



Kaunas University of Technology
Faculty of Social Sciences, Arts and Humanities

**ASPECTS AND MITIGATION MEASURES OF
POTENTIAL RISKS OF FOREIGN ECONOMIC
INTERVENTION DISRUPTING LITHUANIAN STATE
ECONOMIC SECURITY**

Master's Final Degree Project

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Summary

This final project explained relevant theories of Economic Security in order to construct a definition State Economic Security consistent with modern academic literature and understandings. For this project State Economic Security is defined the protection of a given national economy from sudden intentional non-military disruptions to its economy caused by a foreign state or nonstate actor for the purposes of influencing the target state's policy'. Lithuania's State Economic Security is primarily shaped by state-to-state tensions between the Lithuanian government and the Russian Federation, and to a lesser extent Belarus and China. Threats to Lithuanian State Economic Security include proportional and scare resource and proportionally asymmetrical trading relationships, foreign ownership of key infrastructure and financial sectors. The article then compared Lithuanian State Economic Security with 23 other *Similarly Situated States*. Similarly Situated States are democratic states with a population greater than one million which have a tense political relationship with at least one close trading partner. The comparison found that three distinct groups of Similarly Situated States exist, the first group is most similar to Lithuania and consists of post-Soviet democracies which have political tensions with Russia. The second group is comprised of states which have tensions with China due to sovereignty or human rights issues. States in this group are found exclusively in Asia and Oceania. A third final group consists of States which have proprietary political tensions with various states and Latin American states which Tense Trading relationships stemming from Pan-American regional political disputes. Lithuania has the highest per capita GDP in the Post-Soviet Democracies group and is near the ranks near the median of all three groups on most other socio-economic indicators. The paper finally compared Lithuania with the other countries using quantitative composite State Economic Security resilience indicators in addition to the country specific State Economic Security situation in three of the states. The quantitative review found that Lithuania scores near the median of State Economic Security resilience indicators and is has the second highest level of latent state economic resilience in the first group, scoring slightly behind Estonia. The country specific review compared the circumstances in Lithuania to those in South Korea, Taiwan and Georgia. Section revealed that individual and regional circumstances enhance Lithuanian State Economic Security in comparison to the other 22 countries. The review also showed that Lithuanian State has economic conflicts more significant trading partners than any of the other countries reviewed.

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List of abbreviations and terms

CIS – Commonwealth of Independent States

EU – European Union

Eurozone – Member states of the European Union who use the Euro as their currency

FDI – Foreign Direct Investment

IMF – International Monetary Fund

NATO – North Atlantic Treaty Organization

OPEC – Oil Producing Exporting Countries

PPP – Purchasing power parity

PRC – Peoples Republic of China

SSS– Similarly Situated State

TTP– Tense Trading Partner

US – United States

USMCA– United States-Mexico-Canada Agreement, Free trade agreement between the United States, Mexico and Canada

USSR– Union of Soviet Socialist Republics, the Soviet Union

INTRODUCTION

Actuality of Final Project:

In late 2016 China implemented a sudden increase in tariffs on goods coming across the border from its northern neighbor, Mongolia. This decision immediately impacted the Mongolian economy where exports to China account for more than half of the country's GDP. The message was clear Mongolia's decision to invite the Dali Lama, the Buddhist spiritual leader and Chinese labeled separatist had crossed a political 'red line' which would have economic consequences for Mongolia. Weeks later Mongolia promised never to invite Dali Lama again and Chinese officials stated that they hoped Mongolia had 'learned their lesson'. This is one of the many instances where a smaller democratic country changed a political stance in order to appease a larger trading partner because of threats to State Economic Security. As a small state whose closest trading partner is also a political rival State Economic Security is a constant concern for policy makers in Lithuania.

State Economic Security is essential an essential goal for of every modern state. In a democratic State an economic recession caused by foreign sanctions can topple a government or ruling coalition while economic calamities in authoritarian states can weaken the entire regime. Due to the importance of economic security for the maintenance of state power sanctions have been a common foreign policy too used by state to pressure political rivals. In more recent times State Economic Security can be put at risk not only through state-based sanction but also because of the actions of non-State Actors such as corporations, terrorist groups and most recently hackers.

The modern concept of State Economic Security became important to western academics in the early 1970s. Specifically western state became more concerned with economic coercion after an oil crisis in 1973 which drained the United States and several other Western economies of their life blood. The oil crisis occurred in 1973 when Arab states in the Organization of Oil Producing Exporting Countries (OPEC) decided to boycott the United States and other western countries who sided with Israel in the 1973 Arab-Israeli war.¹ The boycott disrupted the United States economy and caused fuel shortages across the country. In the aftermath of this disruption, Energy Security and Economic Security were recognized as essential elements of any national security policy. States now accept that they must consider where vital supplies are imported from and which export markets could be cut off through sanctions so that they can ensure that other states and non-state actors cannot extract political concessions by threatening a state's economy.

Lithuanian State Economic Security is an important example of how a relatively small democratic country can respond to economic tensions with a larger trading partner. While no two countries have the same economy or experience the same position in international relations, there are many other small states in a similar situation to Lithuania. All other post-Soviet democracies experience similar economic security challenges in the Eurasian Region. In Asian and Oceania many democracies must balance the benefits of trade with China's economic powerhouse against China's willingness to use its economic leverage to influence domestic policies.

¹ U.S. department of state. (n.d.). Oil Embargo, 1973–1974. Retrieved March 28, 2021, from <https://history.state.gov/milestones/1969-1976/oil-embargo>

Many other democracies around the world experience local political conflicts which exhibit these same dynamics within bilateral relationship. Morocco has a significant territorial dispute with Spain, the North African state's largest trading partner, Bolivia's former president Evo Morales and his subsequent ouster have given the country's larger trading partners, Argentina and Brazil. Historical examples also include economic relationships between Apartheid South Africa and democracies in Sub-Saharan Africa. Despite the many examples of small state relations with a larger economic powers, academics have struggled to construct a concrete conceptualization that explains what constitutes State Economic Security and how it is different from other economic goals.

Scientific literature on the concept has taken many approaches to the task of constructing such a concrete model. In 1945 near the end of World War II, Albert Hirschman explained how states like Nazi Germany can engage in "economic aggression". Hirschman also outlined what steps states could take to mitigate the risk of Economic Aggression through state action. Barry Buzan synthesized Economic Security into a global system of national Security, with states competing to ensure their own National Security (1983/1991). Drezner, D. W. (2003) explained how states can use the threat of sanctions that would disrupt Economic Security to extract concessions. More recently, Andruseac (2015) revised these analyses to account for the role of nonstate actors. Other academics have applied the concept of Economic Security to individuals or local communities rather than states.

Hacker, J. S., Huber, G. A., Nichols, A., Rehm, P., Schlesinger, M., Valletta, R., & Craig, S. (2014) constructed the widely used measure, the Economic Security Index, which is used to measure Economic Security at the community level. Mkrтчyan T. M. (2015) distilled State Economic Security into five functions, protective, regulatory, warning, innovative, and social functions. Grigoreva, E and Garifova, L explained the connection between state institutions and individual Economic Security.

Other academics have studied Economic Security in the context of European Union membership. Ignatov, A. (2020) examined the role of entrepreneurial performance in the context of EU-wide Economic Security. Inna Gryshova and other researchers examined how Economic Security in Ukraine and the EU affects sustainable development. Several researchers have focused on Economic Security in Lithuania in particular. Žaneta Simanavičienė and Andrius Stankevičius (2015) addressed the connection between Economic Security and national competitiveness in the Lithuanian context. Finally, Simanavicius, A, Simanavičienė, Ž Subonyte, J. and. addressed the perception of Economic Security in Lithuania (2019).

Scientific originality of the final project:

Economic Security has been a central subject of study within the field of international relations in the last five decades. While there is an abundance of research that establishes general theories for how individuals, communities, and states can achieve Economic Security, more research is needed to explore how bilateral trade with a Tense Trading Partner can influence Economic Security. No other study could be found which conducts a comparative analysis of Economic Security in similarly situated states based on their respective bilateral trading partners. There are also very few studies that compare relative levels of State Economic Security through both a quantitative and country-specific lens. By using both a quantitative and a qualitative lens, the final project allows a wholistic comparison of State Economic Security. This final project attempts to fill more general gaps in the literature through a study of State Economic Security in Lithuania compared to Similarly Situated States, focusing on the risks and rewards of its asymmetrical trade with potential rivals. This project

contributes to the body of academic literature on Lithuanian Economic Security in particular and Economic Security in general.

The problem of the final project:

What actions can the state of Lithuania take to improve its national Economic Security in the case of economic sanctions?

The aim of the final project:

To identify aspects and mitigation measures of potential risks of foreign economic intervention disrupting Lithuanian state economic security.

The object of the final project:

Lithuanian state Economic Security.

Tasks of the final project:

1. To explain the relevant theories of Economic Security in general and State Economic Security in particular in order to construct a definition of State Economic Security consistent with the academic literature.
2. To examine Lithuania's level of State Economic Security using the constructed definition of State Economic Security.
3. To examine Similarly Situated States and their bilateral trade characteristics focusing on bilateral trade with tense trading partners.
4. To compare Lithuania's level of State Economic Security and economic security strategy with other Similarly Situated States.

The methods of the final project:

1. The descriptive method is used to analyze data related State Economic Security to contemporary Lithuanian State Economic Security and Lithuanian response to potential threats to state Economic Security, as well as the relationships between international index values and State Economic Security.
2. The additive aggregation method is used to compile data from international indexes related to State Economic Security
3. The comparative analysis method is used to compare academic literature and state policy documents relating to Taiwan, South Korea and Georgia's response to potential threats to State Economic Security.

Practical significance of the final project:

This final project is valuable for academics, policymakers, and other individuals studying Economic Security generally or with Lithuanian national Security in particular. This project also provides a quantitative methodology that readers can use to study the State Economic Security of Similarly Situated States. The Analysis of Lithuanian State Economic Security and the Country specific Analysis of Georgia, Taiwan, and South Korea State Economic portion provides readers with an overview of threats to State Economic Security in these countries. This information can be helpful for policymakers attempting to design policy interventions that will make Lithuania or other Similarly Situated States more economically secure. This literature will also be beneficial to future academics seeking to compare State Economic Security between different groups of states.

Structure of the final project:

This final project can be broken down into four chapters which are further subdivided into sections. The first chapter defines the term ‘State Economic Security’ and examines academic theories related to economic security. The three sections in the first chapter compare Human Security and State Economic Security, examine the relationship between macro-economic stability and economic security, and explain academic literature on economic coercion as a threat to Economic Security. The second chapter examines State Economic Security in Lithuania. The analysis explains the history of economic security in Lithuania as well as contemporary threats to State Economic Security in Lithuania. The third chapter examines the economic characteristics of ‘Similarly Situated States in comparison to Lithuania. The chapter begins by using a complex methodology to select other states that are democratic and have a tense political relationship with a close trading partner. The states are then broken down into three groups of states. The chapter then examines the macroeconomic and trade conditions of each Similarly Situated State. Finally, the fourth chapter examines the country specific and quantitative factors that influence State Economic Security in the Similarly Situated States. The States’ latent level of State Economic Security is quantitatively measured and compared through three composite Resilience Indicators. Country specific factors influencing State Economic Security in Taiwan, South Korea, and Georgia are compared to similar factors that influence Lithuanian State Economic Security.

1. EXPLAINING RELEVANT THEORIES OF ECONOMIC SECURITY TO CONSTRUCT AN ACADEMIC DEFINITION OF STATE ECONOMIC SECURITY

While the concept of State Economic Security appears to be simple on the surface, there is no bright-line distinction between a high degree of State Economic Security and a strong economy generally. This chapter reviews the academic literature on economic security generally as it applies to all states and individuals in order to provide a definition that can be used to systematically study State economic security in the context of national security. State Economic Security relates to the risk of sudden subversive actions by outside actors, which could disrupt a state's economy and the human security of its population. Such subversive actions can take many forms depending on the context, and nearly every article which discusses the topic explains their own definition of the concept.

For example, Giacomo defines Economic Security as economic sanctions in terms of threats to imports to differentiate the danger of economic sanctions from other economic phenomena (1988). Another academic article on the topic argues that Economic Security should be considered as a “framework to encourage and empower all peoples – regardless of their nationalities and localities – to harness their full potential towards building, sustaining and developing their economic foundations and well-being” (Tang, 2015 p. 42). The International Committee of the Red Cross defines Economic Security as “the ability of individuals, households or communities to cover their essential needs sustainably and with dignity”.² If one were to combine all of the academic definitions of economic security in use, the concept would be unworkably broad, something like; *Economic Security is the condition of having a good economy for all stakeholders*. Instead, any academic study of the topic must use create a definition which will necessarily exclude some facets of economic wellbeing which are considered economic security in other literature.

Several Academics in the field have noted that research definitions of Economic Security must be constructed with care so that they are neither so broad that they would encourage policymakers to attempt to protect against every economic fluctuation nor so narrow so that they are not relevant to the subject of study (Buzan, 1983; Nesadurai, 2005). For example, the Covid-19 pandemic has undermined economic security at all levels in the worst-hit countries, which reduces state revenues and mandates increased spending. Similarly, if a large employer decides to shut down an office in a country, this could increase the unemployment rate, undermining economic security. While these threats undermine economic security, measures to prevent such adverse outcomes fall under the purview of other sections of the government and should not be addressed as national security concerns.

For this project, State Economic Security is defined as the protection of a given national economy from sudden intentional non-military disruptions to its economy caused by a foreign state or nonstate actor for the purposes of influencing the target state's policy. This definition excludes military interventions, trade disputes, and natural disasters. This narrow definition requires the following three elements in order for a possible economic disruption to be deemed a risk to State Economic Security:

² ICRC. (2015). What is Economic Security? para. 1 <https://www.icrc.org/en/document/introduction-economic-security>

1. The action has potential to disrupt the state's national economy;
2. The action is designed to influence a particular state policy;
3. The action is not military in nature

The first required element means that the disruption should have an impact on the national economy rather than a single region or municipality. For example, in the Lithuanian context, this would exclude threats to discourage tourism to a particular destination which would not cause a significant disruption in the Lithuanian economy as a whole. The second required element excludes natural disruptions which impact the national economy or foreign actions which are not primarily intended to influence the national economy in a given country. For example, while Brexit had a significant impact on several European Union countries' economies, this would not be considered a State Economic Security event because the UK did not intend to change the political positions of any EU member state by leaving the block. Finally, the third criterion removes threats that are military as opposed to economic in nature. For example, a war between North and South Korea would drastically undermine economic security in South Korea, and the North Korean regime may use the threat of war to seek concessions, but this threat is military in nature, so it would not be considered a threat to State Economic Security. All three of the criteria can encounter edge cases, such as when a foreign state has mixed motivations for an act that undermines State Economic Security; these cases are examined on a case-by-case basis.

The above definition and State Economic Security criteria are based on reputable academic literature, focuses on the State's perspective, and are narrow enough to be useful for study. In order to fully explain this definition, this review is broken into three sections. The first section will compare State Economic Security and individual Economic Security. The second section will examine the connection between Economic Security and macroeconomic stability. Finally, the last section will examine economic coercion as a threat to State Economic Security

1.1. Comparison of State Economic Security and Human Economic Security

The concept of Economic Security is closely related to Human Security; some reports even use the two terms interchangeably. Human Security is similar to Economic Security because it also utilizes a definition that can extend to all aspects of human life unless narrowed. The study of Human Security dates back to a 1994 report from the United Nations Development Programme (Hama, 2017). The report breaks down Human Security into two aspects. Firstly "safety from such chronic threats as hunger, disease and repression" and secondly, "protection from sudden disruptions in day-to-day life."³

The distinction between these two aspects leads to two principal differences between Economic Security and Human Security. Firstly, for some states with a high number of residents living near or below the poverty line, Economic Security and Human Security are nearly the same concept. The two

³ United Nations Development Programme. (1994). p. 23 Human Development Report: New Dimension of Human Security. In United Nations Development Programme.

concepts come together in nations with more poverty because any disruption to State Economic Security will push its vulnerable citizens into poverty and jeopardize their human security.

As an example, one can imagine the economic shocks experienced by Venezuela's already impoverished population in recent years. These shocks are a significant human security issue because they pushed a large portion of the Venezuelan population into abject poverty. The situation in Venezuela contrasts with the situation in wealthier countries with a more equitable distribution of wealth. In most developed countries, external shocks could disrupt the economy and lower living standards without increasing poverty to a level that would impact risk human Security. This is the case because a lower proportion of the population lives near the poverty line. For example, the COVID-19 pandemic posed a significant risk to general Economic Security in Austria because it disrupted the wages for a large portion of the Austrian population. Despite this threat to Economic Security, the pandemic did not pose as considerable a risk to Human Security because very few Austrians live near the poverty line.

The second essential difference is that conceptualizations of Human Security are closely associated with a particular individual, family, or community's Economic Security. Many studies evaluate the level of Economic Security of individuals in a specific community (See, e.g., Hacker et al., 2014). These Human Security studies examine how such subunits can protect their wellbeing and maintain economically secure lives for their constituents. These analysis units can be different from that of State Economic Security, which focuses on the state or nation.

Often scholars use the term Economic Security to refer to what can be defined as 'Human Economic Security,' which encompasses is all of the economic aspects of Human Security. Human Economic Security is not only much more individualized but also links Economic Security to almost every other societal problem. Studies have thus shown how human Economic Security is connected to such disparate topics as corruption, feminism, and good governance, among others (Grigoreva & Garifova, 2015; Hubarieva et al., 2016; Sjoberg, 2015; Tang, 2015). These aspects of human Economic Security are relevant to Economic Security and contribute to State Economic Security but are not the same concept. While Economic Security in a particular community or for a particular individual is important for State Economic Security, State Economic Security is more than the sum of community economic security within it. This distinction emerges because some risks to State Economic Security occur at the state level.

While this project focuses on Economic Security in the context of the state, it is essential to keep in mind that individual Economic Security and State Economic Security are inextricably linked. Both of these terms fall under the more extensive umbrella term "Economic Security". One cannot simply draw a solid line between the state's Economic Security and its citizens' collective Economic Security. An individual citizen or community relies on access to local jobs to ensure their long-term human Economic Security. At the same time, the state seeks to ensure that such good jobs exist and will continue to exist across the country to ensure its State Economic Security.

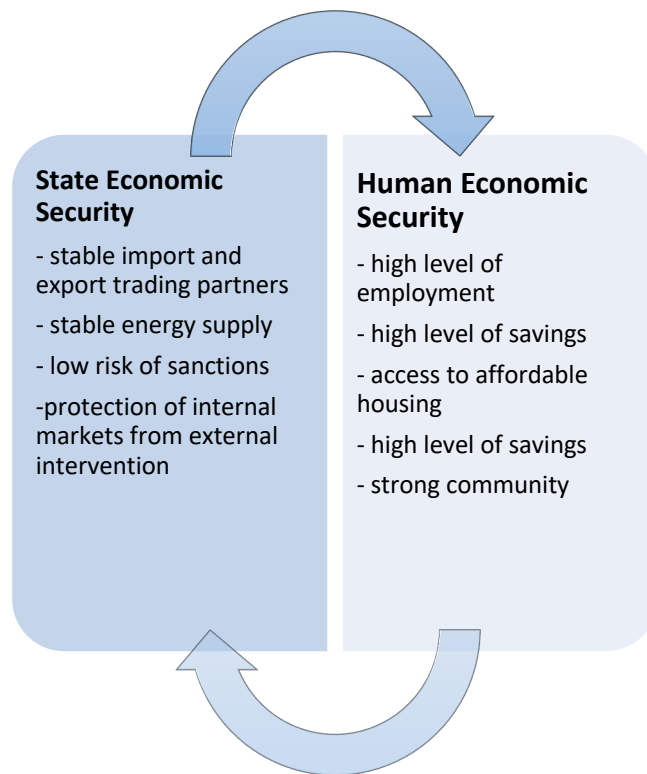


Fig. 1. The relationship between Human Economic Security and State Economic Security

Prepared by author

Figure 1. shows the synergistic relationship between State Economic Security and Human Economic Security. As figure 1 shows, a high degree of State Economic Security will increase the average level of Human Economic Security for each of its citizens. This is because a higher degree of State Economic Security guarantees that individual economic actors have access to the raw materials needed to conduct economic activity, reduces the risk that sanctions will suddenly cut off export markets, and ensures that foreign actors will not manipulate domestic infrastructure. Human Economic Security, in contrast, makes it easier for the government to maintain State Economic Security because residents with more economic assets are generally less susceptible to sudden economic changes brought on by foreign economic aggression.

As used in this paper, the term State Economic Security is also distinct from Human Economic Security because State Economic Security only encompasses threats to national economic security that occur because of foreign economic aggression. While natural threats can impact Human Economic Security and change the State Economic Security environment, such natural threats themselves fall outside this project's scope. Natural threats like COVID-19 can directly impact State Economic Security. Such threats reduce the states' capacity to respond to foreign economic aggression and give other states leverage to influence a state's economy by influencing the natural threat. Despite their distinct classification, these threats are still relevant to the State Economic Security environment because they influence the latent level of State Economic Security.

The definition of State Economic Security becomes more complex when we look at factors that give a country resilience in the face of natural disruption or economic sanctions from other states. Measures that give a state more ability to spend in response to an emergency can improve both State

Economic Security and Human Economic Security. One study that examined this connection was conducted by Gryshova et al. (2020). To summarize, Human Economic Security refers to the intersection between Human Security and economic security generally. In contrast, State Economic Security refers to a state's ability to protect itself from external coercion through threats to its national economy. Another relevant component of State Economic Security is macroeconomic stability, which refers to the economic environment in the country as a whole.

1.2. Economic Security and Macroeconomic stability

Macroeconomic stability is another factor that contributes to State Economic Security in a given state. Macroeconomics is “the study of economy-wide phenomena, including inflation, unemployment, and economic growth” (Mankiw, 2007). Other demographic factors, such as the median age and migration rate, which influence the economy, can also contribute to macroeconomic stability. Macroeconomic stability can be defined as “not only price stability and sound fiscal policies, but also a well-functioning real economy, sustainable debt ratios, and healthy public and private sector balance sheets” (Ocampo, 2004). Macroeconomic Security from the perspective of the state is closely related to Microeconomic Security from the perspective of individual economic actors (Nesadurai, 2005).

The connection between economic actors and macroeconomic security generally is that if the macroeconomic economic situation is not stable, economic security as a whole is undermined (See Mamychev et al., 2016). A stable macroeconomic environment has many positive effects on the national economy. When businesses operate in a stable macroeconomic environment, managers are empowered to make long-term investments because they can rely on stable inputs and demand (Retter et al., 2020). One of the most important benefits of a stable macroeconomic environment is that it allows businesses to invest in new workers, infrastructure, and other long-run investments and projects. For example, a factory is more likely to hire more workers when the management can see strong, consistent demand for its products and expect regular access to the necessary building materials. On the other hand, when the macroeconomic situation is not stable, stakeholders reduce spending to protect against future downturns, dampening the economy and creating a vicious cycle.

In order to make sure that a macroeconomic system is secure, one must examine the “integrity or robustness of the market to generate economic growth and welfare in society” (Andruseac, 2015). Such an examination entails a holistic approach that examines the economy as a unit. While states are not the only actors who can influence macroeconomic stability, they are often the most significant local actor. States play such an important role because they use their institutions to serve as regulators that protect macroeconomic market integrity (Simanavicius et al., 2019). States accomplish this by implementing regulations such as setting the minimum wage, redistributing wealth, or mandating that all banks have a minimum quantity of hard currency to cover outstanding loans. States that have sufficient resources can also initiate public works projects which hire workers directly.

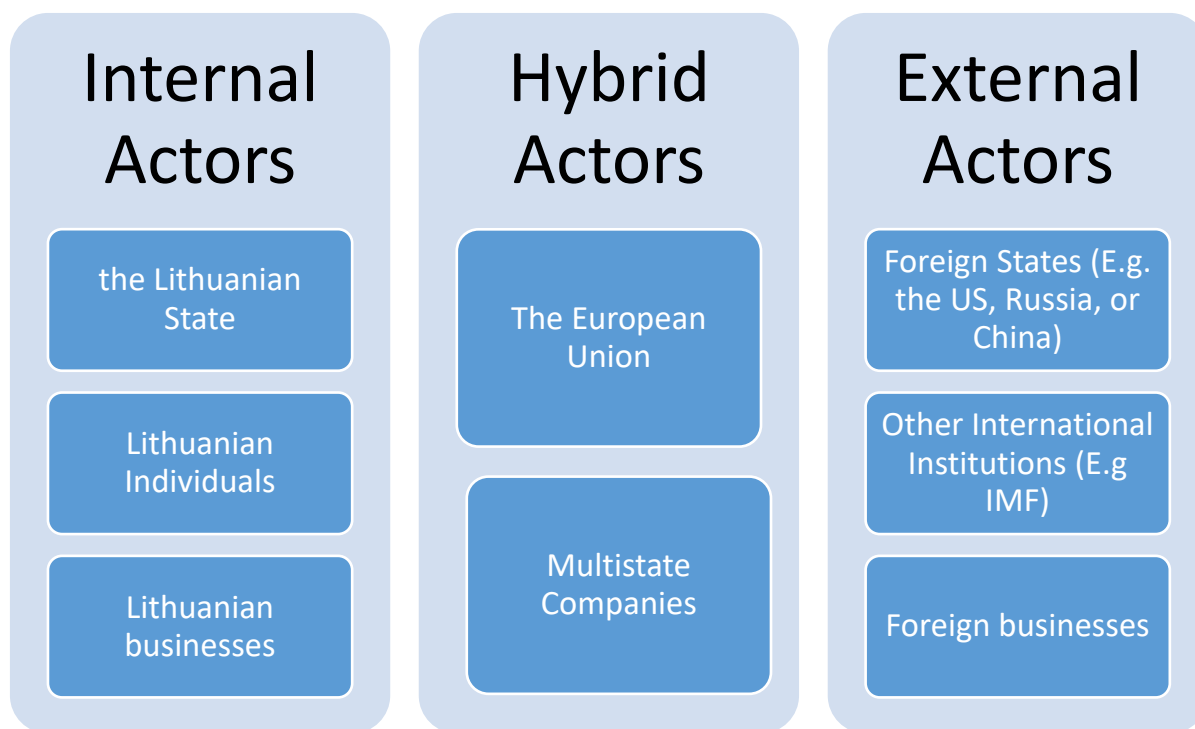


Fig. 2. Key internal and external actors who influence Lithuanian Macroeconomic stability

Prepared by author

Figure 2, shows some of the different units which contribute to Lithuanian Macroeconomic stability. The Lithuanian state is the most prominent internal actor because it can set many market conditions through taxation, regulation, and public works. Other internal actors can also influence macroeconomic stability at a lower level. Lithuanian businesses influence macroeconomic conditions by their decisions to hire or lay off workers. Several ways that individuals can influence macroeconomic conditions include deciding whether to emigrate and searching for work. Hybrid actors such as the European Union or multinational companies can also influence macroeconomic stability through their economic decisions, such as shifting resources between countries. External factors such as foreign states can also change the macroeconomic environment through trade policies, subversive actions, and other activities.

Despite the importance of the state, nonstate actors such as corporations and entrepreneurs must be considered to ensure macroeconomic stability (Batova, 2014; Raudeliuniene et al., 2014; Zakharkina et al., 2018). If local businesses fail to keep enough capital on hand to withstand shocks to the market, the entire state's Economic Security can be jeopardized. These factors can even be important in relation to businesses such as in the regional agricultural sector (Polukhin et al., 2020).

Macroeconomic stability is important both nationally and regionally, and Macroeconomic stability has been one of the key non-military elements of the European defense strategy (Sperling & Kirchner, 1998). While the European Union has invested in its developing economies, significant discrepancies continue to exist. European Union member states have not converged concerning their overall macroeconomic security levels (Borsi & Metiu, 2015). Regions of the European Union also differ in their ability to attract businesses (Ignatov, 2020). These disparities affect the latent level of macroeconomic security in the several European Union member states.

Another significant barrier to macroeconomic Security in Lithuania has been the trend of emigration from the country. Until 2019, Lithuania had a very high level of net migration out of the country.⁴ Such elevated levels of emigration undermine a country's macroeconomic stability by removing many skilled workers. (See e.g. Remeikienė & Gasparėnienė, 2019) If not managed correctly, an aging population can have significant adverse macroeconomic effects such as reduced wages, increased unemployment, and lower tax revenues (Bloom et al., 2015).

Due to their inability to create highly specialized internal markets, small states like Lithuania must rely on external markets to develop their economies (Kokšaitė, 2011). Depending on the Academic author's economic perspective, this reliance on outside markets can make a state more or less secure as, from a mercantilist perspective, Economic Security is achieved by protectionism (Hough, 2018). In contrast, from a neoliberal perspective, Economic Security is achieved by more globalization. Depending on which camp a researcher comes from, one might argue that a country should either enhance its stability by limiting exports and imports or doing the exact opposite. While these factors influence a country's theoretical level of latent state economic resilience, they are different from individualized factors such as which countries the state is trading and their willingness to disrupt trade for political purposes.

Both the large number of external actors and the nature of the international economy ensure that there will always be risks to every state's macroeconomic stability. Despite these risks, a state can limit the risk of foreign economic coercion by reducing the capacity of potentially unfriendly actors to disrupt the local macroeconomic conditions. In sum, macroeconomic stability is a necessary component of economic security, and nearly every risk to State Economic Security is also a risk to macroeconomic stability. The importance of stable macroeconomic conditions makes macroeconomic stability a potential target for foreign economic coercion.

1.3. Economic Coercion as a threat to Economic Security

Many states now address Economic Security as a part of their formal National Security Strategies. As the recently published United States Interim National Security Strategic Guidance puts it, "at the center of our national security strategy, our policies must reflect a basic truth: in today's world, Economic Security is national security."⁵ One of the key works which built the modern concept of Economic Security was written by future UK Lib Dem party leader Sir Vincent Cable in the years following the collapse of the Soviet Union (Cable, 1995). Cable breaks down international Economic Security into three subcategories which are still relevant today. These are, first a country's economic ability to procure weapons and the like, second a state's ability to use and protect itself against direct economic sanctions in the form of sanctions and investment boycotts and the like and third the state's relative military capacity as influenced by the state's overall economic performance. This final project is primarily concerned with Sir Cable's second aspect of state Economic Security. Foreign Economic

⁴ Korsakovaitė, U., & Mizgirdė, A. (2020, January 02). Lithuania reports positive migration for first year in three decades. Retrieved March 29, 2021, from <https://www.lrt.lt/en/news-in-english/19/1129769/lithuania-reports-positive-migration-for-first-year-in-three-decades>

⁵ Biden, J. (White H. (2021). Interim national security strategic guidance 1. <https://www.whitehouse.gov/wp-content/uploads/2021/03/NSC-1v2.pdf>

Intervention, alternatively foreign economic aggression, can therefore be defined as any activity conducted by a foreign state for political reasons intended to disrupt the normal functioning of the target state's economy.

In addition to the direct connection between a strong economy and a strong military, Economic Security can also affect National Security in other ways. There are also situations where greater economic interdependence can directly improve the national security situation. Manhee Lee argues that “Greater bilateral trade interdependence promotes cooperative behavior and reduces conflict between dyads, and so enhances national security and economic gains.”(Lee, 2015). On the other hand, Lee also explains that these trading relationships can be dangerous when they enter a state of asymmetrical interdependence, such as Korea’s trading relationship with China. This is particularly relevant for Lithuania because many of its trading partners are much larger than it, which necessitates that any trade will be asymmetrical.

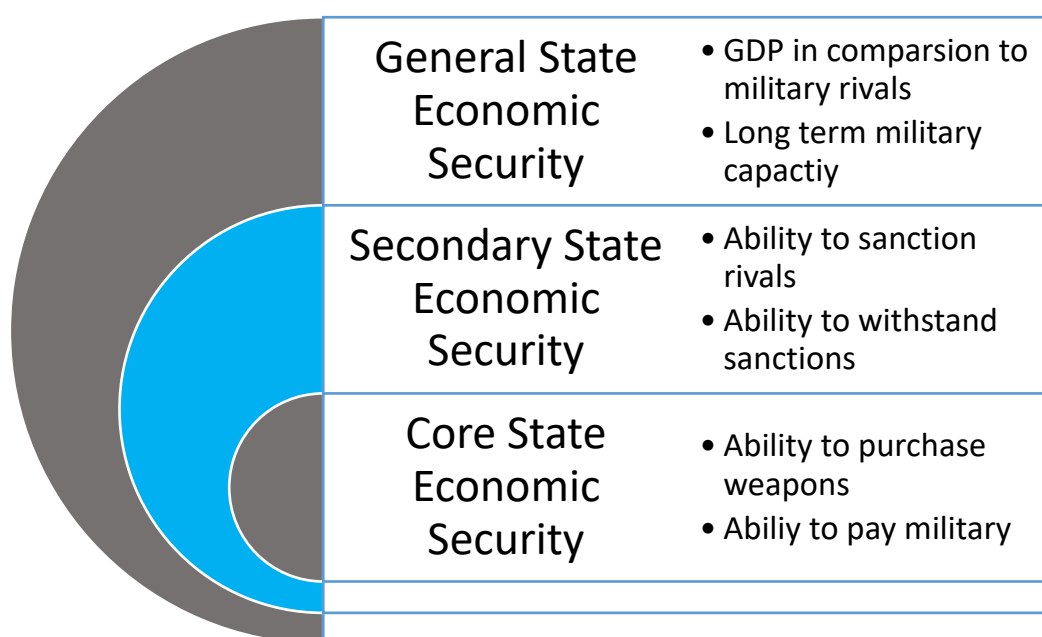


Fig. 3. The hierarchy of State Economic Security from a national security perspective

Prepared by author

Figure 3, shows the different portions of State Economic Security according to the classical perspective. General State Economic Security is focused on improving the economy so that the state can have more power in relation to its rivals. Secondary State Economic Security refers to a state’s ability to use its economic leverage to sanction rivals and withstand sanctions from hostile powers attempting to influence its political decision-making. Core State Economic Security refers to the state’s ability to have enough economic resources to purchase weapons and maintain a security apparatus. This final project is primarily focused on Secondary State Economic Security.

In the long-term, Economic Security is important to maintain national security. If a state does not have a stable economy or its economy can be easily disrupted, it is more difficult to pursue its policy goals. Drezner defines Economic coercion as “the threat or act by a sender government or governments to disrupt economic exchange with the target state unless the target acquiesces to an

articulated demand” (2003 Para. 1). Drezner also emphasizes that due to the relevant political incentives and posturing, most successful uses of sanctions are likely not made public. This is the case because states are incentivized first to make private threats of sanctions before making public threats so that the target state can more easily acquiesce without public embarrassment. From a theoretical perspective, this suggests that one cannot know how a state’s economic vulnerability influences its public policy. As the literature shows, there are several strategies that rivals can use to threaten Economic Security including, the threat of national sanctions, threats to the country’s energy supply, threats to interest groups within the country, threats to national businesses

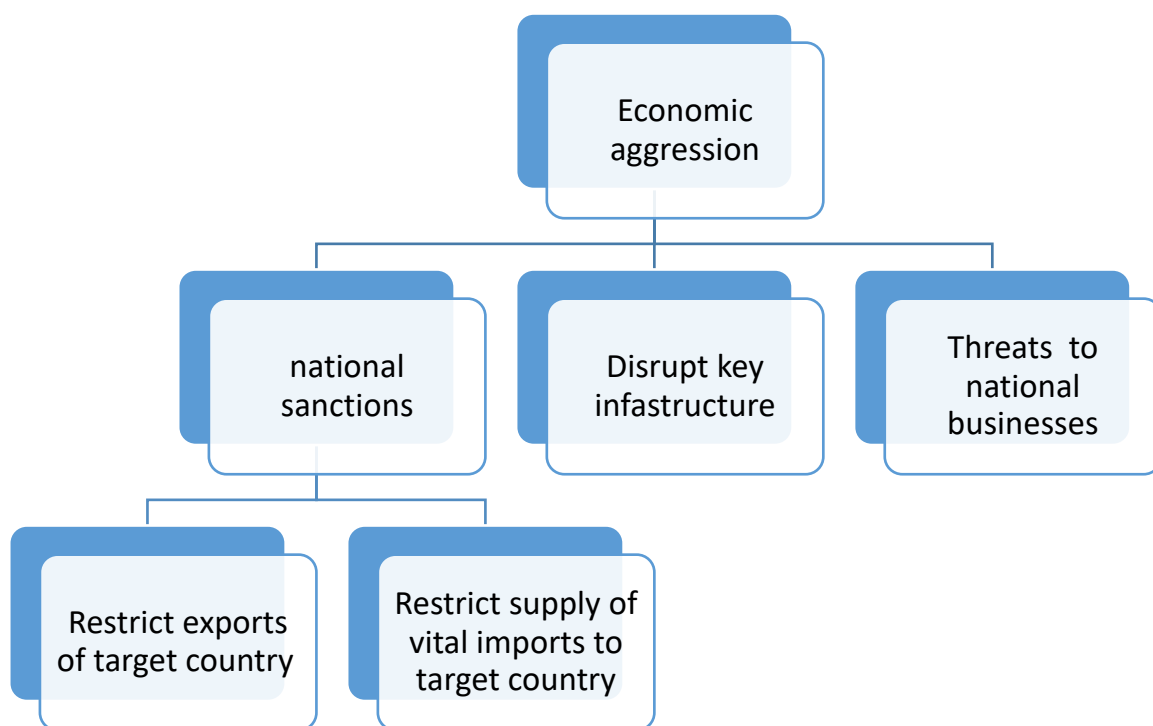


Fig. 4. Economic Aggression Tree showing different types of Economic Aggression used to threaten Economic Security

Prepared by author

Figure 4 shows several common tactics used to disrupt State Economic Security to coerce a target state. The concept of economic coercion is closely related and often considered the same as the use of strategic economic incentives (Blanchard & Ripsman, 2008). This type of ‘economic statecraft’ is not a recent development in international relations. States have used economic leverage to extract concessions from rival states for as long as states have existed. Drezner also highlighted that it is likely that in many instances, states can deploy the threat of economic sanctions to achieve political demands. While economic coercion is a broad topic, several literature sections are relevant to Lithuanian state Economic Security, which this section will address here. These are how states use economic coercion against small states and the different types of economic coercion.

Sanctions are one of the key elements used by larger states to influence the policy of smaller states. One most influential works on international trade were written by Economist Albert Hirschman, who wrote an influential book on how trade was used as an economic weapon by Nazi Germany. Hirschman focused on asymmetrical trade, where bilateral trade makes up a much larger portion of one trading partner's GDP (Hirschman, 1945; Keohane & Nye, 1973; Lai, 2021). In the case of

Lithuania, asymmetrical trade is an important characteristic of Lithuanian trade with most of its trading partners, which are especially pronounced in its trading relationship with Russia. One factor which mitigates Lithuania's asymmetrical trading patterns, is its membership in the European Economic Community and the European Single Market which restricts other countries from restricting trade to Lithuania individually. In order to use a uniform definition of the concept, this paper will use the term asymmetrical trade imbalance to describe circumstances where one exports account for more than 10% of the smaller state's exports while imports from the make up less than 5% of the larger states' exports. Another type of asymmetrical trade is resource based asymmetrical trade. This occurs when resources are more important for a purchasing state than for the selling state. Blank & Kim (2016) and Drezner (1997) stressed that Russia often uses economic coercion as a tool for statecraft. In particular, Russia often leverages its privileged position as an energy exporter to pressure allies and rivals to make substantial political and economic concessions.

Another method that states can use when implementing sanctions is to target private companies and individuals rather than the states themselves. This is accomplished by target key groups who can influence the State or regime indirectly based on their domestic political power (Blanchard & Ripsman, 2008). This type of economic coercion occurred when China decided to retaliate directly against US-based airlines and hotel chains that listed Taiwan as a separate country from Mainland China (Lai, 2021).

Small states like Lithuania are usually perceived to be at a significant disadvantage when negotiating with larger states, see e.g. Steinsson & Thorhallsson (2017). Among other factors such as relative workforce size, it is much less costly for a larger state to implement sanctions on a smaller state than vice versa. For example, if Lithuania and Russia were to prohibit all bilateral trade suddenly, it would have a much more significant impact on the Lithuanian economy even though the import-export ratio is mostly balanced. Some literature argues that smaller states sometimes achieve their policy goals due to a deeper commitment to relatively minor issues and an understanding of the large states' internal politics (Musgrave, 2019). One example of this occurred in the 1990s when Russia unsuccessfully attempted to use its economic leverage to pressure Latvia into making several concessions, including allowing Russia to maintain military bases in the country (D. Drezner, 1997). Drezner argued that small states like Latvia often refuse to capitulate to such demands when they perceive the demanding State as a potential enemy, even when it is not economically rational to do so.

One area of study missing in the literature on State Economic Security is how the origin or destination of imports or exports impacts Economic Security. In Lithuania's case, this distinction is fundamental due to Lithuania's status as a NATO member and the European Union. While it is possible that political tensions could cause Russia to freeze oil exports to Lithuania in the next five years, it is nearly beyond contemplation that Latvia would threaten to cut electricity exports to Lithuania in the same timeframe. Therefore, it is significant to note that not all reliance on foreign trade is created equal from a Lithuanian State Economic Security perspective.

In short, the literature shows that small states who have asymmetrical trading relationships with larger rivals incur a significant risk that larger political rivals can use those trading relationships to their political advantage. The literature indicates that State Economic Security is closely tied with aspects of the State's economic wellbeing. While a given State's level of economic security is distinct from the level of Human Security for each of its constituent components, Human Economic Security is a key goal of State Economic Security. Macroeconomic stability is an important indicator of a

state's overall financial stability but is not perfectly correlated with State Economic Security because macroeconomic indicators do not capture certain threats. Finally, Economic Coercion is the method that an 'aggressor state' can use to influence another state's policies. One factor that can make economic aggression more viable for a larger state is an asymmetrical trading relationship. The next chapter of this project will examine how the concept of State Economic Security applies to Lithuania in particular.

2. EXAMINATION OF LITHUANIAN LEVEL OF STATE ECONOMIC SECURITY

Every country in the international community faces unique security challenges based on its government's goals, political alliances, trading relationships, and geographical neighborhood. Lithuania is no exception to this rule, and threats to Lithuanian Economic Security are all based on Lithuania's strong support for Western institutions, NATO membership, close economic relationship with Russia, location on NATO's eastern flank. The modern state of Lithuania is a continuation of the Republic of Lithuania, which existed between the First and Second World Wars. It has been a member state of the European Union and the North Atlantic Treaty Organization (NATO) since the spring of 2004. Lithuania has adopted a pro-Western, pro-European Union, and pro-American stance in International Relations. These pro-Western stances shape Lithuania's relationships with many countries which have political tensions with the European Union and the United States, including Russia, China, and Belarus. While Lithuania's national security documents clearly state that the Baltic state does not have an enemy country. Lithuania's history and its contemporary political situation show that Lithuania sees Russia as the primary threat to Lithuanian National Security. Russia is the only country addressed by name in the Lithuanian National Security strategy as a potential threat (Seimas of the Republic of Lithuania, 2017).

This chapter will examine three aspects of Lithuanian State Economic Security in the recent past and as it exists today. The first section of this chapter will review the history of Lithuanian Economic Security, focusing on factors and long-term dynamics that are still relevant today. The historical review will examine several themes which continue from the Interwar years, moving into the perspective of the modern Republic. The second section will review contemporary threats to Lithuanian State Economic Security, examine academic literature on Lithuanian State Economic Security, and review potential conflicts that could affect Lithuanian State Economic Security. This section will highlight the strengths and weaknesses of the Lithuanian State Economic Security policy as judged by academics. Finally, this chapter will conclude with an examination of the Lithuanian National Security Strategy and Lithuanian National Security documents, with specific reference to its sections on energy security, its focus on the Russian Federation, and some of the specific threats it lists. There are three distinct periods of State Economic Security which are relevant to Lithuania today. They are:

1. Lithuania as an independent Republic in the Interwar years
2. Lithuania as a member of the Soviet Union
3. Lithuania after the restoration of independence

Lithuania's experience during the interwar years shaped the country's general outlook and long-term vision concerning all forms of security. Specifically, in this time period, Lithuania was subjected to many pressures from larger external states, which weakened its autonomy and influenced Lithuania's modern diligence towards potential economic and military threats. Lithuania's experience during the Soviet period forged the close trading relationship as well as

the political tensions that shape Lithuania's relationship with its Tense Trading Partner, Russia. The aftermath of the restoration of Lithuanian independence highlighted Russia's willingness to use its economic leverage, particularly Lithuanian reliance on Russian oil, to pressure Lithuania politically, which current Lithuanian State Economic Security responds to.

2.1. History of Lithuanian Economic Security

Many of the current threats to Lithuanian State economic security are shaped by the historical evolution of Lithuanian economic security generally. Many historical patterns of economic reliance and economic coercion continue to impact the economic security situation in the region today. Specifically, Lithuania has maintained its independence and cultural identity in the face of its larger neighbors for centuries. The Grand Duchy of Lithuania was once one of the largest countries in Europe until it was broken up and what is now Lithuania became part of the Russian Empire. During this period, the Russian Empire made several attempts to eliminate the Lithuanian language and 'Rusify' Lithuanian culture by banning Lithuanian books and newspapers.

Lithuania eventually declared independence from the Russian empire in 1918. During Lithuania's period of interwar interdependence, the country faced pressures to make concessions to its larger neighbors, Russia, Poland, and Germany. These concessions cost the young country much of its territory and, ultimately, its very independence. Eventually, the Soviet Union annexed Lithuania, and many Lithuanians were sent to Russian gulags. Germany later invaded and murdered a large part of Lithuania's Jewish population before the Soviet Union recaptured the country. Even after World War II ended, many Lithuanian partisans resisted the Russian occupation by fleeing to the forests and conducted a guerilla war against Russian soldiers, which did not wholly die until the 1950s.

As a member state of the Soviet Union, Lithuania became fully integrated into the Soviet Economy. The Communist government built factories in Lithuania which processed raw materials that Lithuania then sent to the rest of the USSR.⁶ Most Lithuanians also learned to speak Russian as a second language, and many ethnic Russians moved into the country from other parts of the USSR. Lithuania remained an integral part of the Soviet Union until it reasserted its independence in 1990. Moscow attempted to use military and economical means to regain control of Lithuania after it declared independence. One of the most drastic measures was an economic embargo the Soviet Union implemented against Lithuania from April 18 to June 29, 1990.⁷ The embargo was disastrous to Lithuania's newly independent economy, which was heavily reliant on trade with the USSR. The Soviet Union was the only available crude oil supplier for Lithuania at the time (Pasukeviciute & Roe, 2001).

Despite pressure from Russia, Lithuania, and the other two Baltic states, Latvia and Estonia rejected Russian plans to integrate the region into the newly created Commonwealth of Independent States (CIS). As a result, Russia decided to charge Lithuania the regular market price for oil rather than the discounted price offered to CIS countries (Pasukeviciute & Roe, 2001). These and other international factors caused Lithuania to suffer a significant recession in the early 1990s. By 1993 Lithuania's

⁶ Eidintas et al., (2015)

⁷ Ibid.

GDP was less than half what it had been in 1988. In subsequent years Lithuania steadily increased trade with its Western neighbors and the United States. Lithuania had a tense political relationship with Russia during this time but remained a close trading partner with CIS states and continued to purchase Russian oil. In 1998, roughly a third of Lithuanian exports were sold to the states in the Commonwealth of Independent States.⁸

Lithuania's economic and security situation changed significantly when the country joined NATO and the European Union in 2004. The two other Baltic states, Latvia and Estonia, also joined both groupings that same year. Both Latvia and Estonia are close trading partners with Lithuania. As a European Union member state, Lithuania joined the European Customs union and gained the ability to negotiate trade agreements with external states as a block. Membership in the North Atlantic Treaty Organization shifted Lithuania's security priorities. NATO is critical to Lithuanian defense because it provides concrete security assurances against the threat of aggression from the east. Lithuania's geopolitical position gives the country a strong incentive to promote the two organizations and strengthen its role within them (Jurkynas, 2014). Some scholars have argued that Lithuania and other Baltic Countries view membership in the European community as an existential question rather than a political one (Mälksoo, 2006). The Lithuanian National Security strategy is now explicitly based on EU and NATO guidelines (Seimas of the Republic of Lithuania, 2017).

Lithuania's economic integration into the European Union has increased steadily since EU accession. In years following independence, Lithuanian Exports to the European Union and the Commonwealth of Independent States were roughly equal. For example, in 1994, Lithuania exported 964.87 million USD worth of goods to future European Union member states⁹ and 797.28 million USD worth of goods to the Members of the Commonwealth of Independent States. These numbers shifted dramatically over the next three decades. After independence and then EU accession Lithuania increased trade with European Union member states. Exports to the European Union expanded to 19.48 billion USD while Exports to the CIS increased at a slower pace to 6.7 billion. While most Lithuanian exports to the CIS go to Russia, Lithuanian trade to other CIS countries has increased to a significant level and accounted for 2.1 billion USD in 2018.

Figure 5. shows the total value of Lithuanian Exports to states which are members of the Commonwealth of Independent States, compared to the European Union and the Russian Federation, which is also included in the CIS listing. European Union states includes all states which have ever been members of the European Union regardless of their accession date. The European Union category also includes the United Kingdom. The graph shows that Lithuania has increased its exports to all three categories of states in absolute terms but that exports to European Union exports have grown relative to CIS exports. The graph also indicates that most of Lithuanian exports to CIS states go to Russia specifically. As seen in table 5 in a subsequent chapter, Lithuania's primary export to the Russian Federation is machines which make up about a third of Lithuanian exports to Russia. This suggest that Lithuanian exports to Russia are more diversified than Russian exports to Lithuania. This diversity of sales shows that it is unlikely that Russia relies on Lithuania for any particular product.

⁸ Eidintas at al., (2015)

⁹ All references to 'European Union Member States' in this section refer to Member states of the European Union in 2020 including the United Kingdom.

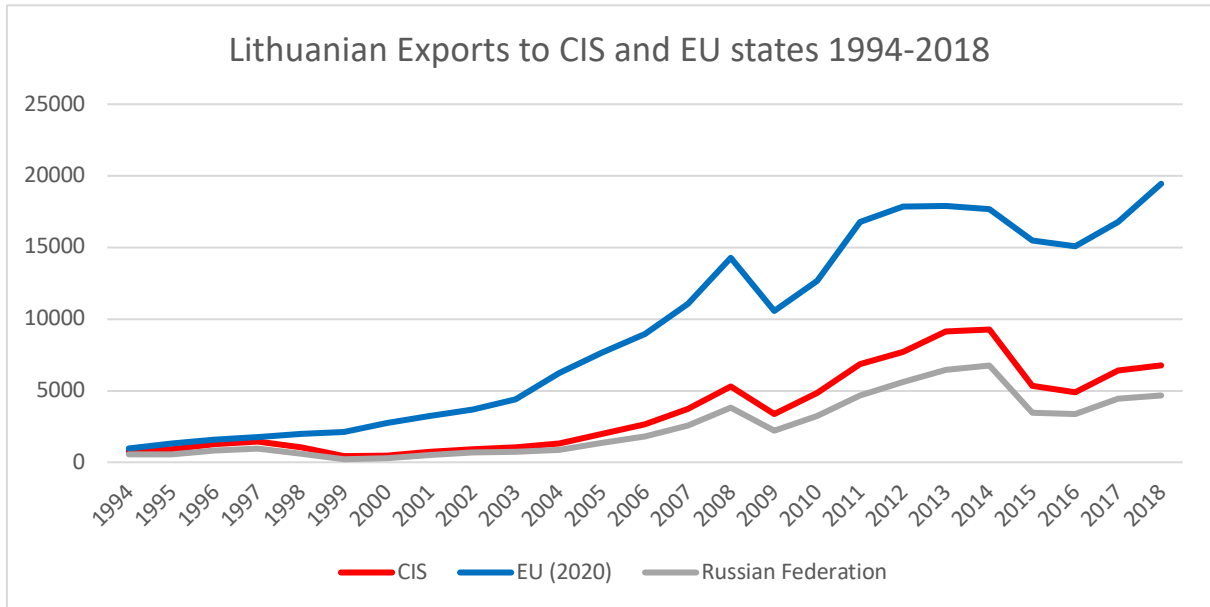


Fig. 5. Lithuanian Exports to CIS and 2020 EU Member States¹⁰, 1994 to 2018 in Millions of USD

Prepared by author

Source: World Integrated Trade Solution¹¹

Aggregated data on Lithuanian exports between 1994 and 2018 Lithuanian imports from the European Union increased from 3 billion to 40.5 billion, while imports from the CIS grew from 1 billion to 7 billion United States Dollars. One notable difference between import and export data is that nearly all of Lithuanian imports from CIS countries come from Russia.

One reason for this is related to Lithuania's large purchases of Russian energy resources. For example, in 2018 Lithuanian, Mineral Imports from Russia totaled 3.23 billion USD.¹² The category mineral Imports includes energy, petroleum and oil as well as other energy related natural resources. Due to the fact that such energy products are essential to the functioning of the economy, this pattern suggests that Lithuanian bilateral imports from Russia exhibit characteristics of resource-based asymmetrical interdependence. The lack of diversity amongst Lithuanian imports from Russia contrasts with the diversity of exports that Lithuania sells to the CIS.

¹⁰ 2020 European Union member states were Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom.

¹¹ World Integrated Trade Solution. (2018). Lithuania trade statistics : Exports, Imports, Products, Tariffs, GDP and related Development Indicator. <https://wits.worldbank.org/CountryProfile/en/Country/LTU/Year/LTST/>

¹² OEC. (2018). Lithuania. The Observatory of Economic Complexity, <https://oec.world/en/profile/country/ltu?yearSelector2=importGrowthYear24>

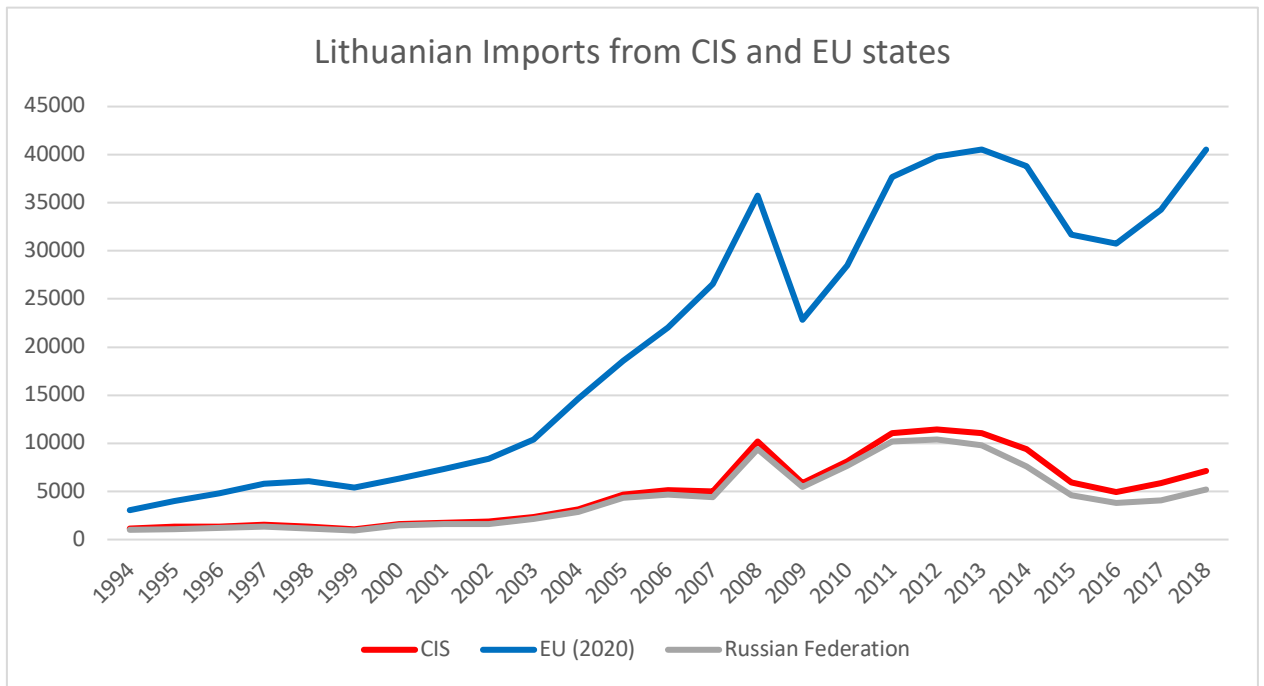


Fig. 6. Lithuanian Imports from CIS and 2020 EU Member States, 1994 to 2018 in Millions of USD

Source: World Integrated Trade Solution¹³

Prepared by author

Figure 6. shows Lithuanian imports from the CIS, European Union, and Russia broken down in the same way that the data in Figure 5 was. The depiction shows that Lithuanian imports from CIS countries have remained relatively stable in the time period after Lithuania joined the European Union. The data also indicates that until around 2011 nearly all of Lithuanian imports from the CIS came exclusively from Russia.

Another important historical factor that influences Lithuanian Economic Security is that a significant number of Lithuanian's have emigrated from the country. In the 30 years following the restoration of Lithuanian independence, nearly 699,237 Lithuanians have left the country, which is equivalent to 24.4% of the population today.¹⁴ Many have found the migration has caused labor shortages, reduced the working-age population, and increased the so-called brain drain (See eg. Sipavičienė & Stankūnienė, 2013; Thaut, 2009). Lithuanian emigration has also had some positive impacts on the country. In 2019 Lithuanian remittances totaled 1.16 billion Euros which accounted for 2.4% of Lithuanian GDP.¹⁵ Many migrants choose to migrate to United States, Norway, the United Kingdom, Ireland, and other Western European countries (Kumpikaitė-Valiūnienė, 2019). These countries are also some of Lithuania's closest trading partners. A third important milestone for Lithuanian State Economic Security, was the arrival of a Liquid Natural Gas terminal, aptly named

¹³ Ibid.

¹⁴ EMN. (n.d.). Migration trends. Migration in Numbers. <https://123.emn.lt/en/#irregular-migration>

¹⁵ Ibid

the “Independence”.¹⁶ The terminal, which was built in South Korea and costs Lithuania 100,000 Euros per day to rent from Norway, allows Lithuania to purchase Natural Gas from sources other than Russia. While some critics argue the port is expensive, others argue that it is worth preventing Russia from raising the cost of energy or attaching political conditions to the Lithuanian energy supply. Energy Security is particularly significant for State Economic Security because foreign adversaries can rapidly inflict damage on a State’s Economy if they can threaten its external energy source. The current state of Lithuanian State Economic Security is shaped by its history, specifically its long and complex relationship with Russia and the USSR. This history shapes Lithuania’s current security perspective informs many of Lithuania’s international political decisions and role in the International Community. Any analysis of the Lithuanian State Economic Security or recommendations for how to improve such security must take into account Lithuania’s this role and Lithuania’s strategic priorities.

2.2. Current state of Lithuanian Economic Security

The country's history shapes the current condition of Lithuanian State Economic Security. The largest threats to the Lithuanian state come from unfriendly foreign governments seeking to use their trading relationship with Lithuania to undermine Lithuanian national Security. In order to grasp the nature of these threats and respond to them, Lithuania must evaluate which areas of its national economy are vulnerable to foreign intervention from unfriendly adversaries and which countries might attempt to disrupt the Lithuanian economy.

Despite the way that these changes have improved Lithuania's Economic Security outlook, some potential risks remain. Such potential threats could allow rival governments to use their economic leverage over Lithuania to extract political concessions or undermine Lithuanian Economic Security. Lithuania could be particularly vulnerable to these types of threats because of its tumultuous relationship with some of its non-EU trading partners, Russia and Belarus. In addition, recent political developments force Lithuania to consider whether it could face economic sanctions from another global power, China.

There are very few peer-reviewed academic articles on Lithuanian National Economic Security available in English. Several older articles mainly focused on Lithuanian reliance on Russian gas as a particular issue for Lithuanian Economic Security (Grebliauskas, 2003; Šimašius & Vilpišauskas, 2005).

One research that focused on comparing several small states in the aftermath of the 2008 financial crisis found that Lithuania is less resilient than other small states, Latvia and Iceland (Kokšaitė, 2011). In that paper, the author used a complex methodology to examine selected states' economic vulnerability and resilience. The author significantly penalized Lithuania because of the prominent role exports play in the Lithuanian GDP, particularly after the country acceded to the European Union. These conclusions have limited applicability to State Economic Security in Lithuania against coercion because it does not address where the Lithuanian trade is coming from and going to.

¹⁶ LRT. (2019). Five years ago Lithuania broke Russian gas monopoly – but at what cost ? <https://www.lrt.lt/en/news-in-english/19/1111346/five-years-ago-lithuania-broke-russian-gas-monopoly-but-at-what-cost>

These two articles examine Economic Security in the context of national competitiveness and perception of Economic Security in Lithuania. The earlier article addresses Economic Security in the legal context (Simanavičienė & Stankevičius, 2015). The article notes that while the Lithuanian constitution and laws mention Economic Security, the phrase is never legally defined, which leads to ambiguity. The article later addresses other factors which impact Lithuanian Economic Security, including population decline due to migration and insufficient investment.

In the latter article, Simanavicius et. review these same points connected with the Economic Security concept in the European Union, Japan, China, Russ(Simanavičienė & Stankevičius, 2015; Simanavicius et al., 2019), and the United States. They also emphasize how internal and external threats can shape Lithuanian Economic Security. These threats can be long-term structural issues or immediate crises.

Neither of the two articles addresses China as a potential Economic Security concern. One article which addresses China’s growing influence is focused on the Baltic region as a whole (Scott, 2018). Scott highlights some potential threats that could come from Chinese investment in the region, including the China and Central and East Europe Countries grouping, also known as the 17+1 forum and the larger Silk Road Economic Belt initiative. The fear is that China could use these projects to project Chinese influence into the region, specifically to pressure Lithuania and other states to succumb to pressures regarding Chinese human rights abuses and the Dalai Lama. In March 2021, Lithuania’s parliament voted to approve leaving the East Europe Countries grouping.¹⁷

Lithuania is experiencing significant tensions with three significant trading partners, Russia, Belarus, and China. These states have come into conflict with Lithuania due to Lithuania’s pro-Western, pro-Democratic Stance in International Relations. Lithuanian National Security documents from 2019, 2020, and 2021 also address these countries as potential threats (See Lithuania, 2019, 2020, 2021). These three countries account for a significant portion of Lithuanian foreign trade. Russia accounts for a large percentage of Lithuanian imports and exports, Belarus accounts for a mid-sized portion of Lithuanian trade, while China is an important source country for imports.

Country	Amount	Percent of Total Lithuanian Exports	Primary Export Item
Russia	\$4.38 Billion	13.1%	Machines
Belarus	\$1.18 Billion	3.4%	Machines
China	\$387 Million	1.2%	Metals
Total	\$5.92 Billion	17.7%	-

Table 1. Lithuania exports to Russia, China, and Belarus in 2019

Source OEC

Prepared by author

¹⁷ LRT. (2021). Lithuania mulls leaving China ’ s 17 + 1 forum , expanding links with Taiwan country ’ s Foreign Minister Gabrielius Landsbergis said the cooperation programme. <https://www.lrt.lt/en/news-in-english/19/1356107/lithuania-mulls-leaving-china-s-17plus1-forum-expanding-links-with-taiwan>

Table 1. shows Lithuania’s trading relationships with four states that Lithuania is experiencing diplomatic tensions with. The table shows that Russia is much more significant to the Lithuanian economy than China or Belarus. It further shows that Lithuania primarily exports industrial products to Russia and Belarus while exporting raw materials to China. In total, the three states purchase about one-fifth of Lithuanian exports. This large export percentage makes them significant but not essential as export destinations.

Country	Amount	Percent of Total Lithuanian Imports	Primary Import item
Russia	\$3.87 Billion	11.9%	Crude Oil (43%)
Belarus	\$1.06 Billion	3.7%	Wood products
China	\$1.25 Billion	3.8%	Machines
Total	\$5.92 Billion	18%	-

Table 2. Lithuania imports from Russia, China, and Belarus in 2019

Prepared by author

Source Trading Economics¹⁸

Above Table 2. Shows Lithuania’s level of imports from each of the three countries. The table shows that oil is Lithuania’s most significant import category from Russia. Lithuania maintains a trade surplus with both Russia and Belarus, while it has a significant bilateral trade deficit with China. Taken together, the three countries are roughly as significant as import source countries as they are as export destinations. The table further indicates that Lithuania imports more items from China than items it exports to China.

Below Figure 7. shows a headline from the English language edition of the Lithuanian news website, LRT. The headline refers to Russia’s decision to summon the Lithuanian ambassador because of multilateral tensions between Russia and several Western states. This event is indicative of the long history of tensions which have existed between Russia and the European Union following Lithuania’s independence from the Soviet Union and subsequent decision to join NATO and the European union.

¹⁸ Trading Economics. (2020b). Lithuania Imports by Country.

<https://tradingeconomics.com/lithuania/imports-by-country>

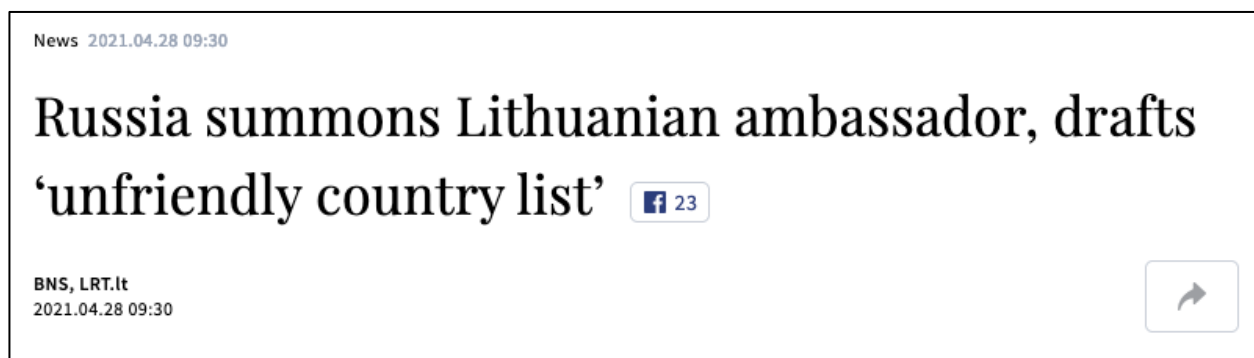


Fig. 7. Image of LRT website

Source BNS & LRT.lt, 2021

Among the three countries Russia has the most trading ties with Lithuania. While Lithuanian tensions with Russia have existed since the Republic restored its independence, in the Spring of 2021 tensions have continued to rise. In April 2021, Lithuania expelled Russian diplomats in solidarity with the Czechia. In response drew up a list of quote “unfriendly countries’ and added Lithuania to it.¹⁹ This list, which is mostly symbolic also includes the other Baltic States, the U.S. and several other countries. Recent also shows that Lithuania has taken a hard line against Russian interests in other areas, such as restricting access to the Russian vaccine, and advocating additional European Union sanctions on Russia.^{20,21} Several risks to State Economic Security which could occur if Russia decided to sanction Lithuania include, temporary risks to Lithuanian electricity, and the loss of revenue from exports to Russia, among other disruptions.

After the contested election in 2020, and Lithuania’s decision to grant asylum to Belarussian opposition leader Svetlana Tikhanovskaya tensions between Lithuania and Belarus grew significantly in the last year. Lithuania and Belarus also experienced tensions due to the construction of a nuclear power plant in Belarus. Lithuania considers the plant unsafe and cut energy imports from Russia and Belarus when it opened.²²

Figure 8. shows tourist spending in Lithuania broken down by country of origin of the tourists. The graph shows that Belarussian nationals were an important source of income for the Lithuanian Tourist industry in 2019. In addition, Lithuania also relied on Russian tourists for a significant portion of its tourist income, while all other significant tourism partners are European Union and NATO allies. These statistics are based on information from before the disruptions from COVID-19 in 2020.

¹⁹ BNS, & LRT.lt. (2021). *Russia summons Lithuanian ambassador, drafts ‘unfriendly country list.’* <https://www.lrt.lt/en/news-in-english/19/1397117/russia-summons-lithuanian-ambassador-drafts-unfriendly-country-list>

²⁰ Martuscelli, C. (2021). Lithuania: No recognition of Russian vaccine on travel certificates. *Político*. <https://www.politico.eu/article/lithuania-no-recognition-of-russian-vaccine-on-travel-certificates/>

²¹ BNS/TBT Staff. (2021). *Lithuania will seek additional EU sanctions for Russia if things don’t change – president.* *The Baltic Times*. https://www.baltictimes.com/lithuania_will_seek_additional_eu_sanctions_for_russia_if_things_don_t_change__president/

²² Andrius Sytas. (2020). Lithuania stops Baltics power trade with Belarus, Russia over nuclear plant. *Reuters*. <https://www.reuters.com/article/litgrid-belarus-idUSKBN27J2CA>

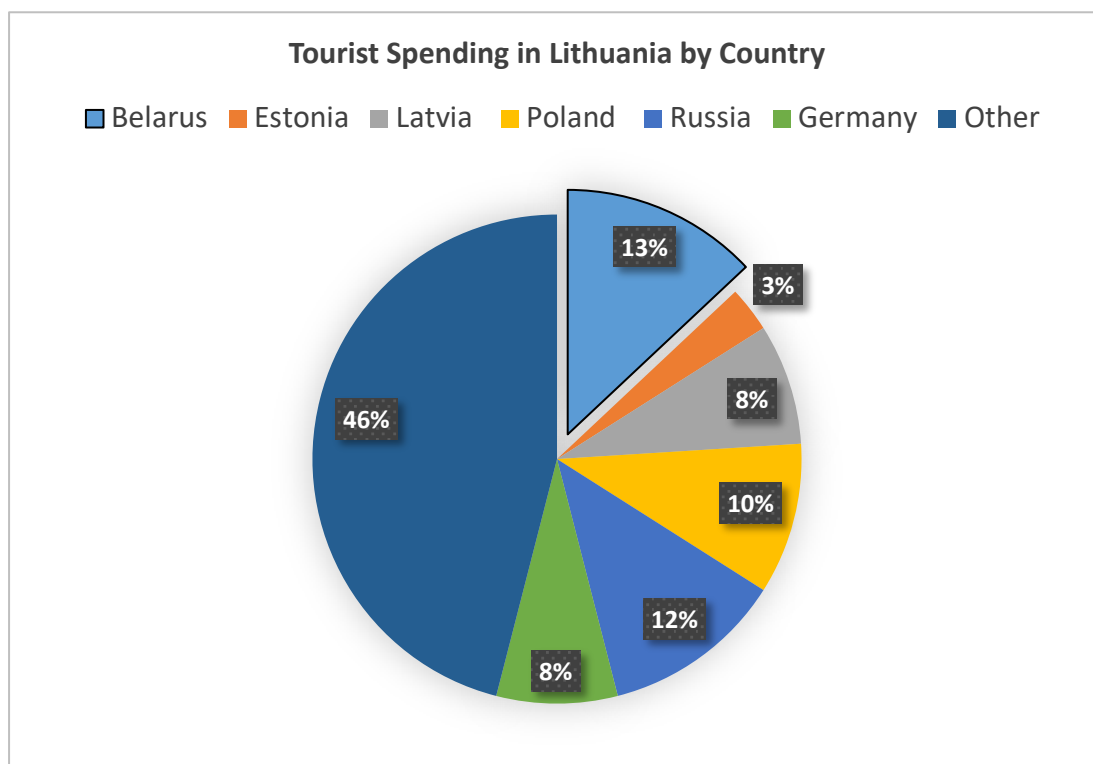


Fig. 8. Lithuanian Tourism Spending by Source Country 2019

Source: Bank of Lithuania²³

Prepared by Author

Before the COVID-19 pandemic, Belarus was particularly significant for the Lithuanian tourism sector and is still an important transit country for goods coming from Lithuania. Despite the large volume of goods traveling between Klaipeda and Belarus, most of these goods are re-exports that are less significant to the economy.²⁴ Belarus was also the single largest source country for tourists in Lithuania and accounted for 13% of tourist spending in Lithuania in 2019. This spending brought 130 million Euros in revenue to the Lithuanian economy in 2019. Even though most tourism was frozen in 2020, meaning that any damage from a restriction on tourism has already occurred. While the resumption of Belarussian tourism could be important for future economic growth in Lithuania, barriers to future tourism do not fit into the umbrella of State Economic Security used for this project. Despite the close links between Belarus and Lithuania, Belarus has a minimal capacity to disrupt Lithuanian State Economic Security in other sectors.

A third country that is experiencing tensions with Lithuania is China. Lithuania has taken a stance contrary to the Chinese Communist Party on several issues that China considers core to its national sovereignty.²⁵ Specifically, Lithuania has opened a trade office in Taiwan, pulled out of a Chinese

²³ Bank of Lithuania. (2020). Lithuanian economic review. http://www.lb.lt/lithuanian_economic_review_may_2013#page=5

²⁴ Ibid.

²⁵ BNS. (2021). *Can China punish Lithuania over support for Taiwan? – analysis irked Beijing . What levers does the country.* <https://www.lrt.lt/en/news-in-english/19/1364936/can-china-punish-lithuania-over-support-for-taiwan-analysis>

grouping with the Eastern European States, and is debating whether to call Chinese "reeducation" camps for Uighur Muslims a "genocide".²⁶

Figure 9 shows a news article from Lithuanian Radio Television which refers to proposals in the Lithuanian parliament to recognize Chinese treatment of Uighur Muslims as a genocide. Bilateral tensions between China and Lithuania have risen significantly in recent years.

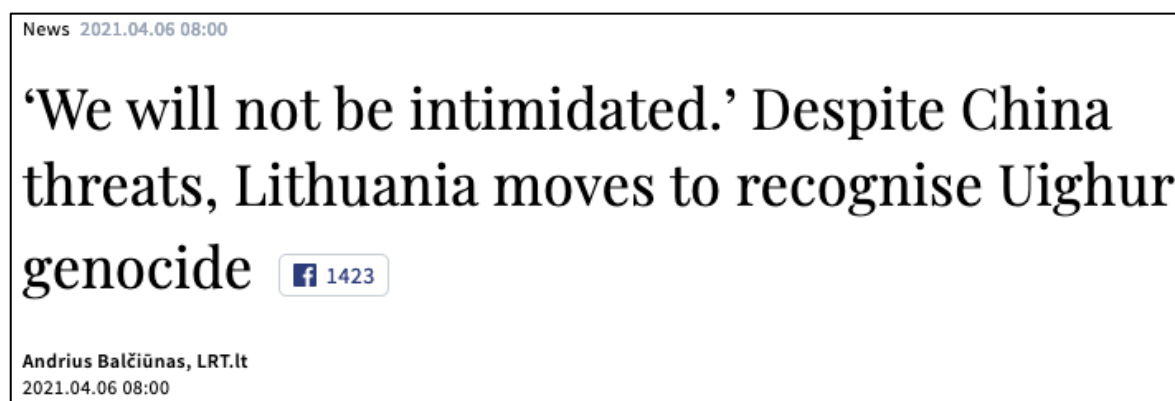


Fig. 9. Image from LRT website

From: LRT.lt

China personally sanctioned Lithuanian MP Dovilė Šakalienė for her work to condemn the treatment of the Uighurs. Lithuania has a very limited trading relationship with China. China accounts for less than \$357.76 Million USD or 1.1% of Lithuanian exports and 1.34 billion USD or 4.4% of Lithuanian imports.²⁷ While the author estimates that there is a high probability that China will introduce nominal sanctions on Lithuania in the near future, it is unlikely that any future sanctions will significantly disrupt Lithuanian State Economic Security.

Academic and news sources both suggest that the primary threats to Lithuanian Economic Security are the result of Lithuania's tense relations with Belarus and Russia. Contemporary news sources suggest that a conflict with China is more likely than the academic texts would suggest. The difference between these sources can likely be explained by the fact that tensions with China rose significantly in the last year, which is after most of the academic literature on the subject was published. This pattern also occurs in the official national security documents published by the Lithuanian state.

2.3. Lithuanian National Security Documents

Governmental efforts to preserve protect Lithuanian State Economic Security derive are based on Article 46 of the Lithuanian Constitution.²⁸ Article 46 gives the following 5 responsibilities to the State:

²⁶ Balčiūnas, A. (2021). 'We will not be intimidated.' Despite China threats, Lithuania moves to recognize Uighur genocide. LRT.Lt.

²⁷ Trading Economics. (2020a), Trading Economics. (2020b).

²⁸ Constitution Of the Republic of Lithuania, (1992). <https://www.wipo.int/edocs/lexdocs/laws/en/lt/lt045en.pdf>

1. Lithuania's economy shall be based on the right of private ownership, freedom of individual economic activity and initiative.
2. The State shall support economic efforts and initiative that are useful to society.
3. The State shall regulate economic activity so that it serves the general welfare of the Nation.
4. The law shall prohibit monopolization of production and the market and shall protect freedom of fair competition.
5. The State shall defend the interests of the consumer.

As part of its duty to fulfill these goals, the Lithuanian State publishes several documents and Laws which outline its strategy to protect the State Economy. This project will review the Lithuanian Law on the basics of National Security, the Lithuanian National Security Strategy published in 2017, and several editions of the Lithuanian National Threat Assessment published annually.

Lithuania has two laws that regulate the country's economic security. The "Law on the protection of objects of importance to ensuring national security" was initially passed in 2002. The "law on the basics of national security" passed in its original form in 1996.²⁹ Chapter 11 of the law on the basics of National Security mandates that the State work to strengthen economic security as part of national security. Other sections of the law state that Lithuania should have an economic policy that ensures economic freedom, prevents monopolies and bars any investor from controlling economic sectors strategically important. The areas include:

- The energy sector
- The transportation sector
- The information and technology sector
- The telecommunications sector
- The financial sector

These sectors are vast and establish a comprehensive view of what can be considered national security concern for the Lithuanian economy in the long term. Some scholars note that the broad categories within the law can be broken into internal and external threats (Simanavicius et al., 2019). Internal threats include actions of domestic businesses while external threats are more focused on market conditions and foreign state actions.

The second important law used to protect State Economic Security is the Law on Protection of National Security Objects. This law gives the Lithuanian government more specific powers to regulate investments and other economic activities in Lithuania. This law gives the Lithuanian government significant discretion to determine what economic activities threaten a "national security interest" to regulate such activities. While this is important for the general protection of the State, the law is often used in practice to prevent foreign actors from gaining control over strategic sectors, which a foreign aggressor could use to undermine Lithuanian State Economic Security. Under these

²⁹ The Law on Basics of National Security of Lithuania, (1996).

<https://e-seimas.lrs.lt/portal/legalActPrint/lt?jfwid=nz8qn86wh&documentId=TAIS.39790&category=TAD>

two laws, the government publishes a National Security Strategy, which lays out more specific strategies and goals for the Lithuanian economy in the medium run.

Seimas (Parliament of Lithuania) most recently updated the Lithuanian National Security Strategy in 2017. The National Security Strategy addressed Lithuanian Economic Security in the section “strengthening economic and energy security.”³⁰ As the document represents Lithuania’s long-term view of threats to its security, including State Economic Security, Lithuania has not updated it to reflect more recent threats, notably increased tensions with Belarus and China.

The only country which is addressed by name as a potential threat is Russia. The document states that “ In the current period the main threat for the security of the Republic of Lithuania is posed by aggressive actions of the Russian Federation.”³¹ As the document puts it this is due to Russia’s willingness and ability to use different tactics, including economic leverage, to “exploit” and create internal problems that pose a threat to Lithuania.

From an economic perspective, the document outlines the threat of Russia, Belarus, and the CIS and their operation of the Baltic states’ electricity system, “monopolization of import of energy services” as well as “insufficient diversification of export and investments.” The document highlights many specific threats that are related to Russian and Belarussian energy policy. In article 14.8, the document lists the following as a threats:

economic and energy dependence, economic vulnerability – dominance in the economic sectors of strategic importance for national security of economic entities of states which do not meet the Euro-Atlantic integration criteria as well as economic entities of states which are members of political, military, economic and other unions and commonwealths of the states founded on the basis of the former USSR, intentions to take control of enterprises and equipment of strategic importance for national security and land parcels, operation of the Baltic states’ electricity system in the synchronous transmission grid of the Commonwealth of Independent States (IPS/UPS) hindering the management of the electrical system of the Republic of Lithuania and electricity flows through connectors with the Russian Federation and the Republic of Belarus (Seimas of the Republic of Lithuania, 2017).

Lithuania and the rest of the Baltic states are still connected to the Russian power grid for the time being. Still, Lithuanian and the rest of the Baltic states are reconfiguring their network to fully synchronize it with the rest of the European Union by 2025.³² This change would make it more difficult for Belarus or Russia to influence the Lithuanian, Latvian or Estonian economy by disconnecting the power grid.

³⁰ Seimas of the Republic of Lithuania. (2017). National Security Strategy of the Republic of Lithuania 2017. 20.

³¹ Seimas of the Republic of Lithuania. (2017).

³² Economist. (2020). Why the Baltic states are reconfiguring their electric grids.

<https://www.economist.com/europe/2020/08/13/why-the-baltic-states-are-reconfiguring-their-electric-grids>

While the Lithuanian national Security strategy addresses many of the energy issues which could impact Lithuania in the future, it does not address many aspects of the threat of economic sanctions from Russia, Belarus, or another state. The annually published Lithuanian National Threat Assessment gives a better picture of the Lithuanian government's perception and response to more concrete, immediate threats of Economic Aggression.

Beginning in the year 2018, the State Lithuanian Security Department and the Lithuanian Ministry of National Defense's Second Investigation Department began the publication of an annual threat assessment that outlines Lithuanian security's long-term threats. Each of these documents provides a vital insight into threats to Lithuanian economic security as the Lithuanian State perceives them. These documents outline the Lithuanian State's perception of what specific economic threats the country is facing.

Threats in the 2021 Lithuanian National Threat Assessment included a Russian cargo tracking system and Chinese influence in the Lithuanian IT sector.³³ Lithuanian intelligence is concerned that Russia has implemented a new digital cargo tracking system that Russia could use to tailor sanctions against specific businesses and industries. The 2021 report also outlined Lithuanian suspicions that China is attempting to use businesses to gain knowledge about Lithuanian Information Technology infrastructure. Lithuania suspects that China could use Chinese companies involved in infostructure projects to conduct “cyber operations”, steal data, and disrupt digital infrastructure. The 2021 Report examined perceived economic aggression from the Belarussian regime in response to Lithuania’s support for the Belarussian opposition. The document stated:

Lukashenka aggressively reacted to Lithuania’s position regarding the political situation in Belarus and the fact that with the arrival of Tsikhanouskaya Lithuania became a host for one of the opposition centers. The regime responded with sanctions against Lithuanian citizens, demanded to reduce Lithuanian diplomatic staff in Belarus, sought to influence business community with threats of economic sanctions and tried to influence public opinion. In addition, Lukashenka’s regime intentionally limited bilateral cooperation in preventing third-country citizens’ migration through the Belarus-Lithuania border. The sharpened rhetoric of the regime towards Lithuania and the West in general implies that similar actions can be expected in 2021.³⁴

The 2020 Lithuanian National Threat Assessment highlighted Russian attempts to gain influence in the Lithuanian energy sector, and foreign companies were found to be testing Lithuanian enforcement of the Lithuanian Law on the Protection of Objects of Importance to Ensuring National

³³ Lithuania. (2021). National Threat Assessment 2021.

https://www.vsd.lt/wp-content/uploads/2021/03/2021-EN-el_.pdf

³⁴ Ibid. p. 24

Security.³⁵ Specifically, the report highlighted two Russian companies with ties to the Kremlin attempting to gain influence in the Lithuanian Liquefied Natural Gas and energy markets. The 2019 edition of the Threat Assessment highlighted Russian Intelligence's possible use of shell companies to gain national security information.³⁶ These threats are much smaller than Economic Threats faced by Lithuania immediately after it restored its independence.

In sum, Lithuania's State Economic Security situation evolved considerably in the roughly 30 years after Lithuania restored its independence. Lithuania's experience as a member of the Soviet Union shapes the modern states' conceptualization of economic security and foreign policy priorities. The current threats to Lithuanian economic security are its deteriorating relationships with Russia, Belarus, and China in proportion to the economic leverage each of these countries wield over Lithuania. The Lithuanian State has responded to these threats through its long-term security strategy at the strategic level and at the tactical level through the many actions outlined in its Annual Threat Assessment. The next chapter of this project will compare international indicators of Lithuanian State Economic Security with those of other Similarly Situated States.

³⁵ Lithuania. (2020). National Threat Assessment 2020.

<https://www.vsd.lt/wp-content/uploads/2020/02/2020-Gresmes-En.pdf>

³⁶ 1. Lithuania. (2019). National Threat Assessment 2019. <https://www.vsd.lt/wp-content/uploads/2019/02/2019-Gresmes-internetui-EN.pdf>

3. EXAMINATION OF SIMILARLY SITUATED STATES AND THEIR TENSE TRADING PARTNER BILATERAL TRADE CHARACTERISTICS

Despite this, many states whose State Economic Security situation is not comparable to Lithuanian State Economic Security. For example, the US, led sanctions on Iran have severely undermined State Economic Security in that country. Still, unlike Lithuania, any Iranian government and the Iranian regime have a greater capacity to withstand economic pressure without changing its political priorities because it is not subject to free and fair elections. Conversely, other small states do not have close trading relationships with political rivals. Iceland does not fear pressure from tense international trading partners because its closest trading partners are NATO allies. No country that would consider sanctions against Iceland has the power to implement sanctions that could substantially impact Icelandic State Economic Security.

This article has used a constructed formula to determine which states share similar State Economic Security characteristics with Lithuania. Such an objective methodology allows for a fair comparison of Lithuania with states who experience similar economic realities. These three criteria focus on State Economic Security from a trade perspective. While bilateral trade is not the only measure which indicates economic interdependence, it provides an objective measurement which can be used to classify countries into different categories of trading relationships.

This chapter will construct three criteria which will be used to select similarly situated states and then use these criteria to construct a list of similarly situated states. The constructed list will then be used to compare the general conditions in each Similarly Situated States and then compare the bilateral trade relationships between the Similarly Situated States and their Tense Trading Partner (TTP).

3.1. Selection of Similarly Situated States

First, the researcher constructed a list of states based on three fundamental characteristics that define Lithuania's risk of foreign economic intervention. These are; Lithuania's status as a democracy, its relative population size, and its political tensions with a significant trading partner.

1. Functioning Democracy
2. Population greater than 1,000,000
3. Tension with at least one close trading partner in the past 5 years

These three characteristics were used to create a list of Similarly Situated States (SSS) using two objective criteria and one quasi-objective criteria. The first objective criteria is that each comparison state must be considered “free” or “partially free” by the Freedom House World Freedom Report in

2021³⁷. The first criteria is relevant because Lithuania's status as a democracy defines its approach to economic security. Authoritarian regimes are fundamentally different than Democracies with respect to the distribution of economic rewards (Desai et al., 2009). While most authoritarian regimes cannot simply repress opposition, such regimes use state power to redistribute wealth to key groups to stay in power. While Lithuania and other democracies can also redistribute wealth in response to sanctions, their capacity to do this and the mechanisms used are much different.

The second objective criterion requires states to have a population of over 1,000,000. This criterion is used to remove small states whose economic security situation is not comparable to Lithuania due to their smaller economies. Economic Security threats for Microstates, particularly Small Island States, are fundamentally different than those facing larger states (Bartmann, 2002). While there are also important differences between small and large state foreign policies, these differences are not fundamental (See Steinsson & Thorhallsson, 2017).

The third factor requires the state to experience significant political tensions with a close trading partner. This project defines a close trading partner as a state that receives more than 10% of the country's exports or is the source of more than 10% of imports if the state is the destination of between 5% and 10% of exports. Tensions mean a political conflict between the two states, which could disrupt trade. A political conflict that could disrupt trade is a subjective test that examines any active tensions between the two countries, such as a conflict, diplomatic row, dispute over sovereignty, or war. Conflicts which could not result in sanctions such as those between European Union member states are excluded. For example, in 2020, there were significant political tensions between Germany and Hungary, but they are not considered, Tense Trading Partners because Germany cannot feasibly restrict Hungarian imports. Both countries are members of the European Union and Schengen agreement which require open borders. On the other hand, the United States and Canada experienced significant diplomatic tensions when renegotiating the United States-Mexico-Canada free trade agreement. Still, this conflict was primarily economic rather than political and would not add Canada and the United States to the list.

The third criterion selects states with an economic dispute with a trading partner similar to Lithuania's tensions with Russia. While several of Lithuania's relationships can undermine Lithuanian economic security, Russia is the only one that has the capacity or cause significant disruption to the Lithuanian economy. Other states which also have an economically significant Tense Trading Partner are similar to Lithuania in this respect.

3.2. General Characteristics of Similarly Situated States

The three criteria yielded 24 countries that meet the three criteria. China is the tense trading partner for 11 of the similarly situated countries and while Russia accounts for seven. Notably, only one country on the continent of Africa, Morocco, met all of the criteria. While no GDP criterion was used

³⁷ Freedom House. (2021). Democracy under Siege. In Freedom in the World. <https://doi.org/10.4324/9781351301800-10>

to select the states, none of the states fit into the low-income World Bank lending classification.³⁸ Only one country, Bolivia, has had significant political tensions with two of its closest trading partners. These tensions were based on shifting regional support caused by the presidency and the ouster of former president Evo Morales (See Appendix 1). T

Most of the states can be further divided into two discreet categories. The first category consists of former USSR states who have political tensions with Russia. The second category consists of states which have tensions with China over sovereignty or human rights issues and other states which have proprietary conflicts.

A third ‘other’ category consists of states that meet the three criteria but did not have a consistent pattern. Notably, Brazil also has tensions with China, but these tensions are based on rhetoric from Brazilian president Jair Bolsonaro which is distinct from the tensions other democracies have with China. Several South American states experience economic tensions with close trading partners, which are based on South American regional factors. Only one state, Morocco, had a European Union member state as a Tense Trading Partner, Morocco. As a former member state of the USSR, Lithuania fits into the first group, Post-Soviet Democracies. Despite this categorization, Lithuania has significant economic tensions with China, which mirror Chinese relations with several of the States in group two.

Category	Country	Partner
Group One: Post-Soviet Democracies	Armenia	Russia
	Estonia	
	Georgia	
	Latvia	
	Lithuania	
	Moldova	
	Ukraine	
Group Two: States with Human Rights or Sovereignty tensions with China	Australia	China
	Indonesia	
	Japan	
	Malaysia	
	Mongolia	
	New Zealand	
	Philippines	

³⁸ World Bank. (2021). *World Bank Country and Lending Groups*. <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>

	Singapore	
	South Korea	
	Taiwan	
	Argentina	Brazil
	Bolivia	Argentina
	Bolivia	Brazil
Group Three: Other	Brazil	China
	Ecuador	U.S.
	Morocco	Spain
	Pakistan	U.S.

Table. 3. Tense Trading partner Groupings

Prepared by Author

Table 3 shows the different Tense Trading Partner groupings, which are broken down into three groups: Group One includes Lithuania and all other Post-Soviet States that are classified as Democracies, Group Two includes all states that have tensions with China except Brazil, and Group Three includes other states that do not fit into Group One or Group Two. Group three primarily consists of Latin American states that have tensions amongst each other due to differences between the Leftist and conservative governments. Morocco has tensions with Spain because of tensions over the two Spanish enclaves within Morocco's territory. The Morocco-Spain conflict is the only unique bilateral conflict contained in the listing. Brazil's tensions with China are not included in Group Two because these tensions are based on personal comments from Brazilian president Jair Bolsonaro as opposed to other tensions, which are the result of disputes on Sovereignty or human rights issues. Pakistan has long had political tensions with the United States despite these two countries' close security relationships.

The selected countries are very different concerning their general demographic and geographic characteristics (See Appendix 2). Similarly, Situated States varied widely in their geographical size, overall GDP, and population but are all medium or high income in terms of GDP per capita. Almost all of the Tense Trading Partners had had a significantly larger total GDP than the Similarly Situated States. No similarly situated state had a Tense Trading Partner with a smaller GDP. These general characteristics shape and are shaped by each country's trading relationships with their Tense Trading

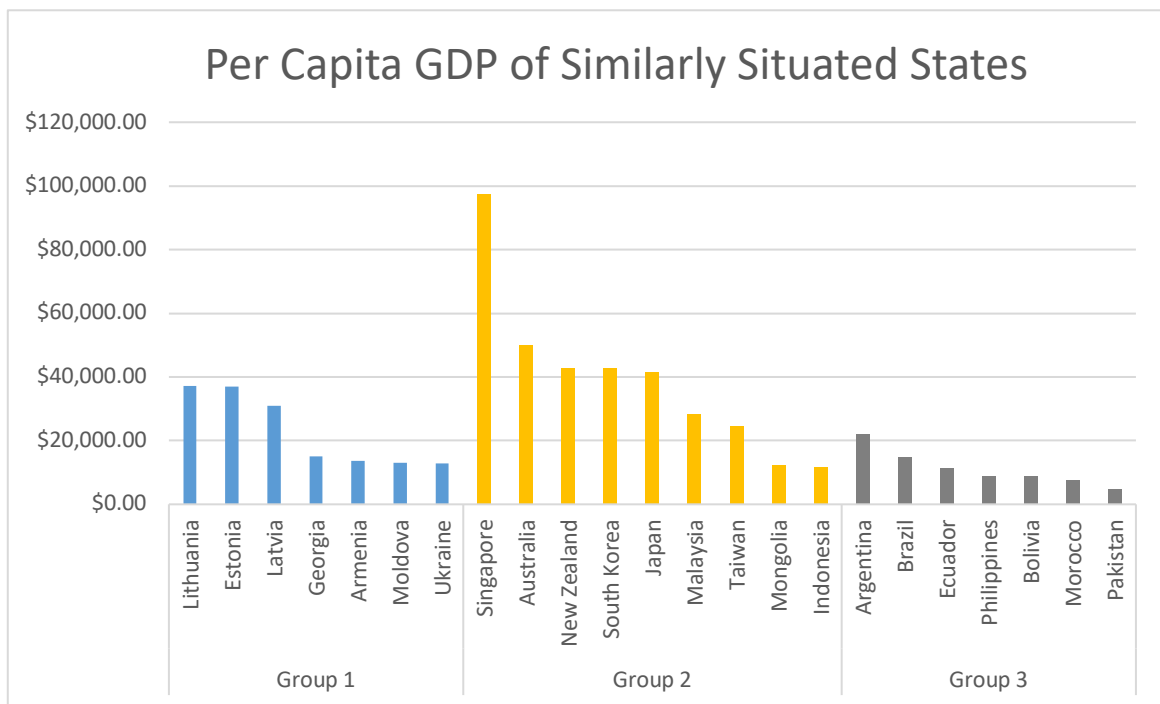


Fig. 10. Per Capita GDP of Similarly situated states

Source: CIA World Factbook

Prepared by Author

Figure 10, sorts and colors states based on the three constructed groups. This figure shows trends in GDP per capita which exist between the various groups. As Figure 10 shows, Pakistan had the lowest per capita income at \$4,690, while Singapore had the highest at \$97,341. All countries can be considered mid or high income. With a GDP per capita of \$37,231, Lithuania falls in the top quartile of the Similarly Situated States and is the highest earning among the Post-Soviet Democracy group. There is no particular trend among the third group of states as would be expected because they do not share any regional grouping. Per capita income also varied by group. Group One had a GDP PPP of \$23,000 while the same statistic was \$36,000 for Group Two and only \$11,503 for Group Three.³⁹

Japan had the largest economy with a GDP of over 5 trillion USD Purchasing Power Parity (PPP), while Moldova had the smallest economy with a GDP of only 34.6 billion USD (See Appendix 2). Among the second group, Lithuania has the highest GDP per capita and the second-highest GDP measured in terms of Purchasing Power Parity. In terms of trade, the countries had a variety of relationships with their Tense Trading Partner. These relationships ranged from complete Economic dependence in the case of Mongolia and China to a mere source country of convenience, as is the case for Lithuania and the other Baltic states regarding purchases of Russian oil.

³⁹ Average was not weighted by population

	Name	Unemployment Rate %	migrant(s)/1,000 population	Public Debt % of GDP	GINI Coefficient
Group One	Armenia	18.90%	-5.43	54%	34.4
	Estonia	4.94%	-2.85	9%	30.4
	Georgia	11.80%	0.06	45%	36.4
	Latvia	6.14%	-5.32	36%	35.6
	Lithuania	8.40%	-4.75	40%	37.3
	Moldova	4.99%	-8.95	32%	25.7
	Ukraine	8.89%	-0.26	71%	26.1
	Australia	5.16%	7.49	41%	34.4
Group Two	Indonesia	5.31%	-0.72	29%	37.8
	Japan	2.36%	0.75	238%	32.9
	Malaysia	3.30%	1.49	54%	41
	Mongolia	8.00%	-0.78	91%	32.7
	New Zealand	4.13%	6.89	32%	36.2
	Philippines	5.11%	-1.75	40%	44.4
	Singapore	2.25%	4.26	111%	45.9
	South Korea	3.76%	2.65	40%	35.4
	Taiwan	3.73%	0.75	36%	33.6
	Argentina	9.84%	-0.08	58%	41.4
Group Three	Bolivia	4.00%	-0.23	49%	42.2
	Brazil	11.93%	-0.13	84%	53.9
	Ecuador	5.71%	0	45%	45.4
	Morocco	9.23%	-1.83	65%	39.5
	Pakistan	6.00%	-0.92	67%	33.5

Table. 4. Societal Indicators by Similarly Situated States

Source: CIA World Factbook

Prepared by Author

Table 4 outlines several societal human security indicators by group and individual country. Societal States varied greatly across all the human security indicators. Several states are net migration destinations, while others loose population to migration. Armenia had the highest unemployment rate at 18.9% while Singapore had the lowest at 2.25%. Moldova had the highest rate of emigration while Australia experiences the highest levels of net immigration. The data does not show a clear trend in unemployment rates. The data source is based on estimates before 2019 so it does not capture that Lithuania now has net positive migration or impact from the COVID-19 pandemic.

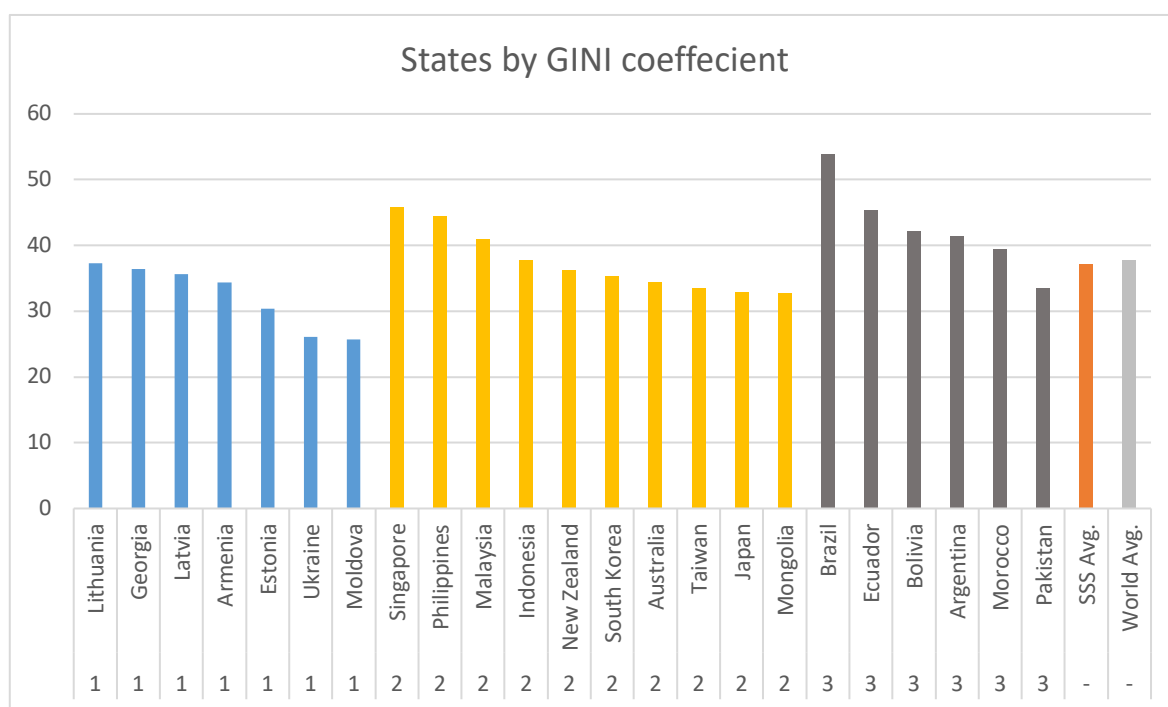


Fig. 11. Gini Coefficient of Similarly Situated States

Source: CIA World Factbook

Prepared by Author

Gini coefficient measures how equal or unequal a society is in terms of wealth distribution. A higher GINI coefficient indicates that a society is more unequal. As figure 11. shows states were not significantly different by group or country in terms of GINI coefficient. Groups one two and three had coefficients of 32.3, 37.4, and 42.7 respectively. These values are very close to the global average as listed in the World Factbook which is 37.8. Disparities between the societies showed that Group Two societies are generally more egalitarian then the other two groups. Lithuania had the highest GINI coefficient of the Post- Soviet Democracies.

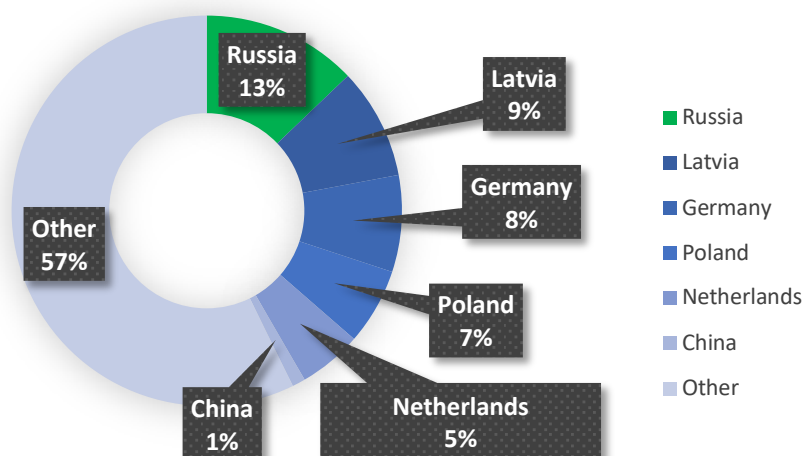
3.3. Trade Characteristics of Similarly Situated States

The nature of exports and balance of trade varied widely among similarly situated states. In contrast, the nature and level of imports followed a clear pattern in two of the three groupings, with

Post-Soviet Democracies importing large amounts of oil products from Russia. Asia-Oceania states that have tensions with China and import various types of machinery from the PRC.

Post-Soviet democracies were generally reliant on Russia for energy resources. The second group of countries who have China as a TTP have a diverse set of trading relationships with the country. One characteristic common for all countries was Asymmetrical Interdependence for exports to the larger, Tense Trading Partner. Asymmetrical interdependence occurs in any relationship where it is easier for one party to stop relying on the other than the reverse (See Keohane & Nye, 1973). Economic interdependence can be further broken down into five categories, “costs of asset specificity, switching costs, proportionality, costs of ratification and compliance, and issue linkage” (Ayyilmaz, 2018); see also Baldwin (1980). Lithuania and the other Similarly Situated States’ Trading Relationships with their Tense Trading Partners exhibit characteristics of several of these interdependences, proportional interdependence, asymmetrical interdependence, asset specificity costs, and switching costs.

Lithuanian export destinations



Russia Export destinations

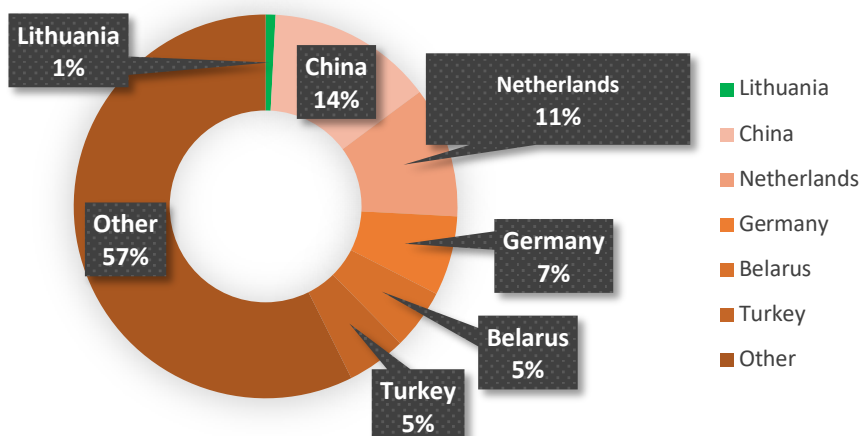


Fig.12. Export Destinations for Russia and Lithuania

Source: World Bank

Prepared by Author

Figure 12 shows exports from Lithuania and Russia divided by destination country and listed with the percentage of exports sent to that country. Figure 12 highlights the fact that exports to Russia are much more critical to Lithuania than Russian exports to Lithuania are to Russia as export markets.

In State Economic Security terms, asymmetrical interdependence often occurs when one state is the destination for a substantial proportion of exports for the other but sends only a small proportion of its own exports in return. Basic mathematics dictates that absent from other factors, states with smaller economies will almost always be **proportionally asymmetrically interdependent** on their larger trading partners. For example, exports from Pakistan to the United States amount to 3.82 billion and account for 14.4% of Pakistani export revenue. In contrast, US exports to Pakistan make up only .5% of total US exports despite being worth 2.59 billion (Economic Complexity Observatory, 2019). This category of asymmetrical interdependence is primarily export-focused. Another practical example of this proportional asymmetrical interdependence can be shown using the trading relationships of Georgia, Lithuania, and Russia

Asymmetrical interdependence can also occur in relation to imports when one state cannot easily switch sources for a vital resource such as oil. This situation combines “costs of asset specificity” and “switching costs”, which this paper will refer to as **resource-based interdependence**. Ukrainian reliance on Russian oil is a modern example of scarcity-based interdependence because, in the short run, it is difficult for Ukraine to switch to alternative oil suppliers if Russia decides to restrict oil exports to Ukraine. Resource-based interdependence is primarily import-focused.

Table 5, gives a general summary of the import trading relationships between the Similarly Situated States and their Tense Trading Partners. The first column shows which is calculated by dividing the value of exports to Tense Trading Partner by the State’s Total GDP. This measure indicates how significant exports to the Tense Trading Partner are to the Similarly Situated States’ economy. This measure is set relative to trade in order to account for differences between the state’s relative economic openness. The second column in Table 5 shows the percentage of the state’s total exports consisting of the top export category. This indicates whether the SSS exports a diverse range of goods to the TTP. The last column in Table 5 shows the name of the top trading category.

Table 5 shows that there is not a consistent pattern that defines which exports are sent to the Tense Trading Partner. States in the first group generally exported more foodstuffs to Russia, while states in the second category generally exported more machines to China. The third category showed that Latin American countries exported more Mineral products to their tense trading partner, but this is likely due to regional trading trends rather than tense trading partner export characteristics

The data highlighted one example of a state which is economically dependent on exports to its Tense Trading Partner. Table 5 shows that Mongolia relies on exports to China for 59.16% of GDP. This relationship is categorically different from other trading relationships. Recent news stories show how this vulnerability to Chinese sanctions gives China immense leverage over Mongolian domestic politics. Mongolia has refused further entry to the Dalai Lama in the aftermath of Chinese sanctions in 2016.⁴⁰ Other commentators speculate that the Mongolian president is hesitant to criticize

⁴⁰ McLaughlin, T. (2020, December 16). When you live next to an autocracy. Retrieved May 13, 2021, from <https://www.theatlantic.com/international/archive/2020/12/china-democracy-mongolia/617391/>

restrictions on the Mongolian language in Chinese Mongolia due to fear of further retaliatory sanctions.⁴¹ The Mongolian example shows how a lack of State Economic Security can force a government to alter its policy even without any non-economic threats.

	Country	Proportion of GDP from Exports to TTP	Proportion of Top Export to all exports	Top Export to TTP
Group One	Estonia	4.45%	42%	Machines
	Georgia	2.84%	49%	Foodstuffs
	Latvia	3.78%	36%	Foodstuffs
	Lithuania	7.82%	35%	Machines
	Moldova	2.48%	30%	Vegetable products
	Ukraine	32%	36%	Metals
Group Two	Australia	7.98%	75%	Iron Ore
	Indonesia	2.55%	38%	Mineral Products
	Japan	2.52%	41%	Machines
	Malaysia	9.93%	43%	Machines
	Mongolia	59.16%	94%	Mineral Products
	New Zealand	5.41%	57%	Animal products
	Philippines	3.61%	66%	Machines
	Singapore	12.31%	40%	Machines
	South Korea	8.26%	52%	Machines
	Taiwan	14.80%	15%	Machines
Group Three	Argentina	2.30%	44%	Transportation
	Bolivia (Brz)	3.04%	94%	Mineral Products
	Bolivia (Arg)	3.04%	96%	Mineral Products
	Brazil	3.38%	47%	Mineral Products
	Ecuador	6.29%	60%	Mineral Products
	Morocco	6.25%	30%	Machines
	Pakistan	1.51%	79%	Textiles

Table. 5. Tense Trading Partner Exports by category

Source: Economic Complexity Observatory 2019

Prepared by Author

⁴¹ Zheng, S. (2020, September 19). Mongolia: Locked between China and the language of identity. Retrieved May 13, 2021, from <https://www.scmp.com/news/china/diplomacy/article/3102103/mongolia-locked-between-china-and-language-identity>

Table 6, shows which category of imports each similarly situated country imported from their tense trading partner. The listed categories are taken directly from those listed by the Organization of Economic Complexity website. Mineral products include petroleum, natural gas, electricity, and other energy products. As the table shows, all of the Post-Soviet States import large amounts of oil and natural resources from Russia. Only one state in this category, Moldova, had a different primary import category, chemical products, which refers to Fertilizer. Moldova is also the only post-Soviet democracy that imports a diverse set of products from Russia, as the top import category only makes up 21% of imports. The table also shows that Latvia is particularly reliant on Russian oil, accounting for more than 9% of Latvian Imports.

	Country	Imports to TTP % total Imports	Top Import % of Imports from TTP	Top Import from TTP
Group One	Armenia	11%	36%	Mineral Products (Oil)
	Estonia	8%	43%	Mineral Products (Oil)
	Georgia	5%	33%	Mineral Products (Oil)
	Latvia	13%	71%	Mineral Products (Oil)
	Lithuania	7%	70%	Mineral Products (Oil)
	Moldova	5%	21%	Chemical products (Fertilizer)
	Ukraine	4%	35%	Mineral Products (Oil)
Group Two	Australia	4%	39%	Machines
	Indonesia	4%	40%	
	Japan	3%	44%	
	Malaysia	14%	43%	
	Mongolia	56%	8%	
	New Zealand	4%	33%	
	Philippines	10%	31%	
	Singapore	14%	47%	
	South Korea	7%	48%	
	Taiwan	9%	62%	
Group Three	Argentina	2%	35%	Transportation
	Bolivia (Brz.)	3%	22%	Machines
	Bolivia (Arg.)	1%	29%	Vegetable products
	Brazil	2%	41%	Machines
	Ecuador	4%	50%	Mineral Products
	Morocco	8%	22%	Machines
	Pakistan	1%	24%	Textiles (Raw Cotton)

Table. 6. Tense Trading Partner Imports by category

Source: Economic Complexity Observatory

Prepared by Author

As shown in Figure 13, Lithuania is the only Post-Soviet Democracy that does not have a trade deficit with Russia. The other two Baltic states had significant trade deficits with Russia, and Latvia had the largest bilateral trade deficit of any of the post-Soviet Democracies. Armenia, the country in the group with the best relations with the Russian Federation, had a trade deficit close to the median.

The data shows how vital Russian Oil is for Post-Soviet Democracies and suggests that Russia has more capacity to undermine their State Economic Security. Table 6 also indicates that the import structure for states in Group Two is significantly different from those in the other two categories. Countries with China as a Tense Trading Partner universally import machines and have a more diversified import structure.

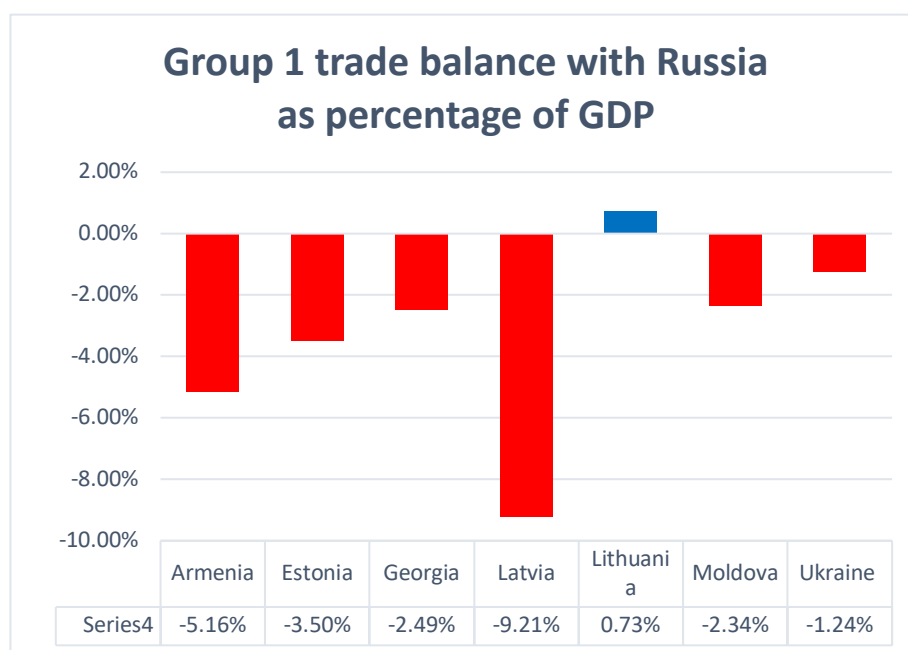


Fig. 13. TTP Balance of Lithuania and Similarly Situated States

Source: Economic Complexity Observatory

Prepared by Author

As shown below in Figure 14, in contrast to Post-Soviet Democracies, Group Two States do not have a consistent trade imbalance with China. Taiwan has a very significant bilateral trade surplus with Mainland China. China may encourage this to promote further linkages between the two economies. Australia also has a significant bilateral trade surplus with China because it is a major supplier of raw materials for the Chinese industry. Mongolia also has a significant bilateral trade surplus with China but is economically dependent on China. Put together the structure of imports, exports, and trade balance, indicate that states in Group Two generally face proportional asymmetrical interdependence with China rather than Resource based Asymmetrical Interdependence.

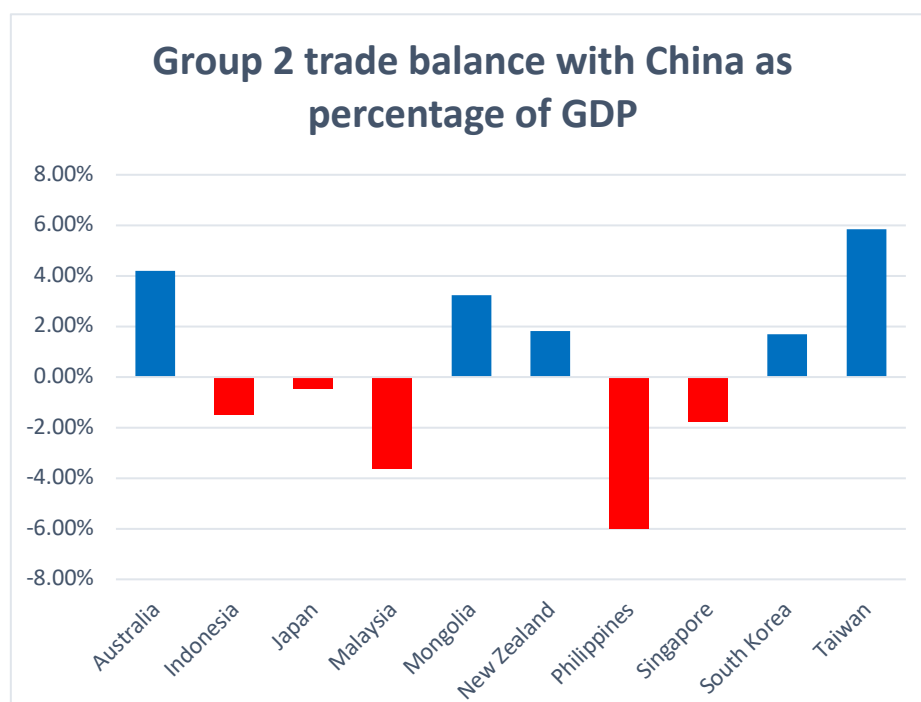


Fig. 14. Balance of trade for China TTP

Source: Economic Complexity Observatory

Prepared by Author

States in the other categories indicate some of the more general trends of trading relationships for Similarly Situated States whose Tense Trading Partner is not China or Russia. Argentina's imports from Brazil reflect a close trading relationship which is important for both country's car manufacturing industries. Despite political tensions, Brazil and Argentina have a close trading agreement and are stepping down trade restrictions before a full automotive free trade agreement which begins in 2029.⁴² Trading patterns in the group suggest that there is no single model which explains relationships between Tense Trading Partners. It also suggests that some countries who could use economic sanctions for political purposes choose not to use this policy tool.

Overall, this chapter constructed a definition that includes Democracies that have a close trading relationship with a tense trading partner, compared the general characteristics of these states, and finally compared the general bilateral trading relationships between these States and their Tense Trading Partner. Bolivia was the only state which had two Tense Trading Partners, Argentina and Brazil. This chapter revealed several important characteristics shared by the Similarly Situated States, specifically that these states are all middle- or high-income states and that type of imports and bilateral trade balance follows clear group patterns. Firstly, these patterns are that Group One, Post-Soviet Democracies import oil from Russia and generally have a trade bilateral trade deficit with Russia. Secondly, Group Two states import machines from China.

⁴² Brazil-Argentina new auto pact postpones free trade until 2029. (2019, September 06). Retrieved May 12, 2021, from <https://www.reuters.com/article/us-brazil-argentina-autos-idUSKCN1VR2IS>

Bilateral trading relationships are significant component of State Economic Security in the Similarly Situated States, but it is only one of many factors that create State Economic Security. To further explain these trends, the next chapter will compare qualitative and constructed quantitative latent State Economic Security indicators of Lithuania's level of State Economic Security with a focus on four Similarly Situated States.

4. COMPARISON OF LITHUANIAN STATE ECONOMIC SECURITY LEVEL WITH SIMILARLY SITUATED STATES

The final chapter of this paper will Lithuania's State Economic Security compared with the Similarly Situated States and the three constructed groupings. Two types of factors can be used to understand a State's National level of State Economic Security. Qualitative country-specific attributes are based on examining all possible threats to a given country's economic security and State Economic Security. Quantitative latent State Economic Security measurements use combined measurements of comparable variables to provide concrete scores for different indicators that indicate higher or lower levels of State Economic Security. Quantitative variables measure how durable a state's political, social, and economic institutions are in the face of economic disruptions.

While states whose 'latent State Economic Security' indicators are higher will be more resilient when face with any economic threat, such indicators are insufficient to compare State Economic Security between different states. Both subjective, country-specific variables must be connected in any comparison because either set of factors can indicate a lack of State Economic Security. A state whose latent indicators indicate a lack of resilience will be susceptible to external manipulation from even minor trading partners even if unique country circumstances do not indicate any severe threats to State Economic Security.

Country-specific indicators range from political considerations. These political considerations can include the Tense Trading Partner's willingness to use economic disruption to reach its goals, the level of importance of the political dispute for the Tense Trading Partner, or the specific ways that the two state's economies are interconnected, such as through bilateral investment or tourism. The quantitative variables measured in this section measure three aspects of latent State Economic Security, political resilience, social resilience, and economic resilience.

The first section conducts a quantitative analysis of different latent State Economic Security indicators based on the model used by Gryshova et. al in a 2020 article that compares Ukrainian Economic Security with European Union Member States. The second section compares other country-specific factors that impact State Economic Security for three of the Similarly Situated States, South Korea, Taiwan, and Georgia.

4.1. Comparison of latent State Economic Security indicators

This methodological portion of this final project is based on the National Economic Security indicators used by Gryshova et al. (2020) in their article titled "Assessment of The EU and Ukraine Economic Security and Its Influence on Their Sustainable Economic Development". These methods seek to measure the resilience of different aspects of society in response to disruptions caused by the foreign economic intervention. States with higher scores on such constructed measurements should be more resilient even if such disruption occurs.

As in Gryshova et. al (2020), this chapter uses composite indicators to study multidimensional phenomena is well established in social science research (El Gibari et al., 2019; Salzman, 2003). Construction of such multidimensional indicators follows a rigorous set of standards used to construct

new indicators using aggregated social, economic, and other statistical data (See Mazziotta & Pareto, 2013). This portion uses the same composite construction techniques to provide an objective measure of the Similarly Situated States' default level of State Economic Security in the absence of external influences that quantitative indexes would not capture. The comparison was conducted in 4 steps:

1. Selection of indicators
2. Collection of data from indicators
3. Standardization of data
4. Compilation of Composite indicators

In the first step, indicators were selected using the same criteria as Gryshova et al. All of the indicators are within the subset used by Gryshova et al., these specific indicators were used because they had already been tested to avoid multicollinearity as the previous study only used indicators which were analyzed to ensure that the coefficient correlation did not exceed 0.7. Collinearity refers to variables that measure the same underlying value. For example, many Economic Indexes Indicators provide economic rankings which are based on the Gross Domestic Product. Therefore, if one constructed a composite indicator by simply averaging these values, it would exaggerate the Economic Security levels for countries with a high GDP and underweight other indicators such as the so-called 'brain drain', or economic diversity, which are not measured in every index.

In the second step, data was collected from the website for each of the databases. Rather than using the same base year, the most recent data available for each of the databases was used. 34 Subordinate indicators from five International Indexes were collected. The five indexes are, the Human Development Report⁴³, the Global Competitiveness Report⁴⁴, the KOF Index of Globalization,⁴⁵ the Fragile States Index⁴⁶, and the Legatum Prosperity Index.⁴⁷ As this research project is not conducting a year-by-year comparison, the most recent data from each index was used. The Global Competitiveness Index was not updated in 2020 due to drastic changes caused by the COVID-19 pandemic⁴⁸ so 2019 data was used.

Table 7 lists the three composite indicators, Economic Resilience, Social Resilience, and Political Resilience, and the subordinate indicators compiled to construct the composite indicator. The composite indicator 'Political Resilience' was constructed through a combination of the subordinate

⁴³ UNDP. (2020). Human Development Report 2020. In Human Development Report 2020. http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/GTM.pdf

⁴⁴ WEF. (2019). The Global Competitiveness Report 2019. In World Economic Forum. http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf

⁴⁵ Gygli, Savina, Florian Haelg, N. P. and J.-Egbert S. (2019). The KOF Globalisation Index. Review of International Organizations, 14(3). <https://doi.org/10.1007/s11558-019-09344-2>

⁴⁶ The Fund for Peace. (2020). Fragile States Index Annual Report 2020. 1–44. www.fundforpeace.org

⁴⁷ Legatum Institute Foundation. (2020). The Legatum Prosperity Index 2020: A tool for transformation. https://docs.prosperity.com/2916/0568/0539/The_Legatum_Prosperty_Index_2020.pdf

⁴⁸ WEF. (2020). The Global Competitiveness Report 2020. In World Economic Forum. <https://www.weforum.org/reports/the-global-competitiveness-report-2020>

indicators measuring inequality, employment levels, gender inequality, general societal security, the incidence of corruption, future orientation of the government, business dynamism, political globalization, the security apparatus, Factionalization within elites, external intervention, public services and respect for Human Rights. The second composite indicator, ‘Economic Resilience’ was constructed using the subordinate indicators measuring macroeconomic stability, infrastructure, the product market, the labor market, the financial system, the market size, innovation capability, economic globalization, economic decline, economic inequality, enterprise conditions, and economic quality. The third indicator Social Resilience was a combination of indicators for healthy life expectancy, societal skills, social capital, social globalization, demographic pressures, refugees and internally displaced persons, human flight and brain drain, health, and the natural environment.

Composite Indicator	Source	Year	Subordinate Indicator
Political Resilience	Human Development Report	2020	Inequality
	Human Development Report	2020	Employment
	Human Development Report	2020	Gender Inequality
	Global Competitiveness Report	2019	General Security
	Global Competitiveness Report	2019	Incidence of corruption
	Global Competitiveness Report	2019	Future orientation of government
	Global Competitiveness Report	2019	Business dynamism
	KOF Index of Globalization	2020	Political Globalisation
	Fragile States Index	2020	Security Apparatus
	Fragile States Index	2020	Factionalized Elites
	Fragile States Index	2020	External Intervention
	Fragile States Index	2020	Public Services
	Fragile States Index	2020	Human Rights
Economic Resilience	Global Competitiveness Report	2019	Macroeconomic stability
	Global Competitiveness Report	2019	Infrastructure
	Global Competitiveness Report	2019	Product market
	Global Competitiveness Report	2019	Labor market
	Global Competitiveness Report	2019	Financial system
	Global Competitiveness Report	2019	Market size
	Global Competitiveness Report	2019	Innovation capability
	KOF Index of Globalization	2020	Economic Globalisation
	Fragile States Index	2020	Economic decline
	Fragile States Index	2020	Economic Inequality
	Legatum Prosperity Index	2020	Enterprise Conditions
	Legatum Prosperity Index	2020	Economic Quality

Social Resilience	Global Competitiveness Report	2019	Healthy Life expectancy
	Global Competitiveness Report	2019	Skills
	Legatum Prosperity Index	2020	Social Capital
	KOF Index of Globalization	2020	Social Globalisation
	Fragile States Index	2020	Demographic Pressures
	Fragile States Index	2020	Refugees and IDPs
	Fragile States Index	2020	Human Flight and Brain Drain
	Legatum Prosperity Index	2020	Health
	Legatum Prosperity Index	2020	Natural Environment

Table. 7. Composite Indicators, Sources, date, and Subordinate Indicators

Prepared by Author

In the third step, a common composite standardization equation was used to standardize the data scales so that they would all measure variables on a scale of zero to one. Values closer to one represent conditions more favorable State Economic Security and values closer to zero, representing conditions less favorable to State Economic security. The formulas are based on those contained in Salzman (2003). Formulas were used to construct three final composite indicators: political resilience, economic resilience (distinct from State Economic Security), and Social Resilience.

$$Standardized\ Value = \begin{cases} \frac{Raw\ Value - Min\ Value}{Max\ Value - Min\ Value}, & \text{if indicator is favorable} \\ \frac{Max\ value - Raw\ Value}{Max\ Value - Min\ Value}, & \text{if indicator is unfavorable} \end{cases}$$

Fig. 15. Equation used for calculation of standardized indicator values

Prepared by Author

In cases where high indicator values benefit State Economic Security, the formula subtracts the raw value of a given indicator from the minimum possible value of the indicator and then divides the sum by the minimum possible value subtracted from the maximum possible value of the indicator. For example, Lithuania received a score of 77.02 for the indicator “Infrastructure” which has a scale of 0 to 100 in the Global Competitiveness Report.⁴⁹ Using the formula this value was divided by 100 which equates to .7702.

In contrast, when high values of the indicator negatively correlate with State Economic Security, the raw value is subtracted from the maximum possible value. The difference is divided by the

⁴⁹ WEF. (2019). The Global Competitiveness Report 2019. In World Economic Forum. http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf

difference of the minimum possible value subtracted from the maximum possible value for the maximum possible value the given indicator. For example, in 2020 Georgia received a score of 9.1 for the category “Factionalized Elites” in the Fragile States Index (The Fund for Peace, 2020). This indicator measures how factionalized a Country’s elites are on a scale of 0 to 10. Using the second formula, 9.1 is subtracted from 10, and the remainder is divided by 10, yielding a result of .0900. Using this formula allows different variables to be compared mathematically and avoids a defacto weighting of indicators based on their respective scale Salzman (2003).

$$I_{country} = \sqrt[3]{\prod_{k=1}^3 I_{country}^k}$$

Fig. 16. Geometric Mean Equation used to calculate composite values

Prepared by Author

The second part of the calculation uses the standard equation for the geometric mean. 'I' represents the composite indicator. This equation is the standard geometric mean equation without any changes. Geometric Mean is used instead of the arithmetic mean (average). The geometric mean was then rounded three significant digits to become the value for the Composite Indicator.

Finally in the fourth step, the standardized variables were used to calculate composite indicators using the Geometric Mean of the standardized variables. The three variables that were constructed are, Political Resilience, Economic Resilience, and Social Resilience. The variables represent the level of resilience present in each aspect of the society through the subordinate indicators.

Political resilience includes measurements for, Inequality, Employment, Gender Inequality, General Security, corruption, the Future orientation of government, Business dynamism, Political Globalisation, Security Apparatus, Factionalized Elites, External Intervention, Public Services, and Human Rights. These factors reflect how resilient a county's political how durable a country's political institutions will be in response to an economic shock. Several Indexes did not provide data values for Taiwan; Taiwan values were therefore calculated using the Geometric mean of the available data points. Taiwan was omitted from the composite indicator "Political Resilience" because there were not enough data points on Taiwan to provide a reliable result.

The composite indicator Economic Resilience shows how resilient a country's economy is taken as a whole. This indicator includes measures for macroeconomic stability, Infrastructure, Product market, Labor market, financial system, Market size, Innovation capability, economic globalization, Economic decline, Economic Inequality, Enterprise Conditions, and general Economic Quality. As one example, the indicator 'Macroeconomic stability', listed in the Global Competitiveness Index, is based on a country's debt dynamics and level of inflation.⁵⁰

⁵⁰ WEF. (2019). The Global Competitiveness Report 2019. In World Economic Forum. http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf

Social Resilience combines indicators that show how resilient the social structure of a given society is. These indicators, including Healthy Life expectancy, Skill level, Social Capital, Social Globalisation, Demographic Pressures, Refugees and IDPs, Human Flight and Brain Drain, Health and Natural Environment, reveal how well a society's social structures can withstand an economic shock. For example, the 'Human Flight and Brain Drain' indicator reviews whether economically productive segments of the population are leaving a given country (The Fund for Peace, 2020). States with fewer working residents will have more difficulty responding to sudden economic shifts caused by economic aggression.

		Economic Resilience		Political Resilience		Social Resilience	
Country		Value	Rank	Value	Rank	Value	Rank
Group One	Armenia	0.557	15	0.492	13	0.584	15
	Estonia	0.696	8	0.725	5	0.731	4
	Georgia	0.557	14	0.468	15	0.585	14
	Latvia	0.649	10	0.675	8	0.687	8
	Lithuania	0.650	9	0.697	7	0.681	9
	Moldova	0.513	18	0.424	17	0.567	17
	Ukraine	0.550	16	0.396	20	0.591	13
	Australia	0.768	4	0.808	2	0.810	2
Group Two	Indonesia	0.595	11	0.504	11	0.544	20
	Japan	0.786	3	0.775	4	0.677	10
	Malaysia	0.719	7	0.582	9	0.671	11
	Mongolia	0.508	19	0.495	12	0.602	12
	New Zealand	0.730	6	0.837	1	0.820	1
	Philippines	0.594	12	0.350	21	0.504	21
	Singapore	0.840	1	0.797	3	0.789	3
	South Korea	0.757	5	0.721	6	0.724	5
	Taiwan ⁵¹	0.798	2	No Data	-	0.712	6

⁵¹ Due to the fact that several indexes omitted Taiwan, Taiwan data is based on averages of available indicators and is not directly comparable to other Countries.

Group Three

Argentina	0.487	20	0.574	10	0.692	7
Bolivia	0.427	23	0.399	19	0.545	19
Brazil	0.517	17	0.408	18	0.563	18
Ecuador	0.480	21	0.458	16	0.571	16
Morocco	0.562	13	0.485	14	0.494	22
Pakistan	0.466	22	0.293	22	0.381	23

Table. 8. Composite Indicators with Country Score and Rank

Prepared by Author

Table 8. shows the results of the computation listed by Group and country. Next to each data value, the table lists the rank of that country compared to all of the Similarly Situated States. In the Category Economic Resilience, Singapore was ranked first with a score of .840, and Bolivia was ranked last with a score of .427. New Zealand was ranked first in the categories for Social Resilience and Political Resilience with scores of .837 and .820, respectively. Pakistan ranked last in these categories with a Social Resilience score of .381 and a Political Resilience score of .293. When divided by Group, the data showed distinct regional trends. Lithuania in the top half of all the resilience rankings but was ranked below Estonia in Group one in all three of the rankings.

Several countries had scores that differed significantly between the composite indicators. Argentina, for example, scored very low on the Economic Resilience indicator, 20 out of 23, while it ranked in the top half of countries in the Social Resilience and Political Resilience indicators. Indonesia scored very low on the Social Resilience indicator but was ranked next to the median in the Economic Resilience and Political Resilience indicators.

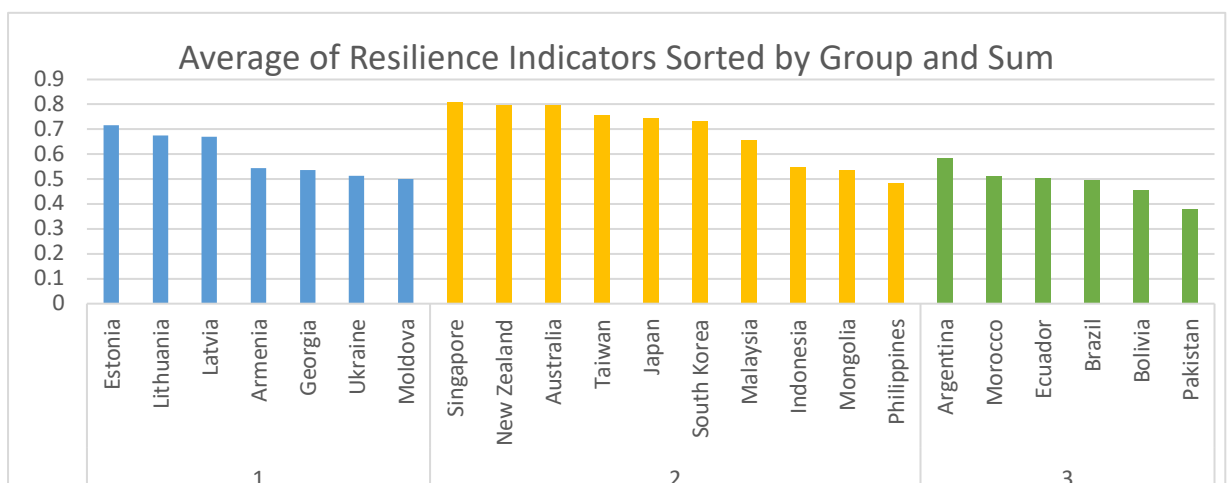


Fig. 17. Average of Composite Indicators by State

Prepared by Author

Figure 17 shows the average of the three resilience indicators divided by group. Among group one, the Post-Soviet Democracies Estonia is considered the most Resilient based on the average of the three Composite Indicators. Latvia, Lithuania, and Estonia had higher scores than the other Post-Soviet Democracies. The higher score shows a trend that suggests European Union membership status correlates with increased State Economic Security. The three Baltic States are the only Post-Soviet Democracies that are European Union member states. Group One scores were slightly lower than Group Two scores. Group Two scores showed that Singapore, New Zealand, Australia, Taiwan, Japan, and South Korea are significantly more Resilient than Indonesia, Mongolia, or the Philippines. Malaysia was in between the two categories. As a whole, Group Two has the most Resilience of the three groups. Group Three was the least resilient and did not show any consistent trends. The four Similarly Situated States in South America had consistent Resilience Scores. Pakistan is the least Resilient State researched.

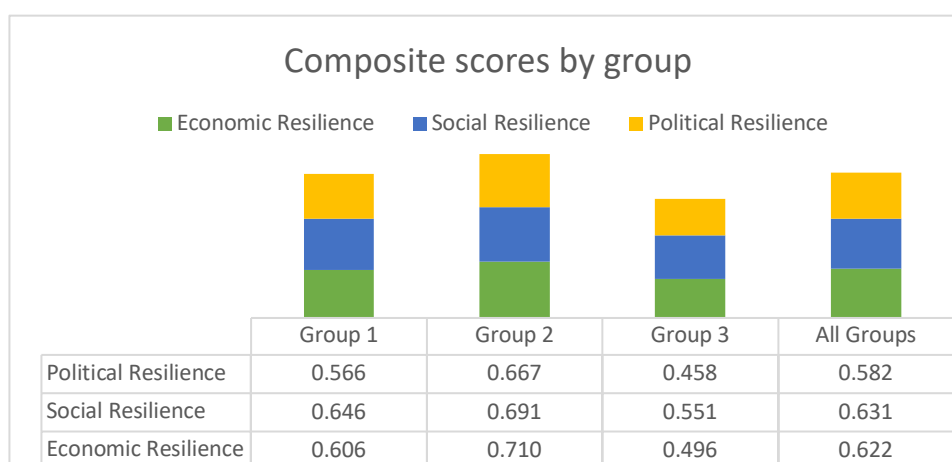


Fig. 18. Composite Indicators by Group and Type

Prepared by Author

The graph in Figure 18 shows the average values for each of the composite scores for each Group as well as the average for all of the Groups combined. Group Two had higher averages across all three indicators and was the only Group for which Economic Resilience surpassed the Social Resilience indicator. Group Three had particularly low Political Resilience compared to Group One and Group Two. The difference in values within groups suggests that the

The above Resilience Indicators provide a valuable quantitative baseline that indicates how Resilient each State would be in the face of foreign economic aggression if all of the country-specific factors which are not captured by the indexes are equal. One example that illustrates the importance of such country-specific factors is Mongolia. Based on the averages alone, one would conclude that in comparison to the rest of the Group, Mongolia's State Economic Security situation is roughly equivalent to other group members. It ranks low on Economic Resilience (19 out of 23), but it is ranked close to the median in terms of Political Resilience (12 out of 22) and Social Resilience (12 out of 23). Despite this, as stated in the previous chapter, that characterization would be inaccurate because of Mongolia's geographical position and economic reliance on its tense trading partner, China.

To further examine such country-specific information, the next section will examine country-specific State Economic Security issues facing three of the Similarly Situated States compared to those facing Lithuania. The review will compare Georgia from the first Group and South Korea and Taiwan from the Second Group.

4.2. Analysis of country specific factors

In order to examine expand on the general comparison of State Economic Security, this project will conduct an in-depth review of the quantitative factors that influence State Economic Security in three of the Similarly Situated States, South Korea, Georgia, and Taiwan. These states were selected because they are similar to Lithuania with respect to several key economic security factors, namely each of these states have good relations with the United States and western institutions and fit into one of the two Similarly Situated State groups which are defined by their tense trading relationship with one regional superpower. In the case of Taiwan and South Korea, the regional superpower is the People’s Republic of China, while Georgia has tensions with Russia. All three of the states have a significant asymmetrical trading relationship with their primary Tense Trading Partner. Despite these similarities, these three states have key differences which highlight several of the distinct characteristics of Lithuanian State Economic Security policy.

This analysis will first compare the baseline State Economic Security situation in each of the four States based on quantitative data obtained in the previous chapter. The aspect of the analysis will compare factors that influence State Economic Security in each of the states. The final portion will review each state’s State Economic Security Strategy in the face of external threats.

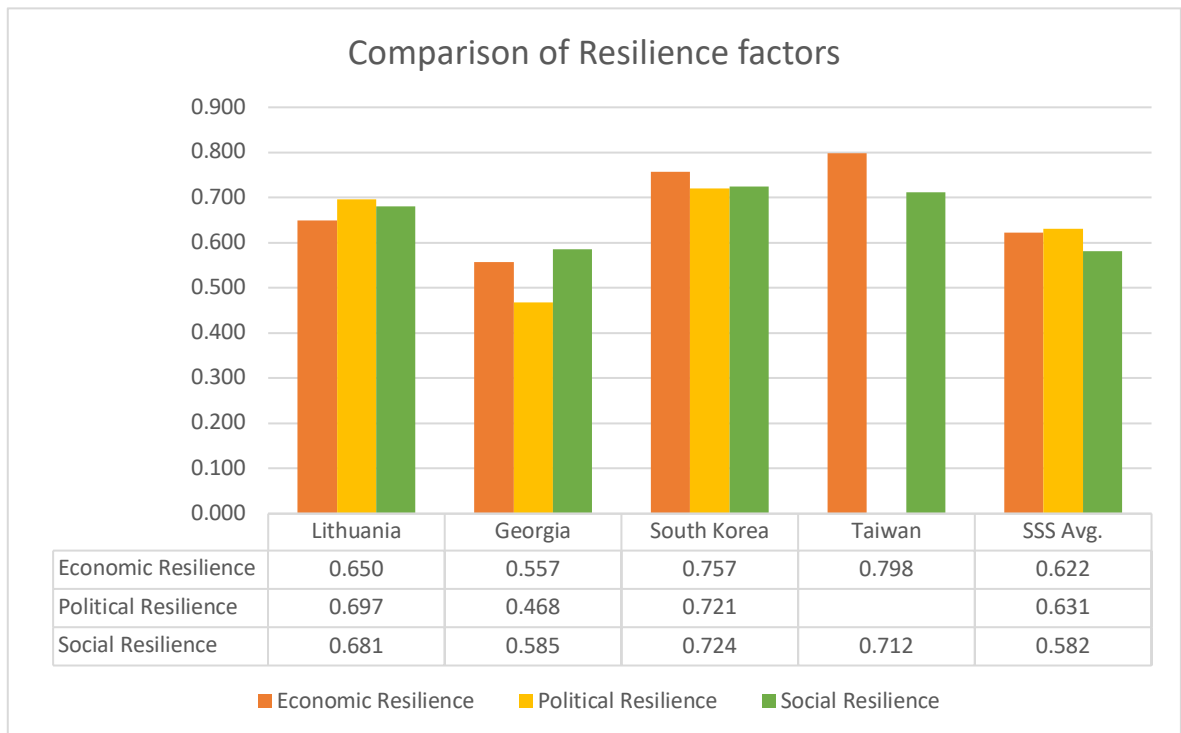


Fig. 19. Taiwan, South Korea, Lithuania, Georgia, Composite indicators

Prepared by Author

As shown in Figure 19, Lithuania, South Korea, and Taiwan receive above-average indicators for all of the measured Resilience indicators. Georgia placed slightly above average with respect to Social Resilience but scored below the average of Similarly Situated States for the other two measurements. As stated previously, Taiwan did not receive a score for political resilience because it was not listed in enough of the selected indexes to construct an accurate measurement. These data would suggest that among the four states, either South Korea or Taiwan has the highest level of State Economic Security and that Georgia has the lowest.

4.2.1. South Korea Economic Security

South Korea is the most similar to Lithuania because it does not face any significant threat to its territorial integrity from an important trading partner in the near future. The main non-military threats to South Korean State Economic Security result from the tensions with China. While South Korea is still technically at war with North Korea, inter-Korea trade is insignificant to the economy of South Korea. While there is a risk that North Korea could disrupt South Korea’s economy by using military force, thus this National Security risk is not Economic in nature and falls outside the scope of the definition of State Economic Security.

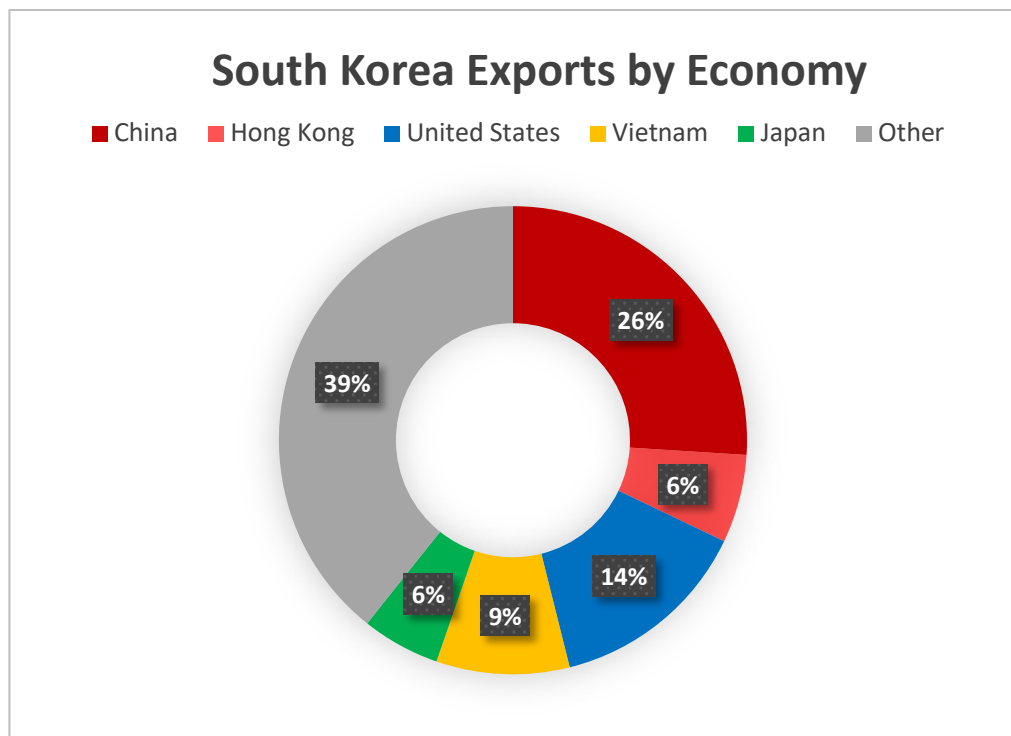


Fig. 20. South Korea Exports by Economy

Source: World Bank

Prepared by Author

As Figure 20 shows, over a third of South Korea's trade comes from Mainland China or Hong Kong. South Korea also has close trading ties with the United States, Vietnam, and Japan. South Korea maintains a somewhat equitable trade balance with Mainland China, with \$136 billion in exports and \$108 billion in imports in 2019; trade makes a much higher proportion of South Korea's total GDP.⁵² As the trade data would predict, one of the key foreign policy issues facing South Korea concerning its freedom from economic coercion is its asymmetrical reliance on China (Lee, 2015; Sohn, 2019). South Korea has had a series of minor conflicts with China over various issues ranging from product quality inspections to US installation of a missile defense system (Sohn, 2019). Sohn also explains that China restricted Chinese tourism to South Korea as a result of the missile dispute. China has been able to use its trade leverage to gain concessions from South Korea in several key issues, including Chinese incursions into the yellow sea and quarantine restrictions on goods (Lee, 2015)

South Korea's Economic Security Strategy is based on building a strong security relationship with the United States while pursuing a close economic relationship with China. South Korea is the only state that had managed to create free trade agreements with the world's three largest economies, the United States, China, and the European Union (Sohn, 2019). One South Korean national security document, the 2018 Defense Whitepaper, outlined the country's "Well-Balanced and Cooperative Diplomacy" strategy.⁵³ South Korea has implemented this policy priority by building trade links through a "New Northern Policy" and a "New Southern Policy". The New Northern seeks to improve economic ties by linking transportation, logistics, and energy infrastructure in China, Mongolia, Southeast Asian countries, and Russia. The New Southern Policy is "aims to enhance amicable political, economic, cultural, and personal cooperation with 10 ASEAN members and India to a level corresponding to the cooperation with Korea's surrounding nations. These policy priorities show that South Korea is willing to engage with any country to help build its economy regardless of political differences.

South Korea's open trade policy with China primarily distinguishes South Korean State Economic Security policy and Lithuanian State Economic Security policy. While Lithuania relies on Western trading partners to advance both its economic and security interests, South Korea maintains close Security relationships with the United States. Still, it maintains an open door to China and Russia for trade relations. This strategy benefits South Korea economically in the short run but has the significant drawback of giving China leverage over the South Korean economy in the long run. South Korea's State Economic Security situation is significantly more stable than Taiwan despite the two territories' similar ranking on the Composite Resilience Indicators.

Taiwan's State Economic Security situation is significantly different from the other three states and is arguably unique in the modern world. Threats to Taiwan State Economic Security almost entirely stem from one conflict, Mainland China's efforts to assert control of the Island through economic measures. While the conflict between Taiwan and the People's Republic of China has economic implications, it could also turn into a military conflict. While the State of Lithuania has

52 OEC. (n.d.-c). South Korea. The Observatory of Economic Complexity. <https://oec.world/en/profile/country/kor>

53 Republic of Korea Ministry of Defense. (2018). 2018 Defense White Paper. https://www.mnd.go.kr/cop/pblicitn/selectPublicationUser.do?siteId=mndEN&componentId=51&categoryId=0&publicationSeq=846&pageIndex=1&id=mndEN_031300000000

never faced such a threat since it reestablished its independence, Taiwan's economic security situation illustrates how economic cooperation can be used by a larger state determined to control a smaller trading partner. Some academics point out that Taiwan's independence shows how a small state can resist economic pressure from a much larger state (Lai, 2021).

The PRC's economic strategy for absorbing Taiwan was described by one scholar as follows: "China expects that economic cooperation will make Taiwan increasingly dependent on the Chinese economy, deterrence will prevent independence in the short term, and diplomacy will help maintain stability over the long term (during which time Mainland China would absorb Taiwan)" (Ross, 2000 p. 118) In 2005 China passed a law explicitly stating that it would use force if Taiwan formally attempted to declare independence.⁵⁴ Some U.S. military commanders have suggested that Mainland China could invade the island of Taiwan within the next decade.⁵⁵

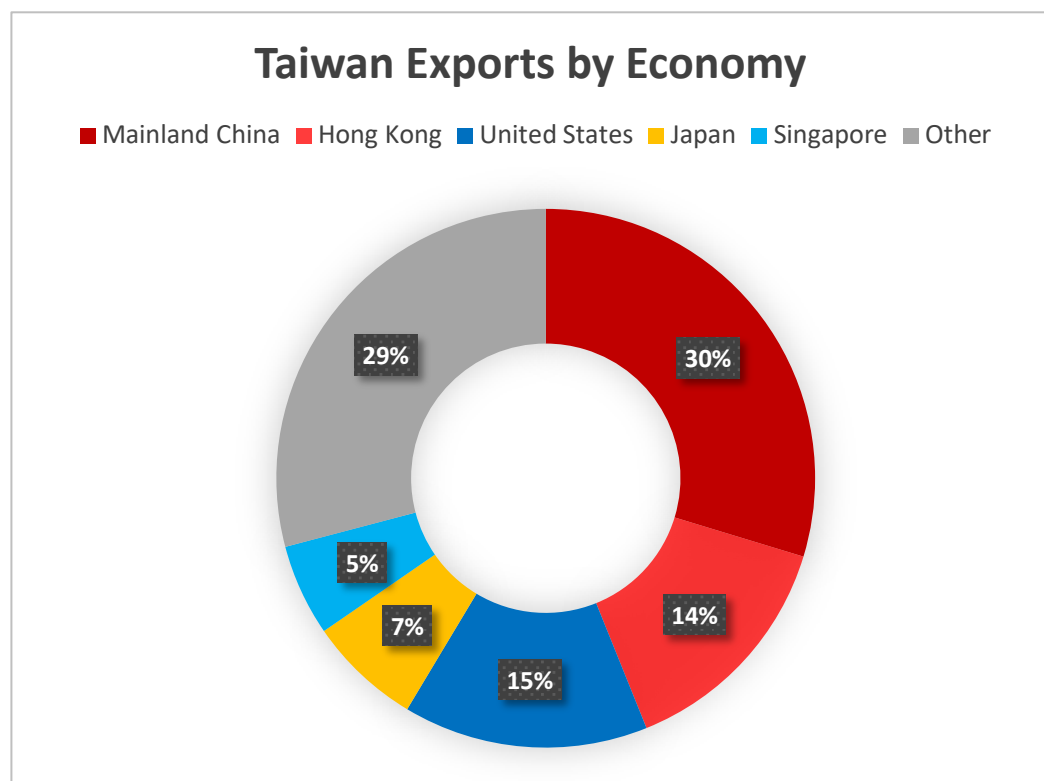


Fig. 21. Taiwan Top 5 Export destinations by Economy

Source: OEC

Prepared by Author

As Figure 21 shows, Mainland China accounts for a third of Taiwan exports. This number grows to 44% of Taiwan exports if Hong Kong is also included. The United States is also a significant

⁵⁴ Albert, E. (2016). CFR Backgrounders China-Taiwan Relations. 1–6.

⁵⁵ Maizland, L. (2021, May 10). Why China-Taiwan relations are so tense. Retrieved May 15, 2021, from <https://www.cfr.org/backgrounder/china-taiwan-relations-tension-us-policy>

trading partner and receives 15% of Taiwanese exports. Taiwan's extensive exports to mainland China reflect the two countries' close trading relationship.

Mainland China has used its economic leverage to influence Taiwan's political decisions several times in recent years. As one example, in the wake of a Taiwanese election which favored a pro-independence party, the PRC restricted tourism to the island. As a result, the number of PRC tourists to Taiwan dropped from 4 million in 2015 to only 2.7 million in 2019.⁵⁶ China has also used Taiwan's asymmetrical reliance on trade with China to pressure Taiwanese businesses that are perceived to support Taiwanese independence (Lai, 2021). In a rare act of direct trade restrictions against Taiwan, in 2021, China banned the importation of Taiwan pineapples.⁵⁷

	Chinese, FDI,	Other, FDI	FDI to PRC as % of Total
2016	\$9,670,732,000	\$12,123,094,000	44.37%
2017	\$9,248,862,000	\$11,573,208,000	44.42%
2018	\$8,497,730,000	\$14,294,562,000	37.28%
2019	\$4,173,090,000	\$6,851,155,000	37.85%
2020	\$5,906,489,000	\$11,805,105,000	33.35%

Table. 9. Taiwan Foreign Direct Investment Statistics

Source: Taiwan Government⁵⁸

Prepared by Author

Table 9 shows the level of Foreign Direct Investment from Taiwanese businesses to China and the rest of the world. In 2016 Taiwan FDI in China stood at over 9 billion but by 2020 figure was down to almost 6 billion. This graph shows how the new administration in the Republic of China (Taiwan) has considerably reduced the amount of foreign direct investment. While there are many differences between Lithuania and Taiwan regarding State Economic Security, Taiwan's economic security situation is an excellent example of how a larger state can attempt to influence fundamental decisions in a smaller state through close economic ties.

There is relatively little public information available on Taiwan's official Economic Security Strategy. The government in Taipei does not publish a formal national security document. Instead, Taiwan publishes a 'Quadrennial Defense Review,' this document only addresses Economic Security as it relates to military spending.⁵⁹ Despite the lack of official documentation the actions of the Taiwanese government show how Taiwan has responded to Mainland China's economic actions.

⁵⁶ Ibid

⁵⁷ Mark, J., & Glaser, B. (2021, January 01). Taiwan and China are locked in ECONOMIC CO-DEPENDENCE. Retrieved May 16, 2021, from <https://foreignpolicy.com/2021/04/14/taiwan-china-economical-codependence/>

⁵⁸ D-4 Approved Outward Investment by Area, D-6 Approved Indirect Mainland Investment, Ministry of Economic Affairs, Republic of China, (N.D.) https://www.moea.gov.tw/MNS/dos_e/content/SubMenu.aspx?menu_id=6752

⁵⁹ Taiwan. (2017). Quadrennial Defense Review 2017.

Since coming to power in 2016 the ruling Democratic People’s Party has presided over reduced foreign Direct investment in China (Trojnar, 2016). Trojnar also highlights that economic relations are not entirely one sided and that China also relies on Taiwan for some advanced technologies.

Among the three countries Georgia is the only Post-Soviet Democracy. Georgians have very positive views towards NATO and the European Union.⁶⁰ Because of its small size and former integration into the Soviet Union, Georgia has many commonalities with Lithuania, both countries have a tense relationship with Russia, and both countries have an asymmetrical trading relationship with Russia. Lithuania has committed to support Georgian integration into the European Union in the Lithuanian National Security strategy.⁶¹ Despite these commonalities Georgia joined the Commonwealth of Independent states during the collapse of the Soviet Union.⁶² Georgia left the CIS in 2008, after a military conflict with Russia where Georgia lost significant territory to Russian-backed separatists (Macfarlane, 2013). Russia is the only security threat mentioned in Georgia’s national security concept.⁶³ In contrast to Georgian relations with Russia, Georgia has good relations with both Armenia and Azerbaijan. Georgia’s national Security Concept also reflects its ambition to join NATO and the European Union.

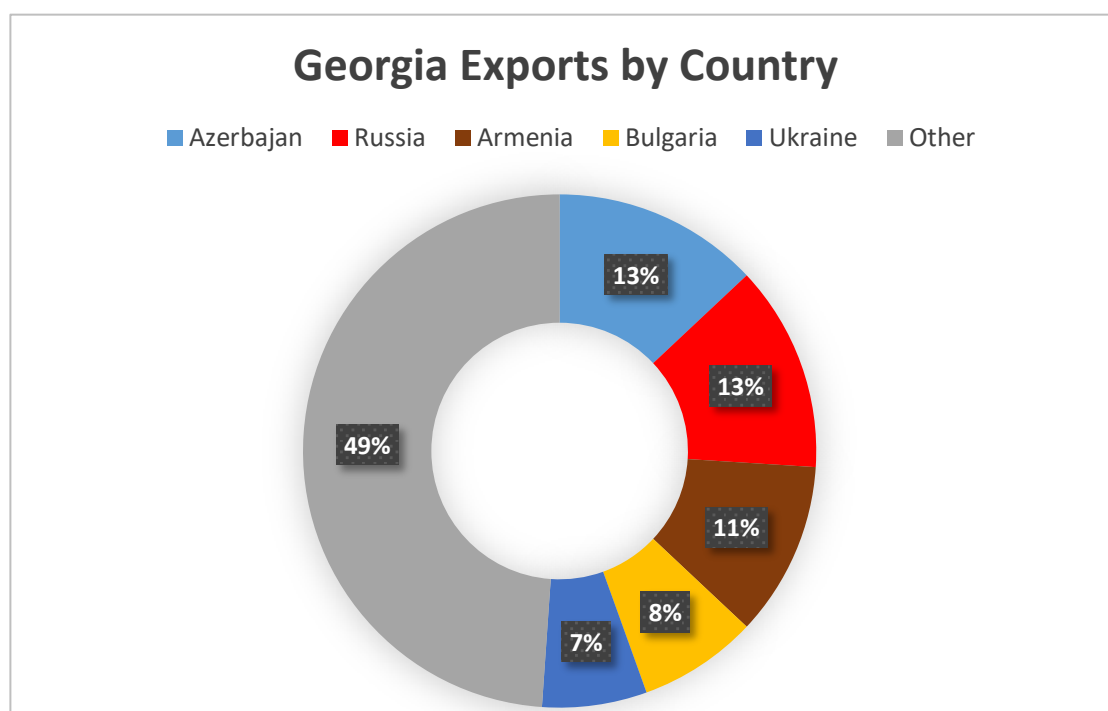


Fig. 22. Georgia Exports by Country

Source: OEC

Prepared by Author

⁶⁰ CRRC Georgia. (2021). Future Of Georgia Survey Report.

⁶¹ Seimas of the Republic of Lithuania. (2017). National Security Strategy of the Republic of Lithuania 2017. 20.

⁶² Rayfield, D. (2012). Edge of Empires A History of Georgia.

⁶³ Georgia. (2018). National security concept of Georgia. The Caucasus Region: Economic and Political Developments, 1–22. <https://mod.gov.ge/uploads/2018/pdf/NSC-ENG.pdf>

Figure 22 shows Georgia's top 5 export destinations as well as the percentage of its goods which go to each one. Figure 22 indicates that Georgia has close ties with all of its neighbors and Ukraine. Russia is the destination country for nearly 12% of 502 million USD of Georgian exports, while Georgia imports only 69.5 million USD worth of goods from Russia (Economic Complexity Observatory, 2019). In addition to Georgia's reliance on exports to Russia, many Georgians work in Russia and send remittances back to Georgia (Newnham, 2015). As shown in Table 6, Georgia's imports from Russia are predominantly oil. Taken together, these factors make Georgia asymmetrically dependent on Russian imports and Russian oil exports. Russia has used Georgian remittances, energy links, and Georgians' ability to work in Russia as economic leverage against Georgia's economic security (Newnham, 2015).

Georgia's national security documents show that it is highly concerned with its economic relationship with Russia. The Georgian National Security concept mentions Russia 86 times. One section on national security challenges states that the primary threat to Georgian national security is "Occupation of Georgian territories by the Russian Federation and terrorist acts organized by the Russian Federation from the occupied territories".⁶⁴ The document also outlines that it is crucial to "further increase the competitiveness of Georgia's economy" to improve Georgian Economic Security. Georgia's focus on Russia as an economic security threat shapes all of its trade relations with Russia. One paper from a respected Georgian NGO even describes Russia's thriving market for Georgian wine as a threat to Georgian economic security.⁶⁵ One scholar's international analysis of the previous version of the Georgian National Security concept found the documents to be unrealistically optimistic and overly focused on Russian aggression (Macfarlane, 2013).

In comparison to Lithuania, Georgia represents a less successful version of Lithuania's State Economic Security strategy. Georgia has attempted to integrate itself into western institutions, but its Geographic position has been unsuccessful at producing strong economic or political ties with the European Union or the United States. Despite its many shortcomings, Georgia has had success in cultivating stable economic relations with other states in the caucas region, reducing its reliance on its Tense Trading Partner.

Taken together, the review of these three country's State Economic Security strategies shows several unique characteristics of Lithuanian State Economic Security. The stark difference between Lithuania and the three countries is that Lithuania has a tense relationship with both China, Russia, and one of its neighbors, Belarus. None of the other states experience tensions with both China and Russia. In addition, the comparison highlights how important European Union integration is to Lithuanian State Economic Security. All three of the other states face significant risks due to their bilateral trade imbalances, and all three states have faced trade retaliation from their Tense Trading Partner in response to domestic political decisions. So far, Lithuania has not faced any such economic retaliation.

⁶⁴ Ibid.

⁶⁵ Transparency.ge. (2020, May 04). Georgia's economic dependence ON RUSSIA: Trends and threats. Retrieved May 04, 2021, from <https://transparency.ge/en/blog/georgias-economic-dependence-russia-trends-and-threats>

Overall, both quantitative latent State Economic Security indicators and qualitative country-specific factors must be evaluated to understand a given country's State Economic Security situation. Country-specific factors suggest that Lithuania has a higher level of State Economic Security relative to Similarly Situated States compared to estimates based on quantitative State Economic resilience indicators alone. Quantitative indicators of Lithuanian, Political Resilience, Economic Resilience, and Social Resilience place Lithuania in the middle of its peers in terms of Economic Security. Country-specific factors show that Lithuania has a higher level of State Economic Security in the face of concrete threats to use economic coercion, which could be because of Lithuania's Status as a member of the European Union.

Conclusion

1. The term ‘State Economic Security’ is based on the relevant academic literature on economic security and human security generally. State Economic Security is related to Human Security and economic security. While definitions of these two terms vary the concepts are generally related to individuals and communities’ economic opportunities and ability to obtain basic necessities. The constructed definition, ‘the protection of a given national economy from sudden intentional non-military disruptions to its economy caused by a foreign state or nonstate actor for the purposes of influencing the target state’s policy’ is more restricted than other definitions of economic security.
2. Based on this, the primary threat to Lithuania’s State Economic Security is Lithuania’s tense relationship with the Russian Federation and the asymmetrical trading relationship between the two states. Lithuania’s relationships with Belarus and China, in particular, Belarus’s ability to influence its tourist spending in Lithuania and Lithuania’s reliance on imports from China, could also impact Lithuanian State Economic Security. Lithuanian National Security documents focus on potential threats from these three countries with a particular focus on potential threats from Russia.
3. There are 23 other ‘Similarly Situated States’, which are Democracies that have a population greater than 1 million and have a tense relationship with a close trading partner, or ‘Tense Trading Partner.’ Lithuania and these other countries can be divided into three groups based on the nature of their relations with their Tense Trading Partner. One group, which includes Lithuania, consists of Post-Soviet Democracies which have tensions with Russia over sovereignty or western political affiliation. A second group consists of states in Asia or Oceania that have tensions with China over sovereignty or human rights issues. A final third group consists of states who have tense political relationships with one or more close trading partner, including several countries that have tensions with the United States. ‘Similarly Situated States’ vary widely in size, overall GDP, GDP per capita, and geographic location but shared several similar characteristics with respect to their relationship with their Tense Trading Partner. None of the Similarly Situated States are located in Sub-Saharan Africa. All of the States were middle- or high-income according to UN classifications. Proportional Asymmetrical Interdependence is a common factor that applies to all states because of their size relative to their Tense Trading Partner. The first group of Similarly Situated States all experience resource-based Asymmetrical Interdependent based on their purchases of petroleum products from Russia. The second group of states imports a large number of machines from China. The third group of states did not follow any particular import or export trend.
4. Each State’s level of State Economic Security is determined by its latent state economic resilience, which can be measured quantitatively, combined with country-specific factors which influence State Economic Security, which cannot be directly compared between countries. The State’s latent state economic resilience is divided into three categories, Social Resilience, Economic Resilience, and Political Resilience. Lithuania scores near the median compared to the other Similarly Situated States with respect to all three of these composite indicators. Singapore has the highest level of latent state economic resilience

based on the average of these three indicators. An analysis of country-specific factors reveals that factors which influence Lithuanian State Economic Security are distinct from those influencing Taiwan, South Korea, and Georgia. Country-specific factors reveal that those other indicators significantly over estimate Taiwan's level of State Economic Security. Lithuania likely has a higher level of State Economic Security than these other states because of its membership in the European Union and Russia's relative lack of concern with Lithuanian political decisions. Lithuania's tense relationships with three of its close trading partners make Lithuania distinct from the other three states, which only have significant tensions with one close trading partner.

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Appendices

Appendix 1. Countries which meet the four criteria and source of tensions

Country	TTP	Source of Tensions
Argentina	Brazil	Tensions between Argentina's leftist President and Brazil's conservative president
Armenia	Russia	Tensions after Armenia's democratization
Australia	China	Western tensions with China
Bolivia	Argentina	Tensions after Bolivia's president Evo Morales was ousted
	Brazil	Tensions with Bolivia's previous leftwing government
Brazil	China	Tensions over Brazilian president's China rhetoric
Ecuador	U.S.	Tensions grant of asylum of Julian Assange
Estonia	Russia	Historical Tensions
Georgia	Russia	Russia supports two breakaway republics
Indonesia	China	Territorial dispute
Japan	China	Territorial dispute
Latvia	Russia	Historical Tensions
Lithuania	Russia	Historical Tensions
Malaysia	China	Territorial dispute
Moldova	Russia	Tensions over Russian support for Transdniestria
Mongolia	China	Tensions over Mongolia's relations with the Dalia Lama
Morocco	Spain	Tensions over Spanish enclave cities within Morocco
New Zealand	China	General Western Tensions with China
Pakistan	U.S.	Historical Tensions
Philippines	China	Territorial dispute
Singapore	China	Tensions over Singapore support for US and Taiwan
South Korea	China	Tensions over South Korea alliance with US
Taiwan	China	Dispute over sovereignty
Ukraine	Russia	Tensions over Ukrainian civil war and annexation of Crimea

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Appendix 2. General Data on Similarly Situated States

Grouping	Name	Area Sq Km	Population	GDP (PPP)	Per Capita GDP (PPP)	
	Argentina	3	2,780,400	45,864,941	\$991,523,000,000	\$22,064
	Armenia	1	29,743	3,011,609	\$40,384,000,000	\$13,654
	Australia	2	7,741,220	25,809,973	\$1,264,514,000,000	\$49,854
	Bolivia	3	1,098,581	11,758,869	\$100,445,000,000	\$8,724
	Brazil	3	8,515,770	213,445,417	\$3,092,216,000,000	\$14,652
	Ecuador	3	283,561	17,093,159	\$197,631,000,000	\$11,375
	Estonia	1	45,228	1,220,042	\$48,987,000,000	\$36,927
	Georgia	1	69,700	4,933,674	\$55,776,000,000	\$14,992
	Indonesia	2	1,904,569	275,122,131	\$3,196,682,000,000	\$11,812
	Japan	2	377,915	124,687,293	\$5,231,066,000,000	\$41,429
	Latvia	1	64,589	1,862,687	\$59,102,000,000	\$30,898
	Lithuania	1	65,300	2,711,566	\$103,756,000,000	\$37,231
	Malaysia	2	329,847	33,519,406	\$906,239,000,000	\$28,364
	Moldova	1	33,851	3,323,875	\$34,680,000,000	\$13,050
	Mongolia	2	1,564,116	3,198,913	\$39,723,000,000	\$12,317
	Morocco	3	716,550	36,561,813	\$279,295,000,000	\$7,515
	New Zealand	2	268,838	4,991,442	\$210,877,000,000	\$42,888
	Pakistan	3	796,095	238,181,034	\$1,015,796,000,000	\$4,690
	Philippines	2	300,000	110,818,325	\$963,121,000,000	\$8,908
	Singapore	2	719	5,866,139	\$555,193,000,000	\$97,341
	South Korea	2	99,720	51,715,162	\$2,211,315,000,000	\$42,765
	Taiwan	2	35,980	23,572,052	\$1,143,277,000,000	\$24,502
	Ukraine	1	603,550	43,745,640	\$538,388,000,000	\$12,810
Average		130,280	8,687,013	\$125,867,571,429	\$22,795	
Median		300,000	23,572,052	\$538,388,000,000	\$14,992	
Top Quartile		1,098,581	51,715,162	\$1,143,277,000,000	\$37,231	
Bottom Quartile		65,122	4,531,224	\$90,109,250,000	\$11,703	
Group One Average		130,280	8,687,013	\$125,867,571,429	\$22,795	

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Source CIA World Factbook

Appendix 3. Macroeconomic Data

Country	Real GDP Growth %	Unemployment Rate %	migrant(s)/1,000 population	Public Debt % of GDP	% In Poverty	GINI Coefficient
Argentina	-2.0%	9.84%	-0.08	58%	35.50%	29.4
Armenia	7.5%	18.90%	-5.43	54%	26.40%	33.2
Australia	1.8%	5.16%	7.49	41%	NA	27.6
Bolivia	2.2%	4.00%	-0.23	49%	37.20%	51.3
Brazil	1.1%	11.93%	-0.13	84%	4.20%	41.4
Ecuador	0.1%	5.71%	0	45%	25%	34.4
Estonia	5.0%	4.94%	-2.85	9%	21.70%	34.4
Georgia	5.0%	11.80%	0.06	45%	19.50%	29.7
Indonesia	5.0%	5.31%	-0.72	29%	9.40%	33.7
Japan	0.7%	2.36%	0.75	238%	16.10%	32.4
Latvia	2.1%	6.14%	-5.32	36%	22.90%	27.4
Lithuania	4.3%	8.40%	-4.75	40%	20.60%	47.8
Malaysia	4.3%	3.30%	1.49	54%	5.60%	37.4
Moldova	4.5%	4.99%	-8.95	32%	7.30%	42.2
Mongolia	5.1%	8.00%	-0.78	91%	28.40%	33
Morocco	2.5%	9.23%	-1.83	65%	4.80%	53.3
New Zealand	2.2%	4.13%	6.89	32%	NA	53.9
Pakistan	5.4%	6.00%	-0.92	67%	24.30%	40.4
Philippines	6.0%	5.11%	-1.75	40%	16.70%	35.3
Singapore	0.7%	2.25%	4.26	111%	NA	30.7
South Korea	2.0%	3.76%	2.65	40%	14.40%	25.2
Taiwan	2.7%	3.73%	0.75	36%	1.50%	38.6
Ukraine	3.2%	8.89%	-0.26	71%	1.10%	26.1

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Source CIA World Factbook

Appendix 4. Balance of trade statistics

Country	Partner	Exports to TTP As % of Total Imports	Imports from TTP As % of Total Imports	Trade Balance
Argentina	Brazil	16%	21%	\$450,000,000
Armenia	Russia	22%	29%	-\$706,000,000
Australia	China	39%	25%	\$58,300,000,000
Bolivia	Brazil	16%	8%	\$739,000,000
Bolivia	Argentina	15%	22%	-\$170,000,000
Brazil	China	28%	21%	\$27,200,000,000
Ecuador	U.S.	30%	22%	\$2,040,000,000
Estonia	Russia	8%	12%	-\$1,100,000,000
Georgia	Russia	12%	9%	-\$440,000,000
Indonesia	China	15%	27%	-\$16,400,000,000
Japan	China	18%	23%	-\$24,000,000,000
Latvia	Russia	9%	21%	-\$3,140,000,000
Lithuania	Russia	13%	12%	\$400,000,000
Malaysia	China	13%	24%	-\$13,200,000,000
Moldova	Russia	9%	10%	-\$280,000,000
Mongolia	China	81%	31%	\$360,000,000
Morocco	Spain	23%	19%	-\$1,850,000,000
New Zealand	China	28%	18%	\$3,750,000,000
Pakistan	U.S.	14%	5%	\$1,230,000,000
Philippines	China	16%	29%	-\$22,600,000,000
Singapore	China	15%	16%	-\$6,600,000,000
South Korea	China	25%	22%	\$28,000,000,000
Taiwan	China	26%	21%	\$35,700,000,000
Ukraine	Russia	9%	12%	-\$1,930,000,000

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Source: CIA World factbook and Economic Complexity Observatory

Appendix 5. Export Statistics

Country	TTP	Total Exports to TTP	Total Exports as % GDP	Top Export to TTP	Top Export Value	Top Export % of Exports to TTP
Argentina	Brazil	\$10,300,000,000	2.30%	Transportation Equipment	\$4,500,000,000	44%
Armenia	Russia	\$734,000,000	5.36%	Foodstuffs	\$288,000,000	39%
Australia	China	\$111,000,000,000	7.98%	Iron Ore	\$83,800,000,000	75%
Bolivia	Brazil	\$1,240,000,000	3.04%	Mineral Products	\$1,160,000,000	94%
Bolivia	Argentina	\$1,240,000,000	3.04%	Mineral Products	\$1,190,000,000	96%
Brazil	China	\$63,500,000,000	3.38%	Mineral Products	\$30,100,000,000	47%
Ecuador	U.S.	\$6,760,000,000	6.29%	Mineral Products	\$4,040,000,000	60%
Estonia	Russia	\$1,400,000,000	4.45%	Machines	\$591,000,000	42%
Georgia	Russia	\$502,000,000	2.84%	Foodstuffs	\$247,000,000	49%
Indonesia	China	\$28,600,000,000	2.55%	Mineral Products	\$11,000,000,000	38%
Japan	China	\$128,000,000,000	2.52%	Machines	\$52,600,000,000	41%
Latvia	Russia	\$1,290,000,000	3.78%	Foodstuffs	\$458,000,000	36%
Lithuania	Russia	\$4,270,000,000	7.82%	Machines	\$1,490,000,000	35%
Malaysia	China	\$36,200,000,000	9.93%	Machines	\$15,600,000,000	43%
Moldova	Russia	\$297,000,000	2.48%	Vegetable products	\$88,900,000	30%
Mongolia	China	\$6,590,000,000	59.16%	Mineral Products	\$6,210,000,000	94%
Morocco	Spain	\$7,430,000,000	6.25%	Machines	\$2,250,000,000	30%
New Zealand	China	\$11,100,000,000	5.41%	Animal products	\$6,380,000,000	57%
Pakistan	U.S.	\$3,820,000,000	1.51%	Textiles	\$3,010,000,000	79%
Philippines	China	\$13,600,000,000	3.61%	Machines	\$8,950,000,000	66%
Singapore	China	\$45,800,000,000	12.31%	Machines	\$18,400,000,000	40%
South Korea	China	\$136,000,000,000	8.26%	Machines	\$70,500,000,000	52%
Taiwan	China	\$90,500,000,000	57.41%	Machines	\$53,400,000,000	15%
Ukraine	Russia	\$4,690,000,000	32%	Metals	\$1,700,000,000	36%

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Source: CIA World factbook and Economic Complexity Observatory

Appendix 6. Import Statistics

Country	Partner	Total Imports	Total Imports as % GDP	Top Import	Top Import Value	Top Import as % of Imports
Argentina	Brazil	\$9,850,000,000	2.20%	Transportation	\$3,470,000,000	35%
Armenia	Russia	\$1,440,000,000	10.52%	Mineral Products	\$519,000,000	36%
Australia	China	\$52,700,000,000	3.79%	Machines	\$20,800,000,000	39%
Bolivia	Brazil	\$1,410,000,000	3.45%	Machines	\$306,000,000	22%
Bolivia	Argentina	\$501,000,000	1.23%	Vegetable products	\$143,000,000	29%
Brazil	China	\$36,300,000,000	1.93%	Machines	\$43,800,000,000	121%
Ecuador	U.S.	\$4,720,000,000	4.39%	Mineral Products	\$2,340,000,000	50%
Estonia	Russia	\$2,500,000,000	7.95%	Mineral Products	\$1,080,000,000	43%
Georgia	Russia	\$942,000,000	5.32%	Mineral Products	\$309,000,000	33%
Indonesia	China	\$45,000,000,000	4.02%	Machines	\$18,100,000,000	40%
Japan	China	\$152,000,000,000	2.99%	Machines	\$66,600,000,000	44%
Latvia	Russia	\$4,430,000,000	13.00%	Mineral Products	\$3,140,000,000	71%
Lithuania	Russia	\$3,870,000,000	7.09%	Mineral Products	\$2,710,000,000	70%
Malaysia	China	\$49,400,000,000	13.55%	Machines	\$21,000,000,000	43%
Moldova	Russia	\$577,000,000	4.82%	Chemical products	\$119,000,000	21%
Mongolia	China	\$6,230,000,000	55.92%	Machines	\$484,000,000	8%
Morocco	Spain	\$9,280,000,000	7.81%	Machines	\$2,040,000,000	22%
New Zealand	China	\$7,350,000,000	3.58%	Machines	\$2,450,000,000	33%
Pakistan	U.S.	\$2,590,000,000	1.02%	Textiles	\$611,000,000	24%
Philippines	China	\$36,200,000,000	9.60%	Machines	\$11,200,000,000	31%
Singapore	China	\$52,400,000,000	14.08%	Machines	\$24,800,000,000	47%
South Korea	China	\$108,000,000,000	6.56%	Machines	\$52,300,000,000	48%
Taiwan	China	\$54,800,000,000	8.96%	Machines	\$34,100,000,000	62%
Ukraine	Russia	\$6,620,000,000	4.27%	Mineral Products	\$2,330,000,000	35%

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Source: CIA World factbook and Economic Complexity Observatory