

**CENTER FOR  
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**TRANSATLANTIC RELATIONS: LESSONS AND PERSPECTIVES**

**WELCOME AND MODERATOR:  
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**SPEAKERS:  
THE HONORABLE GEDIMINAS KIRKILAS,  
PRIME MINISTER,  
LITHUANIA**

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STEPHEN FLANAGAN: Ladies and gentlemen, if I could ask you to take your places please. Good afternoon, ladies and gentlemen, and thank you for joining us for this CSIS Statesmen Forum. It's a pleasure to have such a good crowd to welcome the Lithuanian prime minister. First of all, let me also though extend a welcome to other members of his delegation. First of all, Foreign Minister Vaitiekunas and also Ambassador Bruzga, the Lithuanian ambassador to the United States, and Ambassador John Cloud, the U.S. Ambassador to the Republic of Lithuania. So, welcome to you gentleman and to all the other members of the delegation.

It's a pleasure to welcome to this podium the serving the Republic of Lithuania, Gediminas Kirkilas. The prime minister is completing his second year, as many of you know, as prime minister of the republic and he has been a political leader, active in political life since the development of the republic and resumption of independence. He has been a member of parliament, the Seimas, for over 16 years in a number of iterations. During his first tour in parliament, he served as chairman of the National Security and Defense Committee as head of the Social Democrat and Labor Party Parliamentary Faction and is chairman of the Committee on Foreign Relations.

In 2001, he became deputy chairman of the Democratic Labor Party. In 2002, he was appointed as special representative of the president with regard to transportation and transit between the Republic of Lithuania and the Russian Federation areas bordering – over that sensitive negotiation on transit through the Republic of Lithuania from that region. He also then served as ambassador extraordinary and plenipotentiary for a number of different issues and in 2004, at the end of December, he was appointed minister of national defense where he served for 18 months before being appointed prime minister.

It's a pleasure to welcome him here, as I said, to this forum. He's had meetings with the vice president, with secretary of state – Rice and other senior officials here in Washington and also a number of the meetings with the leaders of the Lithuanian-American community. So, it's a pleasure to welcome him to speak to us on current issues in Lithuanian foreign policy and European and trans-Atlantic relations. So, prime minister, welcome and the floor is yours.

(Applause.)

PRIME MINISTER GEDIMINAS KIRKILAS: Thank very much for so kind words, Mr. Flanagan, and your excellencies, ladies and gentlemen. I'm delighted to speak on the occasion of 10<sup>th</sup> anniversary of the United States in the Baltic chapter. As the Center for Strategic and International Studies which are due to the intellectual contribution of its scientific and political authorities – not only carries out extensive research and offer political insights, but also comes up with global visions and specific solutions for today's world, that's face challenges as well as opportunities, I believe.

Today I would like to speak about European Union and United States relations, European and United States relations, and position of Lithuania, a small, I believe, yet dynamic country in the Baltoscandic region of Northern Europe. First, I'm going to discuss the importance of interest and values in international politics. Then I will speak about the United States-European security community and the challenges that it faces. For a long time, especially during the Cold War years, it used -- widely believed that power and national interest counted most in international relations.

However, we have recently witnessed a new development in the international agenda and became aware of the fact that such new factors as the norms, values, identity, and culture play not lesser part in the world politics. I believe that interests and values in politics are two sides of the same coin. It isn't very often that the values and identity have a great impact on our interests. And values must guide us -- politics as well -- because they are inseparable from our identity, interest, and final actions.

That which we believe in, what we cherish, and what guides us in our life -- that is our true identity. I am convinced that there must not be a place for double standards because an uncompromising pursuit of benefit -- not only the political one, various values. Therefore, chasing of ideals and the importance of norms must not be choked up by the (egoistic ?) calculations.

I would also like to discuss the present United States-European relations. Sometimes scholars say that the Americans came from Mars while the Europeans from Venus. (Laughter.) This metaphor speaks about power as a fundamental variable in international politics. The essential difference between the United States and Europe is imbalance of power in different strategic cultures springing from the existing hegemony of the United States.

However, I believe that this culture is embodied in different tactics in pursuit the same goals. It is just as the United States gets real power and make use of it, while the power of European Union is divided, therefore -- so, of course, we are trying to have according to Lisbon Treaty, which is not still ratified -- Lithuania already ratified -- to have more power and to have one voice in many, very challenging issues -- for example, climate change, energy security, so on. Therefore, it's a little wonder that the European Union focuses more on the negotiations, mediation, exchange, and an adherence to the norms.

I think that if the reform of the Lisbon Treaty comes into force, Europe will see greater solidarity, security, efficiency, democracy, power, and even giving an answer to the famous question: Who do I call if I want to call Europe? It will have phone number and specific person to make call into Europe. In the United States, it will be possible to make call to that person but also to jointly negotiate the preservation of the same values and implantation of similar goals.

Ladies and gentlemen, the rule of law, democracy, market economy, respect for minorities, and the other European values can be considered as a result of long-term development of Europe and security guarantee provided by the United States. The European Union coexistence itself is sui generis since it implies, often paradoxically, a permanent

condemnation of the often-conflicted interest of the states assembled on the basis of the above-mentioned values.

Probably the European Union decision-making is not new Byzantium, but its liberal intergovernmentalism leaves – (inaudible) – enhance agreement and negotiations are integral part of the European identity. Even if seen from a historical perspective, since World War II to our days when the institutional framework of the American-European relations was usually and primarily identified with the NATO, relations between Europe and United States were characterized both by partnership and by domination of the United States.

During the entire Cold War period, Europe, excluding some countries, was comfortably lazy, developing into a so-called culture recreation. European security was safeguarded by Article V of the North-Atlantic Treaty, the United States nuclear shield and conventional armed forces. The top guarantee, however, was determination of the United States to act – the quality that stays the same despite the end of the Cold War. Both in the United States and Europe, there are certain decisive moments that determine and shape the process of security awareness.

I mean the fall of the Berlin Wall in Europe and the destruction of the Twin Towers in the United States. President George W. Bush stated in 2006, for Europe, September 11<sup>th</sup> was a moment; for us it was change of thinking. The understanding of common threats: terrorism, global warming, international organized crime, despotic regimes, local wars, democratization problems, energy and cyberspace security, proliferation of dangerous technologies and nuclear weapons, migration, and even physical safety in the face of growing energy and food prices calls for the discussion of common responses to these challenges.

Ladies and gentlemen, I am convinced that any sustainable security community is impossible without the development of value-guided relation. While some seem to see science of increase competition between the United States and Europe, I believe in prospects for the growing partnership. One can admit that Europe has been fostering soft security aspect, such as a development for creation, crisis prevention, civil and police missions, negotiations instruments, and has often been slow to respond to emerging security challenges, but once the trans-Atlantic relation has intensified, European efforts have been a success.

On the other hand, transatlantic partnership should not be viewed as a easy ride. Naturally, European cherishes its ambitions to develop into independent geo-political player. However, it needs resources and vision for that goal. After all, there is hardly to security challenge irrelevant only Europe or to the United States and it makes us natural partners looking for the ways to confront them. Global challenges mean global responsibility. History seems to have taught us a lesson and we should well know that our own security will hardly prevent from smoldering and fueling conflicts in the neighborhood.

Today our defense spending and technology gap between the United States and Europe has been growing wider. Not before long, the political will of European states will be forced to admit that military forces on the both side of the Atlantic Ocean will soon be able to act together due to different resources and political attention to common challenges. Europe and the United States, to my mind, can have a common policy as regards climate change, energy security, fight

against terrorism, enlargement of democracy and so on. And both parties can develop a constructive cooperation.

I know that competition for better investment condition and potential profits are a natural fact of driving economic progress. Still, let us not sacrifice our values for the sake of profits. Instead, let us exert our efforts to face common challenges. In the global context, Europe and the United States share common values and the emerging challenges are not individual, but universal character.

It does not matter so much that the Europe and the United States come from. It is an earth with common problems and means to address them. One of the most important goals in the future: It's necessary to detain United States attention for Europe and through continuous joint European-American project to complete building security and stable Europe up to Caucasus. All Eastern European neighbors have Euro Atlantic aspiration and we must help them -- and Lithuania does each day despite some countries which are totally against us, you know.

Following the the Bucharest summit, spring 2008, a negotiation mandate for the European Commission regarding the new PCA between European Union and Russia, we have been often approached with the question, why Lithuania is such an (arduous ?) supporter of NATO enlargement, promoting countries which are not in the immediate vicinity or countries that are out of Lithuania investment focus?

I have simple answer: We believe in common Western values, and they spread among other countries. The support for the enlargement of transatlantic institutions is right both in moral as well as strategic. Since it has justified itself and has been yielding geopolitical and geo-strategic dividends. Nowadays, Euro Atlantic expansion -- yes, it encouraged a positive transformation of the state, pushed forward the success of reforms, and increased stability and security.

Some still reiterate that the United States is from Mars while Europe is from Venus, thus these planets should follow different orbits and have little chances for dialog. Nevertheless I would like to point out that Europe has numerous supporters of transatlantic dialogue. They are sometimes referred to as the new Europe or post-communist bloc, which now the price and taste for freedom. Apparently this new brave Europe could serve as so-called enthusiasm vitamin -- balanced for Venus, but suitable for Mars too.

Thank you very much for your attention, ladies and gentlemen, and I'm looking forward to your comments and questions. And please use all of my team which is here. Thank you. (Laughter.)

MR. FLANAGAN: Thank you very much, Mr. Prime Minister. Thank you. (Applause.)

Well, we have plenty of time for your questions and comments for the prime minister, so I would just ask that you please wait to be recognized and then wait for a microphone, and then identify yourself. And for the working members of the journalism community here, this is an on-the-record discussion. So, yes. Barry Schweid right here on the second row.

Q: I believe you said on the record, didn't you?

MR. FLANAGAN: Yes.

Q: All right. Is Lithuania ready to step in for Poland as part of a missile defense system? And the Russians are very excited about this and threatening a military buildup. Does that bother you? Does it bother Lithuania?

PRIM MIN. KIRKILAS: Well, I don't know why Russians are so sensitive because I'm not – on the missile defense, it is defense. It's not any threat from my point of – as a former defense minister – I am not an expert – military expert, but just two points. First of all, you're seeing it from the beginning – support this idea to have Europe, in Czechs and in Poland missile defense. Next point is that we wish to the Poland successful negotiations. Let me stop on this next point.

MR. FLANAGAN: Yes, sir. There is a question over in the fourth row there.

Q: Michael Prostise (sp) from SAIC.

MR. FLANAGAN: Could you just hold the microphone?

Q: Mr. Prime Minister, My name is Michael Prostise from SAIC. Mr. Prime Minister, could you describe the energy strategy and energy security challenges for Lithuania?

PRIM MIN. KIRKILAS: I could, but it needs one lecture more. Okay, let me shortly – of course, it's a main question for there are five party governments today. And 20 months we are working as a minority government. Today we have – one party joined a few months ago to our ruling coalitions, and we have one seat over – (laughs) -- that is a majority.

Well, but what is our strategy today? First of all, Lithuania – and – (inaudible) – we like energized it inside in Europe. We have not any connections – for example, electricity connections -- with any other European Union countries, just of course with Russia. And also next point is that, you know, that according to our commitments to the European Union, Lithuania have to close nuclear power plants to Chernobyl-type reactors. Today, nuclear producing more than 70 percent Lithuanian energy – electricity.

So next – first reactor are already closed. Next we have to close in the end of next year. What does it mean? It means that Lithuania will be approximately 90 percent dependent on the gas – of course Russian gas – because today we don't have any other connections. What is our plan? Please note that not only because it's Russian gas, but also because we have only one pipeline, which additionally goes through the Belarusian territory, which is quite unpredictable. Each end of the year, when the Russians and Belarusians negotiate their gas prices, I, as the prime minister, therefore, am in deepening water, I don't know. Will we have gas or not? So can you imagine that after the commissioning of a nuclear power plant, we will be totally 90

percent dependent on the Russian gas, on the Russian gas pipeline which is going through the Belarusian territory.

By this decision, we have made to have a new nuclear power plant. And for countries, because it's the same problem for Latvia and for Estonia, and also we also made a decision to join Poland, so today four countries have a plan to build new nuclear power stations, at least 3,000 megawatts capacity. Today, we have companies which we also have a plan, a financial plan. And also we are going to do the environment assessment, which have the intent or focus to give answers to us what the capacity can be. Four countries, Lithuania, Latvia, Estonia, and Poland, need at least 1,000 megawatts at least, four or five hundred Latvia, Estonia each; 1,000 Lithuania, and 1,000, 1,200 Poland.

If the environmental assessment would be okay, we are starting to implement a project of new nuclear power plants, but the optimistic scenario is to have new nuclear power plants depending on the type of reactor, in 2015, 2017. But as I mentioned before, the second reactor, it means all of the uses of our power plants have to be close and sent on next year. So we will have a gap, five, six, seven years of electricity, and we have to find some solutions.

One of them is of course to build a new gas capacity. But in this case we need more gas, more gas. Today Lithuania is using 3.5 billion cubic meters of gas; we need additionally 2 billion, 2.5 billion, but we have not of course any long-term agreement with Gazprom. Next option is to have imports from other countries, but we have, as I mentioned before, interconnection only with Russia. By this decision, we have planned to build an interconnection between – to Poland and then to Germany. Common venture already established between Lithuania and Poland, and we are working on that. We have the money. This project is among the European Union's priorities, but of course it's also we need time, at least up to 2012 if everything will go okay. On Lithuanian territory, we need to have approximately 80 kilometers, but of course Poland has a big territory; we need 100 kilometers.

The second plan is to have interconnection from the Lithuanian territories to the Baltic Sea bottom to Sweden. So this project will also need two to three years. Today, we have some visible status, commercial, technical, and we have to find the final solution to create the convention and to have interconnection. So briefly though, of course we are also planning to have an LNG terminal because we need alternative. We cannot renegotiate with Russians on the gas prices, for example. The gas prices for Lithuania increased in this year compared with last year almost 40 percent, and as of now it's not final. So it's quite a big impact on our economy. By this decision, we have inflation, our issue of inflation this year would be 8-9 percent, but I believe that we have a good plan and today we are in negotiations to continue for a few years a second reactor.

It's quite a complicated issue because it's our commitment to the European Union with accession and the agreement to the European Union. So we have – we put all figures, what is there, what can be, what is inflation for our economy, approximately we would be reduced in this case 4 or 5 percent of GDP if we would be closed at the end of 2009. So we are asking the European Commission, the European Union countries, to let us to continue at least two or three years up to 2012 the second reactor, it can work up to 2012 without any additional measures. It's

a safe reactor because many countries, in particular Sweden, invest on the security measures more than \$250 million. And all experts recognize that it is safe there as it can work.

And today, as I see, the European Commission and European countries understand us more and more because when we are negotiating on decommissioning these reactors 15 years ago, you know, the price of a barrel of oil, it was \$12 then?

MR. FLANAGAN: Twelve to 13, \$13 a barrel, yeah.

MR. KIRKILAS: Today – yes, something like that – today of course – but not only the prices, also Lithuania and other European Union countries committed on the climate change. We have to reduce CO2 emissions up to 2012 an additional 20 percent; we are today a fast-growing economical country. So there are many, many obstacles which we have things for the oil partners can put on the table to the European Commission, to the leaders of the European Union, and I believe that we can find a solution.

So but before, we have to get a plan, to build a nuclear power station and interconnections, and we need a few years to escape, how to say, escape a gap of electricity and energy, of course, security first of all.

MR. FLANAGAN: Mr. Prime Minister, if I could just state on this theme, your comments underscore the importance of how Lithuania can't solve its energy situation by itself, but the question of developing a more coherent European Union energy strategy and policy, how do you assess the progress in that so far and what do you see as the key challenges that the EU needs to address in developing a more coherent energy strategy?

MR. KIRKILAS: Well, that is a very, very good question. By this decision, of course, the ratification of the Lisbon Treaty is very important because Lithuania and some other countries, Lithuania, Poland, it was our proposal to have an energy solidarity and an energy security point in the Lisbon Treaty. So it's a first.

The next point is that the European Commission made already an action plan for the energy security. Among these plans, electricity interconnection with Poland, financing support for the projects which I mentioned before and others. I would say that, and also a large discussion on the nuclear energy, which is going on already in the European Union. The last conference was in Prague, and many countries are going to, because you know, before there were many decisions in Austria and in Ireland to close, and in Germany. Today, the situation is totally changing and also, I believe that the changing approach of many European countries to the energy solidarity.

But it's just one year, one-and-a-half or something like that today, the presidency of the country of France, which is well enthusiastic on that, and we believe that during the French presidency we can do more on the energy solidarity. But of course, it's a new question; it's a new challenge for the European Union because they have so-called new members like Lithuania, Latvia, and Estonia, the post-Soviet countries without interconnections with the market, electricity market in this case. I believe that we are going to understanding among European



Union countries, among leaders of the European Union, to that solidarity. And it is important not only for the Baltic States; it is very important in our negotiations with our biggest energy suppliers, first of all Russia of course.

MR. FLANAGAN: You're not alone in your dependency. Yes, there's a question here in the second row?

Q: Labas rytas. Mara Vertas-Kimberly (ph) – (in Lithuanian) – Baltic Times from the summer to winter 2007. It is nice to be here today and my question for you is you were speaking with Condoleezza Rice today. Could you maybe explain to us a little bit about the conversations with her this afternoon?

MR. KIRKILAS: Well, of course, we had – it was a very, very good and useful organization and we appreciate very much our long-time cooperation with the United States. We are partners in many, many missions, Iraq and Afghanistan, and we are grateful to the United States from the beginning, I would say. Without the United States, Lithuania could not have built out own military forces because Lithuania had to do that from zero. You know that we had not our own military forces in Soviet times, compared even with Poland, for example, or Hungary, or Czechs, which had more or less cut Soviet ties, but it was national forces.

So our cooperation, we have long, long traditions, and I mention that the Baltic Charter, today we have 10 years anniversary. It was a very important step to our security. Please believe me, we were very happy in this time in 1998, and we are considering in Lithuania this step as a first step, real step towards NATO. So apart of course of our common missions in Iraq and Afghanistan, of course we have to touch the very important issue about NATO enlargement, some bilateral issues, one of them vis-à-vis the regime. We have wanted to have this out with the regime of the United States. It's very important to share a belief for our people and also for if you look to the context in our relations. And also, Lithuania are trying to encourage United States businesses to be more active in our country.

I believe that the United States as investors, I mean the United States businesses, they have to be at least among the five biggest investors with the Scandinavian countries, Denmark, Sweden, Finland, Germany, and Russia. Of course we have some widely successful companies which are working: Motorola, Phillip Morris more than 15 years, and some others, but we would like to invite in particular IT companies, in particular new technologies because Lithuania has not any other resources except which is here, not oil, not gas, and we need new technologies. And we have some plans and we have some proposals for businesses. I had many meetings yesterday and before yesterday and I believe that our trade with the United States is less than Lithuanian trade with Latvia, for example. It's just 1 billion litas, \$1 billion so.

It's not only economical, of course, economical also. The United States is a very good example of how to develop new technologies. And our government is focusing on that, we are focusing on that. By this decision, tonight I leave to San Francisco and I'd like to see how it's going on in San Francisco in some universities. We are also planning to create in Lithuania five so-called Silicon Valleys. We'd like to have a good synergy of business and education, students

and professors, IND, and your example is very important, so briefly also an idea, of course we are discussing on the same idea.

MR. FLANAGAN: Thank you. It's a question, Asta Banionis?

Q: Asta Banionis with Radio Free Europe, Radio Liberty. I'd like to drag us back to the energy discussion. What are the actual sanctions that the European Union would apply to Lithuania if you failed in your negotiations with the European Commission and December 2009 you refuse to close the Ignalina plant? What is the worst that your fellow Europeans would do to you?

(Laughter.)

MR. KIRKILAS: Well, of course first of all, we have to give back €100 million which we already used under the commission, first of all at least, but I am not believing in that scenario. I believe that we can have and find a solution on that. Today, most countries understand that it is impossible – not, what does it mean impossible? It's possible, but what is the impact for the country, for the economics, for the security, for the energy, for the people? And probably somebody would like to have such a scenario, and our neighboring country, the so-called President Lukashenko, he orders it. You see, the European Union, the United States are our enemies. Of course, we have to find a solution.

And I would be very disappointed that it would be such a scenario, but as I am involved today in negotiations and conversations and dialogue with my partners and prime ministers of all the European Union countries, I believe that we will find a good solution. Today, we have to put this solution on a legal basis because it's agreement, it's our commitment. Its problem is do we have to ask all other 26 countries, because all countries certified this agreement, so just a legal problem.

MR. FLANAGAN: Your question? Oh, yes, sorry, ma'am. Yes, there are two questions in this row. Go ahead.

Q: Stephanie Urban, Lithuanian-American Community. Along the same lines, I'm curious, is anything being done about sustainable and renewable energy? For example, wind mills could be put up tomorrow, as well as solar panels and I know other European countries, particularly Germany, is really doing a lot in that area and they're also cloudy weather as well like Lithuania.

MR. KIRKILAS: To your question about renewables, well, you know, yes. We are using, today Lithuania, we have almost 6 percent of renewables. Of course it's not enough, but if you look to the most advantaged countries in the European Union, they also cannot to cover it, 90 percent of electricity today. We are also considering nuclear as renewables, which are not issuing CO2 emissions. And today's quite – there are discussions of, of course, more safe reactors, the new generation. We are planning to build a new generation of so-called a 3-plus generation reactor which is safe. But today, we are, as our economy, we do not have such

possibilities like Denmark, for example, which is one of the most advantaged countries in that, to have such a big part of renewables. That's it first of all.

Next point is that we have a Soviet past. We have almost 30,000 Soviet-type buildings, which is not, how to say more polite, not very sufficient on the heating. We have to use four or five times more energy to the heating compared with Sweden's. So first of all, modernization to 28,000 buildings, can you imagine what the investment here would have to be? Today, we are modernizing less than 1,000. So we need a very big investment in this area and also renewable of course. We are trying to encourage business, in particular private business, to invest more. But if we want to have in some time frameworks decisions, we cannot focus only on the renewables. But I believe that nuclear is also renewable.

MR. FLANAGAN: Yes, the lady in the fourth row? Third row?

Q: A question about the – the common telephone number for Europe that you mentioned before. With the activities in Ireland and the vote by the people of Ireland being rather skeptical about further unification and centralization, where do you think the process is going? Will there be a telephone number that one could call? Or many telephone numbers?

PRIME MIN. KIRKILAS: Well, what does it mean, centralization or something like that? You know, issues which was – how to say – discussing during the Irish referendum, you know, totally not related to the Lisbon Treaty, totally. We have to strengthen some institution and that is; it's not centralization or something like that or federalization. And – but – some are opponents which are focusing in particular in Ireland because only Ireland decided to have decision on the referendum. They are using, you know, issues which is not related about European Union forces, something like that. There is no such issues in Lisbon's treaty. But I believe that Irish government have yet to make – has to make more efforts to explain for the people if they are going to the referendum. Lisbon Treaty, of course it's very complicated; it's very difficult to do that in the public.

But we are, in Lithuania, decided to ratify it in our parliament because I am member of Parliament; I'm elected. I have commitment for my people which elected me to decide on this issue. And so what we have to do today – first of all, we have to show solidarity to the Irish people. We have to find solution. Probably means that we also – today we are having quite short time. Why? Because we need to know how many members of European Parliament have to be elected, about European Commission, so I would think it's how it depends on the own country. Is this country together with us or not? So there are some quite formal – formal decisions which have to be done at least up to the February of next year.

But I believe that, of course, we have to respect the Irish people, its decision, and we are doing that but I think that government should make more efforts and of course, spend more money because all the positions, I don't know, parties or forces, they are spend three times more money than government and we have – what do we have – what we have today.

MR. FLANAGAN: Yes, there's a question in the very back, there. If you could just wait for the microphone.

Q: Mr. Prime Minister, I just want to ask you with the economy as it's going now, you know, its world economy is going not too good and probably Lithuania is in the same boat. Now, is there any serious work, any economic think tanks in Lithuania who are thinking, you know, what really to do? Are you considering, at some point, going back to the international or financial institutions as the government and you know, for maybe stabilizing litas if it occurs? Thank you.

PRIME MIN. KIRKILAS: Yes, of course. As each European Union country and Lithuania also, we have a big concern on the energy prices, first of all, of inflation which is going in our country. We are trying to keep all microeconomic criteria and we have quite good. We have small budget deficit and we are planning to – despite the fact that today we have some challenges – we are planning to have a next year, balanced budget. And I believe that we can manage inflation. Only one point is we cannot predict this of course, oil prices and then gas prices. But still, despite I mention about inflations, still the fast growing economic country, last, first quarter of this year was six-comma-nine (6,9), almost 7 percent.

Some financial crisis from financial institution is coming from United States through the Europe, not very much related to Lithuania but of course, yes, some – some influential we see. And of course we have – of course we have some NGOs and in discussing personally me, my ministers, we have, we focusing on that and we're trying to find – we trying to reduce, of course, state spending, to facilitate business, encourage more investment to the country. So many measures we are taking today and are planning to take in the future.

MR. FLANAGAN: Mr. Prime Minister, I wonder if – I thought you might have a question about a question about this already but – well, with regard to Russia, I wonder, how do you assess the new regime in Moscow, with Midvale, the tone that some in the Russian media have create, at least out of the Petersburg Economic Summit is that for those in the West who are waiting for a kind of gentler leader, they're mistaken because Midvale is a strong leader like the Russians have come to know and love under the Putin presidency. And I wonder, how do you – what is the tone that you're getting from Moscow under – I mean, and I know it's very early, but how do you sense your relations with Russia and the general tone in your interactions with Russian senior leaders?

PRIME MIN. KIRKILAS: Well, I'm – I would say it would be better to have better relations. But in general, Lithuania have, I believe, if you look through all our agenda with Russia, we have, in general, good relation and large. I mention about trade. We have big trade with Russia. Russia is the second partner, as a trade partner, after all European Union countries. Russia is one of the biggest investor, and say among five biggest. As again, to Lithuania -- Lithuania biggest investor in Kaliningrad region, Kaliningrad enclave. We also having Lithuania, only Lithuania took responsibility -- mentioned about me. I've been negotiated on the Kaliningrad transit.

They have, in taking still responsibility on the passenger transit, first of all. It's working quite well. We find – found a unique solution, I believe, on this transit. Also cargo transit and even military transit and by the way, gas transit going through Lithuania into the Kaliningrad.

We have intergovernmental committee which working and we are discussing on many very current issues first of all, taxation and so on. So today we probably have some – not – it's not a problem – but finally, we have to have the demarcation with Lithuania-Kaliningrad border but we have all agreements which is needed.

You know, rhetorics which are coming from Moscow, of course, could be better, but so problem is, what is today, the real power center? Is it prime minister or president? So we need a time to see how it's all developed in Russia. I just recently sent a letter to Prime Minister Putin and we want to have meeting and to discuss on current issues, first of all, energy. On the energy issue, we have some, for example, Russians, they need to strengthen gas pipelines through the Lithuanian territory to the Kaliningrad. We also have to discuss about a long-term supply of gas to Lithuania, also prices, so many current issues which we have to decide. And we are trying to do that. But it's – you are right. Today, it's quite too early to say what is – would we see a new approach? I don't know. New president in the foreign policy, for example. You have to sense in his position and his team; you have to see what is the team?

And – but if we are Europeans, I mean, first of all – of course United States' role here also very, very important, but Europeans, if we would be a real one voice in the negotiations with Russia, we would be much more successful. You know that Lithuania proposed -- Minister Vaitiekunas proposed some proposals in the negotiations with Russia on the post-PCA agreement, mandate, on the energy security, some others. So I believe that this negotiations which, we have to have, and this negotiations would show – and probably would give to us answer – how we'll have Russian policy in the near future.

MR. FLANAGAN: Yes, there's a question there.

Q: Mr. Prime Minister --

MR. FLANAGAN: I'm sorry, would you just wait for the microphone? I'll come to you in just one moment. No, there's a lady, yes – (chuckles) – sorry.

Q: Bob's sister? Thank you. I'm Evan Zimroth from The City University of New York and also from YIVO, the Jewish research institute in New York City at the Center for Jewish History. A lot of us know that there are very serious issues of – between Lithuania and the worldwide Jewish community and the internal Jewish community and I know that you were in New York on Monday, speaking to Jewish leaders. Could you give us some assessment, please, on your meetings with the Jewish communities and also tell us something about what you would like to see going forward, especially on the two issues of restitution of Jewish property and the investigation of former Jewish partisans against the Nazis? Thank you.

PRIME MIN. KIRKILAS: Yes, first of all, I also visiting your institute and we were proposed to the leaders of institute to have a branch of your institute in Lithuania because Lithuanian Jewish, I believe, is one of the most important of Jewish culture in Europe. We have many – huge historical heritage from the past. We have many – I would say, there is no, in Lithuania, bigger or smaller cities or places where we had not Jewish community, before Second World War, in particular. And we have considered – my government considering Jewish

heritage and Jewish community as a very important part of Lithuanian culture. As you know, Lithuania going to celebrate, in next year, 1000<sup>th</sup> anniversary of when Lithuania's a state was mentioned in some German historical sources. And we already also asked to be a part of – our Jewish community to be a part of the celebration as well as other communities, but Jewish community one of the most important, that's obviously.

On the Jewish community property restitution, you know that we have to have a big job because thousands of documents, thousands and today, we are – by the way, we gave to American Jewish leaders all documents which it needed. Today we are in the final stage and Lithuanian government planning to send to the parliament a Jewish restitution law.

On the – (inaudible) – sorry, community?

MR. FLANAGAN: Communities.

PRIME MIN. KIRKILAS: Communities, sorry, yeah. On the – (inaudible) – investigation now, our Office of General Prosecutors – they are working independently, it's not a government institution. But of course, we are talking with them and sometimes they are – they have, I would say, quite formal approach to that. But in general, you have to understand that just before my visit here, I met one of them, one lady, you know, probably, and which is in 1942, escaped just from the ghetto, where she lost all parent, everything. And then came to the Soviet partisans' camp.

So that's a Lithuanian – very short part of the just – (inaudible) – how to say. And, but you know that part of the Lithuanian suffered from the Russians, part of the Lithuanians, including Jewish communities, suffered from the Nazis and many discussion in our country and we are – we want to propose all our decisions and we don't want to have this very important decision on the Jewish property to be as a part of elections, you know, when some populist parties would be use something which is very, I believe, important for our culture, for our history.

MR. FLANAGAN: Yes, there's a question here in the second row.

Q: Mr. Prime Minister, Don Kursch from the defense – Institute for Defense Analyses. I wanted to ask about the problems of challenges of organized crime and corruption and how much you feel this may have be a disincentive to foreign investment in your country and how much progress you are making on this score and how much the EU is helping you out.

PRIME MIN. KIRKILAS: Well, we are, we are – we have a lot of – make a lot of efforts on that issue. I believe that in particular, in the last year, Lithuania made some progress on the, in particular, the organized crime. On the corruption, just recently, we are made new plan against corruption. We already a few years ago created some special investigations institution, which are probably one of the best in the Baltic region and working quite successfully, I would say. You know that in our country, there are some very important case against politicians from the some people from the local authorities up to the chairman, former chairman of parliament.

So I believe that we are making some progress in this area, but it's not issue which you can dissolve doing just a few months. It's one part of the – our efforts.

Next, we have to reduce our bureaucracy. (Inaudible) – said here and we are doing everything to reduce our bureaucracy. One of the very important idea is to have – to have a government to – to have more state service on the electronics without, you know, any bureaucratic decisions. And we are doing that. I believe that we are going with some advance. At least today our rating of transparency internationally is not increasing – is not increasing. And on the foreign investor, of course, we – I have – am trying to have a meeting at least with the main investors and all that I'm asking, what is the problem here in Lithuania? Most re-lend, lend, why? Because unfortunately, we made before is about some mistake but still, we are not finished land reforms. Land is a problem, not everywhere, but sometimes it's a problem. Bureaucracy, yes, on the, I would say, lower level, local authorities, something like that. So but we now all this problem and we are trying to resolve.

MR. FLANAGAN: Yes, there's a question there, in the middle.

Q: Brian Krebs with washingtonpost.com. Over the weekend, there were hundreds of websites, Lithuanian websites, belonging to the government and private industry that were broken into by hackers and they were protesting a new law that bans the display of Soviet symbols. There's a number of Russian groups that have been calling for an escalation of these attacks to sort of be like the attacks against Estonia last year that took out part of the banking infrastructure and some of the – some of the other important things. I'm wondering if this development concerns you at all and you know, how would Lithuania – how you think Lithuania would handle and respond to concerted cyber attacks that disrupted key state infrastructure? Thanks.

PRIME MIN. KIRKILAS: Yes, we are trying to do that. And not only with the institutions, which are working on that. And we are planning in the next week to consider this issue in the government if we need some more financial resources, for example. But we are waiting advice of experts what we have to do. And we are also analyzing – I will address this issue in the meetings with the United States officials because it is not a problem for Lithuania.

We are also cooperating with Estonia. And Estonia, you know, that there are NATO center of – yes – excellence of cyber. And I believe that all countries have to – and particularly NATO countries – not only NATO countries but NATO countries first of all – have to consider this issue as a part of our security and try to find new approach and to consider very seriously that this cyber-security – cyberspace security.

MR. FLANAGAN: Yes, a couple more hands over here, I see. The first gentlemen and then – first, the gentleman in the third row, third from the back. That's what – and then –

Q: Thank you, Mr. Prime Minister. My name is Ryan Miller. I'm with the Center for European Policy Analysis. I guess my question also deals with the subject of energy. The European parliament, if I'm not mistaken, is due to vote this month on a non-binding resolution regarding the Nord Stream pipeline in the Baltic Sea. And I'm just wondering where you think

this is headed at this point, and is there any chance for the Amber Stream pipeline alternative proposed by Poland and some of the Baltic states? Thank you.

PRIME MIN. KIRKILAS: Well, in the Amber, you know, Lithuania is a participant in the Amber Project. And we want to speed up this project, obviously, because it would be in this case one of the alternative. On the Nord Stream, Lithuania – many times, we said that first of all, we are worried a lot about environment situation in the Baltic Sea, believe me, including Lithuanian territory. It's polluted very much with Second World War, even First World War weapons. It's very difficult to clean up. And of course, environment assessments, first of all.

Second part is, I don't know why it was – from my point of view, it is too expensive project, too expensive without any at least public calculation how Russia in this case to fulfill this gas pipeline. Today, Russians have, as you know, some lack of gas to fulfill all commitments. And they have not accept probably – (inaudible) – any new resources. So many questions.

Unfortunately, we have not any dialogue, none with Russians or with German. But our position is quite close with the Sweden, other Baltic states.

MR. FLANAGAN: Yes, in the last row, Len Oberlander.

Q: Thank you, Mr. Prime Minister. Leonard Oberlander, I'm a consultant. In discussing the issues of the government sector and the private sector, in terms of energy business interests, and in the public sector, the collective national interests and security interests of the European Union nations compared with the business leaders' private-sector interests for profitability and their security in the private sector – to what extent could you say that the public-sector political area is in tune with the private sector's behavior? Are they both supporting the same objectives and the same direction or is there some competition between the objectives of the two sectors, private and public?

PRIME MIN. KIRKILAS: Well, I think what an interesting question. I just give you example. We have one project, which we call National Investor, where we are trying – was trying before to have common interest. And we made National Investor as a company, which have to build nuclear power station. So of course, there was some options. One of them, to build nuclear power station only with the public, you know, with the state company – (inaudible) – energy. But we made decisions to have also private sector.

So today, we establish company where a state have 62 percent and private 38 (percent). And I believe that it make some synergy. And it's allowed to work much more effective. And also, problem is that our business also growing. And I mean, national business, they also trying to find some places where they have to invest. And we ask to be partners for the state, for the public sector, as I said. We ask biggest economical group in Lithuania, which have made business from zero from 1990. They have not any relations with gas or something like that, which the black business. And so, I believe that it was right decision. So if you understand, so our government trying to have some consensus among the private and public sector.



But in general, Lithuania, I believe, today we have only few companies which is a state – railway, and some parts of energy. All other sectors are private. All other part of the economies are private. I believe that we are one of the smallest. We are country with economy with the smallest part of the state sector, in particular compared with, for example, Scandinavian countries, which have quite big part of the public sector.

MR. FLANAGAN: Yes, there's a question in the very far back there.

Q: Laba diena. My question – Tomas Sidowkis (ph) of McLean, Virginia. My question is, a few months ago, the Russians announced they were considering building their own nuclear power plant in Kaliningrad to help replace the electricity that Ignalina provides and also perhaps disrupt the successor plans for Lithuania's new power plant. What are your thoughts as to how realistic or how likely they might be to actually do that versus just to make an announcement for disruptive purposes?

PRIME MIN. KIRKILAS: According to our information, Russia really planning to build 25 new nuclear power plants, new reactors – 25, 1,000 megawatts each capacity. But there are still have not final decisions where it have to be. If we look to the Kaliningrad, oh, Russians made many plans, many plans for this region. But really they have also a lack of electricity because they have to build all-new gas generator or to have to find other options.

From our point of view, nuclear power station is too big for the Kaliningrad. It's too big, simply. But probably it's also – of course, Russians, they are looking what we are doing. They are not very happy that if Lithuania will be successful in the nuclear power plant project, it means that Lithuania will be more independent from the Russia. So with some plans, they are probably trying to disrupt our plans. I don't know.

But really, Russia have its official opinion. I had conversation with high Russian officials. And they said, we have a plan – 25 new nuclear power stations in Russia. But is it a plan for the Kaliningrad? I can't say today. But anyway, we are going by with our plan. And we will build a new nuclear power station, I am sure, for the region, for the four countries. We have enough market. And then particularly, if we would have – and I believe we will have – interconnections with European Union markets with the – (inaudible) – to the Sweden. So we will have very good possibilities to produce and to export electricity to other countries.

MR. FLANAGAN: I think we have time for maybe a couple more questions. Yes, Jeffrey Simon, second row.

Q: Jeff Simon, National Defense University. Question – you talked about Lukashenko and nearby. But at the Bucharest summit, Ukraine failed to get membership action plan. And basically, the foreign ministers are charged to assess whether MAP should be granted to Ukraine in December. The question is, obviously, Ukraine is important to Lithuania's security and Baltic security. What plans, if any, have you been engaged with, with allies who are pushing for MAP for Ukraine? And if you are unsuccessful, what are the consequences from a security standpoint, as far as you are concerned?

PRIME MIN. KIRKILAS: First of all, with regards to Ukraine, I am very much supporting Ukrainian membership action plan for Ukraine. Obviously, I am one of the probably most enthusiastic country, which speaking frankly. What would be happen? I believe it would be very, very bad news for – in particular, how to say – democratic forces for Ukraine, very, very bad news. It would be second fail for this country for the plan. So I believe that United States, Lithuania, other Baltic countries, all Central European countries have to push and to make this decision. And also, we have to speak with Russians.

Today, NATO countries have NATO-Russia council. We are sitting together also. A few days ago, I sat together with Mr. Ivanov, and we can speak frankly without any – so it's sometimes, we have to speak more to the public for the people, and for the Ukrainian people in particular. There are many misunderstandings. And they are using propaganda, you know that something will happen. You know, the same situation was before entering NATO. Oh, there was, you know – in particular, some countries from the West, they were afraid. What would be happen, what will happen when Baltics will join to NATO? What happened?

Today, we have quite large and good relations with Russia. I mentioned about that. Of course, we would want to have better. We want be to improve, but we have today good relations with Russia, and maybe have all agreements which is needed with this country.

And I believe that all NATO countries, all democratic countries, first of all, have to make more efforts to – because membership action plan is not membership. Membership action plan is membership action plan, first of all. And we have to keep on Ukraine, to keep on the way to the West, because if you look to the history of this country, they are always staying on the crossroad. And it's not very good for the country, for the nation, for the economy, and of course, for the whole democratic world.

MR. FLANAGAN: Do we have one last question? Okay, do you want to go ahead?

Q: How likely is it that Poland, do you think, will agree on this missile defense shield? And if Poland does agree to it, would there be fear that a new approach to Kaliningrad could happen with the state дума's report this week in the Associated Press that they would plan to have a military buildup in Kaliningrad if this would happen?

PRIME MIN. KIRKILAS: It's not a fair statement. I heard before many times when Russian military, they are making some statements – not only in this case of MD; there was many other cases. They were using, oh, if you would have something; you made something. We will see; we will see. Today, if you look to the Kaliningrad, they are keeping still quite big military forces, too big for the – how to say – for the Kaliningrad, for the geopolitical situation, because Kaliningrad is surrounding with very peaceful countries – Lithuania, Poland, Latvia. So from the other Baltic Sea, Denmark, Sweden. So they have not any threats.

And why they have to strengthen military presenting here? That's quite stupid. But it's just political. You know, Kaliningrad, speaking frankly, Kaliningrad needs more project with European Union, first of all. For example, environment – Lithuania, in particular, have a very

big interest because we are sharing some common waters, common rivers. We would be can – not can, we have to work with – I mean, the European Union with them.

Before a few years ago, in particular during our negotiation on the Kaliningrad, there was European Union taking more attention. Today, you know, it's we have not any good project with Kaliningrad. We are speaking about Russia always. But we have to have a project. The Russian people today is quite simply to make propaganda for all – but they have to see what we are doing in this region, how we are doing, how we are cooperating with Russia. Lithuania, we have big interest in the Kaliningrad. More than 600 countries working – Lithuanian companies in Kaliningrad. So we have to extend our cooperation – economical cooperation and environment, cultural, people-to-people.

For example, today, Lithuania joined to Schengen area, since the beginning of this year. So visa for the Kaliningrad people is 35 euros. It's quite a bit of money for the Russians. They are asking European commission, why is it 35? Why not five euros? We have to simplify the visa regime for probably some groups of the people – students, pensioners, something like that. So our approach is to strengthen cooperation with Kaliningrad.

And not only change, you know, some statements on the propaganda level. It's not need additional military forces. Today, we are working with Russians and trying to withdraw from the Kaliningrad region these weapons. There are a lot of quite dangerous for the environment, use weapons, ships, many, many others. So we have to change approach to this issue, I believe.

MR. FLANAGAN: Well, Mr. Prime Minister, I'm sure we'd keep you here all afternoon with more questions. And you've had a busy schedule. But let me just say, on a personal note, it's a great pleasure to – as part of the U.S. government team that was involved in the development of the Baltic Charter – or as we were very careful to say in those days, the Charter of Partnership between the United States of America and Latvia, Lithuania, and Estonia – (laughter) – because we all remember they are very distinct countries in Washington.

But no, more seriously, I am tempted to – you mentioned some of the – Phillip Morris is one of your investors – but I'm tempted to say the thing that came to mind is Lithuania has come a long way, baby, since 1998, and truly is punching well above its weight in the international community and in transatlantic relations. And so we wish you continued success in your government. I want to just also take a moment to thank the Lithuanian embassy, particularly Ambassador Bruzga and Erica Vavritay (ph) for their efforts, and also to the Lithuanian-American community and Jay Bank (sp) for ensuring that we had a good audience this afternoon. And we are delighted that all of you could join us. And again, thank you for your candor, Mr. Prime Minister, and best wishes.

(Applause.)

(END)