

Lithuania's Values-Based Foreign Policy Toward a Rebalance in EU-China Relations?

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Abstract

In the midst of growing geopolitical tensions, a new reality has been unfolding in EU-China relations. While the two sides agreed to pursue a strategic partnership for mutual benefit, their cooperation is burdened by a normative divergence and lack of economic reciprocity that have been detrimental to European interests. Skeptical of China, the EU sees Taiwan as a key partner in the face of an authoritarian advance. Yet, developing a joint European response has been difficult. This paper argues that Lithuania's turn toward democratic Taiwan and Beijing's retaliation have accelerated the convergence in member states' perceptions of China as a risk to Europe's moral and economic integrity. Lithuania's pursuit of a values-based foreign policy is pushing member states to address their vulnerabilities and move toward a rebalance in their ties with China. Increasing the EU's overall resilience is indispensable to better leverage its global weight and pursue a values-based economic diplomacy.

Keywords: EU, China, Taiwan, Lithuania, Economic Coercion

I. Introduction

At the EU-China leaders' meeting in September 2020, European Council President Charles Michel conveyed a "clear and united European message" to Beijing: the EU wants a relationship with China that is based on "reciprocity, responsibility and basic fairness."¹ With China escalating its retaliation against Lithuania and undermining

1. European Council, "Remarks by President Charles Michel after the EU-China leaders' meeting via video conference," September 14, 2020, *European Council*, <<https://www.consilium.europa.eu/en/press/press-releases/2020/09/14/remarks-by-president-charles-michel-after-the-eu-china->

the integrity of the European Single Market, EU leaders toughened their message: the EU will push back against political pressures and coercive measures directed against EU member states.² The tone reflects the new reality in EU-China relations. Skeptical of China, Brussels now sees Taiwan as a key partner and like-minded democratic ally in the face of an authoritarian advance.



Figure 1. EU Flags, European Commission, Brussels

Source: Carl Campbell, “Berlaymont Building, Brussels,” March 18, 2021, *Unsplash*, <<https://unsplash.com/photos/bMd0hMm0lzY>>.

This paper argues that Lithuania’s turn toward democratic Taiwan, and Beijing’s retaliation accelerated the convergence in perceptions across the EU of China as a risk to Europe’s integrity, both moral and economic. Lithuania’s pursuit of a values-based foreign policy is forcing member states to address their vulnerabilities, both in the economic and political fields. The biggest challenge for Brussels will be to manage the friction between member states’ short-term economic and their long-term strategic interests as it seeks to translate assertive narrative into assertive action.

leaders-meeting-via-video-conference/>.

2. Keoni Everington, “2 EU leaders back deeper ties with Taiwan, reject China’s bullying,” *Taiwan News*, October 29, 2021, <<https://www.taiwannews.com.tw/en/news/4329133>>.

The paper explores the new reality in EU-China ties as the context in which Lithuania has decided to pursue a principled foreign policy, and assesses the significance of Lithuania's behavior to the future of EU-China relations. The paper maintains that Brussels needs to rebalance its ties with China by adopting an inclusive and comprehensive approach. This will enable Brussels to increase the EU's overall resilience and to better leverage its global weight toward a values-based economic diplomacy regarding China.

II. The New Reality in EU-China Ties

“It is not possible to shape the world of tomorrow without a strong EU-China partnership,” said European Commission President Ursula von der Leyen after the bilateral EU-China summit in June 2020.³ The year 2020 was meant to be a special one for the two partners, marking the 45th anniversary of diplomatic ties. But, seen in the light of the asymmetry in relations turning increasingly to Beijing's favor, and considering China's increasing willingness to use economic coercion and disinformation to undermine the integrity of the EU, it is clear that things did not go as planned. As such, in December 2020, the two sides concluded in principle negotiations for a Comprehensive Agreement on Investment (CAI), but a few months later the European Parliament (EP) overwhelmingly voted to freeze CAI due to sanctions that Beijing had in the meantime imposed on five of the EP's lawmakers.⁴ A year later, EU Trade Commissioner Valdis Dombrovskis announced the EU would be “stepping forward to defend the EU's rights” by taking China to the World Trade Organization (WTO) over its economic blockade against Lithuania. Brussels was ready to stand up against all types of political pressure and coercive measures applied against any Member State, he said.⁵

3. European Commission, “Statement by President von der Leyen at the joint press conference with President Michel, following the EU-China Summit videoconference,” June 22, 2020, *European Commission*, <https://ec.europa.eu/commission/presscorner/detail/en/statement_20_1162>.

4. European Commission, “EU and China reach agreement in principle on investment,” December 30, 2020, *European Commission*, <https://ec.europa.eu/commission/presscorner/detail/en/ip_20_2541>; Jorge Liboreiro, “MEPs vote to freeze controversial EU-China investment deal,” *Euronews*, June 24, 2021, <<https://www.euronews.com/2021/05/20/european-parliament-votes-to-freeze-controversial-eu-china-investment-deal>>.

5. European Commission, “Joint Statement by High Representative/Vice-President Josep Borrell and Executive Vice-President Valdis Dombrovskis on China's measures against Lithuania,”



Figure 2. EU-China summit in June 2020

Source: European Council, “EU-China summit via video conference, 22 June 2020,” June 22, 2020, *European Council*, <<https://www.consilium.europa.eu/en/media-galleries/international-summit/2020-06-22-eu-china/?slide=0>>.

This is the new reality in EU-China relations. While the two sides agreed to pursue a strategic partnership for mutual benefit, their cooperation is today burdened by a normative divergence and lack of economic reciprocity to the detriment of European interests.⁶ Developing a joint European response with regard to the economic and political challenges that China has presented has thus far remained difficult: member states have continued to make choices between political ideals, such as human rights promotion in China, and their economic interests, often favoring the latter to the former. This has drawn criticism, from within the bloc and beyond, that the EU, as a normative power, has failed to champion human rights and is consequently punching well below its weight.⁷

December 8, 2021, *European Commission*, <<https://trade.ec.europa.eu/doclib/press/index.cfm?id=2340>>.

6. Zsuzsa Anna Ferenczy, *Europe, China, and the Limits of Normative Power* (Cheltenham: Edward Elgar Publishing, 2019), pp. 1-6.

7. Kenneth Roth, “Filling the Leadership Void: Where is the European Union?” 2007, *Human Rights Watch*, <<https://www.hrw.org/legacy/test/wr2k7/essays/introduction/introduction.pdf>>.

Ironically, trust, at the core of any strategic partnership, is lacking in EU-China relations. The global health crisis has further intensified this trend, revealing Europe's vulnerabilities and strategic interdependencies with China. But it has also pulled member states closer together to try and strengthen the EU's strategic autonomy, in particular in the digital sphere. The EU now considers technology sovereignty as a priority with the aim to increase its ability to develop or source technologies that are critical for its welfare, competitiveness in order to be able to act without the structural dependency on other countries.⁸

China and the EU diverge both in the pursuit of their interests and in the level of their adherence to international norms and values. They compete for technological superiority. Beyond the threat of Beijing undermining the EU's economic competitiveness, the stakes are higher and the implications greater, going beyond Europe. Industrial standards, established by democratic allies, have for decades been critical to international trade and have supported the marketplace. Through its industrial ambitions, such as Made in China 2025 or China Standards 2035, China is now challenging this set of rules with new norms and standards for a new generation of technologies dependent on 5G networks.⁹

Fears are growing that Beijing is increasingly using economic and industrial espionage to gain knowledge in critical technologies and support its ambition for technological leadership. This has recently pushed Taiwan's government to put forward a legislative proposal under its national security law for offenses with punishment of up to 12 years in prison for those who leak core technologies to China.¹⁰ China's

8. Mikael Wigell et al., "Europe Facing Geoeconomics: Assessing Finland's and the EU's Risks and Options in the Technological Rivalry," March 2, 2022, *ETLA*, <<https://www.etla.fi/julkaisut/europe-facing-geoeconomics-assessing-finlands-and-the-eus-risks-and-options-in-the-technological-rivalry/>>.

9. Valentina Pop, Hua Sha, & Michaels Daniel, "From Lightbulbs to 5G, China Battles West for Control of Vital Technology Standards," *The Wall Street Journal*, February 8, 2021, <<https://www.wsj.com/articles/from-lightbulbs-to-5g-china-battles-west-for-control-of-vital-technology-standards-11612722698>>; Alexander Chipman Koty, "What is the China Standards 2035 Plan and How Will it Impact Emerging Industries?" *China Briefing*, July 2, 2020, <<https://www.china-briefing.com/news/what-is-china-standards-2035-plan-how-will-it-impact-emerging-technologies-what-is-link-made-in-china-2025-goals/>>.

ambitions, supported by disinformation campaigns and influence operations – of which Taiwan has been a victim for decades – have an impact on the future of the rules-based order with transparency, rule of law and democratic principles at its core.¹¹ They undermine the fundamental freedoms that the EU, as a normative power, has committed to pursue. The respect of these values is what has guided Lithuania’s new principled approach to China, as it decided to turn toward democratic Taiwan.

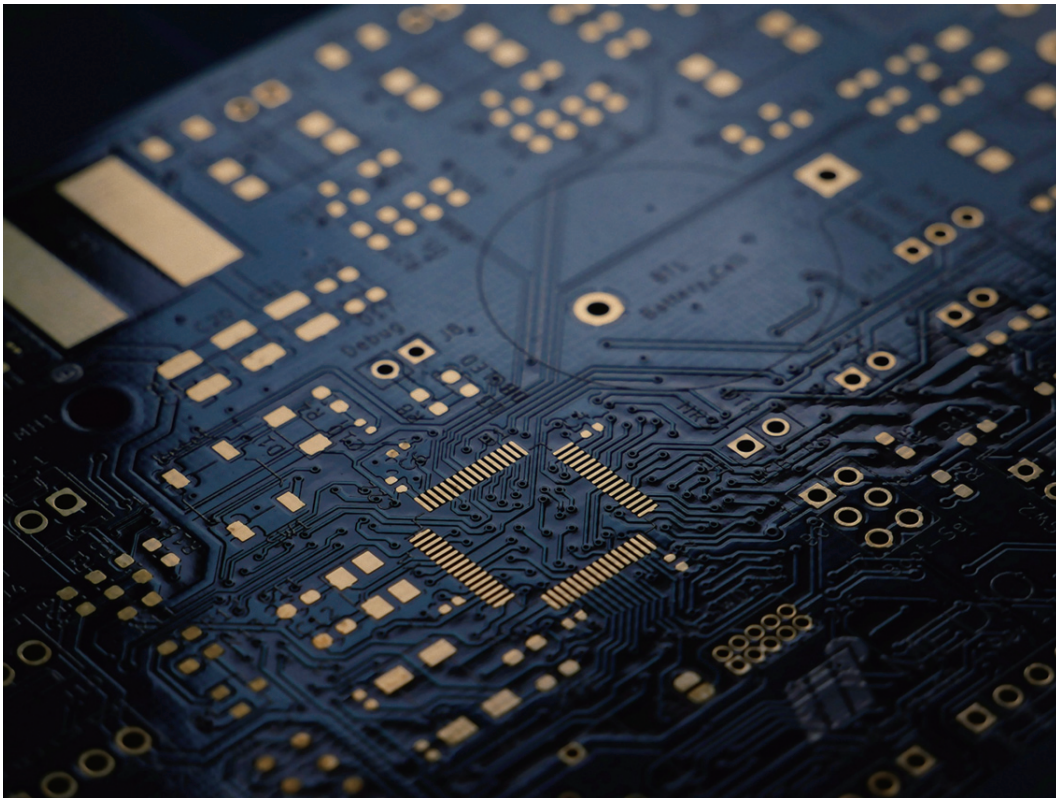


Figure 3. Printed Circuit Board

Source: Vishnu Mohanan, “Printed Circuit Board,” June 20, 2020, *Unsplash*, <<https://unsplash.com/photos/pfR18JNEMv8>>.

10. “Taiwan, with eye on China, to boost protection for its semiconductor secrets,” *Taiwan News*, February 17, 2022, <<https://www.taiwannews.com.tw/en/news/4446472>>.

11. Walter Kerr, “Taiwan Is Beating Political Disinformation. The West Can Too,” *Foreign Policy*, November 11, 2020, <<https://foreignpolicy.com/2020/11/11/political-disinformation-taiwan-success/>>.

In light of the emerging dynamics between Lithuania and China and their implications for the EU at large, it is important to consider where the value of an EU-China “strategic partnership” lies for the EU, and contribute to ongoing reflections on ways in which the EU and member states can counter China’s authoritarian advance with a values-based approach. Mindful of member states’ differences, the most relevant question to address is how member states can together manage the impact of China’s influence on their economy, and, at the same time, engage China politically in a constructive way.

III. ‘16+1’ and Beyond

China is positioning itself at the center stage of global affairs, no longer as an emerging power, but as a global force. The EU has been struggling to preserve its security and sovereignty vis-à-vis China both in terms of trade cooperation and political dialogue, as it has sought to address the “China factor” inside the EU. In the words of EU High Commissioner Josep Borrell, a “battle of narratives” has unfolded with the pandemic, seeking to discredit the EU.¹² In this spirit, in June 2020, for the first time the Commission officially named China, in addition to Russia, as a source of disinformation linked to the coronavirus aimed at undermining Western democracies, sowing internal divisions and projecting a distorted view of China’s response to the pandemic.¹³ It is noteworthy that Brussels adopted a joint position condemning China’s undue influence; elevating the fight against disinformation to a European level has consolidated the emerging convergence in the EU regarding the implications of China’s increased influence inside the bloc.

China has a wide range of tools to advance its clout in the EU. Lithuania was among the 11 Central Eastern European member states to establish the “16+1”

¹² European External Action Service, “EU HRVP Josep Borrell: The Coronavirus pandemic and the new world order it is creating,” March 24, 2020, *Delegation of the European Union to China*, <https://eeas.europa.eu/delegations/china/76401/eu-hrvp-josep-borrell-coronavirus-pandemic-and-new-world-it-creating_en>.

¹³ European Commission, “Tackling COVID-19 disinformation – Getting the facts right,” June 10, 2020, *European Commission*, <<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020JC0008&from=EN>>.

cooperation framework in 2012 at Beijing's initiative. While the Chinese leadership promised the cooperation would increase connectivity and bring much needed investment to the region, in reality it reinforced China's footprint, while amplifying internal divisions inside the bloc. It enabled the leadership to use economic and diplomatic engagement in a way that has neither doubled, nor challenged the region's European integration. Greece's joining the framework in 2019 transformed "16+1" into "17+1," and sought to breathe new life into it, but with Lithuania's withdrawal in 2021, the framework had its appeal further weakened across the region.¹⁴

Establishing the "16+1" was of no marginal importance for China's Belt and Road (BRI) initiative. As one of Xi Jinping's most ambitious foreign and economic policies, BRI aimed to strengthen Beijing's geoeconomic leadership through infrastructure building, to support China in becoming an innovation-based economy and thus increase its geopolitical leverage around the world, including in standard setting.¹⁵ Beijing claimed the "16+1" framework "added a new dimension to China-EU relations."¹⁶ But what Beijing sought to achieve through this "new dimension" was precisely what motivated Lithuania's decision to leave. Vilnius felt the "+1" part has overwhelmed the group at the expense of common European interests. "The EU is strongest when all 27 member states act together along with EU institutions," said Lithuania's Foreign Minister Gabrielius Landsbergis upon announcing their departure.¹⁷

14. Horia Ciurtin, "The '16+1' Becomes the '17+1': Greece Joins China's Dwindling Cooperation Framework in Central and Eastern Europe," May 29, 2019, *The Jamestown Foundation*, <<https://jamestown.org/program/the-161-becomes-the-171-greece-joins-chinas-dwindling-cooperation-framework-in-central-and-eastern-europe/>>.

15. Peter Cai, "Understanding China's Belt and Road Initiative," March 22, 2017, *Lowy Institute*, <<https://www.lowyinstitute.org/publications/understanding-belt-and-road-initiative/>>.

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

17. Stuart Lau, "Lithuania pulls out of China's '17+1' bloc in Eastern Europe."

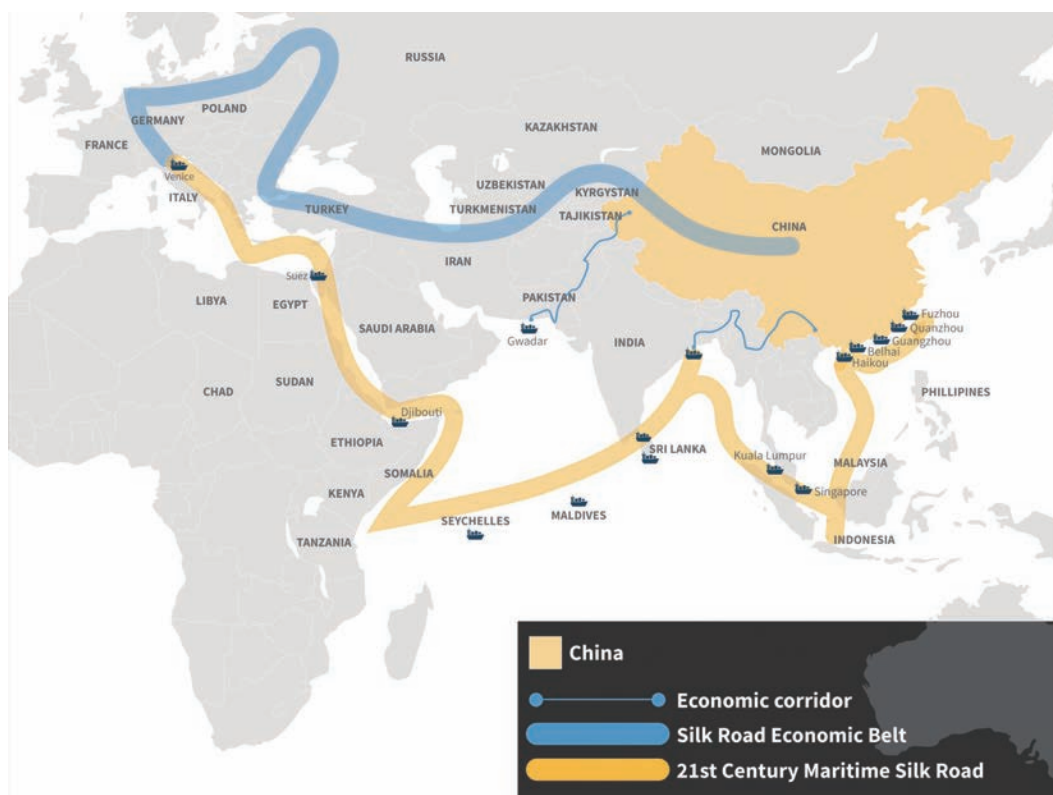


Figure 4. One Belt, One Road

Source: Peter Cai, "Understanding China's Belt and Road Initiative."

IV. Lithuania's Values-Based Foreign Policy

It is noteworthy that Lithuania is not alone feeling disillusioned. China's divisive tactics have brought unease across the region. In light of the growing tensions between Lithuania and China, there is a widely shared agreement that Beijing is weaponizing trade and using disinformation in a mutually reinforcing way. The "China debate" in Brussels is currently driven by efforts to decrease Beijing's undue influence, and increase Europe's resilience and competitiveness while protecting the EU's democracy and open market from China's economic coercion. These dynamics have revealed the contours of a conceptual shift regarding China, which Lithuania's stance has further consolidated.



Figure 5. The Taiwanese Representative Office in Lithuania

Source: The Taiwanese Representative Office in Lithuania, “The Taiwanese Representative Office in Lithuania commences operation,” November 22, 2021, *The Taiwanese Representative Office in Lithuania*, <https://www.roc-taiwan.org/lt_en/post/126.html>.

Following its decision to leave the “17+1” framework, Lithuania’s government said it would seek to expand ties with Taiwan. In November 2021, the Taiwanese Representative Office in Lithuania was officially opened in Vilnius. In response, Beijing first downgraded Lithuania’s ambassador in Beijing to the level of chargé d’affaires.¹⁸ “There are so many ways China can teach Lithuania a lesson,” the *Global Times*, China’s state media, warned.¹⁹ To further “punish” Lithuania, Beijing indeed

18. Keoni Everington, “Lithuania declares right to expand relations with Taiwan after China’s diplomatic downgrade,” *Taiwan News*, November 22, 2021, <<https://www.taiwannews.com.tw/en/news/4352734>>.

19. “China threatens to sweep Lithuania into ‘garbage bin of history’, mulls sanctions,” *LRT*, December 22, 2021, <<https://www.lrt.lt/en/news-in-english/19/1569623/china-threatens-to-sweep-lithuania-into-garbage-bin-of-history-mulls-sanctions>>.

retaliated in an unprecedented manner. It first halted cargo trains going to Lithuania and stopped processing some export permits. It then deleted, and soon after reinstated Lithuania from its customs registry.²⁰ Beijing also told European multinationals to sever ties with Lithuania, or face being shut out of the Chinese market.²¹ Without making formal announcements, instead using sanctions which proved hard to detect and difficult to link to the state, the Chinese government was in the position to deny any involvement.²²

Beijing's economic blockade against Lithuania has hit an already sensitive nerve in Vilnius. Lithuanians understand the cost of living under totalitarian ideology. Since gaining its freedom after the fall of the Soviet Union in the early 90s, Lithuania has for years feared an increasingly aggressive Russia in its neighborhood and the threat of military invasion. Russia's aggressive posture and China's hostile and divisive behavior pushed Lithuania to turn towards democratic Taiwan, and urge a values-based foreign policy. "We support democracy because our own statehood was born out of this global movement for greater democracy, freedom, rule of law and human rights," Mantas Adomėnas, Lithuania's vice foreign minister said.²³ In addition to the threat coming from Russia, the intelligence services of all three Baltic states expressed growing concerns about hostile Chinese activities already in 2020.²⁴

20. "Beijing stops approving new permits for Lithuanian food exports to China - service," *The Baltic Times*, August 22, 2021, <https://www.baltictimes.com/beijing_stops_approving_new_permits_for_lithuanian_food_exports_to_china___service/>.

21. John O'Donnell & Andrius Sytas, "Exclusive: Lithuania braces for China-led corporate boycott," *Reuters*, December 9, 2021, <<https://www.reuters.com/world/china/exclusive-lithuania-braces-china-led-corporate-boycott-2021-12-09/>>.

22. Stuart Lau, "EU sues China in WTO over Lithuania blockade," *Politico*, January 27, 2022, <<https://www.politico.eu/article/eu-sues-china-wto-lithuania-blockade/>>.

23. "Lithuania to open office in Taiwan by end of year," *Focus Taiwan*, July 8, 2021, <<https://focustaiwan.tw/politics/202108070007>>.

24. Olevs Nikers, "Baltic Intelligence Agencies Increasingly Worry About Threat From China in Addition to Russia," March 30, 2020, *The Jamestown Foundation*, <<https://jamestown.org/program/baltic-intelligence-agencies-increasingly-worry-about-threats-from-china-in-addition-to-russia/>>.

V. China in Europe

Lithuania today sees Beijing's tactics as dangerous, and supports Taiwan's democracy. The Commission has started speaking about the collective threats China poses – economically, technologically and politically, but reaching consensus has remained difficult.²⁵ In addition to seeking increased influence in Central Eastern Europe through the “16+1,” Chinese state-owned enterprises had for years been active across the bloc. As such, in 2016 Chinese shipping company COSCO acquired a majority stake in the Port of Piraeus to create a regional transport and logistic hub in the Mediterranean, as part of the maritime route of the BRI.²⁶

In September 2021, it was confirmed that COSCO subsidiary, COSCO Shipping Ports Limited, would take a 35 percent stake in Hamburg, Germany's largest seaport.²⁷ In fact, statistics from the OECD show that Chinese state firms, led by COSCO, control about one-tenth of all European container terminal capacity, up from less than one percent at the start of the decade.²⁸ While the expansion of Chinese control over European terminals might be commercially driven, there are political consequences to greater control over shipping flows and implications for supply chains. Research shows that COSCO is competing on an uneven playing field with the support of the Chinese government, suggesting that its market dominance is a potential geopolitical tool for Beijing.²⁹

25. European Commission, “EU-China – A strategic outlook,” March 12, 2019, *European Commission*, <<https://ec.europa.eu/info/sites/default/files/communication-eu-china-a-strategic-outlook.pdf>>.

26. George Georgiopoulos, “China's COSCO acquires 51 pct stake in Greece's Piraeus Port,” *Reuters*, August 10, 2016, <<https://www.reuters.com/article/greece-privatisation-port-idUSL8N1AR252>>.

27. Jacob Mardell, “COSCO takes stake in Hamburg Port Terminal,” September 30, 2021, *MERICCS*, <<https://mericcs.org/en/tracker/cosco-takes-stake-hamburg-port-terminal>>.

28. Sam Chambers, “Chinese state-owned enterprises now own 10% of Europe's container terminal capacity,” *Splash247*, January 29, 2018, <<https://splash247.com/chinese-state-owned-enterprises-now-10-europes-container-terminal-capacity/>>.

29. Jacob Mardell, “COSCO takes stake in Hamburg Port Terminal.”



Figure 6. Container Terminal in Hamburg

Source: Dominik Lückmann, "Container Terminal in Hamburg" July 24, 2020, *Unsplash*, <<https://unsplash.com/photos/SinhLTQouEk>>.

China's access to Europe's cutting-edge technology has led to greater worries in Brussels. The acquisition of German robotics company, Kuka, by Chinese group Midea in 2016 was therefore a wake-up call, seen in the EU as Germany selling key technologies to China.³⁰ Research also shows that in the field of technology, Chinese-based companies bought 30 European companies in 2010-2014, compared to their 115 acquisitions of European companies in 2015-2019, a number which does not include further acquisitions made by the subsidiaries of Chinese companies.³¹ And, as technology giants expand their business to various sectors, including energy, manufacturing and health care, their actions could turn increasingly harmful to competition in numerous sectors.

³⁰. Angela Stanzel, "Germany's turnabout on Chinese takeovers," March 21, 2017, *European Council on Foreign Relations*, <https://ecfr.eu/article/commentary_germanys_turnabout_on_chinese_takeovers_7251/>.

³¹. Mikael Wigell et al., "Europe Facing Geoeconomics: Assessing Finland's and the EU's Risks and Options in the Technological Rivalry."

Beijing's aggressive acquisitions in Europe have challenged the level-playing field for European companies. Chinese companies have also benefited from significant public subsidies, which European companies did not, helping them to grow into national champions and enabling them to dominate the global market at the expense of fair competition. EU member states, led by Germany, France and Italy, have pushed for concrete measures to protect European interests. Brussels has put forward several measures, including an EU toolbox to mitigate cybersecurity risks to 5G and an EU framework for screening foreign investment, while work is ongoing on an anti-coercion instrument.³² The effective implementation of these tools however hangs on the support of all member states.

In addition, Beijing's investment in Europe has come with strategic messages designed to shape the domestic narrative, seeking to generate a positive picture of Chinese activism, fostering a cross-national network of influencers who would learn from each other across national boundaries, helping a regional conversation about China as a global power.³³ Overall, EU leaders perceive China now more as a threat to their democracy, global leadership and the integrity of the Single Market, and less as a potential source of economic growth. China has skillfully exploited the existing divergence between member states to the benefit of its own influence, which has consolidated the shift in perceptions in the EU.

The "honeymoon" following China's WTO accession is now long gone.³⁴ In 2019

³² European Commission, "Cybersecurity of 5G networks – EU Toolbox of risk mitigating measures," January 29, 2020, *European Commission*, <<https://ccdcoe.org/uploads/2020/01/EU-200129-Cybersecurity-of-5G-networks-EU-Toolbox-of-risk-mitigating-measures.pdf>>; European Commission, "EU foreign investment screening mechanism becomes fully operational," October 9, 2020, *European Commission*, <<https://trade.ec.europa.eu/doclib/press/index.cfm?id=2187>>; European Commission, "EU strengthens protection against economic coercion," December 8, 2021, *European Commission*, <https://ec.europa.eu/commission/presscorner/detail/en/ip_21_6642>.

³³ Erik Brattberg, Philippe Le Corre, Paul Stronski, & Thomas de Waal, "China's Influence in Southeastern Central, and Eastern Europe: Vulnerabilities and Resilience in Four Countries," October 13, 2021, *Carnegie Endowment for International Peace*, <<https://carnegieendowment.org/2021/10/13/china-s-influence-in-southeastern-central-and-eastern-europe-vulnerabilities-and-resilience-in-four-countries-pub-85415>>.

the Commission labelled China a “systemic rival promoting alternative models of governance.”³⁵ To enable “a principled defence of interests and values”, Brussels recognized it needed a flexible and pragmatic whole-of-EU approach, in order to help manage the divergence between member states regarding China. Brussels has therefore embraced a multidimensional approach, stating that China was simultaneously, in different policy areas, a cooperation partner, a negotiating partner, an economic competitor and a systemic rival. The EU’s internal fragmentation and member states’ different relations with China remain the most significant obstacle to a coherent and effective EU approach. As a result, Brussels’ response has for long appeared as half-hearted. With no common vision, agreeing on a common strategy remains work in progress.

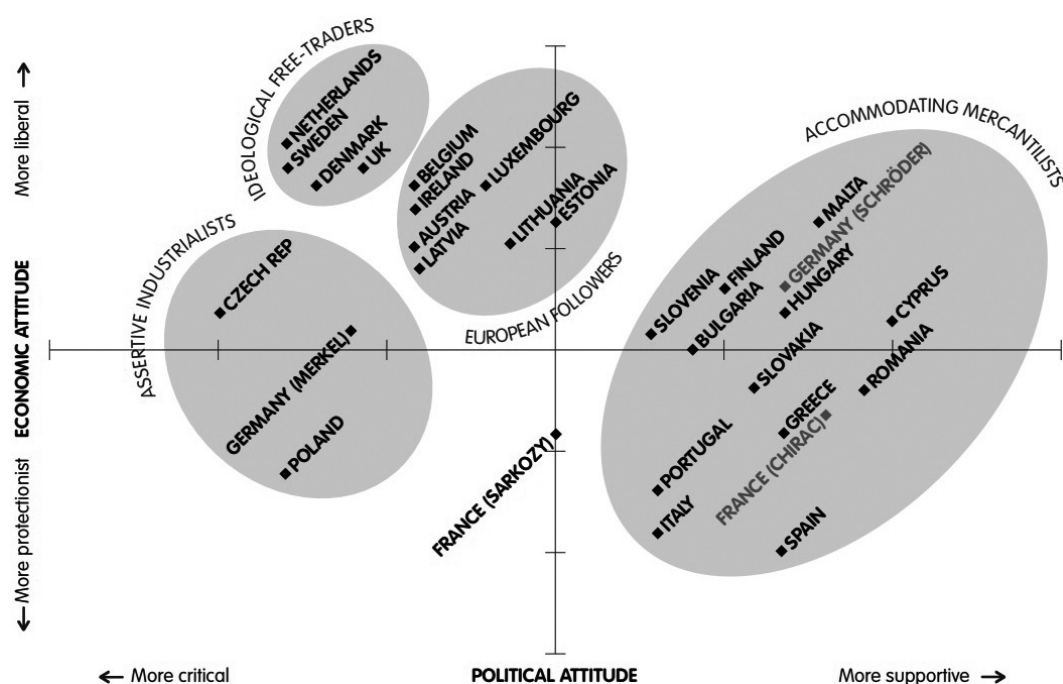


Figure 7. EU Member State Attitudes towards China

Source: John Fox & François Godement, “A Power Audit of EU-China Relations,” p. 23.

34. John Fox & François Godement, “A Power Audit of EU-China Relations,” 2009, *European Council on Foreign Relations*, <https://ecfr.eu/wp-content/uploads/ECFR12_-_A_POWER_AUDIT_OF_EU-CHINA_RELATIONS.pdf>.

35. European Commission, “EU-China – A strategic outlook.”

VI. Lithuania's Way, the European Way?

EU leaders stressed they are not naive free traders; “Europe must always defend its strategic interests.”³⁶ Yet, interest in engaging China has remained at the core of most member states’ approach to China; cooperation and confrontation co-exist and member states remain divided. In contrast, Lithuania continues to lead the way with its values-based diplomacy. This has helped reinforce EU-wide support for Taiwan. A Taiwan-friendly narrative, inspired by Lithuania’s values-based foreign policy, has gradually emerged in Brussels and now co-exists with an assertive EU narrative on China.³⁷ But in order to ensure Lithuania’s approach is sustainable on an EU-level, the internal convergence of member states is indispensable. Lithuania, as a small but resourceful country has not only supported a rethink of the EU’s China policy, but actively urged fellow leaders to recognize and address the threat of China’s influence inside the EU.

³⁶. European Commission, “State of the Union 2017 – Trade Package: European Commission proposes framework for screening of foreign direct investment,” September 14, 2017, *European Commission*, <<https://trade.ec.europa.eu/doclib/press/index.cfm?id=1716>>.

³⁷. Grzegorz Stec & Zsuzsa Anna Ferenczy, “EU-Taiwan ties: Between expectations and reality,” January 17, 2022, *MERICCS*, <<https://merics.org/en/opinion/eu-taiwan-ties-between-expectations-and-reality>>.



Figure 8. European Parliament

Source: European Parliament, “European Parliament,” May 21, 2021, *Twitter*, <https://twitter.com/Europarl_EN/status/1395708343776333835/photo/1>.

The EU faces many challenges as it seeks to more effectively follow up on its commitment to pursue a values-based economic diplomacy toward China. In order to effectively address the challenges, the EU needs to rebalance its relations with China both in trade and political relations, and ensure that its foreign policy can pay heed to values and interests at the same time. Lithuania's standing up to China has been a catalyst and has brought member states closer together, which is indispensable for a sustainable rebalancing. But the EU needs to strengthen its geopolitical toolbox to be able to defend itself from economic coercion, and needs to adopt a comprehensive and inclusive approach to reinforce its overall resilience and power projection capacity; making sure all member states are part of this process is indispensable.

Member states' solidarity with Lithuania has sent a message of unity to Beijing that its coercion would not be successful, because it cannot divide the bloc. In a joint statement, Trade Commissioner Dombrovskis and High Representative Borrell stressed that the EU was ready to stand up against all types of political pressure and coercive

measures applied against any member states. Furthermore, the Commission decided to take China to the WTO. Commissioner Dombrovskis said Brussels was “stepping forward to defend the EU’s rights.”³⁸ Following up, in their meeting in Marseille in February 2022 under the French Presidency of the Council, EU Trade Ministers “recalled their united perspective and reaffirmed European solidarity with Lithuania and the full support to the steps taken thus far by the European Commission, particularly in the framework of the WTO.”³⁹

In an era of connectivity, geopolitical competition and interdependence, only an approach that reconciles internal differences can equip the EU to use its economic power strategically. Through the BRI, China has pursued a grand strategy to increase its connectivity with the world, and portray itself as an indispensable global power to confronting global challenges. It is encouraging that in December 2021 the Commission announced its own Global Gateway as a strategy to boost smart, clean and secure links in digital, energy and transport, creating sustainable and trusted global connections.⁴⁰ Presented as an alternative to China’s infrastructure diplomacy, it is designed to help the EU to develop a geoeconomic strategy to limit China’s global role.

38. European Commission, “Statement by Executive Vice-President Valdis Dombrovskis on Launch of Case at World Trade Organization,” January 27, 2022, *European Commission*, <https://ec.europa.eu/commission/commissioners/2019-2024/dombrovskis/announcements/statement-executive-vice-president-valdis-dombrovskis-launch-0_en>.

39. French Presidency of the Council of the European Union, “Outcome of discussions between European Trade Ministers,” February 15, 2022, *French Presidency of the Council of the European Union*, <<https://presidence-francaise.consilium.europa.eu/en/news/press-release-outcome-of-discussions-between-european-trade-ministers/>>.

40. European Commission, “Global Gateway: up to EUR300 billion for the European Union’s strategy to boost sustainable links around the world,” December 1, 2021, *European Commission*, <https://ec.europa.eu/commission/presscorner/detail/en/ip_21_6433>.



Figure 9. The Circular Supply Chain Outlook for Taiwan and Europe

Source: MOEA, R.O.C. (Taiwan), “Report Release Conference-Path to Resilience: The Circular Supply Chain Outlook for Taiwan and Europe,” November 22, 2021, *MOEA, R.O.C. (Taiwan)*, <https://www.moea.gov.tw/Mns/english/news/News.aspx?kind=6&menu_id=176&news_id=97849>.

If implemented effectively, the Strategy will reinforce the EU's domestic strengths, and support its capacity to leverage its economic power for strategic ends, and pursue a values-based economic diplomacy. Similarly, the *European Chips Act* that the Commission announced in 2021 will help the EU to strengthen its tech sovereignty and place Europe firmly in the global geopolitical landscape.⁴¹ These strategies, part of the EU's post-pandemic recovery, have enabled a common inter-institutional agenda with the contribution of all member-states.

41. Thierry Breton, “How a European Chips Act will put Europe back in the tech race,” September 15, 2021, *European Commission*, <https://ec.europa.eu/commission/commissioners/2019-2024/breton/blog/how-european-chips-act-will-put-europe-back-tech-race_en>.

VII. Conclusion

Beijing likes to portray any external criticism of its policies and performance as an attempt to violate China's sovereignty. When in April 2021 Lithuania's Parliament condemned Beijing's repression of Uyghurs in Xinjiang as genocide, China's embassy in Vilnius said this was "an anti-China farce choreographed by some anti-China individuals [who] intended to smear China."⁴² By moving away from "17+1" and turning toward Taiwan, Lithuania made it clear that this path was not to be seen as "anti-China," but as "pro-Europe." Through its action, Vilnius chose democracy and said no to authoritarianism.

This is the essence of Lithuania's values-based foreign policy; it resists authoritarian threats to its democracy with courage, composure and determination, and protects it even as the aggressor raises the cost of its resistance. For Vilnius, there is no dilemma when choosing between short-term economic gains and long-term strategic interests. It is time the EU and member states embrace Lithuania's approach as they seek to rebalance their relationship with China. As European Council President Charles Michel vowed, the EU must convey a clear and united European message to Beijing, that the EU is only interested in a relationship of reciprocity, responsibility and basic fairness. As EU High Representative said, the EU must speak the language of power, but also be mindful of the power of language.⁴³

⁴² "Chinese embassy slams Uighur genocide talks in Lithuania as 'farce'," *LRT*, April 23, 2021, <<https://www.lrt.lt/en/news-in-english/19/1394111/chinese-embassy-slams-uighur-genocide-talks-in-lithuania-as-farce>>.

⁴³ European External Action Service, "Munich Security Conference 20 February 2022. Opening statement by HR/VP Josep Borrell," February 20, 2022, *EEAS*, <https://eeas.europa.eu/headquarters/headquarters-homepage/111167/munich-security-conference-20-february-2022-opening-statement-hrvp-josep-borrell_en>.