

LITHUANIA'S SECURITY AND FOREIGN POLICY STRATEGY

White Paper

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Introduction: Strategic Overview of Lithuania

Importance of Lithuania and the Region

Lithuania straddles two important European sub-regions: the Nordic-Baltic and the Central European, and it borders on the Russian centered Commonwealth of Independent State (CIS). These three sub-regions are characterized by significant diversity in terms of political stability, democratic progress, and economic development. While the first two zones are steadily becoming an essential part of a "Greater Europe," the CIS area remains essentially unpredictable and a potential source of instability. In order to consolidate the Baltic-Central European regions and to generate stability eastward toward the CIS area, Lithuanian security is vital for the progress of European integration. This itself is an important American strategic interest.

Lithuania forms a link between North and Central Europe: Lithuania's position enables the country to play a major role both in north-south and west-east relations. Unlike the West-East division that has engendered persistent conflict between Europe and Russia, northern and central Europe have remained closely interconnected throughout modern history. There are no major issues of dispute, whether over territory, minorities, maritime access, military posture, strategic resources, or international trade between countries in the two regions.

However, during the Cold War, the two zones were internally divided and territorially incomplete. Both Central and Northern Europe were fractured by the East-West conflict and by the hegemonic ambitions of the Soviet Union. Central European coherence was finally consolidated with the entry of Poland, Hungary, and the Czech Republic into the North Atlantic Treaty Organization (NATO) in 1999. Similarly, the process of Northern European consolidation will be completed by the inclusion of the Baltic States into the key security institution, the NATO alliance, as well as in the evolving continental political-economic alliance, the European Union (EU).

Lithuania spans the Baltic-Central European region. The Central European and Baltic regions overlap in terms of historical experience, continental identity, cultural continuity, political evolution, and economic development. The Baltic littoral has for centuries constituted a component part of the continental core, and each of the three Baltic states have been part of wider European dominions, whether German, Swedish, Danish, or Polish. Lithuania itself is one of the oldest states in Central Europe and the Polish-Lithuanian Commonwealth once constituted one of the largest European kingdoms. Lithuania's traditions, cultural values, political structure, and economic activities closely resemble those of other Central European states that were afforded the opportunity to develop into thriving and prosperous democracies.

Soviet occupation between 1940 and 1991 stifled the economic development and national security of the Baltic states. After the disintegration of the Soviet Union in 1991, Lithuania's

position as a bridge between the Baltic and Central European regions has been revived and reinforced. Lithuania maintains close relations with its two northern Baltic neighbors, Latvia and Estonia, is a primary strategic partner for Poland, has established highly productive ties with Germany and the Scandinavian countries, maintains a policy of active engagement vis-à-vis Russia, Belarus and Ukraine, and plays an increasingly important role in the Baltic and northern European region as a whole. Due to its far-reaching economic and political reforms and its extensive cooperation with neighbors, Lithuania has established itself as a springboard for democratic and free market transformation eastward: to Russia, Belarus and Ukraine.

The Baltic Sea region is not a discrete geographic unit separate from nearby European zones. Indeed, the Baltic littoral consists of three closely interconnected geo-strategic components: the NATO states of Germany and Poland, the secure neutrals of Sweden and Finland, and the three NATO aspirants of Estonia, Latvia, and Lithuania. The neutrals themselves are likely to become Alliance members in the decade ahead. The Baltic region also includes Russia's northwest regions of Kaliningrad and Leningrad.

The strategic significance of the Baltic Sea region revolves around three main issues. First, it forms the core of north central Europe, a link between three land masses – the Scandinavian, Central European, and North East European. As Central Europe's only inland sea, the Baltic forms a vital hub of transportation and commerce across the heart of the European continent. Second, the Baltic region is an important zone of trans-national cooperation that links disparate states, ethnicities, cultures, and social systems and provides the foundation for more extensive and intensive cooperation, harmonization, and integration. And third, the Baltic Sea region is the primary geopolitical and economic area where Russia meets the West (the European Union and NATO), both of which are enlarging.

The Baltic Sea region contains enormous potential, including rich natural and human resources, a highly skilled labour force with a high-tech orientation, excellent transit opportunities, and an environment attractive for investment. The region has become an example to other parts of Europe for promoting closer regional cooperation. EU membership for the Baltic states will positively influence this process and many issues that are now regulated by separate legislation will be resolved according to EU law. This will leave ample space for trilateral Baltic co-operation as the three Baltic countries will be better able to address their common interests within the EU.

The permanent security of the Baltic Sea region is a vital component of European security. Its completion and assurance would guarantee uninterrupted communications, trade, and population movements and boost prosperity throughout a wider region. It would promote confidence and enhance cooperation between all Baltic littoral states and their neighbors. It would also contribute towards new Russia- NATO relationship and closer cooperation between Russia and the EU. And it will thereby significantly contribute to the emergence of a united Europe. Ultimately, the concept of "regional security" has limited value without a broader form of inter-regional and continental security guaranteed by the most effective trans-Atlantic security organization. In reality, the regionalization or compartmentalization of security could undermine the urgency of NATO membership, weaken the trans-Atlantic link, and actually promote regional uncertainty and instability.

EU and NATO Involvement

EU and NATO initiatives in the Baltic region are complementary, particularly through the EU's Association Agreement (AA) and NATO's Membership Action Plan (MAP). With regard to the AA, the Copenhagen European Council in 1993 decided that associated countries would become members of the Union when they met specific membership criteria. These include the stability of institutions guaranteeing democracy, the rule of law, human rights and protection of minorities; the existence of a market economy and the capacity to cope with competitive pressure and market forces within the EU; and the ability to assume the obligations of membership including adherence to political, economic and monetary union. To this effect, the European Commission

established an AA with Lithuania on 12 June 1995, which outlines a framework for Lithuanian integration and measures that the Lithuanian government must implement.

NATO's MAP process, introduced in 1999, was designed to assist all NATO aspirants in developing their armed forces and military capabilities so they could operate with the Alliance under its new Operational Capabilities Concept (OCC). The MAP cycles laid out specific priorities and targets for NATO candidates that could be measured by the Alliance and would enhance military reforms and inter-military interoperability. MAP encouraged inter-ministerial coordination, parliamentary involvement, and international cooperation. The MAP process proved instrumental in preparing aspirant countries for the rigors of NATO membership. Lithuania has made significant progress in pursuing economic and political reforms. It has consolidated its democratic institutions, instituted legal reforms, and opened its economy to outside competition. Vilnius has also assumed responsibility for promoting regional stability by coordinating with neighbors on issues such as border controls, military interoperability, and economic development.

Lithuania has been instrumental in formulating a Baltic position vis-à-vis accession into NATO and the EU. Through membership in both organizations, Lithuania's regional role will substantially increase. Lithuania can play a leading role in securing the Baltic-Central European region, by further engaging with Russia and Belarus and decreasing the potential for destabilization. Lithuania initiated the "Vilnius 10" initiative, a body that aims to coordinate efforts by Northern, Central, and South East-European candidate states to enter the NATO Alliance. Lithuania's central role demonstrates its commitment to being a security coordinator for a much wider European region. As a member of NATO and the EU, Lithuania's constructive role will expand in identifying issues of common concern and seeking bilateral and regional approaches.

1. Independent Lithuania

Historical Overview

The origins of Lithuanian statehood can be traced back to the 13th century and the rule of King Mindaugas, a chieftain who in 1236 managed to unite several disparate tribes into a single entity. In 1385, the Grand Duke of Lithuania Jagiello married the Polish Queen Jadwiga: the Polish-Lithuanian Commonwealth played a significant role in Eastern Europe until in the 18th century when it was divided by more powerful neighbors - Russia, Germany, and Austria. The foundation of the joint state was also undermined by internal conflicts based on emerging ethno-linguistic divisions.

The First World War intensified national tensions, as Lithuania's Conservative and Christian Democrat leaders regarded Poland as an obstacle to the country's development. Some looked for support to Russia whereby Russia's role would increase while reducing the German and Polish influence in the Baltic region. Lithuanian Conservatives expected to overcome Polish dominance in Vilnius and German prevalence in the lower Nemunas lands. They believed that this would create the preconditions for renewing Lithuania's independence. Lithuanian Liberals, largely members of the People's Party and the Social Democrats, had a more moderate attitude toward Poland and were skeptical about Russia, but eventually adopted the Conservative line.

During negotiations after the Bolshevik coup in Russia in October 1917, the Entente states encouraged the declaration of independence by the Baltic nations, which hampered German expansion eastwards and the spread of Bolshevism westwards. On the initiative of the Lithuanian Liberals, the Declaration of the Independence of Lithuania was proclaimed on 16 February 1918. The defeat of Germany in World War One paved the way for the Council of Lithuania to form a government. At the same time, there was no longer any barrier against Polish expansion.

The first government of Augustinas Voldemaras promoted a multi-ethnic or civic principle for internal policy and neutrality in foreign affairs. The transitional constitution established the inviolability of private ownership and sought a concord with the Polonized nobility. Voldemaras's hopes for a "new world order" through the League of Nations were not fulfilled as there was no guarantor of such an arrangement. German and Russian weakness increased the influence of a revived Poland which failed to understand the liberal tendencies in the Lithuanian government and tried to force the Council of Lithuania out of political life. In the summer of 1920, During the Polish-Soviet war, Lithuania retreated from its position of neutrality and adopted a more favorable attitude toward Moscow. When Moscow lost the war, Poland seized Vilnius in October 1920 and posed a serious threat to the independence of Lithuania.

The efforts of the League of Nations to extinguish conflicts in Eastern Europe proved futile, as it did not possess sufficient tools of influence. Lithuania realized that Russia did not feel bound by the Riga agreement signed with Poland in October 1920. Hence, Polish dominance in the region was only temporary. This led both sides oppose any concessions, and thus exacerbated the conflict. The situation was aggravated by the resolution of the Klaipėda problem. Lithuania, in its attempts to avoid any commitments that would benefit Poland, rejected agreement proposed by the Entente states and in 1923 decided to militarily occupy Klaipėda. The stalemate on the international level was mirrored by Lithuania's domestic problems. Social radicalism radiating from Russia affected the formation of the state's legal foundation. In the 1920 parliamentary elections, the moderate conservative program of the Nationalists was defeated. The 1922 Constitution demonstrated moves towards a parliamentary dictatorship. Meanwhile, the land reforms intensified ethnic tensions and impeded the resolution of the conflict with Poland.

Following the Liberal victory in the 1926 elections, the country's problems became more acute, and a presidential coup was staged on 17 December 1926. In the 1930s, with the world moving toward a new war, the self-defense potentials of small states rapidly decreased and they became the objects of intrigues between the major powers. On 22 March 1939, Lithuania was forced to cede Klaipėda to Germany, and in October 1939 it succumbed to Soviet pressure and allowed Red Army bases in its territory. In the summer of 1940, the Union of Soviet Socialist Republics (USSR) encountered practically no resistance as it occupied and eventually incorporated Lithuania in accordance with the modified German-Russian (Ribbentrop-Molotov) pact of August 1939.

The Soviets compelled Lithuania to accept military bases on its territory and they gave Vilnius to Lithuania after it was captured from Poland during the September 1939 campaign. Nazi Germany occupied Lithuania between 1941 and 1944 and exterminated most of the country's Jewish population. Moscow restored its control in 1944 as Berlin lost the war. Spontaneous military opposition against Soviet re-occupation lasted until the middle of the 1950s. After re-occupying Lithuania, the Soviets deported approximately 282,000 people, 70,000 fled to the West, and over 20,000, who were allegedly disloyal to the regime, were murdered. The Soviets also ethnically "cleansed" Vilnius from Poles and Klaipėda from Germans.

The Lithuanian nation became demoralized under Soviet rule. Although the armed resistance was a genuine national liberation movement, Moscow sought to discredit it by alleging that some of the fighters were guilty of collaboration with the Nazis. After the Soviets quelled the armed resistance, the struggle continued in the underground. However, the majority of Lithuanians attempted to reconcile themselves to Soviet rule and tried to alleviate the most extreme manifestations of this imposed dictatorship while developing immunity to Communist ideology.

Although the Soviet system remained totalitarian, it underwent some evolution. In the initial period until Stalin's death in 1953, local political structures were demolished, people were deported to Siberia, while "cadres" from Russia flocked into Lithuania. During the 1960s, the repression somewhat subsided, with a reduction in the percentage of immigrants in positions of authority, and a revival of some elements of traditional culture. Despite its totalitarian character, the Soviet

regime provided some possibilities for the development of a local economy and culture in Lithuania as an administrative unit.

Regaining Independence

Lithuania became the first “Soviet” republic to proclaim its independence on 11 March 1990 in the aftermath of the growing crisis in Moscow. The driving force behind Lithuania’s liberation movement was memories of the independent state that was violently obliterated in 1940. These memories survived through family narratives, history books, and by the attempts of Soviet ideology to wipe them out. The memories were enlivened by the fact that the Western countries, above all the United States, regarded Soviet rule in Lithuania, Latvia, and Estonia as illegal. Washington did not recognize the annihilation of Lithuania in 1940.

Before promoting the restoration of statehood for the Baltic countries, it was necessary to reach international agreement over basic principles. The Final Act of the Helsinki Conference in 1975, which provided for the principle of the inviolability of borders, signified a turning point. The Act provided for the recognition of existing borders and the use of force was outlawed as a method of changing them. Borders could be altered only if democratic rules and the right to self-determination were respected. The Helsinki process established new international principles but it remained unclear how these principles would work in practice once the process of democratization began.

Soviet leader Mikhail Gorbachev launched reforms in the Soviet Union in the late 1980s. Under pressure from the Baltic intelligentsia and a segment of the Russian intelligentsia, he became convinced that he was too weak to shatter public opposition to Communism while historical truths remained hidden. The secret Molotov–Ribbentrop protocols from 1939 was the most vulnerable blank-spot that directly concerned the Baltic states. Soviet ideology suffered devastating blows from the exposure of Moscow’s foreign policy crimes, which helped to spur the processes of democratization. The difficult questions revolved around the consequences of this emancipation. They could help Gorbachev to remove some high-ranking Soviet officials, but they could also threaten the territorial integrity of the USSR. Moscow reformers decided to take the risk, believing that the political turmoil in the Baltic republics would subside.

In 1989, owing largely to impulses from within the USSR, the disintegration of the Soviet empire in Central-Eastern Europe began. National movements in Lithuania, Latvia, and Estonia were in the vanguard of democratization. At the end of 1989, almost every former “Socialist Republic” had its sovereignty restored. U.S. secretary of state James Baker announced that the issue of borders had to be resolved in accordance with the Helsinki principles. Soon afterwards two directly interested parties, the Chairman of the Lithuanian parliament Vytautas Landsbergis and Poland’s Foreign Minister Bronislaw Geremek, made similar statements, thus minimizing the likelihood that a revision of borders would take place.

In early 1990, Gorbachev attempted to consolidate power by enacting changes in the Soviet constitution and establishing the Office of State President. He also issued threats against Lithuania that in case of secession, the Soviet authorities would dispute Lithuania’s rights to Vilnius and Klaipėda. On 24 February 1990, democratic elections were held for the Lithuanian Supreme Council. Representatives of the democratic independence movement, *Sąjūdis*, received an absolute majority of votes. Thus, in a formal sense, the institution set up by the Soviet authorities became a genuinely democratic representation of the Lithuanian people.

Lithuania could have chosen one of two routes toward independence. The first was the “constitutional option.” On 7 February 1990, the Supreme Council passed a resolution that the declarations of 1940, on the basis of which Lithuania became a part of the Soviet Union, were unlawful. The resolution proposed that the USSR enter into bilateral negotiations on restoring

Lithuania's independence, but Moscow did not react to the proposal. If Lithuania had taken this path, it would have had to solve the issue of restoring independence directly with Moscow on the basis of the Law of Secession. Passed on 15 March 1990 at the Soviet Congress of People's Deputies, this Law contained provisions, which made the law more apt to be referred to as that of "non-secession."

The second option was "restitution." According to this option, the entire Soviet period had to be outlawed and Lithuania had to be restored along the lines of the inter-war Constitution. The logic of this option inspired expectations that the international recognition of Lithuania would be re-established *ipso facto*. This second option was chosen and signals coming from the U.S. influenced the decision. For half a century, Washington stood by its policy of non-recognition and kept alive the hope of the Baltic states that they would once again become independent. Yet the signals were sometimes ambiguous. At an official level, Washington advised Lithuanians to remain moderate and warned that should real conflict with Moscow erupt, no assistance was to be expected. Unofficially, however, Vilnius was urged to act resolutely and this advice was followed.

Soon after the Lithuanian Supreme Council adopted the Declaration restoring independence on 11 March 1990, it became clear that the U.S. had no immediate intention of recognizing Lithuania and that only moral support was to be expected from abroad. The U.S. administration described its position as driven by the provision that recognition required an entity to control its territory. At a more fundamental level, the U.S. was not prepared to enter into a serious discussion with Moscow on the restoration of Lithuania's independence, as this would have affected major changes throughout the region.

In the autumn of 1990, the international environment became favorable for Moscow to use repression against Lithuania. However, open aggression was not applied as a democratically elected government was functioning in Lithuania. The Kremlin had to engage in camouflage to discredit the Lithuanian authorities. Pro-Moscow elements, with the help of Soviet military forces, were given the role of restoring law and order. However, during the bloody events of January 1991, the world witnessed Soviet soldiers killing unarmed Lithuanians trying to bloc access to governmental institutions. Gorbachev was forced to halt the repressive measures as the international community displayed opposition to Soviet actions.

The processes of democratization in Moscow gave further impetus for the independence struggle. Part of the Soviet elite, with Boris Yeltsin as their leader, understood that Gorbachev's vision of a "renewed Soviet Union" was illusory. They decided to establish parallel power structures and denounce Soviet ideology. Lithuania's decision to open a dialogue with Yeltsin strengthened this tendency. On 29 July 1991, Landsbergis and Yeltsin signed a Treaty in Moscow. According to this Treaty, the two countries, on the basis of the principles of the Final Act of the Helsinki Conference, recognized each other to be rightful subjects of international law and sovereign states. Moreover, the Treaty established the necessity to "remove those consequences of annexation of 1940, which violate the sovereignty of Lithuania."

On 19 August 1991, Soviet reactionary groups tried to depose the democratic structures by force, but the Moscow putsch failed. The events demonstrated the failure of Gorbachev's vision of a "renewed USSR." The initiative was taken by Yeltsin who recognized the applicability of the Helsinki principles in the Soviet Union as well. Thus, the regime of international relations based on the Helsinki principles crossed the borders of the former Soviet Union. In the aftermath of the August 1991 putsch Lithuania was recognized by the international community and the greatest threats to independence were overcome.

Political Developments

With the proclamation of restored statehood on 11 March 1990, Lithuania embarked on its path toward a modern democracy. In the late 1980s the pre-war political parties started to recover, yet the highest legislative institution, the Supreme Council of Lithuania (*Seimas*), elected in February 1990 during Soviet times, only remotely resembled a Western-type parliament. It included many members of the Lithuanian Communist Party (LCP), which in December 1989 broke away from the Communist Party of the Soviet Union. Many of these activists subsequently left the LCP. The majority of parliamentarians did not belong to any political party and a clearly defined opposition was absent. Due to conditions of acute confrontation with Moscow, which refused to recognize the Lithuanian state, an open and organized opposition to the parliamentary majority and its Chairman Vytautas Landsbergis would have been regarded as disloyal to the newly restored state.

From 1990 until 1992, the key task of the Supreme Council was to implement statehood by passing new laws and establishing appropriate institutions, including a Ministry of Foreign Affairs, which in Soviet times performed a decorative function, and a Ministry of Defense. Practically all political power was concentrated in the *Seimas* and it regarded the institutions of executive power with mistrust. Although the formation of parliamentary factions started quite soon, these generally were not representative of existing political parties. Instead, the factions spawned the formation of new parties. The key task of the Supreme Council was to implement statehood by establishing appropriate institutions, including a Ministry of Foreign Affairs, which in Soviet times performed a decorative function, and a Ministry of Defense.

In March 1990 the leader of *Sajūdis*, Vytautas Landsbergis, was elected chairman of parliament and played an important role in efforts to restore Lithuanian statehood. He proved tough and stubborn in dealings with the Soviet Union and was very active in West, seeking support for Lithuania's cause. By the end of 1991, the internal political situation underwent a rapid change and the so-called "New Majority" coalition emerged in parliament. It turned against Landsbergis and Prime Minister Gediminas Vagnorius. *Sajūdis* became increasingly sectarian while it lost popular support; two years later it practically disappeared from the political scene. In July 1992, parliament sacked premier Vagnorius who was replaced by Aleksandras Abišala. There was broad agreement about the need for new elections, and for a permanent constitution to replace the Provisional Basic Law of the Republic of Lithuania adopted by parliament on 11 March 1990.

The Provisional Basic Law had several shortcomings. More than 60 amendments were adopted during the following two years. The Law determined that Lithuania was to be an independent and democratic parliamentary republic but the functioning of the state was hampered without a coherent instrument of governing. The need for a new and permanent Constitution became acute after Lithuania was recognized by the international community. Two draft constitutions were produced: one resulting from the work of the Constitutional Commission, established by the Supreme Council, and the other proposed by *Sajūdis*. The first was a draft constitution for a parliamentary republic, the second for a presidential republic.

After *Sajūdis* leaders lost control of parliament, it became clear that the Supreme Council would not accept a strong presidency. Supporters of Landsbergis aimed to adopt, through referendum, a draft law on the presidency on the basis of which the president would have extremely wide powers. Members of the "New Majority" argued that such a president would become a dictator and did not want Landsbergis to dominate political life. In the referendum only 42% voted for a strong presidency.

On 25 October 1992, the new Constitution was adopted by popular vote. It presented a clearer definition of human and civil rights. A Constitutional Court was introduced, thus strengthening the third branch of government and applying the principle of the separation of powers. The Lithuanian president had a relatively wide range of mostly nominal powers. The President shaped foreign policy by setting basic policy issues, implementing them together with the Cabinet. He or she

appointed the Prime Minister, upon parliamentary approval, and approved the composition of the government. The President was the Commander-in-Chief of the armed forces and headed the State Defense Council. In domestic policy, presidential powers were more limited and although the President possessed a right to dissolve parliament, a newly elected parliament could also announce an early presidential election. The new Constitution created a firm basis for Lithuania's statehood and played a stabilizing role in political, economic, and social developments.

In the October 1992 parliamentary elections, the Landsbergis-led forces won only 52 out of 141 seats. The Democratic Labor Party (DLP) (former pro-independence Communists) won 73 seats and held an absolute majority. The main opposition parties became the newly founded Homeland Union (Lithuania's Conservatives), led by Landsbergis and Vagnorius, and the Christian Democrats, led by the former Minister of Foreign Affairs Algirdas Saudargas. The 1992 election campaign, unlike the 1990 vote, was a confrontation between two opposing and clearly defined political forces. The DLP was indebted to its popular leader, Algirdas Brazauskas, regarded as a relatively liberal communist who understood Lithuanian aspirations. In February 1993, Brazauskas was elected President by popular vote. In March 1993, the care-taker government, under Bronislavas Lubys, was replaced by a permanent government under the new leader of the DLP, Adolfas Šleževičius.

In the following years political tensions substantially subsided. Russian troops were pulled out of Lithuania in August 1993. There were several significant achievements in foreign policy. Cooperation with the other two Baltic states was strengthened. A treaty with Poland was signed during the first visit by the President of Poland to Lithuania in the spring of 1994 and was ratified by both parliaments in the fall of that year. This treaty opened up new opportunities for cooperation not only with Poland but also with other Visegrád countries. In January 1994, Lithuania was one of the first countries to sign the Partnership for Peace (PfP) with NATO and became an associate member of the EU in January 1995.

The opposition did not question the main goals of Lithuania's foreign policy – integration into the EU and NATO – but was concerned about the development of relations with Russia, especially with the problem of military transit to and from the exclave of Kaliningrad. From 1993, Russia's military transit to Kaliningrad was based on a temporary agreement, which expired on 31 December 1994. Russia was eager to conclude a new arrangement. Many Lithuanian politicians were convinced that this would bind Lithuania to Russia politically and militarily thus violating the Constitutional Act on the Non-Alignment of Lithuania to Post-Soviet alliances. On 18 January 1995, Lithuania agreed that Russia's military transit would be continued according to regulations established in the 1993 agreement on the withdrawal of Russian troops from Germany.

In 1995, the Labor government faced mounting difficulties, as the bulk of the population did not feel any economic improvement. Some complained about the ineffectiveness of the tax system which resulted in delays in pension payments, the decay of the health care system, the rise of violent crime, the growth of foreign debt, and the diminishing rate of foreign investment. In the 1996 parliamentary ballot, the electorate voted overwhelmingly against the ruling party. The Social Democrats, Center Union, Liberals and other small parties aspiring to form a strong center did not manage to gain substantial popular support. The Homeland Union and Christian Democratic Party formed a coalition government. Notwithstanding the economic difficulties, a constitutional transfer of power for the second time to the opposition signaled one more important step on Lithuania's road to democracy.

During the first years of statehood, a functioning party system was formed. The best organized was the DLP. Other parties included the Lithuanian Social Democratic Party, the oldest party in Lithuania, established in the 19th century and reborn in 1990. The right wing was represented by the Homeland Union (Lithuanian Conservatives), under the leadership of Landsbergis, and the Christian Democratic Party. The Center Union and the Liberal Union constituted the centrist bloc. The policies of successive governments, although representing different parties, demonstrated significant continuity in foreign policy, as well as in social and economic issues.

The 1997 presidential election was won by American-Lithuanian, Valdas Adamkus, whose greatest supporters were the centrist parties. His main rival was the former Prosecutor General Artūras Paulauskas who was backed by Brazauskas. The government headed by Gediminas Vagnorius resigned in 1999 with an ensuing split in the Conservative Party. The post of president was briefly occupied by the Conservative Rolandas Paksas, who resigned after a few months as a result of a disagreement over the privatization of a major Lithuanian enterprise. In the parliamentary elections of 2000, the greatest number of votes were cast for the DLP-Social Democratic Coalition led by Brazauskas. The two parties merged to form the Lithuanian Social Democratic Party under the leadership of Brazauskas. Subsequently, the New Policy coalition, including Liberals, Social Liberals, Centrists, and the Modern Christian Democrats, formed a majority in parliament and established a new government. Paulauskas was elected Chairman of the *Seimas*. In 2001, the Social Liberals formed a coalition with the Social Democrats. Brazauskas became the Prime Minister of the new coalition government. Presidential elections were scheduled for the end of 2002.

The 1992 Constitution created a favorable basis for Lithuania's democratic development. Although in the semi-presidential or parliamentary-presidential republic there was a possibility of conflict between the President and the government, these conflicts have never been intense. Lithuania developed into a politically stable state that was successfully accomplishing its privatization program. The economy steadily grew and average living standards increased. The tensions that existed in 1990-1993 between Lithuanian and Polish minority leaders abated. There was little strain in relations between Lithuanians and Russians.

Improvements in the legal system have also significantly progressed with the adoption of the Civil Code and the Criminal Code. A National Anti-Corruption Strategy has also been devised to combat corruption. An exceptionally liberal law on citizenship was adopted in 1989 providing for an unconditional right for all permanent residents to become citizens. The attribution to the Lithuanian language the status of an official language did not provoke any major disputes, as an absolute majority of Poles and Russians were able to communicate in Lithuanian. An independent media was successfully functioning, while political, religious and non-governmental organizations could pursue their activities unrestricted. Solid foundations were also laid for Lithuania's civil society. The stable internal political situation created favorable conditions for implementing a consistent foreign policy. All parliamentary parties supported the strategic goals of Lithuanian foreign policy as well as the principles of economic development based on a market economy.

Economic and Social Developments

Lithuania has registered an annual Gross Domestic Product (GDP) growth rate of over 5%. It has decreased its current account deficit to 6% of GDP; achieved considerable fiscal and monetary discipline; decreased its inflationary pressure; almost completely privatized all sectors of the economy; increased the private sector contribution to GDP to 72%; achieved a respectable level of foreign investment; maintained macro-economic stability; and limited state subsidization of the economy to 0.2% of GDP. A permanent national currency, the *litas*, was introduced in 1993. The rate of inflation substantially diminished, from 189% in 1993 to 35% in 1995. At the beginning of 1994, the *litas* was pegged to the U.S. dollar at a rate of four to one and this rate of exchange remained unchanged until February 2002 when the *litas* became pegged to the *Euro*.

In recent years, Lithuania has experienced a stable macro-economic environment with sustainable economic growth. After undergoing an economic recession during the initial period of structural reform following the financial crisis in Russia in 1998, the Lithuanian economy recovered in 2000 and entered a period of accelerating GDP growth of 5.9% in 2001. Growth was particularly impressive given that many of the world's economies were nearing a recession. Most forecasts predict a continuing GDP growth of around 4-5% in the coming years and about 5.6% by 2005.

The stable macro-economic environment has been crucial in creating conditions for economic growth. Inflation was reduced significantly after the mid-1990s and remained at a very moderate level, remaining below the EU average. The stable monetary policy, based on the currency board introduced in 1994, could be credited for rapid macro-economic stabilization. The stability and credibility of the monetary policy was tested when the national currency, the *litas*, was re-pegged from the U.S. dollar to the *Euro* in February 2002. This change took place smoothly and was judged a success by the International Monetary Fund (IMF) and independent rating agencies. The re-pegging of the currency constituted another step towards joining the EU, which is the main trading partner and source of foreign direct investment in Lithuania.

The relatively liberal foreign trade regime has been one of the main factors behind the recovery of the Lithuanian economy after the initial transition. The acceleration of foreign trade was one of the driving forces behind GDP growth in 2001. In 2000, Lithuanian exports grew by 27% while imports increased by 13% in comparison to the previous year. During 2001, Lithuania's exports grew by around 20% and imports by 16% in comparison with 2000. These were impressive indicators in the context of the slowdown of the world economy.

The EU accounts for approximately half of Lithuania's foreign trade turnover and its share has been increasing in absolute terms throughout the decade. This is the result of the liberalization of foreign trade policies, which took place in 1992-1993, and the reorientation of trade flows, as well as the gradual introduction of a free trade regime between the EU and Lithuania after 1995. If Lithuania's trade with other EU candidate countries is included, the total share of foreign trade with a larger EU reached around 75%. Russia remained the fourth largest market for Lithuanian exports after Great Britain, Germany, and Latvia, and the main supplier of energy such as oil and gas. Lithuania's geographic position makes it a natural trading partner of both the EU and Eastern Europe and allows its companies to diversify their markets. The ability to diversify and to exploit comparative advantages allows for softening the impact of recession in some of the surrounding regions. The fact that Lithuania's exports to CIS increased by 46% in 2001 illustrates this diversification. The major exports to the EU include textiles, mineral products, machinery, chemical products, wood, and furniture.

Several features demonstrate the open nature of Lithuania's foreign trade regime. Currently, Lithuania has free trade agreements with almost 30 countries, including the EU, most EU candidate countries, and members of the European Free Trade Association (EFTA). Over 70% of Lithuania's trade takes place on the basis of the free trade regime, while the trilateral free trade area of the Baltic states is one of the few regional blocks that trades freely in industrial and agricultural products. The average import customs duty for industrial products applied by Lithuania (around 2.5%) is among the lowest in Central-Eastern Europe and lower than the ones applied by the EU.

At the end of May 2001, Lithuania became a member of the World Trade Organization (WTO). This was a logical extension of the open trade policies conducted since the start of the reforms. The process of liberalization took place parallel with privatization and the reduction of the role of state in the economy. After the first stage of voucher privatization in 1991 and the second stage of direct sales in 1995, above 70% of GDP was produced in the private sector. Privatization was one of the main methods for attracting foreign direct investment. The inflows accelerated in recent years and equaled 4.5% and 3.3% of the country's GDP in 1999 and 2000 respectively. The cumulative foreign direct investment inflows during the decade up to 2000 constituted about \$2.387 billion. As of October 2001, total foreign direct investment comprised \$2.6 billion US, while the share per capita was \$746 USD. The largest part of foreign direct investment went to manufacturing (26.8%), the wholesale and retail trade (20.4%), financial intermediation (19.2%), and communication services (15.4%).

Privatization was accompanied by a reduction in the role of the state in the economy. Budgetary subsidies decreased from 1.7% of GDP in 1994 to 0.2% in 2000. The legal environment of the market was based on the competition law, harmonized with EU competition norms and the principles of regulation applied in the Single Market. The reduction of state participation in the economy contributed significantly to an increase in macro-economic stability. Measures taken by several Lithuanian governments after the 1998 economic slowdown were particularly important for the reduction of the fiscal deficit and current account imbalances. Reduction of the fiscal deficit, by restricting public expenditures, was complemented by reductions in the state debt, which equaled 28.8% of GDP in 2000 and was expected to remain below 30% in the coming years. The reduction of fiscal imbalances combined with economic growth contributed to a significant reduction in the current account deficit.

A stable monetary policy, open trade relations, and a restrictive budgetary policy have contributed to macro-economic stability and economic growth. The main economic policy measures currently undertaken include the restructuring of the infrastructure sectors, such as energy, railways, and air transport; privatization and competition in sectors still under state monopolies; and the establishment of a regulatory framework in line with the EU's *acquis communautaire*. The privatization of the banking sector was completed in 2002 with the last state owned bank purchased by a foreign investor. The banking sector is dominated by foreign investors from EU countries. The increased credibility of government fiscal policies was evident in Lithuania's credit ratings being upgraded. In February 2002, both Moody's and Fitch rating agencies upgraded their ratings from stable to positive. They regarded Lithuania as having a stable macro-economic environment, credible monetary policies, and a positive economic outlook.

One of the remaining issues on the economic and social policy agenda is the relatively high level of unemployment. It peaked twice during the 1990s, reflecting the impact of structural changes in the economy as a result of initial liberalization and restructuring, and after the financial crisis in Russia and the sharp decrease in demand for Lithuanian products in CIS markets. However, signs of stabilization and a potential for a decrease in unemployment are now evident. The rate of unemployment will depend on economic growth rates and the creation of new businesses. Market entry is still hampered by complicated requirements for company registration and licensing, although steps to improve the regulatory environment are being undertaken under the *Sunrise initiative*. In 2001, the demand for labor recovered, indicating a potential for medium and long-term employment opportunities. The level of unemployment is expected to come down to 8.4% by 2005, according to the Lithuanian Ministry of Finance.

Although the standard of living is still considerably lower in Lithuania than in the EU, average monthly earnings increased during 2001 and exceeded \$250. The poverty level in Lithuania encompassed about 16% of the population in 2000, down from 18% in 1996. Expenditures on health and education increased throughout the decade from 7.8% of GDP in 1993 to 11.1% in 1999. Both the health and education fields are currently undergoing reforms aimed at making them more capable of meeting the needs of Lithuanian society, increasing the quality and efficiency of these services. During the 1990s, basic school enrollment increased to around 96%. Life expectancy at birth in Lithuania also increased slightly to the average of 72 years.

Each Lithuanian government has to maintain macro-economic stability and the country is catching up with the EU in terms of GDP per capita. Property rights are well established, privatization is nearing its completion, and the foundations for the institutional structure of market supervision based on EU principles are being laid. According to the European Commission Progress Report of 2001, Lithuania is a functioning market economy, which can cope with competitive pressure and market forces within the Union in the near term. In addition, Freedom House, in its 2001 Nations in Transit Report, concluded that Lithuania has established a solid foundation for a market economy and has made significant progress in the areas of macro-economic stability, privatization, and liberalization. Accession into the EU will further consolidate the market structures needed for sustainable economic growth.

Minority Issues

National minorities are an important part of Lithuanian society and an integral part of Europe's cultural heritage. Minorities include groups that do not belong to the titular nation but have lived in the country for centuries and possess their own language. At present, national minorities constitute 18.2% of inhabitants (674,000). According to data from 1999, Lithuania's population reached 3,700,800 composed of the following ethnic groups: Lithuanians, 81.8% (3,026,800), Russians 8.1% (300,700), Poles 6.9% (255,300), Belarusians 1.4% (52,800), Ukrainians 1.0% (36,500), Jews 0.13% (4,900), other nationalities (Karaims, Tatars, Latvians, Roma) 0.7% (23,900).

The demographic proportions of the national minorities have remained stable and the natural rate of increase of all minority groups is similar. However the lifting of political barriers resulted in the emigration to the West of more than half (5,600) of the country's Jews during the first five years of independence. There was also a temporary increase in the emigration of the Russian minority to Russia and other CIS countries. Between 1989 and 1993, the population of Ukrainians and Belarusians decreased by 6%. After 1993, the emigration rates of ethnic groups slowed down.

Lithuania's national minorities can be divided into several groups. The *territorial minorities* have lived in a certain territory for a long period of time (Karaims and Tatars). The formation of geographically concentrated *frontier minorities* was determined by the change of state frontiers (Poles and Belarusians). *Non-territorial minorities* include migrant ethnic groups (Jews and Roma). The creation of an independent Lithuania turned Ukrainians and some Belarusians into *post-colonial minorities*. There are also *economic migrants* who, in the post-war period, were resettled from Russia, Ukraine, Belarus, and the Transcaucasian countries. As a result, the Russian-speaking population is more urbanized and geographically scattered. Non-Russian people who became closer to Russians through a process of assimilation (Ukrainians, Belarusians, Kazachs) are often referred to under the collective name of Russian-speakers. Especially heterogeneous is the eastern and southeastern part of Lithuania.

Lithuania employs both legal and political tools to ensure the protection of national minorities. These are underscored by laws passed in compliance with international standards. All citizens are guaranteed human and civil rights as well as national minority rights enshrined in the Constitution and in laws on National Minorities, State Language, Education, Citizenship, Public Organizations, Public Information, Religious Communities and Associations, and Political Parties and Political Organizations. Lithuania has ratified the majority of international conventions related to national minorities, including the UN International Pact on Social, Economic and Cultural Rights, and the European Convention on Human Rights and Fundamental Freedoms. In 1995, Lithuania signed the Council of Europe Framework Convention for the Protection of National Minorities, ratified in 2000. Lithuania also recognizes the jurisdiction of the European Court of Human Rights and the European Commission on Human Rights.

Lithuania has concluded and ratified political agreements with Russia, Belarus, Ukraine, and Poland, which have included provisions on minority rights. Vilnius has also adopted a number of legal tools to ensure that minorities can preserve their identity and to encourage their participation in social life. Official integration policy consists of a framework of structural, cultural, and social measures. The level of structural integration is determined by legal status, political participation, education, qualifications, and social position. Lithuanian laws outlaw racial, linguistic, ethnic, or religious discrimination and protect the rights of citizens to foster their culture, religion, language, and traditions. As a result of a liberal citizenship policy under the 1989 Citizenship Law, all residents were enabled to acquire citizenship. Currently, most members of national minorities are citizens and enjoy the same legal status as Lithuanians.

Members of minorities are guaranteed the right to participate in political life by joining political parties and organizations, taking part in elections and referenda, or taking posts in the state

government. Additional positive measures were applied to ensure adequate minority participation in political life. The Law on Elections to the *Seimas* enabled minority political organizations to obtain mandates in parliament without the mandatory 4% vote limit applicable to other parties. Two Russian and two Polish political organizations were established in the early 1990s and their representatives have been elected to parliament and local government.

Nevertheless, some institutional barriers still obstruct national minorities from reaching parliament and they find it difficult to collect the required 5% of votes. Perceptions among the minority electorate that their representatives will have little impact in parliament also encourages political indifference. Minority groups tend to have weak organizational structures and few prominent leaders. The majority of Russians entrust their interests to influential leftist parties. Despite these obstacles, Lithuania's mixed electoral system enables minority representatives to be nominated to the general lists of other political parties.

The economic, political, and social transformations have affected all citizens. Most significantly, the changes were felt by Russians who after enjoying a dominant position during Soviet times found themselves in the status of a minority. The heavy industries, which used to employ many Russians, significantly cut back on labor. A process of social differentiation also remains visible within minority communities. The labor market has generally provided more opportunities for younger people who have learned Lithuanian and acquired educational qualifications, as well as entrepreneurs who maintain close relations with CIS countries. Minority integration is facilitated by knowledge of the official language. Already in 1994, about one third of Russians and a similar number of Poles had a good knowledge of Lithuanian. The total continues to increase so that language is not an obstacle to integration.

To promote the process of integration, Provisions for the Educational Development of National Minorities were implemented in 2001 alongside a project for the advancement of bilingualism in schools. Regarding the media, by 2001 there were 49 periodicals published in the languages of national minorities. Educational programs for national minorities are also broadcast by state radio and television and by private companies. Minority groups have established or joined various non-governmental organizations and cultural centers while the cultural projects of national minorities are often supported by the state.

Lithuania's national minorities do not show tendencies toward cultural assimilation. During the restoration of independence, the national upsurge enhanced their ethnic consciousness. Nevertheless, the majority of minority populations regard Lithuania as their cultural homeland and relate their political identity with that of the state. Minority aspirations have on occasion given rise to tensions with regard to cultural symbolism, the restitution of property rights, administrative restructuring, and political participation. A new ethnic policy concept is expected to be prepared by the government by September 2002 to try and resolve outstanding ethnic problems.

One issue of concern is the situation of some Russians, including the unemployed, former officers, and pensioners, who find themselves on the lowest social level. In order to foster the civic activity of this marginalized population, the implementation of the 1996-2003 programs for the Social Development of eastern Lithuania and for the Support of the Cultural Activity of the National Minority Communities is now underway.

With regard to the Polish minority, their problems have been connected with the relationship between Lithuania and Poland. Relations with Poles residing in the frontier regions were only stabilized in 1994 after the signing of the Lithuanian-Polish agreement, which established a strategic partnership between the two countries. Poland rescinded its policy of pressurizing Vilnius in respect of the Polish *diaspora*, while Lithuania sought to create the preconditions for democratic rights among the Polish minority. Relations with Poles along the border regions could deteriorate following Warsaw's "Program on Poles Abroad" prepared in 2002. The Program commits Poland to supporting and financing organizations among the Polish national minority,

which can act as intermediaries with the state authorities. Minority Poles could thereby exert pressure on both Vilnius and Warsaw.

In order to develop cultural pluralism, it is necessary to improve the social conditions of the Polish minority. This can be accomplished in southeastern Lithuania by promoting profitable farm tourism. Alterations in territorial local government could also be undertaken by transferring some functions of the county administration to the Vilnius and Šalčininkai municipalities. Polish demands over the status of the Polish language could be resolved by eliminating inconsistencies between currently existing laws. If the *Seimas* adopts a more liberal Law on National Minorities, the Polish language problem could be resolved in conformity with the provisions of the Council of Europe Framework Convention for the Protection of National Minorities and the Charter of Regional or Minority Languages.

The problem of land property restitution also needs attention as numerous obstacles persist in the restitution of ownership rights to immovable property. Discontent among Poles could be assuaged by more extensive representation in the central government through direct mandates in parliament and minority quotas in political parties. Another feasible solution might be to increase the number of constituencies in eastern Lithuania to expand Polish representation in the *Seimas*.

Vilnius was a prominent center of Jewish culture. Lithuanian Jews (Litvaks) compose a significant part of the world Jewish community. Less than 4,000 Jews currently reside in the country and the number continues to decrease as a result of emigration and aging. During the period of national revival, the interests of Jews and Lithuanians coincided. Jews could freely express their national aspirations, establish organizations and institutions, including the State Jewish Museum and the Jewish Sholom Aleichem School. However, problems associated with the restitution of property also surfaced as well as questions about Lithuanian responsibility in war crimes during World War Two. It was necessary to tackle the problem of moral responsibility for the genocide against Jews and to accelerate investigations of cases related to war crimes. It was also essential to resolve issues related to the restitution of material property and the transference of items of cultural value.

On 2 May 1990, a Law on the Restoration of the Rights of Persons Repressed for Resistance against Occupational Regimes was passed. On 8 May 1990, Lithuania's Supreme Council adopted a Statement "On the Genocide of the Jewish Nation in Lithuania during the Hitlerite Occupation". It constituted an unconditional condemnation of genocide against the Jewish nation and expressed regret that among Nazi collaborators there were also Lithuanians. On 31 October 1990, parliament proclaimed September 23rd a day of commemoration of the Jewish genocide.

Addressing the Israeli Knesset in 1995, President Brazauskas, on behalf of the Lithuanian nation, made an apology to the Jewish nation. In May 1998, President Adamkus signed a decree on the establishment of an international commission for the investigation of crimes committed by the Nazi and Soviet occupational regimes. In the autumn of 1998, Lithuanian representatives joined the Washington Conference declaration condemning the Holocaust. In early 2002, the Ministry of Foreign Affairs instituted a post of Ambassador for Special Assignments whose responsibility was to pursue relations with the Jewish *diaspora*, Litvak communities, and to maintain relationships with the Jewish community in Lithuania.

All Lithuanian governments have paid due regard to Holocaust education, to the preservation of the Jewish heritage, and the perpetuation of the memory of victims. This theme is included in history textbooks. The Ministry of Education supports Jewish schools and maintains relations with Jewish organizations. In the Stockholm International Forum on the Holocaust in January 2000, Lithuania undertook a commitment to join the nine-country working group on Holocaust education.

The international community remains concerned over legal proceedings against persons charged with war crimes. Lithuania has been accused of avoiding the prosecution of Lithuanian citizens who collaborated with the Nazis. The proceedings of the case of Aleksandras Lileikis in 2000 were the focus of special attention. The Prosecutor General's Office possesses lists of persons who, according to Israeli institutions, were erroneously rehabilitated although they had participated in Holocaust crimes. Lithuania's Prosecutor General's Office and the Supreme Court investigated the list of rehabilitated persons and abolished several unfounded rehabilitations.

The policy of property restitution is implemented in accordance with existing laws. These laws provide for restitution not only to Lithuanian citizens but also to the successors of religious organizations, which existed before 1940. Between 1992 and 1996, 26 buildings, which formerly belonged to Jewish religious organizations, were returned to Lithuania's Jewish community. Although there is still no law to regulate the restoration of property to non-religious organizations, in January 2002, Prime Minister Brazauskas formed a working group to submit draft laws for resolving problems related to the restoration of property to the Jewish community. The attention paid by Lithuania to its Jewish heritage is also evident in efforts undertaken by the authorities to rebuild the remains of the historical Vilnius Ghetto with the assistance of foreign investors.

A landmark political event was the international forum held in Vilnius on 3-5 October 2000. Its declaration acknowledged the mass looting of art and cultural valuables from Jews during the Holocaust, and appealed to governments to ensure that these cultural valuables be restored to their rightful owners. The *Seimas* also adopted an act of historical importance in the transference of torahs. In January 2002, 309 torahs preserved in the Lithuanian National Library were formally transferred to the Jerusalem Jewish heritage center "Hechal Shlomo".

About 3,000 Roma live in Lithuania, mostly concentrated in Vilnius, Kaunas, and Panevėžys. The Roma community faces serious problems in social security, education, health care, and sanitary supervision. Lithuania, together with other European countries, is seeking to improve their situation. The Council of Europe Parliamentary Assembly in 1993 adopted a Recommendation on the Roma in Europe and urged member states to take effective measures. In 2002, Lithuania started to implement a program for the integration of Roma into Lithuanian society; the program was approved by the government on 1 July 2000. The European Institute for Dispersed Ethnic Minorities was established in Vilnius under the auspices of the Council of Europe. The Roma and their eleven organizations are supported by the government's National Minority and Emigration Department.

2. Lithuania's Foreign and Security Policies

Achievements and Challenges

Over the past decade, Lithuania has reestablished its statehood after fifty years of foreign occupation. The country has steadily created its own foreign and security policy apparatus, including a professional foreign service and a national security staff. Since it formally applied for NATO membership in January 1994, Lithuania's primary security and foreign policy objective is full integration in the North Atlantic Alliance. Vilnius explicitly rejected all other security options as unrealistic and destabilizing, including membership of the Commonwealth of Independent States (CIS), state neutrality, and non-alignment. All these options generated ambiguity and could have potentially undermined the country's pro-Western aspirations.

In meeting the challenges of NATO accession, Lithuania has transformed itself into a pluralistic democracy and a market economy governed by the rule of law. Moreover, in line with NATO requirements, Vilnius has established full civilian control over the armed forces as the founding principle of its defense establishment enshrined in the national constitution. Civilian control is

evident in national defense legislation and in set procedures for decision-making on defense policy, organization, and management.

During its “security transition” Lithuania joined NATO’s Partnership for Peace (PfP) program as the second Central-East European partner country and successfully realized the major criteria for NATO accession. The U.S. sponsored Kievenaar Report, sponsored by the Pentagon and the European Command in Stuttgart (EUCOM), concluded that of the three Baltic countries, Lithuania had the most credible NATO-compatible military force and was the closest to meeting the “objective requirements” for Alliance accession.

In October 2000, the Lithuanian parliament adopted a Memorandum on the Continuity of Foreign Policy stating that Lithuania sought an invitation to join NATO at the fall 2002 summit in Prague. The current government has committed itself to annually spending 2% of its Gross Domestic Product (GDP) on defense, as compared with 0.8% in 1997. In November 2000, the country’s President appointed a Deputy Minister of Foreign Affairs to serve as the national coordinator for NATO integration, maintaining consistent interaction with all domestic, foreign, and international organizations dealing with NATO issues. Lithuania has also strengthened its diplomatic representation at the NATO Mission in Brussels, including in its specialized committees and agencies, and in its headquarters and commands.

Lithuania does not face immediate foreign military threats. Nonetheless, numerous new challenges to the country’s security have arisen over the past decade. The majority of challenges are transnational in nature, including organized crime, trafficking, and smuggling, international terrorism, and environmental, medical, and infrastructural emergencies. To help counter these threats, Vilnius has proposed forming alliances with states that adhere to the same political, social, cultural, and moral values. The government has also endeavored to transmit these values to states whose transition process has been blocked. Participation in international bodies that promote these values is a fundamental part of Lithuania’s National Security Strategy.

All Lithuanian governments have displayed consistency in meeting the political and technical requirements of NATO membership. On the technical side, significant emphasis has been placed on preparing Lithuania’s armed forces to be interoperable with NATO and contribute to Alliance missions in peace-support operations, crisis management, humanitarian relief, and collective defense. Military force structures have been reorganized and refurbished and a ten-year military modernization and procurement program prepared by the Ministry of National Defense in 1998 was approved by parliament in 2000.

In the pursuit of NATO interoperability, equipment has been obtained from Alliance states, including machine guns from Germany, infantry weapons from Poland, military radio equipment from the U.S., and air defense weapons systems from Sweden. Over 1,200 officers and soldiers have received specialized military training in several Western countries and an 11-week basic training program for conscripts has been designed by the U.K. Royal Marines. Lithuania’s Military Academy is also in the process of reform to enhance professionalism and modernization. Substantial progress has also been achieved in English language training among Lithuanian staff officers. The training of professionals in Western institutions and their subsequent placement in key positions in the Lithuanian military greatly assists in the country’s integration with NATO.

Strategic Partnership with Poland

Polish-Lithuanian relations have steadily and beneficially developed since both countries democratically ousted the Communists from power. Future relations cannot be decoupled from the fact that both states are on track to enter the European Union in 2004 and that Lithuania should soon become a full-fledged NATO member. The experience of both countries in developing a productive partnership may even be “exported” to other regions of Eastern Europe. Both countries can also play the role of experts on the “Eastern question” in the Euro-Atlantic

structures. However, the primary practical task both at the bilateral and the regional level is to upgrade the transport and energy infrastructure since the effective connection of the Northern and Central Europe zones largely depends on the resolution of these issues.

Polish leaders have expressed support for Lithuania's determination to join NATO. On 15-16 June 2001, during his visit to Poland, U.S. president Bush praised Poland's efforts in supporting neighbors who aspire to NATO membership. On 13 February 2002, NATO secretary-general Lord George Robertson visited Warsaw and gave clear support for Lithuania at the upcoming NATO Summit. Polish officials have also extended their support for Lithuania's entry into the EU. On 8-9 November 2001, at an international conference in Warsaw, President Aleksander Kwasniewski emphasized that since the 11 September terrorist attacks there are additional important arguments in favor of EU and NATO enlargement.

During 1997, three institutions were established for bilateral Polish-Lithuanian cooperation: the Consultative Committee of the Presidents of Lithuania and Poland, the Assembly of the Members of the Lithuanian and Polish parliaments, and the Lithuanian and Polish governmental Cooperation Council. Agreements under preparation between Warsaw and Vilnius include the Treaty on Persons Belonging to National Minorities, and the Writing of Names and Surnames. On 1 December 2001, at a meeting of Lithuanian and Polish foreign ministers, a decision was reached to sign the Treaty. Other common institutions include the Lithuanian-Polish Forum of Local Governments and the two states have concluded over 100 agreements in various fields.

With regard to trade, in 2001 Lithuanian exports to Poland amounted to \$286.4 million. In comparison to 2000, exports increased by 37.6%. In 2001 the total amount of Lithuanian exports to Poland constituted 6.2% of total Lithuanian exports. Poland occupied fifth place behind Great Britain, Latvia, Germany, and Russia. In 2001, Lithuanian imports from Poland amounted to \$309.05 million, making up 4.9% of the country's total. In terms of the amount of imports, Poland occupied third place behind Russia and Germany. In 2001, the turnover of Lithuanian-Poland trade amounted to \$594.45 million, whereas the trade balance was negative. As of 1 February 2002 there were 771 joint companies with Poland registered in Lithuania. Joint infrastructure projects have also been launched, including the building of the Via Baltica motorway, modernization of the Vilnius-Warsaw railway line, and a project on connecting the electricity systems. Once implemented these would promote the Baltic Rim concept and a unified EU energy market. The Vilnius-Warsaw motorway project has been submitted to the European Commission and plans are underway for a railway line from Kaunas to Warsaw.

In the military arena, on 5 February 2001 the two countries signed an agreement on defense cooperation, ratified by the Lithuanian parliament on 30 July 2001. On 15 July 2000 the Polish and Lithuanian Defense Ministries signed a protocol on cooperation from 2001 to 2003. The development of the LITPOLBAT military unit for international security and peace keeping has been the most important cooperative project. LITPOLBAT is the sole military unit in Lithuania which joins with a NATO state. It was established between the Lithuanian *Alytus* motorized infantry battalion and one of Poland's battalions from the 15th mechanized division. Since September 1999, a Special Task Force of the Lithuanian Army has participated in the NATO-led "Joint Guardian" operation in Kosovo as a composite part of a Polish battalion.

Lithuania has been engaged in the Danish-German-Polish military cooperation triangle. Further engagement in the defense cooperation triangle of Poland-Denmark-Germany (3+3) is planned in line with the following working directions:

- Nomination of liaison officers in the Trilateral Polish-Danish-German land forces corps' NORTHEAST staff in Szczecin;
- Participation of military officers in the staff training exercises of the Polish-Danish-German trilateral for peace support operations;
- Participation in international sea forces cooperation in the Baltic Sea in line with the "Kiel Initiative."

With regard to national minorities, the most pressing issues facing the Lithuanian minority in Poland includes education, better operation of the Punszk border-crossing facility, and longer television and radio programs. The issues on the Polish side involve the preparation of the Treaty on the writing of names and surnames of the Lithuanian minority in Poland and the Polish minority in Lithuania, land restitution, and Polish minority education in Lithuania.

Relations with Russia

Contacts between Lithuania and the Russian Federation have developed since diplomatic relations were established on 29 July 1991. Several major agreements were signed and consultation mechanisms put in place. Regular meetings take place between the highest national authorities, including Presidents and Prime Ministers. Relations between the national parliaments have been slower to develop. The Russian *Duma* has failed to ratify several important bilateral agreements, although some positive shifts have been noted. During a presidential meeting in March 2001, the first roundtable discussion between the Lithuanian Institute of International Relations and the Moscow State Institute of International Relations took place, initiating a broader academic and political dialogue on issues of bilateral relations. Any understanding between the two societies is hardly possible in the absence of such a dialogue.

Russia is again becoming an important market for Lithuanian exports. After the shock of the 1998 Russian crisis, Lithuanian businesses are slowly returning to the Russian market. The main focus in Lithuanian-Russian economic contacts is infrastructure projects in the fields of transport, energy, environment, border post modernization, telecommunications, and information technologies. Both governments are fully aware that commercial ties and investments cannot continue without strong infrastructural development. Among others, the 2K project initiated by the two presidents is intended to connect the seaports of Klaipėda and Kaliningrad into a single, smoothly functioning transport infrastructure system.

In the context of Euro-Atlantic enlargement, Lithuania has two major priorities: joining the Euro-Atlantic space and developing good neighborly relations with adjacent countries. The two objectives were complemented by a third: active regional cooperation. Membership in the EU will open up new opportunities for cooperation in such fields as commerce, transit, energy, and the movement of people. At a trilateral meeting on 6 March 2002 between Lithuanian, Polish, and Russian prime ministers, an agreement was reached that the three states would seek to coordinate their policies by using opportunities provided by EU enlargement. For aspirant states, EU membership carries a stringent time frame and strict requirements for reform. Accession has become a major incentive for all candidate nations. Russia does not have this incentive and Moscow limits itself to seeking "special solutions" and is concerned that EU enlargement may lead to the isolation of Kaliningrad. However, a study by Lithuanian experts on the effects of Lithuanian EU membership on cooperation with Kaliningrad, indicated that there would be only minor changes in the pattern of commercial cooperation and movement of people when visas are introduced for the citizens of Kaliningrad. Russia itself should be more active in reducing the isolation of Kaliningrad in the context of EU enlargement.

Measures must be sought to enable Russia and its regions to join the process of European integration, in order to avoid tensions in northeastern Europe. To a large extent, the development of Kaliningrad will depend on how much freedom the region will enjoy in its external relations, especially in economic relations with the EU; on how well the special economic zone established in 1996 will function; and on how much progress Russia makes in facilitating the movement of its nationals. With regard to EU-Russia discussions, flexible solutions must be sought that would combine EU legal requirements with the specific needs of Kaliningrad. For instance, there are possibilities for modernizing and expanding consular posts and border crossing facilities, and applying modern control and communications technologies.

Lithuania considers it necessary to strengthen cooperation with Russia in the areas of justice and law enforcement, with particular focus on the fight against international terrorism, trans-border organized crime, and trafficking in narcotics and arms. Lithuania also attaches importance in the fields of environmental protection, accident prevention, and elimination of the consequences of accidents. Lithuania has a common interest with Russia in regional economic growth. Much needed is the successful implementation of transport and energy infrastructure projects. Cooperation between seaports in Lithuania and Russia, the development of international transport corridors (such as the *Via Hanseatica*), and a long-term energy transmission project (a Baltic electricity grid) would help to remove existing obstacles to trade, investment, and transit and contribute to the creation a common European economic area. Regular Lithuanian-Russian business roundtables would serve as a powerful instrument to promote economic cooperation.

Lithuania seeks to develop cross-border cooperation with Russia, and the Kaliningrad region has become a testing ground for this engagement. Lithuania is one of Kaliningrad's main trading partners and the second biggest investor in the region, with 426 joint ventures registered in the *oblast*. The local authorities of Lithuania are active in involving the Kaliningrad administration and its local authorities in regional activities. Vilnius cooperates successfully in environmental and health protection and regular contacts are maintained between parliamentarians and NGOs. Lithuania has launched training courses for administration officials and businessmen from Kaliningrad. EU enlargement will soon become a reality and the geographic position of the region underscores that the free movement of people is a sensitive issue. Before Lithuania adopts the Schengen requirements, Vilnius needs to decide with the European Commission, Russia, and Poland as to how the introduction of visas would influence the development of Kaliningrad and its relations with the surrounding region.

It is essential to guarantee effective border controls between Lithuania and Russia and to make sure that borders do not become an insurmountable barrier between citizens. Lithuania is working to counteract crime, smuggling and illegal migration along its borders and has sought Russian collaboration in these efforts by developing the infrastructure of border posts and improving cooperation between border, customs, and other relevant authorities. Vilnius has also reaffirmed the importance of concluding readmission agreements with Russia. Major potential also lies in implementing regional infrastructure projects in transport, energy, and environmental protection. Many of these have been included in the joint Lithuanian-Russian proposals for the EU Nordic Dimension Initiative.

Lithuanian - Belarusian Relations

The October 2000 parliamentary elections and the September 2001 presidential elections demonstrate that democratic change in Belarus is a long-term prospect. Lithuania supports actions undertaken by the international community to promote democratization in Belarus and uses any opportunity to encourage the Belarusian authorities to implement the recommendations of international organisations. Working together with NGOs, the Foreign Ministry has prepared a number of projects aimed at promoting democracy and strengthening civil society in Belarus. The isolation of Belarus would undermine the process of domestic reform and could lead to increasing contacts between Belarus and radical regimes outside the region. Moreover, isolation could spur repressive measures by Minsk against the opposition and the media, and interrupt projects designed to promote civic society.

International organizations have the potential to promote human rights and democratic standards in Belarus and to encourage dialogue between government and opposition. The posture of the international community towards Minsk should depend on its willingness to anchor the country in the system of international democratic values. The current Lithuanian Chairmanship in the Committee of the Ministers of the Council of Europe has addressed the issue of Belarus and closely follows developments in the country.

Expanding contacts with Belarus would help to tackle issues pertinent to the entire region, such as organized crime, illegal migration, and environmental issues. The activities of the OSCE Advisory and Monitoring Group in Minsk, as well as projects aimed at promoting democratic development, remain valid. The Lithuanian authorities are eager to foster pragmatic bilateral relations with Belarus and to address a number of issues, which are urgent for Lithuania and other European countries. These include illegal migration, regional cooperation, and the promotion of direct contacts among municipalities. Furthermore, extremely useful would be EU programs and assistance from international financial institutions for cooperative projects with Belarus, especially those that deal with issues pertinent to the entire region, such as border control and modernization of border infrastructure. Lithuania has supported Belarus in requesting EU TACIS funds for border demarcation and modernization of the border-crossing infrastructure.

Baltic States Cooperation

There are numerous forms of cooperation between the Baltic states, including the Council of Baltic Sea States and the North-Baltic States, which encompasses eight countries and the three Baltic States, and the Vilnius 10 process initiated in May 2000 by Lithuania and Slovenia. The Council of the Baltic Sea States (CBSS) was established in 1992 in Copenhagen. Its architects viewed it as an informal regional political forum to promote integration. The Council has evolved into a regional political organization with definite objectives, structure, and secretariat. The CBSS has eleven member states (Denmark, Estonia, Finland, Germany, Iceland, Latvia, Lithuania, Norway, Poland, Russia and Sweden) together with the European Commission. It covers issues ranging from humanitarian cooperation and civil security, economic coordination and integration, environmental security, and nuclear safety. Prime ministers of the eleven countries have established a group of special representatives to deal with combating organized crime and controlling infectious diseases.

In 1998-1999, at the time of Lithuania's presidency in the CBSS, issues related to Kaliningrad were placed on the permanent agenda of CBSS proceedings. While recognizing that primary responsibility for the development of Kaliningrad fell to the Russian Federation, the region deserved special attention due to its geographic location between Lithuania and Poland, two future members of the enlarged EU. Lithuania welcomed the fact that Kaliningrad was placed on the EU agenda as this could contribute to resolving Kaliningrad's involvement in regional processes. Lithuania and Russia prepared 15, and later submitted 5, joint priority projects on cooperation with Kaliningrad to the Conference on the Northern Dimension Initiative on 9 April 2001 in Luxembourg.

The CBSS has extended its support to the EU's Northern Dimension initiative. The CBSS has also prepared the list of top priority projects designed for the region and intended for the Northern Dimension Action Plan. In implementing the Action Plan, the CBSS has made its structures and contacts with other regional organizations available to the European Commission. The preparation of joint projects between Lithuania and Kaliningrad for the ND Action Plan included ecology, healthcare (with a joint AIDS prevention center in Klaipėda and Kaliningrad), transport, and the training of border zone officers. In this context, securing the free movement of Kaliningrad residents after Lithuania and Poland introduce a visa regime becomes particularly important.

The CBSS has also dealt with "soft security" issues, such as environmental protection. Moscow attempted to put military cooperation and regional security initiatives on the agenda. However, the other states in the region placed defense questions in other forums such as NATO, because this corresponded with the principle of the "indivisibility of security." With the decisions on Baltic membership in NATO approaching, the fear of security "regionalization" has subsided. German representatives have also suggested that the CBSS give more consideration to defense matters and closer cooperation in crisis management and other areas.

Regional cooperation is one of the most important vectors of Lithuanian foreign policy and has been the main topic during Lithuania's presidency in the European Council. Lithuania submitted

the topic for the 110th session of the European Council's Ministerial Committee. Presenting the CBSS as a successful pattern of regional cooperation, Lithuania has placed emphasis on regional cooperation in strengthening European unity and democratic stability. Its initiative is meant to develop cooperation between the European Council and different regional organizations. Vilnius will seek to expand discussions on regional cooperation in other international organizations including the OSCE and the UN, and plans to table a proposal for organizing a forum of regional organizations in Strasbourg.

The three Baltic states cooperate closely in various arenas and their initiatives have full support from the U.S. Baltic defense cooperation. Projects include the following:

- Joint peacekeeping battalion BALTBAT (main center in Adazi, Latvia; Lithuania's national center in Rukla; the North European countries and Great Britain are the main contributors);
- Joint sea-mines deactivation squadron BALTRON (communication equipment on the seashore in Estonia; main sponsors are Germany, Norway, and Denmark);
- Baltic airspace surveillance network BALTRON (regional center in Karmélava near Kaunas with national centers in each Baltic state; leading nation - Norway; major support provided by the U.S.);
- Baltic defense college BALTDEFCOL (based in Tartu, Estonia; trains senior military officers for national and international headquarters, including NATO, and is supported actively by all the BALTSEA sponsoring states);
- Joint participation in NATO-led operations: company-size infantry and reconnaissance contingents as part of the Danish battalion in the SFOR operation in Bosnia-Herzegovina;
- The security assistance Western states extended to the Baltic countries since 1997 has been coordinated through an expert-level Baltic Security Assistance Management Group. This BALTSEA mechanism includes the three Baltic states and fourteen sponsoring states including the U.S.

Numerous tasks remain for the Baltic states in better connecting Northern and Central Europe. This includes the integration of national energy networks into a single system, completion of the *Via Baltica* and *Rail Baltica* projects, the free movement of people, goods, and services, and more efficient border-crossing procedures.

Nordic-Baltic Cooperation

The Nordic states were the staunchest supporters of Baltic independence. Denmark in particular has actively campaigned for Lithuanian membership in the EU and NATO as evidenced during Prime Minister A.F. Rasmussen's meeting with President Bush on 25 March 2002. Denmark supports Lithuania in implementing NATO's Membership Action Plan (MAP) and has provided substantial material support for the Lithuanian army. About 500 soldiers were trained in Denmark for participation in international peacekeeping missions. At present 74 Lithuanians participate in the NORDPOL Battle Group

The Nordic countries, especially Denmark and Sweden, are among the largest investors in the Lithuanian market and by July 2001 this constituted 44% of all foreign investment. The Nordic states also dominate Lithuania's financial markets, including its banks. In the pursuit of the goal to integrate the Baltic states into regional structures, the Nordic countries have provided technical assistance in such areas as crime prevention, social affairs, environmental protection, agriculture, energy, education, and culture.

Regarding military cooperation, in 2002 Denmark's financial backing for Lithuania constituted 52% of its total for Eastern Europe. The Nordic states, and especially Denmark, support the Joint Baltic States Peacekeeping Battalion (BALTBAT). In accordance with a Memorandum of Understanding signed on 3 June 1994, the Ministers of Defense of the Nordic and Baltic states pledged to contribute to the formation of BALTBAT. They provide military training to infantry units

and share their experiences in the fields of administrative and legal support. As part of the Danish battalion, in 1994 and 1995, three groups of Lithuanian military officers participated in the UN peacekeeping mission in Croatia.

On 30 August 2000, at the Middelfart meeting in Denmark, the Foreign Ministers of the Nordic and Baltic states reached agreement to call meetings of the Nordic and Baltic states Ministers the NB-8. In recent years, cooperation in the NB8 (5+3) framework has intensified on all levels. Officials of the Nordic states speak about the great importance of the NB-8 framework and look toward cooperation in such forums as the Northern Council of Ministers (NCM) and the Baltic Council of Ministers (BCM). At the end of 2000, the NCM released a New Strategy concerning cooperation of the Nordic states with neighboring countries. The NCM also carries out the framework program for cooperation with neighboring regions for the 2000-2002 period. This program is the basis for implementing annual projects vis-à-vis the Baltic states and adjacent regions of Russia.

Lithuanian-NATO Relations

In December 1991, NATO formed the North Atlantic Cooperation Council (NACC), which included the 16 Alliance members, most former Warsaw Pact states, and the three Baltic countries. NACC constituted the launching pad for Lithuania's evolving relationship with NATO and the country's readiness for accession has been recognized by Alliance leaders. NATO's Partnership for Peace (PfP) program was also viewed in Vilnius as an invaluable stepping stone toward NATO membership. In particular, the following points of progress have been registered:

- Lithuania has been successful in undertaking most of the necessary changes outlined in the MAP (Membership Action Plan) and has fulfilled many MAP requirements;
- Vilnius has made substantial progress along the lines stated in its NNIP (Lithuanian National NATO Integration Program). The NNIP was drafted by the Lithuanian government, with specific steps toward meeting NATO requirements as outlined in the MAP;
- Lithuania is viewed as a stable democracy; it has a free market economy and has pursued cooperative relations with all of its neighbors, including Russia and Belarus;
- In March 2002, NATO's deputy Secretary General for Defense Planning and Operations visited Lithuania to help complete the last report on Lithuania's readiness to join the Alliance at the NATO summit in Prague. The report was presented to the NACC on 22 April 2002;
- On 23 May 2001, Lithuania's parliamentary parties signed a Defence Policy Agreement covering the period 2002-2004. The parties expressed their support for NATO integration and obliged themselves to maintain defense spending at the level of 2% of GDP. The document confirms the political consensus to strengthen Lithuania's military capabilities in order to be prepared for collective defense and participation in NATO and EU international operations as well as in crisis management and conflict prevention;
- By October 2002, Lithuania should have in place a fully interoperable and completely deployable mechanized infantry battalion, which can participate in Article 5 operations together with NATO forces outside the territory of Lithuania;
- By 2006, Lithuania plans to possess a fully interoperable Reaction Brigade (RB), which will be able to conduct Article 5 operations together with NATO forces within the territory of Lithuania;
- Three infantry battalions, a combat support platoon (engineering), a combat service support section (medical), a helicopter, two aircraft, two mine hunters, and training facilities at Rukla and Pabrade have been identified as available to the EU pool of forces;
- The BALNET (Baltic Air Surveillance Network) provides a recognized air picture over the territory of the Baltic states, creating an effective air space monitoring and control system for the region. This will contribute to the expansion of NATO's integrated air surveillance and early warning systems.

Lithuanian-EU Relations

On 27 August 1991, the European Community recognized the independence of Lithuania. Diplomatic relations were subsequently established by Vilnius with all member states of the European Community. On 8 December 1995, Lithuania submitted its official application for membership to the EU and on 15 February 2000, Lithuania formally initiated accession negotiations. The country was also incorporated into the EU's Northern Dimension initiative in June 2000. In July 2001, Lithuania presented a revised National Program for the Adoption of the EU's *acquis communautaire*, in which it outlined the strategy for accession, including how to achieve the priorities of the Accession Partnership.

The European Council adopted its New Enlargement Strategy in November 2000. The "roadmap" contained in the strategy outlined a flexible framework, which would be adjusted according to the progress made by each applicant, to enable those who are best prepared to advance more rapidly in the negotiation process. The aim was to conclude the negotiations with the best-prepared candidates during 2002. Vilnius is aspiring to conclude its accession negotiations by the close of 2002. Lithuania's accession to the EU, as outlined in the 2001 Regular Report on Lithuania's Progress Towards Accession, includes the following points of progress:

- Lithuania has continued to implement the Europe Agreement and contributed to the smooth functioning of various joint institutions;
- Lithuania's trade with the EU has continued to increase. In 2000 exports rose by 21% and imports by 5%.
- Business investment has accelerated. In 2001, foreign direct investments in Lithuania rose by 14.2%. The largest investments came from Denmark, Sweden, Estonia, Germany, and the United States
- A second round of bilateral negotiations for trade liberalization will cover sensitive sectors in which current trade is low due largely to a high degree of tariff protection;
- Lithuania continues to fulfill the Copenhagen political criteria. (The European Council meeting in Copenhagen in June 1993, stipulated that certain political criteria need to be met for accession, including stable democratic institutions, the rule of law, human rights, and protection of minorities.);
- Lithuania has made considerable progress in the creation of a market economy, although it may face some difficulties in coping with competitive pressure and market forces within the Union in the medium term over the next five years;
- Lithuania has made substantial progress in terms of transposition and implementation in most areas of the *acquis*. While the degree of progress varies, the gaps are being reduced and in some areas Lithuania has achieved a high level of alignment.

Overall, Lithuania has made satisfactory progress in meeting the short-term and even the medium term priorities of the Accession Partnership. Vilnius has largely met several short-term priorities concerning economic criteria, the internal market, energy, and environment. Some priorities, notably in the field of agriculture, remain to be addressed in full. Lithuania has partially met most of the medium-term priorities, but further efforts remain, in particular as regards the management and control of EU funds.

Lithuanian-American Relations

Diplomatic relations between the United States and Lithuania were first established in 1922. As a result of the Soviet invasion in 1940, thousands of Lithuanian refugees emigrated to the U.S. American support for Vilnius has been an important source of strength for Lithuanians, especially during the years of Soviet domination. Washington never recognized Lithuania's incorporation into the Soviet Union and diplomatic relations between the two countries were formally re-established in 1991. Approximately one million Americans of Lithuanian descent reside in the U.S., while the American government and NGOs have worked diligently to strengthen the U.S.-

Lithuanian partnership. This relationship has three main pillars: governmental, military, and economic relations.

In August 1996, the U.S. Department of State designed the Baltic Action Plan (BAP) to promote closer bilateral cooperation in the areas of politics, economy, and security. The Plan commits U.S. governmental agencies to fostering stability and promoting economic and political reform in the Baltic region. In 1997, the Clinton administration established the Northern European Initiative (NEI) with the explicit goal of promoting economic and social cooperation across the region. Several environmental and educational projects were implemented under this initiative. Washington has also sought to bolster U.S. trade and investment.

Members of the U.S. Congress and numerous Congressional delegations have visited Lithuania in the period of 2000-2002. Additional official visits by U.S. government representatives have been conducted. U.S.-Lithuanian military relations are well developed. American military teams have conducted defense assessments and the Pentagon has provided military assistance through the Baltic Security Assistance Group (BALTSEA). This contributes in the implementation of joint Baltic military projects, such as the naval squadron (BALTRON), the Baltic Peacekeeping Battalion (BALTBAT), the Baltic airspace surveillance system (BALTNET), and the Baltic Defense College (BALTDEFCOL).

The U.S. military supports educational projects, joint training exercises, and military procurement initiatives. By early 2001, more than 1,000 Lithuanian officers and civil servants were trained in the top educational institutions in NATO countries, including the United States. American funding is also providing English language training to military personnel in Lithuanian military educational establishments. Lithuanian and American soldiers have participated in joint military exercises. Two exercises, "Winter Valley" and "Amber Valley", are held annually. In July 1998, more than 2,000 U.S. troops took part in a military exercise in Lithuania called the "Baltic Challenge."

In terms of economic relations, cumulative U.S. foreign direct investment (FDI) to Lithuania by the end of 2001 amounted to \$2.7 billion. This accounts for over 9% of Lithuania's total FDI. The two countries have signed agreements on bilateral trade, investment, and double taxation. Lithuania also provides a base from which U.S. companies can export to Russia. The top U.S. investors in Lithuania are Williams International (\$150 million), Philip Morris (\$72.5 million.), Coca-Cola (\$31.5 million), Kraft Foods (\$31 million), Mars, Inc. (\$27 million), and Cargill (\$14.3 million).

The following bilateral agreements have been signed between the United States and Lithuania:

- 22 October 1991: Lithuania International Partnership Program Memorandum of Understanding;
- 28 October 1991: Investment incentive agreement;
- 7 February 1992: Master Grant agreement between the Ministry of International Economic Relations and the U.S. Trade and Development Program;
- 7 February 1992: Agreement concerning the program of the American Peace Corps in Lithuania;
- 7 June 1992: Agreement concerning the development of trade and investment relations;
- 12 November 1992: Agreement concerning fisheries off the coasts of the U.S.;
- 6 July 1994: Agreement on science and technology cooperation;
- 9 December 1994: Bilateral Work Agreement;
- 21 November 21, 1995: Security Agreement concerning security measures for the protection of classified military information;
- 15 January 1998: Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income;
- 16 January 1998: Charter of partnership among Lithuania, Estonia, Latvia, and the U.S.;
- 16 January 1998: Treaty on mutual legal assistance in criminal matters;

- 14 January 1998: Treaty for the encouragement and reciprocal protection of investment.

Decisions on NATO enlargement and the anti-terrorist campaign have added impetus to the Lithuanian-U.S. agenda. These issues are priorities for the 4 July 2002 session in Vilnius of the U.S.-Baltic States Partnership Commission, established in 1997. Following the January 2002 meeting between the President of Lithuania, Valdas Adamkus, and U.S. president George W. Bush, the latter repeated his support for NATO expansion “from the Baltic to the Black Sea.” President Bush praised Lithuania’s efforts to integrate into NATO and referred to the country as the leader of the candidates. Both the Chairman of the U.S. House of Representatives Dennis Hastert and U.S. secretary of state Colin Powell reiterated the commitment of the U.S. administration to continue the process of NATO enlargement.

The main questions Washington and other NATO members have posed to the Vilnius Group states are the following: Will the Alliance become stronger if it accepts these countries and will their commitment to democracy and a market economy be durable? With regard to Lithuania, U.S. officials have paid the most significant attention to military reforms and defense financing. Washington has commended the transfer of sacred Torah scrolls by Vilnius to the Jewish community and has approved the trilateral meetings of the prime ministers of Lithuania, Poland, and Russia on the issue of Kaliningrad. During U.S. Senate hearings on 5 February 2002, attended by Secretary of State Colin Powell, Senator Jesse Helms asserted that he saw no reason why the most successful alliance in history should not incorporate Lithuania and other countries which share common values and interests. On 24 October 2001, the Freedom Consolidation Act 2001 was presented in the U.S. Congress and passed on 7 November 2001. The Act expressed support for NATO enlargement and empowered the U.S. administration to extend security support in 2002 to countries listed in the 1994 NATO Participation Act, with \$7.5 million due to Lithuania.

On 16 January 1998, the Presidents of the U.S., Lithuania, Estonia, and Latvia signed the Charter of Partnership. The Charter emphasized the common goal of integrating the three Baltic countries into all European and transatlantic institutions. The Charter carries political significance due its recognition of the Baltic states as partners. It officially recorded American interests in the independence and sovereignty of the Baltic states and reiterated the U.S. commitment to assist Lithuania in the process of integration. The Charter also established a Partnership Commission, which meets annually to evaluate common efforts in meeting the goals of the Charter. The implementation of the Charter will be instrumental in the development of the strategic U.S.-Lithuanian partnership. Lithuania also continues to develop links with the Lithuanian-American community as an important aspect of its strategic partnership with the U.S.

3. A Security Blueprint for Lithuania

Defining Lithuanian Interests

State defense interests arise from the basic need to ensure internal security and protection against external threats. Security is understood not only as assurance for the survival of the state, but also as the freedom to seek the implementation of its internal and external goals. The security of Lithuania, like that of any other state, is determined by the protection of national interests. The violation of vital interests would directly and significantly affect Lithuanian society and threaten the survival of the state. The following may be considered as vital interests for Lithuania:

- Sovereignty, territorial integrity, and a democratic constitutional system;
- Economic modernization and the prosperity of citizens,
- Respect and protection of human and civil rights and liberties; and
- Social stability in the state.

Primary interests are more specific, determined by the geopolitical situation of the state, its historical experience, and its social and economic development. The actual level of Lithuania's security can be assessed by the extent to which its primary interests are guaranteed. The majority of challenges to the security of Lithuania are of a trans-national character, while changes in the international system may significantly affect the vital interests of Lithuania. In the domestic sphere, primary interests are ones that determine the level of internal security, including guarantees of political and social stability and economic growth.

In 1994, Lithuania defined its key foreign policy priorities: to become a member of NATO and the EU, and maintain friendly relations with neighbors. These priorities were established in the principal laws, which determine the objectives of Lithuanian foreign policy and national security and reflect Lithuania's determination to gain the protection provided by collective security arrangements and ensure its political, social, and economic stability as a part of a regional union. Both NATO and the EU have undergone major transformations and the process of transformation continues. Lithuania will also participate in the transformation processes as a member. It is therefore important what kind of NATO and EU Vilnius visualizes in a long-term perspective, what kind of relationship between the EU and NATO would be most advantageous for Lithuania, and what would be the role of the U.S. and Russia vis-à-vis NATO and the EU

After Lithuania submitted its application for NATO membership, it became clear that the Alliance was acquiring the features of an institution of political security. Every stage of NATO enlargement has offered political opportunities for Russia to become involved in NATO decision-making. In 1997, NATO established a NATO-Russia Permanent Joint Council. In May 2002, NATO formalized a new NATO-Russia Council that will enable Russia to participate in Alliance decision-making on terrorism, arms proliferation, and other common issues. Such NATO-Russian convergence arouses doubts in Lithuania whether NATO will remain a real security guarantor and whether Lithuania will remain partly in the Russian sphere of interests. Hence, Vilnius views with caution NATO's transformation into an organization of political security. Lithuania needs assurance that in the immediate future the defensive functions of the Alliance will not lose their importance and Russia will not be provided with significant influence in NATO decisions that affect Lithuania's security.

What is Lithuania's position towards the changing relationship between the U.S. and its European allies? Since the founding of NATO, the U.S. has been a dominant member state both politically and militarily. During the last two decades, American politicians have repeatedly expressed their dissatisfaction over insufficient financial and military contributions of the European members for the implementation of NATO goals. Such criticism became pronounced: at the Munich Security Conference in February 2002, where it was stated that the future of the Alliance would depend on an increase in Europe's defense expenditure and an enhancement of its military potential. Such an approach is supported by Lithuania, as there is a growing American-European military and technological gap. However, increases in military expenditure by the Europeans would entail a reduction in social programs and such decisions require strong political will.

In 1993, the European Union announced its readiness to turn into a political and security union, with a Common Foreign and Security Policy (CFSP) that would take over the functions of the Western European Union (WEU). Even though the EU does not intend in the near future to expand its defense effort beyond the framework of the WEU goals defined in Petersberg in 1992, its determination to reduce dependence on the U.S. is becoming more pronounced. However, the formation of European military forces is hampered by the lack of separate resources, as well as by legal, financial, and technological constraints. Legal problems related to the deployment of an independent and unified European military force could only be resolved by a European Constitution, which the EU is unlikely to pass before 2004. In addition, there are political problems as individual EU countries have different attitudes towards these military efforts.

Lithuania must also plan to increase its security and defense commitments to the EU. This might create a complicated dilemma after Lithuania becomes an EU member, when it will need to

coordinate its foreign policy in compliance with commitments to both NATO and the EU. Such compromise will be easier to achieve if the EU's security and defense policy becomes a pillar of NATO, but not where it becomes a basis for an independent military-political alliance.

The development of the NATO-EU relationship depends not only upon change in the goals of both organizations, but also upon shifts in relations between the U.S. and Europe. The economic interests of the EU and the U.S. are not identical and their competition, especially in the air-space industry and information technology, is extremely intense. Since the end of the Cold War, European and American political priorities have also diverged. The anti-terrorist coalition formed in the wake of 11 September has been based on the existence of a common enemy. Nevertheless, it has become evident that the anti-terrorism campaign has enhanced the readiness of the U.S. to pursue its own foreign policy without assistance from European allies. This will transform relations between the U.S., NATO, and the EU.

The most unfavorable scenario for Lithuania would be if the U.S. manifestly disregarded the EU and took unilateral decisions on global protection. This could precipitate a rupture in NATO or the impotence of the Alliance, with a lasting impact on the primary security interests of Lithuania. A search for *ad hoc* partners based on the principle that the purpose determines the coalition, and agreements based on political calculations might become typical. Historic experience has shown that such an international system has brought especially painful consequences for Lithuania. Therefore, for Vilnius it is important that discussions between coalition partners do not alienate the strategic interests of the U.S. and the EU but promote coordination.

During the last century, Lithuania's prospects of remaining an independent state directly depended upon Russian or Soviet expansionism. These experiences make Lithuanian leaders exceptionally sensitive to any changes in Russian foreign policy. After the end of the Cold War, Russia's role in the international system has undergone substantial change. Moscow has lost its status as a great power, a development that is favorable for Lithuania. However, such a decrease of power is only reluctantly acknowledged in Russia itself. Russian imperial attitudes have not vanished and the supporters of expansionism are compelled to suppress their ambitions due to the country's internal problems. The current rhetoric and policies of the Russian authorities indicates that Moscow has decided to curb its geopolitical ambitions. For example, there is less opposition to Baltic membership in NATO. Nevertheless, Russia's retreat from what it regarded as its primary interests might be related to the necessity of concentrating on internal political consolidation and economic development.

NATO and EU membership ought to signal the permanent exclusion of Lithuania from any future Russian expansionist plans. Nevertheless, complete withdrawal from Russia's sphere of interest is hardly possible because of Russia's economic interests. The prospects for Russia to increase its economic power depend primarily on its relations with the EU, especially on the EU's need for Russian energy. Lithuania might be a possible route for the export of Russian oil and gas. Hence, Russia will maintain its economic and political interests in Lithuania, but the means it will employ remain uncertain. The most painful consequences for Lithuania might be provoked by an aggressive policy, based on economic or political blackmail, intended to exert maximum influence on Lithuania's decision-making. Therefore, it is in Lithuania's interest to see Russia develop into a democratic partner, which adheres to the principles of a free market economy.

A key goal of Lithuanian policy is the strengthening of internal political, social, and economic stability. This includes the guaranteeing of security for public authorities and society, the stability of fiscal and monetary policy, economic development, the struggle against crime and corruption, the consolidation of civil society, the development of culture, growth of foreign trade, and integration into international organizations. Lithuania's fundamental interests in guaranteeing internal political security are related to protecting the constitutional structure, the stability of the political system, and the legitimacy of the government. Democracy also requires the active defense of civil interests and human rights. Of equal importance is a mass media, which reinforces the development of democracy and ensures freedom of speech. Social stability may be

threatened by ethnic divisions. It is therefore important to maintain policies that guarantee the rights of minorities and enhance social tolerance.

Pronounced economic differentiation may also obstruct social and political development. One critical element of social security is removing the negative consequences of structural economic reforms and increasing living standards. Another key priority is the struggle against organized crime and corruption. These threats produce a negative impact on economic development and social relations. It is in the interest of the state to enhance the effectiveness and professionalism of law enforcement institutions. A major objective of national security is control over illegal migration that may destabilize society through an increase in unemployment or criminality. On the other hand, the continuous emigration of Lithuanians to the West may create undesirable social effects with a worsening proportion between qualified and unqualified workers and a slackening of economic growth. It is therefore important for Lithuania to enhance the motivation of citizens to remain in the country.

Favorable conditions must be maintained for economic growth. The greatest risks include irregularities in energy supplies, a decline of export competitiveness, and a decrease in the stability of the financial system and the state's external creditworthiness. The growth of industry and services requires a steady supply of resources and stable or expanding markets. Serious disruptions in the structure of resources would seriously threaten the economy. Threats to economic security include the possibility of economic sanctions and blockades. In 1990, Lithuania experienced an economic blockade applied by the Soviet Union. The 1998-1999 crisis in Russia had serious consequences for Lithuanian exports and significantly slowed down GDP growth. These experiences compelled Vilnius to pay attention to the threats arising from resource supplies and the sustenance of export markets. Of primary importance is ensuring reliable energy supplies as Lithuania is dependent on imports of gas and oil from Russia. The Ignalina Nuclear Power Plant, which produces 70-80% of electrical energy, also receives its nuclear fuel from Russia. Thus, Lithuania's interests in economic security are to find alternative energy resources and to ensure a stable supply from Russia that would not depend on political circumstances.

Lithuania's small internal market determines the country's dependence on the development of exports. During recent years, there has been a considerable change in the direction of exports. In the aftermath of the 1998-1999 crisis in Russia, the bulk of the country's exports were channeled to the West. In 2001, exports to the EU made up 47.9% of the total. Further developments in the export market will be determined by Lithuanian accession to the EU. In the near future, the Russian market will also remain important. Thus, Lithuania seeks consistent growth in the EU and Russian economies and the increasing competitiveness of Lithuanian exporters.

The stability of the internal financial system and external creditworthiness determine the possibilities for capital creation and investment -- vital driving forces of economic growth. Upon EU entry, Lithuania will need to ensure the compliance of its financial policy with the principles of the EU's monetary policy. The Maastricht Treaty determines the principal criteria to be met by EU states willing to join the European Monetary Union (EMU). Even though Lithuania is not obliged by the criteria of the Maastricht Treaty in the accession period, it has committed itself to implementing EU goals and pursuing a monetary policy in line with EMU conditions. In February 2002, Lithuania pegged its national currency to the *Euro*.

Lithuania's Promotion of Regional Security

With the end of the Cold War, four important factors have shaped security in Central-Eastern Europe: dissolution of the Warsaw Pact, disintegration of the Soviet Union, unification of Germany, and decisions by NATO and the EU to expand eastwards. The most visible consequence of the collapse of the Soviet Union and the socialist bloc was an increase in the number of political actors in the region. This process was marked by new frameworks and relations across the East-West divide, including Black Sea cooperation, the Central European Initiative, and Baltic cooperation. The restoration of Lithuanian independence was made possible

by Europe's geo-strategic transformation. Between 1988-1990, even before the declaration of independence, a westward orientation was acknowledged as a strategic goal, with an active international approach and a search for regional cooperation.

The creation of a security community has two possible models: "Bottom Up" and "Top Down." The first means that mutual sympathies and trans-national ties develop over a long period of time. The second starts with a security vision from above, a common project, and common institutions. Lithuania has combined both models. In practice, this was underscored by attempts to establish strong bilateral relations and supra-national structures. The solidarity of the Baltic region existed throughout the whole period of occupation and gained in force when the Cold War eroded. During the transition period, the aim was to enhance regional integration between the three Eastern Baltic states. In 1990, the Council of the Baltic Sea States was established, in 1991 the Inter-parliamentary Baltic Assembly, in 1993-1994 the Baltic Council, the Baltic Council of Ministers, and the Free Trade Agreement. The Baltic states have taken a number of steps to strengthen defense cooperation and enhance their ability to operate effectively with NATO forces.

The restoration of Baltic independence reduced tensions within a broader European region, while their international cooperation has played an increasingly significant role. In 1989-1991, the newly emerging Russia provided Lithuania with much needed political support during the tragic events of January 1991 and after the signing of the Lithuanian-Russian Treaty on Inter-State Relations. Russia declared full recognition of the restored Lithuanian state, condemned the 1940 Soviet annexation, and recognized the right of Vilnius to choose its own defense and security by joining any international organization. Lithuania recognized the Russian Federation as a sovereign state and pledged to resolve the issues of citizenship for Russian residents.

Between 1992 and 1993, Lithuania arranged the withdrawal of foreign troops and resolved the issue of Russian military transit to Kaliningrad across its territory. Vilnius signed an agreement on state borders with Russia in 1997 and created the prerequisites for a direct connection with Kaliningrad. Upon assuming the chairmanship of the Council of Baltic Sea States (CBSS) in 1998, Lithuania became the first state to try and transform the problem of Kaliningrad into a positive example of cooperation and opportunity for promoting Russia's modernization. Lithuania has endeavored to make Kaliningrad into an opportunity for regional and European cooperation.

Vilnius has considerably reshaped the image of Kaliningrad and thus has contributed to regional security. This has been pursued through bilateral Lithuanian-Russian initiatives: in 1997 a working group for cooperation with Kaliningrad was established within the Lithuanian-Russian intergovernmental commission; in 1999 an intergovernmental agreement on cooperation between regional and local authorities in Lithuania and Kaliningrad was signed; and in 2000 a bilateral Lithuanian-Kaliningrad Cooperation Council was established. The Nida Initiative of 2000 created a number of projects to further cross-border cooperation in various fields -- political, social, economic, and environmental -- reflected in the EU Northern Dimension Action Plan.

Lithuanian-Russian cooperation has enabled Lithuania to elaborate a strategy for the further development of cooperation with Moscow. Lithuania is prepared to build on its successful collaboration with neighbouring Russian regions and has an interest in regional economic growth. Vilnius is committed to promoting cooperation between Russia and Euro-Atlantic institutions even after the expansion of NATO and the EU.

With the far-reaching improvement in relations between Vilnius and Warsaw, Lithuanians and Poles have demonstrated how historical rifts can be overcome through reconciliation and cooperation. Warsaw views Lithuania as a strategic partner and supports its integration into all Euro-Atlantic structures. In 1992, Poland and Lithuania entered into a "strategic partnership," institutionalised through inter-governmental bodies, the formation of a joint peacekeeping battalion (LitPolbat), cross-border cooperation, ties between local administrations, and joint energy and transportation projects. For Lithuania this strategic partnership provided an impetus

for assuming the position of a geopolitical link between the Baltic, Central, and East European regions.

In 1992, Baltic-Nordic cooperation was initiated according to the formula "5+3." This developed both within the framework of bilateral relations among Baltic and Nordic countries, and since 2000, in the Nordic Baltic 8 format. Lithuania actively participates in these initiatives and within the regional organization of the Council of Baltic Sea States (CBSS). Both the CBSS and NB8 have helped to knit this area with the region covered by the Barents Euro-Arctic Council. Lithuania's strategic plan of integration with the West has included intensifying regional cooperation with all nearby states and expanding Baltic relations with other regions. One objective is to implement projects in the areas of energy, transport, economic cooperation, and international crime fighting. These projects can be expanded to the Caucasus and Central Asia.

On 5-6 September 1997, the Presidents of Lithuania and Poland initiated the Vilnius Conference with the participation of eleven Central-Eastern European presidents and the Russian prime minister. The conference was a strong appeal for the creation of an integrated Europe, and the dialogue initiated became known as the "Vilnius Process." In May 2000, the nine NATO candidates gathered in Vilnius to express their commitment to a united Europe in alliance with the U.S. and Canada as the foundation for stability and security in the Euro-Atlantic region. The first meeting sponsored by the foreign ministers of all nine countries was later continued by higher-level sessions. The 2001 Bratislava summit involved the participation of the Prime Ministers of the NATO candidate countries plus Croatia. "Vilnius 9" thus became the "Vilnius 10" process, which was continued at the 2002 Sofia summit of the heads of states of the candidate countries.

Defining U.S. Interests

The U.S. has several core interests in Europe, including the deterrence of any new imperial power from threatening peace and security, the prevention of proliferation of weapons of mass destruction, the assurance of European economic development and international trade with the U.S., the support of the European integration process, and the broadening of democratic rule and market economies in all European states. Within this wider context, the security and development of specific European sub-regions becomes especially meaningful. American interests in the Baltic region were clearly underscored with the signing of the Baltic-U.S. Charter, where the security of Lithuania, Latvia, and Estonia was closely related to the security of other Euro-Atlantic community members. Lithuania can strengthen American interests in Europe by acting as a reliable U.S. ally within the Alliance and promoting Washington's interests in security, trade, and business. Lithuania has the political will to use its diplomatic, economic, and military resources to this effect.

Washington and Vilnius possess a commonality of interests as evidenced in developments since Lithuania restored its independence. Washington has consistently supported the goals of democratic reform, the rule of law, a market economy, and integration into all European and Euro-Atlantic structures. American interests in Lithuania and the broader region are based on the fundamental objectives of fostering regional security, rooting out international terrorism, promoting foreign investment, encouraging economic cooperation and free trade, and combating organized crime and corruption throughout Central and Baltic Europe.

Washington has a direct interest in promoting Lithuania's entry into NATO, as this will assure the U.S. of a reliable ally in Europe. In sum, Lithuania's accession into NATO serves U.S. national interests for two core reasons. First, Lithuanian inclusion expands the sphere of security eastwards and northwards and serves as a valuable example for other states that extracted themselves from the Soviet Union. And second, Lithuania's membership in the EU will not weaken its ties with the U.S. Indeed, the processes of NATO and EU integration can strengthen and complement each other. Membership in one of these two organizations does not substitute for membership in the other.

Defining EU Interests

The Lithuanian authorities have remained supportive the EU's European Security and Defense Policy (ESDP) as long as it develops as a European pillar of the NATO alliance and the U.S. remains closely involved in European security. As with other NATO members and aspirants, there is concern in Vilnius lest the ESDP leads to duplication, decoupling, or a diminution of NATO's effectiveness. ESDP must therefore complement NATO rather than compete with it. The Common Foreign and Security Policy (CFSP) and the European Security and Defense Policy (ESDP) address both "soft" and "hard" components of a comprehensive EU security approach. At the Nice and Gotenborg meetings, the European Council undertook to make the EU operational in the field of security, including peacemaking. At present, however, the EU is only capable of conducting limited crisis-management operations. Through the continuing development of the ESDP, the Union should be in a position to take on more demanding operations, as the assets at its disposal continue to develop.

In the coming years, the EU will concentrate on further European integration or "deepening." Structural reform will take place probably as early as the middle of 2003. The decision-making mechanisms will have to be redefined to better address new realities by serving a bigger Europe while increasing transparency and efficiency. In this context, EU enlargement seems an irreversible process and should begin as early as the end of 2002. The security benefits of enlargement include cooperation over border security, easier coordination of a regional approach, and access to EU capabilities to fight organized crime and corruption. Enlargement will have clear economic benefits. According to economic studies, even in the worst-case scenario, economic gains would be recorded through higher output and a rise in employment.

Lithuania's integration into the EU should promote all of these strategic European interests. It will enhance European security through the adoption of EU border and legal frameworks and through the Lithuanian National Security Strategy, which is compatible with the strategy outlined in the European Council Meeting in Laeken on 14-15 December 2001. There are also opportunities for investment in Lithuania and the Union remains Lithuania's main trading partner. Integrating Lithuania into a single market will enhance productive competition within the region by encouraging market reform in western Russia, Ukraine, and Belarus. Lithuania's economic engagement with the western part of Russia and Belarus will help decrease regional asymmetries that may fuel future regional instability.

Lithuania has been an active participant in the Finnish sponsored Northern Dimension of the EU's CFSP. This initiative has facilitated agreements among the Nordic and Baltic states on major regional projects and their financing. Vilnius has supported and developed joint projects with all Northern Dimension partner states, including the Nemunas river basin environmental project with the participation of Sweden, Russia, and Belarus; negotiations over power system connections with Poland; and the "Rail Baltica" connection between Estonia, Latvia, Lithuania, and Poland.

The Council of the Baltic Sea States (CBSS), which was founded on the basis of a German-Danish initiative in 1992, has been assigned a more pronounced role in coordinating the EU's Northern Dimension projects. The Council coordinates activities in economic and technological cooperation, environmental and nuclear safety, transportation and communications, human rights and democratic institutions, and civil security and anti-crime initiatives. The CBSS identifies trade and investment barriers and promotes sub-regional and municipal cooperation. It also acts as a link between government and the private sector through its connection with the Baltic Sea Chamber of Commerce Association and the Business Advisory Council. The Council views private capital as the primary source for financing development in key areas.

4. Security Through NATO

NATO Enlargement Debate

The role and future of the NATO Alliance has come under increasing scrutiny over the past decade. Politicians and analysts have expressed a range of opinions over NATO's size, scope, mission, and viability. NATO itself has shifted its primary strategic focus from the mutual defense of North America and Western Europe, and joint deterrence against a massive Soviet threat, to an increasing role in collective security, conflict management, crisis response, and institutional enlargement throughout the European continent. The next NATO Summit will be held in Prague in November 2002 and it promises to be a landmark event for at least six major reasons.

- First, policy makers will be drawing lessons from the 1999 NATO military campaign over Kosovo in which the inadequacies of European defense capabilities were glaringly exposed and pressing questions about burden sharing and power sharing were highlighted in the U.S.-European relationship.
- Second, discussions at the Summit will focus on the feasibility and applicability of the European defense pillar. In particular, questions will be raised about the interface between traditional Alliance structures and the ESDI (European Security and Defense Identity) in terms of decision-making, use of resources, and troop deployments.
- Third, the NATO Summit will take important decisions on enlargement. Whether NATO leaders decide on a small enlargement, a broad expansion, or a staggered accession by most aspirants, there will be a corresponding impact on NATO's strategy, structure, and mission.
- Fourth, Allied leaders will be expected to reassess the successes and shortcomings of their peace enforcement missions in both Bosnia-Herzegovina and Kosovo and to reexamine the content, practicality, and efficacy of NATO's New Strategic Concept. This will have major ramifications not only for the two NATO "dependencies" in South East Europe but for the prospect of future peacekeeping and state-building missions in the Balkans and elsewhere.
- Fifth, the Summit will deliberate on the evolving NATO-Russia relationship in light of the newly established NATO-Russia Council and the post September 11th anti-terrorism coalition.
- Sixth, the summit will focus on the progress of the Allied campaign against international terrorism and recommend new initiatives to maintain the counter-terrorism momentum. In this context, the military and political roles of the U.S. and its NATO allies will be closely examined.

The expansion debate is underway in Washington; both the Bush administration and the U.S. Congress are closely scrutinizing the qualifications of candidate countries. There are two major enlargement options for the fall summit -- the tactical and the strategic. A tactical expansion, with the inclusion of Slovenia and Slovakia, requires little political vision and will simply complete the missing pieces in Central Europe. Much more compelling and visionary is a broader strategic enlargement that extends the size and scope of continental security to include the Baltic states and some Balkan countries. NATO enlargement may actually reinforce Alliance consensus. Unlike some arenas of dispute, agreement can be reached relatively swiftly as there are clear timetables for decision-making. A trans-Atlantic success could actually repair some difficult relationships damaged by recent trans-Atlantic disputes.

The proponents of expansion view the inclusion of new members as contributing to stabilizing wider parts of the continent. Enlargement would also provide concrete inputs into future Alliance operations. The process of including new members has been increasingly viewed in NATO capitals both as inevitable and beneficial given the development of democratic governance and civil-military restructuring in the Central European states. Supporters of NATO expansion maintain that it is essential to stabilize countries beyond the immediate Central European zone by offering membership in the only credible security structure that could defend their sovereignty on

a permanent basis. Enlargement coupled with successful adaptation to handle new insecurities would also help eliminate nagging questions about NATO's strategy and purpose.

NATO's 1995 enlargement study underscored that any new members must commit themselves to joining its integrated structures and contributing to Alliance defense needs. In addition, newcomers must become increasingly militarily interoperable and allocate a sufficient portion of their budgets to defense purposes. Enlargement would entail a number of benefits by: providing a secure environment for consolidating democracy and market reform; promoting trade, investment, interdependence, and European integration; projecting security both eastward and southward as NATO assumed a direct interest in the stability and independence of neighboring states.

Critics of NATO expansion warned that enlargement would prove extremely costly, it would dilute NATO's capabilities and effectiveness, and alienate Russia by buttressing the anti-Western arguments of nationalist forces in Moscow. Some analysts eventually accepted a limited NATO enlargement into Central Europe but remained opposed to any further expansion eastward. They argued against an "open door" policy that would commit the U.S. to defending states in regions where NATO's vital security interests were not being challenged. Such strategically blinkered arguments gained limited currency among American and European leaders.

Several scenarios have been proposed regarding NATO decisions on enlargement at the upcoming summit. Most likely, a conditional invitation will be offered to most of the nine current aspirants. These states will first have to complete specific MAP (Membership Action Plan) requirements or some additional criteria. The final decision on enlargement is due to be announced on the eve of the Summit in October 2002.

Decision-makers will also be looking at the performance of the three newest NATO members (Poland, Hungary, and the Czech Republic) in meeting Alliance requirements. Their record has been uneven and although some claim that this may rebound negatively on the aspirants, in reality each candidate must be examined individually as was the case in previous rounds of enlargement. However, an assessment of the performance of the three newest members is valuable, particularly in discussing the utility of each new candidate. Two areas deserve special attention: military modernization and posture toward NATO.

Poland, Hungary, and the Czech Republic have made considerable advances in reforming their defense institutions. Some progress has been made in institutional restructuring, civil-military relations, and NATO compatibility employing small units. Nevertheless, military modernization remains a work in progress. It is unlikely that any of the three will complete their military modernization programs before 2005. Several areas require more intensive work, including force planning, budgetary commitments, the creation of a defense lobby and civilian specialists, restructuring of military personnel, constitutional and legal changes, pertinent national security and defense concepts, and proper defense planning.

The levels of support for the Alliance among the three Central Europeans after joining NATO remained largely unchanged. The Poles, followed by the Hungarians continue to demonstrate the strongest support for the alliance while the Czechs remain the weakest, with about 40% of the public fearing that NATO membership could get them entangled in a military conflict. In addition, while Czechs and Poles tend to be polarized over the issue on whether or not NATO membership guarantees their sovereignty, Poles are more certain that it does. Poles view Russia as the principle threat to their security and 60% believe that Russia will try to rebuild its influence in the region; hence, NATO is a guarantee of permanent security and independence.

Lithuania has similarities with Poland. Even though, Lithuania does not see a threat of invasion, it continues to be fearful of indirect and unwelcome Russian influences. As such, it sees NATO as a provider and not a detractor of security. Public support for NATO remains high amongst the Lithuanian public and government officials. Data indicates that the Lithuanian attitude towards NATO is similar to that of Poland. Given that Poland has so far proven to be a reliable ally, it is

fair to conclude that Lithuanian membership will offer some obvious benefits from a reliable ally moving toward military integration and interoperability. Within the framework of the PfP, Lithuania is on par with the three Central European allies. It demonstrated strong public support for the U.S. led Kosovo operation and its military units were deployed in the KFOR mission. Vilnius has recently provided a fully maintained aircraft and its crew to the NATO operations in the Balkans.

Lithuania's Strategic Importance for the Alliance

As a member of the Alliance and all pan-European structures, Lithuania can make a valuable contribution in tackling and combating a host of security threats. There are several cogent arguments why Lithuania should be a front runner in the next round of NATO expansion:

- Lithuania formally requested NATO membership in January 1994 and all governments since then have focused on this overriding security priority. Lithuania entry will constitute an important breakthrough into the former Soviet zone. It will help remove fears among former Soviet republics of a gray zone of instability stemming from exclusion from Europe's primary security system.
- Lithuania's inclusion would embrace a country that has made remarkable political and economic progress and largely settled its inter-ethnic disputes. Vilnius has no outstanding problems with its neighbors and has not faced the kind of Russian pressure that both Latvia and Estonia have been periodically subjected to over the past decade.
- Lithuania is a relatively small country of some four million inhabitants that will not become a burden on the Allies. Moreover, Vilnius is making strenuous efforts to adapt and modernize its military according to NATO standards, including the Membership Action Plan (MAP) requirements. Vilnius has made substantial progress in developing its command, control, and communications system, new force structures, professional military education, training and doctrine, logistics, and infrastructure. Alliance membership would enhance this process.
- Much like Poland, with whom it cooperates closely on both political and security issues, Lithuania promises to be a strong American ally and has a large and vocal *émigré* population in the U.S. Its inclusion would act as an enticement to other reforming states that the "open door" policy is not a mirage.
- NATO must be decisive in expanding the European security space, otherwise ambiguity fosters instability. Lithuania's exclusion would send a negative signal to all of Russia's neighbors, it could embolden Moscow's future ambitions, and make Vilnius more susceptible to Russian pressures through a variety of political and economic instruments. Just as Warsaw has developed a more stable relationship with Moscow since it joined NATO, Lithuania's relations with Russia are likely to further improve in the event of NATO membership. Russia can best be dissuaded from any future ambitions through a firm commitment to NATO expansion along the Baltic littoral. Lithuania's accession to the Alliance discourages nationalism on both sides.
- Although Lithuania may not be a major contributor to NATO's military structures, its membership would remove another potential source of insecurity along NATO's eastern border. Just as Germany urged Poland's inclusion in order to stabilize its eastern frontier, Poland now understandably has the same objective.
- Similarly to the new Central European members, Vilnius is not requesting the stationing of NATO troops on Lithuanian territory. It is not seeking to become a burden for the Alliance or for the U.S. It is simply asking for the same benefits and obligations as any current NATO member and is steadily establishing its armed forces along NATO lines.
- Lithuanian accession to NATO contributes to regional and international security. The country brings enormous regional experience and knowledge to NATO and has a positive influence on neighboring states. It can promote a European orientation in Kaliningrad, especially as the authorities in the enclave have not opposed Lithuania's NATO membership.
- Lithuanian democracy and its record on human and minority rights serves as a valuable example of development and stability, especially for the European CIS states struggling with the burdens and legacies of communism and Sovietism.

- Strategically, Lithuania occupies an important position for several major European transport corridors including the link between Russia and Kaliningrad. It has a well-developed network of roads and railways, while some major gas and oil pipelines pass through it. Lithuania possesses an oil terminal in the port of Butinge and the ice-free port of Klaipeda is situated in the central part of the Baltic coastline. Important telecommunications lines connect East and West European countries via Lithuania. The airfield at Siauliai is strategically significant because it has the capability to receive aircraft of all types, while Lithuania is the location of the Baltic Airspace Surveillance Coordination Center.
- Contrary to some speculation, Lithuania is not “indefensible.” The question involves several misunderstandings. First, the Lithuanian military is prepared for national defense and capable of resisting an invading force for some period of time under the principles of mass mobilization and “total defense.” Second, the primary purpose of a NATO Article 5 guarantee is to deter an invasion. Hence, NATO membership will make the question of defensibility largely redundant.

Lithuania’s Position in the Enlargement Process

Lithuania benefits from widespread support for NATO accession among Alliance members. Poland is especially supportive, as this would bring definite strategic, political, and economic benefits. Indeed, Lithuania is the only Baltic state that borders a NATO member and its inclusion in the Alliance would be a logical geo-strategic progression for European security. Lithuania has registered steady progress in the accession process:

- At the NATO Madrid Summit on 8 July 1997, NATO leaders launched the enlargement process and referred to Lithuania, Latvia, and Estonia as aspiring members who had achieved substantial progress toward gaining entry. The Madrid Declaration was received in Vilnius as an invitation for Lithuania to seek full membership in NATO;
- Lithuania opened a Mission to NATO on 3 August 1997 to enhance political dialogue between Brussels and Vilnius;
- On 9 October 1997, the North Atlantic Assembly issued a resolution asserting that the process of NATO enlargement would not be completed until Lithuania and other Central-East European states became members;
- At NATO’s Washington Summit in April 1999, Lithuania, Latvia, and Estonia were specifically mentioned in paragraph 7 of the Communique – a step that was received positively in Vilnius as a vindication of Lithuania’s aspirations.

In the estimations of all Baltic leaders, the current international situation presents a unique window of opportunity for NATO accession. While Russia is in no position to oppose entry for any European state, and in recent months has acknowledged this inevitable evolution, NATO appears determined to expand the sphere of security northward, eastward, and southward. A key reason why Lithuania launched the “Vilnius 9” process was to mobilize all NATO aspirants to petition the Alliance for membership. Although the V-9 process officially started in 2000, the ground was laid in 1997 with the holding of the first regional conference in Vilnius. This developed into a tradition, and in 2000 one of these conferences was used to gather together the V-9 Foreign ministers. While initial meetings of the group in 1997 and 1998 were at the level of foreign and defense ministers, at the April 2001 meeting in Bratislava Prime Ministers from all NATO aspirants were in attendance. The Vilnius process has thereby contributed to regional cooperation and enhanced interaction with NATO states.

In February 2002, NATO Secretary General Lord George Robertson asserted that: “Lithuania is on the right road” toward membership. He underscored that Lithuania’s key tasks for membership were the modernization of its armed forces, anti-terrorist activities, and the maintenance of democratic standards. Robertson informed Lithuanian defense minister Linas Linkevicius that Lithuania should have mobile and well-trained armed forces that would be able to participate with alliance forces in collective defense and peacekeeping operations. Lithuania’s position on NATO

enlargement has been clear from the outset: "The greater the number of countries invited in Prague, the better for a Europe whole and free."

Domestic Support and Readiness

There has been consistent consensus on security and foreign policy priorities by all Lithuanian governments since the regaining of independence. It is important for the public to see visible progress that would validate the government's commitment to internal reform and Euro-Atlantic integration. If raised hopes are thwarted at the NATO summit, the Lithuanian public could become more prone to a sense of isolation. NATO admission would send a strong signal for the validity and continuity of political and economic reform.

There is absolute political consensus and overwhelming public support for Lithuania's NATO accession. Regarding the political elites, only some small groupings remain opposed to membership. These include leaders of the minority organization, the Russian Union, and some extreme nationalists with marginal political influence. These groupings would prefer to see Lithuania as a neutral state as their main concern is that Alliance accession could jeopardize contacts with Russia. Virtually the entire political spectrum is supportive of NATO accession, including the ex-communists. This has been underscored in agreements on national defense policy, such as the one signed by all major parliamentary parties in May 2001, and in the approval by parliament of consistent 2% GDP spending on Lithuania's military.

In cooperation with NGOs and the media, the government has kept the Lithuanian public well informed about issues of NATO policy, the advantages of Lithuanian membership, and its future responsibilities as an Alliance member. In polls taken in February 2002, only 21.1% of the Lithuanian population expressed opposition to NATO accession, and such views rest primarily on concerns over the question of increased defense costs. Opinion polls indicate that support for NATO entry is steadily growing while the number of undecided is decreasing. In December 2000, public support stood at 49%, while in February 2002 the figure reached 58.9%, while over 60% of citizens were positive about the possibility of Lithuania's invitation to join NATO. An even bigger majority perceives NATO as an organization promoting security and a safe investment climate.

In terms of political and military readiness, Vilnius has an Annual National Program that is approved by the government. It assesses progress in military development and defines concrete objectives and plans to enhance Lithuania's preparations for entry into NATO. In addition, Vilnius participates in the NATO Partnership for Peace (PfP) program and the Planning and Review Process (PARP), a mirror of NATO's force planning mechanism which identifies and evaluates force capabilities, interoperability issues, defense resources, and financial plans.

In this context, specific sectors of the military are being prepared for full interoperability with NATO and the state budget funds specific Partnership Goals (PG) that are coordinated with Brussels to help build Lithuania's defense capabilities. 66 PGs have been developed and tailored with the Alliance for the period 2001-2006 in order to support the MAP objectives, to improve military interoperability with the Alliance, and enhance Lithuania's preparations for NATO membership. NATO evaluations of Lithuania's performance have been consistently positive although improvements are still necessary in a number of areas. In April 1999, Lithuania established a Coordination Commission for NATO Integration, a mechanism designed to improve the country's administrative capacity and coordination between government ministries. The Commission was empowered to prepare a National NATO Integration Program (NNNIP), to report on preparations for NATO integration, and issue pertinent recommendations.

NATO Advantages

NATO membership will help to consolidating Lithuania's Western direction. The Baltic states are not "special cases" for NATO inclusion but normal contenders for the most important pan-

European institutions. Each country should be judged according to its merits, achievements, and capabilities. Strategic interests and sovereign choices need to be respected: for former “captive nations” such as Lithuania security is above all a psychological factor that anchors the country in the Euro-Atlantic structure where its identity and interests lie. NATO membership is thereby a source of protection and a guarantee against any future threat of isolation.

NATO accession will encourage an increase in international trade and attract foreign investment to Lithuania especially as business will feel more secure. Poland and other Central European states benefited substantially from NATO membership in that investors felt less concerned over potential instabilities. An invitation to NATO will constitute a seal of approval for Lithuania’s progress. In some respects, Lithuania is more important than either Latvia or Estonia in terms of its military capabilities, its significance for regional stability, its relations with Russia, and its link between Kaliningrad and Belarus. In addition:

- Vilnius possesses valuable training bases and exercise facilities and has a joint air space surveillance center that is to be connected with the NATO center and for which the U.S. and Norway have provided equipment. This will facilitate the Alliance with a vital four minutes extra time to respond in case of a threat across Lithuanian territory; and
- International terrorism poses a serious security threat to the global community. However, this threat is largely external to Lithuania as domestic conditions are not conducive for terrorism. Lithuania could become a potential target of international terrorism in which acts of sabotage may be directed against infrastructure or strategic targets, or against the interests of foreign partners in the country. The Baltic region may also become a transit country or a training ground for international terrorism focused on the West. Hence, the integration of Lithuania in NATO and all its security networks will provide a more effective regional and international mechanism for combating trans-national terrorism.

Increasing Lithuania’s Military Capabilities

Vilnius is not simply concerned with self-defense capabilities as it seeks to produce military added value for the Alliance, including peace-support and humanitarian operations as in Bosnia-Herzegovina and Kosova. In terms of purely military contributions, Lithuania is more qualified than Slovenia, one of the prime candidates for NATO inclusion. While some opponents of Lithuanian membership argue that the country is indefensible in the event of an attack, such arguments are rooted in the Cold War experience. Security and defense in the current era does not revolve around protection from conventional attack but in assuring stability and combating more pervasive or covert cross-border threats. In this context, Lithuania has developed a “total defense concept” in line with the new challenges facing Europe, and its security capabilities will need to be more closely coordinated with NATO allies to combat global threats.

- Lithuania currently has an armed force of some 12,000 troops and has been steadily modernizing its military structure and focusing on military specialization in such arenas as tactical intelligence;
- In terms of schooling and training, Vilnius has made substantial investments in educational standards at military establishments including its Military Academy. Lithuania participates in about 700 events annually in different areas of military and technical expertise. Over 1000 military officers and civil servants have been trained in the most prestigious institutions in NATO and partner countries. Lithuanian peacekeepers serving abroad upon return to their units are often promoted and are enabled to apply their knowledge and experience. This enhances the modernization and personnel interoperability of the Lithuanian military;
- Lithuanian representatives participate in about 140 activities annually within the framework of the PfP Partnership Work Program (PWP) and the Individual Partnership Program (IPP), including PfP military exercises. The priority areas within the IPP have been language training, command, control, and communications (C3), military education, training and doctrine, air space management and control, and logistics;

- A number of military initiatives have been undertaken by all three Baltic states in conjunction with NATO's PfP program, including the creation of a Baltic Peacekeeping Battalion (BALTBAT), which became effective in 1997 and has been coordinated through Nordic formations; a NATO-compatible regional airspace surveillance and coordination center (RASCC) was built near Kaunas in 1997 helping to integrate the joint capability of national systems; and a Baltic Naval Squadron (BALTRON) was established in 1998;
- On the technical and logistics side, Lithuania has reoriented its procurement plans toward NATO-compatible systems and has already purchased weapons and other equipment from Alliance states. These have included *Stinger* anti-aircraft systems, *Javelin* tank systems, as well as transport vehicles, tactical radios, coastal surveillance equipment, and anti-tank weapons. Lithuania is determined to remain fully oriented toward Western markets as its integration into NATO continues to develop.

Lithuania's Contribution to Trans-Atlantic Security

The Lithuanian authorities have committed themselves to an annual defense spending of 2% of the state budget for the next five years (2002-2007) and has proved successful in pooling state resources for defense purposes. It has made substantial technical-military preparations and its military reforms have remained a high priority. In the event that NATO membership is not forthcoming, this percentage may decrease and hurt Lithuania's military modernization program; this could diminish the country's chances for fulfilling the criteria for future NATO membership. The Lithuanian authorities understand that NATO membership carries both benefits and responsibilities. Vilnius has demonstrated that it is willing to share the burdens of accession in terms of costs and participation in NATO operations.

Upon regaining independence in 1991, Lithuania recreated its military virtually from scratch after disentangling itself from the Soviet Red Army structure. After ten years of concerted effort, spending, and reorganization, the country's military is largely compatible with that of the NATO alliance. Lithuania participates in a broad range of NATO programs in the civil, political, and military arenas. Through its involvement in NATO and UN lead peacekeeping operations, Lithuania has proven to be a positive contributor to "soft security" missions in particular. This complements the "Petersburg tasks" which outline the development of the EU's military capabilities along the "low end of military spectrum."

- In 1998, Baltic ministers ratified the use of BALTBAT on international missions in support of UN operations. Several BALTBAT platoons and companies have been deployed and rotated in Bosnia and Kosova within the Danish peacekeeping battalion. However, it has yet to be deployed as a full battalion;
- Vilnius has contributed to several important international missions in the Balkans since 1994 and over 1000 troops have served in the region. Lithuanian platoons participated in the UNPROFOR mission in Croatia, and in the NATO IFOR (Implementation Force) and the SFOR (Stabilization Force) in Bosnia since 1996, serving with NATO's Danish Battalion;
- Lithuania took part in the AFOR mission to Albania in 1999 and contributes forces to NATO's KFOR mission in Kosova since 1999 as a component of the Polish battalion. Future participation in NATO and EU military deployments remains a high priority for Vilnius;
- Lithuanian policemen have served in the UN mission (UNTAES) in Croatia, in the UN mission (UNMIBH/PFP) in Bosnia, and in the UN mission (UNMIK) in Kosova since August 1999. Lithuania is also the only NATO candidate country that participates in a joint military unit (LITPOLBAT) with a NATO state, Poland;
- In the Baltic region, Lithuania has developed the Baltic Airspace Surveillance Network, which supplies surveillance data to military and civilian authorities and is technically prepared to exchange data with NATO, thus providing direct strategic value to the Alliance in North East Europe;
- Since the launching of the global anti-terrorism campaign, Lithuania has actively contributed to the American led operation. Vilnius fully supported the North Atlantic Council in the

invocation of Article 5 of the Washington Treaty as a basis of common action, it joined the Action Plan of the EU Council, and took part in the Warsaw Conference of Central and East European heads of state in November 2001 that issued an Action Plan on Combating Terrorism. Lithuania granted permanent rights for the over flight and landing of U.S. military aircraft, adopted a National Action Program to Combat Terrorism in December 2001, increased state funds for the anti-terrorism struggle, and developed a series of joint regional measures with Latvia and Estonia. Lithuania also endorsed the adoption of the OSCE Bucharest Plan of Action on combating terrorism. Vilnius is prepared to share intelligence on terrorism with NATO states and partner countries;

- On 19 March 2002, the Lithuanian parliament gave the green light to sending Lithuanian troops to Kyrgyzstan to join the allied forces in the U.S.-led anti-terrorist operation. The unit is to be located at Manas Airport near Kyrgystan's capital, Bishkek. U.S. and allied military forces are using the airport as a base for operations in Afghanistan.

Since regaining its independence and reestablishing its military, Lithuania has participated in a number of NATO programs, organizations, and missions. It actively takes part in exercises of the Combined Joint Task Forces (CJTF) and maintains high-level and expert contacts within the format of the Euro-Atlantic Partnership Council (EAPC). In March 2001, Lithuania formally completed the second cycle of the MAP (Membership Action Plan) as stipulated by the Alliance for meeting the criteria for accession.

In the framework of the third cycle of the Planning and Review Process (PARP), between 2002 and 2006, Vilnius is in the process of implementing 66 Partnership Goals (PGs) in priority areas such as language training, C3 systems, logistics, and air defense to enhance its interoperability with NATO. 16 PGs were fully or partially implemented during the course of 2001. Vilnius has implemented a long-range ten-year National Security Enhancement Program and established some specific priorities between 2002 and 2006 that will benefit from assured government financing. These include the following initiatives:

- Creating a battalion size unit by the end of 2002 in readiness for NATO Article 5 operations and for operations outside Lithuania;
- Establishing a Reaction Brigade (Iron Wolf Brigade) by the end of 2006, as a well-equipped and well-trained force containing three battalions for deployment under NATO's Article 5 and other Alliance commitments;
- Deploying company size units for NATO and UN international peace support missions. Vilnius is also in the process of creating an Artillery Battalion and an Air Defense Battalion for homeland defense;
- Developing a modern infrastructure for the reception of any necessary NATO reinforcements in Central-Eastern Europe;
- Deploying two brigades for international peacekeeping duties by the close of 2002, and four brigades by 2006;
- By the end of 2006, Lithuania together with its two Baltic neighbors, plans to meet all the requirements for air-space control by making fully operational an effective air space monitoring and control system (the Baltic Regional Air Space Surveillance System). The national surveillance system supplies data for both military and civilian authorities and is already technically prepared to exchange data with NATO.

Lithuania seeks to be included in the Conventional Forces in Europe (CFE) Treaty, which specifies limits on military buildups and can assist in the military modernization process, as well as the Open Sky Treaty. Vilnius closely follows the CFE process and positively considers the option of accession to the revised Treaty. CFE membership for Lithuania would help provide Vilnius with frameworks for military development in synchrony with NATO that would assist in both planning and acquisitions. Lithuania supports and already adheres to the provisions of the Ottawa Convention on the prohibition of anti-personnel mines and seeks to prepare for the ratification and implementation of its conditions. Lithuania cooperates with foreign partners and

international organizations in strictly applying existing international regulations limiting the proliferation of weapons of mass destruction. Vilnius regards international arms control regimes and confidence building measures as important elements of European security.

5. Security Through the European Union

EU Enlargement and Lithuania's Performance

The EU has adopted the "Regatta" approach in bringing in new members. This is a framework based on the principle of differentiation. Eleven states are currently in the accession negotiation phase. The negotiations focus on any applicant's ability to take on all the obligations of a Member State of the Union and to apply the Community *Acquis* once they join. It also highlights immediate measures to extend the single market. Negotiations may be concluded even if the *Acquis* has not been fully adopted as transitional measures may be introduced after accession.

The Nice Summit in December 2000 welcomed the new enlargement strategy adopted by the Commission the previous month. The EU agreed on a number of contentious but highly significant issues. It reaffirmed the historic significance of the enlargement process and welcomed the principle of differentiation. The Summit also agreed on essential institutional reforms that had to accompany enlargement. Lithuania's progress as outlined in the 13 November 2001 Regular Report prepared by the European Commission has been noteworthy for the following:

- Lithuania continues to fulfill the necessary political criteria for EU accession, according to the accession partnership launched on 15 March 1998. Since 1997, Vilnius has made considerable progress in consolidating and deepening the stability of its institutions, guaranteeing democratic pluralism, the rule of law, human rights, and respect for and protection of minorities;
- Lithuania has made progress in reforming the public administration and the judiciary, where the administrative court system has been re-organized and made more effective. Implementation of the new administration law and the civil service law remain as high priorities;
- Sustained efforts are required in furthering the process of reform. In the field of corruption, Lithuania's progress should be sustained and reinforced through the ratification of the National Anti-Corruption Strategy;
- Lithuania is a functioning market economy and with additional structural reform, it can cope with the competitive pressure and market forces within the Union in the near-term;
- Unemployment remains high but Lithuania has made some progress in the area of financial and budgetary reform and the minimum wage was increased in the spring of 2002.

Throughout the past decade, U.S. leaders of both political parties have been at the forefront of those advocating a broader and deeper Europe. Washington does not see a contradiction between strengthening Europe and enlarging it and there is bipartisan American support for EU enlargement. A failure of the EU to expand could erode American interest in Europe as a senior partner, and instead reinforce past patterns of privileged partnership with one or more European countries. Presidents George Bush, Bill Clinton, and George W. Bush, together with other prominent American leaders, have been at the forefront of those advocating a broader and deeper Europe. Voices within the American leadership have propagated the idea of double enlargement -- paralleling NATO expansion with that of the EU -- as the best strategy for promoting European stability. A double enlargement also promotes the development of a

comprehensive and recognizable European Security and Defense Identity, which most view as beneficial to American interests.

Throughout the Cold War, Western Europe assumed an inward looking security identity. The EU's military posture was shaped almost exclusively by the notion that an external military challenge to territorial integrity is the greatest threat facing the region. Hence, the EU's military posture is defensive in nature and of limited strategic value to American force deployment. In order for the European states to reform their armies, so they can project force beyond the continent and stand alongside the U.S., the Europeans must be convinced that stability on the continent has been secured. By pursuing double enlargement, not only would Europe's northeastern, central, and southeastern sub-zones be secured through NATO membership, but they would also be increasingly stabilized through integration into the EU. As a result, the EU's inward looking security identity would acquire a broader and more global focus, giving the U.S. an increasingly viable and valuable partner.

Some voices in Western Europe fear that the East European democracies are seeking too close a relationship with the U.S. through NATO membership. Indeed, some contend that the European Security Concept and EU inclusion should be sufficient to secure Lithuania without expanding American interests on the continent and potentially threatening Russia. The position that both NATO and EU enlargement should be parallel and complementary processes will counter the supposition that NATO is becoming redundant. Unless and until the EU develops a viable and capable security structure, a prominent American presence in NATO, will remain indispensable.

The Case for Lithuania's Membership

On 12 June 1995, the Europe (Association) Agreement was signed between Lithuania and the EU. Lithuania was included in a group of countries aspiring to become members of the Union. On 8 December 1995, President Brazauskas signed an official application for EU membership in a *Seimas* Statement which declared that "to join the cultural, political, economic, and security structures of Europe is Lithuania's historic aspiration." Vilnius realizes that EU enlargement enhances stability and accelerates the economic development of new members. Immediately after the restoration of independence, EU membership was asserted as a priority for Lithuania's foreign policy. It would invigorate the country's economic progress and increase its security.

Lithuania's identification with European values was preserved even during the most detrimental historic circumstances under Soviet occupation. Moscow attempted to erase Lithuania's individuality not only by methodically extinguishing the historic consciousness of its people and its cultural heritage, but also by attempting to prevent any promotion of Western liberal values. Other EU aspirant countries in Eastern Europe were subjected to similar pressure, although the consequences were less onerous as they managed to preserve some form of sovereignty. As a result, Lithuania's aspirations for EU entry are determined not only by narrow pragmatic interests, such as increases in the welfare of citizens, but are perceived by the cultural and political elites and by wide layers of society as facilitating the enhancement of Western identity.

For the countries of Central-Eastern Europe, integration into the EU is related not only to the prospect of adopting West European living standards. Integration is a factor for accelerating the post-Communist transformation process. The strategic direction of this process is clear: the construction of liberal democratic political structures and market economies. Political democracy and the principles of a market economy are well established in Lithuania but the process of civil society formation is incomplete. EU integration is a powerful factor for the consolidation of civil society and the constitution of a modern state. Lithuania was subject to the methodical elimination of any expressions of civil life and a market economy. Close cooperation with the EU facilitates the task of restoration. An evident expression of EU influence has been greater progress in all aspects of civil life since 1996 when the provisions of the *acquis communautaire* started to be implemented.

The importance of Lithuania's Euro-integration is linked with two factors - the geopolitical situation and the objectives of statehood. The possible consequences in the event that Lithuania fails to become an EU member can be outlined. Lithuania borders a region where the implementation of Western economic, social, and political values has been postponed indefinitely. Post-Communist societies are starting to take shape in the CIS although they will not become systems based on liberal democracy and free market principles. The most illustrative example of this evolution is Russia. A decade-long reform process was unable to facilitate the consolidation of civil society and ended with a retraction from democratic principles. The liberalization of economic life did not prevent the gradual slide of the country towards authoritarian rule. These tendencies were fully revealed after Vladimir Putin became President.

Lithuania cannot isolate itself from the impact of Russian developments. If Lithuania became a "gray zone" between the EU and CIS, it could fall under the influence of oligarchic and quasi-democratic socio-political structures in the East. This would slow down the formation of civil society and undermine the consolidation of a liberal democracy. Hence, Lithuania's orientation toward the EU is regarded as critical factors in forestalling any unfavorable developments. Successful integration into the EU is important for the Union as well. With EU membership, Lithuania will acquire more opportunities to serve as a model of successful development and integration. It can also prevent the CIS border from turning into a new Iron Curtain. Lithuania's contribution in promoting cooperation with the CIS has been acknowledged by the EU.

Lithuania's Progress Toward Accession

On 5 April 1990, the European parliament passed a resolution on Lithuania and official contacts were established. Even though the Community sympathized with Lithuania's drive for independence, this support was cautious. This was determined by the desire to preserve stability and the mistaken expectations connected with Gorbachev's *perestroika*. The situation changed after Lithuania restored its independence and gained international recognition, creating the prerequisites for closer cooperation with the EU. Lithuania received financial and technical assistance and concluded several economic agreements. A new momentum was injected by the Technical Assistance Agreement signed between Vilnius and the European Community on 21 December 1991, in accordance with which Lithuania started to participate in the PHARE program.

A Free Trade Agreement was signed between Lithuania and the European Community on 18 July 1994. Nevertheless, there was still no definite answer to the most important question for Lithuania – prospects for EU membership. A number of politicians in the West had grown accustomed to the notion that the Baltic countries were an inseparable part of the USSR. Such attitudes were reflected in the 1994 statement of the European Commission on negotiations with the Baltic states. Even though this document stated that negotiations over the Europe (Association) Agreements ought to be commenced, it also asserted that the exceptional strategic position of the Baltic states with respect to Russia necessitated a far more cautious approach.

All ambiguities concerning relations between Lithuania and the EU were finally eliminated on 12 June 1995 with the signing of the Europe (Association) Agreement, which recognized the Lithuania's aspirations to become an EU member. The signing of this Agreement paved the way for Lithuania's full participation in the pre-accession Strategy for candidate countries, including legal harmonization, structural and political dialogue, technical assistance, and regional cooperation.

The EU's eastward expansion is an experiment of unprecedented scale and complexity. The new stage in European unification consists of joining two parts of the continent, which were for several decades divided by the Iron Curtain and have very different levels of development. The unpredictability of this integration process presents a range of practical and political problems for the member countries. The formal criteria for membership are fairly clear, including democratic political system; protection of human and civil rights; the resolution of minority problems; and establishment of market economies. However, in terms of economic development and

administrative capacities, skeptics claim that the country is incapable of complying with EU membership requirements. The gap between formal EU membership criteria and the actual preparedness of candidates is considered to be an impediment to integration. Hence, a continuous political dialogue is necessary with progress measured by the annual Regular Reports of the European Commission. Lithuania has had such reports since 1996 and they are a stimulus for dialogue and action. The progress achieved in the official Accession Negotiations, which started on 15 February 2000, are another important criterion.

The second stage of Lithuania's progress toward the EU developed between the signing of the Association Agreement in 1995 and the Helsinki Summit of EU member countries and associated states at the end of 1999. The European Council approved the proposal of the European Commission to start accession negotiations with Lithuania and five other candidate states. On 28 July 1995, the Ministry of Foreign Affairs and Vilnius University established a non-profit organization, the Center for European Integration Studies, to help facilitate Lithuania's EU preparations by training specialists in EU politics, law, and economy, providing information, and initiating public discussion about European integration. On 8 December 1995, Lithuania submitted its official application for EU membership, which was accepted at the Second Meeting of the European Council in Madrid at the end of the year. A tangible expression of this approval was the establishment in Vilnius in March 1996 of the European Commission Delegation to Lithuania. The objectives of the Delegation were to maintain relations with the European Commission, disseminate information about the EU, and exercise supervision over PHARE program.

At the end of 1996, the Lithuanian parliament assembled a delegation for relations with the European Parliament. In February 1997, a Legal Bureau was established by Lithuania's Ministry of European Affairs committed to ensuring the compliance of Lithuanian laws with EU legislation. In 1998 the Bureau was expanded into a Department of European Law. On 3 March 1997, the government approved the composition and regulations of the Delegation for EU Accession Negotiations. The government's European Integration Commission was also raised to ministerial level and placed under the authority of the Prime Minister. In May 1998, the Ministry of European Affairs was replaced by the European Committee charged with responsibility for coordinating the activities of ministries and other state institutions within the framework of Lithuania's EU integration. On 24 March 1999, the Center of the European Commission Delegation in Lithuania was opened. Its primary objective was to provide information about EU structures and functions.

Cooperation between Lithuania and the EU on the parliamentary level also developed. On 18 September 1997, with the purpose of developing contacts between the *Seimas* and the European Parliament, the parliamentary Committee on European Affairs was established. It was given responsibility for considering major issues related to Lithuania's policy toward the EU, including the EU Accession Strategy, to supervise the implementation of the National Law Approximation Program, and to exercise parliamentary control over public authorities who had entered into negotiations for EU membership. A new impetus for institutional development was registered on 1 February 1998 with the coming into force of the Europe Association Agreement between the EU and Lithuania. To ensure its implementation, an Association Council was established at the level of Foreign Ministers and became active in February 1998. A Joint Parliamentary Committee was also activated in September 1998. The establishment of these entities concluded the formation of the institutional network necessary for the development of accession negotiations. In early 2000, the President of Lithuania was empowered to appoint the Chief Negotiator with the EU.

The signing of the Europe (Association) Agreement invigorated implementation of the PHARE program. On 27 June 1995, the Technical Assistance Programme signed between Vilnius and the European Communities was ratified, to provide for more extensive Lithuanian involvement. In 1999, the EU decided to render financial assistance for certain priority areas such as strengthening institutional and administrative capacities, the internal market, justice and internal affairs, agriculture, the energy sector, employment, social affairs; and the environment. On 4 December 1999, the PHARE Support to European Integration in Lithuania Project was launched as one of the major projects in the area of administrative capacity.

The alignment of Lithuanian and EU law is one of the major conditions for Union membership. Close cooperation in this area was initiated in 1996, when the government approved the National Law Approximation Program. This established time limits for the transposition of EU legal provisions into relevant areas of Lithuanian legislation and specified the institutions responsible for the task. In September 1997, an amended version of the Program was approved providing measures necessary for completing EU legal provisions in enterprise rights, protection of private identity data, free movement of capital, public procurement, financial services, labour security, intellectual property protection, and free movement of goods. In March 1998, Vilnius submitted to the European Commission its National Plan for the Establishment of Institutions intended to enhance Lithuania's institutional and administrative capacity to implement the Community law.

In the 1999 Helsinki European Council, a decision was taken to start accession negotiations with the second group of candidate countries, including Lithuania. In April 1996, Lithuania was given a comprehensive Questionnaire prepared by the EU, which encompassed all areas of the *acquis*. It underscored that Lithuania had made considerable progress in democratic development, guaranteeing human, civil, and minority rights, instituting market principles, and conducting a large-scale privatization process. Macroeconomic stability had been accomplished and the financial system was stable. Lithuania had also managed to resolve all problems with neighbors.

Nevertheless, structural reforms had not been completed given Vilnius's limited financial resources. Insufficient administrative capacities, especially in the sphere of financial control, were also evident. In some administrative areas there were indications of extensive corruption and the public sector still dominated the country's economy. The agricultural sector remained unaffected by structural transformations despite the restored private ownership of land. A range of deficiencies was evident in the banking sector while the energy sector was practically unaffected by reform. A complex issue regarding the eventual closure of the Ignalina Nuclear Power Plant also emerged. No fundamental restructuring had been introduced in the system of taxes and custom tariffs, while insufficient control over Lithuania's borders, especially in the east, could potentially turn the country into a "transit" state for illegal migration and international crime.

In European Commission Reports in 1998 and 1999, it was noted that Lithuania complied with the political criteria of the Copenhagen Summit, while areas still in need of attention included the struggle against corruption and reform of the legal system. Regarding Lithuania's application for EU membership in 1997, the EU Commission concluded that Lithuania made significant progress in establishing a market economy, but it "would face serious difficulties to cope with competitive pressure and market forces within the Union in the medium term." Although this conclusion was reiterated in the reports during the two following years, the economic stability of the country was also emphasized. In the 1999 Report it was noted that the sustained implementation of the remaining reform agenda would complete the establishment of a functioning market economy and enable the country to cope with competitive pressure within the Union in the medium term.

In the Commission Report of 1999, it was emphasized that Lithuania had made progress in the coordination of internal market laws, especially those related to public procurement, intellectual and industrial property, and free movement of capital and services. Lithuania registered advances in the approximation of laws in the field of transport and management of environment issues. Lithuania's efforts in the energy sector were evaluated positively: the country undertook the decommissioning of the Ignalina Nuclear Power Plant and to close Unit 1 by 2005, with Unit 2 due to be closed by 2009. Progress was also made in the area of financial control. In the public administration, Vilnius introduced a special law and developed necessary training programs. The reform of the legal system was continued with the establishment of administrative courts and the reorganization of the Prosecutor's General Office. The majority of institutions and agencies necessary for the implementation of the internal market *acquis* had also been created. The Helsinki European Council in 1999 adopted a decision to start negotiations with the second group of aspirant countries, with Lithuania included. The period since the start of negotiations may be considered the third stage in Lithuania's accession to the EU.

In December 1999 a new Accession Partnership was adopted and in May 2000 Lithuania submitted a newly structured National Program for the Adoption of the *Acquis* (NPAA), also called Lithuania's EU Accession Program. Assistance from the Union is also increasing. Since 2000, the country has been provided access to three instruments in preparing for membership financed by the EU -- the PHARE, ISPA and SAPARD programs. 2000 may be considered as the turning point in the reform process. The adoption of the new Civil and Criminal Codes were landmark achievements. Significant progress was made in restructuring public administration with the application of a Law on the Civil Service. Measures were taken to combat corruption: in 2000 laws on Special Investigation Service, Lobbying Activities, and on the Compatibility of Public and Private Interests in the Civil Service were adopted. In the 2000 Report, the EU acknowledged for the first time that Lithuania could be regarded as a state with a functioning market economy and would cope with competitive pressure and market forces within the Union in the medium term.

The country's capacity in assuming membership obligations in accordance with the relevant EU *acquis* chapters have expanded in all areas. Lithuania today is one of the negotiation leaders with 28 out of 31 chapters preliminarily closed. Negotiations over the remaining chapters, including agriculture, energy, regional policy, and budgetary regulations, will be more difficult. However, there prevails a basically optimistic attitude in Lithuanian society that there are no insurmountable obstacles, which might prevent the country from finishing the accession negotiations and becoming a full member of the European Union.

Recommendations: Strengthening U.S.- Lithuanian Relations

Political Initiatives

- Intensifying cooperation between the U.S. and Lithuania in the framework of the Charter of Partnership between the U.S. and the Baltic states, by establishing a subordinate body to the Partnership Commission - a bilateral sub-commission. This would be responsible for concrete proposals on strengthening cooperation between Vilnius and Washington.
- Supporting political initiatives that increase the contribution of small European countries, such as Lithuania, to regional security. This would include special emphasis on combating organized crime, corruption, illegal migration, the spread of sensitive technologies, and improving intelligence and counter-intelligence capabilities. Within this context, it would be worthwhile to open an FBI branch in Vilnius.
- Supporting Lithuania's efforts to improve the system of protection for classified information. Lithuanian institutions must enhance their cooperation with U.S. special services in public relations, the implementation of public educational projects, and practical experience in maintaining the principles of confidentiality and transparency.

Regional Initiatives

- Promoting public and private efforts in supporting Lithuanian governmental and NGO initiatives throughout the region. The common interest of the U.S. and Lithuania is to enhance trilateral Baltic initiatives and expand sub-regional integration through extension and institutionalization toward the northern European countries. This would help knit the Baltic Sea region with the area covered by the Barents Euro-Arctic Council. Synchronizing contacts between the EU's Northern Dimension Initiative and the Council of Baltic Sea States (CBSS) would promote regional cooperation. For instance, the planned regular ministerial meetings of the Northern Dimension states could be coordinated with the bi-annual summits of the CBSS.

- More active involvement of the U.S. in the Council of the Baltic Sea States, particularly in the areas of nuclear and radiation safety, combating organised crime, and crisis management. Foundations must also be laid for cooperation between the Council of the Baltic Sea States and the Black Sea Economic Cooperation Organisation.
- Supporting Lithuania's efforts to enhance cooperation with the Russian Federation and its regions, especially the north-west regions and Kaliningrad. Endorsing the idea promoted by Vilnius concerning free trade between the EU and Russia once the latter becomes a WTO member; for example, by joining energy grids and allowing for the unobstructed export of Russian oil via Lithuania to the West. Lithuania can play a significant role in U.S. policy toward Russia and thereby raise its political profile in Washington. Lithuania is in the most advantageous position of the three Baltic states as it does not have any unresolved bilateral political issues with Moscow.
- Fostering cooperation between Lithuania and Ukraine by applying the experience of Lithuanian-Polish cooperation, establishing joint Vilnius-Kyiv institution, such as a Council of Presidents, and Parliamentary and Governmental Cooperation Councils. These can also be expanded within the Lithuania-Ukraine Poland format. American investments should be encouraged in the realisation of Lithuanian-Polish infrastructure projects.
- Backing Lithuania's pragmatic relations with Belarus and the involvement of Minsk in the processes of regional cooperation and European integration. Western donors must be target specific constituencies, including women, youth, students, small businesses, and the intelligentsia. Closer ties between political parties in democratic countries with Belarusian counterparts should be encouraged. Attention should also be given to possible cooperation with the Belarusian *nomenklatura*, as this group is sometimes in conflict with the Lukashenka regime. Opposition media should be strengthened with the possibility of transmitting programs from neighboring countries. Greater emphasis needs to be placed on the local level outside the major cities to counter the tendency of isolationism. With local elections due in the spring of 2003, the approximation of Belarusian electoral legislation with that of Russia should be encouraged to help guarantee transparency in the election process. International donors should render assistance in preparing for these elections. There is an urgent need to coordinate the activities of various international organizations. The model of parliamentary troikas and Vienna technical conferences should be reintroduced. Greater emphasis should be given to donor coordination and a "basket fund" could be established to avoid duplication. Diplomatic representations in Belarus have a significant role to play in demonstrating that the West is not an enemy; for example, by visiting and aiding Chernobyl victims.
- Assisting Vilnius in offering the Transcaucasus and the CIS countries assistance and experience in creating democratic states, developing regional cooperation, and promoting relations with European institutions.

Military and Security Initiatives

- Lithuania can make a significant contribution to the evolving debate on NATO's future in the light of the new strategic constellations (global anti-terrorism campaign, NATO enlargement, technological and capabilities gap between America and Europe, the new NATO-Russia relationship). The "Vilnius Ten" initiative can become a basis for these deliberations and could generate some important recommendations.
- Lithuania must draw appropriate lessons from the performance of the three newest NATO members. It should display commitment and reliability in meeting NATO force goal requirements, budgetary needs, and institutional changes, while improving its general

defense planning process and personnel policy. In all areas, Vilnius will require consistent external assistance and expertise.

- Lithuania needs to further develop its military and civil police forces, which are included in the UN register, as permanent standby forces. Lithuania can also take part in international agreements that constitute the basis of the multinational Standby High Readiness Brigade SHIRBRIG, which is scheduled to participate in UN operations, and take an active part in the brigade's operations.
- The U.S. can assist in buttressing Lithuania's public outreach program with improvements in information from the political elites on security goals and aspirations to the Lithuanian public. Current public support for NATO entry and for fulfilling the rigors of NATO membership can be increased. More intensive public dialogue is necessary on issues such as future security threats, the role of small states, alliance obligations, collective security, NATO and democracy, and security and regional initiatives.
- Military modernization can be enhanced alongside standardization and interoperability with NATO concepts, procedures, and capabilities. The training of Lithuania's territorial defense forces and reserves also needs to be augmented. A phased-in professionalization of the Lithuanian military will result in significant up-front expenditures, which should be offset by long-range cost efficiency. Progress in building a professional military and phasing out the conscript force while reducing the static territorial units will make the military increasingly interoperable with NATO. An NCO (Non Commissioned Officers) corps will need to be established and programs implemented to increase available human resources. Well-executed professionalization programs could make military service attractive to wider sectors of the Lithuanian population and could also help offset unemployment.
- Develop within the broader ESDP initiative a stress on shared assets and infrastructure with EU members. This would avoid any waste of resources by evading redundant fixed assets and infrastructure and the duplication of effort in non-essential areas.
- Maintain military spending at 2%, as outlined in the Lithuanian National NATO Integration Program (NNIP). Through resource reallocation and greater efficiency in spending, Lithuania's target goal of ten years for modernization should be decreased. Vilnius needs to make a concerted effort to reach the force levels as set out in the NNIP.
- The BALNET air surveillance system should be connected as soon as feasible with NATO's Air Defense System once all technical issues are resolved.
- Speed up the development of Lithuania's interoperable Reaction Brigade (RB), which will be able to conduct Article 5 operations together with NATO forces within Lithuanian territory. Lithuania's efforts to develop a substantial self-defense capabilities would help ease concerns that Lithuania will be a security debtor. The U.S. must continue supporting Lithuania's efforts in enhancing its military capabilities, by emphasizing better adaptability of Lithuanian armed forces in performing "out of area" operations and preparing for this purpose a special "Iron Wolf" Motorized Infantry Brigade by 2006.
- Washington can provide greater assistance for PfP exercises and other activities involving the Lithuanian military. This will enable Vilnius to more effectively employ its resources to promote interoperability with NATO. The U.S. can also enhance the U.S. National Guard partnership programs with Lithuania, which is of practical benefit in developing contacts, sharing skills and experiences, and providing training in the development of strong civil-military relations.

- With regard to education and training, Lithuania's Jonas Zemaitis Military Academy should expand its cooperation with military academies and other military institutes in the United States and Western Europe.
- Lithuania must sign an agreement with the United States on closer bilateral cooperation in combating terrorism.
- Continue the development of Lithuania's preventative capability through cooperation with NATO and the EU, and with other regional states (particularly Latvia, Estonia, Poland, and Russia). Increase participation in activities that support and promote allied interoperability and complementarity in peacekeeping.
- Further improve Lithuania's civilian capabilities for state or institution building - a top security priority of the EU - including forces capable of dealing with day-to-day policing. The role of Lithuania's policemen in the UN Interim Administration mission in Kosovo (UNMIK) has proved noteworthy.
- Lithuania needs assistance in implementing and improving measures for the protection of state and military secrets. Particular attention should be focused on the verification system for confirming the suitability of personnel working with confidential information in compliance with NATO requirements and new technologies, as well as other areas related to protection of communications and informational systems.
- The U.S. should support the Lithuanian initiative to render assistance to the Caucasian and Central Asian countries in the development of bilateral cooperation and contacts with NATO, and share its experience of participation in various PFP programs.
- Lithuania can make a greater contribution in strengthening NATO's defense capabilities through its intellectual and technical potential. Within the framework of enhancing the defense relationship between the U.S. and Lithuania, it would be expedient to promote mutually beneficial cooperation in the field of high technology development.

Economic and Social Initiatives

- The U.S. must promote trade and investment ties with Lithuania, while the Lithuanian government should continue to improve business conditions inside the country. One priority initiative would be to establish an American commercial bureau in Vilnius.
- Lithuania respects civil rights and only minor instances of violations have been reported. The exceptions have included police beatings, public access to information regarding human rights abuses, poor prison conditions, prolonged detention, human trafficking, gender discrimination, and wage discrepancies. Both the U.S. Department of State and European Commission have noted that "abuse of power" is a problem among police officers. Police training in conduct and human rights is needed to educate officers. Stiffer penalties for officers would deter them from taking advantage of the powers that they wield. Most government authorities cooperate with local NGOs and encourage visits by human rights groups. The only exception was the refusal of the Ministry of Interior to release information on police abuse and statistics on corruption-related activities. The Ministry has become more willing to share such information in recent years, yet few statistics and reports have been released. Guaranteed public access to such information is imperative for supporting democratic values.
- Poor prison conditions exist in Lithuania. New hygiene standards were introduced in November 1999 to combat this problem and a law was adopted in September 2000 on the Statute of Service at the Department of Prisons, which transferred the Penitentiary

Department from the Ministry of Interior to the Ministry of Justice. A European Commission Report emphasized the need to find structural solutions to further improve prison conditions. The government's new criminal code will contribute to these efforts by providing for milder penal sanctions and reducing the period of pre-trial detention. The number of family visits during pre-trial detention periods should be increased.

- Human trafficking, mainly in women and young girls, is problematic throughout the region. The International Organization for Migration (IOM) has reported that there is considerable trafficking through Lithuania. A law passed in 1998 criminalizes trafficking in human beings. In July 2000 the government instructed police at the borders to pay more attention to young women traveling abroad. Comprehensive training of border police and the institutionalization of procedures to reduce the number of trafficked women from Lithuania are necessary.
- The government has made strides in combating gender discrimination through its 1999 Law on Realization of Equal Opportunities for Women and Men and establishing the Office of the Ombudsman for Equal Opportunities of Women and Men. This office is a public organization, accountable to parliament, which oversees the law's implementation and investigates complaints of discrimination. More information is needed on the operations of this office and the outcome of complaints.
- The Constitution, together with the 1991 Law on Trade Unions, recognizes the right of all workers and employees to form trade unions. The Constitution provides for the right to receive just pay for work. The legal minimum wage has been stable, yet it does not provide a decent standard of living for many workers and families. The minimum wage is adjusted occasionally pending the approval of parliament. However, the minimum wage stipulations need to be comprehensively enforced.
- Friends of Lithuania in the U.S., with the encouragement of Lithuanian representatives, must help to strengthen American–Lithuanian economic, political, and cultural ties. In addition, individual groups of Americans with ethnic ties to the Baltic region should cooperate in advancing U.S. relations with all countries in the area. Equally important, Lithuania's vibrant and innovative NGO sector and academic community should further intensify its links with their counterparts in the U.S.