



LATVIAN STATE SECURITY SERVICE

Annual Report for 2018



Annual Report
On the activities
of the Latvian State Security Service
in 2018

Riga, April 2019

ISBN 978-9934-8830-1-9

Dear reader,

Latvian State Security Service (VDD) has prepared its annual report for 2018, which was a very important year for the service and for Latvia as a whole. Last year, in conjunction with our colleagues from the Defence Intelligence and Security Service (MIDD) and the Constitution Protection Bureau (SAB), we completed work on updating the legal framework governing state security institutions. With the passing of amendments to the Law on State Security Institutions and other legislative acts, the legal status of all three state security institutions has been harmonised, and the name of our service has been changed, i.e. from 1 January of this year, Latvian Security Police has been renamed Latvian State Security Service. This is more than just a semantic change, since it is significant in the context of both the national centenary and State continuity principle. In 1919, the first civilian counterintelligence and internal security service was established in the Republic of Latvia – namely, the State Security Department. It formed the basis for the subsequent development of civilian counterintelligence and internal security body, which was violently terminated by the Soviet occupation of 1940. Although after the restoration of the independence of the Republic of Latvia in 1991 the national security architecture had to be built from scratch, including the system of state security institutions, this was done in accordance with the principle of State continuity in line with the security system prevailing at the time. Therefore, the renaming of our service honours the centenary of the establishment of Latvia's first civilian counterintelligence and internal security service.



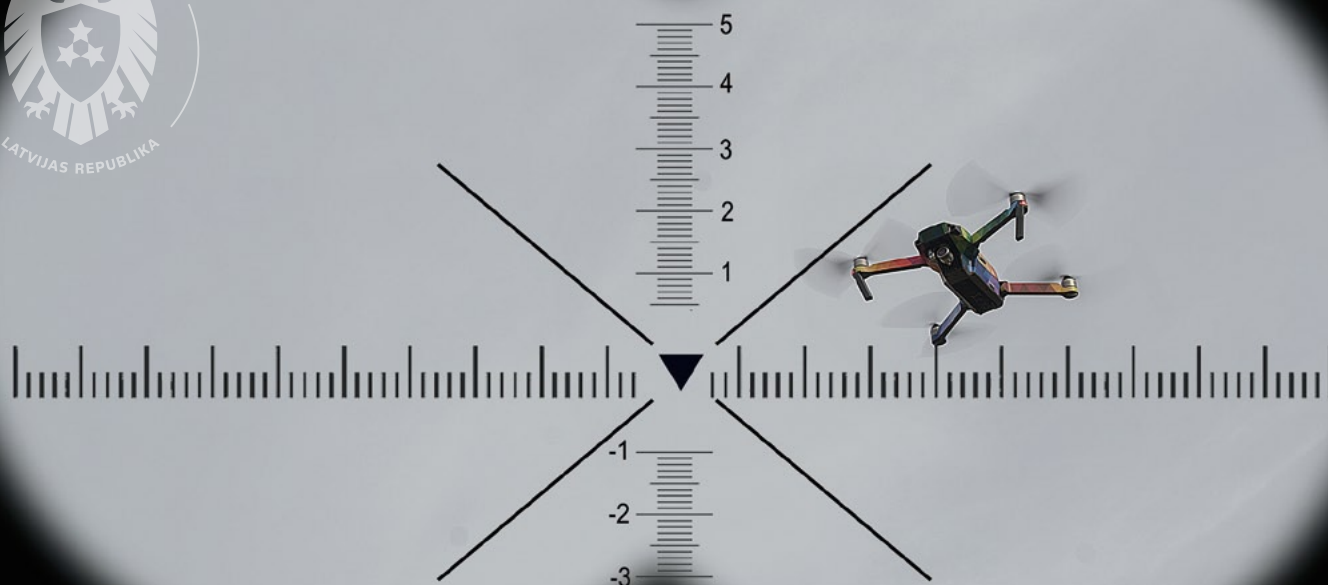
In addition to the national centenary celebrations, for which VDD played a role in ensuring security, the bygone year also witnessed other events of importance to VDD. In the autumn of 2018, the 13th Saeima elections were held, during which no serious security incidents were identified which could have affected the outcome of the elections.

In the last year, the service has continued to actively counter hostile influence activities initiated by Russia. In 2018 criminal proceedings were initiated against a number of persons charged with supporting Russia's geopolitical interests in Latvia, and against one person suspected of gathering information for Russia's intelligence service. The hostile influence activities initiated by Russia uncovered by VDD are not unique to Latvia. Last year, similar trends were observed in other North Atlantic Treaty Organisation (NATO) and European Union (EU) member states. Unfortunately, this indicates that our neighbouring country is continuing its aggressive and confrontational policies against Western countries, posing serious threat to our common security interests.

Another significant challenge to the security of Western countries is terrorism. In 2018, Islamist terrorists planned and carried out attacks in several European countries. Despite the fact that the terrorism threat level in Latvia remains low, information available to VDD indicates that Latvia is not immune from the radicalisation of some individuals. Therefore, in 2019, the key focus for VDD in cooperation with national and foreign partner services will continue to be the timely identification and neutralisation of threats posed by Russia's hostile activities and terrorism. Like last year, this year the support of every inhabitant of Latvia will continue to be crucial in assisting VDD to achieve its objectives, as it is not possible to overcome most contemporary threats without the active involvement and participation of the public.

Yours sincerely,

Normunds Mežviets
Director General of VDD



Illustrative photo: VDD

1. Counterintelligence

One of the core functions of VDD in the national security field is counterintelligence - identifying and neutralising activities by foreign intelligence services against Latvia in a timely manner, including uncovering possible cases of spying and persons involved in such activities and preventing such developments, for example by charging such persons under the Criminal Law, including them in the list of foreigners barred from entering Latvia or using other legal instruments.

In the last year, the service initiated one criminal proceedings for spying, and in addition sentences were passed in two criminal proceedings previously initiated by VDD.

The information obtained in these cases as well as through other VDD counterintelligence activities reaffirmed that Russia's intelligence services continue to pose a serious threat to national security. In VDD's assessment, Russia's intelligence services continue to have the greatest capacity of all foreign services to conduct intelligence activities against Latvia.

In addition to Russia, the intelligence services of several other CIS countries have also been observed to have an interest in Latvia and its inhabitants. Furthermore, increasing activities by Chinese intelligence services against Western countries mean that greater attention must be paid to Chinese activities in Latvia.

1.1. Activities by Russia's intelligence services against Latvia

All of Russia's intelligence services continued to actively work against Latvia last year:

- the Federal Security Service (FSB, in Russian: Федеральная служба безопасности), which in spite of its counterintelligence and internal security mandate conducts intelligence activities against former Soviet states;
- the Main Directorate of the General Staff of the Armed Forces (better known by its acronym GRU, in Russian: Главное управление Генерального штаба Вооружённых Сил Российской Федерации), which is mainly involved in military intelligence;
- the Foreign Intelligence Service (SVR, in Russian: Служба внешней разведки), which is responsible for gathering political and economic intelligence.

As in previous years, in 2018 the FSB was the most active Russian service engaged against Latvia. Its advantages include a large number of officers, the opportunity to regularly speak to foreigners within its own national territory, and close cooperation

with Russian Federation Police, the General Administration for Migration Issues of the Ministry of Internal Affairs and the Federal Customs Service. Moreover, the FSB is constantly expanding its methods for controlling persons of interest within Russia, through the imposition of new penalties for discrepancies in travel documents and by developing the civil surveillance system (CCTV, face recognition technology, GPS control).



Logos of Russian intelligence services (from left) – FSB, GRU and SVR.

Last year, VDD continued gathering information pointing to Russia's military intelligence activities in spheres under the remit of VDD's counterintelligence competence. Although Russia's military intelligence service has a high profile in Western countries following the attempted murder in 2018 of former GRU officer and UK resident Sergei Skripal, it is less well known that this service also conducts intelligence activities from the territory of Russia as well as abroad. Therefore, last year one of the tasks of GRU's regional intelligence units was to recruit

Latvian nationals who periodically travel to Russia and can provide information not only about the Latvian National Armed Forces or operations by NATO member states, but also about spheres supporting the defence sector. Therefore, VDD considers that the activities of GRU's regional intelligence units also pose a threat to the residents of municipalities hosting military contingents from NATO member states, for example law enforcement officers and providers of construction, communications, logistics and supply services.

Criminal cases for espionage

In the last three years, VDD has initiated criminal proceedings against three Latvian nationals accused of spying for Russian intelligence services. Last year sentences were handed down in two of these cases.

On 29 May, the court sentenced former JSC "Latvijas dzelzceļš" employee Aleksandrs Krasnopjorovs (left) to 18 months imprisonment, which was changed by the court of appeal on 18 December to three years and two months. The judgement is not final, and the defence has already appealed to the cassation instance, therefore VDD reiterates that all persons are innocent until proven guilty in accordance with the law. In VDD's view, A.Krasnopjorovs obtained information for Russian military intelligence about the transshipment of NATO cargoes as well as critical railway infrastructure.

On 6 August, Alūksne resident Jurijs Stilve (right) received a suspended sentence of three years and a probation period of three years and six months. J.Stilve provided information to a foreign intelligence service about events in the Latvian-Russian border area and National Armed Forces facilities in Alūksne district. J.Stilve performed these acts both before and after the adoption in 2016 of amendments to the Criminal Law regarding criminal liability for spying.

The secret collaboration of the aforementioned persons points to certain trends in the operations of Russian intelligence services, i.e. both Latvian nationals were recruited within Russia, and both had justifiable reasons to regularly return to Russia, where they met with their curators to hand over information and receive further instructions. Although neither of the accused had access to classified data, they did provide sensitive information of high analytical value which could be cross-checked with information obtained from other sources. This information aligns with traditional Russian military intelligence interests in Latvia and is required to better understand Latvia's defence capabilities, the operations of NATO contingent in our country and strategic critical infrastructure objects. Giving such information to a hostile foreign power threatens national defence capabilities and our entire society.

On 26 June 2018, VDD initiated new criminal proceedings against another Latvian citizen for espionage under Article 85 Section 1 of the Criminal Law. The accused is held on suspicion of long-term, systematic gathering of information about Latvia's home affairs system and state security institutions with the aim of passing this data on to Russian intelligence service.



Screenshots from Latvian Television broadcast "Panorāma" YouTube channel.

1.2. The scope of Russia's intelligence services' interests in Latvia

Last year the range of interests of Russian intelligence services vis-à-vis Latvia remained broad, encompassing the Enhanced Forward Presence of NATO member states in Latvia and other issues relating to Latvia's membership of international organisations and foreign policy, as well as internal and socio-economic processes within the country. Analysis by VDD of espionage cases and long-term trends in the last year indicates that foreign intelligence services are interested in information about:

- the presence of NATO allied forces in Latvia;
- national security and defence policy developments;
- national foreign policy developments, including Latvia's membership of NATO and the EU as well as other international and regional bodies;
- national domestic policy developments;
- the national economic situation, particularly in development plans and potential of strategic sectors and projects;
- personnel, capacities and material-technical resources of state security institutions, the National Armed Forces and law enforcement bodies;
- recent developments in state and municipal institutions, particularly officials with access to classified or sensitive information;
- critical infrastructure objects and security measures to protect them and the personnel employed at them;

- scientific achievements and research projects;
- weaknesses, addictions, criminal acts or other discrediting information about state and municipal officials which can be used to recruit such persons for secret collaboration.

It is therefore clear that hostile foreign intelligence services are interested in both tactical and strategic information as well as "background" information on public opinion regarding various issues. For example there have been cases where the Russian Federation FSB Border Guard Service and General Administration for Migration Issues of the Ministry of Internal Affairs has tried to ascertain the opinions of Latvian nationals on Latvia's membership of international organisations, attitudes toward NATO, the EU and Russia, as well as other current issues in Latvia and internationally.

It is notable that in spite of developments in information technology and cyber espionage, Russian intelligence services continue to regard agents as playing a crucial role. Moreover, Russian services regard all inhabitants of Latvia, not just state and municipal officials, as potential sources of information. Therefore, their interest is less on a person's specific position or profession than on forging contacts with persons on territory favourable to them. Russian intelligence services traditionally regard Russia as well as other CIS countries as favourable territory.

1.3. Factors influencing the activities of foreign intelligence services

VDD's analysis indicates that the activities of foreign, particularly Russian, intelligence services against Latvia are assisted by several factors, i.e. systemic weaknesses, and that over time services have adapted their methods to exploit these weaknesses:

- the large volume of travel by Latvian nationals to Russia and other CIS countries, which exposes these persons to serious counterintelligence risks as they can be approached by Russian intelligence services without regard to counterintelligence measures taken by Latvian state security institutions. Latvian nationals visiting Russia face the risk of recruitment if they are seen by Russian intelligence services as potential information sources, and the risk of being unjustly accused of spying or other hostile acts against Russia if such a case can be useful to Russia for information or other influence activities;
- Latvian nationals continue to enrol as students at universities in Russia and other CIS countries, allowing the intelligence services of these countries to analyse, approach and recruit such students without disturbance on their own soil;

- interest by Latvian state and municipal officials in cross-border cooperation projects with Russia and other CIS countries;
- group of persons who are potentially easy to recruit, such as pro-Kremlin activists, former Soviet Army veterans, members of compatriot policy organisations and persons engaged in military-memorial activities, as well as former Soviet security services' employees and agents, some of whom remain loyal to the regime governing Russia;
- involvement of inhabitants of border regions in excise goods smuggling. Such Latvian nationals are useful to Russian intelligence services as they are relatively easy to recruit on the basis of threats of criminal charges and their arrest does not cause significant damage to Russia's intelligence interests in Latvia;
- the social structure of the Latvian-Russian border area, i.e. many residents of the area have friends and acquaintances on the other side of the border, therefore if Russian intelligence service manages to recruit one person it may be able to use these social networks to access a broad spectrum of information.

Briefing officials about counterintelligence risks

VDD regularly informs top Latvian state officials and decision-making institutions about the results of counterintelligence measures and detected threats. VDD also holds informative and educational events to enhance

understanding of counterintelligence and its associated risks and threats. Last year VDD held 62 such events for around 2,300 officials and employees of 45 state and municipal institutions.

1.4. Cyber Intelligence

Last year, foreign intelligence services hostile to Latvia continued to pose a growing risk from cyber intelligence. The experience of Western countries shows that Russian intelligence services are more actively using cyber-attacks for intelligence and influence activities, using hackers and groups of cyber criminals based in Russia as cover. Therefore, cyber security is one of the key issues in ensuring proper counterintelligence regime.

To counter foreign cyber intelligence activities, VDD actively works with the other state security institutions, i.e. MIDD and SAB, as well as the Latvian Information Technology Security Incident Prevention Institution (CERT.LV), which is responsible for information technology security in Latvia. In cooperation with the other state security institutions and CERT.LV, VDD also uncovered cyber security incidents in Latvia. The Latvian state security institution community, CERT.LV and other bodies responsible for cyber security are cooperating to analyse and neutralise such incidents.

In recent years, VDD has also detected a growing threat arising from the omnipresence of computer and communications technology in the everyday life of Western countries. This opens the door for the intelligence services of Russia and other hostile powers to exploit flaws in the software of these devices and users' ignorance of security risks. Moreover, countering cyber threats is hampered by the fact that the unsanctioned gathering of information often takes place without the user's knowledge.

Cyber threats posed by hostile foreign powers manifest themselves in two ways: exploiting technical weaknesses, and profiling and approaching persons via social media. In the first case, hostile intelligence services gain unauthorised access to the devices of targeted persons to obtain information. This risk is increased through using software and applications developed outside EU and NATO member states.

In the second case, people's habits of publishing excessive information about their private lives, work, hobbies, friends etc. online are exploited. This data can be highly valuable

for ascertaining the character, values, desires, weaknesses and possibilities for blackmailing potential recruits. Exactly where this information is posted on the internet is irrelevant, as long as it has been revealed to a sufficiently wide range of persons. People should also be aware that when using social media and internet platforms based outside EU and NATO member states, laws and regulations may make it easier for foreign intelligence services to access information which is not publicly available, from data submitted when registering for such sites to the contents of private communications.

Reducing cyber threats

While in an EU and/or NATO member state:

- assess what private information is available on social media;
- make your social media profiles inaccessible to persons outside your circle of friends;
- do not post information about your workplace, position, direct responsibilities or salary;
- before going abroad, reassess your digital footprint¹.

While outside EU and/or NATO member state, especially in Russia, China and CIS countries:

- do not use work or private e-mails, your combined Google account (gmail, youtube), social media or internet banking;
- do not connect to Wi-Fi networks in public places, hotels or state institutions;
- do not use work or personal mobile phones, computers or data carriers and, if possible, use prepaid cards and phones you will not use subsequently;
- do not use data carriers or electronic devices received as gifts in these countries.

¹ Digital footprints are traces left on the internet by person's online activities, for example information published on social media (posts, photographs, videos), comments on other people's posts (including likes), sharing posts, leaving comments on various websites, browsing history etc.

Although last year Russian intelligence services posed the greatest cyber threats to Latvia's national security, intelligence services in several partner countries warned of high risks in using technology made by Chinese companies due to the possibility of intercepting GSM signals, tapping into public and private wireless networks and accessing all types of information on data carriers. Under China's National Security Law, Counter-Terrorism Law and Cyber Security Law, Chinese technology companies are obliged to provide support to the intelligence services. Moreover, there is a range of differences in China's legal system which means that personal data protection does not meet the current EU standards. Therefore, VDD strongly advises against using products and IT solutions developed by companies whose reputations are questioned in EU and NATO

member states due to suspicions about privacy and threats to national security.

Due to growing cyber security threats, VDD advises state and municipal officials in charge of procurements to pay even greater attention to information security. Guarding the security of our country's IT infrastructure is an important aspect of fulfilling Latvia's obligations as an EU and NATO member state. State and municipal institutions must also demonstrate a high degree of responsibility in protecting the data of Latvia's inhabitants by preventing illegal access to information. VDD advises persons buying equipment or software to evaluate personal data protection standards in the countries of origin of the products and assess the risk of leaking sensitive personal data.

VDD calls on public to report any suspicious contact with a foreigner as well as cases of suspicion on other person's contacts with foreign intelligence services by phone 67208964, e-mail info@vdd.gov.lv, by making an appointment at VDD's premises at 99a K.Barona Street, Riga. VDD guarantees the confidentiality of sources.

Conclusions and outlook

- Last year, the most significant threats to Latvia's national security continued to be posed by Russian intelligence services conducting aggressive intelligence activities mainly from their own territory where they do not face VDD's counter measures. For this reason, for the foreseeable future counterintelligence risk prevention will be connected with raising awareness of Latvia's inhabitants about the threats posed by foreign intelligence services, as well as informing VDD in a timely manner about possible contacts with officers of foreign intelligence services.
- As in previous years, in 2018 the persons at the greatest risk of recruitment were state and municipal officials with access to classified or restricted information or who played an important role in decision making or policy implementation. Russian intelligence services also continued to seek cooperation with persons with pro-Kremlin views or who are involved in campaigns supporting Russia's policies. It is expected that this trend will continue in 2019.
- In the next few years, cyber threats posed by intelligence services hostile to Latvia will increase, both through exploiting flaws in hardware and software and profiling potential recruitment targets on social media.
- Due to Latvia's role in the security architecture of NATO, as well as the ever-increasing importance of the intelligence services in furthering Russia's foreign policy agenda, VDD anticipates that Russian intelligence services will concentrate not only on obtaining information about internal political processes but will also seek to influence decision making within the NATO.



KONFIDENCIĀLI

SLEPENI

VALDŽI SLEPENI

Illustrative photo: VDD

2. Protection of official secrets

In accordance with the Law on Official Secrets, protection of official secrets is the responsibility of all three state security institutions – VDD, MIDD and SAB. In the sphere of protecting official secrets, VDD:

- conducts vetting of persons before they are granted security clearances for access to official secrets (hereinafter – security clearance);
- checks institutional representatives and premises for compliance with observance of the confidentiality regime and requirements for protecting official secrets;
- conducts special checks of commercial entities for the granting of specified category industrial security certificates so they can apply for procurements at state objects subject to secrecy.

Despite the fact that security clearances are only refused or annulled on rare occasions, last year VDD noted a growing trend in the public space to question the need for the system of protecting official secrets or to discredit specific measures taken by state security institutions in this sphere. Not infrequently activities against official secret protection measures are initiated

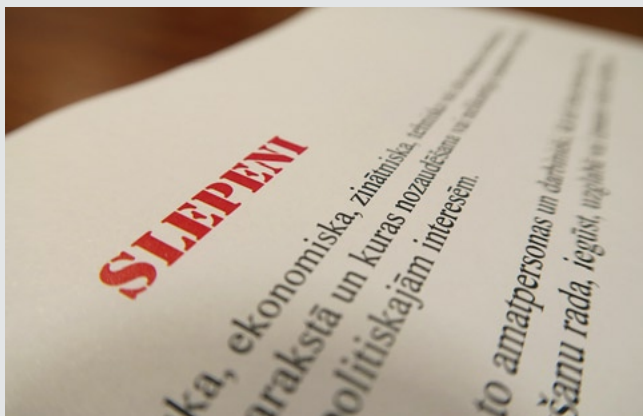
by persons whose security clearances have been refused or annulled, or who realise they may not receive the security clearance because they do not comply with the requirements of the Law on Official Secrets. It must also be borne in mind that degrading the status of official secrets is in the long-term interests of foreign states hostile to Latvia, since it would make it easier to access hitherto protected information.

VDD considers that at present there is no justification for changing the core principles of Latvia's official secrets protection system, for example the rule that security clearances must not be granted automatically and access to official secrets is strictly on a “need to know” basis. The state must be able to protect its vital interests, and the system prevailing in Latvia has been developed taking into account our country's historical experience, geopolitical circumstances and the risks associated with disclosing official secrets. Moreover, last year significant amendments were made to the Law on Official Secrets. The primary aim of these amendments was to create a balance between national security and the interests of specific persons while maintaining Latvia's existing official secrets protection system.

Changes to regulations on information protection

Amendments to the Law on Official Secrets came into force on 1 July 2018, which realign a person's rights to be heard and to protect their rights before a court of law with the requirements for protecting official secrets stipulated in the law. Although in practice the procedure for vetting persons has not substantially changed, it is now stipulated in an external legislative act and mitigates doubts about the procedure for issuing security

clearances as well as the process by which security clearances can be annulled. In other words, henceforth decisions by state security institutions to refuse or annul security clearances can be appealed before the Prosecutor General, whose decision can in turn be appealed before the Administrative District Court. Moreover, due to the fact that such cases are heard in the context of counterintelligence rather than the administrative



Illustrative photo: VDD

process, the amendments also stipulate special procedures for the hearings, i.e. only the court has the right to access the information available to state security institutions, thereby protecting the integrity of the counterintelligence process.

The amendments add a new clause to the law stipulating the criteria for determining a commercial entity's compliance to receive an industrial security certificate. As a result, new regulations, i.e. Cabinet of Ministers Regulation

No. 417 of 10 July 2018 "Regulations on industrial security certificates" were adopted, which stipulate the procedure for receiving or annulling industrial security certificates, as well as the organisation for protecting official secrets during their period of use.

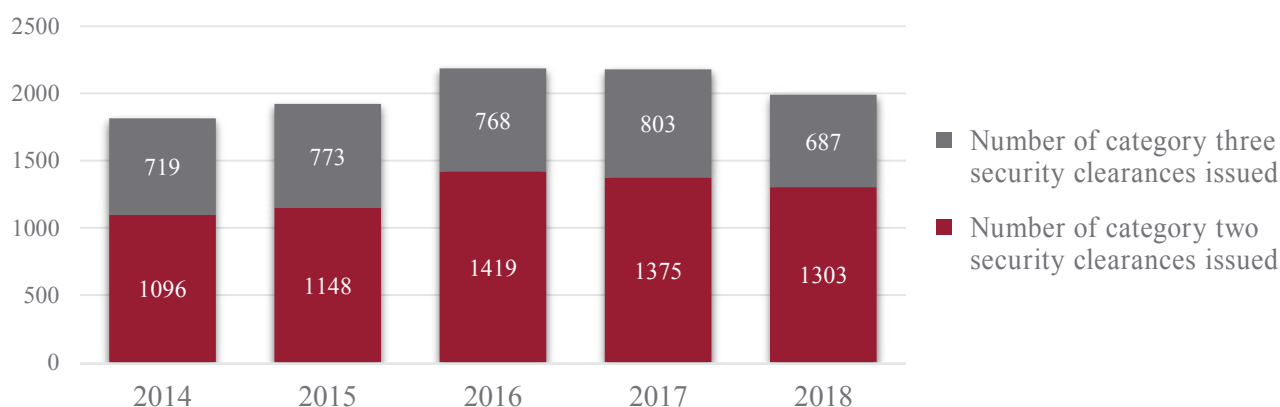
Due to the amendments to the Law on Official Secrets, Cabinet of Ministers Regulation No. 21 of 6 January 2004 "Regulations on the protection of official secrets and classified information of the North Atlantic Treaty Organisation, the European Union and institutions of foreign countries" no longer aligns with the current situation. Therefore, in 2019 state security institutions will begin work on drafting relevant amendments.

VDD has also identified problems in practice in protecting information classified as "RESTRICTED". In Latvia, restricted information is deemed to be information which is connected with state security but does not contain official secrets, as well as classified information of the EU, NATO and foreign countries with the status "RESTRICTED." Despite the fact that such information should in fact be classified as service secrets which in conjunction with official secrets comprise the system of information to be protected as vital for the interests of the state, measures to protect such information are currently insufficient.

Changes in laws and regulations in the past year also affected the activities of the service in this sphere, i.e. in the second half of the year VDD took measures to adapt existing procedures to the new regulations, which amongst other changes also stipulate new timeframes for checking official secrets cases. At the same time, regardless of changes to regulations, current geopolitical challenges necessitate more in-depth and detailed vetting of persons prior to issuing security

clearances. This also applies to persons who have already been issued such security clearances, as well as commercial entities requiring industrial security certificates. As a result, persons whose position or work duties require them to have access to official secrets objects as well as commercial entities applying for procurements at official secrets objects must take into consideration that in some cases vetting could take as long as six months.

DYNAMICS OF SECURITY CLEARANCES ISSUED AND VETTING CONDUCTED BY VDD



In 2018 VDD issued a total of 1,990 security clearances, of which 1,303 were category two security clearances (up to confidentiality level SECRET), while 687 were category three security clearances (up to confidentiality level CONFIDENTIAL). VDD also conducted vetting of 53 persons applying for category one security clearances (up to confidentiality level TOP SECRET), forwarding the materials to SAB for final decision.

In the last year, VDD refused to grant security clearances in three cases:

- the first refusal was made because the person did not comply with Article 9 Section 3 Paragraph 3 of the Law on Official Secrets, under which access to confidential, secret and top secret official secrets objects is barred to persons charged and convicted of criminal offences committed with malicious intent;
- the second refusal was made because the person did not comply with Article 9 Section 3 Paragraph 6 of the Law on Official Secrets, under which access to confidential, secret and top secret official secrets objects is barred to persons about whom facts are uncovered in the course of vetting which cast doubt on their trustworthiness or ability to protect official secrets.

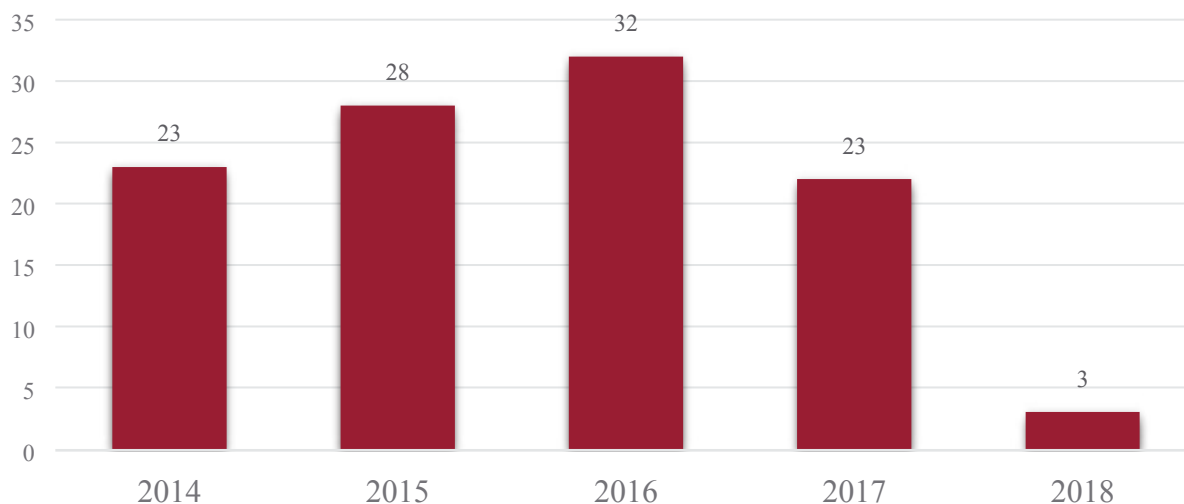
For example, if during the vetting deliberate provision of false information, deliberate hiding or fabrication of facts, failure to comply with set procedures in working with information containing official secrets or other facts which cast doubt on person's ability to protect official secrets are uncovered;

- the third refusal was made because the person did not comply with Article 9 Section 3 Paragraph 7 of the Law on Official Secrets, under which security clearances may not be issued to persons with psychiatric or behavioural disturbances which cast doubt on their ability to observe the requirements for protecting official secrets.

In 36 cases, persons were deemed to be of increased risk, therefore security clearances were issued for shorter periods. In such cases, in-depth evaluation of the compliance of the person to hold the security clearance for access to official secrets is continued.

In addition, VDD forwarded materials on checks conducted on nine commercial entities requiring industrial security certificates for fulfilling procurements containing official secrets to SAB.

DYNAMICS OF REFUSAL TO ISSUE SECURITY CLEARANCES BY VDD



Conclusions and outlook

- VDD considers that the amendments made last year to the Law on Official Secrets have removed doubts about the objectivity of the procedure for vetting persons, since in addition to supervision by the Prosecutor General negative decisions can also be appealed before the court. In 2019, VDD will prioritise implementing changes in internal procedures so as to more effectively protect official secrets in accordance with the changes in external regulations adopted last year.
- In 2019 work must also begin on drafting amendments to Cabinet of Ministers regulations stipulating measures to protect official secrets. Such amendments are needed to correct contradictions resulting from the amendments to the Law on Official Secrets, as well as to encompass solutions ensuring an even more effective protection system in reacting to current challenges in the information circulation sphere.
- VDD has detected indications that state and municipal institutions are inadequately protecting restricted information, as the current governing regulations are inadequate. The main problems are connected with determining of status, circulation and other actions which could result in the illegally obtaining, losing or revealing restricted information. In order to rectify these problems and ensure effective protection for restricted information, VDD considers that in the near future the regulations governing restricted information must be improved.



Illustrative photo: VDD

3. Protection of the constitutional order

As in the counterintelligence sphere, the most significant risks for the protection of the constitutional order² continue to be posed by Russia. In addition to attempting to obtain pre-emptive information, Russia actively utilised other methods aimed at influencing Latvia's political agenda and manipulating decisions that favour its interests. Moreover, Russia's propaganda outlets continued to use and improve their existing informational influence instruments to ensure the presence in Latvia's society of information favourable to Russia's foreign policy interests, test the responsiveness of Latvia's media environment to deliberate disinformation and the reaction of Latvia's state institutions in such situations.

In the context of the protection of the constitutional order, the central event of last year was the 13th Saeima elections. After these elections, VDD did not initiate any criminal proceedings for illegally influencing the will of the electorate, which was facilitated by VDD's preventative work during the election campaign, i.e. holding lectures on counterintelligence for staff of the Central Election Commission, making

regular visits to polling stations, offering advice on averting previously-identified risks, as well as cooperating with other bodies responsible for the lawful conduct of the elections. During the election campaign, Russia continued spreading its traditional negative narratives about our country, attempting to thus indirectly influence public opinion in Latvia in line with Russia's foreign policy interests.

In 2018, several radically-inclined persons came to the attention of VDD. However, the threat posed by right- and left-wing radical and extremist individuals in Latvia remains at a low level overall.

Paramilitary activities such as so-called military simulation games (*airsoft*, *laser tag*) continue posing risks to our constitutional order, with enthusiasts having travelled to Russia and thereby coming to the attention of Russia's state institutions. The activities of such persons are of concern to VDD not just because of possible threats to our constitutional order, but also in connection with increased counterintelligence risks.

² The constitutional order encompasses principles on which the state is based, including sovereignty, independence, territorial integrity and democratic government.

Criminal proceedings for undermining Latvia's constitutional order

To take action against threats to the constitutional order, last year VDD initiated several criminal proceedings against Latvian nationals for activities aimed at undermining Latvia's constitutional order.

Two criminal proceedings were initiated on the grounds of suspicion of crime committed under Article 81 of the Criminal Law – giving assistance to a foreign state in actions

against the Republic of Latvia. In the said cases, the persons are being held on suspicion of long-term activities serving Russia's interests, receiving funding for their activities from various Russian compatriot support funds and other sources, and using these funds for activities which in the long-term undermine Latvia's sovereignty, territorial integrity and national security.

3.1. Russia's influence activities and their manifestations against Latvia

3.1.1. General characteristics

In recent years, Russia has made no attempt to hide its political ambitions beyond its borders. Most of the activities conducted have been confirmed in Russia's public policy planning documents³, in which Russia positions itself as one of the world's "centres of influence." Russia views Latvia as a part of the post-Soviet space where it has systematically sought to regain and strengthen its influence through a broad range of influence enhancing tools at its disposal, i.e. political, economic, humanitarian, informational etc. Latvia is also of interest to Russia as part of a competing block, i.e. the transatlantic community, in an imagined struggle for global influence, which Russia seeks to undermine in order to weaken the position of the West.

In its reports of recent years, VDD has reported extensively on Russia's compatriot policy⁴ as one of the main instruments used by Russia to restore its influence beyond its borders. Russia exploits the compatriots through a range of influence measures which create long-term risks to our constitutional order and political and economic security. In addition to their usual activities, last year the compatriots had

to demonstrate their usefulness in practice during Russia's presidential elections on 18 March; Russia's diplomatic missions in Riga and Latvia's regions used compatriot organisations in organising for the elections. In this way the compatriots "repaid" what they had previously received or hope to receive in future from the Russian Embassy or Russian funds.

As in previous years, in 2018 Russian compatriot organisations mainly seeking to enhance Russia's humanitarian influence were also active in Latvia. This was facilitated by cooperation between both Russia's diplomatic missions and compatriot support funds with the most enterprising Russian compatriot policy activists. VDD also noted a trend to place greater emphasis on other areas of activity, which in the context of protecting our constitutional order include so-called "defence of rights," strengthening of historical memory and military-memorial activities, as well as propaganda and informational influence measures. Both compatriot organisations and individual activists were also involved in implementing these plans. Latvia's 13th Saeima elections held on 6 October had a major impact on the public activities of Russian compatriots.

3.1.2. So-called "defence of rights"

To justify its aggressive foreign policy, Russia has frequently claimed it is defending the rights of its citizens and Russian compatriots. In this way Russia exploits this element to further its foreign policy aims, justifying interference in the target country's internal affairs on the grounds of supposedly "defending rights," creating a useful influence instrument.

In 2018 Russia continued to favour this method, as evidenced by funding for various activities in Latvia from so-called compatriot support funds. The most active institution in this sphere was "The Fund for Legal Support and Protection of Rights of Compatriots Living Abroad".

So-called "defence of rights" is used as a tool of influence in various ways:

- making public claims about supposed general infringements of the rights of Russian compatriots. VDD believes that Russia carefully follows events in Latvia by monitoring the information space and inhabitants' social media activities to pinpoint events which can be spotlighted as rights infringements. Events relating to the use of the Russian language, the occupation theme, the non-citizens issue etc. were most commonly selected;

³ The Russian Federation's Foreign Policy Concept, the Russian Federation's National Security Doctrine, the Russian Federation's Military Doctrine, and the Russian Federation's Information Security Doctrine etc.

⁴ In this report, the term "Russian compatriots" applies to persons and associations of persons (organisations) who take part in their home countries in events organised by Russia to further its compatriot policy, spread messages supporting Russia's policies and interests, or otherwise support the furthering of Russia's interests in their home country. Although it is officially touted as a diaspora support policy, Russia's compatriot policy is part of Russia's foreign policy as means of supporting Russia's citizens and the so-called compatriot community in foreign countries. However, when compared with typical diaspora support policies, Russia's compatriot policy is clearly an attempt to influence the internal affairs of the target country.

- so-called influence agents not infrequently deliberately act provocatively or break the law, and this is later presented as evidence of infringements of compatriots' rights. In 2018 VDD initiated several criminal proceedings against persons involved in provocative actions. This fact was used by Russia's information outlets to "justify" claims that Latvia is a "police state." In VDD's view, the "The Fund for Legal Support and Protection of Rights of Compatriots Living Abroad" is involved in stimulating such propaganda campaigns, as it has paid the legal costs of several persons prosecuted in this regard;
- the scope of so-called "defence of rights" is artificially inflated. In 2018 the practice continued of using associations dedicated to protecting and researching the rights of compatriots. Most of these associations do not in fact perform any activities; instead, they exist to inflate the perceived scale of the problem. If necessary, these associations can also serve as instruments for obtaining funding from Russia's compatriot funds;
- certain narratives along these lines are adapted for international organisations to try and create an image of Latvia as a country where human rights are systematically abused. In 2018 the "The Fund for Legal Support and Protection of Rights of Compatriots Living Abroad" funded participation by several Russian compatriot policy activists in a number of international events where Latvia's human rights record was unjustly attacked, including the "Human Dimension Implementation Meeting" held by the Organisation for Security and Cooperation in Europe in Warsaw in September 2018 and VI World Russian Compatriots' Congress held in

Moscow from 31 October to 1 November 2018. It is significant that activists at these events frequently aligned their speeches with officials from the Russian Embassy or Russia's Ministry of Foreign Affairs.

Also notable in this sphere in 2018 were protests organised by the unregistered body "Russian School Defence HQ" (in Latvian – Krievu skolu aizstāvības štābs, hereinafter – KSAŠ) against amendments to laws passed by the Saeima initiating a gradual transition to instruction in the state language at all secondary schools. VDD considers that the activities of KSAŠ were aligned with the election campaign of the Latvian Russian Union (in Latvian – Latvijas Krievu savienība, hereinafter – LKS). During the protest, some KSAŠ activists made statements inciting ethnic tension which in the view of VDD threatened public safety. For this reason, VDD initiated criminal proceedings against several KSAŠ activists, who in the view of the service made public statements calling for mass disturbances and inciting national and ethnic hatred.

Utilising the narratives broadcasted on Russian TV channels, LKS used "defence of rights" as a cover for its election campaign which inflamed ethnic tensions. The changes to the education system are mainly oriented towards improving competitiveness and critical thinking skills, which may in the long term hamper Russia to strengthen its influence and implant its values in the younger generation. Although the LKS campaign only managed to mobilise a small section of Latvia's society, the relatively extensive coverage given to the issue in Russia's mass media indicates that Russia wishes to create further controversy around the issue of minority education in Latvia.



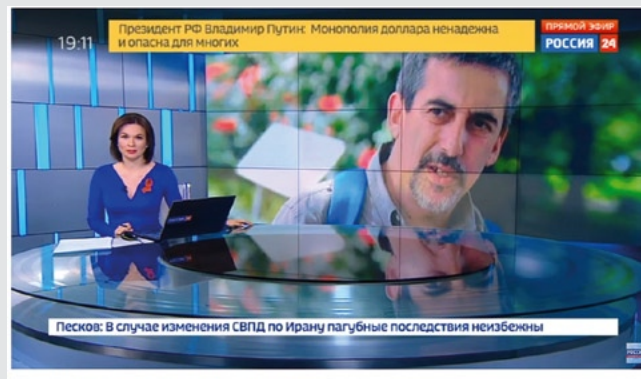
*Russian TV channels frequently report on KSAŠ activities to spread messages discrediting Latvia.
Images: screenshots from reports of Russian TV channels NTV and TV Centr posted on YouTube.*

In order to influence Latvia's internal political processes, KSAŠ also sought the assistance of foreign states. Some KSAŠ activists publicly stated in Russia that the issue of preserving "Russian schools" is a matter of national security for Russia. Several KSAŠ members tried to initiate collaboration with the CIS and Eurasia Integration and Compatriot Affairs Committee of Russian State Duma to have Russia put political pressure on Latvia. Activists who are also LKS members

frequently appeared on Russian propaganda TV channels to deliver discrediting messages about Latvia, including well-worn narratives about the "rebirth of fascism/Nazism" and the persecution of human rights activists. LKS also more often tried acting in the West – its positions within the European Parliament allowed to use the KSAŠ narratives to hold several small protest campaigns in Brussels and Strasbourg.



В Латвии защитника русских школ бросили за решетку - Россия 24



В Латвии задержан правозащитник Владимир Линдсман - Россия 24

Russian TV channels highlighted the theme of “the persecution of Russian rights defenders,” reporting on activists facing criminal charges. Images: screenshots from Russian TV channel Rossiya 24 Youtube account.

Analysis by VDD shows that over a long period “defence of rights” has been one of the most popular themes used in Russian propaganda, and it is useful for both domestic and foreign policy purposes. In other words, the “fight” for compatriots’ rights abroad diverts the attention of society in Russia away from other issues. By raising the spectre of supposed massive infringements of rights in Latvia, Russia also seeks to discredit Latvia in the international arena and position itself as the sole defender of the rights of Russians. Thus the image of an external enemy is created in Russia as a justification for aggressive foreign policy and in some cases as a means of diverting attention from domestic political problems.

In 2018 Russian information outlets continued to spread messages that the rights of Russians are being infringed in Latvia in all sorts of ways, including receiving education in their native language, freely expressing their opinions and participating in elections. Kremlin-friendly messages about “expressions of Russophobia in Latvia” were systematically integrated into reports on the 13th Saeima elections. This information was presented in news reports and interviews with “experts” and pro-Kremlin activists.

Several reports compared the proposed changes to the education system to the Holocaust. VDD regards the spreading of such messages as offering significant support to attempts by Russian propaganda to polarise society in Latvia and undermine the sense of belonging of Latvia’s ethnic Russian inhabitants.

3.1.3. Strengthening historical memory and military-memorial work

Activities for maintaining historical memory play an increasingly important role in implementing Russia’s influence. In recent years, Russia has been intensifying its campaigns in this sphere in two main areas: spreading interpretations of history favourable to Russia within Russia and abroad, as well as actively engaging in military-memorial work. As in previous years, in 2018 Russia’s attempts to spread favourable interpretations of history were mainly connected with certain dates, for example 16 March (Latvian Legionnaires’ Remembrance Day), 9 May (so-called “Victory day”), 13 October (the “liberation” of Riga in 1944 with the so-called “forcing of Lake Ķīšezers”) etc. The so-called “anti-fascist” organisations were the most visible compatriot bodies in this sphere.

One of Russia’s main methods for cultivating historical memory favourable to it is by spreading specific interpretations of historical events. This is mostly done by supporting pseudo-scientific studies and events which rather than stimulating

thoughtful academic debate about complex issues one-sidedly reaffirm versions favourable to Russia, with arguments further enhanced by elements of so called “victory ideology.” Financial support from the Russian Embassy and informational support from Russian propaganda outlets for events organised by compatriots in connection with the aforementioned dates and other commemorations related to the Second World War was also observed.

The Russian Embassy and Consulates General in Riga and provincial centres maintained contacts with the most effective organisers of Russian compatriot events, especially the so-called “Victory day” celebrations on 9 May. The Russian Embassy has systematically supported memorial events at which Latvian historical events are interpreted one-sidedly in favour of Russia. At these events, Russia is presented as a “liberator” in an attempt to deny the occupation of Latvia during the Second World War.

The “Immortal Regiment” campaign

The “Immortal Regiment” campaign is held on 9 May, the so-called “Victory day”, as a commemoration of Red Army soldiers and others who fought and died in the Second World War. During the event, relatives and descendants of veterans carry their portraits in a procession. It was first held in Russia in 2011 and was initiated as a civic initiative by Tomsk journalist Sergei Lapenkov (who continues to coordinate

the “Immortal Regiment” movement today). Realising the large numbers of people mobilised by the event, Russia’s government began funding it and using it as an instrument to consolidate the nation of Russia and compatriots abroad using the so-called “victory ideology.” There have also been cases where the number of participants has been inflated, with groups of people being issued with mass produced portraits.



Images: screenshots from Russian TV channels Rossiya 24 and RIA Novosti YouTube channels – reports on “Immortal Regiment” in Moscow and Riga on 9 May 2018.

Currently the “Immortal Regiment” campaign is held in over 80 countries, including in Latvia since 2015. In 2015 around 1,000 people attended, and in 2018 this number reached around 10,000. It is believed the event in Riga is the biggest of its type outside of Russia. Organisers of the campaign in Riga are on the international coordinating committee along with representatives from Russia, Ukraine (Russia-occupied Crimea), Israel, Germany, Norway and Kyrgyzstan. This indicates that the “Immortal Regiment” is

closely coordinated with the parent organisation in Russia. It is noteworthy that similar activities are held by the movement “Volunteers for Victory” in Russia, inviting youth to organise the so-called “Victory day” celebrations and the restoration of war memorials in various cities in Russia. In 2018 VDD observed that members of the “Volunteers for Victory” were seeking to attract organisations in Latvia to their ranks, emphasising the need to involve more young people in the so-called “anti-fascist” movement.

Military-memorial work supplements long-term activities aimed at reinforcing Russia’s historical memory in Latvia’s society. Military-memorial work seeks not only to maintain and restore existing memorials in accordance with international agreements, but also to give Russia’s historical memory as much physical form as possible through specific objects. Russia’s Embassy has even expressed interest in restoring completely non-existent military monuments from the Czarist era. Monuments are often the backdrop for holding events supporting Russia’s interpretation of history, and artificially increasing their numbers would potentially provide Russia with another tool with which it could polarise Latvia’s society.

In cases where the restoration of a monument has been rejected or an existing memorial has been demolished, Russia has immediately launched information influence campaigns accusing the foreign country of disrespecting the memory of the fallen. This message is closely tied to the narrative prevalent in

Russia of the Soviet Union’s central role in 20th century history in the so-called “defeat of Nazism.” Thus any form of opposition to military-memorial activities can be labelled “the rebirth of fascism/ Nazism.”

VDD observed that in 2018, diplomats from Russian Embassy and Consulates General sought to cooperate directly with municipalities in Latvia. Various visits by Russian diplomats to a number of Latvian regions in connection with the restoration of local military memorials indicates that Russian diplomats wish to guide the work in a direction they favour. In 2018, in parallel with an increased budget for military-memorial restoration, new directions for military-memorial activities emerged. Russian Embassy was much more active in seeking to forge links with Russian compatriot activists and organisations for potential cooperation on scholarly and practical work in the military-memorial sphere (for example, clubs and military archaeology groups interested in Russian history and culture).

3.1.4. Humanitarian influence and work with youth

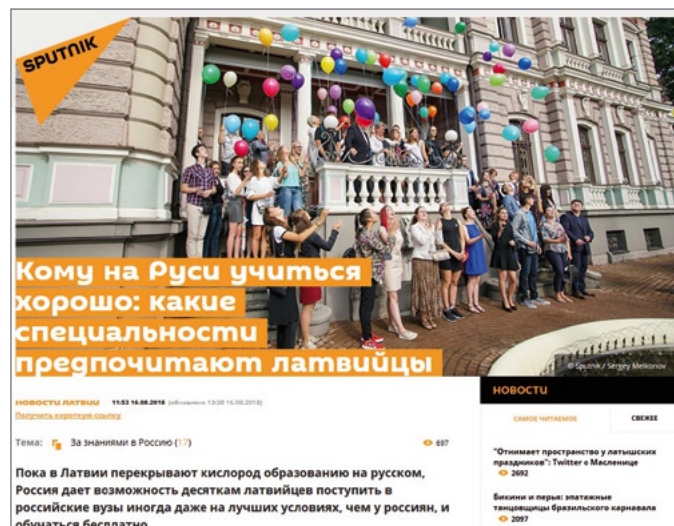
Russia's diplomatic missions, compatriot support funds and other bodies continued implementing Russian humanitarian influence activities in Latvia. Usually local organisations and activists were involved in implementing such activities. Moscow's mayoral office continued supporting the Moscow House in Riga, which provides compatriot organisations with infrastructure and administrative assistance for holding various events, including space for routine gatherings such as meetings of the unregistered Russian compatriot umbrella organisation "Latvian Council of Civic Organisations" (in Latvian – Latvijas Sabiedrisko organizāciju padome, hereinafter – LSOP).

In 2018 LSOP marked 20 years since the establishment of the format, and on 25 August it hosted the annual conference of Russian compatriots living in Latvia. This event was attended by the Russian Ambassador to Latvia and a representative of Russia's Ministry of Foreign Affairs. Both criticised Latvia's pro-Western orientation and invited the community to consolidate within the LSOP format. There was a repeat of the previously expressed desire to attract youth to the ranks of activists, one of the long-term priorities of Russian compatriot policy. VDD considers that LSOP is in fact under the control of the Russian Embassy with the aim of using its member organisations and individuals to further Russia's aggressive foreign policy aims.

Formally, the Russian Federal Agency for the Commonwealth of Independent States Affairs, Compatriots Living Abroad, and International Humanitarian Cooperation "Rossotrudnichestvo" (hereinafter – "Rossotrudnichestvo") is one of the main institutions implementing Russian humanitarian policy, but its activities in Latvia are relatively modest. In 2018 "Rossotrudnichestvo" gave a small amount of funding for several cultural projects. Most of the projects carried out in the name of "Rossotrudnichestvo" are coordinated by Russian Embassy diplomats, including the student quota programme for Russia's major universities. VDD has observed that Russian compatriot organisations, individual activists and project managers could rely much more on funding through direct contacts with officials representing funds such as "Russkij Mir" and "The Fund for Legal Support and Protection of Rights of Compatriots Living Abroad".

Working with youth has been a longstanding priority for Russian compatriot support funds and other compatriot policy bodies. In order to facilitate long-term humanitarian influence, Russian policymakers realise they must nurture a new generation of compatriot activists for future use as instruments of Russia's foreign policy. Therefore, 2018 saw the continued involvement of representatives from Latvia in youth forums, conferences and similar events held in Russia. At these gatherings, the youths are urged to engage in Russian compatriot activities in their home countries.

Education was another key area addressed by Russian Embassy diplomats, compatriot policy organisations and activists in 2018. "Rossotrudnichestvo" coordinated the recruitment programme for foreign students for Russian government-funded (scholarship) places at universities in Russia. Every year, this programme provides around 15,000 places for foreign students



Russia's propaganda channels also reported on work with youth. Images: screenshots from the Latvian version of the website "Sputnik" and the Russian news agency TASS.

at Russian universities. The quota for students from Latvia has gradually increased, reaching 120 places in recent years. Most of the students accepted from Latvia are graduates of minority schools in Latvia and attend universities in Kaliningrad, Moscow and St. Petersburg. The most serious problems may arise for those studying social sciences in Russia, as there is a risk that some universities train ideologically indoctrinated specialists in political science, journalism and other important fields. It is anticipated that additional funding will be granted for foreign student programmes in Russia.

Russia's humanitarian influence activities are somewhat opaque, as many of them are classified as diaspora support policies. However, considering that Russia's diplomatic missions and compatriot support bodies have chosen organisations and individuals who have expressed their disloyalty to Latvia to implement their activities in Latvia, it can be concluded that Russia is using humanitarian influence instruments to covertly manipulate political and social processes in Latvia. The funding of such organisations and activists is mutually beneficial; in exchange for funding typical cultural and other diaspora activities are expected, while in reality the persons are also involved in protests, spreading disinformation and other influence activities which clash with national security interests.

3.1.5. Propaganda and informational influence activities

As in previous years, in 2018 Russia's propaganda campaigns employed both demonstrably false information and distorted interpretations of events and facts. VDD considers that this systematic propaganda campaign is aimed at dominating the information space and shaping views favourable to Russia's interests regarding:

- the inevitable military conflict provoked by NATO with Russia;
- the growing "Russophobia" in Latvia and the rebirth of Nazism and fascism;
- Latvia as a failed state without a future, which will cease to exist in a few years' time;
- Russia as the only alternative without which Latvia cannot exist etc.

These narratives are interwoven into a myriad of opinion pieces, "news" reports and interviews with "experts", "political scientists" and "academics" supportive of Russia and Russia's propaganda objectives. Russian propaganda messages were aligned with reports on the presence of NATO member states in our territory, political and economic processes and key events such as Latvia's centenary celebrations and the 13th Saeima elections.

One of the dominant narratives of Russian propaganda over the last year was militarism, with society being constantly frightened by the prospect of approaching military conflict between NATO and Russia. Russian propaganda channels systematically flooded Latvia's information space with aggressive reports using terms such as "the approaching war", "World War III" and "the war started by the USA". Propaganda outlets also repeatedly stated in both opinion pieces and news reports that in the event of a war provoked by the USA, NATO member states would not offer their support to Latvia, which could potentially be the first country against which Russia would launch a "counterattack". Russia's own military activities are presented as "reactions" to NATO's military presence on its borders and justifiable "defensive measures".

In 2018, the outlets most responsible for filling Latvia's information space with stories about the approaching "world war" or "nuclear war" were the websites vesti.lv, vesti.bb.lv (now bb.lv) and lv.sputniknews.ru. As a result of such publications, an atmosphere of fear, uncertainty and insecurity was drip-fed into Latvia's information space to try and create an impression of a "destabilised" situation in the Baltic States, Poland and Ukraine due to NATO provocations.

Russia's propaganda campaigns were aided by:

- the extensive availability of Russian TV channels in packages offered by cable and internet TV providers in Latvia;
- the activities of information resources funded by Russia and supportive of Russia;
- making use of social media tools to spread information;
- systematic use of so-called opinion leaders.

Over a long period, Russia's most important informational influence resources have been TV channels, which thanks to their presence in almost every package offered by Latvian cable operators meant that Latvia's telecommunications service providers cooperate with the owners of these channels, i.e. media enterprises friendly to the Kremlin. In addition to TV channels, Russian propaganda messages were also regularly and systematically spread via other information outlets directly or indirectly funded by Russia or supportive of it, whose target audience is consumers of Russian-language media residing in Latvia.

In 2018, a number of marginal projects also continued to operate in Latvia, such as the Sputnik websites in Latvian and Russian which are funded by Russia's international information agency "Rossija Segodnya" as well as the website baltnews.lv. These outlets were systematically used to spread manipulative, deliberately misleading and outright false information about events in Latvia and the world. The main change in 2018 concerned baltnews.lv, which was reorganised in the first half of the year after previously trying to unsuccessfully hide its links with "Rossija Segodnya". Another project initiated by Russia, the website imhoclub.lv, served for several years as a platform for publishing articles by Russian compatriot policy activists, has been shut down after VDD launched criminal proceedings against it.

As the information consumption habits of society change, social media has become increasingly important for spreading Russian propaganda. Social media allows for the surreptitious and systematic spreading of messages saturated with content whose true purpose is to shape views about specific political, economic and social processes. Thus social media networks are useful not only for spreading information but also as psychological influence instruments for shaping the target group's opinions, moods and values.

Analysis by VDD allowed for the identification of specific information distribution methods on Facebook, YouTube and Twitter. Information supporting Russia's geopolitical interests (for example information prepared by ria.ru, ru.sputniknewslv.com, russian.rt.com, baltnews.lv, rubaltic.ru and riafan.ru) is spread via fake profiles, internet trolls and bots, as well as specially-created Facebook groups. For example, there are several Facebook groups where everyday matters, funny photos and animal videos are interspersed with political postings supporting Russia's geopolitical interests. The members of these groups and other Facebook users share this content, possibly without realising they are helping to spread Russian propaganda.

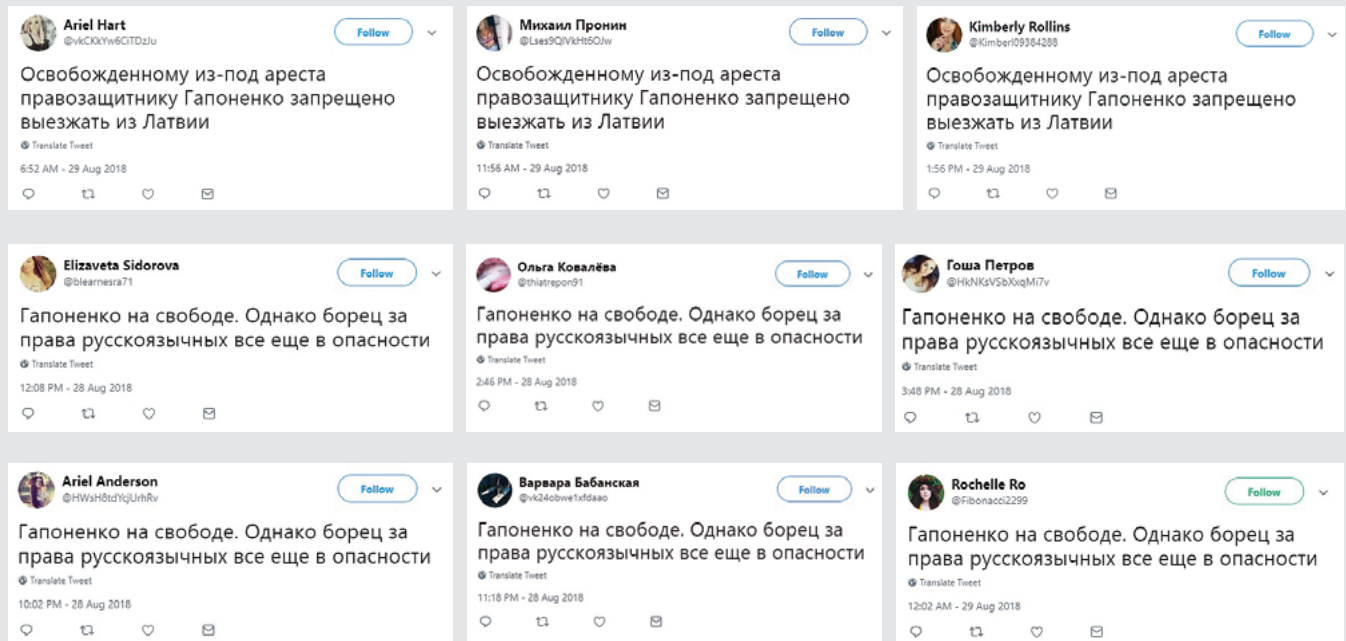
However, propaganda campaigns are impossible to mount and ineffective without the systematic involvement of so-called opinion leaders. Russian information outlets regularly deploy various Russian political scientists, "experts" and academics as opinion leaders. Russian compatriot activists are deployed as content in Russian information outlets under titles such as "human rights expert," "professor" or "social activist", in addition to entrepreneurs and former politicians from Latvia who last year made statements based on Russian propaganda themes.

The use of trolls and bots in Russian propaganda

During the reporting period, a range of indicators suggested that the spreading of information favourable to Russia's geopolitical interests was coordinated across a range of information outlets and social media platforms. For example, on 28 and 29 August 2018, several Twitter bots were identified spreading the same message "Гапоненко на свободе. Однако борец за права русскоязычных все еще в опасности". This was the exact same title used for a report by Darya Grigorova and Anton Chagayev on the TV channel Rossiya 1 on 28 August.



Гапоненко на свободе. Однако борец за права русскоязычных все еще в опасности - Россия 24
1,037 views



Images: screenshot from a report by Russian TV channel Rossiya 24 posted on YouTube about pro-Kremlin activist Aleksandrs Gaponenko, and screenshots of messages shared on Twitter.

3.2. Activities of right- and left-wing radicals and extremists/ military-style and paramilitary activities

The activity level in Latvia of right- and left-wing radical and extremist organisations and individuals remained low. There are virtually no significant left-wing radical and extremist organisations in Latvia, while right-wing radical and extremist organisations are small and passive. Therefore, most persons with such tendencies operate autonomously, only maintaining contacts with a handful of associates.

Although individual radical activists did not cause any threats in 2018, they actively socialise with each other and make aggressive statements online. The internet remained the main platform for communication between radical and extremist individuals, where they expressed aggressive opinions against Latvia's pro-Western orientation and integration into international organisations, migration, sexual minorities and specific ethnic groups and races.

Criminal proceedings on the books of VDD

On 20 November 2018, VDD initiated criminal proceedings against a citizen of Latvia for actions inciting national, ethnic or racial hatred or intolerance utilising an automated data processing system. In this specific case, the said person made xenophobic postings on his social media pages against Latvia's Roma and ethnic Russian inhabitants. In addition, the person also regularly made postings praising the army of Nazi Germany and right-wing extremist Anders Behring

Brevik. These posts also called for the destruction of specific ethnic groups. VDD considers this to be a concrete example of individual radicalisation, which also highlights the inadequate level of responsibility taken by social networks and internet platforms to police violent and aggressive content. For a long period this person had been able to systematically spread ultra right-wing ideas, thus raising the overall level of aggression on the internet.

In a few cases, radical and extremist organisations and individuals organised sparsely attended gatherings or went to events organised by others to use them as a platform for raising their profile. Several right-wing radical individuals managed to occasionally draw both local and international media attention. However, VDD considers that Russia's propaganda outlets paid much more attention to these individuals, presenting their activities as "proof" of certain common narratives, such as the supposed rebirth of fascism or Nazism in Latvia or "Russophobia". In this manner, radical and extremist organisations and individuals continued to offer enticing material to Russia for the discrediting of our country in the global community.

As paramilitary movements and organisations continued posing threats to national security, last year VDD paid increasing attention to them. Although the threat posed by individuals is currently low, other countries' experience shows that such organisations or groups of enthusiasts can be used to stage provocations or other activities which threaten national security. Another risk group comprises members of martial arts clubs and military simulation game enthusiasts, who are vulnerable

to radicalisation if they encounter right- or left-wing radical ideologies during their training.

For several years VDD has warned that military simulation games, particularly *airsoft*, pose risks to national security, including indicating that there are flaws in laws and regulations. Last year, VDD continued to identify cases where groups of supposed *airsoft* hobbyists were actually attending regular training sessions to learn tactical military skills. Moreover, these *airsoft* players continued to maintain links with game organisers in Russia, expressing interest in events they organised and attending a few of them within Russia, which poses potential counterintelligence risks.

Amendments to the National Security Law covering these issues came into force on 30 October 2018, making it illegal to organise or participate in tactical military training exercises. Under the current law, tactical military training may only be conducted for the performance of national defence, law and order and security or other functions stipulated in the law. This sphere also requires the further clarification of laws and regulations governing legal responsibility.

Conclusions and outlook

- VDD considers that Russia will continue to further its foreign policy interests using its long-established Russian compatriot organisation infrastructure. Trends in recent years indicate that although the number of organisations and activists remains limited, by handpicking the most effective of these Russia can achieve results in the sphere of compatriot policy in Latvia. It is anticipated that the main focus will remain on strengthening Russia's historical memory and military-memorial work, because with the changing of generations it is important to nurture emotional ties not only with the middle and older generations, but also with youth who do not in fact belong to Russia's cultural and social space.
- In the run-up to the 2019 European Parliament elections, the focus will be on using the "defence of rights" of compatriots as a campaign element. It is expected that in addition to Russian compatriot organisations taking up this exaggerated issue, some political parties will use it to try and mobilise their electorate.
- In recent years, the security of the information space has become an important aspect of protecting our constitutional order, and there is no reason to believe this will diminish soon. As Russia's propaganda and informational activities grow increasingly diverse, ensuring national security requires media and digital awareness initiatives as well as finding effective legal solutions to restrict the spreading of disinformation and lies.
- Although ultra right-wing organisations do not currently pose a significant threat to national security, some of their actions may influence or motivate small groups of people to attend protests or similar events. The online activities of such persons have the potential to radicalise individual activists. Therefore, timely identification of such cases will remain a priority for VDD in 2019.



Photo: VDD

4. Counterterrorism

Despite the fact that there were fewer recorded perpetrated and prevented terrorist attacks than in the previous year, terrorism remained one of the main security threats in European countries in 2018. As the ideology preached by terrorist groups continued to radicalise some Muslims and encourage their involvement in terrorism, elevated or high terrorism threat level remained the situation in several European countries.

There were no terrorism incidents in Latvia last year and the terrorism threat level remained low. However, learning from the experience of partner countries, in order to reduce terrorism risks, VDD systematically gathered information about the potential for some individuals to radicalise, as well as improved the anti-terrorism system in line with current terrorism threat

trends. In this process, cooperation with foreign partner services was crucial.

VDD also continued to work with the institutions involved in the National Counterterrorism Plan to improve capability to conduct preventative and reactive measures in the event of increased terrorism threat. One of the largest cooperation and reaction testing projects was the annual counterterrorism training exercise "Pūlis 2018" (Crowd 2018) organised by VDD, in which a realistic scenario based on current threat trends – a vehicle driving into a crowd of people – was played out.

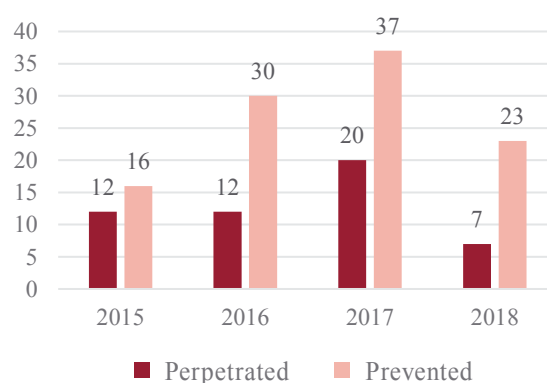
VDD also continued to monitor critical infrastructure and mass gathering sites, providing recommendations on measures to improve security at the respective locations.

4.1. Terrorism threat trends in Europe

The radical Islamist terrorist group *Daesh* continued to pose serious threats to European security in 2018, as its proclaimed ideology fostered the radicalisation of European Muslims and their engagement in terrorism. The main terrorism threat subjects in Europe continued to be so-called home-grown terrorists acting individually (the so-called solo terrorists). All the terrorist attacks perpetrated in Europe last year were the work of solo terrorists. A similar trend was observed in previous years.

Last year there were seven terrorist attacks of various scales and types across Europe. They occurred in France, Belgium, Spain and the Netherlands. European intelligence and security services were able to prevent at least 23 terrorist attacks, as well as conducted counterterrorism operations and arrested persons engaged in various actions supporting terrorism. Islamist terrorists also continued organising attacks on citizens of European countries in other regions of the world.

ISLAMIST TERRORIST ATTACKS



As in previous years, in 2018 the main targets selected by terrorists for attacks were mass gathering sites (pedestrian boulevards, shopping malls, central city squares and railway stations). As such attacks are relatively easy to stage and the number of potential victims is large, it is anticipated that they will occur again in the future. In attacks last year Islamists used knives (in four cases) and firearms (in three cases).

Although last year *Daesh* had limited opportunities to plan and carry out terrorist attacks outside the territory under its direct control, its supporters continued making and distributing propaganda materials to encourage supporters in Europe to perpetrate attacks in their countries of residence. Groups connected with the terrorist organisation *Al-Qaeda* continued operating in Syria and other areas of armed conflict (Afghanistan/Pakistan, Yemen, North Africa), creating threats to European interests in their areas of activity. Groups

connected to *Al-Qaeda* continued disseminating videos and other propaganda materials to encourage their supporters to conduct attacks.

VDD considers that the availability of Islamist terrorist propaganda online increases the risks of radicalisation of persons. The internet (social media, mobile applications and closed discussion forums) remains an important platform for terrorist groups to spread their propaganda. In its propaganda materials, *Daesh* provides both detailed descriptions on how to carry out attacks as well as ideological motivation for its supporters. In early 2018, *Daesh* propaganda urged its supporters to conduct attacks using the poison risin. Last year, three persons were arrested in connection with planning such attacks in France, Germany and Italy. Such incidents show that incitement made by terrorists in their propaganda materials can have a direct effect on the actions of radically-inclined Islamists.

Amendments to the Criminal Law

Extensive amendments to the Criminal Law came into effect on 23 May 2018, supplementing the law with a new section IX¹ "Crimes linked to terrorism." VDD was involved in drafting the amendments. One of the aims of the amendments is to group all terrorism-related crimes together in a separate section to demonstrate that these crimes threaten not only individual countries but international security as a whole. Together with these amendments, a range of activities have been criminalised which had previously not been

punishable as perpetrated offences. Recognising the harm caused by spreading terrorist propaganda, publicly praising or justifying terrorism is now a criminal offence. Together with these amendments, providing training for terrorists and travelling for terrorist purposes are also now criminal offences. Therefore, Latvia has complied with Directive (EU) 2017/541 of the European Parliament and of the Council of 15 March 2017 on combating terrorism and replacing Council Framework Decision 2002/475/JHA.

4.2. Terrorism threat trends in Latvia

Although last year there were no terrorist attacks in Latvia, information available to VDD indicates that several Latvian residents continue to reside in terrorist-controlled regions where they are involved in terrorist activities. The service also continues to monitor several Latvian nationals whose adopted Islamist ideology and stated views indicate a risk of radicalisation.

As in previous years, Latvia's Muslim community mainly engaged in private activities and did not have a direct impact on the security situation in Latvia. No information was received which would indicate increasing radicalisation in Latvia's Muslim community or of Muslims involvement in terrorist activities in Latvia. Nor did VDD uncover any new trends which could stimulate the radicalisation process. The vast majority of Muslims in Latvia are law abiding, loyal members of society. However, VDD has identified several members of

the community who take an interest in radical interpretation of Islam. VDD considers that the radicalisation of these Latvian Muslims is not encouraged by the interpretation of Islam preached in the local prayer houses. Rather, in most cases potential radicalisation is influenced by propaganda materials distributed by radical Islamist preachers and terrorist groups as well as studying in countries where radical interpretations of Islam have been adopted.

Persons may be at risk of radicalisation regardless of their gender, age, ethnic background or profession. Converts remain as one of the main risk groups in Latvia.

VDD considers that Latvian converts studying in countries where radical Islamist ideology predominates are also at risk of radicalisation through exposure to radical interpretation of Islam. Trends also show there are radicalisation risks for converts in prisons and converts with mental illness.

Criminal proceedings about unlawful participation in the armed conflict in Syria and Iraq

To date, VDD has initiated criminal proceedings in four cases under Article 77¹ of the Criminal Law for illegal participation in the armed conflict in Syria. Two of these cases have been referred to the Prosecutor's Office for criminal prosecution, while the remaining two are on the books of VDD. Information available to VDD indicates that several members of Latvia's Muslim community are currently in Syria and Iraq (including men, women and children). These persons are mainly converts. The members of Latvia's Muslim community in Syria and Iraq have spent several years in an armed conflict zone and been subjected to long-term ideological indoctrination. These

persons may have been involved in the armed conflict there or carried out various support activities.

In December 2018, Riga Regional court sentenced Mārtiņš Grīnbergs (under appeal) to six years and eight months and a probationary period of two years for participation in crimes against humanity and peace committed by a criminal organisation. The sentence is under cassation procedure, therefore VDD reiterates that all persons are innocent until proven guilty under the law. This is the first time in Latvia that courts of all three instances have heard a case regarding a person joining an Islamist terrorist group.

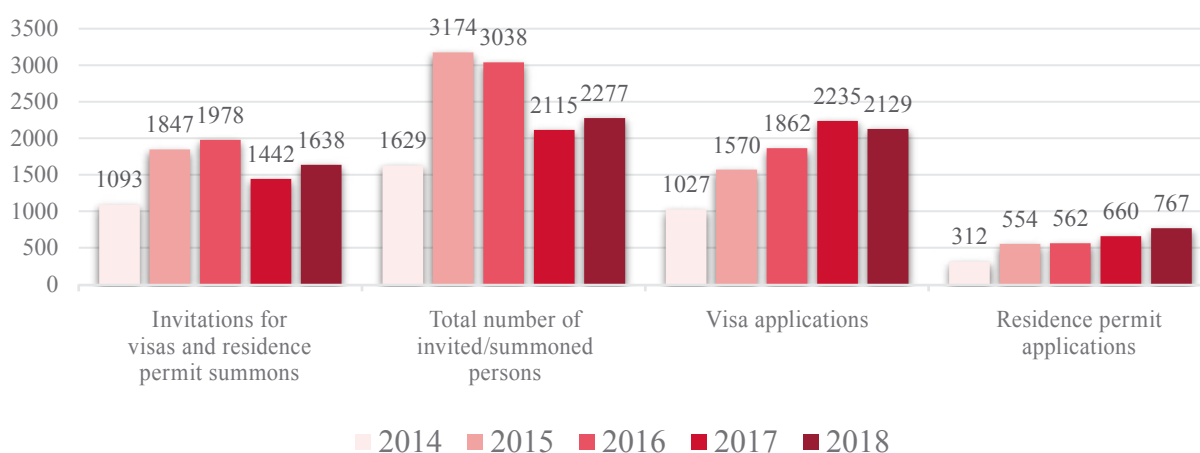
4.3. Entry control of foreigners

VDD is part of the system of controlling the entry of foreigners, vetting foreigners from countries with increased terrorist group presence or other terrorism-related risks⁵. Compared with the previous year, in 2018 there was a slight drop in visa applications from citizens of such countries, and a slight increase in the number of applications for residence permits.

There was also a rise in the number of applications related to foreigner invitations and summons.

Last year VDD checked 1,683 applications related to invitations and summons for a total of 2,277 foreigners. VDD also checked 2,129 visa applications and 767 residence permit applications.

DYNAMIC OF CHECKS CONDUCTED BY VDD



As a result of the checks, in 548 cases VDD recommended refusing visas, in ten cases reducing the number of days permitted to stay, and in 40 cases granted approval subject to specific conditions imposed by VDD. Of the checked applications for residence permits, in 78 cases it was recommended that the applications be rejected, and in 108 cases they were approved with other comments.

The vetted foreigners fell into four main categories – tourists, students, employees and company officials. Studying at

Latvia's universities was one of the main reasons why persons from countries with a heightened presence of terrorist groups travelled to Latvia. There is still a risk that radically-inclined persons may enter Latvia by posing as students. Since this would allow such persons to also freely travel to other Schengen Area countries, carefully vetting such persons is vital for the security of Latvia and Europe as a whole.

Last year, VDD also continued conducting in-depth vetting of asylum seekers. The purpose of the vettings is to

⁵ The full list of countries whose citizens are subject to additional checks when they apply for visas or residence permits is set out in Cabinet of Ministers Regulation No. 554 of 21 June 2010 "Regulations on countries whose citizens are subject to additional checks when applying for visas or residence permits".

ensure that terrorist groups do not use the refugees flow to smuggle potential terrorists into Europe. Last year VDD vetted 153 asylum seekers. Fifty-three persons (compared with 31 in 2017) from countries with a heightened presence of terrorist groups requested asylum in Latvia, with VDD recommending

asylum be refused for ten persons. In one case it was found that an asylum seeker from Chechnya could be connected to criminal or terrorist groups. A negative assessment of the person was filed and they were placed on the list of persons barred from entering Latvia and the Schengen Area.

4.4. Preventative measures

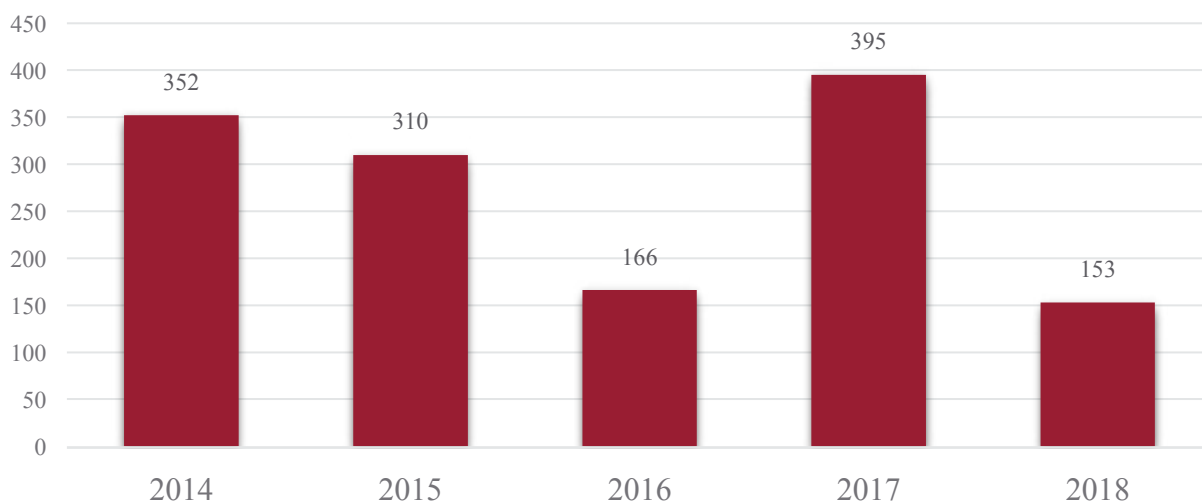
Last year, VDD continued working on preventative measures to ensure the effective functioning of the national counterterrorism system and its elements in accordance with risk analysis and the prevailing terrorism threat level. The following were the most important activities in this sphere:

- improvement of the cooperation and coordination mechanisms between the institutions comprising the counterterrorism system and tests of its reaction capacities;
- inspection of sites at risk from terrorist attacks, making recommendations on improving physical security and participation in planning and implementation of public events' physical security measures;
- coordinating measures to limit radicalisation;
- ensuring the functioning of the contact point for reporting explosives precursors;
- development of the airline Passenger Name Record.

4.4.1. Cooperation between Latvian institutions in the counterterrorism sphere and reaction capabilities

In addition to existing plans and procedures in the sphere of counterterrorism⁶, in conjunction with the State Police, State Emergency Medical Service, State Fire and Rescue Service and Riga Municipal Police, VDD developed active guidelines for the respective services which are adapted for current trends, for example a terrorist attack by a motor vehicle driving into a crowd. The main purpose of these guidelines is to enhance the understanding of the services about priority actions to be taken at the incident site, exchange of information, aspects of coordination etc.

DYNAMICS OF VETTING ASYLUM SEEKERS BY VDD



⁶ These plans are approved by Cabinet of Ministers Orders No. 754, 755 and 756 of 13 December 2017, respectively "On the action plan in the event of threats to a site on dry land (Counterterrorism Plan "Site")", "On the action plan in the event of threats to civilian airliners and objects (Counterterrorism Plan "Aircraft")", and "On the action plan in the event of threats to ships, ports and port facilities (Counterterrorism Plan "Ship")".



Annual counterterrorism training exercises organised by VDD in May 2018. Photo: VDD

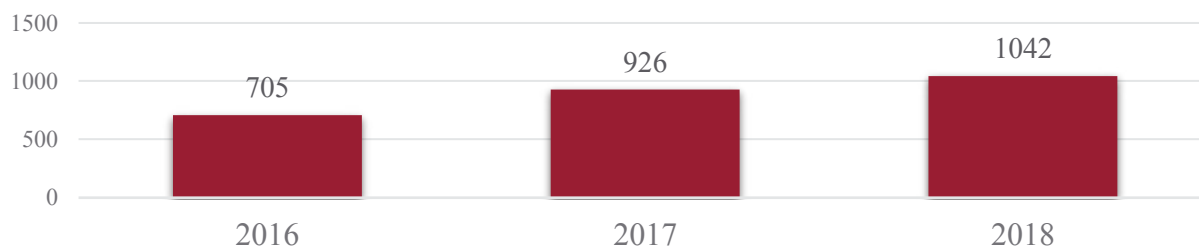
In order to test the guidelines, on 31 May 2018 VDD and its partners held the national-level counterterrorism training exercise “Pūlis 2018” (Crowd 2018), with over 300 participants. During the exercise, a broad range of counterterrorism measures were rehearsed, including informing about the incident, arrival at the incident site, resource coordination, providing medical assistance, performing rescue operations, performing operational and investigative work, neutralising the attacker etc. Based on the experience gained in the exercise, the action guidelines for the services were adjusted, and the respective services have included the



procedures stipulated in the guidelines in training programmes for both new and experienced staff members.

At the end of the year, VDD organised the annual terrorism threat level announcement and National Counterterrorism Plan implementation table top exercise. The aim of the exercise “Sarkanais kods 2018” (Code Red 2018) was to test the readiness of national counterterrorism system institutions to react in the event of a terrorist threat. Based on experience gained during this event and earlier exercises, the current National Counterterrorism Plan will be redrafted.

DYNAMICS OF TRAINING FOR STAFF OF INSTITUTIONS INVOLVED IN COUNTERTERRORISM MEASURES



Last year, VDD also continued to hold regular seminars for regional units of the State Police, State Fire and Rescue Service and State Border Guard as well as municipal officials. In 2018 seminars were held in Zemgale and Vidzeme. At these events, VDD officials informed participants about the current terrorism threat situation in Europe and Latvia, radicalisation trends and the national counterterrorism system. The purpose of these seminars was to inform state

and municipal institutions about terrorism trends as well as to discuss the reaction capabilities of the said institutions in the event of a terrorist attack.

VDD also held educational seminars in Riga and regional centres for representatives of state and municipal institutions, managers of terrorism risk objects and managers of commercial entities involved in the circulation of explosives precursors. Over 1,000 persons attended these events.

4.4.2. Recommendations for improving physical security

Last year, VDD officials also continued to monitor security at terrorism risk sites (critical infrastructure sites and mass gathering sites). In total, 41 critical infrastructure objects were inspected, and 18 recommendations were made to improve physical security at these objects. The service also continued cooperation with staff at mass gathering sites. In total, 15 mass gathering sites were inspected, and general recommendations were sent to 85 sites regarding action in the event of threats.

As in previous years, VDD also participated in planning and implementing physical security for a number of public mass events, assisting in developing security plans and providing recommendations, coordinating operational management centres and tactical coordination groups, as well as performing other duties. The largest commitment of VDD resources was for events marking the 28th anniversary of the Restoration of the Independence of the Republic of Latvia in Riga and regional centres, the All Latvian Song and Dance Festival, the visit by His Holiness Pope Francis to Latvia, Lāčplēsis Day events and events marking Latvia's centenary in Riga and regional centres. VDD considers that the extensive range of public mass events held in 2018 was a major challenge for all services and institutions in the counterterrorism system, and the experience gained will be used to improve security measures in the future.

Updating regulations in the public security sphere

Based on experience gained in planning and implementing physical security measures at public events, in early 2018 VDD began drafting amendments to the Law on Safety of Public Entertainment and Festivity Events, in order to increase security requirements for public events involving large numbers of people (over 5,000). The most significant changes require organisers to create security plans, receive approvals from responsible institutions and set minimum experience criteria for persons responsible for event security. The draft amendments are currently at the interinstitutional alignment stage. Despite objections from some municipalities, VDD considers that the current regulations are outdated and do not provide sufficient physical security guarantees for attendees of large-scale events.

In addition, the service has initiated the establishment of a working group at the Ministry of Interior tasked with evaluating a harmonised approach to planning security for events at the Aglona international pilgrimage site and during the Song and Dance Festivals.

4.4.3. Measures for the prevention of radicalisation

Although terrorist attacks differ according to their scope, type and targets, they each have a common cause – radicalisation under the influence of extremist ideology. The first steps toward violence for every so-called home-grown terrorist begin with radicalisation. European experience shows that the radicalisation process is easiest to stop in its early stages. Due to the negative trends in radicalisation being experienced in many countries, in 2018 VDD established a small, informal interinstitutional group called “Prevent”, tasked with coordinating anti-radicalisation measures at the national level.

Analysing the situation in Latvia, VDD identified several categories of officials whose staff come into regular contact with groups in society most at risk of radicalisation or environments nurturing radicalisation. “Prevent” is headed by VDD and involves representatives from the Ministry of Welfare,

the Ministry of Education and Science, the Office of Citizenship and Migration Affairs, the State Police, the State Border Guard, the Prisons Administration, the State Probation Service and the State Emergency Medical Service. VDD considers that officials from the bodies represented in the working group are most likely to encounter situations where early signs of radicalisation can be observed and respective preventative measures can be taken. Participants in the informal meetings have discussed activities conducted so far to prevent radicalisation and future plans.

Another task for “Prevent” is for officials of the represented bodies to arrange training sessions on identifying signs of radicalisation. Last year, under the auspices of “Prevent”, VDD officials held seminars on radicalisation and its characteristics for social services and State Emergency Medical Service staff in Riga and regional centres.

4.4.4. Contact point for reporting on explosives precursors

Last year, VDD also continued to work on the national contact point for reporting suspicious activities with explosives precursors⁷. On the initiative of VDD, the Ministry of Agriculture in cooperation with the State Plant Protection Service drafted amendments to the Law on Circulation of Fertilisers to improve the law's provisions and stipulations.

During the reporting period, VDD received and investigated one report on a suspicious attempt to purchase precursors. It is noteworthy that in other EU countries the number of reports received is also relatively small.

VDD held an informative seminar to raise the awareness of enterprises involved in the sale of explosives precursors about physical security, suspicious transactions, reporting procedures, recent developments regarding the sale of explosives precursors

etc. The seminar was attended by representatives of the 15 largest companies involved with explosives precursors from Riga and regional centres.

Legal regulation in Europe

Regulation (EU) No 98/2013 of the European Parliament and of the Council of 15 January 2013 on the marketing and use of explosives precursors stipulates that each EU member state must establish one or more contact points for reporting suspicious transactions with explosives precursors, as well as cases of their theft or loss. The aim of the contact points is to prevent components required for making explosives from being used for illegal purposes.

4.4.5. Development of the Airline Passenger Name record

VDD continued improving the Airline Passenger Name Record (hereinafter – PNR). PNR is a state information system which automatically gathers passenger reservation and check-in data received from airlines. Passenger data are processed to uncover and prevent crimes related to terrorism and other serious crimes and for the timely identification and prevention of threats to national security.

Last year work was done on further improving the PNR's functionality and increasing its technical capacity. Cooperation was also established with a number of airlines to adapt PNR to their individual requirements. As a result, several airlines began entering secure and high-quality passenger data into the system.

Cooperation also continued with the competent institutions stipulated in the Aircraft Passenger Data Processing Law. Processing of data requests for individual passengers was begun, and seminars and training sessions were held on the core

principles of PNR, procedures for receiving passenger data and its processing. A better understanding of PNR and its data enables competent bodies to not only find persons already involved in terrorism activities and other serious crimes, but also learn more about their travel habits and routes, thus identifying other suspicious passengers who have not yet come to the attention of state security and law enforcement institutions.

One of the PNR's main functions is to provide support to other EU member states. Last year, VDD continued to participate in international events at which there were discussions on reducing terrorism threats and raising Europe's overall security level. In order to prevent internationally wanted persons from entering and travelling in EU territory, all member states have the ability to automatically check passenger data at their disposal against the Schengen Information System and the Interpol database. Latvia has begun making such checks using PNR.

Conclusions and outlook

- There were fewer terrorism-related incidents (perpetrated or prevented) in Europe in 2018 than in 2017. It is notable that all terrorist acts committed in Europe were committed by solo terrorists. However, VDD considers that there are no grounds for believing that the overall terrorism threat situation has improved, and terrorism remains one of the biggest threats to the security of European countries.
- During the reporting period, the terrorism threat situation in Latvia did not change significantly - terrorist activities were not uncovered and there was no significant growth in radicalisation processes. However, there are several factors, mainly external in nature, which could negatively affect the threat situation in future. Additionally, VDD is monitoring several individuals who are showing interest in radical interpretations of Islam.
- A serious risk affecting all countries, including Latvia, is the free online availability of terrorist organisations' propaganda materials. VDD considers that propaganda is one of the main factors currently influencing the radicalisation of persons living in Europe and their involvement in terrorist activities. Due to the fact that there are still conflicting opinions around the world regarding the need for stricter regulation of the internet environment, it is foreseeable that online terrorist propaganda will continue to inspire radically-inclined persons to commit terrorist attacks.
- The radicalisation of persons living in Latvia and their involvement in terrorist acts is currently the biggest threat facing Latvia in the counterterrorism field. Any individual who is subjected to ideological indoctrination may become radicalised through direct contacts or terrorist propaganda materials. It must also be pointed out that converts are still one of the main groups at risk of radicalisation in Latvia.

⁷ Explosives precursors – specific substances or mixtures containing such, which can be used to make explosives.



Illustrative photo: VDD

5. Economic security

In 2018, VDD continued working in the same counterintelligence and operational spheres in the field of economic security as in previous years. VDD continued to monitor the natural gas market liberalisation process, assessing its alignment with national economic interests and the restrictions imposed by the National Security Law applying to commercial entities of national importance. The service also continued analysing processes impinging on national security in the transit sector. One of VDD's priorities in this sphere was the progress of the European-standard "Rail Baltica" project. VDD evaluated persons involved in the project and made recommendations to the appropriate state institutions.

Within its remit, VDD also cooperated with the Financial and Capital Market Commission and the Office for Prevention of Laundering of Proceeds Derived from Criminal Activity to identify and prevent in a timely manner risks to the country's financial reputation and investigate crimes related to terrorism financing and breaches of international sanctions.

In the field of economic security, VDD also continued monitoring foreign investors, paying particular attention to foreigners investing in Latvia in order to obtain a temporary residence permit (hereinafter – TRP).

5.1. Energy security

The liquidation of the monopoly in the natural gas market is the first step toward developing a free market for natural gas, which is critical for ensuring Latvia's energy independence and energy security. In order to protect Latvia's national interests in the natural gas market and retain influence over the operation of the Inčukalns underground gas storage facility, efforts continued last year to increase the State's stake in the operations of the natural gas management system operator JSC "Conexus Baltic Grid". Since JSC "Conexus Baltic Grid" has a significant role in guaranteeing Latvia's energy security, VDD considers that strengthening the role of the State in its decision-making processes is in the interests of national security.

Evaluating the natural gas market in Latvia following liberalisation from the national security perspective, it is clear that it is still dominated by JSC "Latvijas Gāze", which continues

to act as a public trader supplying natural gas to households for a regulated price. JSC "Latvijas Gāze" continues to purchase natural gas from Russia, which has until now consistently fulfilled all of its delivery obligations to Latvia. However, according to analysis conducted by VDD, in order to reduce dependence on a single supplier and stimulate competition, it is in Latvia's interests to see the creation of a single Baltic natural gas market, an important precondition of which is completion of the regional natural gas transportation infrastructure projects "Balticconnector" (a connection between Estonia and Finland) and "GIPL" (between Lithuania and Poland). VDD considers that the development of the Baltic natural gas market could also lead to an increase in the volume of gas stored at Inčukalns and its importance in ensuring security of supply at the regional level.

Last year, Latvia and the other Baltic States did not carry out planned tests regarding disconnection from the BRELL synchronisation system⁸. This test is needed to determine whether the power systems of the Baltic States are capable of operating autonomously from Russia and Belarus. VDD considers that postponing this test will allow the Baltic States to make an in-depth assessment to prevent possible losses of electricity capacity or short-term blackouts. Complete disconnection by the Baltic States from the BRELL system is planned to be implemented by 2025.

5.2. Transit

In 2018 the volume of cargo processed by Latvia's transit sector increased, creating a certain optimism amongst railway and port operators. These positive indicators meant that last year discussions abated about seeking alternative cargoes in the near future. However, VDD considers that the stabilisation of cargo volumes overall and increases in some sectors should be regarded with caution. Regarding cargoes originating in Russia, this is most likely a short-term trend with possible fluctuations in the future, therefore Latvian state officials and cargo sector stakeholders should be moderate in assessing the development potential of cargo transit from the East.

The transit sector's dependence on Russian cargoes did not diminish in 2018, and transit enterprises, including state-owned SJSC "Latvijas dzelzceļš", continued to mainly focus on transporting Russian energy resources. Analysis by VDD indicates that the volume of Russian oil products and coal transported through Latvia's transit corridor is influenced by a number of external factors, and this business model is not sustainable for Latvia's transit sector. Despite delays in completion deadlines, Russia is continuing its policy of shifting cargo flows away from Baltic railways and ports in favour of its own transport infrastructure. Last year, responsible Russian officials continued to publicly declare their intention of shifting cargo transportation to Russian ports.

Although VDD considers that Russia's strategy is primarily motivated by economic considerations (i.e. ensuring maximum capacity utilisation for its infrastructure and promoting economic growth), in some cases Russian officials have continued to deploy transit policy issues to pressure Latvia into making decisions aligning with Russia's interests.

Along with the planned disconnection from the BRELL system, in the next few years, a related issue of importance to national security will be the further integration of the Baltic power networks into the synchronous continental European grid, thereby increasing the capacity of Polish-Lithuanian electricity interconnection infrastructure. VDD considers that this will assist Latvia and its Baltic neighbours in increasing their energy security and participation in the European Union energy market while reducing energy dependence on Belarus and Russia.

The issue of finding alternative sources of cargoes for the transit sector remained relevant in 2018. As a result of growing cooperation with Belarus, cargo volumes from that country rose. On the other hand, only a few new initiatives for transporting cargo to and from Asian countries were implemented, and it is unclear whether these can develop into long-term cooperation. Attracting cargoes from China and other Asian states is limited by Russia's policies regarding cargoes transiting through its territory to Latvia, as well as the efficiency of already functioning routes to Europe and growing competition at the regional level.

Last year, development of the strategically important "Rail Baltica" project continued, and Baltic enterprises responsible for it began announcing procurement tenders. In terms of economic security, VDD considers that "Rail Baltica" will provide an alternative to transit cargo originating in Russia. The project will also add improved logistical solutions for the existing transit situation, including for intermodal transshipments.

The progress of "Rail Baltica" in Latvia was negatively affected by problematic aspects regarding the mutual cooperation and coordination of responsibilities of institutions engaged in the project. There were also issues in regional-level cooperation between the Baltic States which delayed reaching an agreement with the European Commission on stage three of funding for "Rail Baltica". Although the progress of the project is satisfactory, it has yet to reach a level where it could be regarded as irreversible. Considering its importance for national security, "Rail Baltica" must continue to be one of Latvia's transport sector development priorities. Therefore, VDD will continue to closely monitor its progress.

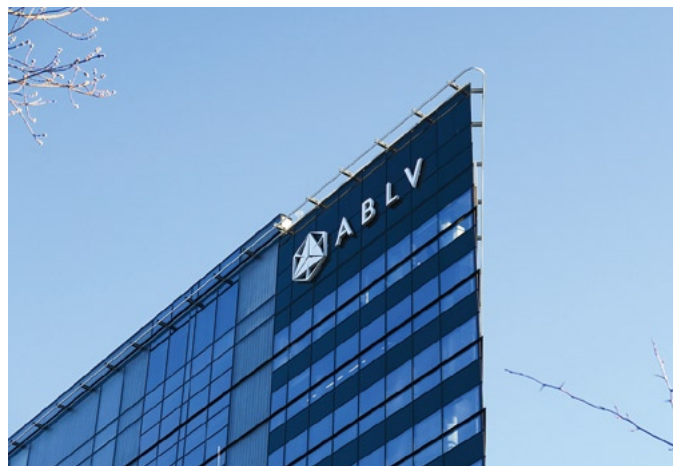
⁸ BRELL – a treaty concluded between Belarus, the Russian Federation, Estonia, Latvia and Lithuania on the synchronisation of the power networks of the aforementioned states.

5.3 Financial security

Last year, Latvia's financial sector underwent a number of important changes brought about by both external and internal factors which will have a long-term impact on the sector as a whole. These changes are lined to the excessive proportion of high-risk foreign clients in the portfolios of Latvia's banks. At the start of the year, the United States Department of the Treasury Financial Crimes Enforcement Network (FinCEN) issued a report on possible breaches by JSC "ABLV Bank" of international sanctions and anti-money laundering and counter-terrorist financing regulations. In the events that followed, a run on the bank critically depleted its deposits and its shareholders exercised their lawful right to self-liquidate the bank.

In responding to these events in the financial sector, in 2018 the Saeima passed urgent amendments to financial regulations, barring banks from working with shell companies⁹. As a result, several Latvian commercial banks were forced to review their business models and reduce the proportion of high-risk foreign clients in their portfolios. VDD considers that banks' increased aversion to high-risk clients may cause short- and long-term problems (such as increased costs and longer transaction processing times) for businesses in a variety of sectors operating in the global market. However, in the long term, these policies will significantly improve Latvia's overall reputation and its investment climate.

In August, the European Commission's expert committee "Moneyval" issued the Fifth-Round Mutual Evaluation Report on the efficacy of Latvia's anti-money laundering and counter-terrorist financing measures. The report indicated areas requiring improving, such as improved identification of true beneficiaries and proliferation control. As a result, Latvia was given a one-year period of intensified monitoring. Latvia's government and its responsible institutions had already begun working on improving supervision of the financial sector at the start of the year, and in 2019 reducing the risks set out in the report will be a priority in order to avoid long-term risks to the country's financial reputation.



Illustrative photo: VDD

In 2018, VDD also took action to ensure implementation of the "Moneyval" recommendations in the sphere of preventing terrorist financing and breaches of international sanctions, conducting a detailed risk assessment and making recommendations for draft regulations. Work began on creating guidelines and methodological materials to raise market stakeholders' awareness of terrorism financing risks and promote a comprehensive, risk-analysis-based approach to financial sector supervision. Last year, VDD also continued to cooperate and share information with the Financial and Capital Market Commission and the Office for Prevention of Laundering of Proceeds Derived from Criminal Activity.

VDD's remit also covers pre-trial investigation of crimes relating to terrorist financing and breaches of international sanctions. In 2018, VDD initiated two criminal proceedings under Article 84 of the Criminal Law on suspicion of breaching sanctions imposed by international organisations and the Republic of Latvia.

Criminal proceedings initiated by VDD

On 22 May 2018, VDD recommended that criminal prosecution should be initiated against a Republic of Latvia citizen under Article 84 Section 1 of the Criminal Law (for intentional violation of laws and regulations governing implementation of the sanctions determined by the United Nations Security Council, European Union or other international organisations in the Republic of Latvia). During criminal proceedings initiated by VDD in 2017, it was established that the person

was involved in supplying weapons from Russia to Vietnam. This was in breach of a decision by the Council of the European Union imposing restrictions in response to Russia's activities destabilising the situation in Ukraine, barring nationals of member states from importing, purchasing or transporting from Russia weapons and munitions, military vehicles and equipment, equipment for paramilitary forces or their components.

⁹ Under the Law on the Prevention of Money Laundering and Terrorist Financing, a shell company is defined as a company which cannot explain its business activities and which is registered in a state where by law annual financial reports do not have to be filed.

5.4. Temporary residence permits in exchange for investments

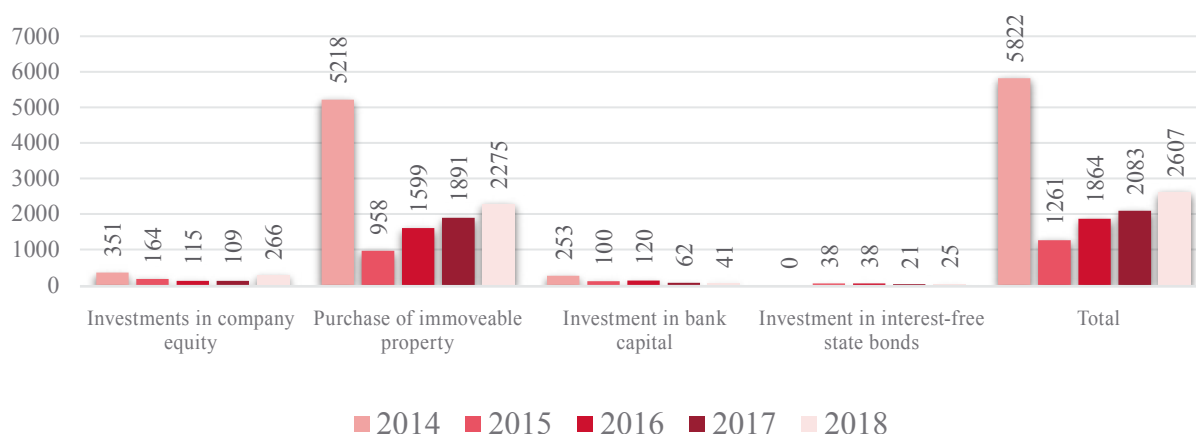
In 2018, VDD continued its work by vetting foreigners applying for temporary residence permits (hereinafter – TRP) in exchange for investments in Latvia under Article 23 Section 1 Paragraphs 28, 29, 30 and 31 of the Immigration Law (hereinafter – TRP in exchange for investments)¹⁰. As the competent institution, VDD evaluates the risks of issuing TRP to applicants and reports to the Office of Citizenship and Migration Affairs, which then decides on whether to issue a TRP, refuse a TRP or annul an already-issued TRP.

Last year, TRP in exchange for investments were issued to a total of 2,607 people in Latvia, with such a category of TRP issued for the first time to 531 persons (20% of the total). From the point of view of supervision, it is equally important to monitor persons reapplying for TRP. Last year, reissuing of TRP in exchange for investments was mainly to persons who first received TRP in 2013, and such TRPs were reissued for a

further five years to 2,076 persons. Therefore the dynamics of TRP in 2018 was subjected to the applications for reissuance of foreigners who had been issued TRP five years ago within this programme. Due to the large number of investors in 2014, the number of persons applying for reissuing of TRP began to gradually increase in 2018 and is forecasted to be much greater in total in 2019.

There was no change in the situation wherein the greatest interest by foreigners was in obtaining TRP through purchasing immovable property in Latvia, with first-time applications for 304 such TRP. The next most common category was investments in company equity, with 209 first-time TRP applications. There were nine first-time applications each for the categories of investment in bank subordinated capital and investments in interest-free state bonds.

**DYNAMIC OF TRP APPLICATIONS
BY INVESTMENT TYPE**

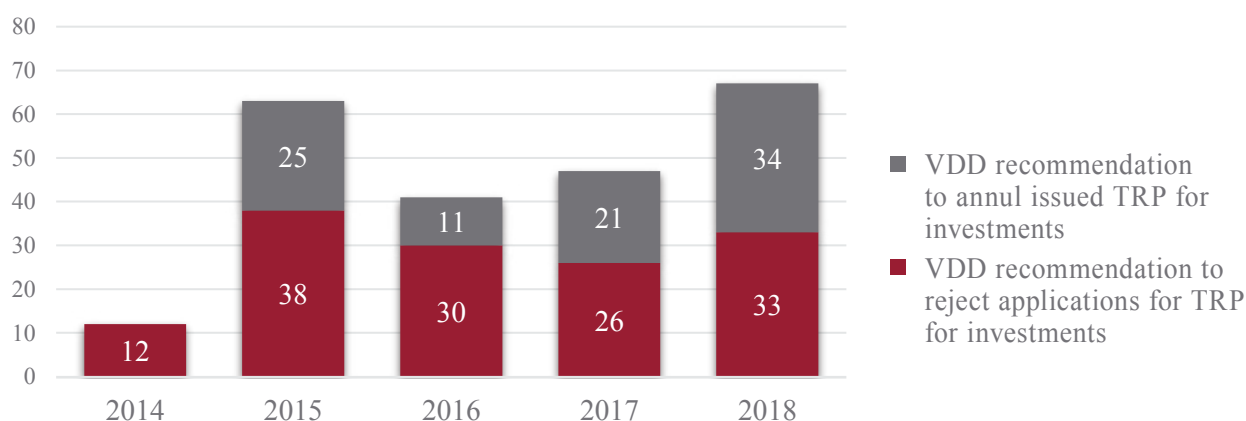


There was no significant change in the breakdown of TRP applicants by their countries of origin. Citizens of Russia continue to make up the bulk of TRP recipients, comprising 1,783 persons or 68% of the total. In second place were Chinese citizens comprising 274 persons (11%), followed by Vietnamese citizens comprising 151 persons (6%), due to the very active

work by some citizens off Latvia in attracting citizens from these countries to invest in Latvia-registered companies. In fourth place were Ukrainian citizens comprising 104 persons (4%), followed by Uzbekistani citizens comprising 98 persons (4%). It was noteworthy that 74 persons were from countries on the list of terrorism risk countries.

¹⁰ Article 23 Section 1 Paragraph 28 of the Immigration Law stipulates that TRP may be granted for a period not exceeding five years if the person has made investments into company equity (50,000-100,000 euros, depending on the number of employees and annual turnover) and paid 10,000 euros to the state budget; Paragraph 29 – if the person has purchased and owns in Latvia one functionally connected immovable property valued at a minimum of 250,000 euros (or outside territories stipulated by the law two such properties with a total value of 250,000 euros), if other requirements under the law are also met; Paragraph 30 – if the person has relations with a Republic of Latvia credit institution of not less than 280,000 euros, and upon applying for TRP the person pays 25,000 euros to the state budget; Paragraph 31 – on the basis of interest-free investments in state bonds with a nominal value of 250,000 euros, paying 25,000 euros to the state budget.

DYNAMIC OF RECOMMENDATIONS MADE BY VDD FOR REJECTING AND ANNULLING TRP

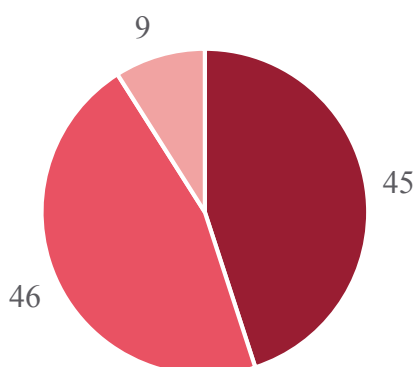


In 2018, based on available information, VDD recommended to refuse TRP to 33 foreigners. In conducting repeated evaluations of foreigners who had previously been issued TRP and who wished to undergo annual re-registration, VDD recommended annulling TRP for 34 foreigners. TRP were rejected or annulled on the grounds of negative information available to VDD or discovered risks to national security, which are legal grounds for restricting a foreigner's rights to reside in Latvia, including obtaining TRP:

- in 45% of cases counterintelligence risks were discovered, i.e. the TRP applicant is or may be used by a foreign intelligence service for activities against the interests of Latvia;
- in 46% of cases economic risks were discovered, which were mostly based on suspicions of money laundering by purchasing exclusive real estate or investing in company equity. In a few cases it was found that criminal proceedings had been initiated in a foreigner's home country for economic crimes, allowing the assumption that the person wished to avoid penalties by fleeing their home country;
- in 9% of cases risks to the constitutional order were uncovered, which are related to Russia's influence activities.

REASONS GIVEN FOR REFUSING OR ANNULLING TRP

- Counterintelligence risks
- Economic risks
- Risks to constitutional order



Conclusions and outlook

- Increasing the State's holdings in JSC "Conexus Baltic Grid" would further promote Latvia's national interests in the transshipment and storage of natural gas. It is in the national interest to achieve full liberalisation of the natural gas market, to have it connected with the other Baltic States and actively involving several competing suppliers. The role of the Inčukalns underground natural gas storage facility would be boosted in a joint Baltic natural gas market as its usage and profitability would rise as more suppliers would store natural gas there.
- To reduce the risk of possible power disruptions, Latvia must carefully plan for disconnection from the BRELL system. In conjunction with the deeper integration of the Baltic States into the European Union energy market, this step would enhance Latvia's energy security.
- The overall situation in Latvia's transit sector is stable, and in the context of protecting national interests the threat level to the transit sector is low. To ensure that this remains the case in future, measures must be taken in a timely manner to diversify the countries of origin of cargoes as well as ensuring the "Rail Baltica" project proceeds.

- The proportion of deposits by foreign clients in Latvian banks, particularly by third country and high-risk clients, declined significantly in the last year. Due to changing conditions in the financial market, several banks have decided to focus their future activities on low-risk clients of local origin or from European Union or Eurozone countries by offering more sophisticated financial services. VDD considers that in the long term this trend will improve Latvia's overall investment climate and reduce risks associated with its financial reputation.
- Current trends of growing interest in receiving TRP in exchange for investment are likely to continue in 2019. This assumption is based on the fact that persons who were issued TRP in 2014, the year with the highest recorded interest in obtaining TRP, will be reapplying for TRP now that five years have elapsed.

Illustrative photo: VDD

6. Pre-trial investigation

In addition to counterintelligence and operational activities, VDD also has the right to conduct pre-trial investigations. Since investigation is not a typical function for state security institutions, VDD is assigned a narrow, specific competence in the criminal investigation sphere, i.e. investigating crimes which threaten state security and in state security institutions, or crimes assigned for investigation to VDD by the Prosecutor General. Moreover, VDD is the only one of the three state security institutions which has the right to conduct pre-trial investigations. Accordingly, in the last year VDD mainly investigated crimes which threatened state security, for example, espionage, disclosure of official secrets, actions against the Republic of Latvia, breaching sanctions imposed by international organisations and the Republic of Latvia etc.

During the last year, VDD initiated 17 criminal proceedings, with one more criminal case transferred from other investigating bodies. As in prior periods, criminal proceedings were initiated based on information obtained by VDD, submissions from natural persons or legal entities and information provided by law enforcement bodies, as well as separating them from other criminal cases on the books of VDD. In 52 cases, VDD declined

to initiate criminal proceedings because there were no grounds for initiating criminal proceedings under the Criminal Procedure Law.

As in the previous year, VDD has systematically worked to ensure that the criminal cases on its books align with its competence as a state security institution, leading to a reduction in the number of criminal cases over the past year. At the same time, although the number of crimes under investigation has fallen, the volume of investigation within criminal proceedings has grown due to the complexity of the cases. In this regard, of particular note are categories of cases relating to espionage, actions against the Republic of Latvia (including providing assistance to foreign states in actions against the Republic of Latvia, as well as breaching sanctions imposed by international organisations). VDD considers that cases in these categories require expertise not just at the executive but also the court level to achieve the best possible protection of the interests of the State and society as a whole. Cases within the remit of VDD involve crimes with the potential to impact on national security and that of society as a whole, State defence capacities and the constitutional order.

Preventative work by VDD during the 13th Saeima elections

The 13th Saeima elections were held on 6 October 2018. As with the municipal elections in 2017, VDD monitored the situation closely, investigating over 80 reports of possible infringements which are within service's remit. Following investigation, none of the reports were accurate, therefore criminal proceedings were not initiated.

Unlike in previous elections where the bulk of information received related to possible vote buying, in 2018

over half of all reports concerned general infringements in the conduct of the elections. Some cases revealed long-term, systemic problems of which VDD has informed the responsible institutions.

VDD considers that preventive measures taken in advance and the high level of public responsiveness in reporting possible infringements or preparations to commit such breaches to the service were important factors in the successful conduct of the 13th Saeima elections.

In the last year, VDD referred a total of 11 criminal cases to the Prosecutor's Office for criminal prosecution against 14 persons, of whom one was a state official. The criminal cases forwarded for prosecution included four initiated in 2018, six in 2017 and one in 2016. Of the cases forwarded for prosecution, two were for breaches of sanctions imposed by international organisations, one was for actions against the state and incitement of ethnic conflict, one was for espionage, one was for attempting to join a criminal organisation and illegally participate in the armed conflict in Ukraine, and one was for vote buying during the 2017 municipal elections.

In the last year, VDD closed ten criminal cases on its books. Of these, six cases were closed due to lack of evidence of criminality, while in four cases the statute of limitations had expired.

In 2018, VDD received and acted on six requests for judicial assistance from foreign law enforcement bodies.

At the beginning of 2019, VDD had 76 criminal cases on its books, including 18 criminal cases initiated in 2018. The remaining were initiated in previous years.

Conclusions and outlook

- In recent years, VDD has begun to systematically specialise in the field of investigation, placing the emphasis on uncovering and investigating serious and especially serious crimes against national security interests. This has resulted in uncovering and investigating cases of espionage and assisting a foreign state against the Republic of Latvia, against which there had previously been no investigative or judicial practice.
- Crimes committed in the sphere of national security are specific in terms of the scope of investigation required as there is a scarcity of direct evidence in such cases. Therefore, the process of gathering and evaluating evidence is complex.

VDD considers that in order to ensure effective protection of the state and society interests, it is necessary to also establish a judicial branch specialising in crimes against national security.

- In 2019, one of VDD's priorities in the investigative field will be uncovering cases of espionage and other acts against the Republic of Latvia and bringing criminal convictions against the guilty parties. Another priority will be breaches of sanctions and non-proliferation regime, as well as uncovering and investigating cases of possible terrorist financing.



Illustrative photo: State Chancellery of Latvia

7. Dignitary protection

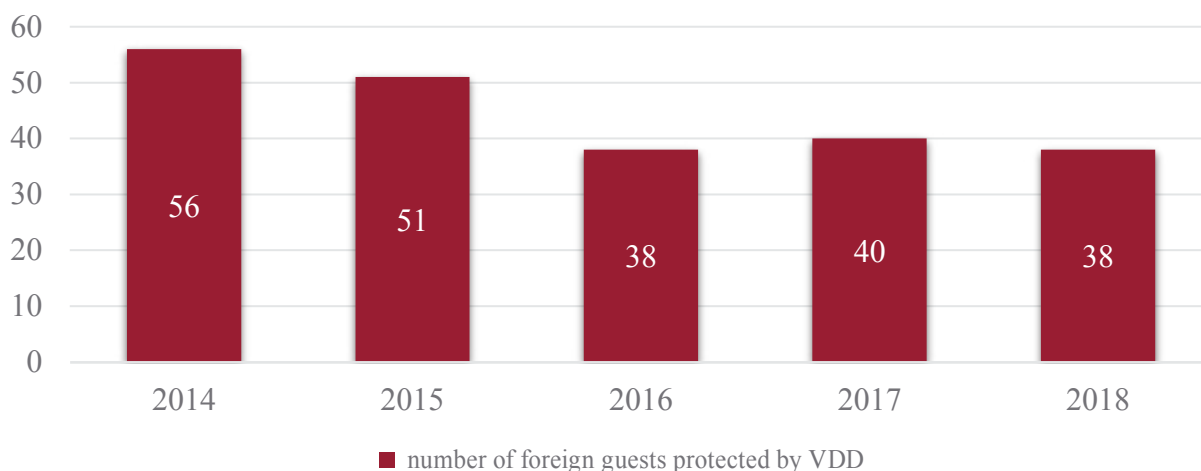
Dignitary protection is one of VDD's functions to ensure internal state security and stability. This also has an international dimension, since ensuring the security of dignitaries of foreign governments and international institutions visiting our country is Latvia's duty toward its international partners.

On an everyday basis VDD provides security for the Speaker of the Saeima and Prime Minister of the Republic of Latvia, as well as other officials in the event of a sudden threat or when assigned to do so by the Cabinet of Ministers or the Saeima¹¹. VDD is also responsible for the security of dignitaries

of foreign governments and international institutions - heads of governments, ministers of foreign affairs, leaders of the United Nations, the Council of the European Union, the European Parliament and the European Commission during their visits to Latvia¹².

During the reporting period, VDD provided security for the Speaker of the Saeima on a daily basis, as well as at seven high-level events in Latvia and 12 foreign visits. VDD also provided security for the Prime Minister at 22 national-level events and during 22 foreign visits.

PROVISION OF SECURITY DURING VISITS BY REPRESENTATIVES OF FOREIGN COUNTRIES AND INTERNATIONAL ORGANISATIONS/INSTITUTIONS



¹¹ Security for the President of the Republic of Latvia and officials from foreign military and international defence organisations is provided by the National Armed Forces Military Police.

¹² VDD also provides security for other representatives of foreign countries at the request of the Ministry of Foreign Affairs or the Saeima Administration.

VDD also provided security during visits to Latvia by 38 dignitaries from foreign governments and international organisations. Depending on the threat level, foreign guests' security was ensured by deploying bodyguards and motorised escorts, security at their places of accommodation and prevention of unauthorised acquisition of information.

When dignitaries protected by VDD take part in public events, the service is responsible for both their personal security and for coordinating security measures during the event as a whole. VDD organises and implements the required security measures in close cooperation with other state and municipal institutions.

Last year a wide range of events were held in Latvia to mark the centenary of our State, involving both dignitaries from Latvia as well as high-ranking foreign guests. In addition to organising security measures and implementing them in cooperation with other

institutions, VDD also provided dignitary protection at the opening event of Latvia's centenary celebrations, the All Latvian Song and Dance Festival, the grand culmination of the centenary events on 18 November, as well as other important events.

In 2018 VDD also arranged security at a number of international events in Latvia. Two of the most important of these were the travelling visit to Riga of the Governing Council of the European Central Bank, involving the heads of the central banks of 19 Eurozone countries, and the first joint meeting of the governments of Latvia and Estonia, involving the ministers of the Latvian and Estonian governments.

Last year, VDD was responsible for security at a total of 16 national and international-level events in Latvia, during which the security of the events themselves as well as that of the Latvian dignitaries and their foreign guests in attendance was successfully ensured.

Conclusions and outlook

- The high and elevated terrorism threat level in many Western European countries continued to influence the scope of security measures required to protect representatives of foreign governments and international organisations and institutions at high risk of terrorist attack.
- At the same time, the multifaceted threat to our country's security posed by Russia sets the necessity to develop security measures

more towards information security and less related to physical security. Therefore, the dignitary protection must be more closely integrated with a range of counterintelligence measures.

- VDD believes that the scope of security measures to be performed will increase in the near future. At the same time, in future VDD will seek to conduct security measures with as little impact as possible on residents' daily lives.

LATVIAN STATE SECURITY SERVICE

99A, K. Barona iela, LV-1012, Riga, Latvia
Phone 67208964, fax 67273373, e-mail: info@vdd.gov.lv

