

The Sino-Lithuanian Crisis

Going beyond the Taiwanese Representative Office Issue

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► Key Takeaways

- The opening of the Taiwanese Representative Office in the Lithuanian capital of Vilnius in mid-November 2021 triggered an unprecedented diplomatic crisis between the People's Republic of China and Lithuania.
- China resorted to massive economic coercion measures to pressure Vilnius, such as the freezing of bilateral trade. European multinational companies also reported that Beijing blocked their exports because of Lithuanian components in their products.
- In late January 2022, the European Union (EU) launched a case at the World Trade Organization against China over discriminatory trade practices against Lithuania.
- The current crisis must be understood in the broader context of the degradation of the relations between China and Lithuania, but also the EU, since 2019. As such, this crisis is symptomatic of the developing trend in the relationship between the EU and China.

Introduction

The year 2021 marked the 30th anniversary of the establishment of diplomatic relations between China and Lithuania. Instead of commemorative events and customary lofty rhetoric, the bilateral relationship rapidly plunged to a level rarely seen in either country's foreign policies since the end of the Cold War. At the time of this writing in mid-February 2022, Sino-Lithuanian relations remain *de facto* downgraded to the level of *chargé d'affaires*, Lithuania's physical embassy in Beijing is empty, while the southernmost Baltic state continues to withstand China's multidimensional campaign of diplomatic, discursive and, most importantly, economic pressure. The principal cause behind this diplomatic crisis was the opening of the Taiwanese Representative Office in the Lithuanian capital of Vilnius in mid-November 2021. This *Briefing* will argue, however, that there were other important reasons behind the current state of affairs that had been accumulating over the course of two years.

Today Lithuania is perceived as an important case study of whether a small, open and liberal democratic country can successfully resist Chinese economic statecraft. At the same time, the bilateral dispute has been affecting complex relations between the entire EU and China. Most of the coverage of the situation has been produced by international media and the scholarly community, and has been clouded by the fact that Beijing also attempts to sway the debate as part of its recent push to "tell China's story well". It is arguably necessary to discuss Lithuania's agency in these developments by going beyond official pronouncements. This *Briefing* aims to do so by contextualizing decisions taken in Vilnius, and by explaining the overall context behind the ongoing Sino-Lithuanian diplomatic crisis.

The Opening of a Taiwanese Representative Office in Vilnius

In mid-summer 2021, as Lithuania was grappling with the migrant crisis artificially created by neighboring Belarus, the Taiwanese authorities unveiled plans to open their representative office in Vilnius. Four months passed until these plans finally materialized, and the resultant institution became the first of its kind to open in an European capital in almost two decades, with an important and unique twist of carrying the "Taiwanese" name in its English and Lithuanian translations and, most significantly, that of "Taiwan" in its Chinese title. Both versions clearly marked a departure from the usual way of naming such institutions by using the appellation of "Taipei", as has become customary in Europe and elsewhere.

Throughout this same period, China has resorted to a concerted pressure campaign against Lithuania using a remarkably diverse set of bilateral means. Contrary to the usual international focus on economic statecraft, the Chinese first employed unprecedented punitive measures in the diplomatic domain. It took three weeks for Beijing to forcefully

react to the Taiwanese announcement when the Ministry of Foreign Affairs announced a decision to recall the Chinese ambassador to Lithuania, and demanded Vilnius to do the same.¹ Such a delay was not a sign of China's slow response, as it apparently waited for the Lithuanian ambassador, Diana Mickevičienė, to return to Chinese soil. Indeed, the announcement curiously coincided with her landing in Beijing on August 10, which meant that she had to undergo a mandatory 21-day quarantine before leaving back home, again.² The analogy with China's increasingly prominent "hostage diplomacy" could not have been lost, and this episode further highlighted auxiliary foreign policy features behind its notoriously draconian anti-pandemic approach, and may have had an impact on Lithuania's decision not to back down after all.

The next stage of Beijing's diplomatic pressure campaign was initiated soon after the actual opening of the Taiwanese Representative Office in Vilnius on November 18. Three days later, China unilaterally downgraded its official relationship with Lithuania to the level of *chargé d'affaires*,³ which in practice implied that Vilnius had to reciprocate accordingly. To enforce such an outcome, Beijing asked the staff of the Lithuanian embassy to hand in their accreditation cards by mid-December. Concerned about the implications for their diplomatic immunity, all of the embassy's Lithuanian employees along with their family members left China on December 15 in what international media described as "evacuation".⁴ It is imperative to point out that these actions by Beijing were in clear breach of the Vienna Convention and Lithuanian laws. In a rather grotesque fashion, the embassy continues to operate remotely.

90% drop in shipments
from Lithuania in
December 2021

At the same time, China resorted to increasingly multifaceted economic coercion measures that started from disruptions or an outright freeze of bilateral trade and cooperation in logistics. Despite Lithuania's technically correct designation of being much less dependent on China in comparison to most other economies worldwide, Beijing's retaliation has proven to be painful, as shown by the latest available economic data and some wavering among Lithuanian stakeholders. Although China denied an official embargo, its customs data revealed a more than 90% drop in shipments from Lithuania in December 2021 as compared to both November 2021 and December the previous year. Notably, sales of high-tech lasers, Lithuania's pride sector and one of the top export items to China that was cautiously expected to be immune from Beijing's ire, tumbled accordingly.⁵

1. "China Recalls its Ambassador from Lithuania", *LRT English*, August 10, 2021, available at: www.lrt.lt.

2. "Lithuania Envoy to in Beijing to Leave China over Taiwan Dispute", EURACTIV with AFP, August 12, 2021, available at: www.euractiv.com.

3. Statement by the Ministry of Foreign Affairs of the People's Republic of China, November 21, 2021, available at: www.fmprc.gov.cn.

4. "Lithuania Evacuates its Embassy in China", *The Economist*, December 18, 2021, available at: www.economist.com.

5. F. Bermingham, "Lithuanian Exports Nearly Obliterated from China Market Amid Taiwan Row", *South China Morning Post*, January 21, 2022, available at: www.scmp.com.

Even more significant was China's decision to initiate entirely unprecedented pressure on Lithuania through global supply chains. By the end of 2021, several European multinational companies reported that Beijing blocked their exports to China merely because of Lithuanian components, while the German companies went as far as requesting the authorities in Vilnius to back down.⁶ Though Lithuania has long been consistently defiant while facing China's bilateral economic statecraft, it apparently started to hesitate about its approach because the country's entire long-term investment environment suddenly seemed to be at stake. Notably, the first traces of Beijing's attempts to enforce what came to be known as "secondary" or "indirect" sanctions dated back to as early as August, when a major American biotech giant was apparently pressured to divest from Lithuania.⁷ One is left wondering about the actual extent of these attempts, considering the companies' natural unwillingness to disclose such instances.

Earlier Shifts in Lithuanian and EU Relations with China

It is imperative to emphasize that two years before the Taiwanese office case attracted global attention in 2021, Lithuania had actually already started to review its relationship with China.⁸ Indeed, in early 2019 Lithuanian intelligence bodies published the landmark National Threat Assessment that identified for the first time Chinese espionage activities as posing a threat to the country's national security along with the "usual suspects", namely Russia and Belarus.⁹ Merely half a year later, pro-Beijing demonstrators attempted to disrupt a peaceful pro-Hong Kong solidarity event in the heart of Vilnius that coincided with a massive "Hong Kong Way" performed by the protesters in that city. These unprecedentedly provocative actions by some Chinese nationals residing in Lithuania only confirmed the allegations of the intelligence services in the eyes of many locals. Moreover, the counter-protesting group in Vilnius was clearly associated with China's "united front work",¹⁰ and actually included members of the embassy's diplomatic staff who decided to conduct their "wolf-warrior diplomacy".¹¹ That these events occurred on the 30th anniversary of the "Baltic Way" demonstrations, a symbolically very important day for Lithuanians,¹² only added insult to injury. As a result of this infamous incident, which

6. A. Sytas and J. O'Donnell, "German Big Business Piles Pressure on Lithuania in China Row", Reuters, January 21, 2022, available at: www.reuters.com.

7. E. Lucas, "Showdown in Vilnius", Center for European Policy Analysis, August 21, 2021, available at: <https://cepa.org>.

8. K. Andrijauskas, "Context behind Lithuania's Review of its Relationship with China", *Lithuanian Foreign Policy Review*, 2021, pp. 14–16, available at: <http://lfpr.lt>.

9. "National Threat Assessment 2019", State Security Department of the Republic of Lithuania and Second Investigation Department under the Ministry of National Defence, Vilnius, 2019, available at: <https://www.vsd.lt>.

10. K. Andrijauskas, "The Dragon and the Knight: China's Growing Presence in Lithuania", Eastern Europe Studies Centre, February 16, 2020, available at: www.eesc.lt.

11. See M. Julienne and S. Hanck, "Diplomatie chinoise : de l'esprit combattant' au 'loup guerrier'", *Politique étrangère*, Vol. 86, No. 1, Ifri, March 2021, pp. 105–118.

12. The Baltic Way was one of the world's largest ever peaceful political demonstrations and a key event in the Baltic states' liberation story, when approximately two million people joined their hands to form a human chain spanning almost 700 kilometers and connecting the three republican capitals of Estonia, Latvia and Lithuania to mark the 50th anniversary of the infamous Molotov–Ribbentrop Pact and protest their subsequent annexation by the Soviet Union.

has been the only pro-Beijing public demonstration in the Baltic states thus far, a diplomatic note was handed by the Lithuanian Ministry of Foreign Affairs to the Chinese ambassador in Vilnius. The entire relationship thus entered a certain cooling stage that lasted until the start of the pandemic the following spring.

Besides the domestic context, one should not ignore the fact that Lithuania also reacted to much wider developments in Sino-Western relations in general and Sino-EU relations in particular. Indeed, it was in 2019 that the European Union (EU) officially recognized China as an “economic competitor” and a “systemic rival”, while North Atlantic Treaty Organization (NATO) made it clear in its London Declaration that China would become a new strategic focus for the alliance.

The rather common notion, including among older EU members, that Vilnius has merely been doing Washington’s bidding while pursuing its review of the relationship with Beijing is oddly underestimating the fact that, in addition to being one of the most pro-American countries in the world, Lithuania consistently ranks among the top Euro-optimist members of the EU both at the societal level and among political elite levels. It is often forgotten that, among other things, Lithuania’s experience of having been occupied by the Soviet Union for almost half a century naturally led to its deeply entrenched and genuine perception of the EU as a normative and (geo-) political entity to be joined for the purposes of reconfirming its European identity and increasing its security, as opposed to merely an economic bloc existing solely for the aim of greater prosperity. In other words, Vilnius does not see any major inconsistency between the two components of its Euro-Atlanticist foreign policy identity. In fact, there is much more common ground between Lithuania and the proponents of an internationally proactive EU, notably including Emmanuel Macron, than is usually assumed. Lithuania’s initial concerns about the EU’s “strategic autonomy” may be alleviated if it implies more backbone in dealing with China, Russia and Belarus.

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Significant practical shifts in Lithuania’s approach to China had already occurred under the purview of the outgoing center-left government. Signs of such a shift were clearly indicated by the squabbles with Beijing over Vilnius’ support for Taiwan’s participation at the World Health Assembly in May 2020, and the signing of a Memorandum of Understanding on 5G Security with the United States (US) four months later.¹³ Notably, the former development had caused China’s unilateral freeze on Lithuanian wheat imports,¹⁴ previously a rare and fresh success story in bilateral trade, although this story remained largely unknown to the general public. In other words, Beijing started its ongoing economic coercion campaign against Vilnius much earlier than

13. “United States – Republic of Lithuania Memorandum of Understanding on 5G Security”, U.S. Department of State, September 17, 2020, available at: <https://2017-2021.state.gov>.

14. « G. Surplys, L.-Kinija: kaip (ne)bendrasime su milžinu titano kojomis“, *Delfi*, May 25, 2021, available at: www.delfi.lt.

the second half of 2021. In fact, China had actually implemented similar measures as a result of Lithuania's then-president meeting with the Dalai Lama as far back as 2013.

The New Coalition's Reassessment of Lithuania's China Policy

The stage for *further* review of the relationship with China therefore had been firmly set in Lithuania before the general elections in October 2020. The coalition agreement between the three victorious center-right political parties famously pledged that the new government would carry out a “values-based foreign policy”, stating explicitly that it “will actively oppose any violation of human rights and democratic freedoms, and will defend those who are fighting for freedom around the world, from Belarus to Taiwan”.¹⁵ The new cabinet attempted to combine its more proactive approach to perceived challenges from China with some tactical caution, including the removal of the island's name from the governmental program, and by months-long adherence to “soft exit” from the China–Central and Eastern European Countries (China–CEEC/17+1) cooperation framework, characterized by an unwillingness to officially declare withdrawal in order to allow Beijing to save face.

It is important to highlight that the new cabinet's approach to China had already been defined previously in a rather straightforward fashion. Indeed, a particularly significant op-ed published in one of the country's leading news outlets months before the general elections amounted to a full indictment against the assertive turn in China's domestic and foreign policies, calling for Lithuania to decidedly choose between liberal democratic allies and a “totalitarian and predatory Chinese communist regime”.¹⁶ One could have dismissed this piece otherwise, but it was co-authored by the country's would-be minister of Foreign Affairs, Gabrielius Landsbergis, and his deputy, Mantas Adomėnas, widely seen as particularly responsible for the review. The two politicians could not be blamed for the general public and other stakeholders ignoring their message or discarding it as merely China-bashing. Indeed, such pre-election tactics are characteristic of many other liberal democracies, particularly the US. Therefore, their victory in the general elections allowed them to interpret such an outcome as a tacit acceptance of this program, and Lithuania's resultant turn in foreign policy towards China has been remarkably consistent with it.

Certain suspicions about lack of proper consultation with foreign allies and partners have become a major factor in the entire Taiwanese controversy. To put this into perspective, the earlier key decision to become the first (and thus far the only) country to withdraw from the 17+1 cooperation framework¹⁷ was at least as much in reaction to lasting concerns about the framework's divisive nature among Western Europeans as it was in recognition of the absence of any tangible benefits brought by participation in it.

15. A. Sytas, “Lithuania to Support those ‘Fighting for freedom’ in Taiwan”, Reuters, November 9, 2020, available at: www.reuters.com.

16. M. Adomėnas and G. Landsbergis, “Lithuania - it's Time for Choosing”, *15min English*, June 11, 2020, available at: www.15min.lt.

17. A China-initiated forum with 17 Central and Eastern European countries, launched in 2012.

As if to emphasize this point, Gabrielius Landsbergis explicitly called for the EU's common "27+1" approach towards China while explaining the withdrawal. In the meantime, Lithuania's review seemed to be in near-perfect sync with the worsening Sino-European relations, as was clearly indicated by tit-for-tat mutual sanctions imposed in March 2021 regarding grave violation of human rights in the Xinjiang Uyghur region. The Chinese retaliatory list targeted individuals and organizations from the EU's bureaucracy and various member states, including a Lithuanian parliamentarian, Dovilė Šakalienė, who is a member of the country's main center-left political party notably in opposition to the current government.

In a nutshell, the common perception among foreign commentators that China is punishing Lithuania merely for its decision to open the Taiwanese representative office, even more so for allowing such a name to be used, grossly oversimplifies the facts on the ground. One can logically speculate that Vilnius is being targeted for its entire review of the relationship with Beijing, which was several years in the making but became particularly acute in 2021. Throughout the first rough half of 2021, that is before the actual Taiwanese announcement, Lithuania had not only left the 17+1 cooperation framework, but also signed a joint statement criticizing China for its conduct during the Covid-19 origins study (along with five other EU countries), passed a non-binding parliamentary resolution condemning "genocide" in Xinjiang (succeeding a similarly outspoken motion in the Dutch legislature and preceding one in the French parliament), and *de facto* banned Chinese companies from developing its 5G digital network¹⁸ (similarly to numerous fellow EU countries, including France). Therefore, the entire Taiwanese representative office controversy cannot be separated from this most recent context either.

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The Debate about the Wisdom of Opening Up a Representative Office Named Taiwan

After several months of remarkable resilience and defiance to China, significant cracks in the Lithuanian position started to appear when the imposition of secondary sanctions through supply chains became a matter of public knowledge and, therefore, debate. Withstanding direct pressure from Beijing was relatively bearable, but being criticized and pressured by some fellow European businesses made matters much worse. Notably, the often-quoted remark by the country's president Gitanas Nausėda about the office's naming being a "mistake"¹⁹ came out only after a series of criticisms by Lithuania's former heads of state, the political opposition, and important members of the business

18. BNS, "Lithuania Bans 'Unreliable' Technologies from its 5G Network", *LRT English*, May 25, 2021, available at: www.lrt.lt.

19. BNS, "Allowing Taiwan to Open Office Under its Name was a Mistake – Lithuanian President", *LRT English*, January 4, 2022, available at: www.lrt.lt.

community. The results of a representative poll published a week later revealed clear lack of support for the government's policy.²⁰

In the context of these changes, key decision makers attempted to look for certain interim solutions that would allow them to alleviate the crisis. The consequent idea of asking the Taiwanese to change the office's name in Chinese characters in order to be commensurate with its English and Lithuanian versions is a shrewd way to show positive political will to Beijing, but it is very difficult to imagine that the latter would be content with such an outcome. As a result, the principal approach is that of damage control, as the country's financial regulator estimated that Chinese restrictions on Lithuanian businesses might lead to its GDP growth decreasing by 0.1 to 0.5 percentage points in 2022 and 0.3 to 1.3 points next year.²¹

There are several points that form the backbone of Lithuania's position on the entire Taiwanese office controversy. First of all, according to Vilnius, its decision on the matter should be viewed as largely consistent with the EU's commitment to "continuing to develop its relations with Taiwan and to supporting the shared values underpinning its [democratic] system of governance."²²

China decided to raise the stakes by effectively targeting the EU's Single Market

Moreover, throughout the whole crisis, Vilnius has been consistently outspoken about remaining committed to its international obligations to Beijing and its "One China policy", although their respective interpretation may indeed be considered as marking a certain change in *status quo*. It is imperative to highlight that the preceding cabinet had already begun planning the opening of the Taiwanese representative office, though allegedly under the more acceptable name of "Taipei".

In addition, this initiative served as part of Lithuania's general aim to diversify its foreign policy in the Indo-Pacific by opening embassies in South Korea, Singapore and Australia, and advocating for reciprocal responses from these respective countries. Despite Taiwan's crucial support in reaction to China's economic coercion, and questionable democratic credentials of some of its relatively new partners in Asia, Lithuania's genuine willingness to pursue more sustainable values-based foreign relations as opposed to opportunistic economic or security gains should not be dismissed.

Last but not least, it needs to be emphasized that Lithuania could have withstood bilateral pressure alone at a certain manageable cost, but it was China that decided to raise the stakes by effectively targeting the EU's Single Market. Ultimately, Lithuania has not done anything wrong by calling things the way they actually are, namely that the office represents the Taiwanese people or (is)land, not merely its *de facto* capital. To illustrate

20. "Most Lithuanians Critical of Vilnius' China Policy – survey", *LRT.lt* and BNS, January 12, 2022, available at: www.lrt.lt.

21. J. Deveikis, "China Sanctions vs Taiwan Investments – Lithuania's Central Bank Weighs Economic Impact", *LRT English*, January 21, 2022, available at: www.lrt.lt.

22. "Elements for a New Strategy on China", European Commission, June 22, 2016, available at: eur-lex.europa.eu.

Beijing's hot-headed initial reaction, *Global Times*, the Party's particularly jingoistic tabloid, called in August 2021 for Russia and Belarus to join efforts with China to punish Lithuania.²³ From the perspective of Vilnius, there is hardly anything more counter-productive to be suggested in this regard. Meanwhile, the latest Sino-Russian joint statement released just before the Beijing Winter Olympics, along with Russia's subsequent invasion of Ukraine, have further proven the point that many Lithuanians had all along: authoritarian great powers are uniting their efforts, and the liberal democratic world has to reciprocate.

Future Prospects

An anonymous senior EU diplomat in Beijing allegedly compared China's pressure campaign against Lithuania to the well-known Chinese saying about "killing the chicken to scare the monkeys".²⁴ The problem with this approach is that not only has the "chicken" proven to be rather defiant so far, but also that the attitude of the "monkeys" has been changing quite remarkably as well. Indeed, despite alleged wavering reported by prominent Western media outlets,²⁵ both the EU and the US expressed support for Lithuania. Brussels in particular initiated an aptly called Anti-Coercion Instrument and launched a case against China at the World Trade Organization,²⁶ which was tellingly joined by the likes of the US, United Kingdom, Canada, Australia, Japan, and Taiwan – a truly impressive batch.

For Lithuania at least, China's ongoing multidimensional pressure campaign has only further confirmed its long-held reservations about pursuing a deeper relationship with the Asian giant. China's allegations about Lithuania's resulting isolation have also proven to be unfounded, as since mid-2021 the country has secured the privilege to host the 2023 NATO summit and was for the first time elected to the UN Human Rights Council. Perhaps even more importantly, several other EU countries have cautiously started to move in a similar direction. Judging by Brussels' official support for Vilnius, it seems logical to expect that "coercion with Chinese characteristics"²⁷ would be among the leading topics during the upcoming EU–China summit meeting on April 1, a rather ironic choice of a date for such a meeting. Moreover, the succession of EU Council presidencies after that of France don't point to an easy pro-Beijing shift in the EU's approach, as both the Czech Republic and Sweden have clearly joined the ranks of the most China-sceptic members. The monkeys and the chickens seem to be slowly uniting their efforts.

23. "China, Russia Can Cooperate to Punish Lithuania: Global Times Editorial", *Global Times*, August 11, 2021, available at: www.globaltimes.cn.

24. S. Lau, "How Little Lithuania Dragged the EU into its Showdown with China," *Politico*, October 6, 2021, available at: www.politico.eu.

25. D. Sevastopulo, R. Milne, K. Hille and H. Foy, "US Wades into Spat between China and Lithuania over Taiwanese Office," *Financial Times*, January 21, 2022, available at: www.ft.com.

26. European Commission, "EU Refers China to WTO Following its Trade Restrictions on Lithuania," January 27, 2022, available at: trade.ec.europa.eu.

27. J. Hackenbroich, "Coercion with Chinese Characteristics: How Europe Should Respond to Interference in Internal Trade", European Council on Foreign Affairs, January 24, 2022, available at: ecfr.eu.

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How to quote this publication:

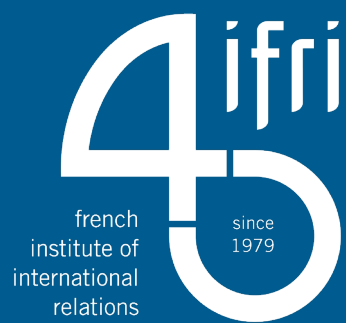
Konstantinas Andrijauskas, "The Sino-Lithuanian Crisis, Going Beyond the Taiwanese Representative Office Issue", *Briefings de l'Ifri*, Ifri, March 8, 2022.

ISBN: 979-10-373-0503-9

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