Case Number: 2011-1038-F

FOIA MARKER

This is not a textual record. This is used as an administrative marker by the Clinton Presidential Library Staff.

Folder Title: Lithuania: Bilateral				
Staff Office-Individual: European Affairs-Norland, Richard				
Original OA/ID Number: 2630				
Row: 33	Section: 5	Shelf: 10	Position: 1	Stack: V

Withdrawal/Redaction Sheet
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
~~001. report~~	~~re: Lithuania/Russia: Williams (1 page)~~	~~06/05/1999~~	~~P1/b(1)~~ KBH 11/20/2023
~~002. report~~	~~re: Lithuania/Russia (1 page)~~	~~07/06/1999~~	~~P1/b(1)~~ KBH 11/20/2023
003. report	re: Lithuanian Economic Reform (11 pages) Partial release - KBH 11/20/2023	03/31/1998	P1/b(1)
004. memo	From Ronald Asmus re: Invitation to Second Annual U.S.-Lithuanian Economic Working Group [partial] (1 page)	02/10/1999	P6/b(6), b(7)(C)
005. memo	Marc Grossman to Stuart Eizenstat re: Your Inter-Agency Economic Bilateral Working Group Meeting [partial] (1 page)	02/12/1999	P6/b(6), b(7)(C)
~~006. briefing paper~~	~~Meeting with Lithuanian Prime Minister Gediminas Vagnorius (6 pages)~~	~~03/16/1999~~	~~P1/b(1)~~ KBH 11/20/2023
~~007. memo~~	~~Marc Grossman to Secretary of State Madeleine Albright re: Your Meeting with Lithuanian President Valdas Adamkus (10 pages)~~	~~10/20/1998~~	~~P1/b(1)~~ KBH 11/20/2023
~~008. memcon~~	~~Meeting with President Adamkus of Lithuania (3 pages)~~	~~10/22/1998~~	~~P1/b(1)~~ KBH 11/20/2023
~~009a. memo~~	~~re: Photo-Op with President Adamkus of Lithuania (2 pages)~~	~~10/21/1998~~	~~P1/b(1)~~ KBH 11/20/2023
~~009b. talking points~~	~~re: Point to be Made for Photo Opportunity with President Adamkus of Lithuania (1 page)~~	~~10/21/1998~~	~~P1/b(1)~~ KBH 11/20/2023
009c. report	U.S. Government Report (3 pages)	03/04/1998	P1/b(1)
~~010. memcon~~	~~re: Meeting with President Adamkus of Lithuania; duplicate of 008 (3 pages)~~	~~10/22/1998~~	~~P1/b(1)~~ KBH 11/20/2023

COLLECTION:
Clinton Presidential Records
National Security Council
European Affairs (Richard Norland)
OA/Box Number: 2630

FOLDER TITLE:
Lithuania: Bilateral

2011-1038-F
kh1052

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Withdrawal/Redaction Sheet
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
~~011. note~~	~~Handwritten notes from Meeting between Sandy Berger and Lithuanian President Valdas Adamkus (2 pages)~~	~~n.d.~~	~~P1/b(1)~~ KBH 11/20/2023
012. email	Nancy McEldowney to Stephen Flanagan re: Lithuanian Ambassador (2 pages)	08/20/1997	P1/b(1)

COLLECTION:
Clinton Presidential Records
National Security Council
European Affairs (Richard Norland)
OA/Box Number: 2630

FOLDER TITLE:
Lithuania: Bilateral

2011-1038-F
kh1052

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

1 National Security Classified Information [(a)(1) of the PRA]
2 Relating to the appointment to Federal office [(a)(2) of the PRA]
3 Release would violate a Federal statute [(a)(3) of the PRA]
4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
RM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Lithuania/Russia: Williams Wins (C)

The Lithuanian parliament yesterday voted overwhelmingly in favor of the US-based Williams International Company's bid to acquire as much as 66% of Lithuania's new Mazeikiv Nafta Oil Company, according to Embassies Vilnius and Moscow. (C)

To assuage Russia's Lukoil, which has now lost its controlling interest in the Mazeikiv complex, Williams had earlier offered Lukoil participation in a proposed pipeline project running from Kazakhstan to Lithuania through Russia. **Lukoil** would not even discuss the project but instead **threatened**, because it "has the oil" and is the only Russian producer authorized to supply Lithuania, **to cut the oil supply again.** (C)

■ **COMMENT: In supporting Williams, Lithuania has taken a chance at a possible Russian backlash and a short-term increase in oil prices.** Lithuania's long-term economic sovereignty, however, seems to be the guiding issue. Lukoil wants to maintain its dominant position in the country but will probably recognize the costs of not cooperating with Williams and move to maximize its business opportunities. If not, **Williams is ready to take retaliatory steps, including buying oil from more expensive sources and even cutting off Russian crude exports through Lithuania to the port of Ventspils, though Vilnius may object because the move would mean the loss of large transit fees.** (C)

~~(CONFIDENTIAL)~~

DECLASSIFIED
PER E.O. 13526
2016-0384-M (1.88)
KBH 6/23/2023

Lithuania/Russia: Meet and Agree (U)

Lithuanian Prime Minister Paksas on June 29 had a successful working meeting with Russian Prime Minister Stepashin, signing nine economic agreements, according to press reports. Stepashin assessed the meeting as a "major breakthrough in relations between old neighbors." The accords ranged from one on avoidance of double taxation to a treaty on cooperation between Kaliningrad oblast and Lithuania. The two sides discussed only a few sensitive topics, such as Lithuania's desire to join the EU. Stepashin used the event to suggest to Latvia and Estonia that they too could enhance relations with Russia if they improved treatment of their ethnic-Russian minorities. (U)

■ **COMMENT: Paksas's main goal was probably to settle the disagreement over Russian oil shipments to Lithuania.** Lukoil twice this year halted shipments in an attempt to influence Lithuania's decision to sell a controlling bloc of shares in the Mazeikiai oil complex to the US firm Williams International. Stepashin agreed to a "joint elaboration" of a "long-term, mutually beneficial" document to resolve the problem. A draft of this agreement should be ready for President Adamkus's visit to Moscow this fall. (C)

(~~CONFIDENTIAL~~)

DECLASSIFIED
PER E.O. 13526
2014-0384-M (1.89)
KBH 4/23/2023

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
003. report	re: Lithuanian Economic Reform [partial] (10 pages)	03/31/1998	P1/b(1)

COLLECTION:
Clinton Presidential Records
National Security Council
European Affairs (Richard Norland)
OA/Box Number: 2630

FOLDER TITLE:
Lithuania: Bilateral

2011-1038-F
kh1052

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Intelligence Report

Office of Russian and European Analysis *31 March 1998*

Lithuanian Economic Reform--Achievements, Problems, and Prospects (U)

Vilnius has made significant progress over the past five years stabilizing the economy, creating the conditions for sustained economic growth, and addressing EU criteria for membership, but serious structural problems and conflicting demands threaten the government's ability to capitalize on its earlier efforts.

- Working with the IMF, Lithuania has adopted strict fiscal and monetary policies and operated under a currency board. ***These measures improved the government's credibility, reduced inflation, and led to four years of GDP growth--which reached 6 percent last year, placing Vilnius among the fastest growing economies in Europe.***

- Exceptional growth in foreign direct investment (FDI) last year pushed Lithuania over the $1 billion mark since gaining independence, the only Baltic state to reach this milestone. Infrastructure privatization is expected to generate upwards of $2 billion in FDI by 2000.

- However, GDP is just 40 percent of its 1989 level, and GDP per capita is among the lowest regionally. The current account deficit is some 10 percent of GDP--driven by greater demand for consumer goods and falling growth in exports--and the trade deficit is ballooning. 3.5(c)

Despite this mixed performance record, Vilnius last fall decided not to renew its memorandum of understanding with the IMF and will phase out the currency board in 1999. ***We believe that macroeconomic stability will generally be maintained as these changes occur, but some slippage is possible.***

- ***Vilnius must maintain investor confidence in the currency during the transition to a traditional peg, which includes making an apolitical decision on the new peg and its Euro-dollar mix.***

- ***The government must preserve the independence of a largely inexperienced central bank, which will be assuming full***

DECLASSIFIED IN PART
PER E. O. 13526

2016-0384-M [1.90]

KBH 6/23/2023

responsibility for the country's monetary policy, including developing the tools necessary to respond to financial crises. 3.5(c)

Lithuania's main economic challenge is to achieve dynamic and balanced growth. For Vilnius to meet the economic criteria for eventual EU and NATO membership, an energetic reform program that builds upon Lithuania's success in stabilizing and partially liberalizing the economy will be necessary. Lithuania faces several hurdles, including:

- ***Rejecting the often-used "loss of sovereignty" argument for maintaining government control and opening up privatization and the financial sector to greater foreign investment.***
- ***Curbing powerful lobbies that demand protection from competition through tariff or nontariff barriers.***
- ***Developing a tax administration system that encourages compliance without placing a disproportionate burden on growing firms.***
- ***Moderating a defense buildup that retards GDP growth.*** 3.5(c)

The success of the government's effort depends on its adherence to strict monetary/fiscal policy and its continued support for the transparent privatization of strategic enterprises, greater bank supervision, and increased market discipline in agriculture. In our view, Lithuania has the capability to implement these reforms and generate growth and expansion.

- ***Government efforts to strengthen the banking sector and overhaul the tax system, for example, are progressing, but large-scale privatization, pension reform, adoption of new laws on trade and competition, and harmonization of legislation within EU guidelines will lag.***
- ***Given the magnitude of the politically charged reform tasks that Vilnius faces, maintaining the resolve to tackle some of these problems is likely to take a hefty political toll.*** 3.5(c)

This memorandum was prepared by 3.5(c) Office of Russian and European Analysis, with a contribution by 3.5(c) OREA. Comments and queries are welcome and may be directed to 3.5(c) OREA, on 3.5(c) (U)

Progress to Date: Economic Stabilization...(U)

The Lithuanian economy continues to show signs of steady recovery and macroeconomic stability because of the government's strong commitment to reform, which manifests itself in strict adherence to largely IMF-generated monetary/fiscal guidelines and maintenance of the fixed exchange rate through a currency board.

- As a result, GDP in Lithuania's industry and trade-dependent economy has grown four years running--led by growth in the service sector--and reached 6 percent last year. Inflation has fallen from over 1,100 percent in 1994, to 8.6 percent, according to official statistics.

- The Ministry of Finance predicts 7-percent GDP growth and 6-percent inflation this year. 3.5(c)

Lithuania trails its Baltic neighbors in the level of foreign direct investment (FDI)--with investment per capita from 1989 to 1996 at only $83, as compared with $526 and $310 in Estonia and Latvia, respectively--but cash privatization has finally begun to gain momentum, while growth in FDI receipts has accelerated since 1996.

- Preliminary statistics suggest that cumulative FDI during 1991-96 doubled in 1997, to over $1 billion--11 percent of GDP and $270 per capita. Moreover, Lithuanian Development Agency officials predict that privatization could generate upwards of $2 billion in FDI by 2000.

- ***In comparison with other regional transition economies, Lithuania now provides--through tax relief, lower taxes, and a relatively liberal investment regime--an attractive investment environment.*** 3.5(c)

Lithuania's foreign trade also continued to grow in 1997, up about 10 percent from 1996 levels. However, the growth in imports (23.3 percent) far surpassed growth in exports (13.9 percent), which increased the trade deficit to $1.5 billion by December, up more than 50 percent over the same period in 1996.[1] ***Despite this development, we expect the current account deficit to fall, as capital investment and government efforts to promote private savings take hold.*** With the surge in FDI in 1997, the uncovered gap between total imports and FDI fell to less than 6 percent of GDP.

- Despite lingering concern about the size of the foreign debt and current account deficit, international financial institution end-of-year figures show that Lithuania matched or surpassed the performance of Latvia and Estonia in inflation reduction and GDP and FDI growth. 3.5(c)

[1] The bulk of Lithuania's imports are mineral products--consisting of crude oil, natural gas, and nuclear fuel--and machinery and electrical equipment. (U)

...But Problems Remain (U)

The economic challenges that Lithuania faces concern achieving dynamic and balanced growth rather than stability. To improve its prospects for eventual EU and NATO membership, Vilnius must press ahead with vigorous monetary/fiscal and structural reforms to foster growth at home and make its exports competitive on the world market. 3.5(c)

Monetary/Fiscal Policy Reform (U)

Dismantlement of the Currency Board. The Lithuanian Government is gradually moving away from the currency board it has maintained since early 1994, which it believes perpetuates the false impression that the economy still requires significant handholding. While the currency board has helped reduce inflation and improve the government's credibility--largely by eliminating discretionary monetary policy--it has led to a 27-percent real appreciation of the litas (the Lithuanian currency) since 1994, which hurts Vilnius's competitiveness.[2] 1.4(c) concern about pressure on the currency during the move away from the currency board and about the ability of the central bank to take over the country's monetary policy.[3]

- In August 1997, the Chairman of the Bank of Lithuania sought to assuage concern about the demise of the currency board by suggesting that the country's foreign exchange reserves--which grew some 40 percent to a high of $1.153 billion by July 1997--were sufficient to maintain a stable currency and fend off speculation through the transition period. By February 1998, Vilnius's foreign exchange reserves had declined slightly, to $1.05 billion. 3.5(c)

The government intends to keep the fixed exchange rate until at least yearend, at which time it will gradually be pegged to a combination of the Euro and the dollar.[4] ***We expect Vilnius to adopt a preannounced downward crawling peg, similar to Poland's, to avoid an export-quashing real appreciation of the currency.***

- ***The move to a more flexible exchange rate and to an increase in the authority of the central bank will probably strengthen the bank's policy instruments, provide it with the tools to carry out independent policy--presumably aimed at managing growth--and bring the country's monetary and exchange rate policy in line with the EU.***

---

[2] Appreciation of the litas has largely been driven by high inflation--relative to Lithuania's main trading partners--and the real appreciation of the dollar. (U)

[3] The Bank of Lithuania and central bank are used interchangeably in this report. We use central bank to refer to the period after the dismantlement of the currency board. (U)

[4] The litas is pegged to the dollar at the rate of 4 per dollar. (U)

- In February, Finance Minister Semeta stated that one key objective of the central bank's three-year program is to increase liquidity and transparency in Lithuanian debt by attracting foreign investors. 3.5(c)

The central bank, however, is just beginning to develop the expertise and policy tools necessary to manage the money supply. 1.4(c) these tools include open-market operations for liquidity-smoothing purposes and the encouragement of interbank money market growth.[5] ***Arguments about whether the currency is overvalued or undervalued suggest that the newly empowered central bank will have difficulty making a*** 1.4(c) ***decision on the new peg and its Euro-dollar mix. The wrong policy on either would prove disruptive and could--if pursued too long by a*** 1.4(c) ***central bank--have a devastating impact on trade. An overvalued currency hurts exports, while an undervalued currency punishes import-dependent activities,*** 1.4(c) 1.4(c) ***and may fuel inflation.*** 3.5(c)

Banking Sector Improvements (U)

Since the Lithuanian banking crisis in late 1995--which led to the closure of 16 of the country's 27 commercial banks--the health of the banking sector has improved markedly. Vilnius has successfully cleared nonperforming loans, divested the state's ownership in commercial banks, intensified banking supervision by the Bank of Lithuania, and attracted foreign banks with much-needed capital.[6] 3.5(c)

- The rapid growth in the commercial banks' deposits--up almost 40 percent last year--is a tangible result of the gradual increase in public confidence.

- Although public confidence in the Bank of Lithuania and commercial banks improved slightly last year, commercial banks remain the least trusted Lithuanian institutions. 3.5(c)

The Banking System. ***Although the banking sector has made progress since the crisis of 1995*** (see inset), ***it is still viewed as a significant liability in the country's bid for early EU membership.*** 1.4(c) assessment on Lithuania characterized the banking system as "weak and in need of further administrative reform," and, in January, Moody's reported that bank reform will be "a key element" in future ratings for Lithuania. ***The banking sector continues to suffer from overbanking and***

[5] The only monetary policy tool for the central bank with the currency board in place was responsibility for maintaining and enforcing banks' reserve requirements. (U)

[6] The government owns a portion of most commercial banks. In addition to the 11 commercial banks, there are three state-owned banks--the Agricultural, Savings, and the State Commercial Bank--which accounted for 53 percent of bank assets at the end of 1996. (U)

undercapitalization, hurdles that limit the ability of the sector to finance development of a market economy--especially, structural reform in the agricultural and energy sectors and strategic privatization.[7]

- ***Despite concerted efforts to privatize the State Agricultural and Commercial banks, they have have attracted little investor interest because of their debt levels.*** 1.4(c) the government's reluctance to let go of the State Savings Bank--which contains about one-quarter of the government's deposits--hinders the setting of realistic interest rates for treasury bills.

- ***Foreign banks are bringing much-needed capital and managerial expertise, but at a slow rate.*** 3.5(c)

Tax Reform and the Budget. ***The government adopted measures to improve tax compliance, broaden the tax base, and reduce budget arrears that are likely to be successful over the long term.*** Last year, Vilnius established a separate division for tax crimes within the Interior Ministry and passed legislation that stipulates prison terms of up to five years for tax evasion and concealment of incomes and profits.

- 1.4(c) tax revenues increased significantly after the clampdown began in earnest last March, and budget revenues exceeded projections for the year by about 1 percent.

- ***However, lagging compliance caused value-added and excise tax revenues to fall short of projections by 2.3 and 6 percent, respectively***, leading Prime Minister Vagnorius to lament that 30 percent of the work force still does not pay taxes. 3.5(c)

Although tax compliance is likely to increase over the long term, pressure on the budget also will increase as a growing portion of the population depends on the pension system, which will limit the government's ability to dedicate greater funds to much-needed capital investment projects.

- 1.4(c) the amount spent on social insurance rose from 6.6 percent of GDP in 1993 to 8.7 percent in 1995, and is expected to rise substantially more over the next 10 years.

- To establish a fiscally sound safety net, the government hopes to increase the retirement age and create a legal framework for private insurance and pension schemes. 3.5(c)

[7] Lithuania has the lowest number of commercial banks among the Baltic states. (U)

Structural Reform (U)

Agriculture. ***Although a primary contributor to GDP, the agricultural sector remains a drag on Lithuania's economy.*** Agriculture currently employs some 24 percent of the eligible population (up from 18 percent in 1990) but accounts for only 9 percent of GDP. The sector is not a significant source of foreign exchange, largely because of intense competition in the local market. ***With an average family farm of 7 hectares, as compared with 16 in the EU, a painful consolidation of this overly labor intensive sector is inevitable.*** 3.5(c)

Increased agricultural efficiency would add to the larger reform effort and improve living standards for many. Vilnius is trying to eliminate some centralized production and distribution means, but the remaining elements of the system need to be restructured, modernized, rebuilt, and opened to competitive forces.

- 1.4(c) reforms since independence have put more land into private hands, and in 1995 resulted in the first increase in gross agricultural output since 1989; agriculture was the largest contributor to GDP growth in the first half of 1997.

- The previous government reduced agricultural tariffs to meet IMF requirements, ***but the Vagnorius government appears more inclined to protect farmers and exporters and maintain the tariffs as an important revenue producer.*** 3.5(c)

Poor access to credit also has complicated agricultural sector reform. Many farms without access to funding face an acute shortage of agricultural machinery, a problem often shared by many counterparts in Central and Eastern Europe.

- Only the state-owned Agricultural Bank--the country's second largest--has retained significant expertise in lending to agricultural enterprises. ***However, the delay in privatizing the bank has probably led some portion of its work force to seek other employment. Until other banks develop the requisite expertise, they probably will be reluctant to lend to the agricultural sector.***

- Lithuanian banking regulations--partly in reaction to the 1995 crisis--require extensive collateral for loans. ***Many new family farms (as distinct from smaller household plots) probably have not built up sufficient collateral or have committed it to other purposes, and lack a production track record on which to base credit decisions.*** 3.5(c)

Privatization. ***Lithuania has made progress in privatizing small and medium-size enterprises, and, last year, the private sector accounted for some 70 percent of***

GDP. However, large-enterprise privatization remains problematic.[8] 1.4(c) 1.4(c) the second phase of privatization pushed foreign investment to $1 billion by the end of 1997, and predict that the sale of utilities over the next two years could generate upward of $2 billion, according to press reports. ***However, the tender for Lithuanian Telecom--a "jewel" of Vilnius's privatization program--attracted few offers,*** 1.4(c), 3.5(c)

Despite the dramatic growth in FDI, privatization receipts have not met expectations, because many offerings failed to generate sufficient interest given the low percent of ownership offered and the unattractiveness of individual enterprises.

- In his state of the nation address in February, former President Brazauskas revealed that only 317 companies had been sold since mid-1996, amounting to just 7 percent of the total slated for privatization by the beginning of 1998, according to press reports.

- ***Moreover, the government needs to use the privatization revenue for productive purposes, such as infrastructure development or future pension and social security obligations.*** Instead, Vilnius has committed these funds to compensate depositors for savings lost during the hyperinflation of 1991-92.[9] 3.5(c)

Meeting the Challenges (U)

To build on last year's performance, Vilnius needs to concentrate on improving the climate for foreign investment and growth. Continued fiscal responsibility and the creation of a legal and regulatory system that supports reform and ensures compliance with EU directives will be key. Despite the challenge posed by domestic lobbies, Lithuania is likely to succeed in deepening reforms and preparing its economy to compete in the single EU market if it can tackle the following agenda:

- ***Passing a balanced budget is an important step.*** Vilnius reduced its budget deficit last year to about 1.1 percent of GDP, leading to discussions about balancing the budget by the year 2000.

- ***The NATO accession-driven push for a rapid defense buildup--that has boosted defense spending to 1.5 percent of GDP--cannot be***

---

[8] Privatization through vouchers was completed in mid-1995 and resulted in the sale of some 5,700 of 6,600 enterprises, raising private sector GDP from 15 percent to about 65 percent, according to the Lithuanian Development Agency and the IMF. (U)

[9] According to press reports, the law compensating depositors passed in June last year--to be paid when funds become available--will cost the government some $800 million. (U)

sustained without retarding growth. GDP is at just 40 percent of 1989 levels, and GDP per capita is among the lowest in the region.

- ***Vilnius needs to strengthen the financial sector by tightening bank equity requirements and lending criteria, eliminating remaining unhealthy links between weak banks and troubled enterprises--so that new investment can be used more wisely--and attracting the investment capital and expertise of foreign banks.***

- ***Consolidation of the domestic banking sector--only four or five of the commercial banks are likely to survive liberalization--is necessary to allow Lithuanian banks to compete with foreign banks in the single European market.*** 3.5(c)

Enacting these legislative and regulatory reforms is vital if Lithuania is to attract more foreign investment and prepare its industries for the competitive EU market. Curbing domestic lobbies that promote unfair business practices is critical.

- ***Developing a competition policy that addresses EBRD criticisms that Lithuania's monopolies are bad for business and investment--the privatization of Lithuanian Telecom is a prime example of non-competitive privatization--is an important first step.***

- ***Vilnius also needs to entice investors to participate in the privatization of "strategic" industrial enterprises--with an assessed worth of some $2 billion--through tax concessions, debt writeoffs, and fair investment criteria. However, the recent dismissal of the Minister of European Affairs, the strongest proponent for aggressive privatization, suggests that President Adamkus and the new cabinet are reevaluating the privatization of "strategic" enterprises.***

- ***Vilnius could promote reform by creating a business-savvy legal framework that provides for robust investigation and enforcement of bankruptcy laws, giving enterprises an incentive to maintain the financial discipline necessary to compete in Europe.*** 3.5(c)

In the longer term, Vilnius must create a public administration--including a tax inspectorate and pension and health care systems--that boosts tax compliance, compliments private-sector social security initiatives, and reduces budget-busting subsidies, particularly for the agricultural sector.

- ***Improving tax collection enforcement is a first step, but increasing the percentage of Lithuanians who pay taxes will depend on the***

perceived fairness of the system and the government's ability to translate greater tax receipts into an improved standard of living.

- ***Although certain to be contentious, the government must continue to implement changes that will gradually shift the burden of financing the social safety net from the government/employer to the employee.***

- ***Vilnius also must further reduce or eliminate agricultural subsidies, remove controls on domestic prices to bring them in line with EU norms, and reduce tariff and nontariff trade barriers.*** 3.5(c)

Implications (U)

Vilnius has succeeded over the past four years in stabilizing the economy and creating the basis for a successful free market system, and the country's progression to sustained growth seems assured. 1.4(c) 1.4(c) ***especially privatization of strategic enterprises and restructuring of the banking sector--would probably have a delaying impact on the overall reform effort, and consequently on Lithuania's prospects for EU and NATO membership.***

- ***Only by completing these specific reforms will Lithuania experience sustained economic expansion and growth and be able to withstand the competitive pressure of the EU internal market.***

- ***Without successful economic reform, Vilnius will not be able to adequately fund the creation of NATO-compatible defense forces.***

- 1.4(c), 3.5(c)

The government's staying power and the success of its efforts depend on its ability to maintain the macroeconomic stabilization it has already achieved and to mobilize support for difficult initiatives, including downsizing key sectors and subjecting remaining entities to market discipline.

- 1.4(c), 3.5(c)

Baltic States: Main Economic Indicators, March 1998 (U)

	Estonia	Latvia	Lithuania
GDP (in billion $)	4.3	5.3	9.3
Real GDP Growth *Percent*	9.5	6.0	6.0
Budget	Balanced running surplus	Balanced, running surplus	-1.2 percent of GDP but ran revenue surplus
Annual Inflation *Percent, yr on yr*	14.2	6.1	6.4
Unemployment *Percent*	3.6, steady/falling	7.0, steady/rising	7.5, steady/rising
Percent GDP From Private Sector *(Estimated)*	75-80	65-70	70-75
Current Account Balance *(Estimated, percent GDP)*	10.0	10.4	9.5
Percent of Exports to Russia	20.4	20.6	24.5
Percent of Imports From Russia	13.0	15.4	25.2
Main Non-FSU Exports *Percent of total*	Finland, 16.4	UK, 14.6	Germany, 11.3
Main Non-FSU Imports *Percent of total*	Finland, 24.3	Germany, 15.9	Germany, 17.7
Foreign Exchange Reserves *(Months of import coverage)*	1.5 to 2	3 to 3.5	2 to 2.5
Foreign Investment, 97 **91-97** **per capita**	$220-240 million NA 734.9	Not available $888 million 340.3	$430-450 million $1.0 billion 263.2
Industrial Production	+13.3	+6.1	-0.9

United States Department of State

Washington, D.C. 20520

UNCLASSIFIED MEMORANDUM

February 10, 1999

TO: See Distribution List

FROM: EUR - Ronald D. Asmus

SUBJECT: Invitation to Second Annual U.S.-Lithuanian Economic Bilateral Working Group, Friday, February 19, 9:00 am - 4:oopm, Room 7321, U.S. Department of State

INVITATION

On Friday, February 19, U/S Stuart Eizenstat will host the second annual session of the U.S.-Lithuania Economic Bilateral Working Group. Deputy Foreign Minister Rimkunas and Agriculture Minister Edvardas Makelis are leading an extremely high-ranking and well-prepared delegation, so we invite you to ensure that your agency or office is well represented in the discussions. Attached is a proposed agenda for the day. Please feel free to attend for the entire session or for those issues of interest to your agency or office. Please RSVP to EUR/NB's Sandie Jacobs at 647-6071, and indicate whom, if anyone, from your agency or office would be interested in attending the no-host luncheon, at which Rimkunas and Makelis will lead the Lithuanian delegation.

DISCUSSION

The Baltic Charter, signed January 16 by President Clinton and the three Baltic Presidents, provides for individual economic Bilateral Working Groups (BWGs) with Estonia, Latvia and Lithuania. Under Secretary Eizenstat will chair the next BWG with Estonia February 17 and with Latvia March 11.

The BWG mechanism has furthered our bilateral objectives with the Baltic States and our regional objectives under the Northern European Initiative (NEI). The economic track of the NEI is a critical component of the bilateral and regional relationship we have with the Baltic States, but it is also the most complex. Using the BWG's focus on important economic issues, State will be better able to support other agencies' efforts in the region in achieving U.S. foreign policy goals.

Proposed discussion topics include Lithuania's aspirations for membership in the EU, WTO, and OECD; intellectual property rights protection; bilateral trade and economic development; export control assistance ("TRACKER" system); and cooperation in finance, banking, agriculture, energy, transportation, and the environment.

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
004. memo	From Ronald Asmus re: Invitation to Second Annual U.S.-Lithuanian Economic Working Group [partial] (1 page)	02/10/1999	P6/b(6), b(7)(C)

COLLECTION:
Clinton Presidential Records
National Security Council
European Affairs (Richard Norland)
OA/Box Number: 2630

FOLDER TITLE:
Lithuania: Bilateral

2011-1038-F
kh1052

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

DISTRIBUTION LIST:

Name	*phone*	*fax*
E - Holly Moore	(202) 647-9546	647-9763
EB/TPP DAS Bryan Samuel	(202) 647-2532	647-1537
EB/ESC DAS Peter Bass	(202) 647-1498	647-4037
EB/TRA DAS David Marchick	(202) 647-4045	647-4324
E/CBA Sandra Willett Jackson	(202) 647-1625	647-3953
EUR/EEA -Larry Napper	(202) 647-0853	647-0414
EUR/ERA - Joseph DeThomas	(202) 647-3932	647-9959
DS/ATA - John Davis	(202) 663-2581	663-2572
PM/SC - Carol Kessler	(202) 647-6425	647-0937
PM/NDF - Ray Smith	(202) 647-3409	647-2951
PM/ECNP - Meg Mitchell	(202) 736-7379	647-4232
INL/ENT - Brian Furness	(202) 736-4949	736-4515
NSC - Stephen Flanagan	(202) 456-9151	456-9150
(b)(6), (b)(7)(c)		
USTR - Jack Spilsbury	(202) 395-9471	395-3974
USDA - Whetten Reed	(202) 690-4872	690-0892
USDA - Abraham Avidor	(202) 720-0760	690-2079
USDOC/CEEBIC - Jay Burgess	(202) 482-2645	501-0787
USTDA - Rod Azama	(703) 875-4357	875-4009
OPIC - Peter Ballinger	(202) 336-8628	408-5145
USAID - Nan Newman	(202) 712-1934	216-3181
USEPA - Alan Hecht	(202) 564-6600	565-2407
EXIM - Cheryl Conlin	(202) 565-3955	565-3931
USDOE - Karin Berry	(202) 586-5900	586-6148
BAMEF - Brewster Campbell	(202) 835-0900	835-0955
USCUSTOMS -Sharon Goodson	(202) 927-0971	927-6892
USDOT - Martin Koubek	(202) 366-4398	366-7417
TREASURY - Juhan Jaakson	(202) 622-0766	622-2308
TREASURY - Len Lapidus	(202) 622-9043	622-5789
NRC - Hans Schechter	(301) 415-2775	415-2395
FAA - Mary Street	(202) 366-2379	366-3694
FAA - Christopher Barks	(202) 267-8135	267-5082/5306
Terri Moreland, Director, Illinois Governor' office:	(202) 624-7760	724-0689
John Stanton, Agribusiness Council:	(202) 296-4563	887-9178
Patrick Souders, Sen. Richard Durbin's ofc:	(202) 224-2152	228-0400

[004]

PROPOSED AGENDA

09:30am - 09:35am	Opening remarks by U/S Eizenstat and Lithuanian Deputy Foreign Minister Rimkunas
09:35am - 09:40am	Eizenstat and Deputy FM Rimkunas sign the Customs Mutual Assistance Agreement
09:40am - 10:00am	The EU and the US-Lithuanian Relationship: Effect of accession process *(E, EUR/ERA lead; Lithuanian response)*
10:00am - 10:30am	WTO, OECD and IPR protection *(Lithuanian lead, USTR response)*
10:30am - 11:00am	U.S.-Lithuanian Commercial/Investment Relationship *(LABNET, ABLE, BDS, USVE) (USDOC lead, Lithuanian response)* Environmental Issues *("FM International") (Lithuanian lead, State/USDOC response)*
11:00am - 11:30am	Transit Cooperation *(Air Transport Agreement, Klaipeda port, investments in the Siauliai airport, Lithuanian Airlines privatization) (Lithuanian lead, USDOT/EB response)*
11:30am - 12:15pm	Energy Cooperation *(Ignalina, regional/national energy strategy, Williams, Power Bridge) (Lithuanian lead, DOE/NRC/PM/EB/AID response)*
12:15pm - 12:45pm	Law Enforcement *(training, TRACKER) (Lithuanian lead, INL/PM/DS/Customs/FBI response)*
12:45pm - 2:30pm	**no-host lunch on 8th floor**
2:30pm - 3:15pm	Finance/Banking Cooperation *(pension funds, debt management, savings insurance, etc.) (Lithuanian lead, Treasury/USAID response)*
3:15pm - 3:50pm	Agricultural Cooperation *(MOU, partnerships) (USDA lead on MOU, Agribusiness Council and Illinois lead on partnerships)*
3:50pm - 3:55pm	Summary
3:55pm - 4:00pm	closing remarks by DAS Asmus/AgMin Makelis

Lithuanian Participants

- Algimantas Rimkunas, MFA Vice Minister for Economic Affairs
- Edvardas Makelis, Minister of Agriculture
- Algirdas Sakalys Vice Minister of Transport/Communications
- Gediminas Miskinis, Vice-Minister of Economy (Export Controls)
- Viktoras Valentukevicius, Vice-Minister of Economy (Energy)
- Arvydas Basiulis, Government Rural Affairs Advisor
- Vygantas Katkevicius, AgMin Economic and Finance Director
- Dalia Tamosiuniene, MFA Second Secretary
- Asta Bielskiene, Department Director, Ministry of Finance
- Ambassador Stasys Sakalauskas
- DCM Dalia Grybauskaite
- First Secretary Rolandas Krisciunas

Flanagan, Stephen J.

From:	WHSR
Sent:	Thursday, February 11, 1999 5:58 PM
To:	Braden, Susan R.; Butler, Lawrence E.; Davidson, Leslie K.; Flanagan, Stephen J.; Hammonds, D. Holly; Holtzapple, Richard A.; Lee, Malcolm R.
Subject:	DRAFT AGENDA FOR ECONOMIC BWG
CLASS:	UNCLASSIFIED
DTG:	112242Z FEB 99
MSGTO:	RUEHVL/AMEMBASSY VILNIUS IMMEDIATE 7323
ORIG:	SECSTATE WASHDC
PREC:	IMMEDIATE
SSN:	6638
TOR:	990211175209 M3690761

UNCLAS STATE 026638

E.O. 12958: N/A
TAGS: ECIN, ECON, ETRD, EALD, EAGR, WTRO, PREL, LH, US
SUBJECT: DRAFT AGENDA FOR ECONOMIC BWG

REFERENCES: (A) VILNIUS 336; (B) STATE 7317

1. (U) DEPARTMENT WELCOMES LITHUANIA'S SUGGESTIONS FOR THE FEBRUARY 19 ECONOMIC BILATERAL WORKING GROUP (EBWG). IN ORDER TO PREPARE BETTER FOR THE EBWG, THE DEPARTMENT ALSO ENCOURAGES EMBASSY TO PROVIDE MORE BACKGROUND REGARDING GOL POSITIONS ON SOME OF THE MORE SPECIFIC AGENDA ITEMS (I.E., TRANSIT, FM INTERNATIONAL, ETC.). EMBASSY IS REQUESTED TO PASS THE REVISED AGENDA IN PARA 2 TO APPROPRIATE GOL OFFICIALS FOR FURTHER REFINEMENT AND TO MAKE THE FLLOWING POINTS:

-- U/S EIZENSTAT LOOS FORWARD TO CHAIRING THE FIRST PART OF THE ECONMIC WORKING GROUP LED BY DFM RIMKUNAS AND AGMIN AKELIS AND TO HAVING ANOTHER WELL-FOCUSED DISCUSION THIS YEAR OF KEY BILATERAL ISSUES. HE I PREPARED TO SIGN THE CUSTOMS MUTUAL ASSISTANCE AGREEMENT (CMAA) WITH RIMKUNAS.

-- ASED UPON YOUR SUGGESTIONS, WE HAVE PREPARED A DAFT AGENDA FOR YOUR REVIEW AND WOULD WELCOME FURHER CLARIFICATION OF WHAT THE GOL WOULD LIKE TO CCOMPLISH.

GIVEN OUR PREVIOUS DISCUSSIONS ON LITHUANIA'S TRADE AND INVESTMENT CLIMATE, AGRICULTURAL COOPERATION, AND SUBFEDERAL PARTNERSHIPS FOR LITHUANIA UNDER THE NEI, WE ALSO HOPE THAT YOU WILL COME PREPARED TO DISCUSS HOW WE MIGHT TAKE AN INTEGRATED APPROACH TO THESE ISSUES.

2. (U) BEGIN PROPOSED AGENDA:

09:30AM - 09:35AM OPENING REMARKS BY U/S EIZENSTAT AND LITHUANIAN DEPUTY EM RIMKUNAS

09:35AM - 09:40AM EIZENSTAT AND RIMKUNAS SIGN THE CMAA

09:40AM - 10:00AM THE EU AND US-LITHUANIAN RELATIONSHIP: EFFECT OF ACCESSION PROCESS (E, EUR/ERA LEAD; GOL RESPONSE)

10:00AM - 10:30AM WTO, QEOD, IPR; BTA/BIT RATIFICATION (GOL LEAD; USTR, E, EUR/ERA RESPONSE)

10:30AM - 11:00AM U.S.-LITHUANIAN COMMERCIAL/INVESTMENT

RELATIONSHIP (LABNET, ABLE, BDS, USVE, BAPE) (USD00 LEAD, GOL RESPONSE)
ENVIRONMENTAL ISSUE (FM INTERNATIONAL) (GOL LEAD, STATE/USDOC RESPONSE)

11:00AM - 11:30AM TRANSIT COOPERATION (KLAIPEDA PORT, AIR TRANSPORT AGREEMENT, SIAULIAI AIRPORT INVESTMENTS, PRIVATIZATION OF LITHUANIAN AIRLINES) (GOL LEAD, USDOT/EB RESPONSE)

11:30AM - 12:15PM ENERGY COOPERATION (IGNALINA, REGIONAL/NATIONAL ENERGY STRATEGY, WILLIAMS, POWER BRIDGE) (GOL LEAD, USDOE/NRC/PM/EB/USAID REPLY)

12:15PM - 12:45PM LAW ENFORCEMENT (TRAINING, TRACKER) (LITHUANIAN LEAD, INL/PM/DS/CUSTOMS/EBI RESPONSE)

12:45PM - 2:30PM NO-HOST LUNCH ON 8TH FLOOR

2:30PM - 3:15PM FINANCE/BANKING COOPERATION (PENSION FUNDS, DEBT MANAGEMENT, SAVINGS INSURANCE, ETC.) (GOL LEAD, TREASURY/USALD RESPONSE)

3:15PM - 3:50PM AGRIC. COOPERATION (MOU, PARTNERSHIPS) (USDA LEAD ON MOU IMPLEMENTATION; AGRIBUSINESS COUNCIL-ILLINOIS LEAD ON PARTNERSHIPS)

3:50PM - 3:55PM SUMMARY

3:55PM - 4:00PM CLOSING REMARKS BY ASMUS AND MAKELIS
END PROPOSED AGENDA
ALBRIGHT

03/04/99 Draft

PROGRAM OF THE PRIME-MINISTER OF THE REPUBLIC OF LITHUANIA
HIS EXCELLENCY GEDIMINAS VAGNORIUS
for his working visit to the United States of America
March 14th - 17th, 1999
Washington

Sunday- March 14th

8:35 p.m. - Arrival to Washington

Monday- March 15th

10:00 a.m. - Meeting with the Director of FBI Louis Freeh

Tuesday - March 16th

10:00 a.m. -Meeting with the US Secretary of Defence William Cohen

11:00 a.m. - Meeting with the US Prosecutor General Janet Reno

12:00 (noon) - Meeting with the US Vice President Al Gore

? Meeting with US State Secretary Madeleine Albright

7:00 p.m. Concert for commemoration of the victims of Fascist and Stalinist regimes (US Holocaust museum, 100 Raoul Walenberg place)

7:30 p.m. Diplomatic reception at the Embassy of Lithuania

Wednesday - March 17th

10:00 a.m. - Meeting with USTR L.Barshevsky

? Interview for the Radio Free Europe

5:55 p.m. Departure from Washington

United States Department of State

Washington, D.C. 20520

BRIEFING MEMORANDUM
S/S

UNCLASSIFIED

TO: E - Under Secretary Stuart E. Eizenstat

FROM: EUR - Marc Grossman

SUBJECT: Your Inter-Agency Economic Bilateral Working Group Meeting with the Lithuanian Delegation
Friday, February 19; 9:30am
Room 7321

I. OBJECTIVES

1. Outline the agenda of the Economic Bilateral Working Group, highlighting priorities in **energy, agriculture, finance, environment, and transportation.**

2. Underscore the importance of **U.S. trade and investment as Lithuania's best source of security.**

3. Reiterate that Lithuania's **accession to the WTO and EU remains a U.S. policy priority.**

II. APPROACH

The U.S. - Baltic Charter established a Bilateral Working Group (BWG) led by your office on trade and economic issues. This second annual meeting brings together USG agency representatives who have equities in this group and who will be prepared to discuss their agencies' activities in the region and ideas for work ahead. The Lithuanians and we have agreed to focus on energy, agriculture, finance, environment, and transportation.

We suggest you reiterate that expanded U.S. trade and investment in Lithuania is crucial to its security. Even as Lithuania looks more to historical trading partners, it needs to create opportunities for a substantial and long-term U.S. commercial commitment. Creating sub-federal partnerships also are key to this process. Furthermore, the best way to attract new investment is to treat existing U.S. investors fairly and provide a favorable legal and regulatory environment.

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
005. memo	Marc Grossman to Stuart Eizenstat re: Your Inter-Agency Economic Bilateral Working Group Meeting [partial] (1 page)	02/12/1999	P6/b(6), b(7)(C)

COLLECTION:
Clinton Presidential Records
National Security Council
European Affairs (Richard Norland)
OA/Box Number: 2630

FOLDER TITLE:
Lithuania: Bilateral

2011-1038-F
kh1052

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

You should also reassure them that the U.S. strongly supports Lithuania's accession the WTO and EU. You should remind the group, however, of our desire for Lithuania to factor in U.S. commercial concerns during both accession processes.

We ask that you open the meeting and preside from 9:30am - Noon, then turn it over to EUR/DAS Ron Asmus. We also would like you to lead the discussion on "The EU and U.S.-Lithuania Relationship." Others from your or the Lithuanian delegation will lead discussions on the remainder of the morning's agenda items. At the beginning of the session, a Lithuanian Embassy employee will take a photograph.

IV. PARTICIPANTS

U.S.	Lithuania
The Under Secretary	AgMin Edvardas Makelis
EUR DAS Ron Asmus	DFM (Econ/WTO) Algimantas Rimkunas
USDOC/CEEBIC-Jay Burgess	Vice Transp. Min. ~~Arvydas Basiulis~~ Sakalys
NSC - Steve Flanagan	Vice FinMin Laimute Urbsiene
EB/TRA - Richard Behrend	Vice EconMin Anatanas Miskinis
EB/ESC DAS Peter Bass	V. EconMin Viktoras Valentukevicius
EB/TPP DAS Bryan Samuel	Rural Affairs - Arvydas Basiulis
E - Holly Toye-Moore	AgMin Director Vygaudas Katkevicius
EB/TRA/AVN - David Brown	Amb. Stasys Sakalauskas
EUR/ERA - Joe DeThomas	DCM Dalia Grybauskaite
EUR/NB - G. Milovanovic	EconCouns Rolandas Krisciunas
EUR/EEA - Larry Napper	
PM/ECNP - Meg Mitchell	
PM/SC - Carol Kessler	
INL/ENT - Brian Furness	
[005] (b)(6), (b)(7)(c)	
USTR - Jack Spilsbury	
USDA/FAS - Richard Steinkamp	
USDA/ - Diana Wanamaker	
USAID/EUR - Nan Newman, Robert Ichord, Dalena Wright	
USEPA - Lee Pasarew	
DOE - Karin Berry, Dennis Meyers	
TREASURY - Diane Dogan-Hilliard, Juhan Jaakson	
NRC - Donna Marie Perez	
USDOT - Martin Koubek	
SEC - Robert Strahota	
ABC - Nicholas Hollis, President	
Sen. Durbin staffer - Patrick Souders	
IL Governor's ofc. - Bernie Robinson	

Attachments:

Tab 1 - Scenario/Agenda
Tab 2 - Your Remarks/Talking Points
Tab 3 - Remaining Issues

U.S. - LITHUANIA ECONOMIC BILATERAL WORKING GROUP
February 19, 1999, WASHINGTON, DC
SCENARIO/AGENDA

09:30am - 09:35am	Opening remarks by U/S Eizenstat and Lithuanian Deputy Foreign Minister Rimkunas
09:35am - 09:40am	Eizenstat and Deputy FM Rimkunas sign the Customs Mutual Assistance Agreement
09:40am - 10:00am	The EU and the US-Lithuanian Relationship: Effect of accession process *(E, EUR/ERA lead; Lithuanian response)*
10:00am - 10:30am	WTO, OECD, and IPR; BIT and BTA ratification *(Lithuanian lead, USTR response)*
10:30am - 11:00am	U.S.-Lithuanian Commercial/Investment Relationship *(LABNET, ABLE, BDS, USVE, BAPF) (USDOC/USAID lead, Lithuanian response)* Environmental Issues *("FM International") (Lithuanian lead, State/USDOC response)*
11:00am - 11:30am	Transit Cooperation *(Air Transport Agreement, Klaipeda port, investments in the Siauliai airport, Lithuanian Airlines privatization) (Lithuanian lead, USDOT/EB response)*
11:30am - 12:15pm	Energy Cooperation *(Ignalina, regional/national energy strategy, Williams, Power Bridge) (Lithuania lead, DOE/NRC/PM/EB/AID/DOD reply)*
12:15pm - 12:45pm	Law Enforcement *(training, TRACKER) (Lithuania lead, INL/PM/DS/Customs/FBI reply)*
12:45pm - 2:30pm	**no-host lunch on 8th floor**
2:30pm - 3:15pm	Finance/Banking Cooperation *(pension funds, debt management, savings insurance, etc.) (Lithuanian lead, Treasury/USAID response)*
3:15pm - 3:50pm	Agricultural Cooperation *(MOU, partnerships) (USDA lead on MOU, Agribusiness Council and Illinois lead on partnerships; GOL reply)*
3:50pm - 3:55pm	Summary
3:55pm - 4:00pm	closing remarks by DAS Asmus/AgMin Makelis

UNDER SECRETARY EIZENSTAT'S OPENING REMARKS

Mr. Minister, I wish to welcome you and members of your delegation to the second annual session of the U.S. - Lithuania Economic Bilateral Working Group. I would also like to welcome my colleagues from the range of Washington agencies that are involved in management of the U.S.-Lithuania economic policies and in assisting U.S. investment in Lithuania.

We have another ambitious agenda for today, but I want to take a few minutes to recall why we are here, and what we hope to accomplish. In January 1998 in the White House, President Clinton and the three Baltic presidents signed the Charter of Partnership. This Charter formalized our four countries' shared vision of a new democratic, prosperous and undivided Europe, and of U.S. support for the Baltic States' place in that new Europe. In his remarks, President Clinton said that the United States would support Baltic efforts to join the major European and Euro-Atlantic institutions. The Charter set the stage for our work together, by acknowledging the progress already made, and by establishing new commitments that would create the conditions under which Baltic integration into Europe would be possible.

This economic bilateral working group represents one of those commitments. I am chairing this group for the U.S. side because its work is central to the successful implementation of the Charter principles, and it provides a needed forum for the discussion of our most pressing bilateral economic issues.

More broadly, the activities of this group have contributed strongly to the economic track of Secretary Albright's regional Northern European Initiative. We are convinced that regional integration--including most emphatically the reduction of trade barriers and the improvement of the investment climate--is the key to regional stability and prosperity.

I recall that last year's meeting here in June recorded a number of accomplishments. The United States provided historical mapping documentation and will provide hydrographic technical training to Lithuania, and submitted a draft text for a bilateral "Open Skies" air transport agreement. We provided increased assistance in banking, finance, environmental and nuclear regulatory frameworks, and energy pricing. Lithuania has provided favorable treatment for a number of key U.S. investments and improved its law enforcement and IPR protection capabilities. Lithuania also got our Baltic American Enterprise Fund back up and running in Lithuania. Of the three Baltic delegations, Lithuania's certainly came the best prepared.

Another significant benefit that arose from our working group has been increased export control cooperation, symbolized in part by our ongoing efforts to install state-of-the-art licensing and application equipment in Lithuania. Our signing of this Mutual Assistance Agreement between our customs services underscores our commitment to continue this closer, and mutually beneficial, cooperation. Mr. Rimkunas (Rim-KOO-nahs), would you please join me at the table for the signing ceremony?

(SEE and DFM Rimkunas adjourn to the table, sign the CMAA, and return to their original seats)

During our morning session today, we would like to discuss how the U.S-Lithuania bilateral economic relationship would be affected as you move toward the European Union. We would like to hear your presentations on Lithuania's accession to the WTO and prospects for cooperation in the OECD. We also look forward to your discussion of commercial and investment issues in Lithuania, especially in the areas of energy, transportation, the environment, law enforcement, and export controls. In the afternoon session, we will concentrate on opportunities for cooperation in finance, banking, and agriculture.

We are pleased that this group is meeting annually and preparing agreed minutes that once again will record accomplishments and set the agenda for the year ahead. On May 19 in Washington, Deputy Secretary of State Strobe Talbott will lead the U.S. delegation to the Joint Partnership Commission meeting, which will review the tasks that we jointly can accomplish. Despite much progress from the past year, much remains to be done across the board, not only to sustain momentum, but also to solidify progress already made.

But before turning to our agenda, I would like to invite Vice Minister Rimkunas to make opening remarks for his delegation.

(Rimkunas makes his remarks)

SEE - Thank you, Mr. Minister, for your remarks. I would like to turn now to our first agenda item, "EU Accession and the U.S.-Lithuania Relationship." This is an issue with which I have been quite directly involved.

EU Accession and the U.S.-Lithuania Relationship
(U.S. Lead: U/S Eizenstat - Lithuania Response)

- We support your efforts on EU accession. The enlargement process reinforces European security, locks in democratic progress already achieved in former authoritarian states, and speeds along market reform.

- We want to be very clear that the U.S. hopes that you become a member of the EU as quickly as possible. We support the aspirations of your fellow applicants as well.

- When the Commission's proposals on bringing other CEE states into the enlargement process come forward for review at year's end, we hope that developments in Lithuania will allow the member states to consider the proposal in a positive light.

- The EU's general membership (or "Copenhagen") criteria will contribute to a stable and prosperous Europe. These are:

  1. Stability of institutions guaranteeing democracy, rule of law, human rights, respect for and protection of minorities;
  2. Existence of a functioning market economy and the capacity to cope with the competitive pressure and market forces within the Union;
  3. Ability to take on membership obligations, such as adherence to goals of political, economic, and monetary union.

- Accession will have effects on both U.S. political and economic interests as well as on the bilateral relationship that the U.S. has with each of the applicants.

- While there should be no question about U.S. support for EU enlargement, this does not mean that we are willing to give up our close bilateral relationship.

- The U.S. continues to have strong bilateral contacts with current EU member states on a whole range of issues, and we see reason to cultivate and maintain a similarly close bilateral relationship with all applicant countries both before and after their admission to the EU. That is why EUR PDAS Tony Wayne inaugurated a consultation process with you and other applicant countries a year ago.

- The main objectives are to ensure that:

  1. The applicant country understands clearly the effects of integration on U.S. economic, commercial, environmental, and political interests and considers these factors throughout the negotiations;

2. The applicant country is aware of and supports the major objectives of U.S./EU cooperation globally;
3. The U.S. is regularly briefed on the progress of the accession negotiations from the applicants' perspective;
4. The bilateral relationship is not neglected; and
5. The applicant country's trade regime is WTO consistent, and that any possible EU incentive to delay accession to the EU to prolong special interim market access privileges is minimized.

- As you and the other aspirants move closer to the EU, we will defend the access that our businesses have to your markets and continue to push for greater access. You should not take this to mean that our support for your membership has declined.

- We recognize that when an applicant becomes an EU member it assumes the EU common tariff and other barriers. In cases where this results in a raising of the applicants tariffs and other barriers and a reduction in U.S. access to the applicant's market, we would expect compensation from the EU in compliance with WTO rules.

- We hope that as you move towards EU accession, you will bear in mind the importance of keeping your markets open to goods from other countries like the United States. We would expect that you and the other applicants not raise tariffs and other barriers to our market access beyond those the U.S. currently faces in the EU.

- At times you may feel that you are caught between conflicting obligations in your bilateral relationship with the U.S. and your desire for EU membership. In many cases, we may be able to find a solution that helps you meet the requirements of EU membership in a way that does not harm U.S. interests.

- Of course this will depend not only on Lithuania and the U.S., but also to a great extent on the willingness of the EU to be flexible in finding such a solution.

- Regular bilateral talks like these will be a good opportunity both for ensuring that problems are clearly understood and for developing workable solutions.

Minister Rimkunas, I would like to offer your delegation the opportunity to respond.

(Lithuanian side responds, discussion)

SEE - Moving to the next agenda item, Mr. Rimkunas, I invite you to make your delegation's presentation on trade related issues -- the WTO, OECD (MAI) and IPR protection.

WTO, OECD (MAI) and IPR Protection (10:00am - 10:15am)
(Lithuanian presentation, USTR response)

WTO (your general points)

- I hope you had a useful discussion at USTR yesterday.
- This is an extremely important issue for us, one in which Secretary Albright, Ambassador Barshefsky, and I have personally put a lot of effort. President Clinton also has urged all sides to work towards timely Baltic WTO membership.
- It is in our mutual interest to see that Lithuania and Estonia join the WTO on a firm commercial basis.
- The integrity of the WTO means that all applicant countries must accede on terms that are commercially acceptable for all their trading partners. Our requests of the Baltic States are consistent with those we make of all WTO applicants.
- Accession to the WTO on the basis of strong, commercially meaningful packages also will help Lithuania and the other Baltic States attract needed foreign investment by signaling a continued commitment to the global trade system.

OECD (MAI)

- Although we are pushing to move toward more thematic outreach programs, we continue to support an outreach program for the Baltics, funded in large part by the Nordics. Given budget stringency, we do not foresee an increase in that program but are willing to include Lithuania in appropriate thematic programs.
- If OECD members are able to resolve differences over budget, scale of contributions, pension funding, and voting procedures over the next year, they may be able to begin addressing the question of whether/how to enlarge the organization. Differences over these issues are not trivial; we are at the point of shutting down the organization over budget and scale issues right now. Members will need to address the generic question of enlargement before they can begin to consider the numerous expressions of interest in accession from non-members.
- Members are not of one mind on accession issues or candidates, which will make for slow progress in a consensus-based organization. Moreover, we need a thorough interagency discussion of enlargement to formulate our own position, since several agencies have strong reservations about the effect of enlargement on their work at the OECD.

- Committee observership is determined by individual OECD committees based on an assessment of "major player/mutual benefit" criteria in the policy area covered by each committee. The Baltics are running at a disadvantage with regard to these criteria, especially the former.

Intellectual Property Rights (IPR) (10:15am - 10:30am)

- Lithuania has made much progress in intellectual property protection, but much more needs to be done. Several U.S. film companies would love to enter license agreements for rental and distribution of videos in Lithuania, but they are cautious about the high level of piracy. Legislation needs to be modernized, enforcement is insufficient, and film industry infrastructure needs to be developed.

- Copyright law needs to be aligned with international standards, regarding scope of protection and enforcement. Customs laws need to meet WTO requirements. The Code on Criminal Procedure should include increased penalties for video, audio, and software piracy and allow for more efficient prosecutorial procedures. The parliament also must ratify relevant international conventions and bilateral agreements.

- Closer cooperation between rights holders and police should be encouraged to increase efficiency of anti-piracy actions. Specialized departments dealing with IPR crimes should be set up in the Interior Ministry and in the Prosecutor's Office.

- Existing movie theaters should be privatized, so that interested businesses have incentive to refurbish, modernize, and enlarge existing theaters and build new ones (e.g., *Lietuva Cinema* in Vilnius)

- We will offer copyright law enforcement training and awareness to police, customs, prosecutors, judges, media and parliamentarians. We also will invite two Lithuanians to the U.S. in September for several months to meet principal USG and industry representatives. The US Motion Picture Association also offers its expertise and assistance with respect to legal standards and enforcement issues.

- Tougher IPR enforcement encourages U.S. trade and investment, eliminates sources of illegal business activity, increases tax revenues, ensures that the Lithuanian public gets the greatest quantity and quality of A-V materials, and that Lithuanian producers' work is respected.

U.S. Investments as Security (10:30am-10:50am)

- Expanded U.S. trade and investment in Lithuania is crucial to Lithuania's security. Even as Lithuania looks more to historical trading partners, we are pleased that it is looking to create opportunities for a substantial and long-term U.S. commercial commitment, especially as a foundation to a long-term political commitment.

- Among others, immediate examples include Williams' $300 million share in oil and gas pipeline and refinery operations; Cal Energy's $250 million investment to develop and operate a "power bridge" to Poland for exporting electricity; and Omnitel's $120 million stake in the telecom industry.

- Your reputation as reliable, attractive partners for U.S. investment depends upon your handling of these and other investments. Companies thinking of investing will look at the experiences of those who already have.

- Fair, and even generous, treatment of American companies trying to do business in Lithuania are the best advertising campaigns and insurance policies you can take to ensure your long-term security, stability, and prosperity. It also is the easiest tool our Congress uses to determine its desire to support long-term commitments and to evaluate a foreign country's receptivity to U.S. influence.

- Our efforts under the NEI can succeed only if we engage the private sector. We can do this in several key ways.

- The best way to attract new foreign investors is to treat fairly the ones you already have. If companies encounter less-than-transparent tendering processes, weak legal structures or poor intellectual property protection, they will invest elsewhere.

- Your promotion of these and other projects also leads to goodwill and encouragement of additional trade and investment opportunities from the local and state levels. This is far more strategic and profitable for you than anything the U.S. Government can offer or encourage.

- We also need to look outside of the U.S. government for more natural partnerships. Establishing a solid partnership with one of our regions or states can work (as it did in the case of North/South Carolina and Germany, generating over $3 billion in investments). With a large Lithuanian-American population, a strong agricultural economy, and several key legislators (Durbin, Hastert, Gekas, etc.) to help you, Illinois is one natural connection for Lithuania.

Facilitation of Commerce (10:30am-10:50am)

- Dennis Hastert (R-IL), the new Speaker of the House of Representatives, will visit Lithuania with a large delegation during the last week of March. We hope you will take the opportunity to engage his support for potential partnerships between Lithuania and the State of Illinois.

- We are raising Lithuania's profile in both our Washington and overseas programs. Secretary Daley (also from Illinois) will lead a trade mission to Lithuania and CEE later this year.

- A number of U.S. companies have expressed interest in participating in a railway tender for the procurement of locomotive engines. We also strongly support Hewlett-Packard's bid to supply medical equipment to Lithuania.

- We also urge your prompt ratification of our Bilateral Investment Treaty (BIT) and Trade Agreement (BTA).

- Tariffs and quotas on Lithuanian cheeses **(USDOC and USDA input, please!)**

Baltic American Partnership Fund (BAPF) (10:50am-10:55am)

- With $7.5 million in funding from the SEED Program and $7.5 million from the Open Society Institute, the BAPF is providing training and technical assistance grants over ten years to enhance the capabilities and sustainability of the NGO sector.

- **USAID input, please!**

"FM International" (10:55am-11:00am)

- We regret your difficulties with FM International over its installation of water treatment facilities in several Lithuanian towns. The company has assured us that it will honorably meet all its contractual commitments. **USDOC/USEPA input, please! Are you aware of this case?**

Following discussion of this agenda item (which should be at 11:00am), you are scheduled to depart this session, and can turn the proceeding over to Ron Asmus, after delivering the following closing remarks:

- I know that you have a full agenda for the balance of the day, and I believe that we all agree that this has been a fruitful discussion so far. We look forward to using these economic bilateral working groups to resolve our bilateral problems and to gain momentum on those projects of mutual interest.

- Progress in these areas will help ensure your permanent security and place among the Western family of nations. This is especially important in the coming weeks before the Deputy Secretary's hosting of the May 19 quadripartite Partnership Commission. This group is playing an important role in the success of the Northern European Initiative. For now, I will leave you in the capable hands of Ron Asmus, Deputy Assistant Secretary for the Bureau of European Affairs. I look forward to seeing our tangible results.

SEE exits; EUR DAS Asmus presides

OTHER ISSUES TO BE DISCUSSED

Privatization of Siauliai Airport (11:00am-11:30am)

- We will work with USTDA, USAID, EXIMBANK, OPIC, and IFC to promote U.S participation in these projects.

- **USDOC input, please! Do you know anything more about this?**

Privatization of Lithuanian Airlines (11:00am-11:30am)

- We will work with USTDA, USAID, EXIMBANK, OPIC, and IFC to promote U.S participation in these projects.

- **USDOC input, please! Do you know anything more about this?**

U.S. Financing of Klaipeda Port FEZ (11:00am-11:30am)

- We will work with USTDA, USAID, EXIMBANK, OPIC, and IFC to promote U.S participation in these projects.

- **USDOC input, please! Do you know anything more about this?**

Bilateral Air Transport Agreement (11:00am - 11:30am)

- Lithuania has our draft "Open Skies" air transport agreement. While there is little leeway for deviation from this model text, which has been signed with 31 other countries, we look forward to concluding a formal agreement, particularly since our current arrangement has worked so well under a regime of comity and reciprocity. As *Lithuanian Airlines* is privatized, we will facilitate its ability to start direct flights to the U.S. ASAP.

Ignalina & Energy Strategy (11:30am - 11:55pm)

- We commend Lithuania's commitment to improve the safety of its nuclear power program and for the important steps it has taken along the difficult path of economic and energy sector reform that will benefit safety in the long run.

- In the next two years, we plan to provide nearly $1 million in regulatory assistance by the Nuclear Regulatory Commission funded through the SEED program, and another $5 million in technical assistance through the Department of Energy. But this assistance is contingent on continued compliance with the Nuclear Safety Account (NSA) Grant Agreement with the EBRD as well as the availability of funds.

- The EBRD, through its NSA Agreement with Lithuania, is working with your government to update the 1997 least-cost plan for the energy sector. This revised version will be incorporated into the Baltic Regional Energy Development Plan now being prepared under the leadership of the Baltic Council and USAID, which will evaluate potential joint investment projects on a regional least cost basis.

- We appreciate that your government also is developing its own energy strategy. We understand the strategy is quite comprehensive and well thought out, but leaves open the option for life extension efforts for the Ignalina reactors beyond what is allowed under your Grant Agreement with the EBRD.

- We therefore encourage you to work closely with the EBRD and the bilateral donors to ensure an energy strategy based on sound economic assumptions and full compliance with your NSA Grant Agreement. We look to you to clarify your intentions to pursue a sound energy strategy in compliance with your NSA Grant Agreement.

Williams (11:55am - 12:10pm)

- Congratulations on the Williams investment! Where does the project currently stand?

- We have noticed a number of examples of states or parastatal companies attempting to bully Lithuania's economic or commercial policy decisions. We unequivocally will continue to offer our continued support against any such tactics and against spurious allegations of unfair USG involvement.

- We are intrigued by Williams' proposal to expand its investment to include construction of a trans-Belarus pipeline for carrying Russian and Caspian Sea oil to Butinge.

FYI

I think Williams is intriguing.
Also, there is another US
firm that is looking at the

1. This possibility might make it easier for Lithuania to accept prompt closure of its Chernobyl-style (RBMK) nuclear reactors at Ignalina.
2. Private construction of infrastructure would improve Russia's ability to earn significant hard currency and somewhat expedite the flow of its oil.
3. We look forward to studying your joint proposal. How far have you gone in consulting with the key players involved?

"Power Bridge" (12:10pm - 12:15pm)

- We are concerned by reports about a "shakedown" of the American member of the energy transmission project consortium to develop and operate a $250 million "power bridge" to Poland for exporting electricity. [Unless the consortium made payments totaling $20 million into the "Baltic Petroleum" company based in the British Virgin Islands, the consortium's bid for the power project would be rejected.]

- This would be a serious and likely illegal intrusion into a legitimate U.S. business interest, but we appreciate the assurances from senior Lithuanian Government officials that they will reject such pressures. Where does the "Power Bridge" project currently stand?

Law Enforcement Cooperation (12:15pm - 12:45pm)

- Through our legal attaché's office in Embassy Tallinn, we look forward to continuing our cooperation in law enforcement issues and investigative research and training. We are pleased that many of the courses we have offered lately have been very timely and useful. Let us know how we can help.

TRACKER (Export control assistance) (12:15pm - 12:45pm)

- We have prepared a MOU to facilitate our cooperation in automating Lithuania's export licensing system through "TRACKER" [a network-based software system that can be installed within a single ministry or agency solely for internal use, or connected in a network with other government agencies or even foreign countries. It makes possible improved communication regarding the cross-border transportation of sensitive military and dual-use materials and wider sharing of information about them. It not only can be used to speed up the export licensing process, but also to ensure greater control over the process].

- We would like to complete our discussions on this MOU and update our site survey during a March 30 visit in Vilnius.

(Break for lunch in 8th floor Buchanan Room)

Financial/Banking training (2:30pm - 3:15pm)

- Banking and financial sector reforms remain crucial priorities in our assistance strategy for Lithuania. We would be happy to address to your requests for assistance on investment fund regulation, clearing management, bank mergers and acquisitions, capital market development, and stock exchange listings.

- We also will take a favorable look at your request for training programs for bank employees in the functioning of CHIPS, FEDWIRE, major stock exchanges, and development of capital markets, as well as essentials of commercial and investment banking supervision.

- Lithuania deserves recognition for several accomplishments. Banking sector reform has made slow but significant progress since 1990. Private sector banking has been developed, the banking sector is open to foreign investment and to the entry of foreign banking companies. Prudential regulation has been fostered, and bank supervisory capacity has been enhanced. Recent plans for the privatization of two state-owned banks may indicate that progress in this sector may increase. The Central Bank has become more sophisticated in its capacities and has exhibited a measure of independence that will strengthen public confidence in the banking sector and the currency.

- Nonetheless, the banking system is not adequately performing its intermediation role because the public has insufficient faith in the banks; deposits in the banking system are only about 15% of GDP, among the lowest ratios in Europe. The GOL should continue on its current path to strengthen bank regulation and supervision, administer the banking sector evenhandedly and fairly, and maintain the integrity of the Central Bank.

Agricultural MOU Cooperation (3:35pm - 3:50pm)

- We want to use our MOU on Agricultural Cooperation as a mechanism to address creatively our shared desires to promote agricultural exports in Northern Europe. We would like to effect this cooperation through:

  1. The organization of symposia, conferences, and annual trade missions;
  2. The facilitation of mutually beneficial agribusiness and commercial activities; and
  3. The development of research, links, and exchanges.

- Some of these fields include biological control, exotic diseases and pests, germplasm, human nutrition, health and food safety, new uses for and added value to agricultural and forestry products, trade barriers, phytosanitary issues, water and soil quality and waste management.

- USDA currently is working on a package of at least $400,000 in technical assistance to facilitate this type of cooperation under our MOU **[USDA to provide copies of package]**. We welcome your comments in shaping these programs to our mutual benefit.

Agribusiness Cooperation (3:35pm - 3:50pm)

- USAID and the NGO, The Agribusiness Council, Inc. (ABC) would be interested in working with the Lithuanian government to establish a Lithuanian Agribusiness Council.

- In 1995, USAID and ABC worked with the Government of Poland to create a successful Polish Agribusiness Council, which like its U.S. counterpart, works to strengthen host-country agro-industrial competitiveness through increased cross-border trade and development ventures. The Council's programs highlight new exports and foreign investment, related regulatory and policy change, and network services for entrepreneurs starting up or expanding businesses abroad with foreign associates.

- As in Poland, the ABC can work out a suitable credit system for small farmers, set up commodity exchanges, and organize professional training.

U:SilskiAL\Lithuania\BM - E - BWG
drafter: ALSilski, 7-8378, 02/08/99
cleared: EUR/NB:DRLeader
cleared: EUR/NB:GMilovanovic
cleared: EUR/ERA:JKessler, RWinship
cleared: EB/TRA/AVN:DBrown
cleared: EB/TPP/DCT:JSpeck
cleared: EB/ATT/ATP:PAceto
cleared: EB/IFD/OIA:SSteeley
cleared: EB/OMA/IFD:CHill-Herndon
cleared: E/CBA:DCastiglione
cleared: E:HTMoore
cleared: PM/ECNP:MMitchell
cleared: EUR:RDAsmus
cleared: INL/ENT:BFurness
cleared: EB/ESC/IEC:RTrowbridge
cleared: PM/NDF:RFSmith
cleared: PM/SC:CKessler
cleared: EUR/EEA:JRickert
cleared: DS/ATA:JMurphy
cleared: USTR:JSpilsbury
cleared: USDOC/CEEBIC:LLCurry
cleared: NRC:HSchechter, DLPerez
cleared: USDOE:KBerry
cleared: USEPA:WGrieder/LPasarew
cleared: USCUSTOMS:SGoodson
cleared: USAID/ENI/RME:NNewman, RIchord
cleared: Treasury:Jjaakson, LLapidus
cleared: USDA/FAS:Rsteinkamp
cleared: FAA:CBarks, MStreet
cleared: USDOT:MKoubek

DECLASSIFIED
PER E.O. 13526
2016-0384-M (1.91)
K8H 6/23/2023

MEETING WITH
LITHUANIAN PRIME MINISTER GEDININAS VAGNORIUS
DATE: March 16, 1999
LOCATION: West Wing Office
TIME: 12:00 - 12:30

I. OBJECTIVES

- Thank Minister for his support for U.S. investment in Lithuania and underscore importance of forward movement on closure of Ignalina nuclear power plant;
- Outline plans for April 23-25 NATO summit and exchange views on Russia;
- Note importance of more vigorous prosecution of Nazi war criminals.

II. CONTEXT

PM Vagnorius is an ardent nationalist and economist by training who has built a reputation as the most powerful man in Lithuania. According to our Embassy, no cabinet member will make a sensitive decision without Vagnorius' input and President Adamkus, who before taking office threatened to sack him, has developed a solid working relationship with him. In Vagnorius' meeting with you, he will want to focus on our limited economic relations with Lithuania and the future of the Ignalina nuclear power plant. He will also want to discuss the upcoming NATO summit and Russia.

III. AGENDA

Expanding U.S. Investment. Lithuania's economic development lags behind that of Estonia and Latvia, but the U.S. is the largest foreign investor in Lithuania. In 1997, U.S. exports to Lithuania totaled $87 million; imports totaled $80 million. The U.S. accords Lithuania MFN trading status and GSP treatment. Lithuania has signed agreements with the United States on trade and intellectual property protection, avoidance of double taxation, and mutual legal assistance. We signed a bilateral investment treaty with Lithuania in January 1998. Poorly written commercial legislation and inadequate intellectual property protection are the chief impediments to further investment. **You will want to thank the Minister for his strong support for U.S. investment in Lithuania, to include Williams Company's potential investment in the oil sector. (According to our Embassy, the Williams deal is still on though facing difficulties because Williams substantially changed the terms of the sale at the last minute after belatedly finding out that the refinery is debt-laden.)**

Ignalina Nuclear Power Plant. The Ignalina plant has two RBMK reactors that are a larger variant of the reactors at Chernobyl. Lithuania committed in 1993 to the Nuclear Safety Account and the G-7 to close Ignalina Unit #1 when it reaches the end of safe operating life -- 2001 at the latest. Some members of the government are now attempting to backtrack by proposing to invest $400 million to extend the life of the reactor. Closure will be economically

painful since Ignalina supplies 80% of Lithuania's electricity and a substantial portion of the country's exports. The reactor is inherently unsafe, and we and the EU believe it must be closed in accordance to Lithuania's earlier commitment. **You should note the importance of this issue to us and that we are working with the EU and the IFIs to support ways of replacing Ignalina with other energy sources.**

NATO Summit. Lithuania has the best military of the Baltic states and is anxious to be considered a serious candidate for NATO membership in the next round. It now spends over 1.5% of GDP on defense and has taken the lead among the Baltic States in adopting NATO-compatible military reform and in promoting constructive CSBMs with Kaliningrad. Lithuania is also the most active Baltic participant in Partnership for Peace, being the first Baltic country to contribute troops to IPTF in Brcko and SFOR. While the Lithuanians know that no new invitations will be extended at the summit, they continue to hope and to press for language in the communique that singles them out. **You should assure the Minister that the United States is committed to an outcome at the NATO Summit that will make clear that the Alliance's newest members will not be the last. Moreover, we want the summit to provide Lithuania and the other NATO aspirants with a clear roadmap and a set of practical programs that will help them become the strongest possible candidates for membership. We look for the Minister's support in making it work and explaining our forward-looking approach to the Lithuanian people.**

Russia: Unlike Estonia and Latvia, Lithuania has relatively good relations with Russia. It has only a small ethnic-Russian population, all of whom received Lithuanian citizenship at independence, and is leading an initiative on humanitarian assistance to Kaliningrad. The transit agreement allowing Russia access to Kaliningrad works well and Russia's economic crisis has, so far, only moderately harmed Lithuania's economy. **You should give the Minister your thoughts on developments in Russia and note the positive efforts Lithuania is making to get along with Russia. You should also remind the Minister that Russia does not have a veto over Lithuania's NATO aspirations and that Baltic concerns about Russia figure highly in our agenda with Moscow.**

Nazi War Criminals. The Department of Justice took the Lithuanians publicly to task in February for lack of vigor in prosecuting Nazi-era crime cases, particularly Alexandras Lileikis and Kazys Gimzauskas, accused of killing 20,000 Jews in 1941-44. Both are 91 years old and Lithuanian courts say they are too ill to stand trial. PM Vagnorius will tell you he is committed to getting these trials underway, but the judiciary is independent. **You will want to tell Vagnorius that Lithuania will be judged internationally by its actions on these issues, and that we would like to see more effort to try these and other accused war criminals. Attorney General Reno will address this in greater depth in her meeting with Vagnorius**.

III. PARTICIPANTS

IV. PRESS PLAN

Official photos only

Talking Points

U.S. Trade and Investment

- We are pleased you are seeking to create opportunities for a substantial and long-term U.S. commercial commitment to Lithuania.

- Fair treatment of American companies trying to do business in Lithuania is the best advertising campaign and insurance policy you can take to ensure your long-term security, stability, and prosperity.

- I understand that Williams company is encountering difficulties based in part on the large debts of the refinery. I hope these problems can be resolved.

- Lithuania is setting a good example on implementing energy sector reform by turning to the private sector.

Ignalina Nuclear Power Plant

- We understand Lithuania's economic difficulty in closing Ignalina and are actively working to help Lithuania identify alternative energy sources.

- However, further extending Ignalina's operational life is not an option. Your paramount priority should be safety and Ignalina is inherently unsafe.

- This is the view of the international community (EBRD and G-7 members) -- not just the United States government.

WTO Accession

- I want to underscore our support for your accession to the WTO and EU. In the case of the WTO, accession will depend on how quickly Lithuania can resolve outstanding market access issues and implement WTO rules.

- Our requests to Lithuania are consistent with those we make to all WTO applicants. I hope you will have a fruitful exchange with USTR Barshefsky on this tomorrow.

Washington Summit and the Open Door

- I congratulate you on your commitment to defense modernization. I know it is not easy to vote for higher defense budgets when there are other pressing needs.

- I want to reassure you the United States remains committed to NATO enlargement; we are determined to ensure the first new members will not be the last.

- I want the April summit to advance the Open Door by offering a clearer roadmap to future membership and programs to help strengthen the candidacies of aspiring members.

- I hope the summit will launch a package of new initiatives -- the Membership Action Plan, or MAP -- to enhance political dialogue, military preparation, coordination of security assistance, and ensure better performance feedback

- I encourage you to participate actively in this program to build the strongest possible partnership with NATO.

FMF (if raised)

- We remain committed to helping you and your Baltic neighbors modernize your militaries. In FY98-99 Lithuania will receive $10.65 million in Foreign Military Financing, which is $250,000 more than originally discussed with your Government.

Russia

- We remain very concerned about the situation in Russia. Primakov will be making an important visit to Washington later this month.

- Economic issues will loom particularly large in these discussions. The Administration is strongly committed to mobilizing international support for a credible economic reform program.

- Russia's discussions with the IMF are reaching a critical juncture. It is essential that the Russians develop a realistic budget and work constructively on the IMF's recommendations. It's in no one's interest to reach agreement on a program only to have it fail in 3-4 months..

- Stable relations between Russia and the Baltic countries are a very important part of our agenda with Moscow. We are pleased by your skillful handling of the relationship with Russia.

- It goes without saying that Russia will have no veto over any future NATO enlargement.

Nazi-era Criminals

- Lithuania's standing as a democracy will be judged in part by how it deals with the past.

- We are very disappointed that no accused Nazis have been brought to justice.

- We hope Lileikas (Lill-Lake-us) and Gimzauskas (Jim-Zaus-kas) can be tried soon, and that other accused war criminals will be brought to trial as well.

03/04/99 Draft

PROGRAM OF THE PRIME-MINISTER OF THE REPUBLIC OF LITHUANIA
HIS EXCELLENCY GEDIMINAS VAGNORIUS
for his working visit to the United States of America
March 14th - 17th, 1999
Washington

Sunday- March 14th

8:35 p.m. - Arrival to Washington

Monday- March 15th

10:00 a.m. - Meeting with the Director of FBI Louis Freeh

Tuesday - March 16th

10:00 a.m. -Meeting with the US Secretary of Defence William Cohen

11:00 a.m. - Meeting with the US Prosecutor General Janet Reno

12:00 (noon) - Meeting with the US Vice President Al Gore

? Meeting with US State Secretary Madeleine Albright

7:00 p.m. Concert for commemoration of the victims of Fascist and Stalinist regimes (US Holocaust museum, 100 Raoul Walenberg place)

7:30 p.m. Diplomatic reception at the Embassy of Lithuania

Wednesday - March 17th

10:00 a.m. - Meeting with USTR L.Barshevsky

? Interview for the Radio Free Europe

5:55 p.m. Departure from Washington

WASHFAX RECEIPT
DEPARTMENT OF STATE

B

S/S #

C

21 OCT '98 11:36

MESSAGE NO. 000025 CLASSIFICATION ~~CONFIDENTIAL~~ No. Pages 10

FROM: DAMIAN LEADER (Officer name) EUR/NIS (Office symbol) 647-8908 (Extension) 5229 (Room number)

MESSAGE DESCRIPTION ADAMKUS BRIEFER & TALKING POINTS

TO: (Agency)	DELIVER TO:	Extension	Room No.
NSC	STEPHEN FLANAGAN	456-9151	368

FOR: CLEARANCE ☐ INFORMATION ☒ PER REQUEST ☐ COMMENT ☐

REMARKS:

S/S Officer:

DECLASSIFIED
E.O. 13526
Department of State Guidelines, September 11, 2006
By KBYNARA, Date 7-18-2013
2011-1038-F

OBM .77 DS-1760

(1)

United States Department of State

Washington, D.C. 20520

BRIEFING MEMORANDUM
S/S

~~CONFIDENTIAL~~
DECL:10/20/03

DECLASSIFIED
PER E.O. 13526
2016-0384-M (1.92)
KBH 6/23/2023

TO: The Secretary

FROM: EUR - Marc Grossman

SUBJECT: Your Meeting with Lithuanian President Valdas Adamkus
Time TBD.

I. OBJECTIVES

1. To reassure Adamkus that we remain committed to the Open Door policy for NATO membership, and explain that the Washington Summit will include further elements to help aspiring members prepare for eventual membership.

2. Congratulate Lithuania for approving the Williams Company oil sector investment.

3. Applaud Adamkus' support for a commission on the legacy of the Nazi and Soviet occupations, but reiterate that we want war criminal Lileikis tried expeditiously.

4. Urge Lithuania to keep its commitment to close the Ignalina Nuclear Power Plant, in accordance with its nuclear Safety Account agreement, without attempting to prolong the plant's service life.

II. APPROACH

This will be your first meeting with President Adamkus since the former EPA Administrator was elected in February. He is here on a private visit (he is receiving an environmental award) but will also meet with Secretaries Cohen and Daley and seeks a meeting with the President. Since his election in March, Adamkus has demonstrated a deft political touch, using the presidency to advance Lithuania's integration into Western institutions. He is supportive of our Baltic Partnership agenda, and has been

especially good at encouraging Lithuania to deal with its past and make progress on property restitution issues. The Lithuanian government is very supportive of us on regional issues, including Kosovo and the post-Nairobi/Dar es Salaam air strikes. President Adamkus supports the U.S.-Baltic Charter of Partnership (signed by his predecessor) and our Northern European Initiative, and is an advocate of cross-border investment and cooperation with Kaliningrad.

Lithuania has done more than the other Baltic states to prepare militarily for **NATO Enlargement**, including by increasing defense spending, following the priorities suggested in the DoD's "Kievenaar Study", taking advantage of PfP programs, hosting military exercises, and increasing military cooperation with Poland. Lithuania expects to be the first Balt invited to join the Alliance. The economic crisis in Russia has increased its anxiety and sense of urgency, and anti-Russian politicians, including Speaker Landsbergis, are hammering this point. Adamkus knows to expect that there will be no invitations extended next April, but he wants, at the least, for Lithuania to be cited in the communique for its progress towards NATO's Open Door.

Adamkus will explain the steps Lithuania has taken to become NATO-compatible, its purchase of U.S.-origin equipment, and its political commitment to Euroatlantic policies. You will want to thank Lithuania for supporting us on Kosovo, and acknowledge Lithuania's political commitment and the real steps it has taken to prepare to pass through the open door. Adamkus will want to hear you reiterate that there is no Russian veto or "red line" on NATO membership. You should stress our desire to go beyond what was offered in Madrid by offering a robust package of measures to help aspirants strengthen their candidacies. Although no decision has been made by the Alliance about whether to name names in Washington, you will want to discourage Adamkus from making that the key to judging Lithuania's treatment at the Summit.

The Lithuanian Parliament September 29 ratified a $300 million agreement giving the **Williams Company** a one-third share in the ownership and operation of Lithuania's oil sector, including a refinery, pipeline from Russia, and a terminal on the Baltic Sea. This is the largest U.S. investment in the Baltic states, and we want it to serve as a flagship for increased U.S. investment in Lithuania and the region. The Lithuanians accepted the Williams deal despite strong pressure from the Russians and the EU, the latter saying it would harm Lithuania's desire for early EU accession. You will want to applaud the Williams investment and encourage further U.S. investment. (Williams is now also proposing to expand its investment to include construction of a

trans-Belarus pipeline for carrying Russian and Caspian Sea oil to Lithuania's Baltic Sea port. This possibility might make it easier for Lithuania to accept closure of its Chernobyl-style nuclear power plant, and increase Russia's ability to earn significant hard currency. We have not yet decided how much we want to support this new project).

Adamkus has encouraged the GOL to resolve **Occupation and Restitution Issues**. He has already named the members of an international commission to examine the Nazi and Soviet occupations. He supports more flexible rules on property restitution, but we have not seen any real progress. He also supports bringing to justice war criminal Alexandras Lileikis, who was extradited from the U.S. in 1997, but whose trial has been postponed because of alleged ill health. By raising the need to return more Jewish community property and the Lileikis trial, you will give Adamkus ammunition to use with domestic opponents.

Lithuania made a binding international commitment to the Nuclear Safety Account (NSA) of the EBRD to close the **Ignalina Nuclear Power Plant**, which uses Chernobyl-style reactors. Under the agreement, Ignalina Unit One is to be closed when it can no longer be operated safely without rechannelling, a major overhaul that would extend the plant's life. Unit One will likely reach that point in 2000, 2-3 years sooner than originally predicted. Many in the Lithuanian government want to extend the life of Ignalina, at least in part to gain revenue from exporting electric power, but doing so would violate its commitment to the NSA (the U.S. chairs the NSA Donor's Group). EU President Santer has also advised Lithuania that breaking the NSA commitment would imperil Lithuania's chance for EU accession. You will want to let Adamkus know that we regard keeping the NSA agreement as a test of Lithuania's international credibility, and reassure him that we will work with Lithuania to identify funding for alternative power sources. A least-cost energy investment plan for the Baltic region will be available this December to help determine the best investment strategy to replace Ignalina.

Issues which Adamkus may raise include **humanitarian assistance to Kaliningrad**. Lithuania believes the financial crisis is hitting Kaliningrad especially hard, and worries that an unstable Kaliningrad will cause it problems. The Lithuanian prime minister wrote you last month encouraging coordination among potential donors. Lithuania has already provided medical assistance directly to Kaliningrad authorities and is also working through Polish and Russian NGOs. Lithuania chairs the Council of Baltic Sea States (CBSS) this year and also acts in

that capacity to coordinate aid. Russia has not clearly asked for food assistance, but we are considering ways we might help. You will want to thank Lithuania for being proactive in Kaliningrad; that is what we mean when we say NATO aspirants need to be contributors of security rather than just consumers of it. Building cross border ties and increasing regional stability is at the heart of what the NEI is about. Lithuania is also to be credited with improving relations with Russia this year. Primakov visited in the spring and preliminary agreement has since been reached on borders, though not ratified by the Duma..

Adamkus is expected to raise a number of military issues with SecDef Cohen, including asking for an **air defense study** and assistance (including hardware) to address shortfalls. Lithuania does have air defense needs and DoD plans to do a study. In general, however, we want to structure our bilateral assistance based on the priorities outlined in the Kievenaar study, which include, first of all, such basics as quality of life improvements and English language training..

III. PRESS ARRANGEMENTS

Official Photographer in your Outer Office at the beginning of the meeting.

IV. PARTICIPANTS

U.S.	Lithuania
The Secretary	Valdis Adamkus
EUR DAS Ron Asmus	Amb. Sakalauskas
S Staff	Raimundas Miezelis (Senior Advisor)
EUR/NB note taker	Vygaudas Usackas (MFA political director)
	Egidijus Meilunas (Deputy Advisor)
	Jonas Kronkaitis (Vice Min. of Defense)

Attachments:

Tab 1 - Check List
Tab 2 - Talking Points
Tab 3 - Biographic Information

1. NATO Enlargement

- Thank Lithuania for support on Kosovo, terrorism, and Cuba UN vote.
- Reassure Adamkus Open Door policy is real. No Russian veto, no "red line".
- Welcome improved relations with Russia.
- Acknowledge Lithuania's real progress in preparing for membership. Explain Washington Summit will include further programs to help aspirants beyond Madrid.
- However, in looking at the candidates, we do not see any ready for invitations.
- Explain Washington Summit will include further elements to help aspirants beyond Madrid.
- Will share our ideas with you in near future on concrete, practical steps we can take to strengthen open door.
- Don't judge Summit on naming names.

2. Williams Investment

- Applaud flagship investment, will attract other U.S. investment in its wake.
- Appreciate choice of U.S. partners, despite European pressure.

(T)

3. Occupation Issues

- Welcome formation of Commission on Occupation
- Hope you will be able to return more Jewish and other communal property seized by Nazis and communists. Want to see Vilnius and Kaunas property restitution cases settled.
- Delays in trying Alexandras Lilekeis reflect poorly on Lithuania. Medical board has found him able to stand trial.
- Should happen very soon.
- Hard to understand why not at least under house arrest pending trial.

4. Ignalina Nuclear Power Plant

- Nuclear Safety Account (NSA) agreement test of Lithuania's credibility in international affairs.
- Technical data indicates Unit One will have to be shut down for safety reasons, possibly by 2000.
- Lithuania made firm NSA commitment to not attempt to extend plant life by rechannelling.
- Will work with Lithuania to find financing for alternative power sources.
- Cost of a disaster not worth risk.

5. Assistance to Kaliningrad

- Welcome your initiative to work with Russians and Poles, and taking lead in Council of Baltic Sea States.

- Helps build regional security and stability. What we expect from an aspiring NATO member.

- Promoting cross-border cooperation essence of our Northern European Initiative.

- We are considering humanitarian assistance to Russia and will let you know.

6. <u>Defense Assistance</u> (if raised)

- We are undertaking bilateral assistance and multilateral coordination.

- Believe report by General Kievenaar best prioritizes what is needed, emphasizing basics first, like quality-of-life issues.

- View air defense and other areas in context of priorities of Kievenaar study; important but can be addressed over next few years.

~~CONFIDENTIAL~~

7235

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20504

October 22, 1998

ACTION

MEMORANDUM FOR SAMUEL R. BERGER

FROM: STEPHEN J. FLANAGAN SJF

SUBJECT: Memcon with President Adamkus of Lithuania on October 21, 1998

Attached at Tab A is the Memorandum of Conversation between the President and President Adamkus that took place on October 21, 1998.

RECOMMENDATION

That you authorize Glyn Davies to transmit the Memorandum of Conversation at Tab A to State.

Approve _____ Disapprove _____

That the attached Memorandum of Conversation be filed for the record.

Approve ____ Disapprove _____

Attachments
Tab I Memorandum to State
Tab A Memorandum of Conversation

~~CONFIDENTIAL~~
Reason: 1.5(b,d)
Declassify on: 10/22/08

DECLASSIFIED
E.O. 13526
White House Guidelines, September 11, 2006
By KBM NARA, Date 7-18-2013
2011-1038-F

~~CONFIDENTIAL~~

7235

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20504

MEMORANDUM FOR MS. KRISTIE A. KENNEY
Executive Secretary
Department of State

SUBJECT: Memcon with British President Adamkus of Lithuania on October 21, 1998 (U)

The attached Memorandum of Conversation between the President and President Adamkus is provided for the information of the Secretary of State. It must be distributed via NODIS channels and not below the Deputy Assistant Secretary (DAS) level. It may also be sent to our embassy in Vilnius for the Ambassador and/or Deputy chief of Mission (DCM) only. (C)

Glyn T. Davies
Executive Secretary

Attachment
Tab A Memcon

~~CONFIDENTIAL~~
Classified by: Glyn T. Davies
Reason: 1.5(b,d)
Declassify On: 10/22 08

DECLASSIFIED
E.O. 13526
White House Guidelines, September 11, 2006
By KBH NARA, Date 7-18-2013
2011-1038-F

THE WHITE HOUSE

WASHINGTON

DECLASSIFIED
PER E.O. 13526
2016-0384-M (1.93)
KBH 6/23/2023

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with President Adamkus of Lithuania (U)

PARTICIPANTS:
The President
Samuel R. Berger, Assistant to the President for National Security Affairs
Keith Smith, United States Ambassador to Lithuania
Stephen J. Flanagan, Special Assistant to the President and Senior Director for Central and Eastern European Affairs, NSC Staff, Notetaker

Valdus Adamkus, President
Stasys Sakalauskas, Ambassador to the United States
Raimundas Miezelis, Adviser to the President
Eidijus Meilunas, Deputy Adviser to the President on Foreign Affairs
Violeta Gaizauskaite, Spokesperson for the President

DATE, TIME AND PLACE: October 21, 1998, 6:45 - 7:05 p.m. EDT
Mr. Berger's Office

Mr. Berger: Welcome to the White House. I know you are no stranger to Washington or the U.S. government. (U)

President Adamkus: That's true. I spent 27 years in government, ending as Region V Administrator for the Environmental Protection Agency. I remember coming to meetings in the OEOB. So it is a pleasure to be back here in a very different capacity. (U)

Mr. Berger: How are the troubles in Russia affecting Lithuania? (C)

~~CONFIDENTIAL~~
Classified by: Glyn T. Davies
Reason: 1.5(b,d)
Declassify on: 10/22/08

President Adamkus: Well, only about 20 percent of our trade is with Russia, so losses in the Russian market are not doing great damage. Unemployment is up a bit, but at 5.6 percent pretty good for a transitioning economy. Still, a reduction of foreign capital and the general global slowdown have led us to lower our growth projections for next year from 7 to 6 percent. That said, we are delighted that American investment remains strong; we just closed on the big (energy distribution) deal with the Williams Company. (C)

Mr. Berger: How do you see events in Russia unfolding? (C)

President Adamkus: We expect very difficult times ahead. They confront profound political and economic challenges. We think it is important for the international community to remain engaged in efforts to stabilize the Russian economy. Some of the worst economic projections have not yet been borne out. (C)

Mr. Berger: It's important for the Russians to stay the course on some difficult reforms. However they are losing the confidence of Western banks and the international financial institutions due to default on their debts. The first tranche of IMF funds was gone in two days. We have told them they can't defy the laws of gravity of the global economy. (C)

President Adamkus: I want to mention our concerns about NATO enlargement. We are continuing our internal political and economic reforms and are building up our defense capacity in a very serious way. We hope that the United States and other NATO governments will give us careful consideration as you prepare for the Washington Summit. (C)

(The President joined the meeting at this point.)

The President: It's a pleasure to see you again. I'm glad that we have another chance to talk. (U)

President Adamkus: I truly appreciate your taking time to see me in the middle of this intense activity on Middle East diplomacy. It is a real honor and speaks well of your interest in Lithuania. (U)

The President: Well you have a lot of friends here. Senator Durbin called to tell me about all the good work you are doing. I don't know if you are aware of this, but we also have a sizable Lithuanian-American community in my hometown of Hope. They came to Arkansas from Chicago. A lot of those folks have

They came to Arkansas from Chicago. A lot of those folks have voted for me many times over the years and they still write me and remind me to do the right thing for Lithuania. (C)

The President: On the NATO issue, I just want to say we understand your concerns and are taking them into account as we prepare for the NATO Summit. (C)

The President: Congratulations on your environmental awards. You have done some important work in this area. I find in my discussions with world leaders that environmental issues are a more prominent facet of all our dealings. (U)

President Adamkus: I fully agree. We are doing a great deal of work with all our neighbors on environmental issues.

Mr. Berger: Mr. President, I know you have to leave now.

President Adamkus: Thank you very much Mr. President. Best wishes for success in the Middle East talks.

(The President left at this point)

President Adamkus: May I just ask one last question about your views on NATO enlargement? How do you see the next steps evolving? (C)

Mr. Berger: We have always seen NATO enlargement as a sustaining, incremental process. The Madrid decisions were not a one-time action. We envision that there will be additional tranches of states admitted to the Alliance. We are committed to working with Lithuania and other aspirants to assist your efforts to become the best possible candidates. (C)

President Adamkus: Thank you very much. (U)

Mr. Berger: It was a pleasure. (U)

-- End of Conversation --

~~CONFIDENTIAL~~

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20504

October 21, 1998

ACTION

MEMORANDUM FOR SAMUEL R. BERGER

FROM: STEPHEN J. FLANAGAN SJF

SUBJECT: Presidential Photo-Op with President Adamkus of Lithuania

Attached at Tab I is your memorandum to the President forwarding talking points for his photo-op with President Adamkus on Wednesday, October 21, 1998.

Concurrence by: Andrew Weiss AW/SF and Nancy McEldowney NMK/SF

RECOMMENDATION

That you sign the memorandum to the President at Tab I.

Attachments
Tab I Memo to the President
Tab A Points to be Made
Tab B Bio

~~CONFIDENTIAL~~
Reason: 1.5(d)
Declassify On: 10/21/08

DECLASSIFIED
E.O. 13526
White House Guidelines, September 11, 2006
By KBH NARA, Date 7-18-2013
2011-1038-F

~~CONFIDENTIAL~~

THE WHITE HOUSE

WASHINGTON

DECLASSIFIED
E.O. 13526, Sec. 3.5 (b)
White House Guidelines, September 11, 2006
By KBH NARA, Date 4/23/2023
2016-0384-M

PHOTO-OP WITH
PRESIDENT ADAMKUS OF LITHUANIA
DATE: October 21, 1998
LOCATION: Oval Office
TIME: 5:30 p.m.

FROM: SAMUEL BERGER

I. PURPOSE

To develop a relationship with President Adamkus, reassure him that NATO's door remains open and thank him for Lithuania's support on a number of issues.

II. BACKGROUND

Adamkus wants to keep Lithuania on your mind with regard to decisions on NATO enlargement. While appreciating that their bid for a membership invitation at the April 1999 NATO Summit is a longshot, Lithuanians feel their domestic reforms, serious efforts to develop their army and good relations with Russia have earned them serious consideration. You should avoid being drawn into this discussion about their qualifications for NATO. Rather, you should assure Adamkus that no decisions have been made and that we remain firmly committed to supporting their efforts to become the best possible NATO candidates.

Adamkus is making a private visit to the United States to receive awards for his environmental work. He took office just after the signing of the Baltic Charter in January. He was elected to his largely ceremonial post due, in part, to hopes that his U.S. government service and contacts would facilitate bilateral ties and boost Lithuania's NATO membership. His mild demeanor and centrist politics have also been assets in calming Lithuania's fractious political scene. He has done much to ensure Lithuania's support for our regional and global agenda, improve relations with Russia and other neighbors and make American firms the leading foreign investor in Lithuania.

~~CONFIDENTIAL~~
Reason: 1.5(d)
Declassify On: 10/21/08

Born in Lithuania, he emigrated to the United States as a young man. He had a distinguished U.S. government career ending as Region V Administrator of the Environmental Protection Agency. You had a brief encounter with Adamkus on the margins of the UN General Assembly in New York last month.

III. PARTICIPANTS

The President
Samuel R. Berger, Assistant to the President for National Security Affairs
Keith Smith, U.S. Ambassador to Lithuania
Stephen J. Flanagan, Special Assistant to the President and Senior Director for Central and Eastern European Affairs, NSC Staff, Notetaker

Valdus Adamkus, President
Stasys Sakalauskas, Ambassador
Eidijus Meilunas, Deputy Adviser on Foreign Affairs
Raimundas Miezelis, Adviser to the President
Violeta Gaizauskaite, Spokesperson for the President

IV. PRESS PLAN

White House photographer

V. SEQUENCE

Photo opportunity

Attachments
Tab A Points to be Made
Tab B Bio

POINTS TO BE MADE FOR PHOTO OPPORTUNITY WITH PRESIDENT ADAMKUS OF LITHUANIA

General

- Glad to have the chance to speak with you even briefly. It has been a busy week -- Wye talks, Kosovo, other issues.

- Congratulations on your honorary doctorate from Catholic University and the award from the Environmental Law Institute.

- Value Lithuania's support on Kosovo, terrorism and the Cuba UN vote. Appreciate your personal efforts to keep Lithuania open to American business. Delighted we are the leading foreign investor in Lithuania.

NATO/Russia

- Look forward to hosting you here for NATO Summit next April. Want to deepen partnership, enhance integration across continent.

- Want Summit to clarify NATO's role in 21st Century and bolster Open Door. As I said at Charter signing last January, welcome Lithuania's aspirations and support your efforts to become best possible candidate.

- **If pressed on NATO membership:** I've not decided whether to support issuance of additional membership invitations at Summit. Don't see consensus among current members to do so.

- Appreciate your creative efforts to improve relations with Russia, including your proposals on confidence building and assistance to Kaliningrad.

DECLASSIFIED
E.O. 13526, Sec. 3.5 (b)
White House Guidelines, September 11, 2006
By K&M NARA, Date 6/23/2023
2016-0384-M

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
009c. report	U.S. Government Report (3 pages)	03/04/1998	P1/b(1)

COLLECTION:
Clinton Presidential Records
National Security Council
European Affairs (Richard Norland)
OA/Box Number: 2630

FOLDER TITLE:
Lithuania: Bilateral

2011-1038-F
kh1052

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Flanagan, Stephen J.

From: Segal, Jack D.
Sent: Wednesday, October 21, 1998 1:06 PM
To: @RUSSIA - Russia/Ukraine
Cc: @CEE - Central/Eastern Europe; Davidson, Leslie K.
Subject: Adamkus at CSIS [UNCLASSIFIED]

Adamkus, who worked 25 years for the EPA in Chicago, spoke to a smallish crowd this morning. Zbig did the introductions and gladly accepted credit for maintaining the non-recognition of Soviet sovereignty policy.

Adamkus' main points:

NATO,NATO,NATO - many times: Lith wants to be in whether the next tranche is a Lithuania/Slovenia pairing, an all-Baltic set, or some variant. Lith. is devoting 1.6% of budget this year to interoperability and will raise that to 2% per year by 2000. Quoted Sec. Albright's post-Madrid comment that "Europe is not secure unless the Balts are secure" -- he agreed.

Relations with Russia: No need to assume that NATO membership rules out friendly relations with Moscow. Also, on Kaliningrad, full recognition of the region's status but again, friendly ties. Lith. just allocated $1m in food and medical relief funds for Kaliningrad, and adamkus is meeting the regional governor next week in Vilnius.

Russia's instability: Lith. only does 20% of its trade turnover with Russia, inflation likely to be 6% this year, so no big econ impact. Inside Russia, he thinks the young people will not turn back, so we just need to be patient and the "outdated stereotypes" about the west will fade away. western powers must stay engaged; not allow chaos to take hold.

Belarus: Lith. pulled its Ambassador with rest of west, but is trying to keep communications open. Offered to serve as go-between for western players.

Ukraine: Sees Ukr. as crucial to regional stability. Worrisome econ situation. Proposed Poland-Lith-Ukr-Baltic linkages to deal with mutual concerns. Will have state visit to Kiev next month.

Nazi collaborators? Lith. supports legal processes. On hot-button, long-delayed case against Leatis(?), court will convene within "in a couple weeks"- medical team says he well enough to stand trial.

EU membership? Ready now. Maybe by end of 1998.

JS

JUNGTINIŲ AMERIKOS VALSTIJŲ
LIETUVIŲ BENDRUOMENĖS XV TARYBOS PREZIDIUMAS
LITHUANIAN AMERICAN COMMUNITY, INC.
BOARD OF DIRECTORS

Donatas Skučas
Pirmininkas
4407 Majestic Lane
Fairfax, VA 22033
Tel: (703) 378 0919
Fax: (703) 378 7041
skucasgd@aol.com

Jonas Karosas
Sekretorius
9 Sperry Lane
East Haven, CT 06513
Tel: (203) 469 8365
Fax: (203) 469 8365
jonas.karosas@aya.yale

Laima Karosienė
Narė - Korespondentė
9 Sperry Lane
East Haven, CT 06513
Tel: (203) 469 8365
Fax: (203) 469 8365
lkarosas@fair1.fairfield.edu

Dalia Puškorienė
Narė
130 Steeple Chase Hill
Willoughby Hills, OH 44092
Tel: (216) 943 5762
Tel: (419) 843 5041
Fax: (419) 244 9213

Aušrelė T. Sakalaitė
Narė
1218 S. 169th St.
Omaha, NE 68130
Tel: (402) 334 7326
Fax: (402) 691 3947
asakalas@lucent.com

20 October 1998

President William J. Clinton
The White House
Washington, DC 20500

Dear Mr. President,

On behalf of the Lithuanian American Community in the United States, I would like to express our concerns at the possibility of you not meeting with his Excellency, The President of the Republic of Lithuania, Mr. Valdas Adamkus. We understand you are very preoccupied with the Middle East peace process, and the Community wholeheartedly supports you in your effort, however, failure to meet with President Adamkus, even for a courtesy visit, would send the wrong message to voters of Lithuanian descent in the forthcoming elections. It would also undermine President Adamkus' pro West, pro US, policies in Lithuania, and could indicate to the people of Lithuania a faltering of the United States commitment to bring democracy to their country.

Again, The Board of Directors, urges you Mr. President, to find at least minimal time to see President Adamkus.

Sincerely Yours,

Donatas Skucas

Donatas Skucas
Chairman

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20504

October 8, 1998

ACTION

MEMORANDUM FOR SAMUEL R. BERGER

FROM: STEPHEN J. FLANAGAN SF

SUBJECT: Schedule Proposal for Presidential Meeting with Lithuanian President

Attached is a schedule proposal for the President to meet with Lithuanian President Vladus Adamkus.

Concurrence by: Carlos CP Pascual, Gina Abercrombie-Winstanley GA-W

RECOMMENDATION

That you sign the Schedule Proposal at Tab I.

Attachment
Tab I Schedule Proposal

THE WHITE HOUSE

WASHINGTON

Schedule Proposal date____/_____/_____

_____ACCEPT _____REGRET _____PENDING

TO: Stephanie Streett

FROM: Samuel Berger
Larry Stein
Minyon Moore

REQUEST: Meeting with Lithuanian President Vladus Adamkus

PURPOSE: To develop a relationship with President Adamkus, who took office just after the signing of the Baltic Charter in January, and to underscore our commitment to Lithuania's security and integration into the transatlantic community at a time of great uncertainty in Russia.

BACKGROUND: Adamkus is making a private visit to the United States to receive an environmental award. This meeting is strongly supported by Senator Durbin and the Lithuanian-American community. Adamkus was elected to this largely ceremonial post in part due to hopes that his U.S. government service and contacts would facilitate bilateral ties and boost Lithuania's NATO membership. His mild demeanor and centrist politics have also been assets in calming Lithuania's fractious political scene. Born in Lithuania, he emigrated to the United States as a young man. He had a distinguished U.S. government career ending as Region V Administrator of the Environmental Protection Agency. He has done much to help promote

	American investment in Lithuania and to keep relations on a positive note.
PREVIOUS PARTICIPATION:	The President had a brief encounter with Adamkus on the margins of the UN General Assembly in New York last month.
DATE AND TIME:	October 22 (preferred); October 21 or 23 possible.
BRIEFING TIME:	5 minutes
DURATION:	15 minutes
LOCATION:	Oval Office
PARTICIPANTS:	Senator Durbin and others TBD
OUTLINE OF EVENTS:	TBD
REMARKS REQUIRED:	To be provided by NSC
MEDIA COVERAGE:	Official photos
FIRST LADY'S ATTENDANCE:	Not required
VICE PRESIDENT'S ATTENDANCE:	Optional
RECOMMENDED BY:	NSC, Department of State, Senator Richard Durbin
CONTACT:	Stephen Flanagan, 69151
ORIGIN OF THIS PROPOSAL:	NSC
SECOND LADY'S ATTENDANCE:	Not required

DECLASSIFIED
PER E.O. 13526
2016-0384-M (1.95)
KBH 6/23/2023

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with President Adamkus of Lithuania (U)

PARTICIPANTS:
The President
Samuel R. Berger, Assistant to the President for National Security Affairs
Keith Smith, United States Ambassador to Lithuania
Stephen J. Flanagan, Special Assistant to the President and Senior Director for Central and Eastern European Affairs, NSC Staff, Notetaker

Valdus Adamkus, President
Stasys Sakalauskas, Ambassador to the United States
Raimundas Miezelis, Adviser to the President
Eidijus Meilunas, Deputy Adviser to the President on Foreign Affairs
Violeta Gaizauskaite, Spokesperson for the President

DATE, TIME AND PLACE: October 21, 1998, 6:45 - 7:05 p.m. EDT
Mr. Berger's Office

Mr. Berger: Welcome to the White House. I know you are no stranger to Washington or the U.S. government. (U)

President Adamkus: That's true. I spent 27 years in government, ending as Region V Administrator for the Environmental Protection Agency. I remember coming to meetings in the OEOB. So it is a pleasure to be back here in a very different capacity. (U)

Mr. Berger: How are the troubles in Russia affecting Lithuania? (C)

Classified by: Glyn T. Davies
Reason: 1.5(b,d)
Declassify on: 10/22/08

President Adamkus: Well, only about 20 percent of our trade is with Russia, so losses in the Russian market are not doing great damage. Unemployment is up a bit, but at 5.6 percent pretty good for a transitioning economy. Still, a reduction of foreign capital and the general global slowdown have led us to lower our growth projections for next year from 7 to 6 percent. That said, we are delighted that American investment remains strong; we just closed on the big (energy distribution) deal with the Williams Company. (C)

Mr. Berger: How do you see events in Russia unfolding? (C)

President Adamkus: We expect very difficult times ahead. They confront profound political and economic challenges. We think it is important for the international community to remain engaged in efforts to stabilize the Russian economy. Some of the worst economic projections have not yet been borne out. (C)

Mr. Berger: It's important for the Russians to stay the course on some difficult reforms. However they are losing the confidence of Western banks and the international financial institutions due to default on their debts. The first tranche of IMF funds was gone in two days. We have told them they can't defy the laws of gravity of the global economy. (C)

President Adamkus: I want to mention our concerns about NATO enlargement. We are continuing our internal political and economic reforms and are building up our defense capacity in a very serious way. We hope that the United States and other NATO governments will give us careful consideration as you prepare for the Washington Summit. (C)

(The President joined the meeting at this point.)

The President: It's a pleasure to see you again. I'm glad that we have another chance to talk. (U)

President Adamkus: I truly appreciate your taking time to see me in the middle of this intense activity on Middle East diplomacy. It is a real honor and speaks well of your interest in Lithuania. (U)

The President: Well you have a lot of friends here. Senator Durbin called to tell me about all the good work you are doing. I don't know if you are aware of this, but we also have a sizable Lithuanian-American community in my hometown of Hope. They came to Arkansas from Chicago. A lot of those folks have

voted for me many times over the years and they still write me and remind me to do the right thing for Lithuania. (C)

The President: On the NATO issue, I just want to say we understand your concerns and are taking them into account as we prepare for the NATO Summit. (C)

The President: Congratulations on your environmental awards. You have done some important work in this area. I find in my discussions with world leaders that environmental issues are a more prominent facet of all our dealings. (U)

President Adamkus: I fully agree. We are doing a great deal of work with all our neighbors on environmental issues.

Mr. Berger: Mr. President, I know you have to leave now.

President Adamkus: Thank you very much Mr. President. Best wishes for success in the Middle East talks.

(The President left at this point)

President Adamkus: May I just ask one last question about your views on NATO enlargement? How do you see the next steps evolving? (C)

Mr. Berger: We have always seen NATO enlargement as a sustaining, incremental process. The Madrid decisions were not a one-time action. We envision that there will be additional tranches of states admitted to the Alliance. We are committed to working with Lithuania and other aspirants to assist your efforts to become the best possible candidates. (C)

President Adamkus: Thank you very much. (U)

Mr. Berger: It was a pleasure. (U)

-- End of Conversation --

EMBASSY OF THE REPUBLIC OF LITHUANIA
2622 SIXTEENTH STREET, N.W.
WASHINGTON, D.C. 20009

TEL: /202/ 234-5860
FAX: /202/ 328-0466

DATE: October 19th, 1998
FAX NR. 456-9150

ATTENTION: Mr. Steve Flanagan

FROM: R. Karragienė PAGES: 4 + cover sheet

MESSAGE:

To Brenda H.

DRAFT
10/19/98

PROGRAMME OF THE VISIT
OF THE PRESIDENT OF THE REPUBLIC OF LITHUANIA
HIS EXCELLENCY VALDAS ADAMKUS
October 15th - 23rd, 1998
Chicago - Washington

Chicago, Thursday – October 15th, 1998

3:50 p.m. **- Arrive Chicago**
Private time

Chicago, Sunday - October 18th, 1998

9:00 a.m. **- Working breakfast with Leaders of the major American Lithuanian organizations**

10:30 a.m. **- Mass at Marquette Park Roman Catholic Church**

6:00 p.m. **- Lithuanian community Banquet at Willow Brooks**

Chicago, Monday - October 19th, 1998

11:30 a.m. **- Meeting with the Governor of the State of Illinois, The Honorable Jim Edgar**

12:00 **- Luncheon, hosted by *Mid America Committee***

2:00 p.m. **- Meeting with the members of Polish American Congress**

4:30 p.m. **- Meeting with His Eminence, Francis Cardinal George, Archbishop of Chicago**

5:30 p.m. **- Visiting and address to *the University of Chicago***

Chicago - Washington, Tuesday - October 20th, 1998

10:10 a.m. **- Address to the *International Trade Centre* seminar "Baltic Rim: Sea of Dreams"**

11:30 a.m. - **Courtesy visit to the Mayor of the City of Chicago, The Honorable R. Daley**

7:30 p.m. - **Depart Chicago**

10:12 p.m. - **Arrive Washington Reagan National Airport. Accomodation at *The Carlton.* Private time**

Washington, Wednesday - October 21st, 1998

Meetings with the following highest officials of the United States of America are requested:

- *Secretary of State Madeleine K. Albright;*
- *members of Senate and House of Representatives*

9:00 a.m. - **Visiting T*he U.S. Holocaust Memorial Museum***

10:15 a.m. - **Meeting with the *Secretary of Commerce William M. Daley* /Ms. Lorrie Curey, tel. (202) 482-2645/**

11:00 a.m. - **Statesmen's Forum at *the Center of Strategic and International Studies.* Address of H.E. Valdas Adamkus "Europe as an Unfinished Business: Lithuania's Vision" /1800 K Street, N.W., Suite 400; Ms. Molly Dietz, tel. (202) 775-3133/**

12:10 a.m. - **Meeting with the former National Security Adviser Zbigniew Brzezinski**

12:30 p.m. - **Luncheon meeting with the members of *the U.S. Committee on NATO* at *Metropolitan Club***

3:30 p.m. - **Meeting with the President of *The Catholic University of America,* Very Reverend David M. O'Connell** /Ms. Polly Schechter, Assistant to the Secretary of the University, Protocol and Special Events Coordinator, tel. (202) 319-5811/

4:00 p.m. - **Special convocation at *the Catholic University of America* to honor H.E. Valdas Adamkus, the President of the Republic of Lithuania, with the degree, Doctor of Law, *honoris causa.* Address of H.E. Valdas Adamkus "Environmental Protection as our Moral and Legal Obligation: an Old Issue in the Modern Post-Cold War Context", inaugurating the series of lectures on critical global issues** /Dr. Antanas Sužiedėlis, Dean of the School of Arts and Sciences,

tel. 319-5115/

6:00 p.m. - **Diplomatic reception in honor of the President of the Republic of Lithuania H.E. Valdas Adamkus and Mrs. Adamkus at the Embassy of the Republic of Lithuania**

Washington, Thursday - October 22nd, 1998

8:30 a.m. - **Breakfast meeting at *University Club***

10:00 a.m. - **Meeting with The Secretary of Defence William S. Cohen /The Pentagon/**

11:00 p.m. - Meeting with Senators Chuck Hagel and William V. Roth /Capitol Hill/

1:00 p.m. - **Meeting with Senator Robert C. Byrd** /Embassy of Lithuania/

2:00 p.m. - ***National Press Club.* Address of H.E. Valdas Adamkus "Lithuania's Security Vision on the Threshold of the XXI Century"** /529 14th Street, N.W.; Ms. Connie Irwin, tel.(202) 548-6888/

3:30 p.m. - Meeting with Congressman Christopher Cox

4:00 p.m. - **Meting with the Representatives of the U.S. Jewish organizations in Washington, D.C.**

4:30 p.m. - **Interview to Radio Free Europe (Yurij Zorin, Russian Section)**

6:15 p.m. - ***Environmental Law Institute* Board reception** /Ms. Tess Doheny, ELI, Director for Development, tel. (202) 939-3820/

8:00 p.m. - ***Environmental Law Institute Annual Award Dinner* to honor His Excellency Valdas Adamkus, President of the Republic of Lithuania with the 1998 *Environmental Law Institute Award***

Washington, Friday - October 23rd, 1998

8:30 a.m. - **Breakfast meeting with Dr. Terry R. Lash, Director of the International Nuclear Safety Program at *The Carlton***

... - Meeting with H.E. William J. Clinton, President of the United States of

America

12:00 **- Meeting with American-Lithuanian community at the Embassy of Lithuania**

3:00 p.m. - Meeting with Ms. Carol M. Browner, Administrator, U.S. Environmental Protection Agency

5:45 p.m. **- Depart for Osnabruck (Germany) from Dulles International Airport] (LH 419)**

P.S. Bold regular indicates items that have been agreed upon.

Rebecca Ward
619-2763

Ernest Royal Cops

SB Arrived
- 22 years in spot.
- Rec

SB/VA How troubles affecting you

VA
- 20% Russian Nat Living us
- Unemployt reasonable 5-6%
- Growth 7%
- Withus Rend stayed

SB Russia unfolding

Connection w/ western banks
SB - 1st trade gone in two days
- Law of gravity of global economy.

NATO expansion
- Indicated to them that
build up capacity

WC Ennerdale not spot

Lithuania coming in Hope. From Chicago
- Czech, Greek, Hungary
- Ethnic Festival

705

(VA) → Financial issues were said to be more prominent in all our dealings.

Steve Dubin called us

How have do get bulk
- 3/4 in an
- Ty

But link is not

(SB) Entering press. Financial
Summer trades
etc. Next steps that
are the. Summari
ners.

6907

THE WHITE HOUSE

WASHINGTON

Schedule Proposal date 10 / 13 / 98

_____ACCEPT _____REGRET _____PENDING

TO: Stephanie Streett

FROM: Samuel Berger (K) FA
Larry Stein LS
Minyon Moore MM

REQUEST: Meeting with Lithuanian President Vladus Adamkus

PURPOSE: To develop a relationship with President Adamkus, who took office just after the signing of the Baltic Charter in January, and to underscore our commitment to Lithuania's security and integration into the transatlantic community at a time of great uncertainty in Russia.

BACKGROUND: Adamkus is making a private visit to the United States to receive an environmental award. Born in Lithuania, he emigrated to the United States as a young man. He had a distinguished U.S. Government career ending as Region V Administrator of the Environmental Protection Agency. He has done much to help promote American investment in Lithuania and to keep relations on a positive note. Adamkus was elected to this largely ceremonial post in part due to hopes that his U.S. Government service and contacts would facilitate bilateral ties and boost Lithuania's NATO membership. His mild demeanor and centrist politics have also been assets in calming Lithuania's fractious political scene. This meeting is strongly supported by

	Senator Durbin and the Lithuanian-American community.
PREVIOUS PARTICIPATION:	The President had a brief encounter with Adamkus on the margins of the UN General Assembly in New York last month.
DATE AND TIME:	October 22 (preferred); October 21 or 23 possible.
BRIEFING TIME:	5 minutes
DURATION:	15 minutes
LOCATION:	Oval Office
PARTICIPANTS:	Senator Durbin and others TBD
OUTLINE OF EVENTS:	TBD
REMARKS REQUIRED:	To be provided by NSC
MEDIA COVERAGE:	**Official photos**
FIRST LADY'S ATTENDANCE:	**Not required**
VICE PRESIDENT'S ATTENDANCE:	Optional
RECOMMENDED BY:	**NSC, Department of State, Senator Richard Durbin**
CONTACT:	Stephen Flanagan, 69151
ORIGIN OF THIS PROPOSAL:	NSC
SECOND LADY'S ATTENDANCE:	Not required

LIETUVOS RESPUBLIKOS AMBASADA
VAŠINGTONAS

EMBASSY OF THE REPUBLIC OF LITHUANIA
WASHINGTON, D.C.

October 6, 1998

Mr. Stephen Flanagan,
Special Assistant to the President
Central and Eastern Europe Directorate
National Security Council

Dear Mr. Flanagan,

It is my great pleasure to convey the letter received by fax from H.E. Valdas Adamkus, President of Republic of Lithuania to H.E. William J. Clinton, President of the United States of America.

Sincerely,

Stasys Sakalauskas
Ambasadorius

Lietuvos Respublikos Prezidentas

Vilnius, 1998 m. spalio 5 d.

Gerbiamasis pone Prezidente,

Malonia' prisimenu taurpą susitikimą su Jumis Niujorke, Jungtinių Tautų Generalinės Asamblėjos 53-osios sesijos metu.

Naudodamasis proga, noriu padėkoti Jums už Jūsų aktyvų asmeninį indėlį plėtojant bei tvirtinant Lietuvos ir Jungtinių Amerikos Valstijų ryšius. Manau, kad išsamiau mūsų valstybes dominančius klausimus galėsime aptarti mūsų susitikimo Vašingtone metu šių metų spalio mėnesio pabaigoje, kai lankysiuosi Jūsų šalyje su darbo vizitu. Nuoširdžiai tikiu, kad toks susitikimas taps nauja gairė plėtojant abiejų valstybių glaudų ir įvairiapusį bendradarbiavimą.

Linkiu Jums, pone Prezidente, ištvermės ir kuo geriausios kloties, o visiems Jungtinių Valstijų žmonėms – gerovės bei klestėjimo.

Priimkite mano aukščiausios pagarbos žodžius.

Valdas Adamkus

Jo Ekscelencijai
Williamui J. Clintonui
Jungtinių Amerikos Valstijų Prezidentui

Lietuvos Respublikos Prezidentas

Translation

Vilnius, 5 October 1998

Dear Mr. President,

With pleasure I remember our brief meeting in New York at the 53rd session of the United Nations General Assembly.

I would like to avail myself of this opportunity to thank you for your personal contribution to the development and strengthening of relations between Lithuania and the United States of America. I consider that our meeting in Washington D.C. at the end of October, during my working visit to the United States, will present us with the opportunity to discuss in greater depth the issues of interest to our states. It is my sincere belief that the forthcoming meeting will serve as a new guideline in the furtherance of a still closer and all-round co-operation between our states.

I wish you, Mr. President, fortitude and the best of success, and the people of the United States – well being and prosperity.

Please accept the assurances of my highest consideration.

/s/

Valdas Adamkus

His Excellency
William J. Clinton
President
United States of America

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
012. email	Nancy McEldowney to Stephen Flanagan re: Lithuanian Ambassador (2 pages)	08/20/1997	P1/b(1)

COLLECTION:
Clinton Presidential Records
National Security Council
European Affairs (Richard Norland)
OA/Box Number: 2630

FOLDER TITLE:
Lithuania: Bilateral

2011-1038-F
kh1052

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

U.S. - LITHUANIA
ECONOMIC BILATERAL WORKING GROUP
JUNE 9, 1998, WASHINGTON, DC
AGREED MINUTES

The inaugural session of the U.S. - Lithuania Economic Bilateral Working Group convened June 9, 1998 at the U.S. Department of State in Washington. Stuart Eizenstat, Under Secretary for Economic, Business and Agricultural Affairs led the U.S. delegation. Vincas Babilius, Minister of Economy, led the Lithuanian delegation.

In their opening remarks, the two delegation leaders noted that the economic bilateral working group can provide a new foundation for economic relations and can assist in implementing the principles of the Charter of Partnership. They agreed that a primary goal of the inaugural session of talks should be to compile a set of tasks that can be accomplished together within the coming year, with a report on their status to be presented to the Partnership Commission meeting on June 25, 1998. They also agreed to establish a business advisory group involving representatives of the private sector that would advise the bilateral working group.

The EU and the U.S-Lithuanian Relationship

Both sides stressed that the enlargement of the EU will contribute to a stable and prosperous Europe. They agreed to maintain strong bilateral contacts between them as Lithuania progresses in the accession process.

WTO, OECD, and IPR Protection

The two sides agreed to work together to facilitate Lithuania's accession to the World Trade Organization (WTO) on a firm commercial basis in the near future. The United States reviewed recent high level discussions with the EU on this matter, and expressed hope to reach an acceptable agreement with the EU soon. The two sides agreed that the issues involved in the accession processes for the WTO and the EU should be considered separately. The two sides noted their support for continued work on the OECD MAI for bringing the negotiations to a successful conclusion. The U.S. side urged that Lithuania do more to enforce IPR legislation and offered copyright law enforcement training and other related assistance to Lithuania.

The Northeastern European Initiative (NEI)

The delegations agreed that the Economic BWG can complement the political and security elements of the NEI by designing an appropriate economic/commercial strategy focussed on Baltic integration and regional stability. The two sides will work together with the other governments in the region to create better conditions for trade and investment and that will open new opportunities for the private sector, particularly in the areas of energy, transportation, communication, and environment.

Bilateral Commercial and Investment Relationship

The two sides agreed that a strong bilateral trade and investment relationship contributes to Lithuanian security and stability and acts to strengthen bilateral relationships in other areas. They agreed to work to increase bilateral trade levels, and acknowledged that their companies look for an open, stable and predictable investment environment. The Lithuanian side pledged to further encourage U.S. firms, especially in the areas of energy, transportation, environment, and communication. Citing Lithuania's excellent track record on promoting U.S. investment, the U.S. side also recognized that Lithuania offers unique opportunities for U.S. firms desiring to export from Lithuania to Russian or EU markets, and lauded Lithuania's promotion of U.S. investment as regional model. The two sides also agreed to look to state or other regional partnerships to generate new investment and trade. Lithuania agreed to reestablish promptly the legal ability of the U.S.-funded Baltic American Enterprise Fund to continue making favorable loans to Lithuanian companies.

Transit Cooperation

The U.S. National Oceanographic and Atmospheric Administration (NOAA) agreed to provide hydrographic technical training and historical mapping documentation to Lithuania. Lithuania is reviewing favorably a draft U.S. text for a proposed bilateral "Open Skies" air transport agreement, and the U.S. Department of Transportation agreed to favorably consider Lithuanian requests for air traffic safety training. The United States agreed to support potential requests for financing purchases of U.S.-made aircraft and equipment and to review feasibility studies for evaluating the commercial viability of expanded container transport from Klaipeda Port.

Energy and Environmental Cooperation

Commending Lithuania's commitment to improve the safety of its nuclear power program, the United States pledged nearly $1 million over the next two years in regulatory assistance and another $5 million in technical assistance. This aid is contingent on continued compliance with the Nuclear Safety Account (NSA) Grant Agreement with the EBRD as well as the availability of funds.

The United States also agreed to evaluate potential joint energy investment projects on a regional least cost basis. Lithuania pledged to promulgate a comprehensive energy strategy based on sound economic assumptions and full compliance with the NSA Grant Agreement within the next several weeks.

The United States committed to continuing its efforts to help Lithuania address environmental concerns at former Soviet military facilities and in the Baltic Sea and Nemunas River, particularly in collaboration with Russian officials in Kaliningrad.

Law Enforcement

Both sides expressed appreciation for the exchange programs involving the education and training of officials in export and crime control, and in anti-terrorism. The United States will favorably consider Lithuania's requests for continued training assistance and excess anti-terrorism equipment. The United States will continue instruction in management of organized crime, counterfeiting and undercover law enforcement; it also will install a state-of-the-art-automated export licensing system, "TRACKER," in Lithuania in autumn, 1998.

Banking Cooperation

Banking and financial-sector reform remain crucial priorities. Lithuania has made slow but significant progress since 1990, and Lithuania will continue to strengthen bank regulation and supervision, administer the banking sector evenhandedly and fairly, and maintain the integrity of the Central Bank. The United States welcomed Lithuania's decision to privatize two banks, offered to explore the establishment of a bank privatization fund, and agreed to address Lithuania's requests for assistance on investment fund regulation, clearing management, bank mergers and acquisitions, capital market development, stock exchange listings, as well as the essentials of commercial and investment banking supervision.

Agricultural Cooperation

Recognizing the importance and potential of Lithuania's agricultural export market to Europe, both sides agreed to use the proposed Memorandum of Understanding on Agricultural Cooperation as a creative mechanism to promote agricultural exports. The United States explained means under its Generalized System of Preferences (GSP) for Lithuania to facilitate imports of various Lithuanian cheeses.

Future Activities

The two sides agreed to reconvene the Economic BWG on an annual basis, alternating venues, and to prepare a report on objectives and progress for presentation at the first meeting of the Partnership Commission to be held in Riga on June 25,1998.

Signed in Washington, DC on June 9, 1998 by

_____

Ambassador Stuart Eizenstat
Under Secretary for Economic, Business and Agricultural Affairs,
U.S. Department of State

_____

Vincas Babilius
Minister of Economy
Republic of Lithuania

U:SilskiAL\Lithuania\BWG Agreed Minutes
drafter: EUR/NB:MAHorning, 7-8378, 6/10/98
Cleared: EUR:JIGadsden
EUR/NB:ALSilski AS TJEvans TE
EUR/NB:GAMilovanovic
EUR/EEA:JHolmes
EUR/ERA:WPrimosch
EB:JSpiro
PM/SC:CKessler
INL:MBrooks
DS:JDavis
USDOC/CEEBIC:JBurgess
NSC:SFlanagan
USTR:RBoehme
DOE:KBerry
USDA:AAvidor
USEPA:LPasarew
USDOT:MKoubek