

# **LITHUANIA AND THE UNITED STATES: AN EVOLVING PARTNERSHIP**

**John F. Tefft**

What Lithuania has achieved in the past twelve years is nothing short of a miracle. The country is democratic, free and independent and will soon join the European Union and NATO. Nobody would have believed this would ever come true some fifteen years ago, when my diplomatic career at the Soviet desk of the State Department had just started. But Lithuania made us believe that nothing is impossible. It is primarily due to the hard work and sacrifice of the Lithuanian people, along with a little help from some of its friends including the United States.

As the enlargement of the European Union and NATO increases substantially the possibilities of cooperation in the transatlantic area, the U.S.-Lithuanian bilateral agenda must be reconsidered accordingly. Four major areas deserve a particular attention: developing the strategic U.S.-Lithuania security partnership; strengthening the economic and commercial relationship; cooperating in building the values and conditions for healthy societies; and broadening and deepening people-to-people contacts.

## **THE GROWTH OF U.S.-LITHUANIAN RELATIONS**

The accomplishments of twelve years in building ties between Lithuania and the United States are truly extraordinary. A lot has been done together since Vice President Dan Quayle, Vytautas Landsbergis, and the first U.S. Ambassador to Lithuania Daryl Johnson opened the U.S. Embassy in Vilnius on October 2, 1992. The state-to-state relationship has developed quickly. A broad range of bilateral agreements has been completed and put into operation. The ties between the American and Lithuanian people have expanded rapidly, with thousands of people traveling and working in each other's countries. Many Lithuanian-Americans have returned to their homeland permanently or on visits, and many have made extraordinary contributions to this country. And the really important ties, like our mutual passion for basketball, are thriving.

The strengthening of bilateral relations was one of the goals set in January 1998, when the United States, Lithuania, Latvia and Estonia signed the Baltic Charter. That remarkable document guided us for five critical years. It laid out the principles of a partnership between the United States and the three Baltic nations.

In 1998, "the historic opportunity to build a new Europe, in which each state is secure in its internationally recognized borders" was recognized. The United States and the Baltic countries pledged "a common interest in developing cooperative, mutually respectful relations with all other states in the region". And the pledge to strengthen our bilateral relations was viewed as "a contribution to building this new Europe and to enhance the security of all states through the adaptation and enlargement of European and transatlantic institutions."

Membership of the three Baltic nations in NATO and the EU will mark the accomplishment of one of our major goals. We are no longer going to be just partners but allies. But even as we celebrate what has been achieved all of us would recognize that much still remains to be done to fulfill the promise of the Baltic Charter. In Washington and in each of the three Baltic capitals discussions continue as to what are the next steps in our partnership. It would be appropriate to conceptualize our future agenda in terms of four key areas:

- Developing our strategic security partnership;
- Strengthening our economic and commercial relationship to create jobs and greater prosperity;
- Working together to build the values and conditions for healthy societies; and
- Broadening and deepening our people-to-people contacts.

In suggesting this agenda one must accept from the outset that all of this can be done without in any way jeopardizing Lithuania's responsibilities as a member of the European Union. The United States supports Lithuania's membership in the EU. The EU is the biggest trading partner of the United States along with Canada. Obviously, the transatlantic cooperation is a net plus for both sides. Sure, there will be differences between the U.S. and the EU, problems to resolve and differences to surmount. But there is no doubt that the U.S.-Lithuanian bilateral ties can prosper just as they have with other close European allies who are also members of the EU. It is not a zero-sum game. There can and must be multiple winners.

### **SECURITY PARTNERSHIP**

Last November President Bush brought tears to many when he said in his speech outside the City Hall of Vilnius:

"Our Alliance has made a solemn pledge of protection, and anyone who would choose Lithuania as an enemy has also made an enemy of the United States of America. In the face of aggression, the brave people of Lithuania, Latvia and Estonia will never again stand alone."

This is eloquently stated the Article V guarantee that is at the core of NATO's mutual defense. All of us recognize that NATO membership will change the course of Lithuanian history. But it is also true that membership in NATO brings with it responsibilities. Admittedly, it is only one part of our potential cooperation in the security field.

Lithuania qualified for NATO membership and earned the Alliance's respect by showing that it is already being a good ally. And Lithuania did it by building a critically important political consensus of support for NATO membership that encompassed political parties across the national political spectrum. Approving a defense budget of two percent of gross domestic product, supporting a sound NATO Membership Action Plan, building military forces by investing prudently in people and weapons systems, and approving deployments of Lithuanian forces to the Balkans, Afghanistan and now Iraq – all have been critical to Lithuania's success.

Obviously years of expenditure and hard work remain to build the NATO-ready deployable brigade that has been committed to the Alliance. But it is important that Lithuania is already well on this way. And that is good for all of NATO because Lithuania's accession to membership comes at a critical time when the Alliance is being asked to take on challenges not previously envisioned. Last week NATO approved taking over the International Security Force in Afghanistan. A NATO peacekeeping role in Iraq is being discussed. These proposed missions reflect the dangerous, new world in which we live. The global war on terrorism is imposing new responsibilities on all of us. But there is no other choice. Global terror has demonstrated that it knows no boundaries. Lithuania and the United States are in this together, a fact that is recognized in Lithuania's National Security Strategy.

In addition to providing forces to international operations, Lithuania will of course also soon take its place in the North Atlantic Council, first as an observer and then as a full member. This will give an even greater say in international security decisions. And there is no reason to doubt that Lithuanian diplomats will take full advantage of this opportunity.

Lithuania and the United States should also continue to work together on regional security issues. The U.S. administration strongly supports Lithuania's constructive engagement with Russia on Kaliningrad, with Ukraine and now with the nations of the South Caucasus. America and Lithuania have worked together to promote democracy in Belarus. The U.S. Northern European Initiative has funded some very creative projects for training in Lithuania of entrepreneurs and economists from Lithuania, Kaliningrad and Belarus. Obviously much remains to be done, but there is a joint stake in promoting the peaceful transition of all nations in this region to functioning democracies and responsible members of the European and transatlantic community. Lithuania and the United States should continue to consult closely and work together on all of these regional issues.

## REINVIGORATING ECONOMIC AGENDA

Strengthening the economic and commercial relationship can be translated directly into creating jobs and increasing prosperity. Lithuania today is at a pivotal moment in its economic development. Accession to the European Union is obviously the most visible part of this transition. Membership will give Lithuania the opportunities through market access, the challenges through fierce competition, and the resources with CAP and structural funds, to exploit all the hard work of the last twelve years.

As important as EU accession will be for Lithuania's future, it is important that a window of opportunity has opened on another critical option. That option is to reenergize Lithuania's economic relationship with the U.S. Frankly that relationship has not moved ahead as quickly as it might. In 1998 the U.S. was the largest investor in Lithuania with 25 percent of total foreign direct investment – LTL 1.08 billion. Today it is fifth providing just under 10 percent – about LTL 880 million. And the reason for the decline is not just the sale of Mazeiku Nafta shares by Williams to Yukos. There are other factors.

Before 1999 American capital bought large state-owned assets, which could produce for and serve global or regional markets. Kraft, Philip Morris and Masterfoods are good examples. There has not had been much investment of that scale since. With the close of the era of large-scale privatization in Lithuania, American firms have simply not been persuaded that this is the country for their new Eastern European "Greenfield" investment.

Part of the problem is that American firms see this as a small market, not as a base for sales in the EU or to the east. That perception must change. Some firms may also have hesitated because of the recession in the U.S. For others, it is possible that the negative publicity generated by the political controversy over the Williams investment was a disincentive to invest. Potential investors also complain about the difficulties of working with Lithuania's regulatory system. Finally, some of the other countries in Central and Eastern Europe are just more aggressive than Lithuania in competing for investment. This shouldn't be the case. Today Lithuania enjoys the fastest growth rate in Europe and the second lowest corporate income tax rate in Europe. The local labor pool is enormously intelligent. Lithuania should be able to attract more "Greenfield" investment.

Ireland is frequently discussed as a model for Lithuanian development, despite the clear differences in history, geography and economic development. One of the reasons Ireland has succeeded in achieving annual growth rates averaging over 9 percent from 1996 to 2000 was its aggressive effort to draw in foreign direct investment from the United States. In the year 2000 U.S. foreign direct investment in Ireland was 33.4 billion dollars or 28 percent of total foreign direct investment. Today Ireland continues to attract around 25 percent of total U.S. "Greenfield" investment into Europe. U.S. investments employ five percent of the Irish work force and have been critical in developing Ireland's high tech manufacturing sector.

The question is not whether Lithuania can duplicate Ireland's role in luring U.S. investment. Neither is there a simple strategy to promote investment. But the fact is that both Lithuania and the United States need to work harder at this. The last autumn visit of U.S. Under Secretary of Commerce Grant Aldonas, and the December visit of Assistant Secretary of Commerce Linda Conlin, have showed that the U.S. administration is committed at the highest levels to doing our best to promote greater trade and investment. Lithuanian Embassy in Washington D.C. is also working hard on this. But more needs to be done in this field.

The Lithuanian Development Agency is a very useful resource for prospective investors. It is instructive, however, to compare its mandate and political profile with those of its counterpart agencies in the region. Some of Lithuania's neighbors, its competitors in Central East Europe are doing better because they offer free "one-stop shopping" for potential, new investors. They provide investor advocacy within the government, help in dealing with local regulatory agencies and they furnish a fully funded marketing program. Investors notice this and tell us about it. To be able to compete effectively for investment dollars in the future, particularly in the high tech, knowledge economy sector is going to require a higher political profile and a more focused strategy. Joint efforts are needed to make this case, and realize the potential that exists for a rapid expansion of the U.S.-Lithuanian economic and commercial partnership.

## **PROMOTING HEALTHY SOCIETIES**

Part of the promise of the Baltic Charter was a commitment to the “full development of human potential within just and inclusive societies.” Part of the promise of a better life sought by Lithuania when it achieved independence from the Soviet Union was to live in a free community of democracies brought together by common values. This means a world where citizens of all nations and from all ethnic and religious groups can live freely and safely and prosper together without fear of prejudice or discrimination, without fear of crime and corruption. In our age, the threats to security must be fought from without and from within the states. Thus, promoting the values and conditions for healthy societies is the third major area where the United States and Lithuania can build partnership.

Lithuanian politicians have always placed a great emphasis on Lithuania’s history of support for openness to people of all races and creeds. At a critical crossroads in Europe, Lithuania has distinguished itself in past centuries as a place where everyone could live and prosper. Today Lithuania is again proving that the era of totalitarianism with its horrible injustice and barbarity is an aberration in Lithuanian history.

Achieving a free society embodying these values and ruled by law is not an easy undertaking. The history of America’s long struggle for a just society is a good example. In recent years Lithuania made a good progress in this effort. The government has taken serious steps to deal with the legacy of the Holocaust and anti-Semitism through comprehensive education campaigns in the schools and the military. It is also making efforts to provide historical justice to the Jewish community through the restitution of Jewish property.

Lithuania has mounted a significant effort to fight corruption – an insidious cancer that eats at the core of a society and undermines people’s confidence in their own democratic institutions. In the business world, it damages business and discourages foreign investment. In recent years much of the U.S. assistance to Lithuania has been in this field. Through the funding of the Northern European Initiative the American administration tried to encourage the Lithuanian government institutions and NGO organizations that support these goals.

Fighting crime, particularly organized crime, is another area where the United States and Lithuania have cooperated. The arrest recently of members of a major organized crime family in Lithuania and their colleagues in the United States was a significant success for our law enforcement organizations. This crime group was distributing counterfeit dollars and drugs on an international scale and may have been involved in trafficking women. Sadly, the influence of organized crime only seems to be growing. The concern is that criminals could engage in selling or smuggling weapons of mass destruction. All of this will require considerable cooperation. The United States is determined to work with Lithuania against those who threaten the very fabric of our societies.

There is another threat that is growing in this region and in Lithuania. And that is the threat of HIV/AIDS and tuberculosis. While Lithuania has historically had low prevalence of HIV/AIDS, the official number of cases has tripled during the last three years. There are now 751 “official cases” of HIV infection in which 607 acquired HIV through intravenous drug use. Most experts agree that the real number is probably three to four times the official number.

In addition, a recent survey of multi-drug resistant tuberculosis conducted with the support of the United States Center for Disease Control, shows that Lithuania has one of the highest prevalence rates of multi-drug resistant tuberculosis in the world.

Unchecked these trends demonstrate that HIV/AIDS and multi-drug resistant tuberculosis are quite literally daggers pointed at the heart of this society. The U.S. agencies have contributed much along with the UN and many of the Nordic countries to help Lithuanian health authorities in combating this threat. Hopefully cooperation in this field will continue. But it should not be mistaken that HIV/AIDS and tuberculosis are just the problem of people on the edges of the society. These diseases are becoming central issues and the Lithuanian government and people need to recognize this and deal with them aggressively.

## **BROADENING PEOPLE-TO-PEOPLE CONTACTS**

The fourth and final area for attention is helping build the people-to-people ties between the United States and Lithuania. A lot has already been achieved through private organizations, and government should preferably not try to fix what isn't broken. Rather, it should seek to help or augment the range of ties that exist in the social and cultural spheres.

Over the past twelve years the U.S. Government has sponsored a number of official exchange programs. The success of the Peace Corps program in Lithuania is widely acknowledged. One can regret that it has now been phased out, but it really did bring Lithuanians and Americans together in projects of shared values. Similarly, the U.S. Embassy has sponsored over the years many educational, training and tourism programs. The prestigious Fulbright program has been a spectacular success for the Americans and Lithuanians who have participated and for the societies.

Many active sister city programs, university-to-university partnerships and cross border cultural programs have been launched, but we need more. During the last few years, over 4000 U.S. visas have been issued annually to Lithuanian university students to participate in the work-travel program in the States. This is a real investment in our common future. And notably a very high percentage of the students are returning to Lithuania.

This is just a small part of the vast scope of the U.S.-Lithuanian bilateral relations. The great Lithuanian writer, Tomas Venclova, has told once that the Lithuanian people tend to pessimism. It is not surprising given the history and the horrible tragedies that were inflicted on this country and its people in the twentieth century. Venclova also added that life was not as bad as some people in Lithuania would have claimed. In fact, the Lithuanian people were talented, pragmatic and capable of great works. They just needed more self-confidence.

Well, in the United States they say that a pessimist is an informed optimist. There is no doubt that one can deal with a lot of problems if he or she tries hard to understand them and devise good strategies to solve them. It is my hope that together as pragmatic partners, informed optimists, the United States and Lithuania can solve a lot of problems – in our respective countries, in this region, in Europe, and in the world.