



POLICY PAPER

BRIDGING THE GAP BETWEEN INDIA AND THE BALTICS

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Cover page photo: A volunteer peers through a gap in curtains after the final rituals of the burial of Hindu guru Sathya Sai Baba inside Prashanthi Nilayam in the village of Puttaparthi, April 27, 2011 (AFP PHOTO/ Dibyangshu SARKAR).

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INTRODUCTION

Diplomatic relations between India and the Baltic states were established over 25 years ago but have remained below their potential. For a long time, neither side featured prominently in the other's foreign-policy priorities. Over the past decade, this began to change, first with the Baltic states looking to further their ties with rising powers in Asia, and now with India looking to diversify its Europe policy by reaching out to smaller states in Central, Eastern and Southern Europe.

This policy paper examines the interests that drive Indo-Baltic engagement, how their relations have evolved over the years, and the way ahead. The first part appraises this engagement in the context of a changing global order and identifies key areas where Indian and Baltic strategic interests converge: first, strengthening and reforming multilateral institutions and a rules-based global order; second, cooperating in the field of security, especially countering terrorism; and third, connecting the Baltic Sea region with the Indian Ocean region. The second part reviews Indo-Baltic political, cultural and economic relations to identify the gaps that need to be plugged and opportunities for cooperation. The third and final part proposes policy recommendations to deepen cooperation between India and the Baltic states.

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DRIVERS OF INDO-BALTIC CONVERGENCE

The past two years have witnessed an increase in the frequency of high-level contacts between India and the Baltic states. The prime minister of Lithuania visited India in February 2016—the second such visit. This was followed by the visit of the prime minister of Latvia in November 2017—the first ever head-of-government visit between the two countries. Most recently, the Estonian Minister for Entrepreneurship and IT visited India in March 2018. From the Indian side, the Minister for Electronics and IT

visited Latvia—the highest-level political visit to date—and Estonia in September 2016, as part of a broader diplomatic outreach aimed at stepping up ministerial visits around the world. These high-level contacts signal the political commitment on both sides to boost dialogue and cooperation. To understand this, it is important to examine how the two sides' interests in each other have evolved.

On the Baltic side, the initial interest in furthering relations with India in the early 1990s soon gave way as the imperative to integrate with the Euro-Atlantic area and the concomitant reforms took up most of their bandwidth. In 2004, all three countries joined the EU and NATO, thus achieving their major strategic goals.

In the following decade, the importance of exports and foreign investment as drivers of economic growth increased as the Baltic states experienced a deep recession due to the global financial crisis that started in 2008. Simultaneously, the negative effects of this crisis on the rest of the EU and, more recently, the Russia-Ukraine conflict raised the question of expanding trade beyond traditional partners such as the EU and Russia to other regions, mainly Asia.¹ Now, as Eurasian connectivity develops and Europe dwindles demographically, the Baltic states are looking towards India and other Asian powers for investment to expand their transport and logistics capacity and to attract skilled labour.²

Meanwhile, India's post-Cold War foreign policy focused on its ties with the major powers along with states in its immediate and extended neighbourhood.³ Estonia, Latvia, Lithuania and other small states remained blind spots in India's field of view.

However, this has recently begun to change with the development of a more proactive foreign-policy strategy that pays special attention to small states. In an interview in June 2016, the

¹ Beáta Udvari, "Export Performance of the Baltic States: The Effects of the Aid for Trade Initiative", *Romanian Journal of European Affairs* 17(2) (December 2017): 108–24.

² Laimonas Talat-Kelpša, "South Asia and Lithuania", *Lithuanian Annual Strategic Review* 14 (2015–16): 65–82.

³ C. Raja Mohan, "Foreign Policy After 1990: Transformation Through Incremental Adaptation". In David Malone, C. Raja Mohan and Srinath Raghavan (eds), *The Oxford Handbook of Indian Foreign Policy*. Oxford: OUP, 2015, pp. 131–44.

Indian prime minister, Narendra Modi, argued that small states were as important as larger ones and asserted the change he had made to India's earlier practice of assuming that "relations with smaller nations would develop under the shadow of the bigger nations."⁴

Simultaneously, in the context of China's growing influence across Asia and Europe, its rapprochement with Russia and America's erratic foreign policy and economic protectionism under President Trump, India is paying renewed attention to Europe. Within Europe, India is reaching out to smaller European states, including the Baltics, to supplement its resurgent partnership with the EU and major European powers.

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As the Baltic states look towards Asia and India towards Europe, their interests converge on several strategic issues.

First is the area of international institutions. The two sides are brought together by their common interest in making international institutions more representative and preserving the multilateral rules-based order. Their interest in reforming international institutions is most evident in the UN Security Council, in which India seeks a permanent seat and the Baltic states seek better representation in both categories of membership: permanent and non-permanent.⁵ Their shared interest in preserving the rules-based order is most evident in the maritime domain. Both sides are interested in ensuring maritime security and preserving freedom of navigation, in two different theatres: the Baltic Sea and the Indo-Pacific.

⁴ "PM Modi's exclusive interview with Times Now: Full Transcript", *The Times of India*, 28 June 2016.

⁵ Estonian Ministry of Foreign Affairs, "The Estonian Foreign Minister to the Deputy Secretary-General of the United Nations: Estonia supports UN reform", June 2015; Latvian Ministry of Foreign Affairs, "Latvia and the UN Reforms", December 2016; United Nations, "Statement by H.E. Antanas Valionis, Minister of Foreign Affairs of the Republic of Lithuania at the General Debate of the 58th Session of the General Assembly of the United Nations", 1 October 2003.

Second is the area of security, especially countering terrorism, stabilising Afghanistan, and peacekeeping. All three Baltic states share India's position and identify the imperative to fight global terrorism as one of the directions of their foreign and security policy. In Afghanistan, despite their limited human and economic resources, they form part of the NATO-led International Security Assistance Force mission, and have supported the reconstruction of Afghan infrastructure, institutions and capacity through several development cooperation projects.⁶ Similarly, while India does not have boots on the ground, it has provided assistance to military and reconstruction efforts in Afghanistan since 2001. Today, India is its fifth-largest donor globally and the largest regional donor.⁷ Beyond Afghanistan, the militaries of the Baltic states have taken part in the US-led operation in Iraq and in international peacekeeping operations under UN, EU and NATO auspices.⁸ India's own participation in peace operations has a long history, having been one of the largest contributors to UN peacekeeping missions since the 1950s.⁹

Third is the area of connectivity. As regional powers compete to connect the Eurasian landmass, China has been bolstering its influence in smaller countries in Central and Eastern Europe, including the Baltic states, through the 16+1 cooperation format.¹⁰ However, the Baltic states are concerned about Chinese "economic leverage translating into political leverage," its attempts to weaken solidarity within the grouping and in the EU, and other conventional security threats stemming from China's strategic partnership with Russia, especially in the Baltic

⁶ Estonian Ministry of Foreign Affairs, "Afghanistan"; Latvian Ministry of Latvia, "Cooperation with Afghanistan", April 2009; Lithuanian Development Cooperation, "Development Cooperation with Afghanistan".

⁷ Rani D. Mullen, "India in Afghanistan: Understanding Development Assistance by Emerging Donors to Conflict-Affected Countries", Changing Landscape of Assistance to Conflict-Affected States: Emerging and Traditional Donors and Opportunities for Collaboration Policy Brief # 10, Stimson Policy Brief series, August 2017.

⁸ Alexander Yermakov, "The Armed Forces of Baltic and Eastern European States", Russian International Affairs Council, 5 May 2017.

⁹ C. Raja Mohan, "India and International Peace Operation", *SIPRI Insights on Peace and Security* 2013/3, April 2013.

¹⁰ The 16+1 format is a Chinese initiative aimed at intensifying and expanding cooperation with 11 EU member states and five Balkan countries in the fields of investment, transport, finance, science, education and culture.

Sea region.¹¹ As the Baltic states look to attract external investment (in addition to that from the EU) and position themselves as regional

Lithuania was the first to establish an embassy in India, in 2008, followed by Estonia in 2013 and Latvia in 2015. Since the institutionalisation

of bilateral relations, contacts between the two sides, including high-level visits, have tripled. Figure 1 shows the increased frequency of high-level bilateral visits in both directions and reveals that there have been more frequent visits from the Baltic states to India than vice versa at any point in time. Similarly, the presidents of all three Baltic states visited India

early on in the relationship and there have also been prime ministerial visits from Latvia and Lithuania. However, there have been no corresponding visits at a similar level from the Indian side. This indicates that, despite growing interest on both sides, the Baltic states have so far placed a higher premium on their ties with India than vice versa.

For India’s focus on smaller states in Europe to translate into greater cooperation with the Baltic states, India also needs to correct the institutional deficiencies that have built up due to neglect. There are no Indian diplomatic missions in the Baltic states, except for an honorary consulate in Lithuania. Its relations with the region are conducted through its missions in three other countries, leading to a disjointed Indian approach towards the region. During his visit to the Baltic states last year, the Indian Minister of State for External Affairs, M.J. Akbar reiterated India’s

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transportation hubs, India presents an attractive alternative source of investment given its support for the International North–South Transport Corridor, which can link the Baltic Sea region with the Indian Ocean region.¹²

EVOLUTION OF INDO-BALTIC TIES

POLITICS AND DIPLOMACY

India first recognised the Baltic states in 1921, during the brief period of independence they enjoyed in the interwar period.¹³ After the disintegration of the Soviet Union, as Estonia, Latvia and Lithuania regained their independence, India established diplomatic relations with them by 1992. For over a decade, however, their engagement was limited, with very few bilateral visits and no diplomatic representation.

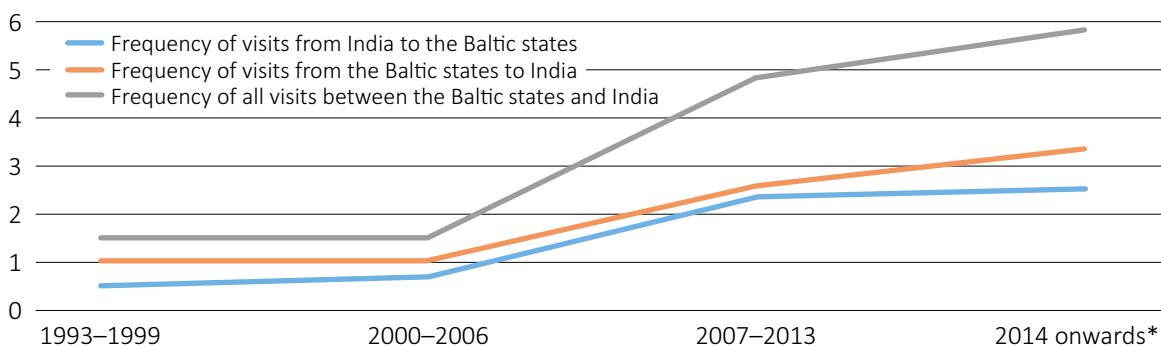


Figure 1: Frequency of high-level visits between India and the Baltic states

*value for the period from 2014 has been extrapolated for the sake of comparison¹⁴

¹¹ David Scott, “China and the Baltic States: Strategic Challenges Security Dilemmas for Lithuania, Latvia and Estonia”, *Journal on Baltic Security* 4(1) (June 2018): 25–37.

¹² Constantino Xavier and Arushi Kumar, “Reviving Indo-Europe: an engagement in the Baltic”, *Livemint*, 20 June 2017.

¹³ Kottookunnel Bhaskaran Usha, “The Evolving Relations Between India and the Baltic States”, *Lithuanian Foreign Policy Review* 33 (2015): 83–109.

¹⁴ Based on data from the Ministry of External Affairs of India, the Ministry of Electronics and IT of India, the Embassy of India in Finland, the Embassy of India in Sweden, the Embassy of India in Poland, the Consulate of India in Lithuania, the Ministry of Foreign Affairs of Latvia, the Ministry of Foreign Affairs of Lithuania, and *The Telegraph* (India).

intention to open an embassy in Lithuania, which had been promised as far back as 2005.¹⁵ India's diplomatic outreach to the region is further hampered by the structure of its foreign ministry. All matters relating to India's relations with the three Baltic states, as well as 27 other countries including members and non-members of the EU spanning from Scandinavia to the Balkans, fall under the Central Europe Division. Clubbing these diverse states together under one division leads to an uncoordinated Indian policy towards them.

HISTORY, CULTURE AND EDUCATION

In the 19th century, Indology emerged as an important branch of Oriental studies in the Baltic states, as they became conscious of their Indo-European heritage, recognising linguistic and cultural similarities between themselves and India. Prominent scholars explored the overlaps between Indian and Baltic cultures, and translated seminal texts in Indian philosophy ranging

In the past four years, the Indian student population in Latvia has increased by more than 1000%, that in Lithuania by 82%, and that in Estonia by 40%

from ancient Hindu and Buddhist scriptures to the contemporary writings of Tagore, Gandhi and others, making them accessible to the public at large. Gandhian ideals played a prominent role in the Baltics' own movement for independence from Soviet rule from 1987 to 1991.¹⁶ Since the Baltic states regained independence, several new centres conducting research in Indology have been established in universities there, including the University of Latvia's Centre for Indian Studies and Culture, and Vilnius University's Centre for Oriental Studies.

India has, however, only recently begun to explore its cultural and historical ties with the Baltic people. Indian universities have introduced academic programmes and exchanges focusing on the Baltics. In 2009, Jawaharlal Nehru University in New Delhi introduced its first course on politics in the Baltic states.¹⁷ In 2016, India's first Centre for Baltic Culture and Studies was established in Dev Sanskriti University in Haridwar.¹⁸

In addition, a growing number of Indian students are turning to universities in the Baltic states, especially Latvia and Lithuania. In the past four years, the Indian student population in Latvia has increased by more than 1000%, that in Lithuania by 82%, and that in Estonia by 40%.¹⁹ The declining population of these countries has created excess supply in academic institutions, which complements India's demographic bulge.²⁰

ECONOMICS, SCIENCE AND TECHNOLOGY

While Europe has remained the Baltic states' most significant economic partner, Asia's share of trade and investment has been rising. In terms of trade, however, most of this increase can be attributed to China's emergence as the largest Asian trading partner for the Baltic states—but with the balance of trade heavily in favour of the former. On the other hand, Baltic trade with India and others has seen a modest increase. In terms of investment, while Asia's share has been rising, Indian investment in the Baltic states remains negligible.

¹⁵ "India considers opening embassy in Lithuania", *Delfi*, 25 May 2017; author's personal communication with the Embassy of Lithuania in India.

¹⁶ Govardhan, "Influence of Gandhian Principles of Non-Violence in the Singing Revolution of Lithuania". In Laimonas Talat-Kelpša (ed.), *India & Lithuania: A Personal Bond*. New Delhi: Lithuanian Embassy in New Delhi, 2017, pp. 101–30.

¹⁷ Agnese Dzene, "From India to Latvia: Interest in the Baltic States Brings [sic] to Riga", University of Latvia, 2 December 2010.

¹⁸ Embassy of the Republic of Lithuania to the Republic of India, "Centre for Baltic Culture and Studies opens in Haridwar, first of its kind in South & South East Asia", 8 August 2016.

¹⁹ Based on data from the Ministry of External Affairs of India and Statistics Estonia.

²⁰ The Lithuanian Ambassador to India, Laimonas Talat-Kelpša, makes this argument in the context of Lithuania, but it holds true in the case of Estonia and Latvia, given similar demographic trends ("[South Asia and Lithuania](#)").

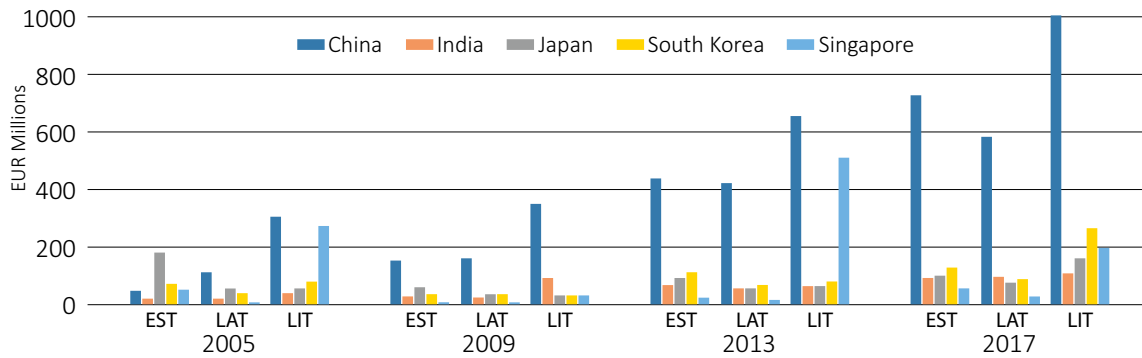


Figure 2: Growth in trade between the Baltic states and their major Asian partners (2005–17)²¹

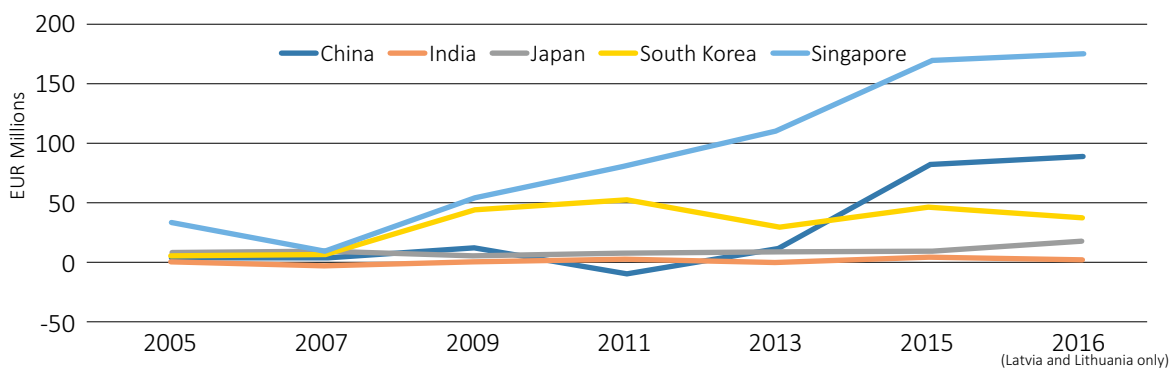


Figure 3: Investment in the Baltic states by major Asian partners (2005–16)²²

However, progress has been made in niche areas where the competences and needs of the Baltic states and India converge. Three sectors stand out.

First is the area of information technology. Estonia, the pioneer of e-governance and home to the NATO Cooperative Cyber Defence Centre of Excellence, has much to offer India. India has tapped into Estonian best practices for building its digital architecture and the latter has also offered to help build India's cybersecurity capacity.²³ Estonia's IT sector also provides opportunities for Indian labour and businesses. First, given its shortfall of skilled labour in this sector, Estonia provides an alternative destination

for Indian IT professionals who face tightening visa regulations elsewhere.²⁴ Second, Estonia could serve as a gateway to the EU for Indian businesses since it offers e-Residency to enable entrepreneurs to set up location-independent businesses.²⁵ Reports suggest that one of India's largest telecoms companies, Reliance Jio, is looking to make use of this opportunity.²⁶

Estonia, the pioneer of e-governance and home to the NATO Cooperative Cyber Defence Centre of Excellence, has much to offer India

Second is the area of transport and logistics infrastructure. Given its geographical location, ice-free ports and well-developed rail-and-road network, Latvia connects the Baltic region with the rest of Europe, as well as Russia and

²¹ Based on data from Statistics Estonia, Central Statistical Bureau of Latvia, and the official statistics portal of Statistics Lithuania.

²² Based on data from the Bank of Estonia, Bank of Lithuania and Bank of Latvia. Data for investment in Estonia in 2016 was not available in the public domain.

²³ e-Governance Academy, "Indian digital developer gathering from Estonia ideas for Digital India", 18 April 2016; Kalyan Parbat, "Estonia open to assist India on cyber security", *The Economic Times*, 13 July 2018.

²⁴ "Estonia needs 7,000 IT experts, Indians welcome", *The Times of India*, 13 March 2018; Ananya Bhattacharya, "Everywhere Indian engineers are unwanted", *Quartz India*, 20 April 2017.

²⁵ "Estonia woos Indian businesses with e-residency, access to EU market", *Business Standard*, 10 March 2018.

²⁶ Kalpana Pathak, "Reliance Jio plans overseas expansion, may set up Estonia unit", *Livemint*, 2 May 2018.

Central Asia.²⁷ To promote the export of Indian products to these markets, a joint Indo-Latvian multifunctional warehouse complex is under development in the freeport of Riga.²⁸

Third is the area of laser technology. Lithuania has developed an expertise in this field, exporting its products to around a hundred countries.²⁹ Lasers and related technology have also emerged as an important component of Lithuania's trade with India. While the demand for Lithuanian lasers is mostly from Indian universities and research centres, opportunities exist for expanding cooperation in this area by adapting the technology for India's industrial needs.³⁰

POLICY RECOMMENDATIONS FOR DEEPER ENGAGEMENT

This review indicates that deepening cooperation between India and the Baltic states requires a new approach at the strategic, political, cultural and economic levels.

India's approach to the Baltic states needs to recognise two realities. First, apart from their importance as small European states, they also form an integral part of the Baltic Sea region, which includes five other EU member states (Sweden, Finland, Denmark, Germany and Poland), Norway and Russia. While this region is now a theatre for tensions between Russia and the West, it is also one of Europe's most economically dynamic regions and a potential bridge connecting Eurasia. India must include this as an area of focus within its Europe agenda. Second, brought together by their tragic common history in the 20th century along with shared strategic vulnerabilities and goals, these three states form a distinct subregion within the EU. They form part of "a complex, overlapping but largely complementary web of subregional ties" around the Baltic Sea, which

²⁷ U.S. Department of State, "Latvia", 29 June 2017.

²⁸ Embassy of the Republic of Latvia in the Republic of India, "Mr. Juris Štālmeistars, Director of the Economic relations, Trade and Development Cooperation Directorate of the Latvian Ministry of Foreign Affairs, visits India", 14 March 2018.

²⁹ Enterprise Lithuania, "Electronic and laser industry", undated.

³⁰ Talat-Kelpša, "South Asia and Lithuania".

most importantly includes frameworks for trilateral cooperation with each other.³¹ These provide a platform for them to coordinate their positions while engaging with external powers. For India to familiarise itself with this region and cooperate more effectively, it must also consider utilising these frameworks to engage with these countries collectively.

At the strategic level, India and the Baltic states also need to establish closer dialogue on key global and regional issues. This will serve to enhance mutual understanding and will enable them to coordinate positions and cooperate more effectively in areas where their interests converge. Given their shared interest in reforming international institutions

Given their shared interest in reforming international institutions and preserving the multilateral rules-based order, apart from the issue of UN reform, they should also expand engagement on maritime issues

and preserving the multilateral rules-based order, apart from the issue of UN reform, they should also expand engagement on maritime issues. Given their shared interest in stabilising Afghanistan, the two sides could cooperate in delivering assistance to reconstruction efforts. At the military level, in Afghanistan and beyond, they can exchange experiences gained through their participation in international peace operations and collaborate where possible.

At the political level, it is important for India to adopt a more coordinated approach towards the three Baltic states and restructure its institutions to reflect this. A first step towards this would be to establish an embassy in at least one of the Baltic states, with concurrent accreditation to the remaining two. It is also important for India to restructure the Central Europe Division in its Ministry of External Affairs. This geographical division reflects an outdated approach on India's part, one that does not distinguish between states that are members of the EU and those that aren't.

³¹ Andrew Cottey, "Europe's new subregionalism", *Journal of Strategic Studies* 23(2) (2000): 23–47.

At the cultural level, shared Indo-European heritage and historical connections provide India with considerable soft-power influence in the Baltic states. These connections must also be used to raise the profile of the Baltic states in the Indian consciousness. Deepening people-to-people ties, along with fostering cultural exchanges and academic cooperation, will create a stronger and more stable foundation for Indo-Baltic ties. The latter also provides opportunities for leveraging the differences in demographic dynamics between the two sides: India's demographic dividend and the Baltic states' declining population.

At the economic level, trade and investment have remained consistently low but could increase with the development of greater connectivity between Asia and Europe

At the economic level, trade and investment have remained consistently low but could increase with the development of greater connectivity between Asia and Europe. Cooperation in the

field of technology, however, provides the key to unlocking the economic potential of this relationship. The Baltic states have developed comparative advantages in niche technologies, which provide opportunities for India to tap into best practices as it develops its own capacity and for both sides to reap exponential rewards by combining Baltic technological capabilities with Indian resources, human and otherwise.

The shared commitment to democracy, rule of law, and the promotion of peace and stability underpins the convergence of Indian and Baltic strategic interests. To build upon this convergence, both sides must establish closer dialogue on strategic issues and deepen their relationship across the political, cultural, and economic levels. This would enable them to work together in areas of common interest – from making the international order more democratic and representative to countering terrorism – and capitalise on the comparative advantages, economic and otherwise, that they offer each other.

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