China and the Baltic States: strategic challenges and security dilemmas for Lithuania, Latvia and Estonia

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Abstract: The article considers traditional and non-traditional security concerns faced by the Baltic states of Estonia, Latvia and Lithuania in the face of China's increasing presence. Consequently the article first considers the geo-economic challenges posed to these Baltic States through the China and Central and East Europe Countries (CCEEC) grouping, and China's Silk Road Economic Belt (SREB) initiative. This economic leverage translates to political leverage able to be exerted on the Baltic states by China, with regard to human rights and the issue of the Dalai Lama. Moreover, such mechanisms and Chinese financing serves to politically divide the Baltic states, and also divides EU solidarity vis-à-vis China. Finally there are the conventional security issues posed to the Baltic states in the Russia-China naval exercises carried out in Baltic waters in 2017; with China's role in effect providing implicit support and legitimisation of explicit Russian threats in the Baltic. It concludes by suggesting alternative infrastructure routings to at least reduce the threat of Russian interference.

Keywords: China; Baltics; Europe; geo-economics; geopolitics; Silk Road.

1 Introduction

The People’s Republic of China has emerged as a player in the Baltic in recent years. This is partly through its close military links and strategic partnership with Russia, partly through the China and Central and Eastern Europe Countries (CCEEF) mechanism and partly through its flagship initiative of the Silk Road Economic Belt (SREB). In turn this economic sway through the CCEEC and SREB frameworks gives China more political leverage over Baltic policies. The Baltic States refers primarily to the three ex-Soviet republics of Lithuania, Latvia and Estonia; with Latvia having particularly embraced China’s Silk Road, but also having accommodated the most to Chinese political pressures. The main economic and military challenge of these three Baltic States is to survive growing Russian power. Not surprisingly, they have nested within the European Union (EU) and the North Atlantic Treaty Organization (NATO) to provide wider support structures.

The structure of this article is threefold; namely, the geo-economic challenges posed by China to these Baltic States, the political pressuring faced from China by the Baltic States, and the significance for the Baltic States of the China-Russia naval exercises carried out in the Baltic.
2 Geo-economic challenges

Economic challenges are part of a nation’s security. For example, the Estonian foreign minister Marina Kaljurand told the Parliament that security went beyond just military matters; “security is a term so much larger. For instance, it includes energy security, direct investments made in Estonia [...] our trade in goods, in short, our economic relations” (Kaljurand, 2016). The result of this was that she felt that “business and economic diplomacy has become one of the cornerstones of Estonia’s foreign relations” (Kaljurand, 2014). This is the context that the Baltic countries have primarily encountered China within.

Similarly, China’s diplomacy has taken on a marked economics-focussed angle. Win-win cooperation for mutual benefit continues to be China’s mantra, but yet the economic diplomacy serves China’s interests. As China itself admits:

The aim and purpose of economic diplomacy [...] have boosted China’s institutional power in global economic governance and carry great significance in stabilizing the external economic environment, safeguarding China’s development interests and expanding space for growth both in the immediate future and in the long run [...] we leveraged various mechanisms to safeguard interests of and expand space in China’s going-global efforts. There are currently over 30,000 [Chinese] firms operating overseas. (Zhang Yun, 2017)

China’s “new role” (Berzina-Cerenkova, 2018) vis-à-vis the Baltic States is most evident in this economics arena. However, the danger for the Baltic States is that Chinese initiatives like the China and Central and East Europe Countries (CCEEC) grouping, and the Silk Road Economic Belt (SREB) project become mechanisms for China to leverage greater space for Chinese economic penetration of those European markets. If “Germany has become aware that the growing number of economic ties with China may bring in tandem with the many benefits also certain threats” (Poplawski, 2017, p. 1), then the situation for much smaller weaker Baltic economies presents more economic and political threats and fewer economic benefits.

Economic security is also an issue insofar as there is an ongoing large trade imbalance, in which Chinese exports to the Baltic States increasingly outweigh Baltic exports to China (Kalendienė et al., 2017). Furthermore, Baltic exports to China are strongly in the food area (particularly dairy produce); while Chinese exports to the three Baltic States are strong in finished industrial products (machinery, technology). Terms of trade give China’s exports increasing price rises, while Baltic raw resources rise less quickly in price. Consequently, a gap in value increasingly opens up in China’s favour and against the Baltic States. The pattern of China-Baltic trade also threatens to establish a neo-colonial pattern between primary resources/finished industrial products. Such structural imbalances are compounded by imbalances in relative importance. Economic links with China are of rising significance for the three Baltic countries but economic links with these Baltic countries are of much less significance for China (Martyn-Hemphill and Morisseau, 2015). This also gives China greater power in negotiations with the Baltic States, who operate in structural terms from a position of relative weakness.

2.1 China and Central and Eastern Europe Countries (CCEEC)

The China and Central and Eastern Europe Countries (CCEEC) initiative, often referred to as the “16 + 1”, was launched by China in 2012. China sees this as involving growing Chinese economic presence, “China will continue to encourage and support more Chinese enterprises to take part in the development of existing economic and technological zones in the relevant countries” (China, 2012). Chinese investments and the CCEEC format represent an “investment in influence” (Stanzel, 2016) on the part of China. The CCEEC mechanism is now complete with annual Summit meetings and a Secretariat based in Beijing, within China’s Ministry of Foreign Affairs. This CCEEC mechanism brings China and the Baltic countries (Estonia, Latvia and Lithuania) together with Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Hungary, Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia.

2016 saw particular closer cooperation between China and the Baltic States in this CCEEC umbrella. In May 2016, the 1st CCEEC Transport Ministers’ Meeting was held in Riga, Latvia. The meeting adopted the
Riga Declaration on Closer Cooperation in Logistics between CEECs and China, which included agreement to set up the China-CEEC Secretariat on Logistics Cooperation at Riga. The Riga Declaration emphasized “port area cooperation between China and CEECs bordering the Baltic” (CCEEC, 2016).

Win-win economic cooperation is the mantra of such activities, but yet there may be an economic challenge for the Baltic members in the shape of economic penetration by Chinese companies. Chinese hopes that “Chinese enterprises can leverage their full-fledged experiences and technologies in infrastructure building to help the CEE countries where demands of the kind are increasingly rising” (Zhang, 2015) have an uncomfortable ring when one considers what sort of leverage this will give. It is true that the Baltic countries can, as CCEEC members, look to China for designated credit lines and a CCEEC Investment Cooperation Fund for various infrastructure projects. However, Chinese investment in the Baltic States would be a mixed blessing for them. Taking the Chinese finance on offer may merely build up a disadvantageous “debt model” (Jakobowski and Kaczmarski, 2017, p. 3) for the small Baltic countries in the CCEEC grouping, given that the Chinese finance on offer is at disadvantageous rates that are further tied into using Chinese companies and Chinese workforce to deliver. Casarini has already shown that there is already an imbalance in infrastructure financed by Chinese soft loans in East Europe:

This raises the question of reciprocity. While Chinese companies find an open-door environment in Europe, it is quite difficult, if not impossible, for a European company to succeed in winning a contract to build an infrastructure project in mainland China (Casarini, 2015, p. 9; also Le Chorre and Sepulchre, 2016)

This lack of “reciprocity” is a further issue for the Baltic States. Moreover, such projects leave the region at “risk” (Heijmans, 2017; also Jacobowski, 2015) of Chinese infrastructure investments merely opening the door for local industry being undercut by greater volumes of cheaper Chinese imports whose transport costs have been reduced through these infrastructure projects.

A problem in the CCEEC format is that it leaves a range of varying bilateral relations, with no block solidarity between the European members, Stanzel argues this represents a situation of “divide and rule [...] where China is strengthening bilateral relations with only some of the 16 and bestowing more attention on them than others” (Stanzel, 2016, p. 2). Poulain argues that in its relationship with Balkan countries and infrastructure projects, China seeks “leverage” in which “Beijing is ready to advance its own agenda in the region” (2011, p. 6). The same danger exists for and between the three Baltic States vis-a-vis China.

A related challenge for the smaller Baltic countries like Lithuania, Latvia and Estonia is that the CCEEC framework is weakening EU solidarity in trade negotiations with China. Hitherto this has been the domain of the European Commission, and enabling bloc solidarity. Admittedly, Chinese officials make reassuring noises on this issue. At the Riga Summit in November 2016, attended of course by the Baltic States, China’s Prime Minister Li Keqiang argued that “we have all along stressed that the ‘16+1’ cooperation is a part of and useful complement to China-EU cooperation [...] and has injected new vigor into the China-EU comprehensive strategic partnership” (Li, 2016; also Liu, 2014 and Zhang, 2015); but actually in the world of ‘power politics’ the CCEEC (16 + 1) format enables China to exert increased leverage on these smaller Baltic countries, and to also weaken the bloc advantages for the EU in its wider negotiations with China. Consequently, EU concerns have been present over Chinese motives in setting up the 16 + 1 mechanism (Spisack, 2017; also Long, 2016).

2.2 Silk Road Economic Belt (SREB)

The Riga Declaration drawn up at the 2016 CCEEC summit made frequent reference to drawing Central and East European countries into closer participation in China’s overland Silk Road Economic Belt (SREB) project coming across Eurasia, a project pushed by China since 2013. This Chinese initiative stemmed from Xi Jinping’s call in late 2013 for “a ‘Silk Road Economic Belt’ [...] to open up the transportation channel from the Pacific to the Baltic Sea” (Xi, 2013). A final “Northern Corridor” spur is envisaged to Riga. A milestone here was in November 2016 when a trial container train from Yiwu City in Zhejiang province in
China arrived in Latvia after completing an 11,000 km journey over 12 days through North-eastern China and Siberia. A further milestone was in September 2017 with a Memorandum on Strategic Cooperation signed between the Freeport of Riga Authority and the Port of Lianyungang, with the goal to promote the development of multi-modal transport services along the Eurasian land transport corridor. Of course, as various Silk Road routes are mooted, the ongoing physical security of such infrastructure schemes (Bujak and Śliwa, 2016, p. 442) becomes an issue not just for China but also for participating states like those in the Baltic.

The Silk Road initiative fits into China’s diplomatic rhetoric on its “peaceful rise” (heping fazhan) and “peaceful development” (heping fazhan) as a “responsible power” (fuzeren da guo) seeking “win-win cooperation” (hezuo gong ying) and “mutual benefit” (huli). In such a vein, the Chinese ambassador to Estonia, Qu Zhe speaking to the Estonian School of Diplomacy explained the Silk Road Economic Belt initiative:

The initiative is the very concrete reflection of China’s peaceful diplomacy that features in peaceful co-existence and mutual benefit. As China is getting better-off and becomes the powerhouse of global economy, it is willing to take more international responsibilities. (Qu, 2015)

Talk by China taking on more international “responsibilities” (fuzeren) is not necessarily reassuring as it could be another word for China throwing its weight around more in the international system. China emphasizes that there is a triple lock guaranteeing the beneficial nature of the SREB for the Baltic States:

In sponsoring the “One Belt One Road” policy, our leader emphasis the concept of the “Three No’s”. That is, first, we do not interfere in the internal affairs of other nations; second, that China does not seek to increase the so called “sphere of influence”; and third, China does not strive for hegemony or dominance. That is, we are all equal partners. (Shi, 2014)

This is questionable since clearly China seeks influence, and relative economic weight makes this demonstrably not a partnership of equals between the three Baltic States (minor powers) and China (a Great Power)

Admittedly the Riga Guidelines argued that SREB fitted part of the wider EU-China Connectivity Platform, and that they would make concerted efforts to develop “synergies” (CCEEC, 2016) between the Silk Road project and the relevant EU initiatives such as the Trans-European Networks. However, the danger for the Baltic States is that the SREB will tie them into a China-shaped network, with increased trade primarily benefiting still greater volumes of Chinese exports to Europe.

It is noticeable, and deserves exemplifying, how Latvia actively pursued a privileged relationship with China from 2000 onwards (Daugulis, 2013; Spruds, 2017), as these comments by the Latvian governments make clear:

- Latvia is genuinely interested in participating in new transcontinental shipment initiatives from China to Europe. (Minister of Foreign Affairs, Indulis Berzins, 2000)
- I hope that Latvia’s convenient ports will soon be used even more extensively by Chinese companies. I am convinced that Latvia’s favourable geographic location could serve well as a crucial part of the Europe-Asia Transcontinental Transit Corridor, which will one day connect China with Western Europe (President Vike-Freiberga, 2004)
- Latvia is working to serve as a key node along a promising trade corridor linking East Asia and Europe [...] land transit is growing rapidly between Europe and Asia. A new Silk Road is in the making. (President Vike-Freiberga, 2007)

Latvia’s push for greater trade through Riga has been from a position of weakness. To illustrate this (China, 2016); in the year 2015 the volume of exports of goods from Latvia to China amounted to 150 $million, whereas the volume of imports of goods from China to Latvia amounted to 1,020 $million. This left a Latvia trade deficit/China trade surplus of 870 $million out of a total trade flow of 1,170 $million. The danger for Latvia is that greater trade flows merely translates into a still greater Latvia deficit/China trade surplus. Latvia’s Transport Minister Uldis Augulis acknowledges that amid growing trade, “our next task is to ensure
similar cargo flow in both directions. It is not a secret that there are still twice as much cargo coming from China than going from Europe to China, and this will be our challenge” (Baltic Course, 2017).

Latvia’s greater embrace of the Silk Road initiative also poses the danger of weakening Baltic solidarity. In part this is shown through Latvian competition with Lithuania, in which both push their respective ports, Riga vs. Klaipeda, as the main terminus for the Northern Corridor. Consequently, “at multilateral summits like the one in Riga there is a sense of competition” as the two countries “vie to become the main regional hub for the Chinese goods” (Mackocki, 2016, pp. 43-44). Thus while the Latvian Ministry of Foreign Affairs in cooperation with the Ministry of Transport organised the a high level conference “Connecting Asia with Europe” at Riga in 2014, the Lithuanian Ministry of Transport replied with organising an international conference “Silk Road Connecting China and Europe (via Baltic)” at Klaipeda in 2016. Both events were attended by Chinese ministers (Wei, 2016).

Initially Estonia remained quite “cautious” (Veebel, 2016) about China’s Silk Road initiative. In part this is because of its trade deficit with China, in part the readiness of China to impose trade sanctions over political issues, in part because of the close links between China and Russia, and in part because while Latvia has Riga and Lithuania has Klaipeda, Estonia’s main port of Tallinn is not particularly on the Silk Road route. Nevertheless, Estonia signed a Silk Road Initiative Memorandum in November 2017, in which the Minister of Entrepreneurship and Information Technology Urve Palo argued that “for Estonia, the agreement means prospects for foreign investments and provides additional opportunities for connecting the Rail Baltic rail link with the East-West transport corridor” (Estonia Radio 2017). A degree of competition seems to be emerging with Riga, as Tallinn “tries to entice China to use it as a transit corridor” (Estonian World, 2017) to the rest of the Nordic countries. A danger is that this may reflect Estonia running after China too much, and opening up divides between Riga and Tallinn that China is able to exploit? Further hopes of increased Silk Road use were announced in the Cooperation Agreement signed between the Estonian Chamber of Commerce and Industry and the Beijing Chamber of Commerce in February 2018.

3 Political pressurising

China’s growing economic power does generate political pressures on Baltic States to comply with what China considers to be its “core interests” (hexin liyi). The result of the economic shifts is that:

China has been formulating increasingly stronger expectations regarding Europe’s behaviour towards China’s “core interests” [...] convincing both the EU as a whole and individual European states to adopt a passive stance and limit Europe’s involvement in areas which are of key importance to China. The number of issues in which Beijing expects “silence” on the part of Europe has been on the rise. (Kaczmarski, 2016, p. 20)

Of course, China’s geopolitical location means that it does not pose any direct geopolitical challenge to the Baltic States, and the Baltic States do not operate in China’s geopolitical spheres in Asia. However, China’s “core interests” do include maintaining its control on Tibet, and thus restricting the international role played by the Dalai Lama. Here, the Chinese state media has been ready to announce that China’s growing economic power was leading more countries to “shun” (Zhang Yu, 2017) the Dalai Lama. The crunch time for this application of pressure was witnessed in the visit paid by the Dalai Lama to the three Baltic States in 2011 and 2013.

In Estonia the Dalai Lama met various ministers and the head of state President Ilves in his trip in August 2011. The Chinese response was immediate:

By allowing the Dalai Lama to visit Estonia and arranging official meetings with him, Estonia will seriously violate the basic principles of international relations [...] definitely hurts the feelings of the Chinese people and harms Sino-Estonian relations (China, 2011).
China went on to freeze high-level political ties with Estonia – with no higher state visits taking place between China and Estonia during the next three years. A trade freeze was also put in place, which was particularly painful for Estonian dairy produce exports to China (Paevaleht, 2014). This reflects the so-called Dalai Lama effect; with “political compliance a precondition for healthy trade relations with China” and in which “the Chinese government frequently threatens that meetings between its trading partners’ officials and the Dalai Lama will be met with animosity and ultimately harm trade ties” (Fuchs and Klann, 2013, p. 164). It also represented coercive diplomacy. Eventually in September 2014, China announced an Estonian apology:

The Estonian side said that it was regrettable that Estonia-China relations suffered negative impact in recent years. The Estonian side places high importance on developing friendly and cooperative relations with China, stays committed to the one-China policy and recognized Tibet as an integral part of China. It does not support any separatist force or activity that advocates the so-called Tibet independence and undermines China’s territorial integrity. (China, 2014)

Whether or not the Estonian government gave understandings that the Dalai Lama would not be met by officials on future visits was left unstated.

The Dalai Lama’s visit to Lithuania in September 2013, where he met President Grybauskaite, brought further Chinese outrage. A planned visit by the Chinese Vice Minister of Commerce Jiang Zengwei to discuss possible cooperation in the field of transportation projects was cancelled. After a year of coolness, the two leaderships held a bilateral meeting at the CCEEC summit taking place in Belgrade. Normal service was resumed, but on Chinese terms:

The Lithuanian side stated that it places high importance on developing friendly and cooperative relations with China, respects China’s sovereignty and territorial integrity, stays committed to the one-China policy, recognizes Tibet as an integral part of China, does not support any separatist force or activity that advocates the so-called Tibet independence and undermines China’s territorial integrity, and is ready to handle such sensitive issues in an appropriate manner in the future. (China, 2015)

This was not exactly a Lithuanian apology, but it tacitly implied no future official receptions for the Dalai Lama.

In contrast, the Dalai Lama’s visit to Latvia in September 2013 saw no contact with government officials. Heeding Chinese sensibilities, the Latvian President claimed he had not been aware of the Dalai Lama’s visit. The reward was China’s support for Riga as the main Baltic link to the overland Eurasian infrastructure projects; in effect Latvia “gaining economic returns most likely due to their demonstrating acts of political compliance vis-à-vis China” (Kowalski, 2017, p. 10). This refusal by the Latvian government to have contact with the Dalai Lama was repeated in his trips made in May 2014, October 2916 and September 2017. Government distancing was expressed by the Foreign Minister Edgars Rinkevics:

This visit is not being organized by the Latvian government. This is an absolutely private event, and that is how it should be perceived [...]. Latvia strongly supports China’s territorial integrity and wishes to have a good dialogue with China. (Tibetan Review, 2016)

This pre-emptive distancing and public messaging to China brought the desired result – no Chinese criticism of Latvia.

Wider pressure is exerted by China on the Baltic States to mute general human rights criticisms:

Beijing has been in a favourable situation in particular since the eurozone crisis – it has been taking advantage of the ‘race for China’ which is ongoing in Europe. As part of this ‘race’, individual states are trying to obtain from China as much as possible and to achieve the status of a key partner and a ‘gateway’ to Europe. Beijing is taking advantage of fears present in individual European countries that they may be pushed outside the mainstream of economic relations with China. As a consequence, Beijing has managed to create a situation in which none of its European partners expresses reservations about China’s internal policy. The Czech Republic and the Baltic States, which previously emphasized the issue of human rights, felt forced to change their rhetoric. (Kaczmarski, 2016, p. 23).
Certainly this “race for China” is most evident between Lithuania and Latvia as they jockey for pole position as the Silk Road gateway into Europe.

4 China-Russia naval exercises in the Baltic

Even as China seeks to stress the economic cooperation with the Baltic States through the CCEEC mechanism and the SREB project, “mixed messages” (Tucker and Veliste, 2017) to the Baltic States are in fact being given by China’s military cooperation with Russia.

As is well known China and Russia enjoy a close strategic partnership, largely based on their common imperative, at least in the short term, to counterbalance the US. This has been echoed in strong military links, and increasing level of military exercises together. In East Asia, naval exercises have been conducted between the Russian and China navies in the Sea of Japan, the East China Sea and the South China Sea. Such exercises do not in themselves concern Baltic security. Exercises together in the Sea of Japan strengthen China’s general pressure on Japan, while exercises in the East China Sea strengthen China’s attempts to resolve territorial disputes with Japan on China’s terms. Exercises together in the South China Sea strengthen China’s attempts to push its territorial claims there. However it is significant that Chinese military exercises with Russia have also taken place in European waters. Such exercises in the Mediterranean and the Black Sea demonstrate China’s increasing naval reach, its ability to operate as a blue-water navy and able to project power. Of course the geopolitics of distance means that it remains true that these operations do not pose any naval threat from China to European countries. What they do is to strengthen Russian attempts to push back into the Mediterranean and exert greater sway in the Black Sea – something that the Ukraine has learnt to its cost.

From such dynamics the deployment of the Chinese navy to carry out military exercises, Joint Sea 2017, in the Baltic Sea late July 2017 was a significant “new step” (Goldrick 2017; also Willett, 2017 and Weitz, 2017). China’s naval participants were the destroyer Changsha, the frigate Yuncheng and the supply vessel Lomahu. They had set out from the South China Sea to go across the Indian Ocean, already showing a two ocean capability. Coming up into the Mediterranean, live fire drills were carried out. As they moved around the north-east Atlantic and North Sea they were closely monitored by NATO navies. Transiting the Danish straits they arrived at Russia’s Baltic enclave of Kaliningrad on July 21. This represented a powerful extended deployment.

Kaliningrad is a key position for Russia in the Baltic. It borders both Lithuania and Poland, has around 25,000 Russian soldiers and security personnel stationed there, and is home to Russia’s Baltic fleet, which consists of around 50 vessels, including submarines, and is the heart of Russia’s A2/AD strategy. Two days of intense drills then followed in this south-eastern quadrant of the Baltic Sea. A mixed range of activities were carried out, ranging from ship-to-ship firing and anti-aircraft drills which had obvious combat significance to maritime search and rescue drills which posed no threat to anyone. The two partnering naval contingents then disengaged, with the Chinese flotilla proceeding up the Baltic and the Gulf of Finland to St. Petersburg. On their return they paid friendly port calls to Helsinki (Finland) and Riga (Latvia).

The Chinese state media was clear on its importance. At the general level the state media claimed that the “Chinese navy will surely get stronger and stronger and march further and further, which the West should get used to” (Global Times, 2017a).

China’s naval force has developed from offshore to blue-water, and established its first overseas support base along the Gulf of Aden this year. China is enhancing its presence in oceans around the world [...] entry into the NATO countries’ “backyard” like the Atlantic, the Mediterranean and the Baltic Sea will reflect China’s confidence and strength. (Cui, 2017)

Chinese motives for this deployment were to send a message. Ni Lexiong was clear that “as the United States continued its provocations in the South China Sea, China responded by joining Russia in naval drills on the doorsteps of NATO in the Baltic Sea [...] sending its naval ships to the Baltic Sea as a military
diversion against pressure from the US Navy in the South China Sea” (Yang, 2017). It may also have been intended as a counter to UK and French deployment into the South China Sea.

The Chinese media was clear that “the drill has caught unprecedented attention from NATO and the European media. It also reflects the increasing influence of China […] it touched a raw nerve in some European countries toward China. (Global Times, 2017b; also People’s Daily 2017). Western concerns about the appearance of the Chinese navy were magnified by it being to carry out joint exercises with the Russian navy.

Chinese commentators like Yang Mien were ready to stress the mutual “support” provided to each other:

The joint exercises in the Baltic Sea reflect the close cooperation between the two countries in the military sphere – their mutual strategic support for one another [and] act as a strategic deterrent against any potential aggression. The current drills in the Baltic Sea show the world that such drills could be held anywhere when the security interests of the two countries are affected” (Sputnik, 2017)

Similar emphasis on their ongoing support was given by Cui Heng at the Global Times:

After Russia was confronted with strategic pressure by Western countries in the wake of the Ukraine crisis, China and Russia gave support to each other as strategic partners with ever closer military cooperation. The most notable development in the exercises this year is the timing and the location. They are being conducted at time when tensions between Russia and the US are further intensified, and at a location that is at the forefront of this antagonism, the Baltic Sea (Cui, 2017).

The state media put it pithily as the drill showing their “mutual support and back-to-back strategic posture” faced with the West’s “strategic squeeze on China and Russia” (Global Times 2017a). Commentators in Moscow felt the “the Joint Sea-2017 exercise allowed China to show political support for Russia’s security interests in the region”, and that “for Russia, this show of political support from a major power is useful for strengthening its position” (Kashin, 2017). Almost by definition, from the Baltic States’ position anything that strengthens the Russian position is a negative security development.

Cautious warnings were made around the Baltic. Antoni Macierewicz, Poland’s Minister of National Defence, was particularly blunt in his warnings about “in fact, Russia and China are united by a strong strategic alliance” and their cooperation “threaten the free world and those who understand reality have known this for a long time” (Uawire, 2017). The fact that Kaliningrad adjoins Poland as well as Lithuania made activity from there all the more troublesome for Warsaw. Lithuania’s Vice-Minister of National Defense Vytautas Umbratas warned that:

Lithuania expects that during the exercise all the norms of international maritime law will be observed and the economic activities in the Baltic Sea will not be disturbed. Lithuania is constantly monitoring and analyzing exercises and other military activities in the neighborhood, and sharing information available with NATO allies (TASS, 2017)

Lithuania’s Foreign Affairs Minister Linkevicius commented that:

Essentially, cooperation among countries is a normal thing, however, when we know that at least one of the countries is not setting an example in the field in real life and by way of actions, all of the countries cooperating with it can indirectly contribute to this. Therefore, we are bringing this to our attention in hopes that this is not the case with China. (Baltic Times, 2017)

These comments by Linkevicius that China’s participation in joint military manoeuvres with Russia could cause an escalation of tensions in the region, and that consequently Lithuania plans “to keep watch over the drills for a possible offensive character” was met by Chinese reassurances that “these exercises are annually conducted by the two countries and are not directed against a third party” (China Military, 2017). The Swedish Prime Minister reckoned “this is a matter we should take up and question,” (Radio Sweden, 2017) with China. Estonian sources saw it as a “provocative drill” held for anti-NATO purposes “in the Baltic Sea – right in the vicinity of the eastern flank of NATO and about a month after a NATO drill in the region at the Polish-Lithuanian border” (Hankewitz, 2017).
One immediate reason for raw nerves around the Baltic was that the China-Russia naval drill preceded the Belarus-Russia land drill Zapad (West) 2017. With regard to the latter, such numbers being deployed along the land flank of the Baltic States had already prompted Lithuania’s Defense Minister, Raimundas Karoblis to declare “this is not a defensive [simulation]. This is visibly a simulation of an offensive character against NATO and specifically against the Baltic countries” (Sharkov, 2017). Raw nerves were also on display due to Russia’s ongoing “naval resurgence” (Srivastava, 2016) in the Baltic in recent years.

However not all Baltic countries expressed concerns about the China-Russia drills. Latvia was silent, as was Finland. Latvian silence is explainable through its focus on economic cooperation and building up Riga in the Silk Road Economic Belt initiative, while Finnish silence is explainable through its focus on the Arctic Corridor rail-sea project whereby shipping from China would travel along Russia’s Northern Sea before coming down through Finland to Helsinki and further distribution through the Baltic area and further into Europe (Tsuruoka, 2017).

5 Conclusion

Baltic security issues remain dominated by the presence of Russia, and its drive for control of Baltic waters between St. Petersburg and Kaliningrad – i.e. the waters off the Baltic States (Juntunen, 2010). The readiness of Russia to tacitly lend support to China in East Asia is now being matched by tacit Chinese support for Russian influence in the Baltic and Black seas - as demonstrated through their joint military exercises in those waters. China shows no signs of reversing such a policy, “Beijing has shown that its desire to have good political and economic relations with EU countries in the Baltic region will not prevent it from increasing the intensity and the scope of its strategic/geopolitical co-operation with Russia” (Kaczmarski and Rodkiewicz, 2017, p.1), and this facilitation of Russia remains the negative indirect result of the joint military exercise in the Baltic. Of course there may not be another such joint exercise in the Baltic for a few years, but the damage has already been done for the Baltic States faced by rising pressure from Russia.

China’s own direct political push to defend its self-perceived core interest over the Dalai Lama will in all likelihood be maintained. It is likely that the Baltic States will prudently judge that compliance with this Chinese pressure is acceptable, given that having official contact with the Dalai Lama is not a core interest of theirs. Back in 2011 Leivat judged that “democratic ideals vs. realpolitik” (Leivat, 2011) were in play over whether or not the Estonian government had official meetings with the Dalai Lama. China’s readiness to deploy “coercive diplomacy” against Estonia was notable. It is highly likely that in future the realpolitik of increased economic links will lead Estonia and Lithuania to join Latvia in refusing to have such official meetings with the Dalai Lama. It may well also be the case that the readiness of Baltic countries to raise human rights, bilaterally and within the EU, will be lessened due to the growing imperative of economic links with China. Certainly this is the expectation that China has with regard to the South China Sea; “Western countries, with their economies still influenced by the global downturn, should refrain from letting the South China Sea issue hinder their close trade and economic ties with China” (Xinhua 2015).

This of course raises the issue of the nature of economic links between the Baltic States and China. Three issues are in play here. Firstly does this economic linkage enable China to pressure the Baltic States over political issues? The answer is clear – yes. Secondly, do these emerging economic links with China help or hinder the Baltic economies? The evidence is ambiguous. Infrastructure investments may end up advantaging Chinese companies and also Chinese workforce employment rather than their Baltic counterparts. Moreover, increased trade may in itself merely exacerbate the present trade deficits and nature of trade between China and the Baltics. What is the key for the Baltic States is that Casarini’s “reciprocity” is built into their economic relationship with China. Without that reciprocity the nightmare then is economic dependence, which then provides even more political leverage. Perhaps a saving grace here is that naturally the EU will remain the main trading partner for the Baltics, so that China will represent a secondary market.
Thirdly, given that the main security and strategic challenge for the Baltics is the presence of Russia, heavy involvement in China’s SREB coming through Russia and the Northern Corridor spur of Riga is not necessarily strategically wise. Moreover, Baltic participation in the SREB may distort Baltic readiness to stand up to Russia on more traditional security issues, since China “is hinting that it is up to the Baltics to ensure the stability by avoiding alienating and antagonizing Russia, for it is only with Russia’s support that the cross-continental transport networks can function” (Berzina-Cerenkova, 2016, p. 52).

Is there an alternative for the Baltics to gain increased trade with China, but in a way that does not give Russia an intervening land stranglehold? Lithuania and Estonia have some alternative options here for maintaining their economic security.

With regard to Lithuania it already enjoys observer status in the EU Transport Corridor Europe-Caucasus-Asia (TRACECA) program, an East-West Corridor aimed at connecting Central Asia to Europe through the Caucasus and/or the Black Sea (Ozyanik, 2015). The TRACECA “Middle Corridor”, otherwise known as the “Iron Silk Road”, connects Ukraine’s Black Sea port of Illichivsk with Western China via Georgia, Azerbaijan and Kazakhstan. Ukraine is currently in talks with Lithuania and Belarus, the latter already moving away from Moscow (Rudkowski, 2017), for linking up from the Black Sea to Lithuania’s main port of Klaipeda. This would tie into earlier Baltic discussions on setting up the Lithuanian city of Kaunas as a Free Economic Zone serving as an “inland terminal on North Sea Baltic and iron Silk Road” (EBN, 2014). Lithuania should pursue this option, on behalf of its own national interests, and indeed for the Baltic security more widely.

With regard to Estonia, an alternative to overland Silk Road trade routing through Russia could be for Estonia to link up to China’s Arctic Silk Road scheme which comes along the Northern Sea Route and down through Finland’s Arctic Corridor to Helsinki, before connecting to the Helsinki-Tallinn Transport Link railway tunnel project (Devonshire-Ellis, 2017). From Tallinn, such railway freight could run straight down to Riga to Lithuania, Poland and beyond and avoid any intervening Russian land territory.

Latvia and its Riga Northern Spur positioning is more tied in to such overland Silk Road trade routing through Russia, but all three Baltic States should at the very least be wary of Chinese state companies moving in to actually run Riga port. Is this an empty worry? Not really, since along the Maritime Silk Road a string of ports have been taken over by Chinese state owned companies in recent years; namely the China International Trust Investment Corporation (CITIC) at Kyauk Pyu in Myanmar, the China Merchant Port Holdings (CMPH) at Hambantota in Sri Lanka, the China Overseas Port Holding Company (COPHC) at Gwadar in Pakistan and Cosco Shipping at Piraeus in Greece.

A final warning is on high tech cooperation between the Baltic States and China, illustrated by the Letter of Intent signed in March 2018 between Tallinn’s Tehnopol Science Park and Beijing’s Haidian Science Park; to develop sensitive advances in cloud data processing, mobile internet and next generation internet, space and geographic know-how. Is this something that China should be helped to advance further in?

Bibliography


The article considers traditional and non-traditional security concerns faced by the Baltic states of Estonia, Latvia and Lithuania in the face of China’s increasing presence. Consequently, the article first considers the geo-economic challenges posed to these Baltic States through the China and Central and East Europe Countries (CCEEC) grouping, and China’s Silk Road Economic Belt (SREB) initiative. This economic leverage translates to political leverage able to be exerted on the Baltic states by China, with regard to human rights and the issue of the Dalai Lama. The Baltics (Lithuania, Latvia, Estonia) are very different from Belarus and Ukraine, especially politically and culturally. The Baltics all have minor pros and cons when compared to each other, but are generally more or less the same for outsiders. Choose the Baltics if you: Speak English.

In conclusion, I think it is tied with Lithuania and Latvia considering different situation of urbanisation of their largest cities and their vicinity, e.g. GDP per capita will tell that Latvia is the poorest, while in wages, Lithuania was the poorest until very recently. 99 12. 9 1. The Baltic economies have experienced rapid economic expansion during the last years of the transition (2000–2007) and had the fastest growing GDPS in Europe (see Table 6.1). Consequently, employment opportunities have increased in the Baltic region and unemployment has decreased considerably. However, despite comparatively good economic indicators and GDP growth, Baltic societies spend much less on social protection as compared to the EU-15 and the EU-27 average.

For advice provided on political parties in Estonia, Latvia and Lithuania, I would like to thank Mare Ainsaar, Feliciana Rajevska and Arvydas Guogis. This is a preview of subscription content, log in to check access. The United States and the Baltic states cooperate closely on defense and security issues. New bilateral defense agreements signed in spring 2019 focus security cooperation on improving capabilities in areas such as maritime domain awareness, intelligence sharing, surveillance, and cybersecurity. The Baltic states cooperate closely on defense and security issues. New bilateral defense agreements signed in spring 2019 focus security cooperation on improving capabilities in areas such as maritime domain awareness, intelligence sharing, surveillance, and cybersecurity. The United States and the Baltic states cooperate closely on defense and security issues. New bilateral defense agreements signed in spring 2019 focus security cooperation on improving capabilities in areas such as maritime domain awareness, intelligence sharing, surveillance, and cybersecurity. Lithuania, Latvia, and Estonia gained their independence in 1918, after the collapse of the Russian Empire. In 2018, two scandals in particular brought attention to money-laundering challenges in the region. In February 2018, the U.S. Department of the Treasury designated ABLV Bank, then the third-largest bank in Latvia, as a financial institution of primary money laundering concern. As US-China tensions are expected to continue and the dilemmas surrounding cooperation with China in technology are creeping ever more into international security discourse, the Baltic states of Lithuania, Latvia, and Estonia are increasingly opting out of collaboration with China in tech. They are consciously choosing a transatlantic alliance over EU aspirations of strategic autonomy or the more permissive agenda advanced by big European economies. For Vilnius, Riga and Tallinn, Washington stands tall as their most significant security partner. This article was first published on the RUSI Transatlantic Dialogue on China Blog on April 22, 2021. The views expressed in this article are those of the author and not necessarily reflect those of the Mercator Institute for China Studies.