Brussels Forum

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Introductory Remarks: Europe in Transition

Craig Kennedy: Now, it is my honor to introduce the Foreign Minister of Belgium, Mr. Didier Reynders.

Honorable Didier Reynders: Your Majesty, Mr. President, excellencies, distinguished guests, it is a privilege, of course, for me to address your audience for the introductory session of the 14th Brussels Forum of German Marshall Fund here in Brussels. There's a long story of mutual friendship between the GMF in Belgium and it is an honor for the City of Brussels to be selected for so many years as the place prominent diplomatic rendezvous. Obviously, the truly international character of the city where the constant and massive presence of officers of the EU and NATO are mounted by the whole press and lobbying activities around those two organizations contribute substantially in the choice you made of Brussels. Yet, a conference like the one we are presently inaugurating represents a fantastic opportunity for me and for my country to show our experience and know on the diplomatic stage. The remarkable high quality of your guests is a guarantee that, like every year, the best will be of impressive level and the contributions of your discussions will be particularly useful.

This year, more than ever, in depth discussions amongst specialists of world affairs will help us further strengthening the links between the EU and the U.S. Europe is in transition. The world is in transition. We are at a point where so many efforts undertaken in the previous decades to make Europe and the world a more peaceful place certainly appear like (inaudible) by attitudes and reactions that we are told belong to the best. Isn't it evident that the strong transatlantic connection proves every day more useful? The present tragic situation around Ukraine and Crimea is an answer in itself. The community of values between us serves as a rock solid basis for diplomatic initiatives.

On both sides of the Atlantic, we are deeply attached to the preservation of territorial integrity to peaceful means of conflict resolution and to the priority of political solutions to crisis. Likewise, we both know that Russia is and must remain a partner whose added value on the diplomatic scene has proven, more than once, very useful.

In today's world, I sometimes have the impression that our message is not well understood. A world in transition is a world where exchange of views among nations and all (inaudible) actors have to be multiplied so as to avoid misunderstanding and wrong perceptions. Commonplace, would you tell me--do you

know that in Russia today, NATO is considered by the average citizen as the most dangerous potential enemy. Whereas, on all sides, the U.S. and EU, we are convinced that our partnership with Russia is an absolute necessity. I am telling you, misunderstanding feed potential nationalistic feelings and the reactions and we all know where nationalism leads.

Together with Russia, we were able to challenge so many difficulties of this world in transition. Together with Russia, we had to win the peace that followed the end of the Cold War. The GMF, as an institution (inaudible), are probably the best example that ever existed to show that is not enough to win a war if you are not able to win the answering peace. The Americans and the Germans in the aftermath of World War II were very much inspired in establishing the GMF with a mission to foster understanding and extensive cooperation between nations that once were at war. The European Union, as such, is so (inaudible) striking evidence that peace must be won after the weapons have silenced.

In this year, 2014, during which we will celebrate here in Belgium the 100th anniversary of a devastating conflict, it is more than appropriate to remember those lessons. This is also one of the reasons why we are here gathering for this forum. Your Majesty, distinguished guests, I would not like to conclude my

short intervention today without expressing, on behalf of the Belgium government (inaudible) on behalf of you all, I am certain, our heartfelt gratitude to Craig Kennedy who has made this forum with his own hands and a relentless force for so many years. Craig, diplomatic success is eventually the result of many initiatives taken by many people in the same direction. You are one of those many people, but on top of this, you are also one of those who showed the way ahead. I believe that you deserve a very serious ovation. (Inaudible) in this room.

Of course, for your successor Karen Donfried, Special Assistant to President Obama and Senior Director for European Affairs International Security Council, I would like to extend my congratulation and my best wishes of good luck for this fantastic new challenge.

Finally, Your Majesty, distinguished guests, like every year, I would like to congratulate for the exceptional performance, the laureates of the young writers involved. When they received their prize (inaudible) letter, think of the remarkable amount of efforts that were produced to deliver papers of outstanding quality. It is good to see that all shared values are still strong enough to convince and inspire young people who will be the leaders of tomorrow. And I

was, to conclude, very impressed by the reserve of the (inaudible).

Last year, maybe some months ago, the most important geopolitical issue for the security of the world was Iran and I have seen today they were on the screen and the most important issue is Ukraine. So we need to see that we have a lot of things to do, of course, (inaudible), but maybe many others. And I wish you a fruitful forum about not only the situation in Ukraine, but may be many other reasons to sustain the relations among the U.S. and the European Union. Thank you for your attention.

Craig Kennedy: Thank you so much. Now I want thank again, His Majesty, for joining us today at Brussels Forum. Due to other commitments, the king will be leaving us now. We are truly honored that the palace has been supporting us for the first year and that you took the time to be with us today. Many, many thanks.

Peter Spiegel: Although I would like to kind of believe everybody was standing for me, ladies and gentlemen, my name is Peter Spiegel. I am the Brussels Bureau Chief of the *Financial Times* and I am the moderator of the first panel here. However, all panels are going to be opened by a video presentation. So let me turn to the video and we will have our first video.

Narrator: In the aftermath of World War II, Europe witnessed unprecedented levels of political, economic

and social integration. When the Berlin Wall came down in 1989, Europe welcomed a new era, bringing east-west rivalry to an end and allowing for the unification and integration of a formally divided continent.

Today, Europe is at another crossroads facing growing opportunities and responsibility to take leadership on the world stage while having to cope with strong political pressure, the risk of social unrest at home and risks of new conflicts on the continent. Against this backdrop, national and European policymakers must bring new policy approaches and lead profound change, both within the EU and in its external relations.

What are the biggest challenges to managing the ongoing transitions in Europe? Will Europe manage to cement its role on the world stage as a leader of peace and democracy or have recent political, economic and social crises tainted the continent for the foreseeable future?

Peter Spiegel: Well, that sets us up very nicely. Again, my name is Peter Spiegel. I am the Brussels Bureau Chief here and it’s a great honor to be back for the second year as a moderator--as the opening moderator. I guess I did okay the first time. It also so happens that I think the--the Brussels Forum tends to be a bit of a jinx for me. If those of you who were here last year remember, it was in the middle of an

emergency meeting of eurozone finance ministers for the Cypriot bailout that I was up all night before. And today, I was up all night before this dealing with sanctions on Crimea. So I am not at my best, perhaps, but I have a very good panel here to deal with the issues of transition in Europe.

Again, when we first started talking with the organizers about how to do this session, the obvious topics of discussion were going to be economic malaise, demographic challenges, but suddenly geopolitics has returned to the scene. And, again, we have a very good panel to deal with this. Let me do a quick introduction starting from my right. Toomas Ilves, who, despite his accent, is the president of Estonia. At the center, perhaps a new face to some of us here, the new Italian foreign minister, Federica Mogherini. And to my immediate right, someone known to many of us, currently at Goldman Sachs, but former head of the World Bank and other things in various U.S. positions, Bob Zoellick.

As the organizers have told you, I think--I hope all of you have been handed very fancy iPads, for something I am new to, but a rather interactive element of this session. So I ask you all to take it out right now because I have, hopefully, queued up a poll to start us with because I thought--because we are dealing with a rather amorphous topic of Europe in transition that we might first try to get the view of those of you

in the audience about what is the biggest challenge in terms of the transition going on in Europe right now.

So can I get that called up on the screen and also to the devices in everyone's lap? There we go. Now, as you can see, I have picked six here. They're not all obvious. The question is, for those of you who can't see the screen, "What is the biggest challenge facing the future of Europe as Europe goes in transition?" The first is a new Eurozone crisis. There are many people who argue that we are not through it yet.

Number two, we are in a political season here in Europe. We have European elections coming up in May where nationalism and political populism is facing a challenge. We also, again, the geopolitical element I mentioned, we (inaudible) Russian assertiveness in the East. The demographic challenge, number four, an aging population. Five, weak recovery and relative economic decline globally in Europe and then, obviously, the other geostrategic challenge faced by Europe, which is in the southern border, the Arab Spring and the fallout from that.

So when I ask you to start the poll now, I think you have 15 seconds to pick 1 through 6. It's a little artificial, but if you could pick what you believe to be the largest challenge facing Europe as it's in transition in the near future. Hopefully, that will start us off on a good note.

Ambassador Chizhov, I assume you're not going to be picking number three, but...very good. We should get our results here. Interesting. Interesting. Weak economic recovery and relative decline. That serves me very well because the first person I wanted to call on was Mr. Zoellick who, obviously, has a background on these issues. So let ask you--introduce you, first of all, Bob Zoellick, and ask you to address the issue of the weak economic recovery, but also make any introductory remarks you'd like to.

Mr. Robert Zoellick: Okay. Well, permit me, if you will, just since this is Craig Kennedy's last meeting as head of the GMF, I want to say a special thanks to him. I was on the board with some others here when Craig was selected and, frankly, he didn't have much of an international background. I didn't know exactly how he'd fair and I think he's done a fantastic job, in part because he had the vision as I look around this room, taking over not long after the events of 1989 about trying to reach the transatlantic community further east, extend to the border lands and very importantly, and totally missing on your list, is a sense of how Europe and the relationship with the United States fits in the global environment. China doesn't fit there at all--or East Asia doesn't fit there. And I think at least Craig has done a fantastic job not only in direction, but also at the human level

with a lot of people so I wanted to take a chance to thank him.

We were talking a little bit beforehand about this topic of transition. And I will come to the economics, but, you know, the challenge, particularly from a European perspective, is when do you start the transition? So I went back and looked at what was happening in Europe 200 years ago this week and the fourth coalition was massing on Paris ending one vision, which was the revolutionary imperial vision of France. And at this time about 100 years ago, we were about at the test of another vision of German imperial view. Twenty-five years ago, we were narrowing in just for the events of 1989 and the breakdown of the old order.

And I want to focus on that just for a moment because my view at that time was that I thought the-- while, of course, the vision would be a European one, I thought it would have a distinctively German coloration. And I viewed, from the perspective of the United States, that a very important relationship was the German/U.S. relationship. And I think, as a fair assessment, that's something that all parties let slip over the last 25 years and if we think about events in Ukraine or you think about the events of the economy or you think about the events in China, it's a key aspect to going forward.

And that links me to the other point, I noticed--it's interesting, one other element, in addition to the global situation that is not on that list, is the transatlantic one. Is there a transatlantic dimension to these challenges? So I know it's always unfair for the panel to be able to sort of chip at the list they put on, but I would suggest we think about those, too.

I'll comment on the economic one, but, obviously, Ukraine is on everybody's mind so let me just make a brief thought on that. Watching this closely, I think--and I even listened to the foreign minister's comments very closely about partnership with Russia. What happens in events in international affairs or business for others is there is often critical moments where the incrementalism that guides our daily life switches to bigger shifts. And I think, my own view is, this is one of those moments because I think Russia has fundamentally changed the post-Cold War set of norms and expectations about international behavior and I think this is going to have ramifications--certainly if you're in the Baltics. If you're in--as President Putin not only described what he did, but made a reference to Russian populations, if you're in central Asia and others, this is going to have a lot of ramifications for a long time to come.

And I think, as often happens with seismic events, it's going to take a while for people to figure this

out. I am struck, however, that though much of the focus in, at least the U.S. and some of the European presses on Russia, understandably, but if we're serious about this, the press--the focus is going to have to be on Ukraine. I worked a lot with Ukraine. I visited there a number of times. I tried to get Chancellor Merkel to play a greater role with Tymoshenko on the reform process. And the starting point is a political one, that the people of Ukraine basically have lost trust in their political class.

So the starting point is going to be how you create political cohesion in Ukraine. For economics, the technical term is "it's a mess." It's going to require a huge commitment. So for people who want, and I personally share this view, to say we have to support Ukraine sovereignty and independence, they have to understand the economic commitment is not going to be minor and ultimately it has to be based on decisions of Ukrainians.

And there's one other one that I've waited--I've been asked by press all week to comment--I waited for this forum to comment on and that is--and it's something that I haven't heard. And that is I don't believe that either the U.S. or Europe is going to be responsible for the physical security of Ukraine. But what if the Ukrainians decide to stand up for themselves and what if the Ukrainians decide to fight

and what if the Ukrainians say that it would want weapons to support them? The first reaction, I imagine, among most European powers would be “Oh, no, this fuels conflict.” But does it fuel conflict?

We saw this in the Balkans. If one side has arms and the other is less prepared to fight--and I wrap this back up. I think the key point for President Putin’s view of the world is he’s not going to be seriously affected by slaps on the wrists of visas or this sanction or that sanction, although, seriously, the bank sanctions could be significant if somebody really went that direction. But what he could be affected by is if he gets himself into a military mess and that, ultimately, depends on the Ukrainians. But that’s going to be an issue that the transatlantic community is going to face.

On your last economic point, I would just say that my expectation is the eurozone will muddle through. I think that the ECB has created a floor, it’s prevented the tail risks. But as I look at the outlook of demand, I suspect that it’s going to move in a rather narrow channel. And this makes my point about the nature of the German economy in Europe. This has been a German economic recovery with the strengths and weaknesses of that and I think what we’re now going to see is the politics of economic reform. There's some bright signs in Spain, in Portugal, but there's a long way to go.

And the challenge, as you referenced the--or others referenced the populism of the parliamentary elections, will the politics of Europe be able to sustain it.

My own best guess is it will. But the reason why this is important is the fundamental attribute that Europe has to bring to the table, whether it's Ukraine or whether it's dealing with East Asia or whether it's dealing with the Mid-East, is a successful economy.

Peter Spiegel: That's a great transition 'cause I would like Federica, if you could, address issue number two, because obviously for those of you who don't know Federica before, she took the finance--the foreign ministry, was an MP in Italy as an active member of the Democratic Party and Center-Left Party in Italy.

But obviously a huge challenge to the mainstream parties in Italy, but also throughout. And not just southern Europe, we've seen it in the Netherlands. We've seen it in France, where polls now, for the European elections, have Front National in first place. In Britain, obviously, with UKIP. What is your view on the issue of number two and whether political populism is a threat and what can mainstream parties do to deal with that?

Federica Mogherini: First of all, let me say that I'm quite excited to be here because it's my first time at the Brussels Forum, but I was actually a German

Marshall Fund fellow not so long ago, six, seven years, so I can say it works probably and quite fast.

I was surprised by--can I see the results of the--

Peter Spiegel: Can we go back to the previous slide? Is that possible?

Federica Mogherini: Yeah, I was surprised by the results that--

Peter Spiegel: I think it was 25--27.4 percent.

Federica Mogherini: Which is the second.

Peter Spiegel: So it's number two.

Federica Mogherini: Which is surprising to me in a time when we are--well, if you show that together with the European parliament picture, it's already a statement. No, we don't talk to ourselves.

Peter Spiegel: We don't have it. Sorry about that.

Federica Mogherini: Anyway, it's surprising to me that it's a second result if I'm--

Peter Spiegel: Yeah, it's number two.

Federica Mogherini: Yeah. In the times when we are only discussing about Ukraine, which says that, at least here in this room, we are aware of the fact that we have challenges in these times of transition, which is long--100 years, 200 years, 1,000 years, 7 years, depending on how long period you take that the focus changes.

Still we are aware, at least in this room, that we have challenges that go beyond our Eastern Partnership

and our way to respond to a breach of the legal--of the legal framework of the international relations.

I share very much, and with this, I open and close the bracket on Ukraine, and maybe we go back to that later, with what my Belgian colleague was saying before. We have, at the same time, to have a very strong reaction and to our opinion, the strongest reaction is a united reaction from the international community on what is happening already today, the signature of the annexation of Crimea from Russia.

But at the same time, we have to ask ourselves what is the ending point of the process that we are in. What is the exit strategy, not just for Russia, but for us, as we share a certain number of (inaudible) economically, geostrategically around the Mediterranean? That, at a certain point, we have to realize how will we deal with that together because I think that one of the results of the transition of the 100 years is that we move to a worse scenario inside Europe to the awareness of the fact that we have to deal with crisis around the world in a partnership dimension. Not only with Russian, but also with the Far East and with the Mediterranean and Africa and Latin America so on. So I think we have to keep open the way we are going through in long-term.

On populism, I don’t like the term itself. I think we are suffering sort of disillusion from the European

dream that we had, let's say, 25, 30 years ago, maybe even 10 before the crisis. I would say before the crisis. My generation is the so-called Erasmus generation, probably. I did it myself. I enjoyed it very much. But we've grown up with the dream of being just Europeans and not so much Italians or Germans or whatever.

And now we're facing a time when the European elections are probably telling us that we--Italians are coming to Brussels and saying that we are fighting the German proposals. Just an example, by chance.

Peter Spiegel: That never happens.

Federica Mogherini: And while I still feel that in my generation and probably also in the generation of the founding fathers, there is the awareness of the fact that before being Italian, I'm European. I was criticized at home because I said a sentence that Italy has two capital cities, Rome and Brussels. And that is not because things are decided elsewhere. It is because we Italians also decide things in Brussels and it's always us.

And I think we are lacking this simple evidence of the fact that we should have some coherence between the things that we do in Rome or in Paris or in Berlin or in Dublin and the things that we do and say in Brussels, and the way back. This playing game that we have played--we politicians, we governments, we

parliamentarians, also a little, we journalists. I'm not a journalist, but some of you here are--of saying that there's a gap, there's a difference, there's two different places where the people are the same. The people are the same. I think it's not--it's not giving our European citizens the appropriate image of what is being done in Brussels.

And then, there has been a vicious circle with the crisis, I think. Maybe being from the south, I seen it from the south of Europe, I've seen it a little bit more. But it's like--I don't know if the English term is appropriate--a self-revealing prophecy. EU doesn't work so we do not invest in the EU So the EU doesn't have the tools to face the problems so the EU doesn't work.

And this has been the game in the last six, seven, eight years. And crossing this with the economic crisis has made Europe not delivering to its citizens. And this is at the basis of populism, what we call populism, which is just the feeling that decisions are not appropriate to face the level at which they would be needed because there's no decision that we can take at the national level anymore that can face the crisis that we are facing today.

The problem is that we didn't build the tools allowing us to give the appropriate response. And now the European citizens are just telling us, look, you're

telling me that you do not have the tools at a national level. At the same time, you have been telling me, in the last years, that Europe was bad. So which is the way out?

So I think that now we are at a crossroads. Either we say, and it's not my proposal, we go back--we try to go back to a national level. We refuse the global dimension. We refuse that we are interconnected. We refuse that we have to sow things together and we try a different way. We close ourselves into our small or big countries. I don't see it even realistic and physical in any way, but it is a temptation somewhere.

In Italy, there are some parties that are arguing that. Or we do what we haven't done in the last 10 years, we build efficient and real European instruments, tools to take decisions together at the right level, which is the European level at the minimum, I think, to face all of it; the economic situation, even the foreign affairs problems we have, because Lisbon Treaty is giving us tools on foreign affairs policy that we are not using, not all of them, on the defense.

We have instruments that we could put in place if we wanted to. The point is, do we want to get to this frustration from a European Union that is somehow playing the blame game to a European Union that takes

responsibilities and try to do what it's supposed to do, deliver answers to our citizens.

And this is going to be both on the economic side and also on the international side. If you look east to Ukraine, not only to Ukraine, if you south, Libya, Egypt, Middle East, Lebanon, Syria, Turkey, Iran, I can go on, we have a role to play. We live in the center of the most problematic, challenging, exciting part of the world full of opportunities, full of risks. We have plenty of work to do if we just put the political wheel and energy to do that.

Peter Spiegel: That's a very optimistic outlook. You're an honorary American now so it's funny. I think all those things you touched on, on political leadership, which is a topic I'd like to explore also. But let me first turn to you, President Ilves, and number three on the list, with 15 percent, was the issue of Ukraine and Russian assertiveness in the east.

Obviously, it's something that is very near and dear to your heart as a former Soviet republic. Let me ask you, if you could address number three--

Toomas Ilves: We're not a former Soviet--we're not a former Soviet.

Peter Spiegel: --and anything you'd like to touch on.

Toomas Ilves: Well, I would now provide the dystopian alternative what the minister provided. I

would say what the best--or the response of Europe to the crisis in Ukraine shows that Robert Kagan was completely off when he said that Americans are from Mars and Europeans from Venus. I would say Americans are from Mars and Europeans from Pluto. And I mean that in the sense of plutocracy.

If we look at the response of Europe to what is a, I mean, clearly to everyone, a complete and utter collapse of the fundamental assumptions of security in the post-World War II order, unviability of borders, I mean interference, aggression, all of those things have just disappeared. And we are doing nothing about it in Europe because let's face it, what they agreed upon is really kind of piddly because everyone says, oh, we have banks there. Oh, if we have that, we're not going--this is not going to be a financial center anymore. Oh, we have too many contracts.

So what ends up happening to be agreed upon is you figure--you pull out a couple of people, say that they're bad and that's all we're going to do and it's a slap on the wrist. Well, without really understanding that what has happened, and I think that Bob Zoellick already pointed this out, this is a fundamental reordering of how life is going to be in Europe. You know, the 75--1975 Helsinki final conclusions stopped having any meeting after Georgia was attacked in 2008.

But what did Europe do then? For a month, we had kind of sanctions. We had a set of principles that had to be met that were set by the president of France, and then a month later, when those principles were not met, the president of France said, thank god, good sense prevailed and we did away with the principles that I had presented before.

Now, I mean, I would say that Georgia was the wakeup call and we've been hitting the snooze button ever since then. And now, having arrived six years later to the Ukraine, we are faced with what is an inevitable progression from aggression against Ukraine to aggression and border change in--legalized border change that was just signed a few hours ago by the president of Russia in Europe.

And what does that mean for Europe? I would say a major loss of trust in Europe as a player in common foreign security policy because it, you know, okay. We can do the little stuff, but we won't do the big stuff. And the other thing concomitant to that, I think, is the end of the Lugar idea for NATO of out of area or out of business. The--today, it's back in area and back in business.

We are dealing with Article 5. We are dealing with the defense of the alliance. We are not looking for any more monsters abroad to slay. We are in Europe making sure no monsters come to Europe.

So these are big changes and I think we are working them out and I think the change in the world today requires its Mr. X, its George Cannon to write the article, because this--the old rules or the rules of the post-Cold War period that started in '89 fundamentally ended in 2014. And that's a quarter century. That's a pretty long-lasting era. But we have to think of things differently because when we say the fundamental assumptions have changed, that means that we cannot--we can no longer think that there is--there are unthinkables of a certain type.

Countries do get invaded. Countries do get occupied. Fake referenda are held. We've seen it before. We thought that the era of the Sudetenland argument was gone forever. It's not. It's back. We thought the idea, especially wonderful in Estonia, Latvia, Lithuania, of having a foreign military occupation then holding elections with 99.7 percent. We outdid Estonia in 1940, the Crimeans, because we got 4 percent more, 99.7 voting to shoot ourselves.

We see that sort of the things we hated most about the 20th century, that Europe was designed to say never again, Europe is sitting here and watching it happen and saying, there are 21 persons who can't come visit us anymore. I don't think that's really an appropriate response.

And I see that NATO is being revitalized, and I think this will revitalize the transatlantic relationship. But it's not just the evils of the 20th century. I think we have to come to terms with the fact that we have been living already, since even before the collapse of the wall, in a post-modernist era. And we love our Derrida(ph). But we are looking at a country with nuclear weapons that has gone back to its 19th century fundamentals of Czar Nicholas I, where the pillars of a country are orthodoxy, autocracy and nationality. That was what, in the first half of the 19th century, the Russian czar saw as the pillar of Russia. And I mean, I don't dispute that, but I think we have to recognize that this is what we're dealing with, and any speech you look at, especially the speech made the other day by the president of the Russian Federation, it consists almost primarily of those ideas, including all the things related to use of nationality to justify aggression and so forth through autocratic means and having your troops blessed by Orthodox priests when they are surrounding on foreign territory the army of that foreign country, as we saw with the Orthodox priests blessing the soldiers without insignia who were besieging the Ukrainian bases on Ukrainian soil.

So I hope we get a Mr. X writing soon on what the new world order looks like. I mean, I haven't touched

upon China and I haven't talked about the rise of Asia economically and so forth, but I think that in Europe today, we are faced with such a new and radically different security situation that the position of sanctioning someone is not really enough.

I mean, I think, I get the feeling at least, that, okay, we sanction them, and then the next meeting, we'll see if we sanction some more, and if we don't have to sanction some more, then in four weeks, we can say, thank God, common sense prevailed, and we will let--and we will then concede the status quo to where it is, just as we conceded the status quo to the occupation of Abkhazia and South Ossetia. And no one really makes a big deal out of it today, even though it was part of the four-point plan of President Sarkozy. That issue had been resolved already in 2008.

So I'm actually fairly depressed. I am, on the other hand, haven't been this optimistic about transatlantic relations in years. And so with that, I mean, I focused really on only one issue, but I think that's the way it's going, at least viewed from Tallinn.

Peter Spiegel: Thank you very much, Mr. President. I am going to abuse the chairman's prerogative because when I came out here today, I happened to see Ambassador Chizhov seated across from me. For those of you who don't know, Ambassador Chizhov is the Russian

ambassador to the European Union. And I passed him a note to ask if it was okay to call on him for the first question. And so can I get the microphone for Ambassador Chizhov for a question? Thank you.

Ambassador Vladimir Chizhov: Well, thank you very much for the attention to my humble person. Listening to the debate here, I couldn't escape the feeling that the topic, the substance, is somewhat misplaced. What I think should be of concern to us all here, both Europeans and Americans, is not what you refer to as Russian assertiveness, but what we may be facing in the nearest future in the middle of Europe.

Please, my Ukrainian friends, forgive me, but we see a clear danger of a failed state. The problem is not between Russia and Ukraine. The problem is the deep internal political and, of course, economic crisis within Ukraine. So what--and you know, the overall discussions have shifted in recent days to what was happening in Crimea and I think it was basically systemically wrong because the events in Crimea were a spinoff of the crisis in Ukraine and what Russia did in Crimea was in response to that spinoff of the Ukrainian crisis.

So my question would be, to all panelists, how they view the immediate perspective and the longer-term perspective. What could we jointly do to escape this type of development regarding Ukraine? Thank you.

Peter Spiegel: But before I get to that, let me just actually try to get that back to the panel and Mr. Zoellick, you said you wanted...

Robert Zoellick: Well, ambassador, I really appreciate the way you framed this because I think that's a very honest framing of the issue from the Russian perspective. And just to connect this with recent events, there's a lot of speculation about what President Putin had planned. My own assumption is there was a strategic context here where he wanted to sort of re-create a Eurasian Union and there were various policies that I wasn't comfortable with, with some of the economic issues, with Azerbaijan and Kazakhstan and Ukraine.

But I personally think what happened was when Yanukovych, who I don't think President Putin had great regard for one way or the other, basically lost control of the situation and was trying to bargain between the European Union, who, frankly, was acting as if this was just another association agreement and missing the strategic context and bargaining with Russia, that Yanukovych cut the easy deal, what he thought, and the public reacted against it.

And frankly, I think what probably set President Putin off is that after the EU foreign ministers came in and worked out the deal and the square rejected it, that, from President Putin's perspective, this looked

like chaos. It looked like the West wouldn't stick with the deal. It looked like people were under-recognizing Russia's interests and so, damn it, he was going to make sure that people recognized Russia wasn't just going to roll over. Okay?

So and I think that's reflected in your comment about how Ukraine drives this. And my comment about, from the West, if we disagree with this approach, how we better be serious about helping them politically, economically and, I would add, in security terms, which you probably wouldn't agree with. Not that we're going to defend them, but that if they decide to defend themselves as a neutral state, one should do that.

I think, however, where the problem has expanded is that I think the West would have been quite willing to try to work with Ukrainian polity, recognizing this is a fluid thing, and sort of make sure that there was autonomy for Russian speakers without having an invasion that then led to a false independence movement and then an annexation.

And I think the problem now is that the way that President Putin has talked about this, with the protection of Russians outside, if you're in the Baltic states, you know, remember Kaliningrad right outside Poland, okay, so if you're the west part of Poland. If you're in Moldova, and you've got Transnistria, where the 14th Army always kept 1,500 troops, and they've just

petitioned to become part of Russia and the threat that that would pose for Ukraine on the west, this looks a lot more dangerous now.

And so, but I think that you've done a good service here in explaining part of the Russian sort of connection with the uncertainty of Ukraine. I think, you know, many of us would feel that the annexation of Crimea will further destabilize Ukraine and there's a deep worry about what's happening with various operations in the eastern part of Ukraine sort of going forward. But the full answer to your question would be I think it's incumbent on people who want Ukraine to be sovereign and independent to try to help them get their political act together and get their economic act together and, at least my view, has always been the idea that Ukraine can be detached from Russia ignores history and geography.

There always had to be a place for Ukraine, in my view, with Europe, but also with Russia going forward. What I, frankly, am very worried about is, however it happened, as I said, I think President Putin has change the norms of behavior. And that's going to have shockwaves, but a lot depends on other actions going forward.

And we heard a little bit here from the minister is that, you know, you talk about the Erasmus generation. You know, in some ways, the Erasmus generation has been

very damn lucky. You know, you grew up in an environment where you didn't have to worry about security threats, and now you will, and you're going to have to think about that in a more serious way because, you know, the answer that we all have to come together in a community, to me, sounds like least common denominator policymaking and I've never seen that work too well.

Peter Spiegel: Ms. Federica, can I ask you to respond to that? Because you were obviously in the room on Monday when all the foreign ministers actually discussed this very topic.

Federica Mogherini: First of all, let me react on that because my generation had to face 9/11 and that was a security threat and it's strange that I have to remember...

Robert Zoellick: I remember it, I think 9/11 was an attack on the United States.

Federica Mogherini: It's a different--yeah, but we had some in Europe, as well, not that big, but some challenges. It's just that the security challenges have changed over the decades. For good, for bad, difficult to say, they're just different. And that is why, as far as I understand, in the last decades, we have developed an idea of transatlantic relation based on building together partnership with other countries, with other

partners in different parts of the world to prevent threats that are not geographically identified, but...

Robert Zoellick: And do you think you can have a partnership with a country who have invaded another one and annexed it?

Federica Mogherini: Not at all, not at all. In fact, on Monday, in the room of the consulate, well, Cathy [Ashton] was there as well, for sure, we decided all together, all together, unanimity, of the reaction to have. And I have to say that I said before that we are not using all the instruments we have for having a European policy in many sectors. I think that on the crisis on Ukraine, the European Union reaction was good, not in itself alone, but because we had been networking with different levels, European Union, NATO, G8, as long as the 8 was there, and then G7, OSCE, Council of Europe, all different kinds of forum to try and have a common approach. And it worked so far because the sanctions we decided on Monday were very much in line with the sanctions decided in Washington, were very much in line with the fact that we decided to convene a G7 on The Hague on Monday.

We are coordinating our reaction. And I think that is part of a success story in terms of foreign policy reaction from the West. We are going to have a NATO ministerial in 10 days and we are sharing the same approach in different forums with different

instruments. Is it going to be enough? I don't know. I think we have to ask the Russian ambassador. But let me say a couple of other things, one more thing.

U.S. is Mars. EU is from Pluto. I would surprise you. Italy is one of the countries that are more relying on Russian energy. Italy can do without. Italy can do without. Can Ukraine do without? That is the question. What is the best for Ukraine? Don't we have also the responsibility, not only to support Ukraine in terms of economic situation because we know it's quite critical, not only in terms of political developments because the European Union, before I became minister one month and a half ago, signed, through the three ministers that were in Kiev in the middle of the crisis, an agreement that was foreseeing a series of steps, including elections, including a series of measures that can help Ukraine to deal with the internal very complex situation of the country in an appropriate way.

We have to support that process and we have to support Ukraine in building a sustainable neighboring policy. Ukraine is in the middle of the region. It has to deal with that and we have to work for helping Ukraine to deal with the neighbors it has.

Peter Spiegel: The minister asks can Ukraine deal with it? And we also have the great good fortune here

at the--oh, would you like to respond as well? Yes, please go ahead. Yes, absolutely.

Toomas Ilves: And I like the argumentation.

Peter Spiegel: You started it, though.

Toomas Ilves: First, we destabilize a country and then express concern that it's a failed state, right? I mean, why--I mean, if it becomes a failed state, why has it become a failed state? So I think that it's a little--it's a bit disingenuous. I would say that in fact--but to respond here, I would say that we can say all we want, and we do all the time, that, you know, the European Union is doing a great job. But, in fact, people vote with their feet or they vote with their--I would say a lot of countries right now have decided that we really better focus on NATO because the EU is not going to take serious decisions on this issue, and I would dispute that.

I don't think the decisions that were made really went very far. I think they were sort of a minimum, but in terms of--I mean. if you look at the Russian response, they simply laughed at it. They laughed at what the EU did. And we also, I mean, I also know what went on.

Federica Mogherini: So let’s bump Russia. What is the solution then? Sorry to interrupt. Sorry.

Toomas Ilves: Well, I would certainly say, I mean, we’re basically giving a minor slap on the wrist and

saying everything is wonderful, as soon as we forget this little event of an annexation. I don't see that we can continue the way we are--we have worked up hither to now. You know, the whole standard lines. Let's keep all the doors open. Let's go back to business as usual. There is no business as usual after a country has--part of a country has been annexed by another country. It is a new ballgame.

Federica Mogherini: There is no business as usual, but there is Obama saying we have to find a solution that is not a military solution and that is reasonable for Europe. And for Estonia, first of all.

Toomas Ilves: Well, I'm not saying we need to go invade anyone. All I'm saying is that we better start defending ourselves because once you start going in this direction, I mean, what possible intellectual reasonably could say this won't continue?

Robert Zoellick: Minister, let me ask you a question on this. And I think everybody in this room would probably agree that neither the United States nor Europe are actually going to use physical force to defend Ukraine. But let's say the Ukrainians are successful in putting together some political cohesion. And let's say the Ukrainian army says, we're going to stand up to invaders, and let's say the Ukrainian army says, however, we're going to need arms and supplies. Would you, as Italian foreign ministers, support that?

Peter Spiegel: Welcome to the job. She’s been in the job for a month.

Robert Zoellick: Sorry, I put you in an unfair position, you have to admit.

Federica Mogherini: I would--no.

Robert Zoellick: But I think these are the sort of--the reason I’m raising...

Federica Mogherini: No, no, it’s not a difficult position. Before coming here, I was in the NATO headquarters talking to Rasmussen about this and we're having a ministerial in one week. And I think that we are all working--the countries that--as Italy, are members of the European Union, NATO, G8, we’re all working to try not to get there. We’re not--we’re trying to avoid that. And I think the U.S. is doing exactly the same.

Robert Zoellick: Well, I’m not commenting on the genius of U.S. policy, but I would...

Federica Mogherini: Neither I am.

Robert Zoellick: I would just suggest that these--and I’m not actually--I’m not trying to be critical. I’m saying if you believe that this is one of these big shifts, this type of uncomfortable question is very likely to be the types of question that you may have to face, depending on what Ukrainians do. Okay. And my only other observation, you know, and this reflects just a different slightly experience, you can talk

about processes and meetings and so on and so forth, but the end of the day, it will depend on what are the actions that come from those. So Philip started out with some wonderful quotes and here's a quote for you. Edison said, "Vision without execution is hallucination." So we have a lot of European visions, but I think this is one of those moments, and I'm saying this in all seriousness--I mean, I don't think these are easy questions. I think they will depend on what happens in Ukraine, what happens in Russia. Clearly, there's going to be a pressure to think about how one defends NATO partners like the Balts and I don't think...

Toomas Ilves: Well, we're members.

Robert Zoellick: And I don't think--I know, but sending F16s may not be enough in an environment where people will move very quickly into a country. You may have to have a different view of that. So I'm saying, I just--based on experience, what I'm--people understandably work within certain frameworks. I think the framework has changed. And so the questions you ask, and how you think about them, need to be different. Just my cents.

Peter Spiegel: Let me try to--I don't want to spend all our time Ukraine, but I--we have--the great thing about the Brussels Forum is we have other voices that are quite relevant to this. And I've just been

introduced to Vasyl Filipchuk, who is the Political Director of the Ministry of Foreign Affairs for the Ukraine. So, can you please, address us?

Vasyl Filipchuk: Thank you. I used to be political director. Now I work for International Policy Studies in Kiev. I had to leave the government one year ago. And I was privileged to work, as Ambassador Chizhov, a long time in Brussels and I sincerely respect you as outstanding personality and amazing speaker and very skillful diplomat.

But ambassador, dear, you are lying. You are calling white as black and black as white. It's you. It's your country. Not you personally, but your country, because pressing Ukraine to fail, just remember what was one year ago. It was not perfect country, but it was economically stable. There was no single element of what you call a failing state.

But you, your country, started to make trade war, blocking our exports, saying if you sign a sanction agreement, innocent agreement, you would make full legislation of our trade. It was your president who was declaring that we are not independent people, but we are the same people as Russians. It was your advisor of president, Mr. Glazyev, who was coming to yell at our conference saying it's ours. It's all what we build. It's your president who was forcing Yanukovych to refuse signature of sanction agreement and buying him

as a call on market giving more money, if you don't sign agreement, I will pay you more.

It's your president and your prime minister, when people obviously disagreed with issues of Yanukovych and went to the streets, it's your country which was encouraging Yanukovych to use force against protestors. And it's your country, which has used transition, which obviously took place after Yanukovych was thrown away, to attack Ukraine. We never would expect that such kind of a closed nation as you just make military aggression, horrible military aggression, against Ukraine.

If you compare what is now in Crimea, it's exactly what was in Ukraine two months ago, when people were killed, kidnapped. It's your style, it's your policy what we should do against Ukraine. And I think we have just clearly to recognize that there's three simple points why it all happened.

First, because Ukraine is weak and Russia thinks they can just destroy us because Russia thinks Europe and the West are afraid and they can just ignore you. And Russia is too strong to reach, too powerful and they can enjoy impunity. And if you want to settle this conflict, we have first to help Ukraine to become a really strong state.

We have to find a way how West, U.S., NATO, EU, find adequate response to Russian aggressiveness and

finally to let them feel it will not be impugned. It must be something of higher level than this helpless and hopeless sanctions we showed up till today. They have zero, zero, zero influence in Russia. It must be something like--they violated global order. They have no right any more to be an U.N. Security Council permanent seat. Let's make U.N. General Assembly and declare that Russia has no right anymore to be at U.N. Council seat. They have no right to be in Council of Europe. Their membership must be suspended.

There are plenty of other things which we must do to stop this aggression. If we don't do it today, tomorrow they will attack Odessa, Donetsk, and they will enjoy their impunity.

Peter Spiegel: One more...

Vasyl Filipchuk: Sorry, ambassador. I still respect you.

Peter Spiegel: If I could, one more voice I'd like to pull out from the audience. Again, it's all across the way. President Saakashvili, President Ilves mentioned the 2008 Georgia war. I think you are familiar with that. I wonder if you could give us your view of--do you recognize the state of affairs that Mr. Ilves talked about?

Mikheil Saakashvili: Well, we--thank you. First of all, with all due respect to previous Ukrainian speaker, I have no respect for Ambassador Chizhov. He

reminds me of character from Dr. Strangelove, all those of you who remember that old movie about Cold War. And the reality is that back in 2008, we had exactly similar situation. We had unidentified troops that were clearly identifiable. (Inaudible) is here. He remembers that. That's Russian Special Forces sitting on the hill at (inaudible) shelling the peacekeepers, shelling peaceful population, killing Georgian officers. Several of them were killed. Killing lots of peaceful civilians, blowing up religious. And after weeks and weeks of this campaign, Georgia reacted and then many of the people said, well, Georgia attacked and Russia responded.

And this narrative was itself shameful. I tried to alert the whole Western community. There were people who got it right. I remember Carl Bildt was there and members were--I mean, he was the one of the many people or Mike Turner who understood what happened or Dick Holbrook who came and was sitting all the way on the roof of the main hotel there and talking to any television in the world to explain the truth because we predicted it. And our president was coming and standing with us at the moment when Putin basically managed to bomb the rally.

But then the European Union brought together a commission, (inaudible) Commission, and they had German experts, legal experts from the commission, that said,

yes, this is true that Russian troops invaded Georgia prior to Georgia's response, but technically, it wasn't an aggression.

And so the whole thing was triggered by large-scale--by the Georgian action. And that's exactly the moment when you said, let's go to business back as usual. Now the problem is that the same legal German expert came second day, said, by the way, we should do recognize European Union independence of (inaudible) opposition. Brilliant expert.

This is the kind of people that were making EU policy, or absence--or covering up for absence of EU policy. But the problem with this, what happened there, is when you talk about Ukraine, you talk about energy. Know that--by the way, I don't know, minister, whether you know, but Russia has just taken away the last Ukrainian hope for energy independence, shale gas.

Eighty percent of shale gas is in Crimea. We're talking about 50 to 60 billion. Russians know what they were grabbing. Russians knew exactly. It's like--energy-wise for our region, it's like you're out grabbing Kuwait. It's hugely and energetically reach Crimea. And shale gas was--with shale gas, Russia was losing the main importer of Russian gas in Europe and Europe has just lost, congratulations, one of the main potential suppliers of gas to Europe.

It’s not about Ukraine having independence. It’s about what you lost. So what we are talking about here is that when we talking about inter-dependence--interdependence only works one way here because when you have--we didn’t have elected government on the one side that has to take care of corporations, that has to fight for every percent, and on the other side of the world, and on the other side, you have authorized--autocratic centralized government, they don’t care about independence. They use independence as a weapon. Interdependence is a weapon.

And so, the last thing I want to say, what can be done? Lots of things can be done, besides, of course, helping Ukrainian army. I think there--first of all, banking, and I agree with President Zoellick, and that’s my question is what he thinks about that, about further sanctions. And I mean, Putin’s circle is very vulnerable because he wants to attack like Stalin, but live like Trump, Rockefeller, whoever, I mean, Hitler, Buffett. Hitler or (inaudible) his circle is very vulnerable. But for that, you need to do the real stuff, to go, first of all, after his personal money, which everybody knows where it is.

Second, Russian currency reserves. If--and I don’t know whether it’s possible, but Americans have done it after hostage crises in Iran. If Russian currency reserves that are in euros and dollars, which is to say

Federal Reserve and the European Central Bank have access to them and can lock them, are frozen, not taken away, frozen for the moment, until like Vladimir Putin is still around or still keeps his policy. For me, it's the same. Until this guy's around, he will keep his policy.

Then, if it's doable, otherwise, it's--it took six years before--less than six years before Georgia and Crimea. I predicted, and many of you here (inaudible) that Crimea would be next. Not to say that (inaudible) would be the best or next because there's a problem now in (inaudible) but some others. But these periods when he strikes again will get shorter and shorter. Appeasement, that's the problem with appeasement. You can talk as much as you want, but you know, this means it's recorded and you'll see in one or two years, even if this doesn't continue now, which might also happen, he strikes again. We might be just little bit uncomfortable, but we're saying no, you know, Russia has power, we should respect it. The problems just go on, on, over and over and over again. And by the way, both countries, Narva--What if there is like presence of Russian population of Narva? And then people say here, oh, is it Article 5 or not? Or is it really--did Estonia provoke it or not? Well, but, these are peaceful populations. They want--maybe they want to be

with Russian. What about (inaudible) Russian city? What about many other places? By the way, what...

Toomas Ilves: (Inaudible) red herring.

Mikheil Saakashvili: I don't want to scare you. I know, you're scared enough, President.

Toomas Ilves: No, President, I would just say, let's not get to that red herring. I really don't see Russians in Estonia going for free movement of labor to Siberia. I don't see them picking the ruble over the euro. You know, I don't see wanting to apply for visas that they won't get in the future to Russia--I mean, from Russia to Europe. I'm not worried. And let's not raise this red herring, please.

Mikheil Saakashvili: Okay, I--but excuse me. I know many Crimeans personally. These people either didn't want to be in gulag. They live in a very sunshine place in Ukraine. The problem there is that there are lots of Russian speakers in the Ukraine that want to be in Ukraine. Did anybody ask them, do you think that (inaudible) was about asking them? Nobody asked them. There was a poll conducted prior to every event and my good friend knows it, where majority of Crimeans said they wanted to stay in Ukraine. Or the biggest number.

So it's not that they were asked. Russia's never really asked. They ask the way how they used to ask Estonian's before. So anyway, so that's--my question is about currency reserves. What can be done about that?

Peter Spiegel: Let me, before I go back to the panel, because I'm very happy to spend the rest of the panel on Crimea. But let ask the organizers to put up my last poll question because it might give us a chance to talk about something else, but I'm certainly not obligated to do it.

This is, again, trying to play on my first question, which is, what does Europe need to do in the near term to deal with its challenges? You know, number one is, well, you hear a lot of--you hear a lot of here in Brussels, which is further political (inaudible) on a European level here in Brussels. Two, and I think the Foreign Minister touched on this issue, we just need stronger political leadership. Is the issue one of leadership rather than of policies? Number three is more an economic issue. This is the argument during the Eurozone Crisis that in order for Europe to function better, we need some sort of mutualization of debt and fiscal transfers within the Eurozone. Or four, is it much more a German policy, which is more fiscal discipline, structural reforms that produce economic growth.

Number five, is it improved collective security? Is it through NATO or through the EU where there is more collective security to deal with these huge strategic threats? Or, and number six is what some of the

populist parties have argued, which is more devolution of powers away from Brussels to the member states.

I ask to pick your panels again, and we'll do another 15 second starting now.

Stronger political leadership. That's just what I wanted. Okay. Let me turn it back to the panel and ask you again if you could--I would encourage you to address this issue of political leadership. Don't feel obligated. If you want to deal with issues that we've been talking about on Crimea, obviously you can as well. But President Ilves, let me start with you as the only head of state on our panel.

What I hear frequently when I talk to voters as a reporter is this issue: Where are our leaders in Europe at a time of crisis, which was mostly during the Euro Zone crisis, but obviously we're in a time of geopolitical crisis now. Do you agree with this? Do you think we're lacking in strong political leadership at a time of crisis?

Toomas Ilves: Well, actually, I think it's getting better. I think that the Bundeskanzlerin has actually done a superb job, and though maybe some countries that weren't really following the rules are a little annoyed, we're not. You know, if you actually follow the rules you've agreed to, then I'm actually glad that Angela Merkel has stood up for following the rules to which we have all signed on so that she, I think, has

exhibited very good leadership there, and I think that on this issue right now, we see I think Germany actually moving quite a bit away from simply being a moneymaking machine.

I think that the speech of the president in Munich last month was a watershed, and I hope that--I'm hoping that the Germans follow the speech and do take a more responsible role. So I don't think that's a problem.

I also think that in fact there is quite a bit of decent leadership, which hasn't been recognized enough, by countries such as Poland. I mean, we're still referring to Poland as a new member 10 years after the accession of Poland to the EU. No one called the neutral accession 10 after anyone a new member. There's no new Finland, you know. But I think that Poland has actually exhibited quite a bit of responsibility. So I think that this idea that there's no leadership is kind of--it's more of a concern that not one of our guys isn't the leader.

Peter Spiegel: Madam Minister, can I ask you to address the same question and also this interesting argument, which has come up in the last six months or so, at least since the new German government has come into play, of whether there should be a new German assertiveness in foreign policy? Is that something you think that Italy would be comfortable with? And do you

think political leadership is something that we are lacking in a time of transition?

Federica Mogherini: I think yes, and I think we are lacking mainly a European political leadership. We might have good leadership at home. We can discuss about Italy for a long time I think. But I don't--I guess it's not that interesting today. We are lacking a common European leadership. We are lacking a political leadership that has a European vision, that takes the European responsibility all together, that doesn't play this blame game that I was mentioning before.

And that is I think what has been lacking so far, and hopefully it's going to come if we are actually in a transition that leads us somewhere. My answers would have been, but we don't have the chance of contributing to that, that what we are needing most is political integration because I think that we have done many steps on many issues, leaving ourselves the freedom of not taking the responsibilities of what we do in Brussels once we go back home.

And the other answer for me, the number two, and here I think I would surprise you being an Italian, is the fiscal discipline and structural reforms. It's exactly what we're trying to do now with our new government, but the previous one was trying to do the same in the few months it has worked, trying to keep to

the rules that we ourselves have decided. I share that very much. I agree with that very much.

It's not something that Brussels asked us. It's our decision to do that because we believed it was right to do that and because we believe it's useful for our own country to stick to the rules. We have a problem with that. We have to face it not for Europeans' sake, but for Italians' sake, for my children, I would say, if it's not too rhetorical.

But together with that, we have to do some structural reforms at least in some countries that allows us to make it sustainable in the medium and long term to have a little bit of economic growth and recovery. It's a difficult exercise for some of the European countries, but I think it's the only way we have in front of us to take the two things together, fiscal discipline and structural reforms that can lead us to put some money in investments that can make the machine move again and the internal market and the internal demand working more.

But first the political integration. If you don't have the political integration, even a strong political European leadership can't really do.

Peter Spiegel: And Mr. Zoellick, can I ask you to answer the same question because obviously having quite a bit of time in my own career in Washington, the question of European leadership goes even before Henry

Kissinger's famous question about who do you call when you call Europe. If you could address that, but also if you could remember President Saakashvili's question about whether foreign currency reserves and the Fed's and the ECB's power over them is a potential sanction open.

Robert Zoellick: I'll try to connect those two together, and your challenge as a moderator in some ways is a good example for the minister and the president about the nature of government policymaking and actually a comment on Europe in that events take control. And in this case you have dutifully tried to come across a broader set of topics, but events have taken control.

And the reason why that's actually relevant to your bigger topic is in European meetings, given processes and others, the immediate will drive out the anticipatory and the preparatory. So, you know, if I were going to give you a geopolitical view, I would at least put China and East Asia in there, and those will probably rarely be on a European discussion because they're being driven out by other topics.

On the President Saakashvili's question about the economics, on this one I'll maybe provide a service of just basically providing some facts. First off, Russia is still primarily an energy plate. If you look at Russia's GDP, about a third of the GDP is represented

by the energy sector or investment in the energy sector, and last year about a half of Russia's growth came from energy. And as the minister mentioned, this is a big question for Europe, you know, either for the immediate point or the future in terms of being able to be prepared to--whether that is a point of leverage. And Russia's energy sector needs more investment. They've been basically drawing out from the past, and that's a point of leverage on both sides.

The Russian import-export market I don't think is too significant. What I would expand your observation to is it's the banking system more generally, and in this, at least I didn't get to follow this too closely, but I saw in the papers today that the U.S. sanctions focused on one of the Russian banks. I think that was a signal because where the U.S. and Europe with the dollar and the clearing could really have an effect is on shutting down the major Russian banks' use of dollar clearing, basically the way one used the Iran set of financial sanctions.

And because of the nature of the major Russian banks being reliant on a lot of non-deposit financing and the fact that a lot of the Russian industrial enterprises are more leveraged than they are in the U.S. and Europe, this could be quite a squeeze. Now is it a squeeze enough for President Putin would probably

say look, we went through Stalingrad, I think we can live through this? A very serious question.

And what I bring to people's attention, because again, you know, these are I think the questions people are going to be facing, Juan Zarate, who was the member of the Treasury Department who actually put a lot of the Iran sanctions in place and is seen as pretty tough on this, he wrote a very interesting op-ed, and he said if you go this way with Russia, recognize it's not easily turned back, and it kind of cuts against the 25-year effort you've had to integrate Russia into the world economy, including for a post-Putin generation, you know, the consumer class that's developing.

So those aren't easy questions. To connect it to leadership, I started out by making the point that, you know, there were some false starts by Germany 100 years ago. Twenty-five years ago, it was my strategic view that Germany would be the coloration of Europe. I think that's come to be the case. As you properly said, this is not easy for the Germans because they're dominant, but they don't want to be dominating. And so this is where European structures work in.

What I was telling some members of the U.S. Congress when this was just sort of starting a week or two ago was Germany would be key because of Germany's weight and influence in the EU, because of its economic interest, so if it took, was willing to take some

stands against those economic interests that would be significant, because of the chancellor's standing and because frankly the chancellor's personal experience, including with Putin and the East, and she has a sense of what the KGB and the other life was about.

So I think again as a matter--if I were in U.S. foreign policy, a key piece in my part would be working with Germany on this. And we'll see, given the nature of the debate that the ministers talked about, I was like others struck by Chancellor Merkel's statements, but as we've discussed here, words and action are two different things, and that would also be a comment on U.S. policy.

Peter Spiegel: President Ilves, you wanted to add one last thing here?

Toomas Ilves: Two things. One is that actually the other thing I would suggest is using the extremely effective money laundering legislation that exists in the United States, which were legislation passed in response to al-Qaeda, but I know that banks had to really jump hoops to prove that they were clean.

And now if you look at all of the money, I mean, being launder that--I think money laundering in Europe has also had an effect at least in one or two countries in terms of the economic crises they've had there, looking at foreign deposits. I think if we apply that kind of money laundering legislation, you'd, A, find a

lot of interesting things. You'd also find out that certain governments were looking through their fingers, violating their own laws.

When it comes to leadership in the EU, I would frankly say especially after, I mean from 2/08 on, I think that I'm not really expecting much in the way of anyone taking leadership in foreign policy just because the interests are so divergent, and this, we proved it again.

On the other hand, there are issues where Europe, which have nothing to do with foreign policy, where an absence of leadership is leading Europe to really fall behind. I mean, one of my favorite areas, which I mean, the digit, and the single market does not allow anything when it comes to digital, anything digital, which means we have 28 separate markets. And there's been no movement towards bringing IT digital services into the single market, which sounds like a very specific thing, but this is huge.

I mean, I think the biggest growth in the United States is in the digital area. We cannot have that in Europe because there's no one in the commission, except for poor Neelie Kroes, who's been trying to push this but is overruled. I mean, until we have a vision that we want to live in the 21st century, I mean, that's doable with leadership. The single market was created through leadership, and I personally, or Estonia I

don't think will even support any presidential candidate that does not explicitly say they are going to work on bringing digital into the single market, which is--I mean areas like that require real leadership in the EU, and it's not a matter of liking or do you like Russia or not. I mean, that's ultimately irrelevant to what the EU is about.

Robert Zoellick: Peter, just I'm sorry, one more point I want to come back to on Ukraine, and that is when we're talking about leadership, all of what we've been talking about will ultimately depend on leadership in Ukraine, okay. I mean, all of us can say we want to do this, this economically, security terms, but frankly this is ultimately a question for Ukrainians. But it is an issue of how Europe and the United States might mediate, support, bring these groups together, and, you know, I just can't underscore enough that this is one heck of a challenge because the people in the streets kind of lost faith with people across the political spectrum, and you've now got people trying to piece this together, and ultimately that's going to determine how all this works.

Peter Spiegel: Let me wrap this up. I have one more rather lighthearted, I think they call it a tag cloud or a work cloud or something like that that we're going to close out on to try to bring some levity to a rather serious session here. Can I get that up there?

Who among Europe's current political classes is best suited to lead this transition? We're talking about leadership. It doesn't have to be anyone in this room. We've got about 30 seconds, one name, the last name only, if you could type it into your device, and we've got 30 seconds starting now.

Toomas Ilves: While we're doing that, I'd like to do one thing since I saw Craig is back in the room. I didn't get a chance to say anything before because he wasn't here. But I would also like to show my appreciation for Craig's work, and I would also point out I hope he writes his memoir soon because the amount of stuff he has done behind the scenes regarding all kinds of big problems in Europe and in the transatlantic area is simply amazing, but he doesn't do press releases on it. So--

Craig Kennedy: It won't work if you talk about it.

Peter Spiegel: That's right. His name didn't pop up after that. I think the--the man in the room is Carl Bildt. So I think you are our new leader. Congratulations. Anyway, please thank our panel. It was really very stimulating and I enjoyed it. Thank you very much.

Craig Kennedy: Okay. Before we got to coffee break, hold on one second. We are going to vote on the mystery session for Sunday. Three choices: Tough Enough: Do Sanctions Work? Power to the People: Nationalism

Impopulus of Foreign Policy, and number three, Soft Power Strikes Out. Hard Power Strikes Back. So let's have a show of hand. Who is in favor of session one, Tough Enough: Do Sanctions Work? Okay.

Unidentified Male: Keep your hands up.

Craig Kennedy: Okay. Session two: Power to the People: Nationalism Impopulus of Foreign Policy. Okay. And then the final, session three, Soft Power Strikes Out. Hard Power Strikes Back. With 98.7 percent of the vote. We'll give you the results afterwards. We have to tally. Thank you. Take a 30 minute coffee break and we'll see you back at 5:30.