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PRESIDENT OF THE REPUBLIC OF LITHUANIA

STATE OF THE NATION
ADDRESS

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LADIES AND GENTLEMEN,
MR. SPEAKER OF THE SEIMAS OF THE REPUBLIC OF LITHUANIA,
DISTINGUISHED MEMBERS OF THE SEIMAS,
DEAR FELLOW CITIZENS,

The Constitution commits me to make an annual review of the situation in Lithuania, assess the Government's performance, and discuss options and decisions to ensure the well-being of the State and its citizens. In fulfilling this duty, I would like to share my thoughts with members of this Seimas about our present and future issues, achievements and problems.

We are on the threshold of celebrating the millennium of the first mention of Lithuania's name in written sources. What are we on the eve of this jubilee? What is the State of Lithuania that will soon enter its second millennium? What is its government and society? Have fundamental Christian, humanistic and democratic values, which we declare to be ours, truly become part of our national identity? What is our public life and what are our policies?

Speaking in terms of centuries, we could say that never before has Lithuania and its people been so secure and successful and enjoyed so many opportunities for self-realization and participation in a wide range of fields. But do we make the most of these opportunities created by restored statehood and membership in the community of liberal and democratic nations?

Regrettably, in the nineteenth year of our independence, **instead of discussing the challenges or problems that we face, we have to acknowledge that there is a crisis of confidence in the state.** We came to this crisis slowly but steadily, ignoring all cautions and warnings to work together for common interest. There are several reasons for that. The first and most important problem **is the lack of strategic thinking** that I have repeatedly mentioned. Twenty years ago, the Sajūdis movement set the ultimate goal of restoring the Republic of Lithuania. We then worked out a roadmap to join the European Union and NATO. Our strategic targets paved the way for domestic reforms and national progress. Today, however, we do not know the answer to the question: What next? What are our objectives and how do we pursue them to consolidate the foundations for the lasting well-being of our people? I think that we should stop feeling nostalgic about the civic unity that held us together on the path to re-independence twenty years ago. Instead, we have to seek – steadily, rationally and pragmatically – **agreement on specific priorities in social policies, science and education, and health care.**

Until now we have been only discussing national well-being and European values, while actually drifting towards stagnation and decline. The

EU funds gave us some time for relaxation, but it will not last. And essential problems remain unsolved. Such strategic indifference leads to yet another problem: **our policies do not produce positive results in the most important areas of our life where change is most needed.** Concrete and specific work that could have been or can be easily done is either downgraded or delayed. Even when something is actually accomplished for the country and its citizens, **the indifference of public authorities and their disrespect to people overshadow our achievements, instilling a feeling of mistrust for the state.**

I often ask myself: How can we reduce the gap between the expectations of our citizens and the government's ability to fulfill them? How do we revive responsibility and political wisdom? How do we bring back direction towards essential issues? What words or actions should be used to stop the continuing confrontation, the witch-hunt and irrelevant disputes, and encourage all to make the necessary decisions aimed at consolidating the state?

I have already said it and I repeat it – let us take a look around: society is maturing more rapidly than the feeling of responsibility and the political wisdom of our politicians. Society has started to seek solutions to important problems on its own: delivering assistance the needy, fighting the war on the roads, promoting culture and national heritage, organizing education and training, and advancing community-based businesses. It makes us feel happy and proud of Lithuania's growing civil society and its achievements. However, there is a question that does not leave the mind indifferent: Is it not our elected politicians who should be at the forefront

of the civic movement? It is the trust of citizens in the state and its institutions, their engagement in public life, and the feed-back attention and promises delivered by politicians that create the required conditions to build a strong state.

The vision of the Lithuanian state was born of the principles of February 16 and March 11 and the ideals of the Sajūdis movement. Twenty years ago, Sajūdis heralded the rebirth of Lithuania based on nation-wide confidence in both: the idea itself and those who realized it. Of course, we were more united on the path to the ultimate goal of national independence than we are today when many of us seek different roads to progress and prosperity. But the diversity of opinions and approaches, the ability for self-assessment and critique, and the courage to accept criticism are a sign of a mature and democratic society. Regrettably, the tradition of democratic decision-making has not as yet been established in Lithuania. Not all understand that democracy does not mean the dictatorship of the strong, the influential or the majority; it signifies a community of citizens equal before the law, which is based on solidarity, trust and mutual respect for the rights and freedoms of all.

Where there is a shortage of such values, society responds with mistrust of the political establishment. Such mistrust is further deepened by lavish promises showered in every election campaign. I would like to emphasize that in the absence of serious transformation projects, irresponsible and unrealistic promises made merely to attract votes and not targeted at lasting well-being are doomed to failure. While the promise-makers imi-

tate activity, immerse in scandals and hearings, and compete for spheres of influence, public disillusionment and mistrust continues to grow. I strongly doubt that people elect populists in the hope that a savior will come to deliver good governance. **I rather believe that it is an expression of popular disappointment with those whom they trusted and who have let them down.** I would wish political parties to respect people, honor their own commitments, and better identify those voters and social groups they intend to represent.

I see yet another reason for mistrust towards our political system: the closed-stance position assumed by political parties. The ideological, political and other motives behind their decisions are vague and doubtful. The funding of election campaigns from private sources also raises many questions. The situation will not be rectified by making only slight legal amendments. I firmly believe that neither individual persons nor legal entities should be allowed to finance political parties.

No progress and political revival are possible without the engagement of professionally educated and responsible young people in the political process. Although we see some young faces in the Seimas, there is no genuine renewal and generational change in party ranks. Meanwhile, the young generation will have to live in a Lithuania created by today's decisions that shape tomorrow's politics, education, culture, and economy.

Today we can still feel pleased about Lithuania's rapid economic growth. Thanks to business initiatives and hard-working people, we continue moving closer to the average EU level of economic development. On the

other hand, it is impossible not to notice that Lithuania's progress has started to slow down in terms of international indicators. Other countries in the region are getting ahead of us. Our one real and significant achievement is lower personal income tax which was effectively reduced in the last several years to benefit many residents of Lithuania. I urge to continue with this consistent taxation policy and to refrain from budget and tax manipulation for election purposes. The recently launched discussions on taxation are a definite step backwards. It would be an unforgivable mistake to make a single irresponsible movement and wipe out all the positive results attained through personal income tax reform over the past several years.

Our inability to balance the national budget sends bad signals across Lithuania and further on to European partners. It has already reduced credit ratings for Lithuania. I have repeatedly underlined that we have to restrict expenditure to mitigate the price rise impact. I think that we are doing too little and too late in the management of state finances. I hope that at least the next year's budget will be balanced and that appropriate funds will be provided for in advance to priority areas. I also expect that budget-based funding will be coordinated with structural reforms. The Law on Fiscal Discipline, finally passed by the Seimas, establishes prudent rules to live by and gives us hope and optimism. However, if the budget gets entangled in the mounting election campaign, all of us may have to pay dearly.

The unacceptably delayed problem of teachers' salaries is just one of the many instances of faulty strategic planning. Far-reaching policies and a systematic approach to state expenditures and obligations would have

allowed us to avert the confusion which engulfed some schools in Lithuania. For several years now we have been speaking about raising salaries for librarians, museum curators, and cultural workers and about the necessity to rectify a number of long-standing mistakes in the management of libraries and cultural establishments. When will such talk be finally translated into real decisions? The state has not taken advantage of the economic surge to remedy the situation in this area. I insist that the nationwide importance of education and culture should be recognized not only in words, but also confirmed by appropriate funding. Some municipal politicians are showing us the way. I have recently visited Utena where not a single political party has had an absolute majority for many years in the local municipality. Nevertheless, politicians from the position and the opposition have been working hard and quite successfully to restructure the local school network. They have also managed to keep migration low and create good conditions for self-education.

The reform of higher education is yet another eloquent example of reluctance to introduce vitally important changes. The Government has finally worked out and submitted to the Seimas a draft law which, however, only describes the existing situation and for this reason has evoked a negative and critical response. How many times will I have to remind of the need for essential reform in higher education and its financing? Last year, parliamentary parties agreed on the basic principles of reforming the system of education and studies. Now we have to make the next step and pass the relevant laws implementing this agreement. The changes cannot be delayed any longer. All the more so that the Constitutional Court has ruled that the provisions of the Law on Education regulating the funding of studies

are in conflict with the Constitution of Lithuania. If the necessary decisions are not taken, the procedure of student enrollment this year will be vague and unclear.

The anti-corruption system requires no less attention and urgent restructuring. This has been confirmed by the assessment report recently released by the National Audit Office on the implementation of the National Anti-Corruption Programme. It seems that this programme has been converted into formal correspondence among state institutions and that its ultimate objective to remove the roots of corruption does not receive the attention it deserves. Public opinion polls show that people still consider bribery to be the most effective problem-solving instrument. How can we discuss effective counter-corruption measures if more than 80 percent of respondents say that they do not know where to report facts of corruption? It is evident that the war against corruption is a war waged in words which contradict the existing practice. A major breakthrough can be achieved only by strong political will and actions streamlined in two directions: criminal prosecution and law improvement.

The year-on-year delay of transparent legal regulation in such important anti-corruption areas as public procurement, lobbying and the funding of political parties can no longer be tolerated. It is the politicians who are empowered to improve the relevant legal framework and thus eliminate the root causes of corruption; therefore they should bear the brunt of responsibility for the present situation.

In their election campaigns, many parties display exceptional interest in each individual and every family issue. But Lithuania leads the EU list of child poverty statistics. These figures are not abstract or impersonal: they stand for actual people – our neighbors and friends. Ending child poverty is key to breaking the cycle of inherited poverty. Today's support to families is declarative. It is difficult for parents to raise children and pursue a professional career because there is a shortage of pre-school facilities, while the existing ones ignore the realities of today's labor market: some parents have to do late working hours or work on weekends and red-letter days. To make labor-related income – not social welfare – the main source of income for our citizens, we have to create a flexible system of family services, upholding the child's right to live and grow up in a family environment. Regrettably, I fail to see constructive and efficient cooperation among ministries and departments, municipal and non-governmental organizations in arranging and providing support to families.

We should note with satisfaction that a number of long-standing social security problems were addressed last year: some Sodra-paid pensions and benefits were increased. I would like to believe that such generosity is not related only to the upcoming parliamentary elections.

Health care undoubtedly remains among the most important and sensitive issues. We have to admit that our health care reform has bogged down due to protracted political decisions and lack of agreement. It is the politicians who have to accept responsibility for planting the seeds for today's instability. When writing the chapter on health care in your election programmes, please remember what you have accomplished or at least promised to accomplish as members of this parliament.

Last year we worked out a strategic document for the development of health system in 2008-2015 setting directions for health care reform in Lithuania. I support its provisions aimed at changing the existing health-care funding mechanism, introducing supplementary health insurance, increasing competitiveness in health care and strengthening partnerships between private and public sectors. Do not forget that people on months-long waiting lists for medical consultations and procedures expect you to make resolute decisions.

Ladies and Gentlemen,

People are impatient for definite actions to deal with health care and education problems, make the judicial system transparent, fight corruption and restore ownership rights to land. Failure to complete the land reform in time and the government's inactivity in territorial planning have imposed artificial restrictions on land supply for construction purposes. For this reason, quality housing has become unaffordable to many people. Although the Government has promised to work out general plans and complete the land reform by 2008, most of local municipalities do not as yet have such plans. The end of land reform has been put off for another three years as if more land will become available. Utility bills are soaring because of increasing heating prices. The renovation of old houses would reduce heating costs, but so far no essential progress has been made in this field as well.

I hope that politicians elected to the new Seimas will work in closer cooperation and that their newly appointed Government will have the resolve

to carry through essential reforms and deliver on the promises made. Regrettably, the measures that I have suggested earlier for supporting our economic growth and sustainability have not been implemented. We have long been speaking about the need to improve conditions for foreign investment, but our words are not translated into actions. Lithuania is not taking the required steps to make its investment environment more attractive - such as introducing ceiling caps on social security contributions, facilitated arrival procedures for foreign investors and labor, more rapid and transparent decisions in land matters. On the contrary, unsubstantiated new incentives are undermining our tax system, while badly reasoned discussions about extensive taxation changes raise serious doubts in the minds of investors. I do not hear election proposals that would guide us towards Lithuania's strategic goals and the lasting well-being of its people – not only towards victory in elections.

The indecisive stand of public authorities, their failure to make decisions and assume responsibility, fear of change, and fencing themselves off from the world are driving our citizens to despair. Many of them express their attitude by leaving homeland. Perhaps, time has come to make a serious analysis of the experience gained by other countries – those in the lead of economic well-being and competitiveness – and follow it to make Lithuania more attractive not only to investors but also to those of our fellow citizens who have emigrated? Lithuania has become an integral part of the world economy and our decisions must match the spirit of these times. Economic openness should serve as the core principle of our policies allowing for immediate response to changes in the labor market, the prices increase for resources and other challenges of the global market.

I would like to once again underline that we will be able to achieve this only by common consent, which is absent. Yet another example: the Seimas has finally started deliberations on the long awaited law on courts. Regretfully, even today it is unable to reach an agreement on key judicial problems and lacks determination to resolve them. The ongoing discussions suggest that the fate of this law will be predetermined by one and only question: Can the rulings of the Supreme Administrative Court be appealed against to the Supreme Court of Lithuania? Is this the most important question today?

It would be a mistake to describe the problems that I have raised as separate and unrelated shortcomings. All of them dampen the image of Lithuania and affect popular feelings. Let us not be indifferent to our fellow citizens and their problems; let us not underrate their rights and needs. It is all the more unacceptable for politicians to divide civic unity, turning their voters into mere spectators of political or personal clashes, instead of developing loyalty to democratic ideals through personal example.

Open manipulation of alleged threats to the State leads to anxiety and public panic. It also hinders adequate assessment and resolution of real national security risks. The prolonged debates over the State Security Department and its activities evoked great public concern. But this theme was used only in the context of inter-governmental dealings or narrow party interests when making public comments on the state of national security. It is the creation of an efficient system for coordinating and supervising special services and also the development of their capabilities that are important for the State – surely not political disputes and skirmishes.

Key national security issues must be addressed through well coordinated actions by highest-ranking state officials on the basis of relevant decisions or proposals adopted by common consent. Only this line of action will ensure consistent national policies.

I believe that time has come to establish an integrated system for assessing national threats and defining top security priorities – as proposed by the State Defense Council – which would ensure efficient cooperation between the main institutions engaged in security matters.

I would describe the ongoing reform in the national defense sector, based of inner resources and carried out effectively and most importantly through mutual consent, as a model to be followed. The restructuring of Lithuanian armed forces has improved their capabilities inside the country and has enabled them to contribute to Euro-Atlantic security and other peace missions. Lithuanian armed forces are therefore wholly appreciated by the Allies and trusted by local citizens. I am greatly pleased about it, but at the same time, I would urge the leadership of the Ministry of National Defense to provide the society at large with timely and adequate information about the reform process, especially about plans for transition from conscription to professional army.

Ladies and Gentlemen,

Energy security has become an integral part of national security for every country in today's world. The present and future Governments of Lithuania will have to address the core issue of securing diverse energy supplies.

The new nuclear power plant and electricity interconnections are a complex, high priority task which requires considerable financial and organizational resources and well-coordinated government and business efforts.

Last year we made historic decisions to shape our energy policy. We brought together our closest neighbors as reliable international partners for the largest energy project in the region – the construction of a new and modern nuclear power plant. After sixteen years of continuous discussions, we have finally made, together with our partners in Poland, the first important step towards building an electricity bridge. So this is an optimistic start. We now have to streamline our potential towards implementing this project with the support of the European Union and partners. We also need to establish a power link between Lithuania and Sweden as soon as possible.

With the approaching closure of the Ignalina nuclear power plant and the dramatic boost in global energy prices, we have to stand together and, with the help of our foreign friends, find effective solutions mitigating the possible adverse affects on Lithuanian economy and society. I welcome the ongoing public discussion on this and related issues. At the same time, I would invite all the participants of the open debate to maintain a constructive approach and seek decisions based on professional analysis – not on media fueled emotions. All of us understand that every day delayed will cost us dearly. State institutions have to follow strict and clear principles justifying any change in consumer prices.

We also need to talk to the European Commission and Member States about possible solutions to the sharp rise in electricity prices and new challenges to the security of supplies expected to emerge in 2010. I have always discussed this problem with other EU leaders and I will continue doing so. I believe that Lithuania's voice will be heard, because it is in such cases that the Community's true meaning is actually perceived. We are facing a serious challenge: Are we capable of implementing the necessary energy projects that would radically change Lithuania's situation and integrate it into the European energy network?

Lithuania's call for a unified, viable and effective EU external energy policy – such as never existed since the creation of a unified Europe – has been received with understanding and support not only in Warsaw, Riga and Tallinn, but also in London, Paris and Berlin. It is not only the new member states, but also the EU leadership responsible for external policies that have started to speak about the importance of such a policy and the need to have a transparent and streamlined energy relationship between Europe and Russia.

Last year we completed an important stage of the eurointegration process: we joined the Schengen space. But having successfully traversed the road to the European Union, we now see that Lithuania's interest in the EU internal market is fading, the euro is receding into the distance, and EU funds are utilized ineffectively. We do not have serious parliamentary debates on the EU budget reform. If the budget review were successful, it would lead to the most significant achievement since the EU budget was created. I also fail to see any proposals on how to use the EU and

global economies and the opportunities they offer to maintain Lithuania's economic growth.

We have Europe's continuing attention and we see that its focus on our neighbors in the East is growing. We also see that some countries are making significant progress in implementing domestic reforms. Last year was a challenging year for this region and its countries. Ukraine, Georgia and Moldova continue on the road of reforms, determined to reach their ultimate goals and strongly backed by Europe, including Lithuania. Their success is important to Lithuania, to its people and businesses, and also to the entire international community. Therefore, Lithuania supports and will continue to support these countries and their aspirations to join the family of European nations as fully fledged members.

Lithuania has always been and will be actively involved in developing a consolidated EU policy towards Russia. We regret that last year Russia suspended its participation in the Treaty on Conventional Armed Forces in Europe, directing its huge profits from oil and gas exports to armament. We would like to see Russia prosperous and strong in civic rights and democracy – not in military rhetoric. Regrettably, there were no positive changes in either Russia or neighboring Belarus over the last few years. But this will not hinder Lithuania, together with Europe, from seeking new and effective ways to cooperate with Russia, particularly in the important post-election period, and from strengthening the dialogue with the democratically minded people of Belarus.

In the coming year, we will be active not only in our region, but also in the most important localities for Europe and the international community. Our engagement in Afghanistan, Iraq and the Balkans is a significant contribution to the development of their stability and elementary well-being.

Lithuania's foreign policy course and its goals should not be sidetracked by pre-election winds since it serves as a national reliability guarantee – a capital which is difficult to accumulate, but very easy to squander as witnessed by our recent past.

Last year I spoke about having a state identity crisis in Lithuania. Although we are in the European Union, the European standards of culture and political awareness based on the principles of civic equality and dignity have not as yet been fully instilled in our political life. I see Lithuania's perspective only in its strong commitment to European cultural values and democratic policy ideals. A supervised and controlled democracy or other forms of preserved Soviet mentality are totally unacceptable.

Historical memory is gaining particular importance these days in politics and political battles. We see that some countries are making a strong effort to present their own interpretation of Europe's past, including Lithuania's occupation. Historical facts and assessments are often replaced by well-organized propaganda campaigns aimed at undermining the foundations of some independent states and strengthening the relics of Soviet mentality. Therefore, it is with a feeling of particular responsibility that problems concerning security and historical past should be brought up for public discussion.

It is also necessary to accentuate the fundamental values of national security and existence when addressing cultural and education problems. Only a strong hold on national identity and patriotism will allow us to retain self-awareness, preserve historical memory, and maintain tolerance and openness to innovations in the 21st century world. It depends exclusively on our insight, pro-active stand, and priorities for the near and far-away future.

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Only by committing ourselves to transparency, democracy and open society can we expect to build a truly strong state which enjoys the confidence and trust of its citizens. Our success will depend on our will power, concord and togetherness. **I am convinced that we can reach the goals of this important period only through unity and common endeavors.**
