

**CENTER FOR STRATEGIC AND INTERNATIONAL
STUDIES (CSIS)**

“NEW EUROPE’ AND THE NEW EUROPE”

**WELCOME AND INTRODUCTION:
ZBIGNIEW BRZEZINSKI,
COUNSELOR AND TRUSTEE, CSIS**

**FEATURED GUEST SPEAKER:
HIS EXCELLENCY TOOMAS HENDRIK ILVES,
PRESIDENT OF ESTONIA**

**MODERATOR:
JANUSZ BUGAJSKI,
NEW EUROPEAN DEMOCRACIES PROJECT DIRECTOR,
CSIS**

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ZBIGNIEW BRZENISKI: (In progress) – he was born in Sweden of parents who had to leave his country. He obtained his education in the United States at Columbia University. He was then involved for a brief time in art and lived in a community in which I happened to have lived also in New Jersey before moving onto Canada where he pursued an academic career, and then was involved in Radio Free Europe voicing the message of freedom to compatriots in Estonia at the time of the growing crisis of the Soviet Union.

After independence, he returned to his country, and shortly thereafter was here in Washington as representative ambassador of now restored and again free Estonia. He continued in that realm by becoming foreign minister more than once and just in the course of the last year, he has been elected president of his country.

So it's a genuine source of satisfaction to me have a prominent European statesman who has been so identified with the cause of freedom speak here to us here today. And that sense of satisfaction is doubled by my appreciation for the special role that Estonia plays in Europe, and it does so in many ways. But let me comment just on two.

First of all, Estonia is an important geopolitical confirmation of the proposition that the enlargement of NATO and of the European Union is a significant contribution to world peace and international security. Just imagine what the situation would be like in Europe today, what it would be like internationally if Estonia, together with Latvia and Lithuania, were not part of the zone of peace and of the zone of security. Without sounding overly apocalyptic, would a no-man's land between the EU and further east be a contribution to peace given the uncertainties of world affairs? So in a sense, Estonia is a confirmation of the historical validity of a strategic program that has animated the United States and Europe over the last almost decade-and-a-half.

And the second importance I attach to Estonia is that it symbolizes the significant – it symbolizes the significance of historical truth as the essential component of historical reconciliation. That is a process that Europe has experienced, and one cannot imagine today the kind of Europe we have without first German-French reconciliation and then later German-Polish reconciliation. And we cannot envisage a larger Europe still, although somebody that will come, without a broader reconciliation with the history of the past that pertains to Eastern Europe.

One of the problems that we still have to overcome is that for many people in the East, the incorporation of the politic states into the Soviet Union is still officially interpreted as a voluntary act and as internationally legal, that in the fact of the worldwide repudiation of the Hitler-Stalin pact. That is troublesome; that is very troublesome. But that too will pass, but it will only pass if we are aware of the significance of what is at stake, and this is why Estonia is also important as a contributor to building eventually an even larger and wider Eurasian community, a Euro-Atlantic community, which is one of the overall thrusts of history, though even if today it looks distant.

So it's in this spirit that I am very pleased to welcome Thomas Ilves here to say how much we honor him and how much we admire his country. Thank you.

(Applause.)

HIS EXCELLENCY TOOMAS HENDRIK ILVES: Thank you. Thank you. Well, thank you very much, Zbig for those all too kind words. I'll probably disappoint some of you here that I'm actually not going to talk very much about Russia because in fact the interests of Estonia are very much more in Europe and in the West and in the transatlantic relationship than it is to constantly have to deal with these other issues that, well, they won't go away, but they are not intellectually very interesting and they are not politically very interesting except as tactical defense issues.

But other than that, really the real interests of Estonia, the real interests of the West has to do with where Europe is going, and that is what I want to – I want to concentrate on today – though of course I recognize that – (inaudible) – dealing with all kinds of – will be asking you – allowing to ask me all sorts of questions on issues relating to the cold peace that he has written about so well in his – I don't know if it's your most recent book, but nonetheless in the book called the “Cold Peace,” which I recommend to everyone who hasn't read it yet.

But the title of my talk today is, “New Europe in the New Europe,” which I think has many meanings, which is why I gave it that title. The new members of the European Union, long before they became members were characterized in ways that we were never asked to be characterized. On the one hand, the U.S. secretary of Defense thought we would be the new vanguard of a muscular pro-American European Union. On the other hand, when we did support the United States, European leaders said we were badly brought up children who didn't know when to shut up.

And in Russia I think the new Europe in both the sense of the new members as well as the Europe that we see today is understood as poorly as it was a long time ago. But there are even greater generalizations, the kind we see in some U.S. newspapers who have an obsession with the EU being something it is not, a failure, ineffectual and doomed to collapse, and the kind we see in some parts of the British press where the new Europe, large Europe is considered a looming Orwellian super state not with black U.N. helicopters ready to swoop down on John Bull, but that is only because the colors of the choppers have not yet been determined. (Laughter.)

As always simplistic generalizations are wrong but heuristically allow us to put our finger on something that we sense is there. As it is all more complex, I would try, rather than to draw in broad outline changes in Europe that have taken place after such a profound change: the collapse of the wall, followed a decade-and-a-half later by admitting 12 new members, totally over 110 million new citizens, which is almost a 30-percent increase in population of the European Union. I'll just try to focus on a few elements and then look at what the problems are that we face.

Each country of course is unique so please forgive me my own broad generalization. However, there are certain fundamental truths that are true about the new Europe in the sense that Secretary of Defense Rumsfeld characterized them. First of all, the new members do not have the almost knee-jerk anti-Americanism that had become – camille (ph) faux (?) – if not de rigueur – for those who wish to be salonfihig (ph) since the late 1960s in much of Western Europe.

But this should not be surprising given the differences in the positions of Western Europe and the U.S. in the Cold War. Let us recall that when Poland came under marshal law, a German chancellor praised General Jaruzelski as a true Polish patriot. When Ronald Reagan called the Soviet Union the evil empire, most of us silly bumpkins with empirical knowledge of how the Soviet Union operated thought it was an accurate description of the state of affairs. So there are fundamental differences in the way East Europeans, the new members of the EU and NATO see both the United States and the way they see at least the Soviet Union.

But this also will change and is changing. Young people who have grown up without communism, and they are today in their early '20s, and if you think back on, well, people don't really remember much when they were three or four, were already looking at people who are a quarter-of-a-century old who really have no idea about what their parents lived under, and like most children, or young adults, think that whatever their parents are talking about is completely wrong so that we see that even young people in Eastern Europe are beginning to mimic their anti-globalization counterparts.

New Europeans I predict will follow the same path that developed in the next 30 years as the generation of Western Europeans who followed those people in Western Europe who had fond memories of the Berlin airlift who appreciated the United States for the Marshall Plan for the behavior of the liberating GIs after World War II. That is that things will change.

Secondly, the new Europeans are more capitalists. Many of our countries have flat-rate income taxes whose main benefit, by the way, is mainly increasing compliance payment. We're more free-trade oriented than some of the old Europeans. We believe in competition. And perhaps especially importantly that free movement of capital, which is a fundamental part of the European Union, results in major distortions if you also don't have free movement of services or free movement of labor. If you're American and don't follow these issues, I won't get into it and perhaps answer them, but free movement of labor and free movement of services is something that is part of the – those are the fundamental freedoms in the European Union but they are incomplete while we do have complete movement of capital and this puts the new members at a considerable disadvantage.

And third, we do have a different attitude towards Russia. Again, this will change. In some quarters it has already changed, but empirical experience with that empire means that new Europeans do see developments in our East in ways that the

romanticists view that mass deportation, gulags, the KGB, long lines to buy poor shoes or a traubant (ph) is not very romantic. We see things differently.

I don't mean to be flippant. I think there is a very fundamental truth in the fact that if you have risen up against Russian-imposed in Poznan, in Berlin, in Budapest and Prague, and later in Vilnius, and Riga, and Tallinn, that you will have a different view of what it is about than against the countries in Western Europe, none of whom have an experience against an uprising against totalitarian rule. In fact, the only uprising against Nazi rule took place in Poland.

We have I think there is a fundamental difference between East Europeans and West Europeans in terms of the experience of finally being so desperate that you stand up and make a fight. And I think that is part of the psyche of Eastern Europe that doesn't find an acceptance in an area that wants to have a somewhat – I wouldn't want to use the word "appeasement-minded" but certainly an accommodationist view of totalitarian rule.

And these are big differences and these will affect the way I think Europe will develop, but not in a simplistic way that sees East Europeans as little children that are badly brought up or that sees East Europeans simply as people who are pro-American because pro-Americanism will change, the views in Russia will change, the views on capitalism will change, and we see them already changing.

The question that I want to ask is how Europe with these new members and these new impulses will be able to compete in the world. If we look at the long-term trends in globalization, Europeans need to be very grateful for Monnet and Delors for creating the single market back when globalization was not a phenomenon because it is what has allowed individuals of European nations to keep themselves competitive on the global market.

Openness within Europe, opening up to the competitive pressures within Europe has been the driver of European competitors worldwide. But I don't think this is enough. We need more courage. We need more of a vision in Europe and an understanding of where the world will be in 25 years because even the economic powerhouse that is Germany today will be dwarfed by a rising India and a China.

Today, an EU of half a billion can still with its quality of life, level of education and innovation compete with the 300 million in the U.S. and a China or an India. But when we think about the fact that India, with its billion-300 has already – in India 8 percent of the population already has a – leads a middle-class existence, that is a mere 100 million. There are more people living in India today in 2007 – will have a middle-class existence than there are in Germany.

And I don't think people in Europe I would say – we in Europe have not realized that fundamental truth, and that this is not – when we look at the internecine fighting over how Europe is developing – discussions of large countries and small countries, we all forget that the largest country in Europe today is actually not very large when we look at

already what is going on in China, what is going on in India, and that in 25 years, the EU itself will barely be struggling to be big.

Current thinking in the European Union is not a cause for optimism for two reasons. One is the failure of our own well-intentioned program for developing innovation and competitiveness, the Lisbon agenda, and second, the increasing turn towards protectionism inside the EU towards increasing nationalism, towards promoting so-called national champion, something that I'm sure Monnet and Delors would be quite upset about – Delors – (off mike).

Allow me to address these issues in turn. Back when my own country had emerged from 50 years of Soviet-imposed backwardness, I despaired over how long it would take to build the infrastructure necessary for Estonia to compete. Fortunately in a completely different area, the new infrastructure of information technology, Estonia discovered it could play on a level playing field. Investment by both public and private sectors in information technology allowed my country to reach by the middle '90s a level about the EU average and by the turn of the century, a level in government services in some sectors such as banking, a level enjoyed only by a few countries in Europe.

By next year, the entire country, the entire country should be covered by WiMAX or Wi-Fi so everyone can get online anywhere. Clearly a small and once-developmentally challenged post-Soviet country can overcome seeming obstacles. But I fear that in the larger EU, this may not be a welcome development. Increasing government efficiency means a smaller, leaner, public sector.

So too in banking. Since the late 1990s, 97 percent of all bank transactions in my country take over – take place over the Internet. This means we need fewer tellers, fewer branch offices. Large numbers of workers became redundant. Had we not experienced the long period of expansion of eight, nine, 10, and last year, 11 percent, we probably would have had difficulty. The emphasis that my country placed on IT paid off, allowing it to be more competitive, but this is not enough, and it's not enough for other countries simply to do this as well.

We could partially offset our small size by having IT liberate people from tasks computers can do better anyway, but this is not sustainable if we do – ourselves do not begin to produce innovations. For even Estonia, like what will follow with some of the other new members of the EU, we can no longer count on low-cost labor for competitive advantage. We need to generate new technologies; we need to innovate for which we need a much more – much better education for our technical intelligencia. And this an area where all of Europe is clearly falling way behind, both China and India, as well of course as the United States.

In Europe, in my country, as well as in Europe, we are falling behind in innovations. We are lacking the courage to take the steps necessary to promote innovation. As I mentioned, the Lisbon agenda is something which is not going

anywhere in the same time. This is all exacerbated by a brain drain from Europe to the United States, which produces most of the Ph.D.s for development and technology.

At the same time in Europe we are – including my own country, we are averse to immigration. Our children increasingly choose not to study math, science, or engineering, and we are choosing to close ourselves off from competition, and not only in goods but even services. And I think the services area is one – as I mentioned earlier, is one where we especially need to move much further. This was a real fight between new and old Europe last year. Old Europe does not want to have competition and services; new Europe does.

To show you the difference, when I moved to a new apartment in Tallinn, I called up my phone company and I said that I need a new computer connection. They said, well, we can come at 2 o'clock, 4 o'clock or 5:30, which time should I come. When I was elected to the European parliament and I moved to Brussels, after seven weeks, I called my landlord. I said I haven't gotten – there is no response on my request for an Internet connection, and her first sentence was, it's only seven weeks. (Laughter.) And then the next thing, which is for anyone who has had to deal with life in the communist bloc, she said, but I know someone on the inside. (Laughter.)

This is not a sustainable situation if Europe wants to maintain its competitiveness. And I have consulted with various Estonian diplomats in Europe, and my surveys show that this is not an unusual response in much of what Donald Rumsfeld did call old Europe.

It's unfortunate that he called it old or new Europe because when it comes to competition in the global arena, there is no old or new Europe, there is only the European Union. And if this is what Europe is about, this kind of ability to compete, we're all in trouble. Competition or its lack within – or the lack of competition has security implications as well. France, Germany, and unfortunately my own government – since I have no executive authority; I can only talk – are opposed to liberalization of the EU energy market. European countries don't want competition.

We all want our companies to be shield from competition, which may be domestically an understandable reaction. But if one of our largest sources of energy is a self-proclaimed energy superpower, which explicitly uses energy as a foreign policy tool, which, to quote Viktor Chernomyrdin from a mere year ago in May 2006, if the Ukrainians only adopted a less pro-Western position we would sell them gas for much less money means that we are beholden when it comes to energy in ways that we simply cannot allow to be if we want to maintain our democratic institutions.

It is not possible for Europe to continue in a way that we say we will not allow competition in energy, which means that we will therefore not develop a common energy policy the way that Europe has a common trade policy in which you have one Mr. Mandelson who comes and argues with – well, it was Robert Zoellick, but anyway – argues with USTR and argues with someone else, but in fact represents the full force of

500 million Europeans, but at the same time, something as vital as energy security, we allow ourselves to be salami-tactic where divide et imperia works exactly the way it worked in the time of Julius Caesar.

So if we don't get an energy commissioner, which you won't get, if we can continue the way we are, we are going to be in trouble for – let's face it, as I said, when it comes to even energy negotiation, even Germany is a small country.

So I won't go on with this, but I think this is a serious issue that may bore many Americans, but I do think it is in the interest of the United States to see a strong Europe with a liberalized economy.

Where do we go in the future from a European perspective? Koreans and Japanese enjoy greater rates of Internetization than most of Europe with far cheaper rates of streaming, with Asia and the U.S. producing, and in the U.S. case, educating and hiring from elsewhere far more engineers, scientists, and mathematicians, we in Europe do our best to make sure we don't have free movement of services. We worry about our lack of engineers but do little to promote science education. And ultimately when we see that we have difficulty competing, resort to – we result to protectionism. And in one of the most important sectors for economic growth, energy, we are beholden to a foreign power that explicitly uses its energy for foreign policy goals.

This does not look good. All of this will lead to a gradual decline of Europe and European competitiveness in a global economy unless of course we do something about it. We do need a constitutional treaty. It is not – though many U.S. newspapers like to make fun of the constitutional treaty because it doesn't look like the U.S. Constitution, is much longer, is more cumbersome, yes, but unless we streamline our decisionmaking policies in the European Union, we're not going to go far.

Without the treaty, our current foundering and inability to come up with effective policies will lead to a disillusionment with the European Union, which is given – globalization will be even more difficult for us. Globalization, once again to quote Donald Rumsfeld, and in this case is a known unknown. I think he was really – all of the people who criticized him for that statement had no clue about engineering. There are known unknowns and there are unknown unknowns. (Scattered laughter.) He is really right about it. We know what the known unknowns are and those scary enough we haven't even started thinking about the unknown unknowns.

So I think the new Europe, we should all agree, is not a new Europe that includes 12 members, 10 of whom used to be in the communist bloc and who liked the United States more and who like Russia less than the old Europe. The new Europe is something completely different. It involves 27 member states who are trying to figure out where they are going and are not always making the right decisions. And I'm glad to say that I have only mentioned Russia once today, but I'm sure you will manage to change that with your questions. Thank you very much.

(Applause.)

JANUZ BUGAJSKI: Okay, thank you very much, Toomas. We have about 20, 25 minutes. What I will suggest is keep your questions very brief. Try not to make any speeches, and you can refer to Russia as many times as you would like. (Laughter.) Maybe we will start with Andrew. If you could state your name and affiliation as well please.

Q: Thank you. Andy Kutchins, director of the Russia-Eurasia program at CSIS.

MR. ILVES: (Chuckles.)

Q: First of all, let me thank you for a really brilliant and erudite and entertaining presentation. And also thank you for deciphering Mr. Rumsfeld for us. Now, I know you don't want to talk about Russia, but it's unavoidable – would point out an interesting contrast. You are here today and meeting this week presumably with President Bush. President Bush will be meeting with Mr. Putin next week. The last international visit for Mr. Putin is Hugo Chavez, who is in Moscow this week.

I wanted to ask you about the cyber attacks on the Estonian Internet and to what extent you have been able to identify the sources of the attacks and if indeed they are Russian sourced, directly or indirectly, what kind of cooperation you are getting from the Russian authorities in investigating this. Thanks.

MR. ILVES: I'll stand up here. Well, the cyber attacks, at a low level, and the low sort of grassroots level you can identify where they are coming from, and in fact some of the attacks came from government addresses. And people say, well, those can all be changed. Well, not if you have, in the case of Russia, all Internet service providers have to send the final wire through the FSB. Russians have not cooperated in any way.

The big industrial strength attacks came by botnets. Those are the – I won't get into this at length but you can look it up on the Wikipedia, but basically botnets are networks of botted computers, ones which have been hijacked or which include – I mean, they can be – it's up to – estimated up to 20 percent of computers worldwide have malware in them that allow them to be controlled from the outside. Organized crime send spam out via botnets. The benefits of botnets is you don't know where those signals are really coming from. It's just if you look at the correlation of times, when these things were coming and why, then we have basically, as I have said repeatedly, it wasn't probably coming from Uruguay. (Laughter.)

The combination of – the combination of the attacks at its highest level and in a 2400-0-0-0-0-and even to the second 0-0 GMT on the 9th to the 10th of May – it stopped just like that. I went to CERT – every EU country has a computer emergency response team. I asked them, well, why did this stop right then. They said we going (?) to stop paying for it. Who “they” are, I don't know, but it's organized crime that provides the

service. Who is buying it from organized crime is anybody's guess. But read David Satter.

MR. BUGAJSKI: Please, in the front here. The microphone.

Q: Thank you. Andre Sito – (inaudible) – from the Russian news agency. Andy asked my question so I'll ask a different one.

You still need, due to geography, if nothing else, you still need good relations with Russia. How do you propose to go about establishing them and what needs to be done on both sides?

MR. ILVES: Well, it is completely up to Russia to have good relations. It decides to turn it on or turn it off. I mean, last year it was Latvia. Then suddenly it was Georgia. You know, the Russians are compiling lists of school children with Georgian names in Moscow deporting hundreds of Georgians, putting them in air transports. This year, even the fact that Russia is tearing down Soviet-era monuments left and right when Estonia has to move it from one place to another – a military cemetery, you don't have freedom of speech in Russia to even talk about it, freedom of the press.

You know, one journalist said he would never work again if he mentioned that the Khimki monument was torn down the week before Estonia – Khimki, as you know, is the Moscow suburb where a monument was torn down by the Russian authorities, but you weren't allowed to mention it.

I mean, when you say what are we going to do about it, you know, we are dealing with a country that does not have freedom of speech, does not have freedom of the press, does not have free and fair elections, what are we going to do about it? Not much. When things change, they will change, but Estonian is not going to change things. We could have done – of course done what the Duma delegation demanded which was – at the demand of the Russian authorities, change our government, but that was already done with Mr. Donovan (ph). We are not going to do it again.

MR. BUGAJSKI: Okay. Please, I have noticed three people please at the front here.

(Applause.)

Q: Mr. President – let's see, is this on?

MR. BUGAJSKI: It's on.

Q: Mr. President, I'm Julian Josephson, the local science writer here in town.

Maybe I have a wrong impression, but I have read I think in the report several months ago, perhaps even in The Washington Post that Estonia has been able to wean

itself from a good portion of import needs of energy, partly through local deposits of oil shale and partly through use of wind, particularly out of the Sadima (ph) area.

MR. ILVES: Very well informed.

Q: And along the coast.

MR. ILVES: Yes.

Q: I wonder if you could expand on that.

MR. ILVES: Well, I mean, in terms of energy dependence, 13 percent of Estonian energy comes from natural gas, 100 percent of which comes from Russia, but we always pay our bills and so we have never had any disruptions. And the rest – in fact, a large proportion of our energy comes from unfortunately a rather polluting source which is oil shale, which is the strange thing you have only in Jordan and in Colorado, aside from Estonia, but it works like coal; it is a polluting as coal. But nonetheless, it does give us energy, self-sufficiency for at least another half century.

And in fact, gas – the windrows in the Baltic Sea are very good, as we know from the Danish experience, and given favor of the legislation – overly favorable legislation in Estonia for paying people to use wind energy, we anticipate a huge rise in that as well. So we don't have the problem of energy dependence for now.

There are other prospects. There have been very serious discussions on a joint three- or four-way nuclear reactor. The Ignalina reactor in Lithuania, which is a RMBK-4 type reactor, the same kind of Chernobyl and Sosnovy Bor outside of Petersburg has to be closed down at the insistence of the European Union. It will be closed down in 2009. That will lead to an energy deficit in the entire region, and so right now there is serious talks of a consortium of Estonian, Latvian, Lithuanian, and Polish investors to build a new nuclear reactor at the Ignalina site.

MR. BUGAJSKI: Okay, there was some – over here please in the center and then on the left.

Q: My name is David Nikuradze. I represent Georgian broadcasting company, Rustavi 2 in Washington.

Mr. President, what can you say about the relations between Estonia and former Soviet Republics, I mean, Ukraine and Georgia. These countries are seeking NATO membership. Do you see Ukraine and Georgia as members of alliance in the near future? Thank you, sir.

MR. ILVES: I think we are one of the biggest supporters of Georgia right now in both NATO and the European Union, and much of our – much of what interests are in neighborhood policy actually involves working together with Georgia in a whole series of

– a whole variety of realms. Our former prime minister, Mart Laar, who was really the – I would say the creative genius behind the economic reforms of the early '90s is now advising the Georgian government, which is implementing many of the reforms that were implemented for the first time in Estonia, including flat rate income tax, the kind of privatization that we use which was open and transparent.

We're trying to do the same thing with Georgia. Georgia is of course a much – with Ukraine, sorry, which is of course a much larger country and so the impact of a small country like mine on Ukraine is probably much smaller. We strongly support the eventual membership of Ukraine and Georgia in the European Union and in NATO. I have repeatedly called for Georgia to be brought into the map program, the membership action plan that NATO used for the previous round of enlargement, and I have raised it at every one of the meetings I have had with every NATO leader that I have met.

When it comes European Union enlargement, I think right now this is – further enlargement of the European Union is one other area where we are looking in Europe very much in and not out with the constitutional – with the French constitutional requirement that after Croatia, which got started a little earlier, there will be – have to be a referendum for every future inclusion of a new member to the European Union means it's difficult. Austria has similar legislation. I think that right now, we're in a phase where European Union members, many European Union members, not all of course, think that we should hold off on future enlargement, that we need to – that Europe needs to digest for – (inaudible).

MR. BUGAJSKI: Lady on the left, please.

Q: If I can ask two questions. Tatiana Voroshko (ph) of Voice of America. If we can look at the cyber attacks from little different perspective. As far as we know, Estonia is a leading country in Europe as far as development of e-governance. So citizens can file taxes online, do many things online that in some countries and other countries such as Ukraine, this whole services are just being established. At the same time, we see how vulnerable country is being attacks, the cyber attacks. What would be your message to countries like Ukraine or Georgia, other countries who are – (inaudible) – in the beginning of this path? Is it bad just to stick to the old bureaucratic routine as filing papers? (Scattered laughter.)

And the second question is about Northstream company just realized recently that their pipeline from Russia to Germany has to go through the territorial waters which belongs to Estonia and to Poland. Does Estonia recognize it as a – does Estonia recognize it as a political tool and if yes, how are you going to use it? Thank you.

MR. ILVES: On the first question. Well, if you are still using armor and lances, then you don't have to worry about the Internet either. (Laughter.) No, it's just that I think that if you want to compete in the modern world, you do need to be – use the technology of the modern world, and certainly one of the main benefits of computer technology is that computers don't take bribes – (laughter) – and that is why – and the

less you have – the less you have on paper, the better – the more that you have digitalized the better, but you need to take new precautions.

I would say in terms of cyber defense, the defense is not necessarily technological; the defense is legal. It is criminal what has – in the United States – to do what was done to Estonia is criminal. The United States has at least 11 laws on cyber crime. We have one in Estonia. The U.K. has one. The French has one, but they are fairly weak. Cyber crime also crosses borders almost by definition so that what we really have to work on is the legal framework within NATO and I would hope also within the European Union to make this cross-border crime – you would call it interstate crime – something which is, well, open to criminal investigations across Europe throughout NATO.

On the Northstream, to be precise, at least at this point, the discussions, or at least what we have been told is that proposed pipeline would probably go through Estonia's, or would like to go through Estonia's economic waters, economic zone. Estonia is not going to – does not use political tools like this. Other countries do; we don't. If we will do – we have been asked to do an ecological feasibility study. We will do it; we will do it as thoroughly as possible. We have three years to do it; we won't do it in two months as some people would like us to do it because we want it to be a thorough study.

The Finns did a thorough study and one reason why the proposed pipeline now no longer goes through the Finnish economic zone is because the Finnish ministry of the environment or I'm sure – a Finnish diplomat can correct me, but anyway, the report said that this would be harmful for Finland and said that perhaps it might be less harmful if it goes through Estonian waters. (Laughter.) We will of course study that.

Now, I think the Northstream case actually is interesting for different reasons and it has to do with the European Union, which is that – and in the larger context of things, if you recall most – just a couple of weeks ago, the German foreign minister criticized the United States for not having consultations with Russia on the missile defense system when in fact the U.S. did have 10 consultations. But the German foreign minister, when he was head of the administration, Gerhard Schroeder was apparently intimately involved with the Northstream project, a project that affected a number of fellow European Union countries, including Poland, Estonia, Latvia, and Lithuania. And there were never any consultations with those fellow EU members.

And I think that is the problem that – I think that – I'm not in a position to say Northstream is good or bad and I don't think it affects our national security. I think one of the reasons why Poland today has an obstreperous position on many issues coming from Germany, justified or not, comes from a loss of trust in the way the Northstream deal was handled, that if the Northstream deal had been handled in a way that – there has been consultations with the Polish government, the Estonian, the Latvian, the Lithuanian governments, I think we would have seen – I think attitude on the constitutional treaty would have been different, frankly. I mean, I think these things are closely related because what I think a lot of the problems that we saw in the last several months on the

constitutional treaty came from a lack of trust among some people in the European Union towards the German presidency, justified or not, probably unjustified, given Mrs. Merkel's approach things. So I think that Mrs. Merkel was doing a very good job, but I think these things do have implications on the larger scheme of things.

MR. BUGAJSKI: Okay, gentleman in the middle.

Q: My name is Vadim Gorbach. I work for the World Bank, but I speak here –

MR. ILVES: For?

Q: I work for the World Bank, but I speak here independently.

MR. ILVES: I can't hear who you're working for.

Q: Sorry. My name is Vadim Gorbach. I work for the World Bank, but I speak here independently. My question has a bit of a philosophical edge. You spoke here today about how to keep Estonia secure – (off mike) – but on the other hand, you fought pretty hard for your freedom and I was wondering, what is your meaning – how do you see the meaning of freedom and how do you see your work to make the country better? Is it means to some higher goals? And also, second small question, the title of the talk is New Europe and New Europe, so I actually expected something with a bit of a new vision for Europe, for new constitutional development of Europe. Could you briefly share your views on that? Thank you.

MR. ILVES: Well, what I did – I talked about that, so the second part, where the problems facing Europe, and one of them certainly is not the distinction between new and old Europe the way it's being used, has been used for the last five or six years and that the challenges we face are much different from the kind that – when I read the U.S. press about what's wrong with Europe, I don't think those are the things that are wrong with Europe; when I read the British press on what's wrong with Europe, I don't think those are the things that are wrong with Europe either.

In terms of the teleology of Estonia and where do we think it should end up, I don't want to – I mean, the whole point of freedom is that I have no right to say anything about that. The whole point is that Estonians should decide where they want to go and where they want to go and how they want to go there. And that's what Estonians and, I think, other formerly communist dominated countries want, is to be able to say what they want, think what they want, and go where they want to go, and do what they want, as long as it respects the rights of others. And that's really – those are the fundamental issues.

I think that much of the thrust of where Estonians do want to go and why Estonians are very pro-European Union – right now, the most pro-European country in all of the European Union and has been so for over a year – is that Estonians see Europe as the way to reach both prosperity and the way to achieve the level of freedom that they

want, which is also defined by poverty. Not being poor means you have more options. But how Estonians will do that, it's up to them. I mean, that's why we like to be in the democratic plug; we don't want people telling us you have to do this or you have to do that.

I suspect that Estonians will continue to be more pro-American than some other countries, more pro-competition than some other countries. I suspect Estonians will be less pro-American and less pro-competition 25 years from now than now because people when they get wealthier and they become more protectionist and so forth, those are – that's the tendency I see things going in.

MR. BUGAJSKI: We have time for maybe one or two more. Steve, at the back.

Q: Thank you, Steve Flanagan, director of the international security program here at CSIS. Thank you for your very sweeping remarks. But I wanted to, on this theme of changing attitudes, we've heard from a number of your Central and East European counterparts, particularly from the Poles of late, a sense of, perhaps we could call it integration fatigue or a feeling that perhaps their integration into NATO, in particular, that the United States is maybe taking them for granted and that over time this sense that, as you suggested earlier, that the caricature that some had had of New Europe being America's stalking horse in not only the Atlantic councils, but in European councils. Obviously hasn't proven true, but nonetheless, there is, I think, many burdens that even the newest members of NATO starting in 1995 were asked very early to make some sacrifices and I wonder how you see that whole sense of the burdens of integration playing out both in the Estonian debate and elsewhere in Central and Eastern Europe.

MR. ILVES: Well, people grow up. (Chuckles.) I mean, that's what we're doing and you realize that well, if you want the NATO umbrella and everyone wants the NATO umbrella, then after a – you realize once you have the option that, in fact, it doesn't come for free and it means that if you are going to be a member of NATO, that it's not something – it just doesn't involve others coming to assist you when you need it, but you, in fact, have to do your 2 percent of GDP, commit that to defense, you have to – when there's an Article V commitment, then you send your troops. And, of course, this is nastier and messier than simply dreaming of NATO that will some day guard your country, which is, I think, where a lot of people were 10 years ago, but today I think countries realize that it has a cost and it comes with a price and that there are now parties that think that's not a good idea and there are parties that think it's a very good idea and this is the part of the political discussion, the process.

I mean, it – maybe some people think the way you posited they think. I think this is part of just growing up and realizing that it's not easy, it doesn't come automatically, that no one's going to love you simply because you say the right words, that you actually have to do something yourself. That's a level of maturity that the new members have achieved, I think, over the last several years, that it just doesn't come for nothing.

MR. BUGAJSKI: Maybe very last question at the back there.

Q: (Off mike) – Voice of America. Mr. President, when you mention those rapid growth rates economically over the last four years in information technology, what's the sense of the average Estonian as to whether they can ever see living standards as high as they are in the West and what's your own view about how fast the gap is closing?

MR. ILVES: Well, I would say we are in the West. I think the gap is closing rather quickly. The growth rates in my country compared to the growth rates in older Europe are so different that the convergence will occur, I think, well, it depends on how long I live. But I mean, Estonia this year joined the Czech Republic and Hungary and Slovenia in having a higher GDP per capita than an old member country. Well, it will – I imagine other countries in old – in new Europe will reach that soon and whether we will be the richest or among the five richest, as one politician in Estonia wants us to be, I don't know whether that will happen in my lifetime.

But if you come to Estonia, most people who come from outside Estonia to my country find that there's really not much that – clearly it could be a little richer, but on the other hand, it doesn't have the feeling of being gray people living in gray houses with gray skies leading gray lives. That is definitely no longer the case in my country, except in the month of February. (Laughter.)

MR. BUGAJSKI: On that note. (Applause.) If I could just conclude by saying that, Toomas, you've come a long way in terms of career achievements since we used to work together as analysts in Radio Free Europe in the '80s, but in terms of your commitment to freedom, independence, your country's permanent independence, you have not changed, you've simply been enabled to put those principles into practice. And we will be putting your speech on the website. I hope we're not subject to some cyber attacks as a result – (laughter) – but it should be up by the end of the day, hopefully. And thank you all for coming. And thank you, Toomas.

(Applause.)

(END)