hinrich foundation
advancing sustainable global trade

alliance for securing democracy
G|M|F

AUGUST 2022

China's sanctions regime and Lithuania: Policy responses for European institutions

BY BRYCE BARROS AND KRYSTYNA SIKORA
ALLIANCE FOR SECURING DEMOCRACY, GERMAN MARSHALL FUND OF THE UNITED STATES

Contents

Introduction

To understand the current state of Sino-Lithuanian relations, one must understand the shift in Sino-European relations. A dovish relationship focused on trade and global cooperation has become more hawkish. European officials are beginning to synchronize with the United States' focus on human rights, defending the liberal world order, and upholding a "Free and Open Indo-Pacific."[1]

This shift became more noticeable due to the United States' campaign to block Huawei equipment from being installed in European telecommunication networks and the US-China trade war during the Trump Administration.[2] The shift continued through the Covid-19 pandemic. Economic restrictions by Western powers targeted the government of the People's Republic of China (PRC) and Chinese Communist Party (CCP) entities and individuals in the western region of Xinjiang, statements called out reported human rights abuses in Hong Kong, and several European militaries increased their forward presence in the Indo-Pacific, albeit mostly in symbolic fashion.[3] The chill that has swept over Sino-European relations has been most acute within the various countries of Central and Eastern Europe (CEE). The state of relations now varies from country to country; some nations retain closer ties to Beijing while others face a breakdown of ties altogether.[4]

Closer informal diplomatic relations between Lithuania and Taiwan led to Lithuania's desire to pull out of the 17+1 China-CEE countries cooperation framework, and allow Taiwan to open a representative office in Vilnius using the name "Taiwan" instead of "Taipei." In reaction, China launched its most comprehensive sanctions regime against an individual country to date.

It is under this backdrop of Sino-European relations that the deterioration of Sino-Lithuanian relations came to a head in 2020. In April that year, about 200 Lithuanian politicians expressed to President of Lithuania Gitanas Nausėda their desire for the government to support Taiwan's involvement in the World Health Organization.[5] Lithuanian politicians had already praised Taiwan's effective handling of the Covid-19 pandemic and the 100,000 facemasks that Taiwan donated to Lithuania earlier that same month.[6]

Closer informal diplomatic relations between Lithuania and Taiwan led to Lithuania's desire to pull out of the 17+1 China-CEE countries cooperation framework, thus creating the 16+1 cooperation framework in its place, and an eventual breakdown in Sino-Lithuanian diplomatic ties.[7] These actions were followed by fellow Baltic states, Estonia and Latvia, which also left the cooperation framework in August 2022.[8] In addition, Lithuania allowed Taiwan to open a representative office in Vilnius using the name "Taiwan" instead of "Taipei."

In reaction, China launched its most comprehensive sanctions regime against an individual country to date and began pressuring companies registered in other European Union member state countries to stop doing business in Lithuania.[9] These actions against Lithuania and the European Common Market could serve as the first instance where the EU's Anti-Coercion Instrument (ACI) is utilized. And given China's *de facto* ban on trade with Lithuania, the small Baltic state could be viewed as a test case of future economic coercive measures against other EU member states that push back against China's geo-strategic interests like the isolation of Taiwan.

Relations between China and EU member states have worsened because of Russia's invasion of Ukraine. The Sino-Russian relationship of "friendship without limits" has made many officials across European capitals nervous towards China.[10]

This nervousness stems from China's unwillingness to condemn Russia for its actions, fears that China could aid Russia in some way, and Russia's willingness to amplify China's disinformation messaging after US Speaker of the House Nancy Pelosi's visit to Taiwan in August 2022. Additionally, European sanctions against Russia provide China information on the EU's sanction response mechanisms to crises.

This report examines how the Chinese government sanctioned Lithuania and used secondary sanctions in service of their geopolitical goals.

Through a series of questions divided into two parts, this report examines how the Chinese government sanctioned Lithuania and used secondary sanctions in service of their geopolitical goals. The first part of this report explains the actions of the Chinese government and the second part explains the EU's use of the ACI to blunt future economic punitive actions against the European Common Market.[11] A third section of the report provides four policy recommendations to European leaders on how to respond to future instances of economic coercion by large countries like China.

To understand the current state of Sino-Lithuanian relations, one must understand the shift in Sino-European relations. A dovish relationship focused on trade and global cooperation has become more hawkish. (Photo : Ministry of Foreign Affairs, the People's Republic of China)

Primary, secondary, & comprehensive sanctions

Secondary sanctions seek to deter individuals, entities, and governments not directly subject to the legal authority of the country that imposed primary sanctions by punishing third parties that engage in transactions with the target of primary sanctions.

According to Dow Jones Professional, sanctions "are punitive and deterrent actions taken by one government or a multilateral body against another country, entity, or individual."[12] Sanctions can take many forms, but usually include "travel bans, asset freezes, arms embargoes, capital restraints, foreign aid reductions and trade restrictions."[13]

Additionally, sanctions fall into two main categories, "primary" and "secondary." Primary sanctions are those enacted by a country restricting the dealings of an individual, entity, and foreign government within the legal authority of the country enacting the sanctions.[14] Primary sanctions are usually punitive in nature.

Secondary sanctions seek to deter individuals, entities, and governments not directly subject to the legal authority of the country that imposed primary sanctions by punishing third parties that engage in transactions with the target of primary sanctions.[15] The wide-reaching nature of secondary sanctions is what gives the sanctions regimes of the US State and Treasury Departments their global reach and, therefore, effectiveness.

Lastly, "comprehensive" sanctions are an embargo and block of all trade with a targeted country.[16]

The wide-reaching nature of secondary sanctions is what gives the sanctions regimes of the US State and Treasury Departments their global reach, and therefore, effectiveness. (Photo: Alamy)

How does China’s government use sanctions?

China has three types of sanctions regulations—the Provisions of the Unreliable Entity List, the Rules on Counteracting Unjustified Extra-Territorial Application of Foreign Legislation and Other Measures, and, lastly, the Anti-Foreign Sanctions Law.[17] These laws have all been enacted after September 2020, following the increase of sanctions against Chinese government individuals and entities due to reported human rights abuses in Hong Kong and Xinjiang. Broadly speaking, these regulations seek to deter the imposition of sanctions against Chinese individuals, entities, and government organs, and are defensive in nature.

Overall, these regulations seek to impose countermeasures when sanctions are imposed but are vague. They shed extraordinarily little light on how sanctions against foreign individuals, entities, and governments might be imposed outside of visa restrictions and blocking transactions with PRC-based financial entities.

China’s sanctions against Lithuania are a problem because they not only undermine institutions like the World Trade Organization (WTO) but also undermine China’s use of globalization to achieve its own geopolitical goals.

Although China has developed a sanctions and countermeasures regime in recent years, sanctions are not a tool normally used by Beijing to punish individuals, entities, or governments that go against their geopolitical interests.[18] To achieve its geopolitical goals, Beijing more commonly resorts to economic coercion. For example, in the last decade China has sought to use economic coercion against South Korea, Taiwan, Australia, Japan, and other countries in response to actions that the Chinese government found to be detrimental to the world.[19]

China’s primary and comprehensive sanctions against Lithuania and secondary sanctions against companies registered in other EU member states are grander than in previous instances.[20] And these sanctions are a problem because they not only undermine institutions like the World Trade Organization (WTO) but also undermine China’s use of globalization to achieve its own geopolitical goals.[21]

To achieve its geopolitical goals, Beijing more commonly resorts to economic coercion. (Photo: Getty Images)

What is Beijing doing against Lithuania?

China's imposition of a customs block included all imports that include components made in Lithuania, thus having a ripple effect on global supply chains. The block is the most comprehensive trade sanction that could be applied by a country onto another as members of the WTO.

In response to the deepening ties between Lithuania and Taiwan, Sino-Lithuanian relations have sunk. In May 2021, Lithuanian Foreign Minister Gabrielius Landsbergis announced that Lithuania would exit from the 17+1 framework of cooperation that China holds with countries from across the CEE.[22] When this decision was announced, Foreign Minister Landsbergis described the 17+1 cooperation framework as "dividing" and that engagement within the EU's 27+1 framework would be more "uniting" and "efficient."[23] Following Lithuania's lead, fellow Baltic states Latvia and Estonia also left the cooperation framework in August 2022.[24]

In July 2021, Taiwan announced that Vilnius would allow the establishment of a representative office under the name "The Taiwanese Representative Office" instead of the frequently used alternative "Taipei Economic and Cultural Representative Office."

Beijing took a series of punitive measures in retaliation, which included a downgrading of formal diplomatic relations between China and Lithuania, imposing a customs block on Lithuania, and pressuring companies registered elsewhere in the European Common Market.

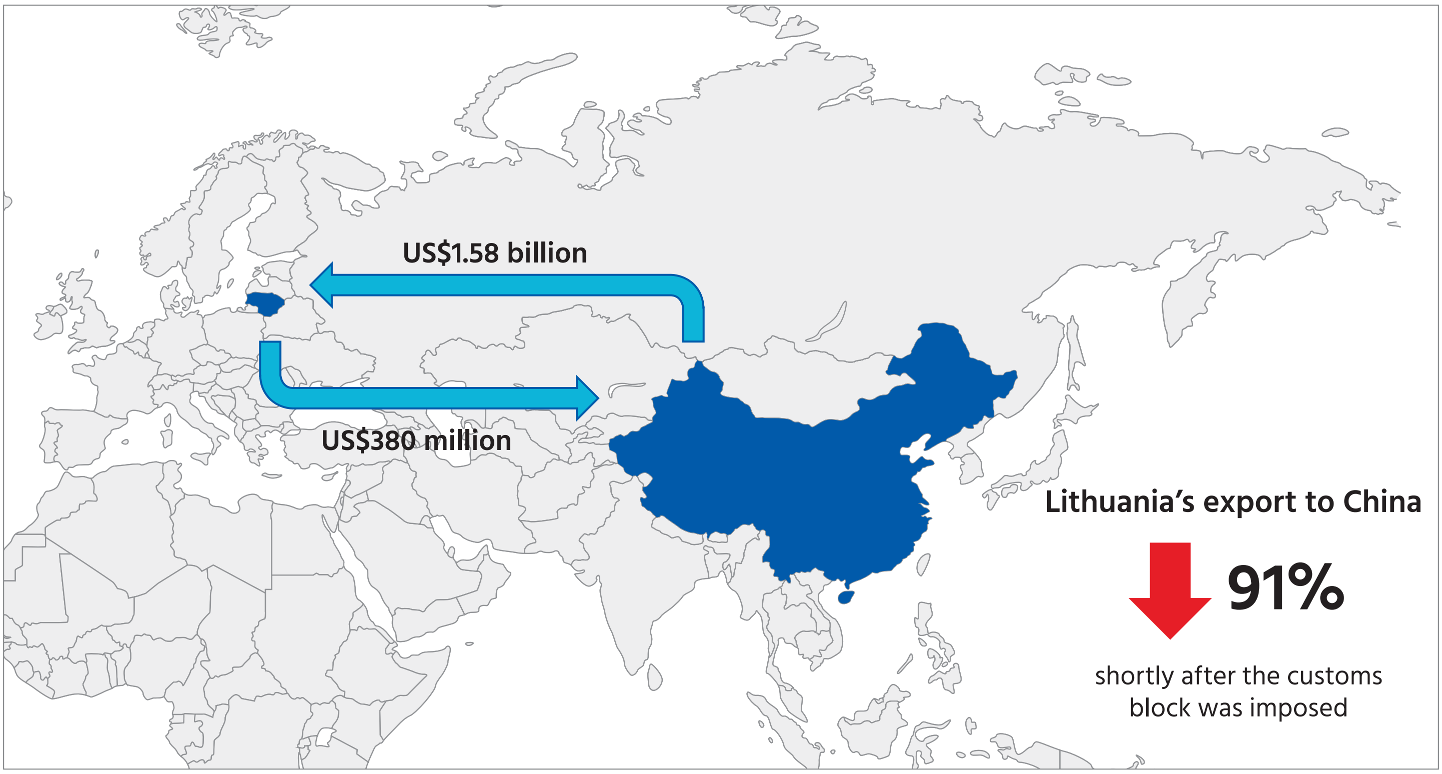
In November 2021, Beijing downgraded its diplomatic relations with Lithuania.[25] Ambassadors representing both countries were removed, thus bringing Sino-Lithuanian relations down to the level of charge d'affaires.[26] During this downgrading of diplomatic relations, Chinese officials claimed that Lithuania undermined "China's sovereignty and territorial integrity," interfered in "China's internal affairs," and created a "bad precedent internationally."[27]

In response, Lithuanian Foreign Minister Landsbergis insisted that expanding cooperation with Taiwan in the "economic, cultural and scientific" realms does not violate the Beijing's "One China" policy.[28] In the face of this intense scrutiny from Chinese government entities, a spokesperson from the European Commission expressed that the EU executive would stand with Lithuania "in the face of sustained coercive measures from China."[29]

Following the diplomatic rift between Lithuania and China as well as the opening of the "Taiwanese Representative Office in Lithuania" on 18 November 2021, Beijing imposed a severe customs block that amounts to primary sanctions on the country.[30] First, on 1 December, 2021, the Chinese government imposed a customs block on Lithuanian exports, thus blocking trade between the two countries in both directions. This customs block included all imports that include components made in Lithuania, thus having a ripple effect on global supply chains. The customs block imposed by Beijing is the most comprehensive trade sanction that could be applied by a country onto another as members of the WTO.

To illustrate the severity of China's actions, in December 2020 Lithuanian exports to China were US$380 million (€365 million) while Chinese exports to Lithuania were US$1.58 billion (€1.52 billion). Shortly after the customs block was imposed,

Figure 1 – Trade of goods between China and Lithuania, 2020



Lithuania's exports to China had dropped by 91 percent when compared to trade in December 2020, and at least 130 companies were not able to send products to China because of the customs block.

Lithuania's exports to China had dropped by 91 percent when compared to trade in December 2020. Additionally, the Lithuanian Confederation of Industrialists reported that at least 130 companies were not able to send products to China because of the customs block. This left around €26.5 million (US$27.6 million) of goods in limbo, according to EU officials.

Another unique feature of the actions Beijing has taken against Lithuania is the *de facto* secondary sanctions regime that has occurred. China has blocked all goods that contain components sourced from Lithuanian suppliers from entering the Chinese market. Hence, regardless of their domain of registration, companies that are not Lithuanian but are sourcing their components from Lithuania are not able to sell their goods within the Chinese market. These *de facto* secondary sanction actions serve to force companies registered in third countries to feel the punitive brunt of China's actions against Lithuania.

The impact is being felt. China has allegedly pressured German car parts giant Continental to stop using components from Lithuania.[31] According to reporting by Reuters, Continental was not the only German company pressured by Chinese authorities; a dozen other German companies in the automotive and agricultural sectors were also pressured.[32]

This pressure from China has convinced some companies to ask Lithuanian government officials to "de-escalate" the diplomatic row between the two countries.

Additional reporting has noted that this pressure from China has convinced some companies to ask Lithuanian government officials to "de-escalate" the diplomatic row between the two countries in favor of maintaining business and trade ties.[33] For example, the German-Baltic Chamber of Commerce has requested to Lithuania's Ministers of Foreign Affairs and Economy and Innovation that the Baltic state find a "constructive solution" with China.[34] There are fears that, "the basic business model of the [German] companies is in question and some ... will have no other choice than to shut down production in Lithuania."[35]

When taken together, the Chinese government's steps to downgrade diplomatic relations with Lithuania, impose a unilateral customs block, and pressure third party companies registered in fellow EU and NATO member states, demonstrate how China's actions undermine the European Common Market as well as the WTO. Free trade is a key principle of globalization. So far, China's actions demonstrate that they will continue to take punitive economic measures to harm countries and international blocs like the EU and NATO when they go against China's geopolitical interests on "core issues" like Taiwan.

China's actions demonstrate that they will continue to take punitive economic measures to harm countries and international blocs like the EU and NATO when they go against China's geopolitical interests on "core issues" like Taiwan.

China has allegedly pressured German car parts giant Continental to stop using components from Lithuania. (Photo: Continental AG)

The factors that deepened Lithuania's engagement with Taiwan

Lithuania's ties with Taiwan and China follow broader trends as several CEE countries have deepened their ties with Taiwan. Mask diplomacy, Covid-19 vaccine donation diplomacy, domestic political calculations, and past experiences with communism and imperialism are non-commercial factors that explain the tighter relationship.

Although China's actions against Lithuania are the key focus of this report, it is also important to examine the non-commercial and commercial factors that help explain why and how Lithuania has sought to strengthen its unofficial diplomatic ties with Taiwan. Lithuania's ties with Taiwan and China follow broader trends in a few CEE countries.

In the last few years, several CEE countries have deepened their ties with Taiwan. For example, the Czech Republic and Taiwan have cooperated on cybersecurity and aerospace matters since 2016.[36] Ties between the Czech Republic and Taiwan began to warm dramatically in 2019 when the Prague City Council voted to cancel sister city ties with Beijing in favor of Taipei.

These Czech-Taiwanese ties culminated in a 2020 visit by Czech Senate President Miloš Vystrčil to Taiwan. There, Senate President Vystrčil spoke to Taiwan's Legislative Yuan declaring in Chinese "我是台灣人 [I am Taiwanese]," which echoed the late US President John F. Kennedy's "Ich bin ein Berliner [I am a Berliner]" 1963 speech in West Berlin. Much like Lithuania, in the case of the Czech Republic there was a domestic political calculus in seeking closer ties with Taiwan. But this was not the only factor and in terms of non-commercial ties. Mask diplomacy, Covid-19 vaccine donation diplomacy, domestic political calculations, and Lithuania's past experiences with communism and imperialism are all non-commercial factors that explain the tighter relationship.

Over the course of the Covid-19 pandemic, Taiwan donated 16 million masks to healthcare professionals around the world as a part of their #TaiwanCanHelp campaign. Through this campaign, Lithuania received 100,00 masks in April 2020 at the height of the pandemic.[37] Similarly, when Taiwan faced a vaccine shortage, the Lithuanian government returned the favor by donating 20,000 vaccines in June 2021. This initial donation was supplemented by an additional 235,900 vaccines that the Lithuanian government pledged to send to Taiwan in September 2021.

In response to Taiwan's mask donations and navigation of the pandemic, Lithuania's then-opposition political parties, the Homeland Union and the Freedom Party, made closer ties to Taiwan a part of their respective party platforms. In part this was due to the then-ruling government's Covid-19 response as well as to seek closer ties to Taiwan as a fellow democracy through a "values-based foreign policy."[38] Moreover, many Lithuanians found echoes of their struggles against Russian and Soviet imperialism, communism, and revanchism in Taiwan's own struggles against China. A closer relationship between Vilnius and Taipei emerged.

Just as non-commercial factors began to foster closer ties, the commercial factors in the relationship also pushed Lithuania and Taiwan closer. Following Lithuania's vaccine donations to Taiwan, Lithuanian goods became immensely popular, especially Lithuanian beer, rum, and chocolate. In December 2021, Taiwan's state-owned Tobacco and Liquor Corporation purchased 20,400 bottles of Lithuanian rum that were banned from the Chinese market due to the customs block.[39] In the summer of 2020, the Taiwan-based franchise of Lithuanian chocolate brand Ruta was forced to close its store in due to a high-demand of orders from Taiwanese customers.[40]

Online credit card transactions from Taiwanese to Lithuanian shops have increased by 56% in the first half of 2021 compared to 2020. These commercial factors of the Lithuanian-Taiwanese relationship have been influenced by the non-commercial ties.

Additionally, Taiwanese company Good Land & Technology Company purchased 1,000 boxes of Lithuanian milk that was blocked from the Chinese market. Good Land's CEO noted to Taiwanese media that he intends to market the milk in Taiwan with the yellow, green, and red colors of the Lithuanian flag.[41] Overall, Lithuanian goods and Lithuania as a brand have become extremely popular in Taiwan.

Lastly, according to the Bank of Lithuania, online credit card transactions from Taiwanese to Lithuanian shops have increased by 56% in the first half of 2021 compared to 2020,[42] showing that Taiwanese have a keen interest in Lithuanian goods. These commercial factors of the Lithuanian-Taiwanese relationship have been influenced by the non-commercial ties.

Following Lithuania's vaccine donations to Taiwan, Lithuanian goods became immensely popular, especially Lithuanian beer, rum, and chocolate (Photo: Ministry of Foreign Affairs, ROC (Taiwan))

Was Beijing effective in changing Lithuania's policies?

Although ties between Lithuania and Taiwan have deepened, closer ties have received some pushback within Lithuania. During a local radio station interview in January 2022, President Nausėda described the government's decision to allow the name "The Taiwanese Representative Office in Vilnius" as "a mistake."[43] He cited the lack of coordination with him, complaints from Lithuanian companies with business in China, and the disruption of ties between Lithuania and China as reasons why closer ties with Taiwan were not advantageous to Lithuania.[44]

A survey in December 2021 found that two-thirds of Lithuanians do not support the government's China policy; only 13 percent of Lithuanians were supportive.

Nonetheless, President Nausėda referred to China's actions as a form of "sanctions" and encouraged the Lithuanian government to explain to other EU member states that China's actions were an "attack" and an attempt to "pressure" an EU member.[45] Later that month, President Nausėda urged Taiwan to change the name of its representative office in Vilnius due to linguistic differences in Chinese, English, and Lithuanian, and because it raised "unnecessary questions and unnecessary tensions."[46]

In addition, Lithuania's Foreign Ministry conducted a survey in December 2021 which found two-thirds of Lithuanians do not support the government's China policy; only 13 percent of Lithuanians were supportive.[47] In response, Foreign Minister Landsbergis criticized the survey's wording and reaffirmed that Lithuania's China policy has not changed.[48]

Even with the pushback received by the Lithuanian government, Beijing's response appears to have strengthened ties between Lithuania and Taiwan. Since the warming of ties began in the pandemic, Lithuania and Taiwan have both sent delegations of lawmakers and business leaders to Taipei and Vilnius, respectively.[49]

Lithuania and Taiwan have found that they can complement each other by Taiwan helping with semiconductor research and Lithuania assisting with laser technology research.

Investment ties are more robust. In response to China's sanctions, Taiwan launched a US$1 billion (€961 million) credit program to jointly fund projects between Taiwanese and Lithuanian companies to invest in strategic areas, such as biotechnologies, satellites, finance, scientific research, and semiconductors.[50] That initial US$1 billion (€961 million) credit program was later supplemented by a separate US$200 million (€192.3 million) fund.[51] Both funds are backed by Taiwan's National Development Fund and the Bank of Taiwan. Lithuania and Taiwan have found that they can complement each other by Taiwan helping with semiconductor research and Lithuania assisting with laser technology research.[52]

Additionally, Foreign Minister Landsbergis announced in August 2022 that despite China's punitive economic measures, Lithuania was able to increase economic ties to the Indo-Pacific region.[53] According to Foreign Minister Landsbergis, Lithuanian origin products across the Indo-Pacific "more than four times exceeded the volume of exports to China in the first half of 2021."[54] The top five destinations for Lithuanian goods in the Indo-Pacific were Singapore, Australia, South Korea, Indonesia, and Taiwan.[55]

Lastly, the Lithuanian government plans to open its own office in Taipei by September 2022.[56] Overall, China's actions have not pushed Lithuania away from Taiwan, but had the opposite effect. The controversy has brought both parties closer and serves as a catalyst for deeper cooperation in a multitude of areas.

What do China's actions mean for the global trading system?

China's actions against Lithuania echo similar treatment that other countries have received in the past. China also relies on hub and spoke diplomacy, which often means placing individual members of supranational blocs like the Association of Southeast Asian Nations against each other on issues like the Belt and Road Initiative.

China's actions portend what the future may look like. Consider, for example, the customs block placed on the small Baltic state. Beijing could use that as a model for what can be done to smaller and medium-sized countries elsewhere.

However, our research has found that China's actions against Lithuania echo similar treatment that other countries have received in the past. For example, following the awarding of the 2010 Nobel Peace Prize to Chinese dissident Liu Xiaobo, China tried to use sanctions and trade restrictions to punish Norway. This included a restriction of the import of salmon, a prized export from Norway to China. Although Norway is not an EU member state, the Nordic country belongs to NATO and the European Common Market as a member of the European Free Trade Association.[57]

Similarly, in the last decade China has used economic coercion against several countries, including Australia, Taiwan, and South Korea.[58] China also relies on hub and spoke diplomacy, which often means placing individual members of supranational blocs like the Association of Southeast Asian Nations against each other on issues like the Belt and Road Initiative, the South China Sea, and others.[59]

However, the unity of the EU and NATO in the face of China's actions is the main reason the sanctions were not successful and backfired. Officials in the United States, the EU, NATO, and other partners have been broadly supportive of Lithuania's plight, including by launching a case at the WTO on China's behavior towards the Baltic state.[60]

The current global trading system is in peril. More democracies will need to work together to offset the effects of China's sanctions, be they primary or secondary.

China's actions against Lithuania illustrate China's efforts to weaponize globalization to achieve its geostrategic goals, especially against small- and medium-sized countries. Lithuania is neither the first nor the last victim of China's economic bullying. The global trading system will continue to face pressures from China as the country uses economic coercion and other punitive actions to compel various countries to meet its desired objectives. As a result, the current global trading system is in peril. More democracies will need to work together to offset the effects of China's sanctions, be they primary or secondary.

What is the EU's Anti-Coercion Instrument? Why is it needed?

Europe and other Western countries used to be immune to coercive economic practices, but this immunity has waned.

The EU and its member states are more at risk than ever from economic coercion by China. Europe and other Western countries used to be immune to coercive economic practices, but this immunity has waned as economic coercion becomes more prominent. Economic coercion is increasingly being used against developed countries and although it is the greatest user of such tactics, China is far from alone in exploiting its economic muscle. For instance, the EU has been a repeated economic target of Russia. China's recent actions against Lithuania are a mere glimpse of the future. Therefore, it is crucial that the EU fill its toolbox with instruments that can be used to defend it and its member states in this age of weaponized trade.

In the EU's new definition, economic coercion includes import curbs, punitive tariffs, and informal measures such as arbitrary border or food safety checks and 'boycott diplomacy.

To respond to these global challenges, the European Commission proposed an ACI, a crucial first step towards building EU resilience against economic coercion. As a part of the EU's greater ambition towards "Open Strategic Autonomy", the tool aims to provide the EU and its member states with a structured and uniform framework to swiftly respond to economic coercion by third parties. The proposal defines economic coercion as "seeking to pressure the Union or a Member State into making a particular policy choice by applying, or threatening to apply, measures affecting trade or investment against the Union or a Member State."[61] Per this definition, economic coercion includes not only import curbs and punitive tariffs, but also informal measures in the legal grey zone, such as arbitrary border or food safety checks and 'boycott diplomacy.'

Countries have voiced concerns regarding the ACI's compatibility with international law, as well as repercussions it can have on foreign policy. (Photo: European Council Twitter)

The ACI is primarily designed to deter such practices through dialogue and engagement. But it also allows retaliation through countermeasures, which can include the suspension of tariff concessions and restrictions on access to capital markets. This component is vital, as it is a powerful signal to the world and can serve as a further deterrent. Under the ACI framework, the Commission could follow a clear-cut process to determine whether a certain action constitutes economic coercion.

Should the Commission conclude the action to be economic coercion and fail to persuade the third country to withdraw its offensive measure, the EU may proportionately respond with a set of countermeasures laid out in Annex I of the proposal. Potential countermeasures include the suspension of tariff concessions, import and export restrictions, as well as restrictions on banking, insurance, and access to capital markets.[62]

Without an ACI, EU countries that are affected by economic coercion must resort to the WTO dispute settlement system, a system regarded as outdated and ineffective.

The ACI—particularly its countermeasure response—is groundbreaking and has the potential to significantly deter economic coercion from third countries. It suggests that economic coercion may amount to a violation of international law and allows the EU to bypass the WTO to respond. Without an ACI, EU countries that are affected by economic coercion (such as Lithuania) must resort to the WTO dispute settlement system, a system regarded as outdated and ineffective in addressing all infringements. They cite the WTO's lengthy procedures, lack of interim measures, and problems with enforcement.[63]

While there is broad support across EU members for a legislative tool to address and deter economic coercion, opinions on the ACI are divided regarding the severity of its proposed countermeasures and its decision-making mechanism.[64] In joint preliminary comments for the ACI, Sweden and the Czech Republic stressed the importance that its use "remain an exceptional and last resort solution." Other countries have voiced concerns regarding its compatibility with international law, as well as repercussions the ACI can have on foreign policy, including potentially escalating trade disputes and increasing protectionism.

Unsurprisingly, Lithuania has urged for the tool's immediate adoption. France and Germany have expressed their support.[65] The European Commission's Committee on International Trade is expected to vote on its report on the ACI in the third quarter of 2022.

Why is this a test case for future cases of economic coercion?

China's actions against Lithuania are the first of their kind and signal a shift in its coercion strategy. It was the first time China had ever imposed a *de facto* ban on all trade with another country. It also marked the first time Beijing tested a new tactic: *de facto* secondary sanctions.[66] While there is debate over the effectiveness of China's economic coercion in the past, Beijing is fine-tuning its strategies in a deeply worrying trajectory. China could easily take similar actions against other countries that seek closer ties with Taiwan.

CEE countries, many of which have bolstered relations with Taiwan since the Covid-19 pandemic, are particularly at risk. Like Lithuania, Poland, Slovakia, and the Czech Republic received Taiwan's #TaiwanCanHelp mask diplomacy and subsequently donated vaccines to Taiwan.[67] If CEE states decided to further relations with Taiwan, they might confront similar economic intimidation as Lithuania.

The Czech Republic and Slovenia may be next to face China's economic coercion. In the past two years, both countries have faced threats from Beijing for deepening relations with Taiwan.

Out of the remaining countries of the now-16+1 cooperation framework format, the Czech Republic and Slovenia may be next to face China's economic coercion. In the past two years, both countries have faced threats from Beijing for deepening relations with Taiwan. In late 2020, Czech Senate President Miloš Vystrčil received harsh rebukes and threats from China after he made an official trip to Taiwan.[68]

Similarly, days after Slovenian President Janez Janša vowed to strengthen relations with Taiwan, Slovenian trade groups reported a backlash from China.[69] An announcement about a Taiwanese delegation's visit to the Czech Republic, Lithuania, and Slovenia also triggered a warning of retaliation from Beijing.[70] Likewise, as more German policymakers turn away from the country's tolerant China policy, German industries could also easily be targeted.

How has war in Ukraine impacted the sanctions situation in Europe?

While EU-China relations have gradually deteriorated over the past year, Russia's invasion of Ukraine prompted an even greater turn for the worse due to China's unwillingness to condemn Russia for the invasion. At the beginning of the war, the EU asked China to use its considerable influence to stop Russia's aggression against Ukraine. China dismissed this request. At the virtual EU-China Summit in April 2022, China refused to sanction Russia to help end the war, and even renewed its criticism of Western sanctions on Russia and blamed the United States for instigating the war by pushing NATO enlargement. Following the summit, Commission President Ursula von der Leyen expressed that China and the EU "exchanged very clearly opposing views."[71] EU Foreign Policy Chief Joseph Borrell escalated tensions by stating that the summit with China was "a dialog of the deaf."[72]

The EU has turned to strengthening its ties with Taiwan. In June, the bloc announced plans to upgrade its trade and investment relations with Taiwan, focusing on investing in its semiconductor sector.

The April summit ended without significant breakthroughs on the Comprehensive Agreement on Investment (CAI), an investment deal proposed in 2013 that would significantly open China's market to EU companies.[73] Given the broader political context, it is unlikely the CAI will be ratified any time soon.[74] As a result, the EU has turned to strengthening its ties with Taiwan. In June, the bloc announced plans to upgrade its trade and investment relations with Taiwan, focusing on investing in its semiconductor sector.[75] A similar proposal was previously considered in late 2021 but was scrapped for fear of backlash from Beijing.[76]

Weakening ties between China and Europe is taking place as Sino-Russian relations strengthen. (Photo: Getty Images)

Weakening ties between China and Europe is taking place as Sino-Russian relations strengthen. Weeks before Russia's invasion of Ukraine, Russian President Vladimir Putin and President Xi Jinping signed a joint statement declaring a "friendship without limits."[77] Moreover, despite China's supposed claimed "neutrality" on the conflict, Beijing's "Wolf Warrior" diplomats regularly push Kremlin talking points and propaganda on the war, including echoing unfounded claims that the United States is operating biolabs in Ukraine and depicting Ukrainians as neo-Nazis.[78]

Evidence has also emerged that China is using the conflict to engage in business in the Russian market, despite the unprecedented sanctions placed on Russia and the threat of secondary sanctions against Chinese entities. Less than one month after the war began, China's Ambassador to Russia Zhang Hanhui encouraged Chinese business leaders to enter the Russian market.[79] His remarks noted that large institutions with international exposure would "face major challenges" in the Russian market, presumably due to secondary sanctions, but that "small-and-medium-sized enterprises could play a role."[80] In late June 2022, the United States' Commerce Department placed more than two dozen Chinese companies on their Entity List for their alleged support of Russia in the conflict.[81]

The Western response to the war serves as a perfect learning opportunity for Beijing. China can use this time to observe Western sanctions capabilities in their actions against Russia.

Rising geopolitical tensions because of the war leave Europe at greater risk of economic coercion. While Moscow has already attempted to weaponize energy—threatening to shut off gas supplies to countries that do not pay in rubles[82] and cutting flow through the Nord Stream 1 pipeline to just 20 percent capacity[83] —the costs would be even graver if China and Russia were to coordinate future economic coercion. A Russia weakened by sanctions could also open more opportunities for Beijing to act independently through support for Russia economically.

Moreover, the Western response to the war serves as a perfect learning opportunity for Beijing. China can use this time to observe Western sanctions capabilities in their actions against Russia. This gives China valuable information on the EU's response mechanisms, as well as vital information for how the bloc might respond in the event of a massive confrontation with China.[84]

The Western response to the Ukraine war gives China valuable information on the EU's response mechanisms. (Photo: Shutterstock)

PART TWO

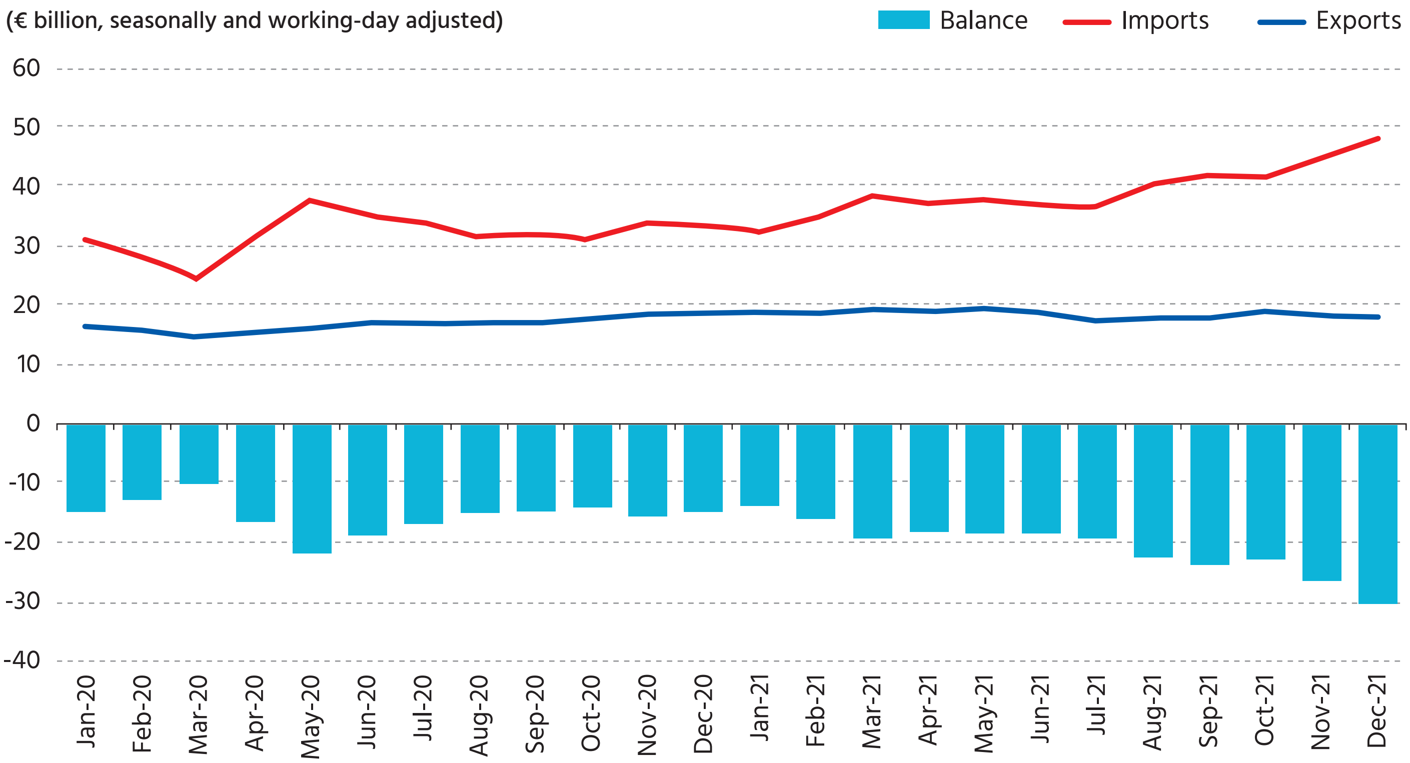
What would Sino-European trade look like if confronted with more sanctions?

In 2020, China surpassed the United States to become the EU's biggest trading partner.

For the past quarter of a century, economic cooperation and trade has been the backbone of Sino-European relations. In 2020, China surpassed the United States to become the EU's biggest trading partner, with trade between the two exceeding US$709 billion (€681.7 billion).[85]

As Sino-European relations continue to deteriorate, Beijing will exploit trade relations to punish the EU and its member states. The EU seeks alternative energy supplies from Russia; hence China can exploit EU ambitions towards renewable energy. The EU heavily depends on China for industrial metals and other critical raw materials necessary for constructing wind turbines, electric vehicles, solar cells, and semiconductors. Of the 30 raw materials the EU classifies as critical, 19 are imported from China, a monopoly Beijing exploited in 2010 by limiting the export of rare earths to increase their value.[86] The move was later reversed after a WTO investigation.[87]

Figure 2 – EU trade in goods with China, 2020-2021



Source: Eurostat (online data code: ext_st_eu27_2020sitc)

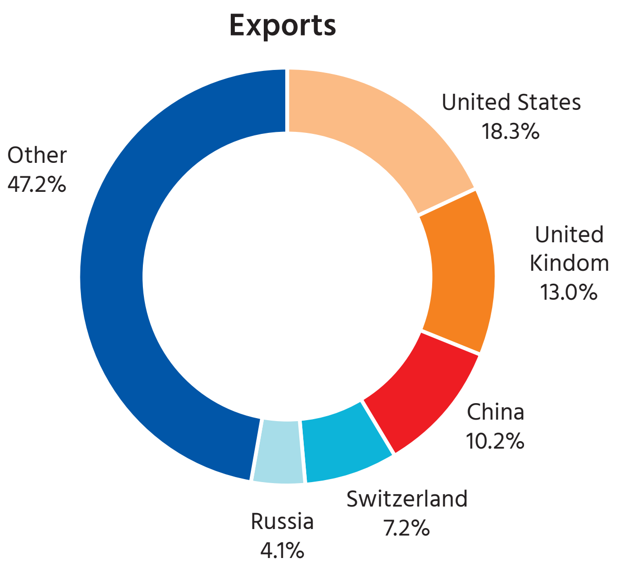
Lithuania's Central Bank predicted that Beijing's sanctions could reduce Lithuania's GDP growth by 0.1% to 0.5% in 2022—and by as much as 1.3% in 2023.

While sanctions against Vilnius have not significantly impacted Lithuania's economy to date, its medium- and long-term repercussions may be more severe. Lithuania's Central Bank predicted that Beijing's sanctions could reduce Lithuania's GDP growth by 0.1% to 0.5% in 2022—and by as much as 1.3% in 2023. The sanctions are also expected to significantly impact specific sectors, including its laser industry, which exported 30% of its output to China.[88]

If Beijing were to take similar actions against an EU state with greater trade dependency on China, the impact could be far more damaging. The three largest exporters to China in the EU are Germany (€104.7 million / US$108.9 million), France (€24 million / US$24.9 million) and the Netherlands (€15.9 million / US$16.5 million), with Germany being the most export dependent. For the past six consecutive years China has been Germany's largest trading partner—its extra-EU exports amount to 16.5%—and is a crucial market for its automotive industry.[89] Following Germany, the EU countries most dependent on exports to China are Slovakia, Finland, and Ireland.[90]

Figure 3 – China among the EU's main partners for trade in goods, 2021

(% share of extra-EU exports/imports)



Source: Eurostat (online data code: ext_st_eu27_2020sitc and DS-018995)

The full impact of China's secondary sanctions on German firms is still unknown as individual firms have declined to comment publicly, for fear of retribution.

As with Lithuania, Beijing will continue to exploit corporate dependence on China. A 2019 Mercator Institute for China Studies study of 25 registered EU companies from different member states and industries concluded that, on average, 11.2% of their revenue is generated from trade with China. The highest revenues were from the semiconductor sector, consumer goods, and the aerospace industry, respectively.[91] Targeting corporate dependency proved to be an effective strategy with Lithuania, especially when used to impose to indirect political costs on target countries as secondary sanctions.

As Europe's largest economy, Germany and its industries carried a greater weight than that imposed by China alone, as demonstrated by the Lithuanian case. The full impact of China's secondary sanctions on German firms is still unknown as individual firms have declined to comment publicly, for fear of retribution.[92]

The EU heavily depends on China for industrial metals and other critical raw materials necessary for constructing wind turbines, electric vehicles, solar cells, and semiconductors. (Photo: Getty Images)

Conclusion

As EU officials begin the process of adopting the ACI and other strategies to protect trade interests, it is crucial to examine again the Lithuanian case. The proposal in its current form is not sufficient to respond to Lithuania's challenges, including secondary sanctions.

The deterioration of Sino-Lithuanian relations reflects increasingly common hawkish positions towards China across the capitals of Europe and North America. However, Lithuania still bears the brunt of China's economic heft due to its desire to seek closer unofficial diplomatic ties with the democratic island of Taiwan. Many factors contributed to Lithuania's decision to boost ties with Taiwan, ranging from domestic politicking to the fear of falling victim to a large aggressive neighbor, to both democracies helping each other navigate the Covid-19 pandemic.

Nonetheless, Lithuania was subjected to the most comprehensive primary and secondary sanctions regime China has placed in recent memory on another country, as were third party companies registered in other countries in the European Common Market. Lithuania is not the first nor will it be the last victim of such tactics by China and other countries. But the Lithuanian case underlines the grave need for the Europe to bolster its resilience to economic coercion. The ACI is a crucial step towards doing so.

However, as EU officials begin the process of adopting the ACI and other strategies to protect trade interests, it is crucial to examine again the Lithuanian case. The proposal in its current form is not sufficient to respond to Lithuania's challenges, including secondary sanctions. Understanding China's actions against Lithuania is the key to adapting to the age of weaponized trade.

The Lithuanian case underlines the grave need for the Europe to bolster its resilience to economic coercion. (Photo: Meyer Burger)

Policy recommendations

Learning from China's economic coercion measures against Lithuania will not only protect smaller EU and NATO member states in the future, but also strengthen the broader transatlantic responses to China's weaponized trade practices.

To respond to the future of weaponized trade sparked by China's economic coercion measures, leaders across the EU should work hard to enact the following policy recommendations. China's comprehensive primary and secondary sanctions regime against Lithuania provides an opportunity for EU leaders to hone and build up its defenses like the ACI. EU leaders also need to think through how to diversify their trade partners away from dependence on China as well as how to coordinate with allies and partners not in the EU, such as the United States, United Kingdom, Canada, and others to mitigate the harm caused by China's trade practices. Learning from China's economic coercion measures against Lithuania will not only protect smaller EU and NATO member states in the future, but also strengthen the broader transatlantic responses to China's weaponized trade practices.

Diversify trading partners

The EU and its member states, as well as the members of the European Free Trade Association, must continue to diversify their trading partners, particularly in industries that are dependent on exporting to China. According to the International Monetary Fund, in 2021 China comprises almost 18% of the global economy.[93] Moving away from the Chinese market means tapping into markets that exist around the world, especially in emerging economies.

Reform the ACI's blocking statute

The current blocking statute in the ACI proposal has only limited impact. As of now, it does not cover other forms of secondary economic sanctions or pressure on European companies.

Reform the ACI's blocking statute to make it more applicable to current and future challenges China may pose to the EU. Several experts argue that the current blocking statute in the ACI proposal has only limited impact. As of now, it does

EU leaders need to think through how to diversify their trade partners away from dependence on China as well as how to coordinate with allies beyond Europe. (Photos: Getty Images) not cover other forms of secondary economic sanctions or pressure on European companies, such as those applied by China on Lithuania. Therefore, the ACI needs to be amended to respond to Beijing's coercion in legal grey zone areas, particularly in the form of indirect pressure through supply chains.

Update the ACI's decision making mechanism

The ACI should also have 'a green light procedure' that would allow a qualified majority of member states to approve the Commission's decision to impose countermeasures. The EU also needs a Resilience Office for Economic Security.

The current ACI includes a 'red light procedure,' which allows a qualified majority of member states to stop the Commission from imposing countermeasures.[94] There should also be 'a green light procedure,' which would require a qualified majority of member states to approve the Commission's decision to impose countermeasures, as well for high stakes scenarios such as that Lithuania encountered.

Create a joint-European Commission & NATO Office on Economic Security

As several experts have mentioned, the ACI is not enough. The EU also needs a Resilience Office for Economic Security, within a prominent level of the Commission.[95] We suggest taking this further and creating a joint office between the European Commission and NATO to address economic security issues. This office would be responsible for analyzing economic coercion by third countries and staying in close contact with EU institutions as well as NATO member states to address the systemic challenges posed by China's economic coercion.

Russia's war in Ukraine has shown the importance of EU and NATO institutions working together towards a new strategic environment. This new joint office could formalize that cooperation and ensure that countries like the United Kingdom, Canada, and the United States are also brought into key discussions related to economic coercion. As the NATO 2022 Madrid Summit highlighted, in the case of China, economic coercion is a form of warfare that is today used more than military warfare.

Researcher bio: Bryce Barros and Krystyna Sikora

Bryce Barros

China Affairs Analyst,
Alliance for Securing Democracy,
German Marshall Fund of the United States

Bryce Barros is the China Affairs Analyst at the Alliance for Securing Democracy at the German Marshall Fund. He previously served as an analyst at Kharon researching sanctioned actors and related commercial activities tied to the proliferation of weapons of mass destruction, strategic trade controls, supply chains, and human rights abuses in the Indo-Pacific. Prior to that, he interned at the Long Term Strategy Group researching Sino-American Strategic Competition and the China Britain Business Council researching Chinese market entry for UK and EU companies.

Bryce is a National Committee on US-China Relations member, Truman National Security Project Fellow, Association of Certified Financial Crime Specialists member, Pacific Forum Young Leader, Aspen Security Forum Scholar, and a National Security Education Program David L. Boren Fellow & Scholar.

Bryce holds a BA in Political Science from Norwich University, a MA in International Affairs from Texas A&M University, and is an honorary graduate of the Republic of China (Taiwan) Military Academy. Bryce speaks Mandarin Chinese and Japanese, and spent nearly two decades specializing in the Indo-Pacific region.

Krystyna Sikora

Program Assistant,
Alliance for Securing Democracy,
German Marshall Fund of the United States

Krystyna (Krysia) Sikora is a program assistant for the Alliance for Securing Democracy, where she serves as the assistant to the director. A recent graduate of Georgetown University's Walsh School of Foreign Service, Krysia received a master's in Eurasian, Russian, and East European studies and focused her studies on right-wing populism, disinformation, and democratic decline in Central and Eastern Europe.

Prior to joining ASD, Krysia played professional soccer in Poland for two years, during which time she played both for the Polish National Team and in the Women's Champions League.

Krysia graduated from Duke University, where she received a bachelor's in political science and a certificate in policy journalism and media studies.

Endnotes

1. https://www.eeas.europa.eu/sites/default/files/eu-indo-pacific_factsheet_2022-02_0.pdf pg. 2 ; https://www.europarl.europa.eu/news/en/press-room/20210701IPR07521/human-rights-breaches-in-hong-kong-saudi-arabia-and-iran
2. https://www.euractiv.com/section/digital/news/eu-countries-keep-different-approaches-to-huawei-on-5g-rollout/ ; https://www.politico.eu/article/eu-us-trade-war-truce-import-tariffs-steel-aluminum-g20-summit-2021-china/
3. https://webgate.ec.europa.eu/fsd/fsf/public/files/pdfFullSanctionsList/content?token=dG9rZW4tMjAxNw pg. 117-18 ; https://www.eeas.europa.eu/eeas/hong-kong-statement-high-representativevice-president-josep-borrell-changes-hong-kong%E2%80%99s_en#:~:text=International%20cooperation%20%26%20partnership,more%20prosperous%20and%20equal%20world ; https://www.reuters.com/world/first-german-warship-almost-two-decades-enters-south-china-sea-2021-12-15/
4. https://www.scmp.com/news/china/article/3173066/viktor-orbans-landslide-re-election-paves-way-even-closer-hungary-china ; https://www.rferl.org/a/where-chinese-influence-is-rising-and-falling/31899089.html
5. https://www.lrt.lt/en/news-in-english/19/1166291/lithuanian-president-doesn-t-back-taiwan-s-who-membership-aide
6. Ibid. ; https://www.lrt.lt/en/news-in-english/19/1162181/taiwan-donates-100-000-face-masks-to-lithuania
7. https://www.politico.eu/article/lithuania-pulls-out-china-17-1-bloc-eastern-central-europe-foreign-minister-gabrielius-landsbergis/ ; http://www.china-ceec.org/eng/
8. https://apnews.com/article/russia-ukraine-putin-taiwan-china-beijing-24a51164e0b0a849c33b83dcc92fb1e1
9. https://www.cfr.org/blog/analysis-chinas-economic-coercion-against-lithuania
10. https://www.wsj.com/articles/china-russia-xi-putin-ukraine-war-11646279098
11. https://twitter.com/joeabodnar/status/1555161757991174145
12. https://www.dowjones.com/professional/risk/glossary/sanctions/
13. Ibid.
14. Ibid.
15. https://www.dowjones.com/professional/risk/glossary/sanctions/secondary-sanctions/ ; Ibid.
16. Ibid.
17. http://english.mofcom.gov.cn/article/policyrelease/announcement/202009/20200903002580.shtml ; http://english.mofcom.gov.cn/article/policyrelease/announcement/202101/20210103029708.shtml ; https://www.chinalawtranslate.com/en/counteringforeignsanctions/ ; http://www.npc.gov.cn/npc/c30834/202106/d4a714d5813c4ad2ac54a5f0f78a5270.shtml
18. https://www.china-briefing.com/news/chinas-anti-foreign-sanctions-law-how-businesses-should-prepare/
19. https://securingdemocracy.gmfus.org/what-the-united-states-can-learn-from-chinese-economic-coercion-in-south-korea-australia-and-taiwan/
20. https://www.axios.com/2022/01/25/china-secondary-sanctions-lithuania-dispute-taiwan
21. https://foreignpolicy.com/2020/06/05/china-globalization-weaponizing-trade-communist-party/
22. https://www.politico.eu/article/lithuania-pulls-out-china-17-1-bloc-eastern-central-europe-foreign-minister-gabrielius-landsbergis/
23. Ibid.
24. https://apnews.com/article/russia-ukraine-putin-taiwan-china-beijing-24a51164e0b0a849c33b83dcc92fb1e1
25. https://www.reuters.com/world/asia-pacific/china-downgrades-its-diplomatic-ties-with-lithuania-over-taiwan-issue-2021-11-21/
26. Ibid.

27. Ibid.
28. https://www.reuters.com/world/asia-pacific/china-downgrades-its-diplomatic-ties-with-lithuania-over-taiwan-issue-2021-11-21/
29. https://www.euractiv.com/section/eu-china/news/china-downgrades-diplomatic-ties-with-lithuania-over-taiwan/
30. https://www.reuters.com/article/china-lithuania-trade-idUSKBN2II0Y7
31. https://www.reuters.com/world/china/exclusive-china-asks-germanys-continental-cut-out-lithuania-sources-2021-12-17/
32. Ibid.
33. https://www.reuters.com/world/europe/german-big-business-piles-pressure-lithuania-china-row-2022-01-21/
34. Ibid.
35. Ibid.
36. https://www.euractiv.com/section/politics/short_news/czech-officials-threatened-by-china-over-ties-with-taiwan/
37. https://www.lrt.lt/en/news-in-english/19/1162181/taiwan-donates-100-000-face-masks-to-lithuania
38. https://www.laisvespartija.lt/wp-content/uploads/2020/06/Laisv%C4%97s-partijos-2020-m.-Seimo-rinkim%C5%B3-programa.pdf pg. 138; https://www.taiwannews.com.tw/en/news/4049878
39. https://www.washingtonpost.com/world/2022/01/06/taiwan-china-lithuania-beer-chocolate/
40. Ibid.
41. https://en.rti.org.tw/news/view/id/2006829
42. https://www.15min.lt/verslas/naujiena/finansai/lietuvos-verslas-nepastebejo-taivanieciu-milijonu-662-1564610
43. https://www.euronews.com/2022/01/04/opening-a-taiwan-representative-office-was-mistake-says-lithuanian-president
44. Ibid.
45. Ibid.
46. https://www.lrt.lt/en/news-in-english/19/1599172/lithuanian-president-urges-to-fix-taiwan-office-name
47. https://www.lrt.lt/en/news-in-english/19/1586875/most-lithuanians-critical-of-vilnius-china-policy-survey
48. Ibid.
49. https://focustaiwan.tw/business/202205200018 ; https://focustaiwan.tw/politics/202206210010
50. https://www.reuters.com/world/asia-pacific/taiwan-launch-1-bln-lithuania-credit-fund-amid-beijing-pressure-2022-01-11/
51. https://www.bbc.com/news/business-59890338
52. https://focustaiwan.tw/sci-tech/202206140026
53. https://urm.lt/default/en/news/the-expansion-of-export-markets-increases-lithuanias-resilience-to-geopolitical-challenges-1
54. Ibid.
55. Ibid.
56. https://www.channelnewsasia.com/world/lithuania-september-opening-taiwan-office-china-exports-zero-2748406
57. https://www.norway.no/en/missions/nato/norway-nato/ ; https://www.efta.int/about-efta/european-free-trade-association
58. https://securingdemocracy.gmfus.org/what-the-united-states-can-learn-from-chinese-economic-coercion-in-south-korea-australia-and-taiwan/
59. https://thediplomat.com/2015/09/china-is-recreating-the-american-hub-and-spoke-system-in-asia/ ; https://moderndiplomacy.eu/2020/11/01/chinas-strategy-to-divide-asean-an-assessment/
60. https://ec.europa.eu/commission/presscorner/detail/en/IP_22_627
61. https://trade.ec.europa.eu/doclib/docs/2021/december/tradoc_159958.pdf, pg. 1
62. https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/729299/EPRS_BRI(2022)729299_EN.pdf pg. 8
63. https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/729299/EPRS_BRI(2022)729299_EN.pdf pg. 4

64. https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/729299/EPRS_BRI(2022)729299_EN.pdf pg. 9
65. https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/729299/EPRS_BRI(2022)729299_EN.pdf pg. 6
66. https://www.csis.org/analysis/chinas-economic-coercion-lessons-lithuania
67. https://www.ft.com/content/50e8b6c0-e913-4464-b7ed-a89e22a71274
68. https://thediplomat.com/2022/06/czech-senate-president-milos-vystrcil-on-china-taiwan-and-the-161/
69. https://www.voanews.com/a/slovenian-trade-group-reports-chinese-backlash-after-pm-praises-taiwan-/6411328.html
70. https://www.ndtv.com/world-news/taiwan-delegation-irks-china-with-eastern-europe-tour-2583783
71. https://apnews.com/article/russia-ukraine-business-beijing-economy-europe-f904dfdf7f17cf1259b34d91d226d353
72. https://www.bloomberg.com/news/articles/2022-06-20/eu-china-aim-for-talks-in-next-few-weeks-ambassador-says
73. https://ec.europa.eu/commission/presscorner/detail/es/ip_20_2542
74. https://www.eeas.europa.eu/sites/default/files/documents/EU-China_Factsheet_01Apr2022.pdf pg. 1
75. https://www.scmp.com/news/china/diplomacy/article/3178237/eu-upgrade-trade-ties-taiwan
76. https://www.scmp.com/news/china/diplomacy/article/3156345/eu-shelves-taiwan-trade-upgrade-amid-high-wire-balancing-act?module=inline&pgtype=article
77. http://en.kremlin.ru/supplement/5770
78. https://securingdemocracy.gmfus.org/chinas-state-media-and-government-officials-are-backing-russia-on-ukraine-war/
79. https://www.telegraph.co.uk/business/2022/03/22/beijing-tells-chinese-firms-russia-seize-economic-opportunities/
80. Ibid.
81. https://public-inspection.federalregister.gov/2022-14069.pdf pg. 6-7
82. https://www.reuters.com/business/energy/russia-sets-deadline-rouble-gas-payments-europe-calls-it-blackmail-2022-03-31/
83. https://www.ft.com/content/b193dc11-5069-41f5-ba86-2a83ea78f911
84. https://www.wilsoncenter.org/blog-post/chinas-strategic-calculations-russia-ukraine-war
85. https://www.bbc.com/news/business-56093378
86. https://www.dw.com/en/the-eus-risky-dependency-on-critical-chinese-metals/a-61462687
87. https://ustr.gov/about-us/policy-offices/press-office/press-releases/2014/March/US-wins-victory-in-rare-earths-dispute-with-China
88. https://www.lrt.lt/en/news-in-english/19/1593215/china-sanctions-vs-taiwan-investments-lithuania-s-central-bank-weighs-economic-impact
89. https://ec.europa.eu/eurostat/statistics-explained/index.php?title=China-EU_-_international_trade_in_goods_statistics#:~:text=The%20three%20largest%20exporters%20to,in%20its%20extra%2DEU%20exports.
90. Ibid.
91. https://merics.org/en/report/mapping-and-recalibrating-europes-economic-interdependence-china
92. https://www.lrt.lt/en/news-in-english/19/1659484/german-investors-in-lithuania-refrain-from-comments-about-alleged-chinese-pressure
93. https://www.visualcapitalist.com/visualizing-the-94-trillion-world-economy-in-one-chart/
94. https://ecfr.eu/publication/tough-trade-the-hidden-costs-of-economic-coercion/
95. https://ecfr.eu/article/the-eus-geo-economic-revolution/

Cover photo: Go Vilnius.

hinrich foundation
advancing sustainable global trade

The Hinrich Foundation is a unique Asia-based philanthropic organization that works to advance mutually beneficial and sustainable global trade.

We believe sustainable global trade strengthens relationships between nations and improves people's lives.

We support original research and education programs that build understanding and leadership in global trade. Our approach is independent, fact-based and objective.

MEDIA INQUIRIES

Ms. Emerson Liu,
Marketing Executive
T: +852 9202 4208
emerson.liu@hinrichfoundation.com

There are many ways you can help advance sustainable global trade. Join our training programs, participate in our events, or partner with us in our programs.
inquiry@hinrichfoundation.com

Receive our latest articles and updates about our programs by subscribing to our newsletter

hinrichfoundation.com

hinrichfdn
hinrichfoundation
hinrich foundation
hinrichfoundation

Disclaimer: