

One Country – Two Faces: China’s Turn from an Economic Partner to Security Concern for Lithuania

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Lithuania re-emerged as an independent state after the disintegration of the Soviet Union in 1991. For the first two decades after independence, relations with neighbouring countries and the urgent task of integration with the European Union (EU) and NATO overshadowed bilateral relations with geographically distant countries, pushing the People’s Republic of China (hereinafter the PRC or China) towards the end of the foreign policy priorities list. In the 2000s, several highest-level meetings with Chinese leaders sporadically took place, where high expectations for future bilateral relations were stated. Nevertheless, it was not until the early 2010s that Lithuania took serious notice of China and its economic weight. As Beijing expanded its engagement with the Central and Eastern European countries through the “16+1” format in 2012, China came to be regarded as an opportunity for the small Lithuanian economy. These expectations defined Lithuania’s perception of China in later years.

Nonetheless, the development of trade and economic relations has never reached the expectations of the Lithuanian side, and China remained a minor economic player in Lithuania. Moreover, at the end of the decade, the perception of China started to transform. Suddenly, for Lithuania it became a security concern rather than an economic partner. 2021 marked a stark turning point in the bilateral relations of the two countries after the government in Lithuania changed its China policy significantly, which led to Beijing unilaterally downgrading bilateral relations to the level of *chargé d’affaires*.

This chapter surveys the remarkable evolution of Lithuania’s perception of China. A brief overview of the early bilateral relations since 1991 is followed by a detailed picture of developments in bilateral affairs since 2012,

when the “16+1” format was launched. It presents both economic and security dimensions in Lithuania’s view of China, and also captures the role of Taiwan factor in bilateral relations. The third part offers a detailed picture of bilateral economic relations, underscoring the argument that economic engagement has remained limited, high expectations from the Lithuanian side notwithstanding. Moreover, it also reveals the one-sided effect that the bilateral diplomatic crisis had on trade relations. The following fourth part exposes how all these developments taking place in a broader international context eventually crystalised into a clear definition of China in Lithuania’s perception of the security threat.

Overview of Early Bilateral Relations

Lithuania’s bilateral relations with the PRC started relatively early in September 1991. Lithuania declared its independence from the Soviet Union in March 1990, but was only recognised for the first time on 11 February 1991 by Iceland. Next, only Denmark and Slovenia extended recognition to the newly independent country in Eastern Europe before 29 July 1991, when the Treaty between the Republic of Lithuania and the Russian Soviet Federated Socialist Republic on the Foundation of Interstate Relations was signed. This clear legal definition of bilateral relations between Vilnius and Moscow triggered a rapid expansion of Lithuania’s bilateral relations, with 37 countries recognising the Republic of Lithuania in August and 52 more following in September. In this wave of recognition of Lithuania as an independent state, there was also the PRC on 7 September 1991. A week later, on 14 September, the two sides signed a joint communique in Vilnius, the capital of Lithuania. The Government of the Republic of Lithuania committed to recognising “the Government of the People’s Republic of China as the sole legal government of China and Taiwan as an inalienable part of the Chinese territory;” also that “The Government of the Republic of Lithuania undertakes the obligation not to establish official relations or engage in official contacts with Taiwan.” Furthermore, the Government of the PRC expressed China’s full support for Lithuania’s application for full membership in the

United Nations (UN).¹⁹² As soon as December 1991, the president of the PRC appointed Pei Yuanying as an ambassador to Lithuania.

In June 2002, Chinese President Jiang Zemin arrived in Lithuania on an official visit. He noted that China firmly supports Lithuania's efforts to secure the country's independence, sovereignty and territorial integrity. Moreover, the Chinese president expressed his support for Lithuania's EU and NATO membership goals. During the presidential meeting, the Lithuanian president noted his respect for the PRC as one of the first countries in Asia to recognise Lithuania's independence. At that time, the deepening of bilateral relations was on the agenda already. The possibility of cargo shipment through Klaipėda port in the Baltic Sea was discussed. Foreign ministers of the two countries signed an extradition treaty. Also, there were discussions about interstate agreements on mutual assistance in customs procedures and broader economic cooperation.¹⁹³

After President Hu Jintao took office, Lithuanian President Valdas Adamkus met him in Beijing in September 2006. At that time, President Adamkus stated Lithuania's vision for future relations with China by stating that Lithuania, the new member of the EU, and China, with its impact on the dynamics of the global economy, "should rediscover each other."¹⁹⁴ The following month, the president hosted the Chairman of the National Committee of the Chinese People's Political Consultative Conference (CPPCC) Jia Qinglin. In Vilnius, Jia gave a reminder of China being one of the first countries to establish diplomatic ties with Lithuania and that "China is ready to work with Lithuania to implement the consensus in a bid to push for the development of bilateral ties based on the Five Principles of Peaceful Coexistence." According to the report from the Chinese Ministry

¹⁹² "Joint Communiqué on the Establishment of Diplomatic Relations Between the People's Republic of China and the Republic of Lithuania", Vilnius, 14 September 1991, posted 30 May 2004, http://lt.china-office.gov.cn/eng/sbgx/zywx/200405/t20040530_2911264.htm

¹⁹³ "Kinijos liaudies respublikos prezidento Džian Zeminio (Jiang Zemin) valstybinis vizitas Lietuvos Respublikoje, 2002 m. birželio 16-17 d.", The Center for Civil Education, Office of the President of the Republic of Lithuania., <https://pazinkvalstybe.lt/kinijos-liaudies-respublikos-prezidento-dzian-zeminio-jiang-zemin-valstybinis-vizitas-lietuvos-respublikoje-2002-m-birzelio-16-17-d-3037#>

¹⁹⁴ "V.Adamkus: Lietuva ir Kinija turi atrasti viena kitą iš naujo", DELFI, source BNS, 26 September 2006, <https://www.delfi.lt/news/daily/lithuania/vadamkus-lietuva-ir-kinija-turi-atrasti-viena-kita-is-naujo.d?id=10787828>

of Foreign Affairs, President Adamkus noted that “the two sides have the same or similar views on many major international issues,” adding that the Lithuanian side was ready to broaden the scope of cooperation, especially in the fields of science, technology and biological engineering. At the meeting, the two sides also touched upon China-EU cooperation, noting their commitment to pushing EU-China relations forwards.¹⁹⁵

Political Relations Since 2012

Over the decade since the first official meeting of the “16+1” framework in Warsaw in 2012, bilateral relations between China and Lithuania have evolved dramatically. For a while, China was only seen through an economic lens, but later the focus shifted toward potential security risks. As Lithuania changed its China policy in 2021, bilateral relations deteriorated, leading to a diplomatic crisis.

China’s Economic Appeal

China’s initiative for a formal framework of cooperation with the countries in Central and Eastern Europe saw great expectations in the region, Lithuania included. With a short one-year interruption after Lithuanian president Dalia Grybauskaitė (in office from 2009 to 2019) met privately with the Dalai Lama in the autumn of 2013, the years until 2020 were marked by intensive efforts to deepen cooperation with China. Although the Chinese side had suspended trade negotiations after the meeting, already in June 2015, President Grybauskaitė signalled that bilateral relations had been restored. After a meeting with Chinese Vice-Premier Zhang Gaoli, emphasising opportunities for the Lithuanian economy, the president stated that China-Lithuania economic relations were intensifying, Lithuania’s exports to China were growing, and business connections were expanding.¹⁹⁶

¹⁹⁵ “Jia Qinglin Meets with Lithuanian President Adamkus”, 28 October 2006, Ministry of Foreign Affairs of the PRC, https://www.fmprc.gov.cn/mfa_eng/gjhdq_665435/3265_665445/3195_664630/3197_664634/200610/t20061028_577523.html

¹⁹⁶ “Prezidentė: Lietuvos ir Kinijos ekonominis bendradarbiavimas intensyvėja”, 22 June 2015, DELFI, source: BNS, <https://www.delfi.lt/verslas/verslas/prezidente-lietuvos-ir-kinijos-ekonominis-bendradarbiavimas-intensyveja.d?id=68313248>

At that time, the Bank of Lithuania signed a Memorandum of Understanding with the China Banking Regulatory Commission (CBRC), establishing an arrangement for the sharing of supervisory information and enhancing cooperation in the banking supervision area. This confirmed that bilateral relations had recovered, as it was a follow-up of the agreement a year and a half earlier, in September 2013, on cooperation in securities regulation.¹⁹⁷ Notably, in 2015, the Memorandum of Understanding on behalf of the Bank of Lithuania was signed by Ingrida Šimonytė, who became the prime minister in December 2020 and whose government has fundamentally reshuffled Lithuania's China policy in 2021.

In November 2016, Lithuania officially confirmed it was joining the Belt and Road Initiative (BRI).¹⁹⁸ Lithuania's participation in the BRI was confined to the transport and communication sector, and the Ministry of Communications took the lead in further cooperation. In April 2018, the Lithuanian Transport Ministry agreed to develop a rail connection with China. As a result, Europe's first postal train from China arrived in Lithuania in April 2020, with the moment bringing Lithuania the title of China's postal hub in Europe.¹⁹⁹

Relatively intensive bilateral relations at the political level raised high expectations for incoming foreign direct investment (FDI) from China in Lithuania. For over a decade, there had been a debate in Lithuania about the construction of an external deep-sea port to expand the existing ice-free port of Klaipėda in the Baltic Sea. In 2015, representatives of the Chinese China Merchants Group (CGM) corporation, which developed the Great Stone industrial park in Belarus, hinted that they might be interested in cargo shipment through this port. The following year, Chairman of

¹⁹⁷ "The Bank of Lithuania and the China Banking Regulatory Commission signed a Memorandum of Understanding", the Bank of Lithuania, 12 June 2015, <https://www.lb.lt/en/news/the-bank-of-lithuania-and-the-china-banking-regulatory-commission-signed-a-memorandum-of-understanding>

¹⁹⁸ "Lietuva oficialiai patvirtino dalyvavimą Kinijos „Vienos juostos, vieno kelio“ strategijoje", The Ministry of Transport and Communications of the Republic of Lithuania, 7 November 2016, <https://sumin.lrv.lt/lt/naujienos/lietuva-oficialiai-patvirtino-dalyvavima-kinijos-vienos-juostos-vieno-kelio-strategijoje>

¹⁹⁹ Benas Gerdžiūnas, "Lithuania Becomes China's Postal Hub in Europe. Strings May Come Attached", LRT, 18 May 2020, <https://www.lrt.lt/en/news-in-english/19/1179573/lithuania-becomes-china-s-postal-hub-in-europe-strings-may-come-attached>

the board of the CGM Li Jianhong assured the Lithuanian Prime Minister Algirdas Butkevičius that the corporation had chosen Lithuania as a base for further expansion into Central and Eastern European countries and was planning to appoint its representatives to Lithuania soon.²⁰⁰ In May 2018, local media reported that Lithuania was expecting a breakthrough in FDI from China, and Klaipėda port could become the central axis of such. The report quoted Lithuania's ambassador to the PRC Ina Marčiulionytė saying that talks were ongoing with five large potential Chinese investors in Lithuania.²⁰¹

Indeed, 2018 could be defined as the heyday of bilateral relations between Lithuania and the PRC. The expectations were high, and the prospects seemed bright. In November, Lithuanian President Dalia Grybauskaitė met with Chinese President Xi Jinping with high expectations to open the vast market for Lithuanian businesses. Lithuanian media quoted the country's president expressing the highest approval of bilateral links: "relations and understanding are very close and warm."²⁰²

At that time, trust in the China-led cooperation format "16+1"²⁰³ was also relatively high. The minister of the economy and innovation Virginijus Sinkevičius took a pragmatic stance, arguing that as long as the format created employment both in Lithuania and in China and aided in the expansion of Lithuanian businesses, there was no issue.²⁰⁴ Lithuanian ambassador to the PRC argued that the "16+1" complements

²⁰⁰ "China's Giant China Merchants Group Confirms Its Plans to Invest in Lithuania", the Office of the Government of the Republic of Lithuania, 22 March 2016, <https://ministraspirmininkas.lrv.lt/en/news/china-s-giant-china-merchants-group-confirms-its-plans-to-invest-in-lithuania>

²⁰¹ Pranciškus Vaišvila, "„16+1“ Formatas: Lietuva Ištroškusi Didesnių Kinijos Investicijų", DELFI, 7 May 2018, <https://www.delfi.lt/verslas/verslas/161-formatas-lietuva-istroskusi-didesniu-kinijos-investiciju.d?id=77900325>

²⁰² "Grybauskaitė Expects Her Meeting with Xi Jinping to Open Chinese Markets to Lithuania", DELFI, 5 November 2018, <https://www.delfi.lt/en/politics/grybauskaite-expects-her-meeting-with-xi-jinping-to-open-chinese-markets-to-lithuania.d?id=79501397>

²⁰³ The platform set up by China as a framework for cooperation between China and 16 countries in Central and Eastern Europe was expanded to "17+1" as Greece joined in 2019. It shrank to "16+1" again after Lithuania officially left the format in 2021

²⁰⁴ Pranciškus Vaišvila, "16+1" Formatas: Lietuva Ištroškusi Didesnių Kinijos Investicijų", DELFI, 7 May 2018, <https://www.delfi.lt/verslas/verslas/161-formatas-lietuva-istroskusi-didesniu-kinijos-investiciju.d?id=77900325>

bilateral and EU-level communication with China.²⁰⁵ Such a position contrasts the statement by Lithuanian Minister of Foreign Affairs Gabrielius Landsbergis later in spring 2021, when he announced Lithuania was withdrawing from the format and called for a coordinated EU position towards China.

The Shift of Focus in Lithuania Away from the Economy Toward Security

At that time, there only appeared to be a one-way direction in bilateral relations – towards deeper cooperation with Beijing. However, the picture changed drastically in the summer of 2019, when it became evident that China had been added to the equation of Lithuanian national security. Rather suddenly, President Gitanas Nausėda rejected the possibility of Chinese investment in Klaipėda port, citing concerns over national security.²⁰⁶ Soon after, Defence Minister Raimundas Karoblis warned that any Chinese investment in the port could pose strategic risks considering that most US and overseas NATO forces arrive via Klaipėda.²⁰⁷ That year, Lithuanian security services recommended excluding risky companies like Huawei from sectors of particular importance and infrastructure.²⁰⁸ In the autumn of 2020, a local telecommunication service provider announced they were dropping Huawei for “geopolitical reasons.”²⁰⁹ In May of the following year, the Lithuanian parliament approved amendments to the Law on Communications and the Law on the Protection of Objects of Importance to Ensuring National

²⁰⁵ Pranciškus Vaišvila, “16+1“ Formatas: Lietuva Ištroškusi Didesnių Kinijos Investicijų”, DELFI, 7 May 2018, <https://www.delfi.lt/verslas/verslas/161-formatas-lietuva-istroskusi-didesniu-kinijos-investiciju.d?id=77900325>

²⁰⁶ Saulius Jakučionis, “Chinese Investment into Klaipėda Port a ‘Concern’ for National Security, President Says”, LRT English, 29 July 2019, www.lrt.lt/naujienos/news-in-english/19/1083021/chinese-investment-into-klaipeda-port-a-concern-for-national-security-president-says

²⁰⁷ “China’s Push for Lithuanian Port Poses Risk to NATO”, LRT English, 26 November 2019, www.lrt.lt/en/news-in-english/19/1119707/china-s-push-for-lithuanian-port-poses-risk-to-nato

²⁰⁸ Jonas Deveikis, “Russia and China Seek Foothold in Lithuania via Gas and Tech – Report”, LRT, 4 February 2020, <https://www.lrt.lt/en/news-in-english/19/1139530/russia-and-china-seek-foothold-in-lithuania-via-gas-and-tech-report>

²⁰⁹ “Lithuanian Telecoms Drop Huawei for ‘Geopolitical Reasons’”, LRT, 30 November 2020, <https://www.lrt.lt/en/news-in-english/19/1288268/lithuanian-telecoms-drop-huawei-for-geopolitical-reasons>

Security on Tuesday, banning “unreliable” manufacturers and suppliers from deploying 5G mobile network technology.²¹⁰

Although the change is notable and appeared to be sudden, it did not occur overnight. Instead, it should be seen in the light of the broader international context – the changes in Lithuania reflected developments outside of the country, mainly at the EU and NATO level. In December 2018, the European Parliament adopted a resolution, where it noted that China was seeking to strengthen its political and diplomatic influence in Europe. It also called on the EU member states participating in the “16+1” format to ensure that the EU maintained one voice in its relationship with China and that Chinese infrastructure projects would not result in it having greater political influence in those countries or the EU.²¹¹

Furthermore, in December 2019, the Heads of State and Government participating in the meeting of the North Atlantic Council issued the London Declaration, which recognised “that China’s growing influence and international policies present both opportunities and challenges that we need to address together as an Alliance.”²¹² That was a significant signal for Lithuania. The National Security Strategy of the Republic of Lithuania with its 2017 revision in place at that time provided that in addition to the national constitution and the Law of the Basics of National Security, The Strategy is based on the treaties of NATO and the EU, as well as the strategic goals and guidelines stated in strategic security documents of NATO and the EU.²¹³ While the London Declaration definitely

²¹⁰ “Lithuania Bans ‘Unreliable’ Technologies from Its 5G Network”, LRT, 25 May 2021, <https://www.lrt.lt/en/news-in-english/19/1417429/lithuania-bans-unreliable-technologies-from-its-5g-network>

²¹¹ “European Parliament Resolution of 12 September 2018 on the State of EU-China relations (2017/2274(INI))”, P8_TA(2018)0343, https://www.europarl.europa.eu/doceo/document/TA-8-2018-0343_EN.html

²¹² The Heads of State and Government Participating in the Meeting of the North Atlantic Council in London 3–4 December 2019, “London Declaration,” NATO, Press Release (2019) 115, 3 December 2019, https://www.nato.int/cps/en/natohq/official_texts_171584.htm

²¹³ The National Security Strategy of the Republic of Lithuania, approved by Resolution No. IX-907 of the Seimas of the Republic of Lithuania of 28 May 2002, version of Resolution No. XIII-202 of the Seimas of the Republic of Lithuania of 17 January 2017, <https://www.newstrategycenter.ro/wp-content/uploads/2019/07/2017-nacsaugstrategijaen.pdf>

fell short of incorporating China into strategic documents of NATO, it sent a strong signal to Lithuanian policy makers of the changes taking place.

Formal recognition of China's influence at the regional level helped solidify the changes that had been underway in Lithuania for some time already. In 2012, against the background of the NATO-led initiative Strategic Foresight Analysis, the Lithuanian Ministry of National Defence released a study *The World 2030*. While the "strictly analytical document" was not intended to "be used as a foundation for the Lithuanian defence policy or military capability planning,"²¹⁴ it emphasised the trends of the highest relevance to and impact on Lithuania. Likely, it was the first official document in Lithuania that dedicated so much attention to China and the challenges its emergence in the global arena may bring. The study pointed out that over the following "two decades, multipolarity should establish itself in the international system, reflecting the shift of power towards the East," as China and India would "definitely pave their way to the list of the most powerful states in the world."²¹⁵ Then it was forecast that China might become one of the countries "likely to show increasing interest in competition with the Alliance [NATO] for leadership in international operations."²¹⁶

In the words of the then-minister of national defence, it was "the first national attempt to systematically assess future security environment in the upcoming two decades."²¹⁷ It was difficult for the policy makers to comprehend at that time how this could be relevant to Lithuanian national security. Nonetheless, there was certain awareness of the potential perils in deepening cooperation with China. In 2017, Prime Minister Saulius Skvernelis hinted about the perils of deepening cooperation with China. Although very optimistic about the future bilateral cooperation in transport and logistics, he admitted that "apart from the positive economic issues, we should speak about the political situation and the political system in China," noting that this should be kept in mind "when it comes to their

²¹⁴ *The World 2030*, Kristina Šapkinaitė (ed.), Ministry of National Defence of the Republic of Lithuania, 20 June 2013, ISBN 978-609-412-049-7, <https://kam.lt/wp-content/uploads/2022/03/world-2030.pdf>

²¹⁵ *Ibid.*, P. 46

²¹⁶ *Ibid.*, P. 28

²¹⁷ *Ibid.*, Foreword by the Minister of National Defence Juozas Olekas, Ministry of National Defence of the Republic of Lithuania

investments.”²¹⁸ However, for some time, such concerns appeared secondary to China’s economic importance for the country and the region. President Grybauskaitė, for example, was criticised for not raising the human rights issue at the meeting with President Xi Jinping in the autumn of 2018.²¹⁹ In early 2019, when leaving for the European Council meeting, she expressed confidence that the problems on the agenda notwithstanding (specifically, risks related to the 5G network and security concerns over Chinese investment), China remains an essential international cooperation and trade partner. Thus, relations should be deepened further.²²⁰

This was the time of Lithuania’s soul-searching about China. China’s economic appeal competed with its potential security implications for the region and Lithuania alone. In mid-2019, Lithuania seriously reconsidered the role of China in the context of its national security. A year later, a Lithuanian expert was cited by the national broadcaster as saying that there was “an internal struggle” over the direction towards China that Lithuania should take, as some of the “business and political elite would like Lithuania to become a springboard for China” and its Europe-bound expansion.²²¹

Moreover, in August 2019, in Vilnius, an incident occurred involving Chinese Embassy staff. It captured attention as China’s attempt to exert influence in the country through its diaspora there. Around 200 people gathered for a rally in downtown Vilnius to support a free Hong Kong and a free Tibet (Mantas Adomėnas, who became vice-minister of foreign affairs in December 2020, was among the organisers). Unexpectedly, the participants were approached by a handful of Chinese in a counter-protest. Verbal clashes followed, and the police later fined two Chinese citizens

²¹⁸ “Lithuania Should Overcome Latvia in Competition Battle for Chinese Investments – PM”, The Lithuania Tribune, 14 April 2017, <https://lithuaniatribune.com/lithuania-should-overcome-latvia-in-competition-battle-for-chinese-investments-pm/>

²¹⁹ Eglė Krištopaitytė, “Su Kinijos prezidentu susitikusi Dalia Grybauskaitė žmogaus teisių klausimo neiškėlė”, 15 min, 9 November 2018, <https://www.15min.lt/naujiena/aktualu/pasaulis/su-kinijos-prezidentu-susitikusi-dalia-grybauskaite-zmogaus-teisiu-klausimo-neiskele-57-1055380>

²²⁰ Ieva Vidūnaitė, “Grybauskaitė: Kinija išlieka svarbi tarptautinio bendradarbiavimo ir prekybos partnerė”, Delfi, 21 March 2019, <https://www.delfi.lt/verslas/verslas/grybauskaite-kinija-islieka-svarbi-tarptautinio-bendradarbiavimo-ir-prekybos-partnere.d?id=80673695>

²²¹ Gerdžiūnas, “Lithuania becomes China’s postal hub in Europe.”

for disturbances.²²² An investigation by the national broadcaster later revealed that diplomatic staff from the Chinese Embassy in Lithuania also appeared at the rally. Footage from the rally showed the pro-China protesters removing banners from a car with diplomatic licence plates parked next to the venue.²²³ The Lithuanian Ministry of Foreign Affairs summoned Chinese Ambassador Shen Zhifei to hand him a diplomatic note. It underscored that actions by the staff of the Chinese Embassy violating democratic freedoms and disturbing public order were unacceptable and would not be tolerated.²²⁴

In the following years, the view of China in Lithuania soured further. In May 2021, the Lithuanian parliament passed a resolution condemning the “Uyghur genocide” and “crimes against humanity” in China. The resolution, supported by 86 parliament members out of 144, called on the UN “to initiate a legal inquiry into the Uyghur genocide in Xinjiang detention camps” and on the European Parliament and the European Commission “to review the EU’s cooperation policy with China and formulate a clear position” on human rights violations and the Uyghur genocide in China.²²⁵ This resolution was adopted just two months after China blacklisted a Lithuanian parliament member among ten EU politicians and public figures in retaliation for Brussels’s sanctions over human rights abuses in the Xinjiang region.²²⁶ The Chinese Embassy in Lithuania defined it as gross

²²² BNS, “Two Chinese Citizens Fined for Scuffle at Hong Kong Support Rally in Vilnius”, LRT English, 29 August 2019, www.lrt.lt/naujienos/news-in-english/19/1092343/two-chinese-citizens-fined-for-scuffle-at-hong-kong-support-rally-in-vilnius

²²³ Mindaugas Aušra, “Chinese Demonstration in Vilnius Unmasks Beijing’s Reach into Lithuania – LRT Investigation”, LRT English, 9 October 2019, www.lrt.lt/en/news-in-english/19/1104874/chinese-demonstration-in-vilnius-unmasks-beijing-s-reach-into-lithuania-lrt-investigation

²²⁴ “Lithuania Handed a Note to the Chinese Ambassador,” Ministry of Foreign Affairs, 2 September 2019, mfa.lt/default/en/news/lithuania-handed-a-note-to-the-chinese-ambassador

²²⁵ “Lithuanian parliament passes resolution condemning ‘Uighur genocide’ in China”, LRT, 20 May 2021, <https://www.lrt.lt/en/news-in-english/19/1413940/lithuanian-parliament-passes-resolution-condemning-uighur-genocide-in-china>

²²⁶ “Lithuanian MP blacklisted by China in retaliation for EU’s sanctions,” LRT, 22 March 2021, <https://www.lrt.lt/en/news-in-english/19/1370359/lithuanian-mp-blacklisted-by-china-in-retaliation-for-eu-s-sanctions>

interference in China's internal affairs and "another shoddy political show based on lies and disinformation."²²⁷

Similarly, in June 2022, the Chinese representative in Vilnius accused Lithuania of "hypocrisy and double standards" after three parliamentarians drafted a resolution condemning Beijing's repressions in Hong Kong, and the parliamentary Committee on Foreign Affairs unanimously adopted a statement calling to take measures in response to China's continuing actions in Hong Kong.²²⁸

The Shift in Lithuania's China Policy and the Resulting Diplomatic Crisis

Recently, these concerns have been translated into concrete policy, signifying a radically different perception of China in Vilnius. Lithuania's China policy change occurred under a new coalition government led by the Homeland Union–Lithuanian Christian Democrats (TS-LKD) (previously in power from 2008 to 2012), who took office in December 2020. At first, in February 2021, Vilnius declined China's request to send the highest-level representative – the president or prime minister – to the virtual "17+1" meeting, chaired by Xi Jinping himself. Instead, the government downgraded Lithuania's participation to the ministerial level. Next, in May 2021, foreign minister Landsbergis announced the decision to leave the "17+1" format.²²⁹ He noted that the format undermined the unity of the EU and called for other EU countries to follow. Around that time, it became evident that Lithuania was strengthening relations with Taiwan.

Some members of the ruling coalition parties have been long-time supporters of closer informal relations with Taiwan; however, this time, support for Taiwanese democracy was debated at the level of official policy. The initial agreement of the newly formed coalition committed to supporting

²²⁷ "Lithuanian parliament passes resolution condemning 'Uighur genocide' in China", LRT, 20 May 2021, <https://www.lrt.lt/en/news-in-english/19/1413940/lithuanian-parliament-passes-resolution-condemning-uighur-genocide-in-china>

²²⁸ "Beijing Accuses Lithuania of Hypocrisy Following Criticism over Hong Kong", LRT, 14 June 2022, <https://www.lrt.lt/en/news-in-english/19/1718478/beijing-accuses-lithuania-of-hypocrisy-following-criticism-over-hong-kong>

²²⁹ Stuart Lau, "Lithuania Pulls out of China's '17+1' Bloc in Eastern Europe", Politico, 21 May 2021, www.politico.eu/article/lithuania-pulls-out-china-17-1-bloc-eastern-central-europe-foreign-minister-gabrielius-landsbergis

those fighting for freedom “from Belarus to Taiwan.”²³⁰ In the final government programme, the explicit reference to Taiwan was replaced with the goal of “expanding the area of freedom and democracy in our region and beyond.”²³¹ Moreover, the new minister and vice minister of foreign affairs since December 2020 had earlier co-authored a commentary in Lithuanian media criticising China for its undemocratic practices at home and abroad, also calling for “comprehensive strengthening of relations with Taiwan and supporting the political recognition of Taiwan as a de facto independent democratic legal state in the international community.”²³² Thus, Lithuania’s foreign policy turn could have been anticipated.

As it became known in the summer of 2021 that the Taiwanese Representative Office in Lithuania would open under the name referring explicitly to Taiwan rather than Taipei, on 10 August, China recalled its Ambassador to Lithuania and demanded that the government of Lithuania reciprocate.

What then seemed to be the lowest point in bilateral relations escalated further after the Taiwanese Representative Office was opened on 17 November 2021 in Vilnius. While 18 other EU member states hosted a de facto Taiwanese embassy under the name of Taipei, Lithuania deviated from the established practice. The Lithuanian government kept insisting the country still adhered to the One-China policy, arguing that the name of the office in Lithuanian (Taivaniečių) meant “Taiwanese People’s” rather than ‘Taiwan’s.’ Nevertheless, once translated to Chinese, this distinction disappears. Thus, China strongly objected.

The following month, Beijing downgraded bilateral diplomatic relations to the level of chargé d’affaires. Moreover, the Lithuanian Ministry of Foreign Affairs revealed that China had asked Vilnius to rename its embassy as the Office of the Chargé d’Affaires. The Lithuanian side refused to

²³⁰ Andrius Sytas, “Lithuania to Support ‘Those Fighting for Freedom’ in Taiwan”, Reuters, 9 November 2020, www.reuters.com/article/us-lithuania-china-idUSKBN27PIPQ

²³¹ Resolution No. XIV-72 on the Programme of the Eighteenth Government of the Republic of Lithuania. Seimas of the Republic of Lithuania, 11 December 2020, lr.lt/uploads/main/documents/files/PROGRAMME_OF_THE_EIGHTEENTH_GOVERNMENT_OF_THE_REPUBLIC_OF_LITHUANIA.pdf

²³² Mantas Adomėnas and Gabrielius Landsbergis, “Lithuania, It’s Time for Choosing”, 15min, 11 June 2020, <https://www.15min.lt/en/article/opinion/lithuania-it-s-time-for-choosing-530-1331612>

do so, arguing that such a request was not in line with international law.²³³ After Beijing demanded the Lithuanian embassy staff return their ID cards, Lithuania recalled all of the staff from its embassy in Beijing on short notice, leaving the building empty. International media reported that foreign diplomats “helped their Lithuanian colleagues evacuate their embassy and leave China ... in an unexpected departure.”²³⁴

In addition to its diplomatic response, the Chinese side also launched an unofficial economic sanction campaign against Lithuanian businesses in early December, which led to the EU’s request for World Trade Organization dispute consultations with China “concerning alleged Chinese restrictions on the import and export of goods, and the supply of services, to and from Lithuania or with a link to Lithuania,” in late January 2022.

After a short pause in crisis escalation, in the summer of 2022, China imposed official sanctions on Lithuania’s Vice Minister of Transport and Communications Agnė Vaiciukevičiūtė following her official visit to Taiwan. In addition, the Chinese Ministry of Foreign Affairs announced that Beijing would suspend any cooperation with Vilnius in the road transport sector, technically terminating cooperation with Lithuania within the framework of BRI.

It is essential to point out that Lithuania’s decision to strengthen relations with Taiwan at the expense of China did not have full support domestically. Reportedly, even members of the ruling party – some members of which traditionally supported Taiwan or had a stronger anti-PRC stance due to the situation in Tibet – have questioned this decision.²³⁵ As support for

²³³ “Beijing Wants Lithuania to Rename its Embassy to ‘Chargé d’Affaires Office’ – FM”, LRT, 16 December 2021, <https://www.lrt.lt/en/news-in-english/19/1565658/beijing-wants-lithuania-to-rename-its-embassy-to-charge-d-affaires-office-fm>

²³⁴ Milda Seputyte, “Foreign Diplomats Helped Lithuania Evacuate Staff from China”, Bloomberg Asia Edition, 20 December 2021, <https://www.bloomberg.com/news/articles/2021-12-20/foreign-diplomats-helped-lithuania-evacuate-staff-from-china>

²³⁵ Eglė Samoškaitė, “Nevieša išpažintis apie santykius su Kinija: jei reiktų pakartoti–nekartotume, bet dabar atsitraukti neišeina”, tv3.lt, 1 January 2022, www.tv3.lt/naujiena/lietuva/neviesa-ispazintis-apie-santykius-su-kinija-jei-reiktu-pakartoti-nekartotume-bet-dabar-atsitraukti-neiseina-n1131704

the government's China policy in Lithuania fell,²³⁶ in early January 2022, Lithuania's President G. Nausėda (in office since July 2019), suddenly stated that the name of the Taiwanese Representative Office was "a mistake."²³⁷ The same month, local media reported that Lithuanian officials were discussing an option to request Taiwanese authorities to modify the Chinese translation of the name of its representative office in Vilnius to reflect the original name as agreed originally – "Taiwanese" rather than "Taiwan's."²³⁸ Lithuania's largest opposition party the Lithuanian Farmers and Greens Union actively sought to assure China that it would correct this decision should it take office after the 2024 elections.²³⁹ The foreign minister of the shadow cabinet Giedrius Surplys initiated a parliamentary resolution calling for the normalisation of China-Lithuania bilateral relations.²⁴⁰

Taiwan Question Among Lithuanian Political Elites

In Lithuania's bilateral relations with China, relations with Taiwan have long existed as a separate pillar. Since independence from the Soviet Union, this issue has been discussed in the parliament, and only in recent years has it surfaced in the public information sphere, eventually becoming a part of the official foreign policy, as explained above.

First, the prominent one has been the question of relations with Taiwan at the parliamentary level. An interparliamentary group for relations

²³⁶ Vaidotas Beniušis, "Apklausa: dauguma Lietuvos gyventojų nepitaria politikai Kinijos atžvilgiu", 15min, 11 January 2022, <https://www.15min.lt/naujiena/aktualu/lietuva/apklausa-dauguma-lietuvos-gyventoju-nepitaria-politikai-kinijos-atzvilgiu-56-1626212>

²³⁷ "Allowing Taiwan to Open Office under its Name was a Mistake – Lithuanian President", LRT English, 4 January 2022, www.lrt.lt/en/news-in-english/19/1580082/allowing-taiwan-to-open-office-under-its-name-was-a-mistake-lithuanian-president

²³⁸ Andrius Sytas, "Lithuania Considers Modifying Taiwan Representation Name to Defuse Row with China", Reuters, 26 January 2022, www.reuters.com/world/asia-pacific/lithuania-considers-modifying-taiwan-representation-name-defuse-row-with-china-2022-01-25

²³⁹ Benas Brunalas, "Karbauskio šešėlinis kabinetas ketina pasiūsti žinutę Kinijai: gavę valdžią sprendimą dėl atstovybės pavadinimo atšauktume", LRT, 6 January 2022, www.lrt.lt/naujienos/lietuvoje/2/1582679/karbauskio-seselinis-kabinetas-ketina-pasiusti-zinute-kinijai-gave-valdzia-sprendima-del-atstovybes-pavadinimo-atsauktume

²⁴⁰ "Seimo rezoliucijos „Dėl vienos Kinijos politikos ir abipuse pagarba grįštų Lietuvos Respublikos ir Kinijos Liaudies Respublikos santykių“ projektas", Seimas of the Republic of Lithuania, 10 January 2022, reg.no. XIVP-1276, <https://e-seimas.lrs.lt/portal/legalAct/lt/TAP/e652212071ee11ecb2fe9975f8a9e52e>

with Taiwan was formed in different terms of the parliament of Lithuania. However, in 2012, the Law Department of the Office of Seimas, the parliament of Lithuania, issued an explanatory decision regarding the regulation of interparliamentary groups. It stated that according to the Seimas Statute, interparliamentary groups could only be established for relations with parliaments of other independent countries, i.e., the countries with which Lithuania maintains diplomatic relations.²⁴¹ In 2016, as the newly elected parliament gathered for its first session, it agreed to ask the Law Department for an opinion on the legal basis to form an interparliamentary group for relations with Taiwan. The following year, the Statute of the Seimas of the Republic of Lithuania, the critical document defining the daily functioning of the parliament, was reviewed to incorporate such a ruling, among other changes. However, that wording would have technically prevented establishing such a group for Taiwan, as noted by a parliamentarian during the draft discussion, calling for an additional provision that would enable relations between the parliaments of the two sides.²⁴² At that time, the parliament rejected the draft revision of the Statute with its multiple changes, just like in June 2019. Only in June 2021, did the Seimas, the parliament of Lithuania, approve a revision on the interparliamentary groups in the Statute. Interparliamentary groups are only allowed for the countries with which Lithuania maintains diplomatic relations.²⁴³

Thus, the new revision of the Seimas Statute legally eliminates the possibility of having an interparliamentary group for relations with Taiwan. Since 2016, relations with the Taiwan group in the parliament have functioned under the legal status of a provisional group. A provisional group can be established by no fewer than five parliamentarians “to implement

²⁴¹ “Lietuvos Respublikos Seimo vakarinio posėdžio Nr. 48 stenograma [Transcript of the evening sitting No. 48 of the Seimas of the Republic of Lithuania sitting],” Seimas of the Republic of Lithuania, 18 April 2017, No. 48, <https://e-seimas.lrs.lt/portal/legalAct/lt/TAK/2adc-c94024e611e79f4996496b137f39?positionInSearchResults=0&searchModelUUID=f618128f-e534-4fdc-9410-30c286877a19>

²⁴² *Ibid*

²⁴³ The Statute of the Seimas of the Republic of Lithuania, article 811, adopted 17 February 1994, last revised 26 May 2022, Nr. XIV-1127, <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/TAIS.5734/sExaeZyEIB>

common interests on a specific question.”²⁴⁴ As of September 2022, the parliamentary group for relations with Taiwan existed along with 24 other provisional groups of the most diverse interests, e.g., the provisional group for the promotion of multifunctional forests or the provisional group of the friends of the capital city.²⁴⁵

As a result, the status of relations with Taiwan in the parliament has diminished. In 1998, a group of politicians from different political parties, including the currently ruling Homeland Union, presented an initiative to establish an interparliamentary group for relations with the PRC. At that time, some politicians from the Homeland Union objected. Arguably, the interparliamentary group for relations with Taiwan already existed; thus, the matter was too sensitive to make hasty decisions. Diplomatic relations with the PRC notwithstanding, it was Taiwan that the Lithuanian parliament first developed relations with. There was an anti-China stance among some parliamentarians due to Tibet. Back then, the initiators of China-relations group stood their ground, noting that the PRC recognised Lithuania in 1991, and the Lithuanian government committed to recognising China’s territorial integrity with Taiwan as a part of it.²⁴⁶ Nonetheless, the parliament approved the visit by Taiwanese parliamentarians the following year.²⁴⁷

Second is the issue of trade relations with Taiwan. In June 2000, the Parliament of Lithuania adopted the Resolution regarding Relations with Taiwan, which suggested the Government of Lithuania establish a trade representative office in Taipei in the nearest future.²⁴⁸ Notably, that was the revised

²⁴⁴ The Statute of the Seimas of the Republic of Lithuania, article 42, adopted 17 February 1994, last revised 26 May 2022, Nr. XIV-1127, <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/TAIS.5734/sExaeZyElB>

²⁴⁵ “Provisional Groups,” The Seimas of the Republic of Lithuania, https://www.lrs.lt/sip/portal.show?p_r=38270&p_k=2&p_kade_id=9

²⁴⁶ “Penkiasdešimt devintasis (222) posėdis”, Seimas of the Republic of Lithuania, 1 July 1998, No. 59(222), <https://e-seimas.lrs.lt/portal/legalAct/lt/TAK/TAIS.59755?positionInSearchResults=25&searchModelUUID=2b4f7671-a389-44f4-9019-7b6cec33537b>

²⁴⁷ “Seimo valdybos posėdžio protokolas Nr.232,” Seimas of the Republic of Lithuania, 12 May 1999, No. 232, <https://e-seimas.lrs.lt/portal/legalAct/lt/TAK/TAIS.79928?positionInSearchResults=24&searchModelUUID=2b4f7671-a389-44f4-9019-7b6cec33537b>

²⁴⁸ “Seimo rezoliucijos “Dėl ryšių su Taivanu” projektas”, The Seimas of the Republic of Lithuania, 9 June 2000, reg. no. P-2522(2), <https://e-seimas.lrs.lt/portal/legalAct/lt/TAP/TAIS.102625?jfwid=-hx57wudzg>.

resolution text, as the first one was rejected after the European Law Department under the Government of the Republic of Lithuania concluded that the original text²⁴⁹ was not in line with the EU's position regarding Taiwan.²⁵⁰

In 2020, as China's international image deteriorated due to the human rights issue in Xinjiang and COVID-19 pandemics, increasingly louder calls for support for Taiwan surfaced in Lithuania. In April 2020, mainly reacting to Taipei's effective handling of the pandemic and the donation of 100 000 masks by Taiwan to Lithuania, around 200 Lithuanian politicians and public figures sent an open letter to the country's President Nausėda, asking for support to Taiwan's bid to be fully included into the activities of the World Health Organization (WHO).²⁵¹ While the president declined to back Taiwan's membership in the WHO, Lithuanian foreign minister Linas Linkevičius asked the WHO Director-General to invite Taiwan to the upcoming assembly on measures to tackle coronavirus.

These calls for support to Taiwan soon materialised as a more concrete initiative. In the autumn of 2020, the Lithuania-Taiwan Forum was established in Vilnius.²⁵² Next March, the Chairman of the Parliamentary Group for Relations with the Republic of China (Taiwan) Gintaras Steponavičius was elected as its president. According to him, "The Lithuania-Taiwan Forum has pooled leaders from different areas who want to see value-based decisions in international politics and understand the challenges Taiwan is facing. The Forum will contribute to the development of ties with Taiwan in different areas."²⁵³ The Forum gathered intellectuals and professionals from different

²⁴⁹ "Seimo rezoliucijos "Dėl ryšių su Kinijos Respublika (Taivanu)" projektas", The Seimas of the Republic of Lithuania, 15 May 2000, reg. No. P-2522, <https://e-seimas.lrs.lt/portal/legalAct/lt/TAP/TAIS.100649?jfwid=-hx57wudzg>]

²⁵⁰ "Europos teisės departamento išvada Seimo rezoliucijos "Dėl ryšių su Kinijos Respublika (Taivanu)" projektui" doc. no. P-2522, The Seimas of the Republic of Lithuania, 30 May 2000, <https://e-seimas.lrs.lt/portal/legalAct/lt/TAK/TAIS.102388?jfwid=-hx57wudzg>

²⁵¹ "Lithuania Calls on WHO to Invite Taiwan to International Assembly", LRT, 13 May 2020, <https://www.lrt.lt/en/news-in-english/19/1178102/lithuania-calls-on-who-to-invite-taiwan-to-international-assembly>

²⁵² "The Lithuania-Taiwan Forum Established in Vilnius", 15 min, 9 October 2020, <https://www.15min.lt/en/article/politics/the-lithuania-taiwan-forum-established-in-vilnius-526-1389702?copied>

²⁵³ "Lithuanian Politicians Join Taiwan Cooperation Initiative, Defying China's Objections", LRT, 17 March 2021, <https://www.lrt.lt/en/news-in-english/19/1367013/lithuanian-politicians-join-taiwan-cooperation-initiative-defying-china-s-objection>

backgrounds, including politicians and government members – minister of innovation Aušrinė Armonaitė and vice-minister of foreign affairs Adomėnas.

Gradually, relations with Taiwan emerged as an issue in the Lithuanian public sphere. Notably, the national broadcaster surveyed Lithuanian political parties during the parliamentary elections campaign in 2020 on their position on Taiwan. Specifically, they were asked whether Lithuania should recognise the Republic of China (Taiwan) as an independent state. It was likely the first time since independence to consider such a question as a potential one on Lithuania's political agenda. While noting that “many parties hardly find an answer to this question,” the national broadcaster identified nine political parties that supported such a position.²⁵⁴ Some of them noted that such a move should be coordinated among the countries within the EU. The Homeland Union, which later led the formation of the coalition government after the elections, specified that the party views this process as being developed gradually. Reportedly, they support intensifying the relations and expanding political and economic cooperation by reciprocally setting up representative offices. In addition, the party expressed their will to support Taiwan's participation in different formats of international organisations, such as the WHO and others.²⁵⁵

After the new coalition government took office in December 2021, relations with Taiwan soon expanded at the political level. Several delegations, including different vice ministers, visited Taipei on official delegations in the summer of 2022.²⁵⁶ In mid-September 2022, the Lithuanian Trade Representation in Taipei was due to open, with the Head of the mission appointed the previous month.

²⁵⁴ Not all surveyed political parties responded to the LRT's inquiry regarding their support of Taiwan's independence. But among those surveyed, two were against and five did not give a definite answer. Modesta Gaučaitė, Ronaldas Galinis, “Rinkimų kompasas. Taivano nepriklausomybė – klausimas, į kurį dalis partijų atsakymą randa sunkiai,” LRT, 15 September 2020, <https://www.lrt.lt/naujienos/pasaulyje/6/1222421/rinkimu-kompasas-taivano-nepriklausomybe-klausimas-i-kuri-dalis-partiju-atsakyma-randa-sunkiai>

²⁵⁵ Ibid

²⁵⁶ “MOFA Sincerely Welcomes Visit by Lithuanian Delegation Comprised of Representatives of the Laser and Biotechnology Industries Led by New Vice Minister of the Economy and Innovation Karolis Žemaitis; Taiwan and Lithuania to Work to Create a Win-win Situation in Cutting-edge Industries,” Ministry of Foreign Affairs, Republic of China (Taiwan), 16 September 2022, https://en.mofa.gov.tw/News_Content.aspx?n=1329&s=98608

Bilateral Economic Relations

Economic engagement with China was highly regarded in Lithuania as an opportunity for Lithuanian exporters and as a source of incoming FDI. However, efforts towards more productive cooperation in the last decade have yielded limited results. To start with, Lithuania’s trade deficit with China expanded year by year, as Figure 1 shows. From 2004, it already doubled in 2007. Trade became more balanced in 2009 again, after Lithuania’s exports of furniture, mattresses and relevant items grew seven times from the previous year. However, the trade deficit gradually expanded and then more than doubled from 2019 to 2021.

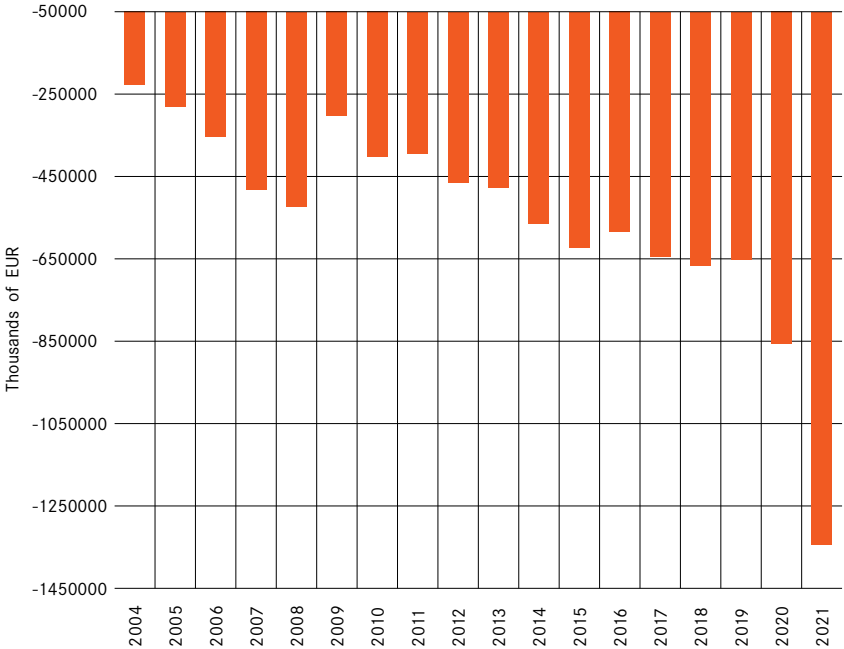


Figure 1. Lithuania’s trade balance with China, 2004–2021,²⁵⁷ thousands of EUR (source: Statistics Lithuania).

²⁵⁷ 2004 is the earliest year for which such data is available

When seen quarterly over the last five years, the sharpest growth in trade deficit started in mid-2021 (Figure 2), when Lithuania’s diplomatic row with China escalated. Notably, the growing deficit was a cumulative effect of two simultaneous trends. First, there was a drastic fall in Lithuanian exports to China due to unofficial sanctions against the country, and second, a significant rise in imports from China.

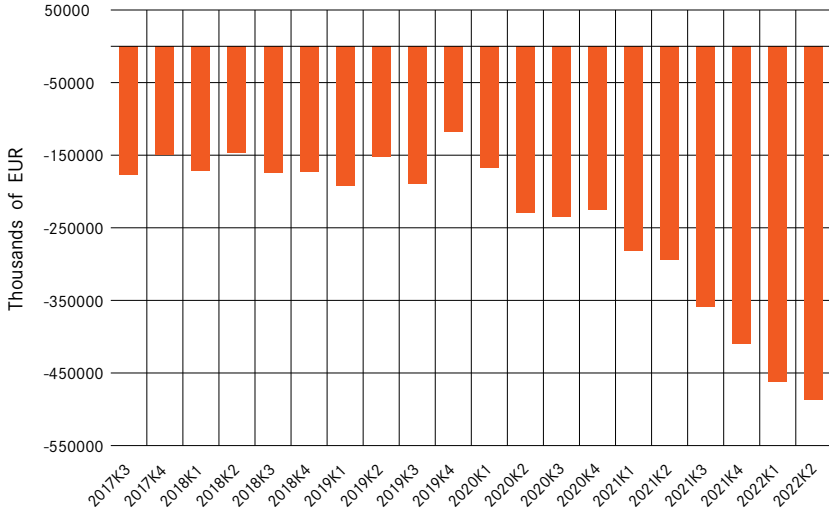


Figure 2. Lithuania’s trade balance with China, quarterly 2017–2022, thousands of EUR (source: Statistics Lithuania).

Lithuanian exports to China rapidly grew in the last decade. And then the fall in volumes of Lithuanian exports in 2021 interrupted a steady growth trend that had continued since 2005 (Figure 3).

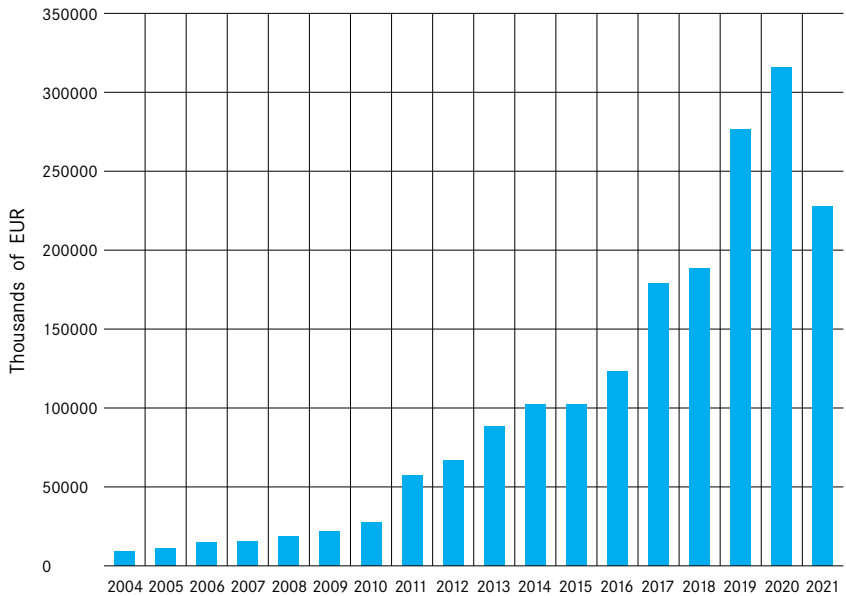


Figure 3. Lithuania’s exports to China, annually 2004–2021, thousands of EUR (*source: Statistics Lithuania*).

Monthly export data (Figure 4) best reveals the effect of China’s unofficial restrictions on Lithuanian exports after the opening of the Taiwanese Representative Office in November 2021. On 1 December, less than two weeks after the opening, it was reported that Lithuania had been removed from China’s customs clearance system and, thus, Lithuanian goods were stranded at the customs at Chinese ports. Although the country appeared back on the Chinese customs clearance system a few days later, that month, Lithuania’s exports to China fell to EUR 5 million, a more than four-fold decrease from December 2020 or 2021. Also, exports from Lithuania’s only Klaipėda port were suspended.

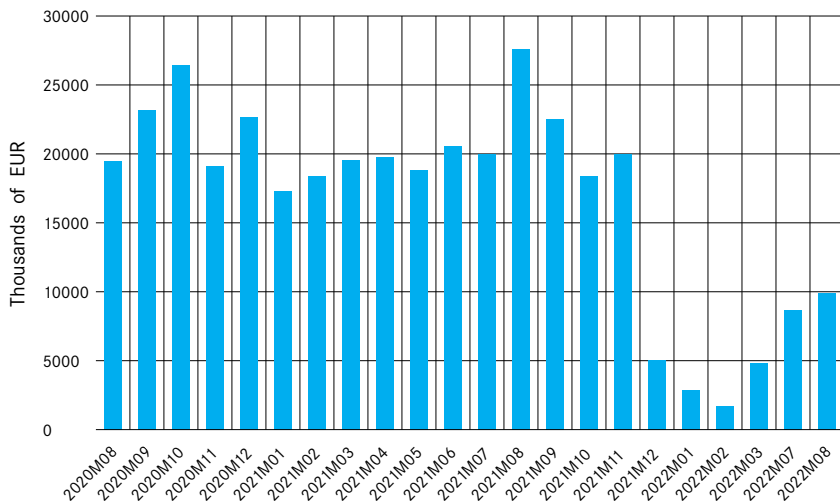


Figure 4. Lithuania’s exports to China, monthly August 2020 to August 2022, thousands of EUR (*source*: Statistics Lithuania).

International media reported that China pressured multinational corporations to cut links with Lithuania. Reportedly, German car parts giant Continental was requested to stop using components made in Lithuania.²⁵⁸ Lithuania’s garment manufacturers complained that their partners in the EU were cancelling orders due to pressure from China. Reportedly, China also sought to restrict imports of goods from other EU countries – such as France, Germany and Sweden – dependent on Lithuanian supply chains.²⁵⁹

None of the trade restrictions were formally announced until February 2022. China’s General Administration of Customs formally banned Lithuania’s beef and dairy imports, citing Lithuania’s failure to submit necessary documents. Until then, all trade restrictions were unofficial. It was

²⁵⁸ Andrius Sytas, John O’Donnell, “Exclusive. China Pressures Germany’s Continental to Cut out Lithuania – Sources”, Reuters, 17 December 2021, <https://www.reuters.com/world/china/exclusive-china-asks-germanys-continental-cut-out-lithuania-sources-2021-12-17/>

²⁵⁹ Stuart Lau, Barbara Moens, “China’s Trade Attack on Lithuania Exposes EU’s Powerlessness”, Politico, 16 December 2021, <https://www.politico.eu/article/china-trade-attack-on-lithuania-exposes-eu-powerlessness/>

often difficult to identify when the economic sanctions campaign against Lithuania had started. Lithuanian producers report that China started exerting pressure as early as 2020 when it revoked grain export licences. In 2019, the two countries signed a protocol on wheat exports to China at the 8th Summit of Heads of Government of Central and Eastern European Countries and China in Dubrovnik, Croatia. Lithuanian Prime Minister Skvernelis expressed hopes that Lithuania would increase its exports of agricultural products and foodstuffs to China at least five times.²⁶⁰ Grain exports to China skyrocketed, making it the main export item to China, but their volumes contracted soon after. Later, in spring 2021, credit insurance became unavailable for trading between Lithuania and China.²⁶¹ When China recalled its ambassador to Lithuania in August, different food exporting companies revealed that exports to China were stalling.²⁶²

Lithuania's exports to China reached the lowest point of EUR 1.7 million in February 2022 (Figure 3 above). Notably, while exports of all groups of items took a nosedive in the 1st quarter of 2022, exports of copper and its products were not significantly affected (Figure 5). Exports of this group of items in the first and second quarters of 2022 exceeded the average quarterly export levels in 2019. As China's overall imports of copper surged this year, this case illustrates how selective Chinese trade restrictions can be.

²⁶⁰ "Lithuania looks to 5-fold expansion of food exports to China", LRT, 12 April 2019, <https://www.lrt.lt/en/news-in-english/19/1031439/lithuania-looks-to-5-fold-expansion-of-food-exports-to-china>

²⁶¹ János Allenbach-Ammann, "Lithuanian Businesses Grind on under Chinese Pressure", EURACTIV, 18 January 2022, <https://www.euractiv.com/section/economy-jobs/news/lithuanian-businesses-grind-on-under-chinese-pressure/>

²⁶² Ernestas Naprys, "Kinija nebeperka lietuviškų sūrių, javų ar medienos – įmonės kalba apie sunkius sprendimus [China no Longer Buys Lithuanian Cheese, Grain or Timber – Companies Talk about Hard Decisions]", Delfi, 20 August 2021, <https://www.delfi.lt/verslas/verslas/kinija-nebeperka-lietuvisku-suriu-javu-ar-medienos-imones-kalba-apie-sunki-us-sprendimus.d?id=87989553>

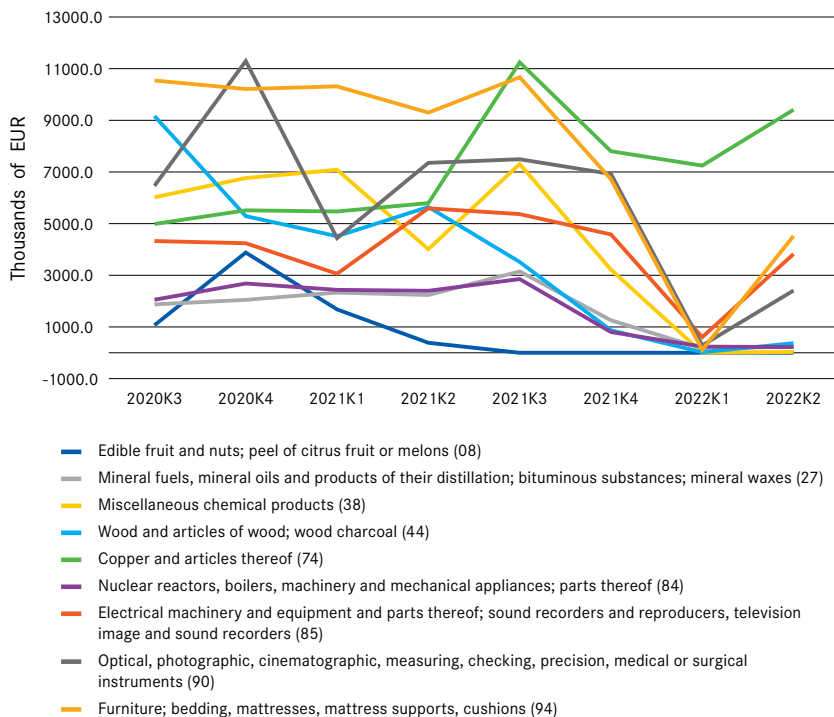


Figure 5. Lithuania’s exports to China for the largest export product groups (in 2019),²⁶³ quarterly 2020–2022, thousands of EUR (source: Statistics Lithuania).

Imports from China to Lithuania were affected by the diplomatic crisis too, yet, not in absolute terms. Aggregate numbers show a steady growth of Chinese imports to Lithuania from 2009, with an even more significant jump in 2021 (Figure 6). Quarterly data over the last five years (Figure 7) confirms the same trend, i.e., Chinese imports from China constantly expanded further in 2022.

²⁶³ Data for the ten largest product groups excluding wheat, as export licences were revoked in 2020

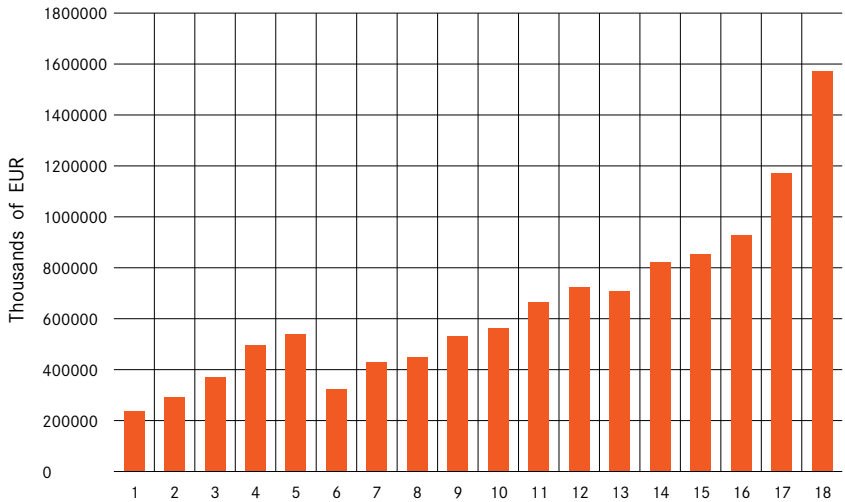


Figure 6. Imports from China to Lithuania, annually 2004–2021, thousands of EUR (source: Statistics Lithuania).

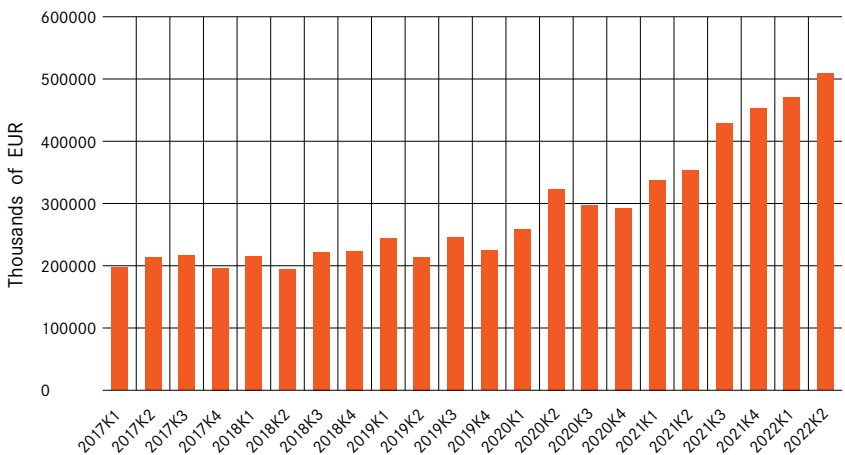


Figure 7. Imports from China to Lithuania, quarterly 2017–2022, thousands of EUR (source: Statistics Lithuania).

Nonetheless, local businesses complained of significant import restrictions. Already in September 2021, even fully prepaid shipments to Lithuania were significantly delayed at Chinese ports. Reportedly, imports of industrial goods – various raw materials, components and microelectronic parts used by Lithuanian manufacturers were subject to delays and suspension at Chinese ports, while the movement of consumer goods and non-industrial goods continued. At the end of last year, it was estimated that 1200 containers worth around EUR 240 million could not reach Lithuania.²⁶⁴

FDI from China in Lithuania also remained limited (Figure 8). Although Chinese FDI stock in Lithuania increased nearly four-fold over 2021, at the end of the year, China ranked only No. 34 by FDI stock in Lithuania. For most of the time, its share hardly exceeded 0.1% of the total FDI stock in the country.²⁶⁵

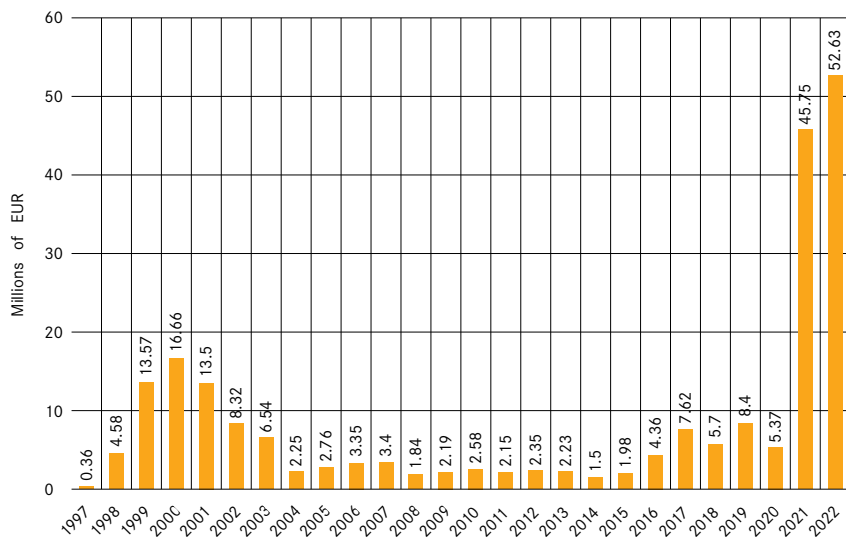


Figure 8. Chinese FDI at the end of the period in Lithuania, 1997–2022,²⁶⁶ millions of EUR (source: Statistics Lithuania).

²⁶⁴ Remigijus Bielinskas, “Janulevičius: Dėl Kinijos Spaudimo Pramonė Kitamet Gali Prarasti Apie 300 Mln. Eurų”, Delfi, 23 December 2021, <https://www.delfi.lt/verslas/verslas/janulevicius-del-kinijos-spaudimo-pramone-kitamet-gali-prarasti-apie-300-mln-euru.d?id=89036867>

²⁶⁵ Calculation by the author based on the data from Statistics Lithuania

²⁶⁶ Data for 2022 is given at the end of the 2nd quarter, the latest data available as of October 2022

According to Statistics Lithuania (Lithuanian Department of Statistics), the largest number of investors from China in Lithuania was 58 in 2010–2011, nearly six times more than in 1998, when there were only 10. At the end of 2021, a provisional estimate was 44.²⁶⁷

While no such data is available for the number of Lithuanian investors in China, the country’s FDI to the PRC has remained stable at around EUR 39 million for the past several years (Figure 9), putting China No. 13 in terms of Lithuanian direct investment overseas.²⁶⁸

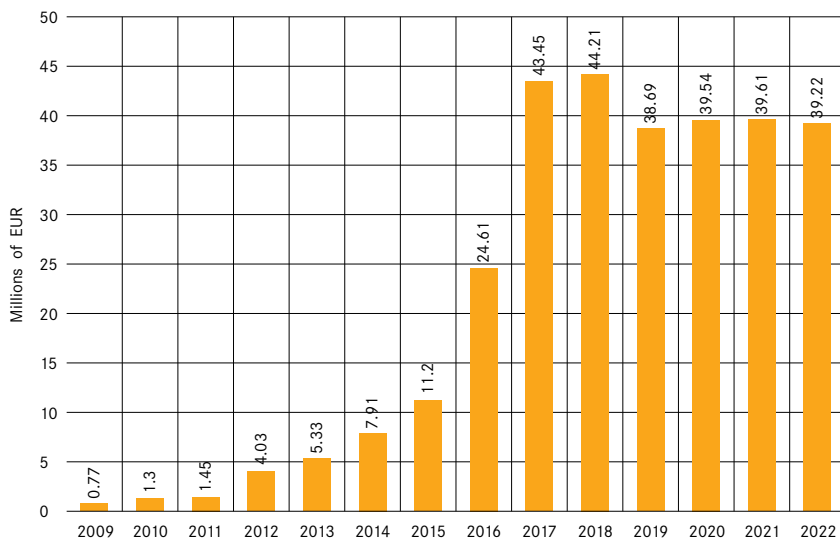


Figure 9. Lithuanian FDI at the end of the period in China, 1997–2022²⁶⁹ millions of EUR (source: Statistics Lithuania).

²⁶⁷ According to the Open Statistics Portal by the Statistics Lithuania data as of 15 October 2022, <https://osp.stat.gov.lt/statistiniu-rodikliu-analize#/>

²⁶⁸ “Dvišaliai ekonominiai ryšiai su užsienio šalimis – Kinija”, Ministry of Foreign Affairs of the Republic of Lithuania, last updated 29 July 2022, <https://urm.lt/default/lt/lietuva-kinija>

²⁶⁹ Data for 2022 is given at the end of the 2nd quarter, the latest data available as of October 2022

Perception of China in Official Documents

The image of China and the perception of its role in the region started to change among political elites when Lithuanian intelligence services shed more light on the potential security concerns over China. Table 1 summarises how China gradually emerged in the security discourse of the intelligence community, as seen from their National Threat Assessment reports produced annually since 2014. China was first mentioned in 2015 in the list of actors that Russia considers friendly to it. In 2016 and 2018, China was briefly referred to in the context of cyber security. Nevertheless, it was noted in the report that Lithuania was not their primary target, and Russia remained as the “major threat to the national security of Lithuania in the cyber domain.”²⁷⁰

The report hinted at the shadow of China in the region’s security environment in 2018. Belarus’s new generation rocket system Polonez was manufactured in association with Chinese armament corporations. As per the report, “[i]n theory, its operating encompasses almost the whole territory of Lithuania.”²⁷¹ The following year, the report further raised concerns over China’s military or technological cooperation with countries hostile to Lithuania. It noted the enhancement of Russia’s cooperation with China, as Beijing enables Russia to procure technologies that became inaccessible due to Western sanctions.²⁷²

2019 marks the point when China came under the attention of the Lithuanian intelligence community. Referred to in the report 28 times, a significant jump from only two references a year earlier, China was singled out for its intelligence attempts to recruit Lithuanian citizens online.²⁷³ Russia’s growing cooperation with China was also noted. The following year, Lithuania gave considerably more attention to China as a potential threat

²⁷⁰ National Threat Assessment 2018, Second Investigation Department under the Ministry of National Defence and the State Security Department of the Republic of Lithuania, 2018, P. 33, <https://www.vsd.lt/wp-content/uploads/2018/03/ENG.pdf>

²⁷¹ *Ibid*, P. 23

²⁷² National Threat Assessment 2019, Second Investigation Department under the Ministry of National Defence and the State Security Department of the Republic of Lithuania, 2019, P. 13, <https://www.vsd.lt/wp-content/uploads/2019/02/2019-Gresmes-internetui-EN.pdf>

²⁷³ *Ibid*, P. 32–33

for its attempts to gather technical intelligence on Lithuanian information systems or gain access to critical infrastructure.²⁷⁴

In this way, year by year, China received increasingly more attention. In the most recent report to date in 2022, these issues raised over the years finally crystallised in a rather specific definition of China’s role in the region and Lithuania. It was broadly noted that “It has been a long time since Lithuania and our transatlantic Allies experienced such strong pressure from authoritarian states,” and specifically that “An aggressive Chinese policy will increase economic, cyber and information threats to Lithuania.”²⁷⁵ For the first time since 2014, when the report was introduced, there was a separate section on China. Giving it a separate place next to Russia and Belarus was an important indicator of how the perception of China in terms of security has increased.

Table 1. Summary of China-related information in the *National Threat Assessment Report* produced annually by the Second Investigation Department under the Ministry of National Defence and the State Security Department of the Republic of Lithuania (compiled by the author based on the National Threat Assessment Reports 2014–2022).

Report year²⁷⁶	References to China²⁷⁷	Threats to Lithuania from China (or the context in which China is mentioned <i>(in Italic)</i>)
2014	0	N/A
2015	1	<i>(the list of actors that Russia refers to as a “friend”)</i>

²⁷⁴ National Threat Assessment 2020, Second Investigation Department under the Ministry of National Defence and the State Security Department of the Republic of Lithuania, 2020, P. 34, <https://www.vsd.lt/wp-content/uploads/2020/02/2020-Gresmes-En.pdf>

²⁷⁵ National Threat Assessment 2022, Second Investigation Department under the Ministry of National Defence and the State Security Department of the Republic of Lithuania, 2022, P. 5, https://www.vsd.lt/wp-content/uploads/2022/04/ANGL-el-_pdf

²⁷⁶ National Threat Assessment reports are usually for the preceding year, e.g., National Threat Assessment 2018 is based on intelligence information from 2017. The full texts of the National Threat Assessment Reports for the years 2014 to 2022 are available from the website of State Security Department at <https://www.vsd.lt/en/threats/threats-national-security-lithuania/>. The reports for 2014 and 2015 are only available in Lithuanian

²⁷⁷ No. of words China, Chinese, or Beijing used in the main body of the text (i.e., excluding the table of contents, page headline and maps)

Report year	References to China	Threats to Lithuania from China (or the context in which China is mentioned (<i>in Italic</i>))
2016	5	cyber security; <i>(Belarus's potential finance alternatives to Russia; growing influence in post-soviet countries)</i>
2017	1	<i>Russia's attempts for cooperation outside of the West</i>
2018	2	cyber security (although Lithuania not a major target); <i>Belarus' rocket system developed in cooperation with China</i>
2019	28	Chinese intelligence attempts to recruit Lithuanians; <i>(industrial cyber spying (unfocused and accidental); Russia's growing cooperation with; Russia's attempts to counterbalance the influence of other actors in Africa)</i>
2020	47	Chinese intelligence attempts to recruit Lithuanians over LinkedIn; a cyber-attack including a company in Lithuania linked to Chinese state authorities; technical intelligence gathering <i>(Chinese power projection instruments abroad; resulting changes in global security environment; development of 5G may become a threat; China's pursuit of technological advantage and its penetrating investment activities; Moscow's interest coordination with China; Chinese troops in Russia's military exercises Tsentr-2019; Belarus's potential finance alternatives to Russia)</i>
2021	40	China's attempt of influence in Lithuania and elsewhere, also by exploiting the pandemic (propaganda, medical equipment supply); Chinese attempts to strategic IT infrastructure in Lithuania; China's interest in seaport investment <i>(cyber security; Russia's cargo tracking system abroad)</i>
2022	98	Increasingly aggressive Chinese foreign policy, economic and information activity against the states that expand relations with Taiwan or criticise the human rights situation in China; <i>(aggressive Chinese foreign policy, strengthening strategic competition with the West; attempts to divide NATO and EU cohesion; China-Russia bilateral cooperation and coordinated activity in international organisations; China's The Global Initiative on Data Security; China's position after the Taliban takeover in Afghanistan; strengthening of Chinese companies' accountability to intelligence services; China's cyber espionage capabilities)</i>

That was the domestic climate when the new coalition government took office in late 2020 after the parliamentary elections earlier that autumn. The new government's programme reflected security concerns over China. While acknowledging its growing global economic and political role, the document pointed out China's growing military and political aggression and human rights violations.²⁷⁸

The fundamental shift in Lithuania's perception of China at the official level came at the end of 2021 when the National Security Strategy of the Republic of Lithuania was updated to include explicit references to China. Putting China alongside Russia – Lithuania's long-term most significant threat – is indeed significant. The security environment that Lithuania feels it is facing now includes the PRC too. The document notes that “[a]s the confrontation between authoritarian and democratic states intensifies, authoritarian states, in particular, the Russian Federation and the People's Republic of China, pose new challenges to Western democracies, to their partners and to the Euro-Atlantic community as a whole. The Republic of Lithuania needs to adapt to changes in the world and the region, to be able to operate in a less predictable environment, to cooperate more effectively with allies and partners, and to increase the resilience of the State and its society to emerging threats.”²⁷⁹ This new revision of the National Security Strategy explicitly states that the communist ideology of the PRC contradicts not only the values enshrined in the Constitution of the Republic of Lithuania but also its national interests. Moreover, it defines the PRC's growing economic and military power, its ambitions and aggressive pursuit to reshape the international order as the emerging most crucial axis of geopolitical competition and of the growing tensions between democracies and authoritarian states.²⁸⁰

²⁷⁸ “Resolution No. XIV-72 on the Programme of the Eighteenth Government of the Republic of Lithuania”, Seimas of the Republic of Lithuania, Vilnius, 11 December 2020, P. 261, <https://lrv.lt/uploads/main/documents/files/PROGRAMME%20OF%20THE%20EIGHTEENTH%20GOVERNMENT%20OF%20THE%20REPUBLIC%20OF%20LITHUANIA.pdf>

²⁷⁹ Resolution Amending Resolution No. IX-907 of the Seimas of the Republic of Lithuania of 28 May 2002 on the Approval of the National Security Strategy, XIV-795, Seimas of the Republic of Lithuania, Vilnius, 16 December 2021, Ch. 1, Article 2, <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/3ec6a2027a9a11ecb2fe9975f8a9e52e?jfwid=-hx57wpjg7>

²⁸⁰ *Ibid*, Ch. III, Article 17

Lithuania's China policy under the incumbent government has been divisive, as explained above, but the redefinition of Lithuania's new security environment gained significant support.²⁸¹ The support rate for this revision of the National Security Strategy in the national parliament was relatively high. Of all the 144 members of the Lithuanian parliament, 100 voted for, 7 - against, and 16 parliamentarians abstained from voting.

Conclusions

This chapter attempted to present the evolution of the perception of China in Lithuania. After the establishment of diplomatic relations between the Republic of Lithuania and the PRC in September 1991, bilateral relations underwent different stages, and the perception of China's role in Lithuania evolved dramatically. So did the relations between the two countries. In the 1990s, there was a functioning interparliamentary group for relations with Taiwan, and an early sign of the existing division among Lithuanian politicians over their stance towards the PRC. China was long perceived as a geographically distant country, lower on the list of foreign policy priorities of Lithuania, economic interest was the uniting element. In the 2000s, there were bilateral discussions on China's potential investment in Lithuania's Klaipėda port. As Lithuania joined China's initiative for cooperation with the Central and Eastern European states, expectations for deepening economic relations with China in Lithuania were very high. For most of the 2010s, China's role in the region was only viewed in economic terms. It was not until mid-2019 when it became evident that Lithuanian top leaders changed the lens through which they viewed China. The fundamental change in the perception of China came in late 2021 when the revised National Security Strategy of the Republic of Lithuania included explicit reference to China for the first time. This was the point of no return, strongly indicating that China has been included in the security equation of Lithuania, marginalising economic objectives.

On the other hand, the coalition government, in office since late 2020, concluded that the development of trade and economic relations over the

²⁸¹ Voting Results of the Members of Parliament, Seimas of the Republic of Lithuania, 3rd session, evening sitting no. 127, 16 December 2022, https://www.lrs.lt/sip/portal.show?p_r=37067&p_k=1&p_kade_id=9&p_ses_id=124&p_fakt_pos_id=-501675&p_bals_id=-44707#balsKlausimas

preceding decade fell short of earlier high expectations. Motivating its new foreign policy with the aim to diversify economic relations in the Asian region, the government fundamentally reorientated Lithuania's China policy, building on two pillars – distancing from China and invigorating relations with Taiwan. As a result, a bilateral crisis between Lithuania and the PRC escalated, eventually leading to China's unilateral downgrading of bilateral relations. While political elites have been divided over these developments, the parliament supported the redefinition of Lithuania's security environment to include the PRC.

These developments pinpoint the two axes on which the perception of China in Lithuania has centred over the years. The visible one – the economic opportunity-security threat axis – emerged in the 2010s, while the value axis has been latent since as early as the 1990s. In the Lithuanian parliament, there has long existed a cleavage crosscutting political identification, dividing those in favour of strictly adhering to the One China policy and those in favour of closer relations with Taipei. These two axes have converged most recently, as the recognition of threats China may pose to the existing global order have surfaced, and the traditional supporters of Taiwan acceded to office in late 2020.