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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	re: Lithuania's Democratic Labor Party (9 pages) <i>Partial release - KBH 11/20/2023</i>	04/26/1994	P1/b(1)

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RESTRICTION CODES

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Washington, D.C. 20520

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FROM: Andrew L. Silski
Foreign Affairs Officer for Estonia, Latvia, and Lithuania

SUBJECT: Lithuanian MOD Linkevicius letter to Perry

COMMENTS: FYI. Original will follow later. PM/P - Peter Petrihos also has an info copy. EUR/NB Acting Director Dick Norland and Baltics Officer Melissa Hudson should work with EUR/NCE - Rod Moore and you in my 3-week absence on this.

Regards.

number of pages to follow: _____



REPUBLIC OF LITHUANIA
MINISTRY OF NATIONAL DEFENCE

Totorių 25/3, 2001 Vilnius, Fax: (370-2) 226 082

H. E. Mr. W. Perry,
Secretary of Defense
The United States of America

Vilnius,
June 12, 1995 2-925

Excellency,

I am taking this opportunity to appeal to you with a request of assistance to the Baltic Peacekeeping Battalion (BALTBAT). As you probably are aware, this Lithuanian-Latvian-Estonian peacekeeping unit is being created with joint efforts of three Baltic states and we sincerely appreciate any possible help from Western countries.

In particular, I would like to draw your attention to the need of the following armament, corresponding to the international peacekeeping standards:

- light rifleman weapons;
- light anti-tank weapons;
- light anti-aircraft weapons.

Handing over this armament to BALTBAT would be an extraordinary input into development of the Baltic peacekeeping forces.

Looking forward to your response,

Respectfully,

Linas Linkevicius,
Minister

A handwritten signature in black ink, appearing to be 'L. Linkevicius'.

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Lithuania

**Directorate
of Intelligence**

Intelligence Memorandum
Office of Slavic and Eurasian Analysis
26 April 1994

Lithuania's Democratic Labor Party: Pushing for National Stability (U)

Summary

In its first year in power, the Lithuanian Democratic Labor Party (LDDP)—the successor to the reform wing of the Lithuanian Communist Party—achieved significant success on the economic and foreign policy fronts, but in the process sacrificed some of the main tenets of its campaign platform. While easing fears in the West that the "return of the Communists" would slow reforms, the LDDP has alienated some of its traditional supporters.

- The government has stabilized the Lithuanian economy, instituting a tight monetary policy, lowering inflation, and introducing a convertible currency. In doing so, however, the party has frequently reneged on its promise to ease the social costs of economic reform, particularly for its key constituents, farmers and industrialists.
- The LDDP oversaw the final withdrawal of Russian troops from Lithuania, but President Brazauskas's last-minute maneuvering to ensure Moscow's adherence to the August 1993 deadline left a public impression of

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weakness and indecision.

- The LDDP promised to normalize relations with Moscow and implement bilateral economic agreements, but renewed fears of Russian chauvinism have hampered the effort. Instead, the government has pursued closer ties to the West.
- The party also promised to fight corruption, but the government itself faces increasing allegations of wrongdoing. 3.5(c)

The LDDP's popularity is declining and will probably continue to decline over the next year, but the LDDP still dominates the political scene in Vilnius while opposition parties remain weak. We believe that nothing short of a major corruption scandal could jeopardize the party's position in the coming year, although calls for early elections may increase as the reform process runs its course.

- A full term in office for the LDDP will probably lend stability to the immature Lithuanian political system and provide some economic relief. If the party is forced into early elections, however, Lithuania runs the risk of falling into a cycle of continuous preterm elections, jeopardizing prospects for establishing a strong, Western-style democracy. 3.5(c)

Ex-Communists Receive Mandate

In contrast to the fractional politics of Estonia and Latvia, the Lithuanian Democratic Labor Party (LDDP)—successor to the proindependence wing of the Lithuanian Communist Party—has enjoyed a dominant position in national politics and a firm mandate from Lithuanian voters during its first year in power. The 141-seat Seimas elected in the fall of 1992 is dominated by the LDDP, which holds 73 seats. The country reaffirmed its support for the LDDP in February 1993, when over 60 percent of the voters cast their ballots for the party's leader, Algirdas Brazauskas, as President. The party further consolidated power in March 1993 with the appointment of an LDDP-dominated Cabinet, headed by Prime Minister Slezevicius. 3.5(c)

The LDDP defeated the rightwing Sajudis government by capitalizing on voter dissatisfaction with the economic hardships accompanying government reforms—appealing, in particular, to a conservative constituency. Under the Sajudis government, industrial production had dropped by 50 percent from 1991 levels, inflation was approaching an annual rate of over 1,100 percent, and hidden unemployment affected more than one-third of the population. 1.4(c), 1.4(d) While Sajudis advocated the rapid return of land to prewar owners and speedy privatization, the LDDP promised to continue the transition to a market economy, but at a slower pace that would ease the pain of reform.

- The LDDP's main support came from farmers, who feared that Sajudis's hasty land privatization plan would destroy the social safety net that the collective farm system guaranteed. The LDDP platform promised the farmers credits to buy fuel and fertilizer, as well as preferential loans and state-regulated prices for their produce.
- The LDDP's plan to maintain cooperative ties to Russia also attracted the support of industry, which remained dependent on Russian fuel, raw materials, and markets. Charging that the right wing's zeal to desovietize the country jeopardized vital economic links to Russia, the LDDP promised a more tempered approach to Lithuanian-Russian relations aimed at improving Lithuania's depressed economy.

3.5(c)

The LDDP also promised to rid the government of the corruption allegedly rampant in the Landsbergis regime. Corruption had reached the highest levels of the Landsbergis government; former Prime Minister Vagnorius and former Supreme Council Security Department Chief Skucas, for example, were implicated in an arms smuggling deal exposed by the Lithuanian press in 1992. 3.5(c)

Success and Costs

Attempting to fulfill its mandate, the LDDP government achieved some stabilization of the economy and oversaw the final withdrawal of Russian troops from Lithuania during its first year in office. But the party's performance has been undermined by popular perceptions of governmental vacillation and weakness. 3.5(c)

The Slezevicius government has positioned the Lithuanian economy for a recovery in 1994—a feat the Prime Minister points to as his government's greatest success during its first year in office. Under consistent IMF pressure to stick to the reform plan agreed to by the previous administration, Vilnius made significant progress on reform:

- The government lowered annual inflation from over 1,000 percent in 1992 to 189 percent in 1993; Slezevicius predicts the 1994 rate will be under 50 percent.
- Central bank chairman Visokavicius, appointed in April 1993, imposed tight monetary policies that resulted in a drop in monthly inflation rates from 25 percent to 3 percent in September.
- The government also introduced Lithuania's national currency, the litas, in June 1993. Although the litas has been holding steady against Western currencies, the parliament in March 1994 passed legislation to create a national currency board to regulate the litas exchange rate and peg the currency to the US dollar. The decision to transfer regulation of the litas from the National Bank to the currency board—which will be comprised of the President, Prime Minister, and the National Bank Chairman—was backed by the LDDP's industrial constituents, who expect that a solid litas pegged to a Western currency will lower inflation rates and eliminate the uncertainty of exchange rate fluctuations. 3.5(c)

Despite progress, Vilnius has often sent mixed signals on its commitment to reform and has found it difficult to fulfill its campaign promise to stick to the guidelines of the IMF-approved program.

- In April 1993, for example, newly installed LDDP Prime Minister Slezevicius proposed using IMF credits to fund wage increases. The strong protests of the IMF forced Slezevicius to reverse the decision.
- On trade reform, the government repeatedly delayed implementation of a tariff schedule to replace the cumbersome licensing system. The LDDP government made little progress on privatization, suspending the program from December 1992 to January 1993 to improve selloff procedures.
- The government dismissed Bank Chairman Visokavicius—on what probably were trumped-up charges of malfeasance—in September 1993, raising concerns that financial reform was not a key priority. 3.5(c)

Another highlight of the LDDP government's first year in office was the final withdrawal of Russian troops from Lithuania and the normalization of relations between Vilnius and Moscow. On 31 August 1993, Russia withdrew the last of 50,000 troops that had been stationed in Lithuania. In November, Russian Prime Minister Chernomyrdin went to Vilnius to sign a package of agreements—including an accord governing the transit across Lithuania of Russian troops withdrawing from Germany—that both he and Lithuanian officials said signaled the beginning of a new relationship between their states. Most important to Vilnius were a series of bilateral agreements governing economic relations, including a treaty that mutually conferred most-favored-nation status, as well as an agreement expanding economic ties between Lithuania and the Russian Federation's Kaliningrad Oblast. 3.5(c)

The final withdrawal of Russian troops cost Brazauskas and the LDDP considerable political capital, however. Brazauskas sought a compromise with Moscow over the issue of compensation for damages imposed by Soviet troops, hoping that Russia would reward Lithuania with a coveted free trade agreement. The deal led former parliament chairman Landsbergis—now head of the Homeland Union, the main parliamentary opposition faction—to charge that Brazauskas was selling out the Lithuanian people. Brazauskas ultimately secured the withdrawal by delaying the compensation issue, but he admitted 1.4(c), 1.4(d) that, because of his willingness to compromise, the public perceived him as weak and that even his staunchest supporters were disappointed in his performance, 1.4(c), 1.4(d) The government's credibility has been further diminished by its inability to negotiate the free trade agreement with Moscow, as well as by Russia's failure to date to implement the most-favored-nation treaty—implementation of which would result in an average reduction in Russian tariffs on Lithuanian exports by 50 percent, 1.4(c), 1.4(d) Pressure from nationalists, as well as the LDDP government's growing suspicion of Russian intentions toward the Baltic states, moreover, is prompting Vilnius to shy away from closer ties to Russia and to adopt a more Western-oriented foreign policy. 3.5(c)

New Foreign Policy Initiatives

At the outset of his presidency, President Brazauskas announced that one of his highest foreign policy priorities would be to normalize relations with Russia while expanding relations with the West. Unlike the Sajudis government that piloted Lithuania to independence, the leftwing LDDP agenda called for establishing Lithuania as a bridge between East and West. Since the Russian elections in December 1993, however, Brazauskas's foreign policy has taken a decided turn, focusing more on integration into Western political, economic, and security structures as a hedge against what Vilnius perceives as rising Russian imperialism.

The success of ultranationalists and Communists in the Russian elections prompted Brazauskas in January to formally request NATO membership. The move surprised and irritated Moscow, which had viewed Lithuania—under the LDDP leadership—as its only Baltic ally. Vilnius's accession to the Partnership for Peace is intended to enhance its prospects for eventual NATO membership. Lithuania is also cooperating with the other Baltic states in creating a joint peacekeeping battalion for use in UN operations to demonstrate that it can be a reliable partner for the West.

1.4(c)

The President tested his new aggressive policy in February by ordering that a Russian military train transiting Lithuania from Kaliningrad be stopped because the Russian Government had not asked Vilnius's permission to transit the country. Brazauskas reportedly believes that Moscow's current preoccupation with domestic problems and the former Yugoslavia opens the door for Vilnius to actively pursue ties to its Western neighbors, particularly the Visegrad states. Vilnius considers greater cooperation among the Baltic, Nordic, and Visegrad states as important to improving Lithuania's chances for full integration into the West.

This box is Secret

3.5(c)

Disgruntled Constituencies

The government's halting policies during the LDDP's first year, coupled with the slow pace of economic recovery, angered the party's main supporters. Polls indicate that, in the public's view, the Slezevicius government did not sufficiently carry through the LDDP's preelection pledge to ease the pain of reform. The polls further indicate that, while the LDDP remains the most popular party, the popularity of both Brazauskas and the party is declining and that, if elections were held now, more people would choose not to vote than to vote for the LDDP.

3.5(c)

Industrialists and farmers have been most alienated by the government's economic policies. The industrialists protested moves to privatize the banking system by pressuring the government to dismiss the National Bank Chairman—a key proponent of bank privatization—despite the economic benefits, such as lower inflation, that resulted from his strict monetary policy. The important rural constituency battled with the government

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throughout the fall of 1993 for regulated prices and preferential loans promised during the LDDP's campaign. Dairy farmers have been striking since early February, [REDACTED]

[REDACTED] 1.4(c), 1.4(d) pensioners and disabled residents have held rallies to demonstrate their anger at the LDDP's failure to improve their economic plight. Disaffected voters have called for early parliamentary elections, but the LDDP maintains that it will complete its four-year term. [REDACTED] 3.5(c)

Some members of the LDDP itself oppose the government's policies, believing that the party has strayed from its original goals. In September, 23 LDDP deputies from the left wing of the party formed a "program group" to evaluate the performance of the LDDP and to steer the party back toward its preelection program. Led by Vytautas Petkevicius, the program group supports many populist demands, such as implementing wage increases and extending credits to farmers. The group is especially critical of the moderates in the LDDP, who, in the group's opinion, have given in to opposition criticism at the expense of their constituents. [REDACTED] 3.5(c)

Rebellion Embarrasses LDDP

A rebellion among a small group of armed men from the ultranationalist Home Guard (SKAT) volunteer service subordinate to Deputy Defense Minister Gecas has further weakened the LDDP in the public's eye. [REDACTED] 1.4(c), 1.4(d) the leader of the renegade SKAT group initially fled to the woods outside Kaunas following a mafia deal gone bad to avoid both the criminals and the government. The rebellion soon took on a political dimension, however, as the group in the woods began to voice grievances against the government. As media coverage of the rebellion increased, Gecas and Defense Minister Butkevicius were dispatched to negotiate with the rebels, who challenged the government's commitment to the SKAT and demanded greater pay and social guarantees. Following the rebellion, Butkevicius resigned his post, and Gecas, though remaining a deputy, resigned as the head of the SKAT. Although both men were holdovers from the Landsbergis era and, according to various sources, would have resigned from the Defense Ministry shortly, politicians of all stripes seized on the mutiny to discredit the LDDP.

This box is ~~Confidential~~

[REDACTED] 3.5(c)

Dissent over policy decisions is also evident within the government. This past March, Economics Minister Veselka became the sixth minister of the 16-member Cabinet to resign since its appointment a year ago. He resigned in protest over the parliament's passage of the law creating a currency board. If two more ministers resign, the Lithuanian Constitution requires the parliament to hold a confidence vote on the government. Should a vote be necessary, however, the predominance of LDDP members in the parliament—despite their discord—probably guarantees that Slezevicius would survive. [REDACTED] 3.5(c)

Embattled LDDP Likely To Hold on to Power

Over the next year, the LDDP's popularity probably will continue to decline and calls for early elections will increase as the reform process runs its course. Economic hardships are likely to continue as the economy slowly begins to recover, and the LDDP will face more pressure to give in to economically destabilizing populist demands in the coming year, both from its constituents and the leftwing program group within the party. 3.5(c)

Despite the continued sniping at the government, pressure by the IMF and the West to tow the line on reform probably will prevail. Although the LDDP's main parliamentary opposition, the Homeland Union, favors more rapid reform, it probably will support the LDDP government's efforts to stick with the IMF-backed plan. 3.5(c)

The lack of a viable alternative party also makes it likely that the LDDP will survive at least another year. The LDDP's decline in popularity has not yet resulted in a surge of support for any of the centrist parties. Polls indicate that the LDDP still garners over twice the support of the Homeland Union, probably because the coalition has failed to offer constructive alternative policies. None of the other parties has attempted to capitalize on the growing rift in the LDDP by co-opting disgruntled Party members, probably for fear of being tarnished by the LDDP's Communist legacy. 3.5(c)

A major corruption scandal could change the equation. The greatest threat to the LDDP would be documentation of allegations that high-level government officials were linked to the murder of a prominent journalist in October 1993 (see box). If the allegations prove true, the officials implicated—including possibly President Brazauskas—probably would be forced to resign and early parliamentary elections probably would be held. Given the lack of support for the opposition and the scent of scandal still associated with the previous Sajudis government, the LDDP might still win more seats than any other party; but it would probably lose its majority standing, probably resulting in a parliamentary gridlock of competing factions, none with sufficient weight to push through legislation. 3.5(c)

1.4(c), 1.4(d), 3.5(c)

Outlook

A second year in office for the Slezevicius government should offer a measure of stability to Lithuania, especially if the LDDP leadership steels itself against criticism and adheres to sound fiscal and monetary policies. The economy stands a good chance of entering a recovery period in 1994, and the LDDP may be able to capitalize on better economic conditions to increase its popularity. Equally important, another year of continuity in government would strengthen the immature Lithuanian political system, giving the LDDP and opposition parties time to learn about party discipline and to allow the government to demonstrate that democratic systems can be effective. 3.5(c)

If the leadership is forced to resign or allow early elections, however, Lithuania's prospects for stability and reform substantially decrease. The potential in this scenario for a gridlocked legislature is great, possibly placing Lithuania in a cycle of repeated preterm elections as dissatisfied and impatient voters and opposition groups continuously demand immediate improvements. Such a cycle, as occurred during the interwar period, would undermine Lithuania's efforts to establish a Western-style democracy and could set the stage for an authoritarian figure to take control. 3.5(c)