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**ESTONIAN FOREIGN POLICY STRATEGY TOWARDS CHINA  
AND JAPAN: POTENTIAL FOR IMPROVEMENT?**

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## ABSTRACT

The world is witnessing the rise of Asia's geostrategic importance, particularly in the context of both China and Japan searching for their new global roles. In the frame of this, the EU is also trying to adapt to the changing geopolitical situation in the XXI and find its role in it. However, due to several reasons such as a dualistic approach on matters, identity crisis as well as lack of coherence inside the Union to name a few, its approach towards the two states from North-East Asia can be described as unclear. This paper, however, will take a more 'down-to-earth' path. It picks Estonia as the case study and investigates how well Estonia has as an EU Member State adapted to the changing realms in the global power politics. The hypothesis of this paper is as follows: Estonian policy on cooperation with China and Japan is lacking the geostrategic focus needed for benefitting from the potential in relations with these two major Asian powers. The paper consists of the analysis of interviews taken with high representatives from four different cohorts all connected to China and Japan. In addition, the academic work analyses Estonian strategic papers on China and Japan. What is more, the research uses Latvia as a comparative case to Estonia for academic purposes. It states that Latvia has been more successful in using the 16+1 framework for benefitting in the relations with China. The paper concludes on the basis of the analysis of strategic papers and interviews that the Estonian strategy towards these two states from North-East Asia is pragmatic, which tries to achieve as much as it can with the resources it has. However, the lack of geostrategic focus is imminent and the paper makes several suggestions on the improvements regarding the strategy. These are connected with the fields of policy, business, media and academia, which the paper sets as four key areas of research.

**Key words:** China, Japan, Estonia, EU, cooperation, strategy

## INTRODUCTION

The XXI century is witnessing the rise of Asia's importance. A number of Angus Maddison-generated estimates showed that China was economically the most powerful state in the world from the 600-1600 period (as quoted in Mihkelson 2012, p.10). The economic as well as geostrategic significance of Asia as a whole was on a higher level if compared to the European continent before the XVIII century (Morris 2011). According to the same source, the point at which the power of the Western age will come to an end will be in 2103 (*Appendix 1*). In addition, Martin Jacques (2009) noted that the West long dominated the global system, but this *status quo* would change in the XXI century, due to China's size, historical awareness, and increasing assertiveness.

Japan is another important state in the region of North-East Asia. In the beginning of the millennium's second decade, Ennis (2011) quoted Kurt Campbell, Assistant Secretary of State for East Asian and Pacific Affairs, making the following statement: "It is very hard to operate effectively – diplomatically, politically or strategically – in Asia without a strong relationship with Japan". Hence, one can state that constructive relations are needed with both China and Japan in order to benefit from a broad range of existing and prospective opportunities, which the region of North-East Asia offers.

The Asia's importance has been noted already for the last few decades. Japan, with the help of the political West, rose very quickly from the 'ashes' of the World War II (WWII) to become one of the world's economic superpowers through the so-called Economic Miracle during the 1960s-1980s. China also made significant developments since 1978 when Deng Xiaoping became the country's paramount leader to start reforming the nation. The growth of China has been so successful that, according to IMF, the most populous country overtook the US in 2014 to become the global leader of world economy, based on the purchasing power parity (Bird 2014). To reiterate, within only 40 years, China has grown from an agricultural economy-based land into the largest economy of the world (Bird 2014). By 2011, China had surpassed Japan to become the second biggest economy of the world (McCurry & Kollwe 2011). China is not only making great strides in economy; it has also the largest active military consisting of 2.3 million people (Rineheart 2016). What is more, the Chinese state is achieving great success in the space race and is developing very rapidly into a major actor in space (Clark 2016). When it comes to Japan, then it is still the third largest economy in the world. Therefore, taking all into consideration, one could see that without having comprehensive and positive relations with China and Japan, any state,

institution or an organization would not relish neither in Asia nor in the global affairs as well as in the economic matters.

In regards of the European Union (EU) in its present form, the entity's first strategy on how to interact with the Asian continent has a generation-long history. Until the middle of 1990s, all Asian states but Japan were internationally categorized as developing countries, on the par with Latin America (Tanaka 1998, p. 207). Keeping that particular factor in mind and in practice, the first EU-Asia strategy paper titled 'Towards a New Asia Strategy' was submitted to the European Council on 13 July 1994 (Hosoya 2012, pp. 317-337). As time went by, China, Japan, India, and the Republic of Korea became the only four countries in Asia, with which the EU enjoys strategic partnerships (Asia 2016). These days, the EU's comprehensive policy on cooperation with China is formulated in the following three documents: 'Elements for a new EU's strategy towards China', 'Council Conclusions EU Strategy Towards China', and 'Strategic Agenda for Cooperation Until 2020', with the latter signed by the two parties in 2013 (Basic Framework for Relations 2016). In the process of developing interconnections with the Chinese state, the EU naturally expects the relationship to be mutually beneficial, searching for a "win-win" cooperation model to be implemented (Elements for a new EU strategy on China 2016, p. 4) and being fully aware of the level of importance the cooperation is featured by – currently, the average trade volume between the two sides account for 1 billion EUR a day (China 2017). To make a quick comparison, the 2016 Estonian Republic's annual budget was approximately 8.8 billion euros (2016. aasta riigieelarve 2015). In a significant addition, the EU expects that the entity's Member States, when conducting bilateral cooperation with the outer world – for example, with China, either on the one-to-one basis or as a grouping such as the 16+1 framework – will be coordinating their efforts with the European Commission, the EEAS, and other Member States (Elements for a new EU strategy on China, 2016, p 4).

Regarding the Japanese case, the EU and Japan are in the current decade negotiating parallel, but very linked, strategic and economic partnership agreements with the hope of enhancing relations in a comprehensive manner (Prado 2014). In general, it could be stated that the EU and Japan have managed to establish straightforward and fruitful inter-relations, which are developing constantly. The EU's official vision on the subject is as follows: "As advanced, industrialised democracies, the EU and Japan have many common interests, and cooperate closely with one another in international and multilateral fora such as the UN, WTO, and the G7 and G20" (Political Relations of EU and Japan, 2017). What is more, the scope of relationship is claimed to be far more than the

original trade-related approach in the 1970s and 1980s, and extends to a wider cooperation due to the Strategic Partnership signed in 2001 (Ibid).

There is a massive body of academic literature on the topic of the EU-China partnership. The general outcome of the latter research is summarised by Jing Men, Director of EU-China Research Centre at the College of Europe, who argued that the EU-China relations are rather complicated. She states that in more than 36 years after the establishment of bilateral relations, a comprehensive level of cooperation has been established in many fields (Men 2012, pp. 333-349). Yet, the political willingness to cooperate in diverging interests has not been strong enough and thus, as noted, the two sides have remained mismatched partners (Ibid).

Regarding the relations between EU and Japan, there have been written also several articles, which would regard this partnership and which have analysed the dynamics in the relations between the EU and Japan. For example, Yuichi Hosoya noted that the early 1990s, largely due to the Hague Declaration, highlighted the peak of evolution in the relations between the EC/EU and Japan (Hosoya 2012, pp. 317-337). The Declaration called for wider mutual co-operation – not only in economics and free trade, but also in peace-keeping, prosperity and stability around the world (Suzuki 2017, p. 877). Hosoya concludes that the relations have been fluctuating since then (Ibid). Naturally for the post-WWII Japan, the country has tried to balance the growing influence of China in the region by focusing more on enhancing its cooperation with the United States. Thus, the first focus has not been on the relations with the EU. However, from the perspective of the European side, Japan has also not been the main focus in the region of North-East Asia while the entity's focus has moved towards China. Still, both parties understand the importance of being in a framework of solid and functioning relations and have started to develop a normative side of the partnership (Hosoya 2012, pp. 317-337).

Considering the above, given the strategic level of importance for both the EU and the aforementioned two Asian nations to maintain productive interrelations, the general academic interest on these interconnections it is not surprising. This paper, however, will be making an attempt to narrow the topic down to an EU Member State's case, exemplifying the enquiry with the Estonian Republic and its strategizing cooperation with China and Japan. Being a full Member State of the EU since 2004, Estonia is in the '*vaarwater*' of the EU-wide agenda in many aspects, including foreign policy. In return, the highly integrated entity does not oppose its Member States' bilateral activities with the outer world – moreover, as noted by Andrus Ansip (quoted in Rank, 2017), the EU often complements such intentions by assisting the Member State and providing it



with opportunities, which it would never have without the EU. However, in addition to the EU agenda, Estonia has additional frameworks, which widens the scope for developing the bilateral relations with other states via exercising a robust strategy towards cooperation. Keeping this in mind, Estonia, objectively, should have a particular approach on its own set of interactions with China and Japan.

In this line, back in 2012, a report titled ‘The possibilities and interests of Estonia in Asia until 2025’ was issued by the Foreign Affairs Committee of Riigikogu. The report was based on the hearing carried out during the meetings of the Foreign Affairs Committee of the 12<sup>th</sup> Riigikogu (Mihkelson 2012, p. 55). The aim of the report was to map Estonia’s foreign policy and economic interests in Asia and to make recommendations for actions plans (Ibid). It highlighted the need to have the Asia programme of the Ministry of Economic Affairs and Communications as a political document elaborated by the government, as this would establish a preliminary vision of Estonia’s attitude towards the Asian countries and would help to define Estonia’s interests in Asia (Mihkelson 2012, p. 56). This should be followed by closer analyses of specific fields (Ibid). According to the document, the Foreign Affairs Committee is of the opinion that Asia-related topics should be debated more widely and supports the idea of a regular Asian Forum (Ibid). However, the document did not cover solely Japan nor China, rather the whole Asia. Hence, the accuracy regarding the strategy towards the two mentioned states is relatively vague. In addition, a foreign investment- and export enhancement-focused volume *Made in Estonia 3.0* was completed by the Estonian Ministry of Economics and Communication, to cover the 2014-2017 period. It introduced the main economic goals of Estonia regarding Asian markets. The report was very thorough and explained how could Estonia attract more foreign direct investments and tourists from Asia as well as how could the state improve the trade balance. Finally, a report titled ‘Estonian foreign policy towards China: Possibilities and options’ was prepared by Raul Allikivi and Tiago Marques in 2006. It was ordered by the Foreign Affairs Committee and covered a wide range of topics including EU-China partnership, Estonian strategy towards China as well as Chinese strategy towards Estonia, economy as a separate topic and the strategies of the neighbouring states of Estonia towards PRC. The main aim of the research was to study how the changing position of China in the world influences the EU, the Baltic Region and especially Estonia (Allikivi & Marques 2006, p. 4). The report claimed that at the time, Estonia was in a ‘identity crisis’, as it had achieved its goals of joining NATO and the EU by 2006 and it created an illusion as if all the foreign policy goals had been accomplished (Ibid). The analysis was

comprehensive, but the document was created in 2006 and 11 years have passed since then. What is more, it focused solely on China.

Despite the abovementioned range of important Estonia-originated documents, this paper pushes for a more ‘down-to-earth’ approach in establishing the country’s vision on how to better cooperate with China and Japan. Although the official bodies seem to agree with the fact that the co-operation of the EU with China and Japan seems to flourish, respected scholars such as Wong and Söderberg argue that EU faces several issues from its ‘identity crisis’ to dilemma on how to cope with the change of the geopolitical centre of the world from West to Asia, which hinder the development of the relations with the two states in question. This paper notes that these issues of the EU are contributing to the lack of geostrategic focus of Estonia towards China and Japan. Hence, in order to validate this point, there is a certain degree of usefulness in mapping out a number of field-specific sentiments existing in the cooperation-driven framework. Therefore, this material’s hypothesis is as follows: Estonian policy on cooperation with China and Japan is lacking the geostrategic focus needed for benefitting from the potential relations with these two major Asian powers.

The thesis consists of two parts. In the first part, the current situation of the Estonian foreign policy strategy towards China and Japan will be analysed. The analysis would cover the following research questions: firstly, what is the status quo of the relations between Estonia and China/Japan; secondly, what is the essence of the current Estonian foreign policy strategy towards China and Japan today based on the strategic papers and do they characterize the lack of geostrategic focus of Estonia in relation to these two states; and thirdly, how does Estonian strategy compare to Latvian strategy in relation to China and Japan and does Estonia have anything to learn from its neighbour’s approach towards these two states? The reports and strategies will be examined, and an evaluation will be given based on the materials of the current status quo regarding Estonia’s strategy towards China and Japan. In addition, the current issues of the EU’s approach towards and its effect on Estonian foreign policy towards China and Japan will be covered in the first part. The second part will be focusing on the interviews taken during the process of research. It will analyse the given answers to the questions and it will make remarks regarding the answers of the each of the key fields under the scope of this research: Business, Media, Foreign Policy and Academy. In the end, the paper will have a conclusive part where the results of the interviews in the second part will be linked with the analysis of the first part of the thesis and proposals as well as suggestions will be given. The exact methodology of the research will be discussed in the ‘Methodology’ chapter after the introduction.

## **METHODOLOGY**

The thesis has been completed using a range of qualitative methods. More specifically, Estonia was chosen as a case study for this research. This choice was made in order to see whether or not the strategy of a Baltic state as well as an EU member towards China and Japan enables to use the full potential from the relations with China and Japan and whether or not there is a need in developing a new strategy for this state in question.

In addition, a comparative methodological technique was used to illustrate differences between Estonian and Latvian strategies towards China and Japan. This paper finds that the Latvian state's strategy towards China is more thorough than the Estonian equivalent and the country's efforts developing its co-operation with China are more visible in the 16+1 format, while the Japanese direction is almost neglected.

Moreover, a number of semi-structured interviews with high-profile Estonian elite representatives from different cohorts (business, academia, government foreign policy, and media) were conducted on the topic, either in person or electronically. The questionnaire was featured by four general questions asked to all of the respondents. There were some additional questions addressed to the representatives of business, academic and media cohorts. Out of 15 respondents, 7 elite representatives agreed to be interviewed in person, while 8 preferred to answer the questionnaire electronically. The choice of a semi-structured interview was justified by the nature of the questions being open-ended, allowing for gathering more details and opinions. The interviews-originated findings represent a fresh look at the studied issue, forming the study's empirical basis.

Finally, the process tracing methodology was employed to make an attempt on tracing different causal mechanisms existing in the framework (Beach 2017).

# **1. BODY**

## **1.1. Part I**

### **1.1.1. An overview of Sino-Estonian relations**

Having had the diplomatic relations established between the two sides on 11 September 1991, China and Estonia have been able to maintain friendly ties with each other. The Chinese Embassy in Tallinn was officially opened in 1992, and in addition to it, China also has the economic and commercial representation counsellor's office in Estonia (China 2015). There was, however, a historical period that detected the relations between China and Estonia as being extensively hindered – it happened in 2011, during and after the visit of Dalai Lama to Estonia. Although the visit was unofficial, he held meetings with the then President Toomas Henrik Ilves, the Minister of Defence Mart Laar who fulfilled the duty of country's Prime Minister at the time, and with many other politicians (President Ilves kohtub mitteametlikult dalai-laamaga 2011). In return, this had a negative impact on the Sino-Estonian relations, impeding the further development of the great partnership, which had been forming between the two parties by 2011. Among those, who were adversely affected by the visit, was the Estonian dairy sector. To quote the Foreign Trade Minister Anne Sulling (2014) back then: "Regarding the Chinese market, then the things have not developed well, since our officials hosted Dalai Lama". The normalization progress of the relations took three years. In 2014, Marko Mihkelson, the Head of Foreign Commission of Riigikogu, stated during his visit to Beijing that there has been accumulating plenty of potential in the relations between the both sides what we have not managed to use (Eesti tahab rohkem koostööd Hiinaga 2014). Since 2014, both sides have once again relished the cooperation between each other and it seems as if the great cooperation is set to be further enhanced in the future.

## Economic cooperation

When it comes to the economical side of interactions between China and Estonia, one could see that the possibilities for a more extensive cooperation are evident – for example, the trade volume of Estonia in relation to China in the XXI century is characterized by deficit (China 2015). Every year, with almost an exception of 2006, the total amount of imports from China has been significantly exceeding the total amount of exports to China for Estonia (see *Table 1*).

	Exports	Imports	Balance
<b>2005</b>	33,8	172,3	-138.46
<b>2006</b>	211,4	219,3	-7.8
<b>2007</b>	64,7	237,5	-172.7
<b>2008</b>	53,7	232,3	-178.6
<b>2009</b>	54,9	145,3	-90.5
<b>2010</b>	112	282	-170
<b>2011</b>	203,1	454,8	-251.7
<b>2012</b>	101,2	480,6	-379.4
<b>2013</b>	85,2	433,7	-348.5
<b>2014</b>	139,3	486,7	-347.4
<b>2015 (first half)</b>	59,1	229,6	-170.5

Table 1. Trade between Estonia and China 2005-2015 (in millions of euros)

Source: The Ministry of Foreign Affairs

In addition to the supposedly important factor of the trade deficit, China, intriguingly, does not have a significant role in terms of trade volume for Estonia (see *Table 2*). In contrast, China is one of the most important trade partners for the whole EU, being the most important source of imports and holding a second position when it comes to exports for the EU (China 2017).

EXPORT AND IMPORT			
Country	Year	% from total exports	% from total imports
<b>China</b>	2011	1,69	3,58
	2012	0,81	3,41
	2013	0,81	3,29
	2014	1,16	3,53
	2015	1,17	3,96
	2016	1,42	4,12
	2017	1,77	4,21

Table 2. Total share of exports and imports regarding the trade between China and Estonia

Source: Statistics Estonia

In 2012, a new framework was established by China and it was called the 16+1 format. It aims to develop the cooperation between Central and Eastern European Countries and China in several key fields such as investments, transport, finance, science, education, and culture (16+1 Summit Has Concluded 2017). It provides an additional opportunity for 11 EU members including Estonia and 5 Balkan states to increase the effectiveness of the cooperation with China, which would also mean that there could arise better opportunities in terms of economic cooperation. China has defined three main areas, which have the priority in terms of economic cooperation: infrastructure, high technologies and green technologies (16+1 Summit Has Concluded 2017). According to the Eco-Innovation Observatory, Estonia has the biggest potential in the eco-innovation initiatives as an enabled of eco-innovative ICT solutions, and the use of smart technologies for more efficient resource management in building and energy sectors (Taal & Vallistu 2015, p. 6).

When one looks at the 16+1 format, it is noticeable that the states in this format represent a non-homogeneous group – some of them are directly linked to the EU (with some of them having had a Soviet history), others are non-EU countries; some are members of NATO, others are not. The region, designed and designated by China, consists of Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, the former Yugoslav Republic of Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia (Andzans & Berzina-Cerenkova 2016, p 164). In its uniqueness, it provides an interesting platform through which the different members of 16+1 can work with each-other, but particularly with China. As 11 of the countries comprising ‘16+1’ are members of the EU, the format has often informally been referred to as a possible tool for China to “divide and rule” in order to gain more political sympathy among the 11 countries in exchange for a closer economic cooperation—if not in the short term, then certainly from a longer-term perspective (Andzans & Berzina-Cerenkova 2016, p 166). That, in turn, could result in more favourable EU positions towards China in bilateral and multilateral formats (Andzans & Berzina-Cerenkova 2016, p 166). However, from the perspective of the small states, the 16+1 format is a useful framework next to the EU framework with China and bilateral framework of these states. The author claims, that often, the developing of new frameworks of the EU are dominated by the interests of the big nations inside the institution. Thus, for a small state such as Estonia, it is more difficult to express itself there, if compared to this format of 16+1 regarding China.

## **Cultural cooperation**

On the cultural side, the scope of cooperation between China and Estonia has been extensive. Recently, high officials from both of the states made positive statements on the cultural relations between these two states. For example, in 2016, the Estonian Minister of Culture Indrek Saar met with the Chinese Minister of Culture Leo Shugang, with both parties praising the extensive cultural ties between these two nations (Sarapik 2016). Leo Shugang stated that the Chinese side is very interested in cooperation with Estonia and noted creative economy, heritage culture, and youth exchanges as potential areas with a good outlook for cooperation (Sarapik 2016). The Chinese Minister also proposed each country opening a cultural centre in the other (Sarapik 2016). During the visit, Estonia and China signed an agreement on cinematic cooperation between these two countries, with Estonia becoming only the XIV country to have such an agreement (Sarapik 2016).

In addition to the latter agreement, there is also an agreement on access to higher education and the mutual recognition of documents certifying higher education signed on 27 April 2015 as well as well as agreement on cultural, educational and scientific co-operation which came into force on 14 April 1993 (China 2015). Since 1998, there have been 2-year implementation plans concluded in order to carry out the agreement (China 2015). In 2000, a Memorandum of Understanding For Scientific Co-Operation was signed between the two sides. In general, one can state that both parties are interested in each-other cultural heritage.

The focus has been also been put on the academic exchange. This means that bilateral movement of students has increased (China 2015). Chinese government supports Estonian students who would like to study in China through offering scholarships every year. 2010 marked the beginning of Estonian language studies in China, when a course about Estonian language was included to the course list as an elective course in Beijing Foreign Studies University (Jänese 2011, p. 1). Three students also received a scholarship from the Institute of Estonian Language to continue to study Estonian language during a summer course at Tartu (Jänese 2011, p. 2). Chinese students hold the third place after Russia and the United States when it comes to the amount of students outside of the EU who have been studying in any of the Estonian universities (Hiina-Relations 2017).

In 2016, marking the 25<sup>th</sup> anniversary of establishing the diplomatic relations between China and Estonia, many Chinese cultural related events were held in Estonia. In media, the Chinese representatives from the sector could apply for a funded trip to Estonia through Visit Estonia (Press Trips 2017). The assistance these people could receive is as following: firstly the people from

Estonian Tourist Board(ETB) would put together itineraries based on the interest of the people applying for this programme; secondly, ETB would provide interview opportunities with famous Estonians; thirdly, they can cover maximum 3 overnight stays in Estonia, as well as local transport costs, entrance fees to attractions and some dinner/lunch opportunities; fourthly, ETB can cover international traveling costs, although it is being done case by case; finally, image and footage of Estonia. (Ibid)

### **1.1.2. An overview of Japan-Estonia relations**

Japan and Estonia have had throughout history constructive relations with each other. Japan was one country among many who recognised the Republic of Estonia *de jure* after the First World War I (WWI). However, the paper would focus on the period after the re-independence of Estonia in 1991. The diplomatic relations between Japan and Estonia were re-established on 10 October 1991 (Japan 2015). In January 1993, Japan's Embassy in Tallinn was officially opened (Ibid). Estonia opened its embassy in Tokyo three years later, on 4 March 1996 (Ibid).

It could be stated that from the political system perspective, Japan resembles Estonia more compared to China. Japan has also special relationship with NATO through the US-Japan military partnership. Estonia is known for its expertise in relation to IT field. NATO has its Cyber Defence Centre in Tallinn. Japan is also very interested in the field of cyber defence. As a result, both parties agreed on to intensify the cooperation in the field of cyber defence in 2012 (Eesti ja Jaapan tihendavad küberkoostööd 2012). At that time, Mikk Marran, Permanent Secretary of the Estonian Ministry of Defence noted:

The structure of the Estonian and Japanese agencies involved in cyber defence is very similar; however, contacts between Estonian and Japanese cyber specialists to date have been few.

Hence, there are incentives to increase the effectiveness of the cooperation in the cyber defence area between the two parties.

### **Economic cooperation**

When it comes to the economic relations between the two states, then it could be stated that there lies great potential given the data available on trade. The relations have been good, but to reiterate,



it is clear that further progress can be achieved in regards to trade and economic ties in general. Data regarding trade between Japan and Estonia could be seen from the table below (*Table 3*).

	<b>Exports</b>	<b>Imports</b>	<b>Balance</b>
<b>2007</b>	42,4	89,4	-47
<b>2008</b>	39,4	51,0	-11.6
<b>2009</b>	39,4	17,4	22
<b>2010</b>	47,7	27,1	20.6
<b>2011</b>	60,9	24,9	36
<b>2012</b>	66,1	36,8	29.3
<b>2013</b>	64,9	25,9	39,0
<b>2014</b>	59,8	23,0	36,8
<b>2015</b>	64,2	19,6	44,6
<b>2016</b>	72,7	21,5	51,2

Table 3. Trade between Japan and Estonia 2007-2013(in millions of EUR)

Source: Statistics Estonia

Compared to the trade with China, Estonia has a positive trade balance when it comes to the trade with Japan between 2009-2013 (*Table 3*). However, the volume of trade compared to China is significantly lower. Regarding the foreign direct investments (FDI), then according to the Bank of Estonia, as of 31.12.2015 Japan had made foreign direct investments in the total sum of 8,6 million EUR (Japan 2015). The main sectors to which Japan has invested in are the real estate (60%), wholesale and retail trade (15%) and finance and insurance sector (13%)(Japan 2015).

### **Cultural and educational relations between Japan and Estonia**

Japan and Estonia have had close cultural relations. Japan has supported many cultural and education related projects. For example, the Japanese Government provided funding to equip the University of Tartu's language laboratory (0.26 million EUR) and the Tallinn University-based Japanese language class (0.2 million EUR) (Japan 2015). It has also funded the Estonian Music Academy and Estonian Art Museum (Ibid). Tallinn was also in agenda in the EU-Japan Fest Foundation in 2011. The foundation seeks to develop cultural and economic ties between European countries and Japan through co-operation with the European Capitals of Culture (Ibid). One can study Japanese language and culture in University of Tartu, Tallinn University. The language is also being taught in Tallinn University of Technology, Tallinn School of Languages as well as in some of the gymnasiums in Tallinn (Ibid). What is more, Finland and Estonia have together created

cross-cultural collaboration project called *Finest Sounds*, through which the parties involved would aim to export more Finnish and Estonian music to Japan. (Tallinna Ülikool BFM) Estonian music highly valued in Japan, especially choral singing, but also different conductors such as Paavo Järvi who was the head conductor of Tokyo NHK Symphony Orchestra as of 2015 (Japan 2015). The Japanese Government is also offering scholarships for Estonian students every year through MEXT programme (Mext 2016). As with China, people from media sector in Japan could apply for a trip to Estonia with special assistance provided by Estonian Tourism Board (Press Trips).

### **1.1.3. The EU ambiguity's effect on Estonia's approach towards China and Japan**

The EU, like other actors besides it, is witnessing and taking part in the multipolar global redesign. This change is featured by the rise of Asia, especially China, and the possible fall of the US' dominance in the international system. The key question will be how the EU reacts to this striking process of transformation in the power politics in the XXI century. Wong argues that the EU's Manichean view of its options towards China is short-sighted and misleading (Wong 2013, p. 113). In addition, the EU is arguably facing an important dilemma over its 'identity'. It is not a single political entity, not even a coherent supranational entity, but an institution mixed with supranational and national competences (Ibid). That, in turn, creates difficulties in the decision-making, including the strategy towards China and Japan, since there exists a variety of interests regarding different questions inside the EU. What is more, according to Wong, the EU's "schizophrenia" adds another dimension to the complicated matters it faces in its relations with China (Ibid). In general, the Chinese scholarship understand that the Obama's 'pivot to Asia' in 2011 incited much soul-searching in Europe, as Europeans felt that they had been bypassed, and the economic and political importance had been transferred to Asia (Wong 2013, p. 123). Therefore, the dualistic approach of the EU, wide interests of its Member States and the change in geopolitical focus to Asia from its main ally challenge the EU's foreign policy in the current decade and in the future.

In many areas, the EU has contrasting views with China, less so with Japan. Jing Men notes that there are distinctive differences between the EU and China in many areas – in the political system, the level of economic development, norms and values (Men 2012, p. 336). The Chinese government recognizes the differences with its counterpart, but does not have any intention to alter them – from the Chinese viewpoint, such differences should not hamper the development of bilateral relations (Ibid). The European side however has always highlighted the importance of

human rights and has put it into its foreign policy agenda. For instance, while negotiating on free trade agreements, the EU has often insisted to the negotiating parties the importance of following the human rights. Therefore, Brussels faces a dilemma in the relations with Beijing – should we seek to continue the current approach, which hinders the development of relations with the rising power or should we put the commercial interests over forcing the norms and values on our partners. By choosing the latter path, the EU faces the loss of its ‘foreign policy face’. By choosing the former path, the co-operation with China would not develop on a maximum efficiency. In essence, this is also the part of the ‘identity crisis’, which hinders the EU today and does not let the institution to act with adeptness.

The increasing role of China has impacted the dynamics between the EU and Japan as well. In 1991, the Hague Declaration was announced and it was followed 10 years later by the Action Plan. In 2011, however, no clear document for the upcoming 10 years was issued. According to Söderberg, nobody had expected that (Söderberg 2012, p. 249). Instead, two main goals were formulated for the future: 1) signing a deep and comprehensive free trade agreement (FTA)/economic partnership agreement (EPA); and 2) signing a binding agreement covering political, global and other sectoral cooperation in a comprehensive manner, and which would underpin their shared commitment to fundamental values and principles (Ibid). The first goal was accomplished on 8 December 2017, when the two states agreed on Economic Partnership Agreement. The second goal has not been reached as of now. However, both sides have taken into account the rising power of China. This has resulted in two things. Firstly, both the EU and Japan have turned their attention from each-other to China in the economic co-operation. Secondly, the increasing political and military power of China has troubled Japan. Yet, due to the severe economic situation of the different EU’s Member States (Greece, Portugal, Spain, Italy), the EU was more inward-looking at the beginning of this decade (Söderberg 2012, p. 259). In addition, given the great economic potential of China, the focus on Japan was diluted by the EU. Söderberg (2012, p. 259) argued that Japan became more and more invisible in the EU’s agenda, although it shared similar normative values with the Union in contrast to China. Taking into consideration also the fact that from 2011 onwards, the EU’s approach regarding Japan was on an *ad hoc* basis, the partnership between the two sides has a great potential for improvement.

The EU and its policies naturally and directly influence Estonia. Hence, the issues the institution faces have also an effect on the relations between Estonia and China as well as Estonia and Japan. This paper argues that, similarly to the EU as a whole, Estonia experiences difficulties in coping with the changes in the power dynamics occurring in the world. One of the reasons, Estonia seems

'lost' in its approach of dealing with China and Japan originates from the ambiguity of the EU's identity. This, in turn, translates to a vague foreign policy of the EU. Mixed with the multilateral dimension of geopolitics in the world, this vagueness hinders the EU's decisiveness of increasing its role in the world. Likewise, this has an effect on Estonia. The state has multilateral approach when it comes to the relations with China and Japan. It can conduct relations with China bilaterally, through EU and using the 16+1 framework. With Japan, there is no additional framework like the 16+1 for Estonia. Hence, Estonia has to rely on the bilateral channel and on the EU in developing relations with Japan. However, the state is too small to have effective negotiation 'abilities' with the two states from North-East Asia. As stated previously, if the EU is also uncertain and ineffective in its foreign policy, this has a direct effect on the Estonian foreign policy as well. Since the state is too small, it has directed the weight of the negotiations of important agreements to the EU. But if the EU faces several issues itself when conducting relations with China and Japan, it does not contribute to the clearness of Estonian foreign policy. With China, the Baltic state has also the opportunity to develop relations in the 16+1 framework. And if the effectiveness of this framework increases, definitely for China it is important due to various reasons, Estonia faces a dilemma, on which option to focus on – the bilateral channel, the EU or the 16+1 framework, when developing relations with China. In the case of Japan, the options are more limited, as there exists no additional framework similar to 16+1. All in all, this lack of geopolitical focus of Estonia can be linked with the issues the EU faces today – from its dualistic approach on the world to the 'identity crisis' it experiences.

#### **1.1.4. An analysis of reports and strategies regarding co-operation between Estonia and China/Japan**

There have not been many reports nor strategic papers written on the Estonian strategy towards China or Japan. Nevertheless, there exist one main report regarding Asia created on the initiative of the Foreign Affairs Committee in 2012. It is called 'Estonian interests and opportunities in Asia until 2025'. The report set the goals of examining the developing trends in Asia from different perspectives, to hear different opinions from the public, private and third party sectors on the report's topic and to find out, what should the government do in order to be in a better position to react to this quickly economically and politically developing region as well as to use opportunities which would arise due to the developing process of the region (Mihkelson 2012, p 3). Although

the report was written five years ago, it can be considered as an overview about the aims, which Estonia has regarding Asia in the upcoming years. Hence, the paper views it as a main strategic document towards Asia, including China and Japan. Nevertheless, it must be stated that the report did not focus solely on China nor Japan. Thus, it cannot be taken as an action plan towards these two countries *vis-à-vis*. Rather, one could take it as a generalization document in regards to Asia, including then also both of these states.

During the frame of creating this report, an interesting study from the Tallinn University was ordered on the following topic: “Foreign policy strategies towards Asia: the experience of other states and recommendations for Estonia” (Mihkelson 2012, p. 39). The study took four countries as case studies. These countries were Finland, Sweden, Ireland and Scotland (Ibid). Finland and Sweden were chosen, since these countries have been often taken as case studies to analyse different frameworks of Estonia (Ibid). Ireland was chosen due to the same development characteristics it had when comparing them with Estonia since 1990 (Ibid). In other words, Ireland is a state, which experienced a rapid economic development throughout 1990s, but suffered, as did Estonia, from the global economic crisis in the second part of the last decade(Ibid). Scotland was taken as a case study in order to show, how a country inside an union can also have an independent strategy towards Asia (Ibid).

That study was used in the same report made by the Foreign Affairs Committee of Riigikogu and suggestions of the study by the Tallinn University were included in it. The author of this thesis would list the most important suggestions, which were related to China and Japan. Firstly, the most imperative recommendation according to the study by the Tallinn University proposed was that Estonia should primarily focus on thinking about a set of global goals, in the frame of which one could also formulate strategic goals in relation to Asia (Mihkelson 2012, p 40). Secondly, China should be a priority when one takes into account the size of the potential market, however, from the political perspective and also from some economic aspects, India or any other ASEAN member state could be still more important compared to China (Mihkelson 2012, p 41). Thirdly, Estonia should consider Japan or Singapore as a potential research and development partner(Ibid). Fourthly, it is important to direct Estonian technology related companies to the Asian market, since operating at the Asian market increases the probability to receive funding for their businesses, for example regarding receiving venture capital(Ibid). Fifthly, The United States is a prominent player in Asia. When developing the Estonian strategy towards Asia, one must take into account the fact that the US owns and wants to continue to own an important role in Asia and in the Pacific region.

Therefore, for Estonia, it is wise to be aware of the US interests in Asia and, if not more, at least to avoid contradicting to the US interests directly (Mihkelson 2012, p 40).

When it comes to the report made by the Foreign Commission of Riigikogu itself, then at the end of it, suggestions regarding future actions were made to the Estonian Government at the time (Mihkelson 2012, p 44). In total, there were 24 suggestions made to the Government. The author of this thesis would analyse suggestions, which are related to China and Japan and are connected to 4 main fields of this research – foreign policy, economy, media and academia.

To start with the first suggestion, the Foreign Commission of Riigikogu stated in their report that it considered the initiative of Ministry of Economic Affairs and Communications to develop “Asian program” necessary and stressed the importance of it becoming a policy making document approved at the level of Government (Mihkelson 2012, p 44). The making of the “Asian program” was incorporated into the action program 2011-2015 of the Government of Estonia. In the end, it was successfully created. The Ministry of Economic Affairs and Communication stated in the document of the program that it sees the action plan as an policy document approved at the level of Government (Aasia programm 2011, p 2). In addition, they stated that the creation of the Asian program offers a framework for the orientation of the Republic of Estonia to shape foreign economic policy priorities and to strengthen economic relations targeted for specific activities in relation to Asia (Aasia programm 2011, p 3) Since the “Asian programme” document is related to the first suggestion of the report, the author will analyse the document’s recommendations. It set several goals for three economy-related fields - **tourism, export and foreign investments**. The program itself was divided into two separate time periods – 2012-2013 and 2014-2020. For each of the fields (tourism, export, foreign investments), two goals were given, one for 2014(in the case of foreign investments, 2015) and one for 2020. The paper will now analyse how successfully the goals for 2014 were reached and how realistic the goals are for 2020. To start with tourism, then the Asian program set the aim for 2014 that Estonia should have had 28000 tourists from Asia who have been accommodating in Estonia and 56000 tourists who had stayed overnight in Estonia (Aasia programm 2011, p 4). There were 84543 tourists who had accommodated in Estonia in 2014 and the number has been rising since 2012 reaching 115801 tourists in the last year (*Table 4*).

ACCOMMODATED TOURISTS FROM ASIA		
Year		Total number of tourists
2012		52213

2013		64319
2014		84543
2015		101127
2016		115801

Table 4. The total number of tourists from Asia who have been accommodating in Estonia 2012-2016

Source: Statistics Estonia

It was also stated that the airport of Tallinn should act as a connecting point for the Asian tourists who would like to travel to Europe (Aasia programm 2011, p 6). This goal has not been succeeded due to various reasons such as the bankruptcy of Estonian Air and high competition from other airports across Europe.

When it comes to the export, then the aims of the programme were set as follows: firstly, to raise Estonian enterprises export volume to Asia by 50% by 2014; secondly, to increase the export volume of the Estonian businesses to a level, where the export of Estonia to Asia would form 75% of the import from the same states where export is focused in Asia by 2020. When looking specifically the cases of Japan and China, comparisons could be made regarding these two aims declared in the program. At the time of making the Asian Programme (2011), export to China amounted to 203,1 million EUR. After 2011, there was a decrease in trade relations, which affected also the export of Estonia to China. It took 3 years to normalize these relations. However, even by 2014, the export amount of 2011 was not reached by Estonia. Hence, when we only look at China, then the aim of increasing the export volume by 50% was not fulfilled. Regarding Japan, then in 2011 the export volume from Estonia to this state was 60,9 million EUR (Table 3). In 2014, the same figure was 59,8 million EUR (Table 3). Thus, one can see that the set aim with Japan was not also reached. Regarding the fulfilment of aims for 2020, then when one takes 2016 as an example, the export volume to Japan from Estonia was 72,7 million EUR and imports from Japan was 21,5 million EUR. Clearly, in the case of Japan, the export-import ratio is positive for Estonia and the aim has been already fulfilled with Japan as of now. However, in the case of China, the ratio is negative. In 2016, the export volume of Estonia from China was 167,7 million EUR and the import volume 556 million EUR (Statistics Estonia). As it could be seen, the export volume to China forms under 50% of the imports from China. Hence, in order to reach the aim by which the Estonian export in the case of China would form 75% of the imports from China, Estonia has a lot of work to do to fulfil that aim by 2020. One possibility is that this aim would not be reached. If that scenario would happen, Estonia should not feel too concerned about it, since trade deficit is a trend for its neighbour countries as well such as Latvia and Lithuania. Even the US has a large

trade deficit with China and it was one of the key issues, which President Trump addressed during his visit to China in recent days (Jackson 2017). Hence, it is not a concern only associated with Estonia.

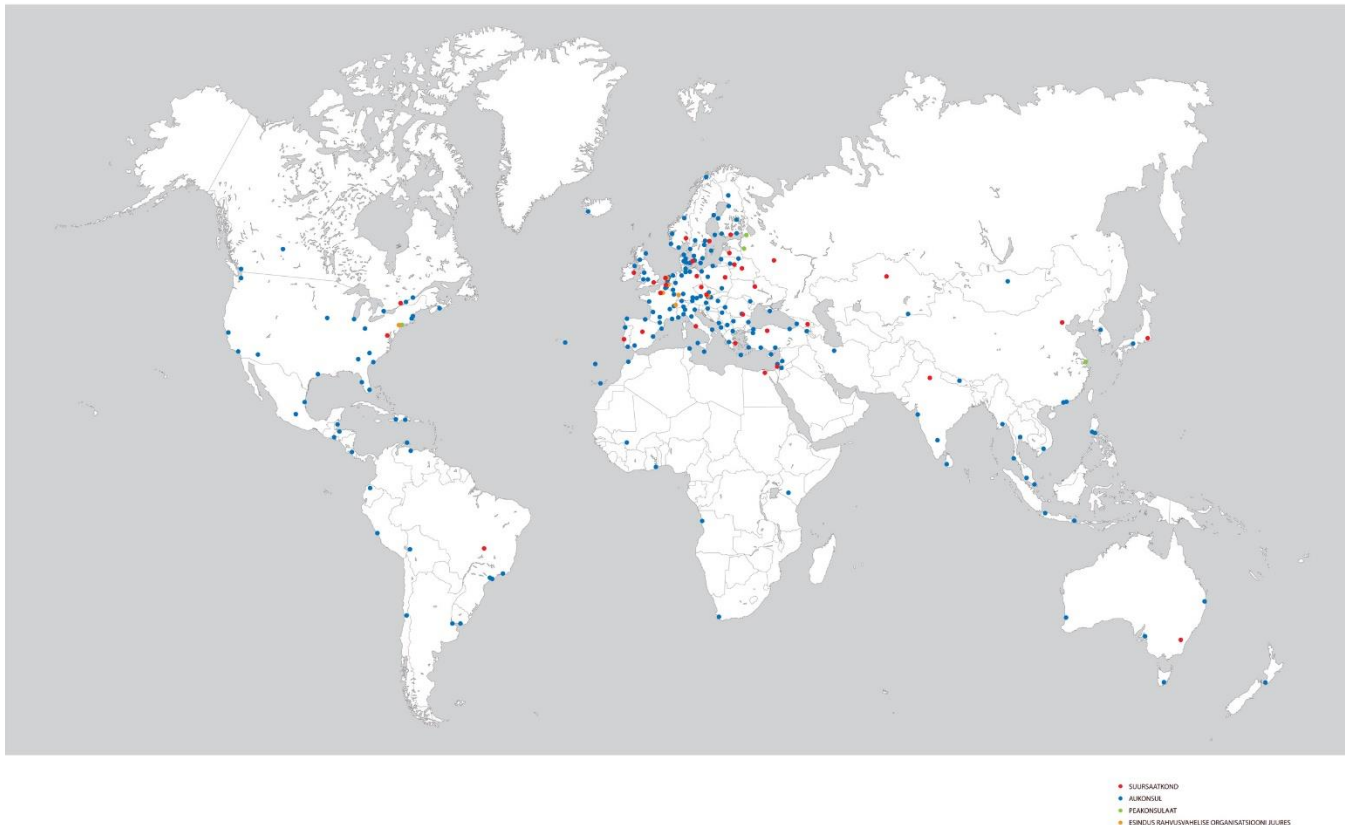
Regarding the goals of foreign direct investment, then in the document it is stated that by 2015 the rising multinationals from Asia have made five important foreign investments in Estonia and by 2020 Estonia has taken the role of being a gate for Asian enterprises in the process of entering the EU and Baltic Sea region markets. It should be noted that author is analysing these goals from the perspective of China and Japan and not as the whole Asia on its own. Hence, the analysis could be more negative in its evaluation, since the goals mentioned above are being connected with China and Japan independently rather than looking at Asia, as do these goals. Nevertheless, regarding the accomplishment of the first aim with China, then Estonia is not a popular investment destination state for the Chinese investors. There have been some joint projects between Estonian firms and Chinese firms (participants such as Estonian Energy and Omniva from Estonia), but compared to Latvia and more so with Finland, the Chinese have not been very interested to invest into Estonia or its enterprises (Vilu 2017). In the case of Latvia for example, investors from China are the second largest investors into the state after the investors from Russia (Vilu 2017). Some reasons why the Chinese investors are not interested in investing to Estonia include the relative small size of the market, the stance of the Estonian businessmen regarding Tibet and the small amount of investments made from Asia to Estonia, which leads the investors from China away (Laks 2017). When it comes to the Japanese investments to Estonia since 2011, then there have been some investments made to the state. One of them is Japanese' investment into opening a crypto money company in Pakri Smart Industrial City (Japanese are investing millions to Pakri's to open cryptomoney company 2017). In addition, Toyota will build a logistics centre for its World Rally Team in Estonia which will open in 2018 (Lower taxes bring Toyota WRC team to Estonia 2017). This would in turn provide new jobs. Overall, however, it is difficult to make a conclusive evaluation of whether Estonia has fulfilled the investment goal set in the Asian program due to the lack of information given that the sizes of the investments are classified for the public in most of the cases.

To conclude the analysis of the first suggestion, then the paper states that Estonia has been able to achieve the goals the Asian program had set regarding tourism. When it comes to the export, then the situation is positive regarding Japan, however, with China, there is a big trade deficit and it seems as if Estonia would not be able to reduce it to the norm set in the Asian program by 2020. Regarding investment, then it is hard to state anything. There have been some investments from



Japan. The Chinese, however, seem to be discouraged regarding the Estonian market due to the reasons of the relative small size of the market, the stance of the Estonian businessmen regarding Tibet and the small amount of investments made from Asia to Estonia, which leads the investors from China away (Laks 2017).

The fifth suggestion states that the Ministry of Foreign Affairs should analyse the structure of the network of embassies in order to seek opportunities for strengthening the representation of Estonia in Asia. The current departments of the embassies do not guarantee the successful implementation of the Estonian strategy for Asia or the provision of several side services (Mihkelson 2012, p 44). The Figure 1 illustrates the representation of Estonia in Asia as of October 2015. The blue dots in the picture show the honorary consuls, red dots are the Foreign Embassies, green dots represent Consulate Generals and the orange dots symbolize the representation at the international organization. Regarding China and Japan, then Estonia has foreign embassies in both of these countries (Figure 1). The latter has also an honorary consul in Osaka (Jaapan 2016). In relation to China, Estonia has honorary consuls in Macau and Hong Kong (Hiina 2017). However, Estonia closed its Consulate General in Shanghai on the 1<sup>st</sup> November 2016. On the one hand, one could argue that this step was necessary due to the lack of resources. On the other hand, it is known that Shanghai is the business-metropol of China and closing the representation in the city would cut through the ties that have been made up to that point. Yes, Beijing is the capital of China and also the political centre of the state. Yet, it is evidently harder to make connections in Shanghai when a state does not have a consulate there compared to a situation where a state has a consulate located in the city. In a sense, Estonia is similar to its neighbour Latvia who also does not have an honorary consul in Shanghai.



Graph 1. The foreign representation of Estonia across the world

Source: The Ministry of Foreign Affairs

In regards to the academic related suggestions, they point to the need to invest more to the teaching the Asian languages. For example, the 17<sup>th</sup> suggestion urges the Estonian Ministry of Education and Research (MER) to develop targeted support programs for teaching Asian languages and culture in Estonian general education schools (Mihkelson 2012, p 45). In addition, the 15<sup>th</sup> suggestion states that state's support for educational cooperation with Asian countries should be more prominent and it should also encourage cooperation between higher education institutions (Ibid). Finally, the last suggestion of the report regarding the academic field stated that one should consider subsidising an Asian Research Institute from the state's budget with the aim of collecting background information for making state-level decisions regarding Asia (Mihkelson 2012, p 45).

The paper will now analyse how well these suggestions regarding the academic field have been implemented. When it comes to the teaching of Asian languages in the Estonia's general education schools, then as of 2014, there were 8 schools where one could study Chinese (Ehrenpreis 2014).

In two of them one could obtain it as a second language and in six of them as a third language (Ibid). Regarding Japanese, then one could study it in two schools as a foreign language as of 2014 (Ibid). The main issue with the process of studying these two languages was that the study was based on English. Regarding Chinese, then in 2015 a Chinese study book was published in Estonian, which should help to widen the number of schools teaching Chinese to the children. Regarding Japanese, then there are no Estonian based study books published as of now. There is only a book devoted to Japanese language grammar. However, it seems that the interest in teaching the Asian languages is existing and increasing with every year. It is important that there would be state-level funding to the teaching of these two languages. In essence, the support has been so far coming from the relevant organizations from China or Japan linked to the funding of the studies of Chinese or Japanese (Ibid). However, Estonia has assisted the process of teaching Asian languages at general schools by enabling the schools to teach any language as a foreign language for the students (Ehrenpreis 2014).

In relation to the final suggestion regarding the academic field, which developed the idea of having subsidization to an Asian Research Institute from the state's budget, then the MER funded the creation of Asian Research Centre, which was founded in 2014 on the initiative of MER and three universities in Estonia – Tallinn University of Technology, the University of Tartu, and Tallinn University. Its objectives are to integrate individuals and dynamic institutions (universities, state agencies and entrepreneurs) of Estonia who are engaged in activities related to Asia into a single network, to provide actors in Estonia information on Asia related developments, organisations and individuals, assisting interested parties in finding events, specialists or agencies in their particular area of interest and to foster studies of Asia related topics in Estonia, and to promote cooperation between different parties, making better use of the existing potential and resources in order to facilitate success on Asian markets and politics, essential for the development of Estonia (AUKE 2017). Thus, the paper argues that the state has followed this suggestion and has supported the founding of Asian Research Institute, in other words Asian Research Centre.

When it comes to the suggestions of the Mihkelson's report regarding the field of media, then there is one suggestion devoted to this area. Firstly, the 19<sup>th</sup> suggestion of the report states that in relations with Asian countries, more attention should be paid to the role of public diplomacy. One important step for raising awareness should be to find the opportunity to send an Estonian National Broadcasting Correspondent to some of capital of an Asian state (Mihkelson 2012, p 45). As of 2017, Estonian National Public Broadcasting does not have a correspondent in any of the Asian

countries. One could argue that this is due to the lack of financial resources. However, given the rising importance of China and Asia in general, one could hope that there will be a correspondent situating in Asia and covering stories from Asia in the upcoming 10 years. Given that the budget of the ERR is created using the funds from the government, then perhaps this would be the area in which the government should contribute more.

There was also a suggestion (21<sup>st</sup>), which set the aim of using movie industry on the basis of examples of other countries in developing Estonia's image in Asia (Mihkelson 2012, p 45). Progress was made in this field in 2016, when the Minister of Culture Indrek Saar signed an agreement with the vice-minister of journalism, radio, television and film of China Tong Gang for making the co-operation in the movie industry easier (Kompus 2016). The paper will also connect the question of image with the question of having a 'brand' of a state. When it comes to the branding of Estonia, then one could state that Estonia as a brand is not very well known in the world. For example, international brand strategy and design consultancy firm FutureBrand has for years studied countries as brands and publishing the results in its Country Brand Index (Estonia seeks a strong country brand 2015). The FutureBrand 2012-13 Global Quantitative Survey evaluated 118 countries, Estonia among them, across a variety of brand strength measures (Ibid). In general, Estonia ranked as 56<sup>th</sup> in terms of the overall index (Ibid). According to the study, Estonia's weakest measure was awareness, with a ranking of 106, and strongest advocacy with a ranking of 83 (Ibid). It means that people who are familiar with Estonia rate the country well, but there is much work to be done to make the country better known and improve its image (Ibid). Another peculiar fact occurred when Enterprise Estonia (EAS) published a study in October 2014 among the top managers and CEOs of Estonian enterprises with the aim of asking them about the usage of either 'Made in Estonia' or 'Welcome to Estonia' brand when selling their products or services in foreign markets (Ibid). The results were not positive, since only 4 percent have used them in the past and 2 percent did it in 2014 (Ibid).

To conclude the analysis on the report "Estonian interests and opportunities in Asia until 2025", then the paper argues that in general, one has managed to fulfil the recommendations made in the report to the government at the time. However, the report focused on Asia in general rather than focusing on either on China or Japan solely. In that regard, it could be stated that the report is not as specific as it would have been when it would have been written regarding only the states in question. Nevertheless, the paper states that Estonia has been made progress in implementing the suggestions regarding academic and economic fields in the report. Yet, there are things the public sector needs to develop when it would like to benefit from the co-operation with China and Japan

fully. Firstly, Estonia must try to develop its image in Asia. Partly, it has been able to do that with the signing of the agreement for developing movie industry cooperation between China and Estonia. However, Estonia has to invest more into branding itself in the world, particularly in Asia. The result of the FutureBrand study shows that when people make a connection to Estonia, they learn to appreciate it. In other words, it is important to focus on delivering Estonia as a 'brand' to the people. One way to do that would be to use entrepreneurs, but as the study by EAS showed, they are not very keen to use the brands on their labels. It is crucial to find out by the legitimate institutions, why are the Estonian enterprises not using the brands developed on their products. Secondly, the Government could also contribute to improving the public awareness of Asia by investing more funds into the Estonian National Public Broadcasting with the aim of sending a correspondent to one of the capital of an Asian state. Thirdly, a clearer stance must be taken in regards to the political view on Tibet and its leader Dalai Lama on the public level. Finally, one should develop the idea of publishing a Japanese study book in Estonian, which would help to teach the language to more students in Estonian schools. However, overall, most of the suggestions in the report have been taken into account and the relevant institutions have been able to fulfil them.

#### **1.1.5. Latvian strategy towards China and Japan**

Both historically and geo-strategically, Latvia is perhaps the closest neighbour of Estonia. The two countries have similar GDP-related level (GDP per capita, current prices 2017) and, to some extent, are in a constant friendly competition with each other. Therefore, considering this paper's focus, it is logical to have an academic glance at what the Latvian state has been developing in regards of its strategy towards China and Japan, just to be able to compare with the Estonian case.

Evidently, there is not much of evidence found on Latvia-originated policy in regards of China and Japan. At the same time, when looking at the formulation process of Latvian foreign policy strategies, then there occurred a significant change in it since 2011. Kļaviņš, Rostoks, & Ozoliņa (2014, p. 443) argued that it was largely influenced by the economic crisis. A rapid decrease of resources due to it was a significant reason for a change in the procedures for the determination of Latvia's foreign policy goals in 2011, as well as the procedures for accountability on the part of the Ministry of Foreign Affairs. During the period following the renewal of independence, Latvia's

foreign policy demonstrated a tendency to produce foreign policy planning documents covering an increasingly shorter time-frame (Kļaviņš, Rostoks, & Ozoliņa 2014, p. 443). In other words, while in 1995, foreign policy document was created for the upcoming 10 years and in 2006 for the upcoming 5 years, then since 2011, there have been foreign policy yearbooks (Kļaviņš, Rostoks, & Ozoliņa 2014, p. 443).

In addition, the Latvian Foreign and Security Policy Yearbook for 2017 has only one paragraph devoted to China and none to Japan. China is being analysed from the perspective of 16+1 cooperation framework. The document notes that Cooperation with China and the “16+1” format has been one of the highlights of Latvian foreign policy in 2016 (Andzans & Berzina-Cerenkova 2016, p. 169). The Summit on 5 November 2016 and its side events and activities have unquestionably increased the visibility of China in Latvia and *vice versa* (Ibid).

Latvia's role in the '16+1' format intensified cooperation with China across different fields (Andzans & Berzina-Cerenkova 2016, p. 169). It has given boost also in some economic cooperation spheres, such as trade, transport, and tourism (Ibid). On the other hand, according to the document, it remains to be seen how the positive effects will carry over to 2017 (Ibid). However, what is clear is that Latvia has a very straightforward goal of developing relations with China inside the 16+1 framework. In that sense, the paper claims that the level of focus on 16+1 group seems to be more visible in the case of Latvia. The state managed to include its capital name to one of the key documents of 16+1 framework – the Riga Guidelines. The paper suggests that the strategy of the southern neighbour of Estonia towards China is more proactive, straightforward and committed. This is also evident by the devotion of one single paragraph to the relations with China in its foreign policy and security yearbook whereas Estonia has not opted for the approach of creating comprehensive reports on the foreign and security policy strategy annually. It does not also have a strategy, which is created solely regarding China.

When it comes to Japan, then here there are also differences between these two neighbours and their adopted strategies. In other words, it seems as if Latvia does not have a clear strategy towards Japan whereas Estonia does seem to focus on the latter more. There was no specific paragraph devoted to Japan in the Latvia's foreign and security policy yearbook for 2017. However, one could argue that Estonia does not also have an independent action plan towards developing relations with Japan. Yet, Estonia has very successfully branded itself as a developed ICT (Information and communication technology) state, which e-state technology and experience provide incentives for co-operation for other states, including Japan. Latvia has not been able to brand itself in a similar

manner compared to Estonia. The difference is also visible in terms of trade volume. Whereas in 2016, the export volume of Estonia to Japan was 72,7 million EUR (Table 7), then the same figure for Latvia was at the same time 48,5 million EUR (Statistics Latvia). Thus, the difference accounted for approximately 33%. To conclude, it seems as if Latvia has a more comprehensive strategy for co-operation with 16+1, including China while Estonia has a more developed co-operation with Japan.

## **1.2. Part II**

### **1.2.1. Introduction to the empirical work**

The part II will form the basis of this thesis. As stated in the introduction, it will consist of the analysis of the interviews made with people from four different cohorts who had an expertise and experience in relation to China or Japan. First four questions were asked from every cohort. The participants of the survey could either answer the questions orally or in a written form. What is more, the author received answers both in English and in Estonian. In the next paragraphs, the paper will identify and analyse the main narratives regarding all of the questions. Each question will be analysed separately each has its own paragraph dedicated to it. At first, the first four questions will be analysed, which were asked from all of the elite representatives of different cohorts. It is followed by the analysis of the additional questions.

### **1.2.2. Estonia's current strategy on cooperation with China and Japan**

Under this paragraph, an analysis regarding following question will be covered: **how would you evaluate the Estonia's current strategy on cooperation with the People's Republic of China (further – China) and Japan?** Estonia has many bilateral agreements with China and Japan. It also belongs to the EU, which itself has agendas and agreements with these two states. Before conducting the study, the author had its own prerequisites regarding this question. It was clear that the political cohort would praise the current cooperation between Estonia and China/Japan. Nevertheless, there was surprisingly little criticism towards the Estonian strategy for China and Japan. What is more, none of the Estonian representatives from the political cohort did not consider creating a separate action plan for China and Japan, although they noted the lack of resources as a problem, which hinders developing the relations on a maximum scale. In general, they stressed the importance of the present agreements and the opportunities, which these agreements give to Estonia in conducting relations with China and Japan. According to the cohort, the strategy of Estonia is good, pragmatic and makes best of the resources it has.



In order to have a balanced view, it is important to have a view from both sides. The author managed to interview a representative from the Chinese political cohort who was very positive about the cooperation between Estonia and China and stated the following:

I think that the relations between Estonia and China are very good, especially in recent years. We have witnessed rapid development since 2012, particularly after the introduction of Belt and Road Initiative and the 16+1 cooperation [...] Both sides have expressed interest towards the Belt and Road Initiative as well as towards 16+1 cooperation. So, I think Estonia has very good, pragmatic and practical strategy for developing relations with China.

In essence, the view of the political cohort was that the current strategy is pragmatic and the relations are productive. However, there are also difficulties, such as scales, distances, development strategies and vision, which are often the reason for practical difficulties.

Although the author would not argue with the fact that many agreements have been signed between Estonia and China/Japan in addition to the agendas and frameworks Estonia has internationally. It seems as if the Estonian strategy towards China and Japan lacks focus and often decisions are made, which have not been thoroughly planned before implementing it. This could be supported with an opinion of one elite representative from the media cohort:

The relations with China were at one period very complicated. The former President [Toomas Hendrik Ilves] refused to visit China and was very interested in meeting Dalai Lama. The relations with China were taken to the 'freezing level' due to the actions of the former President.

It seems as if there indeed is a shortage in the long-term strategy of Estonia when it is conducting political relations with China. Recently, three members of Riigikogu met with Dalai Lama. The Chinese ambassador in Estonia his excellency Mr. Qu Zhe stated that this was an intervention into the Chinese internal affairs and are not in line with the generally improving trend of transnational relations between Estonia and China (Koorits 2017). Since Estonia approves 'One China Policy', it is unreasonable for the members of Riigikogu to meet Dalai Lama – neither officially nor unofficially. The previous sentiment was also shared by one of the representatives of the academic cohort. He stated:

When it comes to the strategy, then the first and the most important step would be to avoid foolishness. When we talk about China, then the state must precisely decide on the state-level that one must not irritate China, e.g with inviting Dalai Lama to a visit or that any high-officials would meet with him.

Back to the Estonian strategy towards China and Japan, then this study suggests that Estonia should consider creating a country-specific strategy for both of these states. Although the political cohort argues that available resources have been applied on a maximum scale, the state would benefit from a focused and oriented strategy towards each of the two. According to an elite representative from the business cohort, it would be very advisable to conduct a strategy that takes into account the rapidly changing realms of globalising world and provides applicable solutions for the cooperation with a long-term view focused on national development interests of Estonia.

Finland was mentioned as a good example, where the state has a well-focused and developed strategy towards Asia, including China and Japan. According to one elite representative from the academic cohort, the Helsinki Airport represents an example, where the better focus can be noticed.

When you go to the Helsinki Airport, all the labels there are in four languages - Finnish, English, Japanese, and Chinese. In my opinion, this is immediately a very strong gesture towards Chinese and Japanese tourists, businessmen and politicians. This is a symbolic step to show that they are welcome and that the state is working to establish good relations.

When it comes to the view of the academic cohort, then they argued that the state should invest more into the human resource. In other words, the state should subsidise and support Asian (including China and Japan) related study programs in the schools and universities. Since the business is based on the foundation of *quanxi* (relationships) in China and also to some extent in Japan, then it is critical for Estonia to have the experts who can contribute to forming the relationships. However, there is the question whether Estonia applies the people who have an Asian-related expertise successfully on the state-level. There have been some positive signs when it comes to applying the people who have studied Asian-related by the state. One example is Anete Elken who is working as a cultural adviser for Estonia in China and was sent there by the Ministry of Culture. As one respondent from the academic cohort explained, the starting point for the change in focus towards Asia was in 2010. Since then, there have occurred signs from the state-level that it is thinking of applying people who have an Asian-related study background in relation to developing relations towards Asia according to her.

Regarding the media cohort, then it evaluated Estonian cooperation with Japan better compared to the cooperation with China. One respondent from the media cohort stated that, surprisingly, many positive cooperation areas have been found with Japan in recent years. He explained how the cooperation with Japan started to flourish during the economy crisis, when the government at the

time discovered the possibility to use CO2 quotas and sell them to Japan, where the enterprises were interested in buying those quotas due to the need to produce electricity (in 2011, all the nuclear power plants were shut down due to the tsunami). In general, the media cohort found the Estonia's partnership with Japan to be stronger compared to the partnership with China.

### **1.2.3. A need for Estonia to enhance the co-operational framework in relations to China and Japan?**

After the cohorts had explained the current strategy of Estonia towards China and Japan, the author of this thesis proceeded to ask whether there is a need for Estonia to expand its co-operational framework with these two states. The opinion of the author before conducting the study was that Estonia must find its focus between the many the co-operational frameworks it has with China and Japan. In essence, the question is whether the frameworks available for Estonia complement each-other or rather hinder each-other. Do the current agreements are effective or is there a need to enhance the foundation of relations?

To start with the political cohort, the general sentiment of it was that currently the contractual basis for Estonia with China and Japan is sufficient for conducting relations with the former and the latter. The 16+1 group and the One Belt One Road initiative were noted as promising co-operation frameworks for Sino-Estonian relations. What is more, e-commerce and digital services were marked as the main areas, in which Estonia has a high expertise and knowledge. The former can share this expertise also to its partners, whether in the 16+1 group or when conducting bilateral cooperation with China or Japan. Thus, when it comes to the governmental level, then the political cohort agreed that currently there is no need to expand the co-operation framework. If there is any need to expand the current contractual basis, then the desire would come from the level of people/businesses/associations. The representative of Chinese political cohort again reiterated the positive co-operation currently, explaining how Estonia and China have been very successful in their collaboration with each-other. There has been a joint project in Jordan, where the two sides have effectively worked together in creating an oil shale powerplant. In addition, Omniva and SfExpress are co-operating extensively with each-other.

When it comes to the question of enhancing the current number of frameworks, one must consider the available resources for adding additional frameworks to the current ones. As stated previously,

the political cohort had a view that the public sector of Estonia has managed to do as much as possible given the resources they have had in regards to improving the co-operation with the two states in question. As with the first question, the lack of resources was mentioned in the answer to the second question. It is known that the wages inside the MFA are the lowest when compared to the other ministries and there was an intense discussion on reducing the amount of foreign consulates for Estonia in last year (Krjukov 2016). Thus, one idea would be increase funding to the MFA from the government and by doing so, the MFA could focus more on the Asian countries with the additional resources, including China and Japan. Another idea came from one of the academic cohort's representatives who argued that it would be useful to co-operate more with other European countries in the Nordic and the Baltic region. It is an option and it has been utilized by some entrepreneurs in Estonia when launching a business towards China.

When it comes to the view of the media cohort regarding this question, then the importance of extending co-operation with Japan was highlighted. One of the representatives of the media cohort stated the following:

There is no question with Japan. One must use all the possibilities that are there. Japan is very good [partner] for us, the bigger the Japan's interest is, the better for us.

The view on China was more sceptical due to some political differences between Estonia and China. However, the stance of the author is that one must try to co-operate China. Although there are differences, the state should try to look past these, if possible, and work on shared views. This was also the stance of the first representative of the media cohort:

One cannot ignore China. As China has 1/6 of the world population and its economy is almost equal to the US, then one needs China. The importance of China is noticeable also when looking at the EU, which is interested in the spread of free trade around the world. However, when you have Donald Trump across the Atlantic, whose views on free trade are vague, then in that sense it is important to have China as an ally for Estonia and for the EU from the perspective of free trade.

The opinion of the business cohort is also very essential regarding the need of enhancing the frameworks with China and Japan. This idea was also noted by the Estonian political cohort's representatives who argued that the initiative for expanding the cooperation should come from below (from businesses, entrepreneurs etc). The stance of the business cohort was that one should try to enhance the co-operational frameworks with the two Asian states. It was noted by one of the representatives of this cohort that e.g China has much more to offer than cheap knick-knack from Guangdong. China has developed massively in the last 15 years and has made great steps in

improving its technological capacity (Huawei, Xiaomi), m-commerce and in new businesses models (Taobao, Tmall, ofo and mobike shared bikes, WeChat, Alipay etc.). Thus, according to the representative, China itself has a lot to offer to Estonia in terms of technology and new business models.

The academic cohort was critical of the Estonian strategy towards China and Japan. Interestingly, most representatives of this cohort saw Russia as a key player when it comes to Sino-Estonia or Japanese-Estonian relations. The first representative considered necessary for Estonia to have good partnerships also with the third states such as with China and Japan. This was stated due to the fact that the world is unpredictable (Brexit, Donald Trump), hence it is useful to have several partnerships instead of solely focusing on one/two partnerships. Since Russia is not an option as of now for establishing additional partnership due to various reasons, Estonia should consider China or Japan as an important ally for her. The author of this thesis agrees with this sentiment, however, he argues that in any case, the focus should be more towards working together with Asian countries, given their increasing role in the world. The author does not want to suggest that Estonia should disregard co-operating with its neighbours. However, Estonian government should actively seek opportunities to enhance cooperation with Asian countries, including China and Japan and if possible, it should allocate more resources to the MFA for implementing this aim.

#### **1.2.4. Estonia, the EU-originated frameworks on China and Japan, and its dependence on them**

**This paragraph is devoted to the analysis of the third question asked from the representatives of different cohorts:** In its cooperation with both China and Japan, should Estonia entirely stick to the EU-originated frameworks on strategic partnership with the two countries or should it also be attempting to complement the EU-originated framework with its own additional initiatives?

Estonia is a EU member state. Hence, it is following the agenda of the EU in relation to China and Japan. However, does it hinder its co-operation with the two Asian countries? The stance of the author of this thesis is that Estonia must have additional frameworks next to the framework from the EU in order to increase the possibilities for doing co-operation with China and Japan. However, the state must be smart in its efforts of using the different levels of co-operation. Estonia has made efforts to widen the co-operational framework with the two Asian states. Regarding China, then in addition to the EU's frameworks, Estonia belongs to the 16+1 group and has bilateral agreements for increasing co-operation with China. Regarding Japan, then Estonia does not have a similar framework with it as it does have with China in the case of 16+1. Three perspectives were mentioned by the Chinese representative of the political cohort. He stated the following:

At the very top of the level is the co-operation of the EU-China. Last year, the Chinese investment to the EU increased significantly. As a EU member, Estonia is benefitting from the close and warm EU-China co-operation. At the second level, there is 16+1 co-operation[...] Since the very beginning of this initiative, the Chinese side set the goal for this co-operation to be a complement to the EU-China relations and also as a complement to the [China's] bilateral relations with these 16 states[...] Bilateral level is the third level.

The Estonian representatives of the political cohort noted two things. Firstly, one of the respondents explained the decision-making process of the EU regarding China. In addition, he stated that Estonia has the opportunity to contribute its desires into contractual basis between the EU and China. The second representative mentioned the question of the available resources. What is more, he noted that if the Chinese economy is growing every year approximately at least 6% or more, it will become the largest economy of the world in 10 years. That would mean, according to him, that the Chinese economy will be bigger than the EU's economy. From the perspective of the global politics, the size matters principal has always played a big role throughout the humankind's history according to him. Hence, China could soon become the *demandeur* itself.

When it comes to the media cohort, then one of its representatives noted that Estonia should reckon with the EU as much as the Union's treaties require from it. She added that Estonian diplomats should be more active and aggressive in noticing and using the opportunities which arise. The second representative of the media cohort talked about China and highlighted the importance of fixing the relations with the state. He noted that Estonia does not need any additional framework besides the ones it has. Rather, it should focus on mending the relations with China and if it has managed to do that, the benefits regarding economic co-operation would present themselves.

From the previous, it is appropriate to proceed to the opinion of the business cohort. One general narrative emerged from the answers of this cohort. All of them agreed that parallel to following EU regulations and set rules, Estonia should try to use the bilateral level of co-operation, as long as it does not go against the rules of the EU. One representative noted that what suits one country, won't fit well with the rest of the EU countries when it comes to the interests inside the Union. Hence, additional frameworks alongside EU could be useful when pursuing more specific goals in the relations with China and Japan.

Lastly, regarding the academic cohort, then most of the representatives shared the view that Estonia should not solely be depending on the EU's agenda towards China and Japan, but should complement the EU's frameworks with its own initiatives and seek for using bilateral frameworks next to the EU-level of co-operation more with the two states in question. The main justification for this according to the cohort's opinion was that there does not exist 'an average EU member state interest' in the EU. For example, what would suit for Germany could not in theory suit the Estonian agenda. Hence, we should not only be basing our co-operation with our partners on the EU's co-operational frameworks and programs. Rather we should take into account our partner's interests and find our own way.

In addition, the academic cohort argued that when one talks about Estonian trade with China and Japan, then it could be quite reasonable to develop and improve its own strategies as long as it does not go against the EU's policies. However, regarding diplomacy and security policy, then according to him, the EU should try to keep one line. In other words, every EU member state does not try to act independently in relation to diplomacy and security policies with China and Japan. The author of this thesis argues that every member state has its interests and it could be hard for the EU to force the members to think collectively rather than independently, although collective commitment is required regarding having common foreign and security policy of the EU. Hence, in theory, the idea is ideal, but in reality, this ideal could be hard to fulfil.

Another representative of the academic cohort noted that it is necessary to have additional great partnerships besides the EU and the US for Estonia today, since it provides ‘a guarantee’ in the case when the EU should dissolve or the alliance with the US should get weaker. The author of this thesis agrees with the opinion above. It could be stated that the EU has a lot of issues it needs to solve. UK is set to leave from the EU in 18 months and although the elections in France and in Germany were won by the pro-EU parties, it could be stated that the negative sentiments across Europe for the EU have been increasing during the past years. Obviously, it is in Estonia’s best interests that the EU will not dissolve. However, one must have additional alternatives for the case, when the EU does indeed vanish from the world. For that, Estonia needs to also have strong partnerships with states outside the EU.

There were some however who supported sticking solely to the EU originated frameworks. For example, it was thought that Estonia should follow the EU-frameworks, because the state is too small and the framework is beneficial for us, especially in the case of China. According to the belief of the representative, China itself has always had a great deal of foreign policy mixed with the economy. Hence, it is more reasonable to go there with the Europeans.

#### **1.2.5. Improvements regarding Estonia’s co-operation with China and Japan**

This paragraph focuses on the analysis of the fourth question: **What general aspects of Estonia’s cooperation with China and Japan should improve, if at all, and how those improvements should be implemented?**

To begin with the narratives of the Estonian representatives of the political cohort, then there were two opinions. Firstly, one of the representatives stated that the big deficit in trade volume regarding Estonian trade with China needs to be solved. This would be done by having competitive goods and capabilities (quantities/partners) to offer these goods on the Chinese market according to the representative. He also added that a lot is depending on the Chinese market itself – how easy it is to get into the market (several normative and bureaucratic measures). It is one of the fundamental topics in the economic relations between EU and China and the European Commission tries to solve it step by step according to him. The representative stated that the Estonian government has also tried to make entering into the Chinese market for the Estonian entrepreneurs easier.



In 2016, an agreement was signed which allows the Estonian dairy and fish products import to the Chinese market. The procedure of applying for certificates for several other food products is currently on the agenda.

In addition, the role of the private sector was reiterated. The political cohort noted that state/government must support initiatives, which originate from the private level given the current resources and priorities.

Regarding the opinion of the Chinese political representative, then he highlighted several key aspects, on which one should focus on in the Sino-Estonian relations. Firstly, it is essential to promote mutual understanding, because that is the basis for any good co-operation. By mutual understanding, he meant disregarding the prejudgement or stereotyping. Although it is difficult to avoid it due to the fact that people are being firstly raised in their local societies and thus look on things from their perspective. Nevertheless, having an 'open mind' contributes to building good relations with each-other. Secondly, he noted that Estonia must advertise its brand more in China. The state is not very well known for a regular Chinese. If the Baltic state would follow the example of its northern neighbour Finland, which has very successfully promoted itself in the PRC, then it would also relish the results, which Finland has done already.

When it comes to the media cohort, then it was stated that there is room for improvement in every aspect, but Estonia must firstly focus on the economic interests with these two states. The state must develop business relations and if Estonia is wealthier in the future, then one could also dream of an Estonian correspondent in one of the Asian capitals.

Regarding the business cohort, then all of them agreed that there are improvements to be made in relation to the cooperation with China and Japan. Firstly, a new comprehensive program for long-term cooperation with the two states is needed, which takes into account the developments and trends regarding these two partners in North-East Asia. Secondly, one must assign more people for the development of these relationships and build a strong team. It would be also useful to set small achievable milestones, as these achievements would lead to more faith in the undertaking and more investments and collaborations from Estonia in the future. Thirdly, Estonian businesses should try to co-operate with medium to small-sized businesses in China and Japan, since it would improve the probability of being successful in the business relations there. One should also consider creating a new and better database, which would connect all people related to the Asian matters.

In addition, the third representative of the business cohort listed necessary things which one needs in order to do business in Asia. Firstly, there should be a form of state level support to the entrepreneurs in Estonia. This role is currently held by the Enterprise Estonia. Secondly, one would need Asian experts who master the languages and who explain what one can expect from the business meetings with Asian partners (what to do and what not to do). Thirdly, Enterprise Estonia should think carefully, to whom it will provide the financial support. The support should be given to businesses who have a long-term aim at doing business either in China or Japan, when one talks specifically about these two states.

The academic cohort had the widest spectre of opinions regarding what co-operation areas Estonia should improve with China and Japan. The points mentioned by the elite representatives were tourism, economy, culture, manpower and strategic papers. The author will now elaborate each one of these. To start with tourism, then the potential in this field was mentioned by several representatives.

Tourism, scientific co-operation, not trade [co-operation areas which should be developed]. When one looks at the figures of export and import [with China and Japan], then Estonia is practically an importer not exporter. We have marginal businesses. The question is how successfully can they impose themselves on the Chinese and Japanese market [...]Tourism would be realistic[area of cooperation]. I do not believe very much in the prospect of importing vast amount of milk powder and cheese to these markets. Estonian dairy industry just does not have the capacity for that.

Estonia has its natural resources to attract more tourists from China and Japan. Estonia's Tourism Operators Federation has done a great job in promoting their services among the targeting countries.

One option would be to also think on some kind of an Estonian niche, what one could propagate in China and Japan. For example, our clean nature + spa tourism.

Economy in general was highlighted by some representatives as a field, in which the co-operation should be improved. However, all of them shared a view that Estonia is too small to operate on the Chinese and the Japanese markets. In other words, Estonia cannot compete there with other countries/companies regarding the share volume of the products, since it does not have the production capacities needed for that. Hence, Estonia should focus on exporting niche products, since the exporters could add high added value to them. One example is the sea buckthorn jam which is being exported to Japan. It is a small products, but has a great potential to be sold 5-6 times more expensive there than in Europe. In other words, Estonia and its enterprises should focus on niche products and niche sectors. By doing so, it can divert the problem of mass production,

for which the state does not have the capabilities needed for competing with other bigger countries or fulfilling the demand of these specific markets. However, it could be useful to co-operate with its neighbour states when a company would like to enter either the Chinese or the Japanese market. For example, Siim Kabrits, who is the founder of a company called Chaga and Sales Director for the company called Berry Group, co-operates with Finnish, Norwegian and Sweden entrepreneurs to export freeze dried berries to China. This is an example of a success one could have when trying to co-operate with other entrepreneurs from Estonia's neighbouring states.

The view of focusing on niche products was also shared by the Chinese political representative.

Estonia must focus on niche products, because it is hard to compete with other European markets [producers].

Culture was also mentioned as one area, in which Estonia could improve its co-operation with China and Japan. The word 'culture' was often linked with the 'manpower'. The author of this thesis uses the latter word to express the 'human resource', in other words individuals who have expertise on Asian related matters. The trend of not using the individuals who have an Asian-related expertise in the co-operation with China and Japan was also noted in the answers to the fourth question. The cohort mentioned that Estonian entrepreneurs often turn down the need to have expertise when entering either the Chinese or Japanese market. Although it is not a must, the experience has shown that with expertise, the probability of succeeding in the market is higher. As the business culture is different in these two states, knowledge on how to make business there is recommended.

Due to the importance of relationships and trust in both business cultures, there is a need to support the training of the relevant professionals in the universities. Especially important is the Chinese and Japanese language teaching.

Finally, one respondent from the cohort argued that the strategy plan made in 2012 by Foreign Affairs Committee must not be overlooked. Rather, the state-level must guarantee that everybody would act according to this strategy. In addition, an agreement must be reached where the political parties agree on avoiding political incorrectness. This was not the case when high level officials met with Dalai Lama in 2011 and also in 2017.

#### **1.2.6. What effect, if at all, does the relocation of the Enterprise Estonia (EAS) advisor from Shanghai to Beijing have on Estonia's cooperation with China?**

The paper now continues with the analysis of the additional questions. It starts with the additional questions asked from the business cohort. The first question sought to understand what effect, if any, did the relocation of the Enterprise Estonia (EAS) advisor from Shanghai to Beijing have on Estonia's cooperation with China. The opinion of the author of this thesis before conducting the study was that it would have been more reasonable trying to keep the advisor in Shanghai, since Shanghai is known as the 'business metropol' of China. Hence, by relocating the advisor, many valuable business connections were cut off in Shanghai. Although Estonian state-level has defended this step, the author of this thesis viewed it as disadvantage to the Sino-Estonian economic relations, mainly due to the reason that the work that had been done in Shanghai was dissolved with the step. The representative from Enterprise Estonia acknowledged that it required some explanation and confirmation concerning Estonia's commitment to cooperation with China regarding this step. However, as Estonia has been more proactive in developing relations with China, taking new initiative and strengthening the embassy in Beijing by both adding new embassy staff as well as taking in the new representative of Enterprise Estonia, the issue is off the table.

Another representative of the business cohort was also positive about this step.

It's a smart move – sure, business is being done in Shanghai, but all the paperworks and *quanxi* (relationship building) takes place in Beijing. You can be successful in Shanghai, but building a stable base in Beijing will ensure more security for the business. Doing things in Beijing is taken more seriously, especially among the Chinese.

However, there were also some negative comments made regarding this step taken by the EAS, which were in line with the stance of the author. According to the other representatives, relocating the advisor to Beijing cut in essence 'the roots through'. Shanghai and Beijing are very different from the perspective of mentality and openness. Yet, it is understandable, why the state opted for this step – mainly due to the lack of resources.

### **1.2.7. Estonian entrepreneurs and the question of Enterprise Estonia's support for them**

The dominant opinion to the following question: **Should the EAS enhance its support for Estonia-based entrepreneurs who are willing to do business in/with China and Japan?** was supportive. However, it was noted that the financial aid to the businesses should be given out

smartly. In other words, one should subsidise those entrepreneurs who have a long-term view on doing business with these two states. The Enterprise Estonia's representative also agreed that support should be enhanced. The need for using a network of advisors by the EAS to support entrepreneurs based in Estonia was also highlighted. Since these countries have a very specific culture, then the cultural knowledge is needed in order to be successful politically and in business terms.

The business cohort was also asked two additional questions. The author will include the answers to these questions here, since they were in essence yes/no answers and do not require a separate paragraph diluted to them. Firstly, the author asked whether the respondent has ever heard/participated in the annual China-CEEC Investment and Trade Expo in Ningbo. The answers were mostly negative, meaning that the respondents had not heard/participated in this expo. Additionally, it was asked whether the respondents have ever participated in an expo-type event in Japan and if yes, what the event was. All of the respondents had not participated in any of the expo-type event in Japan. In comparison, there was one respondent who had participated in the China-CEEC Investment and Trade Expo in Ningbo. Hence, one can conclude that there was lack of knowledge regarding different expos held at these specific countries.

#### **1.2.8. Estonian residents and their access to the information regarding China and Japan**

As with business cohort, additional questions were asked from the media cohort. In total, there were three additional questions on media-related topics. However, some of the questions were also asked from some representatives of the academic cohort, since the author of this thesis felt during the interview that the respondent could have some interesting views to share with him. This paragraph deals with the following question: **in general, how would you evaluate the volume of information on China and Japan currently available for Estonian residents?**

The opinion on this matter was that these two Asian states are not priorities as of now for the Estonian media. These are the EU, the US and the neighbouring states. However, if somebody has a great interest to read about China/Japan more thoroughly, then the information is very accessible from the Internet. There could always be more information for Estonian residents, but given the lack of resources, the Estonian media does as much as it can to provide the information to the people living here. In essence, the exotic languages and lack of funding put the barriers to more coverage from the states.

Representatives from the academic cohort were more sceptical regarding the accessibility of the volume of information regarding China and Japan.

I would rate it with a grade 1. It is literally non-existent. When I would put together my knowledge with the one, which is being published in the journalism, then the share would be really marginal. Alright, the news that the emperor will abdicate the throne was published, but most of the important political and economic news are not coming through[are not published]. Those, who have interest, have to go still to the foreign media. To count on the Estonian media in regards that you would get an overview of the life in China and Japan is pointless. However, that is understandable, because we lack competence and resources to deal with these topics.

Definitely one should reflect more news, but one cannot force it. The education system has not trained enough people, who deal with Asia and China yet. When this mass will form, then the information will be also created. The volume and quality of information regarding China is very weak in Estonia. Reflections are weak both from the perspectives of quantity and quality.

### **1.2.9. Estonian media and its reliance on the international media when covering China and Japan**

The author was interested in finding out how much does the Estonian journalism rely on the international media and how much does it use the local sources from China and Japan. He had a presumption that mostly the Estonian journalism relies on the international media (mainly English), since it lacks the people with Japanese or Chinese language skills in order to use the local sources of both of these states. The first representative of the media cohort stated:

My aim is to try to explain to Estonians, what is happening in the world. That is why I use international sources, then local sources, experts, and those politicians with whom I can get a contact with.

We talk about China and Japan regularly and we still have to rely on international media based on English. To my knowledge, nobody speaks Japanese nor Chinese in ERR.

Hence, it could be concluded that Estonian media is mainly based on the international media when covering news from China and Japan. However, the author is optimistic about the future and presumes that if media channels will incorporate more people with expertise on Asia, using Chinese and Japanese local news agencies will increase, if there is a need to write on these two states.

### **1.2.10. A need for a correspondent from the Estonian National Broadcasting in Asia?**

Throughout conducting interviews with different elite representatives from various cohort, a lack of resources was mentioned as a key issue. However, given the rising importance of Asia, in particular China, the author of this thesis was interested to find out whether there would be a need to have an Estonian National Broadcasting correspondent in Asia. Currently, ERR has correspondents in Brussels, Moscow and in the US. The following question was asked: Given the obvious importance of China and Japan for international politics and global business, should the Estonian National Broadcasting(ERR) company appoint its correspondent in the North-East Asia to establish its own view on the region-related matters?

To start with the answer of the first representative from the media cohort, then he stated the following:

Having correspondents is a very expensive thing, the budget of ERR is not limitless. From the point of a regular citizen, there is no need to have a correspondent in either of these two states. Not yet, because you need a correspondent in places, which matter the most to the people. When you look around, then ERR does not have correspondents in Finland, in Sweden and they have a half waged correspondent in Latvia. Hence, there are places which need attention before focusing on Asia. But in the future, when Estonia is much richer and it has more connected relations[with Asian countries], then this question would arise again.

Another representative highlighted the lack of resources as the key issue why ERR has not sent a correspondent to Asia.

Correspondents have been sent there, where there is an urgent need for that. When we, for example, would receive more funding for one more correspondent, then in my opinion he or she should be sent to Arabia, taking into account how much does that region affect our lives. But if we would have even more money, then why not to send an correspondent to Stockholm and even to Beijing.

This question was also asked from one of the representatives of the academic cohort. She had a bit different view regarding the matter:

It would be very cool, if we would have our own correspondent either in Beijing or in Tokyo. We have enough students, who are studying in Tokyo or in Beijing. One could for example co-operate with them in order to do overviews on political and economic topics.

### **1.2.11. The academic cooperation between Estonia and China/Japan**

Additional questions were also asked from the academic cohort. The first question sought to find out the opinion of the academic cohort's representatives regarding the academic cooperation. In general, the view towards the level of academic cooperation was positive. It was stated that the co-operation is thriving. However, the co-operation is rather based on student exchange according to the respondents.

Regarding the student exchange, then there is a lot of that. From the Tallinn University, a lot of students go to China through the Confucius Institute. They also go to Japan. A lot of critically minded students regarding society in China come to the universities in Europe, where they can freely express themselves unlike at home, where they cannot do that.

I think that China has been seen as a student recruiting market by the Estonian universities. Over time, the capacity of the Chinese own universities has risen dramatically, since the resources of these universities are growing faster than any other region can afford it in the world. Regarding the top universities there, then they belong to the top of the universities in the world and thus they would like to reach the peak of the level of world universities and are not looking towards Estonia.

I think that the co-operation is mostly based on the level of students and in addition to that, some Estonian lecturers/professors have connections with their colleagues in China and Japan.

Besides the co-operation on the level of students, Estonia and China signed an agreement that recognizes the mutual academic diplomas of the states. This was also mentioned by one of the representatives of the academic cohort. He said that this agreement is a sign of successfully developing academic co-operation between Estonia and China. Moreover, he was also very positive about the future of academic co-operation between the two sides and stated:

Taking this into consideration, the Chinese universities' willingness to cooperate with the universities of Estonia is definitely increasing, in academic terms it should increase anyway, since there are no limits regarding academic cooperation and scientific cooperation, except perhaps some individual areas of science. However, certainly this[academic co-operation] should go uphill.

Since the respondents represented different universities, some also talked about the co-operation of their home university with China and Japan.

If you look now at the cooperation of the University of Tartu, the University of Tartu has been making progress in this direction in order to conclude cooperation agreements with various Chinese universities. The University of Tartu is interested in any kind of cooperation with Chinese



universities, including scientific cooperation, and we are interested in sending our students there, not just their students to bring their wallets here.

The role of Asian centres across Estonia were also highlighted in the answers to this question.

The creation of the Asian Centre in Tartu has certainly been the right and lasting step in developing the competence and coordination improving academic co-operation from the side of Tartu with Asian states. It is encouraging that the University's top management has also been favouring Asian-related activities in recent years. Because this is a very fresh subject, it is difficult to assess how much it contributes to the academic co-operation.

I am very pleased that there are Asian centres in Tallinn and Tartu. Here again the question is that if there is such a centre that connects all Asian countries and all the issues, then that is a very difficult thing to administer. It definitely is dependent on strong leaders.

### **1.2.12. Improvements regarding the academic co-operation of Estonia with China and Japan?**

After the respondents had described the general academic co-operation between Estonia and China/Japan, the representatives turned their attention to the aspects, which would need an improvement, if at all, in the academic co-operation between Estonia and China/Japan. In essence, it was agreed that Estonia needs experts on Chinese and Japanese related topics and should create more experts in the long-term.

Education plays a very important role in creating a sufficient number of people able to think about China and other Asian countries. As of now, we have only a handful of people who have expertise in Chinese politics and economy. I think that Asian-related education should be part of the general education. People should also be able to look outside of Europe. In other words, that people would not only have Western-centred thinking, but acknowledge rather that the world is much bigger. Certainly, there should be more master degree programs[related to Asia].

One respondent gave a suggestion how to improve the scientific co-operation between Estonia and China/Japan.

Estonia could try to improve its attractiveness to potential Chinese and Japanese students and scholars by augmenting its teaching and research levels in English language. Although internationalisation has been a standard part of strategic plan of almost all Higher Education Institutions in Estonia, there is more talk than action, which is due to a lack of resources. Fortunately, more and more Estonian universities are aware of various EU projects (Erasmus+,

Horizon 2020, Dora, etc) which provide funding to implement cooperation with universities outside Europe.

## CONCLUSION

The aim of this paper was to prove or disprove the following hypothesis: Estonian foreign policy towards China and Japan is lacking the geostrategic focus needed for benefitting from the potential relations with these two states sufficiently. What is more, the paper set the three research questions: firstly, what is the status quo of the relations between Estonia and China/Japan; secondly, what is the essence of the current Estonian foreign policy strategy towards China and Japan today based on the strategic papers and do they characterize the lack of geostrategic focus of Estonia in relation to these two states; and thirdly, how does Estonian strategy compare to Latvian strategy in relation to China and Japan and does Estonia have anything to learn from its neighbour's approach towards these two states? The author sought to research the current Estonian strategy towards China and Japan and evaluate its effectiveness of enabling Estonia to use the full potential from the relations with the two countries in North-East Asia. He did so by analysing the main strategic papers regarding Asia, including the most important one created in 2012 by the Foreign Affairs Committee of Riigikogu as well as interviewing high representatives from four different fields – Policy, Business, Media and Academia. From the analysis, the author concludes that given the rising geostrategic role of China and the relevant importance of Japan, Estonia lacks focus in the strategies created regarding these two states. Although the status quo of the relations between Estonia and China/Japan are positive and most of the suggestions regarding fields such as tourism, export(partly) and language teaching have been fulfilled from the main strategic report “Estonian interests and opportunities in Asia until 2025”, the paper concludes that many key issues still need to be addressed.

The EU's relations with China and Japan were also analysed and the problems residing with the EU were linked with the issue of lack of geostrategic focus Estonia has according to this paper. From the analysis, based on the works of Wong, Men and Söderberg, the paper suggests that the EU views China with more potential compared to Japan. This is due to the economic rise and potential of the state, which creates a lot of interest from the EU's side. Nevertheless, since EU has been advocating human rights and has different norms and values compared to China, it creates a dilemma for the Union - should it seek to continue its current approach, which hinders the development of relations with the rising power or should we put the commercial interests over forcing the norms and values on our partners. By choosing the latter path, the EU faces the loss of its 'foreign policy face'. By choosing the former path, the co-operation with China would not

develop on a maximum efficiency. The paper called it as a ‘identity crisis’ for the EU, which is also influencing Estonia in its relations with China. What is more, the paper noted that the multilateral channels of conducting relations with China and Japan have complicated matters for Estonia, since the state has been used to rely on the EU when it comes to negotiating major agreements with these two states. However, as the EU foreign policy is rather vague because of the different issues it faces and the 16+1 framework initiated by China is acting rather successfully, Estonia does not know, on which ‘channel’ can it rely on. Hence, it lacks the focus in the relations with China and Japan.

The author of this thesis took Latvia as a comparison for academic purpose and discovered that Latvia has a more focused strategy towards China, given that one sole paragraph was devoted to this state in the Latvia’s Foreign and Security Policy Yearbook 2017. Furthermore, this focus could be experienced also from the actions of Latvia in the 16+1 framework, most notably from the Latvia’s success of having its capital name in one of the key documents of the framework – the Riga guidelines. Yet, the paper concluded that Estonia seems to target Japan more compared to its southern neighbour.

Several key issues emerged from the analysis of the strategic papers as well as from the answers of the representatives. Hence, the essence of the Estonian foreign policy strategy towards China and Japan could be summed up by the following statement: it is a pragmatic strategy, which tries to achieve as much as it can with the resources it has. Yet, many suggestions need to be made, how to improve this pragmatic strategy. To start with, regarding the political suggestions to the strategy, then the public sector of Estonia could contribute more to the branding of the state in China and Japan. A widely known brand is essential for connecting to the people living in these two states, which in turn would provide an increase in tourism, export as well as foreign investments. What is more, the Ministry of Foreign Affairs should consider creating a separate action plan regarding China and Japan for the upcoming 5 to 10 years. This would result in a more concrete document, designed specifically towards both states, which would help to focus the ideas and goals bearing these countries in mind. In other words, one should identify, develop and promote areas/topics for a more comprehensive program for long-term cooperation with PRC and Japan together with all the parties involved. A clearer and discussed stance must also be taken in regards to the political views on Tibet for Estonia. When Estonia has state that it is following the ‘One China Policy’ the public actors of Estonia must adhere to this statement in order to avoid the political confusion and the negative impacts in relations between Estonia and China, as one witnessed in 2011. In addition, focus should be also put on doing more co-operation with neighbouring states (Baltic and Nordic

states) of Estonia when conducting relations with these two Asian partners. As Estonia is quite small in size, then politically and economically, it is often better to co-operate in a group to fulfil an agenda than alone. Finally, Estonia must assign more people who have an Asian-expertise into the development of the relations with these two states given the need for ‘cultural understanding’ when conducting relations with the two states in question. It is crucial that parallel to supporting the process of educating Asian-related experts, the state also finds ways how to implement them in helping the state to improve the relations, in this case with China and Japan.

Regarding the business-related suggestions, then Estonian businesses should consider doing business with small and medium-sized enterprises in China and Japan. This is beneficial, because even the largest companies in Estonia would be classified as small or medium-sized businesses in China or Japan. Thus, it is better to co-operate with companies at a similar size in the destination countries. In addition, Estonia must focus on exporting niche products, because it is hard to compete with other European markets in China and Japan. The relative size of the markets of China and Japan creates a situation, where it is impossible for the Estonian companies to supply enough products for the customers given the production capabilities of the companies here, in Estonia. Furthermore, Enterprise Estonia should give financial support only to businesses who have a long-term aim at doing business either in China or Japan. This should be done in order to avoid a situation where an enterprise request financial support from Enterprise Estonia, but does not commit long-term to doing business either in China or Japan, hence the support would be wasted in a sense.

When it comes to the academic and media-related suggestions, then the Government could contribute more for improving the public awareness of Asia by investing more funds into the Estonian National Public Broadcasting with the aim of sending a correspondent to one of the capital of an Asian state. This would be a feasible step to be taken in the timeframe of the next 10 years, given the natural growth in GDP for Estonia with every year. There is a need for a better database including all of the parties involved with China and Japan and it should be created. Although there exist such databases as of now, one of the representatives highlighted that do not serve the aim of increasing interconnectedness between the people who are dealing with the two states in question. Finally, one should develop the idea of publishing a Japanese study book in Estonian, which would help to teach this language to more people. As there exists a study book in Estonian for Chinese, it would be wise to also have studying materials in Estonian for Japanese language.

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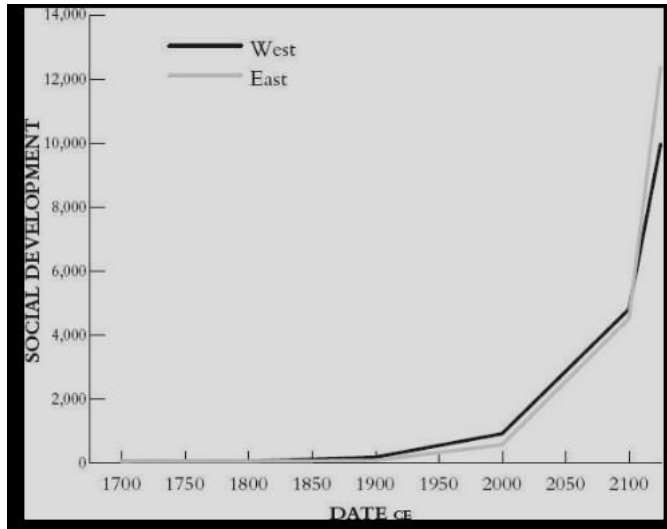


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# APPENDICES

## Appendix 1. Social Development score predicts Eastern rule by 2103 based on the data of XX Century



**Appendix 2. A table on number of representatives interviewed by cohorts**

Cohort		Number of representatives interviewed
Policy		3
Media		2
Business		4
Academia		6