China has become an active player in the Baltic region during the past decade. To best understand China’s role and perception in the smallest Baltic state, Estonia’s close ties with the United States and the European Union need to be underscored. The ties between the Republic of Estonia and the US have been “consistent and stable” for the past 100 years since the US recognised Estonia’s independence in 1922. Estonia joined the EU and NATO in 2004. Due to a strong bond with its Western allies as a small nation of 1.3 million people, Estonia’s ties with China have always been part of the larger geopolitical system, influenced by the broader currents in US-China and EU-China relations, above all else. Nevertheless, the role and perception of China in Estonia has some unique characteristics which must be accounted for, from the perspective of national, and international (NATO) security interests. Estonia’s long-time expertise in polar research as a near-Arctic country, and its cybersecurity expertise as home to NATO’s Cyber Range, and the NATO Cooperative Cyber Defence Centre of Excellence, make Estonia a distinct case study for China’s role and perception in the Baltics. The following aims to give an overview of, first, China’s changing role in Estonia ever since the establishment of diplomatic ties in 1991, second, the perception of China in Estonia, before finally, outlining the implications for National Security and NATO.


China’s Role in Estonia Since 1991

The relations between China and Estonia can be distinguished by four periods: the initial consolidation period of 1991–2011, the Dalai Lama effect of 2011–2014, the continued relations of 2014–2019, and the cooling relations anew from 2019 – present.

The Initial Consolidation Period of 1991–2011

By the early 1990s, Deng Xiaoping’s economic reforms had gained full force in China. The country had arrived at the doorstep of the global free market economy – a development welcomed by Western countries in hopes that trade cooperation would make China’s political system converge with their own. Against the backdrop of these developments in China, it recognised the re-establishment of independence in Estonia on 7 September 1991. Diplomatic relations between Estonia and China were established a few weeks later, on 30 September 1991, and the Estonia-China Trade and Economic Cooperation Agreement was signed in 1993.

As an important step to establish constructive relations with China, Estonia’s President Lennart Meri co-signed a joint declaration with China’s President Jiang Zemin in 1994, affirming Estonia’s commitment to the One China policy. Several high-level diplomatic visits laid the groundwork for ties. Estonian presidents Lennart Meri and Arnold Rüütel visited China in 2001 and 2005 respectively, and President Jiang Zemin reciprocated with a visit to Estonia in 2002. In the exchange of diplomatic politesses, President Meri expressed delight that “the world’s largest nation, and the smallest nation soon-to-join the EU, are communicating as equals,” while the Chinese ambassador to Estonia responded, “China will always support

Estonia remaining independent and sovereign. In 2006, China’s economic contacts were the closest with Estonia out of the three Baltic states, according to high-ranking official Jia Qinglin.

Interestingly, testament to its different foreign policy, China supported Estonia’s accession to NATO and the European Union in 2004. According to a 2006 study on Estonia-China ties commissioned by the Estonian Parliament, there were even attempts to establish mutual defence cooperation, though the level of defence cooperation was “somewhat modest and irregular”. To illustrate, between 1998 and 2005 the Chinese Armed Forces participated in Estonia’s long-range reconnaissance patrol competitions called the Erna Raids, with China winning the competition in 2002. Representatives of China also took part in the largest annual Estonian Defence Forces exercise Spring Storm (Kevadtorm). As a further example of cooperation on defence, the Estonian lieutenant colonel Riho Terras (recently vocally critical of Estonia’s involvement in the “16+1” framework) was welcomed by the Chinese government to complement his security expertise in China. Nevertheless, the extent of Estonia-China defence

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9 Ibid
cooperation until 2006 might have been limited by Estonia’s alignment to the EU’s arms embargo policy on China over human rights concerns.\textsuperscript{14}

China’s attractiveness somewhat grew as an economic partner for Estonia following the 2008 economic crisis.\textsuperscript{15} This was because China did not suffer under the impacts of the global recession as did the rest of the world.\textsuperscript{16} Corresponding to the sentiments of the US’ Pivot to Asia, the Estonian Foreign Minister declared in early 2011 that Estonia’s presence on the emerging markets of Asia should have “crucial importance”.\textsuperscript{17} Subsequently, efforts on the part of Estonia were made to improve business relations with China, establishing intergovernmental economic commissions, collaboration frameworks between the Estonian and Chinese universities, and opening a new Honorary Consulate in Hong Kong, with the aim of the consulate becoming the "gateway to Mainland China for the enterprises of Estonian”.\textsuperscript{18} However, indicative of the ties established by 2011 having minor proportions, the Chinese market share only made up 1.77% of total Estonian exports, and 3.77% of imports.\textsuperscript{19} Therefore, despite the presence of optimism for improved trade ties with China, China’s economic role in Estonia did not become substantial. The initial optimism in Estonia faded in the second half of the year 2011, as relations froze.

\textit{The Dalai Lama Effect – Ice Cold Relations of 2011–2014}

In August 2011, the Dalai Lama’s visit to Estonia, and his “unofficial” encounter with the Estonian President Toomas Hendrik Ilves at a “think tank

\begin{itemize}
\item \textsuperscript{16} Ibid
\item \textsuperscript{17} “Välisministri Urmas Paeti Ettekanne Välispoliitikast”, Välisministeerium, 18 February 2011, https://vm.ee/et/uudised/valismanister-urmases-paetis-ettekanne-riigi-valispoliitikast-1
\item \textsuperscript{18} “Eesti Avas Aukonsulaadi Hongkongis”, Välisministeerium, 22 February 2011, https://vm.ee/uudised/eesti-avas-aukonsulaadi-hongkongis
\end{itemize}
event,” and subsequent unofficial meetings with Estonian ministers, caused a pause in Sino-Estonian relations. China reacted strongly, as it perceived Dalai Lama’s receptions as supportive of the Tibetan independence struggle. China stated that “by allowing the Dalai Lama to visit Estonia”, the “feelings of the Chinese people” had been hurt, and “the Sino-Estonian relations” harmed. Repercussions followed. For example, Estonia’s Minister of Agriculture’s long-planned visit to China was swiftly cancelled because of the incident. China froze bilateral political ties with Estonia for three years, with no high-level diplomatic visits taking place during that time. The incident also translated into a ban on Estonian dairy products in the Chinese market.

As the international trade costs of meetings with the Tibetan spiritual leader have not been uniquely applied to Estonia by China, researchers from the University of Göttingen in Germany have coined it the “Dalai Lama effect”. Using data from the World Bank and the United Nations, they showed how export reductions to China on average lasted for around two years across countries that hosted the Dalai Lama – in Estonia’s case it was roughly three years.

The Dalai Lama effect was visible in the Estonia-China trade statistics, though impacts were mild at most. The relatively insignificant export volume of Estonian goods to the Chinese market fell from EUR 203 million (1.77% of total Estonian exports) in early 2011, to 101 million in 2012

(0.84 %), and 99 million in 2013 (0.84 %).\textsuperscript{25} However, Estonia’s export numbers to China in 2012 and 2013 still did not drop down to the pre-2010 levels (Graph 1). Estonia continued to import Chinese goods over the downturn of relations.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure1.png}
\caption{Estonia’s Trade with China 2007–2021, millions of EUR (\textit{source}: Statistics Estonia, last updated 22.07.2022).}
\end{figure}

Most importantly, the Dalai Lama effect had no impact on the total number of Estonian exports globally. The total Estonian export numbers, including all other countries, continued to steadily increase after 2011, despite these trade obstacles.\textsuperscript{26} The damage done to the dairy sector was also minimal. In 2007, the year when Estonia’s dairy exports to China were at their highest – the total export volume of Estonian dairy to China still made up not more than 0.88% of Estonian dairy exports.\textsuperscript{27}

Curiously, amid frozen diplomatic ties and obstacles to trade, in 2012 Estonia alongside Latvia and Lithuania was included in the China and

\begin{footnotesize}


\end{footnotesize}
Central and Eastern Europe Countries cooperation framework (CCEEC = 16+1 = n+1). All Baltic states were puzzled over their inclusion in the post-socialist countries club, and “uneasy” with being grouped as “Eastern European”. Nevertheless, Estonia did not initially distance itself from the framework, and it was annually represented in the meetings of the framework on the Prime Minister level for eight years after 2012.

By 2014, the Dalai Lama effect was over. Estonian Foreign Minister Urmas Paet expressed regret that relations had not been what they “could have been” due to the incident. Absent an official apology, the Chinese side announced one on Estonia’s behalf. “The Estonian side said it was regrettable Estonia-China ties suffered negative impact in recent years,” “it (Estonia) does not support any separatist force or activity that advocates the so-called Tibet independence,” according to the website of the Chinese Ministry of Foreign Affairs in 2014. Relations normalised following these statements. The period of 2011–2014 should have taught Estonia lessons about China’s willingness to use its economic might as a political tool against smaller nations. Per contra, since the impacts of the punishment passed almost unnoticed, in the next period, following 2014 until 2019, moderate optimism to develop ties with China surfaced again.

Continued Relations – Ice Cold no More Between 2014–2019

After relations unfroze, in 2015, Estonia opened an Embassy in Beijing to increase its visibility. Estonia became a part of the Belt and Road Initiative

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28 Number of partner countries to China presently in the CEEC cooperation framework. N+1 = Number of Partner countries + China. For notation purposes, this framework will hereinafter be referred to as “16+1”
in 2017, with the signing of the Silk Road Initiative Memorandum. Two other Memoranda of Understanding (MoU’s) were also simultaneously signed with China – the Digital Silk Road Agreement to strengthen cooperation in Information Technology (IT), and the E-Commerce Agreement to promote trade cooperation.

Importantly, to make use of the considerable IT expertise in Estonia for the development of China’s Huawei technologies, in 2016, Tallinn University of Technology (TalTech) signed a Memorandum of Understanding with Huawei Technologies Co. Ltd for increasing cooperation. In 2019, Tartu University followed suit, and plans were made to co-research optical data transmission, and focus on the Internet of Things (IoT), Artificial Intelligence (AI), and cloud technologies. Unrelated to Estonian universities, but indicative of problems which may arise from cooperating with Huawei – according to IPVM Research Service, Huawei has tested AI facial-recognition software specifically recognising Uyghur minorities, potentially participating in the surveillance activities of the Chinese Communist Party (CCP). The sensitivity of these cooperation projects on AI, among other areas of cooperation, with Huawei, is also reflected in the fact that Tartu University’s management forbade a publication of an article which delved deeper into the backgrounds of the Huawei-Tartu University

Partnership. After considerable public pressure, the management finally gave in and allowed for the article to be published in full.\textsuperscript{39}

![Figure 2](image.png)

\textbf{Figure 2}. China’s Foreign Direct Investment (FDI) Position in Estonia 2007–2021, millions of EUR (source: Estonian National Bank, last updated 22.06.2022).

The small Estonian export volume to the Chinese market, which shrunk down to EUR 99 million following the Dalai Lama’s visit, returned to its previous levels after 2014. It reached its by-then highest value of EUR 218 million in 2017, still making up only 1.79\% of total exports.\textsuperscript{40} Regarding the Foreign Direct Investments (FDI), the mutually small proportions of China’s investments in Estonia accounted for only 0.09\% of Estonia’s total FDI, and Estonia’s investments to China made up 0.07\% of China’s total FDI in 2017.\textsuperscript{41} After 2017, China’s FDI to Estonia somewhat increased, likely because of a few distinct investment deals (Graph 2). In 2017, the Chinese taxi app DiDi Chuxing announced a strategic partnership with Estonia’s

\textsuperscript{39} Mari Eesmaa, “Koostööleppel Huaweiga on Mitu Tahku”, Universitas Tartuensis, February 2020, https://www.ajakiri.ut.ee/artikkel/3543?fbclid=IwAR3MSAxXVG5ZgIfvGHaLBPav7x-02FHwA0Za87Ob4GmIrz4_zvysn6NdNQ


\textsuperscript{41} “经济关系– Beijing”, Estonian Embassy in Beijing, 2018, Beijing.mfa.ee
rideshare unicorn Bolt – although cooperation between the Chinese and Estonian enterprises stopped in 2021. The same year, Estonian state-owned energy company Eesti Energia AS sold USD 2.1 billion worth of shares in its Jordanian subsidiary to Chinese Guangdong Energy Group Co. Ltd and Malaysian YTL Corporation, being the biggest global one-time investment in the shale oil industry.\textsuperscript{42} One of the largest deals of 2018 was the acquisition of the Magnetic MRO aviation maintenance company by Guangzhou Hangxin Aviation Technology, with its security implications outlined later in the chapter under security implications.\textsuperscript{43} Even though China’s FDI position in Estonia has grown, especially in the manufacturing industry, at its very peak in 2021, China’s FDI still made up only 0.42\% of the total foreign direct investments into Estonia.\textsuperscript{44} In summary, over the 2014–2019 period, China’s role in Estonia somewhat grew during these years, through investment deals, partnerships, and Memoranda of Understanding.

\textit{Cooling Relations Anew from 2019 Until the Present}

The year 2019 marked a seismic shift in the EU’s stance towards China, and a deterioration in China-US relations. This was the point at which Estonia alongside its Western partners started becoming more cautious regarding China’s role globally and in the Baltics. In 2019, for the first time, the European Union labelled China a systemic rival in addition to a partner and economic competitor.\textsuperscript{45} The U.S. China tensions deteriorated further during the global pandemic, as China challenged the U.S. global leadership, increasing its power and influence abroad. China’s human rights violations in Xinjiang province, disregard of international law in Hong Kong, and lack of transparency for the origins of the Covid-19 pandemic – all contributed

\begin{itemize}
\item \textsuperscript{43} Konstantinas Andrijauskas, “Baltic Perspective on Connectivity with China”, In Nordic-Baltic Connectivity with Asia via the Arctic: Assessing Opportunities and Risks, 234–51, 2021, ICDS
\item \textsuperscript{44} “Eesti Panga Statistikamoodul”, Eesti Pank, 2022, https://statistika.eestipank.ee/#/et/p/146/r/2293/2122
\item \textsuperscript{45} “EU-China – a Strategic Outlook”, European Commission, High Representative of the Union for Foreign Affairs and Security Policy, 2019, https://ec.europa.eu/info/sites/default/files/communication-eu-china-a-strategic-outlook.pdf
\end{itemize}
to a broader realisation abroad and in Estonia that China is moving towards firmer authoritarianism, and not politically converging with the West as was hoped in the 1990s.

Figure 3. Estonia’s Trade Balance with China (source: Statistics Estonia 2022, data last updated 22.07.2022). In 2022, the trade deficit between Estonia and China was EUR 60.3 million.

In the period following 2019, amid growing geopolitical tensions, Estonia’s trade with China neither significantly increased nor decreased. Nevertheless, Estonia’s trade deficit with China has grown in recent years. In July 2021, Estonia’s trade deficit with China was EUR 40.1 million, and in July 2022, it was EUR 60.3 million. While Estonia’s trade deficit is not inherently problematic, it does show that Estonia imports more from China than it makes from its exports there. The promises made to the Central Eastern European (CEE) nations, including Estonia, upon joining “16+1”, were mostly about improved investment and market access in China, and the prospects of China’s trade, and investment in the region – these expectations were mostly unfulfilled by 2019. Instead, China’s investments and Foreign Direct Investment (FDI) flows to Europe have largely bypassed the CEE region.
In November 2019, Estonia made a Joint declaration with the US to ban the Chinese technology company Huawei’s involvement in the development of the new 5G networks.\(^4^6\) The Baltic region, with a recent history of technological innovation, has been dubbed the poster child for early cases of 5G use.\(^4^7\) As many government services in the Baltics are online, such as voting in Estonia, the importance of reliable service providers is critical. This explains why all Baltic states signed the 5G declaration with the USA, declaring the desire to strengthen 5G cooperation with the U.S. and to put forward requirements on financing and government control aimed at China.\(^4^8\) In an article written in reaction to the plans of signing this declaration, Chinese Ambassador to Estonia Li Chao hinted that actions taken against Huawei are a “trade dispute” between Washington and Beijing where Estonia should not take sides.\(^4^9\) The Ambassador reminded Estonia of its previously signed Silk Road Memorandum of Understanding in 2017, stressing that the “economic bullying” (经济霸凌行为) against Huawei was inappropriate and did not follow the principle of mutual respect agreed upon earlier.\(^5^0\) The use of MoU-s as a diplomatic tool to pledge for allegiance with China might come as a surprise, and thus, more attention may need to be directed to the ambiguous nature of these documents in the future.

The most recent notable development in Sino-Baltic relations have been the Baltic exits from the Chinese “16+1” framework. In the leadup to this, Estonia started increasingly distancing itself from the framework in 2021. In February 2021, Lithuania, and Estonia both sent lower-level representatives to President Xi Jinping’s 17+1 summit than expected, “snubbing” the


\(^{5^0}\) Ibid
meeting. In May 2021, after Lithuania’s decisive step to leave the 17+1 cooperation framework in support of EU unity, Estonia also stressed its support for a common 27+1 approach. However, Estonia did not leave the cooperation framework together with Lithuania, as according to Estonia’s previous Ambassador to China Andres Unga, “the Estonian government was not ready” and there was not enough awareness on the issue. In part because of China’s partnership with “no limits” with Russia ahead of the war in Ukraine, and increased concerns over the “16+1” cooperation framework being used as a “Chinese influence trap” without the promised economic benefits, Estonia announced leaving the cooperation framework 11 August 2022 with Latvia, following Lithuania’s example. Both Latvia and Estonia announced continuing to strive for “pragmatic and constructive” relations after leaving the format but stressed that these relations need to be based on values such as a respect for the “rules based international order”. In all the Baltic states, the time of high hopes for active involvement with China seems to have passed now.

57 Ibid
Over the past decade, ever since Xi Jinping came to power in 2012, China has become more active internationally, intending to “bring about China's rise to world power”. Even though China has not achieved a position among the most economically significant partners to Estonia, a need to monitor China's role and involvement in Estonia has grown in importance.

Figure 4. Evaluation of the Estonia-China Relationship over the four periods between 1991 and 2022 (between neutrality (0), frozen ties (-1) and friendly ties (1)).
Perception of China in Estonia

Limited Awareness of China and Influence Activities

Persistent efforts on the part of the Chinese government have been made to improve the perception of China among the Estonian public. It had become a routine practice that Chinese government-funded advertisements favourable to the Chinese government would be run until 2021 in Estonian major news outlets.\textsuperscript{60} For example, a 2017 opinion article to promote the “16+1” initiative, with a small note “paid promotion” on the side, funded by the Chinese government, declares that the “16+1” framework has brought a multitude of “tangible benefits” to Estonia, and Estonian products are performing well on the Chinese markets.\textsuperscript{61} The Chinese Embassy in Estonia has also paid for adverts in major Estonian newspapers denying allegations of Uyghur genocide.\textsuperscript{62} Chinese government-funded advertisements in the Estonian media were banned in Spring 2021, effectively ending this practice.\textsuperscript{63} There is no reason to believe that these paid promotion articles managed to drastically change the Estonian public perception of China in any way, because the general awareness about China has been relatively low regardless of the occasional content in media. The limited awareness on matters related to China in Estonia have been reflected in the opinion polls. In 2021, almost 46\% had never heard or knew nothing of Xi Jinping.\textsuperscript{64}

Despite a lack of awareness, Estonians are certainly not equidistant between the US and China. The GLOBSEC Trends 2021 poll found that almost half (49\%) of Estonians view the United States as their most important strategic partner, whereas only 6\% view China as the most important strategic


partner to Estonia.\textsuperscript{65} 57\% of Estonians agreed that in China human rights are systematically violated.\textsuperscript{66} Interestingly, 49\% of Estonians considered Taiwan as an independent country and not part of China or a disputed region.\textsuperscript{67} It can be concluded that generally the stances of Estonians on human rights and Taiwan tend to not match the Chinese narratives.

\textit{Increasing Threat Perceptions}

The annual Foreign Intelligence Service (Välisluureamet) reports clearly reflect a heightened threat perception on China in Estonia following 2019. In 2018, China was only briefly mentioned in the reports in the context of industrial espionage.\textsuperscript{68} In 2019, the report of Foreign Intelligence Service directed more attention to China, drawing attention to the increasing Chinese investments in Europe, and closely examining China-Russia relations.\textsuperscript{69} The 2020 report, however, for the first time, mentioned China as a direct threat to Estonia – China’s actions “increasingly (pose) threats to Estonia’s security”.\textsuperscript{70} To counter these heightened threat perceptions, the Chinese side has attempted to exert influence on the government. The Chinese Embassy reacted to the 2020 report by demanding this report be re-written or else the bilateral China-Estonia relations would be damaged.\textsuperscript{71} The Foreign Minister resisted the pressure and commented that the report was based on the assessment of experts and would thus not be amended.


\textsuperscript{66} Ibid


\textsuperscript{71} “Reinsalu Lükkas Hiina Saatkonna Kriitika Tagasi”, ERR, 18 February 2020, https://www.err.ee/1036471/reinsalu-lukkas-hiina-saatkonna-krilitika-tagasi
In addition to the heightened governmental-level awareness and threat perceptions, 24% of the Estonian public found China to be a threat to their country, the GLOBSEC 2022 survey found. Accordingly, 21% of Estonians found that the Chinese government threatens their identity and values. Another annual survey on the public threat perception in Estonia, conducted upon the order of the Estonian Ministry of Defence, found in 2022 that 38% of Estonians believed that an increase in China’s economic and military power certainly poses a threat to global peace and security, while 43% believed it somewhat does. Meanwhile, in the same poll, 9% did not know how to answer and 9% believed that China certainly does not pose a threat. The percentage of Estonians who perceive China as a threat in 2022 is 6% higher now than it was in 2019, suggesting a slight increase in threat perception among the public.

**Ethnic divide in Estonia’s Perception of China**

One of the most crucial things to note from the perspective of Estonia’s National Security, is the ethnic and linguistic divide in the perceptions of Estonians towards China. Around 1 in 4 people in Estonia, precisely 382,155 of Estonia’s 1.3 million population, spoke Russian as their first language according to the 2020 population census. There seems to be a persistent divide on opinion along the linguistic minority lines, where Russian-speakers tend to be significantly more favourable towards China than their Estonian-speaking counterparts. Around 75% of the Russian-speaking population in Estonia regularly subscribe to the Russian

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Federation’s online media and TV channels, through which, according to security experts, Russia has launched “total information warfare” since its 2014 invasion of Ukraine. The “aggressive” information warfare aims to leave an impression of Western states as societies relying on double standards, forcing these values on other nations. Since the Russian re-invasion of Ukraine in February 2022, China has emerged as an outlet for Russia's disinformation on the Ukraine war. Similarly, Russian state media, which around three quarters of Russian-speakers in Estonia subscribe to, presents a more favourable outlook on China than Estonian sources. These disparities are reflected in the Estonian perception statistics on China. While almost half (49%), of Estonian-speakers thought China is certainly a threat to global peace and security, only 17% of Russian-speakers agreed. Correspondingly, as 20% of Russian-speakers expressed faith that China is certainly not a threat, only 4% of Estonian-speakers could agree. Hence, Estonian speakers tend to have stronger negative opinions on China than their non-Estonian speaking counterparts. Estonia has learnt from its painful experiences, namely the Bronze Soldier Crisis of 2007, that information warfare is a serious threat to National Security which could go so far as to endanger Estonia’s sovereignty. While the nature of threats posed by Russia and China are different, the ethnic disparities in perceptions towards China should not be overlooked. Tensions have an even higher risk of surfacing in Estonia if perspectives not only on Russia, but also on China, are divided deeply along ethnic-linguistic lines. Especially true is the risk in the event of a potential crisis between the US and China. It is plausible to imagine that if a non-negligible portion of Estonia increasingly subscribes to an anti-US narrative while the rest of the population feels a strong allegiance

77 Ibid
80 Ibid
to the US, Estonian society in times of crisis will be more vulnerable, and less cohesive. Estonia has long been a target of information warfare from its Eastern neighbour, and crucially, perceptions of China have now become part of the war on the information front.

Implications for National Security and NATO

Chinese Surveillance Technology on Estonia’s Border Crossings

Chinese investments in Estonia’s critical infrastructure and connectivity sector pose sensitive issues with “long-term impacts” on Estonia’s economic and social development.  

One of the largest Chinese-Estonian investment deals was the 2018 Chinese-owned Guangzhou Hangxin Aviation Technology’s acquisition of Estonia’s aviation company Magnetic MRO. This EUR 43 million deal aligned with China’s interests to gain access to the European aviation market, and to establish a foothold in the Baltic region for the Belt and Road Initiative. Notably, Magnetic MRO’s line stations provide maintenance, modifications, and repairs in Tallinn and Riga airports. The airports are the largest in Estonia and Latvia, serving the roles of designated main backup airports for NATO air bases in Ämari and Lielvārde. China’s interests in acquiring the company may have also stemmed from Magnetic MRO’s line stations at the Ørland airport in Norway, which hosts a NATO air base, located 300 km south of the Arctic circle. Though far-fetched, a question might be worth raising at some point of whether Magnetic MRO’s proximity to NATO airbases might

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84 Ibid
increase the risks of Chinese peace-time espionage to NATO, or conflict-time sabotage of NATO aircraft.

On the NATO-Russia border in Southern Estonia, in November 2017, an X-ray scanning system to monitor cargo was purchased from Chinese state-owned company Nuctech (Tongfang Technology Ltd.), and effectively put into use.\(^{85}\) Since then, this Chinese radiation-based surveillance technology has become even more widely used in Estonia, now monitoring, and collecting data at all the major border crossing sites, including at Tallinn Airport and Estonia’s border point in Narva.\(^{86}\) Concerns have been raised that Nuctech’s luggage screening equipment in airports could violate the privacy of passengers, passing on sensitive data to China via a backdoor in the technology.\(^{87}\) Even worse, the U.S. Department of Energy ran tests and discovered that Nuctech’s hardware failed to detect certain nuclear and other radioactive materials. Less stringent cargo screening at airports and railway border crossing points, could raise the risk of international “nuclear smuggling”, and increase the “risk of proliferation”.\(^{88}\) Americans, having discovered and proven the faults in Nuctech’s hardware, and added it to the US Entity List (list of trade restrictions) in December 2020, having determined it is “contrary to the national security interests of the US”.\(^{89}\) Lithuania followed suit in January 2021, but Estonia, also with several sensitive border crossings between NATO and Russia, has yet to take action.

Due to Estonia’s Northernmost Baltic location, and near-Arctic presence, it attracted Chinese attention as a strategic Northern link to Europe’s

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\(^{86}\) Ibid


\(^{88}\) Didik Kristen Tatlow, China’s Technological Rise: Implications for Global Security and the Case of Nuctech, ICDS, 2021

railways for China’s Polar Silk Road. Chinese state-owned firms have repeatedly expressed interest in the Helsinki-Tallinn Railway Tunnel, informally called “Talsinki Tunnel”. If the railway tunnel was built under the Baltic Sea, between the Estonian capital Tallinn and Finland’s capital Helsinki, it would be the world’s longest underwater railway tunnel. Plans to build it with Chinese funding were introduced to the Minister of Economic Affairs by the Finnish businessman Peter Vesterbacka’s FinEst Bay Area Development and the Chinese investor TouchStone Capital Partners during the “continued relations” phase of Estonia-China relations in 2018.\textsuperscript{90} Since then, several Chinese state-owned construction companies have also shown interest.\textsuperscript{91} For China, it would have been a part of the Northern Shipping Route for China, potentially allowing for goods to be transited between Asia and Europe in a reduced time.\textsuperscript{92} The Helsinki-Tallinn Tunnel has a clear Arctic dimension to it, connecting China’s Polar Silk Road to Europe’s railways. Risks of this project to the National Security interests may have included an increase in China’s political influence over Estonia with operational control over the project, and Estonia’s technological dependence on Chinese expertise, Frank Jüris has pointed out.\textsuperscript{93} The Estonian government, in consultation with the government of Finland, came to the conclusion that the plans to build Talsinki with Chinese-funding in July 2020 should be scrapped, as the project would have to be executed in the cooperation of the two countries whose borders it would cross – Estonia and Finland.\textsuperscript{94} Nevertheless, the lobby for the project with Chinese funding has


\textsuperscript{91} Frank Jüris, The Talsinki Tunnel: Channelling Chinese Interests into the Baltic Sea, Estonian Foreign Policy Institute, 2019


\textsuperscript{93} Frank Jüris, The Talsinki Tunnel: Channelling Chinese Interests into the Baltic Sea, Estonian Foreign Policy Institute, 2019

\textsuperscript{94} “Aab teeb ettepaneku jätta Helsingi tunneli eriplaneering algatamata”, EER, 30 July 2020, https://www.err.ee/1118467/aab-teeb-ettepaneku-jatta-helsingi-tunnelli-eriplaneering-algamata
continued, with Vesterbacka presenting the idea most recently in Turin, Italy in October 2021.\textsuperscript{95}

**Implications Derived from Estonia’s Near-Arctic Presence**

In early 2021, for the first time ever, Chinese espionage was proven and announced to the public in Estonia. An Estonian Arctic marine scientist Tarmo Kõuts working on security and defence matters with NATO and Estonia security clearance was prosecuted with three years in prison for espionage for Chinese military intelligence.\textsuperscript{96} In 2022, Estonian authorities convicted another Estonian, Gerli Mutso, with prison for 8.5 years. She had been deliberately and continuously working for Chinese military intelligence for 4 years and was responsible for scouting Kõuts.\textsuperscript{97} Since Estonia has long-term experience in polar research and Arctic matters, and as “Estonia is a NATO and EU member state”, the Estonian Internal Security Service notes “in recent years there has been an increased need to direct attention to Chinese espionage in Estonia.”\textsuperscript{98}

Due to Estonia’s near-Arctic presence, it should also keep an eye out on foreign projects which could increase the likelihood of conflict in the Arctic region. An example of such projects, which now may or may not be suspended, is the Arctic Connect submarine cable. In March 2016, plans were announced to build this 13,800 km underwater communication cable, linking Europe to Asia, and stretching from China to Finland, Norway, and the UK.\textsuperscript{99} The Arctic Connect was a plan by a Finnish Company Cinia OY to develop a faster and more reliable internet connection between Europe,
Russia and Asia, with the cable built by Huawei Marine, Chinese data cable service provider. Curiously, the envisaged cable would have acoustic sensors and underwater drones which might increase the visibility of submarines (potentially including allied NATO submarines) to China (through Huawei Marine) in the strategically important Arctic region. Furthermore, this cable could increase China’s offensive and defensive intelligence gathering capabilities. As sensitive data transfer between China and Europe would have “no longer gone through foreign data cables”, foreign non-Chinese intelligence services could not intercept it as easily, Frank Jüris has written. Both China and Russia are interested in shielding their data flows from outside interference, and Huawei’s Arctic Connect passing through the Russian Arctic waters would have enabled them to do just that. Plans to build this cable were announced to be “on hold” in late-2021, but it might be back on the agenda, after the Finnish company Cinia OY announced that plans for the cable were “moving ahead” in February 2022. In any respect, it serves as a clear demonstration of a growing Chinese influence in the Arctic, at the doorstep of the Northern Eastern Flank of NATO.

**Cyber Security and Estonia’s Internet Infrastructure**

Estonia ranks as the third most secure country on the Global Cyber Security Index, and the most secure EU member state in cyberspace. Estonia is home to NATO’s Cyber Range and the NATO CCDCOE. For these reasons, Chinese investments into Estonia’s internet infrastructure should be particularly closely monitored. In 2017, CITIC Telecom, belonging to the

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101 Ibid


CITIC Group which has been described in 2006 as the front company of the PLA, acquired “the backbone of the Estonian Internet infrastructure”.\footnote{Frank Jüris, Estonia’s Evolving Threat Perception of China, Taiwan: Prospect Foundation, 2022} Through acquiring the Dutch company Linxtelecom, CITIC Telecom got a data centre in Tallinn with the deal, which hosts Estonia’s largest Internet Exchange (Tallinn Internet Exchange Point), and a 470-kilometre fibre optic network under the Baltic Sea.\footnote{Max Smolaks, “CITIC Telecom buys asset of Linx, expands into Europe”, 29 April 2016, https://www.datacenterdynamics.com/en/news/citic-telecom-buys-assets-of-linx-expands-into-europe/} On the other hand, Estonia’s investment screening mechanisms are ahead of the curve, and so far have well protected the technology sector in Estonia.\footnote{Frank Jüris, Estonia’s Evolving Threat Perception of China, Taiwan: Prospect Foundation, 2022} The problem with this deal was not Estonia’s investment screening mechanisms. Estonia has little power over what the Dutch company decides to do with its holdings and it could not prevent the passing on of its shares to a Chinese company.\footnote{Ibid} In this case, new EU-wide approaches need to be discussed from the standpoint of every state’s National Security, to make it harder for trusted allies inside the European Union to sell stakes in national critical infrastructure to less trusted partners outside of the EU.

The Way Forward

Chinese influence has grown over the past decade in Estonia. Estonia has had a rethink over its involvement in the “16+1”, resulting in a withdrawal from the framework on 11 August 2022. The most recent period from 2019 until the present, has seen a cooling down of relations between China and Estonia, coinciding with increased US-China and EU-China tensions.

It needs to be underscored that Estonia has historically prioritised its strong bonds with the US and the EU Member States above all other global partnerships. As such, Estonia’s policies towards China have been formulated more on an ad hoc basis, in the absence of a comprehensive long-term Estonia-China strategy. As Estonia has never got close to formulating a significant trade relationship with China throughout the relationship
between 1991 and the present, it has been recently somewhat easier for Estonia to distance itself from China during a wave of geopolitical tensions. Nevertheless, to avoid being like a leaf in the air in its approaches to China, drifting along the divergent currents of its US and EU partners, Estonia might need to have a thorough rethink to formulate its own stances towards China, given China’s increasing influence in the region. Maintaining strong Western partnerships for Estonia first and foremost is crucial, but only a domestic government can ensure that Estonia’s own National Security and trade interests vis-à-vis China are closely monitored and properly balanced. Decisions need be taken based on specific interests of National security and prosperity before geopolitical currents.

Creating Estonia’s China strategy and increasing China-expertise is also important to ensure that Estonia is readily prepared to make its own decisions, should there be an occasional mismatch in the US and EU approaches toward China. A need for such strategy was also highlighted in the most recent report on Estonia-Asia future relations by Estonia’s top Asia experts. Estonia’s current vulnerabilities, including Magnetic MRO in Tallinn Airport, Nuctech in Tallinn Airport and Estonia-Russia border crossings, and CITIC Telecom’s Tallinn Internet Exchange Point, deserve more attention and scrutiny. As the strategic importance of the Arctic is increasing, Estonia should stay vigilant to the risks of espionage, and the increasing geostrategic competition in the Arctic. Most importantly, there is a growing need to find the precise avenues for cooperation with China, so that “constructive and pragmatic relations” could continue as the Estonian Foreign Ministry declared in August 2022. As China is growing in its influence and economic importance, much more research and focus needs

109 While discussion on the EU-US-China relations exceeds the bounds of this chapter, it is important to mention that the American and EU approach to China have not always been uniform. For example, as demonstrated during the CAI negotiations in December 2020. For Estonia, an independent approach is important to avoid being torn between two equally important partners.


to be directed in Estonia towards finding the remaining safe avenues for co-operation. Estonia, the smallest of the Baltic three, simply cannot afford to drift along the currents, as its National Security interests and International Security interests as a NATO member state are implicated.