

India and the Baltic States: Strengthening the Partnership

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Abstract: The Baltic Sea Region existing on the crossroads of Europe and Central Asia holds a greater geopolitical significance. The region holds a strong potential to deepen India's ties with the Europe and Central Asian countries. This article will discuss the prospects of near future areas of cooperation to increase India's engagement with the Baltic states in terms of Trade, Investments and Strategic partnership. The article will also provide quantitative analysis of the bilateral trade between India and Baltic states while focusing on the scope for trade and investment in specific sectors. Distance being one of the major barriers for increasing cooperation between India and the Baltic states, the efficacy of the Northern Sea route passing through the Bering Strait has been discussed in the paper. Latvia, Estonia and Lithuania are entrapped between the power politics of US, Russia and now China in the region. Therefore, in terms of extended security and cooperation India could play a significant role in the Baltic economy as well as in its strategic aspirations. The convergence of Indo-Baltic interests lies in multilateral rules-based order, maritime security, terrorism and protecting the freedom of navigation, wherein, India is presently targeting the Indo-Pacific region and the Baltic states are focusing upon the Baltic Sea. In terms of India, developing a stronger Indo-Eurasian ties is yet to become its top priority. However, assessing near future developments in the Baltic states is crucial for India's future policies in regard to Central Asia, Europe, Russia and even the Arctic Region. But it is evident that the Indo-Baltic principles converge on an ideological front that could further strengthen their partnership.

Keywords: Northern Sea Route, Capital Investment, Multilateral Cooperation, Maritime Security

1. Introduction

India and Baltic states share common linguistic and cultural roots where the Baltic states have great respect towards Indian thoughts and ideas. Their political philosophy and struggle are borrowed from the India's struggle for Independence. "The Singing Revolution" and "The Baltic Way" was largely adopted from Indian ideology of non-violence [1]. The Baltic states consists of three countries of Latvia, Estonia and Lithuania those gained independence from the erstwhile USSR in 1991 that caused a major reconfiguration of the European map. The Baltic Sea Region existing on the crossroads of Europe and Central Asia holds a greater geopolitical significance. The region holds a strong potential to deepen India's ties with the Europe and Central Asian countries. This article will discuss the prospects of near future areas of cooperation to increase India's engagement with the Baltic states in terms of Trade, Investments and Strategic partnership.

2. Indo-Baltic Trade and Possible Areas of Cooperation

India and the Baltic states have immense trade and investment potential which is currently been under-explored by both sides. India's total exports in 2019-2020 to the Baltic states as depicted in the Figure 1, which is \$ 295.43 million. India's exports to Latvia and Lithuania have a consistent stability since 2016 to 2020, whereas, the exports to Estonia have dropped since 2016. However, the scope of cooperation between India and Estonia has been extended with the rising multi-dimensional challenges like climate change and global warming. Estonia being one of the technology giants in the green energy development especially solar energy. India has therefore invited Estonia to join the International Solar Alliance (ISA) so as to rapidly develop solar energy while facilitating technology transfer [2]. Further on, while we consider the Asian investments in the Baltic region, they are

on a considerable rise especially from the countries like China, Japan, Singapore and South Korea. In this regard, the India's trade into the Baltic region is not disappointing but

holds a greater potential that India should look into. Considering Latvia, chemical and allied products, foodstuffs and textiles have been the major exports from India [3].

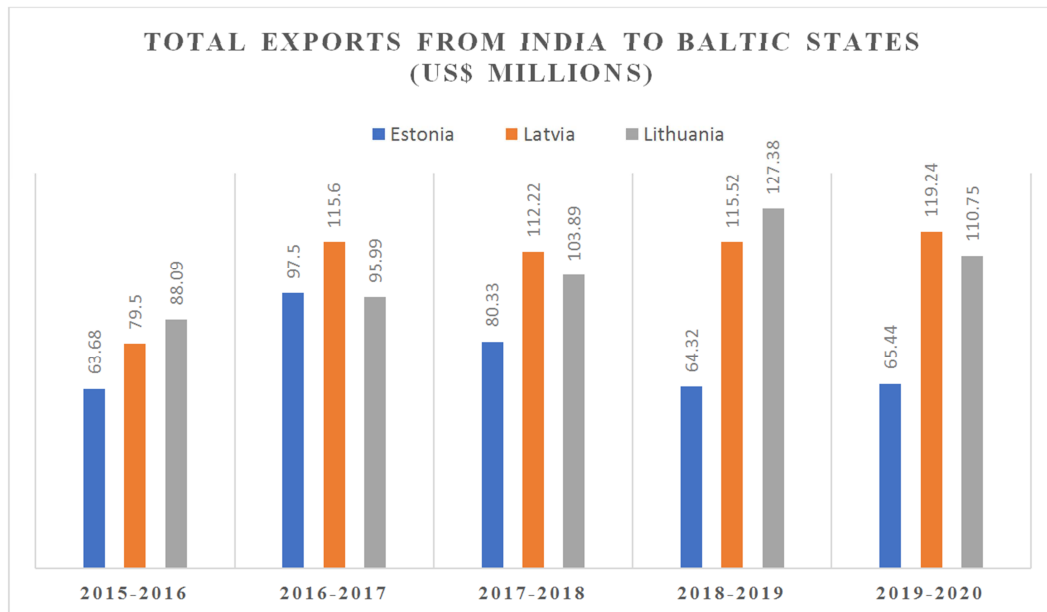


Image created by Akshay Honmane. Data Source: Ministry of Commerce and Industry, Department of Commerce, Government of India

Figure 1. Total Exports from India to Baltic states over 2015 to 2019.



Figure 2. Representation of Northern Sea Route.

Image Source: Image adopted from "Is America losing out on the Northern Sea Route?", *Raconteur*. <https://www.raconteur.net/finance/maritime-economy-2019/northern-sea-route>

Under the Industry 4.0, big data and Information Technology becomes vital that is to be interlinked and synced with various modern industries. Artificial Intelligence (AI) is the possible area where there is an immense scope of cooperation between India and the Baltic states. The Baltic states are considered to be the world leaders in financial technologies and AI, wherein, Estonia is the number one hotspot in Europe for technology entrepreneurs followed by Latvia and Lithuania on the third and seventh place respectively according to World Economic Forum [4].

According to the NITI Aayog in its *National Strategy for Artificial Intelligence*, there five sectors in India which will benefit the most from the AI in solving the societal needs. These are healthcare, agriculture, education, smart cities and infrastructure and Smart Mobility and Transportation [5]. Further on, the report identified the lack of broad-based expertise in research and application of AI in India and states the need for a large-scale collaborative intervention towards AI research in India. The growing need for India and Baltic states trade cooperation was acknowledged by the Vice President of India Venkaiah Naidu during his tri-nation Baltic visit, where he viewed a greater scope for Indian and Latvian companies to engage in IT, AI and new age technologies through collaboration and partnership [6].

So as to develop the trade between India and Baltic states the connectivity shall be developed between the two. As depicted under Figure 2. India has been historically been connected with Baltic states through the ancient trade route that connects the Indian Ocean to the Baltic Sea through the Strait of Bab El Mandeb further on passing the Suez Canal, Mediterranean Sea, North Sea and reaching the Baltic Sea. However, as the global warming opens the Arctic passage for container ships the Northern Sea route passing from the Indian Ocean through the Strait of Malacca, the Bering Strait and leading up to the Arctic Ocean connecting Russia is currently being explored. The Northern Sea route has its own challenges due to the unpredictable environment of the Arctic [7] and when goods are to be traded within the Indian Ocean, the Southern Sea route proves to be more efficient and viable.

3. Engaging with the Baltic States on the Strategic Front

Laying on the fringe of western and the eastern influence, the Baltic states are known for its strategic and geopolitical significance. The Baltic states have historically been the zone of struggle for dominance between the hegemonic powers of the world especially since the 20th century. Until the second world war, Russia and Germany fought for the dominance in this region. After the German aggression in 1939 the Baltic region turned into a desperate battle for civilization [8]. Today the region is thriving with economic prosperity but it still exhibits the geopolitical importance. Today Russia, US and China are competing to have a greater influence in the region through capital investments and security cooperation.

In this regard, India's engagement with Baltic states has been so far limited with trade but will gradually take up the pace. There is a need to assess the importance of this region by New Delhi by taking in account some significant near future geopolitical dynamics. Firstly, Latvia, Lithuania and Estonia are the NATO allies and since the Ukraine crisis the insecurity rose within the Baltic region and so did the US interest in the region. However, in between the NATO and Russian power competition, the stability of the Baltic states is crucial for both the fronts. For Russia, the Nord Stream submarine gas pipeline and the data cables running across this region are very crucial [9]. Further on, it is part of the sea route that brings essential daily supplies to Russia and hence, maintaining the security of the Baltic Sea is of paramount importance to Russia [9].

On contrary, the American interests in the region is to provide a logistical support to the NATO and US Naval power in Northern Europe. The US has acknowledged this importance of Baltic Sea in its *National Security Strategy* and *US Global Leadership: Priorities for 21st Century Defence* to secure the points of entry into the region using its naval power [10]. Hence, this region cannot be overlooked by any country who wishes to expand its global footprint and to have a presence over the north pole.

Over the recent years China has become the dominant player in the Baltic region. As observed in the African continent where China is heavily funding the countries in terms of capital investment projects, similarly, China is engaging within the countries in the Central and Eastern Europe (CEE) through its 16+1 framework. Under this framework, China seeks to promote cooperation in the fields of science, culture, education, transportation and finance. In total the Foreign Direct Investment (FDI) of China in the Baltic states reaches up to \$ 124.37 million [11]. Although China's investment is not on the higher side but it is investing in the strategic projects like the *Rail Baltica* connecting Tallin and Warsaw that covers countries such as Finland, Estonia, Latvia, Lithuania and Poland. In terms of India, developing a stronger Indo-Eurasian ties is yet to become its top priority. However, assessing near future developments in the Baltic states is crucial for India's future policies in regard to Central Asia, Europe, Russia and even the Arctic Region.

It is important that the interests of India and Baltic states converge so as to strengthen and develop the Indo-Baltic multilateral cooperation in the future. India's post-cold war foreign policy largely focussed upon the immediate and extended neighbourhood. However, today India is gradually developing capabilities and ties across the Indo Pacific region through its multilateral engagements and ideals like Security and Growth for All in the Region (SAGAR) and Indo Pacific Ocean's Initiative (IPOI).

The convergence of Indo-Baltic interests lies in multilateral rules-based order, maritime security, terrorism and protecting the freedom of navigation, wherein, India is presently targeting the Indo Pacific and the Baltic states are focussing upon the Baltic Sea [12]. But it is evident that the

Indo-Baltic principles converge on an ideological front. In terms of UN comprehensive reforms, the Baltic states have extended support for India's claims for permanent membership at the UN Security Council, also supports India's call for Comprehensive Convention on International Terrorism [13].

The Baltic states though are a part of both NATO and EU but they hold a unique position in the whole geopolitical dimension in the region. Although being a part of regional organisations, Baltic states withhold a complicated web of subregion ties that is around the Baltic sea. In between Russia's assertiveness, US dominance and EU's regional influence, India in future could be a credible power that can acknowledge the Baltic issues while maintaining India's strategic and economic interests.

4. Conclusion

India and the Baltic states sharing similar ideologies and principles towards the changing global order has been the foundational ground for their long-term partnership. Deeping diplomatic cooperation and multilateral engagements between these countries shall be gradually developed. Rule based order, Maritime Security, Information Technology, Agriculture, Artificial Intelligence, Cyber security, Climate Change and Green Energy development are the possible intersecting areas of cooperation between India and the Baltic states. Such a thriving cooperation in future would lead India to have strategic engagement in Eurasia.

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