

Lithuania and the one-China policy: Eight reasons for de-escalation

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In principle, due to an unfathomable reason the European Union (EU) seems to be dragged by Lithuania towards an absurd conflict at the wrong moment --partly diverting East-West Brussels agenda-- thanks to Vilnius decision to renounce the political commitment it made when establishing diplomatic ties with China in 1991.

By allowing a Taiwanese representative office to open under such a name (not using “Taipei”) in Vilnius last July, Lithuania opened the door to disrupting a bilateral tie, additionally introducing an **unnecessary obstacle to the ratification of the EU-China Comprehensive Agreement on Investment (CAI)**, the most ambitious document of its kind ever conceived and concluded in December 2020, which is already facing challenges of its own.

As Beijing signed the joint communique with Vilnius coming out of the crumbling Soviet system, in 1990, authorities were full of hopes to create a better tomorrow and to contribute to a better international atmosphere. Thirty years later, by recognizing Beijing, Lithuania explicitly accepted to respect China’s sovereignty as well as its territorial integrity. **By not keeping in mind the big picture, the Baltic state is neglecting previous commitments, apparently unaware of the unpredictability of the global economy, added to Europe’s worst security crisis since the Second World War triggered in February 2022.**

A clever assessment seems gone and one question is why, particularly since in early January Lithuania’s president, Gitanas Nausėda, declared that the decision to allow Taiwan to open a representative office in Vilnius under its own name was "a mistake" and not consulted with him.



Eight reasons to de-escalate

First. The recognition of Beijing as the only capital of China and a one-China policy is part of the interrelated architecture of peace, trade and stability whose virtue was paved with China's accession to the United Nations in 1971. The following year it was reinforced with president's Nixon trip to China and the ensuing Shanghai communiqué leading to the recognition of the one-China policy in 1972 and whose 50th anniversary is internationally celebrated this week. Those steps in turn paved the way to the establishment of US-China relations in 1979, preceded by the establishment of relations between the then European Economic Community and Beijing, in 1975, also recognizing the one-China policy. In other words, the principle is an anchor in Western relations with China and valid in diplomatic ties for almost 200 countries around the world.

Second. Europe is currently closer to major power confrontation than at any point since the end of the II World War and Lithuania seems to perceive itself in the frontline. And yet, precisely over the last months and weeks is asking for further challenges, and for the rest of the continent, by adding an unnecessary complexity to its foreign policy and international trade. For what sense does it make provoke trade disruption not only with the world's second largest economy (soon the first), which at the same time is EU's largest trading partner? Or in other words, what is the point of dissociating oneself from the economy that in the past decade and during this one has been and will continue to be responsible for a third of the world's economic growth? Furthermore, some two-thirds of the world's countries (including the EU as a whole) already trade more with China than

with the U.S. and roughly half of the world's countries trade with China at least twice as much as with the US.

Third. Lithuanian approach is altering supply chains in Europe and beyond. Therefore, important European companies have been calling Vilnius to de-escalate by reversing Lithuanian decision taken last July in order to normalize ties with Beijing. Indeed, the stand-off threatens the Baltic state's industry, which has built up clusters of factories making parts destined for overseas. Among them car parts and lasers, furniture and clothing. As a result, hundreds of containers of goods and parts are facing uncertain destiny. After all, trade, investments, is all about seeking profits and avoiding disadvantages, including the avoidance of fundamental diplomatic misunderstandings in the first place.

Fourth. Particularly, if the Lithuanian approach persists in not contemplating the diplomatic normality defining the foundations of the bilateral relationship, it could complicate and already entangled CAI's ratification process. Let us remember that this agreement provides for better access to the respective markets, compromising the will to further clarify the business environment through greater institutional guarantees.

Indeed, from a broad and technical perspective, EU's Commission president, Ursula von der Leyen, timely highlighted that the agreement will provide more transparency in granting of public subsidies, more mutual access to markets, limitations on the obligatory transfer of European technology, and will avoid distorting practices in trade; while China will improve its access to the European market, particularly in renewable energies. The agreement has the potential of rebalance trade relations and investments, including more significant provisions than ever before on sustainable development, climate, environment, and labor standards.

Fifth. It does not make sense to harm one's own partner sovereignty principle, enshrined in United Nations' spirit, particularly the principle invoked by Beijing on non-interference in each other's internal affairs, fully respected by Vilnius until July 2021. Additionally, it is important not to lose sight of the fact that Lithuanian-China ties are consistent with the spirit of free trade and in line with Lithuania's political context, as well as with its economic and entrepreneurial endeavors. In Chapter IV, article 46, the Lithuanian Constitution proclaims that "*Lithuania's economy shall be based on the right of private ownership, freedom of individual economic activity and initiative. The State shall support economic efforts and initiative that are useful to society.*" The bilateral ties undoubtedly strengthen Lithuanian economic foundations.

Sixth. Vilnius should consider the persistence of major world issues affecting all of us. Among many, pandemic's persistence, European current security crisis, climate change challenges, supply chain pressures remaining well above their pre-pandemic levels. Additionally, the China-US trade war, the disabling of the WTO dispute settlement mechanism, Brexit, and a proliferation of protectionist measures mean that much of world trade patterns are less predictable than yesterday.

Seventh. Historically, Lithuanians have maneuvered with diplomatic skills and effort. Nevertheless, such a background seems abruptly thrown overboard, transcending the exclusive reason of a sovereign State. In recent years EU member states have been discussing how to make their voice heard in the world in an articulated and independent manner, maintaining its transatlantic link, but with its own voice. This is especially relevant now, after so many years of solid relationship with China heralding a new chapter, as it is summarized in the CAI signed in December 2020.

Eighth. Finally, if we consider each of the abovementioned points, it is worth asking who is additionally supporting Lithuania's recent diplomatic moves. Most probably the Biden administration, sometimes oblivious of principles that Washington itself subscribed exactly 50 years ago in the Shanghai communiqué which changed the world. To review recent history to follow a coherent path of action matters more than ever.