

Current European Economic Situation and Complementary Asia-Europe Relationship In International Cooperation

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This is the time to promote internationally infrastructure investment. We hope we can continue to promote this idea, particularly linking infrastructure to technology innovation.

Chen Zhimin: Mr.Saccomanni, welcome to Shanghai Forum, it's my great pleasure to continue our conversation here in Shanghai. We know that you have served Italian government as the finance minister, and you have deeply involved in the management of European economic challenges. So I think you have a lot to say to the European economic situation now. First we move on to Greece, we know that the Greek government is negotiating new bail-out agreement with EU and IMF, the government certainly want to end some of the austerity policy, but at the same time, they want new money from international lenders, so based on your observation, how will you assess the progress of this negotiation? And

whether we can avoid Greek exit from the Eurozone?

Saccomanni: I think there is an agreement that exit will not be a good thing, neither for Greece, nor for Europe, for the Eurozone. So my understanding is that all efforts have been made to find an acceptable solution, this implies probably some greater decision by Greek authorities on what they want to do in terms of the adjustment program. Because everybody agreed that the previous program was not viable, it cost too severe for the poor segment of the society and not being fully implemented by the previous government, particularly as regards of the tax reform, so the impression was that rich people were not really contributing much to the solution of the Greek problem. Now, of course, all the European countries, including Italy, accepted the idea that the Greek government is to formulate a new program, and the problem is that this program has been so far not fully detailed, and it's only very general terms. So, in these very days, there is agreement to accelerate the negotiation on both sides and I hope in the coming days, there would be a solution. But as you said that the Greece needs more money from international lenders and I think it's necessary that they do prepare a viable reform program.

Chen Zhimin: So, you are quite positive that there will be a kind of deal?

Saccomanni: Well, I'm sure that everybody wants to avoid a dramatic situation, and perhaps sometimes, there's an expectation that if we arrived to the last minute, then there will be major concession, but I think that's not the way to progress frankly. So it would be better to make a sort of very serious negotiation.

Chen Zhimin: For Europe in general, from 2009 Europe Crisis, the European Union has made lots of efforts to establish necessary mechanism to cope with crisis, so with all these measures and mechanisms there, are you confident that Europe is able to avoid another major crisis?

Saccomanni: Yes, I'm quite confident. Because as you said, important decisions have

been taken, we have created the European Stability Mechanism which has provided assistance to five countries, including Ireland, Greece, Portugal and Cyprus. The total amount is over 200 billion Euros, so it's an important mechanism. It has additional resources which could go up to 700 billion Euros. And we also moved to create what we called the banking union, we have created a mechanism with which all banks are supervised by the European Central Bank, and that will provide assurance that all banks are in a sound position as far as their financial situation is concerned. And also the European Central Bank has been finally allowed to adopt an expansion monetary policy. These measures are not only guarantee that Europe can resist future crisis, but also are facilitating the resumption of growth. This is very important that the latest information pointed to significant recovery in all major countries, not only Germany, but also France, Spain, Italy. So I think it's a gradual exit from the very severe crisis, which was complicated by the fact that Europe does not have a single government, at least not for the economic policies, but we have a single central bank for monetary policy, so these mechanisms may have been created to deal with crisis, but now they will provide a strong support to the stabilization of the financial situation and also to growth prospects.

Chen Zhimin: Good news. But still there's a complicated factor and that's about Russia. In the contest of Ukraine crisis, the European Union has imposed a number of economic sanctions against Russia. How you would assess the impact of these sanctions, not only the impacts on the European economy, but also on so called the effectiveness of trying to change the Russian policy?

Saccomanni: This is a very important politic issue in Europe. No doubt that the sanctions that the European Union imposed to Russia have impacted most European countries. From the purely economic point of view, the impact is more severe for European countries, and of course for Italy. Because we had a particular active relationship of trade and financial issues and I think we are indeed feeling an impact which is negative. That's why we hope that the negotiation will resume, so it's

possible that we can look to a realization on both sides. I think Russia has to accept the fact that if they want to remain a partner of the international community, they cannot act the way they did. At the same time, Ukrainian situation is indeed extremely complicated. As I have worked as the vice president of the European Bank of Reconstruction and Development, I understood that the country was very difficult to manage because there're deep deviations from the pro-European segment of the population and pro-Russia segment. So it requires also stronger leadership in Ukraine to try to keep the country united because it's not an easy job.

Chen Zhimin: If we look at the news of the recent days, I think possibly the biggest challenge for Italy and also for EU is the illegal immigrants from North Africa, particularly from Libya. And recently the European Union has made the decision to launch military actions in the Mediterranean sea, to intercept the smuggling boats. Other proposals under discussion also call for capturing or sinking the smuggling boats in the open sea, even on the shore of Libya, how you would comment on these proposals? And furthermore, lots of illegal immigrants have already arrived in Italy, so how you would deal with immigrant?

Saccomanni: First, I think there is a general agreement in Europe that any action that would involve interventions in Libya would have to be authorized by the United Nations, although the decision has been taken in principle, it would be activated only if there is a positive decision by the Security Council of the United Nations. And the European diplomats are now working with China, Russia and the United States, to determine what would be the actual condition for the activation of any Libya action. So at this stage, I cannot comment on the details about what is being discussed at the very moment. It is a fact that the smugglers are in fact reutilizing those boats, as they have done in a number of cases for doing this kind of shuttle transportation of immigrants. As to the second question, I think a lot of immigrants have entered into Italy, to define whether they are legal or illegal is a very complicated issue, and it is

not in my sphere of confidence, but I understand that these people are mostly leaving their country because of poverty and war, and you know that immigrants from Syria, Sudan or other countries where're situation of conflicts or wars, and they want to escape poverty and war, so it is very difficult to decide who is legal and who is illegal. Of course they are denied also because there is a fear that among these immigrants there might be some certain members of ISIS or other terrorist organizations, so we have to be extremely careful. It would be important to offer greater cooperation with legal authorities on this. The problem is that in Libya now there're two separate governments, one is controlling the western region, and the other one is controlling the eastern part. Unless there would be an agreement whether to cooperate to check what is going on on the shores, it would be extremely difficult to reach a viable solution, we can only hope that there will be progress with the agreement of the United Nations and also with agreement of other European countries, which also is an important development because initially a lot of people said that it was an Italian problem, all the migrants were coming to Italy, but in fact, most of them want to rejoin their relatives in other countries and they will only transit through Italy because geographically, Italy is only eighty miles off the Tunisian coast, so it's a normal target for immigrants. But now I think there's a greater understanding in Europe that this is not an Italian problem and in fact that migrants going to Spain, Greece and Italy all want to settle in different countries.

Chen Zhimin: I have a few more questions more important to China. Italy decided to join the Asian Infrastructure Investment Bank, it's so called AIIB, after UK's previous decision, and what are the reasons you think behind Italian decision to join the bank? And what kind of role do you think AIIB should play in the Asian development?

Saccomanni: First of all, Italy decided to join because we think it's a good idea to create an institution that would make efforts to promote infrastructure development. There's a big problem worldwide that over the years we have not invested enough in

infrastructure. And of course we know from the days of Marco Polo that China is not that far away from Europe. Any investment that can reconnect Europe through Asia to China is going to be extremely important. And there are regions in Asia where there are still poverty, so anything that can create sort of stimulus to economic activity, to investment and also to modernization will be good. Because I assume that infrastructure investment would be mostly in the field of new technology, in transport, telecommunication, energy and production distribution. These are also good to deal with global problems and I myself had an opportunity to talk to the chief negotiator of China on this issue and my understanding is that this is not going to create competition either with the World Bank or the Asian Development Bank, but it's going to be complementary to what is being done. And in Europe, we have been working to set up a new fund for infrastructure investment which is part of the new plan launched by the new president of the Commission, Mr. Jean-Claude Juncker. So I think there is some sort of converging of approaches on your side and on our side. This is the time to promote internationally infrastructure investment. We hope we can continue to promote this idea, particularly linking infrastructure to technology innovation. We need to build something that can really help promote economic activity and economic recovery.

Chen Zhimin: This afternoon, we had a workshop and we discussed about the issue. We had a question actually, and we hope you might give us some answers, that is if the United Kingdom did not announce to join the bank, whether the other European countries would ever decide to join the bank?

Saccomanni: As far as I know, the negotiation took place almost at the same time. And I think China addressed the issue to all the major European countries at the same time. We assumed that the issue would be discussed openly at one of the meeting of G7. Instead, the decision by the United Kingdom was announced before the meeting, actually the meeting of the G7 is going to take place at the end of May for a few days under Germany chairmanship. But probably it was related to the domestic politic

reasons in the United Kingdom of elections. It's not a surprise and we had really agreed that we would participate and the only question is the timing of when to announce, and we would not decide not to join or decide to change the idea because of the United Kingdom. It's only the question about when to be announced and the United Kingdom wants to be the first.

Chen Zhimin: Besides AIIB initiative, China has another one called “silk road” initiative, how would you assess the reactions in Europe towards Chinese initiative from your perspective, and whether you think the new European infrastructure investment initiative has some real substantial overlapping or converging with the Chinese initiatives so that we can integrate or coordinate and then facilitate both sides?

Saccomanni: My impression is that one of the reasons why we made not sufficient infrastructure investment globally is that firstly private investors show preference in short-term equity investment and they consider long-term investment in infrastructure very risky, because they see that in long-term, no one knows what to happen, financial condition may change and also political condition may change. Private investors want to know what is the regulation concerning this kind of investment overtime and they all talk about the needs to have regulatory security, who is going to decide what are the electricity fees, gas distribution and networks. I think we have done not enough to manage those risks globally and this kind of initiatives can be absolutely complementary because I think probably you have much more expertise in Asian situation, and in European countries, we do have better knowledge on the situation in Europe, including in Eastern Europe because we've been acting there through the bank for European investment, the bank for reconstruction and development. I think complementarity seems to meet the key issue, but we need to work in order to provide good evaluation of the projects and to monitor their implementation. This could be a conducive effort in which all institution could join in. We also have to provide a certain degree of regulatory security to the implementation of the projects and there

would be no surprises or changes. We have to make efforts from this point of view and all the experience should be brought together. The impact could be positive because we could have support from private investors who are now very disappointed because they get only very low interest rates from their investment. Longer-term investment can provide more profit to investors, so we have to find a way to reconcile these two problems that we don't have enough investment and the investors do not have sufficient yield on their investment. We could probably try to combine longer-term investment and security of higher levels and more effective implement of the projects.

Chen Zhimin: But what kind of role can Italy play in these Chinese initiatives?

Saccomanni: Well, Italy has a long history of participating in infrastructure projects in developing countries and we have certain good record of winning contracts in various countries in the world. I think there is good expertise and from this point of view we can also provide sort of support for these new initiatives. There will be an Italian approach and we will work within the Europe but we hope that we can also involve our contractors and companies in the roads, dams and bridges all over the world.