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A stronger EU response to Chinese economic aggression against Lithuania

Adopted at the Council of Presidents in Rome, 19.02.2022

Recognizing:

- In August 2021, Lithuania approved the Republic of China's (Taiwan) request to establish a representative office in Vilnius. The office was named the 'Taiwanese' representative office in Lithuania.
- China normally expects that all Taiwanese diplomatic offices will be called a 'Taipei' representative office in order to portray the office as a regional one, part of mainland China.
- Lithuania currently adheres to the so-called 'One China Policy' and does not formally recognize Taiwan as an independent state. The Lithuanian Government has stated that the recent dispute will not change Lithuania's adherence to the 'One China Policy.'
- The Chinese Government reacted angrily to Lithuania's decision by recalling its ambassador and downgrading diplomatic ties. It also requested that Lithuania withdraw its ambassador to China.
- China has since implemented a number of economic and trade sanctions against Lithuania. China has stopped freight train lines connecting the two countries, suspended Lithuanian food exporters' applications for new licences in China, and has moved to not only block most Lithuanian imports from entering China but also imports from other countries that contain components manufactured in Lithuania. This constitutes a violation of WTO rules, to which China is a signatory.
- China has pressured multinational corporations to cease their commercial activities within Lithuania or risk losing access to the Chinese market.



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- Taiwan has provided assistance to Lithuania following China's economic coercion with the Taiwan Tobacco and Liquor Corp (TTL) buying 20,000 bottles of Lithuanian rum and Taiwan has also announced plans for a \$200 million investment fund for Lithuanian industry and has since pledged a further \$1 billion to counter Chinese pressure.
- The U.S. has also sought to support Lithuania, with a \$600 million export credit agreement with the U.S. Export-Import Bank and offering assistance to diversify Lithuania's supply chains, while U.S. Trade Representative Tai has designated China's belligerent stance towards Lithuania as economic coercion.
- German Foreign Minister Baerbock and U.S. Secretary of State Blinken, following a meeting in January 2022, jointly expressed support for Lithuania and denounced China's economic coercion campaign as unwarranted.
- European Commission Vice President Dombrovskis pledged EU support to counter China's coercive measures and announced plans for an anti-coercion mechanism. He also stated that the EU may bring a case to the WTO.
- Lithuanian Foreign Minister Landsbergis has stated that Lithuania's ability to withstand China's economic pressure depends on EU support: "But if we stand in solidarity, if we give a very clear response that such coercion is not just against one country in the union that China tends not to like, but it's more an incursion on the single market, then we send a signal that this is against European rules."

Acknowledging:

- That China's response to Lithuania's legitimate and admirable attempt to develop closer relations with Taiwan is an unprecedented act of economic and diplomatic aggression against an EU member state.



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- China's economic and trade sanctions, particularly its attempt to punish and block non-Lithuanian EU imports with components manufactured in Lithuania, is a grave threat to the EU single market.
- Due to China's completely disproportionate actions, this diplomatic spat has developed into a fundamental challenge to the EU's ability to protect its member states, and stand up for itself on the global stage.
- It is imperative that the EU defends the integrity of its single market, and defends a member state, otherwise the wider reputation of the EU will be severely damaged.
- The U.S. has voiced "ironclad" support for Lithuania and is working hard to help the country mitigate the impact of the sanctions. The EU must demonstrate it can do the same otherwise both member states and potential outside partners will doubt the usefulness of partnering with the EU.
- Mere verbal support will not suffice. China's economic coercion must be met by tangible measures by the EU and its member states. EU unity and an assertive response is imperative.
- The dispute demonstrates the reality of China's aggressive foreign policy stance and the need for the EU on a wider level to adopt a more sceptical policy towards China and work more closely with the U.S.
- Every country has the right to determine its own foreign policy and to speak out on issues of human rights and democracy, which is essential to our identity as Europeans and intrinsic to the fundamental values of the European Union.
- The notion that big powers can coerce and intimidate small nations has long been repudiated in the rules-based international order, one which now recognises the sovereignty and equal rights of every country, and the European Union should not tolerate any dilution or challenge to this principle.



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YEPP calls on:

- 1.The European Commission, the European Council, and member states individually, to recognize that China’s sanctions against Lithuania are a form of economic coercion.
- 2.The EU to rapidly develop an anti-coercion instrument in order to deploy comprehensive counter-sanctions against China’s economic and trade sanctions directed at Lithuania.
- 3.The European Commission and individual member states to help Lithuanian businesses find alternative export and import markets to China.
- 4.Member states to continue to develop the U.S.-EU Trade and Technology Council to coordinate with the U.S. on competing with China in these areas.
5. The European Commission to reinforce the Global Gateway Strategy by raising the amount of investment it intends to mobilize by 2027.