

## **PAKISTAN IN NEED OF NEW FRIENDS: AN ANALYSIS OF RELATIONS WITH BALTIC STATES**

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### **ABSTRACT**

*The present work deals with the three Baltic republics (Lithuania, Estonia, and Latvia) in the context of relations with Pakistan. The goal of this study is to analyze the larger dimensions, creative role and importance of Pakistan's ties with the Baltic States in the international arena. This paper, in this sense addresses a research question of whether the Pakistan-Baltic ties have the potential for deeper and broader dynamics of their collaboration. No such open-source research papers have been found despite of official reports and news articles. The presented article is the first of its kind; therefore it fills the gap in the literature concerning the analysis of Pakistan ties with Lithuania, Estonia, and Latvia. Inferring recent media reports, news articles, official records and statistics, this article examines the trends in Pakistan-Baltic ties and assesses recommendations for the improvement in relations. Since geopolitically Pakistan is a very important country in the Eurasian chessboard, and on the other hand, the Baltic countries have been exemplary in their economic journey, this work holds significance as it provides necessary guidance for strategic cooperation. Under the EU's GSP Scheme, Pakistan has been approaching the Baltic markets through its exports however, the economic tides and turns in recent years show that still there is much more potential in full utilization of the tariff free scheme for Pakistan. Keeping in view all these economic and political factors, this study argues that the concept of Pakistan-Baltic ties should be more ingenious and inventive in its external dimension which is possible through creative diplomacy. This study will discuss in detail separately about Pakistan's relations with each of the Baltic State as each state presents a vital economic opportunity to Pakistan. The presented article will be an important and valued analysis for researchers and academic experts in the field of international relations; moreover this study will benefit the national and international think tanks and foreign policy experts and diplomats.*

**Keywords:** *Pakistan, Baltic States, Lithuania, Latvia, Estonia, Baltic region, GSP plus, Economic relations, Tariff free access.*

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## **1. INTRODUCTION**

Cooperation between Pakistan and the Baltic States has a special meaning. Being geographically rich and diverse in natural resources, both Pakistan and the Baltic region hold the potential for deeper and creative dynamics of their collaboration. Located at the eastern shore of the Baltic Sea, Latvia, Estonia and Lithuania are known in general as Baltic States and they are part of the Northern Central Europe. These countries adopted free market economy and reforms for trade liberalization since their independence from USSR, present day Russia, in 1991. In the same year, these countries established the Baltic Assembly as a forum for inter-parliamentary cooperation. The newly established framework of internal structure facilitated in applying for the membership of the European Union (EU) in 2002. However, at first they became the members of the North Atlantic Treaty Organization (NATO) on March 29, 2004 and then joined EU on May 1, 2004. Being part of EU, all the three countries have their Generalized Scheme of Preference Plus (GSP +) agreement with Pakistan that came in to force in December 2013 and became operational in January 2014. Standard GSP and GSP Plus are the trade schemes of EU that provide tariff free access to various products of developing countries in the European markets.

EU is Pakistan's largest export destination estimating about 6.64 billion euros of exports in 2021 which is double the estimates in 2013 (Pakistan, 2022). Pakistan maintain strong economic and trade ties with the Baltic States however, due to fragmented market structure, Pakistan mostly exports textiles to Lithuania, Estonia and Latvia. Nonetheless, the Baltic region also hold potential for exports of ceramics, footwear, surgical equipment, sports goods, confectionary, cereals, spices, animal fodder, plastic stuff and fruits. The Baltic region has great demand of knitted fabrics, knitted apparel and clothing accessories. Pakistani products due to their good quality have high demand in these markets. Pakistan and Baltic countries have recorded strong collaboration among each other by exchanging business delegations, and by enhancing trade ties in recent years. It are noteworthy that, in contemporary international relations and the global security arena, the creative involvement of diplomats, analyzing and understanding the interests and dynamics of their countries can result in the construction of effective cooperation platform. Pakistan and the Baltic region have the great opportunities to expand the development cooperation from textile to information technology, artificial intelligence and new trends in allied domains with strategic dimensions. Pakistan and Baltic States also connected with each other through Chinese Belt and Road Initiative (BRI), as Pakistan is an important partner of CPEC, the

flagship project of BRI and Baltic States are connected through New Eurasian Land Bridge which ran from China - Central Asia – Russia to Baltic Sea Corridor. In this paper, we analyze Pakistan's relations with the Baltic States from 2004 to 2021. During this time period, several key events occurred that impacted the relationship between Pakistan and the Baltic States, including the expansion of the European Union in 2004 and the signing of the Pakistan-EU Strategic Engagement Plan in 2019. To provide background information, we begin with a brief history of Pakistan's relations with the Baltic States, noting key agreements and diplomatic exchanges that have taken place over the years. We then focus on the post-2004 era, examining the ways in which Pakistan has sought to deepen its ties with the Baltic States through increased trade, cultural exchanges, and political cooperation. By narrowing our focus to this specific time period and providing relevant background information, we hope to provide a more comprehensive analysis of Pakistan's relations with the Baltic States.

### **1.1 Problem Statement**

Keeping in view the geographical importance of Pakistan and its hardcore potential as trustworthy trade partner in South Asian region and on the other hand, economically strengthened Baltic States, the concept of bilateral ties should be made more creative in its external dimension to provide a forum for the creative diplomacy where Pakistan can benefit and overcome the trade shortcomings. Although the potential for cooperation and collaboration between Pakistan and Baltic States exist, however; the current state of their social, economic and political relations remains understudied and under-explored.

### **1.2 Purpose and Scope of Study**

The purpose of this study is to fill this gap by analyzing the historical and contemporary dynamics between the relations of Pakistan and Baltic States, exploring the opportunities and challenges that exist in their ties and making recommendations for future engagement as well for the betterment of national economy. Through the comprehensive analysis of the available literature and data, this paper aims to contribute to a deeper understanding of the relationship between Pakistan and the Baltic states. The study will draw upon from the government reports, academic journals, scholarly articles, and news articles, also from the available insights on the subject matter. The research is limited to the period since the establishment of diplomatic ties between Pakistan and the Baltic States to the present and will not include detailed analysis of cultural exchanges or people-to-people relations between

Pakistan and Baltic States. This paper will identify areas for improvement and future cooperation.

## **2. RESEARCH METHODOLOGY**

This paper uses a mixed-methods research methodology, which combines both quantitative and qualitative research methods to provide a comprehensive and inclusive understanding of the state of relations between Pakistan and the Baltic states. For this study, the mixed-methods approach was chosen because it allows for the integration and incorporation of both numerical and non-numerical data to provide a more comprehensive picture of the research problem.

## **3. FINDINGS AND DISCUSSION**

### **3.1 Pakistan's Relations with Estonia**

The dissolution of USSR brought several newly independent countries to the map of Europe. Among these newly independent countries one was Estonia, a country that was historically ruled by Germans, Swedes and Danes, then became a Russian state in the year 1721 and remained so until declared independent on February 24, 1991 (European Immigration, 2007). Since independence and integration in the EU, Estonia has become economically successful (BBC, 2022). Estonia is located in Northern Europe and borders the Baltic Sea and the Gulf of Finland. It has a land area of 45,227 square kilometers and a population of 1.329 million people as of 2021 (Statistics Estonia, 2022). The Estonian economy has fared well since the global financial crisis, according to IMF evaluations.

Estonia's economy is heavily reliant on commerce, and its banking system is dominated by cross-border banking firms, making its economic fortunes largely dependent on external developments (Department of Foreign Affairs and Trade Government of Australia, 2022). It is a known fact that the foreign policy of any country is interwoven with its other areas of activity. Hence, in a bid to make the implementation of the foreign policy successful, it is necessary to address the functioning and clarity of the cooperation principles among all the stakeholders and the civil society sectors (Ministry of Foreign Affairs Republic of Estonia, 2022).

Furthermore, if we talk about the foreign policies of Pakistan and Estonia, the prime common objective found in between the two sides is security, stability of global relations and sustainable development. This common has always reflected between the ties of these two countries. Soon after the fall of USSR in the very early 90s and changing dynamics of Pakistan's geographical importance at that time, brought the two vulnerable countries in

contact in trade and economic realms. Pakistan recognized Estonia in 1992 and ever since, relations between the two have been friendly and fruitful. Although, there are no such high-level interactions between the two sides, nor they have embassies in their states, both have only honorary Consulates. However, major events have been witnessed when the Estonian government has been side by side with the Pakistani leadership and both countries have been partners through thick and thin. Estonia, being an economically stable country and a member state of the European Union, has always supported Pakistan in development assistance whenever needed. Estonian leadership stepped to stabilize Pakistan after the earthquake of 2005 and flash floods of 2010.

Moreover, Pakistan is recently going through harsh economic conditions due to natural calamities, Estonian provides 50000 Euros to International Federation of Red Cross and Red Crescent Societies as humanitarian and medical assistance. This gesture proved the Estonian's willingness to develop strong economic and political relations with Pakistan in the long term. Both Pakistan and Estonia relish robust and rigid trade relations. According to the figures, Estonia accounts for 0.05% of Pakistan's imports from the EU and 0.005% of total imports from the world. However, there is much more yet to be done in Pakistan-Estonia ties. The leadership of Pakistan must take effective steps to enhance trade with Estonia rather than limiting to textile and fruit exports. In these modern times, social media and e-commerce must be used as digital marketing and business tools to promote Pakistan's exports. Moreover, the country should provide scholarships to bright Pakistani students to study in advance Estonian universities to increase people-to-people contacts. In addition to this, the Pakistani diaspora living in Estonia must also be approached and should be used as a tool in encouraging 'made in Pakistan' goods through various means, as this could result in a major increase in foreign exchange.

### **3.1.1 Pakistan-Estonia Political Relations**

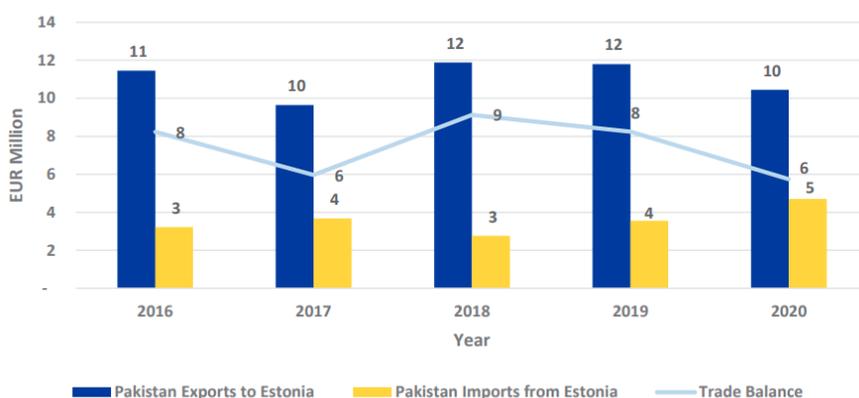
Looking at the political relations, the countries had inked an agreement to initiate the bilateral political consultations in late 2004. In trail of this agreement, three rounds of political consultations have been held so far (2005 and 2011 in Tallin, Estonia and 2007 in Islamabad, Pakistan). As per the Pakistan foreign ministry, the fourth round will be held in the Federal Capital, however, on a mutually agreed date (MOFA Government of Pakistan). The latest high-profile meeting was held on September 24th 2019 on foreign minister's level. Both Mr. Qureshi and Reinsalu discussed bilateral relations and ways to enhance economic ties. According to the official reports, Mr. Qureshi apprised Reinsalu about highlighting the civil rights abuses in Occupied

Jammu and Kashmir and also briefed him about Pakistan's stance towards Indian war crimes in the valley. Former FM, Makhdoom Qureshi reiterated that the world community must safeguard the people of the valley as well as respect for their rights and freedom. He also alarmed that India's illegal and unilateral actions had dangerously jeopardized regional and World security. He also emphasized the need of the international community aiding a peaceful resolution of the Jammu and Kashmir conflict. Moreover, the two sides agreed to enhance bilateral cooperation in all the areas of common interest (APP, 2019).

### **3.1.2 Pakistan-Estonia Economic Relations**

As a member of EU since 2004 and euro zone since 2011, Estonia enjoys the potential holder of modern market based economy and also one of the higher per capital income levels in both Central Europe and the Baltic Region (CIA, 2022). Although being economically successful, the country is highly dependent on trade. In addition to this, the country faces shortage of labor both skilled and unskilled despite amending immigration laws. However, this is where Pakistan can get a high advantage. The consulates in the respective countries can play a vital part in strengthening relationships and mutually benefiting the people on either side. The Pakistani leadership has granted non-residents 100 percent ownership of Estonian enterprises in order to improve and strengthen economic ties. In this regard, the Pakistani business community enjoys full access and representation in the European markets (KCCI, 2018). Under the EU's GSP Plus scheme, Pakistani products enjoy greater access to single market. However, as of 2020, Estonia was the 88th largest export destination for Pakistan outside the EU and the 23rd largest within the EU. Pakistan's exports are estimated to account for 0.19 percent of total Pakistani imports into the EU. Furthermore, according to available data, Estonia ranked 92nd among Pakistan's import sources and the 25th largest in the EU, accounting for 0.13 percent of imports from the EU (Pakistan Business Council, 2022). Pakistan has to work hard to improve the ranking.

Although as per the recent trades, there have been fluctuations in Pakistani export to Estonia, however there is a huge potential that Islamabad can utilize to enjoy full benefits of GSP+ and get perks of Estonian markets. Pakistan can export refined petroleum products to Estonia as well as expand the circle of textile exports. In addition to this, Pakistan can approach Estonian markets with effective export policy, strong strategic planning, innovation and mission, competitiveness of products, customer reach and effective market channels. According to World Bank (WB), Pakistan has annual export potential of 88 billion dollars (Ali, 2021), there is need to utilize it sensibly.

**Figure 1: Trade Trends in Pakistan and Estonia (2016-2020)**

Source: Eurostat

**Table no. 1: Pakistan's Top 10 Exports to Estonia**

S. No	Product Description	2018 (EUR Million)	2019 (EUR Million)	2020 (EUR Million)
1	Gloves, mittens and mitts, of leather	2.29	2.00	1.72
2	Cotton, carded or combed	1.06	0.73	1.19
3	Plain woven fabrics of cotton	0.73	0.60	0.94
4	Plain woven fabrics containing predominantly, but < 85% polyester staple fibers	1.13	1.15	0.74
5	Toilet linen and kitchen linen	1.04	0.97	0.74
6	Bedlinen, knitted or crocheted	0.29	0.72	0.59
7	Woven fabrics containing >= 85% polyester staple fibers by weight, unbleached or bleached	0.12	0.36	0.56
8	Woven fabrics containing predominantly, but < 85% polyester staple fibers by weight	0.18	0.66	0.42
9	Stockings, socks and other hosiery	0.47	0.29	0.39
10	Bedlinen of cotton	0.26	0.04	0.30

Source: PBC Report 2021 (Pakistan's Trade with EU and Its Member States)

**Table no. 2: Pakistan's Top 10 Imports from Estonia**

S. No	Product Description	2018 (EUR Million)	2019 (EUR Million)	2020 (EUR Million)
1	Light oils	0.38	1.82	1.76
2	Waste and scrap of iron or steel	0.15	0.11	0.87
3	Waste and scrap of aluminum	0.50	0.49	0.55
4	Waste and scrap of copper	-	0.01	0.25

5	Wood pulp	0.11	0.21	0.24
6	Peat	0.06	0.14	0.21
7	Machinery and for filtering or purifying gases	0.05	-	0.17
8	Clothing accessories	0.17	0.14	0.15
9	Tubes, pipes and hollow profiles	-	-	0.08
10	Particle board of wood	0.22	0.13	0.07

**Source: PBC Report 2021 (Pakistan’s Trade with EU and Its Member States)**

### **3.1.3 Estonia’s Humanitarian Assistance to Pakistan**

One of the main aspects of strong ties between Pakistan and Estonia is due to the fact that it has always been a vital partner to provide humanitarian assistance whenever needed in Pakistan. The latest that can be cited as the announcement of the Estonian Foreign Ministry (EFM) for the allocation of 50,000 Euros for the relief efforts in flood-hit areas of Pakistan. As South Asia, according to the UN, is a hotspot for climate change. People who live in these regions are 15 times more likely to perish as a result of climate change. Estonia intends to provide humanitarian assistance to the most disadvantaged groups through International Federation of Red Cross and Red Crescent Societies (IFRC) that brings together 192 national Red Cross and Red Crescent societies from around the world (Estonian National Broadcasting, 2022). This is not the first time that Estonia has stepped forward to assist Pakistan in crucial times. In 2010, when Pakistan was hit with flash floods, and nearly 30,000 homes were damaged all across Khyber Pakhtunkhwa, Southern Sindh, Southern Punjab and parts of Baluchistan; Estonia aided the country with 64000 euros through the United Nations World Food Program. The aid was part of the Estonian budget for development and humanitarian assistance (Relief Web International, 2010).

### **3.2 Pakistan’s Relations with Latvia**

Located in Eastern Europe, sharing its border with Estonia, Russia, Belarus and Lithuania, Latvia holds a strong profile in the European economy with exports that contribute more than half of its GDP. The country re-established its independence after the fall of USSR in 1991 later acceding to NATO and the EU in 2004 and euro zone in 2014. Despite of suffering with major financial blows during the recession in 2008 that led to unsustainable current account deficit and large debt exposure, still over the years Latvian leadership with assistance of EU managed for economic recovery by continued gains in competitiveness and investment opportunities (CIA, 2022). The economic problems in Latvia in the early years after independence were rooted in the industrialization and urbanization process which took place during the Soviet era. The fundamental change in ethnic balance in Latvia also took place

in these years was due to the immigration and deportation (Sten Berglund, 2004). Like its Baltic neighbors, Latvia also made rapid transition to the free market since 1990s (BBC, 2022). Amidst these political and economic tides and turns, Latvia and Pakistan held bilateral relations and each side has always re-affirmed its utmost support to enhance mutual cooperation. In the retrospect, this strong cooperation started soon after Latvia's independence from Soviet Union. Pakistan recognized Latvia on September 10, 1991, whereas diplomatic relations established in 1996. Since then, the two countries have maintained friendly ties. Latvia only maintains Honorary Consulates in Islamabad and Karachi. However, Pakistan doesn't have any Embassy and Consulate in Latvia. The matters are being looked after by embassies in Sweden, Poland and Denmark. Pakistan being geographically an important state in the South Asian region and Latvia in the Baltic, both countries hold huge potential for deeper economic and trade ties which is the need of time.

### **3.2.1 Pakistan-Latvia Political Relations**

Pakistan and Latvia enjoy strong political ties over the years by witnessing five successful rounds of Bilateral Political Consultations since the establishment of diplomatic relations in 1996. The most recent meeting between the leaders of Pakistan and Latvia was held on October 18th 2022 when Latvian Foreign Ministry's State Secretary, Andres Pelss welcomed non-resident Pakistani ambassador Dr. Khalid Hussain Memon on an accreditation visit. In the high-profile meeting, both leaders exchanged views on regional security and ways to enhance political ties between the two states. The diplomats debated the economic and trade potential of Pakistan and mutually agreed to enhance business as well as trade opportunities for business communities in Latvia and Pakistan. In addition to this, the diplomats agreed on intensifying the political dialogue between Pakistan and Latvia in a bid to develop and promote mutual understanding of regional and global security challenges. Joint cooperation in numerous international bodies, in particular the United Nations, was cited as an essential feature of the two countries' relations. Furthermore, the two sides stressed on the need for facilitation of economic contracts that would be beneficial for both (MOFA Government of Latvia, 2022). A year before, on the occasion of 25th anniversary of Pakistan-Latvia relations on April 13th 2021, the officials appreciated the long-term strong ties between the two countries. Moreover, the officials discussed matters of bilateral ties, ways to expand economic relations and provide large forums for investments (MOFA Government of Latvia, 2021). Prior to this meeting, Pakistan and Latvia held last round of political consultations in Latvian capital (Riga) in 2019 that discussed issues of mutual interest. Pakistan Diplomat

Zaheer Janjua, the Additional Secretary to Europe and Ambassador Janis Mazeiks, who is Under Secretary of State and Political Director, Latvian Foreign Ministry, led their respective delegations. The leadership conducted an in-depth assessment of diplomatic cooperation and highlighted potential areas of future engagement in political, trade & economy and in social sectors. Mr. Janjua highlighted Pakistan's monetary progresses, democratic improvements and future growth prospects, as well as the government's people-centric agenda and efforts to establish law and order.

He welcomed Latvian businesses to take advantage of Pakistan's investor-friendly policies. Mr. Janjua also highlighted Pakistan's stance on illegal occupied Kashmir, Indian aggression and its impacts on peace and stability in South Asia. The two sides also discussed the Afghanistan situation and mutually re-affirmed to work for its betterment. Moreover, leaders of Pakistan and Latvian delegation, in the fifth round of Bilateral Political Consultations expressed satisfaction on the cooperation level and agreed to support each other in future too (MOFA Government of Pakistan, 2019).

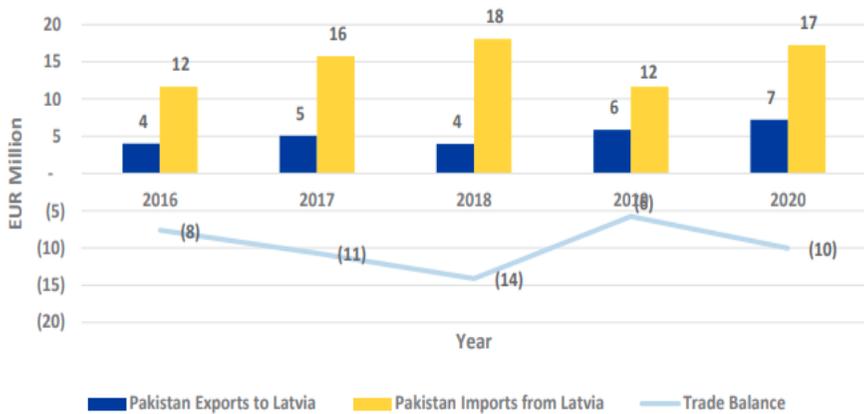
### **3.2.2 Pakistan-Latvia Economic Relations**

Looking at the trade picture of Pakistan and Latvia, the GSP Plus status given to Islamabad has played an instrumental role in enriching and extending the economic relations between the two sides. A huge potential to penetrate the Latvian markets by full utilization of GSP Scheme still persists. However, trade ties between Pakistan and Latvia since establishment of their diplomatic missions have been a win-win situation for both sides (KCCI, 2015). Since the inception of relations Pakistan's exports increased at an annual rate of 37.5% from \$6.66k in 1996 to \$13.9m in 2020. While Latvian exports increased at the rate of 43%, from \$6.09k to \$46.7m. Latvia has also been exemplary in economic recovery after the corona virus outbreak. Dispute being a small country, the country managed to overcome the financial blows by effective economic strategies, the fiscal policy handled the rising health challenges and protected jobs and reduced the poverty especially among the elderly (OECD, 2022). It is noteworthy to mention here that driven by private consumption and exports, the economic growth has witnessed remarkable pick up at the start of 2022. The increasing commodity prices are projected to enhance Latvian exports of wood products, offsetting some of the negative consequences of Russia's incursion of Ukraine (European Commission, 2022). The effective strategies implemented by Latvia to overcome the economy crisis set an example for Pakistan to tackle the current financial crisis. Hence, keeping in view the trade prospective, it is vital for Pakistan leadership to enhance exports to the Latvian markets that are witnessing higher stability trends. Food, timber and wood

products, metals, machinery and equipment, and textiles are Latvia's principal export goods(Trading Economics, 2022).

Latvia provides steel, textile goods, rubber, aluminum, and machinery among things to Pakistan whereas it imports cotton, staple fibers, and furniture etc. Latvia was Pakistan's 78th major export market in 2020, as well as the 24th largest export market within the EU. Pakistani exports to Latvia amounted for 0.13% of overall Pakistani imports into the EU. Latvia placed 55th in Pakistan's import sources, while Latvia was the 19th largest import source in the EU in 2020, contributing for 0.48 percent of EU imports.

**Figure 2: Trade Trends of Pakistan and Latvia (2016-2020)**



**Source: Eurostat**

According to the data of Observatory Economic Complexity (OEC), in 2020 Latvia ranked 74th in the world in terms of total exports and 75th in terms of total imports. Latvia imports mostly from Lithuania, Russia, Germany, Poland and Estonia. Whereas Latvia exports mostly to Lithuania, Estonia, Russia, Germany and the United Kingdom (The Observatory of Economic Complexity, 2022), means most of the trade with neighboring countries. On the other hand, according to the Economic Complexity Index, in 2020 Pakistan was at the 93rd position in terms of GDP, whereas 65th in total exports and 49th in total imports, 168th in GDP per capita.

Pakistan mostly imports from Saudi Arabia, China, US, UAE, and Indonesia. The top exports of Pakistan are Rice, Knit Sweaters, Non-Knit Men and Women Suits and House Linens. Whereas UAE, US, UK, China and Germany are the top most export destinations of Pakistan (The Observatory of Economic Complexity, 2022).Means most of the trading partners are from far flung areas.

**Table no.3: Pakistan's Top Ten Exports to Latvia**

S. No	Product Description	2018 (EUR Million)	2019 (EUR Million)	2020 (EUR Million)
1	Printed Cotton Bedlinen	0.65	0.71	2.72
2	Cotton Bedlinen	0.23	0.41	0.62
3	Toilet and Kitchen Linen and similar fabrics	0.68	0.89	0.46
4	Rice	0.33	0.49	0.38
5	Bedlinen	0.29	0.39	0.33
6	Woven fabrics of cotton dyed	0.11	0.27	0.32
7	Woven fabrics of cotton unbleached	-	0.03	0.29
8	Leather gloves, mittens and mitts	0.28	0.40	0.28
9	Cotton	-	-	0.26
10	Plain woven fabrics of cotton	0.28	0.41	0.21

**Source: PBC Report 2021 (Pakistan's Trade with EU and Its Member States)**

Pakistan's exports to Latvia are ¼ of Latvian exports to Pakistan in terms of value. Pakistan mostly exports textiles, footwear and fruits, while Latvia exports chemicals, machinery, metals, and minerals which are considered as value added products at some sort.

**Table no. 4: Pakistan's Top Ten Imports to Latvia**

S. No	Product Description	2018 (EUR Million)	2019 (EUR Million)	2020 (EUR Million)
1	Waste and scrap of iron or steel	12.11	6.24	10.70
2	Rails of iron or steel	1.31	0.18	2.27
3	Fir and spruce plants	1.83	2.75	2.02
4	Generating sets with compression-ignition internal combustion piston engine	-	-	0.43
5	Peat	0.22	0.26	0.43
6	Small machines	0.22	0.31	0.30
7	Pine	0.60	0.31	0.20
8	Medicaments	0.02	0.11	0.10
9	Apparel and Clothing accessories	0.08	0.09	0.09
10	Instruments for detecting ionizing radiations	-	-	0.09

**Source: PBC Report 2021 (Pakistan's Trade with EU and Its Member States)**

The foreign policy of both Pakistan and Latvia has been providing a case of balanced policy between political situation and economic wisdom. In the current times, where at one end in the South Asian region where Pakistan is suffering from economic crisis due to playing a part as a frontline state for

its main allies, specifically the United States, it is essential to increase the trade partners that could benefit Pakistan in longer term. On the other hand despite the need to increase trade partners, Pakistan must learn lesson from Latvia, to enhanced trade with neighboring states because regional trade is always beneficial for all the trade partners it brings not only peace and stability in the region but also reduced the trading cost.

### **3.3 Pakistan's Relations with Lithuania**

Home to around 2.8 million people as of 2021 (World Bank, 2021), Lithuania is the largest country in the Baltic region and developed strong foreign policy muscle since its independence from USSR while demonstrating a leadership role on global geo-political issues. To overcome the economic recession of 2008, the governments of Lithuania have been working relentlessly to attract FDI, establish export markets, and pursue immediate economic reforms. Thus, resulted in becoming the fastest growing economy in the EU. Inflow of the foreign direct investment and corporate assistance has aided the transition from the old command economy to the market economy (Baltic States - An Untapped Venue for Enhancing Pakistan's Exports, 2018). The Lithuanian case of external relations policy making has been a balanced presentation between interests backed and principles led foreign policy that has borne fruit on the global arena (Bankauskaitė, 2022). Similar is the case with relations of Pakistan and Lithuania. Despite of the fact that there have not been frequent high-level meetings between the leadership of both sides, nevertheless Pakistan and Lithuania enjoy economic and political ties. Pakistan recognized it in 1991 and launched diplomatic relations in 1994. Honorary Consulate Generals in Vilnius and Islamabad were open. The Pakistani Mission in Minsk supervised the Consulate while Lithuanian Ambassador in Ankara looks after the Consulate in Islamabad. Pakistan and Lithuania has friendly relations in all areas of mutual interest. Although struggling with financial crisis in the post pandemic time period and after devastating floods, Pakistan has been keenly working to revive itself as a key trade partner on international forum. In this regard, Pakistan has to expand its trade potential and turned Lithuania into a key ally to increase economic ties. As Pakistan has been creatively planning to become business center through CPEC in the South Asian region it is necessary for Islamabad to impale in Baltic markets.

#### **3.3.1 Pakistan-Lithuania Political Relations**

Since the establishment of diplomatic relations between Pakistan and Lithuania, both have witnessed very few of high political engagements. A total of six rounds of bilateral political consultations have been held to date with 6th

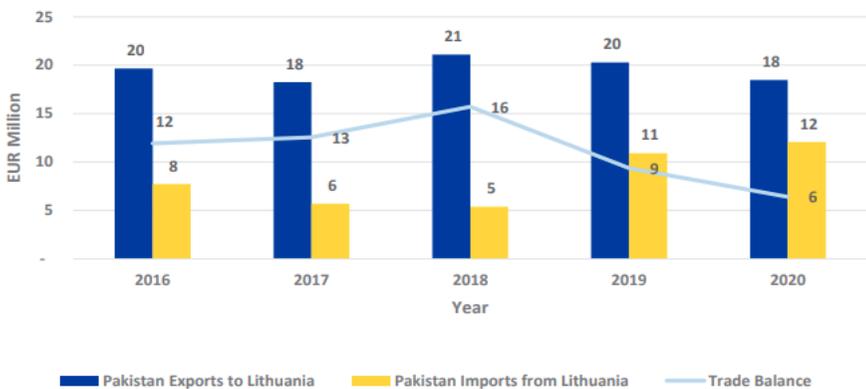
meeting reported to be held back in late 2018. Ambassador Zaheer Janjua led the Pakistani delegation whereas the Lithuanian delegation was led by Ambassador Eduardas Borisovas. In the most recent meeting that was held in Islamabad, both sides reviewed the progress made on the decisions of the fifth meeting. Also, the two sides agreed to strengthen the political consultations for longer and fruitful ties. The leaders on both sides evaluated all aspects of diplomatic cooperation and recognized openings and prospects for future coordination, particularly in economy, industry, academia, art, political exchanges, and people-to-people interactions. The leaderships discussed joint efforts at global forums, including the United Nations, and pledged to strengthen it. They underlined their contentment with the improvement of security cooperation and pledged to strengthen collaboration in all areas of mutual interest. Pakistani leaders informed Lithuanian side about latest developments in the region, particularly about Kabul, Indo-Pak ties, and Indian atrocities in Occupied Jammu and Kashmir. The leadership of Lithuania provided an update on the situation in Baltic States as well as ties with neighbors (6th Round of Pakistan-Lithuania Bilateral Political Consultations, 2018).

Previously, the fifth round of meeting which was held in Vilnius in 2017, both sides agreed to strengthen cooperative relations, particularly in the areas of commerce, business, power, capital, computer technology, research & engineering, education, art, and politics. The parties also discussed regional and global issues, and mutually decided to continue working together at multilateral for a (5th Round of Pakistan-Lithuania Bilateral Political Consultations, 2017). Fourth meeting was held in 2014. The discussion reviewed the prospects of partnership in business, trade, and transportation, as well as the possibility of negotiating special treaties. The meeting attendees highlighted topics of mutual interest and praised the expansion of Lithuanian-Pakistani commercial ties (Fourth Lithuania-Pakistan political consultations held in Islamabad, 2014). In 2012 the third round of bilateral political consultations were held to create more vacuum for trade opportunities (The Lithuania-Pakistan Bilateral Consultations Focus on Furthering Development, 2012). In the second round in 2005, the two sides consulted on the principal aspects of Pakistan-Lithuanian cooperation (Lithuanian and Pakistani MFA held Consultations on the Most Important Aspects of Bilateral Relations, 2005). Lithuania and Pakistan closely cooperate mutual ties and multilateral matters. The Bilateral Political Consultations provide a vital platform for the purpose of reviewing progress in different fields and highlight the prospects for enhanced cooperation in future.

### 3.3.2 Pakistan-Lithuania Economic Relations

Pakistan and Lithuania have made strong trade linkages over the years since the establishment of diplomatic ties. Both countries practice rigid institutional mechanisms in the domain of economic and trade cooperation. The basic binding of economic ties between the two countries is the abidance of GSP Plus scheme. Over the years, although there still much more could have been done by fully utilizing the scheme to increase exports to Lithuania, however, the balance of trade has been in Pakistan’s favor (Global and Regional Issues, 2022). Honey, textile articles, clothing, pharmaceutical products, eggs, edible animal products, cotton, electrical and electronic equipment are the major trading commodities between the two countries. As per the official data, the exports to Lithuania declined to 6.84% in the year 2017 against the exports of 2016, whereas imports also witnessed downward trend of 21% from Lithuania (Baltic States - An Untapped Venue for Enhancing Pakistan's Exports, 2018). However, in the year, the total bilateral trade between Pakistan and Lithuania accounted for nearly \$48 million with Pakistan’s exports estimated as nearly \$42 million and imports at nearly \$6 million (Global and Regional Issues, 2022). Things went well for both the countries in the year 2020. Lithuania became the 60th biggest destination of exports for Pakistan outside EU whereas 20th largest within the EU. As per data of statistics bureau, the exports to Lithuania estimated at 0.34% of total European Union imports from Pakistan. The recent data shows that Lithuania ranked at 80 in imports sources of Pakistan.

**Figure 3. Trade Trends of Pakistan and Lithuania**



Source: Eurostat

**Table No. 5: Top 10 Exports from Pakistan to Lithuania**

S. No	Product Description	2018 (EUR Million)	2019 (EUR Million)	2020 (EUR Million)
1	Rice	1.79	1.37	2.61
2	Cotton Bedlinen	1.56	1.41	1.78
3	Woven fabrics (Plain)	2.37	2.37	1.39
4	Woven fabrics (Cotton, Bleached)	1.44	1.23	1.34
5	Woven fabrics (Cotton, Un-Bleached)	0.45	0.53	1.25
6	Leather gloves and mittens	1.33	1.52	1.08
7	Knitted/Crocheted Bedlinen	0.86	0.90	0.87
8	Fabrics (Woven)	0.75	0.84	0.78
9	Toilet and Kitchen linen	1.65	1.43	0.74
10	Woven fabrics weighing <= 200/gm <sup>2</sup>	0.83	0.93	0.47

**Source: PBC Report 2021 (Pakistan's Trade with EU and Its Member States)**

**Table No. 6: Top 10 Imports from Lithuania to Pakistan**

S. No	Product Description	2018 (EUR Million)	2019 (EUR Million)	2020 (EUR Million)
1	Waste/scrap of iron or steel	0.25	1.62	3.49
2	Parts of aircrafts or helicopters	0.11	2.42	2.58
3	Clothing accessories	1.27	1.26	1.08
4	Medical appliances	0.72	1.14	0.76
5	Radio navigational aid apparatus	0.19	0.83	0.73
6	Flax	0.87	0.39	0.28
7	Lasers	0.29	-	0.28
8	Chemical Fertilizers	-	0.19	0.24
9	Milk and Cream	-	0.47	0.23
10	Machinery electrical parts	-	0.05	0.22

**Source: PBC Report 2021 (Pakistan's Trade with EU and Its Member States)**

There is a huge potential of enhancing trade between Lithuania and Pakistan. Items like plastics, animal fodder, and leather can be exported to Lithuania which would ultimately benefit the economy of Pakistan.

### **3.3.3 Lithuania's Humanitarian Assistance to Pakistan**

The government of Lithuania has played its vital role in humanitarian assistance to Pakistan back in 2010, when the country witnessed huge floods affecting around 20 million people. The flood caused loss of billions of dollars through damaging infrastructure, agriculture, housing and other family assets (Pakistan: Flood Impact, 2011). At that crucial time, Lithuania was among the key countries that stepped forward for assistance to Pakistan. To alleviate the flooding effects in Pakistan, the Lithuanian government provides huge number

of tents and tent warmers from the national stockpile of civil protection resources managed by the Fire and Rescue Department. The shipment was projected to be 14500 Euros. Lithuanian foreign ministry and Lithuanian embassy in Denmark coordinated the aid effort(Lithuania's Ministry of Foreign Affairs Is Taking Care of The Humanitarian Aid Consignment to Pakistan, 2010).

#### **4. CONCLUSION AND RECOMMENDATIONS**

Pakistan's relations with Baltic States have grown under the shadow of intense and stogy changes in the geopolitical competition and declining regional security in South Asia over the years. This fact cannot be denied that in these two decades, Islamabad struggled for its economic survival as a consequence for playing its diminished role as a frontline state in America's war on terror in Afghanistan and the rise of Indian power in Asia. These have affected Pakistan's relations with its European allies. Initially, the role was believed to be central but with time, the Pakistani leadership realized about the Western interests towards Indian hegemony in the region. The award of GSP+ Scheme to Pakistan has been the key to weather the economic storms by getting free access to the European markets. Perceived as a single market, Latvia, Lithuania and Estonia have been the notable export destinations for Pakistan. However, since the establishment of Pakistan's ties with Baltic States, limited number of political engagements has been recorded whereas the major part of the relations has been trade-centric. However, there is a lot more that can be done to enhance the cooperation of Islamabad with Baltic region. For nearly two decades, Pakistan has been facing energy shortage and still the country struggles to fulfill the energy demands. The Baltic States, by being the fast-growing economies of the EU should be taken as essential opportunity to meet energy demands. As Islamabad is exploring all the options to increase the output of energy, the Baltic States could be most favorable venue because of their high production of solar panels.

Furthermore, there is a need of proper embassies rather than honorary consulates that could enhance the diplomatic missions between the two sides. In addition to this, the geostrategic importance of Pakistan as the leading Islamic nuclear power and especially its geo-economic position following the US withdrawal from Afghanistan, the Baltic States must take this opportunity to increase ties with Pakistan. Given this, as a recommendation, there is a need for better export strategy and diversification of export items to the Baltic region should be a top most priority. Pakistan must act out of its comfort zone and expand the circle of exports to EU and the Baltic States rather than limiting itself mainly to textiles. Since the country is rich in resources, the government should make plans to export value added products. The businessmen from

Pakistan must pay frequent visits to further explore the Baltic markets that could be filled with Pakistani exports. Exchange of business delegations to and from the Baltic States, as well as the development of market links, will indeed help to boost bilateral commerce and collaboration between Pakistan and these countries. From this point of view, the carried-out research indicates that apart from the adopted strategies, plans, and ambitions, the main matter is the creative and effective involvement of diplomats, the creative involvement of diplomats can serve the main role for enhancing mutual ties between Pakistan and Baltic states, which is eventually need of the time as well.

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