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China

in the **Baltic States** -
from a cause of
hope to
anxiety

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China in the Baltic States – from a cause of hope to anxiety

The publication assesses the perception and the role of the People's Republic of China (China) in Latvia, Estonia, and Lithuania, with the emphasis on the implications of China for the national security of the three states and the North Atlantic Treaty Organization (NATO). Following a review of three decades of bilateral engagement between each of the Baltic states and China, the publication offers an analysis of the results from nationally representative surveys on Baltic attitudes toward China.

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Introduction

MĀRIS ANDŽĀNS

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The People's Republic of China is an obvious superpower of global politics. In recent decades, it has changed at an astonishing speed. Its economic, military, and political influence has expanded rapidly. It has reached out to regions with minimal or no prior experience of engagement. The Baltic states is one of such regions.

The Baltic-China case provides a particularly peculiar case for analysis. The last three decades of Baltic-China engagement have gone through ups and downs. Both the contentious issues and the factors of hope can be tied to concrete events and agendas. Unsurprisingly, most controversies have arisen surrounding Taiwan (the Republic of China), the Dalai Lama, and Russia. The hope factors were broadly confined to (unmet) expectations of meaningful economic cooperation.

In a way, the three-decade long Baltic-China voyage started and ended with Taiwan. In 1992–1994, Latvia permitted Taiwan to open a consulate general and thus de facto recognised it, whereas China, unsurprisingly, suspended diplomatic ties with Latvia. Almost three decades later, in 2021, Lithuania allowed Taiwan to open a representation office bearing the name “Taiwanese”, which included the characters “Taiwan”, rather than the usual formula “Taipei” that had been applied in countries that adhere to the One China policy. China, in response, severed diplomatic links with Lithuania and imposed an economic embargo. Lithuania did not succumb to China's pressure. In a major snub to China, it left the China-driven Cooperation between China and Central and Eastern European Countries (17+1, initially known as 16+1) and raised the spat to the European Union level.

Although in the early 2010s, both Estonian and Lithuanian presidents met the Dalai Lama and thus angered China, that decade offered the most hope in Baltic-China relations. The 2016 Summit of the 16+1 cooperation format in Riga and the following engagements through this format and the Belt and Road Initiative raised expectations, in China's terminology, of a

win-win cooperation. The anticipation of significant economic gains from cooperation with China did not meet expectations.

China's growing authoritarianism at home and the support of authoritarian regimes abroad, especially Belarus and Russia, gradually made the Baltic states more cautious. China's implicit support for Russia over its 2022 invasion of Ukraine was a watershed, as Latvia and Estonia followed their southern neighbour and pulled out of the Cooperation between China and Central and Eastern European Countries format, making it a bare 14+1. On top of that, NATO, the fundament of Baltic security, named China in its 2022 Strategic Concept for the first time and did so in a negative light.

Within a mere decade, the Baltics have undergone a complete reversal in their respective outlooks on China. The following chapters will explore the Baltic-China story and the current state of affairs in depth. It will be carried out by Latvian, Lithuanian, and Estonian experts. The chapter on Latvia was prepared by Justīne Kante from Rīga Stradiņš University. The country chapter on Estonia was prepared by Anniki Mikelsaar, currently at Oxford University. Finally, Lithuania is covered by Dr Vida Mačikėnaitė from the International University of Japan. The country chapters are complemented by a separate chapter presenting a nationally representative sociological survey on attitudes related to China in all three Baltic states.

Estonia and China: Changing role, Perceptions, and Security Implications

ANNIKI MIKELSAAR

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China has become an active player in the Baltic region during the past decade. To best understand China's role and perception in the smallest Baltic state, Estonia's close ties with the United States and the European Union need to be underscored. The ties between the Republic of Estonia and the US have been "consistent and stable" for the past 100 years¹ since the US recognised Estonia's independence in 1922. Estonia joined the EU and NATO in 2004.² Due to a strong bond with its Western allies as a small nation of 1.3 million people, Estonia's ties with China have always been part of the larger geopolitical system, influenced by the broader currents in US-China and EU-China relations, above all else. Nevertheless, the role and perception of China in Estonia has some unique characteristics which must be accounted for, from the perspective of national, and international (NATO) security interests. Estonia's long-time expertise in polar research as a near-Arctic country, and its cybersecurity expertise as home to NATO's Cyber Range, and the NATO Cooperative Cyber Defence Centre of Excellence, make Estonia a distinct case study for China's role and perception in the Baltics. The following aims to give an overview of, first, China's changing role in Estonia ever since the establishment of diplomatic ties in 1991, second, the perception of China in Estonia, before finally, outlining the implications for National Security and NATO.

¹ "U.S. - Estonia Relations", U.S. Embassy in Estonia, 2022, <https://ee.usembassy.gov/our-relationship/policy-history/us-estonia-relations/#:-:text=The%20United%20States%20and%20Estonia>

² "Estonia in NATO | Välisministeerium", Vm.ee, [https://www.vm.ee/en/international-relations-estonian-diaspora/estonia-nato#:-:text=Estonia%20has%20been%20a%20member](https://www.vm.ee/en/international-relations-estonian-diaspora/estonia-nato#:-:text=Estonia%20has%20been%20a%20member;); "Estonia in the European Union | Välisministeerium", Wvm.ee, 2022. <https://www.vm.ee/en/international-relations-estonian-diaspora/estonia-european-union#:-:text=Estonia%20became%20an%20EU%20member>

China's Role in Estonia Since 1991

The relations between China and Estonia can be distinguished by four periods: the initial consolidation period of 1991–2011, the Dalai Lama effect of 2011–2014, the continued relations of 2014–2019, and the cooling relations anew from 2019 – present.

The Initial Consolidation Period of 1991–2011

By the early 1990s, Deng Xiaoping's economic reforms had gained full force in China.³ The country had arrived at the doorstep of the global free market economy – a development welcomed by Western countries in hopes that trade cooperation would make China's political system converge with their own.⁴ Against the backdrop of these developments in China, it recognised the re-establishment of independence in Estonia on 7 September 1991. Diplomatic relations between Estonia and China were established a few weeks later, on 30 September 1991, and the Estonia-China Trade and Economic Cooperation Agreement was signed in 1993.⁵

As an important step to establish constructive relations with China, Estonia's President Lennart Meri co-signed a joint declaration with China's President Jiang Zemin in 1994, affirming Estonia's commitment to the One China policy. Several high-level diplomatic visits laid the groundwork for ties. Estonian presidents Lennart Meri and Arnold Rüütel visited China in 2001 and 2005 respectively, and President Jiang Zemin reciprocated with a visit to Estonia in 2002. In the exchange of diplomatic politesses, President Meri expressed delight that “the world's largest nation, and the smallest nation soon-to-join the EU, are communicating as equals,” while the Chinese ambassador to Estonia responded, “China will always support

³ Sylvie Démurger, “Economic Opening and Growth in China”, Development Centre Studies, OECD, 2000, <https://doi.org/10.1787/9789264181076-en>

⁴ Tim Rühlig, “Towards a More Principled European China Policy? Democracy, Human Rights and the Rule of Law in EU-China Relations”, Études de l'Ifri, 2020, P. 7, https://www.ifri.org/sites/default/files/atoms/files/ruhlig_european_china_policy_2020.pdf

⁵ “Lepingud – Beijing”, Estonian Embassy in China, Accessed 12 August 2022, <https://beijing.mfa.ee/et/eesti-ja-hiina/lepingud/>

Estonia remaining independent and sovereign.”⁶ In 2006, China’s economic contacts were the closest with Estonia out of the three Baltic states, according to high-ranking official Jia Qinglin.⁷

Interestingly, testament to its different foreign policy, China supported Estonia’s accession to NATO and the European Union in 2004.⁸ According to a 2006 study on Estonia-China ties commissioned by the Estonian Parliament, there were even attempts to establish mutual defence cooperation, though the level of defence cooperation was “somewhat modest and irregular.”⁹ To illustrate, between 1998 and 2005 the Chinese Armed Forces participated in Estonia’s long-range reconnaissance patrol competitions called the Erna Raids, with China winning the competition in 2002.¹⁰ Representatives of China also took part in the largest annual Estonian Defence Forces exercise Spring Storm (Kevadtorm).¹¹ As a further example of cooperation on defence, the Estonian lieutenant colonel Riho Terras (recently vocally critical of Estonia’s involvement in the “16+1” framework)¹² was welcomed by the Chinese government to complement his security expertise in China.¹³ Nevertheless, the extent of Estonia-China defence

⁶ “Vabariigi President Võttis Vastu Hiina Suursaadiku”, Vp1992–2001, Presidendi Kantselei Pressiteenistus, 18 August 1998, <https://vp1992-2001.president.ee/est/ateated/AmetlikTeade.asp?ID=7966>

⁷ “Andrus Ansip: We Hope That a Transit Centre for Chinese Goods Will Be Established in Estonia | Eesti Vabariigi Valitsus”, Government Communication Office Briefing Room, 30 October 2006, <https://www.valitsus.ee/en/news/andrus-ansip-we-hope-transit-centre-chinese-goods-will-be-established-estonia>

⁸ Raul Allikivi, Tiago Marques, “Eesti Välispoliitika Hiina Suhtes: Võimalused Ja Valikud”, Riigikogu, P. 11. https://www.riigikogu.ee/wpcms/wp-content/uploads/2014/11/Eesti_v-lispoliitika_Hiina_suhtes_v-imalused_ja_valikud.pdf

⁹ Ibid

¹⁰ Aki Kupiainen, “Erna Raid 2002: Long Range Reconnaissance Patrol Competiton”, Erna.ee, 2002, <https://www.erna.ee/downloads/erna2002detail.htm>

¹¹ Raul Allikivi, Tiago Marques, “Eesti Välispoliitika Hiina Suhtes: Võimalused Ja Valikud”, Riigikogu, https://www.riigikogu.ee/wpcms/wp-content/uploads/2014/11/Eesti_v-lispoliitika_Hiina_suhtes_v-imalused_ja_valikud.pdf

¹² Carl-Robert Puhm, “Riho Terras: Eesti Ei Peaks Hiinaga Kohtuma. See on Häbiväärne!” Postimees, 4 February 2021, <https://www.postimees.ee/7172509/riho-terras-estei-ei-peaks-hiinaga-kohtuma-see-on-habivaarne>

¹³ Raul Allikivi, Tiago Marques, “Eesti Välispoliitika Hiina Suhtes: Võimalused Ja Valikud”, Riigikogu, P. 11. https://www.riigikogu.ee/wpcms/wp-content/uploads/2014/11/Eesti_v-lispoliitika_Hiina_suhtes_v-imalused_ja_valikud.pdf

cooperation until 2006 might have been limited by Estonia's alignment to the EU's arms embargo policy on China over human rights concerns.¹⁴

China's attractiveness somewhat grew as an economic partner for Estonia following the 2008 economic crisis.¹⁵ This was because China did not suffer under the impacts of the global recession as did the rest of the world.¹⁶ Corresponding to the sentiments of the US' Pivot to Asia, the Estonian Foreign Minister declared in early 2011 that Estonia's presence on the emerging markets of Asia should have "crucial importance".¹⁷ Subsequently, efforts on the part of Estonia were made to improve business relations with China, establishing intergovernmental economic commissions, collaboration frameworks between the Estonian and Chinese universities, and opening a new Honorary Consulate in Hong Kong, with the aim of the consulate becoming the "gateway to Mainland China for the enterprises of Estonian".¹⁸ However, indicative of the ties established by 2011 having minor proportions, the Chinese market share only made up 1.77% of total Estonian exports, and 3.77% of imports.¹⁹ Therefore, despite the presence of optimism for improved trade ties with China, China's economic role in Estonia did not become substantial. The initial optimism in Estonia faded in the second half of the year 2011, as relations froze.

The Dalai Lama Effect – Ice Cold Relations of 2011–2014

In August 2011, the Dalai Lama's visit to Estonia, and his "unofficial" encounter with the Estonian President Toomas Hendrik Ilves at a "think tank

¹⁴ Raul Allikivi, Tiago Marques, "Eesti Välispoliitika Hiina Suhtes: Võimalused Ja Valikud", Riigikogu, P. 11. https://www.riigikogu.ee/wpcms/wp-content/uploads/2014/11/Eesti_v-lispoliitika_Hiina_suhtes_v-imalused_ja_valikud.pdf

¹⁵ Konstantinas Andrijauskas, "Baltic Perspective on Connectivity with China", In Nordic-Baltic Connectivity with Asia via the Arctic: Assessing Opportunities and Risks, ICDS, 2021, PP. 234–51, https://icds.ee/wp-content/uploads/2021/09/ICDS_EFPI_Book_Nordic-Baltic_Connectivity_with-Asia_via_the_Arctic_Gaens_Juris_Raik_September_2021.pdf

¹⁶ Ibid

¹⁷ "Välisministri Urmas Paeti Ettekanne Välispoliitikast", Välisministeerium, 18 February 2011, <https://vm.ee/et/uudised/valisminister-urmas-paeti-ettekanne-riigi-valispoliitikast-1>

¹⁸ "Eesti Avas Aukonsulaadi Hongkongis", Välisministeerium, 22 February 2011, <https://vm.ee/uudised/eesti-avas-aukonsulaadi-hongkongis>

¹⁹ "Mida Eesti Ekspordib Hiina? (2011) | Eesti Statistika, August 2022, https://data.stat.ee/visualize/tree_map/export/cn/all/2011/?locale=et

event,” and subsequent unofficial meetings with Estonian ministers, caused a pause in Sino-Estonian relations.²⁰ China reacted strongly, as it perceived Dalai Lama’s receptions as supportive of the Tibetan independence struggle. China stated that “by allowing the Dalai Lama to visit Estonia”, the “feelings of the Chinese people” had been hurt, and “the Sino-Estonian relations” harmed.²¹ Repercussions followed. For example, Estonia’s Minister of Agriculture’s long-planned visit to China was swiftly cancelled because of the incident.²² China froze bilateral political ties with Estonia for three years, with no high-level diplomatic visits taking place during that time. The incident also translated into a ban on Estonian dairy products in the Chinese market.²³

As the international trade costs of meetings with the Tibetan spiritual leader have not been uniquely applied to Estonia by China, researchers from the University of Göttingen in Germany have coined it the “Dalai Lama effect”.²⁴ Using data from the World Bank and the United Nations, they showed how export reductions to China on average lasted for around two years across countries that hosted the Dalai Lama – in Estonia’s case it was roughly three years.

The Dalai Lama effect was visible in the Estonia-China trade statistics, though impacts were mild at most. The relatively insignificant export volume of Estonian goods to the Chinese market fell from EUR 203 million (1.77% of total Estonian exports) in early 2011, to 101 million in 2012

²⁰ “Hiina Suhted Venemaa Ja Läänega Ukraina Sõja Valguses | Lühidalt: Sõda Ukrainas on Drastiliselt Muutnud Rahvusvahelist Julgeoleku Olukorda. Venemaast on Üleöö Saanud Paariariik. Hiina Suhtumine Venemaasse On... | by Estonian Ministry of Foreign Affairs / Välisministeerium | Facebook”, Tartu Ülikooli Aasia Keskus, 15 August 2022, <https://fb.watch/gómGe0vpe4/>

²¹ “Chinese Embassy Galled by Dalai Lama Visit”, ERR, 16 August 2011, <https://news.err.ee/101048/chinese-embassy-galled-by-dalai-lama-visit>

²² “Hiina Tühistas Dalai-Laama Külaskäigule Viidates Seederi Visiidi.” Postimees, 1 September 2011, <https://www.postimees.ee/549318/hiina-tuhistas-dalai-laama-kulaskaigule-viidates-seederi-visiidi>

²³ Frank Jüris, Dmitri Teperik, “Chinese Influence in Estonia”, CEPA, 9 August 2022, <https://cepa.org/chinese-influence-in-estonia/>

²⁴ Andreas Fuchs, Nils-Hendrik Klann, “Paying a Visit: The Dalai Lama Effect on International Trade”, SSRN Electronic Journal 90 (2), 2010, <https://doi.org/10.2139/ssrn.1694602>

(0.84 %), and 99 million in 2013 (0.84 %).²⁵ However, Estonia’s export numbers to China in 2012 and 2013 still did not drop down to the pre-2010 levels (Graph 1). Estonia continued to import Chinese goods over the downturn of relations.

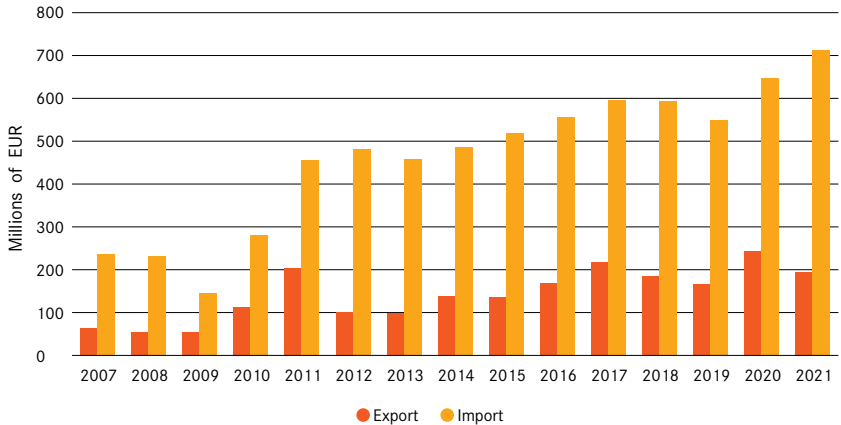


Figure 1. Estonia’s Trade with China 2007–2021, millions of EUR (source: Statistics Estonia, last updated 22.07.2022).

Most importantly, the Dalai Lama effect had no impact on the total number of Estonian exports globally. The total Estonian export numbers, including all other countries, continued to steadily increase after 2011, despite these trade obstacles.²⁶ The damage done to the dairy sector was also minimal. In 2007, the year when Estonia’s dairy exports to China were at their highest – the total export volume of Estonian dairy to China still made up not more than 0.88% of Estonian dairy exports.²⁷

Curiously, amid frozen diplomatic ties and obstacles to trade, in 2012 Estonia alongside Latvia and Lithuania was included in the China and

²⁵ “Hiina | Eesti Statistika.” Eesti Statistika, Accessed 12 October 2022, <https://data.stat.ee/profile/partner/cn/>

²⁶ “Mida Eesti Eksportib? (2011) | Eesti Statistika”, Eesti Statistika. August 2022, https://data.stat.ee/visualize/tree_map/export/cn/all/2011/?locale=et

²⁷ “VK12: Kaupade Eksport, Import Ja Nende Muutus Riigi Järgi”, Statistics Estonia Database, PX-Web, 2022. https://andmed.stat.ee/et/stat/majandus__valiskaubandus__valiskaubandus-alates-2004/VK12

Central and Eastern Europe Countries cooperation framework (CCEEC = 16+1 = n+1).²⁸ All Baltic states were puzzled over their inclusion in the post-socialist countries club, and “uneasy” with being grouped as “Eastern European”.²⁹ Nevertheless, Estonia did not initially distance itself from the framework, and it was annually represented in the meetings of the framework on the Prime Minister level for eight years after 2012.

By 2014, the Dalai Lama effect was over. Estonian Foreign Minister Urmas Paet expressed regret that relations had not been what they “could have been” due to the incident.³⁰ Absent an official apology, the Chinese side announced one on Estonia’s behalf. “The Estonian side said it was regrettable Estonia-China ties suffered negative impact in recent years,” “it (Estonia) does not support any separatist force or activity that advocates the so-called Tibet independence,” according to the website of the Chinese Ministry of Foreign Affairs in 2014.³¹ Relations normalised following these statements. The period of 2011–2014 should have taught Estonia lessons about China’s willingness to use its economic might as a political tool against smaller nations. Per contra, since the impacts of the punishment passed almost unnoticed, in the next period, following 2014 until 2019, moderate optimism to develop ties with China surfaced again.

Continued Relations – Ice Cold no More Between 2014–2019

After relations unfroze, in 2015, Estonia opened an Embassy in Beijing to increase its visibility.³² Estonia became a part of the Belt and Road Initiative

²⁸ Number of partner countries to China presently in the CEEC cooperation framework. N+1 = Number of Partner countries + China. For notation purposes, this framework will hereinafter be referred to as “16+1”

²⁹ Una Aleksandra Bērziņa-Čerenkova, “The Baltic Resilience to China’s ‘Divide and Rule’”, *Lex Portus* 7 (2): 11–38, 2021, <https://doi.org/10.26886/2524-101x.7.2.2021.2>

³⁰ “Dalai Lama Representative ‘Disappointed’ with Estonian Statement”, ERR, 1 October 2014, <https://news.err.ee/113779/dalai-lama-representative-disappointed-with-estonian-statement>

³¹ As referred to in: David Scott, “China and the Baltic States: Strategic Challenges and Security Dilemmas for Lithuania, Latvia and Estonia”, *Journal on Baltic Security* 4 (1): 25–37, 2018, <https://doi.org/10.2478/jobs-2018-0001>

³² “Välisminister Pentus-Rosimannus Avas Pekingis Eesti Saatkonna Hoone”, *Õhtuleht*, 22 January 2015, <https://www.ohutuleht.ee/659448/fotod-valisminister-pentus-rosimannus-avas-pekings-eesti-saatkonna-hoone>

in 2017, with the signing of the Silk Road Initiative Memorandum.³³ Two other Memoranda of Understanding (MoU's) were also simultaneously signed with China – the Digital Silk Road Agreement to strengthen cooperation in Information Technology (IT), and the E-Commerce Agreement to promote trade cooperation.³⁴

Importantly, to make use of the considerable IT expertise in Estonia for the development of China's Huawei technologies, in 2016, Tallinn University of Technology (TalTech) signed a Memorandum of Understanding with Huawei Technologies Co. Ltd for increasing cooperation.³⁵ In 2019, Tartu University followed suit,³⁶ and plans were made to co-research optical data transmission, and focus on the Internet of Things (IoT), Artificial Intelligence (AI), and cloud technologies.³⁷ Unrelated to Estonian universities, but indicative of problems which may arise from cooperating with Huawei – according to IPVM Research Service, Huawei has tested AI facial-recognition software specifically recognising Uyghur minorities, potentially participating in the surveillance activities of the Chinese Communist Party (CCP).³⁸ The sensitivity of these cooperation projects on AI, among other areas of cooperation, with Huawei, is also reflected in the fact that Tartu University's management forbade a publication of an article which delved deeper into the backgrounds of the Huawei-Tartu University

³³ Frank Jüris, "Chinese Security Interests in the Arctic: From Sea Lanes to Scientific Cooperation", In *Nordic-Baltic Connectivity with Asia via the Arctic: Assessing Opportunities and Risks*, 126–47, 2021, Tallinn: ICDS

³⁴ "Urve Palo Signed Three Economic Treaties with China | Majandus- Ja Kommunikatsiooniministeerium", Ministry of Economic Affairs and Communication, 27 November 2017, <https://www.mkm.ee/en/news/urve-palo-signed-three-economic-treaties-china>

³⁵ Laura Vetik, "Eesti Kõrgkoolid Ja Huawei Alustasid Koostööd: Koolielu", *Koolielu.ee*, 20 May 2016, <https://koolielu.ee/info/readnews/510484/eesti-korgkoolid-ja-huawei-alustasid-koostood>

³⁶ "University of Tartu and Huawei Signed a Memorandum of Understanding", University of Tartu, 26 November 2019, <https://ut.ee/en/content/university-tartu-and-huawei-signed-memorandum-understanding>

³⁷ Mari Eesmaa, "Koostööleppel Huaweiiga on Mitu Tahku", *Universitas Tartuensis*, February 2020, https://www.ajakiri.ut.ee/artikkel/3543?fbclid=IwAR3MSAxxVGS2ZglfvGHaLBpAv7x-02FH6wA0Za870b4GmJrz4_zvysn6NdNQ

³⁸ Drew Harwell, Eva Dou, "Huawei Tested AI Software That Could Recognize Uighur Minorities and Alert Police, Report Says", *Washington Post*, 8 December 2020, <https://www.washingtonpost.com/technology/2020/12/08/huawei-tested-ai-software-that-could-recognize-uighur-minorities-alert-police-report-says/>

Partnership. After considerable public pressure, the management finally gave in and allowed for the article to be published in full.³⁹

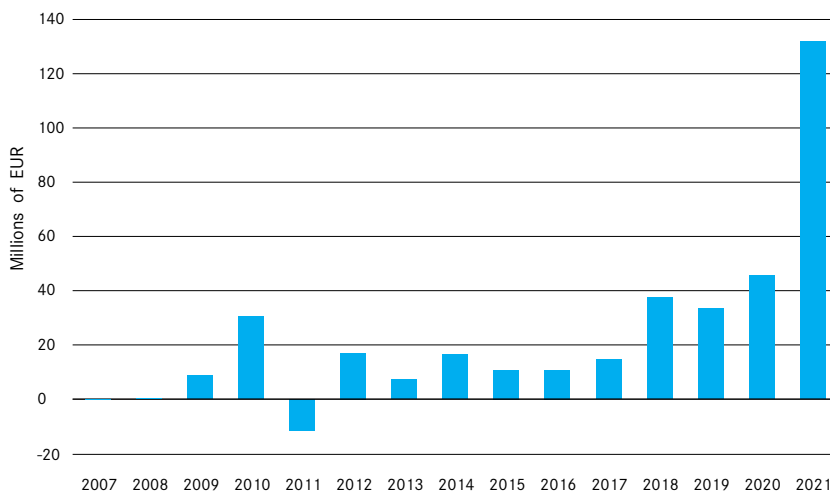


Figure 2. China’s Foreign Direct Investment (FDI) Position in Estonia 2007–2021, millions of EUR (*source: Estonian National Bank, last updated 22.06.2022*).

The small Estonian export volume to the Chinese market, which shrunk down to EUR 99 million following the Dalai Lama’s visit, returned to its previous levels after 2014. It reached its by-then highest value of EUR 218 million in 2017, still making up only 1.79% of total exports.⁴⁰ Regarding the Foreign Direct Investments (FDI), the mutually small proportions of China’s investments in Estonia accounted for only 0.09% of Estonia’s total FDI, and Estonia’s investments to China made up 0.07% of China’s total FDI in 2017.⁴¹ After 2017, China’s FDI to Estonia somewhat increased, likely because of a few distinct investment deals (Graph 2). In 2017, the Chinese taxi app DiDi Chuxing announced a strategic partnership with Estonia’s

³⁹ Mari Eesmaa, “Koostööleppel Huaweiiga on Mitu Tahku”, Universitas Tartuensis, February 2020, https://www.ajakiri.ut.ee/artikkel/3543?fbclid=IwAR3MSAxxVGS2ZglfvGHaLBpAv7x-O2FH6wA0Za87Ob4GmJrz4_zvysn6NdNQ

⁴⁰ “Mida Eesti Ekspordib? (2011) | Eesti Statistika”, Statistics Estonia, August 2022, https://data.stat.ee/visualize/tree_map/export/cn/all/2011/?locale=et

⁴¹ “经济关系- Beijing”, Estonian Embassy in Beijing, 2018, Beijing.mfa.ee

rideshare unicorn Bolt – although cooperation between the Chinese and Estonian enterprises stopped in 2021. The same year, Estonian state-owned energy company Eesti Energia AS sold USD 2.1 billion worth of shares in its Jordanian subsidiary to Chinese Guangdong Energy Group Co. Ltd and Malaysian YTL Corporation, being the biggest global one-time investment in the shale oil industry.⁴² One of the largest deals of 2018 was the acquisition of the Magnetic MRO aviation maintenance company by Guangzhou Hangxin Aviation Technology, with its security implications outlined later in the chapter under security implications.⁴³ Even though China’s FDI position in Estonia has grown, especially in the manufacturing industry, at its very peak in 2021, China’s FDI still made up only 0.42% of the total foreign direct investments into Estonia.⁴⁴ In summary, over the 2014–2019 period, China’s role in Estonia somewhat grew during these years, through investment deals, partnerships, and Memoranda of Understanding.

Cooling Relations Anew from 2019 Until the Present

The year 2019 marked a seismic shift in the EU’s stance towards China, and a deterioration in China-US relations. This was the point at which Estonia alongside its Western partners started becoming more cautious regarding China’s role globally and in the Baltics. In 2019, for the first time, the European Union labelled China a systemic rival in addition to a partner and economic competitor.⁴⁵ The U.S. China tensions deteriorated further during the global pandemic, as China challenged the U.S. global leadership, increasing its power and influence abroad. China’s human rights violations in Xinjiang province, disregard of international law in Hong Kong, and lack of transparency for the origins of the Covid-19 pandemic – all contributed

⁴² Kaarel Kuusk, “Uudised-Eesti Energia”, [www.energia.ee](https://www.energia.ee/uudised/avaleht/-/newsv2/2017/03/16/eesti-energia-viis-lopule-21-miljardi-dollari-suuruse-jordaania-polevkiviprojekti-rahastamise), 16 March, 2017, <https://www.energia.ee/uudised/avaleht/-/newsv2/2017/03/16/eesti-energia-viis-lopule-21-miljardi-dollari-suuruse-jordaania-polevkiviprojekti-rahastamise>

⁴³ Konstantinas Andrijauskas, “Baltic Perspective on Connectivity with China”, In *Nordic-Baltic Connectivity with Asia via the Arctic: Assessing Opportunities and Risks*, 234–51, 2021, ICDS

⁴⁴ “Eesti Panga Statistkamoodul”, Eesti Pank, 2022, <https://statistika.eestipank.ee/#/et/p/146/r/2293/2122>

⁴⁵ “EU-China – a Strategic Outlook”, European Commission, High Representative of the Union for Foreign Affairs and Security Policy, 2019, <https://ec.europa.eu/info/sites/default/files/communication-eu-china-a-strategic-outlook.pdf>

to a broader realisation abroad and in Estonia that China is moving towards firmer authoritarianism, and not politically converging with the West as was hoped in the 1990s.

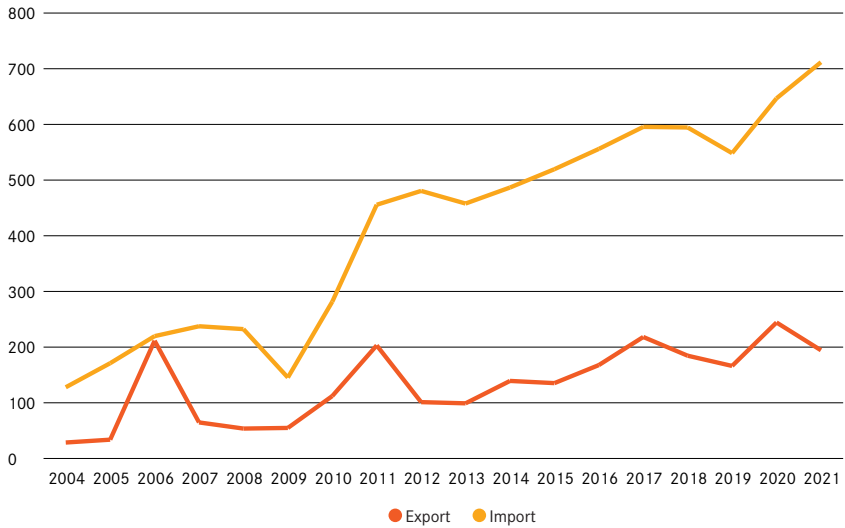


Figure 3. Estonia’s Trade Balance with China (source: Statistics Estonia 2022, data last updated 22.07.2022). In 2022, the trade deficit between Estonia and China was EUR 60.3 million.

In the period following 2019, amid growing geopolitical tensions, Estonia’s trade with China neither significantly increased nor decreased. Nevertheless, Estonia’s trade deficit with China has grown in recent years. In July 2021, Estonia’s trade deficit with China was EUR 40.1 million, and in July 2022, it was EUR 60.3 million. While Estonia’s trade deficit is not inherently problematic, it does show that Estonia imports more from China than it makes from its exports there. The promises made to the Central Eastern European (CEE) nations, including Estonia, upon joining “16+1”, were mostly about improved investment and market access in China, and the prospects of China’s trade, and investment in the region – these expectations were mostly unfulfilled by 2019. Instead, China’s investments and Foreign Direct Investment (FDI) flows to Europe have largely bypassed the CEE region.

In November 2019, Estonia made a Joint declaration with the US to ban the Chinese technology company Huawei's involvement in the development of the new 5G networks.⁴⁶ The Baltic region, with a recent history of technological innovation, has been dubbed the poster child for early cases of 5G use.⁴⁷ As many government services in the Baltics are online, such as voting in Estonia, the importance of reliable service providers is critical. This explains why all Baltic states signed the 5G declaration with the USA, declaring the desire to strengthen 5G cooperation with the U.S. and to put forward requirements on financing and government control aimed at China.⁴⁸ In an article written in reaction to the plans of signing this declaration, Chinese Ambassador to Estonia Li Chao hinted that actions taken against Huawei are a "trade dispute" between Washington and Beijing where Estonia should not take sides.⁴⁹ The Ambassador reminded Estonia of its previously signed Silk Road Memorandum of Understanding in 2017, stressing that the "economic bullying" (经济霸凌行为) against Huawei was inappropriate and did not follow the principle of mutual respect agreed upon earlier.⁵⁰ The use of MoU-s as a diplomatic tool to pledge for allegiance with China might come as a surprise, and thus, more attention may need to be directed to the ambiguous nature of these documents in the future.

The most recent notable development in Sino-Baltic relations have been the Baltic exits from the Chinese "16+1" framework. In the leadup to this, Estonia started increasingly distancing itself from the framework in 2021. In February 2021, Lithuania, and Estonia both sent lower-level representatives to President Xi Jinping's 17+1 summit than expected, "snubbing" the

⁴⁶ "United States–Estonia Joint Declaration on 5G Security", U.S. Embassy in Estonia, 2 November 2019, <https://ee.usembassy.gov/joint-declaration-on-5g/>

⁴⁷ Maya Guzdar, Tomas Jermalavičius, "Between the Chinese Dragon and the American Eagle: 5G Development in the Baltic States", International Centre for Defence and Security, 2020, <https://icds.ee/en/between-the-chinese-dragon-and-american-eagle-5g-development-in-the-baltic-states/>

⁴⁸ Una Aleksandra Bērziņa-Čerenkova, "The Baltic CAI Challenge: Reconciling Transatlanticism with EU Solidarity", *Asia Europe Journal* 19 (4): 511–15, 2021, <https://doi.org/10.1007/s10308-021-00625-3>

⁴⁹ "驻爱沙尼亚大使李超在爱《邮差报》发表署名文章 — 中华人民共和国外交部", Ministry of Foreign Affairs of the People's Republic of China, 25 July 2019, https://www.fmprc.gov.cn/dszlsjt_673036/201907/t20190725_5359443.shtml

⁵⁰ Ibid

meeting.⁵¹ In May 2021, after Lithuania's decisive step to leave the 17+1 cooperation framework in support of EU unity, Estonia also stressed its support for a common 27+1 approach.⁵² However, Estonia did not leave the cooperation framework together with Lithuania, as according to Estonia's previous Ambassador to China Andres Unga, "the Estonian government was not ready" and there was not enough awareness on the issue.⁵³ In part because of China's partnership with "no limits" with Russia ahead of the war in Ukraine,⁵⁴ and increased concerns over the "16+1" cooperation framework being used as a "Chinese influence trap" without the promised economic benefits,⁵⁵ Estonia announced leaving the cooperation framework 11 August 2022 with Latvia, following Lithuania's example.⁵⁶ Both Latvia and Estonia announced continuing to strive for "pragmatic and constructive" relations after leaving the format but stressed that these relations need to be based on values such as a respect for the "rules based international order"⁵⁷. In all the Baltic states, the time of high hopes for active involvement with China seems to have passed now.⁵⁸

⁵¹ Stuart Lau, "Baltic vs. Beijing: Lithuania, Estonia Snub Xi's Eastern Summit", POLITICO, 5 February 2021, <https://www.politico.eu/article/xi-jinping-eastern-summit-lithuania-estonia-snob-china/>

⁵² "Liimets: Eesti Eelistab Hiinaga Suhelda 27+1 Raamistikus", ERR, 11 March 2021, <https://www.err.ee/1608138499/liimets-estei-eelistab-hiinaga-suhelda-27-1-raamistikus>

⁵³ "Hiina Suhted Venemaa Ja Läänega Ukraina Sõja Valguses | Lühidalt: Sõda Ukrainas on Drastiliselt Muutnud Rahvusvahelist Julgeoleku Olukorda. Venemaast on Üleöö Saanud Paariariik. Hiina Suhtumine Venemaasse On... | by Estonian Ministry of Foreign Affairs / Välisministeerium | Facebook", Tartu Ülikooli Aasia Keskus. 15 August 2022, <https://fb.watch/g6mGeOvpe4/>

⁵⁴ "Joint Statement of the Russian Federation and the People's Republic of China on the International Relations Entering a New Era and the Global Sustainable Development", President of Russia, 4 February 2022. <http://en.kremlin.ru/supplement/5770>

⁵⁵ Filip Jirouš, "Time to Leave China's '16+1' Influence Trap", ICDS, 2022, https://icds.ee/wp-content/uploads/dlm_uploads/2022/08/ICDS_EFPI_Brief_Time_to_Leave_China%C2%B4s_161_Influence_Trap_Filip_Jirous_August_2022.pdf

⁵⁶ "Eesti Otsustas Lahkuda Hiina Ja Ida-Euroopa Koostööformaadist", ERR, 11 August 2022, <https://www.err.ee/1608682240/estei-otsustas-lahkuda-hiina-ja-ida-euroopa-koostooformaadist>

⁵⁷ Ibid

⁵⁸ Una Aleksandra Bērziņa-Čerenkova, "The Baltic Resilience to China's 'Divide and Rule'", *Lex Portus* 7 (2): 11-38, 2021, P. 13, <https://doi.org/10.26886/2524-101x.7.2.2021.2>

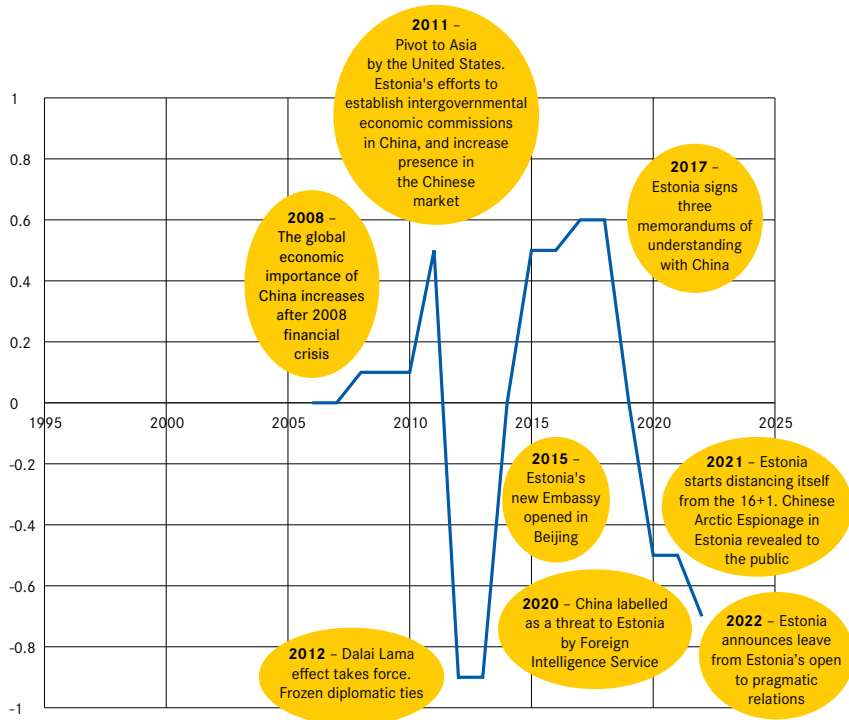


Figure 4. Evaluation of the Estonia-China Relationship over the four periods between 1991 and 2022 (between neutrality (0), frozen ties (-1) and friendly ties (1)).

Over the past decade, ever since Xi Jinping came to power in 2012, China has become more active internationally, intending to “bring about China’s rise to world power”.⁵⁹ Even though China has not achieved a position among the most economically significant partners to Estonia, a need to monitor China’s role and involvement in Estonia has grown in importance.

⁵⁹ Angela Stanzel, “China’s Path to Geopolitics”, Berlin: Stiftung Wissenschaft und Politik (SWP), 2022, P. 5

Perception of China in Estonia

Limited Awareness of China and Influence Activities

Persistent efforts on the part of the Chinese government have been made to improve the perception of China among the Estonian public. It had become a routine practice that Chinese government-funded advertisements favourable to the Chinese government would be run until 2021 in Estonian major news outlets.⁶⁰ For example, a 2017 opinion article to promote the “16+1” initiative, with a small note “paid promotion” on the side, funded by the Chinese government, declares that the “16+1” framework has brought a multitude of “tangible benefits” to Estonia, and Estonian products are performing well on the Chinese markets.⁶¹ The Chinese Embassy in Estonia has also paid for adverts in major Estonian newspapers denying allegations of Uyghur genocide.⁶² Chinese government-funded advertisements in the Estonian media were banned in Spring 2021, effectively ending this practice.⁶³ There is no reason to believe that these paid promotion articles managed to drastically change the Estonian public perception of China in any way, because the general awareness about China has been relatively low regardless of the occasional content in media. The limited awareness on matters related to China in Estonia have been reflected in the opinion polls. In 2021, almost 46% had never heard or knew nothing of Xi Jinping.⁶⁴

Despite a lack of awareness, Estonians are certainly not equidistant between the US and China. The GLOBSEC Trends 2021 poll found that almost half (49%) of Estonians view the United States as their most important strategic partner, whereas only 6% view China as the most important strategic

⁶⁰ Frank Jüris, and Dmitri Teperik, “Chinese Influence in Estonia”, CEPA, 9 August 2022, <https://cepa.org/chinese-influence-in-estonia/>

⁶¹ Zhe Qu, “Jõuame Koos Uude ‘16+1’ Koostööajastusse”, Äripäev, 24 November 2017, <https://www.aripaev.ee/sisuturundus/2017/11/24/jouame-koos-uude-161-koostooajastusse>

⁶² “Chinese Embassy Advert in Estonian Paper Denounces Uighur Genocide Claims”, ERR, 15 April 2021, <https://news.err.ee/1608178030/chinese-embassy-advert-in-estonian-paper-denounces-uighur-genocide-claims>

⁶³ Frank Jüris, Dmitri Teperik, “Chinese Influence in Estonia”, CEPA, 9 August 2022, <https://cepa.org/chinese-influence-in-estonia/>

⁶⁴ As referenced in: Frank Jüris, Dmitri Teperik, “Chinese Influence in Estonia”, CEPA, 9 August 2022, <https://cepa.org/chinese-influence-in-estonia/>

partner to Estonia.⁶⁵ 57% of Estonians agreed that in China human rights are systematically violated.⁶⁶ Interestingly, 49% of Estonians considered Taiwan as an independent country and not part of China or a disputed region.⁶⁷ It can be concluded that generally the stances of Estonians on human rights and Taiwan tend to not match the Chinese narratives.

Increasing Threat Perceptions

The annual Foreign Intelligence Service (Välisluureamet) reports clearly reflect a heightened threat perception on China in Estonia following 2019. In 2018, China was only briefly mentioned in the reports in the context of industrial espionage.⁶⁸ In 2019, the report of Foreign Intelligence Service directed more attention to China, drawing attention to the increasing Chinese investments in Europe, and closely examining China-Russia relations.⁶⁹ The 2020 report, however, for the first time, mentioned China as a direct threat to Estonia – China’s actions “increasingly (pose) threats to Estonia’s security”.⁷⁰ To counter these heightened threat perceptions, the Chinese side has attempted to exert influence on the government. The Chinese Embassy reacted to the 2020 report by demanding this report be re-written or else the bilateral China-Estonia relations would be damaged.⁷¹ The Foreign Minister resisted the pressure and commented that the report was based on the assessment of experts and would thus not be amended.

⁶⁵ Dominika Hajdu, Katarína Klingová, Daniel Milo, Miroslava Sawiris, “GLOBSEC Trends 2021: Central and Eastern Europe One Year into the Pandemic”, GLOBSEC, 2021, <https://www.globsec.org/publications/globsec-trends-2021/>

⁶⁶ Ibid

⁶⁷ Dominika Hajdu, Katarína Klingová, Jana Kazaz, Michal Kortiš, “GLOBSEC Trends 2022: Central and Eastern Europe amid the War in Ukraine”, GLOBSEC, 2022, <https://www.globsec.org/publications/globsec-trends-2022-central-and-eastern-europe-amid-the-war-in-ukraine/>

⁶⁸ “Eesti Rahvusvahelises Julgeolekukeskkonnas”, Välisluureamet, 2018, <https://www.valisluureamet.ee/doc/raport/2018-et.pdf>

⁶⁹ “Eesti Rahvusvahelises Julgeolekukeskkonnas 2019”, Välisluureamet, 2019, <https://www.valisluureamet.ee/doc/raport/2019-et.pdf>

⁷⁰ “Eesti Rahvusvahelises Julgeolekukeskkonnas 2020”, Välisluureamet, 2020, P. 3, <https://www.valisluureamet.ee/doc/raport/2020-et.pdf>

⁷¹ “Reinsalu Lükkas Hiina Saatkonna Kriitika Tagasi”, ERR, 18 February 2020, <https://www.err.ee/1036471/reinsalu-lukkas-hiina-saatkonna-kriitika-tagasi>

In addition to the heightened governmental-level awareness and threat perceptions, 24% of the Estonian public found China to be a threat to their country, the GLOBSEC 2022 survey found.⁷² Accordingly, 21% of Estonians found that the Chinese government threatens their identity and values. Another annual survey on the public threat perception in Estonia, conducted upon the order of the Estonian Ministry of Defence, found in 2022 that 38% of Estonians believed that an increase in China's economic and military power certainly poses a threat to global peace and security, while 43% believed it somewhat does. Meanwhile, in the same poll, 9% did not know how to answer and 9% believed that China certainly does not pose a threat.⁷³ The percentage of Estonians who perceive China as a threat in 2022 is 6% higher now than it was in 2019, suggesting a slight increase in threat perception among the public.⁷⁴

Ethnic divide in Estonia's Perception of China

One of the most crucial things to note from the perspective of Estonia's National Security, is the ethnic and linguistic divide in the perceptions of Estonians towards China. Around 1 in 4 people in Estonia, precisely 382 155 of Estonia's 1.3 million population, spoke Russian as their first language according to the 2020 population census.⁷⁵ There seems to be a persistent divide on opinion along the linguistic minority lines, where Russian-speakers tend to be significantly more favourable towards China than their Estonian-speaking counterparts. Around 75% of the Russian-speaking population in Estonia regularly subscribe to the Russian

⁷² Dominika Hajdu, Katarína Klingová, Jana Kazaz, Michal Kortiš, "GLOBSEC Trends 2022: Central and Eastern Europe amid the War in Ukraine", GLOBSEC, 2022, <https://www.globsec.org/publications/globsec-trends-2022-central-and-eastern-europe-amid-the-war-in-ukraine/>

⁷³ "Avalik Arvamus Riigikaitsest | Kaitseministeerium", Kaitseministeerium, 2022, <https://www.kaitseministeerium.ee/et/eesmargid-tegevused/avalik-arvamus-riigikaitsest>. "Avalik Arvamus Riigikaitsest 2022", Eesti Uuringukeskus OÜ, Kaitseministeerium, 2022, https://kaitseministeerium.ee/sites/default/files/elfinder/article_files/avalik_arvamus_ja_riigikaitse_mai_2022.pdf

⁷⁴ "Avalik Arvamus Ja Riigikaitse: Aruanne Kaitseministeeriumile", Turu-Uuringute AS, Kaitseministeerium, 2019, https://www.kaitseministeerium.ee/sites/default/files/sisulehed/avalik_arvamus/aruanne_sygis_2019.pdf

⁷⁵ "Eesti Elanikud Räägivad 231 Eri Emakeelt | Statistikaamet." Statistics Estonia, 14 March 2021, <https://www.stat.ee/et/uudised/eesti-elanikud-raagivad-231-eri-emakeelt>

Federation's online media and TV channels, through which, according to security experts, Russia has launched "total information warfare" since its 2014 invasion of Ukraine.⁷⁶ The "aggressive" information warfare aims to leave an impression of Western states as societies relying on double standards, forcing these values on other nations".⁷⁷ Since the Russian re-invasion of Ukraine in February 2022, China has emerged as an outlet for Russia's disinformation on the Ukraine war.⁷⁸ Similarly, Russian state media, which around three quarters of Russian-speakers in Estonia subscribe to, presents a more favourable outlook on China than Estonian sources. These disparities are reflected in the Estonian perception statistics on China. While almost half (49%), of Estonian-speakers thought China is certainly a threat to global peace and security, only 17% of Russian-speakers agreed.⁷⁹ Correspondingly, as 20% of Russian-speakers expressed faith that China is certainly not a threat, only 4% of Estonian-speakers could agree.⁸⁰ Hence, Estonian speakers tend to have stronger negative opinions on China than their non-Estonian speaking counterparts. Estonia has learnt from its painful experiences, namely the Bronze Soldier Crisis of 2007, that information warfare is a serious threat to National Security which could go so far as to endanger Estonia's sovereignty. While the nature of threats posed by Russia and China are different, the ethnic disparities in perceptions towards China should not be overlooked. Tensions have an even higher risk of surfacing in Estonia if perspectives not only on Russia, but also on China, are divided deeply along ethnic-linguistic lines. Especially true is the risk in the event of a potential crisis between the US and China. It is plausible to imagine that if a non-negligible portion of Estonia increasingly subscribes to an anti-US narrative while the rest of the population feels a strong allegiance

⁷⁶ Riina Kaljurand, "Virtuaalne Venemaa Eestis: Vene Meedia Mõju Eestis Elavale Venekeelsele Elanikkonnale", *Diplomaatia*, 13 November 2015, <https://diplomaatia.ee/virtuaalne-venemaa-eestis-vene-meedia-moju-eestis-elavale-venekeelsele-elanikkonnale/>

⁷⁷ *Ibid*

⁷⁸ Elizabeth Dvoskin, "China Is Russia's Most Powerful Weapon for Information Warfare", *Washington Post*, 8 April 2022, <https://www.washingtonpost.com/technology/2022/04/08/russia-china-disinformation/>

⁷⁹ "Avalik Arvamus Riigikaitsest 2022", *Eesti Uuringukeskus OÜ, Kaitseministeerium*, 2022, https://kaitseministeerium.ee/sites/default/files/elfinder/article_files/avalik_arvamus_ja_riigikaitse_mai_2022.pdf

⁸⁰ *Ibid*

to the US, Estonian society in times of crisis will be more vulnerable, and less cohesive. Estonia has long been a target of information warfare from its Eastern neighbour, and crucially, perceptions of China have now become part of the war on the information front.

Implications for National Security and NATO

Chinese Surveillance Technology on Estonia's Border Crossings

Chinese investments in Estonia's critical infrastructure and connectivity sector pose sensitive issues with "long-term impacts" on Estonia's economic and social development.⁸¹ One of the largest Chinese-Estonian investment deals was the 2018 Chinese-owned Guangzhou Hangxin Aviation Technology's acquisition of Estonia's aviation company Magnetic MRO. This EUR 43 million deal⁸² aligned with China's interests to gain access to the European aviation market, and to establish a foothold in the Baltic region for the Belt and Road Initiative. Notably, Magnetic MRO's line stations provide maintenance, modifications, and repairs in Tallinn and Riga airports. The airports are the largest in Estonia and Latvia, serving the roles of designated main backup airports for NATO air bases in Ämari and Lielvārde.⁸³ China's interests in acquiring the company may have also stemmed from Magnetic MRO's line stations at the Ørland airport in Norway, which hosts a NATO air base, located 300 km south of the Arctic circle.⁸⁴ Though far-fetched, a question might be worth raising at some point of whether Magnetic MRO's proximity to NATO airbases might

⁸¹ Frank Jüris, "Chinese Security Interests in the Arctic: From Sea Lanes to Scientific Cooperation", In *Nordic-Baltic Connectivity with Asia via the Arctic: Assessing Opportunities and Risks*, 126-47., ICDS, 2021

⁸² Ivana Karásková, Alicja Bachulska, Agnes Szunomar, Stefan Vladislavjev, "Policy Paper: Empty Shell No More: China's Growing Footprint in Central and Eastern Europe", AMO, P. 46, https://chinaobservers.eu/wp-content/uploads/2020/04/CHOICE_Empty-shell-no-more.pdf

⁸³ Konstantinas Andrijauskas, "Baltic Perspective on Connectivity with China", In *Nordic-Baltic Connectivity with Asia via the Arctic: Assessing Opportunities and Risks*, 234-51, ICDS, 2021, https://icds.ee/wp-content/uploads/2021/09/ICDS_EFPI_Book_Nordic-Baltic_Connectivity_with-Asia_via_the_Arctic_Gaens_Juris_Raik_September_2021.pdf

⁸⁴ *Ibid*

increase the risks of Chinese peace-time espionage to NATO, or conflict-time sabotage of NATO aircraft.

On the NATO-Russia border in Southern Estonia, in November 2017, an X-ray scanning system to monitor cargo was purchased from Chinese state-owned company Nuctech (Tongfang Technology Ltd.), and effectively put into use.⁸⁵ Since then, this Chinese radiation-based surveillance technology has become even more widely used in Estonia, now monitoring, and collecting data at all the major border crossing sites, including at Tallinn Airport and Estonia's border point in Narva.⁸⁶ Concerns have been raised that Nuctech's luggage screening equipment in airports could violate the privacy of passengers, passing on sensitive data to China via a backdoor in the technology.⁸⁷ Even worse, the U.S. Department of Energy ran tests and discovered that Nuctech's hardware failed to detect certain nuclear and other radioactive materials. Less stringent cargo screening at airports and railway border crossing points, could raise the risk of international "nuclear smuggling", and increase the "risk of proliferation".⁸⁸ Americans, having discovered and proven the faults in Nuctech's hardware, and added it to the US Entity List (list of trade restrictions) in December 2020, having determined it is "contrary to the national security interests of the US".⁸⁹ Lithuania followed suit in January 2021, but Estonia, also with several sensitive border crossings between NATO and Russia, has yet to take action.

Due to Estonia's Northernmost Baltic location, and near-Arctic presence, it attracted Chinese attention as a strategic Northern link to Europe's

⁸⁵ Margus Hanno Murakas, "Eesti Piiripunktide Röntgenid Osteti Hiina Riigifirmalt", Postimees, 9 March 2021, <https://leht.postimees.ee/7196740/eesti-piiripunktide-rontgenid-osteti-hiina-riigifirmalt>

⁸⁶ Ibid

⁸⁷ Rohan Abraham, "US Accuses Chinese Screening Tech Firm Nuctech of Passing Passenger Info to Beijing", The Economic Times, 3 July 2020, <https://economictimes.indiatimes.com/magazines/panache/us-accuses-chinese-screening-tech-firm-nuctech-of-passing-passenger-info-to-beijing/articleshow/76769001.cms?from=mdr>

⁸⁸ Didi Kristen Tatlow, *China's Technological Rise: Implications for Global Security and the Case of Nuctech*, ICDS, 2021

⁸⁹ Addition of Entities to the Entity List, 83417. U.S. Department of Commerce, 2020, Accessed 30 September 2022, <https://www.federalregister.gov/documents/2020/12/22/2020-28031/addition-of-entities-to-the-entity-list-revision-of-entry-on-the-entity-list-and-removal-of-entities>

railways for China's Polar Silk Road. Chinese state-owned firms have repeatedly expressed interest in the Helsinki-Tallinn Railway Tunnel, informally called "Talsinki Tunnel". If the railway tunnel was built under the Baltic Sea, between the Estonian capital Tallinn and Finland's capital Helsinki, it would be the world's longest underwater railway tunnel. Plans to build it with Chinese funding were introduced to the Minister of Economic Affairs by the Finnish businessman Peter Vesterbacka's FinEst Bay Area Development and the Chinese investor TouchStone Capital Partners during the "continued relations" phase of Estonia-China relations in 2018.⁹⁰ Since then, several Chinese state-owned construction companies have also shown interest.⁹¹ For China, it would have been a part of the Northern Shipping Route for China, potentially allowing for goods to be transited between Asia and Europe in a reduced time.⁹² The Helsinki-Tallinn Tunnel has a clear Arctic dimension to it, connecting China's Polar Silk Road to Europe's railways. Risks of this project to the National Security interests may have included an increase in China's political influence over Estonia with operational control over the project, and Estonia's technological dependence on Chinese expertise, Frank Jüris has pointed out.⁹³ The Estonian government, in consultation with the government of Finland, came to the conclusion that the plans to build Talsinki with Chinese-funding in July 2020 should be scrapped, as the project would have to be executed in the cooperation of the two countries whose borders it would cross – Estonia and Finland.⁹⁴ Nevertheless, the lobby for the project with Chinese funding has

⁹⁰ "Vesterbacka tutvustas Simsonile Tallinna-Helsingi tunneli plaani", BNS, 31 August, <https://majandus.postimees.ee/6175507/vesterbacka-tutvustas-simsonile-tallinna-helsingi-tunneli-plaani>

⁹¹ Frank Jüris, *The Talsinki Tunnel: Channelling Chinese Interests into the Baltic Sea*, Estonian Foreign Policy Institute, 2019

⁹² Konstantinas Andrijauskas, "Baltic Perspective on Connectivity with China", In *Nordic-Baltic Connectivity with Asia via the Arctic: Assessing Opportunities and Risks*, 234–51, ICDS, 2021, https://icds.ee/wp-content/uploads/2021/09/ICDS_EFPI_Book_Nordic-Baltic_Connectivity_with-Asia_via_the_Arctic_Gaens_Juris_Raik_September_2021.pdf

⁹³ Frank Jüris, *The Talsinki Tunnel: Channelling Chinese Interests into the Baltic Sea*, Estonian Foreign Policy Institute, 2019

⁹⁴ "Aab teeb ettepaneku jätta Helsingi tunneli eriplaneering algatamata", EER, 30 July 2020, <https://www.err.ee/1118467/aab-teeb-ettepaneku-jatta-helsingi-tunneli-eriplaneering-algatamata>

continued, with Vesterbacka presenting the idea most recently in Turin, Italy in October 2021.⁹⁵

Implications Derived from Estonia's Near-Arctic Presence

In early 2021, for the first time ever, Chinese espionage was proven and announced to the public in Estonia. An Estonian Arctic marine scientist Tarmo Kõuts working on security and defence matters with NATO and Estonia security clearance was prosecuted with three years in prison for espionage for Chinese military intelligence.⁹⁶ In 2022, Estonian authorities convicted another Estonian, Gerli Mutso, with prison for 8.5 years. She had been deliberately and continuously working for Chinese military intelligence for 4 years and was responsible for scouting Kõuts.⁹⁷ Since Estonia has long-term experience in polar research and Arctic matters, and as “Estonia is a NATO and EU member state”, the Estonian Internal Security Service notes “in recent years there has been an increased need to direct attention to Chinese espionage in Estonia.”⁹⁸

Due to Estonia's near-Arctic presence, it should also keep an eye out on foreign projects which could increase the likelihood of conflict in the Arctic region. An example of such projects, which now may or may not be suspended, is the Arctic Connect submarine cable. In March 2016, plans were announced to build this 13,800 km underwater communication cable, linking Europe to Asia, and stretching from China to Finland, Norway, and the UK.⁹⁹ The Arctic Connect was a plan by a Finnish Company Cinia OY to develop a faster and more reliable internet connection between Europe,

⁹⁵ “Utopian Hours returns in 2021 with a focus on the future of cities”, The Architects Newspaper, 22 September 2021, <https://www.archpaper.com/2021/09/utopian-hours-returns-in-2021-with-a-focus-on-the-future-of-cities/>

⁹⁶ “Kaitsepolitsei Aastaraamat 2021”, Kapo, Kaitsepolitseiamet, 2021, <https://dea.digar.ee/?a=is&oid=JVkaitsepolitsei202104&type=staticpdf&e=-----et-25--1--txt-txIN%7ctx-TI%7ctxAU%7ctxTA----->

⁹⁷ “Court jails Estonian woman found guilty of spying for China”, ERR, 6 April 2022, <https://news.err.ee/1608619453/court-jails-estonian-woman-found-guilty-of-spying-for-china>

⁹⁸ “Kaitsepolitsei Aastaraamat 2022”, Kapo, Kaitsepolitseiamet, 2022, https://kapo.ee/sites/default/files/content_page_attachments/Aastaraamat_2021-22.pdf

⁹⁹ Winston Qiu, Trans-Arctic Cable Project Arctic Connect Comes to a Suspension, March 2021, <https://www.submarinenetworks.com/en/systems/asia-europe-africa/arctic-connect/trans-arctic-cable-project-arctic-connect-comes-to-a-suspension>

Russia and Asia, with the cable built by Huawei Marine, Chinese data cable service provider.¹⁰⁰ Curiously, the envisaged cable would have acoustic sensors and underwater drones which might increase the visibility of submarines¹⁰¹ (potentially including allied NATO submarines) to China (through Huawei Marine) in the strategically important Arctic region. Furthermore, this cable could increase China's offensive and defensive intelligence gathering capabilities. As sensitive data transfer between China and Europe would have "no longer gone through foreign data cables", foreign non-Chinese intelligence services could not intercept it as easily, Frank Jüris has written. Both China and Russia are interested in shielding their data flows from outside interference, and Huawei's Arctic Connect passing through the Russian Arctic waters would have enabled them to do just that. Plans to build this cable were announced to be "on hold" in late-2021,¹⁰² but it might be back on the agenda, after the Finnish company Cinia OY announced that plans for the cable were "moving ahead" in February 2022.¹⁰³ In any respect, it serves as a clear demonstration of a growing Chinese influence in the Arctic, at the doorstep of the Northern Eastern Flank of NATO.

Cyber Security and Estonia's Internet Infrastructure

Estonia ranks as the third most secure country on the Global Cyber Security Index, and the most secure EU member state in cyberspace.¹⁰⁴ Estonia is home to NATO's Cyber Range and the NATO CCDCOE. For these reasons, Chinese investments into Estonia's internet infrastructure should be particularly closely monitored. In 2017, CITIC Telecom, belonging to the

¹⁰⁰ Frank Jüris, "Handing over Infrastructure for China's Strategic Objectives: 'Arctic Connect' and the Digital Silk Road in the Arctic", Sinopsis, 7 March 2020, <https://sinopsis.cz/en/arctic-digital-silk-road/>

¹⁰¹ Ibid

¹⁰² Ari-Jussi Knaapila, "The Arctic Connect Telecom Cable Project Is Set on Hold for Further Assessment", Cinia, 28 May 2021, <https://www.cinia.fi/en/news/the-arctic-connect-telecom-cable-project-is-set-on-hold-for-further-assessment?hsLang=en>

¹⁰³ "Far North Fiber Moves Ahead - Cinia and ARTERIA Sign MoU for Pan-Arctic Fiber Cable", Cinia, 16 February 2022, <https://www.cinia.fi/en/news/far-north-fiber-moves-ahead-cinia-and-arteria-sign-mou-for-pan-arctic-cable?hsLang=en>

¹⁰⁴ "Index", National Cyber Security Index, 10 October 2022, <https://ncsi.ega.ee/>; Peeter Vihma, "Estonia Outranks Most of the World in Global Cybersecurity Index", E-Estonia, 15 June 2022, <https://e-estonia.com/estonia-outranks-most-of-the-world-in-global-cybersecurity-index/>

CITIC Group which has been described in 2006 as the front company of the PLA, acquired “the backbone of the Estonian Internet infrastructure”.¹⁰⁵ Through acquiring the Dutch company Linxtelecom, CITIC Telecom got a data centre in Tallinn with the deal, which hosts Estonia’s largest Internet Exchange (Tallinn Internet Exchange Point), and a 470-kilometre fibre optic network under the Baltic Sea.¹⁰⁶ On the other hand, Estonia’s investment screening mechanisms are ahead of the curve, and so far have well protected the technology sector in Estonia.¹⁰⁷ The problem with this deal was not Estonia’s investment screening mechanisms. Estonia has little power over what the Dutch company decides to do with its holdings and it could not prevent the passing on of its shares to a Chinese company.¹⁰⁸ In this case, new EU-wide approaches need to be discussed from the standpoint of every state’s National Security, to make it harder for trusted allies inside the European Union to sell stakes in national critical infrastructure to less trusted partners outside of the EU.

The Way Forward

Chinese influence has grown over the past decade in Estonia. Estonia has had a rethink over its involvement in the “16+1”, resulting in a withdrawal from the framework on 11 August 2022. The most recent period from 2019 until the present, has seen a cooling down of relations between China and Estonia, coinciding with increased US-China and EU-China tensions.

It needs to be underscored that Estonia has historically prioritised its strong bonds with the US and the EU Member States above all other global partnerships. As such, Estonia’s policies towards China have been formulated more on an ad hoc basis, in the absence of a comprehensive long-term Estonia-China strategy. As Estonia has never got close to formulating a significant trade relationship with China throughout the relationship

¹⁰⁵ Frank Jüris, *Estonia’s Evolving Threat Perception of China*, Taiwan: Prospect Foundation, 2022

¹⁰⁶ MaxSmolaks, “CITICTelecombuysassetsofLinx,expandsintoEurope”, 29 April 2016, <https://www.datacenterdynamics.com/en/news/citic-telecom-buys-assets-of-linx-expands-into-europe/>

¹⁰⁷ Frank Jüris, *Estonia’s Evolving Threat Perception of China*, Taiwan: Prospect Foundation, 2022

¹⁰⁸ *Ibid*

between 1991 and the present, it has been recently somewhat easier for Estonia to distance itself from China during a wave of geopolitical tensions. Nevertheless, to avoid being like a leaf in the air in its approaches to China, drifting along the divergent currents of its US and EU partners, Estonia might need to have a thorough rethink to formulate its own stances towards China, given China's increasing influence in the region. Maintaining strong Western partnerships for Estonia first and foremost is crucial, but only a domestic government can ensure that Estonia's own National Security and trade interests vis-à-vis China are closely monitored and properly balanced. Decisions need be taken based on specific interests of National security and prosperity before geopolitical currents.

Creating Estonia's China strategy and increasing China-expertise is also important to ensure that Estonia is readily prepared to make its own decisions, should there be an occasional mismatch in the US and EU approaches toward China.¹⁰⁹ A need for such strategy was also highlighted in the most recent report on Estonia-Asia future relations by Estonia's top Asia experts.¹¹⁰ Estonia's current vulnerabilities, including Magnetic MRO in Tallinn Airport, Nuctech in Tallinn Airport and Estonia-Russia border crossings, and CITIC Telecom's Tallinn Internet Exchange Point, deserve more attention and scrutiny. As the strategic importance of the Arctic is increasing, Estonia should stay vigilant to the risks of espionage, and the increasing geostrategic competition in the Arctic. Most importantly, there is a growing need to find the precise avenues for cooperation with China, so that "constructive and pragmatic relations" could continue as the Estonian Foreign Ministry declared in August 2022.¹¹¹ As China is growing in its influence and economic importance, much more research and focus needs

¹⁰⁹ While discussion on the EU-US-China relations exceeds the bounds of this chapter, it is important to mention that the American and EU approach to China have not always been uniform. For example, as demonstrated during the CAI negotiations in December 2020. For Estonia, an independent approach is important to avoid being torn between two equally important partners

¹¹⁰ Eiki Berg, Merilin Kiviorg, Meelis Kitsing, Urmas Varblane, Rain Ottis, Anna Broughel, Urmas Hõbepappel, "Eesti Ja Aasia Tulevikusuhete Raport." Tartu: Tartu University, 2022, <https://digiriitl.sisekaitse.ee/bitstream/handle/123456789/2947/Eesti-ja-Aasia-tulevikusuhete-raport.pdf?sequence=1&isAllowed=y>

¹¹¹ "Eesti Ei Osale Edaspidi Kesk- Ja Ida-Euroopa Riikide Ning Hiina Koostööformaadis | Välisministeerium", Välisministeerium, 11 August 2022, <https://vm.ee/ru/node/22837>

to be directed in Estonia towards finding the remaining safe avenues for co-operation. Estonia, the smallest of the Baltic three, simply cannot afford to drift along the currents, as its National Security interests and International Security interests as a NATO member state are implicated.

Latvia and China: Entering the Post-Optimism Period

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The year 2022 marks 31 years of diplomatic relations between the Republic of Latvia and the People's Republic of China. It has been a partnership characterised by diplomatic and economic relations more than any other sector. The growing influence of China has made Latvia and the whole Western world express caution regarding China's intentions globally. In order to demonstrate the changes in behaviour and the current policy goals from Latvia's perspective, this chapter covers the historic relations between the two, followed by an overview of economic cooperation, and an insight of how the relations have been perceived recently from the Annual Reports of the Minister of Foreign Affairs of the Republic of Latvia and Annual Reports on the Activities of Latvian State Security Service, additionally explaining survey data reviewed in recent years on the Latvian perception of China.

Historical Relations Between Latvia and China

The People's Republic of China was one of the first countries to recognise the Baltic states, including Latvia, on 7 September 1991, after the nations had fully regained their independence from the Soviet Union on 21 August 1991. The relationship between the two countries did not start out as smoothly as China would have thought, while afterwards, the way for cooperation was ultimately found.

To establish diplomatic relationships, the People's Republic of China required its counterparts to adhere to the 'One China' principle (China's interpretation – there is only one sovereign state under the name of China

and Taiwan is an inalienable part of it), and Latvia was no exception¹¹². However, the Latvian government created a twist within it for itself, pledging to adhere to a softer version of the ‘One China’ approach, namely, the ‘One China’ policy - a strategy used by most Western countries, yet differing from country to country. Not even a full month after Latvia had renewed its independence, on 12 September 1991, it had signed a Joint Statement of the Establishment of Diplomatic Relations with China, and from that moment on a trade agreement between the two was under way, cooperation in academic sector was being established, showing support for Latvia’s independence as well as its place and acceptance under the international structure.¹¹³ It seemed like a great, clean start to diplomatic relations, however the government in Riga had different plans and they did not start out as smoothly as China would have anticipated. Latvia, as a small, newly independent country could not forget neither about the struggles of independence, nor the wallet of Taiwan. Possibly, as it had freshly started out its foreign relations, the nation had less experience and/or awareness of the political games between China and Taiwan.¹¹⁴ In the meantime, Latvia, regardless of the promises made to China regarding the ‘One China’ approach when diplomatic relations were established, started to create contact with Taipei on economic and official levels as part of their own ‘One China’ policy.¹¹⁵ It seems that the reason why Latvia had agreed to choose People’s Republic of China over Taiwan in the first place was due to fact that it had a larger role in the international arena and would therefore help Latvia to become a member of the United Nations, and this is exactly what happened – Latvia’s admission was backed by China without putting any obstacles in its way.¹¹⁶

While China cautiously looked at the events happening between Latvia and Taiwan, the *unwanted* relations continued to bloom. In November 1991, Latvia and Taiwan signed a memorandum for economic cooperation which included the exchange of trade offices, and from that moment on,

¹¹² Jeļena Saburova, Latvija – Ķīna – Taivāna: Trīsstūris vai Aplis? Latvian Institute of International Affairs, 1993, <https://liia.lv/site/attachments/27/02/2012/LV-Kina-Taivana.pdf>, P. 9

¹¹³ Ibid

¹¹⁴ Czeslaw Tybilewicz, “The Baltic States in Taiwan’s Post-Cold War ‘Flexible Diplomacy’”, *Europe-Asia Studies* 54(5), 791-810, 2002, <https://doi.org/10.1080/09668130220147056>, P. 793

¹¹⁵ Ibid, P. 793

¹¹⁶ Ibid, P. 794 – 795

administrative works had been put in motion to establish a Latvian Trade Representation Office in Taipei, in a demonstration of the economic partnership between the two – Riga and Taipei.¹¹⁷ Interestingly, it happened only two months after the signing of the Joint Statement between Latvia and China.¹¹⁸ The memorandum between Taiwan and Latvia indicated that the trade representation office should carry Taiwan's full name (Republic of China); it also acknowledged that Taiwan is a sovereign country after all, which consequently left China furious.¹¹⁹ To continue the sequence of events, in February 1992, a consulate was opened in Riga, the name of which the PRC found outrageous – the Consulate of the Republic of China¹²⁰, elevating relations from economic to diplomatic and official levels, representing a bold move from Riga government's side as it had breached the agreement with China in a way. An answer from China's side came fast and China responded by closing the embassy of the People's Republic of China, while formal but cold diplomatic ties were kept.¹²¹ After some high-level official visits to Taipei, the situation started to change as Latvia might have felt that it could gain more with China than Taiwan. One of the reasons why the change from Taiwan to China occurred was due to Taiwanese promises of its “*dollar diplomacy*” while no real tangible effects were reached.¹²²

After understanding the mistake and in order to renew and maintain some kind of relationship with China, in 1992 Latvian politicians started to change their narrative, which previously had been a part of its ‘One China’ policy, and argued that consular relations were not the same as diplomatic ones, therefore taking away their responsibility of opening Taiwan's consulate and China leaving its embassy in Riga due to some carelessly chosen

¹¹⁷ Jeļena Saburova, Latvija – Ķīna – Taivāna: Trīsstūris vai Aplis? Latvian Institute of International Affairs, 1993, <https://liia.lv/site/attachments/27/02/2012/LV-Kina-Taivana.pdf>, P. 10

¹¹⁸ Ibid, P. 9-10

¹¹⁹ Czeslaw Tybilewicz, “The Baltic States in Taiwan's Post-Cold War ‘Flexible Diplomacy’”, *Europe-Asia Studies* 54(5), 791-810, 2002, <https://doi.org/10.1080/09668130220147056>, P. 795

¹²⁰ Jeļena Saburova, Latvija – Ķīna – Taivāna: Trīsstūris vai Aplis? Latvian Institute of International Affairs, 1993, <https://liia.lv/site/attachments/27/02/2012/LV-Kina-Taivana.pdf>, P. 11

¹²¹ Ibid, P. 12

¹²² Czeslaw Tybilewicz, “The Baltic States in Taiwan's Post-Cold War ‘Flexible Diplomacy’”, *Europe-Asia Studies* 54(5), 791-810, 2002, <https://doi.org/10.1080/09668130220147056>, 791-810, <https://doi.org/10.1080/09668130220147056>, P. 792

wording without actual meaning behind it.¹²³ After walking on thin ice for some time, it cracked, and for a while Latvia was left with no warm relations with either of the Chinas. In the year 1994, Taiwan understood that it had lost this game, when Latvia signed a joint communiqué of relation normalisation with Beijing on 28 July, and, at the same day, the Taipei government was forced to change the name of the Taiwan Consulate to the Taipei Mission in Riga. The new name struck a balance, as it kept a certain level of exchanges with Taiwan, but still assured China's acceptance, as long as relations were not official.¹²⁴ As a result, the investment and trade routes with Taiwan were kept open, allowing Latvia and Taiwan to continue their relations in a less official manner.¹²⁵ This practice, widespread all over the world, has been present in Latvia ever since.

After two years of relative silence and the cold shoulder from China's side, a thawing of relations finally came. The People's Republic of China re-opened their embassy in Riga in August 1994, and from that moment on, both countries gradually exchanged some high-level meetings, showing that the past was in the past and as long as Taiwan was not involved relations between Latvia and China could grow.¹²⁶ It seems that at the time China was very alert about Latvia's actions while still acknowledging the need to continue relations in China's favour. Thus, after seeing Taiwan's activity in the region, China needed *a win* in the Baltic states to make sure that other post-soviet countries would not follow in the footsteps of Latvia when it came to Latvian 'One China' policy.¹²⁷ In the year 1996, both countries started

¹²³ Jeļena Saburova, Latvija - Ķīna - Taivāna: Trīsstūris vai Aplis? Latvian Institute of International Affairs, 1993, <https://liia.lv/site/attachments/27/02/2012/LV-Kina-Taivana.pdf>, P. 20 - 21

¹²⁴ "Latvijas Republikas un Ķīnas tautas Republikas kopīgais komunikē par attiecību normalizēšanu", Latvijas Vēstnesis, 28 July 1994, <https://www.vestnesis.lv/ta/id/239588-latvijas-republikas-un-kinas-tautas-republikas-kopigais-komunike-par-attiecibu-normalizesanu>

¹²⁵ Czeslaw Tybilewicz, "The Baltic States in Taiwan's Post-Cold War 'Flexible Diplomacy'", *Europe-Asia Studies* 54(5), 791-810, 2022, <https://doi.org/10.1080/09668130220147056>, 791-810, <https://doi.org/10.1080/09668130220147056>, P. 792

¹²⁶ Indulis Bērziņš, "Speech at the Chinese People's Institute for Foreign Affairs", Beijing, Latvijas Vēstnesis, 13 June 2000, <https://www.vestnesis.lv/ta/id/8109>

¹²⁷ Czeslaw Tybilewicz, "The Baltic States in Taiwan's Post-Cold War 'Flexible Diplomacy'", *Europe-Asia Studies* 54(5), 791-810, 2022, <https://doi.org/10.1080/09668130220147056>, 791-810, <https://doi.org/10.1080/09668130220147056>, P. 803

cooperation through culture and education programmes,¹²⁸ and continued with economic cooperation eventually leading to today's levels. It is worth mentioning that the first high-level official visit from Latvia to China was in the year 1994, while the first high-level official visit of China in Riga was in the year 1999,¹²⁹ indicating the seriousness of the situation between the two countries – China took a long time to see if Latvia and its actions were worthy of such visit. Moreover, China's government made sure that no high-level visits would take place in Riga while the other two Baltic states were visited by Beijing's officials during the years 1993 and 1994 when tensions were highest.¹³⁰ Meanwhile, the administrative works put forward were not enough to open the Latvian Trade Representation office in Taipei and therefore, it was never fully materialised due to mostly financial issues that Latvia faced during its first years of renewed independence.¹³¹

The decision of choosing to be China's friend led to China's support for the geopolitical direction of Latvia and other Baltic states. China backed the transatlantic and EU orientation of the Baltics, not trying to undermine their candidacy for inclusion in the EU and NATO.¹³² Figure No. 1 presents an overview of the historical timeline of relations between Latvia and China during the first years of independence.

¹²⁸ Indulis Bērziņš, "Speech at the Chinese People's Institute for Foreign Affairs", *Latvijas Vēstnesis*, 13 June 2000, <https://www.vestnesis.lv/ta/id/8109>

¹²⁹ "Latvijas Republikas un Ķīnas Tautas Republikas divpusējās attiecības", *Latvijas Republikas Vēstniecībā Ķīnas Tautas Republikā*, 15 October 2020, <https://www2.mfa.gov.lv/china/latvijas-un-kinas-divpusejas-attiecibas>

¹³⁰ Czeslaw Tybilewicz, "The Baltic States in Taiwan's Post-Cold War 'Flexible Diplomacy'", *Europe-Asia Studies* 54(5), 791-810, 2022, <https://doi.org/10.1080/09668130220147056>, P. 791-810, <https://doi.org/10.1080/09668130220147056>, P. 803

¹³¹ *Ibid*, P. 800

¹³² *Ibid*, P. 805-806

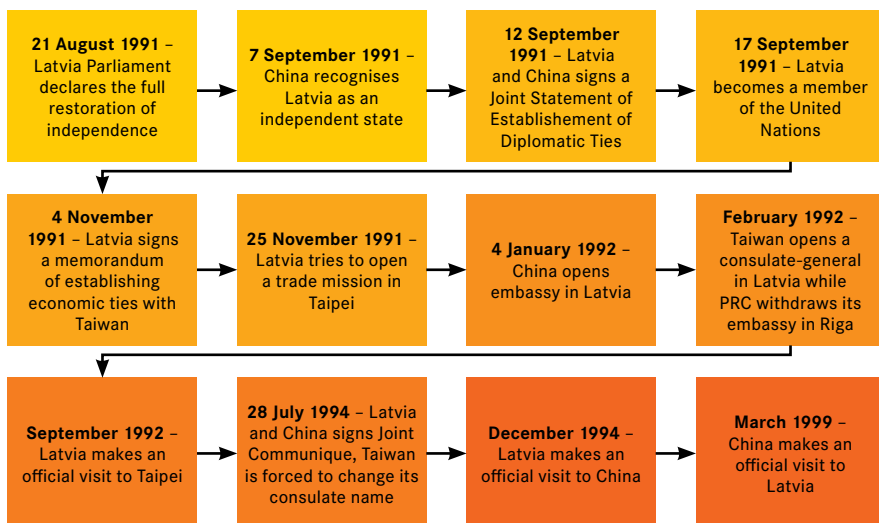


Figure 1. Historical relations between the Republic of Latvia, People’s Republic of China and the Republic of China (Taiwan).

Current interviews with policymakers suggest that there is no acknowledgement on the way how the relationships started between China and Latvia and the length of such is still counted from the first time relations were established and has still been represented as from year 1991. The relations between Latvia and China had experienced a rough patch since 1992 until 1994; however, afterwards, in China’s mind, diplomatic mistakes were corrected, and the partners returned to their original course diplomatically and economically, leading Latvia to the place where it is now – included in the Western world.

Economic Relations Between Latvia and China

As with most countries, Latvia also has a negative trade balance with China. It is important to mention that China is not one of the largest export destinations for Latvia, however, any economic activity for a small country is of great importance due to globalisation processes, scarcity of resources and most of all, economic growth possibilities. When it comes to Latvian

politics, economic opportunities are closely tied with Western values, which might put some barriers and caution on the trade destination for the greater good – freedom. In order see a bigger picture, it is important to look through economic indicators such as imports, exports and foreign direct investment and how they are entangled with politics.

To start with the exports from the Latvian market to China, Latvians mostly export to China wood or its particles, natural minerals and machinery, with up to EUR 159 million in value.¹³³ Within a ten-year span, the export value has increased almost four times. Therefore, an indication of economic dependence on the Chinese market is present, which could possibly lead to favourable conditions for China when it comes to policy decisions. Overall, one can see a steady growth in the export market to China while there is a slight decrease of the economic flow starting from 2020. It is important to mention that China is not one of the top Latvian export partners, as in the year 2021 it constituted only 0.97% of the total export market Latvia had to offer¹³⁴. For an overview of the economic trends of Latvian exports to China, in value of millions in Euro, refer to Figure No. 2 below.

¹³³ “Foreign trade with China, 2005 – 2022”, Central Statistical Bureau of the Republic of Latvia, <https://eksports.csb.gov.lv/en/years/countries-selected/export/2021/TOTAL/CN>

¹³⁴ “Foreign trade in goods, by partner”, Central Statistical Bureau of the Republic of Latvia, <https://eksports.csb.gov.lv/en/years/countries/export/2021>

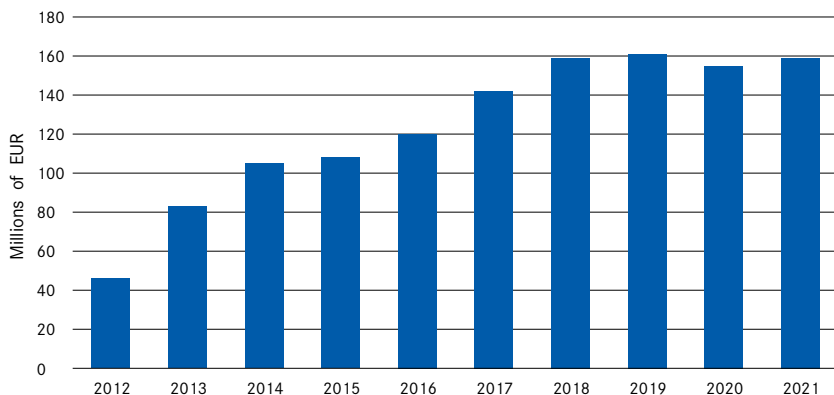


Figure 2. Latvia’s exports to China, millions of EUR (source: Latvian Central Statistical Bureau¹³⁵).

Looking at the imports to Latvia from China, Latvians mostly imported machinery, plastics, metals, optical instruments, and textiles, with up to EUR 859 million in value.¹³⁶ The imports from China to Latvia have grown more than two times since 2012. Afterwards, a steady increase of goods can be seen until 2020, reaching EUR 634 million, while in the year 2021 the import market from China soared by 25%. It is essential to indicate that China is included in the top 10 main import partners for Latvian economy in 2021, taking 6th place in it, standing at over 4.41% of the total Latvian import market overall.¹³⁷ For an overview of the economic trend of Latvian imports from China, in value of millions in Euro, refer to Figure No. 3 below.

¹³⁵ “Exports and imports by country, country group and territory (euro) – Flow of goods, Countries and Time period”, Official Statistics portal, https://data.stat.gov.lv/pxweb/lv/OSP_PUB/START__TIR__AT__ATD/ATD060/table/tableViewLayout1/

¹³⁶ “Foreign trade with China, 2005 – 2022”, Central Statistical Bureau of the Republic of Latvia, <https://eksports.csb.gov.lv/en/years/countries-selected/export/2021/TOTAL/CN>

¹³⁷ Central Statistical Bureau of the Republic of Latvia, “Foreign trade in goods by partner”, Central Statistical Bureau of the Republic of Latvia, <https://eksports.csb.gov.lv/en/years/countries/import/2021>

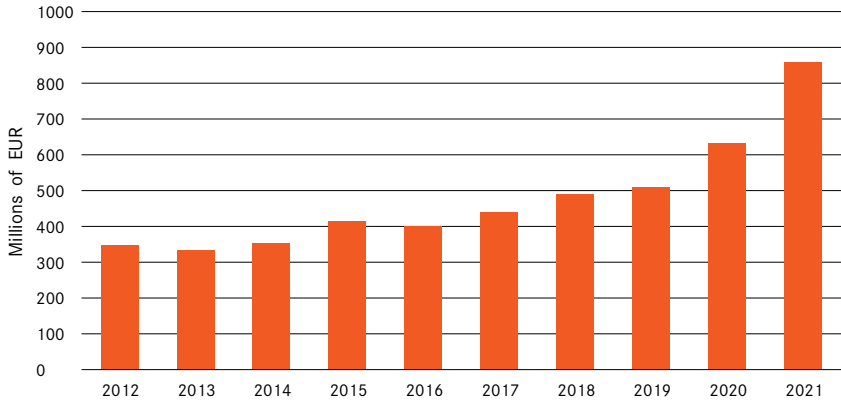


Figure 3. Latvia’s imports from China, millions of EUR (*source:* Latvian Central Statistical Bureau¹³⁸).

As regards Foreign Direct Investment (further FDI), China started to significantly invest in the Latvian market (exceeding one million euros) in the year 2013, and the number grew considerably starting from 2014 till 2017. Then, in 2018, investments plummeted by almost half and continued a downward trend till 2020. In the year 2021, the investments saw a sudden five-time increase, skyrocketing from EUR 22 million to EUR 104 million compared to the previous year. This is a clear sign that Chinese companies are interested in the Latvian market more than ever before. The high surge in FDI could also be a response from Chinese entrepreneurs on the issues between Lithuania-China and Taiwan, moving their capital to the Baltic state next door to avoid any problems or difficulties that they could face due to the political games between the three. For an overview, see a timeline of FDI from China in Latvia in Figure 4 Below.

¹³⁸ “Exports and imports by country, country group and territory (euro) – Flow of goods, Countries and Time period”, Official Statistics portal, https://data.stat.gov.lv/pxweb/lv/OSP_PUB/START__TIR__AT__ATD/ATD060/table/tableViewLayout1/

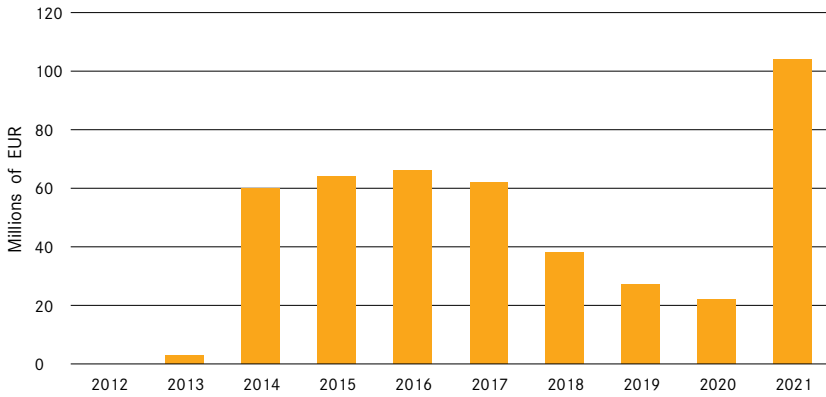


Figure 4. Foreign Direct Investment from China in Latvia, millions of EUR (*source*: Bank of Latvia¹³⁹).

To continue, after looking at the data for FDI from Latvia to China, it was evident that the Latvian entrepreneurs are reluctant to invest in China, as the year 2021 was the first year where the FDI went over one million euros.¹⁴⁰ This could be a sign that entrepreneurs from Latvia do not see China as a safe place for investment or believe it to be too far culturally and economically, while looking at the data from China’s investments in Latvia, it seems not to be the case.

Overall, one can see that there is more dependence within the last ten years as economic growth in imports and exports has been present, however, when examined more closely, in the last three years, there is a decline in exports and imports to and from China, including a decline in foreign direct investments, indicating that there might be some problems or explanations to the decrease of trade in the political field, while the year 2021 seems to indicate otherwise. As regards FDI, Chinese companies seem to be more present in Latvia than ever before. It is important to keep in mind that the large increase in investments could carry security threats to Latvia and

¹³⁹ “Foreign Direct investment in Latvia”, Bank of Latvia, Statistical database, <https://statdb.bank.lv/lb/Data/128/128>

¹⁴⁰ Ibid

therefore, the Western world. Considering the decrease in the last years, it is important to look for some explanations for it in the political field.

The newly created economic expansion platform China International Import Expo country exhibition has been present since 2018, as a forum and bridge through which China is trying to link itself with the rest of the world, where it is interested in it. Till now, Latvia has participated two times, in 2019 and 2020, while in 2021 the country decided against taking part in it.¹⁴¹ The decision of not participating in such an international export forum could be a sign of Latvians being careful in looking for an expansion of economic relations with China, while Expo Dubai was still chosen as a better option for economic development opportunities – signalling policy change in the international trade arena. In the meantime, as one of the main industries where both countries see great opportunities is transport and logistics, Latvia participated in the China International Fair for Trade and Services in 2021.¹⁴² It is important to emphasise that trade in the transport and logistics sector among the two countries has seen an increase of 98% between the years 2016 and 2020.¹⁴³ This might be the reason why the government of Latvia reaffirmed readiness to continue cooperation in the transport and logistics sector on the same day as when Latvia's withdrawal from the Cooperation format between China and Central and Eastern European Countries (known as "16+1") forum was announced.¹⁴⁴ Taking into account the fact that for Latvia and the Baltic states as such, China is not the largest economic partner, it does not carry significant financial

¹⁴¹ "Latvian-Chinese relations in view of the 2021 China International Import Expo", Weekly Briefing of China-CEE Institute, China-CEE Institute, November 2021, <https://china-cee.eu/2021/12/01/latvia-economy-briefing-latvian-chinese-relations-in-view-of-the-2021-china-international-import-expo/>

¹⁴² "Sino-Latvian trade in transport and logistic services expands - VIA LATVIA participates in the CIFTIS 2021", Ministry of Transport of the Republic of Latvia, <https://www.sam.gov.lv/en/article/sino-latvian-trade-transport-and-logistic-services-expands-latvia-participates-ciftis-2021>

¹⁴³ Ibid

¹⁴⁴ Una Aleksandra Bērziņa-Čerenkova, "Mild Wording but Harsh Timing: Latvia and Estonia's Exit from the "16+1"", China Observers in Central and Eastern Europe (further CHOICE), 12 August 2022, https://chinaobservers.eu/mild-wording-but-harsh-timing-latvia-and-estonias-exit-from-161/?_thumbnail_id=6011

dependence over them.¹⁴⁵ Consequently, they are able to support causes and values they believe in, such as human rights or rule of law, as there might be more to gain and less to lose than those countries that are dependent on China's investments or trade and therefore, can try to find different routes for economic possibilities other than China. Thus, Latvia in its foreign policy has expressed its concerns to China when it comes to human rights issues, challenges to the existing international order, or economic coercion – the case of Lithuania will be described further in this book – while at the same time the emphasis on the importance of the 'One China' policy is still maintained from the Latvian side.¹⁴⁶

Economic relations go hand-in-hand with diplomatic relations and political decisions. Overall, although unevenly characterised with some decreases and some surprising surges, the economic dependence in a larger timeframe between Latvia and China has increased. Some of the fallout can be written off due to the pandemic while there are some other problems evident from the political point of view. One thing is clear, Latvia is looking for ways to minimise dependence from the economic powerhouse that is China.

Current Relations between Latvia and China

This section will look at recent events in terms of foreign policy goals and challenges between Latvia and China. Furthermore, an analysis on Latvia's Annual Reports of the Minister of Foreign Affairs of the Republic of Latvia will be carried out over a 5-year time frame, from the year 2016 till the year 2021, to assess the development of events and changes between the two countries from Latvia's foreign policy view. In addition, Annual Reports on

¹⁴⁵ Annual Report of the Minister of Foreign Affairs on the accomplishments and further work with respect to national foreign policy and the European Union 2020, Ministry of Foreign Affairs of the Republic of Latvia, P. 16, 2020, <https://www.mfa.gov.lv/en/media/2221/download>

¹⁴⁶ "Representative of Latvian Foreign Ministry, Juris Štālmeistars, meets with Special Representative of China for Cooperation between Central and Eastern European Countries and China", Embassy of the Republic of Latvia in the People's Republic of China, 12 May 2022, <https://www2.mfa.gov.lv/en/china/current-events/69101-representative-of-the-latvian-foreign-ministry-juris-stalmeistars-meets-with-special-representative-of-china-for-cooperation-between-central-and-eastern-european-countries-and-china>

the Activities of Latvian State Security Service for the same timeframe will also be analysed.

To start, it is important to mention that the “16+1” format created by China and launched in 2012, is a platform where heads of government normally meet to discuss future, mostly economic, cooperation possibilities between China and Central, Eastern European Countries. All these years Latvia gladly participated in the format while the narrative from Latvia’s side changed in the year 2021, when Latvia and other Baltic states decided to send ministers – lower-level officials – to show their stance on the perceived importance when it comes to the foreign relations agenda and China’s actions world-wide.¹⁴⁷ The move signalled the need to hold on to the Western values that are regarded highly in the Baltic community. During an interview in early February 2022, Chairman of the Foreign Affairs Committee and Latvian Parliament member Rihards Kols, indicated that, at that time the “17+1” format had become unattractive for Latvia as it provided promises while no real actions or tangible benefits had been taken or received in order to keep the forum going and appealing to Eastern Europe.¹⁴⁸ In addition, he mentions that it is unfair to ask for the ‘One China’ policy as the forum divides Europe, while there is no one EU policy when it comes to China’s relations with the EU member states.¹⁴⁹ Therefore, it seemed that Latvia’s foreign policy had started to shift towards a more common one with the EU, and the manifestations of it started to change as well, as Latvia declared leaving the format during the summer of 2022.¹⁵⁰ The press release of the announcement to leave the format was very short and to

¹⁴⁷ Una Aleksandra Bērziņa-Čerenkova, ““Go with the Devil You Don’t Know”? Latvians Still believe in Economic Cooperation with China”, Foreign Policy Research Institute, 7 April 2021, <https://www.fpri.org/article/2021/04/go-with-the-devil-you-dont-know-latvians-still-believe-in-economic-cooperation-with-china/>

¹⁴⁸ Andrius Balčiūnas, 10 February 2022, “Latvian MP on Lithuania’s Taiwan mission: do you want to foster ties or just ‘piss off China’?” Lithuanian National Radio and Television, 10 February 2022, <https://www.lrt.lt/en/news-in-english/19/1612407/latvian-mp-on-lithuania-s-taiwan-mission-do-you-want-to-foster-ties-or-just-piss-off-china>

¹⁴⁹ Ibid

¹⁵⁰ “Latvia ceases its participation in the cooperation framework of Central and Eastern European Countries and China”, Ministry of Foreign Affairs of the Republic of Latvia, 11 August 2022, <https://www.mfa.gov.lv/en/article/latvia-ceases-its-participation-cooperation-framework-central-and-eastern-european-countries-and-china>

the point, indicating that Latvia would continue cooperation bilaterally and through the EU-China policy narrative, with an emphasis on international law and human rights,¹⁵¹ thus taking on the previously mentioned Western narrative. It seems that the main motive for leaving the format was a call for deeper EU-China policy, not a division between the EU member states. If looked at from a geopolitical point of view, Latvia will keep its foreign policy aligned with the EU and NATO values and ideas and will guard them at every cost. Especially, when it comes to threats that are placed on the western international system for security and wellbeing reasons.¹⁵² Accordingly, if a threat has been felt from outside of the organisations of the Western block, in this case it was a divisive one, it is considered as foreign policy for Latvia to be as far from the threat as possible, as one can see in the exit from what currently remains as a “14+1” format. While there are no objections from the EU or NATO on the exit strategy from the forum, it is clear that Latvia is interested in economic cooperation with China, as long as it does not come at the expense of Western values – as it has been evident from the period even prior to Latvia’s accession to NATO and the EU.¹⁵³ To understand how and if the narrative has changed in the past years when it comes to relations with Beijing, the author will provide an examination of the Annual Reports of the Minister of Foreign Affairs of the Republic of Latvia and the Annual Reports on the Activities of Latvian State Security Service within the last years.

In 2016–2017, Annual Reports of the Latvian Minister of Foreign Affairs did not see China as a challenge in any way, including no challenges posed for a rules-based order. These years of foreign policy demonstrate a positive stance towards the “16+1” format with optimistic and tangible benefits

¹⁵¹ “Latvia ceases its participation in the cooperation framework of Central and Eastern European Countries and China”, Ministry of Foreign Affairs of the Republic of Latvia, 11 August 2022, <https://www.mfa.gov.lv/en/article/latvia-ceases-its-participation-cooperation-framework-central-and-eastern-european-countries-and-china>

¹⁵² Sigita Struberga, “The Unknown Other? Perceptions of China in Latvia”, China Observers in Central and Eastern Europe (CHOICE), 13 May 2020, <https://chinaobservers.eu/the-unknown-other-perceptions-of-china-in-latvia/>

¹⁵³ Indulis Bērziņš, “Speech at the Chinese People’s Institute for Foreign Affairs”, Latvijas Vēstnesis, 13 June 2000, <https://www.vestnesis.lv/ta/id/8109>

coming from cooperation with China in terms of trade and investment.¹⁵⁴ According to the Annual Report on the Activities of Latvian State Security Service, in the year 2017, there were no indications of China's threat or intelligence present in Latvia,¹⁵⁵ while, in the year 2016, China was posed as an alternative to Russian transit projects within the context of "16+1"¹⁵⁶ – here as well, no threats seemed to be present at that time, only a positive image of China was put forward. It is important to indicate that during the summer of 2017, China and Russia conducted naval military drills in the Baltic Sea and afterwards, China showed off its warships by dispatching them to the port of Riga.¹⁵⁷ At the time it was considered as part of positive cooperation with China and not a threat to the Baltic countries.¹⁵⁸ If something similar happened starting from 2020, it might be considered as a security risk.

Looking through the year 2018 of the Annual Report of the Latvian Minister of Foreign Affairs, one can see that China has emerged as a threat, while no separate paragraph of China posing challenges has been indicated. Present are concerns about the rules-based order when it comes to trade with China,¹⁵⁹ while at the same time, the "16+1" format seemed to be of high importance in the field of transport and logistics.¹⁶⁰ This does not come as a surprise as even leaving the previous "16+1" format, there is still

¹⁵⁴ Annual Report of the Minister of Foreign Affairs on the accomplishments and further work with respect to national foreign policy and the European Union (2016–2017), Ministry of Foreign Affairs of the Republic of Latvia, P. 22, 2017, <https://www.mfa.gov.lv/en/article/annual-report-accomplishments-and-further-work-respect-national-foreign-policy-and-european-union-2016-2017>

¹⁵⁵ Public report on the activities of Latvian Security Police in 2017, Latvian Security Police, April 2018, <https://vdd.gov.lv/uploads/materials/19/en/annual-report-2017.pdf>

¹⁵⁶ Public report on the activities of the Security Police in 2016, Latvian Security Police, P. 29, April 2017, <https://vdd.gov.lv/uploads/materials/20/en/annual-report-2016.pdf>

¹⁵⁷ "Ķīnas karakuģi pēc kopīgām mācībām ar Krieviju piestājuši Helsinku ostā", TVNET/LETA, 2 August 2017, <https://www.tvnet.lv/4563293/kinas-karakugi-pec-kopigajam-macibam-ar-krieviju-piestajusi-helsinku-osta>

¹⁵⁸ Ibid

¹⁵⁹ Annual Report of the Minister of Foreign Affairs on the accomplishments and further work with respect to national foreign policy and the European Union 2018, Ministry of Foreign Affairs of the Republic of Latvia, P. 20, 2019, <https://www.mfa.gov.lv/en/media/2223/download>

¹⁶⁰ Ibid, P. 22

an expressed interest to maintain economic relations in exactly that sector, creating a somewhat inconsistent strategy between the Latvian governmental bodies. In addition, no signs of any military or cyber threats posed by China seem to be present at that time. The Annual Report on the Activities of Latvian State Security Service for the year indicates some issues with China related to data security of individuals while no other agenda from China's side seems to be present.¹⁶¹ It is important to indicate that the cooperation with China, overall, in 2018 seems to have both positive and negative connotations.

The year 2019 of the Annual Report of the Latvian Minister of Foreign Affairs refers to China after the paragraph dedicated to Russia, indicating the seriousness of the threat. It is noteworthy to remember that this was the time when the Trump administration was in place and large disagreements between the US and China on trade relations had started to take place. Therefore, a huge impact on economic wellbeing when trading with China is felt in the policy report.

To continue, cyber-security has been one of the biggest challenges when it comes to China, including investments in strategic infrastructure that led to other security concerns.¹⁶² In addition, the caution about the Belt and Road initiative has been present as well, implying that Latvia, the EU and NATO should be careful accepting goods that China has to offer as it might come with a higher cost later.¹⁶³ Consequently, it is evident that Latvia had started to look for other investments, coming from more Western destinations as indicated in the 2020 and 2021 Reports as well. It is important to mention that the 2019 Report does not recognise China's military expansion, while more emphasis is put on investments of China in strategic infrastructure and problems with trade relations that the US and the EU face when it concerns China. According to the Annual Report on the Activities of Latvian State Security Service for 2019, the China threat was

¹⁶¹ Annual Report on the activities of the Latvian State Security Service in 2018, Latvian State Security Service, P. 10-12, April 2019, <https://vdd.gov.lv/uploads/materials/2/en/annual-report-2018.pdf/>

¹⁶² Annual Report of the Minister of Foreign Affairs on the accomplishments and further work with respect to national foreign policy and the European Union 2019, Ministry of Foreign Affairs of the Republic of Latvia, P. 2-3, 2020, <https://www.mfa.gov.lv/en/media/2222/download>

¹⁶³ *Ibid*, P. 3

mostly based on its rise in the technological field that could lead to security issues regarding information and data created and collected by the Western organisations.¹⁶⁴ It is essential to indicate that no separate sub-chapter in the report is left to explain the threats of China posed in Latvian society.

The same as in 2019, in the Annual Report of the Latvian Minister of Foreign Affairs 2020, a separate paragraph for China is present which indicates that tensions have become more and more prominent with each coming year. However, it is essential to indicate that Russia covers the first paragraph of international tensions, and the next two are directed at China, which expressed concerns for issues such as human rights, the rules-based order as well as China's actions in South China Sea, trade relations and climate change issues.¹⁶⁵ As there are fewer military threats in the 2020 policy than presented in 2021, there is still a recognition of China being a responsible leader when it comes to arms control.¹⁶⁶ It is important to mention that cybersecurity has not been one of Latvia's top priorities in its foreign policy when it comes to China, while arms control feels like an issue, indicating military security threats coming from Beijing.¹⁶⁷ Additionally, the 2020 report expresses the need to indicate that the "17+1" format is meant for economic cooperation and not for other political purposes, signifying that the Latvian government had some structural problems with the format for what it had become, present as early as the year 2020.¹⁶⁸ According to the Annual Report on the Activities of Latvian State Security Service for 2020, it has been observed that China tried to carry out two information influence activities, both designed to show China in a better light, first as being a superpower, and second as having greater chances of successfully dealing with the pandemic due to its political system that poses greater advantages

¹⁶⁴ Annual Report of the activities of Latvian State Security Service in 2019, Latvian State Security Service, P. 5, March 2020, <https://vdd.gov.lv/uploads/materials/1/en/annual-report-2019.pdf>

¹⁶⁵ Annual Report of the Minister of Foreign Affairs on the accomplishments and further work with respect to national foreign policy and the European Union 2020, Ministry of Foreign Affairs of the Republic of Latvia, P. 3-4, 16, 2021, <https://www.mfa.gov.lv/en/media/2221/download>

¹⁶⁶ Ibid, P. 24

¹⁶⁷ Ibid

¹⁶⁸ Ibid, P. 16

than the Western built system.¹⁶⁹ Moreover, in 2020, Latvia received greater amounts of Chinese intelligence activities than in 2021, as it could be related to keeping a positive image in the shadow of COVID-19.¹⁷⁰ It is important to mention that starting from the year 2020, the importance of China in the Security report is visibly growing, introducing a special paragraph with the name *China's information influence activities*¹⁷¹ as well as spreading the mentions around the text.

In the Annual Report of the Latvian Minister of Foreign Affairs 2021, China has been identified as “a cooperation partner, an economic competitor, and a systemic rival at the same time”¹⁷², having the same wording as used by the EU when it comes to China policy. It is important to emphasise that relations with China were under the section “the geopolitical situation, processes, challenges”, right after the paragraph where concerns regarding relations and actions of Russia were expressed, positioning China as one of the top foreign policy challenges for the year and the future. In the meantime, it is stated that EU-China cooperation presents a larger role for the future direction of the Latvian foreign policy, including the Western and NATO stance altogether when it regards cooperation between Latvia and China bilaterally. This means that there will be little room for bilateral relations, as the focus has been shifted to common policy goals with the West. Furthermore, the policy clearly indicates that Latvia plans to seek alternate economic opportunities posed by the Western world in order to minimise the negative balance of trade when it comes to trade and security issues with China, as well as alternative investment routes to the Belt and Road initiative,¹⁷³ meaning that China as an export destination is not that

¹⁶⁹ Annual Report on the activities of Latvian State Security Service (VDD) in 2020, Latvian State Security Service, P. 29, March 2021, <https://vdd.gov.lv/uploads/materials/8/en/annual-report-2020.pdf/>

¹⁷⁰ Annual Report on the Activities of Latvian State Security Service (VDD) in 2021, P. 7, April 2022, <https://vdd.gov.lv/uploads/materials/30/en/annual-report-2021.pdf/>

¹⁷¹ Annual Report on the activities of Latvian State Security Service (VDD) in 2020, Latvian State Security Service, P. 29, March 2021, <https://vdd.gov.lv/uploads/materials/8/en/annual-report-2020.pdf/>

¹⁷² Annual Report of the Minister of Foreign Affairs on the accomplishments and further work with respect to national foreign policy and the European Union 2021, Ministry of Foreign Affairs of the Republic of Latvia, 2022, P. 5, <https://www.mfa.gov.lv/en/media/5240/download/>

¹⁷³ Ibid, P. 5

attractive anymore – this phenomena can be seen in the economic indicators and in the choice of economic expos, too. In addition, the 2021 policy recognises that there are more and more apparent cyberthreats coming from China as well,¹⁷⁴ indicating the need for security in the digital sector and a common policy with the West. To continue, also reported are needs for a shared NATO policy when it comes to China’s investments in critical infrastructure, as well as calls for an increasing military and technology sector.¹⁷⁵

Due to China’s rapid expansion in military, trade and other sectors, Latvia is not fully supporting China’s actions in the international arena as had been expressed through diplomatic routes previously, namely – China should take up a role as a responsible leader that highly guards human rights and the rule-of-law and to have a say on the war that is happening in Ukraine right now,¹⁷⁶ as well as it should find a way to involve itself in greater arms control for the world to be convinced that China could be one of the *good and responsible world leaders*.¹⁷⁷ This indicates that Latvia acknowledges in its foreign policy the threats that are posed by China in different directions – military, trade, rules-based order, and Western values. According to the Annual Report on the Activities of Latvian State Security Service, in the year 2021, China continued to extend its information campaigns to advertise its aims in the international area that include challenging NATO and the EU with an aim to show that China is the one that can

¹⁷⁴ Annual Report of the Minister of Foreign Affairs on the accomplishments and further work with respect to national foreign policy and the European Union 2021, Ministry of Foreign Affairs of the Republic of Latvia, 2022, P. 12, <https://www.mfa.gov.lv/en/media/5240/download/>

¹⁷⁵ Ibid, P. 19

¹⁷⁶ “Representative of Latvian Foreign Ministry, Juris Štālmeistars, meets with Special Representative of China for Cooperation between Central and Eastern European Countries and China, Embassy of the Republic of Latvia in the People’s Republic of China”, 12 May 2022, <https://www2.mfa.gov.lv/en/china/current-events/69101-representative-of-the-latvian-foreign-ministry-juris-stalmeistars-meets-with-special-representative-of-china-for-cooperation-between-central-and-eastern-european-countries-and-china>

¹⁷⁷ Annual Report of the Minister of Foreign Affairs on the accomplishments and further work with respect to national foreign policy and the European Union 2021, Ministry of Foreign Affairs of the Republic of Latvia, 2022, P. 22, <https://www.mfa.gov.lv/en/media/5240/download>

help to stabilise the chaos in the international agenda.¹⁷⁸ Moreover, it is forecast that Chinese intelligence activities will rise in the near future.¹⁷⁹ The importance of China presented in the report is described in a subchapter called “China’s Information Influence Measures” within the “Information Space Security”¹⁸⁰ section, indicating the seriousness of the threats posed by Beijing in 2021. As the Latvian government is taking China more seriously, it is time to look at whether Latvian society sees that as well.

A 2021 survey indicates that the respondents had either neutral or more positive feelings towards China.¹⁸¹ Looking at data that were collected in the year 2020, Latvians had their feelings more aligned with neutrality.¹⁸² This could be an indication that during the pandemic, China had greatly pushed its positive image in Latvia. During a survey in 2021, Latvians acknowledged that they know too little of Chinese activities in Latvia, therefore have not been able to formulate their own opinion of China.¹⁸³ Thus, there is a need for wider education from Latvia’s government side of China and its actions world-wide. While the outlook of most of the respondent’s regarding China was neutral, Latvians cannot imagine that a Chinese person could enter their lives by marrying into the family or become a member of the Latvian political scene.¹⁸⁴

When asked in 2021 to say the first word that comes to the mind of Latvians when thinking of China, they were overpopulation, mass production, cheap

¹⁷⁸ Annual Report on the Activities of Latvian State Security Service (VDD) in 2021, P. 24, April 2022, <https://vdd.gov.lv/uploads/materials/30/en/annual-report-2021.pdf>

¹⁷⁹ Ibid, P. 9, 32

¹⁸⁰ Ibid, P. 32

¹⁸¹ Una Aleksandra Bērziņa-Čerenkova, Richard O. Turcsanyi, Matej Šimalčík, et.al., Latvian public opinion on China in the age of COVID-19, Central European Institute of Asian Studies, 2021, P. 6, <https://ceias.eu/wp-content/uploads/2021/03/LV-poll-report.pdf>

¹⁸² Mārtiņš Kaprāns, Inta Mieriņa, Andris Saulītis, Intercultural stereotypes and prejudices in Latvian society, University of Latvia, 2020, P. 26, https://www.integration.lv/uploads/files/informativie-materiali/lu_petijums_sapc.pdf

¹⁸³ Žaneta Ozoliņa, Inna Šteinbuka, “Eiropas nākotne – Latvijas skatījums, European Policy Research Institute”, 2021, P. 17, http://eppi.lza.lv/wp-content/uploads/2021/12/Eiropas-nakotne_raksts-A4_08.12.21.pdf

¹⁸⁴ Mārtiņš Kaprāns, Inta Mieriņa, Andris Saulītis, Intercultural stereotypes and prejudices in Latvian society, University of Latvia, 2020, P. 22, https://www.integration.lv/uploads/files/informativie-materiali/lu_petijums_sapc.pdf

products, big country and great wall¹⁸⁵. In the year 2020, Latvians associated Chinese with being hardworking and being able to come up with new, technological solutions while at the same time, Latvians believe that Chinese people living in Latvia were not loyal to Latvia,¹⁸⁶ therefore, an indication of Latvian society being cautious of trusting Chinese seems to be present. It is important to mention that looking at the comparison above, Latvians believe in Chinese technology while in one of the surveys during the Covid-19 pandemic, Latvians would not choose a vaccine that was manufactured in China while the European vaccines seemed to be most suitable¹⁸⁷. Thus, the threat in medicine seems to be present, while technological advancements at a low cost is acceptable. To continue, it seems that Latvia has not fully acknowledged the authoritarian regime in China, as in 2021, 23% of Latvian society were not sure if the Chinese regime could be an inspiration for the Latvian government,¹⁸⁸ showing that there is a gap in knowledge about it or that Latvians do not link the regime with human rights. Thus, 52% of Latvians in a 2021 survey believed that human rights are consistently violated.¹⁸⁹ It is important to mention that in a survey from 2021, only 10% of Latvians believe that China could be the most suitable strategic partner for Latvia, indicating that other countries would be more suitable or could carry less risks.¹⁹⁰ Furthermore, another survey from 2021 suggests that there are more negative perceptions of China's actions such as Chinese military power, China's influence on democracy in other countries, China's impact on the global environment, while the same survey, more neutral to a rather positive outlook, was allocated to trade

¹⁸⁵ Una Aleksandra Bērziņa-Čerenkova, Richard O. Turcsanyi, Matej Šimalčík, et.al., Latvian public opinion on China in the age of COVID-19, Central European Institute of Asian Studies, 2021, P. 7, <https://ceias.eu/wp-content/uploads/2021/03/LV-poll-report.pdf>

¹⁸⁶ Mārtiņš Kaprāns, Inta Mieriņa, Andris Saulītis, Intercultural stereotypes and prejudices in Latvian society, University of Latvia, 2020, P. 36, https://www.integration.lv/uploads/files/informativie-materiali/lu_petijums_sapc.pdf

¹⁸⁷ Pētījums par sabiedrības attieksmi pret COVID-19, SKDS pētījumu centrs, August 2021, P. 52, <https://www.mk.gov.lv/lv/media/10646/download>

¹⁸⁸ Dominika Hajdu, Katarína Klingová, Daniel Milo, Miroslava Sawiris, "GLOBSEC Trends 2021: Central and Eastern Europe One Year into the Pandemic", GLOBSEC, 2021, P. 9, <https://www.globsec.org/publications/globsec-trends-2021/>

¹⁸⁹ Ibid, P. 29

¹⁹⁰ Ibid, P. 20

with China, Chinese investment and the Belt and Road initiative.¹⁹¹ As long as economic ties are involved, China is perceived as a friend, while other issues that could in some ways hurt the Western world or its values are perceived in a more negative light.

To conclude the sub-chapter, it is evident that Latvia supports Western political thought and is looking for a direction that is more oriented towards a common China policy of the EU and NATO. As regards the Annual Reports of the Latvian Minister of Foreign Affairs and Annual Reports on the Activities of Latvian State Security Service, China has started to pose a threat for Latvia since 2019. The threats are mostly in relation to data security, cyber security, Chinese trade and investment in critical infrastructure, Chinese military expansion, human rights violations and rules-based order. As regards Latvian opinion on China, it is rather neutral. Thus, an indication for state-wide education in the topic seems to be present. China seems to be a far-off issue for the Latvian society, and the threats it poses it might be overlooked due to the hopes for the gains that come from China's perception of an economic and technological powerhouse in Latvia.

Conclusions

When looking at the relations between Latvia and China, one must admit – they started out on thin ice but found their way back to the originally intended track, at least from China's side. Since then, Latvia still acknowledges the "One China" policy in its diplomacy. During the years from 1999 until 2018, it seems that the relations were stable and steadily developing, without any huge fallouts or successes. Nevertheless, it is important to acknowledge that entering the new millennium, China did not place any obstacles regarding Latvia and other Baltic states becoming a member of the EU and NATO, leading to having a safer neighbourhood around them and the possibility to be saved in the event of security being challenged.

¹⁹¹ Dominika Hajdu, Katarína Klingová, Daniel Milo, Miroslava Sawiris, "GLOBSEC Trends 2021: Central and Eastern Europe One Year into the Pandemic", GLOBSEC, 2021, P. 20, <https://www.globsec.org/publications/globsec-trends-2021/>

As regards trade relations between the two, they have grown by each year; however, as of 2019, one can see a downward trend in trade and foreign direct investment between the two, while in the year 2021, the investment from China seems to be skyrocketing.

Latvia seems to be adapting a more careful foreign policy when it comes to trade, diplomatic relations and security issues in the last few years. There is a feeling of threats coming from China since 2018 and it is significantly rising each year – taking one of the top places in Latvian foreign policy for international challenges in 2021. Consequently, it is evident that Latvia is looking for ways to minimise reliance on China due to globalisation and interdependence processes and therefore, trying to find other investment routes that would be more suitable for its economy and values. The notion of China not following the rules set out by the Western world is visible in the foreign policy, described as security risks in all forms important to a small country such as Latvia – trade, human rights, arms control, and values that it believes in.

Looking closely at the official documents, it can be concluded that over the last years, Latvia has been trying to choose a path where the relations between Riga and Beijing are left in the hands of the EU, NATO and other big players of the Western world, to increase a sense of national security in all of its forms.

The main reason why Latvia is turning away from China is that the models of cooperation and bilateral relations created by China could potentially hurt Latvia's economy and more importantly – security. Looking at the sociological surveys over the recent years, one can conclude that the younger generation might be the most vulnerable to Chinese intelligence while overall Latvians carry a neutral opinion of China. Therefore, the Latvian society might not be aware of the risks that China can bring while the Government actions seem to be right on it. It seems that the Latvian government should work more on educating people on China's actions within their country, in the Baltic region, and world-wide.

One Country – Two Faces: China’s Turn from an Economic Partner to Security Concern for Lithuania

VIDA MAČIKĖNAITĖ

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Lithuania re-emerged as an independent state after the disintegration of the Soviet Union in 1991. For the first two decades after independence, relations with neighbouring countries and the urgent task of integration with the European Union (EU) and NATO overshadowed bilateral relations with geographically distant countries, pushing the People’s Republic of China (hereinafter the PRC or China) towards the end of the foreign policy priorities list. In the 2000s, several highest-level meetings with Chinese leaders sporadically took place, where high expectations for future bilateral relations were stated. Nevertheless, it was not until the early 2010s that Lithuania took serious notice of China and its economic weight. As Beijing expanded its engagement with the Central and Eastern European countries through the “16+1” format in 2012, China came to be regarded as an opportunity for the small Lithuanian economy. These expectations defined Lithuania’s perception of China in later years.

Nonetheless, the development of trade and economic relations has never reached the expectations of the Lithuanian side, and China remained a minor economic player in Lithuania. Moreover, at the end of the decade, the perception of China started to transform. Suddenly, for Lithuania it became a security concern rather than an economic partner. 2021 marked a stark turning point in the bilateral relations of the two countries after the government in Lithuania changed its China policy significantly, which led to Beijing unilaterally downgrading bilateral relations to the level of *chargé d’affaires*.

This chapter surveys the remarkable evolution of Lithuania’s perception of China. A brief overview of the early bilateral relations since 1991 is followed by a detailed picture of developments in bilateral affairs since 2012,

when the “16+1” format was launched. It presents both economic and security dimensions in Lithuania’s view of China, and also captures the role of Taiwan factor in bilateral relations. The third part offers a detailed picture of bilateral economic relations, underscoring the argument that economic engagement has remained limited, high expectations from the Lithuanian side notwithstanding. Moreover, it also reveals the one-sided effect that the bilateral diplomatic crisis had on trade relations. The following fourth part exposes how all these developments taking place in a broader international context eventually crystalised into a clear definition of China in Lithuania’s perception of the security threat.

Overview of Early Bilateral Relations

Lithuania’s bilateral relations with the PRC started relatively early in September 1991. Lithuania declared its independence from the Soviet Union in March 1990, but was only recognised for the first time on 11 February 1991 by Iceland. Next, only Denmark and Slovenia extended recognition to the newly independent country in Eastern Europe before 29 July 1991, when the Treaty between the Republic of Lithuania and the Russian Soviet Federated Socialist Republic on the Foundation of Interstate Relations was signed. This clear legal definition of bilateral relations between Vilnius and Moscow triggered a rapid expansion of Lithuania’s bilateral relations, with 37 countries recognising the Republic of Lithuania in August and 52 more following in September. In this wave of recognition of Lithuania as an independent state, there was also the PRC on 7 September 1991. A week later, on 14 September, the two sides signed a joint communique in Vilnius, the capital of Lithuania. The Government of the Republic of Lithuania committed to recognising “the Government of the People’s Republic of China as the sole legal government of China and Taiwan as an inalienable part of the Chinese territory;” also that “The Government of the Republic of Lithuania undertakes the obligation not to establish official relations or engage in official contacts with Taiwan.” Furthermore, the Government of the PRC expressed China’s full support for Lithuania’s application for full membership in the

United Nations (UN).¹⁹² As soon as December 1991, the president of the PRC appointed Pei Yuanying as an ambassador to Lithuania.

In June 2002, Chinese President Jiang Zemin arrived in Lithuania on an official visit. He noted that China firmly supports Lithuania's efforts to secure the country's independence, sovereignty and territorial integrity. Moreover, the Chinese president expressed his support for Lithuania's EU and NATO membership goals. During the presidential meeting, the Lithuanian president noted his respect for the PRC as one of the first countries in Asia to recognise Lithuania's independence. At that time, the deepening of bilateral relations was on the agenda already. The possibility of cargo shipment through Klaipėda port in the Baltic Sea was discussed. Foreign ministers of the two countries signed an extradition treaty. Also, there were discussions about interstate agreements on mutual assistance in customs procedures and broader economic cooperation.¹⁹³

After President Hu Jintao took office, Lithuanian President Valdas Adamkus met him in Beijing in September 2006. At that time, President Adamkus stated Lithuania's vision for future relations with China by stating that Lithuania, the new member of the EU, and China, with its impact on the dynamics of the global economy, "should rediscover each other."¹⁹⁴ The following month, the president hosted the Chairman of the National Committee of the Chinese People's Political Consultative Conference (CPPCC) Jia Qinglin. In Vilnius, Jia gave a reminder of China being one of the first countries to establish diplomatic ties with Lithuania and that "China is ready to work with Lithuania to implement the consensus in a bid to push for the development of bilateral ties based on the Five Principles of Peaceful Coexistence." According to the report from the Chinese Ministry

¹⁹² "Joint Communiqué on the Establishment of Diplomatic Relations Between the People's Republic of China and the Republic of Lithuania", Vilnius, 14 September 1991, posted 30 May 2004, http://lt.china-office.gov.cn/eng/sbgx/zywx/200405/t20040530_2911264.htm

¹⁹³ "Kinijos liaudies respublikos prezidento Džian Zeminio (Jiang Zemin) valstybinis vizitas Lietuvos Respublikoje, 2002 m. birželio 16-17 d.", The Center for Civil Education, Office of the President of the Republic of Lithuania., <https://pazinkvalstybe.lt/kinijos-liaudies-respublikos-prezidento-dzian-zeminio-jiang-zemin-valstybinis-vizitas-lietuvos-respublikoje-2002-m-birzelio-16-17-d-3037#>

¹⁹⁴ "V.Adamkus: Lietuva ir Kinija turi atrasti viena kitą iš naujo", DELFI, source BNS, 26 September 2006, <https://www.delfi.lt/news/daily/lithuania/vadamkus-lietuva-ir-kinija-turi-atrasti-viena-kita-is-naujo.d?id=10787828>

of Foreign Affairs, President Adamkus noted that “the two sides have the same or similar views on many major international issues,” adding that the Lithuanian side was ready to broaden the scope of cooperation, especially in the fields of science, technology and biological engineering. At the meeting, the two sides also touched upon China-EU cooperation, noting their commitment to pushing EU-China relations forwards.¹⁹⁵

Political Relations Since 2012

Over the decade since the first official meeting of the “16+1” framework in Warsaw in 2012, bilateral relations between China and Lithuania have evolved dramatically. For a while, China was only seen through an economic lens, but later the focus shifted toward potential security risks. As Lithuania changed its China policy in 2021, bilateral relations deteriorated, leading to a diplomatic crisis.

China’s Economic Appeal

China’s initiative for a formal framework of cooperation with the countries in Central and Eastern Europe saw great expectations in the region, Lithuania included. With a short one-year interruption after Lithuanian president Dalia Grybauskaitė (in office from 2009 to 2019) met privately with the Dalai Lama in the autumn of 2013, the years until 2020 were marked by intensive efforts to deepen cooperation with China. Although the Chinese side had suspended trade negotiations after the meeting, already in June 2015, President Grybauskaitė signalled that bilateral relations had been restored. After a meeting with Chinese Vice-Premier Zhang Gaoli, emphasising opportunities for the Lithuanian economy, the president stated that China-Lithuania economic relations were intensifying, Lithuania’s exports to China were growing, and business connections were expanding.¹⁹⁶

¹⁹⁵ “Jia Qinglin Meets with Lithuanian President Adamkus”, 28 October 2006, Ministry of Foreign Affairs of the PRC, https://www.fmprc.gov.cn/mfa_eng/gjhdq_665435/3265_665445/3195_664630/3197_664634/200610/t20061028_577523.html

¹⁹⁶ “Prezidentė: Lietuvos ir Kinijos ekonominis bendradarbiavimas intensyvėja”, 22 June 2015, DELFI, source: BNS, <https://www.delfi.lt/verslas/verslas/prezidente-lietuvos-ir-kinijos-ekonominis-bendradarbiavimas-intensyveja.d?id=68313248>

At that time, the Bank of Lithuania signed a Memorandum of Understanding with the China Banking Regulatory Commission (CBRC), establishing an arrangement for the sharing of supervisory information and enhancing cooperation in the banking supervision area. This confirmed that bilateral relations had recovered, as it was a follow-up of the agreement a year and a half earlier, in September 2013, on cooperation in securities regulation.¹⁹⁷ Notably, in 2015, the Memorandum of Understanding on behalf of the Bank of Lithuania was signed by Ingrida Šimonytė, who became the prime minister in December 2020 and whose government has fundamentally reshuffled Lithuania's China policy in 2021.

In November 2016, Lithuania officially confirmed it was joining the Belt and Road Initiative (BRI).¹⁹⁸ Lithuania's participation in the BRI was confined to the transport and communication sector, and the Ministry of Communications took the lead in further cooperation. In April 2018, the Lithuanian Transport Ministry agreed to develop a rail connection with China. As a result, Europe's first postal train from China arrived in Lithuania in April 2020, with the moment bringing Lithuania the title of China's postal hub in Europe.¹⁹⁹

Relatively intensive bilateral relations at the political level raised high expectations for incoming foreign direct investment (FDI) from China in Lithuania. For over a decade, there had been a debate in Lithuania about the construction of an external deep-sea port to expand the existing ice-free port of Klaipėda in the Baltic Sea. In 2015, representatives of the Chinese China Merchants Group (CGM) corporation, which developed the Great Stone industrial park in Belarus, hinted that they might be interested in cargo shipment through this port. The following year, Chairman of

¹⁹⁷ "The Bank of Lithuania and the China Banking Regulatory Commission signed a Memorandum of Understanding", the Bank of Lithuania, 12 June 2015, <https://www.lb.lt/en/news/the-bank-of-lithuania-and-the-china-banking-regulatory-commission-signed-a-memorandum-of-understanding>

¹⁹⁸ "Lietuva oficialiai patvirtino dalyvavimą Kinijos „Vienos juostos, vieno kelio“ strategijoje", The Ministry of Transport and Communications of the Republic of Lithuania, 7 November 2016, <https://sumin.lrv.lt/lt/naujienos/lietuva-oficialiai-patvirtino-dalyvavima-kinijos-vienos-juostos-vieno-kelio-strategijoje>

¹⁹⁹ Benas Gerdžiūnas, "Lithuania Becomes China's Postal Hub in Europe. Strings May Come Attached", LRT, 18 May 2020, <https://www.lrt.lt/en/news-in-english/19/1179573/lithuania-becomes-china-s-postal-hub-in-europe-strings-may-come-attached>

the board of the CGM Li Jianhong assured the Lithuanian Prime Minister Algirdas Butkevičius that the corporation had chosen Lithuania as a base for further expansion into Central and Eastern European countries and was planning to appoint its representatives to Lithuania soon.²⁰⁰ In May 2018, local media reported that Lithuania was expecting a breakthrough in FDI from China, and Klaipėda port could become the central axis of such. The report quoted Lithuania's ambassador to the PRC Ina Marčiulionytė saying that talks were ongoing with five large potential Chinese investors in Lithuania.²⁰¹

Indeed, 2018 could be defined as the heyday of bilateral relations between Lithuania and the PRC. The expectations were high, and the prospects seemed bright. In November, Lithuanian President Dalia Grybauskaitė met with Chinese President Xi Jinping with high expectations to open the vast market for Lithuanian businesses. Lithuanian media quoted the country's president expressing the highest approval of bilateral links: "relations and understanding are very close and warm."²⁰²

At that time, trust in the China-led cooperation format "16+1"²⁰³ was also relatively high. The minister of the economy and innovation Virginijus Sinkevičius took a pragmatic stance, arguing that as long as the format created employment both in Lithuania and in China and aided in the expansion of Lithuanian businesses, there was no issue.²⁰⁴ Lithuanian ambassador to the PRC argued that the "16+1" complements

²⁰⁰ "China's Giant China Merchants Group Confirms Its Plans to Invest in Lithuania", the Office of the Government of the Republic of Lithuania, 22 March 2016, <https://ministraspirmininkas.lrv.lt/en/news/china-s-giant-china-merchants-group-confirms-its-plans-to-invest-in-lithuania>

²⁰¹ Pranciškus Vaišvila, "„16+1“ Formatas: Lietuva Ištroškusi Didesnių Kinijos Investicijų", DELFI, 7 May 2018, <https://www.delfi.lt/verslas/verslas/161-formatas-lietuva-istroskusi-didesniu-kinijos-investiciju.d?id=77900325>

²⁰² "Grybauskaitė Expects Her Meeting with Xi Jinping to Open Chinese Markets to Lithuania", DELFI, 5 November 2018, <https://www.delfi.lt/en/politics/grybauskaite-expects-her-meeting-with-xi-jinping-to-open-chinese-markets-to-lithuania.d?id=79501397>

²⁰³ The platform set up by China as a framework for cooperation between China and 16 countries in Central and Eastern Europe was expanded to "17+1" as Greece joined in 2019. It shrank to "16+1" again after Lithuania officially left the format in 2021

²⁰⁴ Pranciškus Vaišvila, "16+1" Formatas: Lietuva Ištroškusi Didesnių Kinijos Investicijų", DELFI, 7 May 2018, <https://www.delfi.lt/verslas/verslas/161-formatas-lietuva-istroskusi-didesniu-kinijos-investiciju.d?id=77900325>

bilateral and EU-level communication with China.²⁰⁵ Such a position contrasts the statement by Lithuanian Minister of Foreign Affairs Gabrielius Landsbergis later in spring 2021, when he announced Lithuania was withdrawing from the format and called for a coordinated EU position towards China.

The Shift of Focus in Lithuania Away from the Economy Toward Security

At that time, there only appeared to be a one-way direction in bilateral relations – towards deeper cooperation with Beijing. However, the picture changed drastically in the summer of 2019, when it became evident that China had been added to the equation of Lithuanian national security. Rather suddenly, President Gitanas Nausėda rejected the possibility of Chinese investment in Klaipėda port, citing concerns over national security.²⁰⁶ Soon after, Defence Minister Raimundas Karoblis warned that any Chinese investment in the port could pose strategic risks considering that most US and overseas NATO forces arrive via Klaipėda.²⁰⁷ That year, Lithuanian security services recommended excluding risky companies like Huawei from sectors of particular importance and infrastructure.²⁰⁸ In the autumn of 2020, a local telecommunication service provider announced they were dropping Huawei for “geopolitical reasons.”²⁰⁹ In May of the following year, the Lithuanian parliament approved amendments to the Law on Communications and the Law on the Protection of Objects of Importance to Ensuring National

²⁰⁵ Pranciškus Vaišvila, “16+1“ Formatas: Lietuva Ištroškusi Didesnių Kinijos Investicijų”, DELFI, 7 May 2018, <https://www.delfi.lt/verslas/verslas/161-formatas-lietuva-istroskusi-didesniu-kinijos-investiciju.d?id=77900325>

²⁰⁶ Saulius Jakučionis, “Chinese Investment into Klaipėda Port a ‘Concern’ for National Security, President Says”, LRT English, 29 July 2019, www.lrt.lt/naujienos/news-in-english/19/1083021/chinese-investment-into-klaipeda-port-a-concern-for-national-security-president-says

²⁰⁷ “China’s Push for Lithuanian Port Poses Risk to NATO”, LRT English, 26 November 2019, www.lrt.lt/en/news-in-english/19/1119707/china-s-push-for-lithuanian-port-poses-risk-to-nato

²⁰⁸ Jonas Deveikis, “Russia and China Seek Foothold in Lithuania via Gas and Tech – Report”, LRT, 4 February 2020, <https://www.lrt.lt/en/news-in-english/19/1139530/russia-and-china-seek-foothold-in-lithuania-via-gas-and-tech-report>

²⁰⁹ “Lithuanian Telecoms Drop Huawei for ‘Geopolitical Reasons’”, LRT, 30 November 2020, <https://www.lrt.lt/en/news-in-english/19/1288268/lithuanian-telecoms-drop-huawei-for-geopolitical-reasons>

Security on Tuesday, banning “unreliable” manufacturers and suppliers from deploying 5G mobile network technology.²¹⁰

Although the change is notable and appeared to be sudden, it did not occur overnight. Instead, it should be seen in the light of the broader international context – the changes in Lithuania reflected developments outside of the country, mainly at the EU and NATO level. In December 2018, the European Parliament adopted a resolution, where it noted that China was seeking to strengthen its political and diplomatic influence in Europe. It also called on the EU member states participating in the “16+1” format to ensure that the EU maintained one voice in its relationship with China and that Chinese infrastructure projects would not result in it having greater political influence in those countries or the EU.²¹¹

Furthermore, in December 2019, the Heads of State and Government participating in the meeting of the North Atlantic Council issued the London Declaration, which recognised “that China’s growing influence and international policies present both opportunities and challenges that we need to address together as an Alliance.”²¹² That was a significant signal for Lithuania. The National Security Strategy of the Republic of Lithuania with its 2017 revision in place at that time provided that in addition to the national constitution and the Law of the Basics of National Security, The Strategy is based on the treaties of NATO and the EU, as well as the strategic goals and guidelines stated in strategic security documents of NATO and the EU.²¹³ While the London Declaration definitely

²¹⁰ “Lithuania Bans ‘Unreliable’ Technologies from Its 5G Network”, LRT, 25 May 2021, <https://www.lrt.lt/en/news-in-english/19/1417429/lithuania-bans-unreliable-technologies-from-its-5g-network>

²¹¹ “European Parliament Resolution of 12 September 2018 on the State of EU-China relations (2017/2274(INI))”, P8_TA(2018)0343, https://www.europarl.europa.eu/doceo/document/TA-8-2018-0343_EN.html

²¹² The Heads of State and Government Participating in the Meeting of the North Atlantic Council in London 3–4 December 2019, “London Declaration,” NATO, Press Release (2019) 115, 3 December 2019, https://www.nato.int/cps/en/natohq/official_texts_171584.htm

²¹³ The National Security Strategy of the Republic of Lithuania, approved by Resolution No. IX-907 of the Seimas of the Republic of Lithuania of 28 May 2002, version of Resolution No. XIII-202 of the Seimas of the Republic of Lithuania of 17 January 2017, <https://www.newstrategycenter.ro/wp-content/uploads/2019/07/2017-nacsaugstrategijaen.pdf>

fell short of incorporating China into strategic documents of NATO, it sent a strong signal to Lithuanian policy makers of the changes taking place.

Formal recognition of China's influence at the regional level helped solidify the changes that had been underway in Lithuania for some time already. In 2012, against the background of the NATO-led initiative Strategic Foresight Analysis, the Lithuanian Ministry of National Defence released a study *The World 2030*. While the "strictly analytical document" was not intended to "be used as a foundation for the Lithuanian defence policy or military capability planning,"²¹⁴ it emphasised the trends of the highest relevance to and impact on Lithuania. Likely, it was the first official document in Lithuania that dedicated so much attention to China and the challenges its emergence in the global arena may bring. The study pointed out that over the following "two decades, multipolarity should establish itself in the international system, reflecting the shift of power towards the East," as China and India would "definitely pave their way to the list of the most powerful states in the world."²¹⁵ Then it was forecast that China might become one of the countries "likely to show increasing interest in competition with the Alliance [NATO] for leadership in international operations."²¹⁶

In the words of the then-minister of national defence, it was "the first national attempt to systematically assess future security environment in the upcoming two decades."²¹⁷ It was difficult for the policy makers to comprehend at that time how this could be relevant to Lithuanian national security. Nonetheless, there was certain awareness of the potential perils in deepening cooperation with China. In 2017, Prime Minister Saulius Skvernelis hinted about the perils of deepening cooperation with China. Although very optimistic about the future bilateral cooperation in transport and logistics, he admitted that "apart from the positive economic issues, we should speak about the political situation and the political system in China," noting that this should be kept in mind "when it comes to their

²¹⁴ *The World 2030*, Kristina Šapkinaitė (ed.), Ministry of National Defence of the Republic of Lithuania, 20 June 2013, ISBN 978-609-412-049-7, <https://kam.lt/wp-content/uploads/2022/03/world-2030.pdf>

²¹⁵ *Ibid.*, P. 46

²¹⁶ *Ibid.*, P. 28

²¹⁷ *Ibid.*, Foreword by the Minister of National Defence Juozas Olekas, Ministry of National Defence of the Republic of Lithuania

investments.”²¹⁸ However, for some time, such concerns appeared secondary to China’s economic importance for the country and the region. President Grybauskaitė, for example, was criticised for not raising the human rights issue at the meeting with President Xi Jinping in the autumn of 2018.²¹⁹ In early 2019, when leaving for the European Council meeting, she expressed confidence that the problems on the agenda notwithstanding (specifically, risks related to the 5G network and security concerns over Chinese investment), China remains an essential international cooperation and trade partner. Thus, relations should be deepened further.²²⁰

This was the time of Lithuania’s soul-searching about China. China’s economic appeal competed with its potential security implications for the region and Lithuania alone. In mid-2019, Lithuania seriously reconsidered the role of China in the context of its national security. A year later, a Lithuanian expert was cited by the national broadcaster as saying that there was “an internal struggle” over the direction towards China that Lithuania should take, as some of the “business and political elite would like Lithuania to become a springboard for China” and its Europe-bound expansion.²²¹

Moreover, in August 2019, in Vilnius, an incident occurred involving Chinese Embassy staff. It captured attention as China’s attempt to exert influence in the country through its diaspora there. Around 200 people gathered for a rally in downtown Vilnius to support a free Hong Kong and a free Tibet (Mantas Adomėnas, who became vice-minister of foreign affairs in December 2020, was among the organisers). Unexpectedly, the participants were approached by a handful of Chinese in a counter-protest. Verbal clashes followed, and the police later fined two Chinese citizens

²¹⁸ “Lithuania Should Overcome Latvia in Competition Battle for Chinese Investments – PM”, The Lithuania Tribune, 14 April 2017, <https://lithuaniatribune.com/lithuania-should-overcome-latvia-in-competition-battle-for-chinese-investments-pm/>

²¹⁹ Eglė Krištopaitytė, “Su Kinijos prezidentu susitikusi Dalia Grybauskaitė žmogaus teisių klausimo neiškėlė”, 15 min, 9 November 2018, <https://www.15min.lt/naujiena/aktualu/pasaulis/su-kinijos-prezidentu-susitikusi-dalia-grybauskaite-zmogaus-teisiu-klausimo-neiskele-57-1055380>

²²⁰ Ieva Vidūnaitė, “Grybauskaitė: Kinija išlieka svarbi tarptautinio bendradarbiavimo ir prekybos partnerė”, Delfi, 21 March 2019, <https://www.delfi.lt/verslas/verslas/grybauskaite-kinija-islieka-svarbi-tarptautinio-bendradarbiavimo-ir-prekybos-partnere.d?id=80673695>

²²¹ Gerdžiūnas, “Lithuania becomes China’s postal hub in Europe.”

for disturbances.²²² An investigation by the national broadcaster later revealed that diplomatic staff from the Chinese Embassy in Lithuania also appeared at the rally. Footage from the rally showed the pro-China protesters removing banners from a car with diplomatic licence plates parked next to the venue.²²³ The Lithuanian Ministry of Foreign Affairs summoned Chinese Ambassador Shen Zhifei to hand him a diplomatic note. It underscored that actions by the staff of the Chinese Embassy violating democratic freedoms and disturbing public order were unacceptable and would not be tolerated.²²⁴

In the following years, the view of China in Lithuania soured further. In May 2021, the Lithuanian parliament passed a resolution condemning the “Uyghur genocide” and “crimes against humanity” in China. The resolution, supported by 86 parliament members out of 144, called on the UN “to initiate a legal inquiry into the Uyghur genocide in Xinjiang detention camps” and on the European Parliament and the European Commission “to review the EU’s cooperation policy with China and formulate a clear position” on human rights violations and the Uyghur genocide in China.²²⁵ This resolution was adopted just two months after China blacklisted a Lithuanian parliament member among ten EU politicians and public figures in retaliation for Brussels’s sanctions over human rights abuses in the Xinjiang region.²²⁶ The Chinese Embassy in Lithuania defined it as gross

²²² BNS, “Two Chinese Citizens Fined for Scuffle at Hong Kong Support Rally in Vilnius”, LRT English, 29 August 2019, www.lrt.lt/naujienos/news-in-english/19/1092343/two-chinese-citizens-fined-for-scuffle-at-hong-kong-support-rally-in-vilnius

²²³ Mindaugas Aušra, “Chinese Demonstration in Vilnius Unmasks Beijing’s Reach into Lithuania – LRT Investigation”, LRT English, 9 October 2019, www.lrt.lt/en/news-in-english/19/1104874/chinese-demonstration-in-vilnius-unmasks-beijing-s-reach-into-lithuania-lrt-investigation

²²⁴ “Lithuania Handed a Note to the Chinese Ambassador,” Ministry of Foreign Affairs, 2 September 2019, mfa.lt/default/en/news/lithuania-handed-a-note-to-the-chinese-ambassador

²²⁵ “Lithuanian parliament passes resolution condemning ‘Uighur genocide’ in China”, LRT, 20 May 2021, <https://www.lrt.lt/en/news-in-english/19/1413940/lithuanian-parliament-passes-resolution-condemning-uighur-genocide-in-china>

²²⁶ “Lithuanian MP blacklisted by China in retaliation for EU’s sanctions,” LRT, 22 March 2021, <https://www.lrt.lt/en/news-in-english/19/1370359/lithuanian-mp-blacklisted-by-china-in-retaliation-for-eu-s-sanctions>

interference in China's internal affairs and "another shoddy political show based on lies and disinformation."²²⁷

Similarly, in June 2022, the Chinese representative in Vilnius accused Lithuania of "hypocrisy and double standards" after three parliamentarians drafted a resolution condemning Beijing's repressions in Hong Kong, and the parliamentary Committee on Foreign Affairs unanimously adopted a statement calling to take measures in response to China's continuing actions in Hong Kong.²²⁸

The Shift in Lithuania's China Policy and the Resulting Diplomatic Crisis

Recently, these concerns have been translated into concrete policy, signifying a radically different perception of China in Vilnius. Lithuania's China policy change occurred under a new coalition government led by the Homeland Union–Lithuanian Christian Democrats (TS-LKD) (previously in power from 2008 to 2012), who took office in December 2020. At first, in February 2021, Vilnius declined China's request to send the highest-level representative – the president or prime minister – to the virtual "17+1" meeting, chaired by Xi Jinping himself. Instead, the government downgraded Lithuania's participation to the ministerial level. Next, in May 2021, foreign minister Landsbergis announced the decision to leave the "17+1" format.²²⁹ He noted that the format undermined the unity of the EU and called for other EU countries to follow. Around that time, it became evident that Lithuania was strengthening relations with Taiwan.

Some members of the ruling coalition parties have been long-time supporters of closer informal relations with Taiwan; however, this time, support for Taiwanese democracy was debated at the level of official policy. The initial agreement of the newly formed coalition committed to supporting

²²⁷ "Lithuanian parliament passes resolution condemning 'Uighur genocide' in China", LRT, 20 May 2021, <https://www.lrt.lt/en/news-in-english/19/1413940/lithuanian-parliament-passes-resolution-condemning-uighur-genocide-in-china>

²²⁸ "Beijing Accuses Lithuania of Hypocrisy Following Criticism over Hong Kong", LRT, 14 June 2022, <https://www.lrt.lt/en/news-in-english/19/1718478/beijing-accuses-lithuania-of-hypocrisy-following-criticism-over-hong-kong>

²²⁹ Stuart Lau, "Lithuania Pulls out of China's '17+1' Bloc in Eastern Europe", Politico, 21 May 2021, www.politico.eu/article/lithuania-pulls-out-china-17-1-bloc-eastern-central-europe-foreign-minister-gabrielius-landsbergis

those fighting for freedom “from Belarus to Taiwan.”²³⁰ In the final government programme, the explicit reference to Taiwan was replaced with the goal of “expanding the area of freedom and democracy in our region and beyond.”²³¹ Moreover, the new minister and vice minister of foreign affairs since December 2020 had earlier co-authored a commentary in Lithuanian media criticising China for its undemocratic practices at home and abroad, also calling for “comprehensive strengthening of relations with Taiwan and supporting the political recognition of Taiwan as a de facto independent democratic legal state in the international community.”²³² Thus, Lithuania’s foreign policy turn could have been anticipated.

As it became known in the summer of 2021 that the Taiwanese Representative Office in Lithuania would open under the name referring explicitly to Taiwan rather than Taipei, on 10 August, China recalled its Ambassador to Lithuania and demanded that the government of Lithuania reciprocate.

What then seemed to be the lowest point in bilateral relations escalated further after the Taiwanese Representative Office was opened on 17 November 2021 in Vilnius. While 18 other EU member states hosted a de facto Taiwanese embassy under the name of Taipei, Lithuania deviated from the established practice. The Lithuanian government kept insisting the country still adhered to the One-China policy, arguing that the name of the office in Lithuanian (Taivaniečių) meant “Taiwanese People’s” rather than ‘Taiwan’s.’ Nevertheless, once translated to Chinese, this distinction disappears. Thus, China strongly objected.

The following month, Beijing downgraded bilateral diplomatic relations to the level of chargé d’affaires. Moreover, the Lithuanian Ministry of Foreign Affairs revealed that China had asked Vilnius to rename its embassy as the Office of the Chargé d’Affaires. The Lithuanian side refused to

²³⁰ Andrius Sytas, “Lithuania to Support ‘Those Fighting for Freedom’ in Taiwan”, Reuters, 9 November 2020, www.reuters.com/article/us-lithuania-china-idUSKBN27PIPQ

²³¹ Resolution No. XIV-72 on the Programme of the Eighteenth Government of the Republic of Lithuania. Seimas of the Republic of Lithuania, 11 December 2020, lr.lt/uploads/main/documents/files/PROGRAMME_OF_THE_EIGHTEENTH_GOVERNMENT_OF_THE_REPUBLIC_OF_LITHUANIA.pdf

²³² Mantas Adomėnas and Gabrielius Landsbergis, “Lithuania, It’s Time for Choosing”, 15min, 11 June 2020, <https://www.15min.lt/en/article/opinion/lithuania-it-s-time-for-choosing-530-1331612>

do so, arguing that such a request was not in line with international law.²³³ After Beijing demanded the Lithuanian embassy staff return their ID cards, Lithuania recalled all of the staff from its embassy in Beijing on short notice, leaving the building empty. International media reported that foreign diplomats “helped their Lithuanian colleagues evacuate their embassy and leave China ... in an unexpected departure.”²³⁴

In addition to its diplomatic response, the Chinese side also launched an unofficial economic sanction campaign against Lithuanian businesses in early December, which led to the EU’s request for World Trade Organization dispute consultations with China “concerning alleged Chinese restrictions on the import and export of goods, and the supply of services, to and from Lithuania or with a link to Lithuania,” in late January 2022.

After a short pause in crisis escalation, in the summer of 2022, China imposed official sanctions on Lithuania’s Vice Minister of Transport and Communications Agnė Vaiciukevičiūtė following her official visit to Taiwan. In addition, the Chinese Ministry of Foreign Affairs announced that Beijing would suspend any cooperation with Vilnius in the road transport sector, technically terminating cooperation with Lithuania within the framework of BRI.

It is essential to point out that Lithuania’s decision to strengthen relations with Taiwan at the expense of China did not have full support domestically. Reportedly, even members of the ruling party – some members of which traditionally supported Taiwan or had a stronger anti-PRC stance due to the situation in Tibet – have questioned this decision.²³⁵ As support for

²³³ “Beijing Wants Lithuania to Rename its Embassy to ‘Chargé d’Affaires Office’ – FM”, LRT, 16 December 2021, <https://www.lrt.lt/en/news-in-english/19/1565658/beijing-wants-lithuania-to-rename-its-embassy-to-charge-d-affaires-office-fm>

²³⁴ Milda Seputyte, “Foreign Diplomats Helped Lithuania Evacuate Staff from China”, Bloomberg Asia Edition, 20 December 2021, <https://www.bloomberg.com/news/articles/2021-12-20/foreign-diplomats-helped-lithuania-evacuate-staff-from-china>

²³⁵ Eglė Samoškaitė, “Nevieša išpažintis apie santykius su Kinija: jei reiktų pakartoti–nekartotume, bet dabar atsitraukti neišeina”, tv3.lt, 1 January 2022, www.tv3.lt/naujiena/lietuva/neviesa-ispazintis-apie-santykius-su-kinija-jei-reiktu-pakartoti-nekartotume-bet-dabar-atsitraukti-neiseina-n1131704

the government's China policy in Lithuania fell,²³⁶ in early January 2022, Lithuania's President G. Nausėda (in office since July 2019), suddenly stated that the name of the Taiwanese Representative Office was "a mistake."²³⁷ The same month, local media reported that Lithuanian officials were discussing an option to request Taiwanese authorities to modify the Chinese translation of the name of its representative office in Vilnius to reflect the original name as agreed originally – "Taiwanese" rather than "Taiwan's."²³⁸ Lithuania's largest opposition party the Lithuanian Farmers and Greens Union actively sought to assure China that it would correct this decision should it take office after the 2024 elections.²³⁹ The foreign minister of the shadow cabinet Giedrius Surplys initiated a parliamentary resolution calling for the normalisation of China-Lithuania bilateral relations.²⁴⁰

Taiwan Question Among Lithuanian Political Elites

In Lithuania's bilateral relations with China, relations with Taiwan have long existed as a separate pillar. Since independence from the Soviet Union, this issue has been discussed in the parliament, and only in recent years has it surfaced in the public information sphere, eventually becoming a part of the official foreign policy, as explained above.

First, the prominent one has been the question of relations with Taiwan at the parliamentary level. An interparliamentary group for relations

²³⁶ Vaidotas Beniušis, "Apklausa: dauguma Lietuvos gyventojų nepritaria politikai Kinijos atžvilgiu", 15min, 11 January 2022, <https://www.15min.lt/naujiena/aktualu/lietuva/apklausa-dauguma-lietuvos-gyventoju-nepitaria-politikai-kinijos-atzvilgiu-56-1626212>

²³⁷ "Allowing Taiwan to Open Office under its Name was a Mistake – Lithuanian President", LRT English, 4 January 2022, www.lrt.lt/en/news-in-english/19/1580082/allowing-taiwan-to-open-office-under-its-name-was-a-mistake-lithuanian-president

²³⁸ Andrius Sytas, "Lithuania Considers Modifying Taiwan Representation Name to Defuse Row with China", Reuters, 26 January 2022, www.reuters.com/world/asia-pacific/lithuania-considers-modifying-taiwan-representation-name-defuse-row-with-china-2022-01-25

²³⁹ Benas Brunalas, "Karbauskio šešėlinis kabinetas ketina pasiūsti žinutę Kinijai: gavę valdžią sprendimą dėl atstovybės pavadinimo atšauktume", LRT, 6 January 2022, www.lrt.lt/naujienos/lietuvoje/2/1582679/karbauskio-seselinis-kabinetas-ketina-pasiusti-zinute-kinijai-gave-valdzia-sprendima-del-atstovybes-pavadinimo-atsauktume

²⁴⁰ "Seimo rezoliucijos „Dėl vienos Kinijos politikos ir abipuse pagarba grįštų Lietuvos Respublikos ir Kinijos Liaudies Respublikos santykių“ projektas", Seimas of the Republic of Lithuania, 10 January 2022, reg.no. XIVP-1276, <https://e-seimas.lrs.lt/portal/legalAct/lt/TAP/e652212071ee11ecb2fe9975f8a9e52e>

with Taiwan was formed in different terms of the parliament of Lithuania. However, in 2012, the Law Department of the Office of Seimas, the parliament of Lithuania, issued an explanatory decision regarding the regulation of interparliamentary groups. It stated that according to the Seimas Statute, interparliamentary groups could only be established for relations with parliaments of other independent countries, i.e., the countries with which Lithuania maintains diplomatic relations.²⁴¹ In 2016, as the newly elected parliament gathered for its first session, it agreed to ask the Law Department for an opinion on the legal basis to form an interparliamentary group for relations with Taiwan. The following year, the Statute of the Seimas of the Republic of Lithuania, the critical document defining the daily functioning of the parliament, was reviewed to incorporate such a ruling, among other changes. However, that wording would have technically prevented establishing such a group for Taiwan, as noted by a parliamentarian during the draft discussion, calling for an additional provision that would enable relations between the parliaments of the two sides.²⁴² At that time, the parliament rejected the draft revision of the Statute with its multiple changes, just like in June 2019. Only in June 2021, did the Seimas, the parliament of Lithuania, approve a revision on the interparliamentary groups in the Statute. Interparliamentary groups are only allowed for the countries with which Lithuania maintains diplomatic relations.²⁴³

Thus, the new revision of the Seimas Statute legally eliminates the possibility of having an interparliamentary group for relations with Taiwan. Since 2016, relations with the Taiwan group in the parliament have functioned under the legal status of a provisional group. A provisional group can be established by no fewer than five parliamentarians “to implement

²⁴¹ “Lietuvos Respublikos Seimo vakarinio posėdžio Nr. 48 stenograma [Transcript of the evening sitting No. 48 of the Seimas of the Republic of Lithuania sitting],” Seimas of the Republic of Lithuania, 18 April 2017, No. 48, <https://e-seimas.lrs.lt/portal/legalAct/lt/TAK/2adc-c94024e611e79f4996496b137f39?positionInSearchResults=0&searchModelUUID=f618128f-e534-4fdc-9410-30c286877a19>

²⁴² *Ibid*

²⁴³ The Statute of the Seimas of the Republic of Lithuania, article 811, adopted 17 February 1994, last revised 26 May 2022, Nr. XIV-1127, <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/TAIS.5734/sExaeZyEIB>

common interests on a specific question.”²⁴⁴ As of September 2022, the parliamentary group for relations with Taiwan existed along with 24 other provisional groups of the most diverse interests, e.g., the provisional group for the promotion of multifunctional forests or the provisional group of the friends of the capital city.²⁴⁵

As a result, the status of relations with Taiwan in the parliament has diminished. In 1998, a group of politicians from different political parties, including the currently ruling Homeland Union, presented an initiative to establish an interparliamentary group for relations with the PRC. At that time, some politicians from the Homeland Union objected. Arguably, the interparliamentary group for relations with Taiwan already existed; thus, the matter was too sensitive to make hasty decisions. Diplomatic relations with the PRC notwithstanding, it was Taiwan that the Lithuanian parliament first developed relations with. There was an anti-China stance among some parliamentarians due to Tibet. Back then, the initiators of China-relations group stood their ground, noting that the PRC recognised Lithuania in 1991, and the Lithuanian government committed to recognising China’s territorial integrity with Taiwan as a part of it.²⁴⁶ Nonetheless, the parliament approved the visit by Taiwanese parliamentarians the following year.²⁴⁷

Second is the issue of trade relations with Taiwan. In June 2000, the Parliament of Lithuania adopted the Resolution regarding Relations with Taiwan, which suggested the Government of Lithuania establish a trade representative office in Taipei in the nearest future.²⁴⁸ Notably, that was the revised

²⁴⁴ The Statute of the Seimas of the Republic of Lithuania, article 42, adopted 17 February 1994, last revised 26 May 2022, Nr. XIV-1127, <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/TAIS.5734/sExaeZyElB>

²⁴⁵ “Provisional Groups,” The Seimas of the Republic of Lithuania, https://www.lrs.lt/sip/portal.show?p_r=38270&p_k=2&p_kade_id=9

²⁴⁶ “Penkiasdešimt devintasis (222) posėdis”, Seimas of the Republic of Lithuania, 1 July 1998, No. 59(222), <https://e-seimas.lrs.lt/portal/legalAct/lt/TAK/TAIS.59755?positionInSearchResults=25&searchModelUUID=2b4f7671-a389-44f4-9019-7b6cec33537b>

²⁴⁷ “Seimo valdybos posėdžio protokolas Nr.232,” Seimas of the Republic of Lithuania, 12 May 1999, No. 232, <https://e-seimas.lrs.lt/portal/legalAct/lt/TAK/TAIS.79928?positionInSearchResults=24&searchModelUUID=2b4f7671-a389-44f4-9019-7b6cec33537b>

²⁴⁸ “Seimo rezoliucijos “Dėl ryšių su Taivanu” projektas”, The Seimas of the Republic of Lithuania, 9 June 2000, reg. no. P-2522(2), <https://e-seimas.lrs.lt/portal/legalAct/lt/TAP/TAIS.102625?jfwid=-hx57wudzg>.

resolution text, as the first one was rejected after the European Law Department under the Government of the Republic of Lithuania concluded that the original text²⁴⁹ was not in line with the EU's position regarding Taiwan.²⁵⁰

In 2020, as China's international image deteriorated due to the human rights issue in Xinjiang and COVID-19 pandemics, increasingly louder calls for support for Taiwan surfaced in Lithuania. In April 2020, mainly reacting to Taipei's effective handling of the pandemic and the donation of 100 000 masks by Taiwan to Lithuania, around 200 Lithuanian politicians and public figures sent an open letter to the country's President Nausėda, asking for support to Taiwan's bid to be fully included into the activities of the World Health Organization (WHO).²⁵¹ While the president declined to back Taiwan's membership in the WHO, Lithuanian foreign minister Linas Linkevičius asked the WHO Director-General to invite Taiwan to the upcoming assembly on measures to tackle coronavirus.

These calls for support to Taiwan soon materialised as a more concrete initiative. In the autumn of 2020, the Lithuania-Taiwan Forum was established in Vilnius.²⁵² Next March, the Chairman of the Parliamentary Group for Relations with the Republic of China (Taiwan) Gintaras Steponavičius was elected as its president. According to him, "The Lithuania-Taiwan Forum has pooled leaders from different areas who want to see value-based decisions in international politics and understand the challenges Taiwan is facing. The Forum will contribute to the development of ties with Taiwan in different areas."²⁵³ The Forum gathered intellectuals and professionals from different

²⁴⁹ "Seimo rezoliucijos "Dėl ryšių su Kinijos Respublika (Taivanu)" projektas", The Seimas of the Republic of Lithuania, 15 May 2000, reg. No. P-2522, <https://e-seimas.lrs.lt/portal/legalAct/lt/TAP/TAIS.100649?jfwid=-hx57wudzg>]

²⁵⁰ "Europos teisės departamento išvada Seimo rezoliucijos "Dėl ryšių su Kinijos Respublika (Taivanu)" projektui" doc. no. P-2522, The Seimas of the Republic of Lithuania, 30 May 2000, <https://e-seimas.lrs.lt/portal/legalAct/lt/TAK/TAIS.102388?jfwid=-hx57wudzg>

²⁵¹ "Lithuania Calls on WHO to Invite Taiwan to International Assembly", LRT, 13 May 2020, <https://www.lrt.lt/en/news-in-english/19/1178102/lithuania-calls-on-who-to-invite-taiwan-to-international-assembly>

²⁵² "The Lithuania-Taiwan Forum Established in Vilnius", 15 min, 9 October 2020, <https://www.15min.lt/en/article/politics/the-lithuania-taiwan-forum-established-in-vilnius-526-1389702?copied>

²⁵³ "Lithuanian Politicians Join Taiwan Cooperation Initiative, Defying China's Objections", LRT, 17 March 2021, <https://www.lrt.lt/en/news-in-english/19/1367013/lithuanian-politicians-join-taiwan-cooperation-initiative-defying-china-s-objection>

backgrounds, including politicians and government members – minister of innovation Aušrinė Armonaitė and vice-minister of foreign affairs Adomėnas.

Gradually, relations with Taiwan emerged as an issue in the Lithuanian public sphere. Notably, the national broadcaster surveyed Lithuanian political parties during the parliamentary elections campaign in 2020 on their position on Taiwan. Specifically, they were asked whether Lithuania should recognise the Republic of China (Taiwan) as an independent state. It was likely the first time since independence to consider such a question as a potential one on Lithuania's political agenda. While noting that “many parties hardly find an answer to this question,” the national broadcaster identified nine political parties that supported such a position.²⁵⁴ Some of them noted that such a move should be coordinated among the countries within the EU. The Homeland Union, which later led the formation of the coalition government after the elections, specified that the party views this process as being developed gradually. Reportedly, they support intensifying the relations and expanding political and economic cooperation by reciprocally setting up representative offices. In addition, the party expressed their will to support Taiwan's participation in different formats of international organisations, such as the WHO and others.²⁵⁵

After the new coalition government took office in December 2021, relations with Taiwan soon expanded at the political level. Several delegations, including different vice ministers, visited Taipei on official delegations in the summer of 2022.²⁵⁶ In mid-September 2022, the Lithuanian Trade Representation in Taipei was due to open, with the Head of the mission appointed the previous month.

²⁵⁴ Not all surveyed political parties responded to the LRT's inquiry regarding their support of Taiwan's independence. But among those surveyed, two were against and five did not give a definite answer. Modesta Gaučaitė, Ronaldas Galinis, “Rinkimų kompasas. Taivano nepriklausomybė – klausimas, į kurį dalis partijų atsakymą randa sunkiai,” LRT, 15 September 2020, <https://www.lrt.lt/naujienos/pasaulyje/6/1222421/rinkimu-kompasas-taivano-nepriklausomybe-klausimas-i-kuri-dalis-partiju-atsakyma-randa-sunkiai>

²⁵⁵ Ibid

²⁵⁶ “MOFA Sincerely Welcomes Visit by Lithuanian Delegation Comprised of Representatives of the Laser and Biotechnology Industries Led by New Vice Minister of the Economy and Innovation Karolis Žemaitis; Taiwan and Lithuania to Work to Create a Win-win Situation in Cutting-edge Industries,” Ministry of Foreign Affairs, Republic of China (Taiwan), 16 September 2022, https://en.mofa.gov.tw/News_Content.aspx?n=1329&s=98608

Bilateral Economic Relations

Economic engagement with China was highly regarded in Lithuania as an opportunity for Lithuanian exporters and as a source of incoming FDI. However, efforts towards more productive cooperation in the last decade have yielded limited results. To start with, Lithuania's trade deficit with China expanded year by year, as Figure 1 shows. From 2004, it already doubled in 2007. Trade became more balanced in 2009 again, after Lithuania's exports of furniture, mattresses and relevant items grew seven times from the previous year. However, the trade deficit gradually expanded and then more than doubled from 2019 to 2021.

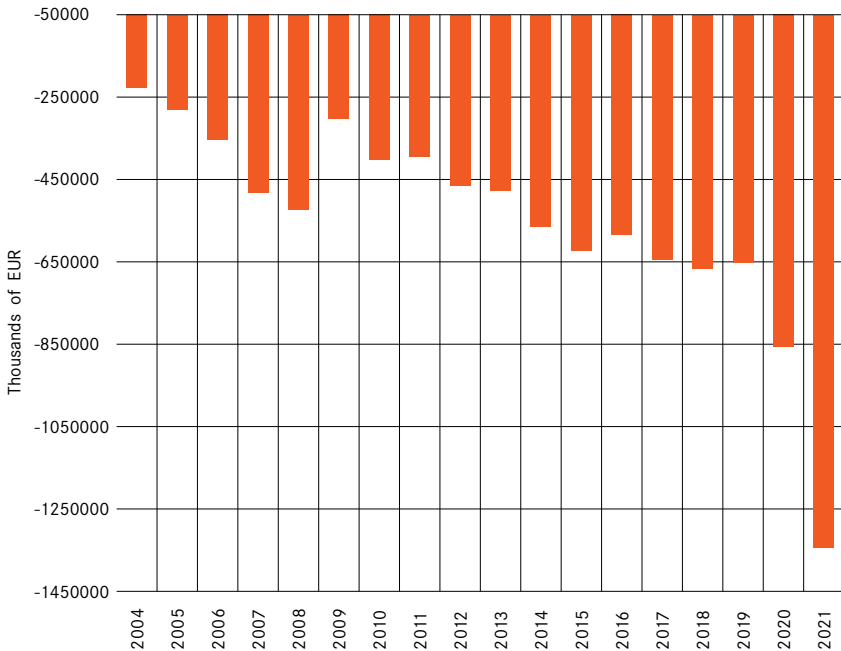


Figure 1. Lithuania's trade balance with China, 2004–2021,²⁵⁷ thousands of EUR (source: Statistics Lithuania).

²⁵⁷ 2004 is the earliest year for which such data is available

When seen quarterly over the last five years, the sharpest growth in trade deficit started in mid-2021 (Figure 2), when Lithuania’s diplomatic row with China escalated. Notably, the growing deficit was a cumulative effect of two simultaneous trends. First, there was a drastic fall in Lithuanian exports to China due to unofficial sanctions against the country, and second, a significant rise in imports from China.

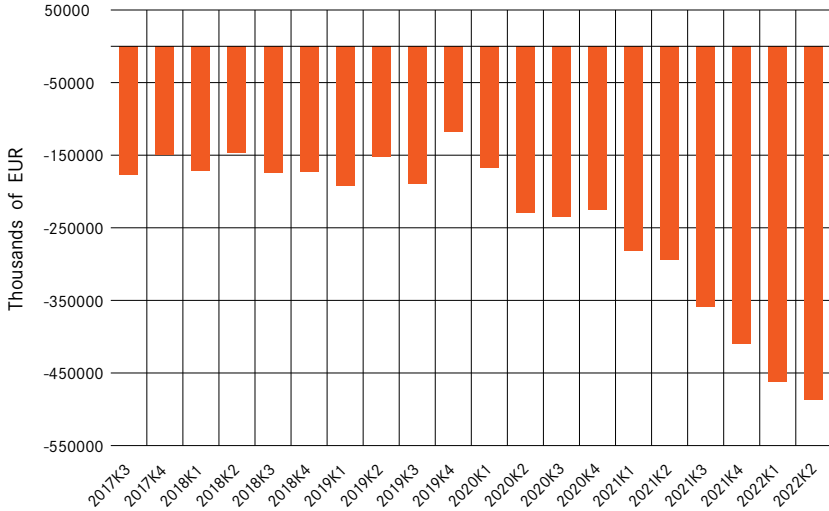


Figure 2. Lithuania’s trade balance with China, quarterly 2017–2022, thousands of EUR (source: Statistics Lithuania).

Lithuanian exports to China rapidly grew in the last decade. And then the fall in volumes of Lithuanian exports in 2021 interrupted a steady growth trend that had continued since 2005 (Figure 3).

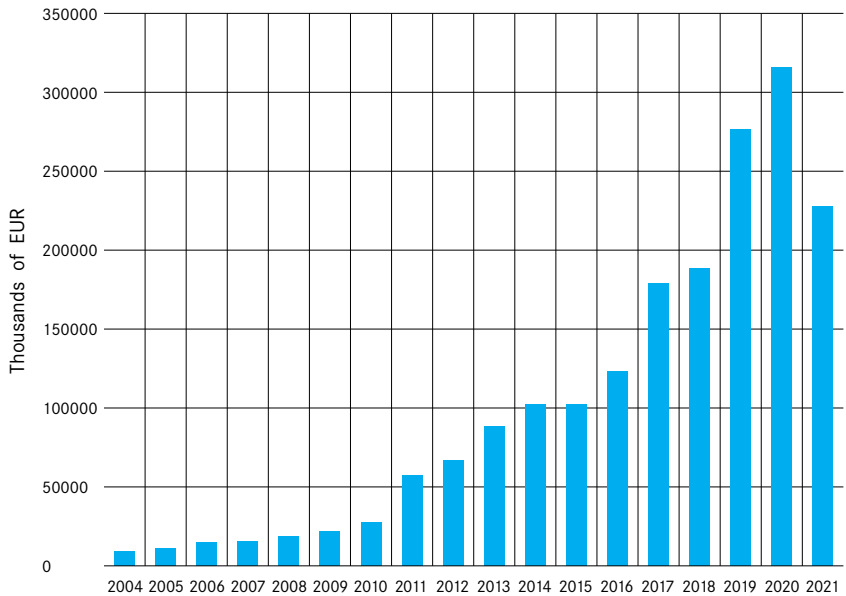


Figure 3. Lithuania’s exports to China, annually 2004–2021, thousands of EUR (*source: Statistics Lithuania*).

Monthly export data (Figure 4) best reveals the effect of China’s unofficial restrictions on Lithuanian exports after the opening of the Taiwanese Representative Office in November 2021. On 1 December, less than two weeks after the opening, it was reported that Lithuania had been removed from China’s customs clearance system and, thus, Lithuanian goods were stranded at the customs at Chinese ports. Although the country appeared back on the Chinese customs clearance system a few days later, that month, Lithuania’s exports to China fell to EUR 5 million, a more than four-fold decrease from December 2020 or 2021. Also, exports from Lithuania’s only Klaipėda port were suspended.

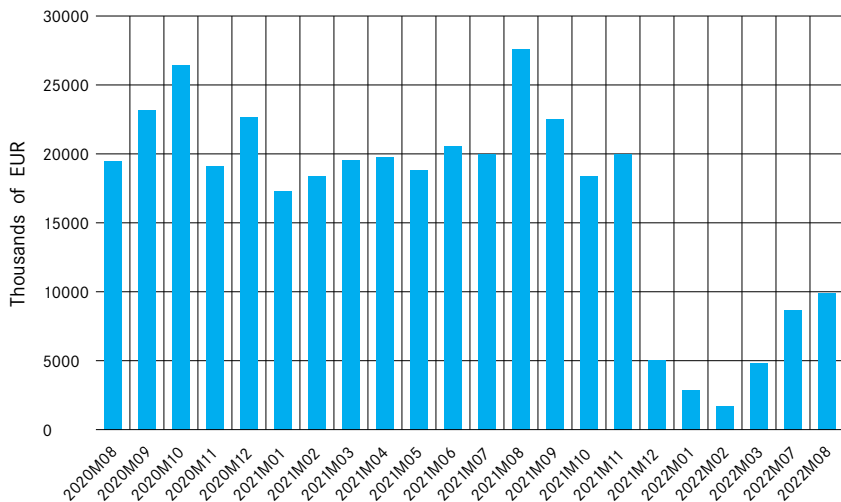


Figure 4. Lithuania’s exports to China, monthly August 2020 to August 2022, thousands of EUR (*source*: Statistics Lithuania).

International media reported that China pressured multinational corporations to cut links with Lithuania. Reportedly, German car parts giant Continental was requested to stop using components made in Lithuania.²⁵⁸ Lithuania’s garment manufacturers complained that their partners in the EU were cancelling orders due to pressure from China. Reportedly, China also sought to restrict imports of goods from other EU countries – such as France, Germany and Sweden – dependent on Lithuanian supply chains.²⁵⁹

None of the trade restrictions were formally announced until February 2022. China’s General Administration of Customs formally banned Lithuania’s beef and dairy imports, citing Lithuania’s failure to submit necessary documents. Until then, all trade restrictions were unofficial. It was

²⁵⁸ Andrius Sytas, John O’Donnell, “Exclusive. China Pressures Germany’s Continental to Cut out Lithuania – Sources”, Reuters, 17 December 2021, <https://www.reuters.com/world/china/exclusive-china-asks-germanys-continental-cut-out-lithuania-sources-2021-12-17/>

²⁵⁹ Stuart Lau, Barbara Moens, “China’s Trade Attack on Lithuania Exposes EU’s Powerlessness”, Politico, 16 December 2021, <https://www.politico.eu/article/china-trade-attack-on-lithuania-exposes-eu-powerlessness/>

often difficult to identify when the economic sanctions campaign against Lithuania had started. Lithuanian producers report that China started exerting pressure as early as 2020 when it revoked grain export licences. In 2019, the two countries signed a protocol on wheat exports to China at the 8th Summit of Heads of Government of Central and Eastern European Countries and China in Dubrovnik, Croatia. Lithuanian Prime Minister Skvernelis expressed hopes that Lithuania would increase its exports of agricultural products and foodstuffs to China at least five times.²⁶⁰ Grain exports to China skyrocketed, making it the main export item to China, but their volumes contracted soon after. Later, in spring 2021, credit insurance became unavailable for trading between Lithuania and China.²⁶¹ When China recalled its ambassador to Lithuania in August, different food exporting companies revealed that exports to China were stalling.²⁶²

Lithuania's exports to China reached the lowest point of EUR 1.7 million in February 2022 (Figure 3 above). Notably, while exports of all groups of items took a nosedive in the 1st quarter of 2022, exports of copper and its products were not significantly affected (Figure 5). Exports of this group of items in the first and second quarters of 2022 exceeded the average quarterly export levels in 2019. As China's overall imports of copper surged this year, this case illustrates how selective Chinese trade restrictions can be.

²⁶⁰ "Lithuania looks to 5-fold expansion of food exports to China", LRT, 12 April 2019, <https://www.lrt.lt/en/news-in-english/19/1031439/lithuania-looks-to-5-fold-expansion-of-food-exports-to-china>

²⁶¹ János Allenbach-Ammann, "Lithuanian Businesses Grind on under Chinese Pressure", EURACTIV, 18 January 2022, <https://www.euractiv.com/section/economy-jobs/news/lithuanian-businesses-grind-on-under-chinese-pressure/>

²⁶² Ernestas Naprys, "Kinija nebeperka lietuviškų sūrių, javų ar medienos – įmonės kalba apie sunkius sprendimus [China no Longer Buys Lithuanian Cheese, Grain or Timber – Companies Talk about Hard Decisions]", Delfi, 20 August 2021, <https://www.delfi.lt/verslas/verslas/kinija-nebeperka-lietuvisku-suriu-javu-ar-medienos-imones-kalba-apie-sunki-usprendimus.d?id=87989553>

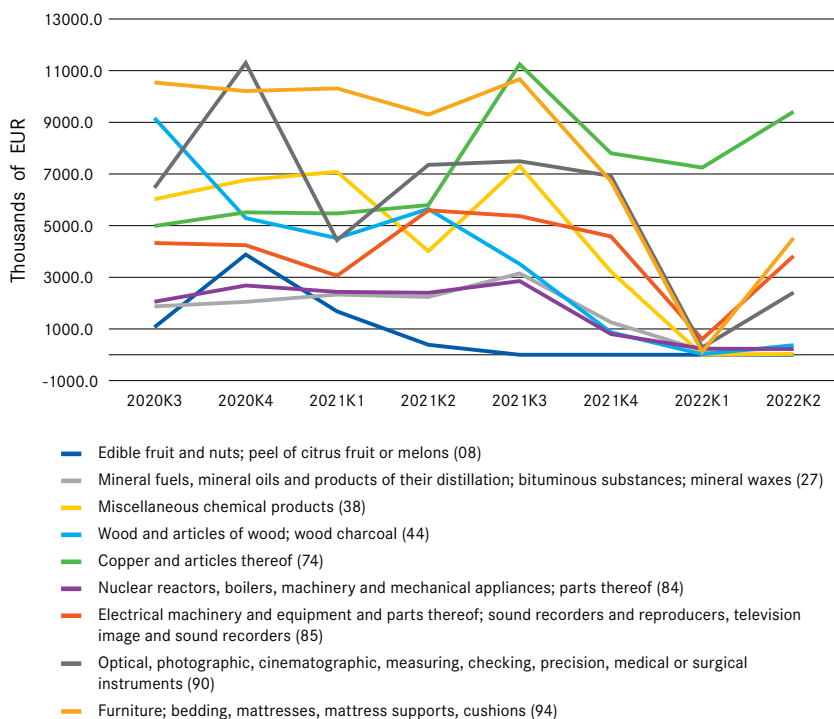


Figure 5. Lithuania's exports to China for the largest export product groups (in 2019),²⁶³ quarterly 2020–2022, thousands of EUR (source: Statistics Lithuania).

Imports from China to Lithuania were affected by the diplomatic crisis too, yet, not in absolute terms. Aggregate numbers show a steady growth of Chinese imports to Lithuania from 2009, with an even more significant jump in 2021 (Figure 6). Quarterly data over the last five years (Figure 7) confirms the same trend, i.e., Chinese imports from China constantly expanded further in 2022.

²⁶³ Data for the ten largest product groups excluding wheat, as export licences were revoked in 2020

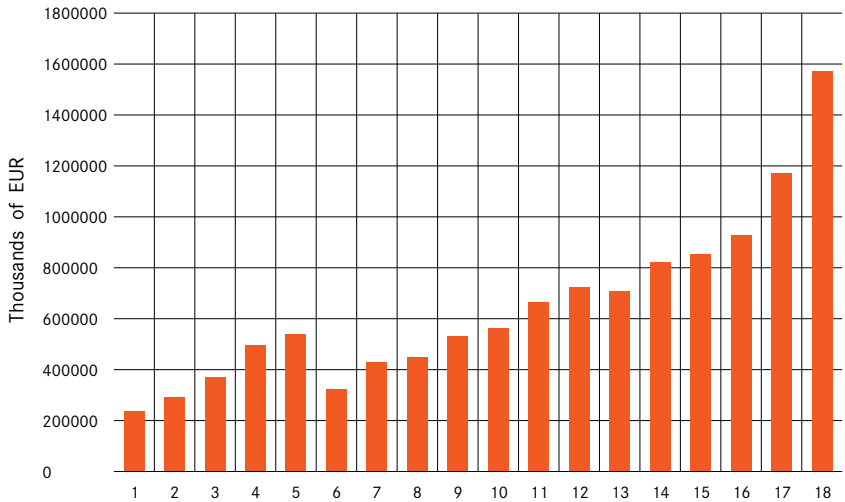


Figure 6. Imports from China to Lithuania, annually 2004–2021, thousands of EUR (source: Statistics Lithuania).

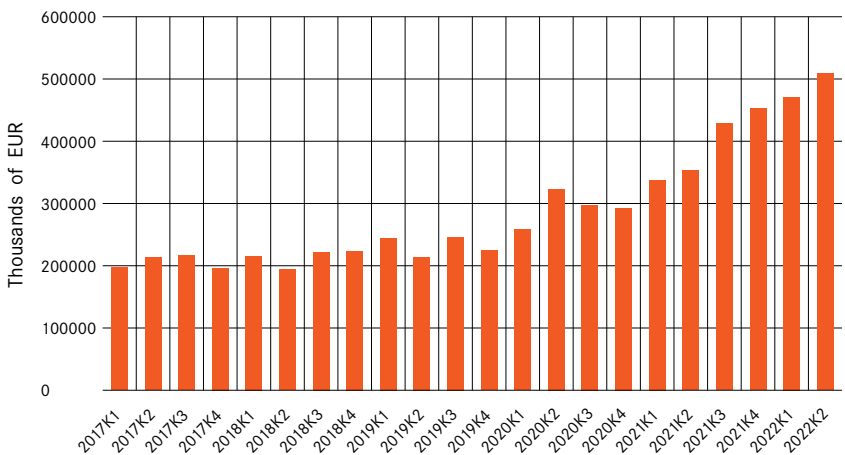


Figure 7. Imports from China to Lithuania, quarterly 2017–2022, thousands of EUR (source: Statistics Lithuania).

Nonetheless, local businesses complained of significant import restrictions. Already in September 2021, even fully prepaid shipments to Lithuania were significantly delayed at Chinese ports. Reportedly, imports of industrial goods – various raw materials, components and microelectronic parts used by Lithuanian manufacturers were subject to delays and suspension at Chinese ports, while the movement of consumer goods and non-industrial goods continued. At the end of last year, it was estimated that 1200 containers worth around EUR 240 million could not reach Lithuania.²⁶⁴

FDI from China in Lithuania also remained limited (Figure 8). Although Chinese FDI stock in Lithuania increased nearly four-fold over 2021, at the end of the year, China ranked only No. 34 by FDI stock in Lithuania. For most of the time, its share hardly exceeded 0.1% of the total FDI stock in the country.²⁶⁵

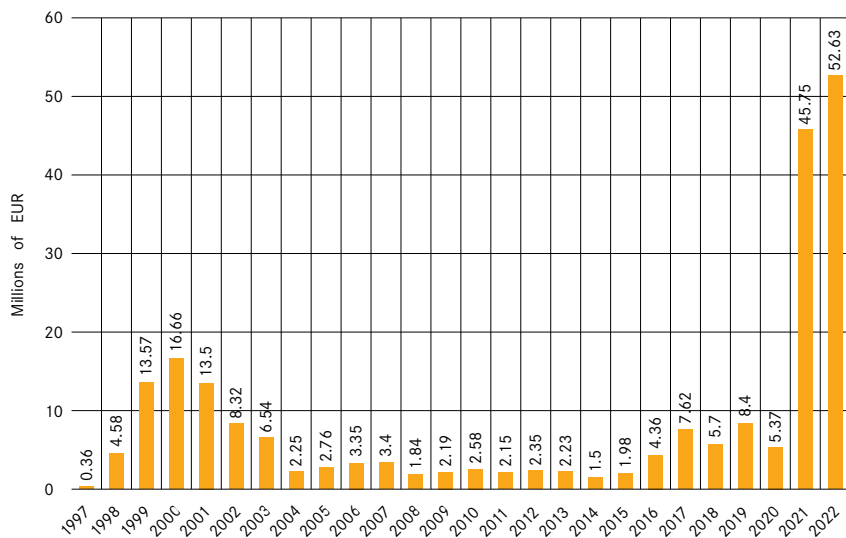


Figure 8. Chinese FDI at the end of the period in Lithuania, 1997–2022,²⁶⁶ millions of EUR (source: Statistics Lithuania).

²⁶⁴ Remigijus Bielinskas, “Janulevičius: Dėl Kinijos Spaudimo Pramonė Kitamet Gali Prarasti Apie 300 Mln. Eurų”, Delfi, 23 December 2021, <https://www.delfi.lt/verslas/verslas/janulevicius-del-kinijos-spaudimo-pramone-kitamet-gali-prarasti-apie-300-mln-euru.d?id=89036867>

²⁶⁵ Calculation by the author based on the data from Statistics Lithuania

²⁶⁶ Data for 2022 is given at the end of the 2nd quarter, the latest data available as of October 2022

According to Statistics Lithuania (Lithuanian Department of Statistics), the largest number of investors from China in Lithuania was 58 in 2010–2011, nearly six times more than in 1998, when there were only 10. At the end of 2021, a provisional estimate was 44.²⁶⁷

While no such data is available for the number of Lithuanian investors in China, the country’s FDI to the PRC has remained stable at around EUR 39 million for the past several years (Figure 9), putting China No. 13 in terms of Lithuanian direct investment overseas.²⁶⁸

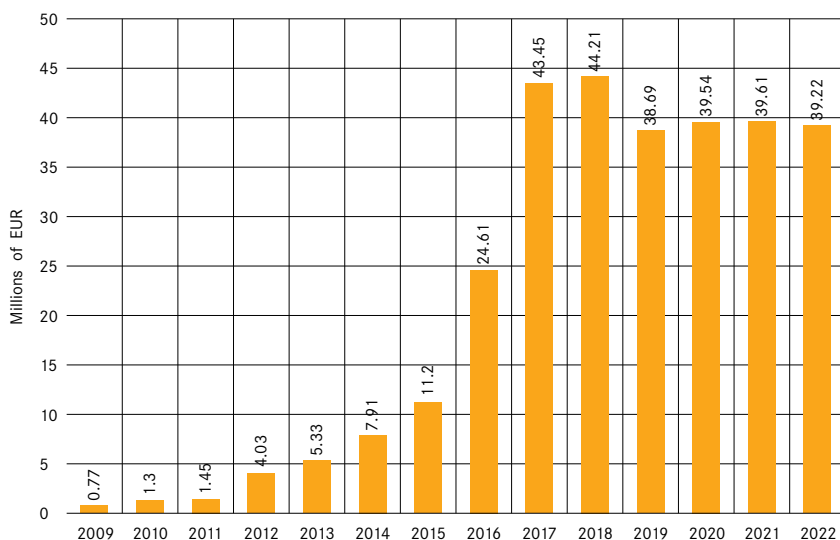


Figure 9. Lithuanian FDI at the end of the period in China, 1997–2022²⁶⁹ millions of EUR (source: Statistics Lithuania).

²⁶⁷ According to the Open Statistics Portal by the Statistics Lithuania data as of 15 October 2022, <https://osp.stat.gov.lt/statistiniu-rodikliu-analize#/>

²⁶⁸ “Dvišaliai ekonominiai ryšiai su užsienio šalimis – Kinija”, Ministry of Foreign Affairs of the Republic of Lithuania, last updated 29 July 2022, <https://urm.lt/default/lt/lietuva-kinija>

²⁶⁹ Data for 2022 is given at the end of the 2nd quarter, the latest data available as of October 2022

Perception of China in Official Documents

The image of China and the perception of its role in the region started to change among political elites when Lithuanian intelligence services shed more light on the potential security concerns over China. Table 1 summarises how China gradually emerged in the security discourse of the intelligence community, as seen from their National Threat Assessment reports produced annually since 2014. China was first mentioned in 2015 in the list of actors that Russia considers friendly to it. In 2016 and 2018, China was briefly referred to in the context of cyber security. Nevertheless, it was noted in the report that Lithuania was not their primary target, and Russia remained as the “major threat to the national security of Lithuania in the cyber domain.”²⁷⁰

The report hinted at the shadow of China in the region’s security environment in 2018. Belarus’s new generation rocket system Polonez was manufactured in association with Chinese armament corporations. As per the report, “[i]n theory, its operating encompasses almost the whole territory of Lithuania.”²⁷¹ The following year, the report further raised concerns over China’s military or technological cooperation with countries hostile to Lithuania. It noted the enhancement of Russia’s cooperation with China, as Beijing enables Russia to procure technologies that became inaccessible due to Western sanctions.²⁷²

2019 marks the point when China came under the attention of the Lithuanian intelligence community. Referred to in the report 28 times, a significant jump from only two references a year earlier, China was singled out for its intelligence attempts to recruit Lithuanian citizens online.²⁷³ Russia’s growing cooperation with China was also noted. The following year, Lithuania gave considerably more attention to China as a potential threat

²⁷⁰ National Threat Assessment 2018, Second Investigation Department under the Ministry of National Defence and the State Security Department of the Republic of Lithuania, 2018, P. 33, <https://www.vsd.lt/wp-content/uploads/2018/03/ENG.pdf>

²⁷¹ *Ibid*, P. 23

²⁷² National Threat Assessment 2019, Second Investigation Department under the Ministry of National Defence and the State Security Department of the Republic of Lithuania, 2019, P. 13, <https://www.vsd.lt/wp-content/uploads/2019/02/2019-Gresmes-internetui-EN.pdf>

²⁷³ *Ibid*, P. 32–33

for its attempts to gather technical intelligence on Lithuanian information systems or gain access to critical infrastructure.²⁷⁴

In this way, year by year, China received increasingly more attention. In the most recent report to date in 2022, these issues raised over the years finally crystallised in a rather specific definition of China’s role in the region and Lithuania. It was broadly noted that “It has been a long time since Lithuania and our transatlantic Allies experienced such strong pressure from authoritarian states,” and specifically that “An aggressive Chinese policy will increase economic, cyber and information threats to Lithuania.”²⁷⁵ For the first time since 2014, when the report was introduced, there was a separate section on China. Giving it a separate place next to Russia and Belarus was an important indicator of how the perception of China in terms of security has increased.

Table 1. Summary of China-related information in the *National Threat Assessment Report* produced annually by the Second Investigation Department under the Ministry of National Defence and the State Security Department of the Republic of Lithuania (compiled by the author based on the National Threat Assessment Reports 2014–2022).

Report year²⁷⁶	References to China²⁷⁷	Threats to Lithuania from China (or the context in which China is mentioned <i>(in Italic)</i>)
2014	0	N/A
2015	1	<i>(the list of actors that Russia refers to as a “friend”)</i>

²⁷⁴ National Threat Assessment 2020, Second Investigation Department under the Ministry of National Defence and the State Security Department of the Republic of Lithuania, 2020, P. 34, <https://www.vsd.lt/wp-content/uploads/2020/02/2020-Gresmes-En.pdf>

²⁷⁵ National Threat Assessment 2022, Second Investigation Department under the Ministry of National Defence and the State Security Department of the Republic of Lithuania, 2022, P. 5, https://www.vsd.lt/wp-content/uploads/2022/04/ANGL-el-_pdf

²⁷⁶ National Threat Assessment reports are usually for the preceding year, e.g., National Threat Assessment 2018 is based on intelligence information from 2017. The full texts of the National Threat Assessment Reports for the years 2014 to 2022 are available from the website of State Security Department at <https://www.vsd.lt/en/threats/threats-national-security-lithuania/>. The reports for 2014 and 2015 are only available in Lithuanian

²⁷⁷ No. of words China, Chinese, or Beijing used in the main body of the text (i.e., excluding the table of contents, page headline and maps)

Report year	References to China	Threats to Lithuania from China (or the context in which China is mentioned (<i>in Italic</i>))
2016	5	cyber security; <i>(Belarus's potential finance alternatives to Russia; growing influence in post-soviet countries)</i>
2017	1	<i>Russia's attempts for cooperation outside of the West</i>
2018	2	cyber security (although Lithuania not a major target); <i>Belarus' rocket system developed in cooperation with China</i>
2019	28	Chinese intelligence attempts to recruit Lithuanians; <i>(industrial cyber spying (unfocused and accidental); Russia's growing cooperation with; Russia's attempts to counterbalance the influence of other actors in Africa)</i>
2020	47	Chinese intelligence attempts to recruit Lithuanians over LinkedIn; a cyber-attack including a company in Lithuania linked to Chinese state authorities; technical intelligence gathering <i>(Chinese power projection instruments abroad; resulting changes in global security environment; development of 5G may become a threat; China's pursuit of technological advantage and its penetrating investment activities; Moscow's interest coordination with China; Chinese troops in Russia's military exercises Tsentr-2019; Belarus's potential finance alternatives to Russia)</i>
2021	40	China's attempt of influence in Lithuania and elsewhere, also by exploiting the pandemic (propaganda, medical equipment supply); Chinese attempts to strategic IT infrastructure in Lithuania; China's interest in seaport investment <i>(cyber security; Russia's cargo tracking system abroad)</i>
2022	98	Increasingly aggressive Chinese foreign policy, economic and information activity against the states that expand relations with Taiwan or criticise the human rights situation in China; <i>(aggressive Chinese foreign policy, strengthening strategic competition with the West; attempts to divide NATO and EU cohesion; China-Russia bilateral cooperation and coordinated activity in international organisations; China's The Global Initiative on Data Security; China's position after the Taliban takeover in Afghanistan; strengthening of Chinese companies' accountability to intelligence services; China's cyber espionage capabilities)</i>

That was the domestic climate when the new coalition government took office in late 2020 after the parliamentary elections earlier that autumn. The new government's programme reflected security concerns over China. While acknowledging its growing global economic and political role, the document pointed out China's growing military and political aggression and human rights violations.²⁷⁸

The fundamental shift in Lithuania's perception of China at the official level came at the end of 2021 when the National Security Strategy of the Republic of Lithuania was updated to include explicit references to China. Putting China alongside Russia – Lithuania's long-term most significant threat – is indeed significant. The security environment that Lithuania feels it is facing now includes the PRC too. The document notes that “[a]s the confrontation between authoritarian and democratic states intensifies, authoritarian states, in particular, the Russian Federation and the People's Republic of China, pose new challenges to Western democracies, to their partners and to the Euro-Atlantic community as a whole. The Republic of Lithuania needs to adapt to changes in the world and the region, to be able to operate in a less predictable environment, to cooperate more effectively with allies and partners, and to increase the resilience of the State and its society to emerging threats.”²⁷⁹ This new revision of the National Security Strategy explicitly states that the communist ideology of the PRC contradicts not only the values enshrined in the Constitution of the Republic of Lithuania but also its national interests. Moreover, it defines the PRC's growing economic and military power, its ambitions and aggressive pursuit to reshape the international order as the emerging most crucial axis of geopolitical competition and of the growing tensions between democracies and authoritarian states.²⁸⁰

²⁷⁸ “Resolution No. XIV-72 on the Programme of the Eighteenth Government of the Republic of Lithuania”, Seimas of the Republic of Lithuania, Vilnius, 11 December 2020, P. 261, <https://lrv.lt/uploads/main/documents/files/PROGRAMME%20OF%20THE%20EIGHTEENTH%20GOVERNMENT%20OF%20THE%20REPUBLIC%20OF%20LITHUANIA.pdf>

²⁷⁹ Resolution Amending Resolution No. IX-907 of the Seimas of the Republic of Lithuania of 28 May 2002 on the Approval of the National Security Strategy, XIV-795, Seimas of the Republic of Lithuania, Vilnius, 16 December 2021, Ch. 1, Article 2, <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/3ec6a2027a9a11ecb2fe9975f8a9e52e?jfwid=-hx57wpjg7>

²⁸⁰ *Ibid*, Ch. III, Article 17

Lithuania's China policy under the incumbent government has been divisive, as explained above, but the redefinition of Lithuania's new security environment gained significant support.²⁸¹ The support rate for this revision of the National Security Strategy in the national parliament was relatively high. Of all the 144 members of the Lithuanian parliament, 100 voted for, 7 - against, and 16 parliamentarians abstained from voting.

Conclusions

This chapter attempted to present the evolution of the perception of China in Lithuania. After the establishment of diplomatic relations between the Republic of Lithuania and the PRC in September 1991, bilateral relations underwent different stages, and the perception of China's role in Lithuania evolved dramatically. So did the relations between the two countries. In the 1990s, there was a functioning interparliamentary group for relations with Taiwan, and an early sign of the existing division among Lithuanian politicians over their stance towards the PRC. China was long perceived as a geographically distant country, lower on the list of foreign policy priorities of Lithuania, economic interest was the uniting element. In the 2000s, there were bilateral discussions on China's potential investment in Lithuania's Klaipėda port. As Lithuania joined China's initiative for cooperation with the Central and Eastern European states, expectations for deepening economic relations with China in Lithuania were very high. For most of the 2010s, China's role in the region was only viewed in economic terms. It was not until mid-2019 when it became evident that Lithuanian top leaders changed the lens through which they viewed China. The fundamental change in the perception of China came in late 2021 when the revised National Security Strategy of the Republic of Lithuania included explicit reference to China for the first time. This was the point of no return, strongly indicating that China has been included in the security equation of Lithuania, marginalising economic objectives.

On the other hand, the coalition government, in office since late 2020, concluded that the development of trade and economic relations over the

²⁸¹ Voting Results of the Members of Parliament, Seimas of the Republic of Lithuania, 3rd session, evening sitting no. 127, 16 December 2022, https://www.lrs.lt/sip/portal.show?p_r=37067&p_k=1&p_kade_id=9&p_ses_id=124&p_fakt_pos_id=-501675&p_bals_id=-44707#balsKlausimas

preceding decade fell short of earlier high expectations. Motivating its new foreign policy with the aim to diversify economic relations in the Asian region, the government fundamentally reorientated Lithuania's China policy, building on two pillars – distancing from China and invigorating relations with Taiwan. As a result, a bilateral crisis between Lithuania and the PRC escalated, eventually leading to China's unilateral downgrading of bilateral relations. While political elites have been divided over these developments, the parliament supported the redefinition of Lithuania's security environment to include the PRC.

These developments pinpoint the two axes on which the perception of China in Lithuania has centred over the years. The visible one – the economic opportunity-security threat axis – emerged in the 2010s, while the value axis has been latent since as early as the 1990s. In the Lithuanian parliament, there has long existed a cleavage crosscutting political identification, dividing those in favour of strictly adhering to the One China policy and those in favour of closer relations with Taipei. These two axes have converged most recently, as the recognition of threats China may pose to the existing global order have surfaced, and the traditional supporters of Taiwan acceded to office in late 2020.

Baltic Public Opinion on China in 2022 – Neutral but Tilting towards Negative

MĀRIS ANDŽĀNS

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Public opinion on China has previously been studied in the Baltic states. However, the body of such studies remains scarce and inconsistent. Although limited in scope, this is a tri-nationally representative sociological study, where public opinion on China is explored simultaneously in all three countries and within a single methodological framework. Although this is only a one-off survey and consists of only two questions, the results are telling.

The sociological study was conducted as part of an omnibus survey in summer 2022: from 17 to 28 June in Lithuania (conducted by Baltic Surveys), from 8 to 19 July in Latvia (conducted by SKDS), and from 4 to 16 August in Estonia (conducted by Turu-uuringute). Face-to-face interviews were conducted in both Latvia and Lithuania. In Estonia, half of the respondents were reached face-to-face, and another half in computer-assisted web interviews. Altogether, 2936 respondents were surveyed, among them 1004 in Latvia, 932 in Lithuania, and 1000 in Estonia.

The first question explored the associations of the respondents with China (Figure 1; the question “What is your association with the People’s Republic of China?”). The predefined options were the following: an ancient culture, a distinct civilization and people, an economic and technological powerhouse, a superpower of global politics, authoritarianism and communism, a supporter and exporter of authoritarianism, human rights violations, threat to other countries, something else, and none of the above. Each respondent was invited to choose up to three options from those just mentioned.

With the provided answer options, the authors of this paper strived to deliver a balanced set of positive, neutral and negative associations based on the presumably most widespread assumptions of China in the Baltics.

The choice of options is further justified by the fact that only a small proportion of the answers were “something else” and “none of the above” – slightly above one-tenth in Latvia, and less than half the number in the other two states.

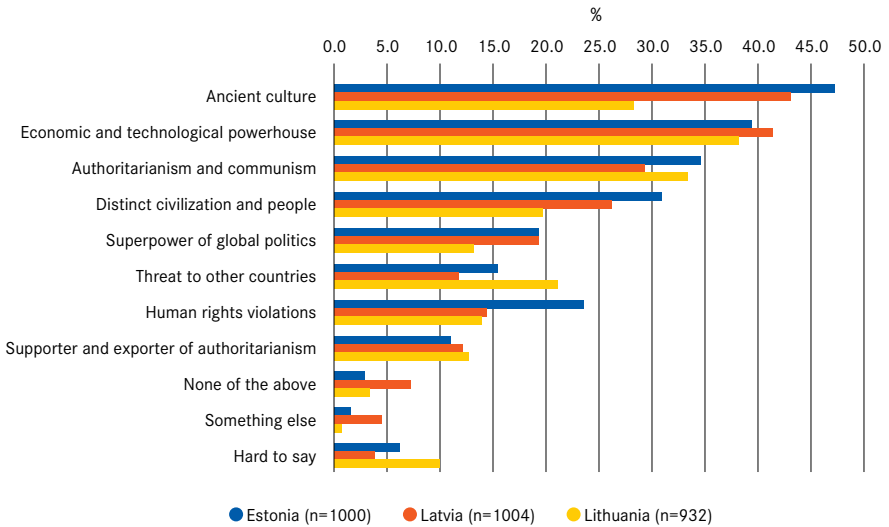


Figure 1. Answers to the question “What is your association with the People’s Republic of China?”

The top three associations in all three countries, albeit in slightly different order, were an ancient culture, an economic and technological powerhouse, and authoritarianism and communism. The top four answers were identical in Latvia and Estonia. Ancient culture came first in Latvia and Estonia, but third in Lithuania. The economic and technological powerhouse came first in Lithuania and second in both Latvia and Estonia. Authoritarianism and communism came second in Lithuania and third again in both Latvia and Estonia. Distinct civilization and people was fourth most popular in both Latvia and Estonia, and fifth in Lithuania.

Negative associations were more common in Lithuania. China as a threat was perceived most often there, as the fourth most common answer was “threat to other countries”. This option came as the last option, except for the “other” options, in Latvia and second to the end in Estonia. Human

rights violations ranked at the lower end in all three states, fifth from above in Estonia and sixth in Latvia and Lithuania. The least popular answer of all was China as a supporter and exporter of authoritarianism. It was the least common in Lithuania and Estonia and second to last in Latvia.

The second question explored the perception of China in the range of positive, rather positive, neutral, rather negative, and negative (Figure 2; the question “What is your opinion of the People’s Republic of China?”).

The answers to this question provide a rather coherent picture across all three states. In each of the three Baltic states, more than 40% of the respondents had a neutral view of China. The highest rate of neutral perception was in Latvia, 55.1% of the answers.

The most balanced negative and positive views towards China were in Latvia. There, 20.4% of the respondents expressed a positive view, but 22.1% gave a negative assessment (here and henceforth these are the cumulative values of positive and rather positive, and negative and rather negative). The disbalance of the positive and negative views was more pronounced in Lithuania and Estonia. 18.9% of Lithuanian respondents expressed a positive view, but 28.3% provided a negative assessment of China. 22.7% of Estonian respondents had a positive view of China, but 31.1% had a negative view.

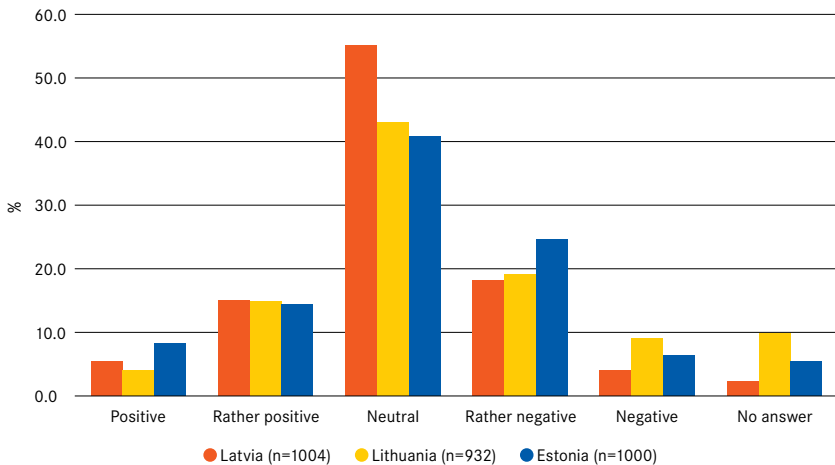


Figure 2. Answers to the question “What is your opinion of the People’s Republic of China?”

Upon a closer look, as is usually the case, there are differences among opinions depending on the background of the respondents. As this is a one-off study, care must be taken in generalising the results. More restraint is needed when looking at the variations of the results depending on the background of respondents. The smaller the number of respondents in a category, the less representative the data are.

A category that clearly stands out among others is the ethnolinguistic background of respondents in Latvia and Estonia (the ethnic composition of Lithuania's society is more uniform and, consequently, the relatively small number of non-Lithuanians in the sociological study makes generalisations too stretched). This is no surprise as opinions between Latvian and Estonian speakers, on the one hand, and Russian speakers from both countries, on the other, tend to differ significantly on domestic and foreign policy issues. As a result of divergent historical memories and narratives in Russia's information space, the most contentious issues are related to Russia and interpretations of history. And the subject of China is another example of these divergences. This is no surprise given the strategic partnership between China and Russia and the more positive image of China in the Russian media, a popular source of Baltic Russian speakers.

In this sociological survey, Latvian and Estonian speakers expressed more negative views toward China, compared to Russian speakers. In the second question, only 13% of Latvian speakers expressed positive views toward China, but 25.1% expressed negative views. Unlike that, 32.6% of Latvian Russian-speaking respondents had a positive view and 17.4% expressed a negative view. The difference was even more pronounced in Estonia. There, only 8.7% of Estonian speaking respondents had a positive view of China, while 38.9% expressed a negative view. 53.6% of the Russian speaking Estonia's respondents had a positive view and only 10.8% expressed a negative view of China.

Staying on the same point, Latvian and Estonian speakers more often associated China with communism and authoritarianism, export of authoritarianism, human rights abuses, threats to other countries, compared to Russian speaking respondents. The difference was again more pronounced in Estonia.

The perceptions sketched by the sociological survey generally align with the state of affairs in Baltic-China relations. China is not among the

major external powers in the region, and thus is not a major concern to ordinary citizens. China's accomplishments and failures are generally known. Awareness of the failures is on the rise. They were further illuminated by the recent spat between Lithuania and China over Taiwan, as well as China's continued support of the authoritarian neighbours of the Baltic states - Russia and Belarus.

Conclusions: China in the Baltic States – from a Cause of Hope to Anxiety

UNA ALEKSANDRA BĒRZIŅA-ČERENKOVA

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Historically, during the first two decades following the re-establishment of independence of Estonia, Latvia, and Lithuania in 1991, China was not a visible presence nor an immediate concern in the region, aside from the Latvian experience with the general consulate of Taiwan in 1992–1994. The shared European and transatlantic strategic orientation of the three Baltic states dictated that the limited resources the countries had to be allocated in pursuit of first joining and then integrating into the EU and NATO, precluding the nations from targeted policies in other regions of the world, including East Asia. The framing of China as an unfamiliar entity viewed through its culture, language and history can be illustrated by a quote from the introduction of a 2006 book on the exhibition at the Academic Library of Latvia: “For Latvians, China is a distant and wonderful land of fairy tales, therefore the title of the exhibition contains lines from Kārlis Skalbe’s fairy tale “Cat mill” (1913): “I see a land where the tea tree blooms, and the blue garment of the king, in which curls a golden dragon”.²⁸²

The change began in the early 2010s, when China invited Estonia, Latvia and Lithuania to join a Beijing-led platform of cooperation with Central and Eastern European countries, initially known as “16+1”/ (“17+1” in 2019–2021).

Excited to explore economic opportunities presented by China’s formats, the Baltics invested a significant amount of political capital into various activities of the format, including exchanges of official and business delegations, transit strategy alignment with some of China’s provisional routes, and elevated interest in attracting Chinese investment. The Baltic interest symbolically peaked in 2016, when the “16+1” Summit was held in Riga

²⁸² “Es redzu zemi, kur tējas koks zied: Ķīnas un Latvijas kultūru saskarsme: izstāde Latvijas Akadēmiskajā bibliotēkā”, Katalogs, sast. A. Poriete, Rīga, LAB, 2006

and the Baltic states signed Memoranda of Understanding with the Belt and Road Initiative. Gradually, however, two types of pressures set in, ushering in a change of approach.

First, China's perception as a challenge in the transatlantic space, exacerbated by wolf-warrior diplomacy right here in the region, in Lithuania, introduced the dimension of the geopolitical risk of engagement with China. In her chapter on Lithuania, Vida Mačikėnaitė demonstrates the recent convergence of the economic opportunity-security threat axis with the value axis in the country, leading to Lithuania's abandonment of China's platform in 2021 followed by a turn towards Taiwan.

Secondly, the lack of economic deliverables several years into the co-operation formats led to the discouragement of even the most pragmatic pro-engagement pundits. The increase of China as a media, policy and security topic was both a result of China's presence in the region, as well as a manifestation of global trends, and circular as well as bilateral interdependencies. In the chapter presenting the Estonian experience, Anniki Mikelsaar establishes that China has not become a significant investment, cooperation or trading partner to Estonia – the conclusion applies to Latvia and Lithuania as well.

As a result of these two types of pressures, Latvia and Estonia followed Lithuania and withdrew from the China cooperation with Central and Eastern European countries platform in 2022, symbolically closing the decade of prioritised attempts at engagement with China.

From a bird's eye view, the Baltics are back to being on the same page vis-a-vis the People's Republic of China. Still, as the country chapters rightfully suggest, there are both similarities and differences in the national Baltic approaches to China. The Lithuanian policy was high-profile, with high yield in international visibility, but also having recoil in the form of China's retaliatory measures.

The approach of the Baltic neighbours was milder. As Latvia and Estonia announced a coordinated farewell to China's format in Central and Eastern Europe, both nations underscored the interest in continuing engagement on the bilateral and EU levels. The Latvian method, as Justīne Kante argues, became about choosing a path where relations between Riga and Beijing are left in the hands of the EU, NATO and other big players of the Western world.

The data collected for this publication from a representative public opinion survey of all three countries populations' perception of the People's Republic of China on the attitudes of the Baltic populations to China also demonstrates the shared traits as well as national differences in the attitudes towards China across the Baltic states. The dominating perception of China is shared across the region and is a neutral one, with Latvia leading among the Baltics in the "neutral" perception, and Estonia and Lithuania slightly behind.

Perhaps unsurprisingly, almost half of the Lithuanian respondents saw China as a threat to other countries, significantly higher than in Latvia, with Estonia scoring in the middle of the two. Only approximately one quarter of the respondents in all three Baltic states see China as a "supporter and exporter of authoritarianism". The respondents of all three countries, however, overwhelmingly see China as an "economic and technological powerhouse" and an "ancient culture". The economic and cultural angles, not security or values are still behind the perceptions of China in the region.

As NATO has presented the Strategic Concept for the next decade or so, the attention of the Alliance is increasingly turning towards China. The member states, however, differ in their reading of the challenge of China. In order to contribute to a cohesive NATO and well-informed local audiences, it is important to measure, debate, analyse and compare the perceptions of China among NATO member states, and to determine how such perceptions measure up against their national security and collective defence. As NATO is entering the nuanced and difficult conversation over the Indo-Pacific, so should the societies of its Baltic member states. The overarching conclusion is the need to strengthen the link between stakeholders and the public in the Baltic region, debating China's role and approach as a security actor.

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Dr Vida Mačikėnaitė is Assistant Professor at the International University of Japan. With an original major in political science at Vilnius University, Lithuania, she specialises in Chinese politics with graduate degrees from Keio University in Japan and Fudan University in China. While her major field of research is China's domestic and foreign policies in the context of authoritarian regimes, her research has focused on state capacity and economic statecraft, with a special focus on state-business relations. More recently, she has explored China's exercise of economic statecraft in Europe and is currently working on a project on China-Russia relations.

Justīne Kante is currently a PhD student at Rīga Stradiņš University. Her research focuses on the rise of China, US-Taiwan-China triangle relations, foreign policy, and security issues. She holds an MA degree in International Governance and Diplomacy from Rīga Stradiņš University on emphasis to US-China relations and BA degree in English philology from University of Latvia with specialisation in discourse analysis. Currently she is participating in a project related to security issues within Latvia, Lithuania and Taiwan.