required to protect Ukraine, which is a non-aligned state.

The Baltics, as small countries, depend on other countries and unions for military support. Simply put, the countries lack military firepower. Anecdotally, when a Russian spy plane violated Estonian airspace, the country did not have the satellite technology to identify the origin of the plane, but had to wait for an American plane to confirm that it was, in fact, a Russian plane.

Additionally, for countries with small populations, there are not enough troops to keep back a possible Russian invasion. So, as some local military strategists have argued, if Russia taking the Baltics is a question of ability and willingness, then currently Russia has more than enough ability to take parts of the region. Logically then, the issue holding Russia back from moving its border west is its willingness, debatably as a result of a NATO threat.

Separately, when Russia mobilized troops to deal with the Ukrainian crisis, the troops were moved into two separate regions of Russia—the southern region and the western region. According to reports, 10,000 troops have been stationed on the Russian side of

the Estonian and Latvian borders. By comparison, the Estonian defense forces consist of 5,600 regular military troops plus 12,600 in voluntary corps.

However the West decides to deal with Putin, the Baltics will see a direct consequence. If the West reacts strongly to Russia’s actions, then Russia could become more aggressive and move into the Baltics to prove that it can. On the other hand, if the West is too weak in dealing with Russian aggression, then Russia again could move into the Baltics because it does not think that anyone will stop it. So, the two extreme Western reactions are both adverse for the Baltics. This could also be the reason why the Baltic governments have been keeping a low profile and trying not to provoke Moscow.

Russian Roulette

Putin indicated in a speech on March 19 that Russia is not happy with the mistreatment and discrimination of ethnic Russians in Estonia. This is not the first time that this concern has been raised by Russia, but what is new is that Putin compared it to the discrimination of Russians in Ukraine. One can only extrapolate that if this happened in Ukraine and Russia moved in to protect the ethnic Russians, then Russia might do the same in Estonia.

In his speech, Putin was referring to the Estonian citizenship requirements. Namely, Estonia’s official language is Estonian, and therefore the citizenship application includes a thorough language test. We should note that the Estonian (Latin alphabet-based) and Russian (Cyrillic alphabet-based) languages are very different and the Estonian language is an extremely complicated language to learn. This policy was put in place, in part, as a delayed counter-reaction to the Soviet requirement that all Estonian schools should

teach Russian. Additionally, the Estonian language policy was implemented in order to encourage the large Russian population to learn the language. Many Russians currently living in Estonia were displaced by Stalin's policies; there is no denying that being displaced was a tragedy for these people. However, in most cases, these people have lived in Estonia for decades but never learned the language because they live in Russian-heavy areas. After the Soviet occupation and forced Russification, the Estonian people are terrified of outside influences; therefore, the policies are shaped to preserve the language and culture. A complicated language only spoken by one million people, on its own, is a dying language.

According to the 2010 census, about a quarter of the Estonian population is Russian. However, the concentration of Russians is much heavier in the eastern and the northern parts of the country. After gaining its independence in 1991, there was a movement offering free train tickets to Russians in the country to move back to Russia. There have been calls for the Russians who are not happy in Estonia today to move back to Russia.

To Putin, however, this is no laughing matter. He views this as straightforward aggression against the Russians and their motherland. As the developments in the Crimea indicated, Russia believes that Russians in Estonia should be given a choice through a referendum, and the lands that these Russians inhabit should move with the people. So far, Putin has not pushed hard for a referendum, partially due to a lack of support for merging with Russia in the Russian parts of Estonia.

Trade

The Baltic countries have taken steps to diversify their trade away from Russian dependence. Still, the three countries rely on the Russian market for a large portion of their exports. The food industry, in particular, views Russia as the most important outside market for its products. Russia has an outsized effect on the region through its dependence on fuel imports and revenues from Russia's oil transit into the Baltic Sea. The Baltics, along with most of Europe, also depend on Russia for their heating fuel supply.

Baltic businesses have suffered severely in the past due to impromptu Russian trade sanctions. As a result, the countries look for opportunities to further move away from Russian dependence, but it will take time. For example, the heating fuel dependence is a really hard problem to solve and involves significant costs. The cheapest policy would be to piggyback off of other European countries' infrastructures to bring in oil from other sources, such as Norway.

The Word on the Street

We have an interesting opportunity when analyzing Russian aggression and the Baltic states' reactions as one of us can speak the language and has contacts to gather the word on the street. The commentary in this section is based on anecdotal evidence and reports from Kaisa's family and friends. We cannot guarantee the accuracy of these reports, but they are a good way to illustrate the local viewpoints.

Many Estonians feel that the only effective way to deal with the Russian military's ambitions is to implement severe sanctions, but not be the first to engage in military action. With the summer upon us, the need for heating fuel has tapered, making it a potentially attractive time to impose

sanctions. The logic goes that Russian trade is less than 20% of the total trade for the Baltic countries, but Russia's exports are over 70% energy related. This makes Russia vulnerable to energy export sanctions. But this needs to be done during the warmer summer months as the winters are extremely cold. Currently, the European countries do not have alternative sources for heating fuel, and it would take months, if not years, to build the needed infrastructure.

Additionally, people are calling for asset freezes and travel restrictions not just for government officials, but for all Russians. People feel that these sanctions really need to be uncompromising as their experience with Russia indicates that more lenient sanctions are inefficient. Furthermore, Russia itself has implemented overt and covert trade restrictions against neighboring countries over conflicts. An example of Russian trade restrictions would be an unforeseen cargo check that could take days and would tie up trucks and trains on the Russian border. The natural gas export price hikes have been well documented to coincide with disagreements with various countries.

On the demographic front, in the heat of the Crimean crisis, the Baltic people, especially young people, were talking about leaving for the safety of the rest of Europe. As part of the European Union, the citizens of the Baltic countries do have the ability to live and work in any other EU country and receive social benefits equal to the citizens of that country. Outside of nationalist and language barriers, the ability to move is readily available. This could be one of the more potent tools at Putin's disposal. If the Baltic states' demographics age as a result of the migration of younger people, it would

make it easier for Putin to broaden his influence.

Separately, there have been reports of Russian special forces in Latvia and Lithuania. These troops are similar to the forces sent into Ukraine to instigate civil unrest. Throughout the Crimean crisis, Latvia and Lithuania have been more outspoken against Russian aggression, so it is possible that Putin is trying to intensify the conflicts between the locals and Russians.

Summary

It does not seem that Russia has an immediate interest in taking over all or parts of the Baltics. However, Putin has indicated on several occasions Russia's interest in reassembling the Soviet Union. As a result, the Baltic states have taken active strategic steps to increasingly align with the West. Nevertheless, these three countries are still dependent on Russia for trade, especially natural gas for heating.

Russia's strategy in the Baltic states seems very similar to its tactics in Ukraine. Civil unrest will make the countries' governments less effective. There have been reports that Russia has been encouraging protests in various Eastern European countries.

The Baltic countries have taken comfort in the NATO-promised protection, when needed. However, if and when the need for protection arises, these three countries will find out whether their tolerance for aggression matches the tolerance of their NATO counterparts.

Kaisa Stucke and Bill O'Grady
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