



Weekly Briefing

**Lithuania external relations briefing:
Lithuania's 20-year Anniversary in NATO:
Keep Calm and Prepare for Defence**
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Lithuania's 20-year Anniversary in NATO: Keep Calm and Prepare for Defence

Summary

On March 29, 2024, Lithuania celebrated its 20-year anniversary as a member of the NATO Alliance. NATO serves as a vital pillar of Lithuania's national security, military deterrence, and foreign policy. However, recognizing the need to address the heightened geopolitical tensions and prepare for potential military threats, Lithuania has taken significant steps beyond relying solely on NATO. To bolster its defence capabilities, Lithuania has allocated a military spending budget of 2.1 billion Euros, equivalent to 2.7% of its GDP. There are widespread calls from Lithuanian citizens, politicians, and businesses to further increase defence spending to 3.5% or even 4% of GDP. The Lithuanian Army emphasizes that while the likelihood of direct military conflict in Lithuania is low, the country must prioritize enhancing its readiness for self-defence – a powerful deterrent against potential aggressors. Lithuania's deterrence efforts will receive additional support through potential investments from German weapons manufacturer Rheinmetall and the development of domestic capabilities for manufacturing combat drones. Furthermore, under the leadership of the new Defence Minister, Laurynas Kasčiūnas, initiatives aimed at creating a flexible regulatory environment for Lithuania's defence industry will ensure that the nation's defensive capabilities continue to evolve.

Introduction

On the 29th of March, Lithuania, together with other six countries, celebrated its 20-year anniversary as a member of NATO. On this day in 2004 Lithuania officially joined the military alliance, becoming a full-fledged member of the North Atlantic Organization. Themed events were held in Vilnius and other towns across the country. Lithuania's NATO membership provides a vital security guarantee, ensuring that it will never stand alone in the face of challenges, thanks to the Article 5 of the NATO defence commitment treaty. This is one of the most important achievements of independent Lithuania. During these twenty years, both the security environment and the Alliance itself have changed radically. In response to Russia's invasion of Ukraine, NATO returned to its roots of deterrence and territorial collective defence.

Allies are taking concrete steps to consolidate their political commitment to defend every inch of NATO territory.¹

Coinciding with this anniversary, there have been quite a few important developments and news with regards to Lithuania's defence capabilities and industry.

Preparation for Defence

Lithuania is getting better prepared to defend itself against a military or hybrid attack. The preparations and developments described below are in addition to the agreement to deploy the German brigade in Lithuania, which has already been finalized and has been a significant win which will boost Lithuania's defence as well as deterrence against Russia. The article about the German brigade was posted on China-CEE Institute website in December 2023.²

An important factor of how well a country is prepared to defend itself against an enemy is how much money the country dedicates towards its defensive capabilities. A bit of warmongering on the government's part was in a way necessary to gather popular support in Lithuania for the 3 per cent of GDP to be allocated towards defence. Gaining this popular support has been achieved. Although for the year 2024 it is budgeted that Lithuania towards its defence will spend 2.1 billion Euros, or 2.7 per cent of its GDP, the general consensus among politicians is that Lithuania should allocate 3 per cent of its GDP for its defence. With this ratio of spending on defence to its GDP, Lithuania is among the TOP 5 members of NATO.

In March 2024, there are more articles in the media and discussions on political stage whether Lithuania could afford dedicating 4 per cent of its GDP for defence. Some politicians are raising the stakes and have even started proposing that up to 4 per cent of Lithuania's GDP should be spent on its defence.

A survey, carried out in February 2024, showed that 57 per cent of Lithuanian citizens agree that Lithuania should allocate 4 per cent of its GDP for defence, and around 7 out of 10 respondents want politicians to agree on defence funding as soon as possible. In order to encourage politicians to agree on 4 per cent allocation for defence as soon as possible, the "4

¹ Ministry of National Defence of the Republic of Lithuania: 20 metų NATO - kiekvienos sąjungininkės uždavinys – būti pasiruošusia ginti ir gintis, at <https://kam.lt/20-metu-nato-kiekvienos-sajungininkes-uzdaviny-buti-pasiruosusia-ginti-ir-gintis/>

² China-CEE Institute, Weekly Briefing, Vol. 68. No. 4 (LT) December 2023: German Brigade in Lithuania and Increasing NATO Presence in the Baltics, at: <https://china-cee.eu/2024/02/04/lithuania-external-relations-briefing-german-brigade-in-lithuania-and-increasing-nato-presence-in-the-baltics/>

per cent” initiative has been started by civic-minded Lithuanian businesses and organizations. The supporters of this initiative invite Lithuanian citizens to electronically sign a petition and issue a formal demand for the politicians to agree to increase the spending on defence.³

The survey results and the “4 percent” initiative hold significance, as they reflect widespread public support for increased defence spending. In Lithuania, it is common for politicians to respond to societal sentiments by initiating political campaigns on related issues, aiming to secure both support and votes. As the election season approaches, it is likely that some political parties will advocate for greater investment in defence. Such spending will not only strengthen Lithuania’s military but also enhance the country’s preparedness, making it a more formidable adversary for any potential aggressor. In this context, prioritizing defence expenditure becomes crucial, aligning with the understanding that a well-prepared nation acts as a powerful deterrent against external threats.

Businesses support more spending on defence

Not only citizens but also businesses are increasingly supporting the idea of increased spending on defence, even if it means paying more taxes.

According to the Lithuanian Business Confederation president Andrius Romanovskis, against the backdrop of an unprecedented threat, we must strengthen our defence, so decisions on increasing funding are inevitable. The sooner we agree on them, the safer we will be. "There is no better investment today - money for defence today can ensure the safety of our country, its people and its businesses tomorrow." Security does not appear out of nowhere - its strengthening requires decisive and courageous decisions, so everyone must be ready to contribute and take responsibility for the future of our country. In this way, we will show the aggressor our unity and determination to fight", says A. Romanovskis in a press release.⁴

Another business representative, Mantas Mikuckas, Chairman of the Board of Unicorns Lithuania and co-founder of Vinted, says that no enemy will defeat Lithuania if we are united. "We must not be afraid and it is time to roll up our sleeves, act, increase defence funding to 4 percent of GDP and thus show the determination of our citizens to the aggressor who seeks to

³ DELFI: Dauguma gyventojų – už didesnę gynybos finansavimą: politikus susitarti dėl 4 proc. BVP gynybai kviečia nauja iniciatyva „4 procentai“

Skaitykite daugiau: <https://www.delfi.lt/projektai/vienijamas-del-gynybos/dauguma-gyventoju-uz-didesni-gynybos-finansavima-politikus-susitarti-del-4-proc-bvp-gynybai-kviecia-nauja-iniciatyva-4-procentai-96205847>

⁴ Ibid.

intimidate us." This is the business of all of us, because without a free and strong Lithuania, everything else loses its meaning. As a businessman and citizen of Lithuania, I am determined to pay for our security with higher taxes. I invite politicians to unite and agree on 4 per cent spending on defence as soon as possible. Society expects that from you", says M. Mikuckas in a press release.

Even foreign investors who are investing or considering to invest in Lithuania are in favour of higher spending on defence. Vilius Tamkvaitis, senior analyst of Investors' Forum, the association of the largest investors in the Lithuanian economy, says that the security of the country is a fundamental thing. This is important for both investors and employees who come to Lithuania. If, militarily, our country cannot guarantee security, everything else - our talents, universities, nature, etc. - becomes irrelevant. We cannot pretend that nothing is happening here. We must demonstrate our determination to deter the enemy both to the world and to a potential enemy."⁵

Mantas Katinas, general director of UAB "Wargaming Vilnius" computer software development, emphasizes that during the last decade, Lithuania has built a positive reputation in the field of governance, because "there are rarely radical populists in our government, the stability of the government is high, significant reforms have been carried out, and the economy is growing. In this context, we have to create a certain resistance scheme, communicate and prove that our defensive capacity is high. By implementing the "4 per cent " initiative, we will not only achieve greater defensive power, but also show the advanced countries of the world that we are a partner worth trusting", - believes M. Katinas. He adds that we have to show that we are the masters of our country. Our country, which has a high risk, must take care of defence accordingly. V. Tamkvaitis agrees that the implementation of this initiative would reassure both partners and potential investors.

According to V. Tamkvaitis, today we are at a point where we must first ensure defence, and "decisions must be made, even though they will probably be unpleasant." The senior analyst of "Investors` Forum" says that there are various opinions and proposals regarding numbers and solutions from the business, and "not a single business has expressed the opinion that it is not necessary to increase, for example, income taxes." Currently, the business is actively considering the scenarios proposed by the Government and the Ministry of Finance, for

⁵ VERSLO ŽINIOS: 4% BVP gynybai: kokią žinutę siunčiame investuotojams ir užsienio partneriams?, at: <https://www.vz.lt/keturi-procentai-gynybai/2024/04/18/4-bvp-gynybai-kokia-zinute-siunciame-investuotojams-ir-uzsienio-partneriams>

example, to increase the corporate tax rate by 1 percentage point to 16% and to 22% VAT, as well as other proposals for tax changes.⁶

“There will be no war “

After many months of warmonger and getting Lithuanian nation prepared for a potential conflict with Russia or Belarus, in March the top officers of Lithuanian army decided to communicate a different type of message to Lithuanian society. The message, in a nutshell is: “there will be no war”.

A representative of Lithuanian Army, major Jurgis Norvaiša says that there are a number of reasons for this message. The sense of fear of war in the society became quite toxic and counter-productive. (before it was a rallying and call-to-action message). The feeling of fear will definitely not stop potential aggressors from attacking Lithuania, but it can hinder our constant and continuous preparations to defend ourselves.

Alvydas Medalinskas, a political analyst, highlights the upcoming elections season in Lithuania, which includes Presidential, Parliamentary, and EU Parliament elections. His perspective emphasizes that all politicians and political parties should refrain from using warmongering as a tactic during their election campaigns. While fearmongering about war might offer short-term advantages to certain politicians or parties, Alvydas Medalinskas underscores that defense preparation holds far greater significance. Instead of focusing on war rhetoric, political parties should prioritize calm and consistent readiness and the enhancement of defensive capabilities. Medalinskas points out that recent history has demonstrated that Vladimir Putin tends to avoid attacking nations that exhibit strength and thorough preparedness.⁷

Rheinmetall plant in Lithuania

It looks like, in addition to increased spending on country’s defence, there are some other major news emerging that should reassure Lithuania’s citizens, businesses and potential

⁶ Ibid.

⁷ LAISVĖS TV CHANNEL on YOUTUBE: Karto šiandien Lietuvoje nebus? at: <https://www.youtube.com/watch?v=n5rswpN3-VQ>

investors. There are yet unconfirmed information that Rheinmetall AG is seriously considering investing in Lithuania and building an artillery manufacturing plant.

Rheinmetall AG, headquartered in Düsseldorf, Germany, is a prominent German automotive and arms manufacturer. Rheinmetall successfully combines cutting-edge technologies in gun, ammunition, charge, and fuse systems to provide precise and effective solutions against enemy threats. Their contributions extend to various military platforms, including the Leopard 2 tank and the PzH 2000 self-propelled howitzer system.⁸

At the beginning of this year, Aušrinė Armonaitė, Minister of Economy and Innovation, mentioned that there are "intense and detailed talks" with representatives of the Rheinmetall concern regarding the construction of a new artillery ammunition factory in Lithuania.⁹

In March 2023 German defence company Rheinmetall for the first time announced plans to build an artillery ammunition factory in Lithuania. "A new plant will be built in Ukraine and another artillery ammunition plant will also be built in Lithuania" Rheinmetall CEO Armin Papperger told a press conference in Germany on Thursday, presenting the company's 2023 results.¹⁰

Commenting on the news, then Lithuanian Defence Minister Arvydas Anušauskas said that the potential investment by Rheinmetall in Lithuania would mean "both job creation and investments in our economy, usually accompanied by the involvement of other companies".¹¹

Deputy Minister of the Economy and Innovation Karolis Žemaitis admitted that as of March the investment decision is not yet finalized and the final decision on the plant should become known in near future. "We expect to have the final decision in the coming weeks. Rheinmetall's main expectation is for Lithuania to be flexible, to be a country that adopts

⁸ RHEINMETALL: Weapons and Ammunition, at: <https://www.rheinmetall.com/en/products/infantry-ammo/weapons-and-ammunition>

⁹ VERSLO ŽINIOS: „Rheinmetall“ gamykla: 300 mln. Eur investicija, 500 darbo vietų, at: <https://www.vz.lt/pramone/2024/02/17/rheinmetall-gamykla-300-mln-eur-investicija-500-darbo-vietu>

¹⁰ LRT: Germany's Rheinmetall confirms plans to build ammunition plant in Lithuania, at: <https://www.lrt.lt/en/news-in-english/19/2223016/germany-s-rheinmetall-confirms-plans-to-build-ammunition-plant-in-lithuania>

¹¹ LRT: Germany's Rheinmetall confirms plans to build ammunition plant in Lithuania, at: <https://www.lrt.lt/en/news-in-english/19/2223016/germany-s-rheinmetall-confirms-plans-to-build-ammunition-plant-in-lithuania>

decisions fast, which is also the expectation of the public. Probably all of us want the factory to be built in 10 months and not in 3 years,” Žemaitis told reporters.¹²

In the event of investment in Lithuania is confirmed by the Rheinmetall, the benefits for Lithuania would be huge. The investment of this scale and by such well known arms manufacturer would be a boost to Lithuania’s attractiveness to other potential investors of defence industry. It would allow Lithuania to develop capabilities of the local defence industry, to reduce Lithuania’s dependence on the import of weapons, ammunition and other military products.

Lithuanian government has swiftly reacted to potential opportunity, and have approved the necessary legislative amendments that would allow major Western arms and ammunition manufacturers, including German military giant Rheinmetall, to set up factories here as soon as possible. At the suggestion of Prime Minister Ingrida Šimonytė, the Cabinet of Ministers will ask the Seimas to consider the amendments as a matter of urgency. The Seimas could vote and adopt the amendments by May 2024.

After the adoption of the amendments to the Investment, Land, Territorial Planning and Construction Laws, the Government could recognize the large investment of the defence industry as urgently important for the security of the state. The Ministry of Economy and Innovation proposed to establish a procedure for when large defence industry projects could be started without a building permit, which must be obtained before the end of construction. As an exception, the Government would allow such projects to be built in non-urbanized territories without territorial planning procedures with the municipality. Investors would not be obliged to inform the public about the design, invite it to participate in the consideration of project proposals. Nor would it be mandatory to publish information about the start of construction works.¹³

In other words, the proposed amendments would treat large investments of the defence industry as an exceptional priority, and would remove any bureaucratic and regulatory barriers

¹² DELFI: Final decision on Rheinmetall factory expected in coming weeks – deputy minister, at: <https://www.delfi.lt/en/politics/final-decision-on-rheinmetall-factory-expected-in-coming-weeks-deputy-minister-96279825>

¹³ LRT: Vyriausybė pritarė „Rheinmetall“ gamyklai Lietuvoje būtiniems įstatymų pakeitimams, at: <https://www.lrt.lt/naujienos/verslas/4/2241288/vyriausybe-pritare-rheinmetall-gamyklai-lietuvoje-butiniems-istatymu-pakeitimams>

that could otherwise slow down such investments. Lithuanian government has proved it is flexible and making swift decisions, just as the Rheinmetall company expects.

At the time of writing this article, the final official decision of the investment has not been made, however, there has been a lot of unofficial and unconfirmed news. For example, there have been unconfirmed information with regards to potential location of the Rheinmetall plant in Lithuania. Up to seven sources, most of whom spoke on condition of anonymity, claimed that the German defence industry giant Rheinmetall is considering building an ammunition factory in Radviliškis district, Northern Lithuania, on a land owned by the Lithuanian University of Health Sciences (LSMU).¹⁴

Manufacturing drones

There are yet more interesting information regarding Lithuania's defence sector.

According to Lithuania's former Defence Minister Arvydas Anušauskas, at the end of this year or at the beginning of next year, Lithuanian business could start mass production of combat drones. The minister also said that in the near future additional deals will be concluded for the acquisition of reconnaissance drones in Lithuania. "There will be opportunities for Lithuanian companies to participate in that competition," he said. - I think that Lithuanian companies have the potential and that there will be opportunities to produce more drones."¹⁵

The Vice-Chairman of the Seimas, Paulius Saudargas, states that the Lithuanian defence industry, not being able to produce heavy military equipment, should focus on the production of combat drones. According to him, although there is already movement in this direction, even greater efforts are needed to consolidate production capacities and involve businesses with experience in the production of civilian explosives in the process.

¹⁴ LRT: „Rheinmetall“ gamyklą svarstoma statyti universiteto valdomoje žemėje Radviliškio rajone, at: <https://www.lrt.lt/naujienos/verslas/4/2249763/rheinmetall-gamykla-svarstoma-statyti-universiteto-valdomoje-zemeje-radviliskio-rajone>

¹⁵ MADE IN VILNIUS: Metų pabaigoje Lietuvos verslas galėtų pradėti masinę kovinių dronų gamybą, at: https://madeinvilnius.lt/naujienos/lietuvos-naujienos/metu-pabaigoje-lietuvos-verslas-galetu-pradeti-masine-koviniu-dronu-gamyba/#google_vignette

New regulatory base

The swift move by Lithuanian government to open the door for almost immediate start of construction of the Rheinmetall artillery plant is not the only regulatory change related to defence sector which is on the table.

Laurynas Kasčiūnas, the newly appointed Lithuania's Defence Minister, has started pushing forward his regulatory amendments so that the Lithuanian defence industry would have a new legal base by July 2024. By July - the end of the spring session of the Seimas - the regulation of the Lithuanian defence industry will be fundamentally new, says the new Minister of National Defence Laurynas Kasčiūnas. According to him, the currently considered amendments to the Defence Industry Law will, among other things, facilitate the industrial cooperation between local companies manufacturing military equipment and those in the West. "Also, for example, if we want to promote our industry with certain targeted purchases, this law will also provide additional incentives and opportunities to do so. (...) At the consideration stage are several more laws whereby it is possible to directly kick start, for example, the drone industry", the Defence Minister L. Kasčiūnas said.¹⁶

In addition to pushing the new regulatory environment aimed at making Lithuania's defence industry more agile and competitive, the new Defence Minister Laurynas Kasčiūnas has other ambitious goals on his agenda. The major goals declared by the new Defence Minister are developing and implementing the principles of the so-called universal defence, the conscription reform, the multi-party agreement and new sources of defence funding, and the expansion of active military reserve.

¹⁶ 15 MIN: L.Kasčiūnas: Lietuvos gynybos pramonė iki liepos turės naują teisinę bazę, at: <https://www.15min.lt/naujiena/aktualu/lietuva/l-kasciunas-lietuvos-gynybos-pramone-iki-liepos-tures-nauja-teisine-baze-56-2218456>

Conclusion

As Lithuania commemorates its 20th anniversary in NATO, the ongoing conflict in Ukraine serves as a stark reminder of the critical importance of national security and robust defensive capabilities. These factors are integral to the country's overall development. Lithuanian citizens, politicians, and businesses demonstrate their willingness to make tough decisions and bear the cost of increased investment in national security. Their commitment aligns with the nation's resolve to enhance its preparedness against potential military aggression. A number of positive developments in Lithuania's defence industry, including a potential investment in an artillery plant by Germany's weapons manufacturer Rheinmetall AG, the birth of Lithuania's combat drones manufacturing, and continued government's efforts to prepare the country's defensive capabilities, will make the country and the whole region a safer place.