

***Why Interwar Lithuania Did Lose Vilnius and Contemporary Lithuania Lags behind Estonia?***

*Zenonas Norkus*

The article compares the introduction and stabilization of national currency in the First and Second Republics of Lithuania (LR I and LR II) during the years 1918–1922 and 1990–1993, respectively. These diachronic comparisons are supplemented by the synchronic ones, where LR I is compared with Estonia, Latvia, and Poland, and LR II – with Estonia and Latvia. Jointly with Lithuania, all these countries faced the challenge of nation state building simultaneously with macroeconomic stabilization. In both cases, Lithuania was the last to introduce national currency. The analysis starts with a discussion of the similarities and differences in the economic situation of the LR I and LR II during the first years of independence. In this discussion, the author argues that the prototype of the Soviet command administrative economy was the administrative war economy of Kaiser Germany during WWI, with occupied Lithuania suffering under extreme forms of the administrative control of economic activities by *Oberost* authorities.

During its early time of restored independence, LR II procrastinated to end the monetary union with its former imperial suzerain (Russia) for quite a different reason: the choice of Gediminas Vagnorius' government to participate in the "inflation race" in the rouble zone after September 1991, when the restoration of independent Lithuania was internationally recognized. The winners in this race were the former republics of the USSR that were the leaders in rising prices and wages. Therefore, while Lithuania in 1918–1922 suffered only from the imported (from Germany) inflation, in 1991–1992 this country both imported and exported inflation.

According to another concluding causal argument, the governments of LR I committed a strategic blunder by declining to use the inflation tax for the extraordinary spending to finance the independence war in 1918–1920. Despite their smaller populations and greater WWI damage (in Latvia's case), both Estonia and Latvia raised more than 70 000 manpower each, financing their war efforts by the inflation tax. Because of its responsible and frugal financial policies, which were wrong given the extraordinary circumstances of war, the peasantry penny-pinching Lithuania had only some 30 000 manpower at the time of the critical battles for its historical capital Vilnius in the autumn of 1920. Such military power was too small and weak to hold the city against only one allegedly rebellious division under general Lucjan Żeligowski from landlordly lavish Poland which, like other Lithuania's neighbours, financed its war effort in 1918–1920 by the inflation tax. So, Lithuania lost Vilnius in 1920, because it was not ready to pay its (monetary) price. Credits to Prof. Dr. Arnd Bauerkämper from *Freie Universität Berlin* who hosted the research visit of the author to Berlin to collect and research part of the sources (about post-WWI inflation in Germany and Eastern Europe) used in the paper.

***The Eurasian Union or the European Union?  
A Dilemma for the Eastern Partnership countries***

*Ramūnas Vilpišauskas*

The author analyzes the Eurasian Customs Union, the motives for its creation, its impact on Russia, Kazakhstan, and Belarus as well as the perspectives for the further integration of its member states to establish the Eurasian Economic Union. It is argued that the creation of the Eurasian Customs Union is based mostly on the foreign trade policy measures applied by Russia and adopted by the other members of the Union. The Eurasian Union and its institutions such as the Eurasian Economic Commission and Court are seen as agents of the member states, especially Russia, rather than independent supranational actors acting in of the Union's interests. The Eurasian Union represents a regional entity which is both being modeled on the EU and is

intended to provide a competing center of attraction for third countries. The establishment of the Eurasian Customs Union has changed the geopolitical situation in the EU eastern neighborhood by creating an alternative option of regional integration for the EU Eastern Partnership countries. For Ukraine and other countries of the Eastern Partnership, which declare their intention to sign association and deep and comprehensive free trade agreements with the EU, joining the Eurasian Customs Union would imply that the EU will have to negotiate agreements on trade with the Eurasian Union rather than with individual countries. This would significantly postpone the prospects of integration of these countries into the EU. The eastern partners of the EU, therefore, have to choose between two alternatives of integration (and Belarus has already chosen the eastern direction). Meanwhile, the EU has to rethink its own policy towards the Eastern Partnership countries and offer incentives for the further reforms to advance trade liberalization and association with the EU without damaging its own credibility. This is the key issue for the Lithuania's EU Council Presidency forthcoming in the second half of 2013.

### ***French Colonialism Influence on Postcolonial Ruling Elite Transformation in Ivory Coast***

*Rūta Mazgelytė*

The focus of this article is on the transformation of the ruling elite in Ivory Coast in the context of the French colonialism in Africa. The analysis of secondary sources reveals how the colonial practice and political cleavages of the postcolonial elite evolved into ethnically clustered parties and radically changed the ruling elite.

The first part of the article highlights how the French colonial model was maintaining relations of dominance not only between the colonists and the colonized, but also among local colonial habitants through education and administration system organization. Subsequently, the author analyses the dynamics of the postcolonial Ivory Coast ruling elite in the single-party and multi-party regime.

## *Projections of Iran's Threat*

*Ieva Koreivaitė*

Since the Islamic Revolution of 1979, the impact of Iran's behaviour on international community has been securitized. In 2005, Mahmoud Ahmadi-Nejad was elected President of Iran. Since then, the international community's relationship with Iran has taken the current structure of chronic misunderstanding of Iran's intentions. To evaluate Iran's foreign policy objectives is not only an important but also a dangerous task. The incorrect assessment, which is possible due to Iran's controversial signals, together with the poor knowledge of the country's political regime can lead to an undesirable response (like preemptive strikes, etc.) affecting the security of the international community.

In the article, Iran's regional power projections are analyzed to answer the question whether the Islamic Republic poses a threat to the U.S. interests in the Middle East region and to Israel's security, and what could be the nature of such threat.

The constructivist conceptual apparatus is applied to analyze Iran's foreign policy interests and, respectively, its material and ideological capabilities to implement them. Different factors are taken into consideration: the progress of the nuclear program, the development of networks of Iran's influence, offensive and defensive military capabilities. Also, considerable attention is dedicated to analyze Iran's religious doctrine and its impact on strategic planning.