

How should the crisis in Ukraine be treated? What are the motives and future plans of the President of Russia Vladimir Putin? What are the scenarios of development of the crisis? What should be the rational action of Latvia and the EU in order to find a way out of the impasse of the crisis in Ukraine?

My reflections are not an attempt to impose a single truth, but rather an invitation to a discussion without bias in order to evaluate both the causes and the possible solutions of the crisis.

1. Definition of the causes of the crisis

Is Putin the present day Hitler?

Putin is the present day Hitler - this how the United States government circles perceive him. Putin has begun uniting the territories inhabited by Russians with Russia, taking after Hitler's example in Germany. Crimea is being compared to the occupation of the demilitarised Rhineland in 1936 and the annexation of Austria in 1938 implemented by Hitler. After such a comparison has been made, a consistent action plan is being offered. The Second World War to some extent was caused by continuous concessions to Hitler's demands by the Western leaders, allowing the annexation of part of the sovereign Czechoslovakia in 1938 (the Munich Treaty). Therefore, the strategy resulting from the following analysis is to act in a totally opposite manner - not to make concessions in respect to anything, to turn down the new Munich Treatment, etc. However, this hypothesis is inconsistent with the subsequent conduct of the President of Russia. Russia did not take advantage of the referendums of Donetsk and Luhansk self-proclaimed republics and of their *de facto* independence achieved for the time being. The Republics of Donetsk and Luhansk did not obtain unilateral recognition from the Russian Government the way Abkhazia or South Ossetia did. Annexation of the Southeastern part of Ukraine or introduction of "peacekeepers" into Transnistria has not taken place. The Republics of Donetsk and Luhansk have not received really significant military assistance from Russia and so on.

Thus, it is possible to formulate an alternative explanation of the situation and its causes, discarding the previous explanation as incomplete (without categorical rejection).

The factor of economic interests on the former USSR space

The military and economic structure of the Soviet Union consisted of three territorial units constituting the system: Russia, Ukraine and Kazakhstan. The resource exchange of those three mega regions in theory provided a self-sufficient economic system. The USSR would not have lost its military and economic potential without such territories as the Baltic States, Belarus, Moldova and Transcaucasia. The existence or absence of these territories in the composition of the USSR was not a critical factor in the long-term functioning of the Soviet system. On the other hand even the exclusion of the constituent elements of the system would cause significant

imbalance, which might possibly prevent the Soviet Union from building a self-sufficient economic system.

Another issue is that the resource potential of the USSR was used for fifty years to fund the global expansion of an ideology, which was not viable, instead of strengthening the economic system, which led to a catastrophic failure. At that time, the elites (as well as societies) of the territorial units forming the system in their majority could be dissatisfied with their specialization and their remuneration for participation and resource delivery to the system of the USSR. Ukraine in this system was as an inexhaustible reservoir of labour resources with Slavic ethnicity; the mission of Kazakhstan was agricultural and mining supplies, as well as those of raw materials.

After the collapse of the USSR the resources of the territorial units forming the Soviet system were included into the international circulation. Other countries offered better economic and political benefits for the resources of Ukraine and Kazakhstan. Ukraine gradually became a supplier of labour resources to the EU from the supplier of labour resources to Russia. China has become Kazakhstan's largest trade partner and purchaser of natural resources. In order for Russia to be able in the future to create more or less competitive economic environment, it had to maintain economic unity with the territorial units constituting the former system of the USSR. The Customs Union was designated as such an instrument. For the Customs Union, at least in theory, to become a self-sufficient economic system, it is necessary to include Russia, Kazakhstan and Ukraine into it. Russia managed to come to terms with Kazakhstan. In cooperation with Ukraine, the goals and interests of Russia were to offer for the very close existing Russian-Ukrainian economic integration a political superstructure in the form of the Customs Union.

In turn, Russia's global adversaries, if their goal was to prevent even theoretical possibility of the revival of the Russian economy, had to put forward the opposite goal - to achieve that at least one of the territorial units constituting the former military and economic system of the USSR should not enter the Customs union, created by Russia. This failed in the case of Kazakhstan. The President of Kazakhstan was able to prevent the development of the crisis provoked by the Western financial community into a social crisis. Kazakhstan did not pay the debts of private banks and devalued the local currency, coping without the external management by the International Monetary Fund. The tragic events of 2008 cooled down the euphoria of Kazakhstan in respect to the "holy manna" in the appearance of Western Economic Integration. Thus, the global adversaries of Russia had to achieve that Ukraine should not enter the economic system created by Russia. Here the argument of Zbigniew Brzezinski may be recalled that without Ukraine Russia will no longer be an Eurasian empire, but will remain a regional Asian country feeling in the future pressure from its Central Asian neighbours and China. And vice versa - the union of Russia with Ukraine would convert Ukraine into "a mighty imperial country that would stretch both in Europe and Asia."

The battle for Ukraine is an economical war for global influence in order to hamper the opportunities of Russia to create an economic system that in the future, at least in theory, might be able to compete with the economic systems of the EU, India or China and influence the minds, psyche and logic of many inhabitants - both in America, in Russia and in Europe.

The public interests of Ukraine are not important to any of the global players. Competition between states is focused on the Ukrainian labour and agricultural resources. The competition

takes place in respect to who of the global players will lie more to the Ukrainian society in respect to their true objectives. Looking both from the context of development of Russia and the EU, in Ukraine the conditions should be established for its educated and hard-working workforce to migrate to those locations, where economic development has been envisaged, or where there is an acute shortage of labour, so that these vacant jobs should not be filled by Islamic immigrants. Ukrainian society is being misled as regards its envisaged role in the international division of labour and the consequences of Ukraine's further integration into the EU system. In both cases, in Ukraine a very low standard of living will be maintained, which will motivate the more educated and more energetic young people to leave Ukraine. The truth is not being told to the Ukrainian society, but it is encouraged that the media (without guarantees from the Western political leaders) maintain the myth that the path to the EU will ensure prosperity and welfare gains.

This is the analysis of Ukrainian events from the point of view of the global economy, however it is incomplete, if the global military and political interests are not taken into account.

The factor of military security in the contact space between NATO and Russia

First of all, let us look at the north. The location or lack of location of the Baltic States in the sphere of influence of Russia does not alter the military balance in the water zone of the Baltic Sea, as the Russian military bases may be deployed in the Kaliningrad region. An even more accurate statement may be made. From the military point of view, knowing that a very considerable part of the population of the Baltic States had an anti-Russian mood (especially in 1991), military separation of the Baltics had certain strategic sense. The existence of the Kaliningrad bridgehead did not decrease the military potential of Russia in the water zone of the Baltic Sea also after the accession of the Baltic States to NATO.

In turn, the area of the water zone of the Black Sea, the Crimean peninsula and the port of Sevastopol have a similar military and strategic importance. Similar symmetry existed in respect to the Black Sea. The military potential of Russia in the Black Sea was provided by Sevastopol. In order to preserve military balance it was essential for Russia to ensure long-term presence in the Kaliningrad region and in Sevastopol. Therefore specifically the status of Sevastopol was the reason for the Russian-Ukrainian conflict during the period from 1991 to 1997. The interests of Russia in Sevastopol have a geopolitical and military character. There is no economic component. The loss of the military base of Sevastopol would significantly reduce Russia's military potential in the water zone of the Black Sea and alter the military balance in Southeastern Europe.

By contrast, for the global players, whose goal was to weaken the military influence of Russia, it was essential to decrease the military presence of Russia in the Baltic and Black Sea basins. It was not possible to remove Russia from the Kaliningrad region without a real war, whereas by ensuring that the Ukrainian government was ready to upset the balance of military of power in Europe, the goal was set up to isolate Russia in a militarily way from Sevastopol (the Crimean peninsula) as a realistic one. To achieve this goal, it has to be stimulated, that in Ukraine those political forces should gain power, which would be willing to upset the military and political balance in the Southeast of Europe.

The international political forces, which set up an objective to prevent the economic revival of Russia and preservation of the military potential of Russia, had to make Ukraine take a decision

not to strengthen the existing economic integration by a political superstructure in the form of the Customs Union, by stimulating the movement of Ukraine towards NATO, to diminish the military presence of Russia in the water area of the Black Sea.

The change of power in Kiev in late February 2014 meant that both of these objectives could be implemented very soon - the first already in the nearest future, while the second in the medium - term. In turn, the collapse of the legitimate power in February 2014, which was both a necessary and needed means to implement the change of power in Kiev, created conditions, under which only at this moment Russia could gain control practically over any territory of in the south and east of Ukraine without the introduction of troops and without war in the classic sense.

Conditions, which emerged in February 2014, meant for Russia that it had lost Ukraine as a partner for further economic integration and acquired risk of losing the strategic base in Sevastopol, which could present a threat of very negative geopolitical consequences and consequences to the internal policy.

The factor of domestic policy of Russia

The majority of the experts from the Baltic, the United States and Western Europe accepted the border system, that developed during the Soviet era and later became the borders of independent countries, as constant since 1991, apart from a number of “hot spots” in Georgia, Transnistria and Nagorno-Karabakh, however in reality the setting of national borders along the borders of the former Soviet Republics in 1991 was not seen as fair, because the border alterations, that were made by Stalin and Khrushchev, were not taken into account. For the societies of Latvia and Estonia it was difficult to put up with the fact that, when they regained independence in 1991, their former territories remained outside the new borders (Abrene, Janilinna and Petseri or Pitalovo, Ivangorod and Pechori), which were annexed to the Russian Federation in 1944 -1945. Precisely in the same way the majority of the elite of the Russian Federation had not put up with the decision of the Communist Party of the USSR leadership, taken in 1954, to separate the region of the Crimea from the Russian Federation and to include it into the Ukrainian SSR. The status of the Crimea and Sevastopol was the main reason for disagreement between Ukraine and Russia, which escalated during several periods, threatening to evoke a major conflict between Russia and Ukraine.

Only the tanks sent by the President of Russia Boris Yeltsin halted the entry into force of the law adopted by the Russian State Duma in 1993, assigning to Sevastopol the status of a Russian federal city. In 1994, the City Council of Sevastopol took the decision to join Russia and sent the corresponding request to the Government of Russia. This decision was declared unconstitutional by the Parliament of Ukraine. Until 1997 the Russian Federation officially did not recognize the territorial rights of Ukraine to Sevastopol. A compromise was reached only in 1997. Russia and Ukraine agreed on “eternal friendship”, but Russia, in turn, gave up territorial claims to the Crimea and agreed to rent the Sevastopol naval military base, making regular payments for it. The Friendship Treaty was concluded for the period of 20 years, but in 2010 it was extended to the year 2042. Here it should be noted that when Ukraine discarded the “eternal friendship” with Russia and took the path towards NATO, the Russian elite could consider such unilateral action to

be a denunciation of the 1997 Friendship Treaty, thus returning to the state of affairs as it was before the agreement on the territorial affiliation of Sevastopol and the Crimea was reached.

If these conditions are not known, there might be an impression that Russia had within a quarter of century recognized the Ukrainian border and then one day implemented an inexplicable act of aggression.

In February 2014, the President of Russia had to decide on the action in a situation, where any of the choices would mean a risk of high losses. Evaluation of the situation - Russia could not annex the Crimea and could not abstain from annexing the Crimea. According to international law, Russia had no right to annex the territory of another sovereign state, while the risk of losing the Sevastopol military base would significantly impair the military positions and potential of Russia.

The decision of Russia to annex the Crimea was selected, keeping in mind the risk of international isolation and sacrificing the opportunity to build at least in medium-term a common economic system with Ukraine, however at the same time maintaining the military balance.

The loss of the Sevastopol military base also meant a very high risk to the domestic policy.

Knowing all of the above information may result in an alternative reading of the Ukrainian crisis - **taking control over the Crimea was a desperate measure on the part of Russia in order** to prevent economic and military imbalance in the contact zone of Southeastern Europe between NATO and Russia.

Currently, the majority of the Russian nation is ready to fight any opponent, in order to maintain its sovereignty over the Crimean Peninsula and the city of Sevastopol, as they have become a national symbol of pride, a token of statehood. Currently no threat, sanctions or even war can force Russia to part with the Crimea and Sevastopol.

Crux of the problem lies in the fact that by setting forth an objective of long-term security and stability, the measures used to achieve it are radically different from the proposed objectives. If these globally problematic developments have been caused only by the implementation of uncontrollable forms of power on the part of the leader of Russia, then the complex of international measures to be implemented should be based on the one type of footing, in turn, if the escalation of the problem was caused by rational behaviour of the leader in the event of a threat to the national interests, then the international solution and approach should be entirely different. Wrongly diagnosed causes of the Russian-Ukrainian conflict may lead to implementation of a completely wrong complex of measures, which instead of resolving the situation would aggravate it. Solutions offered by the international community depend on how the true causes of the conflict are diagnosed.

Unfortunately, by setting as a goal prevention the restoration of the power of Russia, circumstances and conditions have arisen that would allow to achieve long - term international isolation of Russia. In order to achieve the objective to crush Russia, a false diagnosis of the causes of the conflict have to be offered, from which the action would logically follow, which would aggravate the conflict instead of resolving it - by increasing the dimensions of the tension by transforming it from a Ukrainian - Russian conflict into a conflict between NATO (EU) and Russia.

2. Possible development scenarios

Regardless of what are the motives of Russia and the President of Russia, the reality, which is to be accepted in order to live on with it, may be expressed in two theses:

Russia will not leave the Crimea at least during the next decade, likewise the international organizations, the EU and the United States would not recognize the Crimea as part of the territory of Russia, until major geopolitical changes take place. Annexing of the Crimea to Russia has created a new global political reality. This is something everybody - NATO, EU, United Nations Organisation, IMF, G7 - have to take into account. Of course, Russia itself and its economy have to take this into account most of all.

Provided that after the Crimea other activities of Russia will follow in 'assisting' or activating ethnic Russians in other countries, then in these countries a steady deterioration in the relationship can be predicted, with the tragic consequences of a local military conflict.

Looking at the possible development scenarios, let us not address the issue of large-scale exchange of nuclear strikes between the USA and Russia. Not because something like that would be impossible in any case, but because if such a scenario would materialize, it would create an environment in which completely different circumstances and conditions will be in force, a completely different economy and public organizations will have to be introduced, which will radically differ from those political and economic relations that are currently prevailing. Even officially declared martial law without direct hostilities allows to freely confiscate all property of the opponent's citizens and to intern (keep in prison) any citizen of the opponent's county until the end of the martial law.

On the other hand, provided that in the nearest future Russia will not implement against the neighbouring countries an unfriendly policy by military or concealed military means, then the question remains open, up to what extent the United States and the EU, without recognizing the annexing of the Crimea, are ready to increase the sanctions and how wide will be the range of areas affected by the Russian response, i.e. on what level this will cease without further escalation of sanctions.

The Cold War with total international isolation of Russia

If the statement is accepted as the explanation of the conflict that Putin is a Hitler of the present day, then the goal of the Western powers should be one that would contribute to physical replacement of Vladimir Putin by another leader who would better understand the needs of the West. The idea of Putin's physical elimination, as far as I know, has been discussed in several Western forums, obtaining a preliminary confidentiality promise from the participants of the discussion. The proposed solution in the spring of 2014 was to organize the conditions under which Vladimir Putin would be replaced by another leader. Upon closer analysis two very high risks were identified in the implementation of such a strategy. Firstly, in the case the assassination of V. Putin would be unsuccessful, then the consequences could be the radicalisation both of V. Putin and the society of Russia. A historical analogy, when considering the risk, was found regarding the failed assassination of Hitler on July 20, 1944. Secondly, under the current domestic

political situation in Russia even in completely democratic elections the majority of the population instead of V. Putin would vote for a person with even more aggressive plans and more imperial views.

A lighter version of this idea intended for the public is disseminated in Latvia by referring to the editor of the international section of *'The Economist'* Edward Lucas (LETA, August 13).

The main theses of Lucas are as follows:

“The Cold War in the Western relationship with Russia has never really ended, and the situation has especially deteriorated in recent years after the return of Vladimir Putin as the President of Russia, when Russia, using its energy leverage, money and propaganda campaign sought to strengthen its influence in the neighbouring countries.”

“For Putin it will be difficult to step back after the Ukrainian crisis ends. He may resort to the dirty work in Moldova, or even the Baltic States, trying to exercise economic pressure on Ukraine”.

“Putin will continue the policy of aggression and repressions and the officials close to him are also interested in the deterioration of the situation in the West. Even if Putin would be removed for lack of active measures in Ukraine, Russia is going to face a grim future, isolation and insecurity”.

It is expected that the definitive evidence of Putin's globally aggressive intentions will be provided by the launch Russia's activities in the Baltic States and Moldova, as well as a complete economic blockade of Ukraine during the winter of 2014// 2015.

The columnist of *'Neatkarīgā Rīta Avīze'* Juris Paiders (31.07.2014) came to the conclusion that the tactics of constantly raising the scale of sanctions is driving the world to global segmentation strikingly reminiscent of George Orwell's anti-utopia: “In theory, Russia combined with the Asian demographic potential can create a self-sustaining economic system without the USA and the EU. Growing confrontation is likely to provide economic (and ideological) basis for establishing of a number of globally self-contained systems, rather than cause a revolution in Russia, and already outlines the contours of the new arrangement of the world. Paradoxically, this extrapolation is amazingly similar to the evolution of the world projected by the British writer George Orwell (1903-1950) in the novel '1984' written immediately after the Second World War.

George Orwell prospected that three 'superpowers' might be economically self-sufficient: “Eurasia covers Europe and the northern part of Asia from Portugal to the Bering Sea. Oceania comprises the Americas, the Atlantic islands, including the islands of England, Australasia and the southern part of Africa. East Asia, which is smaller than the mentioned two and with a quite indeterminate western border, comprises China and the areas south of it, the Japanese islands and a large but fluctuating part of Manchuria, Mongolia and Tibet”. These three world powers have “economies adjusted for self-support, where production is completely tailored to consumption.”

An answer should be found to two questions.

1. Whether Russia can be 'punished' by exercising full economic and technological isolation against it?

In order to answer this question, the UN Charter rules governing the principles of international relations should be recalled:

“Article 39. The Security Council shall determine the existence of any threat to the peace, breach of the peace, or act of aggression and shall make recommendations, or decide what measures shall be taken in accordance with Articles 41 and 42, to maintain or restore international peace and security.

Article 41. The Security Council may decide what measures not involving the use of armed force are to be employed to give effect to its decisions, and it may call upon the Members of the United Nations to apply such measures. These may include complete or partial interruption of economic relations and of rail, sea, air, postal, telegraphic, radio, and other means of communication, and the severance of diplomatic relations.

Article 42. Should the Security Council consider that measures provided for in Article 41 would be inadequate or have proved to be inadequate, it may take such action by air, sea, or land forces as may be necessary to maintain or restore international peace and security. Such action may include demonstrations, blockade, and other operations by air, sea, or land forces of Members of the United Nations”.

It follows that, according to the UN Charter, only the UN Security Council is entitled to determine complete or partial “interruption of economic relations and of rail, sea, air, postal, telegraphic, radio, and other means of communication”. Russia has the power of veto in the United Nations Security Council. It is not possible that Russia would support UN sanctions directed against itself. Thus, according to the assessment of an international law expert in the given field Jānis Zelmenis measures may be directed against Russia only in the form of the so-called reprisals, meaning “an unlawful act in retaliation for unlawful conduct of an offender state (e.g. discontinuing the implementation of a commercial treaty between the countries; arresting of the property of the offender state in the banks). “When applying a reprisal, they “have to meet three requirements: 1) reprisals should not be military in nature (non-military reprisals); 2) reprisals are exceptional in nature (i.e., they are applied if the solution of a dispute is not possible by peaceful means, e.g., by negotiation); 3) reprisals should be proportionate”.

Sanctions, which are not supported by the UN Security Council, are not mandatory for all UN member states. Joining them is voluntary. However, both the USA and the EU possess powerful tools (such as blocking of the dollar and euro current accounts of companies from third countries which do not support the United States or the EU policy), which can be used to make even those countries wishing to lead independent policies and not willing to be pawned in the superpower games to support their policies.

Thus, complete economic isolation without UN support is not possible.

However in the short term even partial economic isolation will mean a significant decline in the living standards and living paradigm shift of the Russian population, cancellation of foreign travel, of customary communication means etc.

By contrast, long-term economic isolation has an incentive to build a self-sustaining economic system, substituting import. Russia has a historical experience in creating self-sufficient economic systems. From the beginning of 2014, Russia is preparing for autonomous operation of information technology systems, communications, banking and other payment systems.

2 Can modern technology blockade limit the development of Russia during isolation?

Soviet technological and scientific technical breakthrough in the fifties and sixties of the 20th century was based on effective transfer of German technological know-how. The USSR after winning the Second World War obtained in reparations both the equipment of German industrial companies and the German patents, their technical documentation and technological developments. The transfer of German technologies to the industry of the USSR and skilled development and improvement of this knowledge allowed making significant savings of resources and to achieve world-class performance in a number of areas (rocket construction, aviation, armament production). The Latvian breakthrough in radionics, success of VEF, Radiotehnika etc., was based on qualified and brilliantly creative personnel, as well as on successful development of German technological advances obtained in the form of reparations.

To prevent the transfer of technology during the Cold War, almost simultaneously with the creation of NATO, the Coordinating Committee for Multilateral Export Controls or COCOM was founded. The Western countries applied a strict embargo on exports of the latest military and civilian technology products to the USSR and other socialist countries. According to the COCOM embargo in 1985 even privately travelling tourists were forbidden to carry personal computers into the USSR in their luggage. The operation of COCOM was terminated on March 31, 1994. In turn, on July 12, 1996 Russia, together with the leading developed countries signed a new treaty - The Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies. The signatory countries to the Agreement agreed to ban the export to other countries of dual-use merchandise, such as computers, navigation devices, software, cryptographic codes, special software and other technologies. For example, the Wassenaar Arrangement stipulates that from the developed countries as well as from Russia and Ukraine it is forbidden to export to other countries microprocessors, which are able to work in space (in temperatures above plus 125 degrees and below minus 55 degrees Celsius).

Overall, the list of prohibited goods is more than 100 pages long (<http://www.wassenaar.org/controllists/index.html>).

Russia is a Wassenaar Arrangement member state. Within the period from 1996 until 2014, any Russian company could purchase and acquire all the latest technologies - both military and dual-use. As a Member State of export control agreement, Russia was able to implement any technology transfer. This means that in case in the nearest future a new technological revolution will not take place, the Russian Federation for the next ten to fifteen years is able to withstand the embargo on the most recent technologies. It may even be assumed that Russia is better prepared for the discontinuation of communications with the West than the West itself.

Partial international isolation of Russia

Provided the situation in Ukraine normalizes, but with no change in the status of the Crimea, the escalation of sanctions could be curbed at a certain level, while maintaining limited external trade and communication opportunities. It is in the interests of Baltic States, Germany, Austria and the majority of the EU member states to stop the ban and the embargo decision avalanche before it has affected the supply of gas from Russia. This is a very probable option; as for some time the amount of the sanctions against Russia has been similar to the amount of the sanctions against Iran for the period until the spring of 2014.

It is unlikely that the escalation of the EU - Russia conflict could be stopped without normalization of the situation in Ukraine and in the event that Russia uses ethnic Russians to cause instability in other former Soviet territories. In turn, in the event new manifestations of the conflict will not follow, then for the Western countries, by offering a small concession, it could at least be possible to maintain freezing of the sanctions.

Former British Ambassador to the USSR and Russia (1988-1992) Rodric Braithwaite in his article in *'The Financial Times'* (How to bring the Ukraine Crisis to a peaceful end, 11.08.2014.) stated the conditions under which the West could stop the increase of the sanctions. In the near future there is no question of Ukraine's accession to NATO. In the near future the Crimea will remain under the control of Russia. Ukraine should include in its constitution that it will be a neutral and non-participating country, similar to the standard that was included into the Constitution of Austria in 1955. By contrast, the former United States Secretary of State (1973-1977), Henry Kissinger on March 6, 2014 stated the potential end result in *'Washington Post'*: "Too often the issue of Ukraine is perceived as a conflict between the West and the East. Ukraine however, in order to survive and grow, should not be on the front line in the fight of one against the other - it should be a bridge between them ... **The result should not be complete satisfaction, but balanced dissatisfaction**".

3. The policy to be implemented by Latvia for different development scenarios

Prevention of war. The war is not in the interests of Latvia and the EU.

The long-term interests of Latvia are to prevent the outbreak of a real state of war between the NATO and Russia. As it is witnessed by the poll carried out by the Latvian portal *Delfi* and the research center SKDS, in the case of even a threat of war at least one-fifth of the population of the country would leave Latvia. Only 55.4% of the respondents are confident that they would stay in Latvia in such a situation, 18.2% responded that they would leave the country, while 26.4% did not know how they would have acted, while in Latgale one-third of the surveyed population would be ready to leave the country in case of a threat of war.

There are no EU or NATO significance industrial or military objects in Latvia. Latvian energy, industrial and military fields have only local significance - for our own use. Latvian army does not endanger any neighbouring country.

For NATO it is not strategically important to reserve a substantial military force to protect the territory of Latvia. From the point of view of the military interests of Russia a Latvian-Russian conflict could have just a nature of propaganda for the domestic policy of Russia.

In order for other NATO member states to have reason to defend the territory of Latvia, a EU or NATO scale strategic object, military base or important dual-use factory should be deployed on the territory of Latvia.

However, as soon as such an object would be deployed on the territory of Latvia, the Russian military planners would consider that already as a threat to the military security of Russia.

It can be concluded that the greatest threat to the security of Latvia would be to allow deployment of major NATO military forces on the territory of Latvia. In case of a serious conflict the military objects of the military forces of the NATO countries would be an easy target for tactical nuclear weapons without any air defence capabilities of the Latvian army. At such a war scenario the most part of the territory of Latvia would become uninhabitable and unusable in the future.

So if it were admitted that there is a high risk of unconventional conflict, then from the point of view of the strategic interests of Latvia it would be necessary not to permit deployment of such NATO military forces and objects on the territory of Latvia, which might become a target of strategic and tactical nuclear weapons.

Under the conditions of a martial law the discretion of Latvia, attributing it even to freedom of action in details would be limited. The army of Latvia, the economic and manpower resources would be included into the common NATO system and subordinated to the military interests and needs of NATO (USA).

In turn, **partial international isolation of Russia over a long time period would both** lead to significant economic losses to the Baltic States and create new opportunities.

It can be prospected that a major economic interest in the areas near the Russian border, where centres dictated by the new circumstances could be deployed, will emerge. The basis of the business could be the transformation of the goods and services (such as billing) subject to sanctions into goods and services, to which sanctions are not attributed and which therefore would be freely exported to one side or the other.

The latest business ideas in the international trade after the Russian ban of August 8, 2014 on the import from the EU, USA, Australia (and many other countries) of fish, dairy, meat and crop production could serve as an example.

Belarus could derive certain benefits from this ban. For example, the annual Belarusian cheese production is assessed at 110 thousand tons per year, of which 25 thousand tonnes are produced for local consumption, while the rest - for export. If Belarus would replace its domestic consumption of cheese in the amount of 20 thousand tonnes with cheese produced in Poland or the Baltic States, then Belarus could increase the exports of cheese to Russia by 20 thousand tonnes, without violating the embargo implemented by Russia and without re-exporting. Belarus can significantly increase the cheese and curd production for exports to Russia, using as raw materials skimmed milk powder imported from the EU member states etc.

In the presence of a varied and complex service prohibition system and nomenclature of allowed export and import, territories would be required in the vicinity of the Russian and the EU border, which could provide similar services to those, which during the Cold War were provided by Hong Kong in maintaining relations between the Western countries and China.

Although Belarus could also attempt to qualify for this kind of specialization, taking into the account the international situation and the Belarusian domestic political processes, investments into this territory would have a very high political risk. Geographically, Latgale is very suitable for such an area, where a special economic area in Rezekne has already been established. This area is located at the crossing of Petersburg - Warsaw, as well as Ventspils - Riga railway lines in close proximity to Russian - Byelorussian border. In order for Latgale free economic areas to perform

this intermediary function, the status of part of Latgale should be established similarly to the one Denmark has assigned to the Faroe Islands and Finland has assigned to Åland Islands.

Overall, the topic has been reviewed only on the level of an idea and it would certainly need deeper and more detailed research.

Not to provoke war and new sanctions

At present, the world is confronted with the threat of a wide military conflict. Ukraine may become the site of onset of global war. In the current situation all countries, but especially small countries should abstain from inciting the parties involved in the conflict. The Baltic countries should refrain from “outrunning the train” on issues related to the pressure, the sanctions, prevention and penalties in relation to Russia. In the clashes between the strong and mighty those who are closest to the conflict area always suffer and pay the most. It is in the Latvian interests to avoid hasty initiatives and be able to adapt to changing developments. Taking into account the geographical location of Latvia and the opportunities and contacts of the people of Latvia, the best platform for Latvia is search for relief to the tension and conflict resolution even under the circumstances of high tension.

However the leaders of all countries should for the time being step back.

Conclusions and recommendations for the nearest time period

It has to be noted that the interests of the United States and the EU, as well as the negative effects of unfolding of the Ukrainian-Russian conflict, are and remain different. The outbreak of a local war, a humanitarian catastrophe or similar potential conflict development paths will to a much greater extent affect the European countries than the North American continent. A distinction should be made between aims and interests of the EU and the United States, in the search for a solution of the Ukrainian-Russian conflict and the consequences of the conflict. The EU member states, in creating stable and long-term security in Europe, have to be guided by their own interests.

Countries, the governments of which have an impact on the decisions of the currently ruling elite in Ukraine, have to convince the Ukrainian leadership to adopt a new constitution that would contain guarantees for the Russian minority and military neutrality of Ukraine in the future. Economic, financial and humanitarian aid to Ukraine should be linked to compliance with these rules.

The EU and Russia should refrain from introduction of new sanctions or bans.

Russia should refrain from supporting any action that may undermine the territorial integrity of Ukraine. The issue of the territorial ownership of the Crimea should be indefinitely postponed, because the requirement for the EU national governments to recognize the annexation of the Crimea or for Russia to immediately return the Crimea to Ukraine would mean an impasse, which would restrict any solutions to reduce the tension.