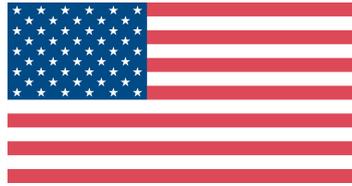


# The Prospects of the Relationship of Lithuania and the United States of America

Vilius Ivanauskas, Laurynas Kasčiūnas, Simonas Klimanskis, Linas Kojala, Dovilė Šukytė







Eastern Europe Studies Centre

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**Analytical Study**

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## Introduction

Since the restoration of Lithuania's independence, the partnership between the United States of America and Lithuania has been the priority of the country's foreign policy. Relying on the approach "the more prominent the presence of the US in Europe, the safer Lithuania will be", Lithuania has always been an active supporter of US involvement in the European security system. Lithuania's reliance on this partnership is governed by security needs characterised by one specific feature – the search for a positive balance of power in the region. Lithuania's view is that US involvement is the only factor that could stabilise the security situation in the region and ensure Lithuania's emergence from the "grey" security zone.

Such logic also determines the Lithuanian approach to US foreign policy traditions. Lithuania is interested in any US geopolitical scheme that would guarantee US involvement in European security affairs. But the involvement should be based on the promotion and enhancement of the effectiveness of transatlantic security institutions rather than on the policy of maintaining the balance inside the European Union ("old Europe" *versus* "new Europe"<sup>1</sup>). Any signs of US isolationism in international affairs are the least favourable tradition to Lithuania.

Lithuania also faces a great challenge when the US launches an indirect balancing strategy manifesting in the recognition of other major powers as regional geopolitical arbiters in exchange for the cooperation on the issues that have both strategic importance for the US and that support stability in the international security architecture. It is because of these trends of "concord" between the US and other major powers, that Lithuania and other Central European countries find themselves in the situation of geopolitical uncertainty. An example of this is the "reset" policy in relations between the US and Russia. This initiative created the impression that small states of the region would remain on the sidelines of the most important decisions.

Central and Eastern European countries responded to the shift in US priorities particularly sensitively because of the active and sometimes aggressive foreign policy of Russia both towards the Baltic States and other post-Soviet countries. Awareness of the shrinking strategic interests of the US in the region encourages, from the point of view of Lithuania, pressure from third countries with authoritarian tendencies and treatment of this region as a buffer zone where non-democratic regimes are not prevented from influencing the security situation of the EU and NATO democratic countries. That is why Lithuania supports US involvement in the European security system and for the past few years has been hoping that the US "reset" initiative in its relationship with Russia would be implemented in conjunction with the "reassurance" policy for Eastern and Central European countries. The axis of such a policy should be full-fledged integration of these countries into the Alliance's defensive system.

Such a situation in Lithuanian foreign policy determines the dominant perception of the geopolitical significance of the US. Currently, the US is essentially important to Lithuania only on a strategic and political level, as a result of which the dimension of economic security is put aside: the US does not even rank in the top ten most important trade partners of Lithuania (it ranks 17<sup>th</sup> according to US foreign investment in Lithuania, 15<sup>th</sup> – according to

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<sup>1</sup> Such term was in 2003 coined by the then US Defence Secretary Donald Rumsfeld. Having in mind the negative French and German position with respect to the war in Iraq he said that he saw a division in the continent, because eastern Member States supported the US position. He said, "If you look at the entire NATO Europe today, the center of gravity is shifting to the east. And there are a lot of new members", "US: Rumsfeld's 'Old' and 'New' Europe Touches on Uneasy Divide", 2 January 2014, <http://www.rferl.org/content/article/1102012.html>.

export and 18<sup>th</sup> according to import).<sup>2</sup> In search of a new impulse in partnership development, economics should be treated as a yet untapped area. **This means that the model of Lithuanian–US relations should be based on the provision that strong relations in military and also foreign and security policy should be supplemented with specific economic cooperation projects.** They would strengthen mutual interdependence, while the involvement of American capital in the Lithuanian economy would gradually reduce the country's dependence on Eastern markets with their prevailing rules characterised by a business-politics nexus.

In other words, with the emergence of more competing areas in today's international relations (and arising cultural and information threats in addition to traditional political, military and economic threats), special attention should be paid to cooperation in the area of "soft" power. Lithuanian–US cooperation should develop not only on a strategic and political level, but also in the area of security, culture and education, because this is a necessary condition for ensuring a sustainable partnership in the future.

In this context, the main aim of this study is **to assess the role of the US in Lithuanian foreign and domestic policy, to examine the compatibility of the interests of the two countries with respect to various issues of international relations, and to overview possible new directions that could be initiated in bilateral relations.**

**The study has the following objectives:**

- To assess the compatibility of Lithuanian and US interests with respect to the key issues of international security architecture: the development of NATO, interoperability between the EU Common Security and Defence Policy (CSDP) and NATO, arms control and disarmament policy, and missile defence;
- To explore the possibilities of strengthening the US–Lithuanian partnership in various sectors within the context of the changing security concept: in addressing the challenges of energy security, cyber security and defence, and nuclear safety issues and in promoting the entrenchment of democracy and human rights in third countries;
- To overview Lithuanian interests in the context of EU negotiations with the US on the Transatlantic Trade and Investment Partnership;
- To assess whether the resources allocated by Lithuania to defence are consistent with the country's path to full-fledged membership of NATO;
- To examine the input made by the Lithuanian policy and the Lithuanian diaspora in the US and offer new co-operation directions;
- To analyse the best practices that exist in the relations between the US and other NATO countries and how these might benefit Lithuania in strengthening its strategic importance in US foreign policy.

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<sup>2</sup> Lithuanian Department of Statistics, <http://www.stat.gov.lt/>.

## 1. Arms control and disarmament policy and US military commitment in the region: the Lithuanian approach

US military commitments in Europe since the Cold War have led to regional security and at the same time formed long-term alliances between Western European countries and the US. NATO's expansion extended this security umbrella to Lithuania. Although today it is recognised that Russia is not as threatening as its predecessor, the USSR, Russia's interests in the area of the former Soviet Union are undeniable. On the initiative of Russian President Vladimir Putin, the country is actively modernising its armed forces and its strategic direction is the West. The existing threat is manifested in the government system of Russia, which displays increasing autocratic characteristics and openly declares its discontent with the membership of the Baltic States in NATO.<sup>3</sup> Therefore, as far as the security of the Baltic States is concerned, Russia is often seen as a potential source of threat.

The US–Russia arms control and disarmament deal is directly dependant on the dynamics of their relationship. The military and political relationships are quite stable, but other areas are subject to ups and downs.<sup>4</sup> **Still remaining military competition is based on a strategic balancing act: the US seeks to reduce the threat of Russia's nuclear weapons and the transfer of its technologies, materials and missile technology to third countries, while Russia seeks to maintain the strategic balancing act as the fact itself in order to retain the status of a major world power<sup>5</sup>** (e.g. China's nuclear arsenal is much smaller than Russia's). The military deal covers four main areas: **a) strategic nuclear weapons, b) tactical nuclear weapons, c) anti-ballistic missile defence, and d) conventional arms control** and any decisions made by the parties will affect the security environment of NATO and Lithuania. These areas are inter-related, but each has its own channels of negotiation and development logic.

The 2012 NATO summit in Chicago reviewed the defence and deterrence posture and concluded that **the existing mix of nuclear, conventional and missile defence capabilities was appropriate in the overall strategy and had to be maintained.**<sup>6</sup> At the same time measures that could be offered to Russia to increase the exchange of information by including tactical nuclear weapons in the discussion, which had hitherto been left out, were explored.

**Lithuania views the issues of arms control and disarmament through the prism of security policy and advocates for the implementation of the principle of reciprocity.** Decisions regarding the defence and deterrence policy, similar to the plans for the deployment of US missile defence infrastructure in European territory, are in line with the Lithuanian expectations for security. It is important for Lithuania that the US maintains its military presence and its political involvement in European security affairs. However, there are signs that US motivation for involvement in Europe is weakening: geopolitical involvement in Southeast Asia is increasing, there is a generation change in US politics, and with the receding

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<sup>3</sup> BNS, "D. Medvedevas: Rusijai nepatinka Baltijos šalių narystė NATO" ["D. Medvedev: Russia Does not Like NATO Membership of the Baltic States"], Delfi, 3 August 2013, <http://www.delfi.lt/news/daily/lithuania/d-medvedevas-rusijai-nepatinka-baltijos-saliu-naryste-nato.d?id=62023705>.

<sup>4</sup> Николай Злобин, "Военно–политическая дружба США и России. Ведомость" [Nikolai Zlobin, "Military-political friendship between the United States and Russia"], Vedomosti.ru, 26 March 2012, [http://www.vedomosti.ru/opinion/news/1561360/voennopoliticheskaya\\_druzhba](http://www.vedomosti.ru/opinion/news/1561360/voennopoliticheskaya_druzhba).

<sup>5</sup> Feng Yujun, Prospects for Russia–US relations after Putin reassumes presidency, Contemporary International Relations, Vol. 22, No. 4, 2012.

<sup>6</sup> Main adopted documents: NATO Summit Declaration and a broad package of defence commitments NATO Forces 2020.

realities of the Cold War, attention and commitment to the security of Europe and NATO are shrinking.

### **Barack Obama's initiative – “a world without nuclear weapons”**

In spring 2009, in Prague, US President Barack Obama expressed his commitment to seeking a world without nuclear weapons. In 2010, after several years of a cool relationship, Obama and Russian President Dmitry Medvedev signed a new Strategic Arms Reduction Treaty (START). The basis for the treaty was not only to “reset” relations with Russia, but also to reassess US defence needs.<sup>7</sup> The preamble of START provides an opportunity for further development, so in June 2012 in Berlin, Obama suggested a further reduction of strategic arsenals, the beginning of negotiations concerning the reduction of tactical nuclear weapons, and implementation of transparency measures.<sup>8</sup> So far, Russia has not responded to this initiative and tactical nuclear weapons in Europe are not regulated by any international treaty. The US and NATO allies have repeatedly proposed initiatives for building transparency and confidence measures and for removing tactical nuclear weapons from Europe, but there has been no further progress in this area. Russia is not agreeable to starting a broader dialogue on this issue arguing the superiority of NATO's conventional forces among the other reasons.

In this process it is important for Lithuania that any new steps are made on a reciprocal basis, negotiations on arms reduction are carried out together with extensive consultations with partners, and further security in the region is guaranteed.

The issue of conventional arms control is most relevant to Lithuania, because it would include Lithuanian military capabilities. Lithuania is not a signatory to the Treaty on Conventional Armed Forces in Europe (CFE). The CFE was a treaty between NATO and the Warsaw Treaty Organisation regarding the reduction to equal ceilings of the holdings in five categories of weaponry, information exchange and inspection arrangements. In 2007, Russia suspended implementation of its CFE obligations and if Russia does not participate, the treaty loses its importance.<sup>9</sup>

According to political analysts, progress in the dialogue with Russia concerning nuclear and conventional arms control will depend on how the issue of the US anti-ballistic missile (ABM) defence system in Europe is resolved. Russia strongly opposes the expansion of the US and NATO ABM system, arguing that it will disturb the strategic balance, because it will reduce Russia's strategic capabilities. Furthermore, Russia is not satisfied that the ABM infrastructure will be developed in the new NATO states (Romania, Poland). Lithuania supports the creation of the US and NATO ABM defence system. Implementation of the ABM infrastructure is also important for retaining the presence of the US in Europe and building the collective commitment, because the missile shield planned by the US will be integrated into NATO ABM defence system.

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<sup>7</sup> Arms Control Association, “Options for Reducing U.S. Nuclear Weapons Spending 2013-2022”, Nuclear Weapons Budget Fact Sheet, 18 March, 2013, [http://www.armscontrol.org/files/FactSheet\\_Nukes\\_03\\_2013.pdf](http://www.armscontrol.org/files/FactSheet_Nukes_03_2013.pdf).

<sup>8</sup> Arms Control Association, “Statement on president Obama's June 19 address in Berlin on eliminating nuclear weapons threats”, 19 June 2013, <http://www.armscontrol.org/pressroom/Statement-on-Pres-Obama-Address-in-Berlin-on-Eliminating-Nuclear-Weapons-Threats>.

<sup>9</sup> Politically binding Vienna Document agreement designed to promote mutual trust and transparency about a state's military forces and activities, and the Open Skies Treaty applicable in the OSCE space.

## **Russian factor (2020 rearmament)**

Obama's calls for Russia to reduce its weaponry have not been enthusiastically accepted. Putin is fulfilling his presidential election promises to invest about USD 750 billion in upgrading the country's military industry over the next decade.<sup>10</sup> This is manifested in a 10 percent increase in defence spending annually and a threefold increase (from USD 12.7 to USD 32.7 billion in weapons acquisitions in 2010–2013). Investment in research and weaponry development also increased and reached USD 3.6 billion in 2010 and USD 6.2 billion in 2013.<sup>11</sup> Most of the **expenditure is allocated to major Russian weaponry systems: strategic deterrence, nuclear capabilities, missile defence, submarine fleet, military air force, and space force**. On the other hand, experts note that due to an insufficient number of engineers being attracted to the defence sector, inefficiency of the local military industry, and the lack of certainty concerning the transition from mass conscription to professional army, modernisation of the Russian armed forces faces many internal challenges.<sup>12</sup>

**It is important that the most modern Russian weapons are directed to the West in absence of objective reasons for this [there are cuts in defence spending and armaments in the West]. Such a strategy is most likely aimed at creating a counterbalance to the US (NATO) ABM defence system.**<sup>13</sup> In the future, there will be an increasing focus on the North (the Arctic full of resources) and the Asia-Pacific region.<sup>14</sup> Regional expert Lilia Shevtsova emphasises that such militarism is becoming the tool of support for the current regime and can go beyond the rhetoric. Other analysts point out that militarisation of Russia is disturbing for NATO countries, particularly Poland and the Baltic States. However, there is also the view that does not consider Russia's aspirations as a direct threat to the West or NATO countries, particularly since the likely economic recession may become a considerable challenge to the country.<sup>15</sup> **Such a situation may lead to new trajectories in the Russian defence policy, which may subsequently cause a more aggressive foreign policy and self-isolation in the domestic policy.**

In addition to flagging enthusiasm in the agenda of common disarmament and other matters of mutual interest to both parties, an opinion divide in US–Russia relations is emerging on various “hot” issues: the threat of Iran, the Syrian conflict, the Sergei Magnitsky case, and asylum for former US security officer Edward Snowden. One can assume that these trends will eventually cause a new cooling of relations.

## **Lithuania: the use of structural situations**

US interests in the region manifest not only through the activities of organisations or the region-specific security (defence) policy, but also through different armament and security

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<sup>10</sup> Maksym Bugriy, “Russia is Arming Itself, but Against Whom?” The Ukrainian Week, 31 March 2013, <http://ukrainianweek.com/World/76030>.

<sup>11</sup> Ibid. See also Pavel Felgenhauer, “Russia Procures Western technology while struggling to Manufacture modern weapons”, Eurasia Daily Monitor, no. 185 (14 October 2010).

<sup>12</sup> Bettina Renz and Rod Thornton, “Russian Military Modernization, Cause, Course, and Consequences”, *Problems of post-Communism*, Jan–Feb 2012, p. 52–53.

<sup>13</sup> President of Russia, “Statement in connection with the situation concerning the NATO countries’ missile defence system in Europe”, 23 November 2011, <http://eng.kremlin.ru/transcripts/3115>.

<sup>14</sup> Maksym Bugriy, “Russia is Arming Itself, but Against Whom?”, The Ukrainian week, 31 March 2013, <http://ukrainianweek.com/World/76030>.

<sup>15</sup> Courtney Weaver, “Russian economic growth disappointing in second quarter”, Financial Times, <http://www.ft.com/intl/cms/s/0/fb19d7c8-f098-11e2-929c-00144feabdc0.html>.

issues of certain countries, which also strengthen the relationship of the US with European countries.

In this context, it is possible to highlight the advantages and opportunities of Lithuania. Lithuania's involvement in shaping these issues of the agenda is seen as a positive trend: for example, Lithuania participates in the high-level Nuclear Security Summit, to which it has been invited since 2012 as a country that has not yet completed decommissioning of the Ignalina Nuclear Power Plant. The focus at these meetings is on the prevention of the spread and contraband of radioactive substances. This is closely related to the practical commitments of the countries: **for example, the setting up of the Nuclear Security Centre of Excellence in 2012 in Medininkai, Lithuania, falls under exemplary/niche areas for Lithuanian-US cooperation.** There are a number of opportunities to make this centre an international institution, to carry out projects with partners, and to exchange experience in nuclear security. In addition to the existing bilateral military cooperation, such niche collaboration ensures intensive communication with US experts and institutions that make a contribution by providing equipment and training. Such collaboration is quite unique among other Baltic and Scandinavian countries.

### **Interim findings and recommendations**

US military commitments in the Central and Eastern European region should be assessed: a) within the general context of challenges raised by Russia for Europe and b) within the dynamics of bilateral US–Russian relations. The past few years have seen a steady stream of initiatives on arms control and disarmament, but, after Putin's re-election as president, they have been gradually adjusted by the increasingly confrontational policy of Russia with respect to the West. The development of US–Russian relations over the past half year shows further increase of the risk and brings the obvious need for Lithuania to retain the US defence engagement in the region.

According to current plans, in the medium-term, US armaments in Europe will be consistently reduced, while ensuring compensation of the withdrawal by greater NATO collective commitments and development of anti-ballistic missile defence systems. **Lithuania, like other Baltic States, is particularly interested in monitoring/receiving sufficient information about the modernisation and directions of Russian military capabilities and in the continuation of the NATO air-policing mission in the Baltic States.**

**The Lithuanian dimension in US politics can be reinforced through productive implementation of niche projects and by scouting new areas for bilateral cooperation, fulfilling already existing obligations,** and developing the best practices that many of our partners, including the US, would underline.

## **2. Aspiration for full-fledged NATO membership and trends in Lithuanian defence spending**

NATO member countries can be divided into the following three groups: “reformists”, “*status quo* allies” and “self-interested”. The first group consists of countries which seek to expand NATO’s role in the world and accept new challenges. They see a broader range of threats, e.g. proliferation of nuclear, chemical and biological weapons, the fight against terrorism and energy security that the Alliance should cope with in order to ensure the “stability and well-being of its members”. The US is an advocate of this vision of the evolution of NATO.

The second, the *status quo* group, consists of countries which were convinced that NATO was transformed and adapted to the new world order after the Cold War, so they must seek to maintain the current situation. While admitting that NATO faces not only conventional military, but also the so-called new or unconventional threats, they argue that NATO should not take on challenges such as energy, maritime borders, and the fight against piracy, illegal migration and drug smuggling.

### **Lithuania – a proponent of the traditional NATO model**

Finally, the third group, the self-interested group, comprises the states, including the Baltic States, which want NATO to first of all ensure real implementation of Article 5<sup>16</sup> of the North Atlantic Treaty. As a result, it should actively plan conventional armaments and use various measures (military exercises, military investment in infrastructure and even public relations campaigns) to maintain the security of its members. Very often the countries of this group pay great attention to the nuclear deterrence strategy as one of the core elements of the security of NATO members.

In other words, some Central and Eastern European countries, which became NATO members with the new wave of accession, do not feel as safe as the old members do. Their doubts can be dispelled through the Alliance’s policy of defence planning, military exercises and development of infrastructure. Article 5 of the North Atlantic Treaty should be filled with practical content: a) defence plans for the Baltic States, b) uniform development of NATO infrastructure, and c) military exercises to deter potential adversaries. Particular attention must be paid to the development of infrastructure in the new member countries of the Alliance that do not have the necessary infrastructure and are also bordering countries that are not members of the Alliance (especially, if these neighbouring countries consider activities of the Alliance as a challenge to their national security). One of the practical actions towards strengthening NATO’s position in Lithuania is the NATO air-policing mission in the Baltic States, which has been extended indefinitely. Some of the processes important to the security of Lithuania and other Baltic States accelerated after the NATO Summit in Chicago.

This vision of the “self-interested” NATO countries and the need for full-fledged integration into the Alliance reflect both Lithuania’s geopolitical situation and its constant desire to break away from the power balance games. However, it is evident that a country, which is in such a

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<sup>16</sup> Article 5 of the North Atlantic Treaty says: “The Parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all and consequently they agree that, if such an armed attack occurs, each of them, in exercise of the right of individual or collective self-defence recognised by Article 51 of the Charter of the United Nations, will assist the Party or Parties so attacked by taking forthwith, individually and in concert with the other Parties, such action as it deems necessary, including the use of armed force, to restore and maintain the security of the North Atlantic area.<...>” The North Atlantic Treaty, 4 April 1949, [http://www.nato.int/cps/en/natolive/official\\_texts\\_17120.htm](http://www.nato.int/cps/en/natolive/official_texts_17120.htm).

geopolitical environment and seeks security guarantees, must first of all invest in its own defence capabilities.

### **Trends in Lithuanian defence spending**

According to its defence spending, which accounts for about 0.8 percent of GDP, Lithuania is second last in the list of NATO countries (the last one being Luxembourg), lagging behind the European average (1.6 percent).<sup>17</sup> Since there is a consensus that NATO member countries should allocate 2 percent of their GDP to defence, while the percentage allocated by Lithuania is one of the lowest, defence funding may in the long run become one of the most important factors not only in the context of NATO membership, but also in bilateral relations between Lithuania and the US.

The joint statement signed at the end of August 2013 by presidents of the US, Estonia, Latvia and Lithuania states<sup>18</sup> that “Though economic times are challenging, we must all ensure that we sustain adequate levels of defense investment to maintain a capable, deployable, and interoperable force. In this regard, we reaffirm our commitment to achieve or maintain defense spending at 2 percent of GDP”.<sup>19</sup>

### **The relevance of defence financing in Lithuanian-US relations is caused by the following set of factors:**

*First*, the 2 percent of GDP for defence is not only a political recommendation. The aim of 2 percent is recorded in various NATO documents, including the NATO political guidelines adopted by the defence ministers of 28 member countries. It is commonly understood and agreed that only by allocating about 2 percent of its GDP, can a country adequately maintain its existing capabilities, effectively develop them and implement its international obligations.

*Second*, Lithuanian defence capabilities are based on three pillars: a) maintenance of the armed forces, b) modernisation/expansion of the armed forces, and c) fulfilment of obligations. International experts estimate that for Lithuania to maintain its current defence capabilities, it must allocate at least 1.2–1.4 percent of its GDP to defence. Bearing in mind the fact that the Lithuanian armed forces are still at the formation stage as compared to the modernised armed forces of the older NATO countries, the country’s relative investment in defence should be even higher.

*Third*, the place of NATO in the hierarchy of Lithuanian security interests is special. Lithuania is on the margins of the Alliance security system, at the border with the alternative Russian security system. Therefore, Lithuania is still sensitive to manifestations of traditional balance of power policies that may make Lithuania’s membership in NATO only a “formal” affair, i.e. lead to Lithuania not being a full-fledged member of the Alliance. An example of

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<sup>17</sup> NATO, Financial and Economic Data Relating to NATO Defence, [http://www.nato.int/nato\\_static/assets/pdf/pdf\\_2012\\_04/20120413\\_PR\\_CP\\_2012\\_047\\_rev1.pdf](http://www.nato.int/nato_static/assets/pdf/pdf_2012_04/20120413_PR_CP_2012_047_rev1.pdf).

<sup>18</sup> In addition to other things, the format of summits between US heads of state US and those of the Baltic States should provide an incentive for even closer cooperation between Lithuania, Latvia and Estonia in developing mutual relations with the US; in other words, because of new challenges in the regions located far from Europe, Washington’s attention and policy initiatives in the Baltic States can be encouraged by treating the Baltic States as a unified unit, a trusted ally consisting of three countries with identical interests and strategic objectives in respect to the US.

<sup>19</sup> The White House, Joint Statement by the United States of America, Republic of Estonia, Republic of Latvia, and Republic of Lithuania, 30 August 2013, <http://www.whitehouse.gov/the-press-office/2013/08/30/joint-statement-united-states-america-republic-estonia-republic-latvia-a>.

an attempt by third countries to prevent Lithuania being made a full-fledged member of NATO is the 2010 Russian proposal to build an anti-ballistic missile defence system by dividing Europe into two zones, one protected by Russia and the other by NATO. The Baltic States will be in the zone protected by Russia. Meanwhile, the militarisation of Kaliningrad Oblast (plans to deploy short-range missiles *Iskander*; completed construction of a new radar and installed anti-aircraft missile systems) shows that Lithuania and the other Baltic countries remain at the epicentre of military power games.

All of this means that the only possible adequate response for Lithuania in this situation is strengthening of NATO's political and military visibility in the Baltic Sea region. The foundation of Lithuania's full-fledged membership in NATO is defence plans for the Baltic States, military exercises according to the scenario of Article 5 of the North Atlantic Treaty, establishment of NATO competence centres in Lithuania, and indefinite air policing mission. These measures can be seen as a security package for ensuring full-fledged Lithuanian membership in NATO. However, Lithuania's aspirations to strengthen NATO's political and military presence are in conflict with the financial resources allocated by the state to defence. Thus, financing defence becomes the test of Lithuania's reliability, because Lithuania is not just the "user" of security, it must meet its international obligations. In other words, **Lithuania, which still feels the challenges of *realpolitik* and which relies on the formulae "the greater NATO's presence in the region, the safer Lithuania" in its security and foreign policy, cannot be at the bottom of the list of NATO countries in terms of funding allocated for defence.**

### **Interim findings and recommendations**

The way out for Lithuania is to implement the 2012 agreement of Lithuanian parliamentary parties which states that "in order to ensure the security and defence of Lithuania, the parliamentary parties <...> agree on the need to ensure funding that would correspond to the plans for the development of a national defence system and annual increase of funding allocated to the plans for the development of the national defence system; to seek that in the long run 2 percent of the country's GDP would be allocated to ensure development of the national defence system". **This agreement of parliamentary parties should be laid out in greater detail by agreeing to increase annual financing for defence by, for example, 0.05 percent of GDP.** This would be a specific, but gradual commitment that would prevent shock therapy, as in the short term, NATO partners (most importantly – the US) do not require Lithuania to come closer to the 2 percent financing indicator at the expense of social programmes. The fundamental goal of Lithuania should be to show consistent efforts and goal-orientation.

Furthermore, Lithuania lacks the platform or the "security community", which would not only discuss the challenges for Lithuanian military and political security and their neutralisation, but would also oversee the commitment of Lithuanian parliamentary parties regarding the defence policy model and its financing to be fulfilled. **After evaluation of the best practice of NATO member countries, it would be possible to create guidelines for monitoring the implementation of the agreement of parliamentary parties. The monitoring process would involve not only politicians, diplomats, and defence experts, but also representatives of academia, public organisations and policy analysts.**

### **3. Interoperability between the Common Security and Defence Policy and NATO: interests of Lithuania**

The aim of this chapter is to review the development of the EU security and defence policy in the context of changing circumstances; to relate processes in comparative EU and NATO perspective; and to define issues of concern and available potential of the European defence policy.

The European security and defence policy derives from the Petersberg tasks raised at the end of the twentieth century, which consist of humanitarian and rescue tasks, peacekeeping tasks and tasks of combat forces in crisis management, including peace-making. Since then these tasks have become a part of the Common Foreign and Security Policy (CFSP; founded in 1992) and the common defence policy and involve all Member States (except Denmark). The paradigmatic turning point that essentially changed the reluctance of sovereign states to get involved in solving common defence matters occurred in 1998, after the St. Malo Declaration, in which Britain and France stressed that “the EU must have the capacity for autonomous action backed by credible military forces”. Eventually, the Council of Europe set conditions necessary for the implementation of these tasks; starting from 1999, the European Security and Defence Policy (ESDP) helped lay the foundations for practical operational activities:<sup>20</sup> since 2003, when the European Security Strategy was launched, the EU has participated in more than twenty crisis management operations and missions across the world, many of which were civil (17) rather than military (8).<sup>21</sup>

In 2009, pursuant to the Treaty of Lisbon, the ESDP was renamed to the Common Security and Defence Policy (CSDP); the position of the High Representative of the Union for Foreign Affairs and Security Policy was established; the European External Action Service was founded and the Petersberg tasks were expanded to encompass joint disarmament operations, humanitarian and rescue tasks, military advice and assistance tasks, conflict prevention, fight against terrorism, post-conflict stabilisation. Solidarity of EU members was promoted in the treaty through the mutual assistance and solidarity clause.

#### **Factors that could determine the relationship between the CSDP and NATO**

The implementation of the CSDP encounters following problems:<sup>22</sup>

- a) Although the potential scale of operations is large, problems of strategic capabilities remain unresolved (e.g. air refuelling, suppression of enemy air defences);
- b) There is no consensus regarding the direction for external policy actions through military instruments (whether the strategy will involve more than just short-term interventions or will expand to more complex missions);
- c) Preventive *ad hoc* operations cannot replace permanent structured planning and development of crisis management mechanisms;
- d) Sub-strategies for specific regions do not diminish the need for a more general strategy, which should involve both supra-national institutions and heads of state;

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<sup>20</sup> Gustav Lindstrom, European Integration: Post World War II to CSDP, in Rehl Jochen and Hans-Bernhard Weissnerth (ed.), *Handbook on CSDP: the common security and defence policy of the European Union*, Vienna: Federal Ministry of Defence and Sports of the Republic of Austria, 2012, p. 14–15.

<sup>21</sup> Hadewych Hazelzet, *The added value of CSDP operations*, Institute for Security Studies Briefs (No. 31), September 2013.

<sup>22</sup> Anna Barcikowska, *Setting the stage for the defence summit*, Institute for Security Studies Alerts (No. 31), September 2013.

- e) The CSDP provides for more compulsory measures in crisis situations than NATO, but the EU does not have a clear decision-making (management) structure for it; despite attempts to make the CSDP more effective, due to conflicting interests in dealing with the issues of the use of armed forces (e.g. in the case of the Iraq war, some EU states such as the United Kingdom, supported the decision of the United States to organise the invasion, whereas Germany strongly opposed it), EU Member States are reluctant to relinquish control of national army units to other states or supra-national institutions;
- f) The existing combat groups are weak and fragmented (communication languages, radio stations and other equipment are different in many Member States); despite military exercises, these remain formal and interaction of combat forces is problematic. Since combat groups are funded from national budgets, rather than the EU budget, the scope of operations does not go beyond the formal boundaries and the costs are minimum.

**CSDP development is directly dependent on state investment in the security and defence policy.** Whereas China's defence spending doubles every five years and Russia is developing plans to allocate 6 percent of GDP to strengthen its security, defence funding in Europe over the past decade has decreased from EUR 251 to 194 billion. It is estimated that the total defence costs of Asian countries in 2012 exceeded those of Europe.<sup>23</sup> Although the CSDP budget for civilian missions has increased recently, it remains modest at about EUR 300 million. In comparison, allocations for EU development programmes over the period 2008–2013 exceed EUR 22.7 billion.<sup>24</sup>

The US defence budget for 2012 also decreased significantly from USD 711 to 668 billion. This is the most dramatic spending cut since 1991. It is planned to continue this trend in the future: President Obama has set a target to cut the defence budget from the current just under 5 percent to 2.3 percent of GDP by 2023. This would be the smallest percentage since after the Second World War. Nevertheless, according to the 2013 SIPRI data, US military expenditure accounts for 39 percent of global defence spending and is far ahead of China (9.5 percent), Russia (5.2 percent) or the United Kingdom (3.5 percent).<sup>25</sup> Therefore, **on the one hand, Europe is directly dependent on US defence policy and capabilities (this was proved during the operations in Libya, where, according to NATO General Marcel Druart, without US forces the EU would not have achieved satisfactory results, especially in the field of intelligence), on the other hand, the current political and financial trends force Europe to take greater responsibility for hard security of the continent.** In practice, this means that Washington is no longer afraid of European defence initiatives that would duplicate NATO. The US seeks to eliminate “dependents” and to make Europe share responsibility for security.

### **CSDP outlook and Lithuanian vision**

The key objective of CSDP operations is targeted and efficient use of resources. In the comparative perspective with the United Nations and NATO operations, EU interventions were of small scale and expediency. **In 2011, the UN deployed 120,000 peacekeepers and NATO – 150,000 troops, while the EU figures were 24 and 30 times smaller respectively.**

<sup>23</sup> Daniel Keohane, *Strategic Priorities for EU defence policy*, Fride Policy Brief (No. 146), January 2013.

<sup>24</sup> Anna Barcikowska, *Securing the future of European Defence*, Institute for Security Studies Alerts, No. 25, July 2013.

<sup>25</sup> SIPRI Military Expenditure Database, [http://www.sipri.org/research/armaments/milex/milex\\_database](http://www.sipri.org/research/armaments/milex/milex_database).

EU potential was best utilised in the following three circumstances:

- a) in the absence of the will to act on the part of other international organisations;
  - the UN could not or did not have the political will to act (e.g. in Kosovo, after the declaration of independence);
  - the UN or the African Union could not act fast enough to stabilise the situation (EUFOR Chad, EUTM Mali);
  - EU countries had specific capabilities to carry out operations (EUNAVFOR Atlanta, implemented by US armed forces against pirates in Somalia).
- b) in the case of specific need for EU involvement;
  - the EU was authorised to act in certain circumstances (e.g. EUMM Georgia);
  - the EU had sufficient diplomatic, civilian and military capabilities that other organisations lacked.
- c) low and moderate intensity conflicts;
  - all EU missions, except for the operation in the Congo, took place prior to or in post-conflict environments.<sup>26</sup>

Lithuania's security policy is guided by the concept of indivisible security meaning that the policy with respect to CSDP and NATO matters is general and both areas of activities are equally developed. Due to the sharing of functions by the organisations and active co-operation, compatibility of essential strategic interests was possible, but from the comparative perspective this played an unequal role. Although the use of CSDP functions can be in line with the main foreign policy aims of Lithuania during implementation of various missions, their nature (rapid deployment, rapid withdrawal and post-conflict operations), scope (limited number of armed forces), and the absence of a development strategy (it is unclear in what direction this policy will be developed and whether it will get approval from Member States), NATO, which has greater strategic, military and operational capabilities, remains the main guarantor of security. Many EU Member States are also members of NATO, so the development perspectives of NATO are directly conditioned by the development of the CSDP according to the principle "a stronger Europe also means a stronger NATO".

Further logic of CSDP development will be directly related to the process of European integration: if there is deep integration in other areas, greater convergence will be expected in the development of a common defence policy. In the medium term, the CSDP in the Lithuanian security policy should:

- a) be a policy directly related to the development of NATO; since NATO is the most important guarantor of Lithuanian security and NATO's hard dimension is directly dependent on the US, the role of the CSDP would rise to the strategic level (from specific and short-term operations) provided NATO starts eroding internally or membership becomes only formal;
- b) be used as a means of integration into the EU and of achieving certain *ad hoc* foreign policy and security objectives; it should be used particularly actively should NATO become only a political forum with a weakening real impact dimension;
- c) be the way to determine one of the directions of EU integration, the development of which would shape the position of the EU in areas strategically important to Lithuania, e.g. the EU Eastern neighbourhood policy.

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<sup>26</sup> Hadewych Hazelzet, *The added value of CSDP operations*, September 2013.

The issues of NATO and ESDP cooperation according to the US and Lithuania should be resolved on the basis of the fundamental principle that the **EU has, albeit limited, autonomy in the areas of defence and security**. This gives rise to the following assumptions:

- a) cooperation must not rely on zero-sum logic;
- b) if there are areas of overlap, EU autonomy must be sacrificed for the sake of NATO;
- c) there must be a functional and geographical division of labour.

**Such formulae would allow the double loyalty dilemma to be prevented and would retain NATO as the backbone of the European security system.**

#### **4. US factor in Lithuania's energy security policy**

In terms of building energy security, three objectives are usually important: *security of supply*, *competitiveness* and *sustainable development*. These are the core principles of the EU energy policy. All the three goals overlap: both competitiveness and sustainable development support security of supply. However, the first two principles remain the most important ones. Therefore, it can be said that the general principle of energy security is supply of energy at a reasonable price.

Building energy security is vital for the EU, particularly for its eastern Member States, which depend to a great extent on energy imports. A major challenge facing the Baltic States is the import of energy, because of their 100 percent dependence on a single supplier of natural gas – the Russian gas monopolist Gazprom. Therefore, it is very important to strengthen the external dimension of the EU energy policy, i.e. to ensure the widest possible diversity of energy supply and to increase the coordination of the positions of EU Member States in their negotiations with external energy suppliers in order to ensure a level playing field for EU and third country suppliers, increase in competitiveness and lower prices.

#### **Shale gas revolution in the US**

For a long time the US was dependent on natural gas imports. However, this dependence began to decline in 2006 due to the so-called “shale gas revolution”<sup>27</sup> when the volumes of extracted shale gas<sup>28</sup> significantly increased: in the first five years, the share of shale gas in

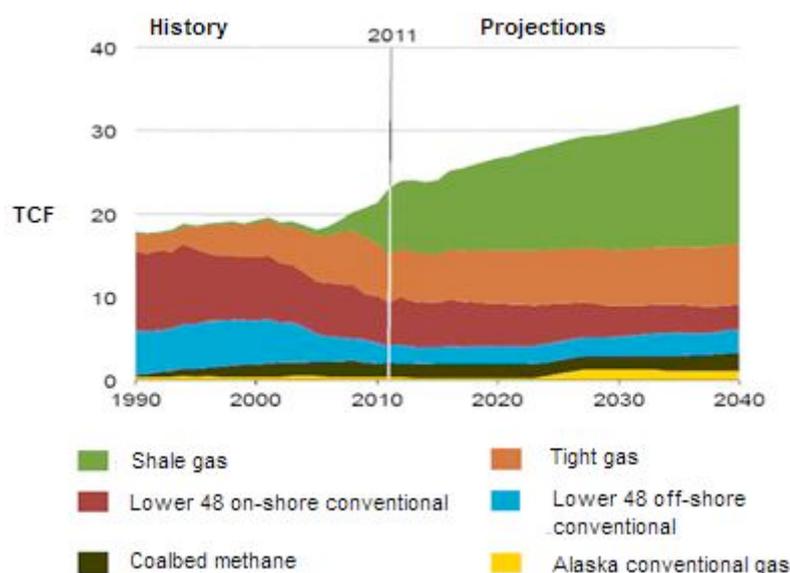
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<sup>27</sup> The US produced shale gas in very small quantities before 2006; it then accounted for around 1% of the total natural gas output. Since 2000, when shale gas production became commercially successful in the Barnett Shale Play located in Texas, more energy companies started extracting gas in this formation so that by the beginning of 2006, the Barnett Shale Play alone was producing around 14.16 billion cubic metres of natural gas per year. The success of energy companies in the Barnett Shale Play was followed by that in the Fayetteville Shale Play in Arkansas. Exploration and development of other shale formations continued. This led to the phenomenon known as the “shale gas revolution”. Today, the US shale gas reserves reach 16.1 trillion cubic metres.

US Energy Information Administration, “Technically Recoverable Shale Oil and Shale Gas Resources: An Assessment of 137 Shale Formations in 41 Countries Outside the United States”, 10 June 2013, <http://www.eia.gov/analysis/studies/worldshalegas/pdf/fullreport.pdf?zscb=18201057>; US Energy Information Administration, “Technically Recoverable Shale Oil and Shale Gas Resources: An Assessment of 137 Shale Formations in 41 Countries Outside the United States”, June 2013, <http://www.eia.gov/analysis/studies/worldshalegas/pdf/overview.pdf>.

<sup>28</sup> Shale gas is considered a so-called “unconventional natural gas” consisting of the same molecules as conventional gas, but, unlike the latter, they are not accumulated in specific fields – rock pores, crevices or cavities. Shale gas is accumulated in impermeable clay shale layers enriched with organic matter in thin batches and layers in fissile rocks. This gas is different from the conventional type in terms of its extraction technology

the total natural gas extracted in the US increased from about 1 to 34 percent (Figure 1).<sup>29</sup> In 2011, about 221.5 billion cubic metres of shale gas was extracted and the total gas production was about 651.4 billion cubic metres.<sup>30</sup> This increased energy independence of the country.<sup>31</sup> Prior to the start of this revolution, the US neither had any problems with the security of supply nor with competitiveness, as the gas sector was and continues to be diversified: gas is both extracted in the country and imported through pipelines and liquefied natural gas (LNG) terminals, which ensures a large variety of suppliers and selection at lowest prices.



**Figure 1.** Natural gas production in the US by source (1990–2040), trillion cubic feet. *Note: 1 trillion cubic feet = 28.3 billion cubic metres*<sup>32</sup>

**Sudden increase in gas production caused a drop in prices.** Natural gas spot prices in the US fell on average from USD 312.9 per 1,000 cubic metres in 2008 to USD 97.1 per 1,000 cubic metres in 2012.<sup>33</sup> Due to recovering economy, in the first and second half of 2013 natural gas spot prices slightly increased and reached on average USD 134.8 per 1,000 cubic metres.<sup>34</sup> So it can be said that because of cheap shale gas the energy sector remains one of the main engines of economic recovery.

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(gas is extracted by using vertical and horizontal drilling and hydraulic fracturing (through injection of pressurized water, sand and chemical mixture) methods.

<sup>29</sup> US Energy Information Administration, “Annual Energy Outlook 2013 with Projections to 2040”, April 2013, p. 79, <http://www.eia.gov/forecasts/aeo/pdf/0383%282013%29.pdf>.

<sup>30</sup> International Gas Union, “World LNG Report 2011”, p. 48, <http://www.igu.org/gas-knowhow/publications/igu-publications/LNG%20Report%202011.pdf>.

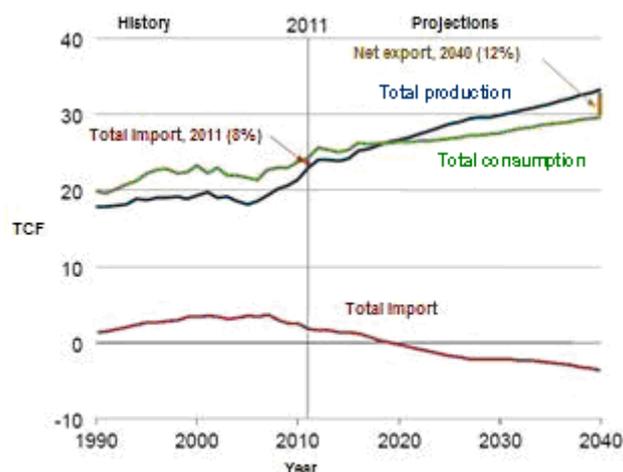
<sup>31</sup> In 2005, the US Energy Information Administration forecast that in 2010 US would have to import 70 billion cubic metres of LNG, but after the start of the “shale gas revolution”, this figure was several times reduced: in 2010, US imported only 12 billion cubic metres of LNG and in 2011 – 8 billion cubic metres of LNG. The remaining natural gas is imported via pipelines. The annual US import of natural gas totals around 105 billion cubic metres and the annual natural gas consumption in the country is around 683 billion cubic metres. International Gas Union, “World LNG Report 2011”, p. 48–49.

<sup>32</sup> US Energy Information Administration, “Annual Energy Outlook 2013”, p. 79. The graph has been verified by the authors.

<sup>33</sup> US Energy Information Administration, Henry Hub Gulf Coast Natural Gas Spot Price, <http://www.eia.gov/dnav/ng/hist/rngwhhdA.htm>.

<sup>34</sup> Steelonthenet.com, Natural gas prices – USA – 2009–2011, [http://www.steelonthenet.com/files/natural\\_gas\\_prices\\_USA.html](http://www.steelonthenet.com/files/natural_gas_prices_USA.html).

Given that the US dependence on imported natural gas was 8 percent in 2011 and that the extracted quantities of shale gas are projected to grow consistently and in 2040 will account for about 50 percent of the total natural gas produced in the US, at **around 2018–2020, the US will produce all its natural gas and become a net exporter of natural gas (Figure 2).**<sup>35</sup> **Potential export destinations of shale gas (LNG) are overseas markets – Europe, Japan and other East Asian countries. Natural gas prices in these countries are currently more than twice as high as those in the US**<sup>36</sup>



**Figure 2.** Total US natural gas production, consumption and net imports (1990–2040), trillion cubic feet, *Note: 1 trillion cubic feet = 28.3 billion cubic metres*<sup>37</sup>

In terms of potential US LNG export volumes, it is difficult to say exactly what they will be, because currently the US strictly limits the export of LNG. Only a very small portion of LNG is exported: about 0.8 billion cubic metres in 2010 and about 0.4 billion cubic metres in 2011. Some LNG is re-exported.<sup>38</sup> **Most of the natural gas produced in the US is exported via pipelines to Mexico and Canada.**<sup>39</sup>

<sup>35</sup> Since gas will be exported by transport ships – LNG carriers, in order to facilitate transport, natural gas will be cooled down to  $-162^{\circ}\text{C}$  at which point the gas condenses to a liquid. LNG occupies 1/600 of the volume of natural gas. Part of US LNG import terminals will be transformed to export terminals. In 2012, projects for eight such terminals were considered with a total capacity of 160.2 billion cubic metres. One project – Sabine Pass (24.8 billion cubic metres) – has already been approved and is scheduled for implementation in 2015. This terminal will reach full capacity in 2017. Paul Stevens, “The ‘Shale Gas Revolution’: Developments and Changes”, EERG BP 2012/04, p. 7,

[http://www.chathamhouse.org/sites/default/files/public/Research/Energy,%20Environment%20and%20Development/bp0812\\_stevens.pdf](http://www.chathamhouse.org/sites/default/files/public/Research/Energy,%20Environment%20and%20Development/bp0812_stevens.pdf); International Gas Union, “World LNG Report 2011”, p. 55.

<sup>36</sup> International Gas Union, “World LNG Report 2011”, p. 50. AND

The price of imported LNG consists of three components: gas liquefaction ~ USD 40/1,000 cubic metres, shipping ~ USD 16/1,000 cubic metres and regasification ~ USD 16/1,000 cubic metres. Even taking into account these costs, the US gas price is lower than that in the European and Asian markets – in 2013 US gas prices would increase by 53 percent. Jack M. Kristensen, “Liquefied Natural Gas: Global Experience and Economic Benefits”. Ramboll Oil & Gas, October 2010.

<sup>37</sup> US Energy Information Administration, “Annual Energy Outlook 2013”, p. 78. The graph has been verified by the authors.

<sup>38</sup> International Gas Union, “World LNG Report 2010”, p. 6,

<http://www.igu.org/igupublications/IGU%20World%20LNG%20Report%202010.pdf>;

International Gas Union, “World LNG Report 2011”, p. 7–8.

<sup>39</sup> Energy Delta Institute, Country Gas Profiles, United States of America,

[http://www.energydelta.org/mainmenu/energy-knowledge/interactive-world-gas-map/north\\_america/us](http://www.energydelta.org/mainmenu/energy-knowledge/interactive-world-gas-map/north_america/us).

However, it should be noted that currently **the Senate is considering legislation to facilitate licensing of LNG exports to NATO countries and Japan.**<sup>40</sup> A group of US senators proposed a bill that would allow exporting gas without the license of the Department of Energy to NATO allies and Japan. **Under current legislation, LNG export licences are automatically issued for countries that have free trade agreements with the US. Therefore, the currently negotiated comprehensive free trade agreement between the EU and the US would automatically allow LNG exports to the EU.** LNG can be exported to countries which have no free trade agreements with the United States only with a licence from the US Department of Energy.

For the first time in 40 years such a licence was issued to the energy company Cheniere Energy, which has already signed long-term agreements with the United Kingdom, India and South Korea. In 2011, Klaipėdos Nafta, the operator of the Lithuanian oil terminal, signed a letter of intent with Cheniere Energy regarding the supply of liquefied natural gas.<sup>41</sup> However, export operations will only commence in 2015 at the earliest, following the commissioning of one of the four natural gas liquefaction plants of the Sabine Pass LNG export terminal (each with an annual capacity of 6.2 billion cubic metres). This means that, at least in the first year following the opening of Lithuania's LNG terminal in 2014, even if Washington adopts a decision to allow the export of gas to the countries which do not have a free trade agreement with the U.S, in practice Lithuania will find it difficult to import liquefied gas from the US. On the other hand, the situation may change radically by 2015.

There are various projections for LNG export volumes. For example, the US Energy Information Administration forecasts that by 2027 LNG exports will reach 45.3 billion cubic metres.<sup>42</sup> Thus, **these changes in the US gas industry will condition changes in energy geography that will subsequently have a significant impact on global gas prices and Europe's energy security.**

### **The effect of shale gas on Europe and Lithuania's energy security**

There is both a direct and indirect effect of the US "shale gas revolution" on Europe and Lithuania's energy security. The direct effect is associated with the US LNG export opportunities. As has been mentioned, in 2018–2020 the US will become a net exporter of cheap natural gas. The potential export markets are Europe and Asia.

In terms of indirect effect, once the US LNG import volumes have decreased, many gas suppliers from the Middle East and Africa, who supply LNG to the US, will start to look for alternative markets in Europe and Asia. In other words, the US "shale gas revolution" has caused a global chain reaction, when an increase in the number of potential gas exporters led to the construction of LNG terminals.

In addition, the growing number of potential LNG suppliers is important for the whole of Europe, which imports most of its natural gas from Russia and only a small portion from

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<sup>40</sup> Jennifer A. Dlouhy, "Lawmakers propose making LNG exports automatic", FuelFix.com, 1 February 2013, <http://fuelfix.com/blog/2013/02/01/lawmakers-propose-making-lng-exports-automatic/>. Also Keith Johnson, "Lugar Sees Natural Gas Exports as Tool in U.S. Arsenal", 12 December 2012, <http://blogs.wsj.com/washwire/2012/12/12/lugar-sees-natural-gas-exports-as-tool-in-u-s-arsenal/>.

<sup>41</sup> Reuters, "U.S. likely to cap gas exports – analysts", 8 June 2012, <http://in.reuters.com/article/2012/06/08/usa-lng-exports-idINL5E8H678C20120608>.

<sup>42</sup> US Energy Information Administration, "Annual Energy Outlook 2013", p. 79.

Norway and Algeria.<sup>43</sup> **In 2010, EU dependence on gas reached 68 percent. It is estimated that in 2020 it will increase to 78 percent.**<sup>44</sup> This is related to depleting EU conventional gas resources and increasing gas consumption in power generation. In the case of less-developed EU countries, investment in renewable energy projects is expensive and the return on investment takes time, so natural gas remains one of the most favourable options to comply with the principle of sustainable development. In addition, **the EU's dependence on Russian gas may be further increased by Germany's decision to phase out nuclear power starting 2022.**

Speaking specifically about Lithuania, its' energy dependency on Russian gas further increased on 31 December 2009 following the decommissioning of the Ignalina Nuclear Power Plant, which generated about 70.2 percent of total domestic electricity production. Decommissioning led not only to the increase of electricity imports, but also to the increase of gas used for electricity production. **The price of such dependence is the monopoly price for gas paid by Lithuania, which is the largest in Europe – USD 488 per 1,000 cubic metres – and is determined not only on an economic, but also on a political basis.** In addition, gas is supplied via a single pipeline crossing Belarus, therefore the country may become hostage to energy wars and face supply disruptions. This kind of gas war took place in 2006 and 2009 between Russia and Ukraine. As a result, several European countries, particularly Slovakia and Bulgaria, had disruptions in gas supply.<sup>45</sup>

Therefore, in order to diversify gas supply, a number of strategic energy projects are planned. One of them is the LNG terminal in Klaipėda Seaport near the Kiaulės Nugara (Pig's Back) Island. The LNG terminal will be completed at the end of 2014. This is probably the most important project. It should be noted that this terminal, given the planned balancing option, will satisfy the demand of the entire country for natural gas amounting to about 3.1 billion cubic metres (at the beginning of operations the terminal will pump about 1 billion cubic metres/year) and will allow full control of gas supply. **The US and also Norway, Qatar, Central Asian countries and countries of the Caspian Sea region will be future LNG suppliers via this terminal.** As has already been mentioned, public company Klaipėdos Nafta, which is responsible for implementing the LNG terminal project, and the US energy company Cheniere Energy, one of the potential suppliers of gas to Lithuania, signed an agreement concerning their intent to start discussions on LNG supply and an optimal supply structure for Cheniere Energy (which has an export licence) to export LNG starting from 2015.<sup>46</sup>

In terms of *competitiveness*, export of low-cost US shale gas and gas from other potential LNG suppliers to Lithuania and other European countries will contribute to the formation of the gas market. In particular, it will ensure competition against the Russian gas monopoly Gazprom. **To maintain its position in the Lithuanian market, Gazprom will have to reduce the price of gas, because the gas imported through the terminal, e.g. from the US, will cost a third of the price of Gazprom (according to 2013 prices) and about 30 percent less from other suppliers.** Even if at the beginning of the operation the terminal was able to

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<sup>43</sup> European Commission, Green Papers, "A European Strategy for Sustainable, Competitive and Secure Energy" strategy". Brussels, 8 March 2006, p. 3,

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2006:0105:FIN:LT:PDF>.

<sup>44</sup> BEMIP Gas Regional Investment Plan 2012–2021,

[http://www.gie.eu/memberarea/purtext\\_entsog\\_GRIP.asp?wa=plus\\_GRIP&jaar=2012](http://www.gie.eu/memberarea/purtext_entsog_GRIP.asp?wa=plus_GRIP&jaar=2012).

<sup>45</sup> "Russia–Ukraine gas row heats up", BBC, 31 December 2008, <http://news.bbc.co.uk/2/hi/7805770.stm>.

<sup>46</sup> "Klaipėdos nafta pasirašė sutartį su JAV Cheniere" [Klaipėda Nafta signed an agreement with the US Cheniere], Delfi, 11 May 2011, <http://verslas.delfi.lt/energetika/klaipedos-nafta-pasirase-sutarti-su-jav-cheniere.d?id=45366187>.

satisfy half of the country's gas demand, this would provide great leverage when negotiating with Gazprom for lower gas prices. **Other European countries, which already have an alternative source of supply, pay about 20 percent less for Russian gas than Lithuanians do.**

Speaking of the price of Russian gas to both Lithuania and other European countries, it should be noted that Gazprom sells gas under take-or-pay agreements, under which a party undertakes to buy an agreed quantity of gas at an agreed price, calculated using a special formula informally linked to the price of fuel oil. The price of fuel oil is subsequently directly dependent on the price of oil on the world market. If a buyer fails to buy all the negotiated quantity for the agreed price, he has to pay penalties. **However, the growing import of LNG sold at spot prices has put significant competitive pressure on the indexation pricing system applied by Gazprom.**

### **Is Lithuania able to take advantage of the US “shale gas revolution”?**

Lithuania will benefit from the US “shale gas revolution” and will import cheaper LNG from the US and other suppliers making their way into the European and Asian markets, if it continues with its implementation of the LNG terminal project. **It is worth highlighting one indirect effect of this revolution, a motivating one on energy security, namely, an opportunity for Lithuania and other European countries, on the basis of US initiatives and best practices, to start exploring and producing shale gas.**

Shale gas production would increase Europe's energy independence. This means that reducing the dependence on imported, mostly Russian, gas will open up the possibility to control gas supply. In terms of competitiveness, this is one of the supply alternatives. **The price of the gas produced would be comparable to that of the gas from the US, so Gazprom would be forced to reduce the price of its natural gas.**

However, certain states, France, Bulgaria, the Czech Republic and Luxembourg, have banned shale gas exploration and extraction because of the fear that the hydraulic fracturing process would pose a significant threat to the environment. The United Kingdom is facing significant resistance from non-governmental organisations in this matter. Due to strong resistance, Germany has also announced a moratorium on exploration and production operations. Meanwhile France sees the future of its energy sector in nuclear energy. As a result, it does not have a great need to extract shale gas.

The deposits of shale hydrocarbon in Lithuania total 481 billion cubic metres. According to preliminary estimates, it is thought that about 25 percent of this (115 billion cubic metres) could be technically extracted. This amount is sufficient for Lithuania's natural gas needs for 35–40 years. However, at present it is not known what deposits we have exactly. All we know that it is something between shale gas and oil. In order to find out these resources must be explored. It could well be the case that the quantities of gas that could be technically extracted are smaller than expected. The geographical relief, geological conditions and the urbanisation of the location are strong determining factors. Taking into account these conditions, it is likely that in the case of Lithuania it would be possible to extract about 30–50 billion cubic metres of shale gas. This would be sufficient for the country for 10–15 years.

Meanwhile, according to the latest estimates of the US Energy Information Administration there is zero gas to be extracted in Lithuania. However, it will be possible to extract about 0.3

billion barrels of shale oil.<sup>47</sup> **Yet this disparity in estimates again indicates that in order to know exactly what and how much we have, exploration is required.**

Currently there is a debate in the EU as to the level of regulation of shale gas exploration and extraction. The problem is that EU Member States have different positions concerning exploration and production of shale gas. The security of the hydraulic rock fracturing technology raises the most questions. However, as mentioned above, problems may arise not because of safety/lack of safety of the technology itself to the environment, but as to how it is used, i.e. whether technical requirements are observed, and whether any regulatory gaps remain. In this regard, the European Commission has proposed to update the Environmental Impact Assessment Directive and the Committee on the Environment of the European Parliament has approved proposals regarding compulsory environmental impact assessment prior to shale gas exploration and extraction. This should fill the existing gaps in legislation.

The US has used the hydraulic fracturing technology for decades now, but it is very new in Europe. It is difficult, therefore, to predict exactly to what extent Europe is committed to taking advantage of the US example. It should be noted that in Poland, shale gas is already being extracted from a test well. The borehole is in the Baltic Sea basin, i.e. the Leba ridge, in geological layers analogous to those available in Lithuania, which contain shale that subsequently contains shale hydrocarbons.

It should be noted that in order to solve energy security issues more effectively, in 2009, the EU and the US established a joint EU–US Energy Council at ministerial level which sits twice a year. Activities of the council are certainly important for strengthening the external dimension of EU energy policy, because the council also encourages EU and US cooperation in the energy sector with third countries that are interested in ensuring energy security by diversifying energy supply and energy efficiency.<sup>48</sup> **Therefore, by participating in the EU–US Energy Council, Lithuania should offer initiatives important both to itself and the whole of Europe and related to the promotion of LNG import from the US to NATO countries dependent on Russian gas.**

### **Interim findings and recommendations**

Lithuania must highlight the importance of adopting bills in the US that would facilitate licensing of LNG export to NATO allies dependent on a single gas supply source. **The aim should be that decisions adopted in the US would allow the export of gas to NATO allies and Japan without a licence from the Department of Energy.**

So far, under current law, the US licenses LNG export only to a few countries that do not have free trade agreements with the US. But, as previously mentioned, the quantities are very small. Meanwhile, licences for LNG export to countries, which have free trade agreements with the US, are issued automatically.<sup>49</sup> **Therefore, in this case, EU and US negotiations on a comprehensive free trade agreement are very important to Lithuania.**

NATO is another forum where energy security issues of US allies may be raised, because energy security issues pose a challenge not only to the competitiveness and economic growth of these countries, but also to their military security and defence industry that need energy

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<sup>47</sup> US Energy Information Administration, “Technically Recoverable Shale Oil and Shale Gas Resources”, p. 8.

<sup>48</sup> Council of the European Union, “EU–US Summit”, Washington, 3 November 2009”, Brussels, 3 November 2009, 15352/09 (Presse 316), p. 11–12.

<sup>49</sup> Jennifer A. Dlouhy, “Lawmakers propose making LNG exports automatic”.

resources. So in this case, **as far as strengthening of energy security is concerned – in light of the LNG export opportunity to NATO countries dependent on Russian gas – a NATO Energy Security Centre of Excellence (ENSEC COE) established in Lithuania with US assistance could be of great service.** One of the objectives of the Centre could be to provide support and advice to NATO on all aspects of energy security and to contribute to strengthening NATO–EU cooperation on energy security. The US could contribute to the activities of the Centre by sending its experts.

## **5. Transatlantic Trade and Investment Partnership: interests of Lithuania**

In June 2013, the beginning of negotiations between the US and the EU regarding the Transatlantic Trade and Investment Partnership (TTIP) was announced. This chapter aims to assess the current situation of international trade liberalisation from the US and EU perspectives and to examine possible implications of TTIP for Lithuania. The implementation of these objectives is restricted by the confidentiality of ongoing negotiations and the complexity of potential agreements, i.e. no matter what the outcome of the negotiations, the effect of TTIP on the US–EU relations and on Lithuania can be predicted. It is important to emphasise the fact that the negotiating mandate is held exclusively by the European Commission. Thus the main focus of the chapter is to assess the possible effect of TTIP on US–EU relations and on Lithuania, rather than to provide practical recommendations.

### **The context of US–EU TTIP negotiations**

Trade liberalisation on a global scale has been the long-held goal of both US and EU trade policy. The TTIP is particularly significant to the EU in terms of competitiveness: 90 percent of world demand in the next 10–15 years will be generated outside the EU.<sup>50</sup>

The first discussions about transatlantic free trade between the US and the EU began in the 1990s, but actual steps – formation of negotiating groups and formal opening of negotiations – were taken only after the announcement of the recommendation of the US–EU High Level Working Group in 2011. The following factors are considered the catalysts that led to progress and the first round of negotiations that took place in Washington in the summer of 2013:

- the global economic crisis that adversely affected the economic development of both the US and the EU;
- attempts to optimise the costs of companies trading in the transatlantic space;
- lobbying activities by business stakeholders in support for TTIP;
- US talks on the Pacific<sup>51</sup> Partnership Agreement.<sup>52</sup>

### **The key negotiation objectives:**

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<sup>50</sup> European Commission, Concluding trade deals could boost EU's GDP by 2 percent.

<sup>51</sup> The talks involve Australia, Brunei, Canada, Chile, Malaysia, Mexico, New Zealand, Peru, the US, Singapore, and Vietnam.

<sup>52</sup> Office of the United States Trade Representative, Transatlantic Trade and Investment Partnership (TTIP), <http://www.ustr.gov/ttip>.

- to abolish tariff barriers existing in the EU and US trade (currently tariffs stand at an average of about 4 percent);
- to eliminate non-tariff barriers (regulatory norms and standards) by retaining high health, safety and environmental requirements;
- to facilitate access to goods and services;
- to develop the rules, principles and cooperation mechanisms for dealing with such global problems as intellectual property, corporate governance, and discrimination in trade;
- to improve conditions for global competition for small and medium-sized businesses.<sup>53</sup>

The scale and complexity of negotiations complicate any prediction of the possible outcomes. For this reason, the potential growth rate or the influence on different market segments may vary depending on the specific agreement and political decisions.

### Potential economic benefits

Economic relations between the world's largest economies, the EU and the US, that account together for more than half of the entire world GDP, have reached a huge scale and continue to be further developed:

- the US investment in Europe is three times higher than in Asia and the EU investment in the US is eight times higher than in China and India combined;<sup>54</sup>
- the US–EU daily trade volumes amount to EUR 2 billion and create 15 million jobs;<sup>55</sup>
- the US is the largest market for EU exports and annually generates EUR 264 billion, which accounts for 17 percent of the total export volumes. The implementation of TTIP could increase the EU exports to 28 percent and earn exporters another EUR 187 billion annually;
- Europe is the largest export market for the US – in 2012, the volume of goods and services amounted to EUR 338 billion.<sup>56</sup>

The realisation of the free trade area with 800 million population and many of the richest countries in the world would create conditions for sustainable economic links. **According to the Centre for Economic Policy Research, free trade would provide conditions for additional EUR 545 for a family of four in the EU and EUR 655 per family in the US.**<sup>57</sup> The US economy could gain EUR 95 billion of additional revenue and a similar amount would be gained by third countries. Mutual benefits could be attributed not only to higher

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<sup>53</sup> Remarks by US Trade Representative Michael Froman on the United States, the European Union, and the Transatlantic Trade and Investment Partnership,

<http://www.ustr.gov/about-us/press-office/speeches/transcripts/2013/september/froman-us-eu-ttip>.

<sup>54</sup> European Commission, EU-US trade talks,

<http://ec.europa.eu/trade/policy/countries-and-regions/countries/united-states/>.

<sup>55</sup> The EU–US Transatlantic Trade and Investment Partnership, European Commission,

[http://ec.europa.eu/ireland/key-eu-policy-areas/transatlantic-trade-investment-partnership/index\\_en.htm](http://ec.europa.eu/ireland/key-eu-policy-areas/transatlantic-trade-investment-partnership/index_en.htm).

<sup>56</sup> White House Fact Sheet: Transatlantic Trade and Investment Partnership (T–TIP), <http://www.ustr.gov/about-us/press-office/fact-sheets/2013/june/wh-ttip>,

<sup>57</sup> Joseph Francois (ed.), *Reducing Transatlantic Barriers to Trade and Investment: An Economic Assessment*, Centre for Economic Policy Research, March 2013,

[http://trade.ec.europa.eu/doclib/docs/2013/march/tradoc\\_150737.pdf](http://trade.ec.europa.eu/doclib/docs/2013/march/tradoc_150737.pdf).

trading volumes, but also to opening new opportunities, one of them being participation in public tenders, the value of which is EUR 2 trillion in the EU and EUR 560 billion in the US.

### **Barriers to the implementation of the agreement**

Tariff barriers in US–EU trade relations are relatively small, on average 3–4 percent, so non-tariff barriers, such as product standards and registration procedures which encumber movement of goods and increase business costs are considered the major obstacles in the negotiations.<sup>58</sup> For example, European cosmetics manufacturers exporting goods to the US must re-label their products, because the US does not recognise the term *aqua*; and car manufacturers must perform expensive vehicle safety testing once again due to the relatively low level of non-compliances.

Harmonisation of these and similar regulatory norms would allow EU countries to save up to EUR 12 billion and up to EUR 1.6 billion in the US annually, **because non-tariff barriers, according to experts, have the same effect as 10–15 percent tariff barriers. So far, these additional costs are largely incurred by consumers,**<sup>59</sup> so this would have a positive impact on prices in certain segments, for example it is estimated that prices for new cars may fall by 7 percent and the opening up of the new market would provide new impetus to the crisis-hit European manufacturers such as Peugeot. It is likely that prices for some medical products will fall, because products sold in Europe require a separate inspection in order to enter the US market and vice versa.

The TTIP would be significantly beneficial to the labour market, as it would allow the currently existing obstacles regarding mutual recognition of qualifications in such areas as financial accounting, engineering, architecture, electronic communications, transport or legal services to be removed. With no legal constraints impeding opportunities for professionals to compete for jobs in both markets, additional career prospects would be provided and due to free movement of skilled professionals, prices for services would potentially decrease.

Harmonisation of standards would allow for transatlantic partners to expand their influence, because such harmonisation would directly affect third countries. Economic rapprochement of the EU and the US with a combined GDP in excess of USD 32 trillion, would propel other countries to adapt to and adopt high TTIP standards. The South Korean electronics concern Samsung has already announced that the latest generation mobile phones will be created either according to the European-American or the Chinese standard, therefore in terms of competition, the EU and the US partnership would be an advantage. Otherwise, if the TTIP negotiations cease, there is a risk of losing the position to the increasingly growing Chinese market.

In addition to non-tariff barriers, other issues on which the US and the EU may find it difficult to agree are identified. For example, France is opposed to the introduction of free market conditions in the field of culture. France supports its culture with large subsidies in order to maintain its identity and compete with, for example, much cheaper Hollywood productions. An alternative suggestion therefore is to exclude traditional culture and media from the agreement and leave only electronic and online products. There are problems with genetically modified food too, which is prevalent in the US, but is strictly restricted in Europe (Green

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<sup>58</sup> European Commission, Trade with US,

<http://ec.europa.eu/trade/policy/countries-and-regions/countries/united-states/>.

<sup>59</sup> Tom Geoghegan, “US–EU trade deal: Six reasons to care”, BBC 17 June 2013,

<http://www.bbc.co.uk/news/magazine-22909209>.

Parties of the major Western European countries call for the TTIP to be blocked). EU representatives have so far stressed that they do not intend to waive this regulatory standard, even if the free trade agreement is signed.

### **Interim findings and recommendations**

The scale and complexity of the negotiations are such as to make experts avoid forecasts for specific sectors. Nevertheless, one can expect that TTIP will have a positive effect on both Lithuanian consumers and businesses. The former, like the rest of the population in Europe, will benefit from falling prices of certain products and an increasing variety, and the latter (today predominantly exporting to the US rather than importing) will benefit from the opening up of a huge market. **These factors should be particularly favourable to producers of high quality food products who successfully compete in various world markets.**

However, it would be difficult to expect a rapid growth rate in other manufacturing sectors of Lithuania: for example, the cost of exporting fertilisers from Europe to the US is too high, while Lithuanian textile products will face competition from China and other countries. Furthermore, transatlantic export and establishment in the large market will require both a large production capacity to meet regular demand and efficient logistics. On the other hand, **the increase in imports and competition should not hit domestic producers, because imported products will not be a direct alternative to goods produced in Lithuania.**

The TTIP would allow Lithuania to seek its strategic energy security aims, such as diversification of energy sources. According to the Natural Gas Act adopted in 1938, gas export of US companies is regulated by the Department of Energy. In each case, the department decides whether exports of raw materials is “consistent with the public interest” and does not weaken the positions of US companies in the global market. The procedure for obtaining a licence is complex and lengthy and so far three US companies have obtained licences to export up to 8 percent of gas produced in the country.

**Once the free trade agreement takes effect, export licences are issued according to a simplified procedure, as a result more than 90 percent of US gas is currently exported via pipelines to neighbouring Mexico and Canada.**<sup>60</sup> Signing of the TTIP would open up a new and promising European market for US companies, but analysts also point to the obstacles that will arise even after liberalisation of the market: a) higher gas consumption and a more favourable price for US exporters in Asian markets and b) competitive position of US companies with respect to European companies due to cheaper raw materials. Nevertheless, the geo-strategic compatibility between US and EU interests leads to expect their closer cooperation, which would provide conditions for competition against the domination of Russian gas in Europe. This is particularly relevant to Lithuania, which imports 100 percent of its gas from Russia and which will be open to other gas suppliers after the opening of the liquefied gas terminal in Klaipėda.

According to Zbigniew Brzezinski, a US academic and former statesman, benefits provided by the US–EU trade agreement cannot be reduced to economic indicators. **“There is enormous promise in that concept.** It can create additional trans-Atlantic bonds ... It can shape a new balance between the Pacific and the Atlantic oceanic regions, while at the same

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<sup>60</sup> Office of the United States Trade Representative, US Free Trade Agreements, <http://www.ustr.gov/trade-agreements/free-trade-agreements>.

time generating in the West a new vitality, more security and greater cohesion”<sup>61</sup>. In other words, two parts of Western civilisation would be combined and may become a counterweight to the growing influence of the East. Optimists hope that an agreement can be reached before the end of 2014, but there are gloomier predictions, saying that even without a major disruption of negotiations these will take three or four years.

## **6. Cyber Security: a new area for activating Lithuanian–US relations**

Although internet use for commercial purposes started back in 1995, its security and threats only became a matter of serious concern a few years ago. Such events as the 2007 cyber attacks against Estonia, the 2008 attack against Georgia (considered to be the first time where a cyber attack was an integral part of a military operation), and the Stuxnet virus detected in 2010 (which is believed to have targeted Iran’s nuclear structure) forced countries to seriously consider their capacities to manage cyber threats.

Internet services, like other communication services, are usually provided by private companies which are the first and the main shield between the user’s computer and a potential cyber threat. **The state’s responsibility in this case is to set and enforce operational standards for the communications providers and to cooperate in improving the competences of entities responsible for cyber security and in eliminating threats.** Once the communication services meet the standards, further responsibility passes to the user. At this stage, the state takes responsibility for the protection of public institutions and critical infrastructure (power plants, gas pipelines, water supply, transport system, financial sector, telecommunications, hospitals, etc.). Accordingly, private customers, whether private individuals or businesses, must take responsibility for the security systems they are using. Businesses are also responsible for the security of their electronic services. In addition, cooperation between the government, communication service providers, and businesses that provide electronic services is encouraged to strengthen consumer computers’ literacy skills.

### **National cyber security and cyber defence capabilities in Lithuania and the US**

Lithuania and the US take cyber-security seriously and also form and strengthen national efforts to combat cyber threats. Both countries have adopted cyber security programmes and have established state Computer Emergency Response Teams (CERT) responsible for safety of public communications networks. Both countries are also among the founders of the NATO Cyber Defence Centre of Excellence in Estonia and are actively involved in the activities of the centre.

However, the abilities and needs of both countries are very different. Lithuania has only a CERT-LT division with five professionals, whereas the US has a cyber team CyberCom with 900 professionals under the Department of Defence in addition to the US-CERT, and plans to expand its capacities to 5,900 professionals in the future. The US CyberCom is in charge of the defence of critical infrastructure and directly responds to hostile cyber attacks from foreign countries.

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<sup>61</sup> Andrew Rettman, “Brzezinski: EU-US trade pact can halt West’s decline“, EU Observer, 19 April 2013, <http://euobserver.com/economic/119871>.

**CERT-LT, the only cyber security institution in Lithuania, is not in charge of the cyber security of the critical infrastructure and public institutions, because this is the task of the Ministry of the Interior which sets the general security requirements. Thus, each country's institution, including those of national importance, is responsible for their own cyber security.** CERT-LT is in charge of the security of users at home and providers of public services, specifically, it responds to incidents in cyberspace, investigates them, and provides recommendations to electronic communication providers on how to prevent them from re-occurring.<sup>62</sup> In emergency situations, CERT-LT cooperates with different countries and provides assistance to their CERT units.

Cyber security is an individual responsibility of every country. **The first step towards cyber security is setting and enforcement of cyber security standards. Cooperation between the public and private sectors based on the exchange of information and know-how is also important.** Finally, only after the installation of internal security systems, is it possible to rely on foreign aid in the case of a cyber incident.

**Currently, cooperation between Lithuania and the US in the field of cyber security is rather limited.** There is cooperation between CERT units, but because of the small risk of threats arising from Lithuania, it is Lithuanians who make more frequent enquiries to their US counterparts. CERT-LT has also signed cooperation agreements with such private US organisations as RSA Security LLC, Team Cymru Research NFP, and The Shadowserver Foundation. Since the US has far more experience in the field of cyber security, it is important to further develop existing relationships and share expertise and skills. **Lithuania should adopt a good practice model similar to that of the Maryland–Estonia National Guard Partnership, which is particularly strong in the area of cyber security, and should conduct ongoing professional training and exchange.**

### **The EU and NATO cyber security policies**

The perception that cyber attacks go beyond geographical borders and, for example, computers of US users may be used in attacks against Lithuania or, vice versa, computers of Lithuanian users may be used to organise attacks against the US, lead to the establishment of international cyber security and defence programmes. In this case EU and NATO initiatives are most important to Lithuania.

Although countries take care of their own cyber security, being a member of the EU means that general EU cyber-security requirements are followed. For example, EU directives regulate the liability of electronic communications providers for ensuring the security of networks<sup>63</sup> and the responsibility of electronic communication services providers to protect user data.<sup>64</sup> The 2013 EU cyber security strategy stipulates requirements to Member States

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\* Authors would like to express their gratitude to the representatives of Lithuanian Ministry of National Defence and CERT-LT for their consultations on cyber security.

<sup>62</sup> According to CERT-LT, in 2012, 21,416 incidents or 2 percent fewer than those investigated in 2011. In total 55 percent of the recorded incidents accounted for malware, mainly the attempts to infect computers to join the botnet. The other 43 percent were attempts to take control of computers. For more similar data see <https://www.cert.lt/statistika.html>.

<sup>63</sup> Directive 2002/21/EC of the European Parliament and of the Council of 7 March 2002 on a common regulatory framework for electronic communications networks and services (Framework Directive), <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2002:108:0033:0033:EN:PDF>.

<sup>64</sup> Directive 2002/58/EC of the European Parliament and of the Council of 12 July 2002 concerning the processing of personal data and the protection of privacy in the electronic communications sector (Directive on privacy and electronic communications),

such as how to set up national CERTs, to adopt a national network and information security strategy, to ensure national co-operation in international cyber security incidents, and to promote cooperation between public and private sectors.<sup>65</sup>

The EU also takes care of practical capacity building of Member States: in 2010, the first EU cyber exercise “Cyber Europe 2010” was organised with the private sector players taking part in it; in 2012 the second exercise was held. In 2011, the first EU–US exercise “Cyber Atlantic 2011” took place and in 2014 the EU–US Cyber Security Month is scheduled, which aims to increase computer users’ cyber literacy.<sup>66</sup> Moreover, in 2013, a special European Cybercrime Centre was established at Europol by the European Commission.

NATO’s cyber defence policy was adopted at the summit in Bucharest in 2008. The Cyber Defence Management Authority (CDMA) was also founded and tasked with centralising the Alliance’s cyber defence. Two years later, a decision was made in Lisbon to review the cyber defence policy that was adopted together with an action plan in mid-2011. **The new NATO policy once again states that the decision regarding any collective defence, including cyber defence, is made by the North Atlantic Council.**

The main objective of NATO’s cyber-defence policy is ensuring the security of **NATO’s communication and information systems. Retaining the functionality of these systems will allow an offensive against both individual NATO countries and the alliance itself to be responded to.** Today, electronic NATO systems are protected by the Computer Incident Response Capability (NCIRC), subsequently, a rapid response team is planned to provide assistance to NATO members and their partners in the event of a cyber attack. The team, which would initially consist of six experts, would provide important assistance to those countries which do not have this kind of defence capability. **Establishment of this NATO team would fill the gap in Lithuania’s cyber defence, as currently the country does not have any rapid response forces to respond to cyber threats in real time.**

### **Application of international law in cyberspace**

The internet brought about a global revolution which enabled the provision of electronic government and business services, simplified the international business environment, and in particular, provided an opportunity to communicate, learn and exchange ideas and information. Cyberspace can be used as a platform for social movements, protests involving human rights, and resistance against non-democratic governments.

Likewise, this space can serve as a repressive instrument for a government aiming to destroy the sources of civil resistance, as an instrument of crime or even terrorist activities. Finally, it can serve as an integral part of military operations, where the opponent’s communications and supply of electricity, water and other essential resources are disconnected or his defensive systems are taken over.

The NATO Cyber Security Centre of Excellence published the *Tallinn Manual* in spring 2013, in which a group of international experts analyse how the principles of international

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<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32002L0058:en:HTML>.

<sup>65</sup> Joint Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Cybersecurity Strategy of the European Union: An Open, Safe and Secure Cyberspace, [http://eeas.europa.eu/policies/eu-cyber-security/cybsec\\_comm\\_en.pdf](http://eeas.europa.eu/policies/eu-cyber-security/cybsec_comm_en.pdf).

<sup>66</sup> In 2010, during the EU–US Summit, the EU–US Working Group on Cyber-Security and Cyber-crime was established.

law, particularly *jus ad bellum* and international humanitarian law can be applied to cyber conflicts and cyber wars. It is no secret that it is not always possible to prove an existing connection between governmental institutions and the attacks carried out from the territory of the same state. For example, in the case of the attack against Estonia, President Putin did not condemn Russian hackers-patriots who disabled internet sites of Estonian government institutions, banks and media. It should also be noted that certain cyber attacks against the US conducted from China are carried out during working hours, which suggests that this could be the job of state-backed hackers. **So it is necessary to identify legal norms allowing, first, to define the extent of a sustained attack (a conflict or a war) and, second, to respond to such hostility in accordance to its extent.**

Cyberspace may also be a place for crimes aimed at economic benefit, which is among the fastest growing forms of crime and more than 1 million people fall victims to it daily. **It is estimated that the economic damage caused by these crimes are between 0.4 and 1.4 percent of the world's GDP or from USD 300 billion to USD 1 trillion.**<sup>67</sup> In order to harmonise national law and to encourage cross-border co-operation, the Council of Europe Convention on Cybercrime was signed in 2001. By October 2013, 40 countries ratified it (Lithuania ratified in 2004 and the US in 2006).

### **Interim findings and recommendations**

There is an obvious need **to develop exchange programmes and joint training of cyber security and defence experts of Lithuania and the US** It is also worth considering inter-university cooperation opportunities for training highly qualified information technology professionals.

Lithuania must further develop its cyber capabilities. The first step is to analyse the cyber situation in the country planned back in 2013, which would involve overall inspection of government information systems; objects of critical infrastructure must also be defined and their security systems inspected.

The hierarchy of institutional responsibility for cyber security is not clear in Lithuania. This makes it difficult not only to ensure the safety of individual objects, but it is also not clear who should be approached in the event of a threat. It is important to identify the subordination of state institutions responsible for cyber security.

The US–EU cyber security formats, which would enable exchange of experience and expertise and would involve the private sector and promote cyber-literacy of the population, must be further developed.

The need of Lithuania to set up a rapid response team must be assessed. The Estonian example whereby volunteers work at the NATO Cyber Defence Centre of Excellence could be followed. In such a case, in addition to state-paid professionals, experts, who because of their workloads and professional ambitions could not otherwise be employed by the state, could be engaged.

Having in mind that there is an increasing need to set international legal rules on cyber security, a particular attention should be paid to raising Lithuanian diplomats' expertise in the area of cyber security and defence.

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<sup>67</sup> Centre for Strategic and International Studies, The Economic Impact of Cybercrime and Cyber Espionage, Report, July 2013, p. 5, <http://www.mcafee.com/us/resources/reports/rp-economic-impact-cybercrime.pdf>.

International cooperation is essential in determining principles of international law and how they can be adapted to cyber conflicts and cyber wars. **When entrenching the legal regulation, it is particularly important to emphasise that the state must take responsibility for threats arising against its own cyberspace and make all possible efforts to curb these threats.** States are also responsible for the activities of their cyber forces, so that these do not violate the sovereignty of other countries and are not directed against the state or its citizens. In this area of activities, the interests of Lithuania and the US coincide.

## **7. Applying best practices of Transatlantic Relations**

Bilateral relations with NATO partners play an important role in the US foreign policy. Since the end of the Second World War, the US has addressed issues of international security relying primarily on the support of NATO member countries, through NATO or directly participating in bilateral or multilateral cooperation. It can be stated that some partners have established closer cooperation with the US, particularly since individual countries are able to secure effective niche cooperation. The issues of **political partnership, infrastructure advantage and provision of assistance (access)** should be noted as those from which Lithuania could draw experience.

### **Political partnership**

During the Cold War, cooperation between Western Europe and the US was determined by the Soviet threat, so the manoeuvring trajectory was quite clear cut: either actions through NATO structure or declaration of neutrality. Over a decade after the tragedy of 11 September 2001, the prevailing cooperation paradigm has been the fight against terrorism and interventions in Afghanistan and Iraq. Although Europeans support the fight against terrorism, this has not become the central axis of European international politics and in some cases has even led to a clash of opinions and a sort of stratification according to support for the US. The war in Afghanistan has received wide support in NATO countries, but the 2003 invasion of Iraq found less approval among allies. It should be noted that in the context of US policy, the war in Iraq brought division among European countries.

### **Provision of assistance (access)**

This form of cooperation is similar to political partnership, but rather than corresponding political interests, its basis is primarily US interest (in the event of a war, border protection, deployment of armaments, etc.) in cooperation with a particular country because of its specific geographic location, geo-political advantages, etc. aiming to implement a specific US policy. In this case, in exchange for assistance, the country receives dividends in other areas. For example, during the war in Afghanistan, Kyrgyzstan allowed foreign military bases to be established on its territory, as well as Pakistan during the reign of Pervez Musharraf.

Of course, this kind of cooperation is more reliable with NATO countries as there are more mutual obligations complementing their relations. For example, in the case of US military strikes against Syria, Turkey would become a base for raids (although Turkey itself prefers avoiding the conflict in a neighbouring country). Romania and Poland are already taking part in the provision of access by allowing the installation of the US missile defence system on their territories as protection against an Iranian missile threat. All Central European countries consider such cooperation essential for the prevention of security threats. However, in the

case of Romania and Poland, such cooperation also brings risks as not all regional states, especially Russia, are in support for the instalment.

### **Infrastructural - sectoral cooperation**

Sectoral cooperation is the result of the country's achievements in different areas, unique expertise, and level of development, which are relevant to US interests and which serve as the basis for the development of deeper cooperation. In the case of Lithuania, the Nuclear Safety Centre of Excellence could be a platform for closer cooperation with the US. Examples of other countries are also notable. After the 2007 cyber attacks, Estonia accumulated a lot of expertise in cyber security and fighting international crime networks online. This unique Estonian expertise brought attention of other NATO countries, among them the US. For example, the Estonian National Criminal Police partnered the FBI in detaining members of online organised crime groups, preventing crimes and reducing cyber risks.<sup>68</sup> It should be noted that the majority of NATO countries have accumulated specific expertise and are able to use it for strengthening bilateral cooperation. However their competences not always are of the same value, particularly in the Central Europe where cooperation framework with the US is almost the same in all countries (the cooperation involves response to possible threats, technical assistance etc.)

Strengthening the defence sector is an important component of infrastructural-sectoral cooperation. When participating in NATO, countries have an opportunity to develop specific competencies in the military field, which makes the particular country attractive. However, it can be noticed that the development of competencies directly correlates with funding for defence. The data indicate that defence spending in NATO countries is relatively smaller than that of most other countries that surround them.<sup>69</sup>

**Despite public declarations to increase Lithuanian defence spending, it is decreasing, what gives an impression about the country's defence sector being a secondary priority.** It should be borne in mind that in addition to the NATO structure, the US maintains bilateral military cooperation with almost every NATO country, organises exercises, exchange of expertise, etc. However, the intensity of cooperation is determined not only by political relations, but also by the adequacy and effectiveness of defence measures. **As far as military cooperation is concerned, the example of Denmark, which in terms of size, membership of NATO and the EU and an active relationship with the US, is similar to Lithuania, should be noted.** Together with Norway, Denmark is considered as capable of acting "in a higher category than it actually is". Such attitude is supported by the fact that this country, which allocates 1.5 percent to defence, has become a very active US partner successfully contributing not only to the security of Afghanistan (together with the UK, Denmark is the main contributor to the International Security Assistance Force (ISAF)), but also making other important contributions. Firstly, by participating in the UN-authorized NATO military mission in Libya, which has greatly strengthened the Danish reputation with the allies<sup>70</sup> and also by playing the leading role in the development of the Smart Defence allowing to cut defence costs. Internationally recognised Danish policy for expansion of renewable and other

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<sup>68</sup> "U.S. and Estonia Forge New Cyber Relationship", 5 May 2011, <http://www.nationaljournal.com/tech/u-s-and-estonia-forge-new-cyber-relationship-20110505>.

<sup>69</sup> Military expenditure (% of GDP), Stockholm International Peace Research Institute (SIPRI), Yearbook: Armaments, Disarmament and International Security. Catalog Sources World Development Indicators, <http://data.worldbank.org/indicator/MS.MIL.XPND.GD.ZS>.

<sup>70</sup> Interview with the representative of Lithuanian Ministry of National Defence, Euro-Atlantic Cooperation Department.

sustainable means of development must also be noted.<sup>71</sup> This policy, despite the fact that even the largest countries do not always support similar initiatives, makes Denmark exclusive and complements its sectoral expertise. It should be stated that the Danish model appeals to Lithuania.

In addition to the above-mentioned expertise in nuclear security that Lithuania is accumulating, two more aspects strengthen Lithuania's position. Lithuania is recognized among NATO members for the high competence of its Special Operations Forces (SOF) and the ability to provide trainings, for example, for Afghan forces. Despite the relatively small defence budget, in terms of their overall capacity, Lithuanian forces are involved in NATO military operations, especially ISAF mission, proportionately to a greater extent than some other countries (e.g. according to the data of 1 August 2013, the following number of soldiers participate in operations by country: Lithuania – 240 soldiers, Latvia – 141, Czech Republic – 182, Slovakia – 199, Norway – 111, and Denmark – 317).<sup>72</sup>

Meanwhile, the NATO Energy Security Centre of Excellence in Lithuania demonstrates the intensifying trend of energy efficiency, critical energy infrastructure protection, and alternative energy sources in ensuring security and defence. This trend is similar to the Danish sectoral competence in smart defence, so closer cooperation between these two countries would bring added value in exchanging experience, especially since in summer 2013 both countries introduced the Green Defence initiative (Green Agenda at the Defence Ministerial in NATO), which provides ideas for fuel savings and alternatives in supply.

The recent visit of the presidents of the Baltic States to Washington<sup>73</sup> shows that, although paying attention to individual states, the US primarily sees European countries through the prism of individual regions. The US is particularly interested in the Nordic and Baltic region and this is attested by the visits of John Kerry, the US Secretary of State, to individual countries (Sweden, Lithuania) in September 2013. During the visits, the parties discussed the Syrian issue, the intensifying debate in Sweden concerning the direction of defence policy, and Norwegian efforts to maintain mutual attention with respect to the US and NATO. The Nordic dimension is supported by the regional cooperation format Nordic-Baltic Eight (NB8) (5 Scandinavian and 3 Baltic countries) – meetings of the Baltic and Nordic Council of Ministers take place every year. In 2012, the focus of the meeting held in Vilnius was on nuclear safety and cooperation of experts on cyber security and the digital market.

Common efforts of the Nordic-Baltic region are further strengthened by the 2003 Enhanced Partnership in Northern Europe (e-PINE) initiative for developing cooperation between the US and Baltic and Nordic countries. **It should be noted that the issue of cyber security has become one of the priorities in US cooperation with NB8 countries, and the region has an advantage in this area over other regions.** Since the format of Nordic-Baltic cooperation is considered to be more result-oriented than many other European regional formats, the parties involved share an increasing number of common issues. In this respect Lithuania's attempt to join the EU Nordic Battle Group in 2014 and Washington's support for cooperation on security and giving weight to the Nordic-Baltic security dimension should be emphasised.

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<sup>71</sup> The White House, "Fact Sheet: The United States and Denmark – NATO Allies and Global Partners". 24 February 2012, <http://www.whitehouse.gov/the-press-office/2012/02/24/fact-sheet-united-states-and-denmark-nato-allies-and-global-partners>.

<sup>72</sup> NATO, International Security and Assistance Force (ISAF): Key Facts and Figures. 1 August 2013, <http://www.isaf.nato.int/images/stories/File/Placemats/2013-08-01%20ISAF%20Placemat-final.pdf>.

<sup>73</sup> The meeting between the presidents of the Baltic States and President Barack Obama was held on August, 2013. See President Obama Meets with Baltic Leaders, The White House, 30 August 2013, <http://www.whitehouse.gov/blog/2013/08/30/president-obama-meets-baltic-leaders>.

These examples essentially illustrate that it is **important not only to identify a niche competence recognised bilaterally, but also to define conditions for the development of the competence: regional integrity, relatively better abilities of the countries of the region to ensure their advantages (niches) in the sectors, and mutual interests of the US and the region.**

### **Who creates the best practices?**

Maintaining the focus of the US usually depends on several factors. Political partnership is the founding factor that supports common interests of the countries. The above forms and platforms of cooperation mainly depend on the US geopolitical code – the interests which the US articulates and tends to defend in the region. US President Obama’s penchant for multilateralism and co-existence with other large countries, including the foreign policy shift to Southeast Asia, determine the fact that the discourse of democracy expansion is increasingly becoming a matter of the Republican Party. Lithuania must further maintain this democratic discourse, because it is an investment in the future and it must also strengthen ties with the representatives of the Republican Party and with more conservative members of the Democrat Party who work in the area of foreign affairs. During Lithuania’s presidency of the Community of Democracies (2009–2011), activities of the organization were updated (for example, the Community of Democracies’ Parliamentary Forum was established) and this is an example of a platform, which allows attracting the attention of at least some of the US political elite to Lithuania and the geopolitical issues important to Lithuania and to prevent US foreign policy from putting the idea of the expansion of democracy to the periphery.

Lithuania should also use one of the greatest diplomatic successes in the history of the independent state – its two-year non-permanent membership of the United Nations Security Council, which starts in 2014. The research shows that even small countries can have a real impact on political preferences and decision-making.<sup>74</sup> To achieve this, Lithuania must follow the experience of previous members: first, a small country must demonstrate ambitions and political initiative by allocating time and appropriate resources for this; second, the country must convince other members that it is able to act and offer solutions; third, the country must clearly define its priorities and objectives or, in other words, to identify niches and to focus attention on them; fourth, the country must have expertise in the niche areas and know how to act; fifth, the diplomatic service must have adequate tools to articulate priorities and to negotiate; sixth, it is necessary to form coalitions that would share the same goals; seventh, during negotiations, and image of a neutral country must be formed to gain the reputation of a reliable negotiator.<sup>75</sup>

However, political partnership or cooperation through provision of assistance generates a privileged relationship with the US only in non-standard situations (such as the mobilisation of support for Iraq or Syria). If political partnership is constant, the greatest opportunities for permanent partnership lie in cooperation concerning long-term infrastructure projects and between sectors. In other words, exclusive collaboration has the potential to bring the US closer, but it does not essentially determine US priorities.

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<sup>74</sup> New Zealand, which is a country similar in size to Lithuania, serves as an example. On its initiative, during its service on the Security Council in 1993–1994, a resolution regarding killings in Rwanda was adopted. Although the passive position of the UN with respect to Rwanda represents a huge failure, without New Zealand’s initiative and decisive leadership skills, no statement at all would have been released at the divided UN Security Council. Baldur Thorhallsson, “Small States in the UN Security Council: Means of Influence?”, *The Hague Journal of Diplomacy* 7 (2012), p. 157.

<sup>75</sup> *Ibid.*, p. 159.

One example of long-term collaboration is Lithuania as a platform for activities of US non-governmental organisations in Belarus. Lithuania's activities in the Eastern geopolitical space (relations with the Belarusian opposition and other non-governmental organisations) and Lithuania's expertise in this area contributed to the relocation to Lithuania of operations of various divisions of US organizations seeking democratic governance and the rule of law in Belarus. Projects in Belarus are now implemented from Vilnius. The International Republican Institute (IRI), the National Democratic Institute for International Affairs (NDI), and Pact are a few examples of such cooperation. Lithuania should take an interest in further development of this area of cooperation, because this positions Lithuania as an organisational and intellectual hub of the Eastern Partnership (or at least of the policy towards Belarus). Furthermore, such cooperation strengthens relationships with various groups of the US political elite (with Republicans through IRI and with Democrats through NDI) that work in the area of foreign policy.

Speaking about activation of the relationship, it is important to take into account the prevailing direction of US foreign policy at one time or another. A great variety of US foreign policy models is provided in the academic literature, but if we analyse them through the prism of Lithuanian national interests, it will be clear that US self-isolation, a kind of return to the time of the Monroe Doctrine would be the worst case scenario for Lithuania. In view of the enormous polarisation in US domestic politics (between Republicans and Democrats) in recent years, the country's economic problems (government debt), and temporary measures for postponing the turmoil in the management of the country's economy, have caused the US to "withdraw" to internal debates and limit its participation in international affairs.

### **Interim findings and recommendations**

When observing the trends in other NATO countries, Lithuania must follow countries of similar size, specifically by primarily relying on well-established Nordic Cooperation platforms. Although it is important for Lithuania to emphasise the "one-to-one" aspect (in cooperation with the US), exclusive competence and input, these can be supported by the regional factor, which strengthens structural continuity in the long run.

Compared with other regional formats, the NB8 regional co-operation format ensures closer sectoral and institutional cooperation, while participation in Central and East European platforms is based more on geopolitical aspirations. The latter platforms require more attention, but cannot compete with the more tranquil and consistent cooperation offered by the Nordic cooperation platforms.

The Nordic dimension is relevant not only for its exclusive expertise in different sectors, but also for the rather similar positioning of individual countries (Denmark, Norway) and the proximity of existing niches. This provides an opportunity for creating competence-sharing synergies and cooperation.

## 8. Lithuanian diaspora in the US: transition to a new field of opportunities

Active and socially engaged Lithuanian diaspora in the US serves as an unbreakable bond in Lithuanian-US relations and also as an important tool for Lithuanian foreign policy. There are several fields of activities in which the Lithuanian diaspora significantly contributed to increasing the US role in Lithuania-related international issues. The first activity is related to the support for democratic values and includes **the liberation of Lithuania and a continuous support for its' restored independence**. Since the Cold War, the US has continued the discourse of “the oppressed/liberated nations” (more supported by the Republican Party), which became one of the incentives for the US–Lithuania strategic partnership and a common denominator connecting geopolitical interests and securing membership in NATO. The discourse of “the oppressed/liberated nations” also allows Lithuania to mobilise US support for sensitive questions involving democratic values, for example, seeking justice to the victims of totalitarian regimes.

The Chief Lithuanian Liberation Committee, Santara–Šviesa (a Lithuanian émigré organisation), friends of the Lithuanian Front, and other organisations made enormous contribution during the Cold War period in delegitimizing both the fact of the annexation of the Baltic States and the Soviet domestic policy with respect to its citizens. **During the Cold War, Lithuanian emigrants to the US were one of the major groups of influence that constantly invoked the question of illegal occupation of the Baltic States and the non-recognition of their incorporation to the Soviet Union.** In coordination with the Latvian and Estonian organisations the issue of the Baltic States occupation was brought to the policy agendas of the US and other Western European countries. This attitude was very fruitful during President Reagan’s time, when the increased emphasis on the occupation of these states and symbolic focus on émigrés strengthened and supported the goals of liberation, which became relevant at the end of 1980s with the Revival (*Atgimimas*) movement.

**It is important to educate America’s youngest generation about the Cold War realities, remaining threats for the Central and Eastern Europe, as well as to familiarize with the evolution and major achievements of transatlantic relations.** With increasing US interests in the Pacific and Southeast Asia, it is important to keep the focus of the US on the Central and Eastern Europe. Raising sensitive issues and maintaining the historical memory continues to be regarded as an important direction for the Baltic and other Eastern European diasporas. It should be noted that activities related to historical memory and recognition of victims of totalitarian regimes has been quite widely established through influential figures of Lithuanian origin. For example, in July 2013, John Shimkus a member of the US House of Representatives, who has Lithuanian roots, submitted a proposal for the US to declare August 23 as Black Ribbon Day in honour of the victims of the Soviet and Nazi regimes. Despite the continuation of this approach, similar activities might weaken in the long run, because even in the US the experts analysing Russia, Eastern Europe and Eurasia tend to analyse the USSR not merely from the “victim vs. hero” perspective, but as a political system mechanism.<sup>76</sup> In reaction to this, Lithuanian representatives **should not continue to position themselves through the prism of “victim”, especially since we are talking more about the injustices of the past, not the present, but rather to look for new areas of cooperation.**

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\* Authors would like to express their gratitude to the Lithuanian Embassy in Washington, DC for sharing insights on Lithuanian diaspora in the US.

<sup>76</sup> David C. Engerman, *Know Your Enemy: The Rise and Fall of America's Soviet Experts*, Oxford: Oxford University Press, 2009.

Although the diaspora's efforts to maintain the historical memory of totalitarian regimes and their crimes can be seen symbolic, **the assurance of its continuity remains relevant. In addition the diaspora has also look for new niches for cooperation on economic, infrastructure and international political issues. Only in this way the importance of Lithuania in US politics can be sustained.**

At present, the role of Lithuanian diaspora is changing, because US officials and representatives of Lithuania can interact directly. However, in terms of the experience and potential of existing organisations, the influence of individual emigrants and their networks, and the activity of the new wave of emigrants (after 1990) and their quite successful integration into US society, it should be noted that it is important to treat the diaspora as one of the priority factors for strengthening the Lithuanian dimension in US politics.

### **Opportunities for strengthening Lithuanian dimension in US politics**

It is quite noteworthy that so far there are representatives of Lithuanian origin in the US Congress and in influential business and political structures (for example, influential senator Richard Joseph Durbin or John Shimkus of the House of Representatives), who are involved in introducing issues important to Lithuania or the Baltic States to the US political agenda. Congressmen originating from Eastern and Central European countries often support each other raising issues sensitive to their countries of origin, for example, by initiating resolutions regarding the safety of nuclear power plants built in neighbouring countries or maintaining further close links with the Baltic States (e.g. cooperation of congressmen John Shimkus and Dennis Kucinich of Croatian origin). The general trend is that **former issues, such as the recognition of Lithuania or NATO membership, are being replaced with niche type issues**, which are announced through Lithuanian diplomatic channels or direct cooperation of organisations.

Activities of influential individuals certainly supplement the activities of still active diaspora organisations, especially since it is considered that the new wave of emigrants has successfully integrated into the organisational structures of the diaspora (Lithuanian American Council, the World Lithuanian Community). Lithuania is primarily seen in the US political process as an integral part of the Baltic States region. Therefore the main cooperation of the diaspora with the US authorities is executed through the Baltic States (the Baltic States Committee operating at the US House of Representatives; the Joint Baltic American National Committee<sup>77</sup> should also be mentioned) and the Central and Eastern European (e.g. Central and East European Coalition working with individuals committees of the Senate<sup>78</sup>) platform. Such cooperation is highly pre-determined by rather numerous (and still increasing) community of emigrants from Central and Eastern Europe, and the overall experience gained during the Cold War. Cooperation with Scandinavian emigrants is more noticeable in academic circles, for example, conferences on Baltic studies are organised in conjunction with similar events focusing on Scandinavian studies.

On the economic side, a very important dimension is **the dissemination of innovations through involvement of individual Lithuanians in Silicon Valley** and therefore uniting US and Lithuanian business communities and bringing the relevant know-how to Lithuania (for example, through start-ups, business forums). There are quite strong Lithuanian communities on the US west coast with a number of Lithuanians working at IT start-ups and other

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<sup>77</sup> See The Joint Baltic American National Committee, Inc., <http://jbanc.org>.

<sup>78</sup> See The Central and East European Coalition, <http://www.ceecoalition.us>.

institutions with ties to Silicon Valley. It can be stated that the influence of the traditionally more important communities of the central and eastern coast of the US is moving to the west coast, particularly California. Silicon Valley, San Francisco and Los Angeles are becoming the locations with the concentration of educated and active Lithuanians in the US. **Emigrants on the west coast have voiced the opinion that there should be a Lithuanian consulate on this coast,<sup>79</sup> thus creating more stable platforms** for strengthening Lithuanian and US business ties, especially since the first step has already been taken by opening the Lithuanian business representation in San Francisco and Silicon Valley in 2012.<sup>80</sup> Given how active the representatives of the young generation emigrants working in business and academic fields are in maintaining contacts with the incoming representatives of Lithuanian universities, politicians, and entrepreneurs,<sup>81</sup> a regular form of cooperation could be established. This is particularly important for keeping in touch with the representatives of universities and business associations in Lithuania, exchanging experience and initiating joint projects.

The World Lithuanian Economic Forum (Global Economic Challenges: Lithuanian Responses) held on 3 June 2013 in Vilnius and strengthening networks of Lithuanians actively working abroad (e.g. Global Lithuanian Leaders<sup>82</sup>) illustrate such new opportunities.

The contribution of Lithuanian organisations or institutions is relevant in focusing not only on ethnic, but also on the **cultural-territorial dimension of Lithuanian identity.**<sup>83</sup> **This could strengthen the relationship of US Litvaks**, who are quite influential in US economic and political circles, with Lithuania and its representatives. It is true that this field should not be overestimated. After Lithuania has finally resolved the issue of compensation for Jewish property and restoring historical justice, no investment or cultural “breakthrough” in relations between Lithuanian and Litvak communities has so far been noted.

Generally speaking, in addition to organisations or individuals, the **diaspora channels operating on the social network basis** are gaining influence. These channels help to expand business contacts and also serve as a platform for creating a global network of influential Lithuanian professionals. Promotion of such channels by also involving business and public actors residing in Lithuania creates an addition value to the visibility of Lithuania in the US.

All of these opportunities would contribute to a broader effort to promote US–Lithuanian cooperation in the socio-cultural sphere. Lithuania is still in the space of overlapping competing political, economic and cultural ideas and structures. Despite EU and NATO membership, Lithuania remains a target for Russian political, economic, and especially cultural and information policy. As a result, Lithuania is interested in strengthening US political and cultural perspective in the region. It is planned to open Moscow House in Lithuania and this will inevitably act as a Russian outpost. In this context, it is appropriate to strengthen the development of Western political and cultural thought in the region. American culture is often perceived in Lithuania in a very narrow-minded manner – as a reflection of Hollywood films and other cultural products for mass consumption. Therefore, expansion of political and cultural horizons in Lithuania would allow the discovery of another US, not yet known to the Lithuanian public at large, from conservative (because of the unique

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<sup>79</sup> Interview with the representative of San Francisco Lithuanian community, September 2013.

<sup>80</sup> According to The Honorary Consul of the Republic of Lithuania in Los Angeles Daiva Navarrette, a greater attention should be given for developing business relations with local universities, research institutions, Hollywood, two largest US sea ports and the third largest US airport on the West Coast.

<sup>81</sup> Interview with the representative of San Francisco Lithuanian community, September 2013.

<sup>82</sup> See Global Lithuanian Leaders at <http://www.lithuanianleaders.org/>.

<sup>83</sup> Interview with the representative of Lithuanian Embassy in the US, August 2013.

relationship between the state and the church in the US) to free market proponents (the economic and social model entrenched in the US). Lithuania must be interested in US organisations (from political to public and religious) with deep traditions expanding their activities in Lithuania.

The latest example in the development of US non-governmental organisations in Lithuania is the establishment of a division of the Knights of Columbus, an organisation with nearly 2 million members worldwide. The fact that this organisation with a Christian agenda (from helping the sick and poor to patriotism and the culture of protection of life) has opened in Lithuania and Eastern Europe (firstly Ukraine) is geopolitically important because in the contemporary geopolitical battles in Eastern Europe Russia is trying to assume the role of protector of Christian values and to manipulate it at the same time by presenting Western values as a cultural surrogate allegedly disrupting and unifying authentic traditions. Therefore, involvement of Christian and conservative US organisations in Eastern Europe would help create a counterweight to Kremlin policy.

Generally speaking, with the increase of the importance of the “soft” power, the US must refocus its operations in the Eastern Europe region accordingly.

### **Interim findings and recommendations**

**Cooperation with the diaspora in the US should in the future proceed along the lines of the development of economic relations through Lithuanian representations, diaspora organisations and expanding social networks.** Lithuania must strengthen its engagement with lobbyists of Lithuanian origin, business representatives and other influential figures of Lithuanian origin or favourable to Lithuania.

In order to retain the focus of the US, agendas where issues relevant to Lithuania are addressed indirectly must be increasingly used (e.g. some issues, like totalitarianism, common to Central Europe and the Nordic region could be initiated by Lithuania and its representatives). Common points within the broader context of US foreign policy should also be sought by including issues of common interest to both parties.

The opportunity to strengthen the representation of Lithuania and links on the US west coast should be used by considering opening a consular service; more active monitoring of participation of Lithuanian nationals and emigrants in the US innovation environment should be conducted.

Tools and mechanisms should be sought on how to embrace Litvak groups into the relationship between Lithuania and its diaspora by supporting issues of their cultural identity and historical experience and looking for closer cooperation in the spheres of culture and the economy.

## Findings and recommendations

The future development of Lithuanian-US relations should take place along two complementary lines:

### **I. Development of a new quality of Lithuanian-US relations through establishment of new or substantially renewed transatlantic relations in terms of scope and quality.**

So far, the importance of the US to Lithuania has been emphasised only on the strategic military and political level, i.e. within the framework of integration into NATO and stable European security. However, **the “shale gas revolution” in the US could fundamentally change the energy security architecture in Europe and thus in Lithuania, primarily through the demonopolisation of the market.** This means that the US will become a major player not only on the political and military level, but will also be able to help Lithuania resolve its energy security challenges. Given the position of energy security in the hierarchy of Lithuanian priorities, it can be said that today the US is more significant to Lithuania than it ever was. With the expansion of US gas export to Europe, Klaipėdos Nafta, which implements the LNG terminal project in Lithuania, should develop a network of memoranda of cooperation with those US companies that already hold or will hold licences for gas export to European markets.

**The Transatlantic Trade and Investment Partnership agreement would be a huge incentive for the export of American energy resources to Europe,** because simplified legal procedures are in place for export to regions with which the US has concluded free trade agreements. Under current legislation, LNG export licences are automatically issued for countries that have free trade agreements with the US. LNG can be exported to countries which have no free trade agreements with the United States only with a licence from the US Department of Energy. Therefore, the transatlantic trade agreement would automatically allow LNG export to the EU. This means that **the US and EU transatlantic trade and investment agreement is not only an economic agreement, but also an energy security interest to Lithuania.**

Nevertheless, the negotiations for a free trade regime are expected to be long and complicated, so in addition to the negotiations, the proposal from a group of US senators to adopt a law that would allow export of gas to NATO allies and Japan without a licence from the Department of Energy is also important to Lithuania. In other words, **it is necessary to look for ways to expand the basis of support for the legislation currently pending in the Senate, which aims to facilitate the issue of licenses for LNG export to NATO countries and Japan.**

The transatlantic trade agreement will also have a positive impact on both the Lithuanian consumers and businesses. The former, like the rest of the population in Europe, will benefit from falling prices of certain products and an increasing variety, and the latter (today predominantly exporting to the US rather than importing) will benefit from the opening up of a huge market. **These factors should be particularly favourable to Lithuanian producers of high quality food products who successfully compete in various world markets.**

**Lithuanian-US relations must be developed not only on the cross-border and political level, but also on the social level, which has a lot of untapped potential. The fundamental goal is rapprochement of the Lithuanian population and Lithuanian diaspora in the US.** The issue of dual citizenship between Lithuania and the third wave of Lithuanian emigrants is

also on the agenda. This will lead to a dead end, however, so the range of areas of cooperation and mutual communication must be expanded. Strengthening ties with the diaspora should be carried out not only through formal organisations, but also through the organisation of specific and open projects with the involvement of that part of society not related to the US, for example by organising Lithuanian youth missions to the US, visiting areas which have historically had Lithuanian communities, tidying neglected graves, recording Lithuanian traditions, and establishing direct contacts with Americans with Lithuanian roots.

It is very important to implement joint projects with the US in order to strengthen the “soft” power in the region. We need to look for ways to expand the activities of US organisations (from political to religious) that have deep traditions. This is particularly important in view of the fact that Lithuania remains a target for Russian political, economic, and especially cultural and information policy.

**One of the possible ways to activate relations between Lithuania and the Lithuanian diaspora in the US is through academic scholarships.** By taking example of such US funded exchange programs for Lithuanian students and scholars as the Baltic American Freedom Foundation or the Exchanges for Culture, Education and Leadership program (ExCEL), Lithuanian government should provide financial support to the most talented Lithuanian students to study and scholars to raise their expertise in the US, on condition that the qualifications obtained will be used for a certain time in Lithuania. The reverse exchange could take place with American professionals, both students and scholars, who would be provided with an opportunity to visit Lithuania for longer or shorter periods of time. The fund should be managed not only by the State of Lithuania, but also by the American-Lithuanian community.

**Cooperation with the diaspora in the US should in the future proceed along the lines of the development of economic relations through Lithuanian representations, diaspora organisations and expanding networks.** Lithuania must strengthen the work with the lobbyists of Lithuanian origin, business representatives and other influential figures of Lithuanian origin or favourable to Lithuania. In order to retain the focus of the US, agendas where issues relevant to Lithuania are addressed indirectly must be increasingly used (e.g. **some issues, like totalitarianism, common to Central Europe and the Nordic region could be initiated by Lithuania and its representatives**). Common points within the broader context of US foreign policy should also be sought by including issues of mutual interest to both parties.

**II. Development of traditional areas of cooperation through development of previously successfully integrated areas (with the help of strategic solutions) and division of tasks and niche specifications between the allies.**

In view of the change of the direction of US foreign policy towards Southeast Asia, Lithuania must seek that the consistent reduction of US weaponry in Europe is compensated by an increase of NATO’s collective obligations and the development of missile defence.

**Increasing integration into the NATO defence system is the guarantor of Lithuania’s security.** This reduces Lithuania’s dependency on *realpolitik* trends and the manifestation of the balance of power in the region. Seeking full-fledged membership in NATO however Lithuania has to realise that security comes at a price – investment in defence capabilities. The state which continually seeks to strengthen the Alliance’s political and military presence in the region cannot be at the bottom of the list of NATO countries in terms of defence

spending. Lithuania must implement the 2012 agreement of Lithuanian parliamentary parties which states that “in order to ensure the security and defence of Lithuania, implementation of the national defence policy framework and the related changes in the structure of Lithuanian Armed Forces, and to fulfil its national and international obligations, the parliamentary parties agree on the need to ensure funding that would correspond to the plans for the development of a national defence system and annual increase of funding allocated to the plans for the development of the national defence system; to seek that 2 percent of the country’s GDP would be allocated to ensure development of the national defence system”. This agreement of parliamentary parties should be laid out in greater detail, to encourage the annual increase of funding by 0.05 percent of GDP.

Lithuania’s security policy is guided by “the concept of indivisible security” meaning that the policy with respect to CSDP and NATO matters is general and both areas of activities are equally developed. Although the use of CSDP functions can be in line with the main foreign policy aims of Lithuania during implementation of various missions, their nature (rapid deployment, rapid withdrawal and post-conflict operations), scope (limited number of armed forces), and the absence of a development strategy (it is unclear in what direction this policy will be developed and whether it will get approval from Member States) NATO, which has greater strategic, military and operational capabilities, remains the main guarantor of security. Many EU Member States are also members of NATO, so the development perspectives of NATO are directly conditioned by the development of the CSDP according to the principle “a stronger Europe also means a stronger NATO”. **There must be a functional and geographical division of labour between NATO and EU. Such formulae would allow the double loyalty dilemma to be prevented and would retain NATO as the backbone of the European security system.**

The current configuration of international relations determines that US interest in other regions, especially in Southeast Asia, is growing as these regions have a concentration of potential economic partners and competitors together with arising new threats (North Korea). The potential loss of activity in Central and Eastern Europe is also due to the fact that because of the past economic crisis in the US, it tends to reduce the burden of its international commitments.

**The risk of US withdrawal could be reduced by mutually beneficial structural (niche) frameworks that would support US involvement and by sharing knowledge and obligations thus saving both energy and costs on both sides.** To maintain this direction, cooperation between the US and individual European regions is particularly important, primarily having in mind the dimension of the Nordic countries. This dimension is relevant for its greater integrity (the Nordic Council of Ministers), cooperation (e-PINE) and relative advantages of the countries through particular niche competences.

Lithuania has good potential to maintain and further exploit niche cooperation with the US. Nuclear safety, green energy, and training of Special Forces show that Lithuania is able to acquire and manage its structural advantages. **It should be noted that acting via the Northern Dimension would emphasise the exclusiveness of individual areas of expertise, particularly since the Nordic countries can reinforce each other with their experience and competence and ensure synergy** (for example, the “green defence” direction supported in cooperation with Denmark).

Cyber security is a new challenge for the transatlantic security community, supplementing defence policy and planning. **In this area there is a clear need to develop exchange**

**programmes for cyber security and defence experts of US and Lithuania and to organise joint training by involving professionals from Estonia and Latvia.** It is also worth considering inter-university cooperation opportunities for training highly qualified information technology professionals.

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