



# Weekly Briefing

**Latvia external relations briefing:  
Developments, Policies, and Prospects of  
Latvia's Relations with China**  
**Institute of Economics of the Latvian Academy of Sciences**

## China-CEE Institute

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# **Developments, Policies, and Prospects of Latvia's Relations with China**

## **Summary**

*The Latvia External Briefing provides a comprehensive overview of the multifaceted and evolving relationship between Latvia and China, underscored by a nuanced balance between economic aspirations and adherence to democratic values amidst global challenges in 2024. The historical context highlights milestones since Latvia's independence in 1991, including China's early recognition of Latvia's sovereignty, which laid the foundation for diplomatic and economic engagements. These engagements have evolved, with Latvia joining initiatives like the Belt and Road Initiative (BRI) in 2016, aiming to boost connectivity and trade. Economic cooperation has seen dynamic exchanges, though marked by a growing trade deficit on Latvia's side. Despite this, Latvia's exports to China have grown, indicating economic dependence on the Chinese market. This relationship, facilitated by bilateral and regional agreements, illustrates the complex interplay between local and regional dynamics. Significant initiatives include the cooperation agreement between the Ministry of Technology and Science in China and the Ministry of Education and Science in Latvia, fostering educational and scientific exchanges. However, there's an emerging recognition of the conditional nature of economic relations with China, prompting Latvia to reassess its engagement. Political cooperation reflects Latvia's strategic navigation between economic benefits and security threats, influenced by commitments to Western alliances. Cultural and educational exchanges have strengthened ties, enhancing mutual understanding through art exhibitions, music performances, and student exchange programs. Looking forward, Latvia aims to develop balanced trade relations with China, focusing on enhancing export opportunities and addressing global challenges collaboratively. The future of Latvia-China relations hinges on navigating geopolitical landscapes and economic interdependencies, emphasizing the importance of strategic engagement that aligns with Latvia's democratic values and norms. This approach will be crucial for Latvia to maintain a relationship with China that supports its national interests while contributing positively to global stability.*

## **Introduction**

As the global landscape braces for significant challenges in 2024, Latvia's relationship with China emerges as a pivotal aspect of its foreign policy, reflecting a nuanced balance between economic aspirations and adherence to democratic values. The historical context, economic cooperation, political engagements, and cultural exchanges outlined in this briefing underscore the multifaceted nature of Latvia-China relations, emphasizing the importance of strategic navigation in an era marked by geopolitical and economic uncertainties.

## **Historical Context of Latvia-China Relations**

The historical context of Latvia-China relations is rich in milestones and initiatives that have significantly shaped bilateral ties between the two nations. From the early days following Latvia's regained independence in 1991, the People's Republic of China was among the first countries to recognize Latvia's sovereignty. This acknowledgment paved the way for a series of diplomatic and economic engagements that have evolved over the decades, marking key phases in the relationship between the two countries.

In the realm of economic cooperation, Latvia and China have witnessed a dynamic exchange, albeit with a growing trade deficit on Latvia's side since the late 1990s. Despite this, Latvia's exports to China have shown notable growth, illustrating the country's increasing economic dependence on the Chinese market. This trade relationship has been facilitated by a number of bilateral and regional EU-China cooperation agreements, highlighting the complex interplay of local and regional dynamics in their economic ties.

One significant initiative that Latvia joined was the Belt and Road Initiative (BRI) in 2016, aiming to boost connectivity and trade across Asia, Africa, and Europe. This participation was marked by the signing of a memorandum of cooperation between Riga Freeport and Lianyungang port in China in 2017, envisioning new cooperation opportunities for the Port of Riga. Moreover, China's expressed interest in the Rail Baltica Global Project highlighted the potential for enhanced transportation and logistics cooperation between the two nations.

Furthermore, the bilateral cooperation agreement between the Ministry of Technology and Science in China and the Ministry of Education and Science in Latvia, signed in 2017, has opened avenues for educational and scientific exchange. This agreement has fostered student

exchanges, scholarships, and mutual recognition of higher education qualifications and degrees, enriching the cultural and educational ties between Latvia and China.

Latvian and Chinese state and business delegations have actively participated in various international events and visits, such as the China International Import Expo, the Global Trade and International Logistics Summit, and the China International Fair for Trade in Services. These engagements have served as platforms for strengthening cooperation and exploring new opportunities in trade, investment, and cultural exchange.

Despite these flourishing initiatives, it's important to note the emerging recognition of the conditional and dependent nature of economic relations with China. Recent years have seen a more critical appraisal of the imbalance of power and economic significance, prompting Latvia and other Baltic states to reassess their engagement with China. This reassessment reflects a broader trend of recalibrating foreign policy priorities in line with regional and global developments, underscoring the importance of a balanced and mutually beneficial relationship with China.

### **Economic Cooperation**

The economic ties between Latvia and China have evolved significantly over the years, reflecting both opportunities and challenges within the context of globalization and shifting geopolitical landscapes. This analysis delves into the multifaceted nature of this relationship, covering trade, investment, and the implications of initiatives like the Belt and Road Initiative (BRI), while casting light on the successes and hurdles, always with an eye towards constructive engagement.

Trade between Latvia and China has seen remarkable growth, with Latvia exporting goods such as wood, natural minerals, and machinery to China, reaching a value of up to EUR 159 million. This nearly fourfold increase over a decade underscores the growing economic interdependence between the two nations. However, it's notable that despite this growth, China accounts for only a small fraction (0.97% in 2021) of Latvia's total export market, highlighting a relationship that is significant yet not overwhelmingly dependent on the Chinese market.

On the import side, Latvia's procurement from China encompasses a wide range of products, including machinery, plastics, metals, optical instruments, and textiles. The import value has more than doubled since 2012, with a sharp 25% increase in 2021 alone, signaling

China's crucial role as a supply source for Latvia. This relationship places China among Latvia's top ten import partners, further illustrating the economic ties that bind the two countries.

Foreign Direct Investment (FDI) from China into Latvia presents an intriguing aspect of their economic relationship. Notably, there was a significant surge in Chinese FDI in 2021, with investments increasing fivefold from the previous year. This uptick reflects a heightened interest from Chinese companies in the Latvian market, possibly influenced by regional geopolitical dynamics. Conversely, Latvian investment into China has been more cautious, with 2021 marking the first significant year of investment exceeding one million euros. This disparity underscores a cautious approach by Latvian entrepreneurs towards the Chinese market, possibly due to perceived risks or cultural and economic differences.

Latvia's engagement with China's Belt and Road Initiative (BRI) offers potential for enhancing connectivity and economic cooperation. The initiative, which aims to build trade and infrastructure networks connecting Asia with Europe and Africa, aligns with Latvia's strategic interests in transport and logistics. Latvia's participation in related forums and fairs, such as the China International Fair for Trade in Services, underscores the importance of this sector, which has witnessed a 98% increase in trade between the two countries from 2016 to 2020.

However, Latvia's cautious stance towards certain Chinese-led initiatives, including the decision to not participate in the China International Import Expo in 2021, signals a nuanced approach to engagement. Latvia seeks to balance its economic interests with broader foreign policy considerations, including alignment with European Union stances on human rights and the rule of law.

The economic relationship between Latvia and China is marked by growth and opportunity, set against a backdrop of careful navigation of geopolitical considerations. Latvia's strategic engagement, characterized by a willingness to explore economic opportunities while upholding its values and security interests, defines the current era of Latvia-China economic cooperation. As Latvia continues to assess its place within global economic networks, the future of its relationship with China will likely hinge on finding a balance between economic benefits and the adherence to principles that define Latvia's foreign policy.

## **Political Cooperation**

The political and diplomatic relations between Latvia and China encapsulate a complex interplay of economic desires, security apprehensions, and strategic alignments, particularly in the context of Latvia's commitments to Western alliances and its navigation of issues related to human rights and security concerns. Latvia's relationship with the People's Republic of China (PRC) has evolved significantly over the years, reflecting shifts from a pursuit of closer cooperation to addressing the security threats posed by China's activities, especially in the cyber domain. This evolution is influenced by both domestic political debates within Latvia and the broader strategic assessments of the United States and NATO concerning China's global posture.

In recent years, the "China discourse" in Latvia's foreign and security policy has been anything but static, oscillating between the lure of economic benefits and the recognition of security threats and economic challenges. The aggression of Russia in Ukraine has brought national security concerns to the forefront of Latvia's foreign policy agenda, making it the primary focus. Nonetheless, the significance of addressing challenges posed by China in the context of national security and NATO's adaptation efforts remains critical.

Latvia's diplomatic and political engagements with China have historically peaked with events like the hosting of the "16+1" summit in 2016, which marked the zenith of cooperation between Latvia and China. This initiative, envisioned to enhance economic and trade relations, also underscored the region's countries' rivalry for Chinese investments and cooperation. Latvia's eagerness to develop closer relations with China was indicative of a broader regional aspiration to benefit from China's economic initiatives, such as the Belt and Road Initiative (BRI) and the "16+1" cooperation format.

However, Latvia's approach to China has been recalibrated in response to the evolving international landscape and the strategic priorities of its Western allies, particularly the United States. The US's stance on China significantly influences Latvia's foreign policy, reflecting in Latvia's cautious engagement with Chinese initiatives and its consideration of security risks associated with technological and infrastructure investments from China.

The framing of China within Latvia's foreign policy discourse has been further shaped by initiatives like the Three Seas Initiative, which, while not directly rivaling China's "16+1" format, represents a strategic effort to strengthen regional cooperation and reduce reliance on Chinese investments. Latvia's participation in such initiatives underscores a deliberate pivot

towards aligning more closely with Western economic and security frameworks, thereby subtly shifting away from the previously more favorable view of Chinese economic overtures.

In conclusion, Latvia's political and diplomatic relations with China embody the delicate balancing act of engaging with a global power that presents both economic opportunities and security challenges. Latvia's navigation through these complexities is indicative of a broader regional and international effort to reconcile the pursuit of economic growth with the imperative of safeguarding national security and adhering to the principles and values of its Western alliances.

### **Cultural and Educational Exchanges**

Cultural and educational exchanges between Latvia and China have significantly contributed to the strengthening of ties between the two nations. These initiatives have played a pivotal role in enhancing mutual understanding, fostering cultural diplomacy, and encouraging cooperation in various fields including education, art, and science.

Over the years, Latvia has engaged in a series of cultural exchanges with China, aiming to showcase its rich heritage and promote cultural understanding. These efforts have included art exhibitions, music performances, and the celebration of traditional festivals, which have offered Latvian and Chinese citizens a glimpse into each other's cultures. Such activities not only serve as a bridge between the two societies but also help in debunking stereotypes and building a foundation for deeper bilateral relations.

In the educational sphere, student exchange programs have been a cornerstone of Latvia-China relations. These programs have allowed Latvian and Chinese students to study abroad, providing them with the opportunity to immerse themselves in a different culture, enhance their language skills, and gain international experience. The presence of Chinese students in Latvian universities and vice versa has enriched the academic environment, fostering a global outlook among students and faculty members alike.

Since 2011, the Confucius Institute of the University of Latvia has been successfully operating in Riga, which is the only Chinese language and Chinese research institution authorized by the People's Republic of China in Latvia.

The role of the Chinese diaspora in Latvia has also been noteworthy. The Chinese community, though relatively small, has been active in promoting Chinese culture, language,

and traditions. The establishment of Chinese language schools and cultural associations has facilitated cultural exchange and integration, enabling Latvians to explore Chinese culture first-hand. These community-led initiatives have played a crucial role in enhancing people-to-people relations and creating a multicultural dialogue.

Looking forward, the prospects for cultural and educational exchanges between Latvia and China appear promising. Both nations have shown a keen interest in expanding their cooperation in these areas, recognizing the mutual benefits that such exchanges bring. As the global landscape evolves, these initiatives will likely continue to play a vital role in fostering understanding, respect, and friendship between Latvia and China, contributing to the overall development of their bilateral relationship.

### **Prospects for Cooperation in the Future**

The future directions of Latvia-China relations are poised at a crossroads, shaped by evolving geopolitical landscapes, economic interdependencies, and shared global challenges. The recent political consultations between Latvia and China, held online on May 24, 2023, underscore the complexity and multifaceted nature of this relationship. Led by Andris Pelšs, the State Secretary of the Ministry of Foreign Affairs of Latvia, and Deng Li, the Deputy Foreign Minister of the People's Republic of China, these discussions highlighted the importance of maintaining regular political dialogue, despite significant differences in viewpoints on several issues.

Looking forward, several key areas present both opportunities for growth and potential challenges for Latvia-China relations. Economically, Latvia aims to develop more balanced trade relations with China, with a particular focus on enhancing Latvian export opportunities. This ambition underscores the need for a level playing field in accessing the Chinese market, which has been a point of emphasis in the EU-China trade dialogue. Addressing this issue is crucial for Latvia to fully capitalize on the economic potential of its relationship with China, ensuring mutual benefit and reducing the trade imbalance.

Regionally and internationally, the discussions also touched upon pressing issues such as Russia's aggression against Ukraine. Latvia's call for China to use its influence as a permanent member of the UN Security Council to help end the aggression highlights the potential for Latvia and China to engage on global security matters. Furthermore, Latvia's urging of China



to refrain from providing any support to Russia—whether military or in circumventing sanctions—signals the importance of aligning actions with international norms and principles.

The future of Latvia-China relations will likely continue to be influenced by Latvia's alignment with the European Union's common stance, viewing China as both a cooperation partner in addressing global issues and a systemic rival. Navigating this delicate balance will require Latvia to engage in constructive dialogue with China, leveraging shared interests in areas such as climate change, public health, and economic development, while also standing firm on values related to human rights, rule of law, and international security.

To navigate these relationships moving forward, Latvia could adopt a multifaceted strategy that emphasizes:

- **Continued Dialogue:** Maintaining an open and regular political dialogue with China, even in the face of differing opinions, to foster understanding and explore areas of potential cooperation.
- **Economic Diversification:** Enhancing Latvia's economic ties with China through diversified exports and seeking balanced trade relations, while also exploring opportunities in other markets to reduce dependency.
- **Strategic Engagement:** Collaborating with China on global challenges where interests align, such as environmental sustainability and public health, leveraging these areas to build trust and cooperation.
- **Advocacy and Influence:** Using Latvia's position within the EU to advocate for a balanced approach to China that recognizes the complexities of the relationship, encouraging a united stance on critical issues like trade fairness and human rights.
- **Security Cooperation:** Engaging China on security issues, including the situation in Ukraine, emphasizing the role of international law and the importance of peace and stability.

The consultations in 2023, following the previous ones in 2021, mark a continuation of Latvia's nuanced approach towards China. As Latvia navigates its future relationship with China, it will be essential to balance economic interests with adherence to democratic values and norms, ensuring that engagement with China contributes positively to Latvia's national interests and global stability.

## **Conclusions**

The exploration of Latvia-China relations encompasses a journey through historical context, economic cooperation, political diplomacy, and cultural as well as educational exchanges, highlighting the multifaceted and evolving nature of this bilateral relationship. From the early recognition of Latvia's independence by China to the complex trade dynamics and the strategic dialogues addressing global and regional challenges, these interactions underscore the significance of the relationship for Latvia's foreign policy. Economic ties between the two nations have shown potential for growth despite challenges, with Latvia aiming to balance its trade relations and explore new cooperation areas under initiatives like the Belt and Road Initiative. Political engagements, marked by recent consultations, reveal a commitment to dialogue despite differing viewpoints, emphasizing the importance of maintaining a balanced relationship that respects both parties' national interests and values. Cultural and educational exchanges have fostered mutual understanding and people-to-people connections, enriching the bilateral ties further. The future prospects for Latvia-China relations are characterized by opportunities for deeper cooperation in various sectors, underscored by the need for strategic engagement that aligns with Latvia's adherence to democratic values and norms. In moving forward, Latvia's approach to its relationship with China will be pivotal in navigating the complexities of global geopolitics and economic interdependencies. By emphasizing constructive engagement, mutual benefit, and the importance of aligning actions with international norms and principles, Latvia can continue to develop a relationship with China that supports its national interests while upholding its values. This nuanced approach will be essential in ensuring that Latvia's engagement with China contributes positively to its strategic objectives, economic prosperity, and global stability.

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