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Folder Title:

Lithuania-Meeting with Deputy Foreign Minister Vygaudas Usackas

Staff Office-Individual:

European Affairs-Blinken, Anthony

Original OA/ID Number:

3773

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Withdrawal/Redaction Sheet

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. report	re: Lithuania: Williams Deal (1 page)	10/30/1999	P1/b(1) KBH 11/20/2023
002. email	Leslie Davidson to Richard Norland and Antony Blinken re: Statement on Williams Deal (1 page)	11/02/1999	P1/b(1) KBH 11/20/2023

COLLECTION:

Clinton Presidential Records
National Security Council
European Affairs (Anthony Blinken)
OA/Box Number: 3773

FOLDER TITLE:

Lithuania - Meeting with Deputy Foreign Minister Vygaudas Usackas

2011-1038-F
kh1043

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]



LIETUVOS RESPUBLIKOS AMBASADA
VAŠINGTONAS

EMBASSY OF THE REPUBLIC OF LITHUANIA
WASHINGTON, D.C.

October 15, 1999

Mr. Richard B. Norland
Director, European Affairs
National Security Council
Old Executive Building
Washington, D.C. 20504

Fax: (202) 456-9150

Dear Mr. Norland:

referring to our yesterday's conversation, I avail of the opportunity to request for meetings at the NSC for Lithuanian Deputy Foreign Minister Mr. Vygaudas Ušackas who is coming to Washington on a working visit from November 1-3, 1999.

Mr. Vygaudas Ušackas, 34, has been one of the leading figures of the foreign policy of Lithuania serving as Political Director of the Foreign Ministry for the last three years and recently promoted as Vice Minister. His knowledge, energy, and dedication helped Lithuania to acquire its currently active role in the Baltic Sea region and considerable progress in Euro-Atlantic integration.

Mr. Ušackas would be more than willing to share recent developments in Lithuania and its foreign policy. As you are very well aware relations with Russia, various projects with its Kaliningrad region, relations with Belarus, North European initiative and other issues of regional cooperation constitute important part in Lithuanian active regional diplomacy. I believe that exchange of ideas on these and other issues of foreign policy will be interesting and beneficial for both sides.

I would relay on your kind assistance in setting up meetings, if possible, on November 2nd in the morning, with Mr. Leon Fuerth, National Security adviser to the Vice-President, Mr. James Steinberg, Deputy National Security Adviser, Mr. Antony Blinken, Special Assistant to the President and Senior Director for European Affairs and also yourself.

Enclosed please find the CV of Minister Ušackas. I look forward to pleasure of a positive reply.

Sincerely,

Stasys Sakalauskas
Stasys Sakalauskas
Ambassador

Tel.
234-5860
x 11

⇒ Dicki
① Agree we should run this by Jim. Good to do if he can. Up and corner.
JBS: "let's see".
② Also, you should recommend Leon see him.
③ I'll see him.

May -
Can you
pls. schedule?
I told
him you'd
be calling.
Thx.
Dicki.

28.10.99

NON-PAPER:

on possible US-Lithuanian co-operation in relations with the Kaliningrad Region

I. Current situation

Lithuania's relations with the Kaliningrad region (KR) hold a distinct place in Lithuania's overall policy of encouraging regional co-operation. We are linked through geographic proximity, mutual economic interests, a long-standing Lithuanian cultural heritage in the region and numerous human contacts. As neighbors we do not only enjoy the benefits but also share severe problems, such as pollution of the environment, illegal migration, and the need to fight organized crime.

The Kaliningrad region offers a unique possibility for promoting Russia's modernization. It is in our interest to contribute to an even development of the Kaliningrad region, by engaging it in practical co-operation projects, regional and cross-border activities, and people-to-people contacts. Engagement efforts with the Kaliningrad region are also important to ensure that as Lithuania and Poland integrate into Euro-Atlantic institutions, the Kaliningrad region would benefit from this fact through greater involvement in regional and sub-regional co-operation, increased economic relations and people-to-people contacts. It would also help to mitigate the emerging fears of some Kaliningraders that the region might become "closed" or "isolated". The crisis in Russia demonstrated a certain vulnerability of the Kaliningrad region. If the current trend of significant economic disparity between successfully developing Lithuania and Poland, on the one hand, and Kaliningrad, on the other, continues, there is a risk of furthering uneven development in the region with increasingly negative social, economical and psychological consequences.

Lithuania and Russia welcomed the decision of the European Union to adopt the Northern Dimension Initiative, which aims to reduce the opportunity gap between the regions of North-Western Russia neighbouring the EU and its future members as well as to increase co-operation between the EU and Russia. In the areas singled out by the EU Council, Lithuania and Russia already are co-operating and working on concrete steps to implement joint infrastructural projects in fields of transport and energy, to promote economic and social links, and to develop cross-border co-operation and environment protection. Together with Russia, Lithuania is preparing joint proposals to be implemented under the Northern Dimension Initiative.

At the same time the US has been involved in the Baltic Sea region mainly with its Northern European Initiative (NEI) which is aimed at helping to build a stronger, more economically and socially stable region, which includes the Kaliningrad region, both through co-operation and cross-border ties.

Lithuania invites the US administration and business community to jointly coordinate activities in Kaliningrad.

II. Ongoing co-operative activities

Teaching public administration

- One of the most important areas for co-operation is training and education. In this area many joint projects are currently being implemented. In 1998 and 1999, the Kaunas Municipal Training Centre (MTC) implemented a program of teaching public administration of the Kaliningrad Region. This Program was financed by the US foundation National Endowment for Democracy (NED). Currently the MTC is implementing a teaching project for representatives from NGO's in the KR.

One of the goals of the current project is to prepare a group of lecturers from Kaliningrad that will be able to continue this program later. This project is also financed by the NED. The Project cost is 50,000 USD and the implementation period is October 1999 - October 2000.

Youth exchange

- The universities of Vilnius and Kaunas have signed co-operation agreements with Kaliningrad University. This year, Vilnius University began a student exchange program with Kaliningrad University, however expansion of the project requires additional funding.

Fighting AIDS proliferation

- One of the urgent concerns is fighting the proliferation of AIDS. To combat the spread of this disease, and provide care for those afflicted with it, it is hoped that specialized centers can be established in both Lithuania (Klaipeda), and Kaliningrad. USAID has already assigned 40,000 USD for the establishment of the AIDS center in Klaipeda.

Working with mass media

- Lithuania has established regular visitor programs for representatives of the mass media of the Kaliningrad region.
- Journalists from Lithuania regularly visit the Kaliningrad region. The last visit took place on 23-24 October of this year.

Regional and cross-border co-operation

- The Klaipeda region of Lithuania and the Kaliningrad region are participating in the Euroregion "Baltic" activities. On February 3, 1998, in Elblong (Poland), representatives of Lithuania, Denmark, Poland, Latvia, Russia and Sweden signed the agreement on the establishment of the Euroregion "Baltic". The agreement provides for the implementation of joint co-operation projects in the fields of industry, agriculture, transport, communication, environmental protection, education and tourism.
- On September 2, 1999, the agreement on the establishment of the Euroregion "Saulė" ("The Sun") was signed. The Euroregion was established by Lithuania, Latvia and the Kaliningrad region. Germany, Poland and Sweden have expressed the will to participate.
- An International conference entitled "Trans-border Co-operation Around the Baltic Sea: Realities and Perspectives" was held in Klaipeda in October, 1998. Representatives from the Kaliningrad region administration were among the participants of the event.
- On April 15-16, 1999, a conference on Regional Transport Integration was held in Klaipeda. The government of the Kaliningrad region met with the Presidents of Lithuania, Poland and the Ukraine.

Environmental protection

- Lithuania, in co-operation with the Kaliningrad region and Belarus, and with the assistance of the US and Sweden, is preparing a project on the "Management of the Nemunas River Basin".
- An initiative concerning the incorporation of the Kuronian Spit into the World heritage list (UNESCO) is underway. Concerning this initiative, it was recommended in the final declaration of an international conference which took place on May 7-8, 1998, that the Republic of Lithuania and the Russian Federation prepare an application for the International Committee for the

Protection of World Culture and Natural Heritage. The preparation of the joint application to UNESCO was completed in June, 1999.

- The Lithuanian - Russian (Kaliningrad region) Expert Group was created to prepare an action plan for the following problems regarding environmental protection:
 1. pollution of the Nemunas river by sewage water, including the preparation of common programs,
 2. protection of natural resources,
 3. monitoring of surface water,
 4. exchange of information on natural disaster cases,
 5. well co-ordinated protection of the Vistytis lake.

Border infrastructure, justice, and civic security

The following co-operation ventures have been identified:

- Improving the infrastructure of the border crossing posts: Kybartai (Lithuania) - Chernyshevskoe (Russia) and Nida (Lithuania) - Morskoe (Russia).
- Co-operation between border patrols for reinforcement of Lithuanian-Russian border control.
- Co-operation projects between the Lithuanian Ministry of the Interior and the Board of Interior Affairs of the Kaliningrad region.

III. Proposed activities for joint actions:

- There are also other projects prepared by the MTC, in which U.S. financial support would be highly appreciated. The first one will deal with the strengthening of local self-governments and promoting participation of common citizens in decision-making processes (the preliminary cost of the project is 50,000 USD). The second is aimed at improving cooperation between local authorities and NGO's in implementing joint projects and programs (the preliminary cost of the project is 40,000- 45,000 USD). The third project is supposed to establish a "School of young leaders" (the preliminary cost of the project is 30,000 – 40,000 USD).
- As conditions for investment in Kaliningrad improve, it is important to support this trend by encouraging US businessmen to invest in that Kaliningrad region. American businessmen could make use of the available opportunities to invest in Kaliningrad, utilizing the experience of Lithuania's business community. Also, a possible co-operative effort to establish a business information center in Kaliningrad, which would collect and analyze legislative acts, regulate economic activities, and provide consulting for businessmen intending to invest in the region, is desirable.
- The US could participate in preparing students of the Kaliningrad region for programs in Lithuanian universities, and in financing student exchange programs as well as expanding them to US universities.
- The US, together with Lithuania, could support a still very weak NGO sector in Kaliningrad by involving these organizations in joint projects such as conferences, special forums, etc. On the 12-13th of November, in Vilnius, Lithuanian-Kaliningrad NGO forum will take place, which may eventually evolve into an institution to maintain dialogue and conduct concrete projects within NGO sector. In the framework of this forum, the Institute of International Relations and Political Science (IIRPS) of Vilnius University for the year 2000 is planning to do a research project on "The future of the Kaliningrad region", which will be conducted by the researchers of the IIRPS and the

forum. The project will include public surveys in the KR, Lithuania, and Poland. The preliminary budget for such research is 17,000 USD.

- The IIRPS is also going to organize a Seminar entitled "Future of Kaliningrad: Processes of Eurointegration and new political situation in Russian Federation" in the second half of the year 2000. The goals of the Seminar are to present the results of the above-mentioned project, and to "legitimate" earlier organized Round Table sessions. The preliminary budget of the Seminar is 15,000 USD. The US could contribute to these ventures by co-financing them through the "US - Baltic Partnership Fund".
- We would encourage the US further support projects for fighting AIDS proliferation. Detailed projects of co-operation between Lithuania and the Kaliningrad region in solving this problem are under preparation and will be ready shortly.
- Lithuania considers the issues of people movement, border control, and illegal migration of high importance. In order to ensure proper state border control and cooperation of appropriate agencies Lithuania would welcome US contribution in that area by teaching border control officials to counter the smuggling of drugs and other illicit materials.
- The Lithuanian MFA, together with the US, could organize seminars for Kaliningrad journalists on many different issues, especially Euro-Atlantic integration processes. Ideally, conferences about mass media issues would involve the participation of Lithuania, the US, Belarus, Poland, Scandinavian countries, the KR, and St. Petersburg. In addition, Lithuania would welcome US support to invite journalists from Kaliningrad to visit Lithuania and Euro-Atlantic institutions in Brussels.
- Lithuania invites the US's to participate and co-finance of the Project of cross-border co-operation coordination center prepared by the Klaipeda County.
- The US East-West Institute in cooperation with Lithuania is planning to open a Learning Center for Transfrontier Cooperation between Russia and its Neighbors in Kaliningrad this year. The center will be first pro-active institution serving as a catalyst for promoting cross-border co-operation.
- As the KR still has an overabundance of military power and personnel, it needs be aided in the conversion of the military industry, the disposal of chemical weapons, and the development of a civil emergency response plan – which Russia desires. Since Lithuania has little experience in that field, US assistance in these projects would be welcomed.

October 28, 1999

NON-PAPER

On possible US - Lithuanian co-operation in relations with Belarus

I. Assessment of situation in Belarus

The legitimacy of the current authorities in Belarus is questioned due to the expired mandate of President Lukashenko on July 20, 1999.

The continued imprisonment of former Prime Minister Mikhail Chigir, lack of progress in clarifying the disappearances of opposition figures such as the Deputy Chairman of the Parliament Viktor Gonchar, and serious obstacles to the state run electronic media, contribute to a diminished confidence for the resumption of preliminary consultations over negotiations for the next year's parliamentary elections. Violent suppression by Belarussian authorities of the opposition-organised Freedom March on 17 October do nothing but strain the internal situation and put in question prospects of future political reconciliation.

The international community should call upon the Lukashenko Government to restrain from measures directed against opposition, and to avoid further deterioration of the internal situation in Belarus.

Despite the duality of the situation in Belarus, Lithuania maintains contacts with its government and is developing bilateral relations based on practical needs. At the same time, it urges Belarussian authorities to create an environment of political confidence, and, through meaningful dialogue and negotiations to prepare a set of laws for free and fair parliamentary elections in the year 2000, allow access by the opposition to the state controlled media, and clarify the functions of the future parliament. Dialogue between all political forces, in a climate of confidence through the monitoring by the OSCE mission in Minsk, is the only way to overcome the current political crisis in, and isolation of, Belarus.

In order to promote the democratic development of this country, there is a need to engage representatives from NGO's, business circles, the press corp, as well as medium level officials in educational and training programs for the achieving of essential changes in Belarus in a long-term perspective.

II. Ongoing co-operative activities with Belarus

The MFA of Lithuania, assisted by Lithuanian NGOs, promotes co-operation with Belarus through activities aimed at contributing to the development of democracy, rule of law, respect for human rights, creation of a civic society, and the re-establishment of OSCE principles in Belarus. Bilateral political dialogue and practical co-operative activities are being carried out also, to contribute to, and to support the work of the OSCE Advisory and Monitoring Group (AMG) in Belarus.

Human rights

Several Lithuanian lecturers participated in seminars on human rights organized by the OSCE AMG in 1998 and 1999.

Role of the media

The Lithuanian MFA, the Lithuanian Journalism Center, and other institutions have organized a series of study-visits for Belarussian journalists:

- 11-12 February 1999 – the Lithuanian Journalism Center, and the MFA organized a seminar entitled "Election and Journalism" for 40 journalists from Lithuania and Belarus;
- 13-15 September 1999 – the Lithuanian Journalism Center, IREX (Belarus), NGO FUTURES (Switzerland) and the MFA of Lithuania organized a seminar for 20 journalists from Belarus;
- 24-25 September 1999, Lithuanian MFA organized a study visit for a group of 8 Belarussian journalists;
- 11-14 October 1999, Lithuanian Journalism Center, IREX, NGO FUTURES (Switzerland), and the MFA of Lithuania organized a seminar entitled " Management and marketing for print media " for 10 journalists from Belarus.

Free and democratic elections

Lithuanian experts and the OSCE AMG are engaged in activities aimed at promoting the principles of free and democratic elections in Belarus:

- November 10-11, 1998, Minsk - Z.Vaigauskas, Chairman of the Lithuanian Central Electoral Committee, with the support of OSCE AMG in Belarus, was among key experts in a preparatory meeting for election observers;
- November 14-16, 1998, Vilnius, Panevėžys – An election studies workshop was conducted to share Lithuania's experience of a by-election for a vacant seat in the Seimas. Organized by the Lithuanian Journalism Center, the Lithuanian Central Electoral Committee, and the MFA, the workshop hosted 15 Belarussian representatives (Media - 2, NGO - 3, Governmental - 5, Political parties - 5);
- December 10-17, 1998, Minsk - Z.Vaigauskas, Chairman of the Lithuanian Central Electoral Committee, introduced the Lithuanian experience of the implementation of democratic principles and management in democracy during a seminar for 180 Belarussian election observers (instructors) organized by the OSCE AMG in Belarus.

On the invitation of the OSCE AMG, Lithuanian experts are planning to participate in the drafting of a new Belarussian law on parliamentary elections.

The Lithuanian Central Electoral Committee is planning to invite a group of representatives from the Belarussian Election Committee, and election observers, to participate in elections to local Councils, which are to be held in Lithuania in March 2000.

Public administration training

The Panevėžys Management Training Center with the support of USAID, is organizing a two-week training program for 20 Belarussian businessmen in November 1999.

Youth exchange

Lithuanian academic institutions and youth organizations are engaged in projects of youth exchange with their Belarussian partners:

- October 27, 1998, Vilnius - visit by a delegation from the European Humanitarian University in Minsk (10 lecturers, 20 students). Meetings with representatives of Vilnius University and the Institute of International Relations and Political Sciences and a visit to the Seimas of Lithuania were organized;
- A reciprocal visit by Vilnius University students to Minsk was organized on December 10, 1998;
- 14-17 October 1999, Lithuania Young Liberals organized a seminar entitled "Belarus- East Europe : let's learn democracy together ".

The European Humanitarian University in Minsk proposed the arrangement of seminars for lecturers and students from the Vilnius Institute of International Relations and Political Science and students from the European Humanitarian University in Minsk.

Plans exist for a delegation from the Belarussian State University (lecturers and students) to pay a visit to Vilnius and meet representatives of Lithuanian science and political parties, and other organizations.

Regional and cross-border co-operation

Lithuanian experts will participate in a series of regional conferences on "Local governments, Rule of Law, and Regional Economic Development". These conferences will focus on experiences of democracy in transitional societies, the rule of law, prospects of regional development, handling of economic issues by the local authorities, etc. The first conference will take place on October 29-30, 1999.

III. Proposed activities for joint actions with the US

We invite the United States to join Lithuania in the following activities and projects:

- In the spring of 2000, Lithuania with the support of the Council of Europe will organize an international conference on Lithuania's experience of adhering to the Council of Europe's standards. We plan to invite participants (from 50 to 60) from Russia, Belarus, Ukraine, Moldova, Georgia, and Baltic and Scandinavian countries. This conference could be co-sponsored by the US - Baltic Partnership Fund;

- The Lithuanian MFA and the Lithuanian Journalism Center, with the support of the Council of Europe, is planning to organize a regional conference on the media in democracy at the beginning of next year, with the participation of journalists from Belarus, Kaliningrad, Ukraine, Georgia. This event could be co-sponsored by the US - Baltic Partnership Fund;
- The Municipal Studies Center of the Kaunas Technology University is arranging a program to develop contacts between representatives of Lithuanian and Belarussian NGO's, and is searching for financial support. The first step of this project will be an international conference, costing an estimated 25.000 USD. We invite the USA to co-host this conference;
- The Lithuanian Journalism Center is working on several projects including study-visits of Belarussian journalists, seminars, media training etc.
- The Panevėžys Management Training Center is planning to expand training programs for Belarussian businessmen. We invite the USA to continue its help in financing this important project;
- The Council of Lithuanian Youth Organizations is arranging a project on co-operation with Belarussian Youth organizations. The project aims to familiarize Belarussian youth with NGO working principles, and intends to serve as a training course for the heads of Belarussian Youth organizations.

Blinken, Antony J. (EUR)

Usackas

From: Norland, Richard B. (EUR)
Sent: Sunday, October 31, 1999 3:39 PM
To: Norland, Richard B. (EUR); Blinken, Antony J. (EUR); Quinn, Mary E. (EUR)
Cc: @EUROPE - European Affairs
Subject: RE: Meeting with Lithuanian Deputy FM [UNCLASSIFIED]

Tony, here are some points for your meeting:

Background: Usackas, 34, is seen as a real "comer" in Lithuanian politics. He will be able to offer insights into Lithuania's regional diplomacy with Russia, particularly on Kaliningrad with the Baltic Sea States Council. He will also be able to explain where things stand following the signing of the controversial William energy deal on October 29, which was preceded by the collapse of the government and the naming of a new Prime Minister -- former duty chairman of the parliament Andrius Kubilius. As political and financial repercussions unfold, an IMF team will be in Vilnius November 2-5 to discuss a precautionary stand-by agreement (IMF has been down on the Williams deal all along). Usackas may ask about the status of a request by the chairman of the parliament, Vytautas Landsbergis, to see Sandy Berger -- the matter is still with Legal given the complexities of the Williams deal.

Points to Make:

Please fill me in on the William deal and what it was that led to the fall of the government -- what are the implications?

What do you expect to result from the IMF team's visit to Lithuania this week?

How do you see Lithuania's regional role in the coming year or two, vis-a-vis Russia and the other Baltic states?

(if asked) The Williams deal has complicated the request for Landsbergis to see Sandy Berger -- you mentioned that was one of the issues he wanted to discuss, and it has proven very hard to get details on the proposed deal so that our lawyers could approve the meeting.

-----Original Message-----

From: Norland, Richard B. (EUR)
Sent: Saturday, October 30, 1999 6:35 PM
To: Blinken, Antony J. (EUR); Quinn, Mary E. (EUR)
Cc: @EUROPE - European Affairs
Subject: Meeting with Lithuanian Deputy FM [UNCLASSIFIED]

I've left a message for Andrew Silski of the Baltics Desk at State (647-8378) to talk to the Lithuanian Embassy Monday morning about whether the appointment is still on with you on Nov. 2 with Deputy FM Usackas, in view of the ongoing political turmoil in Lithuania. I also asked Andrew to email you on the POEMS Tuesday morning any update points that would be relevant. (Damien Leader is away until Tuesday.)

Will forward some points before I go to Oslo. Dick.

Norland, Richard B. (EUR)

From: WHSR
Sent: Friday, October 29, 1999 3:03 PM
To: Blinken, Antony J. (EUR); Davidson, Leslie K. (VP); Gordon, Philip H. (EUR); Kass, Nicholas S. (EUR); Norland, Richard B. (EUR); vonLipsey, Roderick K. (SEE); Yee, Hoyt B. (EUR)
Subject: FOCUS-LITHUANIAN PM-DESIGNATE SEES ROUGH WINTER
CLASS: INTERNATIONAL
ORIG: Reuters
PREC: RUSH
TOR: 991029145604 R819ed4b

a2948

^BC-LITHUANIA-POLITICS 1STLD

^FOCUS-Lithuanian PM-designate sees rough winter
(releads with parliament speech, fiscal reforms)

By Andrius Vilkancas

VILNIUS, Oct 29 (Reuters) - Lithuania's Prime Minister-designate Andrius Kubilius promised on Friday unpopular fiscal reforms that would help stabilise the country's finances amid political turmoil surrounding a controversial oil sale.

The 42-year-old Kubilius, a leading member of the ruling Conservative party and deputy speaker of parliament, earlier in the day accepted President Valdas Adamkus's nomination in order to keep the tense political environment from worsening.

The small Baltic nation was thrown into crisis this week when popular Prime Minister Rolandas Paksas resigned over his objections to selling a stake in oil concern Mazheikiu Nafta (MAZE.VL) to U.S. energy group Williams (WMB.N).

The drawn-out and controversial deal, which had been supported by both Adamkus and Paksas's own Homeland Union party, was finally closed on Friday, with Williams buying a 33 percent stake for \$150 million and an option for a majority.

With the deal settled and a prime minister-designate named, stability was set to return for the first time in weeks. But difficult cost-cutting reforms loom ahead.

"I want to state clearly -- a difficult winter is ahead of us, but we expect an improvement in the economy next spring," Kubilius, hailed by resident diplomats as one of the bright minds of the party and an able politician, told parliament.

"One of the most important problems today is stability in the financial system. We will have to take emergency measures to stabilise the securities market and not to allow worries over the litas (currency)," he said.

Debt markets have been unsettled due to the terms of the oil deal -- as the state must provide some \$350 million in loans to the ailing oil concern.

Because the company contributes some 10 percent of gross domestic product and the tender was not public, the deal has proved widely unpopular.

But Kubilius urged MPs not to linger on the past.

"My main stand is not to cry together but to work together."

SECOND CHOICE, BUT CONFIRMATION SEEN EASY

Kubilius was the second choice for the post after Labour Minister and acting Premier Irena Degutiene turned down an offer from the president to take on the position full-time.

A physicist by training, Kubilius was an active member of the pro-independence Sajudis movement, which led the Baltic state's drive for freedom from the Soviet Union. But his own popular support is weak due to the low approval ratings of the party.

"I value (Kubilius) as an able, mature and responsible politician capable of gathering a strong team," Adamkus said in presenting Kubilius to the chamber. Parliament has one week to confirm him.

The house is dominated by the Conservative Homeland Union

and their loose coalition partners the Christian Democrats, who together have 81 places in the 141-seat house.

Approval is expected easily with few changes seen in the cabinet, although the portfolios of finance and economy are both currently vacant after resignations last week.

Kubilius said he had received support from both key parties to continue the same right-wing programme, with an emphasis on business liberalisation and pro-Western policies. European Union and NATO membership will remain the top foreign policy goals.

``Signing the agreement with Williams and moving swiftly in nominating an influential Conservative to the premier's post, Lithuania in fact avoided a political crisis and early elections," said one prominent local political commentator.

Adamkus had warned that early elections ahead of next autumn's general vote was an extreme but possible option.

RB-- 10/29/99 14:54:03

Norland, Richard B. (EUR)

From: WHSR
Sent: Sunday, October 31, 1999 6:50 AM
To: Black, Steven K. (VP); Blinken, Antony J. (EUR); Brody, Richard J. (VP); Davidson, Leslie K. (VP); Dunn, John A. (RUE/INTERN); Elkind, Jonathan H. (RUE); Harris, Cody S. (RUE/INTERN); Kaufman, Stuart J. (RUE); Norland, Richard B. (EUR); Pascual, Carlos E. (RUE); Tedstrom, John E. (RUE); Wechsler, William F. (TNT); Weiss, Andrew S. (RUE)
Subject: LITHUANIAN TIME UNCHANGED AS WORLD FALLS BACK
CLASS: INTERNATIONAL
ORIG: Reuters
PREC: RUSH
TOR: 991031063739 R81c2982

a2976

^BC-LITHUANIA-TIME

^Lithuanian time unchanged as world falls back

VILNIUS, Oct 31 (Reuters) - Lithuania on Sunday gave up an 18-month experiment that put its time in line with those of European Union capitals as it rejoined its Baltic neighbours on Eastern European Time (GMT + two hours).

As most European nations set their clocks back one hour to end daylight savings time, Lithuanian clocks ticked on unchanged.

In March 1998, the Baltic state moved into Central European Time (GMT + one hour) in the hope of moving "closer" to Europe. This put Vilnius in the same time zone as Warsaw, Paris and even Madrid, but one hour behind nearby Riga and Tallinn.

Following months of public outcry over the lunchtime sunsets in winter and 2 a.m. sunrises in summer, last month a new government decided to reverse its predecessor's unpopular move.

But the government opted not to shift the official working hours, which last year were changed to run from 8 a.m. (0600 GMT) to 5 p.m. (1500 GMT). This means Lithuanians will come into work ahead of their Baltic neighbours in Latvia and Estonia, where the typical working day starts at 8:30 or 9 a.m.

RB-- 10/31/99 06:35:30

~~CONFIDENTIAL~~

12

INR

Lithuania: Williams Deal Concluded (U)

The temporary government yesterday signed a controversial privatization contract selling 33% of the Mazeikiu Nafta oil complex to US-based Williams International, according to press reports. Despite last-minute doubts, President Adamkus reportedly supported the signing. Adamkus yesterday named Andrius Kubilius, a strong backer of the unpopular oil industry privatization, as the new prime minister. Kubilius was the deputy parliament speaker and is one of the most influential pro-reform figures in the conservative party. (U)

■ **COMMENT:** Signature of the deal presumably will head off efforts by some parliament deputies to subject the sale to a referendum. Recently there has been a public outcry and a number of demonstrations over the fact that the sale was made without a public tender. Ironically, the refinery is scheduled to shut down today because of a lack of crude. Lukoil, the refinery's supplier, claims Mazeikiu Nafta has already gone through its current allotment. (C)

It is unclear whether Kubilius has the parliamentary backing to find the \$350 million needed to finance Lithuania's part of the Williams deal. Kubilius's strong support for the sale and his deep involvement in negotiations will do little to endear himself to voters, but his party seems resigned to losing next fall's parliamentary election and simply wants to stay in power until then. (C)

(CONFIDENTIAL)

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October 30, 1999

Blinken, Antony J. (EUR)

From: Davidson, Leslie K. (VP)
Sent: Tuesday, November 02, 1999 9:14 AM
To: Norland, Richard B. (EUR); Blinken, Antony J. (EUR)
Cc: Saunders, Richard M. (VP)
Subject: RE: Request from Lithuanians for statement on Williams deal ~~[CONFIDENTIAL]~~

Treasury feels also that we need to be circumspect. We can easily support Lithuania's moves to privatize its energy sector -- in general -- and commend them for that. We can also note that we are pleased Lithuania looks to U.S. firms for strategic partnerships. But....as Dick noted, we have no idea what the Williams deal actually entails. Treasury was encouraging us to lay down a gentle marker about transparency in contracting practices. Also want to encourage them to be as transparent as possible with the IMF team this week, so that IMF has best possible understanding of obligations Lithuania has just undertaken.

-----Original Message-----

From: Norland, Richard B. (EUR)
Sent: Tuesday, November 02, 1999 9:11 AM
To: Davidson, Leslie K. (VP); Blinken, Antony J. (EUR)
Cc: Saunders, Richard M. (VP)
Subject: RE: Request from Lithuanians for statement on Williams deal ~~[CONFIDENTIAL]~~

Every indication I have is that this deal is hugely complicated and sensitive -- e.g., it just brought down the Lithuanian government. At least until after the IMF team has reported back in after its visit this week, and there is greater clarity on the matter, I think we should limit ourselves to only the most general kinds of endorsements of broader U.S. trade and investment ties with Lithuania. Damien Leader at State (EUR/NB - 647-5669) has been tracking this and can provide background on reasoning here. I know Stasys will not like hearing this, but the very fact that Williams and the GOL have refused all along to share with the Embassy the terms of the proposed deal makes it difficult for us to have an intelligent view of it. Dick.

-----Original Message-----

From: Davidson, Leslie K. (VP)
Sent: Monday, November 01, 1999 3:21 PM
To: Blinken, Antony J. (EUR)
Cc: Norland, Richard B. (EUR); Saunders, Richard M. (VP)
Subject: Request from Lithuanians for statement on Williams deal ~~[CONFIDENTIAL]~~

Tony: Stasys asked me to pass on to you his question/request for some sort of positive noises from US on the signature of the Williams deal last Friday. Public statement would be wonderful, but positive noises during meeting with Berger would be ok too. I'm not inclined yet to have VP do some sort of independent statement, since I haven't heard from Treasury yet what possible effects will be on IMF program for Lithuania.

Are you folks up to anything?

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By KGH NARA, Date 6/23/2023
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