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Lithuania

Vilnius, Lithuania. Source: Pxhere.com (CC).

What's Behind the Diplomatic Spat between China and Lithuania?

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In late 2021, Lithuania, a small country in Eastern Europe, managed to infuriate Beijing by welcoming a Taiwanese Representative Office in its capital, Vilnius. In Lithuania—a member of the European Union and the North Atlantic Treaty Organization (NATO) that gained independence from the Soviet Union only three decades ago—Taiwan's fight for freedom and democracy resonates strongly. But in addition, it appears that specific local security concerns and economic interests converged in late 2020, when traditional supporters of Taiwan gained office in Lithuania. This has led to a foreign policy change that also has significant implications for the European Union's relations with China.

Going against the Current

Over the past few years, the list of Taiwan's diplomatic partners has shortened significantly. During Tsai Ing-wen's first term as president (2016–20), Taiwan lost diplomatic recognition from seven countries; Nicaragua also shifted recognition to the People's Republic of China (PRC), in 2021. Back in 2019, the *People's Daily* warned Taipei it would lose all its diplomatic allies if President Tsai Ing-wen was re-elected in 2020 (Zheng 2019), in what Shattuck (2020) defined as Beijing's strategic 'race to zero'. At the time of writing in April 2022, only 14 countries still maintained full diplomatic relations with Taiwan.

Indeed, until recently, Beijing's strengthening diplomatic position worldwide at the expense of Taipei appeared to be an irreversible trend as China's economic clout gave Beijing great leverage. Against

this background, it came as a surprise when, in late 2021, Lithuania openly signalled it was turning away from China and instead seeking to expand relations with Taiwan.

While the move fell short of extending formal diplomatic recognition to Taiwan, in November 2021, Lithuania welcomed the opening of a Taiwanese Representative Office in Vilnius. While there are 18 other such Taiwanese *de facto* embassies within the European Union, all bear the name of Taipei to avoid direct reference to Taiwan—a widely accepted balancing act between the red line drawn by Beijing and the willingness to extend at least limited recognition of Taiwan as a sovereign entity. Lithuanian leaders kept insisting the country still adhered to the One-China Policy, as the name of the office in Lithuanian (*Taivaniečių*) means ‘Taiwanese People’s’ rather than ‘Taiwan’s’. Yet, once translated to Chinese, this distinction disappears. Thus, China strongly objected, arguing Lithuania had violated the agreement the two countries signed on the establishment of diplomatic relations in 1991. In response, Beijing downgraded bilateral diplomatic relations to the level of *chargé d’affaires* and launched an unprecedented campaign of unofficial economic sanctions against Lithuanian businesses (Macikenaite 2022a).

Given China’s response, in early January 2022, Lithuania’s President, Gitanas Nausėda (in office since July 2019), unexpectedly stated that choosing that name for the representative office was a mistake (BNS 2022a). In the same month, it was leaked that Lithuanian officials were discussing whether to ask Taiwanese authorities to modify the Chinese translation of the name of its representative office in Vilnius to reflect the original name as agreed in English—that is, ‘Taiwanese’ rather than ‘Taiwan’ (Sytas 2022). The following month, the leader of Lithuania’s largest opposition party asked the prime minister to give him an official mandate to negotiate with China and resolve the conflict under the condition the government changed the name of the office (BNS 2022b).

But the name of Taiwan’s representative office in the country was only the culmination of a longer process of estrangement from China under the new coalition government led by the Homeland Union–Lithuanian Christian Democrats (TS–LKD) (previously in power from 2008–12), which took power in late 2020. In February 2021, Vilnius refused to send the highest-level representative as requested by China to the meeting of the 17+1 platform, downgrading its participation to the ministerial level. In May of that year, Lithuania

officially confirmed its withdrawal from the platform and called on other EU countries to follow (Lau 2021). To warn Lithuania of possible consequences, Beijing recalled its ambassador from Vilnius in August and demanded Lithuania reciprocate. Reportedly, Beijing had already enforced some retaliatory economic measures in the spring of 2021, when credit insurance became unavailable for trade between Lithuania and China (Ammann 2022), but the reaction escalated in the wake of the opening of the Taiwanese Representative Office on 18 November 2021 (Bounds 2021).

After the inauguration of the office, Lithuania was removed from the Chinese customs clearance system for a few days. Later, Lithuanian exports and imports were stalled at Chinese ports for ‘technical reasons’ (Bounds et al. 2022; Macikenaite 2021). As later became evident, Chinese export restrictions targeted specifically Lithuanian manufacturers, as the supply of components and industrial materials was shut (Macikenaite 2022a). Reportedly, China also pressured multinational corporations to cut ties with Lithuanian manufacturers. The situation escalated to a full-scale diplomatic row—a crisis that is now also engulfing the European Union. European policymakers widely regarded China’s behaviour towards Lithuania as an attack on the European Union’s single market. As a result, in January 2022, the EU referred China to the World Trade Organization.

Amid the wave of commentaries that have been published in the past few months, a key question has seldom been answered: How did this come to pass?

Changing Perceptions

Arguably, these changes took place in light of changing perceptions of China in Lithuania. Several factors—security concerns, economic interests, as well as ideological orientation—converged, and the results of the parliamentary elections in 2020 opened a window of opportunity for the new coalition government to reorient Lithuania’s foreign policy away from China.

In its annual *National Threat Assessment* report released in February 2018, Lithuania’s State Security Department for the first time identified hostile cyber activities against local state institutions coming from China—a finding that helped redraw a global map of threats previously dominated by Russia. After Lithuania’s security

agencies recommended excluding companies like Huawei from infrastructure projects and sectors of special importance, other Baltic states, Latvia and Estonia, followed suit (Deveikis 2020). The *National Threat Assessment* released by Lithuania's security agencies in 2020 further elaborated on threats from China by pointing to its attempts to gather technical intelligence on Lithuanian information systems and gain access to critical infrastructure.

As this information was coming to light, the discourse regarding China's engagements within Lithuania also began to undergo a dramatic transformation. In November 2015, Lithuanian Railways had signed a joint-venture agreement with a Chinese logistics company (MTC 2015). The following year, the Lithuanian Government expressed strong support for prospective investment by the China Merchants Group in the Klaipėda Port, Lithuania's only seaport and a strategic hub for NATO in the Baltic states (MFA 2016); while in 2017, Lithuania officially joined the Belt and Road Initiative (BRI). But by the summer of 2019, President Nausėda rejected the possibility of Chinese investment in the port due to concerns over national security (Jakučionis 2019). Later that year, the country's Defence Minister, Raimundas Karoblis, cautioned that any Chinese investment in the port could pose strategic risks as most US and overseas NATO forces arrive via Klaipėda (LRT 2019b), which should be read in the context of NATO having served as a guarantor of Lithuania's security and being widely seen as a protector against possible aggression from Russia since Lithuania joined the alliance in 2004.

These discursive changes led to China being included in Lithuania's security equation. Once perceived as a source of opportunities, China has increasingly come to be regarded as an approaching threat. Another sign of this shift was an investigation by Lithuania's national broadcaster, LRT, which exposed the possible conflict of interest of a Chinese company that owns an enterprise in Lithuania and takes part in strategic energy projects in the country (Aušra 2019b). First, it was pointed out that the company, North China Power Engineering, is a subsidiary of the state-owned Power China—a fact previously somewhat overlooked. Second, the same company is a key contractor connecting the Astravyets nuclear power plant, on the Belarusian side of the border with Lithuania, to the Belarusian power grid. Lithuanian authorities have long regarded the Astravyets nuclear plant, financed by the Export–Import Bank of China, as a national security threat due to its noncompliance with

international standards of environmental and nuclear safety (MFA 2018). To address the problem, Vilnius has aimed to isolate Minsk by rallying its neighbours and the European Union to block energy imports from Belarus (Aušra 2019b).

Moreover, an incident in Vilnius in August 2019 has been widely framed in the local press as an attempt by China to draw on its diaspora to advance Beijing's agenda in the country. In a demonstration organised by, among others, now Vice-Foreign Minister Mantas Adomėnas, about 200 hundred people gathered in Cathedral Square in Vilnius to express their support for a free Hong Kong and a free Tibet (LRT 2019a). They were approached by a handful of Chinese counter-protesters, which led to verbal clashes. As a result, two Chinese protesters were fined by police for disturbances (BNS 2019). Lithuania's national broadcaster reported that diplomatic staff from the Chinese Embassy in Lithuania—including the Chinese Ambassador, the Defence Attaché, his deputy, and the embassy's second secretary—also appeared at the rally (Aušra 2019a). Footage from the rally was said to show the pro-China protesters removing banners from a car with diplomatic licence plates parked next to the venue (Aušra 2019a). The Lithuanian Ministry of Foreign Affairs summoned Chinese Ambassador Shen Zhifei and handed him a note underlining that actions by the staff of the Chinese Embassy that violated democratic freedoms and disturbed public order were not acceptable and would not be tolerated (MFA 2019). This incident, while small in scale, significantly contributed to the change in popular perceptions of China in Lithuania.

When it comes to economic partnerships, under the current government, a narrative has emerged that years of efforts to engage China have not produced substantial economic results. As I have documented in the country profile I compiled for *The People's Map of Global China* (Macikenaite 2022b), contrary to high expectations, as of 2020, China ranked only 22 among Lithuania's export destinations, with exports to mainland China amounting to barely 315 million EUR. Foreign direct investment from China in Lithuania also remains limited, with China fortieth on the list of foreign investors in 2020. Thus, the current government is now aiming to diversify Lithuanian exports and open markets to other Asian destinations, including Taiwan.

Changes in Lithuania's China policy under the current government are also guided by normative principles and an increasingly widespread perception of China as an authoritarian regime. Within the Cabinet, which is led by the party traditionally very critical of Russia, there is a deep-rooted belief that sustainable and reliable economic partnerships are possible only with likeminded democratic countries. As Lithuania has long suffered from Russia's energy price manipulations and politically motivated sanctions on its exports, the perils involved in economic reliance on authoritarian partners are evident. When it comes to China specifically, after then Lithuanian president Dalia Grybauskaitė met privately with the Dalai Lama in 2013, China put all economic negotiations on hold for a few years. Learning from these experiences, the current government, in a program approved by the parliament in December 2020, has outlined its aim for strategic diversification—specifically: 'to get into new markets that would reduce our dependence on limited sources of supply in autocratic countries and open up new opportunities for Lithuania's exporters in the most advanced democratic world markets' (LRS 2020). Considering this, 'closer relations with East Asian countries, where Lithuania has not as yet used the full cooperation potential', are singled out (LRS 2020). South Korea, where Lithuanian embassy opened just last year (BNS 2021), and Japan are the countries in mind; Taiwan is also an attractive option.

A Political Shift

Amid such momentous shifts in narratives and perceptions, parliamentary elections that brought into power a new coalition government marked a turning point for Lithuania's China policy. In December 2020, a coalition led by the conservative TS-LKD backed by two liberal parties took office, promising a change in foreign policy, with the initial coalition agreement committed to supporting those fighting for freedom 'from Belarus to Taiwan' (Sytas 2020). This explicit reference to Taiwan did not survive in the final government program, and was replaced with the goal of 'expanding the area of freedom and democracy in our region and beyond' (LRS 2020).

Already in June 2020, then members of the opposition and now Minister and Vice-Minister for Foreign Affairs, Gabrielius Landsbergis and Mantas Adomėnas, published a commentary titled 'Lithuania: It's Time for Choosing' in one of Lithuania's major

online media outlets, outlining a new China policy for the country (Adomėnas and Landsbergis 2020). The steps at the top of the list were, first, to withdraw from the 17 + 1 platform and, second, to ‘comprehensively strengthen ... relations with Taiwan and support its political recognition in the international community as a *de facto* independent democratic state governed by the rule of law’.

While the publication of that article represented a milestone in the public discourse on China in Lithuania, Taiwan has had a support base in the Lithuanian Parliament for some time. The Parliamentary Group for Relations with Taiwan, which already existed in the 1990s (although its legal status has changed over time), is now dominated by members of the current ruling coalition. When the question of setting up a parliamentary group for relations with the PRC was raised in the late 1990s, it was also presented as a matter of making a sensitive choice between two options: an authoritarian China and a democratic Taiwan. In May 2000, the Parliamentary Group for Relations with Taiwan registered a resolution titled ‘Regarding Relations with the Republic of China (Taiwan)’ (Parliamentary Group for Relations with Taiwan 2000), which suggested the Lithuanian Government establish a trade representative office in Taipei that year. An amended resolution was then adopted the following month, enshrining the Parliament’s resolve to expand economic, trade, and cultural relations with Taiwan (LRS 2000). However, at that time, the European Law Department under the Government of Lithuania ruled that referring to Taiwan as a state was not compatible with the European Union’s official position on Taiwan.

In April 2020, 54 of 141 members of the Lithuanian Parliament from different political parties submitted a resolution calling for the Lithuanian President and government to support Taiwan’s membership of all international organisations where recognised state sovereignty is not a membership criteria and in which Lithuania also takes part, as well as to support its observer status in those organisations where membership is based on recognition of sovereignty (Members of the Parliament of the Republic of Lithuania 2020). Notably, the resolution also called for the Lithuanian President and the government to raise the question of Taiwan’s independence at the European Council and other channels for EU political activities. At the same time, about 200 Lithuanian politicians and public figures sent an open letter to President Nausėda calling on him to support Taiwan in its dispute with the

World Health Organization (WHO) regarding membership and to advocate for the country's independence. The president rejected the calls on the grounds that only UN members can formally join the WHO (LRT 2020).

Yet, despite the support for Taiwan from some political groups in the country, Lithuania's decision to deviate from established practice and welcome a Taiwanese Representative Office in Vilnius came as a surprise. Reportedly, even members of the TS-LKD—many of whom traditionally support Taiwan—have questioned this decision, while the Lithuanian media has named Adomėnas as the architect of the policy (Samoškaitė 2022). No doubt, as the supporters of freedom and democracy in Taiwan (as well as in Hong Kong) took office, long-simmering issues with Lithuania's approach to China gained momentum. Moreover, as the country's government has eyed Asian markets for its companies, Taiwan, which sees the recent development as a diplomatic achievement, has offered to cooperate with Lithuania in its semiconductor industry, presenting the country's leaders with further incentives for the policy shift.

Small Steps, Significant Implications

Welcoming a Taiwanese Representative Office is far from an extension of formal diplomatic recognition to Taiwan, although Beijing has actively sought to frame it as a violation of the One-China Policy and Taipei has celebrated it as a diplomatic achievement. It is a rather small step, and likely one that will prove hard to sustain. The shadow cabinet in Lithuania has already vowed to change the name of the office should it win the next elections, in 2024 (Brunalas 2022). That is understandable given public support for the government's 'value-based policy towards China' had fallen to as low as 13 per cent in mid-December 2021, after China's response to the policy became evident (LRT 2022).

Nonetheless, Lithuania's case will likely send ripples beyond the country's boundaries for years to come. First, it has demonstrated to what lengths China is prepared to go to defend what it deems to be a violation of its interests. Importantly, it has revealed that China is prepared to use whatever economic leverage it has vis-a-vis European states and companies. Further, Lithuania's experience underscores the extent of economic interdependence in today's global economy and the vulnerabilities associated with this. It was indeed anticipated that

the opening of the Taiwanese Representative Office in Vilnius under such a name would anger Beijing. Yet, it was deemed that Lithuania would not pay too high a price given its relatively limited economic relations with China.

When reports surfaced of Lithuanian producers losing contracts with European partners that shipped their finished products to China, it became evident that different channels of contact between countries put limits ‘on the ability of statesmen to calculate the manipulation of interdependence’ (Keohane and Nye 2012: 28). Moreover, the aim ‘to seek a united principled position vis-à-vis China in the political formats of the European Union’ (Adomėnas and Landsbergis 2020) has proved to be relatively difficult in the short term. While there have been signals that the European Union is changing its perception of China, a quick substantial change is unlikely, mainly due to the reluctance of some member states to antagonise Beijing (Barkin 2022).

Nonetheless, Lithuania’s experience has put the spotlight on the necessity for the European Union to reconsider the implications of its often-asymmetrical interdependence with China. It has only reinforced the recent trend of worsening EU–China relations. In late 2020, many in the bloc were optimistic about future economic relations with the Asian economic giant as the European Union celebrated completion of seven years of negotiations on the EU–China Comprehensive Agreement on Investment. A year later, EU–China relations look radically different. In February 2021, the European Commission proposed introducing an anti-coercion instrument to protect European companies and citizens from unfair trading practices (EC 2021a). In May 2021, the European Parliament halted ratification of the agreement until Beijing lifts countersanctions on EU politicians in relation to Xinjiang (European Parliament 2021). As the European Commission returned to its proposal to counter the use of economic coercion by third countries against EU member states in December 2021 (EC 2021b), at the time when Lithuania was under unprecedented informal sanctions from China, Lithuania’s case might be a harbinger of things to come. ●