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Estonia, Latvia, and Lithuania: Background and U.S.-Baltic Relations

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SUMMARY

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Estonia, Latvia, and Lithuania: Background and U.S.-Baltic Relations

Estonia, Latvia, and Lithuania, often referred to as the *Baltic states*, are close U.S. allies and considered among the most pro-U.S. countries in Europe. Strong U.S. relations with these three states are rooted in history. The United States never recognized the Soviet Union's forcible incorporation of the Baltic states in 1940, and it applauded the restoration of their independence in 1991. These policies were backed by Congress on a bipartisan basis. The United States supported the Baltic states' accession to NATO and the European Union (EU) in 2004.

Especially since Russia's 2014 invasion of Ukraine, potential threats posed to the Baltic states by Russia have been a primary driver of increased U.S. and congressional interest in the region. Congressional interest in the Baltic states has focused largely on defense cooperation and security assistance for the purposes of deterring potential Russian aggression and countering hybrid threats, such as disinformation campaigns and cyberattacks. Energy security is another main area of U.S. and congressional interest in the Baltic region.

Regional Security Concerns

U.S., NATO, and Baltic leaders have viewed Russian military activity in the region with concern; such activity includes large-scale exercises, incursions into Baltic states' airspace, and a layered build-up of anti-access/area denial (A2AD) capabilities. Experts have concluded that defense of the Baltic states in a conventional military conflict with Russia likely would be difficult and problematic. The Baltic states fulfill NATO's target of spending 2% of gross domestic product (GDP) on defense, although as countries with relatively small populations, their armed forces remain relatively small and their military capabilities limited. Consequently, the Baltic states' defense planning relies heavily on their NATO membership.

Defense Cooperation and Security Assistance

The United States and the Baltic states cooperate closely on defense and security issues. New bilateral defense agreements signed in spring 2019 focus security cooperation on improving capabilities in areas such as maritime domain awareness, intelligence sharing, surveillance, and cybersecurity. The United States provides significant security assistance to the Baltic states, including through Foreign Military Financing (FMF) and Foreign Military Sales (FMS). Under the U.S. European Deterrence Initiative (EDI), launched in 2014, the United States has bolstered its military presence in Central and Eastern Europe. As part of the associated Operation Atlantic Resolve, rotational U.S. forces have conducted various training activities and exercises in the Baltic states.

NATO has also helped to bolster the Baltic states' security. At the 2016 NATO summit, the allies agreed to deploy multinational battalions to each of the Baltic states and Poland. The United Kingdom leads the battalion deployed in Estonia, Canada leads in Latvia, and Germany leads in Lithuania. Rotational deployments of aircraft from NATO member countries have patrolled the Baltic states' airspace since 2004; deployments have increased in size since 2014.

Potential Hybrid Threats

Since 2014, when the EU adopted sanctions targeting Russia due to the Ukraine conflict, tensions between Russia and the Baltic states have grown. These conditions have generated heightened concerns about possible hybrid threats and Russian tactics, such as disinformation campaigns and propaganda, to pressure the Baltic states and promote anti-U.S. or anti-NATO narratives. A large minority of the Estonian and Latvian populations consists of ethnic Russians; Russia frequently accuses Baltic state governments of violating the rights of Russian speakers. Many ethnic Russians in the Baltic states receive their news and information from Russian media sources, potentially making those communities a leading target for disinformation and propaganda. Some observers have expressed concerns that Russia could use the Baltic states' ethnic Russian minorities as a pretext to manufacture a crisis. Cyberattacks are another potential hybrid threat; addressing potential vulnerabilities with regard to cybersecurity is a top priority of the Baltic states.

Energy Security

The Baltic states have taken steps to decrease energy reliance on Russia, including through a liquefied natural gas (LNG) terminal in Lithuania and projects to build pipeline and electricity interconnections with Poland, Finland, and Sweden.

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Introduction and Issues for Congress

Many U.S. officials and Members of Congress consider Estonia, Latvia, and Lithuania, often referred to collectively as the *Baltic states*, to be valued U.S. allies and among the most pro-U.S. countries in Europe. Strong ties between the United States and the Baltic states have deep historical roots. Lithuania, Latvia, and Estonia gained their independence in 1918, after the collapse of the Russian Empire. In 1940, they were forcibly incorporated into the Soviet Union, but the United States never recognized their annexation.[1] The United States strongly supported the restoration of the three countries' independence in 1991, and it was a leading advocate of their accession to NATO and the European Union (EU) in 2004.

The United States and the Baltic states work closely together in their respective bilateral relationships and within NATO, as well as in the context of U.S.-EU relations. The U.S.-Baltic partnership encompasses diplomatic cooperation in pursuit of shared foreign policy objectives, extensive cooperation on security and defense, and a mutually beneficial economic relationship.[2] The United States provides considerable security assistance to the Baltic states, including financing assistance and defense sales, intended to strengthen their military capabilities.

Since 2014, U.S. focus on the Baltic region has increased, driven by concerns about potential threats posed by Russia. Developments related to Russia and the implications for U.S. policy and NATO likely will have continuing relevance for Congress. Estonia, Latvia, and Lithuania are central interlocutors and partners in examining and responding to these challenges.

As indicated by annual security assistance appropriations, as well as resolutions and bills adopted or introduced in recent years, Congress supports the maintenance of close relations and security cooperation with the Baltic states. The House Baltic Caucus, a bipartisan group of 70 Members of the House of Representatives, and the Senate Baltic Freedom Caucus, a bipartisan group of 11 Senators, seek to maintain and strengthen the U.S.-Baltic relationship and engage in issues of mutual interest.[3]

Domestic Politics

Although outside observers typically view Estonia, Latvia, and Lithuania as a group, citizens of the three countries tend to point out that alongside the three countries' many similarities are notable differences in national history, language, and culture.[4] Cooperation and convergence among the Baltic states remains the central trend, but each country has its own unique domestic

[1] U.S. Department of State, Office of the Historian, "Press Release Issued by the Department of State on July 23, 1940," at https://history.state.gov/historicaldocuments/frus1940v01/d412. Also see U.S. Department of State, "Seventy-Fifth Anniversary of the Welles Declaration," July 22, 2015, at https://2009-2017.state.gov/secretary/remarks/2015/07/245160.htm.

[2] See White House, *A Declaration to Celebrate 100 Years of Independence of Estonia, Latvia and Lithuania and Renewed Partnership*, April 4, 2018.

[3] In the 116th Congress, the cochairs of the House Baltic Caucus are Representative Adam Schiff and Representative John Shimkus. The cochairs of the Senate Baltic Freedom Caucus are Senator Charles Grassley and Senator Richard Durbin.

[4] See, for example, Rein Taagepera, *Lithuania, Latvia and Estonia: 100 Years of Similarities and Disparities*, International Center for Defence and Security (Estonia), February 16, 2018, at https://icds.ee/lithuania-latvia-and-estonia-100-years-of-similarities-and-disparities/.

political dynamics and the viewpoints and priorities of the three countries are not always completely aligned.

Estonia, Latvia, and Lithuania stand out as the leaders of democracy among post-Soviet states and are the only post-Soviet states that have joined NATO and the EU.[5] Since the restoration of their independence nearly 30 years ago, the three countries' governments have tended to consist of multiparty coalitions, which have maintained broadly pro-market, pro-U.S./NATO, and pro-EU orientations.

Figure 1. Map of the Baltic Region

Source: Created by CRS using data from the Department of State and ESRI.

Estonia

The government of Estonia is led by the center-left Center Party in a coalition with the far-right, anti-immigration Conservative People's Party of Estonia (EKRE) and the conservative Pro Patria (Fatherland) party. Juri Ratas of the Center Party is Estonia's prime minister.

The Center Party came in second in Estonia's March 2019 general election with 23.1% of the vote (26 seats in Estonia's 101-seat unicameral parliament, the *Riigikogu*); it was able to form a government after it unexpectedly reversed its campaign pledge not to work with the far-right EKRE.[6] EKRE came in third in the election with 17.8% of the vote, more than doubling its share of the vote from the 2015 election and winning 19 seats (a gain of 12 seats).[7] The center-right Reform Party, which led a series of coalition governments from 2005 to 2016, came in first place

[5] Greg Myre, "Why Can't the Former Soviet Republics Figure Out Democracy?," NPR, February 19, 2014.

[6] Tarmo Virki, "Three Estonian Parties, Including Far-Right EKRE, Agree on Coalition Plan," Reuters, April 6, 2019.

[7] See full election results at Valimised, *Voting and Election Result as of March 8, 2019*, at https://rk2019.valimised.ee/en/election-result/election-result.html.

in the 2019 election, winning 28.9% of the vote (34 seats). However, it was unable to secure enough support from potential coalition partners to form a government.

The Center Party, whose support comes largely from Estonia's Russian-speaking population (about 30% of the population), previously led a coalition government with Pro Patria and the center-left Social Democratic Party from November 2016 until the 2019 election. In late 2016, a changeover in the party's leadership reoriented the Center Party away from a Russian-leaning outlook to a clear pro-Western stance in support of Estonia's membership in NATO and the EU.

During the 2019 campaign, the Center Party advocated for a progressive tax system, higher social spending, a simplified path to citizenship for noncitizen residents, and maintenance of the country's dual Estonian- and Russian-language education system.[8] The Reform Party, by contrast, advocated maintenance of a flat tax, tight fiscal policy, and Estonian language exams for obtaining citizenship. The Reform Party also called for rolling back Russian-language education in the country's school system.

Estonia at a Glance

Population: 1.319 million

Ethnicity: 69% Estonian, 25% Russian

Languages: Estonian is the official language and first language of 68.5% of the population; Russian is the first language of 30% of the population.

Religion: 54% listed as none, 16.7% as unspecified, 16.2% Orthodox, 10% Lutheran

Gross Domestic Product (GDP), 2018 (Current Prices): $30.761 billion; per capita GDP approximately $23,330

Currency: euro(€), €1 is approximately $1.10.

Political Leaders: *President:* Kersti Kaljulaid; *Prime Minister:* Juri Ratas; *Foreign Minister:* Urmas Reinsalu; *Defense Minister:* Juri Luik

Sources: International Monetary Fund (IMF), "World Economic Outlook Database," October 2019; Central Intelligence Agency (CIA), *World Factbook*.

Observers assert that EKRE benefitted in the 2019 election from antiestablishment sentiment among voters and gained support by appealing to rural Estonians who feel economically left behind.[9] In addition to opposing immigration, EKRE is adamantly nationalist, skeptical of the EU, and anti-Russia. Some analysts suggest there is a potential for friction between the Center Party and EKRE on issues such as citizenship, immigration, and abortion policy.[10]

In 2016, Estonia's parliament unanimously elected Kersti Kaljulaid as president. Kaljulaid is the country's youngest president (aged 46 at the time of her election) and its first female president. A political outsider with a background as an accountant at the European Court of Auditors, she was put forward as a surprise unity candidate after Estonia's political parties were unable to agree on the first round of candidates. The president serves a five-year term and has largely ceremonial duties but plays a role in defining Estonia's international image and reflecting the country's values.

[8] Joanna Hyndle-Hussein, *Estonia: The Liberal Reform Party Returns to Power*, Centre for Eastern Studies (Warsaw), March 5, 2019.

[9] Jean Mackenzie, "Estonia: How Boom-Time Baltic Republic Embraced Far Right," *BBC News*, May 15, 2019, and Evan Gershkovich, "Estonia Joins the Far-Right Club," *Politico Europe*, April 30, 2019.

[10] Economist Intelligence Unit, *Estonia Country Report*, 3rd Quarter 2019.

Latvia

Latvia's October 2018 general election produced a fragmented result, with seven parties winning seats in the country's 100-seat unicameral parliament *(Saeima)*.[11] After three months of negotiations and deadlock, a five-party coalition government took office in January 2019. Prime Minister Krišjānis Kariņš of the center-right New Unity Party (JV) leads the government.[12]

Latvia at a Glance

Population: 1.929 million

Ethnicity: 62% Latvian, 25.4% Russian

Languages: Latvian is the official language and first language of 56.3% of the population; Russian is the first language of 33.8% of the population.

Religion: 63.7% listed as unspecified, 19.6% Lutheran, 15.3% Orthodox

GDP, 2018 (Current Prices): $34.882 billion; per capita GDP approximately $18,033

Currency: euro(€), €1 is approximately $1.10.

Political Leaders: *President:* Egils Levits; *Prime Minister*: Krišjānis Kariņš; *Foreign Minister*: Edgars Rinkēvičs; *Defense Minister*: Artis Pabriks

Sources: IMF, "World Economic Outlook Database," October 2019; CIA, *World Factbook*.

JV leveraged its experience as a member of the previous governing coalition to put together and lead the new government despite being the smallest party in the *Saeima,* with eight seats. The other coalition members are the conservative, nationalist National Alliance (NA) and three new parties: the antiestablishment Who Owns the State? (KPV LV); the New Conservative Party (JKP), which campaigned on an anti-corruption platform; and the liberal Development/For! alliance. The coalition partners hold a combined 61 seats in the *Saeima* and appear likely to maintain the broadly center-right, fiscally conservative, and pro-European policies followed by recent Latvian governments.

At the same time, the strong showings in the election by KPV LV and JKP (each won 16 seats) appeared to reflect deepening public dissatisfaction with corruption and the political establishment following high-profile bribery and money-laundering scandals in 2018.[13] The three parties of the previous coalition government, the centrist Union of Greens and Farmers (ZZS), the Unity Party (rebranded New Unity in 2018), and the NA, lost nearly half their total seats, dropping from a combined 61 seats to 32 seats.[14]

The center-left Harmony Social Democratic Party (SDPS), which draws its support largely from the country's ethnic Russian population, remained the largest party in parliament, with 23 seats. With five of the seven parties in the coalition government, the SDPS and ZZS are the parliamentary opposition. The next general election is scheduled to take place in 2022.

On May 29, 2019, the *Saeima* elected Egils Levits to be Latvia's next president. A former judge at the European Court of Justice, Levits formally took office on July 8, 2019. Outgoing President Raimonds Vejonis of the ZZS declined to run for a second term. The president performs a mostly ceremonial role as head of state but also acts as commander-in-chief of the armed forces and has the power to propose and block legislation.[15]

[11] Joanna Hyndle-Hussein, *Parliamentary Elections in Latvia: The Fragmentation of the Political Scene*, Centre for Eastern Studies (Warsaw), October 9, 2018.

[12] Gederts Gelzis, "Latvia's Karins Confirmed as PM, Ending Lengthy Political Deadlock," Reuters, January 22, 2019. Karins was born and educated in the United States before moving to Latvia in 1997.

[13] John O'Donnell and Gederts Gelzis, "Corruption Scandal Casts Long Shadow over Latvia," Reuters, April 12, 2019.

[14] See Central Election Commission, https://sv2018.cvk.lv/pub/ElectionResults.

[15] Corinne Deloy, *Egils Levits, Candidate Supported by the Government Coalition Parties, Should Become the Next President of the Republic of Latvia*, Robert Schumann Foundation, May 27, 2019.

Lithuania

Lithuania has a centrist coalition government composed of four political parties and led by the center-right Lithuanian Peasants and Greens Union (LVŽS). The LVŽS emerged as the surprise winner of the country's October 2016 parliamentary election, winning 54 of the 141 seats in the Lithuanian parliament (*Seimas*) after winning one seat in the 2012 election.[16]

The prime minister of Lithuania is Saulius Skvernelis, a politically independent former interior minister and police chief who was selected for the position by the LVŽS (while remaining independent, Skvernelis campaigned for the LVŽS). A major factor in the 2016 election outcome was the perception that Skvernelis and the LVŽS remained untainted by a series of corruption scandals that negatively affected support for most of Lithuania's other political parties.[17]

Lithuania at a Glance

Population: 2.784 million

Ethnicity: 84% Lithuanian, 6.6% Polish, 5.8% Russian

Languages: Lithuanian is the official language and first language of 82% of the population; Russian is the first language of 8% of the population; Polish is the first language of 5.6% of the population.

Religion: 77.2% Roman Catholic, 4.1% Russian Orthodox, 10.1% listed as unspecified

GDP, 2018 (Current Prices): $53.302 billion; per capita GDP approximately $18,994

Currency: euro(€), €1 is approximately $1.10.

Political Leaders: *President:* Gitanas Nausėda; *Prime Minister*: Saulius Skvernelis; *Foreign Minister*: Linas Linkevičius; *Defense Minister*: Raimundas Karoblis

Sources: IMF, "World Economic Outlook Database," October 2019; CIA, *World Factbook*.

The LVŽS initially formed a coalition government with the center-left Social Democratic Party of Lithuania (LSDP), which led the previous coalition government following the 2012 election.[18] In September 2017, the LSDP left the coalition amid tensions over the slow pace of tax and pension reforms intended to reduce economic inequality. Prime Minister Skvernelis subsequently led a minority government of the LVŽS and the Social Democratic Labour Party of Lithuania (LSDDP), a new party that splintered off from the LSDP.

In July 2019, the LVŽS and the LSDDP reached an agreement to form a new coalition government with the addition of the nationalist-conservative Order and Justice Party and the Electoral Action of Poles in Lithuania-Christian Families Alliance. The four parties in the current coalition control a parliamentary majority, with a combined 76 out of 141 seats in the *Seimas*. The coalition's domestic agenda focuses primarily on boosting social programs, including greater spending on social insurance and increased benefits for families, students, and the elderly.[19] The opposition parties are the center-right Homeland Union-Lithuanian Christian Democrats, which came in second place in the 2016 election with 31 seats; the LSDP; and the center-right Liberal Movement. The next general election is scheduled to take place in October 2020.

Gitanas Nausėda, a pro-European, politically independent centrist and former banker, won Lithuania's May 2019 presidential election.[20] He replaces Dalia Grybauskaitė, who served as

[16] "Lithuania Election: Farmers' Party in Shock Triumph," BBC News, October 24, 2016.

[17] Elisabeth Bauer, Linus Kojala, and Augustina Zamuskeviciute, *Parliamentary Elections in Lithuania, October 2016*, Konrad Adenaur Stiftung, September 2016.

[18] Agnia Grigas, *Can Lithuania's New Government Maintain Stability?*, Atlantic Council of the United States, November 11, 2016.

[19] Joanna Hyndle-Hussein, *Lithuania: A New Government Coalition with the Participation of the Polish Minority Party*, Centre for Eastern Studies (Warsaw), July 10, 2019.

[20] Agnia Grigas, *Lithuania Shuns Populism with the Election of a Pro-EU President*, Atlantic Council of the United

president from 2009 to 2019 and was consistently regarded as Lithuania's most popular politician. The powers of the Lithuanian presidency, the only presidency in the Baltic states to be directly elected, are weaker than those of the U.S. presidency. However, the Lithuanian president plays an important role in shaping foreign and national security policy, is commander-in-chief of the armed forces, appoints government officials, and has the power to veto legislation.

Efforts to combat corruption remain a focus of Lithuania's government. Following a series of bribery scandals involving leading politicians and one of the country's largest companies, the *Seimas* adopted a new law in 2018 appointing special prosecutors to investigate cases of political corruption.[21]

Russian Speakers in the Baltic States

The collapse of the Soviet Union in 1991 left millions of ethnic Russians living outside Russia's borders. Russian speakers make up about 30% of Estonia's total population, and 90% of the population in some of its eastern regions. About 34% of Latvia's population speaks Russian as their first language; many of Latvia's ethnic Russians are concentrated in urban areas such as Riga and Daugavpils, the country's second-largest city. Lithuania has a much smaller percentage of Russian-speakers, approximately 8%.

Researchers caution against implicit assumptions that the Baltic states' Russian-speaking communities monolithically support Russia or pro-Russian narratives; surveys indicate a diversity of attitudes within these communities with regard to viewpoints toward Russia and Russia-related questions. Nevertheless, the Baltic states' Russian-speaking populations remain a significant factor in both Russian policy toward the region and assessments of the potential security threat posed by Russia (see "Potential Hybrid Threats" section, below).

Sources: Paul Goble, "Experts: Estonia Has Successfully Integrated Nearly 90% of its Ethnic Russians," *Estonian World*, March 1, 2018; Mārtinš Hiršs, *The Extent of Russia's Influence in Latvia*, National Defence Academy of Latvia, Center for Security and Strategic Research, November 2016; CIA, *World Factbook*.

Economic Issues

The 2008-2009 global economic crisis hit the Baltic states especially hard; each of the three countries experienced an economic contraction of more than 14% in 2009. The social costs of the recession and the resulting budget austerity included increased poverty rates and income inequality and considerable emigration to wealthier parts of the EU. The Baltic economies have since rebounded, however, benefitting from strong domestic consumption, external demand for exports, and investment growth (including from EU funding):[22]

- Estonia's gross domestic product (GDP) grew by 5.8% in 2017 and 4.8% in 2018. It is forecast to grow by 3.2% in 2019 and 2.9% in 2020. Unemployment declined from 16.7% in 2010 to 5.4% in 2018.
- Latvia's GDP grew by 4.6% in 2017 and 4.8% in 2018; it is forecast to grow by 2.8% in 2019 and 2.8% in 2020. Unemployment declined from 19.5% in 2010 to 7.4% in 2018.
- Lithuania's GDP grew by 4.1% in 2017 and 3.5% in 2018; it is forecast to grow by 3.4% in 2019 and 2.7% in 2020. Unemployment declined from 17.8% in 2010 to 6.1% in 2018.

States, May 29, 2019, and Andrius Sytas, "Lithuania's Nauseda Wins Presidential Election," Reuters, May 26, 2019.

[21] Linas Jegelevičius, "Major Political Corruption Case Reaches Court in Lithuania," *Baltic News Network*, April 19, 2018.

[22] Economic statistics from International Monetary Fund (IMF), "World Economic Outlook Database," October 2019. Figures are rounded to the nearest tenth of a percentage. Also see Economist Intelligence Unit, *Estonia Country Report*, 4th Quarter 2019, *Latvia Country Report*, 4th Quarter 2019, and *Lithuania Country Report*, 3rd Quarter 2019.

Despite the crisis and aftermath, each of the Baltic states fulfilled a primary economic goal when each adopted the euro as its currency (Estonia in 2011, Latvia in 2014, and Lithuania in 2015).

The public finances of the Baltic states remain well within guidelines set by the EU (which require member states to have an annual budget deficit of less than 3% of GDP and maintain government debt below 60% of GDP). Both Estonia and Latvia recorded a budget deficit below 1% of GDP in 2018, and Lithuania had a small budget surplus. Gross government debt in 2018 was approximately 8.3% of GDP for Estonia (making it the EU's least-indebted member state), 35.9% of GDP for Latvia, and 34.2% of GDP for Lithuania.[23]

According to a study by the European Commission, foreign direct investment (FDI) in the Baltic states remains below precrisis levels.[24] With considerable investment in the financial services sector, Sweden is the largest foreign investor in the region, followed by Finland and the Netherlands. Estonia has been the most successful of the three Baltic countries in attracting FDI, with FDI equivalent to approximately 100% of gross value added in 2015, compared to approximately 63% for Latvia and 40% for Lithuania.[25]

Baltic States Trade at a Glance

Estonia

Top Trading Partners: Finland, Russia, Germany, Sweden, Latvia, China, Lithuania

Leading Exports: electronic equipment, including computers; mineral fuels; wood and wood products

Latvia

Top Trading Partners: Lithuania, Estonia, Germany, Russia, Poland, Sweden

Leading Exports: wood and wood products; electronic equipment, including computers; machinery and mechanical appliances

Lithuania

Top Trading Partners: Russia, Germany, Poland, Latvia, United States, Italy

Leading Exports: mineral fuels; machinery and mechanical appliances; furniture

Source: World Bank, "World Integrated Trade Solution Database."

Banking Sector Concerns

U.S. and European authorities have expressed concerns about the practices of banks in the region that cater to nonresidents, largely serving account holders based in Russia and other countries of the former Soviet Union. In 2018, two scandals in particular brought attention to money-laundering challenges in the region.

In February 2018, the U.S. Department of the Treasury designated ABLV Bank, then the third-largest bank in Latvia, as a financial institution of primary money laundering concern. Treasury accused it of money laundering, bribery, and facilitating transactions violating United Nations sanctions against North Korea.[26] Following a run on deposits and a decision by the European Central Bank not to intervene, ABLV initiated a process of self-liquidation.[27] The Latvian government subsequently made reforming the banking sector and strengthening anti-money-laundering (AML) practices top policy priorities.

[23] IMF, "World Economic Outlook Database," October 2019.

[24] Jorge Durán, *FDI & Investment Uncertainty in the Baltics*, European Commission, March 2019. Hereinafter, Durán, *FDI & Investment Uncertainty*.

[25] Durán, *FDI & Investment Uncertainty*, pp. 3-5.

[26] U.S. Department of the Treasury, Financial Crimes Enforcement Network, *FinCEN Names ABLV Bank of Latvia an Institution of Primary Money Laundering Concern and Proposes Section 311 Special Measure*, February 13, 2018.

[27] "Latvian Banking Regulator Approves Liquidation of ABLV Bank," Reuters, June 12, 2018.

A September 2018 report commissioned by Danske Bank, Denmark's largest bank, indicated that between 2007 and 2015, some €200 billion (approximately $220 billion) worth of suspicious transactions may have flowed through a segment of its Estonian branch catering to nonresidents, primarily Russians.[28] The activity continued despite critical reports by regulatory authorities and whistleblower accounts highlighting numerous failures in applying AML practices. In February 2019, the Estonian Financial Supervision Authority ordered Danske Bank to cease operations in Estonia; Danske Bank subsequently decided to cease its activities in Latvia and Lithuania (and Russia), as well.[29]

Regional Relations with the United States

The U.S. State Department describes Estonia, Latvia, and Lithuania as strong, effective, reliable, and valued allies that have helped to promote security, stability, democracy, and prosperity in Europe and beyond.[30] Many citizens of the Baltic states remain grateful to the United States for consistently supporting their independence throughout the Cold War and playing a key role in promoting the restoration of independence in 1991. Most policymakers in the Baltic states tend to see their countries' relationship with the United States as the ultimate guarantor of their security against pressure or possible threats from Russia. All three Baltic states joined NATO and the EU in 2004 with strong U.S. support.

In addition to maintaining a pro-NATO and pro-EU orientation, the Baltic states have sought to support U.S. foreign policy and security goals. For example, they have worked closely with the United States in Afghanistan, where the three Baltic states have contributed troops to NATO-led missions since 2002-2003.[31] The three countries also have been partner countries in the Global Coalition to Defeat the Islamic State, providing personnel, training, weapons, and funding for efforts to counter the Islamic State in Iraq and Syria since 2014.[32]

The Trump Administration and many Members of Congress have demonstrated support for strong U.S. relations with the Baltic states. In April 2018, President Donald Trump hosted the presidents of the three Baltic states for a quadrilateral U.S.-Baltic Summit intended to deepen security and defense cooperation and reaffirm the U.S. commitment to the region.[33] The presidential summit was followed by a U.S.-Baltic Business Summit intended to expand commercial and economic ties.[34]

During the 115th Congress, the Senate adopted a resolution (S.Res. 432) congratulating Estonia, Latvia, and Lithuania on the 100th anniversary of their independence; applauding the U.S.-Baltic partnership; commending the Baltic states' commitment to NATO, transatlantic security,

[28] Bruun and Hjejle, *Report on the Non-Resident Portfolio at Danske Bank's Estonian Branch*, prepared at the request of Danske Bank, September 19, 2018.

[29] Danske Bank, "Danske Bank Closes Down Its Banking Activities in the Baltics and in Russia," Company Announcement No. 4/2019, February 19, 2019.

[30] See U.S. Department of State, *U.S. Relations With Lithuania*, May 23, 2019; *U.S. Relations With Latvia*, September 24, 2018; and *U.S. Relations With Estonia*, April 12, 2018.

[31] See NATO, "Resolute Support Mission (RSM): Key Facts and Figures," June 2019.

[32] See Global Coalition Against Daesh, "Estonia," at https://theglobalcoalition.org/en/partner/estonia/, "Latvia," at https://theglobalcoalition.org/en/partner/latvia/, and "Lithuania," at https://theglobalcoalition.org/en/partner/lithuania/.

[33] The White House, "Remarks by President Trump and Heads of the Baltic States in Joint Press Conference," April 3, 2018. Also see Anke Schmidt-Felzmann, *The U.S.-Baltic Presidential Summit: 100 Years with Russia*, Foreign Policy Research Institute, April 3, 2018.

[34] U.S. Chamber of Commerce, *U.S. Baltic Business Summit*, April 3, 2018.

democracy, and human rights; and reiterating the Senate's support for the European Deterrence Initiative (EDI) as a means of enhancing Baltic security (on EDI, see "U.S. European Deterrence Initiative," below).[35]

Security Partnership and Assistance

The United States provides significant security assistance to its Baltic partners. According to the State Department, as of July 2019, U.S. security assistance to the Baltic states has included

- more than $450 million in defense articles sold under the Foreign Military Sales (FMS) program and more than $350 million in defense articles authorized under the Direct Commercial Sales process since 2014;
- more than $150 million in Foreign Military Financing (FMF) since 2015, with the aim of strengthening the Baltic states' defensive capabilities in areas such as hybrid warfare, electronic warfare, border security, and air and maritime domain awareness and enhancing interoperability with NATO forces;
- approximately $1.2 million annually per country in International Military Education and Training (IMET) funds contributing to the professional education of military officers; and
- $290 million in funding from the Department of Defense under Title 10 train and equip programs since 2015, including approximately $173 million in FY2018.[36]

Since 1993, the Baltic states have participated in the U.S. National Guard State Partnership Program. Under the program, Estonia's armed forces partner with units from the Maryland National Guard, Latvia's armed forces partner with the Michigan National Guard, and Lithuania's armed forces partner with the Pennsylvania National Guard.[37]

In 2017, the United States signed separate bilateral defense cooperation agreements with each of the Baltic states. The agreements enhanced defense cooperation by building on the NATO Status of Forces Agreement to provide a more specific legal framework for the in-country presence and activities of U.S. military personnel.[38]

The National Defense Authorization Act for Fiscal Year 2018 (P.L. 115-91) authorized the Department of Defense to conduct or support a security assistance program to improve the Baltic states' interoperability and build their capacity to deter and resist aggression. The program was authorized through 2020 with a spending limit of $100 million.

In November 2018, the United States and the three Baltic states agreed to develop bilateral defense cooperation strategic road maps focusing on specific areas of security cooperation for the period 2019-2024. In April 2019, the United States and Lithuania signed a road map agreeing to strengthen cooperation in training, exercises, and multilateral operations; improve maritime domain awareness in the Baltic Sea; improve regional intelligence-sharing, surveillance, and

[35] A similar resolution, H.Res. 826, was introduced in the House of Representatives.

[36] U.S. Department of State, Bureau of Political Military Affairs, *U.S. Security Cooperation with the Baltic States*, July 17, 2019.

[37] National Guard State Partnership Program, "State Partnership Program Map," January 18, 2019.

[38] U.S. Embassy in Estonia, "Signing of Defense Cooperation Agreement—Remarks by Ambassador James D. Melville," January 17, 2017; U.S. Embassy in Lithuania, "United States and Lithuania Signed Defense Cooperation Agreement," January 17, 2017; and "'Status of Forces' Deal Signed," Latvian Public Broadcasting, January 13, 2017.

early warning capabilities; and build cybersecurity capabilities.[39] In May 2019, the United States signed road map agreements with Latvia and Estonia outlining similar priorities for security cooperation.[40]

In the 116th Congress, National Defense Authorization Act for Fiscal Year 2020 would broaden and extend security assistance to the Baltic states for building interoperability and deterrence through 2021 and increase the total spending limit to $125 million.[41] The act also would require the Secretary of Defense to conduct a comprehensive assessment of the military requirements necessary to deter and resist Russian aggression in the region.

The committee report (S.Rept. 116-103) for the Senate version of the Department of Defense Appropriations Act, 2020 (S. 2474), recommends allocating $400 million to the Defense Cooperation Security Agency to fund a Baltics regional air defense radar system.

A sense of Congress resolution introduced in the House of Representatives (H.Res. 416) would reaffirm U.S. support for the Baltic states' sovereignty and territorial integrity and encourage the Administration to further defense cooperation efforts. Partially reflected in the National Defense Authorization Act for Fiscal Year 2020, the Baltic Reassurance Act (H.R. 3064) introduced in the House of Representatives would reiterate the U.S. commitment to the security of the Baltic states and require the Secretary of Defense to conduct a comprehensive regional defense assessment.

Economic Relations

U.S. economic ties with the three Baltic states remain relatively limited, although the State Department has stated there are "growing commercial opportunities for U.S. businesses" and "room for growth" in the relationship.[42]

- In 2018, U.S. goods exports to Estonia were valued at $346.1 million and goods imports from Estonia were valued at $953.5 million.[43] Main U.S. exports to Estonia are computer and electronic products, chemicals, machinery, and transportation equipment; Estonia's top exports to the United States are computer and electronic products, petroleum products and chemicals, electrical equipment, and medical instruments.[44] U.S. affiliates employ about 3,570 people in Estonia, and U.S. FDI in Estonia was about $100 million in 2017.[45]
- In 2018, U.S. goods exports to Latvia were valued at $510.4 million and goods imports from Latvia were valued at $727.1 million.[46] Main U.S. exports to Latvia

[39] U.S. Department of Defense, "United States, Lithuania Sign Defense Cooperation Plan," press release, April 2, 2019.

[40] Terri Moon Cronk, "U.S., Estonia Sign 5-Year Road Map of Defense Cooperation," U.S. Department of Defense, May 22, 2019, and U.S. Department of Defense, "U.S., Latvia Reaffirm Relationship in Bilateral Meeting," May 10, 2019.

[41] See Conference Report (H.Rept. 116-333) and Explanatory Material Statement on S. 1790, National Defense Authorization Act for Fiscal Year 2020.

[42] U.S. Department of State, *U.S. Relations with Lithuania*, May 23, 2019, and *U.S. Relations with Latvia*, September 24, 2018.

[43] U.S. Department of Commerce, U.S. Census Bureau, "Trade in Goods with Estonia," at https://www.census.gov/foreign-trade/balance/c4470.html.

[44] U.S. Department of State, *U.S. Relations with Estonia*, April 12, 2018.

[45] Daniel S. Hamilton and Joseph P. Quinlan, Johns Hopkins University School of Advanced International Studies, *The Transatlantic Economy 2019*, p. 127. Hereinafter, Hamilton and Quinlan, *Transatlantic Economy*.

[46] U.S. Department of Commerce, U.S. Census Bureau, "Trade in Goods with Latvia," at https://www.census.gov/

are transportation equipment and computer and electronic products; top U.S. imports from Latvia are beverage products and transportation equipment. U.S. affiliates employ about 1,325 people in Latvia, and U.S. FDI in Latvia was $71 million in 2017.[47]

- In 2018, U.S. exports to Lithuania were valued at $706.4 million and imports from Lithuania were valued at nearly $1.268 billion.[48] Main U.S. exports to Lithuania are used machinery, chemicals, computer and electronic products, and transportation equipment; top U.S. imports from Lithuania are petroleum and coal products, chemicals, and furniture. U.S. affiliates employ about 2,250 people in Lithuania, and Lithuania has not attracted significant levels of U.S. FDI.[49]

Regional Security Concerns and Responses

Officials in the Baltic region have noted with concern what they view as increasing signs of Russian foreign policy assertiveness. These signs include a buildup of Russian forces in the region, large-scale military exercises, and incursions by Russian military aircraft into Baltic states' airspace.[50]

Unlike Georgia and Ukraine, the Baltic states are members of NATO, and many observers contend the alliance's Article 5 collective defense guarantee limits potential Russian aggression in the Baltic region. Nevertheless, imposing various kinds of pressure on the Baltic states enables Russia to test NATO solidarity and credibility.[51]

Defense experts assert that Russian forces stationed near the Baltic region, including surface ships, submarines, and advanced S-400 air defense systems, could "allow [Russia] to effectively close off the Baltic Sea and skies to NATO reinforcements."[52] According to a RAND report based on a series of war games staged in 2014 and 2015, a quick Russian strike could reach the capitals of Estonia and Latvia in 36-60 hours.[53]

Kaliningrad: Russia's Strategic Territory on the Baltic

Kaliningrad, a 5,800-square-mile Russian exclave on the Baltic Sea located between Poland and Lithuania, is a key strategic territory for Russia, allowing the country to project military power into NATO's northern flank (see **Figure 1**). The territory has a heavy Russian military presence, including the Baltic Fleet and two airbases. Russia has repeatedly deployed Iskander short-range nuclear-capable missiles in Kaliningrad, and reports indicate that a new deployment in 2018 could be permanent.

foreign-trade/balance/c4490.html.

[47] Hamilton and Quinlan, *Transatlantic Economy*, p. 135.

[48] U.S. Department of Commerce, U.S. Census Bureau, "Trade in Goods with Lithuania," at https://www.census.gov/foreign-trade/balance/c4510.html.

[49] Hamilton and Quinlan, *Transatlantic Economy*, p. 136.

[50] Valerie Insinna, "British Air Force Charts a Rise in Russian Activity Around Baltic States," *DefenseNews*, July 18, 2019, and Teri Schultz, "NATO Says More Russian Buzzing of Baltic Airspace a Risk for Deadly Mistakes," *Deutsche Welle*, June 27, 2017.

[51] See Raphael S. Cohen and Andrew Radin, *Russia's Hostile Measures in Europe*, RAND Corporation, pp. 19-61, 2019, and House Committee on Foreign Affairs, Subcommittee on Europe, Eurasia, and Emerging Threats, *U.S. Policy Toward the Baltic States*, hearing, witness statements, March 22, 2017.

[52] Henry Meyer, "Putin's Military Buildup in the Baltic Stokes Invasion Fears," Bloomberg, July 6, 2016.

[53] David A. Shlapak and Michael W. Johnson, *Reinforcing Deterrence on NATO's Eastern Flank: Wargaming the Defense of the Baltics*, RAND Corporation, September 30, 2016. Also see Paul K. Davis et al., *Exploring the Role Nuclear Weapons Could Play in Deterring Russian Threats to the Baltic States*, RAND Corporation, 2019.

According to NATO officials, Russia is using Kaliningrad to pursue an anti-access/area denial (A2/AD) strategy that involves layering surface-to-air missiles to potentially block access to the Baltic states and much of Poland. Analysts warn that Kaliningrad's geographic isolation creates a scenario in which Russia could try to seize the Suwałki Gap, the 100-kilometer border between Poland and Lithuania separating Kaliningrad from Russia's ally Belarus.

Sources: Maria Domańska et al., *Fortress Kaliningrad: Ever Closer to Moscow*, Centre for Eastern Studies (Warsaw), October 2019; LTG (Ret.) Ben Hodges, Janusz Bugajski, and Peter Doran, *Securing the Suwałki Corridor*, Center for European Policy Analysis, July 2018; Dominik Jankowski, *Six Ways NATO Can Address the Russian Challenge*, Atlantic Council, July 4, 2018; "Russia Deploys Iskander Nuclear-Capable Missiles to Kaliningrad," Reuters, February 5, 2018.

Defense Spending and Capabilities

The breakup of the Soviet Union left the Baltic states with virtually no national militaries, and their forces remain small and limited (see **Table 1**). The Baltic states' defense planning consequently relies heavily on NATO membership, and these states have emphasized active participation in the alliance through measures such as contributing troops to NATO's mission in Afghanistan. In the context of Russia's invasion of Ukraine and renewed concerns about Russia, the Baltic states have significantly increased their defense budgets and sought to acquire new military capabilities.

Lithuania has the largest military of the three Baltic states, with 19,850 total active duty personnel in 2019.[54] According to NATO, Lithuania has increased its defense spending from $427 million in 2014 to an expected $1.084 billion in 2019, equivalent to 1.98% of GDP (NATO recommends that member states allocate 2% of GDP for defense spending).[55] The defense ministry has moved ahead with plans to acquire new self-propelled artillery systems and portable anti-aircraft missiles, as well as elements of a medium-range air defense system. After abolishing conscription in 2008, Lithuania reintroduced compulsory military service in 2015 due to concerns about Russia, a move that brings 3,000 personnel to the armed forces per year.

According to NATO, Estonia's defense spending is expected to be 2.13% of GDP ($669 million) in 2019.[56] The country's armed forces total 6,600 active personnel and 12,000 reserves, plus a volunteer territorial defense force with about 15,800 members.[57] Estonia has taken steps to upgrade its air defense system and modernize a range of ground warfare equipment, including anti-tank weapons. Estonia has compulsory military service for men aged 18-27, with an eight-month basic term of conscripted service.

Latvia's armed forces total 6,210 active personnel.[58] According to NATO figures, Latvia has more than doubled its defense spending as a percentage of GDP over the past five years, from 0.94% of GDP in 2014 to 2.01% of GDP ($724 million) in 2019.[59] Acquisition priorities of the Latvian

[54] International Institute for Strategic Studies (IISS), *The Military Balance 2019*, pp. 125-126. Hereinafter, IISS, *Military Balance.*

[55] NATO Public Diplomacy Division, *Defence Expenditures of NATO Countries (2012-2019)*, June 25, 2019. Hereinafter, NATO Public Diplomacy Division, *Defence Expenditures*.

[56] NATO Public Diplomacy Division, *Defence Expenditures*.

[57] IISS, *Military Balance*, pp. 101-102.

[58] IISS, *Military Balance*, pp. 123-125.

[59] NATO Public Diplomacy Division, *Defence Expenditures*.

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armed forces include self-propelled artillery, armored reconnaissance vehicles, multi-role helicopters, anti-aircraft missiles, and anti-tank missiles.

Table 1. Baltic States Defense Information

	Active Armed Forces Personnel	Reserves	2019 Defense Budget	Defense Spending % of GDP
Estonia	6,600	12,000	$669 million	2.13
Latvia	6,210	15,900	$724 million	2.01
Lithuania	19,850	6,700	$1.084 billion	1.98

Sources: International Institute for Strategic Studies (IISS), *The Military Balance 2019* and NATO Public Diplomacy Division, *Defence Expenditures of NATO Countries (2012-2019)*, June 25, 2019.

U.S. European Deterrence Initiative

Under the European Deterrence Initiative (EDI), which was launched in 2014 and originally called the European Reassurance Initiative, the United States has bolstered security cooperation in Central and Eastern Europe with enhanced U.S. military activities in five areas: (1) increased military presence in Europe, (2) additional exercises and training with allies and partners, (3) improved infrastructure to allow greater responsiveness, (4) enhanced prepositioning of U.S. equipment, and (5) intensified efforts to build partner capacity of newer NATO members and other partners.[60] As of December 2019, there are approximately 6,000 U.S. military personnel involved in the associated Atlantic Resolve mission at any given time, with units typically operating in the region under a rotational nine-month deployment.[61]

The United States has not increased its permanent troop presence in Europe (about 67,000 troops, including two U.S. Army Brigade Combat Teams, or BCTs). Instead, it has focused on rotating additional forces into the region, including nine-month deployments of a third BCT based in the United States.[62] The rotational BCT is based largely in Poland, with units also conducting training and exercises in the Baltic states and 14 other European countries.[63] The Fourth Infantry Division Mission Command Element, based in Poznań, Poland, acts as the headquarters overseeing rotational units.

EDI funding increased substantially during the first years of the Trump Administration, from approximately $3.4 billion in FY2017 to approximately $4.8 billion in FY2018 and approximately $6.5 billion in FY2019.[64] For FY2020, the Administration requested $5.9 billion in funding for the EDI; defense officials explained that the reduced request was due to the completion of construction and infrastructure projects.[65] In September 2019, the Department of Defense announced plans to defer $3.6 billion of funding for 127 military construction projects in

[60] See Eerik Marmei and Gabriel White, *European Deterrence Initiative: Bolstering the Defense of the Baltic States*, International Centre for Defence and Security, Estonia, December 2017.

[61] See U.S. Army Europe, "Atlantic Resolve," at http://www.eur.army.mil/atlanticresolve/.

[62] See U.S. Army Europe Public Affairs Office, "Fact Sheet: Atlantic Resolve Armored Rotation," September 1, 2019, and U.S. Army Europe Public Affairs Office, "Fact Sheet: Atlantic Resolve Aviation Rotation," September 1, 2019.

[63] See, for example, David B. Larter, "On the Borders of Putin's Baltic Fortress, Lithuania Cheers Local Buildup of U.S. Forces," *DefenseNews*, October 14, 2019.

[64] See CRS In Focus IF10946, *The European Deterrence Initiative: A Budgetary Overview*, by Pat Towell and Aras D. Kazlauskas.

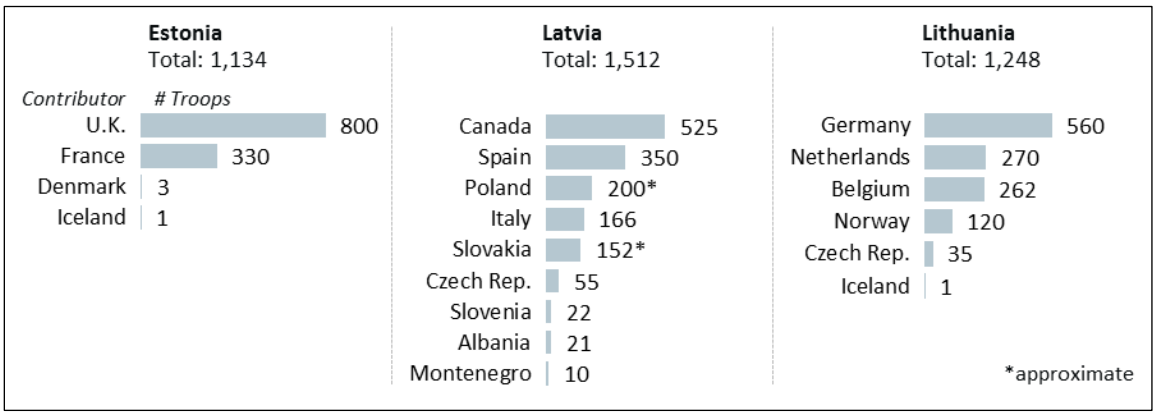
[65] Aaron Mehta, "European Defense Fund Takes a 10 Percent Cut in New Budget," *DefenseNews*, March 12, 2019.

order to fund construction of the U.S.-Mexico border wall, with approximately $770 million of this money to come from EDI-related projects.[66] Affected initiatives in the Baltic states reportedly include the planned construction of a special forces operations and training facility in Estonia.

NATO Enhanced Forward Presence

At the 2016 NATO Summit in Warsaw, the alliance agreed to deploy battalion-sized (approximately 1,100-1,500 troops) multinational battle groups to Poland and each of the three Baltic states (see **Figure 2**).[67] These *enhanced forward presence* units are intended to deter Russian aggression and emphasize NATO's commitment to collective defense by acting as a tripwire that ensures a response from the whole of the alliance in the event of a Russian attack.

Figure 2. NATO Enhanced Forward Presence in the Baltic States



Source: Created by CRS with information from NATO, *NATO's Enhanced Forward Presence*, October 2019.

Notes: The United States leads a fourth battlegroup in Poland with contributions from Croatia, Romania, and the United Kingdom.

Germany leads the multinational battalion in Lithuania, with troop contributions from Belgium, the Czech Republic, Iceland, the Netherlands, and Norway. Canada leads the multinational battalion in Latvia, with troop contributions from Albania, the Czech Republic, Italy, Montenegro, Poland, Slovakia, Slovenia, and Spain. The United Kingdom (UK) leads in Estonia, with contributions from Denmark, France, and Iceland. (The United States leads the multinational battalion in Poland, with contributions from Croatia, Romania, and the UK.)[68]

NATO continues to resist calls to deploy troops permanently in countries that joined the alliance after the collapse of the Soviet Union due to concerns in some member states that doing so could violate the terms of the 1997 NATO-Russia Founding Act.[69] Accordingly, the enhanced NATO presence has been referred to as *continuous but rotational* rather than *permanent*.

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[66] Paul Sonne and Seung Min Kim, "Pentagon Takes Money from Puerto Rico, European Projects to Fund Trump's Wall," *Washington Post*, September 4, 2019.

[67] See Kalev Stoicescu and Pauli Järvenpää, *Contemporary Deterrence – Insights and Lessons from Enhanced Forward Presence*, International Centre for Defence and Security, Estonia, January 28, 2018.

[68] NATO, "Enhanced Forward Presence - Map," October 25, 2019.

[69] The document states that, "NATO reiterates that in the current and foreseeable security environment, the Alliance will carry out its collective defense and other missions by ensuring the necessary interoperability, integration, and capability for reinforcement rather than by additional permanent stationing of substantial combat forces." Proponents of extended permanent basing assert that the "current security environment" with regard to Russia has changed

NATO Air Policing Mission

Lacking their own fighter aircraft, the Baltic states rely on their NATO allies to police and defend Baltic airspace. NATO launched the Baltic Air Policing mission in 2004. The mission originally consisted of rotating four-month deployments of four aircraft. Following Russia's invasion of Ukraine in 2014, deployments increased to 8 to 12 aircraft at a time. The Baltic states contribute to mission costs, including by providing ground services for the aircraft and supplying aviation fuel.

In September 2019, Belgium took over as the air-policing mission's lead nation, with four Belgian and four Danish F-16s operating from Šiauliai Air Base in Lithuania, augmented by four Czech Gripen fighters based at Ämari Air Base in Estonia.[70] From May to August 2019, in what was the 50th rotation of the Baltic Air Policing mission, Hungary was the lead nation, with Hungarian Gripens joined at Šiauliai by F-18s from Spain and British Eurofighters augmenting from Ämari.[71]

Potential Hybrid Threats

In recent years, tensions between Russia and the Baltic states have been exacerbated by reciprocal accusations of spying; illicit cyber activity, including the hacking of Baltic states' government websites; and a Russian propaganda offensive directed at Russian speakers in the Baltic states. Baltic states' support for EU sanctions on Russia due to its invasion of Ukraine also has exacerbated tensions, as have Russian retaliatory sanctions targeting agricultural products.

Many observers have expressed concerns about Russia targeting the Baltic states with *hybrid* warfare tactics, such as those it has used in Ukraine.

Disinformation Campaigns and Ethnic Russians in Baltic States

The presence of a large ethnic Russian population in the Baltic states is a factor in these concerns, especially given that Russian claims of persecution against Russian communities were part of Russia's pretext for intervention in Ukraine. According to statements by Russian officials, including President Vladimir Putin, one of the central principles of Russian foreign policy is acting as the defender and guarantor of the rights of Russian-speaking people wherever they live.[72]

Russia routinely accuses Estonia and Latvia of violating the human rights of Russian-speaking minorities by discriminating against the Russian language in official usage.[73] Although international organizations generally have rejected these charges, some segments of the countries'

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considerably since 1997. See NATO, *Founding Act on Mutual Relations, Cooperation and Security Between NATO and the Russian Federation Signed in Paris, France*, May 27, 1997.

[70] Republic of Lithuania, Ministry of National Defence, *Vice-Minister of National Defence V. Umbrasas: NATO's Air Policing Mission Will Continue to Be as Important to Lithuania, Latvia and Estonia as Ever*, September 3, 2019.

[71] NATO, "Hungary to Lead NATO's Baltic Air Policing, Joined by UK and Spain," April 17, 2019.

[72] President of Russia, "Address by President of the Russian Federation," March 18, 2014, at http://en.kremlin.ru/events/president/news/20603.

[73] In April 2018, for example, Latvia adopted a law mandating that Latvian is to gradually become the sole language of instruction in the country's public schools. Although the reform is popular among ethnic Latvians, many in the country's Russian-speaking population have objected to the law as discriminatory. Russia strongly criticized the law and threatened to impose economic sanctions against Latvia in response. See "Russia Threatens Sanctions over Latvian Language in Schools," *BBC News*, April 3, 2018.

Russian-speaking communities are poorly integrated into society.[74] About 230,000 people in Latvia and 76,000 people in Estonia, the majority of whom are ethnic Russians, are noncitizen residents who are not allowed to vote or hold public office because they have not passed a citizenship test, which includes language and history components. Additionally, approximately 55,000 Russian citizens live in Latvia and 89,000 Russian citizens live in Estonia.[75]

Many in the ethnic Russian community receive their news primarily from Russian-language television and newspapers, and Russian media dominates the information market in Russian-speaking regions.[76] In the past, Latvia and Lithuania have imposed fines and temporary bans on Russian media outlets, such as *Rossiya* and *Sputnik*, due to what authorities considered dangerous and unbalanced reporting.[77]

Analysts have documented how Russia uses traditional media (e.g., radio, television) and social media to propagate disinformation in the Baltic states and many other European countries.[78] Russian disinformation efforts against the Baltic states typically attempt to polarize society by portraying the Baltic states as illegitimate and dysfunctional, the EU as ineffective and divided, NATO and the United States as imperial powers, and Baltic governments as Russophobe fascist regimes that oppress their ethnic Russian populations. Russian outlets repeatedly have sought to stir up opposition to NATO deployments in the region by fabricating stories of criminal activity by deployed NATO soldiers.[79]

There is no movement among Russian-speaking communities in the Baltic states advocating absorption by Russia, and survey data indicate that these communities are not a unified, homogenous group in terms of how they view competing political narratives.[80] Analysts believe most members of these communities prefer to live in Estonia or Latvia rather than Russia; noncitizen residents enjoy benefits such as visa-free travel throughout the EU, and average wages are considerably higher than in Russia.[81] Concerns remain, however, that Russia could attempt to foment tensions or civil unrest as a pretext for intervention or in an attempt to seize territory populated by ethnic Russians.

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[74] Isabelle de Pommereau, "Estonia Reaches Out to Its Ethnic Russians at Long Last," *Deutsche Welle*, February 24, 2018.

[75] Council of Europe, "Latvia Takes Important Step Toward Eliminating Child Statelessness," press statement, October 18, 2019; "Number of Stateless Residents in Estonia Drops by over 2,200 in 2018," ERR News, Estonian Public Broadcasting, January 3, 2019; and "Population of Russian Citizens in Latvia Grows by 28,000 over Decade," Public Broadcasting of Latvia, July 24, 2017.

[76] See Andrew Whyte, "Russian-Speakers Increasingly Turning to RTR Planeta for 'Propaganda' Dose," Estonian Public Broadcasting, October 25, 2018, and Mārtinš Hiršs, *The Extent of Russia's Influence in Latvia*, National Defence Academy of Latvia, Center for Security and Strategic Research, November 2016, pp. 12 (hereinafter, Hiršs, *Extent of Russia's Influence*.

[77] "Latvia Shuts Down Russian 'Propaganda' Website Sputnik," *Euractiv*, March 30, 2016, and Liudas Dapkus, "Latvia, Lithuania Ban Russian State TV Broadcasts," Associated Press, April 7, 2014.

[78] See, for example, Todd C. Helmus et al., *Russian Social Media Influence: Understanding Russian Propaganda in Eastern Europe*, RAND Corporation, 2018.

[79] Edward Lucas and Peter Pomeranzev, *Winning the Information War*, Center for European Policy Analysis, August 2016.

[80] Hiršs, *Extent of Russia's Influence*, pp. 3 and 9-23.

[81] Emily Ferris, *Probing the Baltic States: Why Russia's Ambitions Do Not Have a Security Dimension*, Royal United Services Institute for Defence and Security Studies, November 21, 2018.

Cyberattacks

Vulnerability to potential cyberattacks is a primary concern for the Baltic states. Following a period of heightened tensions with Russia in 2007, Estonia's internet infrastructure came under heavy attack from hackers. Estonian officials said some assaults came from Russian government web servers, although many others came from all over the world.[82] According to analysts, what appeared as a series of smaller, individual distributed denial-of-service attacks was most likely a coordinated, large-scale effort.[83] The attacks did little long-term damage, and they gave Estonia experience in facing such incidents and prompted the country to strengthen its cyber defenses.[84]

Estonia hosts the NATO Cooperative Cyber Defense Center of Excellence, which opened in 2008. The center fosters cooperation and information sharing on cybersecurity between NATO countries, conducts cyberwarfare research and training, and organizes exercises and conferences preparing NATO countries to detect and fight cyberattacks.[85]

In 2018, Lithuania adopted a national Cyber Security Strategy and integrated several government agencies into the National Cyber Security Centre (NCSC) under the Ministry of Defense. Lithuania's NCSC registered more than 53,000 cybersecurity incidents in 2018.[86]

The International Telecommunication Union's *Global Cybersecurity Index 2018* ranked Lithuania fourth and Estonia fifth in the world based on measurements of legal, technical, organizational, capacity building, and cooperation measures related to cybersecurity. (The UK was ranked first, United States second, and France third.)[87]

Energy Security

In 2014, a decade after joining NATO and the EU, the Baltic states continued to import 100% of their natural gas from Russia. This dependence raised concerns that Russia could use energy as political and economic leverage against the Baltic states, prompting them to diversify their supply sources and improve their integration with European natural gas networks.

In 2014, a floating liquefied natural gas (LNG) terminal became operational at the Lithuanian port of Klaipėda. The nearly 300-meter-long vessel, the *Independence*, has the capacity to supply 100% of Lithuania's natural gas needs and 90% of the total natural gas needs of the three Baltic countries combined.[88] In 2014, the Lithuanian gas company Litgas signed a five-year deal with Norway's Statoil (now Equinor) to provide 540 million cubic meters of gas to the facility annually. Gazprom subsequently agreed to cut the price Lithuania pays for natural gas. The

[82] NATO Strategic Communications Centre of Excellence, "2007 Cyber Attacks on Estonia" in *Hybrid Threats: A Strategic Communications Perspective, Annex of Case Studies*, 2019, pp. 51-69.

[83] Rain Ottis, *Analysis of the 2007 Cyber Attacks Against Estonia from the Information Warfare Perspective*, NATO Cooperative Cyber Defence Centre of Excellence, 2008.

[84] Damien McGuinness, "How a Cyber Attack Transformed Estonia," BBC News, April 27, 2017.

[85] See NATO Cyber Defence Center of Excellence at https://www.ccdcoe.org/. Lithuania hosts the NATO Energy Security Center of Excellence, and Latvia hosts the NATO Strategic Communications Center of Excellence. See NATO, *Centres of Excellence*, at http://www.nato.int/cps/en/natohq/topics_68372.htm.

[86] National Cyber Security Centre under the Ministry of National Defence, *National Cyber Security Status Report 2018.*

[87] International Telecommunications Union, *Global Cybersecurity Index (GCI) 2018*, p. 62, at https://www.itu.int/en/ITU-D/Cybersecurity/Pages/global-cybersecurity-index.aspx.

[88] Nerijus Adomaitis, "We Can Survive Without Russian Gas Now, Says Lithuania's President," Reuters, October 21, 2014. Also see Andrius Sytas, "Lithuania LNG Port Aims to Be Baltic Hub, Double Flows," Reuters, January 21, 2019.

United States began exporting LNG to Lithuania in 2017.[89] Currently, Lithuania imports nearly 58% of its natural gas from Russia, accounting for approximately 19% of its primary energy consumption.[90]

Although Estonia and Latvia continue to import all of their natural gas from Russia, natural gas accounts for a relatively low share of the countries' overall energy supplies. Oil shale accounts for about 85% of Estonia's domestic energy supply, whereas natural gas accounts for less than 6%. Russian natural gas accounts for approximately 24% of Latvia's primary energy consumption; hydropower is Latvia's largest source of energy.[91]

In addition to Lithuania's LNG facility, numerous initiatives aim to reduce regional energy dependence on Russia through supply diversification and increased interconnectivity. A pipeline from Poland to Lithuania, linking the natural gas networks of the Baltic states to the rest of the EU, is expected to be completed in 2021.[92] The Baltic Connector pipeline linking the gas infrastructures of Estonia and Finland is expected to become operational in 2020.[93] Poland opened an LNG terminal in 2015, and Finland opened one in 2019.

As a remnant of the Soviet era, the Baltic states' power grids remain connected and synchronized with those of Russia (including Kaliningrad) and Belarus; a control center in Moscow regulates frequency and manages reserve capacity for the Baltic states' electricity supply. Two strategic projects to integrate the region's power grid into the wider European electricity market became operational in 2016: the LitPol link connecting Lithuania with Poland and the 450-kilometer undersea NordBalt cable connecting Lithuania with Sweden.[94] Previously, two connections between Estonia and Finland were the only infrastructure linking the region's electric grid to the rest of Europe. In 2018, the governments of Estonia, Latvia, and Lithuania reached an agreement with the European Commission on plans to synchronize their electricity grids with the rest of Europe by 2025.[95]

Many U.S. officials and Members of Congress regard European energy security as a U.S. interest. In particular, there has been concern in the United States that Russian energy dominance could affect the ability to present a united transatlantic position when it comes to other issues related to Russia. Successive U.S. administrations have encouraged EU member states to reduce energy dependence on Russia through diversification of supply. They also have supported European steps to develop alternative sources and increase energy efficiency. In the 116th Congress, related bills include the European Energy Security and Diversification Act of 2019 (House-passed H.R. 1616 and S. 704), the Protect European Energy Security Act (H.R. 2023), and the Energy Security Cooperation with Allied Partners in Europe Act of 2019 (S. 1830).

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[89] Andrius Sytas, "Lithuania Receives First LNG from the United States," Reuters, August 21, 2017.

[90] BP Statistical Review of World Energy, 2018, and Cedigaz statistical database.

[91] BP Statistical Review of World Energy, 2018, and Cedigaz statistical database.

[92] European Commission, *Construction of the Gas Interconnection Poland-Lithuania (GIPL) Including Supporting Infrastructure*, January 2019.

[93] European Commission, *Interconnector Between Estonia and Finland (BalticConnector)*, February 13, 2017.

[94] "Completion of NordBalt and LitPol Closes the Baltic Ring," *ModernPowerSystems*, March 23, 2016, at https://www.modernpowersystems.com/features/featurecompletion-of-nordbalt-and-litpol-closes-the-baltic-ring-4847289/.

[95] European Commission, *European Solidarity on Energy: Synchronisation of the Baltic States' Electricity Network with the European System Strengthens Security of Supply*, June 27, 2018.

Conclusion

The Baltic states are likely to remain strong U.S. allies and important U.S. security partners in Europe. Analysts believe close cooperation between the United States and the Baltic states will continue for the foreseeable future in areas such as efforts to deter potential Russian aggression, the future of NATO, energy security, and economic issues. The Baltic states likely will continue to look to the United States for leadership on foreign policy and security issues.

During the 116th Congress, the activities and funding level of the EDI, bilateral security cooperation with the Baltic states, and the regional presence and activities of NATO forces may remain of interest to Members of Congress. Efforts to bolster the capabilities of the Baltic states' armed forces, including through defense sales and the provision of U.S. security assistance, also may be of congressional interest. The Baltic states likely will be of continuing importance in the area of European energy security.

In addition, Members of Congress may wish to remain informed about potential security threats to the Baltic states posed by Russia, including conventional military concerns and hybrid threats, such as disinformation campaigns and cyberattacks. Members of Congress may have an interest in assessing how the Baltic states, as well as other NATO and EU member states, can develop capabilities to counter such hybrid threats.

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