THE LITHUANIAN PERSPECTIVE

By

Margarita ŠEŠELGYTĖ

Studies Director, Institute of International Relations and Political Science, Vilnius University

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The views expressed here are solely those of the authors. They do not reflect the views of any organization.
or a number of years being a pro-Atlantist member of the European Union (EU), Lithuania has been quite sceptical regarding the Common Security and Defence Policy (CSDP) and the necessity to develop European strategic autonomy. The Lithuanian position vis-à-vis CSDP was highly influenced by its security concept, which has evolved since 1991 when Lithuania has re-established its independence in the face of the imminent threat from Russian Federation and is defined by its size and threat assessment. Lithuania is one of the smallest states in the European Union with a population of 2,847,900, a territory of 65,200 km² and a GDP of 41.9 billion euros. The Lithuanian defence budget in 2018 was 873.0 million euros, 2.01 per cent of GDP.

For the Lithuanian decision makers, security first and foremost means military defence from external military threats to Lithuanian territorial integrity and sovereignty. This belief has an impact on Lithuanian security concept which suggests a clear division of labour between NATO and the EU, whereby NATO is accorded security provider function and the EU is considered as a source of economic welfare or the provider of so-called “soft” security. Lithuanian Military Strategy maintains that “Lithuanian security is guaranteed by its membership in NATO, the USA military presence in Europe and in the region and membership in the EU provides additional security guarantees.” There is a general

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agreement that NATO and the US presence in Europe are indispensable for the Lithuanian defence. “NATO first” position is also preferred due to the general lack of trust in the EU unity and capacity to act timely and in a robust way during international crises. The examples of Georgia and Ukraine are often brought to the table to demonstrate this deficiency. Moreover, certain level of mistrust towards particular European countries strengthened due to their close economic links with Russia exists. The deteriorating security environment in the region has strengthened a belief in the indispensability of NATO and the US and also resulted in the major reforms in the Lithuanian defence system: increase of defence budget, return of conscription, expansion of military units, enhancement of the military equipment.

Another distinguishing feature of the Lithuanian policy is a certain degree of activism both in foreign and security policies. This derives from the considerations that many small states have – how to increase their influence in international politics and how to retain the interest of partners in their security concerns. Apart of being member of NATO, the EU and the UN, Lithuania as well participates in a number of multilateral and bilateral cooperative formats: the Baltic cooperation (BALTRON, BALTNEN, BALTDEFCOL), the cooperation with Nordic countries in a NB8 format, the participation in the development of the UK led Joint Expeditionary Force (JEF) etc. Active foreign and security policy is supported by an active participation in international military operations. Since the nineties the Lithuanian armed forces have participated in 20 military operations conducted in Europe, Africa, Middle East in various frameworks (NATO, EU, UN, OSCE and coalitions). The biggest deployments were under NATO ISAF in Afghanistan (2931 servicemen) from 2003 - 2014, the US led military operation in Iraq (878) from 2003 - 2008. Currently Lithuania participates in 9 military operations with around 140 military personnel in Afghanistan, Iraq, Kosovo, Mali, Ukraine, among them in 4 EU led operations. Similarly, to the general prioritization of the security partners as well relying in the national security concept majority of the Lithuanian troops have been deployed in military operations within either NATO framework or in the US led operations, whereas participation in the EU led the operations for years have been only nominal.

PeSCo COMMITMENTS – A CHANCE TO BOOST EUROPEAN CAPABILITIES

The deteriorating security environment in the East and South, the Brexit, the impulsive foreign policy of the United States created a window of opportunity for the EU member states to join their forces in strengthening the European strategic autonomy. This resulted in the reinvigoration of the processes in the domain of European security and defence and encouraged EU member states to reassess their positions vis-à-vis European defence.

The National security concept, limited resources and general attitude vis-à-vis CSDP have an impact on Lithuania’s position on PESCO. Lithuanian national security strategy commits

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Lithuania to be an active and responsible member of the EU. And the White Paper on Defence Policy emphasizes that Lithuania supports reinforcement of CSDP, which provides additional security measures, encourages EU initiatives contributing to the development of European capabilities and is interested in the promotion of solidarity among the EU member states in the field of security and defence. Main directions of Lithuanian CSDP policy are: strengthening the EU ability to rapidly respond to hybrid threats, cooperation with Eastern Partnership countries, development of the EU crisis response capabilities (in particular through participation in battle groups), as well enhancement of NATO – EU cooperation. Similar notions are echoed in Lithuanian Military Strategy which underlines the Lithuanian contribution to the creation of “effective and value adding EU foreign, security and defence policy” and “creation of European civilian and military capabilities”. Thus, although committed to actively take part in CSDP, Lithuania sees it mostly as a platform to develop crisis response capabilities and strengthen the EU ability to respond to hybrid threats, a similar line is echoed in Lithuania’s position vis-à-vis PESCO.

When the discussions on rejuvenation of PESCO started there was a lot of scepticism in Lithuania. Robertas Šapronas a Defence Policy Director at the Lithuanian Ministry of National Defence argues that “Lithuania does not see PESCO as a mean to solve our security problems. The main security concern for Lithuania is a conventional threat from Russia, therefore NATO is bound to remain as a cornerstone of our security” 10. Lithuanian vision of what PESCO could bring to Lithuanian security is mostly related to the defence against “soft” or “hybrid” security challenges (cyber, energy). PESCO is also viewed as an opportunity to enhance European ability in general to protect its citizens.

The capability driven approach vis-à-vis PESCO was one of the reasons why the Lithuanian decision makers already at the initial phases of the discussions have chosen to support German against French vision on PESCO.11 It should be noted that in general the cooperation between Lithuania and Germany in the domain of defence has increased over the last three years: German troops as a framework nation of the battalion group have been deployed in Lithuania as a part of NATO enhanced forward presence, in 2016 Lithuania has signed its biggest procurement contract since the re-establishment of independence with Germany.

The notification on Permanent Structured Cooperation (PESCO) to the Council and the High Representative of the Union for Foreign Affairs and Security Policy declares PESCO as “ambitious, binding and inclusive framework for the investment in the security and defence of the EU’s territory and its citizens”.12 This definition of PESCO is welcomed by Lithuania.

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9 Lietuvos Respublikos Karinė strategija.
Lithuanian decision makers in particular welcome binding commitments outlined in the Annex II of the Notification on PESCO viewing them as an important tool to step by step ensure the improvement of the European military capabilities,\(^{13}\) which are also essential for NATO. EDF is frequently pointed out as an additional and very important incentive which might reinforce PESCO. However though fully committed to implement the requirements set in notification, due to their relatively vague and low benchmarks as well as unclear time limits, Lithuania does not see these commitments as a way to enhance own national capabilities.

The recent Lithuanian achievements in the capability development domain in a number of identified areas are above the average of the EU level. Military crisis in Ukraine and the annexation of Crimea had a major impact on Lithuanian defence planning, making it possible in 2015 to increase its defence budget by 37.9 per cent from the previous year (0.89 in 2014, 1.14 in 2015). This was also the biggest defence expenditure increase in NATO in 2015.\(^{14}\) The agreement of the parliamentary parties was signed in 2014 stating the goal of gradually increasing defence spending, which would amount of 2 per cent of GDP by 2020.\(^{15}\) In 2018 assignations for Ministry of National Defence consist of 873 million euros (2.01 per cent of GDP). For a number of years due to the low defence budget, high personnel costs and active participation in international operations Lithuania was heavily underinvesting in the equipment and not fulfilling NATO requirement to spend 20 per cent of the defence budget on the defence equipment. The growing defence budget since 2015 as well allowed reviewing the structure of the spending. In 2017 Lithuanian Ministry of Defence has spent more than 30 per cent of defence budget on the equipment.\(^{16}\) Due to unfavourable security environment there is a strong commitment in Lithuania to keep the current level of defence spending, while there is ongoing political discussion on increasing defence spending even more (up to 3 per cent).

By being a small country with limited administrative resources Lithuania is very much concerned that all the capability processes which are going at the moment in parallel with CARD, NIPs, NATO NDDP should be synchronized and should not require additional bureaucratic burden.

**LOW INTEREST IN ‘EUROPEANISATION’ OF DEFENCE INDUSTRY AND PROCUREMENTS**

The notification on PESCO among other initiatives also envisions “Europeanisation” of the defence industry and defence procurements. The aim of this process is to strengthen the European Defence Technological and Industrial Base (EDTIB), to benefit from economy of scales and to make European capabilities more uniform. Although Lithuanian decision

\(^{13}\)Abukevičius M. (2018). Interview with Defence Adviser for EU Affairs at the Permanent Representation of Lithuania at the European Union conducted on 24 July, Vilnius.


\(^{16}\)Lietuvos gynybos politikos Baltijos knyga.
makers are not against these processes in general, participation in the related PESCO initiatives might be hampered due to particularities of defence industry and procurement in Lithuania.

The Lithuanian defence industry could be defined as very small, relatively young, niche oriented, and essentially private. The state owns only one defence industry company -AB Giraitė-, which produces ammunition. On the one hand, it could be viewed as an advantage as Lithuania is not limited by the needs to protect national infrastructure and production as many other EU countries and therefore might be more flexible to participate in various European initiatives. On the other hand, the incentives and capacity to participate in European Defence Technological and Industrial Base (EDTIB) are also low. There is a limited number of small private enterprises (SMEs) working in the field of defence in Lithuania. Lithuanian defence and security industry association overall unites up to 50 companies, specializing in areas such as laser sights, communications, intelligence, surveillance, target detection, cyber security, civilian security, production of transport, ammunition, outfit as well providing services, but in general those companies are very small and do not contribute a lot to national GDP. Most of the production of these companies (90-95 per cent) is exported to NATO and other countries. The US in recent years is becoming one of the main partners in a number of categories of production. The Minister of Economy Virginijus Sinkevičius observes that Lithuania is a leader among Baltic states in cooperation with US defence industry, each year the cooperation increases both ways. Participation of Lithuanian companies in tenders of European Defence Agency (EDA) or NATO is quite low. The main obstacles preventing them from being more active are a lack of knowledge and experience, high administrative costs, relatively small overall profits (due to small size), protectionism of big states defence industries. A state does not have a strong role in mediating between private industry companies and international institutions or foreign contractors, therefore companies are searching for the partners on the individual basis.

The particularities of national defence procurement might hinder Lithuania’s incentives and ability to participate in the processes related to the “Europeanisation” of defence procurement. A number of various methods are guiding Lithuanian defence procurement (capability based, threat based, resources based) but according to Valdas Šiaučiulis Senior Advisor at Defence Material Agency most regularly applied method is an “opportunity based” method, which is driven by a number of factors: amount of the budget, the needs of armed forces, availability of products for a certain price in the market and political choices. This method relies mostly on the ad hoc choices than on the long run policy. For a number of years the key factors influencing Lithuanian defence procurement decisions were: a very small defence budget and a lack of money for acquisitions. After Lithuania has

19 Ibid.
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regained its independence majority of the equipment to the armed forces came in a form of
donations from other NATO and the EU countries. Later the procurements mostly
concentrated on a second-hand production, price being one of the most important criteria
for the acquisitions. Most of the procurement products were individual armaments (guns,
anti-tank arms, transport vehicles). Political choices are also important considering which
contracts to choose. The US is one of the biggest providers of various defence systems, a big
part of these acquisitions was made in the framework of the US military aid (Foreign
Military Fund and from 2015 as well European Reassurance Initiative Fund). The ties with
the US companies are considered to enhance bilateral relations with the US decision
makers, which are very imperative for the Lithuanian security policy.

There are two main documents regulating defence procurement in Lithuania: the Law of
Public Procurement\(^\text{20}\) and the EU Directive 2009/81/EC.\(^\text{21}\) The first one sets the rule of the
lowest price, whereas the latter aims to ensure fair competition. Executing defence
procurement projects Lithuanian Ministry of Defence has to comply to both documents,
however, in many cases exemptions permitted by the Article 346(1)(b) of the Treaty on the
Functioning of the European Union (TFEU)\(^\text{22}\) are applied due to the presence of “essential
interests of security” in the procurement projects. This exception allows to discount fair
competition and lowest price rules. In these cases, direct government to government
procurement agreements are applied. This type of agreement was applied for the 386
million euros contract with German producers ARTEC for the acquisition of 88 Boxer
infantry fighting vehicles. Government to government contracts are regarded beneficial for
the national defence interest as they allow to get the best product for the best price and
most suitable technical specifications. For instance, Boxers in German armed forces are
used as armed personnel carriers (APCs), yet Lithuanian armed forces needed the vehicle
suitable for fighting - infantry fighting vehicle (IFV), therefore the contract included as well
other companies from Israel and the US providing necessary additional equipment.
However, the opportunity based method and government to government contracts both
limit Lithuania’s incentives to contribute to the Europeanization of the defence
procurement. A big share of Lithuanian defence procurement is also organized through
NATO supply procurement agency (NSPA).

The increasing defence budget allows to implement more procurement projects, but
according to Defence Policy Director R. Šapronas all acquisitions are already planned five
years ahead. They mostly concentrate in four main areas manoeuvre, antitank, air-defence
and C2.\(^\text{23}\) New procurement projects will be considered only for a new planning cycle.

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for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the
fields of defence and security, and amending Directives 2004/17/EC and 2004/18/EC,
2018).

C 115/47.

PeSCO PROJECTS – TOOLS TO RESPOND TO NEW SECURITY CHALLENGES

Lithuania supports and is actively involved in a second pillar of PESCO - capability- oriented projects. It leads a PESCO project on Cyber Rapid Response Teams and Mutual Assistance in Cyber Security and participates in Netherlands led Military Mobility PESCO project. As an observer it takes part in other three projects: Cyber Threats and Incidents Response Information Sharing Platform (led by Greece), European Medical Command and Network of Logistic Hubs in Europe and Support for Operations (both led by Germany).

Lithuania sees hybridization of threats being one of the main security challenges for its security but also for Europe as whole and sees a potential value added of PESCO to develop necessary capabilities to address these threats. Defence Policy Director R. Šapronas observes that PESCO projects “should energize defence capability development in Europe to respond to the new security environment and to strengthen the European pillar of NATO.”24 One of the major security challenges mentioned in Lithuanian National Security strategy is cyber incidents.25 The report published by National Cyber Security Centre of Lithuania in 2017 observes that a number of cyber incidents in Lithuania is constantly growing especially in sectors such as public security, legal order, foreign and security policy.26 Although attribution of the sources of those incidents is complicated, certain evidence exists that most of them are coming from Russia. Russia is employing cyber instruments to disrupt, to divert, to spy. Although this challenge is in particular relevant for the Baltic states and other Eastern European countries (e.g. Ukraine) it is gaining its importance in many European countries. The EU Council on Defence in 2013 has identified cyber defence capabilities as one of the strategic capability gaps of the EU.27 Understanding an increasing challenge of cyber defence and the limited capabilities to respond to this threat, Lithuania proposed to the Council a project on Cyber Rapid Response Teams and Mutual Assistance in Cyber Security, which according to the vice-minister of Lithuanian Ministry of National Defence Edvinas Kerza aims not only to strengthen own security but as well to increase cyber defence capabilities on the European level.28 Implementing this project Lithuania intends to create multinational rapid response cyber teams composed of participating countries’ cyber defence experts. The value added of the project is that differently from many other existing multinational initiatives in cyber defence which concentrate on the exchange of information this project will include sharing of the human resources. The project will cover research on various legal procedures in the domain of cyber security in the EU, organization of table top exercises (cyber crisis simulation exercises) and development of cyber defence tools. 9 countries have already joined the project (Croatia, Estonia, Finland, France, Lithuania, Netherlands, Romania, Spain, Poland), 4 states are observing the project (Belgium, Germany, Greece and Slovenia). Lithuania does

25 Lietuvos Respublikos Nacionalinio saugumo strategija.
not intend to propose a new PESCO projects for a second round, although observes potential developments and will evaluate opportunities to join projects led by other nations.

CONCLUSION

The security environment in the Baltic region is likely to remain tense in the upcoming years, Russian factor both in conventional and non-conventional terms will continue to essentially affect the Lithuanian security and defence policy. Therefore, major changes in the current Lithuanian security and defence choices are unlikely. NATO and the US presence in the region will continue to be major goals of Lithuanian security policy and the EU will be perceived as an additional “soft” security provider. Yet the unpredictable policy of the US President accompanied by his alarming statements vis-à-vis NATO is making policy makers concerned. Consequently, a slight change in the overall prioritization of partners might be observed in Lithuania, where the EU defence cooperation is viewed in a more favourable light. Moreover, there is as well increase in bilateral cooperation with European countries. Apart traditional formats of cooperation such as NB8, Baltic states, there is an increasing role of Germany in Lithuanian defence policy. Lithuanian decision makers, however, are somewhat sceptical regarding German proposed FNC within PESCO. The concept is still underdeveloped; the overall support for it in the EU is not strong. Lithuania is also considering joining the French led European Intervention Initiative. Provided new cooperation initiatives reinvigorated in 2016 are successful this balance could change even more in the future. For instance, successful integration of European defence market or additional financial incentives from the EU which would reduce the price of the EU products might have an impact of the Lithuanian defence procurement choices. As well as for example the deterioration of the EU – US trade policy ties, additional taxes on the US goods make them less affordable. Another factor that might contribute to the increasing interest of Lithuania in the European security and defence policy is a potential benefit of regional cooperation, e.g. in joint procurement. Although recent attempts of similar cooperation failed due to the opportunity based approach that is employed by many small countries, this might change in due time. Changes in the security environment, increasing activism and new projects should, however, be reviewed on a more strategic level as too active engagement in many cooperative formats and a lack of clear prioritization due to limited capabilities might become a serious challenge for Lithuanian security and defence policy.
BIBLIOGRAPHY


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Policy Paper

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ARES GROUP

The Armament Industry European Research Group (Ares Group) was created in 2016 by The French Institute for International and Strategic Affairs (Iris), who coordinates the Group. The aim of the Ares Group, a high-level network of security and defence specialists across Europe, is to provide a forum to the European armament community, bringing together top defence industrial policy specialists, to encourage fresh strategic thinking in the field, develop innovative policy proposals and conduct studies for public and private actors.

CONTACT [Pilots]:
Jean-Pierre Maulny, Fabien Carlet, Pierre Colomina, Olivier de France, Sylvie Matelly
ares@iris-france.org
+33 (0)1 53 27 60 60

www.iris-france.org/ares
#AresGroup