Europe’s Eastern Neighborhood and the Future of the Eastern Partnership

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Introduction:
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JESSICA MATHEWS: Good afternoon. I’m Jessica Mathews, president of the Carnegie Endowment. We got held up here behind some black smoke from the vice president’s motorcade, but we’ve seen the white smoke now, and so we’re ready to go.

It’s a great pleasure to welcome you this afternoon. We are focusing on the change that has taken place in Europe since the collapse of communism as it has – as the EU has expanded eastward today, after two rounds of enlargement in just the last decade have added a dozen new members to the European Union, have cemented democratic transitions and created the world’s largest economic bloc.

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But today, as it wrestles with the economic crisis, the EU must also decide what its relationship will be with its neighbors beyond the new eastern borders. Will those countries align themselves with Moscow, or can they be persuaded and encouraged to pursue political and economic reforms that would bring them into closer harmony with Europe?

And Ukraine, of course, is a critical case, the focus of today’s discussion. It’s in some ways a test case, in some ways perhaps one of the most difficult and the most interesting. If it can complete an economic – an association agreement with the EU, Kiev stands to gain visa-free travel for its citizens, increased economic support and privileged access to the European single market. In exchange, though, Ukraine would need to take concrete steps to improve its judicial system and its – to end political prosecutions, to strengthen democratic institutions and to reform its energy sector. Whether leaders in Kiev can summon the will to complete those – that formidable list of tasks will speak volumes about the trajectory of Ukraine’s future and the continuing appeal of the European model.

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So here to help us understand the choices facing Ukraine and its European partners, we are honored and fortunate to be joined by a statesman who has spent his career advancing the European project. Former professor of economics Romano Prodi has served as prime minister of Italy twice, from ’96 to ’98, and again from 2006 to 2008, when he was instrumental in Italy’s adoption of the euro. As president of the European Commission from 1999 to 2004, he oversaw introduction of the single currency, presided over the EU’s enlargement to 25 members and powerfully shaped its neighborhood policy.

We are delighted to have him here with us today to reflect on Ukraine and the future of the EU’s Eastern Partnership, maybe also the future of Italy’s political trajectory and the inside news from Vatican City as well. (Laughter.) But ladies and gentlemen, please join me in welcoming Romano Prodi to Carnegie. (Applause.)

ROMANO PRODI: Thank you. No, really, I’m very happy and honored to be here, you know? And I was interested to listen to my CV, because I am a former. You know, the definition of my career is I am former. (Laughter.) And, you know, it’s – when you arrive to a point of your life, it’s – you like to be former.
Look, no, I am really happy to be here to make some reflection on what is happening and what will happen in – concerning Europe, the neighbors and with a special attention to Ukraine because we are really forgetting this very important chapter of our history and the problem of how to have a clear-cut definition of Europe, you know, also on the borders of Europe, you know? And I shall try to be very brief because I know that in this situation, question and answers are the most important, you know? So be sure that I shall not touch the Italian political situation in this speech. In the question, if you are, you know, eager to know it, I shall do it.

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First of all, look, when – the real achievement in which – one of the two achievement in which I am more proud in my life is the enlargement, you know? I have here some of my collaborators who worked like mad in that time, you know, because we were committed to enlarge the European Union to five countries in 10 years, and we did 10 countries in five – in four and a half years.

And I think that was the only answer to history, because if you do it quickly, you do – and then we should have never done anything like that, you know? Why? Because after this effort, Europe entered the – in the period of fear, fear of immigrants, fear of China, fear of everything, you know? And this change in the structure of Europe should have been – should have been impossible, you know?

And, you know, 10 countries – two were outside the former Soviet Union control, Malta and Cyprus. The other eight were all beyond the Iron Curtain, you know, Poland, Estonia, Latvia, Lithuania, Czech Republic, Slovakia, Hungary and Slovenia and then later Romania and Bulgaria, you know, that came – (inaudible). And, you know, it was – it was a very unique work, because, you know, we divided our legislation in 31 chapters, and one by one was (controlled ?) and negotiated with the country and then approved by the local parliament and then came back and approved again by the European institution. It was – it was really a great job.

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Of course, in this situation, we have also to add the political feeling, you know? Sometime somebody told me that country A did not respect 100 percent the rules. OK, that’s true, that’s true, but it was absolutely necessary to a political and historical – and historical vision. And I want only to invite you to understand what should have – should have happened – should have happened if Poland – if Poland should be out of the European Union with all the tension that the country had with Russia in the – in the following years, you know?

And I think that – and in terms of growth, we had unexpected results. Things went much better than we thought. Clearly you have still problems, problem of immigration, especially, given by the two most recent countries, let’s say Bulgaria and Romania, but broadly speaking, we had a peaceful change of Europe, you know?

But – (chuckles) – in that time, it – well, it was impossible to have Ukraine in for a very simple reason, that there was strong reaction of Russia, and the country, Ukraine, was heavily divided, you know? And, you know, history, traditions – Ukraine has such a deep link with Russia that I think it was wise.
And I tell you that the first action in my government in 2008, it was just being – voting against the entrance into the NATO of Georgia and Ukraine with almost all the European countries, because we were thinking that it was not useful to provoke the resentment, you know, and it was much better to have a more prudent policy. And, you know, this is – this is – the (study ?) that we followed clearly – after that, as I told you before, we had the years of fear and a Europe that was going back and back. And so now we cannot imagine an enlargement of European Union to Ukraine in the moment in which we have now. The maximum will be the expansion to the – to the Balkan countries because they are small; they are right in the pipeline and so on. But now we are in front of a period of (digestions ?) as we could define it, you know.

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And so Europe changes the strategy. And we – my successor, I think wisely – he started strategy of, let’s say, increasing – enhancing the relations with Ukraine, offering stronger and stronger cooperation, in a different speed because of the different Ukrainian governments and the internal situation, but with the idea – and it is working, you know. For example, trade between Europe and Ukraine now is 30 percent of Ukraine foreign trade. Forty percent is with Russia, but in the old time, it was almost all with Russia. And if you analyze the type, you know, the quality of this trade, you find that with Russia, is all energy, raw material. With Europe, it is much more skilled and much more qualified, you know. So step by step, there is this change. Step by step, there is this change.

And – but being separate till now from European Union and Russia, the country, in my opinion, suffered a lot. Ukraine per capita GDP is still lower than it should be with any, you know, part of the explanation that anybody who was familiar with Ukraine just after the fall of the Soviet Union – he understood how the country was, you know, insulated. It was like a company, you know, in which a factory is separated by the headquarters. You know, you have skilled workers, you have engineers, you have everything, but you don’t take decision. And this was Ukraine, you know, the fantastic, very skilled rocket engineers or scientists driving the taxi, or this unbelievable immigration of Ukrainian teachers, the women, to take care of Italian or Spanish old people, you know. We have this situation, you know. Ukraine, a country that, in theory, has everything, you know – because raw materials, a fantastic agricultural land, 46 billion (sic) people, but very skilled.

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And you know, this is the price paid by Ukraine – (inaudible) – of course, from the – when I left the European Commission, we made a proposal that was, I think, a change on the world, you know. Looking at the difficulties of starting with enlargement, we proposed to have around the European countries something that we were calling the ring of friends, let’s say, all the countries around Europe, from Belarus to Ukraine to Moldova to Israel to Syria till Morocco. They could deal all the agreements with the European Union except being part of the institution. It was called the ring of friends, or everything but the institutions, you know. In order to have around Europe this – but you know, politically now it’s – it didn’t work, you know, because this could be a (cradle ?) for Ukraine immediately also in a general framework, you know.

And so the country has had ups and down but not a steady period of growth. And Europe in the last year has offered to Ukraine strong and – cooperation. And this has been – has been
backed by all the main Ukrainian political parties. From this point of view, it’s – is a common – is a common will to have stronger cooperation with Europe, the party in the government and Tymoshenko party too. But – and – but in the same time, there is an offer by Russia to be part of the Customs Union with Kazakhstan and Belarus and to enter into the Eurasian project. Clearly, the Russian proposal is without condition, quick and also has some appeal, you know.

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But in the long run, clearly, economically and politically, there is a deep interest of Ukraine to be closer and closer to European – to European Union. And – which is the problem that – you know, in this picture, it’s clear that the wisest policy is to open the door to Ukraine without fighting, you know, resenting Russia, because otherwise, Ukraine will suffer, and so – but, let’s say, backing the evolution of the country. And clearly, you have, in this – in this – from the economic point of view, you have success. Direct investments, trade is increasing.

But you know, from the political point of view, we had some big obstacles, first obstacle – first of all, the problem of the Tymoshenko trial and the problem of internal democracy of the country. Probably the – it was and it is very serious, you know. The European pressure – I think it had a lot of success, in the sense that the election law approved has been considered fair and transparent by the European institution the Club of Venice. And on the Tymoshenko trial, that is very delicate because as many aspects on that, the European Parliament imposed, and it was accepted by Ukrainian government to have two very top observers inside the process, let’s say, the former – the former Polish president, Kwasniewski, and the former president of the European Parliament, the Irishman Cox. And I – every day during the trial, I go and analyze how things are going. Of course, this is not a guarantee that it will be fair to (the end ?) but is already progress. And we have – we hope that in a few weeks even the minister of the interior, who has been put in jail, will be, under European pressure, released.

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So this is a policy coherent with what I think must be our goal, to consider Ukraine not a battlefield between Europe and – European Union and Russia but a field of cooperation in which, of course – you have to, of course, have some compromise. Clearly, when you arrive to the issues that are so linked to the Russian history or to the, let’s say, (deepest ?) Russian interests, a compromise is needed. So I honestly am not surprised that I am not – that Ukraine did an agreement for the navy – Russian navy – the swap was cheaper energy, from one (side ?), from Russia, and a guarantee to have the Russian fleet in Crimea for a long period of time. This is clearly, like or not, an absolutely necessary compromise if you don’t want to create increasing tension – increasing tension in the country.

So it was, you know, also a problem that we Europeans had to tackle in 2008, and it was the last international meeting which I have taken part as prime minister in which, even, of course, being very strongly supporter of NATO, the Europeans didn’t think that was opportune to have Ukraine and Georgia into the NATO immediately, you know, because this would create an increasing tension in the – in the – in the – in the area, again, with an idea of having a bridge more and more progressively linked to Europe – to Europe.
Coming back, of course, to the Tymoshenko case, I thought before that was complex because there were internal and external policy. (There is ?) this accusation of an unfair deal with the gas, with Russia dealing with a price that it was much higher than European average, let’s say $200 per thousand cubic meters, more than the price in Germany, and 100 (dollars) more than the European average. And, you know, whether this was due to a pressure or to hidden agreement, you know, it’s clear that we let the decision to the judge. Our pressure is to have possible fair judgment and to help bringing the old Ukrainian that was Soviet-style judicial system more and more in the Western European – Western European framework.

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And so the decision was taken that before signing the association agreement that, I repeat, I think will be signed next November, Ukraine must undertake reform of judicial system, a complement that – to the reform of the – of the criminal court that was done last year (I say ?) to make it total revision of the court. Clearly, this does not mean that only this legal change will change the country. In Ukraine, as in many of these country, we have these links between politics, economies, media that makes the development of a true, (free ?) democracy very, very, very, very difficult, you know. But I do think that we have to work step by step in – step by step in the right – in the – in the right – in the right – in the right direction.

And so at this point, there are still quite a few European politician and also American politician who think that the situation is such that in order to get results, we should apply sanction. And this has been under discussion for many, many months and now with decreasing backing of it. I always think that very seldom sanction work. Generally they are – have results against the – against the lowest – the weakest part of the country. But in this case, they will have also the consequence to push Ukraine, Ukrainian voters and Ukraine government in the arms of Russia. So I don’t think that this strategy that Europe is trying to adopt is the best one – is the best one and the only offer that we can – we can – we can give.

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Clearly, it’s still – it’s still – it’s still a delicate – it’s still a delicate – it’s still a delicate problem and is really a pity – difficult that Ukraine has not the concrete possibility of being member in some sort of foreseeable time. But I repeat, I don’t see any – I don’t see any real possibility that this – that this can come.

Coming back to the – closing the circle, is it – is a pity is that (it cannot come ?), also because some of the country who entered, say, Bulgaria or Romania, when they enter into the union, they were not in better condition than it is Ukraine today, yeah, so there is nothing, let’s say, in content that forbids this. But there is – there is a change in politics, a change inside Europe. You know, it’s not anymore the (priority ?) which – the optimism with the future could bring to this very important political decision, you know.

And – but of course, why I think that is important also the American position that first of all, because of influence of United States on Europe, you know, I do hope that we go back to the old times in which we had a daily cooperation, you know. I was really in the last years, well, not happy as professor to see how in any American university, the center for European studies are –
have been shrinking in the last years, you know, and there is this almost obsession that only China is worth, you know.

But, for example, I do think – and I have the – I can testify that the Ukrainian immigration in United States, the Ukrainian being here, the Ukrainians – the American-Ukrainians, both Canadian and United States citizen, they have been very important in keeping the country close to Europe, say, making an alternative to the – to the Russian influence. And I think that this worked well, you know.

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And of course, I take the occasion to hope that with the trans-Atlantic treaty that has been proposed, we can start back to go to some more strict cooperation. It’s not that this proposal will influence foreign trade because is already fantastic, you know; we have no – almost no obstacles; (it ?) will not change. But psychologically and politically, it is a message that we need to give, you know; just, you know, to – let’s say to – cannot sell the idea that United States is looking only to the Pacific and not any more to the Atlantic.

That is more because our links are given for granted, you know. This is also the – there is certainly no need to stress it. But when there are, let’s say, monetary tensions, economic criticism, a lot of financial acquisition of – speculation, you know, that the situation could deteriorate, you know, could deteriorate. And the Europeans, as you know, they are – I don’t say 100 percent, but 90 percent pro-Obama, you know, enthusiastic of the president. But the first campaign, we analyzed – I asked to my students to analyze Obama’s speech, but in the campaign, in the first 30 speech, he never mentioned Europe. Never mentioned Europe. You know. It was Germany, France, Italy also, but never Europe. And, you know, I repeat, from my point of view, this is because it’s given for granted, but love and cooperation must be renewed year by year. (Laughter.) Otherwise, you know, they fade away, you know.

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And OK, in this moment it is Europe that is the weak – on the weak side of that, you know. I mean, in 2013 the world growth will be 8 percent, 7.5, 8 percent China; 4 percent Africa, thanks God, 4, 5 percent Africa; 2 percent United States; and zero Europe, you know, with some country like Italy or Greece or Portugal, you know, that have a minus, you know. And I don’t think that this is the moment in which we don’t need only a granted friendship, we need an active policy. And I don’t see it, you know. I see this monetary hidden (battle ?), Japan, U.S., that worries me a lot, you know. And the last two or three years of the crisis, we have seen more confrontations than cooperation, you know. So that’s – this is why I don’t – I think that even the Ukrainian case is an instrument, you know, an occasion to increase our links because, you know, I think that, you know, a good part of our prosperity is because we work together. So I think that we should like to work together in the future.

Thank you. (Applause.)

[00:33:45]
MR. ROJANSKI: Well, thank you very much, Mr. President. That was – particularly, I think, the last notion, that engagement – EU-Ukrainian engagement and integration can actually be an occasion for reinforcing somewhat atrophied trans-Atlantic links, and I definitely was right there with you on the shrinkage of European studies across this country, as someone who has definitely come out of that tradition.

MR. PRODI: They are disappearing.

MR. ROJANSKI: Even within the short span of a decade or two, it’s very noticeable and it’s keenly felt.

But let me – let me return, really, to the essence of the challenge with Ukraine and the EU’s universe and just sort of start our discussion phase off with a question. And that is, there’s a story that’s gone viral in Ukraine today and it’s one that I think as a politician you’ll understand instantaneously its importance.

And old woman, a pensioner, walked into a grocery store, and there happened to be a television reporter just doing his personal shopping in the store as well. And she picks up a potato and she contemplates for a moment the price of this potato. The potato cost six Hryvnia. That’s approximately 75 cents. And she decided that she couldn’t afford the potato because she had paid her electricity bill that month and she’d paid for her housing and so forth, and she was on such a meager pension that that was impossible. Of course, the TV reporter immediately bought her a sack of potatoes and all these things, and the story – and then told the story, and the story went viral.

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But it really illustrates the fundamentally politically difficult, perhaps even impossible, tradeoff that Ukraine is continually faced with and I would say is in some ways exacerbated by the prospect of EU association. And that is that the EU promises a long-term future, which is, I think, by most honest analysts understood to be beneficial to Ukraine, but with a number of very difficult short-term commitments. And those are not only economic commitments that can, for example, in raising utility rates, something the IMF has asked for, be very difficult for ordinary people to endure, but then – and think about this as a politician – political commitments, things having to do with democracy and pluralism and human rights, that make the political survival of the leadership that is taking those decisions also very difficult in the short term.

So, fundamentally I’m asking about a short-term/long-term tradeoff. And you as a politician, particularly as a European politician and particularly as a politician who has led a country which, as you said today – you know, whose model, whose economic model, whose political model perhaps is not as inspiring as it once was, how do you inspire? How do you lead people who are trying to come into this European family – how do you lead them through that kind of difficult short term?

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MR. PRODI: Well, look. I – you know, the answer, that we don’t do it, you know, because this is the moment – I honestly thought that this is a moment of fear of Europe, you know, because, you know, imagine what we have done. Europe has been, let’s say, the best achievement in politics.
in the last century, you know; not only peace, but development, you know. Then we arrived to a point in which you have to – you have the change. Why? The Westphalia state is based on the army and the currency. And when you decide to put the currency together, you make a revolution. The nation is not any more a nation. And I was the – I can say, you know, I had the motion to be in this change of history, you know. Then you understand that people become afraid of that. They don’t want any more to tackle that. They are afraid of the difficulties. And in this case clearly we have not been helped by American bankers, you know. You know, honestly, I am here in the United States, but the crisis started here but the price was paid by us, you know, because of our division, you know. I don’t say – and then, you know, what we could offer in this moment, you know? The famous friend of the – the Abbé Sieyès was asked, what did you do during the French Revolution, you know? He answered, I survived. And you know, in this moment, when we are under stress, we can offer (loyally ?), I think, a better future, but there – never an agreement for, let’s say, helping a country like Ukraine with a strong help.

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But this is also the Mediterranean policy. When I go to Egypt or to Palestine or – they tell me, look, you have the biggest traders, the big investors, you know, and you don’t have any policy. But this is a historical moment in which you need unanimity and you have different idea of what Europe is.

So my – to be very concrete, what I think, I think that we shall go in a new direction. Europe will not fail, because after last summer, the euro will stay and Europe will stay, no doubt about that, but difficult to make any progress in terms of unity.

So step by step, we shall go to have, let’s say, (two-speed ?) Europes, the euro members and the non-euro members of European Union. And the euro members will step by step install rules that will make decision easier than now – the decision process will be easier than it is now. But for a while, because of the weakness of the supranational bodies, commissions and so on, this progress must be done only through an agreement of the member states, and this is slow.

I’m sure that we shall not go back, because the test was last summer. Everybody was telling that the euro was finished and so on, so on. But then when we went to the brink of it, they understood it as, you know, you are political scientist. Remember, that is the same behavior that we had in the last political elections. While everybody (gazed ?) Europe – (inaudible) – saw in opinion poll, then you go to Holland, and you have a change of 21 points in favor of a – of Europe than compared to the day before to the polls forecast the day before. Why? When you arrive to the – to the point in which you say yes or no to Europe, people say yes.

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People say yes because we know that – but I do think that we shall need a lot of time to overcome this crisis, and a lot will depend upon United Kingdom and Germany, even more Germany, because the other aspect of Europe is that Europe is different. You had the balance in the past for different reasons, political-economic balance. And now the role of Germany is above any comparison, and this makes – this creates the tensions, the problem that you have – that you have now, you know? This is the reality now.
And in this moment, look, you asked about the problem of Ukraine, the potato cost, you know. The sufferance of many European countries is very high. In Greece, you have really enormous suffering. In Spain – in Italy too, you know, you have a lot of middle class completely expelled by – and, you know, this situation, everybody asks Germany to put some steam in their locomotive, you know, because they have a fantastic surplus in the trade balance, percentage of GDP higher than China – higher than China, almost like China in absolute terms. They had in last year 216 billion euros surplus, (yes ?), no inflation, zero growth and look, everybody thinks, look, give us a little of steam. But politically, this is not popular because, you know, the tension that you have vis-à-vis Southern Europe, and then we have this economic policy in which growth is delayed and delayed, you know?

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MR. ROJANSKY: OK, well, let’s take some questions from the room. Let me just ask that you wait for the microphone to arrive. We have a couple of them floating around. And then you just give us –

MR. PRODI: Three question and then answer, let’s just do.

MR. ROJANSKY: Fair enough. We can do it that way. We’ve got plenty of questions in the room. So just give us your name and affiliation. So we’ll start right here, in the red sweater there.

MR. PRODI: And speak slowly, because I am very, very, very, very old. (Laughter.)

Q: My name is Steven Beller. I’m a historian of Central Europe, amongst other things. May I ask a question – you mentioned the euro, and I’m glad to hear that that will continue. You mentioned it will – it will strengthen its own rules within the euro group. Do you imagine the other – the noneuro members, as it were, joining it eventually?

And secondly, you mentioned the problems of basically nationalism in Europe and on its borders. There is one noneuro EU member, Hungary, which is currently causing a certain amount of concern for the Europeans and others. What – would you like to comment on what do you think the European Union can do or will do or wants to do about the current Hungarian situation?

[00:45:17]

MR. ROJANSKY: That counts as two questions, so we’ll take one more here in front and then give the president a chance to answer.

Q: OK, thank you very much. Thank you very much, Mr. President, for your wonderful presentation.

My question is in regards of the Eastern Partnership program at large. You mentioned in – vis-à-vis Ukraine but I was wondering, what do you think of Eastern Partnership in general, the future of the program, especially in the South Caucasus states of Georgia, Armenia and Azerbaijan? And how do you think the Russia-proposed customs union is going to play into this in the
upcoming November Eastern Partnership summit that is going to take place in Vilnius? Is there going to be breakthrough there from the European side? Thank you.

MR. PRODI: Look, they’re all of the euro and the future of the euro.

OK, I don’t – you know, I don’t want to comment the straight contradiction in which everybody say that the euro is weak – is weak and yet the euro is always so strong, you know? It – because this is a mystery, you know?

[00:46:22]

And – but – and also because I think that we are almost in some sort of monetary battle, you know, Japan, easy money (as the ?) United States, almost easy money. And so this is the moment in which we should need an authority to that, a reform of the system. But this is impossible because the American government has no interest to any reform. And China is not interested because they will have a better situation in five or 10 years’ time, you know?

So this is the moment in which the two big players, they – so I don’t expect the G-20 or – will take any major solution, you know, because historically is not the moment in which – in which – in which we are. But – and is a pity because, you know, I think that could have been useful for everybody and a strong Europe.

I do remember when we had the regular meeting between European Commission and China, you know? In this meeting you have a dossier like that, you know? They were completely on butter, on ham and shoes and everything, you know? The – they were absolutely, completely uninterested on any item except euro, you know, and it was fantastic, you know? Will you – will you have really paper? The Deutsche mark and the French franc will disappear? No question about the lira. But, you know – (laughter) – and, you know, all that.

[00:48:24]

And then can we take (it on reserve ?)? And you remember the beginning, the euro went down, you know, and the subsequent meeting with the Chinese president I was really frightened, you know, because – and he told me, President, you have given me a bad – a bad advice, but I shall go on buying euro for two reason. First of all, because the euro will go up, and he was right; second, because I want to live in a world in which there is not one lord only. And to have the euro and the dollar together for me is a guarantee for China. This was the answer.

Now they couldn’t say it because of the European crisis, and this is why I think that it was a mistake not to cooperate during the crisis. The Chinese point of view is completely different, not euro and dollar. I want to have a basket in which the renminbi, when will be ready, will be real dominant position, you know? In two years, the situation is changing.

But I do think that more countries will enter into the euro, and the crisis will be finished when Poland will come in. And, of course, they delayed because of the crisis, but the public opinion is still that this is a safe harbor for the future. When can be done? Look, I was almost telling you now that everything is under paralysis, you know.
On Hungary – on Hungary, this is a difficult case, because you remember that we had a strong tension in Europe when Haider won the Austrian election, you know. I remember that Chirac proposed sanction, you know. And I was opposing sanctions for the simple reason that you cannot punish electors, you know; you must punish behaviors. So what I think, that in the Hungarian case, a deep attention must be given to the working – real working of democracy. I’m clearly worried, you know, because there are so many tensions inside the country, but I have not the element to judge whether there is already a strong violation of democracy.

On the Georgia, Azerbaijan and so on, I don’t see the possibility of a strong policy in the future for the results I told you before, you know. That’s – there is not a political unity to do that, you know. But I repeat, we should – (inaudible) – now. I’m so frightened by what happens in Egypt, you know, and you see that the country is still unsettled. You have no tourism, unemployment, everyday tension, you know, and you have no strong European policy, also because you should need – you should need to put money on it. And the European budget is 0.96 – let’s say 1 percent of European GDP. With 1 percent, even if GDP of Europe is big, 1 percent is nothing. And with 1 percent, you have to do – to you know, bureaucracy, agriculture policy, regional policy, research. So when you have such a big problem, like Egypt, in the door of Europe, you know, and the only let’s say strong and quick policy be American, you understand that we need this, you know. And I think that to overcome the situation, an American sensibility, an American help should be so important, you know, because it’s a political depression that makes this difficult, you know.

MR. ROJANSKY: OK. Let’s take three more questions. And just do me the favor, don’t cheat; one question each. First right there.

Yes, right there.

[00:53:27]

Q: It’s sort of a follow-up question on –

MR. ROJANSKY: Sure. Name and affiliation, please.

Q: Yes. My name is Nikki Kasimova (ph), and I’m a journalist from Azerbaijan, for news agency APA.

MR. PRODI: Speak loud, please.

Q: (Chuckles.) It’s a follow-up question on what was just asked. More specifically, my understanding is that during the signing of the association agreements as it is envisioned in November in Vilnius, Armenia and Georgia are scheduled to sign the agreements but not Azerbaijan, and I thought you may have some thoughts as to why and sort of maybe speak a little more about Armenia’s choice between European Union and Eurasian Union and its choice between Russia and Europe that it is facing at the moment. Thank you.

MR. ROJANSKY: OK. Right here. Mike (sp).
Q: Thank you. I’m Mike Holzo (ph), Johns Hopkins, SAIS. Good to see you again, Mr. President.

I’d like to return to Ukraine really quickly. Twice in the last several years, Russia has cut off gas supplies to Ukraine using the kind of leverage that they have because of Ukraine’s dependence. Ukraine is supposed to have quite sizeable gas reserves that can now be tapped by the new technology hydraulic fracturing. We’re here in the United States are familiar with the environmental challenges that have to be overcome before it’s fully exploited. I think one major European country has already banned it. My question is whether – obviously, the reserves would be developed by private enterprise, but I wonder whether the European Union might speed the process along to try to develop the Ukrainian fields and to give them more independence and help their economy.

[00:55:19]

MR. ROJANSKY: Let’s take one in the back. Is there – yeah, right there. We have a hand.

Q: Thank you very much, Mr. President. My name is Katarina Pishekov (ph) from the Transatlantic Academy. And I wanted to follow up quickly on Matt’s question about the metaphor that he used, which I think very much represents the main I think tension that there is in relations between the European Union and the Eastern Partnership, that is, how to balance the long-term perspective and attraction with sort of creating short-term incentives and benefits. And, you know, you – we know about the difficulties that Europe is facing right now. And you talked about it –

MR. PRODI: You mean about Ukraine?

Q: Eastern Partnership, Ukraine specifically but also the other five countries. But I wonder if you think there are specific policy areas, and that sort of links to the energy question as well, or specific types of engagement that could be already pursued in order to create – and which ones do you think would be really most productive in creating these sorts of short-term benefits and incentives for these countries? Thank you.

MR. PRODI: You mean – if I understood well – which are the short-term benefit that we can give to Ukraine?

MR. ROJANSKY (?): Yeah.

MR. PRODI: This is the (question ?)?

Q: Well, how to – how to help – how to keep these countries closer to Europe, more engaged with Europe by helping them overcome short-term crises that they’re facing.

[00:56:49]

MR. PRODI: Look, on Armenia, well, I have to tell you that I didn’t follow in the last two or three years the evolution of the problem, you know, to be very honest, because I cannot follow everything, you know. (Chuckles.) But the pro-European sentiment inside Armenia is very strong, very strong, you know. It’s – there is this desire that is still – and it was just after a trip in Armenia that I elaborated the proposal of the “ring of friends,” you know, because there are countries as
Armenia who will never be member of the European Union, you know, because they are so far, you know.

And clearly, I shall never forget when we started the proposal to Turkey, you know, and I was in favor, but telling to my Turkish friends, it does go slow because, you know, my grandmother, when there was something frightening, she used to say, mamali turki (ph), you know, so – and that’s – I do remember that in a discussion, Chancellor Kohl, who was always (straight ?), looked at me: Romano, but when you were at the primary school, you didn’t have good teachers. I said, what do you mean? Or you were very ignorant. What do you mean? Because Anatolia is in Asia, not in Europe, you know. This is – (chuckles) – the sentiment, you know.

[00:58:35]

And of course, if you go to Armenia, (you’ve got ?) – it will be difficult, even in the future, to have them the members of the union. But they think that only Europe is a safe harbor. And so we have to elaborate a policy that gives them this possibility. And this is my idea, but I repeat you need more dynamic movement in the European policy, and it’s not the case now. And also, there were also mistakes inside the Armenian policy, you know. It’s – but anyway, this is –

Russia cut off of the gas, yes, the tension (has been secular ?) – you know, one of the – the first time that I went to Kiev after the end of the Soviet Union – well, as president of European Commission, it was to mediate the fighting because the quantity of gas going into the pipes in the Russian border and the gas getting out to the European border, it was not the same, you know. (Laughter.) So I had – so I – (chuckles) – the president of the European Commission was obliged to tell – look, who is spilling the gas. (Chuckles.) And so we can’t have, you know – so the tension in this field, they are – (laughter) – secular, you know.

[01:00:18]

And – but in any case, Russia has no interest to disrupt the supply of gas to Western Europe, you know. And they did a couple of times, but then, you know, especially now, with the new market, the situation of the market power of Russia is decreasing, you know, and they must be very careful, you know, because the shale gas is an incredible revolution. I have never seen in my life a change – such a quick change in such a big market like energy. Three years – three years ago was a hope and now is a revolution.

And – but you – can you believe that last week we had – the price of gas inside U.S. was 3.5 – 3. – per British thermal unit. Don’t ask me what is a British thermal unit – (laughter) – because I don’t know, you know. But – but it was 12 in Europe and 16 in Asia. So you will have this fantastic movement in favor of United States, you know, petrochemical industry, pottery tile. You have a lot of sectors in which energy costs more than manpower. So it will change the picture, you know.

And Ukraine is the only European countries that has the same potential, then United States – Poland too, but Poland – I say that the rock is different than – is under urbanized areas and so they have a problem. But in Ukraine there is this potential.
Will be put in action? I don’t know, because you have to see – but (the research ?), to answer the question, are increasing. More and more Western companies are taking license, and in one year time we shall have the answer whether Ukraine can be a producer and an exporter of gas.

On the short-term policy advantage, clearly is a short-term policy advantage to have the potential to increase export to Western in a huge amount. That is, it was the most positive fact of Ukraine in the last year, you know. This is short-term.

But I – don’t underestimate it, but I think that this must (accompany ?) – but an increase of – (inaudible) – investments. And this we may have a strong action, you know.

[01:03:54]

But you know, this we can because you never invest in a market that is not strongly linked to a wider area. So the guarantee with the treaty next fall is simply – is a – is long-term advantage, but gives you the message, Ukraine market will be part of the European market, not with all the regulation, because – (inaudible) – but customs and the basic rules will be the same.

MR. ROJANSKY: Yes, which of course underscores the importance of holding on to what you’ve invested in – property rights, corporate rating –

MR. PRODI: Yeah.

MR. ROJANSKY: All right. Let’s – Bill here. We’ve got a microphone coming.

Q: Bill Courtney (sp) of –

MR. ROJANSKY: Just a sec, Bill. Microphone. Thanks.

Q: Bill Courtney (sp), a retired diplomat. Under what conditions would the European Union be willing to sign – to agree to an association agreement with Ukraine and Georgia? Would it agree if Tymoshenko was still in jail? What conditions for Georgia?

MR. ROJANSKY: OK.

MR. PRODI: I don’t know – I didn’t follow that. I – on Georgia, you know, it’s the last agreement I did for the negotiation, and so maybe somebody can answer it in my – (chuckles) – because I – honestly, I don’t know.

[01:05:38]

MR. ROJANSKY: OK. The lady right here.

Q: Hello. My name is Maya Turashvili (sp) from Foreign Policy Research Institute. My question comes back to the internal politics of the EU and Hungary in particular. And generally speaking, I guess my question would be, what do you do when a member state becomes greatly derailed from its democratic path? And with Hungary and with Prime Minister Orban – I would like to speak about Prime Minister Ponta and Romania as well, because it is clear we’re going to have
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this issue with Romania too. And perhaps at the moment Hungary’s situation is not as apparent to some, but it will become, because, as we all know, Ponta – I’m sorry – Orban has been doing pretty much the opposite of what he’s told to do as far as the judiciary system or his control over the national bank.

So I understand you don’t – do not support sanctioning these states, but what is your recommendation, then? Thank you.

[01:06:46]

MR. ROJANSKY: OK.

And right – just right behind – Gene there.

Q: Thanks. Gene Burd, Arnall Golden Gregory. You know, you – several people mentioned here – and you – including you – there were some issues on the reaction from the – from Russia on the Ukrainian joining the association agreement, improving its ties with the European Union. And of course we all know the cases where – recent case when Russia issued a $7 billion bill for the 2009 contract which Ms. Tymoshenko signed. Do you anticipate further issues that Russia could raise if Ukraine would sign the association agreement?

MR. PRODI: Why Russia would –

MR. ROJANSKY: Raise.

Q: Further issues that Russia could raise if Ukraine signs the association agreement and if Europe has any plans or any thoughts on how to react to that.

MR. ROJANSKY: OK. So we’ve got – we’ve got Hungary, Romania. We’ve got Russian conditions and consequences.

Let’s take one more. Right in the back there, back corner.

Q: Thank you. Garth Trinkl, Department of Commerce. I was going to ask you about the possibility of Turkey joining the EU prior to Ukraine because I know that Turkey in the EU is supported by a neighbor to the Carnegie Endowment.

[01:08:17]

But I will ask you instead, do you have any reaction to The Economist magazine editorial spelling out a new post-Belgium, post-Berlin Scandinavian – Oslo- or Sweden-based model for not just Europe or Eastern Europe but for San Francisco to Vladivostok? Have you read the article? And do you feel that there’s any – do you have any reaction to its call for strong social services, would – which would address Dr. Rojansky’s concern for the pensioners (sic) in Ukraine but would also allow for a strong private and efficient provision of both private market and social services? Thank you.

MR. ROJANSKY: Scandinavia from San Francisco to Vladivostok. OK. (Chuckles.)
MR. PRODI: Look, look, sanction – clearly it is a different picture when you have sanction to an external country or that you have sanction to a country belonging to the (club ?) but not behaving with the (club ?) rules. This is a completely different case. And I don’t think that this case – well, I think Europe has a lot of instrument in this case – first of all, like cut aids and the flow of money.

Second, well, they have an increasing (set ?) till arriving to – in theory, to the expulsion from the – (inaudible) – you know, difficult because you need the – such – (inaudible). But you know, if there is a violation of the basic democratic rules that are the foundation of Europe, it is not true, what I told before concerning the general rule for sanction because here you have much more instrument based on strict pacts and agreements, you know.

And this is why when the Austrian case arised, I oppose it, the sanction, because I said, look, we shall be tough if there is a violation, but not if there is an election that, you know, goes in a – in a wrong direction. You know, it’s a – because you have to give sanction when there is misbehavior, you know.

[01:11:20]

And Turkey is a complex case, you know. The – many opposition inside the European Union were clear. But there was a decision to open negotiation. The negotiation were not easy because really, there were enormous mistrusts, and also, you know, it’s the problem of the electorate, you know. I do remember it. You know, it’s – when the decision was taken to open the negotiation with Turkey, it was absolutely unexpected, you know? I was around the table, and I run to my colleagues, and you know, but what happened, you know?

And – but then Chirac – that was chairing the group, you know, had prepared everything, has told to the – we were in Finland – to the Finnish prime minister to leave immediately to Ankara and to start a negotiation. But then he went back to France, and he understood that the absolute majority of the French, they were against. And so as any intelligent politician, he said, look, I want Turkey in, but not before a popular referendum. That – it was not against his first statement. But when you decide to have a referendum, that will be repeated in all other states, of course, because if France makes a referendum, this will be done. It becomes much more difficult to have a country in, you know.

So the negotiation started with this uneasy situation. But then reality changed. It’s Turkey that is changing. In my opinion, now – well, in my opinion, also in opinion polls, you know, the push in the direction of Europe in Turkey is decreasing day by day simply because Turkey is now a regional power that takes decision of foreign policy absolutely without any bargain, any negotiation. You know, one day they hate Israel; the other day they back Israel. That’s – you know, and they do – and you know, Turkey influence is increasing, political and economic, more than anybody of us. Think, you know, think from Balkans to Central Asia, you know.

[01:14:24]

And the last – you mentioned The Economist. I think it was in The Economist telling you, look, Iraqi war, there – well, how it was – the American lost, the Iranians gained, but the triumph –
the economic triumph is Turkish. (Laughter.) And Turkey now the second trader with Iraq, increasing, you know.

And the foreign policy is absolutely autonomous, you know. It’s – and so I don’t honestly think that they will push beyond a limit to be member of the union, you know. I am still in favor of that, but I do understand that will be at least a long, long, long process.

The Ukrainian case is different because the negotiation never started. And politically, I told you frankly that I don’t think that any negotiation will start for any major country. You know, maybe, I hope the Yugoslavian country, because they are on the pipelines, you know, but nothing more than that, you know.

The Scandinavian model – I read the article on the Scandinavian model. This is – this is a really – a crossroad of the future of our economic policy. Let’s say – everybody says that our economy don’t grow because the government expenditure is so high, is unduly heavy. And this is a common doctrine, you know, after Reagan. Remember Laffer, remember everything, you know. And this has become a common doctrine. But the Scandinavian countries – they grow more than the average. They have an incredible high welfare state cost. And they fly with different wings, you know. (Laughter.)

[01:16:50]

And look, I think that we have to change the debate, the economic debate, you know. Clearly not easy, because anyone who mentions taxation lose elections. I can testify it – (laughter) – because I won the election, but in one week I lost five points simply because my opponent in the last day proposed that – to take off the house taxation. You know, dak (ph)! In one day, my – and the behavior of any politician is this.

But when you get into such a deep crisis as – in which you are now, I don’t know if – to give some sort of Keynesian – resurrection of Keynes will not be necessary, of course, in new directions, without all the waste we have done. I am serious. I am not – you know, I am proud to tell you that in the two periods in which I was in the government, I decreased the debt ratio of 10 points each of the two times. You know, I was seriously cutting expenditure. But clearly – and we close with the – coming back to the European moment – there is – there are situation in which if you don’t – (inaudible) – everything collapse. Everything collapse.

[01:18:33]

And now we are in a very serious passage of our history because in the optimism of the new, let’s say, communication revolution, e-society and so on and so on, we have given the message that this will bring new employment, but different from all other revolution, the new employment does not arrive. And millions of secretaries disappeared. All the – you know, the designers, you know, the – in, you know, thousands of people who were –

MR. ROJANSKY: Craftsmen, yeah.

MR. PRODI: – making – designing machinery, so on, disappeared, and (three ?) computers work for that. And you go on, with the younger people in the legal office that – not anymore look
at the precedent because with – they – you see it, and you have this impressive change. And nobody, no economist is really trying to analyze the total consequence of that. This worries me, you know, because, look, we live in a society in which we pretend – we pay people less, and we pretend that they buy more. There is something wrong, you know? Sorry. Thank you.

MR. ROJANSKY: We take one final round of questions?

[01:20:15]

MR. PRODI: One.

MR. ROJANSKY: OK.

MR. PRODI: Yeah, because I – my plane.

MR. ROJANSKY: OK. Right there.

Q: Thank you. Irina Giliska (sp), Macedonian TV. Mr. Prodi, you know about the name dispute between Macedonia and Greece. Macedonia is a member state – is a country for candidacy seven years now, and four times Greece blockade the recommendation of the European Commission to open negotiations. Do you support in June Macedonia to finally start negotiation for the European Union?

MR. ROJANSKY: OK. Yaroslav, right there.

Q: Hi. I don’t have a question. I have a very brief comment, if I may.

MR. ROJANSKY: Brief.

[01:20:55]

Q: Very, very brief. Yaroslav Brisiuck with the Embassy of Ukraine, deputy chief of mission. I just want to thank you for your – for your remarks, for your comments and just emphasize the point that you made. There’s an overwhelming support of Ukraine among the population and all political parties of European integration, and it’s a written in a lot of European statements from Parliament, the president, and we have been taking specific steps, like new penal code, criminal procedures, additional reform and so on.

And we understand there’s a lot of homework for us to do, but it’s important that we continue on this movement. And signing this agreement is a critical moment for Ukraine, because it will set Ukraine firmly on the track towards European membership. So we need all the support that we can get for – to sign this November, and thank you for supporting it – supporting signing it at the Eastern neighborhood summit. And all I can say is spread the words to your European colleagues.

MR. PRODI: Yeah, but you mean membership literally. I told you how I should be favor, you know, but in the today situation of Europe, I think that we must concretely do, you know, a beginning – a starting – (inaudible). But – and then –
MR. ROJANSKY: Last question there, Mike.

[01:22:23]

Q: Mike Scanlan from the House Foreign Affairs Committee. I was wondering if you could go beyond Macedonia in speaking to Western Balkan integration and leave us with an uplifting note that Europe can continue to move on the project, realistically your time frame after Croatia. Are we looking at a long pause? Can the Greek issue be resolved with Macedonia, the five nonrecognition with Kosovo, constitutional dysfunctionality in BiH – how will they – is it possible for Europe in this muddling-through period to address this in the next five, 10 years?

MR. ROJANSKY: Can I just say for context, the reason that this man has asked about optimism and then talked about the Balkans is that he just came from Belarus, so – (laughter).

MR. PRODI: Look, Macedonia was – Macedonia did fantastic progress in the beginning, you know, has given an example of how Albanian – they could live with the bulk of the, let’s say – (inaudible) – population, you know. With – I was there and I had thought that it was one of the first countries to enter. Then, also because of the slowness of Europe, you know, this process was in some way stopped, you know?

[01:23:42]

And because in the Balkans, you know, they were – all the Yugoslavian republic, they were put together by Tito, you know? And with his death, you know, everything went in disarray. So what was the commission’s strategy – what they have done, to go to Slovenia to tell, look, you are ready, but you will enter into the union only if you beg Croatia, that is your enemy, you prepare them to come. Then, going to Croatia, look, don’t open the mouth for Slovenia, because if you put an obstacle, nobody will come in.

And we tried to – and the third one was Macedonia. We tried to build a train. I was calling it a train, you know, in which each – (inaudible). And this was interrupted, you know, by the European crisis that I mentioned. And look, Croatia was organized to be member in 2007, and it will be only in the next months. And then I am – well, I’m not anymore working, you know – but I – to all the politician I meet I say: Look, please, now Serbia – they make so many sacrifice. They – it’s such a humiliated country, full of energy, full of – let us give them hope, you know?

And then you start. And when you have Serbia in, it will much more easy to have Kosovo in or – you know? And you create this situation, you know? And the results on this process are good, you know, because the progress done by Albania, for example, is incredible. But Albania, when, you know, the Soviet Union collapsed, it was something that was – it was unconsiderable, you know, as a country. Now it’s a working country, you know?

And so I – my idea of the Balkan is to back it back again. The train will be slower, but is a train, you know? And I am sorry not to tell that the process will go on even in the future, you know, because the fatigue is so deep, you know. But the new Europe with the, let’s say, diverging strategy, I thought, maybe we shall go back, you know? But important now is to go on with the project, you know, and with the help of United States. (Laughter.)
MR. ROJANSKY: Well, fatigue is something that all of us who deal with Eastern Europe are familiar with. We don’t want to fatigue Mr. Prodi or all of you too much. I want to thank President Prodi, first of all, and thank all of you, and say that we actually have a reception to refresh and restore our energy. It’s just downstairs. You take the stairs in the back there; it’ll be in front of you. Or you go down one floor on the elevators and it’ll be through the glass doors. So thank you all very much. (Applause.)

(END)