

ROMANO PRODI:

# COUNTERBALANCE GERMAN LEADERSHIP

“The euro zone crisis entered the deadly phase,” “European Union is half a step from collapse”, “Italy embarked on the tricky path of Greece” – such are the headlines in leading global media outlets. Romano Prodi, two-time prime minister of Italy (1996-1998, from May 2006 to January 2008) and former European Commission president (1999-2004) shared his vision of the problem in modern Europe.

*Mr. Prodi, do you believe the decisions adopted by the EU in the past months to recover from the euro zone crisis were timely?*

The measures were definitely late and therefore they were insufficient. In the first 7-8 years after the euro introduction we had no problems and only after some European Union members embarked on different paths they one by one became victims of speculations. It was at this moment that the crisis hit Europe. When Greek problems just began to emerge at the first stage they were of an inconsiderable scope by themselves. If timely decisions had been adopted such large-scale developments would have been definitely prevented. I am sure we have to take into account an evident fact: if the European economy does not begin to grow it will inevitably collapse. It will happen because the Gross Domestic Product will fall and sovereign debts will continue to grow by leaps and bounds. The question is not only whether the measures of the European Union are timely

or late, the question is in their quality. It is absolutely clear for me there was a lack of measures in the period that would encourage economic growth. They began to speak about them out loud only now.

*Do you have any logical explanation why the current crisis mostly hit south European countries and practically bypassed north European states?*

I can explain it by saying that speculation usually hits the weakest and most vulnerable. No wonder the crisis didn't hit Germany, the most influential country in the European Union. Financial problems mostly dealt a blow to Portugal, Greece, Spain, Ireland (which is not a south European country), and Italy. By the way, France is also under major pressure at present. The French clearly realize that if the euro unity is not quickly restored they will be the next. I am fully convinced: there is not a single European country which is outside or on the other side of the crisis. Today absolutely the whole of Europe is in danger.

*Do you believe it fair that all EU member-countries have to pay for Greek economic problems?*

The problem is that we introduced the common European currency in order to stay together and united, but we failed so far to create the necessary political and economic levers to keep the unity. We have progressed only halfway so far. The euro is definitely one of the main achievements of united Europe and

now we have to complete the process we launched. It is not that we are paying for Greek problems although we are definitely paying also for them. Most of all we are paying for our contradictions. Had we had the necessary instruments at the time (Eurobonds – pan-European securities and the European Central Bank with wider powers) they would have given the European Union the solidarity it currently lacks and we would not have to deal with the Greek problem.

*Do you agree with observers who predict that Italy will follow suit of Greece? Wasn't it hasty for Prime Minister Mario Monti to publicly reject financial aid from the EU and the IMF?*

Compared to the Greek economy Italy is firm on its feet. We have completely different stories. However we all clearly know that if something truly goes wrong in Italy or Spain the whole system would collapse. It is not that Italy rejected outside help. I believe Italy provided a major impetus towards global policy. I believe it is counterproductive when certain countries immediately request assistance from the IMF or the European Central Bank when they face problems. What we need today is a complete policy reset for the whole euro zone rather than for an individual country.

*Let's go back to the European Union and the euro zone. Everyone is now concerned what*



*will happen with the common European currency of which you are the founding father. Is there sense to preserve the euro in which many EU members got disappointed and are ready to return to their national currencies already tomorrow?*

We read a lot about it today but I am sure there is no European country which is interested in the euro collapse. Germany is interested in it least of all as the common European currency helped it accumulate a major potential as never. It also happened because other countries underestimated the proper value of the euro. The rejection of the euro will inevitably make the German government fall under pressure from business circles of the country which greatly fear the collapse of the common currency. The rejection of let's call it the "German euro" will ruin all trade relations of Germany. The countries currently experiencing major economic hardships are not interested in it either. However a fiasco of the euro cannot be theoretically ruled out even if nobody wants it objectively. On the other hand, I prefer to remain an optimist because I see reciprocal and reasonable interest in the preservation of the pan-European currency.

*Do you concede that one day the entity called EU will simply collapse like the Soviet Union because of constant internal contradictions?*

No, the European Union is a more flexible entity than the Soviet Union. EU membership was based on spontaneous accession and the structure was ratified by national parliaments and approved by European peoples. The European Union currently suffers from the crisis but believe me there is not a single country that would like it to collapse. Naturally, all imaginable drawbacks are inherent in the Europeans. But on the other hand, it is

absolutely clear it is impossible to survive alone in the globalized world. Therefore, I believe it is necessary to develop relations with Russia. We are living in an epoch when no split can be allowed. Globalization will not excuse us for



that. It is the instinct of self-preservation which is rooted deep in the conscience of Europeans who clearly realize that united and indivisible Europe is a guarantee of our future.

*Will the EU be divided into first and second-tier countries?*

No way. If the divisions begin we shall all explode like it happened with the Soviet Union. It will be a true nuclear blast for the whole of

Europe! It is beyond the reasonable. There is nobody in the EU today who would say: "You go to category A and you go to category B." No, I do not even consider such a turn of developments.

countries as Spain and Italy as well as other EU members. It has to make the step for the sake of providing a strategy aimed (no, in no way against Germany) at the protection of pan-European interests and in order to lift austerity measures and decrease high employment. I believe that in order to avoid political and economic chaos it would be good for us to offer another policy to counterbalance German leadership. Although Germany is the biggest country of the European Union I believe it will hardly succeed to govern Europe alone and protect the interests of all EU members. Germany is definitely the biggest country of Europe but it is nevertheless too small for the rest of the world.

*Isn't it a paradox that Russia today succeeds to build up efficient and mutually advantageous relations with individual European countries - Italy, Germany, and others - but there are constant failures in relations with the EU?*

The explanation is simple. The foreign policy of some European states has not been harmonized. Therefore, some of them use foreign policy as an instrument of home policy. Therefore I am not surprised when a certain EU country comes up and says: "We shall wrangle with Russia to please our voters" while another European country at the same time works to improve contacts with Russia. Until the European Union has no common foreign policy there will be always a country among the 27 members that would prefer to put a spoke in the wheel in an attempt to undermine our relations with Russia.

Asked why the visa regime has not been lifted between Russia and the EU, Prodi responded: "I will honestly say I do not know why. I see no reasons to keep it. The main obstacles are likely bureaucracy and fears that Europe will be flooded with dubious people. I believe the visas are an obstacle for respectable people and definitely not for criminals."

**Niva Mirakyan,**

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*What do you think about clear dominance of Germany in the European Union? Can it happen in the final end that the EU would speak with "a single voice" which would belong to one country instead of 27 as was initially envisaged?*

I thought a lot about it and arrived to a conclusion it would be correct for France to change its policy and switch from bilateral summits with Germany to cooperation with such