

INSTITUTE FOR SECURITY & DEVELOPMENT POLICY



ANNUAL REPORT 2016



Institute for Security &
Development Policy



DEAR FRIENDS AND COLLEAGUES,

2016 has been a turbulent and memorable year. Events such as the failed Turkey coup, North Korea's nuclear tests, the inauguration of Myanmar's new government, and parliamentary elections in Georgia have called for expert analysis, in-depth discussion and dialogue. Thus, ISDP has continued to function as a network hub by bridging the gap between academia and policymakers. In this role, it has provided timely information, analysis, and recommendations to the international policy community.

During the year, ISDP has gone through some structural changes. What were formerly known as *Initiatives* now function as *Centers*. Specifically, ISDP increased focus on its Stockholm China Center, the Center for Transnational Threats and the Japan Center, with valued results already starting to show.

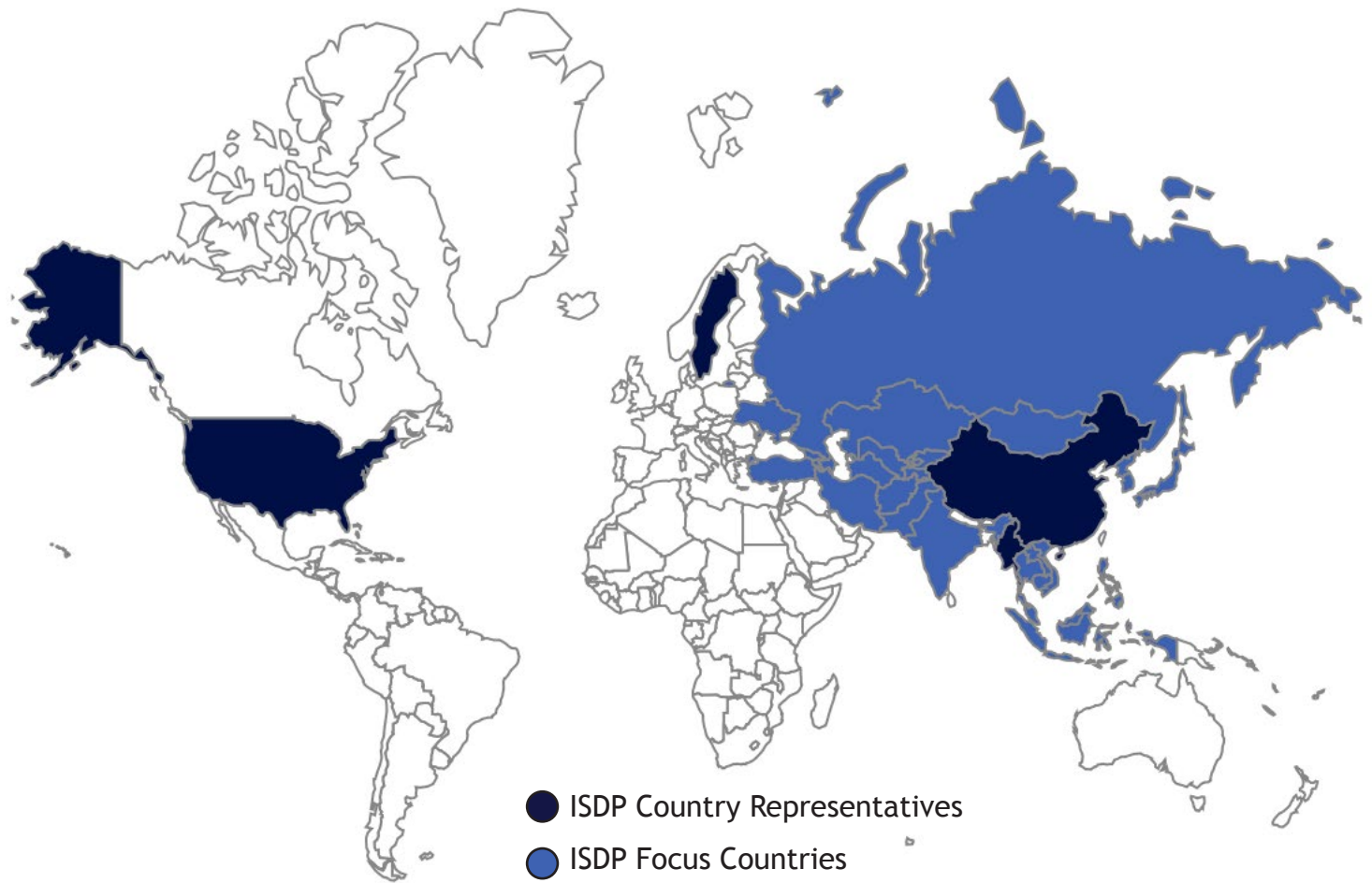
Another positive development was the launch of ISDP's new website, which brought a much-needed update in both form and function.

2017 brings a new series of complex problems to each

of ISDP's focus regions. Given these challenges, ISDP's work is needed now more than ever. We will therefore continue to contribute to global peace, security, and stability, and expand understandings of international affairs.

We look forward to continually deepening cooperation with our sponsors and partners, receiving feedback about our work, and meeting you at our events and seminars in the coming year.

Sincerely,
Niklas Swanström &
Svante E. Cornell



MISSION

ISDP's mission is to **expand understanding of international affairs** in its areas of focus. Concentrating on the inter-relationship between **security, conflict, and development**, ISDP works to further security and development through its analysis as well as **practical activities aimed at promoting dialogue**.

Since 2007, the Institute has provided **independent analysis** to policy makers and other relevant institutions. The Institute functions as a focal point for academic, policy, and public discussion of its focus areas through

applied research, publications, research cooperation, public lectures, and seminars.

ISDP strives to work closely with governments and independent organizations located in its regions of study and to **pursue extensive collaborative projects**, such as through exchanges of researchers and the organizing of joint conferences.

ISDP holds firm to the conviction that an understanding of international affairs requires a **deep and comprehensive knowledge** of the culture and history

of regions and countries under study, and continuous interaction with a broad cross-section of these societies.

The Institute strongly believes in **ethnic diversity, gender equality, and religious and political freedom** and firmly stands for it in all aspects of its work.

TWO PROGRAMS

ISDP operates through two principal and permanent programs: the Asia Program and the Silk Road Studies Program, these are the Institute's primary units. ISDP also incorporates the cross-cutting Center for Transnational Threats, which straddles the two programs. Within these two principal Programs, work at ISDP is organized in Centers and Projects. Centers have a long-term scope and focus on larger thematic areas whereas Projects are established to deliver specific outputs with a deeper and narrower focus, within a short-term framework.

The Asia Program conducts research into security and development challenges in the Asian region with a focus on the sub-regions of Northeast, Southeast, and South Asia. As such, it carries out policy-oriented and practical research, facilitates confidence-building exercises, and organizes conferences and seminars. The main objectives are not only to be a bridge between academia and policy but to provide strategic insights and policy recommendations to decision-makers in governments, international

institutions, and the private sector.

The Silk Road Studies Program runs a Joint Transatlantic Research and Policy Center with the Central-Asia Caucasus Institute at Johns Hopkins University's School of Advanced International Studies, Washington D.C. The Program focuses on the western part of Eurasia, Central Asia, the Caucasus, Turkey, and Eastern Europe. The main activities and research are on state-building and political development, security and conflict, as well as the relationships between the regions and the West.

Independent thinking, strategic solutions

107

MEDIA QUOTES

70

PUBLICATIONS

43

EVENTS



MARITIME SECURITY

Rich in fisheries, potential energy resources, surrounded by rapidly developing states, and encompassing globally strategic transport routes, the East China Sea (ECS) and South China Seas (SCS) are currently a focal point for territorial and maritime tensions. Beijing considers that the territorial features in these seas constitute an indivisible part of China's territory and that the area is as a buffer against US encirclement.

These disputes pose a marked threat to East Asian regional security. Both the ECS and SCS have

witnessed increasingly assertive maneuvers by stakeholder fishing fleets, coast guards, navies and air forces. In the SCS, China has unilaterally initiated land reclamations, construction projects, and alleged militarization of the area. Stand-offs have affected policy and led to volatile outbursts of nationalism. Failure to de-escalate may turn a regional dispute into a global conflict.

Major developments in 2016 have centered on the Philippines. In July the Permanent Court of Arbitration ruled against China and in favor of the

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Failure to de-escalate may turn a regional dispute into a global conflict.

Philippines on a case over “maritime jurisdiction” in the SCS.

Looking ahead, President Trump's policy may result in a withdrawal of US support to the area, and raise the importance of regional states' own foreign and security policies.

CHINA

This year saw the launch of the ISDP's **Stockholm China Center**, which will serve to more effectively leverage its networks and conduct China-related activities in a more targeted manner.

During 2016, the Stockholm China Center hosted **five guest researchers** from the Chinese communist party as well as military and academic institutions.

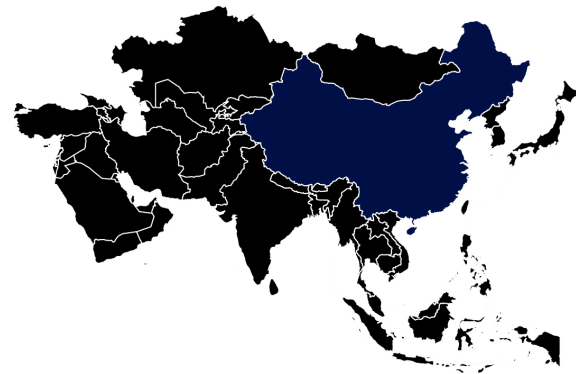
The Stockholm China Center held **15 events**, with international speakers presenting on subjects ranging from Sino-Nordic relations to the South China Sea

issue. On the 24th of May, it hosted the **9th annual Joint Conference with the Chinese Academy of Military Science (AMS)**, in Stockholm on the subject of cyber security. Further, ISDP experts participated in seminars worldwide.

In addition to conducting research, the Stockholm China Center hosted **dialogue sessions** between European and Chinese government, political and academic institutions. The Stockholm China Center experts have also consulted external organizations such as the Swedish parliament.

ISDP has also signed a Memorandum of

Understanding with two prominent Chinese think tanks, namely the Central Compilation and Translation Bureau (CCTB) of the Communist Party of China (CPC) and Xinhua News Agency, High-end Think Tank.



250+
disputed islands

12%
of the world's
fishing catch

100+
Chinese vessels
operate in SCS

THE BELT AND ROAD INITIATIVE 一带一路

- ISDP



Connecting China and Europe through Central Asia, the Belt & Road Initiative will encompass 65 countries and 4.4 billion people.

Backgrounder, June, 2016

RESTRAINING CHINA IN THE SOUTH CHINA SEA: THE LIMITS OF U.S. LEVERAGE

- Hamzah



The United States has been unable to restrain China from pursuing its ambitions in the South China Sea.

Policy Brief, No. 194, April, 2016



COERCIVE DIPLOMACY

In 2016, North Korea rapidly **developed its missile and nuclear capabilities**. More than **30 missile tests** were conducted including submarine-launched ballistic missiles. The most alarming tests were the **two nuclear tests** that were conducted only seven months apart. With the current level of progress, **it is predicted that North Korea will have the ability to develop a nuclear warhead by 2020**.

The nuclear and missile tests were carried out by North Korea as an act of self-defense as well as to **receive recognition as a**

nuclear state. This year's US-ROK joint military exercise, which was the largest yet, and **the decision to deploy the THAAD anti-ballistic missile system in the Korean Peninsula were perceived by Pyongyang as acts of aggression**.

North Korea's behavior, however, has received strong criticism from the international community, as can be seen from the **tougher sanctions** imposed and the limited aid received when the country was hit by a natural disaster.

With a Trump Presidency and an election in South Korea, it is difficult to

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...it is predicted that North Korea will have the ability to develop a nuclear warhead by 2020.

predict how the inter-Korean relationship will develop in 2017.

However, the uncertainty also brings room for new opportunities that can bring about change in the region.

KOREA

ISDP's Korean Peninsula Project published **13 articles** this year. Topics ranged from the DPRK's nuclear tests to the 'Trump effect' in South Korea.

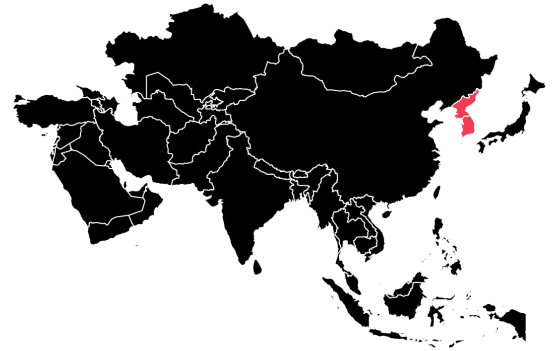
A **backgrounder on the deployment of THAAD** in the Korean Peninsula was also published to analyze an issue that may potentially cause significant changes to the security structure of the region.

As a response to the fourth nuclear test, ISDP held a **forum** entitled, *After the Test: North Korea and the Nuclear Dilemma*. The forum was held to discuss the tests conducted and

the response from the international community. The expert panelists also proposed possible steps that could be taken in order to reach a potential resolution. Further, throughout the year, **ISDP sent delegations to South Korea, North Korea and China**.

ISDP's experts were widely quoted by international media organizations such as the Japan Times, Radio Free Asia and Radio Sweden. ISDP also **participated in events both on the national and international level**. Presentations were given at the University of

Stockholm and for the Military Attaché Corps in Beijing on the ongoing situation in the region. ISDP also **hosted three Korean guest researchers** from South Korea's government departments and media outlets.



11

days of US-South Korean drills

8

million USD in aid to DPRK

30+

missile & nuclear tests in 2016

PYONGYANG'S 'WEAPONS FIRST, NEGOTIATIONS LATER' STRATEGY

- Lee



...it is clear that North Korea already possess a closed technology, or, at the very least will have such capacity very soon.

ISDP Voices, September, 2016

AFTER NORTH KOREA'S NUCLEAR TEST: THE DILEMMA OF RESPONSE

- Lee & Forss



...there are significant question marks over the likely efficacy of a strengthened sanctions regime.

Policy Brief No. 192, February 2016



A UNIQUE TRANSITION

As Myanmar emerges from decades of authoritarian rule, the country has entered a critical transformation phase. Following a **national election in November 2015**, in which the Aung San Suu Kyi-led **National League for Democracy (NLD) won a landslide victory**, the former government backed by the military, handed over power in an orderly fashion in March 2016.

The new administration has now entered into a new relationship with the military (the *Tatmadaw*). Such a political transition has meant **significant change, new relationship**

building and working with new institutions for all stakeholders in the peace and reform processes. One of the priorities of the new NLD government, as it was for the former government, is the **peace process**. Myanmar's current peace process has been underway since 2011 and is fragile and nascent.

Unresolved conflict, and a return to full blown armed conflict in ethnic regions, remains a concern to the government and for the security of the entire country. **The peace process is integral to the overall reform process** in Myanmar and future economic

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Unresolved conflict... remains a concern to the government and for the security of the entire country.

prosperity. To instill public confidence, the new government will need to deliver on the promised transformation of these former conflict areas and **improve the lives of affected peoples**.

ISDP's work in Myanmar is funded by the European Union.

MYANMAR

In 2016, ISDP's Yangon Office undertook activities aimed to support the peace and transition processes by providing a space for dialogue, research, and trainings to key stakeholders on peace related topics. In support of this goal, approximately 40 events were held around the country in; Yangon, Bago, Mandalay, Nay Pyi Taw, Tanintharyi, Saigaing and Ayeyarwaddy Regions, as well as in Kachin, Shan, Chin, Mon, Kayah, Kayin, and Rakhine States. This year more than 1150 individuals took part in these activities, of which one third were female.

The third year of the Peace Education Training Pro-

gram started in October, with 33 participants from conflict affected communities using the training of the trainer methodology. The training was co-organized with the Myanmar Minerva Education Centre, a Myanmar NGO. Participants are now implementing the training in their regions. Great attention was paid to making the training practically useful and that resource people were a mix of government, national and international experts. The topics provided communities with updated information about the peace process in Myanmar and on related key documents and new peace institutions, prior to the start of national

dialogue in December and for the next Union Peace Conference.

In 2017, ISDP will continue to both support key stakeholders in Myanmar's peace and transition processes and pay particular attention to tailoring all activities to the national context.



14

States & regions in Myanmar

77%

NLD in the Assembly of the Union

135+

Ethnic groups throughout Myanmar

MYANMAR'S EVOLVING RELATIONS: THE NLD IN GOVERNMENT

- Sein & Farrelly



...the NLD government now has an historic opportunity to shape Myanmar's political, economic and cultural trajectory for the next generation.

Asia Paper, October, 2016

DECISION LOOMS ON MYITSONE DAM

- Iknors



Much of Myanmar's population, including many Civil Society Organizations (CSOs), remain resolutely opposed to the project...

ISDP Voices, June, 2016



A TIME FOR REFORM?

Events over the course of 2016 have meant that **changes to Article 9 of the Japanese constitution are more likely than ever.** This year saw the ruling Liberal Democratic Party (LDP) **gain the 2/3rds majority needed to amend the constitution through a referendum.** The LDP has increased its efforts in pushing for constitutional reform over the past few years. In February of 2016, LDP leader and Japan's Prime Minister Shinzo Abe explicitly **called for constitutional revision.**

The arms-renouncing Article 9 of the Constitution of Japan was created largely

to insure against Japanese militarism. Article 9 renounces war as a sovereign right of the nation, stipulating that forces with war potential will never be maintained. Critics have continually questioned **whether the article is still in touch with today's reality,** citing Japan's right and need to defend itself, as well as the **legitimacy in a document drafted during occupation.**

Coalition partner Komeito, opposition parties, the majority of the public and even some LDP members are wary of **changing an article that has brought Japan a long period of peace.**

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...critics have continually questioned whether the article is still in touch with today's reality...

Given that **the security situation in North East Asia is exceptionally shaky,** a revision could provoke an increasingly aggressive China or a nuclear arms brandishing North Korea.

If constitutional amendments are to be made **Abe needs to proceed slowly and carefully,** and convince many anti-revision minds that the time is ripe for reform.

JAPAN

In May 2016, ISDP's newly formed Stockholm Japan Center began its activities

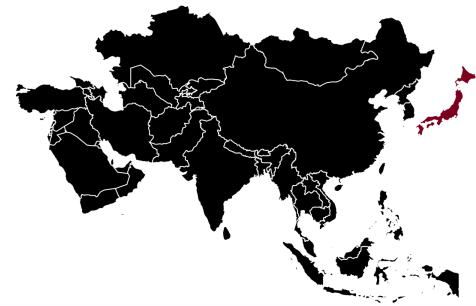
During the year, the Center covered a wide range of issues and continued close collaboration with Japanese institutions.

This resulted in a number of publications, including a commentary by Prof. Jesper Edman on the subject of inward foreign direct investment as a possible way to kick start the stagnating Japanese economy, entitled *Imitated or Ignored? Foreign Firms in Japan*. Five blog pieces were written which focused on issues such as the inclusion of women in

the labor force, maritime issues, Sino-Japanese relations, and the Japanese succession order.

Furthermore, four events were held throughout the year, in particular, a round-table discussion and public lecture entitled *Active Pacifism? Japan's New Security Policy* with Prof. Akihiro Sado, covering the policy implications created by the 2015 reinterpretations of Article 9 of the Constitution of Japan, and a forum entitled *Has Abenomics Failed?* on the topic of the impact and future of the economic policies pushed by Prime Minister Abe.

Additionally, ISDP Distinguished Fellow Lars Vargö gave two expert interviews, offering his opinions on the Western image of Japanese politics and on Japanese reactions to North Korea's nuclear tests.



2/3

majority needed to amend constitution

70

years of peace & development in Japan

2x

inward FDI goal by 2020

IMITATED OR IGNORED? FOREIGN FIRMS IN JAPAN

- Edman



While foreign firms have long operated in Japan, their presence and economic impact remains limited.

Oriental Economist, September, 2016

WOMENOMICS - FOUR YEARS ON

- Nygren



...old mindsets still limit women's life and career choices, which in turn has a negative effect on the economy.

ISDP Voices, December, 2016



AFTER THE COUP

On July 16 this year, Turkey experienced one of the most dramatic events in its recent past. The coup attempt by parts of the military aimed to overthrow the government and President Recep Tayyip Erdoğan and to re-establish a supposedly secular state order. Eventually, the conspirators failed to seize power and clashes caused around 241 deaths and injured more than 2000 people.

The government has suspected the Hizmet movement of the cleric Fethullah Gülen as the schemers behind the coup, but most likely it was carried out by

an alliance of Gülen sympathizers and old Kemalist affiliates. During the imposed state of emergency, the government launched a mass purge which resulted in more than 100,000 people being detained, arrested, suspended, and facing legal charges. This included opposition parties, critical media, and other parts of Turkey's diverse civil society.

While the ruling AKP justified the actions as counter-terrorist measures, critics in Turkey and Europe rate them as being repressive and authoritarian. As a matter of fact, political observers expect the con-

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In the course of the imposed state of emergency, the state launched a mass purge...

flicts to intensify in 2017, since the Turkish military engagement in Syria fuels conflict with the Kurds.

At the same time, in order to attain the goal of a centralized presidential system, the AKP is likely to increase its repression towards forces openly opposing to President Erdoğan's rigid course.

TURKEY

In 2016, ISDP has been dedicated to providing analysis on the increasing authoritarianism in Turkey.

The main outlet of ISDP's Turkey Center continues to be the *Turkey Analyst*, which has become a prominent source of analysis on Turkish affairs. In 2016, the online journal published over 70 articles and provided analysis on commentary made by Turkish media outlets. Additionally, ISDP published a background-er detailing the on-going developments of the Turkey's-Kurdish conflict.

Furthermore, ISDP experts were in high demand by international media institu-

tions, both as guest authors and provided quotes on current events. Notable contributions included articles by Halil M. Karaveli in *Foreign Affairs*, *Erdoğan's Journey* and his piece in the *New York Times*, *Turkey's Fractured State*. Svante E. Cornell's article *Vladimir Putin's Next European Front* featured in the *Wall Street Journal*.

Following up on the failed coup attempt, ISDP held a fully-booked forum with three distinguished experts: ISDP's own Halil M. Karaveli, Jenny White from Stockholm University, and Lars Haugom from the Norwegian Institute for

[Defense Studies](#).

Moreover, ISDP welcomed Mr. Suat Kınıklıoğlu a new non-resident research fellow who will concentrate on Turkish foreign policy, as well as Turkish-Russian relations.



10

hours of coup attempt

100K

people detained after the coup

241

people died in coup attempt

THE 'LOGIC' OF TURKEY'S REPRESSION

- Karaveli



...what is being mobilized is a destructive national unity, attained at the expense of liberty.

The Turkey Analyst, November, 2016

THE TALE OF THE SPLIT THAT BROUGHT DOWN TURKEY

- Cornell



They shared a common target: to gain control over the state establishment, and the Gülen movement provided the cadres that the AKP lacked.

The Turkey Analyst, September, 2016



A KAZAKH FUTURE

The Republic of Kazakhstan celebrated the **25th anniversary of its independence from the Soviet Union** this year. Since the tumultuous collapse of the Soviet Union, the Central Asian republic has come a **long way in the arduous process of reaching full independent statehood**. This process has been unpredictable due to the presence of large and small powers' interests in the region. Having successfully navigated the past 25 years and transitioned through an initial post-independence phase,

Kazakhstan must now continue to build upon the gains made in the past two and a half decades. The Kazakh government has **embarked upon an ambitious project, called Kazakhstan 2050**, which aims to raise the country's profile and **establish it among the world's top 30 economies**. As the name suggests, the program aims to implement a series of political, social and economic reforms by the year 2050. The coming 25 years will not be without challenges for the Central Asian republic. Especially in the areas of demographic

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Kazakhstan must now continue to build upon the gains made in the past two and a half decades.

development, economic diversification and governance, **Astana will need to be prepared to develop a new modus operandi**. Some of these challenges include an ageing population, Russian dominance of the information sphere, South Asia's growing population, and public faith in government institutions.

CENTRAL ASIA

2016 bore witness to many important events with [wide-ranging policy implications](#) for the Central Asian region.

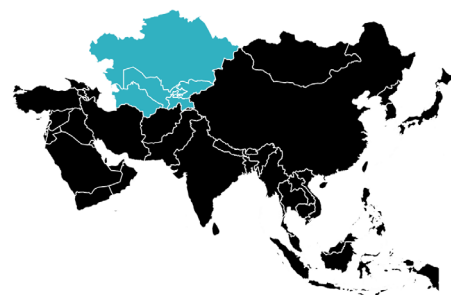
ISDP continued analyzing events in Central Asia, resulting in publications [ranging from shorter articles in the CACI Analyst, to longer papers and monographs.](#)

Notable publications included [two Silk Road Papers](#) by John C.K. Daly and Jeffrey W. Hartman commemorating the 15-year anniversary of the Andijan Uprising; a paper on the 2010 conflict in Kyrgyzstan by Shirin Akiner; and a study of

Kazakhstan's next 25 years of development, by Svante E. Cornell, Johan Engvall and S. Fredrick Starr following the anniversary of their independence in 1991.

In addition to analytical contributions, [ISDP also hosted several events and panel discussion](#) focusing on Central Asian issues, often organized through its Joint Transatlantic Research and Policy Center with the Central Asia-Caucasus Institute at Johns Hopkins University's School of Advanced International Studies. The report [Kazakhstan 2041: the Next Twenty-Five Years](#) was the

[centrepiece of a conference in Astana](#), organized by the Parliament of Kazakhstan and the Ministry of Foreign Affairs of Kazakhstan. The conference attracted high interest from media in the region.



1

largest landlocked country

17

 million

total population of Kazakhstan

25

 years

of independence

THE STATE AS INVESTMENT MARKET: KYRGYZSTAN IN COMPARATIVE PERSPECTIVE

- Engvall



...this book launches a new conceptual framework for interpreting political and bureaucratic organization.

University of Pittsburgh Press, 2016

KAZAKHSTAN 2041: THE NEXT TWENTY-FIVE YEARS

- Cornell, Engvall, Starr



Kazakhstan needs to transform fundamentally what it means to be a civil servant and the way services and goods are exchanged...

Silk Road Paper, October, 2016



EUROPEAN DREAM



Georgia has been exemplary in its commitment to good governance and political reform...

On October 8 of this year, parliamentary elections were held in the former Soviet Republic of Georgia. Located in the Southern Caucasus, the small nation of 3.7 million people is considered to be the region's most open and liberal democracy. In the post-Soviet context of virulent nationalism, economic stagnation and institutional collapse, Georgia has been exemplary in its commitment to good governance and political reform.

The ruling Georgian Dream coalition, an amalgamation of six political parties which have formed

the country's government since 2012, expanded their mandate to 115 of the 150 seats. The party is largely in favor of cooperation with the European Union. Widely regarded as a popular test of Georgia's commitment to pro-European reforms in line with Brussels' Eastern Partnership, the elections overwhelmingly favored incumbent Prime Minister Giorgi Kvirikashvili. By contrast, Pro-Russian parties fared poorly, winning a mandate for only seven seats.

While the election results bode well for the future of EU-Georgian relation, 2017 is sure to bring new

challenges and difficulties.

The broad political base of Georgian coalitions could easily come undone, and concerns about the role of unofficial power brokers remain. In the sphere of foreign policy, Russia is unlikely to take a back seat as the EU deepens ties with a region it still views as part of its sphere of influence.

CAUCASUS

During the course of 2016, ISDP covered the Caucasus region closely and reported on developments ranging from the Georgian elections to analysis of Russian foreign policy priorities.

The CACI Analyst continues to be the main publications outlet for ISDP on the region, with over 45 articles published in 2016 on subjects ranging from the Nagorno-Karabakh conflict to Russian intervention in the Caucasus.

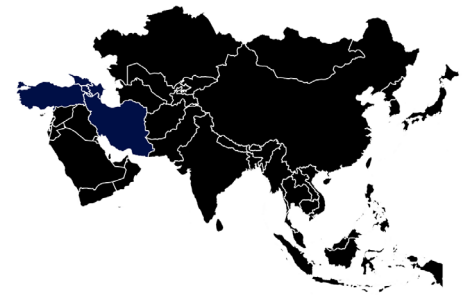
In addition to these shorter articles, ISDP also published two longer papers. The first, by Svante E. Cornell, Halil Karaveli

and Boris Ajeganov, was entitled *Azerbaijan's Formula: Secular Governance and Civic Nationhood*.

The second, by Svante E. Cornell, Per Eklund and Mamuka Tsereteli examined the Georgian elections through the use of survey data of political attitudes during the lead up to the elections.

ISDP staff were also published in prominent international outlets, such as the *Wall Street Journal* with an article written by Svante E. Cornell on Russian ambitions to counter European foreign policy in the Caucasus. ISDP also provided an

analysis on EU-Georgian relations in the wake of the pro-European election results which was published in *EuropeNext* by Junior Research Fellow Boris Ajeganov.



150

total seats in Georgian parliament

48%

of vote won by Georgian Dream

77%

of Georgians welcome EU membership

UNDER THE RADAR: GEORGIA'S OCTOBER 2016 ELECTIONS

- Cornell, Eklund, Tsereteli



The conduct of the election will demonstrate whether or not Georgia is a consolidated democracy...

Silk Road Paper, October, 2016

AZERBAIJAN'S FORMULA: SECULAR GOVERNANCE AND CIVIC NATIONHOOD

- Cornell, Karaveli & Ajeganov



...Azerbaijan's Western partners should view it as a largely successful and functioning laboratory for a civic nation and moderate Islam...

Silk Road Paper, November, 2016



ILLICIT TRADE

Smuggling has huge financial impacts, and given the demand, **has the capability of undermining important tariffs and the legitimacy of the law.** The unique socioeconomic environment of the EU provides opportunities for those working within the illicit trade to make substantial financial gain.

The limited legal repercussions and **immense profit margins make cigarette smuggling a fast-growing and incredibly attractive enterprise.** Poland is the dominant origin of tobacco products within the EU, and countries

such as Latvia, Lithuania and Belarus follow closely behind. Cigarettes are loaded into **cars customized for trafficking** and then driven onwards to Scandinavia where they make a considerable profit. Lorries also operate between Poland and the Baltic countries, each can carry between **10,000 to 15,000 cartons of cigarettes.**

The illicit trade is ever increasing due to the wide disparity in prices. Cigarettes purchased in Belarus can be bought in bulk at 15 euro cents a pack but once they cross the Polish border, **this value increases around**

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...the EU loses 11.3 billion euro in tax revenue each year as a result of **this criminal activity...**

1500%. Law enforcement across the EU have intensified their efforts on tackling the problem but this is still not enough to stifle the trade. It is estimated that **the EU loses 11.3 billion euro in tax revenue each year as a result of this criminal activity and this figure is set to increase.**

CENTER FOR TRANSNATIONAL THREATS

In 2016, ISDP put renewed focus on its Center for Transnational Threats (CTT). Consequently, much effort this year has been placed on the development of new projects and the expansion of its networks.

At the same time, ISDP's researchers and analysts followed developments of the cigarette smuggling trade. CTT worked alongside the **Polish Central Bureau of Investigation**, the **Polish Ministry of Finance**, the **Swedish Customs** and other specialists.

The findings of the report detailed **how organized**

crime has adapted its approach in response to current events such as the migrant crisis.

ISDP are **continuing to work with various actors** in order to expand research and continue to make qualified policy recommendations to help stem the trade of illicit cigarettes.

In the last year, CTT staff **gave a number of presentations to important European institutions** on organized crime and other transnational threats. This included **a presentation to Europol on the topic of Russian criminal networks**, and an educational

awareness initiative on the topic of drugs and organized crime which was **presented to several Swedish schools**. This year ISDP also participated in a two-day conference organized by the Council of the Baltic Sea States in Krakow, Poland on the topic of **"Regional Threats in the Baltic Sea Region."**

Looking ahead to 2017, CTT will be working on a number of key policy areas including **welfare fraud and organized crime in Sweden** and will continue to bridge projects between ISDP's Asia Program and the Silk Road Studies Program.

30

factories closed by the Europe Anti-Fraud Office

12%

of all cigarettes smoked in Sweden are untaxed

600

 million

cigarettes seized in Poland per year

CIGARETTE SMUGGLING: POLAND TO SWEDEN

- Wenngren, Kegö, Johnston



...the type of people involved in the trade have no qualms with having been in prison...

Ad-hoc Report, October, 2016

WELFARE FRAUD IN SWEDEN

- Wenngren & Gustafson



Systematic fraud has become a breeding ground and source of funding for serious organized crime...

Policy Brief, Forthcoming

ORGANIZATION

ISDP BOARD

The ISDP Board consists of high-level professionals and convenes three to five times a year.

Roger Svensson

Chairman of the Board
Senior Fellow, ISDP

Karlis Neretnieks

Board member of the Royal Swedish
Academy of War Sciences

Anna Wieslander

Deputy Chairman
Director for Northern Europe,
Atlantic Council

Per Storm

Managing Director, Kopparberg Mineral AB

Per Eklund

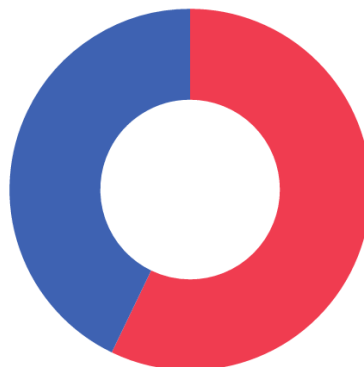
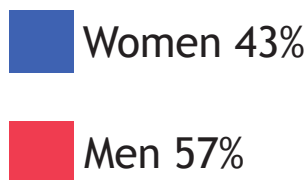
Senior Fellow, ISDP

Thommy Svensson

Professor Associate of the Nordic Institute of
Asian Studies

ISDP OFFICE

Niklas Swanström is Executive Director and Svante Cornell is Director of the Institute. Malin Almquist Dworsky is Deputy Director and the Chief Financial Officer. ISDP's main office is located on Västra Finnbodavägen 2 in Nacka, Stockholm, Sweden. In 2016 ISDP consisted of 14 full-time staff members, eight men and six women.



INTERNS AND TRAINEES

Each semester ISDP accepts six to eight interns or trainees from all over the world to assist in the work of ISDP, with the aim of cultivating important contacts with young talented researchers within the field of security and development. The ISDP internship program offers the interns work experience in an international environment, encourages them to write and publish policy briefs with staff members, and shoulder progressive responsibilities within the organization. During 2016 the following individuals enrolled in the internship program:

Alexandra Manolache

University of Gothenburg, Sweden

Bernadetta Ginting

Universitas Katolik Atma Jaya, Indonesia

Jesse Faria

University College London , Great Britain

Julian Tucker

Humboldt University, Germany

Maria Hellborg

Uppsala University, Sweden

Maria Rosaria Coduti

University of Bologna, Italy

Martin Dudenhöffer

Aalborg University, Denmark

Nuoya Chen

University of Paris XIII, France

Oskar Gustafson

Lund University, Sweden

Pär Nyrén

Uppsala University, Sweden

Razmik Krikorian

Belarusian State University , Belarus

Rebecka Nygren

Uppsala University, Sweden

Serena Sorrenti

Lund University, Sweden

Zarinam Turdieva

Kyrgyz-Russian Slavic University, Kyrgyzstan

14

INTERNS

9

COUNTRIES

11

UNIVERSITIES

GUEST RESEARCHER PROGRAM

ISDP regularly invites guest researchers to undertake research at the Institute. The Guest Researcher Program provides unique opportunities for professional development to scholars and other specialists and networking opportunities in Sweden. During their stay, guest researchers conduct research on a topic related to the Institute's core areas. During 2016 the following individuals participated in the guest researcher program:

Cesar Castilla

Faculty of International Relations of the Universidad de Los Hemisferios, Ecuador

Chen Ting

PLA Academy of Military Science, China

Ding Jianjun

Sichuan University, China

Ei Phyo Maw

MDRI-CSIS, Myanmar

Ildo Hwang

Institute 21 For Peace Studies, The Dong-A Ilbo Media Group, South Korea

Liu Minru

CCTB of CPC, China

Namgyun Kim

Ministry of Land, Infrastructure and Transport, South Korea

Tong Zhen

PLA Academy of Military Science, China

Woosuk Jung

Ministry of Environment, South Korea

Zarni Win

MDRI-CSIS, Myanmar

Zhang Chunyan

Sichuan University, China

NEW RESEARCH COOPERATION

Xinhua News Agency National High-end Think Tank, China

Central Compilation & Translation Bureau of the Communist Party of China, China

RECRUITMENT

During 2016 ISDP had the pleasure of recruiting the following new experts:

Anna Wieslander

Deputy Chairman of the ISDP Board

Carl le Grand

Non-resident Senior Research Fellow

Christina Wenngren

Program Manager - Center for
Transnational Threats

Dominika Švarc

Non-resident Fellow

Frank Esparraga

Editor

Gunnar Appelgren

CTT Expert Group

Henrik Sjölander

CTT Expert Group

Istvan Kaplar

CTT Expert Group

Jesper Edman

Non-resident Senior Research Fellow

Johan Krom

Junior Research Fellow (March-
November 2016)

Phil C.W. Chan 陳政偉

Senior Fellow

SangWoo Kim

Non-resident Senior Research Fellow

Suat Kiniklioglu

Non-resident Fellow

IN MEMORIAM

Johanna Popjanevski, 1980-2016

FINANCIAL REVIEW

INCOME

In 2016 the Institute successfully continued to diversify its operations, and correspondingly limited the risk that is linked to a high dependence on one core funder. The Swedish Ministry of Foreign Affairs and the European Union each accounted for 33 percent of the Institutes total revenue of 19,8 MSEK. 9 percent of the total revenue is derived from the Institutes taxable operations and the remaining 25 percent was obtained from other funders, such as; the Korea Foundation, Ministry for Defence UK, TEAS, the Embassy of Kazakhstan amongst others.

COSTS

During 2016, the key focus has been on continued cost control. Cost savings were yielded from downsizing the Institutes office space in 2014. The Institutes greatest asset is its human resources. Personnel costs are still a large part of the Institutes overall costs. It is vital that the Institute continues to develop this primary resource so as to maintain its current position as an attractive Think Tank for both Swedish and international funders.

RESULT

The financial outcome of 2013 resulted in negative equity. This was mainly due to a lower income than expected, combined with the time it takes to adapt cost structure to a new level of revenue. The same year, ISDP's management created a plan to restore equity together with the Board. The positive result of 483 TSEK in 2016, is in line with that plan and shows that the implemented cost savings and efficiency measures have taken effect.

LOOKING AHEAD

The Institutes long-term budget and prognosis indicates that activities can carry on with continued high quality. The same prognosis estimates positive results in 2017 as well as a restored equity in 2018. ISDP will continue to focus on a diversified funding and to create long- term, stable relationships with all stakeholders, as well as consistently aim to achieve high-quality outputs. Contracts with the European Union and Telia Sonera among others, will be ongoing in 2017.

AUDITOR

The auditor of ISDP is Elisabeth Raun at Ernst & Young.

FIVE-YEAR FINANCIAL OVERVIEW

	2012	2013	2014	2015	2016
Income*	13 737 273	15 279 506	13 741 534	18 156 719	19 772 263
Expenses**	13 525 347	16 458 085	13 696 778	17 874 763	19 289 181
Reported Result	211 926	-1 178 579	44 756	281 956	483 082

*Incoming Resources including Revenue, Government Grant and Other Grants

**Resources Expended including Result (EBIT), Financial Revenue and costs, Appropriations and Tax

INCOME STATEMENT

	2016	2015
Revenue	1 833 714	992 720
Government grants	7 595 783	9 836 029
Other grants	10 342 766	7 327 970
	<u>19 772 263</u>	<u>18 156 719</u>
<i>Costs</i>		
Personnel costs	-7 829 321	-9 421 628
Other costs	-11 343 016	-8 566 002
Result (EBITDA)	<u>599 926</u>	<u>169 089</u>
Depreciation	-102 151	-28 061
Result (EBIT)	<u>497 775</u>	<u>141 028</u>
Interest, interest cost etc	14 734	70 390
Tax	-29 427	70 538
Net Result	<u><u>483 082</u></u>	<u><u>281 956</u></u>

BALANCE SHEET

ASSETS	2016-12-31	2015-12-31
<i>Fixed assets</i>		
Inventories	93 439	125 443
Homepage	107 404	50 000
	<u>200 843</u>	<u>175 443</u>
<i>Current assets</i>		
Account receivables	473 631	309 435
Other receivables	505 194	1 879 857
Prepaid expenses and accrued income	274 998	608 102
Liquid assets	6 054 275	6 389 194
	<u>7 308 098</u>	<u>9 186 588</u>
TOTAL ASSETS	7 508 941	9 362 031

LIABILITIES AND EQUITY

<i>Current Liabilities</i>		
Accounts payable	187 102	514 542
Tax liabilities	32 902	1 797
Prepaid income	6 285 661	7 900 762
Other current liabilities	302 688	496 180
Interim liabilities	1 069 038	1 300 282
	<u>7 877 391</u>	<u>10 213 563</u>
<i>Equity</i>		
Equity	-368 450	-851 532
	<u>-368 450</u>	<u>-851 532</u>
TOTAL LIABILITIES AND EQUITY	7 508 941	9 362 031

FUNDERS IN 2016

European Union



Korea Foundation

Legacy Capital Investments

Ministry for Foreign Affairs, Azerbaijan

Ministry for Foreign Affairs, China

Ministry for Foreign Affairs, Japan

Ministry for Foreign Affairs, Kazakhstan

Ministry for Foreign Affairs, Sweden

Ministry for Defence, UK

Paul H. Nitze School of Advanced International Studies (SAIS)

Svenska Tobaksleverantörsföreningen

Telia Sonera

The European Azerbaijani Society

Private Donation

IMAGE CREDIT

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