

# Political and Economic Logic of Beijing's 'Sanctions' against Lithuania

**Che-chuan Lee**  
**Associate Research Fellow**

Division of National Security Research

## 1. News Highlights

On February 9, 2022, the Chinese General Administration of Customs (GAC) announced it would suspend accepting import declarations for Lithuanian beef with the immediately commenced shipment. The following day, the Lithuanian State Food and Veterinary Service stated that the Chinese GAC had informed Lithuania that it would stop importing Lithuanian beef into China due to a “lack of proper documentation”. The move indicated that Beijing’s “sanctions” against Lithuania were not yet over;

however, Lithuania has not exported any food products, including beef, to China since early December 2021.<sup>1</sup>

In 2021, Lithuania’s relations with China rapidly deteriorated.<sup>2</sup> In May 2021, Lithuania announced its withdrawal from the “17+1” China and Central Eastern Europe (CEE or CEEC) cooperation, and in July agreed for Taiwan to establish its representative office in the Lithuanian capital. Lithuania and China both withdrew their ambassadors to each other, and diplomatic relations were downgraded to the chargé d'affaires level. In addition, Beijing imposed a number of economic

---

1. “China Suspends Import of Lithuanian Beef without Official Explanation,” *Central News Agency*, February 10, 2022, <https://reurl.cc/3jbLIM>; “Lithuania Has Stopped Food Exports to China in December Last Year,” *Central News Agency*, February 10, 2022, <https://reurl.cc/VjmXOy>.

2. Changes in Lithuania’s relations with China in recent years can be traced back to 2019. In January of the year, the Lithuanian Ministry of National Security listed China as a national security threat for the first time in its national threat assessment report. In July 2019, President Gitanas Nausėda said that China’s investment in the construction of Lithuania’s Port of Klaipėda could harm Lithuania’s national security. In November, Defense Minister Raimundas Karoblis stated that if China took control of the port of Klaipėda, it would pose a strategic risk to the passing US and NATO forces.

coercive acts on Lithuania, and the dispute has not yet ended (see table below). This article will briefly analyze Beijing's means of "sanctioning" Lithuania and discuss its intentions as well as possible effects.

## 2. Security Implications

The first wave of disputes between China and Lithuania in 2021 were related to the "17+1" CEE cooperation. On February 9, Lithuania sent only ministerial-level officials to present in the China-Eastern Europe Leaders' Video Summit hosted by Xi Jinping. The Lithuanian Parliament agreed to withdraw from the "17+1" mechanism in March and officially announced its withdrawal in May. On May 20, the Lithuanian Parliament passed a resolution condemning China's "genocide" of the Uighurs in Xinjiang and also called for the UN to investigate the "re-education camps" and urged China to repeal Hong Kong's National Security Law. Since May, Lithuanian cultural and artistic activities in China have been cancelled

or suspended as the first wave of pressure from China.<sup>3</sup> After Lithuania agreed for Taiwan to establish a representative office in July, its relations with China deteriorated even further; Beijing's coercion quickly expanded from a downgrading of diplomatic relations into the economic field.

### 2.1 Diplomatic coercion strategy: strong pressure without severing formal ties

On July 20, 2021, Lithuania agreed to the establishment of the "Taiwanese Representative Office in Lithuania" in Vilnius, the capital, making it the first representative office in Europe bearing the name of "Taiwanese". After unsuccessful negotiations with Lithuania, Beijing announced on August 10 that it was recalling its ambassador to Lithuania; on September 3, Lithuania recalled its ambassador at the request of the Chinese government, and the embassy was overseen by the chargé d'affaires ad interim. On November 18, the Taiwanese

---

3. Revealed by Tomas Ivanauskas, Cultural Counselor of the Lithuanian Embassy in China, to the Lithuanian National Radio and Television (LRT). See Stephanie Chiang, "Lithuanian Art, Cultural Events Suspended in China Amid Tension," *Taiwan News*, September 3, 2021. <https://reurl.cc/dXq9Lk>.

Representative Office in Lithuania was officially established, and the Chinese side downgraded the relationship between Lithuania and China to the level of chargé d'affaires on November 21. On November 25, the consular service of the Chinese Embassy in Lithuania was suspended; the following day, the Chinese Embassy in Lithuania changed its name to the Office of the Chargé d'Affaires and requested Lithuania to change the name of its embassy accordingly.

On December 15, all Lithuanian diplomats and their families in China left Beijing and China affairs were handled remotely. It is worth noting that although Beijing quickly recalled its ambassador and lowered the level of relations between the two countries, it did not break off diplomatic relations with Lithuania after the withdrawal. In this regard, the spokesperson for the Chinese Foreign Ministry and Lu Shaye, the Chinese Ambassador to France, both said they hoped Lithuania would “admit its mistake and take action to correct the wrongful act of recognizing the ‘one China, one Taiwan’ status, and return to the right track of the ‘one China’ principle.” In other

words, Beijing will not cut diplomatic ties with Lithuania to prevent Taiwan and Lithuania establishing diplomatic ties, which would further challenge the “one China principle”.

## **2-2. China coerces MNCs to pose pressure, thereby dividing EU**

The recall of the ambassador was quickly followed by economic coercion from Beijing. First, China Railway Group’s China Railway Container Terminal (CRCT) cancelled several Chinese railway shipments from late August to early September, and on December 1, Lithuania was removed from China’s customs system, preventing the country’s goods from entering China. After Lithuania’s appeal to the EU, it was restored on December 7. But Lithuanian goods were again faced with lengthy customs clearance and procedure delays, resulting in many losses for Lithuanian companies. Although the unofficial boycott caused Lithuanian goods to suffer a 91% year-on-year decline of exports to China in December 2021, Lithuania’s economy was not seriously affected since its dependence on the Chinese market is

quite low — exports to China account for only 1% of total exports, and imports from China account for only 5%.<sup>4</sup>

Since the end of October 2021, it has been reported that China has demanded a number of multinational companies, such as German tire maker Continental AG, to stop selling their products or sourcing supplies in the Chinese market if they continue to use Lithuanian parts and products,<sup>5</sup> while companies from Germany, France, Sweden, and other countries are unable to gain clearance from Chinese customs because their goods contain parts and machinery from Lithuania. The German-Baltic Chamber of Commerce informed the Lithuanian Foreign Minister and the Minister of Economy that the import of machinery and parts from China and the export of Lithuanian products to China had been suspended, urging Lithuania to mend its relations with China or they would withdraw from Lithuania.

Between December 2021 and January 2022, Lithuanian Prime Minister Ingrida Simonyte and President Gitanas Nauseda were also told in meetings with top business executives that the situation would continue to deteriorate if the dispute with China was not resolved. This was the first time that China, leveraging its enormous market and economic power, asked European companies to sever their ties with Lithuania. The pressure from Beijing caused European companies, which are in the same EU alliance with Lithuania, to oppress Lithuania for their own interest; this has not only put even larger pressure on Lithuania but also divided the unity of the EU.

### **2-3. China denies all economic coercion to circumvent WTO sanctions**

Unlike diplomatic reprisals or downgrades that require an official note, Beijing's approach to economic

---

4. Lithuanian statistics show that in 2020 the country exported 358 million USD goods to and imported 1.34 billion USD goods from China. According to the Chinese customs statistics, in 2020 China exported 1.808 billion USD to Lithuania and imported 488 million USD. China's surplus with Lithuania had amounted to 1.32 billion USD.

5. On December 9, 2021, Lithuanian Deputy Foreign Minister Mantas Adomenas told Reuters that China had sent a message to multinational companies that they would no longer be allowed to sell to the Chinese market or receive Chinese supplies if they use Lithuanian parts and supplies. Some companies have already cancelled their contracts with Lithuanian suppliers. See John O'Donnell and Andrius Sytas, "Exclusive: Lithuania Braces for China-led Corporate Boycott," *Reuters*, December 9, 2021, <https://reurl.cc/12OE7G>.

coercion has always been subtle and elusive. On December 24, 2021, Chinese Foreign Ministry spokesperson Zhao Lijian stated that it was not true that China had removed Lithuania from its customs declaration system, suspended Lithuania's import licenses, nor pressured multinational companies not to use Lithuanian parts, claiming that China always abides by World Trade Organization (WTO) rules. On December 27, the *Global Times* also quoted Chinese customs and industry sources as saying that Beijing had not blocked Lithuanian goods at all, but that Chinese companies had cut off their dealings with Lithuanian companies due to the rising domestic calls for punishment.

China has tried to force some specific countries to change their positions through economic coercion, but in practice it used tactics to avoid implementing them through open or official measures in

order to circumvent WTO constraints and sanctions. Without strong supporting evidence, the WTO will find it difficult to impose sanctions on China. China's malicious behavior will remind countries that they must be prepared to take unpredictable risks when dealing with China's authoritarian system.

### 3. Trend Observation

Although Lithuania's Foreign Minister still insists on supporting Taiwan and says there is no plan to change the official name of the Taiwanese Representative Office, the President of Lithuania raised the issue of renaming the office twice in January this year, indicating the enormous pressure Lithuania is facing.<sup>6</sup> Despite the EU declaring its support for Lithuania, most European countries have not explicitly expressed their attitude. Miriam Lexmann, a member of the European Parliament

---

6. There are still views within Lithuania that the name change of the Taiwan Representative Office will help improve relations between Lithuania and China. But an editorial in the *Global Times* on January 26, 2022 pointed out that a name change will not solve the problem, and that at least the following four things must be done to stop the damage to relations between the two countries: 1. the name and activities as well as the nature and manner of such activities of the Taiwan Representative Office must return to the framework promised by Lithuania at the time the two countries established diplomatic relations; 2. Lithuania publicly apologizes to China for the previous mistakes and declare that the relationship between Taiwan and Lithuania is civil only; 3. reaffirm the "One-China principle" and ensure in a credible manner that this political bottom line will never be challenged; 4. take actions to eliminate the adverse effects in the EU and the international community. See "Editorial: Lithuania is Releasing a Probing Balloon of Political Speculation," *Global Times*, January 26, 2022, <https://reurl.cc/02Wl6b>.

from Slovakia, initiated a public letter in Parliament urging the EU to take concrete action against China, but this letter was signed by only 40 out of 700, or 5.7%, European parliamentarians.<sup>7</sup> This means that the EU's pursuit of a "coherent foreign policy" is extremely difficult and even gives China an opportunity to divide Europe.

### **3-1. EU sanctions or "anti-coercion measures" legislation may not help**

On January 27, 2022, the EU filed a complaint against China at the WTO, emphasizing that the "discriminatory trade practices" adopted by China have affected the entire EU supply chain and violated a number of international agreements such as the General Agreement on Tariffs and Trade (GATT). The US, Australia, the UK, Canada, Japan, and Taiwan have all announced that they will participate in the case. However, the WTO dispute resolution mechanism calls for bilateral consultations and dispute resolution

panels, with the former taking as long as 30 days and the latter possibly up to 9 months, making the procedure quite time-consuming. Even if the EU wins the preliminary ruling, China can still file an appeal, and the whole case may last several years.

In December 2021, the European Commission proposed the Anti-Coercion Instrument (ACI) bill to counter coercion by non-EU countries against its members, as the EU needs an effective tool to contend with economic coercion.<sup>8</sup> However, since the bill requires the approval of the European Parliament and the Council of the European Union, in addition to the consent of the majority of the 27 EU members, the legislation would take a long time from review to completion. The French Presidency of the EU in the first half of 2022 has indicated that would like to act against economic coercion in advance of the establishment of ACI, but the details are not known at this time.

---

7. Mindaugas Laukagalis, Justina Ilkevičiūtė, "'What Have You Done?' Why the EU is Slow to Shield Lithuania from Chinese Pressure," *LRT*, January 24, 2022, <https://reurl.cc/AK3Lr3>.

8. On December 8th, 2021, the European Commission introduced the "Anti-Coercion Instruments" bill. The bill includes 12 countermeasures, including tariff and quota increases, market access suspension, intellectual property rights blocking, and expulsion from EU financial markets to promptly respond to or deter economic coercion by third-party countries, such as China and Russia, against any EU member state. See "EU Strengthens Protection Against Economic Coercion," Press Release, *European Commission*, December 8, 2021, <https://reurl.cc/akMzeG>.

### **3-2. Self-help and “naming and shaming” may be effective**

Faced with the strong threat from China, the Lithuanian parliament and government have not only assisted enterprises in distress through diplomatic channels but also discussed the establishment of a fund to protect local companies from Chinese retaliation. They also discussed with affected companies the financial assistance from the government while attempting to develop new trading markets.<sup>9</sup>

For instance, the US has reached a US\$600 million export credit cooperation agreement with Lithuania and has repeatedly declared its strong support for the country. Taiwan has also strongly supported Lithuania by sending economic and trade missions, purchasing Lithuanian black rum and a container of milk rejected by China, and setting up a US\$200 million Middle/East Europe Investment

Fund as well as a US\$1 billion financing fund. The US, Australia, the UK, Canada, Japan, and Taiwan also joined the European Union's lawsuit against China with “naming and shaming” the latter for its despicable economic coercion. Only strong countermeasures from united like-minded countries can deter Beijing from repeating the same tricks in the future.

---

9. John O'Donnell and Andrius Sytas, “Exclusive: Lithuania Braces for China-led Corporate Boycott,” *Reuters*, December 9, 2021, <https://reurl.cc/12OE7G>.

**Table: Chronology of deterioration between Lithuania and China since 2021**

<b>Date</b>	<b>Key Events</b>	<b>Description</b>
February 9, 2021	Xi Jinping hosted the China-Central and Eastern Europe Leaders' Video Summit (17+1 Cooperation Summit).	Lithuania was represented only by ministerial-level officials.
March	Lithuanian Parliament agrees to withdraw from "17+1 Cooperation".	
March	Lithuanian Parliament agrees to the opening of Taiwanese Representative Office in Lithuania.	
May 20	Lithuanian Parliament passes a resolution condemning China's "genocide" of Uighurs, calling on the UN to investigate Xinjiang re-education camps, and urging China to repeal Hong Kong's National Security Law.	Tomas Ivanauskas, cultural counsellor at the Lithuanian Embassy in China, noted that cultural and artistic events in China have been cancelled or suspended since May.
May 22	Lithuania's Foreign Minister officially announces the country's withdrawal from the "17+1 Cooperation".	Chinese Foreign Ministry said on May 24 that "the China-Central Eastern European Countries Cooperation... has been fruitful in the past 9 years and will not be affected by individual incidents."
July 20	Lithuania agrees to the establishment of the Taiwanese Representative Office in Lithuania, the first in Europe under the name of "Taiwanese".	The Chinese Foreign Ministry said "China is firmly opposed to any form of official exchanges between diplomatic allies and Taiwan, and to the establishment of so-called 'representative offices' between diplomatic allies and Taiwan."
August 10	Chinese Ministry of Foreign Affairs recalls its ambassador to Lithuania and requests the latter to recall its ambassador to China.	The Ministry of Foreign Affairs of Lithuania expressed regret and reiterated its determination to develop mutually beneficial relations with Taiwan under the principle of one China.



## Political and Economic Logic of Beijing's 'Sanctions' against Lithuania

August 17	Media reveals that China National Railway Group's China Railway Container Terminal (CRCT) will interrupt direct rail shipments to Lithuania in August and September.	Lithuanian State Railways confirmed that several Chinese shipments were cancelled from the end of August to the beginning of September.
September 3	Lithuania recalls its ambassador at the request of China. The embassy is operating normally with the chargé d'affaires ad interim acting as the agent for foreign affairs.	
September 23	Lithuanian Ministry of Defense's National Cyber Security Center reports that China's Xiaomi flagship phone has a speech censorship feature and Huawei's P40 5G phone has a security vulnerability, advising users to discard the phones and consumers to avoid buying them.	
Since late October	China has asked several multinational companies, including Continental of Germany, to sever their ties with Lithuania. If they continue to use Lithuanian parts and products, China will stop them from selling products or sourcing supplies in China.	Companies from Germany, France, and Sweden have reported that their cargoes were intercepted at Chinese ports and could not be cleared because they contained parts and machinery made in Lithuania.
November 18	"Taiwanese Representative Office in Lithuania" officially opens in Vilnius, the capital city.	On November 19, the Chinese Foreign Ministry expressed its strong protest and resolute opposition, saying that Lithuania "has taken the blame and will have its own consequences."
November 21	China downgrades diplomatic relations with Lithuania to the level of chargé d'affaires.	
November 25	Chinese Embassy in Lithuania suspends its consular operations. The following day, the Chinese Embassy changes its name to the Chargé d'affaires and requests Lithuania to change the name of its diplomatic missions accordingly.	

## Political and Economic Logic of Beijing's 'Sanctions' against Lithuania

December 1	Chinese customs removes Lithuania from the system, effectively banning Lithuanian goods from being exported to China.	The media revealed this the next day, and the Chinese customs system is quietly restored four days later.
December 15	All 19 Lithuanian diplomats and their families in China leave Beijing, including Chargé d'affaires Audra Čiapienė. Diplomatic affairs with China are being conducted remotely.	
In December	Chinese customs allegedly refuse clearing Lithuanian goods and reject Lithuania's import applications.	Taiwan Tobacco and Liquor Company bought 20,000 bottles of Lithuanian Rum staying at sea and Good Land Food & Tech. Company bought a container of milk.
February 9, 2022	China's General Administration of Customs notifies Lithuania that it will stop accepting import declarations for Lithuanian beef shipments starting February 9, citing a "lack of proper documents".	

Source: Compiled by author based on public information.

(Originally published in the 48<sup>th</sup> "National Defense and Security Biweekly", February 25, 2022, by the Institute for National Defense and Security Research.)

(The contents and advice in the assessments are the personal opinions of the authors, and do not represent the position of the Institute for National Defense and Security Research.)