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THE ROLE OF TRANSATLANTIC PARTNERSHIP
IN A POST-ECONOMIC CRISIS WORLD

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Introduction:

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Featured Speaker:

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P R O C E E D I N G S

MR. PIFER: Welcome here up at Brookings, and it's my pleasure to welcome you to today's talk by Valdis Zatlers, the president of Latvia. This is part of Brookings' Transatlantic Dialogue series. We're very pleased to have the opportunity to bring leaders from Europe to the United States to help us understand better the transatlantic relationship and how it can develop in the future.

If I could ask at this time, would you please shut off cell phones and other electronic devices that might interfere with our sound system?

The president has agreed, following his address, to take questions, so I'll be happy to moderate those questions and have a discussion.

At this point, it's my pleasure to introduce Carlos Pascual, the Vice President for the Foreign Policy program at Brookings, who will do the formal introduction.

MR. PASCUAL: Steve, thank you for opening this up.

Thank you for joining us today.

As Steve said, my name is Carlos Pascual. I'm the Vice President of Brookings and the Director of the Foreign Policy Studies program, and it's a real pleasure to be able to sponsor this event on the role of transatlantic partners in a post-economic crisis world, a topic that has been selected by President Valdis Zatlers as the focus for his talk.

And after that, Steve will moderate a discussion. Steve Pifer is the Acting Director of the Center for the United States and Europe, and we're very pleased to have Steve being able to join us and help us lead this event.

President Zatlars, we welcome you at I think a particularly important time in the transatlantic relationship, and a difficult time in the transatlantic relationship -- difficult not because there are necessarily inbred tensions between the United States and Europe but difficult because, as your talk suggests, we're looking forward to a post-economic crisis world, which suggests that we're still in the economic crisis world, and, in fact, if we think about the topic that you have selected for your talk today, there are at least three elements of crisis or challenge that we can see within that.

And then the first of that is on the European side of the transatlantic relationship. Clearly, there is a partnership that has materialized between the United States and Europe. It's an important partnership. But internally within Europe there has been a certain degree of political trauma, and that reached a height obviously when the Irish rejected the referendum on the Constitution, and now there needs to be another round of political transition with the EU Parliamentary elections that will take place soon, resulting in a new European government.

There has been a certain degree of economic trauma, economic trauma that is faced by large and small countries alike. We've seen it in the UK, in particular in France and Germany, and we've seen it

in smaller countries like Latvia, which has just reported an 18 percent contraction of the economy in the first quarter and compared to year on year from last year similar kinds of figures for Estonia and Lithuania, and in particular a lot of tensions and struggles economically in countries such as Romania and Bulgaria and Poland that have had coal-based economies. And so on the economic and political side, Europe itself is in a process of transition.

In the transatlantic relationship, we have seen that the partnership between the United States and Europe depends on a steady dialog, and in the run-up to the G-20 meeting that took place in London, the rumored tensions between the United States and France in particular I think did not materialize into that. But what it pointed out is that there are different perspectives on how to deal with this economic crisis between the United States and Europe or at least some of the European countries, especially based on the history and the legacy of our social expenditure programs in different countries.

There are issues such as climate change, which are going to be a central part of the transatlantic relationship and will come to a head, obviously, in Copenhagen with the negotiations of the UN Framework Convention on Climate Change and the conference of the parties that will take place there at the end of the year.

There are issues such as Afghanistan and how the United States and Europe and NATO work together and partnership and deal

with the extraordinarily complex situation in Afghanistan and Pakistan and the political and the security challenge that it presents the international community.

And then, finally, the title that you have suggested also points to the fact that we live in a crisis world, and that crisis world entails problems and issues that are not confined by borders, but we see an international financial crisis which has spread itself from the United States through the rest of the world -- issues such as climate change, which are not confined within boundaries; issues such as terrorism and nonproliferation, which force us to think about how to operate effectively across borders. And so the kinds of issues that we're going to be dealing with in the transatlantic relationship are not ones that are just defined by boundaries, and so to be effective it's going to require the United States and Europe to think about the world and to think about how the partnership that we have together allows us to be able to address those problems.

Here I will come back to saying that not just President Zatlars but Dr. Zatlars is probably one who has both literally and figuratively been trained in a unique way among international leaders to be able to, one would say, conduct a certain degree of surgery on the kinds of international problems that we face today since he is -- perhaps -- I would guess in Europe that you are the only orthopedic surgeon who is

the president of the country as well, and certainly probably one who has headed up the trauma unit in a hospital for an extended period of time.

And maybe that is an appropriate analogy for the international community right now that in fact what we do need to do is think about how we manage to do this trauma in a way that puts the patient back onto a sustainable path.

You certainly have been dedicating yourself to Latvia and to the European agenda, and indeed the way that you have been able to manage a buildup and restoration of confidence in Latvia as you've been managing through these very difficult issues is quite a testimony to your personal commitment to finding and charting a path forward.

President Zatlers, we welcome you to Brookings, and we look forward to hearing from you on the transatlantic relationship. Thank you.

PRES. ZATLERS: Thank you, Mr. Chairman.

Ladies and gentlemen, I have great honor to be your guest and to approach this distinguished audience. And that was a very kind introduction about the surgery. And, you know, that's a question that journalists often ask me, you know -- how your surgical background influence your political activities, and so there's a lot of comment. We had to make decisions even then. We don't have the full bunch of data we need, but we had to make the decisions. We had to take the risks, the same as in surgery. And we had to keep the secrets, the same as the

doctors do. And of course you have to listen to people. You have to understand how this society is loving itself as a whole and as an individual, each individual.

So, now I go forward for the most serious part that's the written part of all the topics that Mr. Chairman had mentioned before. We could talk for a couple hours, and maybe we can talk for the whole day about that. And then the next part will be the most serious -- the questions and answers -- and also the most beneficial of course.

So, Latvia and the United States have been treasuring diplomatic relations already for more than 85 years. Latvian flag never stopped flying in Washington, even during the brutal years of occupation. We have been strong allies sharing the most important values, principles, and virtues. Our joint participation in broader regional activities to consolidate freedom, democracy, human rights, both in Europe and elsewhere in the world, is of great important for Latvia.

Ladies and gentlemen, this month Latvia is celebrating five-year anniversary since joining the European Union and NATO. I would like to stress that NATO membership has ensured the irreversibility of Latvian statehood. It has also served the goal of the alliance to promote Euro-Atlantic area of security and stability.

We are celebrating our return to the Euro-Atlantic community that has been achieved by hard and consistent work. At the same time,

there is perhaps even more work to be done in the current situation dealing with the impact of the global financial and economic crisis.

It is inevitable that there are new challenges standing ahead of us for the whole Euro-Atlantic community. We face the rise of new regional powers in different parts of the world -- China, India, Brazil; also Indonesia, Turkey; and also let's include Latvian neighbor, Russia.

Next coming 10, 20 years will put the trial for the Euro-Atlantic partnership. Time will try our common values -- democracy, respect for human rights, and free societies. Time will try the EU and NATO relationship in a situation when the world is struggling with economic and financial challenges and turning into a multipolar world.

The Alliance -- Atlantic Alliance -- is the most successful collective defense organization ever established in history. Its success is in large measure due to its ability to adapt and to transform itself. It is a guarantee that the Alliance will, in the years to come, be able to find and create the most effective tools and capabilities to defend the interests of the Alliance.

The Alliance has become a security enhancer that attracts nations to its side on some of the most important challenges that face the international community. These nations range from those in Europe such as nonaligned Sweden and Finland; the Balkan countries who seek eventual membership; Ukraine and Georgia, which also have membership aspirations; to the other countries in Central Asia, which, while are not

seeking membership acknowledge the benefit they gain in participating in NATO programs.

At the same time, the support that NATO receives from its partners globally can only be a positive addition to cooperative security. The notion of cooperative security will undoubtedly loom large as a guiding principle in international security in the 21st century.

Latvia supports the Alliance's ambitions to further political dialogue and cooperation among the nations and international organizations. I would like to remind that we are contributing to the Alliance as NATO's contact point in Georgia, and our embassy is closely monitoring the current situation in that country.

Last NATO summit in Strasbourg/Kehl reaffirmed the principle of indivisibility of allied security, the commitment of transatlantic solidarity, and the common goal of a Europe that is whole, free, and at peace.

On NATO capabilities, we agreed to develop measures that would strengthen the Article 5, including on Alliance's periphery.

The constantly changing environment should not leave Alliance nations inadequately prepared to respond politically and, if it's necessary, militarily the broad spectrum of threats and challenges. Common agreement will need to be fashioned that clearly defines those challenges and threats. Common agreement will need to be reached on how and by what means the Alliance will respond.

Ladies and gentlemen, some words on Afghanistan.

We managed to send a strong message about NATO's readiness to provide more support to improve security situation and reconstruction efforts in Afghanistan.

Latvia's contribution to security of Afghanistan and NATO ISAF operation has been strong and permanent since 2003, that is, before we joined the Alliance and even before NATO took over strategic leadership of the ISAF mission.

During the last year I have talked with practically all the leaders of all the neighboring countries of Afghanistan except Iran. They all told me that NATO must stay in Afghanistan. However, they also told me that our approach is not always the most adequate one and it should be changed according to this (inaudible) situation on the ground.

Afghanistan cannot be built by military means alone. Increasing international orientation towards stronger civilian role is certainly the right direction to go. However, it's easier said than implemented. Shortage of staff, lack of coordination and security are just a few obstacles of civilian missions in Afghanistan. Commitments are the answer here as well. More qualified civilian experts and resources are needed.

We believe that cooperation is the best way of coordination. Therefore, our civilian activities in Afghanistan have been tailored in the way to cooperate with other partners as much as possible. For example,

Latvian policemen are deployed to EU police mission. We have worked in fostering contacts between our business women delegations.

Development of economy and trade are crucial factors in achieving long-term goal of stable and self-sustainable Afghanistan. To build a basis for healthy export-oriented economy, proper land transit routes are necessary to link Afghanistan with the Western Hemisphere. Therefore, we do see railway route from Latvia to Afghanistan not only as a logistic supply tool for NATO nonmilitary shipments today but also as a potential trade route for Afghan goods in the future.

Ladies and gentlemen, we sent a signal on NATO's openness to dialogue and cooperation with Russia based on continuous assessment of it within the NATO Russia Council. The decision to reengage in dialogue with Russia is appropriate. It is important both to exchange views on issues where we disagree with Russia and to focus our efforts on cooperation in areas where we have a common interest.

Unfortunately, in a couple of recent years, the cooperative pattern of relations has been replaced by unilateral action, like suspension of CFE, war against Georgia, gas cutoff, as well as disregard to commitments followed by claims of privileged spheres of influence.

Ladies and gentlemen, coming back to last year's war against Georgia, I would like to stress the role of European Union, especially French presidency, in putting efforts to find the solution to the Georgian-Russian conflict.

The future of the European Union is facing serious challenges. The Swedish presidency will be leaving the EU during the times of institutional uncertainty. It will be tasked with finding solutions for economic and environmental recovery.

We will have to be effective in cooperation with our neighbors to prevent the reopening of frozen conflicts.

To succeed in solving these challenges, the EU has to become stronger and able to speak in one voice. It would increase the EU credibility both in Europe and globally and would strengthen its role as a global player.

As the rest of the world is calling for a strong and unified Europe, capable to act and take responsibility, it applies, from our point of view, directly for European neighbors -- Ukraine, Georgia, Moldova, Belarus. Those relate to our relationship with Russia.

Latvia is concerned about the impact of the current economic and financial situation on its neighbors. We should not leave the Eastern Europe on its own. It would be neither fair nor wise.

The global crisis hits the Eastern European countries especially hard. When their markets are dependent only on some external partners, businesses and governance are not as effective as it could wish. It's easy to fall into depression and disappointment in these countries on a national scale.

Any signs of Europe and the US losing interest in the region or reluctance to help might have an effect of national disappointment and disorientation in the region and sometimes in unexpected and even disastrous results. That would make things only worse. We should not hesitate in our efforts to help these countries.

Of course the signals should have a clear message on belief in freedom, human rights, and market economy. Besides practical help, those countries need a positive idea to believe in and to aim at.

Launching of the Eastern Partnership initiative by the European Union has come exactly in time. This is a commitment on the European side of being interested in the region, setting the rules of the game.

Of course the Eastern European countries will not change overnight. But we have to believe in their future, and we have no right to take away their hopes. America and Europe knows it's from its own experience.

Latvia has committed herself to deepen its engagement in this region despite all the difficulties we face ourselves today. We have been providing assistance to the Eastern Europe and our know-how of reforms in enhancing business opportunities, good governance, and environmental management.

Today we are focusing on longer-term objectives. For example, we are exploring the ways how to boost our cooperation in the field of education in these countries.

Ladies and gentlemen, it's widely recognized by all the players that Ukraine is a key country to the region due to its strategic position and its importance for regional stability. Ukraine has been one of the worst hit countries amid the global economic crisis and its politics. The political scrap between President Victor Yushchenko and Prime Minister Yulia Tymoshenko ahead of upcoming presidential elections is making the matters much, much worse.

Despite the fact that there are no quick solutions to Moldova's problems, the EU and US presence in Moldova should be maintained. Only by strengthening the relations we can develop reform processes in Moldova. At this moment, it is most important to reach a dialogue between Moldova's leading political forces.

Moldova has tried to evade the economic crisis issue up to now. Nevertheless, it's necessary for the international community to be ready to react when Moldova's government will face reality.

The Transnistria issue still remains open. We consider it of an utmost importance to promote the resumption of 5+2 talks, since this is the only way how to reach a constructive solution.

The rationale behind the recent EU decisions to involve Belarus in the Eastern Partnership is to facilitate the change in Belarus

through engagement. Previous policies, in our opinion, were not fully effective. Isolation is not solution.

Geopolitical situation in the region after Georgian war and current world economic crisis has the potential to facilitate the efficiency of the engagement approach. Belarus is willing to leverage the Russian economic and political influence with closer cooperation with the EU.

Despite the August war and the global economic crisis, the economic situation in Georgia is relatively stable. But it's still a fragile political situation. It's important that in the current internal political difficulties and the aftermath of the August war, none of these things distract Georgia from its further political and economic reforms. We have to give all necessary assistance to ensure that. We should not allow Georgia to slide back in its reforms.

We have growing concerns about the lack of constructive political dialogue between the Georgian government and opposition. Although the opposition protest rallies in Tbilisi were handled in a peaceful way, a gap between the government and opposition still exists. Launching of dialogue between government and opposition is crucial right now.

The current security situation in and around Georgia still raise serious concerns. Incidents are continuing. Russia's military presence is rising. Georgian population in Abkhazia and South Ossetia is facing human rights violations. Implementation of Geneva agreements on

incident prevention mechanisms and insurances of further international presence in Georgia are also very crucial.

Ladies and gentlemen, the side effect of the recent turbulences in the region is a rapid change of perception of the EU by Russians. For a surprise to many, the EU appeared to be a united and firm negotiator and effective in its actions. The public attitudes in Russia to the EU have sharply fallen from constantly positive to negative, just like those of the US and NATO. This is the way how Russians recognize some of this influence.

But this also means something for Europe. There is no way back to mild and sometimes bloated European politics vis-à-vis Russia. There's no benefit of ignoring the talk of spheres of influence and the drafting the security system on Europe. Once we have crossed the zero line in Russian perceptions, we are in different rules of game.

Europe has no choice but to apply the same unity in its aims, language, and means in the regions of Russian and European common neighborhood.

The crisis has not changed the strict Realpolitik style in the Russian foreign policies. Some in Russia even see the crisis as an opportunity to influence the ties among the countries as they become weaker due to the crisis. Others find it useful to use available media tools to highlight economical difficulties in countries of interest so provoking additional tensions.

The crisis will not changed the principles, language, and means of the Russian politics. The West has to face this fact and to act accordingly.

The global importance of Russian dialogue with America on WMD, and nuclear arms cannot be neglected. However, the US should not limit its interest towards Russia only to some issues. It has to be fair and distinct all over the spectrum.

Ladies and gentlemen, I would also like to say a few words about the economy.

The development of events toward the end of last year showed the national governments must participate more actively in economic processes. The former approach was to doze off at the steering wheel of economic development, but that was an irresponsible approach. Sadly, we woke up too late. We could see the financial mess that we were heading to. It was too late to avoid it.

The current economic downturn is a situation which demands a complex approach both on a national and global level. At the global level we need coordinated pursuit of the restoration of economic growth. This will be possible only if we create a new architecture and mechanisms for the financial system. There will have to be strict oversight of the system while at the same time no limitations affecting the initiative and market processes. A great challenge will be to strike this balance.

Please allow me to spend a bit more time on solutions on the national level.

The global financial crisis has affected Latvia, too. We are not an exception. It has been said that Latvia is currently experiencing one of the most dramatic operations for the rescue of the financial system in the history of modern Europe. At this point, it's crucial importance not to confuse short-term solutions with a long-term view of economic development. Latvia's currently working on both. The short term -- we are taking severe budget stabilization measures. For the long term, the government is working structural reforms as we speak. These reforms will be passed by the Parliament inside a month's time frame. The structural reforms will encompass overhauling of the health care system, redesigning our educational system, reducing the number of municipalities fivefold, and severely downsizing the government bureaucracy.

Ladies and gentlemen, I am optimistic indeed that in a few years world and Latvia will be thriving economically again. Post-crisis growth will mean that the economic world will merge into several centers of economic power. The United States will be one of such powers, as will be the European Union. But new centers will arise defining the need for ever closer transatlantic cooperation that is based on common values. For all the past roads between Europe and America, we have to recognize that our cooperation is to a much larger extent than any other region based on values and common reading of the world.

We are ready to continue our business and people-to-people ties. We are interested to promote exchange of students and young entrepreneurs. We want to explore possibilities for cooperation in innovation on energy issues, including energy security and technologies. Therefore, our recent membership in the US Visa Waiver Program is yet another example of our strategic partnership, which allows our citizens to learn more about the culture and the history of US. It allows freer exchange of ideas for the development of business activities.

The serious part is over, gentlemen. Thank you for your attention. I'm ready for the most serious part. That means questions and answers.

MR. PIFER: Mr. President, first of all, thank you for an address that fulfilled the promise of its title in terms of covering a broad range of issues.

Let me take the moderator's part of imposing the first question.

You talked a bit about NATO in a couple of ways, first of all the importance that NATO -- particularly in the aftermath of what we saw last summer, think about its most important element, which is the Article 5, the Collective Defense provision. But you also talked about, too, what NATO's doing in Afghanistan, its largest ever military operation. You and your other colleagues at the NATO summit agreed to launch this new strategic concept to decide what NATO will be about over the next

10 years. How do you see that discussion playing out in terms of where NATO could situate? Is it going to focus more on Article V, or is going to be looking more towards what NATO can do in terms of tackling some of these out of (inaudible) challenges where it can make a viable contribution, such as in Afghanistan?

PRES. ZATLERS: To my opinion, NATO came out of the Strasbourg meeting, the anniversary meeting, much more united than ever before, because that was symbolic that the last summit was held in Strasbourg/Kehl. That means on the German and on French soil. That's a place where the war started. And now for 16 years we don't see any even possibility of military action in Europe. That means that NATO has made Europe competent of peace. And we looked at the history. We see every enlargement brought more peace and security in a definite region.

Eastern Europe was a very good example, and obviously the same pattern going on in the Balkans. So, usually it's a question of enlargement. But enlargement is also based on every country joining the NATO -- has to rely on Article 5. And the last summer's Georgian war raised the first question in the population of Latvia: Are we safe under this Article 5 or not? And of course we answered we are, we are not threatened, we are really protected by the umbrella of NATO. But we had to really fulfill this Article 5, this definite contingency planning.

It shouldn't be -- of course -- before the war, the most popular sentence was, you know, we should do our politics in the way we

should never face the Article 5 to be implemented in real life. But last year we saw that possibility is very close. So -- and I am really satisfied that the Article 5 is definite contingency planning for all the states, small or big, old members and new members, for every state, a sound basis for the security.

So -- and the Afghan situation is very well explained on our Latvian example. Being a small country, this, say, 4000 soldiers -- can we protect ourselves or not? That's the usual question I ask the population and they ask me about me about the NATO. And the answer comes immediately, you know: No. So, we have chosen the Collective Defense principle. We have joined NATO. So we are ready to go any place to defend NATO country -- well, let's say, to be in Afghanistan as a joint mission of NATO, as a joint international mission, as a sake of our own security. So, it's a good balance with these two things, but the priority is Article 5.

MR. PIFER: Questions, please. Back in the back here, and if I could ask -- if you could just state your name and affiliation, please.

MR. ALVAREZ: My name is Carlos Alvarez. I'm a writer. We have heard repeatedly about the benefits of membership in NATO, EU membership, with regard to security and cooperation and economic benefit. But there's also questions of sovereignty that arise the more involved a small country or any country becomes involved with these organizations. So, my question to you is we've heard the positive, but

what I'm asking about is the negative. What would you change, or how would you have NATO evolve or the EU evolve in order to provide you with more flexibility -- particularly in this time of economic crisis -- with more flexibility to negotiate with a broader world in terms of securing your own future and -- but, you know -- and ultimately for the benefit of your people.

PRES. ZATLERS: People get used to the benefits very quickly, and they take them for granted forever. We have to understand that it's never granted forever. Five years in NATO and EU. That's already some experience. If you go to military terms, NATO is a military security, and the question you asked was answered just before. We just feel in a most secure way we never had in our history. And that's very important, because you can't do your businesses. You can't attract investments. You even can't create an art if you are not in a safe, secure environment. And that's what the membership in NATO does. And people accept it. They only accept the top priority is security independent democratic state. And I'll tell you why -- because we have still good memories. Twenty years ago we were living in different society, we were living in different economy, and we were living under conditions like occupation. So, we are very sensitive because we do have our own reflections of that period. We only see the difference and we really know we have something to lose. So, people don't look too much above the negative on NATO; they look above the positive on NATO. And we have

professional army now, not a regular army as we had before, and our own army, and even the best example is we have now the joint RMLT team in Afghanistan -- American soldiers and Latvian soldiers serving in the same unit. That's really integrity of NATO.

When I visited Afghanistan, I first got the feeling that NATO is united about the EU and economy. You see, it's -- (inaudible) always have something, (inaudible) skeptics, because they're skeptics a couple (inaudible) all the time. They're skeptical about everything that's going on. That's their role, to be skeptic. But let's say in present economic crisis Latvia faced, we went down in a slowdown in a very, very steep way. But, say, we were talking about whether to allow the labor force to come to Latvia from outside because we had the differences in the labor force. In March and in November they're facing unemployment going up one percent a month. So -- and we had a two-digit GDP growth in the last previous years. Now we had 10 percent last year's -- last quarter, and now we have 18 percent, as mentioned already, the first quarter. In this very steep slowdown, they got a cushion. That's not only -- not IMF. We have to look what is behind IMF. That's the European Union. Because of the financial assistance comes 80 percent from European Union and also from the Nordic countries, which is the same. That's the European Union. And the first time we really felt how it is important for a smaller economy, very open economy, because we cannot survive as a closed economy, that you've got to help and you get all the benefits from EU. So, currently,

in a difficult economic situation you can find some, you know, bad things about the EU and NATO. You're a member of bigger family, you know, and the family takes care of you. This is a good sign.

SPEAKER: Mr. President, you discussed relations with Russia through the NATO and EU lens. Could you discuss your bilateral relations with Russia -- Latvian-Russian relations especially with regard to the Russian minority in Latvia?

PRES. ZATLERS: I would divide this one in two parts now. We were, you know, on our way to NATO. We've got a lot of problems with Russia, because Russians didn't want us to be members of NATO. And they are upset now that we are the members of NATO. But paradoxically the relationship after joining EU and NATO normalized, and now they're going for better, developing for better, and better with each year. We even signed the border treaty, which was sensitive (inaudible), but we see that really the membership helps to improve the bilateral relations with Russia, and it's not influencing in a bad way. That was a surprise for many people. Some people expected that, because Russians -- they really want strong partners, but they also like small, unstable states around their own territory. And if you remember the first speech of President Medvedev when he was talking -- was asked about the foreign policy, who will be in charge, the prime minister or the president, of the foreign policy, he said: It's a simple question, it's me, myself, and we will protect Russian interests by all means, all around the Pyrame through --

that means all around our Russian territory -- and then with a small pause an additional of course according to international laws and treaties. So -- and that was a message, you know, he sent the world. It was the first message. And, really, they treat -- that's the basis of their policy. Being a part of NATO, being a part of the EU, we mostly focus -- Europe speak in one voice, the force of Europe to speak in one voice with Russia, because, you know, this is all Caesar's time, you know, politics, you know, divide and rule. That's what Russians are really keen, and that's what the Russians perform every day, and our task is also improving bilateral relations. We are very friendly, but we don't know how different we trust. And usually -- I'm using the example of, let's see, a sailing boat and a steamboat. Who has to give the way? Who is more -- who has more (inaudible) for avoiding any conflict? Sure. That's who has more power. That means Russia. We can do our best, you know, but we really depend what's Russian attitude. And being a small country, small countries are always friendly, because you cannot conquer anybody. And if you look at Latvian history, we never attacked anybody of our neighbors. Maybe in the 11th century. Not lately. And that's what we see. And therefore also from NATO, NATO has to speak in one voice and became (inaudible) better united NATO after the Strasbourg and the Russians didn't like it. Their response was not a response of happiness and good feelings. And then they -- (inaudible) was asked on an interview what do you think about

a new secretary general. He said he's not a squeaky one if you're going to deal to him.

So, if you want to live in a real secure world, we have to be united in North Atlantic. Unity is very important. It's the most important thing on the globe, and we have to foster it.

MR. NOVIK: My name is Dmitri Novik. I'd like to turn to human side of questions to you, because my personal life was so much connected to your country. I spent 20 years, each summer, on the small Hoter (inaudible) wonderful lake of Chidishi -- if you know this place -- and across the village with English name Somerset. So -- and, personally, my son broke an arm. An orthopedic surgeon from Riga was at this time in Praley region hospital, so -- and we fortune because local surgeon cannot do properly work and it's forever and I need to say that we live in very small Hoter (inaudible) -- it's Russian name -- village. It's not village; it's only five houses. It's no running water, it's no toilet in the house. Yeah, but I'd like to express gratitude and thanks for Latvia for my personal life, because without recover in summertime, I cannot survive maybe in Soviet Union. So -- and I need to say that this place is part of Latvia -- Latgalia is melting pot. It's Latvian -- Russian's -- some (inaudible) of Russian (inaudible). It's wonderful country. We -- and the story -- even in such small place as this is the story of the second -- the previous century -- terrible century, because Jews in Somerset all were killed. Latvian was imprisoned in Siberia by Soviet power. So, my question is this. What is

relation between majority population Latvian and minority population, and it's very big minority population, by the way, in Latvia? It's my question, and I'd like to finally say this personally. My father was scientist and artist, and he painted a lot of hoter and lake and (inaudible) stuff. I'd like to present to you for teaching.

PRES. ZATLERS: Thank you.

Okay, I have to talk a little bit about minorities, because it was a previous question, too. So, I'm very proud that the declaration of independence in 1918 -- there was a lot of words about minority whites, because Latvia has always had a lot of minorities. There's a German minority, Russian minority, Polish minority all the time, you know. We are living in the crossroads because of the (inaudible) position of Latvia, and there had always been a high tolerance to the minorities and different cultures and different religions. Just a few examples. Let's say we have a population of 2.4 million. Just one big city. At the same time we have the basic education in eight languages. In eight. That's really, you know, a value, because that is the tradition of Latvia in the '20s and '30s of the last century. Of course, during the Soviet occupation, there were only two languages, Latvian and Russian. Now we have eight languages, including, of course, Ukrainian, Lithuanian, Estonian, and Polish of course and Jewish of course, and that's the minority policy of Latvia. It has never changed since the proclamation of independence in 1918. And, for example, in the '30s, the Belarusians had 50 schools (inaudible) zero -- at

present, one. At present, one. And usually (inaudible) in answer of the question, was it a very international approach what they claimed by the Soviets? No. It was justification. Hundred percent.

The second point of (inaudible) treating the minorities is their religious freedom. Can you imagine on the day of independence on 18th of November in the church you have six biggest confessions -- the priest of six biggest confessions praying in the same church as the same service for the Latvian state? You see, these are the values that Latvia follows, because it's only way to survive -- to be very open, to be very democratic, to offer all the rights, and that's what the people appreciate. Of course we do have a Russian minority, which is much, much bigger. We have over 30 percent. And of course they (inaudible) in the Russian media, because, let's say, we have free press. That means you have television stations, you know, in Latvian, in English, in German and French, and of course in Russian. And especially during the last years of Georgian wars you can see -- you can see, really, the difference. It's like day and night -- telling about the same events, about the same war, about the same disaster but in a different way. And even that didn't cause any tensions between the minorities. Why? The answer is very simple. Freedom, democracy, and respect of the other opinion.

MS. SHEVITZ: Osmatum Shevitz, American Clean Skies Foundation. What do you see as the top energy issues in Latvia, and what do you see that can be done to move toward resolving these issues?

PRES. ZATLERS: Usually the people ask, you know, how are you going to solve the dependence on Russian gas? That's true. We are really purchasing all the gas from Russia. The same time in 20 years we never had any gas conflicts. And we have a contract till 2030 for gas supplies. And we are really confident that there will be no shortages, they will not (inaudible). An explanation of why we are so confident is very, very simple. There's interdependence. We have the gas storage facility, we have the, you know, reserve for two winters. There's no sense to use it as a political tool. At the same time, you know, we have the winter and summer gas, you know, cheaper and not so cheap, so we pump it back, you know. This system was built by engineers and not by politicians, and therefore it's very effective, and sometimes -- and sometimes -- and you see nowadays we have to follow these rules. Politicians have to (inaudible) the engineers what is the best way of solving the energy problem, not just to do it themselves. And of course they -- we would like to have less gas consumption.

The same time, you know, an energy system is pretty diverse. Latvia's opened up electricity market, and at present we have free market Estonia and Latvia on electricity, and about 6 percent of electricity Latvians purchased in Estonia. And we have signed negotiations with all three Baltic states to open -- and a definite day open a free market in all Baltic regions. But this will happen and you have the connection between Sweden and Lithuania in which the decision is made.

It is going to be built as soon as possible. They have the connection with Estonia-Finland -- and that will create a united Nordic-Baltic -- that means Scandinavian-Baltic electricity market -- free market. It's a great step forward of really creating a new situation in energy -- in energy market.

And of course electricity's also -- interdependence -- you buy from Russia, you buy from Lithuania, you buy from Estonia. This already different situation, which is creating step by step a new situation, and we will be less dependent on Russia on the electricity market. But everything depends what the Russian future will be and what the Belarusian future will be, because if you look at Belarus, Belarus is like an island, economic island surrounded by the European Union states and Russia and Ukraine. So, we have to -- also the future vision of economic development, of political development, and also energy security bill. But the same time, we are not in a different situation than countries like Germany, you know, which are totally dependent on the Russian gas, too. So, this energy security issue must be solved in the whole Europe. There's no solution just for Latvia, not solution just for Baltics. There should be a solution for the whole Europe: how to reduce dependence on definite suppliers.

When you look at the supply routes, sometimes we forget that Central Asia, like Turkmenistan, is one of the biggest producers of natural gas, and sometimes Russians are just, you know, they're intermediators. So, we have to understand that maybe the route from

Turkmenistan to southern parts of Europe is also an option that will really increase the diversity and multiple-choice options for energy market.

MR. PIFER: Questions back here?

MR. BROWN: Thank you, Mr. President. Andrew Brown from the Global Language network, and my question is -- whether it's helping Latvians in Latvia and around the world whether it's responding to global issues, whether it's trying to help improve the lives in Latvia -- what is your government's cooperation with nongovernmental organizations, not-for-profits, and other parts of civil society?

PRES. ZATLERS: It's a good question. I'm not government, so it's a first. I'm the president. And the -- I will tell you about what the president does. Let's say, really, I cooperate a lot with the nongovernment and institutions, because you need the response, the feedback from the society and the nongovernment organizations that are, you know, organized cells of society supporting some ideas or supporting definite projects.

And just one example. I had what's called a Council of Minorities -- because my other question was rise of here -- it means by having the representatives of all the minorities of cultural societies of all the minorities governing in the presidential castle once a month, and my question is always how do you feel as a minority in Latvia? Are you satisfied what Latvia does for you? And, you know, sometimes they've got some problems. There was, you know, an idea because of financial

problems to close down the registrations in minority languages. We managed to -- that means myself -- I managed, as my commission, this council of advisors -- to manage to keep this. So, and now we have a lot of, you know, involvement in discussing what's going on in society, because that's a wakeup in (inaudible) society in a difficult period of time. You need the ownership by the society, the ownership of the process that's happening in your country, also by the nongovernmental organizations. That's what I do, you know, practically in a -- nearly every second week I have a meeting with nongovernmental organizations. Discussions on definite topics. So, I would say in one sentence -- and answer in one sentence -- in a period of economic difficulties that may cause also political difficulties, the role of cooperation between nongovernmental organizations and government is very crucial. It's half way to success, because there you see a lot of self-organization. In the good times, you know, people don't organize, they just enjoy life. But in the really difficult times, they try to organize how to overcome difficulties. And then you need very good feedback. Very good feedback.

By the way, you know, I learned in the United States this idea, because in the -- if you go to your voters and listen to what they say, you have something to say from your post, if it's being in the Congress or being in the Senate. The same is true for any country, including Latvia. So, what's their problem? Can we fix it?

MR. BROWN: Less than 5 percent of the world is born speaking English, and, well, 53 percent of Europeans speak another language other than their own fluently. Less than 9 percent of Americans speak a language other than English fluently. So, that is something that my not-for-profit tries to improve upon, but at the same time we teach languages such as Latvian. We teach other Baltic languages -- Estonian, Lithuanian -- to connect people. We try to build relationships, because there's this sort of issue where people focus so much on politics and not so much on building relationships, because in the end it's the relationships that will endure through tough economic times. It will -- it's the relationships that will endure through other sorts of issues.

PRES. ZATLERS: You are right. I agree with you, because it's -- living in Latvia you'll need at least a minimum of three languages. Optional let's say that four is very good. Five is even better. But you can't live in Latvia without three languages. So, you can, but, you know, you will not enjoy the life. Now, that's if you go to the south of Europe. You will see that there the people speak Portuguese, Spanish, French, English. At least four.

SPEAKER: I'd like to go back about a year ago. President Medvedev put forth this notion of a European security treaty, and it's been out there without a lot of detail, and I think around Washington you encounter several reactions, one of which is if we ignore it, maybe the idea goes away. Another reaction is that there are things in it that are

actually intended to constrain NATO in ways that we would not like to see NATO constrained. But a third idea that you encounter is that, well, it's vague and maybe that creates an opportunity for the United States and for its NATO and EU partners to try to shape it and produce something that would be positive, the example being cited of the Helsinki final act where originally we had what was I think a bad idea but it was turned into something that was actually very positive. I'm interested on your thoughts about how the West should respond to Medvedev's proposal.

PRES. ZATLERS: Very simple. If your business is doing well, are you going to change? You get a good profit. Are you going to change? Usually the answer is no. If you change, you must (inaudible) your business. You have to change if you have some problems. Then you have to change immediately. That's in business. That's in politics. That's in security. And, let's say, if the whole Europe is satisfied with existing system, if the whole Europe feels comfortable, if the whole Europe, you know, feels safe and secure, why should we change? Somebody does, it doesn't feel safe and secure. And that somebody is trying to change, to, let's say, trigger the change. And of course -- and the question comes up, you know, if Russia doesn't feel comfortable with this system, we have to ask Russians a couple of questions: Why? And I would say 80 percent the answer is that Russia has to change, because, you know, they don't feel comfortable, they want to change. Why should we go just follow somebody who doesn't feel comfortable if we do? I don't

see, really, you know -- we have to -- then we have to ask them just please give your perspective, give your, you know, let's say, positive model of the future. Can they do that? They want to change for change sake. That means they do not get happy. They want to disturb us, maybe, you know, to reshape a system that is serving very well. They have some vetted aims but not that increase our security here. (Inaudible) we are in Europe and we feel safe. We are satisfied. We feel comfortable. You know, let's listen to them, ask them a lot of questions -- let's say, hundred questions, (inaudible) questions now -- force them to answer that. They have arguments, then that's our task to see. Are we going to change or not? Are we going to change our business which is successful? Are we taking the risks it might not be successful in the future. That I think is a most, most pragmatic approach.

MR. PIFER: Other questions?

Well, Mr. President, I think you've exhausted the audience.

Thank you very much for covering the four aims.

And please give him a thank you.

PRES. ZATLERS: You give me some tricks to get over.

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I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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