As for geographic borders, China’s “One Belt Road” [OBOR] project is a truly transcontinental and transnational project, as it is supposed to create closer links between three continents: Asia, Europe and even Africa. The issues under investigation are the economic relations of the Baltic states in the context of the OBOR project and “16+1” Initiative (transit commerce, harbours, foreign investment), China and Kazakhstan transit prospects, Russia and the transit via the Baltic states; the Baltic states and Russian relations; the main geopolitical players and OBOR and “16+1” Initiative.

For compiling the present research paper, the following sources have been used: internet resources, journalism, scientific articles, and statistical data.

In the 2006 “The Baltic Times” wrote perceptively: The world is a big place, and the population of the three Baltic states – Estonia, Latvia and Lithuania – barely matches that of New York City. The Baltic states current population is 6 million inhabitants. Estonia, Latvia and Lithuania share common features and a similar history. The Baltic states – China bilateral relations have not had a long tradition. China established the diplomatic relations with the Baltic states in 1991. But in the 90s, China was not an important part of the foreign policy of the Baltic states. After the regained of independence, the Baltic states governments took upon an ethic and ideological diplomacy that was not favorable of China.
The Baltic states follow today the politics of one China, although occasionally there are events causing tension that put this position under doubt. The Taiwan issues and visits by Dalai Lama fall into this category, permitting some politicians cultural figures, claiming to present public opinion, put into doubt the mutual interest-based foreign and economic politics.\(^1\) Despite the fact that at the time of regaining independence Estonia, Latvia and Lithuania had a similar situation in their relations with China, the following developments differed. The communication of Latvia with Taiwan\(^2\) damaged the ability to conduct constructive dialogue with China and both diplomatic and economic communication between Latvia and China started to develop at the end of the last decade. Latvia's relationship with China suffered disruption when in 2001 president Vaira-Vike Freiberga, with several prominent officials including the prime minister Andris Berzins and former president Guntis Ulmanis, decided to meet privately with Dalai Lama.\(^3\)

The question of Tibet and the situation of human rights in China have been especially loudly broadcast in Estonia by the leader of the non-parliamentary People's Unity Party, Kristiina Ojuland, a former Minister of Foreign Affairs and former member of the European Parliament. In 2010, as a member of the European Parliament, she put forward a motion to draft without any delay a mutual policy for the European Union referring to Tibet. In 2011 she announced that free trade agreement with Taiwan would serve the trade interests and investments of the European Union, and that in the longer term perspective the European Union "One-China" policy had no future whatsoever.\(^4\) In 2012 the same Ojuland declared that the European Union and the wider international community should at a meeting with Chinese authorities raise the issue of the consequences of nuclear experiments in Uyghur, and demand the alleviation and compensation of damages to public health and the environment.\(^5\) Estonia's relationship with China suffered disruption when in 2011 president Toomas H. Ilves and defence minister Mart Laar and some Estonian politicians decided to meet with the

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\(^1\) [Link](http://eng.lsm.lv/article/politics/politics/support-for-tibet-at-saeima-can-jeopardize-china-ties.a121225/)

\(^2\) During the period from 6 November 1991 to 9 March 2004 there was an agreement of economic cooperation between Latvia and Taiwan. A consul of Taiwan was active in Riga 1992–1994. Due to this China withdraw its ambassador from Riga.


Dalai Lama who visited Estonia. At this time, it was said that this gathering would have no impact on Estonia’s relations with China. After that Estonian Ministry of Foreign Affairs and diplomats made efforts for years to try to revive the frozen relations. In September 2014 Chinese government published a notice stating that Beijing finally accepted the apologies of the Estonian Government.\textsuperscript{6}

Lithuania’s relationship with China suffered disruption when in 2013 president Dalia Grybauskaite and former president Vytautas Landsbergis met with the Dalai Lama in the capital Vilnius.\textsuperscript{7} Latest example is the meeting of the Tibet supporting members of Baltic states parliaments with Dalai Lama in September 2017 in Riga. This meeting was followed by the suggestion of several members of Lithuanian parliament to re-establish the former Tibetan support group.\textsuperscript{8} In the Estonian parliament, the Tibetan support group was established in 2011 and the similar one exists in the Latvian parliament. In March 2016 some parliament members from Estonia, Latvia and Lithuania, together with Tibetan supporters from the three Baltic states, issued a memorandum that called the Chinese government to start a dialogue with Dalai Lama.\textsuperscript{9}

The articles written by cultural officials published in press and Internet commentaries, suggest that a certain proportion of Baltic states public opinion does not support the official “One-China” policy, and disagrees with the avoidance of the issue of Tibet. The presented arguments are these: the Baltic states was occupied by the Soviet Union just like Tibet is ‘occupied’ by China; the Baltic states should support people ‘suffering injustice’; following the policy of “One-China” and remaining silent upon ‘violation of human rights’ relies on the myth of the ‘unlimited Chinese market’ that empowers the opinion that economic relations with China could be profitable for the Baltic states. But it remains unclear how big a proportion of the population of the Baltic states supports the few irresponsible’s cultural officials and politician views on Taiwan and Tibet. No public opinion poll on how the Baltic states people see or what they think about Tibet, Taiwan has ever been conducted to the knowledge of the present author.

\textsuperscript{7} http://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/t1236159.shtml
\textsuperscript{9} http://tibet.net/2016/03/joint-statement-by-members-of-parliament-and-tibetan-supporters-of-the-baltic-states-on-sino-tibetan-dialogue/
RUSSIA AND THE TRANSIT VIA
THE BALTIC STATES

After the restoration of Baltic states independence the principle vision of the country’s development shaped up as the concept of “bridge” between East and West. Transit makes a significant contribution to the budget of many transit countries. At the end of the 1990s, some experts estimated the contribution of transit in the GDP of the Baltic states at nearly 30% and predicted its growth even to 50% by the end of the century. Due to the Baltic states modest natural resource base and its strategic location between the EU and large markets to the East, the role of the transport sector in the Baltic states economy is very important. The official national accounts distinguish 16 fields of activity on the production side of the gross domestic product. According to various sources the transportation constitutes nowadays 7–13% of the Baltic states GDP.\(^\text{10}\)

There are five main ports in the Baltics: Klaipėda in Lithuania, Riga, Ventspils and Liepaja in Latvia and Tallinn in Estonia. From 2000 to 2013 the carriage of cargo in the four ports increased from 97 million tons to 132 million tons. The carriage of cargo in Riga grew 2,7 times and in Klaipėda 1,9 times during this period. The carriage of cargo in Tallinn remained the same while that of Ventspils diminished by 18 percent. The leading position also changed during this period: in 2000 the leaders by the amount of cargo were Tallinn and Ventspils, by 2013 the leaders were Riga and Klaipėda. The diminishing of the cargo capacity during the period in Ventspils and Tallinn was related to reductions of transhipment of Russian oil and oil products. It is worth mentioning that for some Baltic ports (for example, Ventspils and Riga) the status of free economic zone has been granted making the harbour territory a tax free zone, the investors starting their activities there will receive the status of licensed companies which permits them to gain direct and indirect tax advantages.\(^\text{11}\)


Presently the transit of Russia to Kaliningrad via Lithuania, the transit of oil produce from Belorussia via Lithuanian, Latvian and Estonian ports, and more widely any transit via the three Baltic states is under threat. Since Russia has developed its ports in the Baltic Sea and increased the capacity of the railroad network in the Leningrad Region, the railroads and ports of the Baltic states have lost a considerable amount of the Russian transit. From 2014 all the Baltic ports have a serious competitor, the Ust-Luga port, which is situated in the Gulf of Finland, close to the European Union border and remains virtually ice-free around the year. It is the only Russian port in the Baltic Sea that is capable of receiving ships with a capacity up to 16 000 TEU-s. The port is the termination point for the oil pipe БТС-2 (The Baltic Pipeline System-2). The Ust-Luga port has 18 terminals, including transhipment terminals, warehouse facilities etc. According to the Russian sources the bulk of cargo shipments via Ust-Luga port grew in 2015 by 16 percent, the cargo shipment in total by 87,9 million tonne. The Ust-Luga port holds 19,1 percent of the market share of the cargo shipments of all the ports situated on the eastern coast of Baltic Sea. In comparison the amount of cargo shipments of the Tallinn Port in 2015 diminished in comparison with 2014 by 21 percent. The reduction in all Estonian ports in total by 17,7 percent. The total fall of the cargo shipments volume in all Baltic ports in 2015 in comparison with 2014 was 5,5 percent. In 2015 the level of the amount of cargo shipments at the larger ports of the Eastern coast of Baltic Sea remained at the level of 2014 but the growth of the previous years has stopped. In comparison with different countries the cargo shipment amounts grew in Russian and Polish ports and of the Baltic ports in Lithuania. As a result the Tallinn Port dropped from seventh to eighth (by

12 20 feet sea (shipping) container. TEU – twenty-four equivalent unit.
14 Russian oil transport system operated by the oil pipeline company Transneft.
cargo volume) among the larger Baltic Sea ports holding a market share of 4.9 percent.

Russia has announced their intention to build at least five more terminals in the Ust-Luga Port by 2018 and they estimate the volume of shipments to be 180 million tons. Russia has also declared that they intend to modernise Primorsk Port, situated near Vyborg in the Finnish Gulf. The port is the termination point for the oil pipe БТС-1 (The Baltic Pipeline System-1). In 2013, 63.8 million tons of oil and oil products were loaded in Primorsk Port. The plan is to build a cargo loading area «Высокинский» to Primorsk Port for loading containers, bulk substances and exceptional cargo in projected volume up to 50 million tons.¹⁸ The cargo turnover of the Russian ports situated in the Finnish Gulf, Ust-Luga, Primorsk and St. Petersburg, was 230.7 million tons in 2015. By comparison the volume of cargo in the four Baltic ports listed above was 151.5 million tons in 2015.

According to the report of PriceWaterhouseCoopers, the amount of cargo passing through Estonia diminished from 2005 to 2015 by 50 percent, the cargo transportation in the ports by 26 percent and on the railroads by 68 percent. In 2015 the Russian transit passing through Estonian, Latvian and Lithuanian ports amounted to 52.71 million tons, in 2016 to 42.5 million tons. In October 2016 the company Транснефть announced that they intend to cease the export of their goods via the ports of the Baltic states in 2018. According to Росморречфлота (The Federal Agency for Maritime and River Transport) the capacity of goods and cargo in the ports of North-West Russia must increase to 60 million tons by 2020. Additional cargo, 25 million tons, should be rerouted from the ports of the Baltic states. This would mean that the Baltic ports will lose approximately 60 percent of the cargo

that they still have today.\textsuperscript{19} By 2020 another 60 percent of Russian transit passing through the Baltic states may disappear.\textsuperscript{20}

In case of the Kaliningrad enclave the issue is of strategic importance for Russia since during the NATO exercises the blocking of Kaliningrad enclave was practiced. As an alternative, Russia intends to develop marine transport to service Kaliningrad. For this purpose three additional ferry boats will be added to the route between Baltiysk and Ust-Luga. Each of these ferries should accommodate 66 railroad wagons, vehicles and passengers. At the moment there are two ferries running between Baltiysk and Ust-Luga with the transportation capacity of approximately one million tons of cargo per annum.\textsuperscript{21} This means that Klaipëda port would significantly lose the amount of Russian cargo passing through Lithuania.

In autumn 2017 Russia demanded that Belorussia should transfer from the Baltic ports to the Russian ports (Ust-Luga and Primorsk) the oil products processed from the Russian oil that has so far been transported via the Baltic ports: approximately 12 000 tons per annum.\textsuperscript{22} The Russian railroads also lowered the charges for the Belorussian oil cargo. Russia has announced that it cannot leave unanswered the anti-Russia rhetoric of the Baltic states caused by the context of anti-Russian sanctions and Nord Stream Two gas pipe project.\textsuperscript{23}

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{23} Poland, the Baltic states and Denmark demanded, that the European Union should abandon this project. The reasons given by the above mentioned countries are: the gas supplies of Russia are a threat to European energy security, the project is of political
\end{itemize}
\end{footnotesize}
The transit of the Belorussian oil products into the Russian ports would significantly diminish the amount of cargo passing through Ventspils (Latvia) and Klaipėda (Lithuania) ports. In addition, it would enable Russia to compensate in some capacity the losses caused by the Western sanctions, and some revenge for the Baltic states whose leadership participated actively in imposing the sanctions against Russia.\textsuperscript{24} If the Baltic states stop the anti-Russian rhetoric and make far reaching political concessions to Russia, then it would not be very likely that the capacity of Russian transit on the Baltic railroads and in the Baltic ports would remain the same or grow.

Table 1. \textit{Comparison of the trading volume of the Eastern Baltic ports 1996–2016 million of tons}\textsuperscript{25}

<table>
<thead>
<tr>
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<th></th>
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</thead>
<tbody>
<tr>
<td>Harvests RF, total</td>
<td>9,9</td>
<td>134,5</td>
<td>230,2</td>
<td>236,5</td>
<td>+23,9</td>
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<td>including</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sankt Petersburg</td>
<td>8,3</td>
<td>57,5</td>
<td>51,5</td>
<td>48,6</td>
<td>+5,8</td>
</tr>
<tr>
<td>Ust-Luga</td>
<td>–</td>
<td>0,7</td>
<td>87,9</td>
<td>93,3</td>
<td>–</td>
</tr>
<tr>
<td>Primorsk</td>
<td>–</td>
<td>57,3</td>
<td>59,1</td>
<td>64,4</td>
<td>–</td>
</tr>
<tr>
<td>Vysotsk</td>
<td>–</td>
<td>3,5</td>
<td>17,5</td>
<td>17,1</td>
<td>–</td>
</tr>
<tr>
<td>Vyburg</td>
<td>–</td>
<td>0,9</td>
<td>1,5</td>
<td>1,4</td>
<td>–</td>
</tr>
<tr>
<td>Kaliningrad</td>
<td>1,6</td>
<td>14,6</td>
<td>12,7</td>
<td>11,7</td>
<td>+7,3</td>
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‘One Belt and Road’ and ‘16+1’ Initiative – the Baltic States in the Geopolitical...

<table>
<thead>
<tr>
<th>Harbours of the Baltic states, TOTAL</th>
<th>73,6</th>
<th>126,7</th>
<th>134,4</th>
<th>137,4</th>
<th>+1,9</th>
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<td></td>
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<tr>
<td><strong>Estonian ports TOTAL</strong></td>
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<td>27,7</td>
<td>26,4</td>
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<tr>
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<td>22,4</td>
<td>20,1</td>
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<td>–</td>
<td>0,6</td>
<td>5,3</td>
<td>6,3</td>
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<td><strong>Latvian Ports TOTAL</strong></td>
<td>44,8</td>
<td>58,7</td>
<td>68,2</td>
<td>61,6</td>
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<td>Riga</td>
<td>7,5</td>
<td>24,4</td>
<td>40,1</td>
<td>37,1</td>
<td>+4,9</td>
</tr>
<tr>
<td>Ventspils</td>
<td>35,7</td>
<td>29,8</td>
<td>22,5</td>
<td>18,8</td>
<td>-1,9</td>
</tr>
<tr>
<td>Liepaja</td>
<td>1,6</td>
<td>4,5</td>
<td>5,6</td>
<td>5,7</td>
<td>+3,5</td>
</tr>
<tr>
<td><strong>Lithuanian ports TOTAL</strong></td>
<td>14,8</td>
<td>27,9</td>
<td>47,2</td>
<td>49,4</td>
<td>+3,3</td>
</tr>
<tr>
<td>Klaipėda</td>
<td>14,8</td>
<td>21,8</td>
<td>38,5</td>
<td>40,1</td>
<td>+2,7</td>
</tr>
<tr>
<td>Butinga</td>
<td>–</td>
<td>6,1</td>
<td>8,7</td>
<td>9,3</td>
<td>–</td>
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<tr>
<td><strong>All ports of the Baltic states</strong></td>
<td>83,5</td>
<td>261,2</td>
<td>363,6</td>
<td>373,9</td>
<td>+4,5</td>
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</tbody>
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THE BALTIC STATES AS A CORRIDOR OF TRANSIT, CHINA AND KAZAKHSTAN TRANSIT PROSPECTS

Based on the previous projections, the Baltic states actively search for alternative income. One of these is the transit transportation of Chinese, Kazakh, Iranian and Belorussian goods. If marine based transportation of goods from China to Europe takes on average 40 to 45 days, then on railroads it would take approximately 15 days.

On October 16th, 2017 the first train from China, consisting of 41 containers, reached Riga. The train started its journey from Urumqi in China and reached the port in Riga via Kazakhstan and Russia. A so-called test container train from China reached Riga a year earlier, in November 2016. In relation to the train that arrived on October, 16th it was announced that it was mainly for the transit of Kazakh goods. In December 2010 the Kaza-
Kazakhstan government launched the establishment of a special economic zone Хоргос – Восточные ворота (KTZE-Khorgos Gateway). The aim of the company is to develop an effective transportation, logistic and industrial hub by 2035 which would ensure the export of the goods and realise the transit potential of Kazakhstan. On September 29th, 2017 the representatives of Latvian and Kazakhstan railways signed a strategic partnership memorandum in which the parties declare that they would continue active collaboration in order to increase transcontinental container transportations on the “Silk Road” route and to create a multi-logistic link. Should this project work the goods exchange of Latvia and Kazakhstan would increase up to EUR 500 million instead of EUR 200-250 million, so far. It is estimated that 200,000 containers from Kazakhstan could pass through the Latvian ports annually. In 2017, during the eight month period, the transport of goods between Latvia and Kazakhstan increased by 19 percent comparing to the same time period in 2016, from 324.4 thousand tons to 386.1 thousand tons.

Latvia intends to create an industrial park in Riga that would be analogous to the Chinese-Belorussian park and special economic zone created in Belorussia, the «Великий камен» (“The Great Stone”). According to the plan, a terminal, logistic park and appropriate infrastructure will be built at the Riga port and airport for servicing the Chinese goods. The realisation of the project will take place in cooperation with Duisburg port in Germany. At present, it remains unclear whether the container cargoes from Kazakhstan and China to Latvia will become regular. Presently, the container cargoes from China cannot replace the quickly diminishing cargoes of Russia: if it is about one Chinese container train per month to Riga that contains 52 to 58 wagons, it amounts to 3,000 to 3,500 tons, but if it is about the Russian coal, it amounts to ten such trains each day. It would mean ten times as much transit cargoes each day, not each month.

26 http://en.khorgosgateway.com/
28 http://www.baltic-course.com/rus/good_for_business/?doc=134024
Latvia has also announced that they should occupy a place in the Indo-Iranian Transport Corridor and for this purpose cooperate with Russia, Azerbaijan and Iran. The Russian company Трансконтейнер (TransContainer) has already developed a base in the port of Bandar Abbas, in Iran. According to the plan the North-South transit corridor should become as profitable project for the Latvian railroads as the Chinese destination, and it would mean that thousands of trains from India would arrive in Latvia where the cargo is handled and reloaded to be despatched to Europe. Certain signs of Iranian interest towards Latvian railroads and ports do exist, while the participation of an Iranian delegation at a transit conference at Riga can be taken as a sign.\(^{31}\)

Lithuania and Estonia as well would like to service the cargo transit from Kazakhstan and China. Lithuania intends to build a logistics centre in Kaunas, where the transit cargo would move to the port of Klaipėda.\(^{32}\) Lithuanian plans to recover Klaipėda sea port should be considered in combination with Beijing’s interest in building up the Croatian port of Rijeka, the Southernmost tip of the Adriatic-Baltic-Black Sea Initiative, and with the potential connection between the new iron “Silk Road” and the Baltic coast. Cooperation agreement between the ports of Klaipėda and Shenzhen are already signed.\(^{33}\)

Latvia and Estonia could perhaps hope to attract the portion of transit cargo that should move from China to Scandinavia and could therefore help to avoid sending the goods for Scandinavia via Belorussia and Poland to the Duisburg logistic centre in Germany.\(^{34}\)

In the case of the Baltic states, the transit of Chinese goods has come to fore in relation to the Rail Baltic project, according to which a railroad with 1,435 millimetre rail gauge will be built from Tallinn to Berlin. It is a joint project of Estonia, Latvia and Lithuania and should be financed by the European Union. The building of the railway is planned to start in 2020. The Chinese national railroad company China Railway Construction Limited has announced its interest in the big scale projects of the European Union, including Rail Baltic.\(^{35}\) In the second stage of Rail Baltic, the undersea rail

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\(^{34}\) https://ru.sputniknews.lv/economy/20171016/6176304/Latvija-boretsja-kitajskij-tranzit-pervogo-poezda-zhdali-god.html

A tunnel of 90 kilometres would be built between Tallinn and Helsinki. This would be a joint project of Estonia and Finland. Research into the costs, cost benefits and technical solutions of the tunnel have begun. Procurements for projects and building of Rail Baltic have not began yet.

There are no significant results towards establishing the transit corridor through Estonia. An analyst of Estonian LHV bank poignantly said that at present not even 0.2 percentage of Chinese goods reaches the European Union via Estonia and less than 0.1 percentage of European exports goes to China.

FOREIGN INVESTMENTS AND TRADE

According to the 2014 statistics of Estonian, Latvian and Lithuanian central banks, 16 countries have invested more than EUR 0.5 billion into the Baltic states. Among them are 15 European countries, including Russia, Norway and Switzerland. The leading position in investments is held by Sweden who alone, according to the data of 2014, made up 25.4 percent of Lithuanian, 21.7 percent of Latvian and 26.5 percent of Estonian total foreign investments (EUR 9.794 billion in total into the three Baltic states). When looking at the three Baltic states separately, then Finnish investors have been most active in Estonia: 21.7 percent of all foreign investments. The proportion of Finnish investors in the Latvian and Lithuanian economy is 2.3 and 5.0 percent respectively (the three states in total EUR 4.282 billion). Finland is followed by the Netherlands, whose investments comprise of the total foreign investments made into the Baltic states 9.2 percent of Lithuanian, 8.2 percent of Latvian and 11.3 percent of Estonian foreign investments. Outside the European Union the biggest investors into Estonia are Norway and Russia (both approximately 5 percent of all the foreign investments).

The foreign investments made into Estonia comprised at the end of 2014 altogether nearly EUR 36 billion. Out of these, 55 percent were direct investments, followed by other investments (39 percent). The remaining were portfolio investments, derivative instruments (excluding reserves) and employee stock options. The foreign investors have invested in Estonia


mainly into providing financial services (36% of the whole position), in a small volume – the real estate related activities (9%), wholesale (7%) and office activities (5%). As for foreign investment in Estonia, Sweden and Finland together comprise 39 percent, followed by Germany, Netherlands and UK 5–7%.

The investments coming from Sweden are mostly directed into the banking sector, Baltic states branches of Swedish banks: Skandinaviska Enskilda Banken AB, Swedbank and Luminor Bank. The Finnish investments are more diverse and spread along various sectors. The amount of enterprises registered in Estonia but owned by Finns is almost 5,000. An equal share of one quarter of Finnish investments is targeted on the processing industry and real estate sector, and almost a 20% into the retail and wholesale sector. As for the Netherlands, fourth is targeted into real estate and a fifth into transport and warehousing. The Russian investors have allocated more than a quarter of their investments into the retail and wholesale sector and a fifth into real estate and financial services. Half of the Norwegian investments go into the retail and wholesale sector. At the moment Estonia, compared to other European countries, has remained in the background as a destination for foreign investments.

The Baltic states together make only a small fraction of China's total FDI investment. The largest recipient of China's outward investments during the recent years was Lithuania. It accounts for more than 75% of Chinese FDI investment in the Baltic states. According to the Estonian Bank the position of Chinese FDI into Estonia in 2013 was EUR 3 million. Comparison of 2012–13 China's outward FDI to Estonia fell from US$ 7.5 million to US$ 3.5 million and remains at this level until 2014. China's investment in Latvia is quite poor. It stands at US$ 0.54 million since 2009.

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39 Swedish, Finnish and Danish bank

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
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<tbody>
<tr>
<td>Estonia</td>
<td>7.5</td>
<td>3.5</td>
<td>3.0</td>
<td>3.5</td>
</tr>
<tr>
<td>Latvia</td>
<td>0.54</td>
<td>0.54</td>
<td>0.54</td>
<td>0.54</td>
</tr>
<tr>
<td>Lithuania</td>
<td>3.93</td>
<td>6.97</td>
<td>12.48</td>
<td>12.48</td>
</tr>
</tbody>
</table>


The investments of Scandinavian countries into Estonia and Lithuania permit a claim that Scandinavian capital has suppressed the capital of other countries in this area and achieved a monopoly status. For the foreign investors who have invested into the processing industry in the Baltic states the main incentive has been the cheap workforce. This advantage is starting to disappear due to resources becoming more expensive. Because of investments the Baltic states will require specialists with different qualifications. Internally the number of them is limited. But the work age population in the Baltic states diminishes due to low natural growth, high mortality rate, aging of the population and migration.\footnote{Over the last 27 years (beginning}
of 1991 – beginning of 2018), Latvia population declined by 700,000, Estonian by 250,000 and Lithuanian by 900,000.\(^4\)

Henceforth, bringing in foreign competence cannot be avoided. In the context of future investment, it should be mentioned that for several transnational corporations the Baltic states small-sized internal market does not create a stimulus despite the low local protection barriers, and the corporations are not interested in establishing their subsidiary manufacturing companies or service offering branches here.

For the reasons described above the exporting capabilities of Baltic states enterprises and the possibilities for involving foreign capital are significantly limited.

The Baltic economies are small: their domestic market is not big. This is the major reason for low bilateral trade between the China and the Baltic states. Biggest threats to the Baltic states while trading with China is big disbalance.\(^4\) Due to the sanctions on Russia and Russian counter sanctions, Estonia and other Baltic states started to look for new markets for their agricultural products. In this context the issue of selling the Baltic states agricultural products to China has come into focus especially during the past two years. An example of this is the optimistic announcement of the Ministry of Agriculture from June 2014, that export of agricultural products between Estonia and China is rising which is proven by the fact that in 2013 the amount of food products sold in China exceeded for the first time EUR 10 million. But the main agricultural export article of Estonia sold to Chinese market today is frozen blueberries (more than 80% of agricultural products exported to China). Furthermore, there are also various fish products, shrimps and honey is sold to China.\(^4\)

THE BALTIC STATES AND RUSSIAN RELATIONS

Russian Federation, a state beside the Baltic states holding abundant natural resources, has notable economic and military potential. Due to this it


\(^4\) http://countrymeters.info/en/Lithuania#population_2018
is a great power having vast economic, military and political interests in the Baltic Sea region, and affects, based on this, a great and multi-layered (political, economic, cultural, security etc) influence on the Baltic states. These interests are visible, although several great states refuse to recognise them.\textsuperscript{49} As early mentioned the economic interests of Russia are based on the fact that a significant proportion of Russian foreign trade with Europe, USA, Canada and Cuba is going through the Baltic Sea ports (2013-2014 up to 40 percent). The Kaliningrad enclave is supplied via the Baltic Sea and the gas pipe to Germany (\textit{Nord Stream}) goes via the Baltic Sea. In the Russian doctrine of foreign policy accepted in 2013, Baltic states are not mentioned directly but the document mentions developing relations with the European Union. It is assumed that the participation of Russia in the Council of Baltic Sea states has great importance for Russia. Russia will continue to claim the utilisation of the potential of the project the \textit{Northern Dimension}\textsuperscript{50} since it is seen as the basis of North European regional cooperation.\textsuperscript{51}

The \textit{Northern Dimension} is a joint policy between four equal partners – the European Union, Russia, Norway and Iceland – regarding the cross-border and external policies geographically covering North-West Russia, the Baltic Sea and the Arctic regions, including the Barents region. Even though Russia has remained constrained by the Western sanctions still in force, its assertiveness and activity in the Baltic region has not decreased.

Problems in the relations between the Baltic states and Russia: The reasons for the Russia and the Baltic states tense relations: Historical conflict, citizenship politics (only in Latvian and Estonian case), the active participation of the Baltic states in the Eastern Partnership programme\textsuperscript{52}, Ukrainian crisis, placing of NATO units and weaponry continuously into the Baltics (i.e close vicinity of the Russian territory), Russian sanctions.


\textsuperscript{50} The \textit{Northern Dimension} is a joint policy between four equal partners – the European Union, Russia, Norway and Iceland – regarding the cross-border and external policies geographically covering North-West Russia, the Baltic Sea and the Arctic regions, including the Barents region.

\textsuperscript{51} Концепция внешней политики Российской Федерации Утверждена Президентом Российской Федерации В.В. Путиным 12 февраля 2013 г.http://archive.mid.ru/brp_4.nsf/0/6D84DDEDEDBF7DA644257B160051BF7F

\textsuperscript{52} The Eastern Partnership (EaP) is a joint initiative involving the EU, its Member states and six Eastern European Partners: Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova and Ukraine.
Non-citizens. A large proportion of Russians living in Estonia and Latvia are not Estonian or Latvian citizens. After becoming independent (1991) Lithuania, unlike Estonia and Latvia, offered citizenship to everybody living on their territory at the time of the dissolution of the Soviet Union. Estonia considered the people who had arrived after 1940 to be foreign citizens (välismaalased), whereas Latvia treated them as non-citizens (nepilsoņi) which left Latvia with wider opportunities to interpret the status of the Russian speaking minority. In 2015 there were 365,000 Russian speaking inhabitants in Estonia, among them approximately 120,000 Russian citizens and approximately 81,000 persons without citizenship. The latter holding the alien’s passport have no right to participate in the parliamentary elections.

Latvia has presently 1.9 million inhabitants among them 55,000 Russian citizens. According to the population census, in July 2017, there were 237,759 non-citizens living in Latvia or 11.23% of Latvian residents. The non-citizens of Latvia have no right to participate in parliamentary and local elections. They also have no right to work in government offices as civil servants. The non-citizens pension rights are limited and non-citizens are exempt from military service. Non-citizens may naturalize provided that they have been permanent residents of Latvia for at least 5 years, demonstrate Latvian language competency, correctly answer questions regarding Latvia’s Constitution and history – including that it was occupied by the Soviet Union.

Russia has through the years on several occasions raised the question of Russian-speaking persons in Latvia and Estonia. Criticism concerning Latvian and Estonian citizenship policies has been expressed by the OSCE Parliamentary Assembly, Amnesty International, European Union Commission. Non-citizens are named as an example of problems of statelessness by Commissioner for Human Rights, and the UN Special Rapporteur.

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**Historical conflict:** The issue here derives from the agreements signed by Germany and the Soviet Union in August and September 1939. Namely, two issues cause disputes with modern Russia: first, do the Baltic states, who were in the Soviet Union interest sphere according the secret additional protocol of 1939, join the Soviet Union voluntarily in August 1940; and second, their joining of the Soviet Union was due to the military power of the Red Army and the occupation ending in annexation. The politicians and historians of Estonia, Latvia and Lithuania are using the terms occupation, annexation and incorporation when discussing the events of 1940. The official position of modern Russia is that the signing of mutual assistance pacts between the Soviet Union and Baltic states in autumn of 1939 does not allow the claim that the Soviet Union occupied the Baltic states in June 1940; the international law that existed between the two world wars did not forbid coercion, and that we cannot talk of annexation because in July 1940 there were elections in Estonia, Latvia and Lithuania which resulted in new governing institutions who approached the Supreme Soviet of the USSR with the wish to join the Soviet Union.57

Further tensions are caused by the question whether the Estonians and Latvians who fought in the German armed forces in 1941-45 should be treated as collaborators or as Estonian and Latvian freedom fighters. The viewpoint of Estonia and Latvia is that the Estonians and Latvians who fought in the German armed forces fought primarily for the freedom of Estonia and Latvia. The official viewpoint of Russia is that they were collaborators of whom a proportion are guilty of war crimes.

The Estonian, Latvian and Lithuanian and the Russian-speaking population memory of history differs primarily in their evaluation of the events of the World War II. Polls conducted in the 1990s showed that the memory of history of the two communities was antithetical to each other, especially when it concerned Russia’s role in the fate of the Baltic states. One of the main narratives in the collective memory of the Russian speaking population in the Baltic states concerns the expulsion of the foreign invaders from the Baltic states, liberation from the German occupation, and the Baltic states voluntary entry into the Soviet Union in 1940. In the case of the post-Soviet Baltic states the politics of memory created a “true” history based on a shared concept of victim status under the Soviets, thereby ex-
cluding a majority of the Russian-speaking population from this common history.\footnote{See also В.В. Воротников. Внешняя политика государств Балтии в начале XXI века. In: Серия «Постсоветские и восточноевропейские исследования». «Аспект Пресс», Москва, 2015, 195–198.}

Estonia, Latvia and Lithuania has strongly used Russia as the negative so-called “Other” in its identity formation. The Baltic states foreign policy has aimed at finding ways to emancipate itself from Russian dependency. There are studies which focus clearly on the confrontation between Estonia, Latvia and Lithuania and Russia and reach the conclusion that the root of the conflict is deeply integrated in identity formation. Several authors also claim that the integration into European and transatlantic structures should influence the Baltic states to change its strong identity confrontation with Russia. Thus, identity as a research focus has been strongly presented in the Estonian, Latvian and Lithuanian case but the collective memory as an important variable in Baltic states relations with Russia has been less studied. Escalation of tension in the Baltic-Russian relations related to World War II in 2004-2005 and the monument crisis (removal of the Soviet War monument in Tallinn, Bronze Soldier, Bronze Night) in Estonia 2007 has increased political scientists interest in the role of political memory in Estonian Russian relations.\footnote{http://en.academic.ru/dic.nsf/enwiki/7569879}

In the 1990s the politicians of Russia and the Baltic Sea region stated the basic assumption that they all share the values stated in the documents of the European Union Council. An example of this is the cooperation and partnership agreement between the European Union and Russia, dating back to 1994.\footnote{Соглашение о партнерстве и сотрудничестве, учреждающее партнерство между Российской Федерацией, с одной стороны, и Европейскими сообществами и их государствами-членами, с другой стороны. http://docs.cntd.ru/document/1900668; http://russiaeu.ru/en/basic-documents
http://russiaeu.ru/en/brief-overview-relations}

As mentioned before, the relations between Estonia and Russia deteriorated especially in 2007 after the monument commemorating the victory of the Soviet Union in the World War II, the so-called “Bronze Soldier”, was removed from its long-time location in Tallinn.

After Vladimir Putin was elected the President of Russia in 2012, the leadership of Russia started to seek to make the world multi-polar. To achieve this aim a special role is played by the Eurasia customs union (Eurasian Economic Community) and the BRICS grouping.

Two conflicts: Ukraine and Syria caused a significant acceleration of tensions and appearance of negative tendencies in the Baltic Sea region. The Baltic states acknowledged the Ukrainian coup as legitimate, refused
to recognise the annexation of Crimea and treated the East Ukrainian conflict as Russian aggression against Ukraine. Despite the fact that the Middle-East is geographically a remote area from the Baltic region, the Syrian crisis has had its influence on the Baltic states (migration crisis). The migration quota issued by Brussels caused wide discussions in the Baltic stats as to what extent can the European Union demand the member states to take responsibility for solving problems that strike Europe.

On the other hand, there have been published, and still are to this day, articles in the media of the Baltic States and the Western countries that predict that Russia will attack the Baltic states and possible reaction of the European Union and/or NATO. Some Baltic politicians have made appeals to blockade the mainland connection between Russia and the Kaliningrad enclave. Western security experts have, after the beginning of the Ukrainian crisis, drawn attention to the internal vulnerability of the Baltic states. In the case of Estonia and Latvia the Russian speaking population is implied whose self-awareness has grown due to the Ukraine crisis and whose loyalty to the country of residence is therefore questionable.

The dominant trend of the Baltic states internal and external politics is antagonistic towards Russia. It manifests itself as constant criticism of Russian internal, defence and external politics and their interpretation of history. However, it is targeted at achieving internal political attention, mobilising the electorate, and diverting attention from the critical condition of the economy, as well as, guaranteeing the military assistance of Western countries including the USA. It can be only assumed that the constant deterioration of the relations with Russia meets the interests of the Scandinavian countries as it entails the parrying of Russia as an economic competitor.

The Baltic states are participating in the sanctions against Russia caused by the crisis in the Ukraine. In response to Western economic sanctions, the Russian Federation decreed a ban on agricultural products and foodstuffs from the EU, USA, Norway, Canada and Australia on August 6, 2014 for a period of one year. As much as 19.8% of Lithuanian, 16.2% of Latvian and 11.4% of Estonian exports were directed to Russia in 2013. At the moment it can be stated that due to these sanctions, the volume of goods exchange including transit, has diminished significantly, as tourism from Russia to the Baltic states. According to European Parliament statistics the three Baltic states are among the 11 countries whose economy

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has been damaged most due to the Russian sanctions: Estonia has lost 147, Latvia 87 and Lithuania EUR 374 million.63

Due to the Russian sanctions the dairy sector of the Baltic states has suffered most. Even if the European Union and Russia should normalise their relations and the sanctions waived it is quite unlikely that the deliveries of the Baltic agricultural produce to Russia will recover. Russia has increased significantly its investments into agriculture and is gradually becoming a country exporting agricultural products.64 This means that fulfilment of the hope of the politicians and business circles65 of the Baltic states, that after the end of sanctions the return to the Russian market with the agricultural products would happen, is not very realistic.

THE MAIN GEOPOlITICAL PLAYERS AND OBOR AND “16+1” INITIATIVE

Although the “16+1” Initiative is primarily designed as an economic project, its realization raises many political and security issues. Concerning the 16 CEE countries, 11 are state members of the European Union (EU) and 12 belong to the NATO. The 16 countries have most different kinds of experience in terms of geography and history.

First question: how to balance the Chinese “16+1” politics in the China and EU relations. During the Cold War era Chinese relations with the Central and Eastern European countries functioned in a triangle: Soviet Union and China, Soviet Union and Eastern European satellite countries. As a result of the dissolving of the Soviet Union a situation evolved where relations with China and Central and Eastern European countries are significantly influenced by the European Union, Russia and USA.

Russia When the idea of “One Belt, One Road” was presented, several articles published in Russia permit one to claim that Russia wishes to counteract the Chinese influence in Central Asia and also in the Baltic countries.\textsuperscript{66} For example, Professor Konstantin Khudoley, Head of the Department of European Studies of International Relations St Petersburg State University, predicts in his article The Baltic Sea region and increasing international tension, published in 2016 in the Kaliningrad University journal Балтийский регион, that in the near future, one can expect China to be increasingly active in the Baltic Sea region. Khudoley surmises that the Chinese will start paying special attention to the creation of modern infrastructure and logistic in the Baltic Sea region and it is not out of question that one cannot exclude that, one day, Chinese cargo traffic will replace that from Russia in some Baltic ports. According to Khudoley, Russian activities in the Baltic Sea region will need to focus on preventing the weakening of its position and creating prerequisites for further strengthening.\textsuperscript{67} Another example is the visit of a Chinese delegation to Estonia in June 2016. The Russian information portal Sputnik-News declared irritably that although the purpose of the visit remained unclear attention should be drawn to the fact that this, “in diplomatic scales very modest delegation”, had the former head of the ICBC bank, Jiang Jianqing, as one of its members. It also mentioned that Jiang Jianqing had been appointed the head of the financial fund Sino-Central Eastern Europe Financial Holding which would be launched for the purpose of Chinese and Central and Eastern European countries financial cooperation. The purpose of the fund would be to invest into the infrastructure and business projects in Central and Eastern Europe, as well as, into projects related to the Central and Eastern European enterprises worth EUR 10 billion.\textsuperscript{68}

The competitors, or solutions excluding the Baltics: Russia wishes to have a share of servicing the transit coming from Asia. The aim is to create a transport corridor from China via Russia to Europe, making the cargo to pass by the Baltics. In December 2017 the first test train with Chinese goods from Urumq in China arrived at Kotka harbour in Finland. As revenge, the information agencies of Russia announced that due to the anti-Russia poli-


tics of the Baltic States TransContainer (Трансконтейнер) is forced to circumvent the risks related to transit and re-route the cargo from China to Europe to bypass the Baltic States. For example, Austria and Russia plan to extend the trans-Siberia highway across Ukraine and Slovakia to Vienna. This plan consists of building a new 450 kilometre railroad, with 1,520 millimetre track gauge, from Kočice, near the Ukrainian border, to Vienna. A cargo terminal would be built in Vienna that would be able to receive annually 200,000 trains, 67 wagons each. It is envisaged that the Chinese goods could be transported within three to four days through Russia if a railroad was built where the cargo trains could travel with speeds of nearly 200 kilometres per hour. A new joint enterprise, Breitspur Planungsgesellschaft mbH, has been established by Russia, Ukraine, Slovakia and Austria for developing this new railroad track. The vision of Breitspur Planungsgesellschaft is to be the most effective rail transport connection between Asia and Central Europe with the goals of creating a sustainable transportation corridor. The resulting direct link guarantees accelerated freight times between Asia and Europe: only 15 days will be needed between Eastern China and Vienna.

Russia, Azerbaijan and Iran have announced the plan of establishing an international multi-transport corridor: North-South [INSTC]. It would start from Mumbai, go through Iran, Azerbaijan and Russia and end in Helsinki. One of its branches would move from Moscow across Belorussia and Poland to the Western Europe. Russia and Norway have started to invest into the ports of the Arctic Ocean. The utilisation of the Arctic Ocean would reduce the transportation time of the Chinese goods by approximately two to three weeks.

The old European Union countries are antagonistic towards the activities of China in relation to Central and Eastern European countries. The following negative arguments are given beside the positive arguments related to the “16+1” cooperation: first, One Belt, One Road is a prerequisite to Chinese economic expansion, of which in the long run promotes the Chinese world order and upstaging USA as a global force. Second, One Belt, One Road project is a subcontract that does not meet the requirements of the European Union in the fields of transparency, democracy and envi-

70 http://www.breitspur.com/idea.html
71 Vt. http://dergachev.ru/geop_events/311216-02.html#.Wf31A9gY6d0
The economic expansion of China accelerates the disappearance of the work place and makes the European Union dependant on China. Thirdly, the European countries will be flooded with cheap goods from China since their transportation time and costs will diminish considerably as the new transport corridors are opened. Fourthly, the trains from China to Europe will return either empty or half-loaded. Fifthly, the internal policy, economy and legal system of the European Union countries are developed by the European Union. The European Union members from the CEE countries, and the EU membership candidates have to harmonize with the EU the issues that pertain upon cooperation with China. Examples: In May 2017, just before the Belt and Road Forum held in Beijing the Vice President of EU commission, a Finnish politician Jyrkki Katainen, accused, in one interview given to a Finnish newspaper, China of taking over strategically important enterprises in Europe but at the same time of protecting their own market against foreign investments. He surmised that “unfortunately the European Commission cannot prohibit the selling of enterprises to the Chinese or for some third parties”. At the roundtable of Beijing Belt and Road Forum Katainen said that continuous globalization cannot be halted and presented a platform consisting of nine principles, or the conditions of the European Union on which the One Belt, One Road cooperation activities should be based. When the market share of Finnish capital in the Baltic states is taken into consideration the statement seeking for regulations is understandable. However, if attention is given to how Finland and the Scandinavian countries seized the notable positions in the economic life of the Baltic states after the dissolution of the Soviet Union a question may be posed: how fair is the demand for such regulations.


Due to the pressure placed on them by the European Union, the Baltic countries wishing to join the EU have been compelled to review the regulations of privatisation and
Director of the German Development Institute Peter Wolff stated that the “Belt and Road” initiative should be developed further from a bilateral Chinese initiative to a more ‘multilateralised’ mechanism, which would include private business as well as national and regional government institutions.76

At a conference of European diplomats held in Paris at the end of August 2017, the German Foreign minister Sigmar Gabriel warned that China is trying to “divide Europe” and that the continent must find a common strategy to counterbalance Beijing’s influence. He demanded that China should follow a “One Europe” policy – just as European countries follow the “One China” policy. He repeated this again in December at the Berlin Foreign Policy Forum. Gabriel announced that the “Belt and Road” initiative isn’t merely a historic trade-related reminder of Marco Polo, but at the end of the day a geostrategic concept which China is using to enforce its own ideas of order in the area of trade policy, geographically, geopolitically and ultimately maybe also militarily.77

Poland established a strategic partnership with China in 2011 and is often regarded as the leader of the 16 Central and Eastern European countries in their relations with China through the “16+1” platform.78 In 1936 to 1938 Poland found that it was time for the so-called Międzymorze (Intermarium) plan to be brought to life. The Międzymorze plan was initially made by Józef Piłsudski after the WWI and aimed to create a federation of Central and Eastern European countries under Polish dominion. This federation should have included the Baltic states.79 The major purpose of this plan was to avoid the domination of great power in the Eastern Europe:

entrepreneurship related to foreign citizens, especially the regulations concerning the purchasing of land and export of capital. In many cases this was inflicting damage to the national economy.

76 Peter Wolff. China’s ‘Belt and Road’ Initiative – Challenges and Opportunities German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE). http://www.die-gdi.de/uploads/media/Belt_and_Road_V1.pdf
Germany and Russia. The issue is, whether the Międzymorze plan reflected the political reality of the Eastern Europe between the two world wars and if realising such a plan was conceivable. Despite the Polish attempts to be a superpower, interwar Poland lacked political, economic and military prerequisites for forming and leading such a union of states. Neither could Poland do anything to overcome the mutual contradictions of the countries between the Baltic and the Black Sea.

In present Poland the Międzymorze plan has been resuscitated as Three Seas Initiative, Amber Road or Via Carpathia project. Poland, with Sweden, was one of the initiators of the Eastern Partnership programme. In February 2017 the Polish Minister of Foreign Affairs, Witold Waszczykowski admitted that regional cooperation concerning three seas Baltic, Adriatic and Black Sea became a clear sign of Polish active foreign policy that secure national security. The Adriatic-Baltic-Black Sea Initiative was laid out also by the Croatian president Kolinda Grabar-Kitarovic in September 2015. In her view, it should work as a framework for enhanced cooperation in the political, economic and security realms among 12 CEE countries. When in October 2016 Chinese president Xi Jinping held talks with Kitarović, he welcomed the Adriatic-Baltic-Black Sea Initiative, underlining that the development of a North-South corridor in Europe, based on the ports of Adriatic and Baltic nations, was complementary to China’s Silk Road strategy. Today Poland views the Russian Federation as an increasingly aggressive actor in international relations. The aim of Poland is to liquidate Russian political and economic influence in Central and Eastern European countries and become the leader state of the Eastern and Central European countries. In the present crisis Poland has pretensions of holding the position of the leading power for guaranteeing the security not only in the Baltic Sea region but also in Central and Eastern Europe. The balance of Poland’s activities in the Eastern European region and its relations with Russia pose several problems. All activities aiming at bringing post-Soviet
countries closer to the European Union undermine relations with Russia, which perceives that the cooperation under the Eastern Partnership as an expansion of the European Union’s sphere of influence. Poland, relying on NATO and USA help, with Estonia, Latvia and Lithuania have attempted to establish a local “missile protection union”. In 2012 the presidents of the four countries discussed the issue of establishing an anti-missile protection system because there was deemed to be a non-symmetrical threat of nuclear missiles and there was some information that the missile potential of Russia in the Kaliningrad district had increased. In August of 2014, pointing to the events in Ukraine, Poland and the Baltic States forwarded a plea to the 2014 NATO summit in Wales, to aim the anti-missile system of Europe against Russia. But the majority of NATO members, especially Germany, were opposed to the proposal, warning that it could result in an unnecessary provocation of Moscow. Nevertheless, even today a pre-requisite for this is the political and economic support of some superpower. This understanding implies that Poland needed to be supported by the U.S. and this Międzynorze plan has its Atlanticst nature. From the U.S. perspective the Międzynorze plan enhances the presence of NATO in the region.

USA For the USA Central and Eastern Europe, including the Baltic states, represent a geo-strategic area with great military importance which allows to deter possible Russian expansion by continuous political and military pressure upon it and adding to the military forces present in the region. For example the joint naval exercises in the summer 2017 conducted by Russia and China in the Baltic Sea, Russian and Belarus joint military exercises in the autumn, caused considerable alarm to the USA and NATO. This mean that USA considers the Baltic states at present their sphere of interest and encourages the Baltic leadership to continue the anti-Russian rhetoric. For example, US analyst Paul A. Clobe emphasised that ’I believe that there are many things we should be doing to promote Baltic security that have nothing to do with NATO or our own military... we should promote transparency of all economic and political activities in the three... we should promote in every possible way conversations between the Estonian, Latvian and Lithuanian government and society with their opposite num-

83 http://www.spiegel.de/international/europe/nato-considers-missle-shield-directed-against-russia-a-987899.html

ber in Russia. At the same time, it should be assumed that the statements of several US politicians put into doubt the idea of NATO help to the Baltic states. In 2016 during his campaign Donald Trump stunned Europe and the Baltic states when he suggested that the NATO treaty did not commit the USA to defend attacked members. Another example is the statement of the former speaker of the US House of Representatives, republican Newt Gingrich, in July 2016. When Gingrich was asked whether Trump and the USA would come to the aid of countries like Estonia in the case of a Russian invasion, Gingrich said he too ‘would think about it a great deal...Estonia is in the suburbs of St. Petersburg. The Russians aren’t gonna necessarily come across the border militarily. The Russians are gonna do what they did in Ukraine... I’m not sure I would risk a nuclear war over some place which is the suburbs of St. Petersburg. I think we have to think about what does this stuff means.

Although USA has expressed their verbal support to the OBOR initiative, since the US companies could also profit from it, USA, similarly to the European Union, has expressed negative attitudes towards both the OBR initiative and the “16+1” Initiative. The arguments of USA are the following: supporting OBOR means boosting China’s political and economic power across much of the world; there are significant risks in the 16-plus-one strategy, most notably the common problem of great expectations toward China being met with brute reality; for all the promises of investment, commentators in the region have noted that the cases of Chinese job-creating greenfield investment are few and far between; the EU and the United States remain by far the most important investors, a phenomenon that is unlikely to change for decades; and no one, least of all the Chinese with very little experience in the region, should be complacent about the ancient but currently largely dormant antagonisms in the Balkans and across

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the region more generally; the 16 European countries put together to engage with China offer evidence of a new era of global China; in none of these countries, until now, has China ever appeared significant; they lived under different geopolitical umbrellas and within a different context, and but in the second decade of the 21st century, this diverse grouping, with so many differences between the members, is united by a common desire to get more from the opportunities coming from China.

CONCLUSIONS

1. From a geostrategic point of view China regards CEE countries an important linking point of “One Belt, One Road” corridors to the larger West-European markets. The transit and logistical potential of the CEE countries has so far not been used to its full capacity, especially concerning the railways and ports of the Baltic states and Poland. The main Northern destination for China in the Central and Eastern European region today is Poland. Nevertheless, Poland itself would like to dominate the Baltic region both economically and politically. There is only one transportation and logistics centre in Poland at present: Łódź. The main transport and logistics centres of Chinese goods in Duisburg and Hamburg are already overloaded and the opportunities for their expansion are limited. As a Baltic country, Latvia illustrates a new highlight in the Baltics in terms of the “16+1” cooperation.

2. The strengths of the ports of the Baltic states derive from their geographical position, they are a link between Europe and Asia. The ports of Latvia and Lithuania are ice free, the Estonian ports freeze over if the winter is very cold. This is a certain advantage when compared to the Russian ports in the Baltic Sea where during the winter period navigation ice breakers have to be used. Major weaknesses here are caused by geopolitical influences and the tense relations between the Baltic states and Russia as described above. The political factors have already made the economic relations between the Baltic states and Russia difficult and in the longer run may diminish

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the role of the Baltic states ports to a minimum in the Europe-Asia chain.

3. China’s drive to integrate the CEE countries into its Silk Road strategy has the potential to further weaken the grip of Russia on its Western neighbourhood. Russia will inevitably oppose any move that leads to increasing cooperation among the CEE countries, viewing it as an effort to separate the Russian territory from Western Europe. It remains unclear to the author of the present paper whether Russia is ready to guarantee the use of its railroads for Chinese companies in order to enable the Baltic states, who harbour a hostile attitude toward Russia, to earn added value by utilizing the Russian railways. It should be added that the realisation of the plan will depend also on the Russian infrastructure costs, Russian bureaucracy and licenses, the Russian railway infrastructure capacity and its technical condition. In addition, Russia itself may wish to gain profit from Chinese transit and reroute it to the Russian ports in the Baltic Sea region. Due to this reason it is not possible to make long term economic projections. Russia may decide to accept only such portions of the “16+1” project that meet their economic and political interests. For example, in September 2017 it was announced that Lithuanian Railroads in cooperation with Kaliningrad Railroads would open a new transport corridor: Poland (Łódź) – Kaliningrad Region – Belorussia – Russia – Kazakhstan – China (Urumqi).

4. The development level of the Baltic states economy, existing resources and diminishing work force does not permit Estonia, Latvia and Lithuania to compete successfully in the European Union market (excluding the IT sector) and is an obstacle in attracting big foreign investments. The competitive capacity of the Baltic states is very small and the profit gained by the openness of the market as in case of European Union is small, possibly non-existent when taking into consideration the competitiveness deriving from the rate of Euro, the small enterprise bankruptcies, a declining tax base caused by active labour age people leaving the country etc. The Baltic states has not become a strong independent actor able to regulate the rules of the political and economic game.

5. The present CEE model of capitalism should be described as financial capitalism or depending market economy. It means fundamental dependency upon the investments and economy of trans-national corporations. The Baltic countries, who are also compelled to choose the dependant market economy, do not have the real resources for carrying out an independent economic policy. The for-
eign investments made into the Baltic states and the developing of the Baltic states export depends to a great extent upon guaranteeing the availability of a qualified workforce. In present there is lack of skilled workers, needed both by the local and foreign owned companies, but also of people who would be capable to guarantee success for the entrepreneurs in the export markets. When taking into consideration that Baltic market investments are dominated by Sweden, Finland, Norway, Netherlands and Russia, adding a player would not be in the interest of the financial sectors of these countries.

6. As part of the OBOR project and “16+1” Initiative China will dispatch their capital, expertise and employees to CEE countries where at the present time there is US military presence and influence and which is a geopolitically important region for USA. For realising the OBOR project the prerequisite demanded by the representatives of the European Commission is enforcing definite rules.

7. Only China and Russia can indeed jeopardize US leadership in the world. OBOR and “16+1” is prime security challenge for the current world order. In the long run China’s traffic and trading world wide networking and Russian military recuperation inevitably questions the US global leadership.

8. The lack of historical conflict in Estonian, Latvian and Lithuanian-Chinese relations permits to put aside the ideological considerations and to act pragmatically in bilateral relations. But the Baltic states lack a clear vision in relation to the “16+1” Initiative, there is no action plan that would state clearly the aims and objectives in relation to the initiative. Latvia and Lithuania are more interested in the OBOR project than Estonia. The relationship of the Baltic states has not always has been harmonic, especially related to economic issues.

The research was financially supported by the Estonian Ministry of Education and Science Institutional Research Fund of the Estonian Research Council № IUT3 1–6. My special thanks to translator Maris and Jan Peters in the Estonia.