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ITALY AND EUROPE AFTER THE CRISIS:

A CONVERSATION WITH  
ITALIAN PRIME MINISTER ENRICO LETTA

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**Featured Speaker:**

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Prime Minister  
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## PROCEEDINGS

MR. DERVIŞ: Well, good evening, ladies and gentlemen, friends, colleagues. Full room, as we had expected. And on top of that it's webcast. We are very, very happy, honored to have Prime Minister Enrico Letta of Italy with us today at Brookings. He has had an excellent visit with the President, I'm told, President Obama, and we hope he will share with us his perspectives on Italy, but beyond Italy, of course, on Europe and, of course, Europe and the entire world economy, and on U.S.-Italy relations, also.

At the time when finally there has been a compromise in Washington that opened up the government again, I think I would like to stress that the prime minister led a success over the last 8 months has shown how he can bring people together, how he can bring people together in his own party, but also across the political spectrum in Italy. And if there is much more hope now in Italy, and if things look better in terms of the economic indicators, I think it's a tribute to his success and his ability to pull things together. I think in a modern democracy, you know, there are always going to be very different opinions, very different currents, opposition in government, but there are important times when nations have to pull together. And I think Italy is now doing that under Prime Minister Letta's leadership.

So again, welcome. I'm going to invite him to give his remarks and then we will have a discussion to which you're all going to be welcome once we exchange just a few words with the prime minister. Thank you very much.

PRIME MINISTER LETTA: Thank you, Kemal. I'm really very honored to be here and I'm very honored to be here with you, with your introduction. I will try to be very brief because I think it's better to have a very substantial Q&A session. And I will try to raise one first point is about Europe and one second point is about Italy.

I will start with the first one, why more European integration is needed today. And, of course, my perspective is a very peculiar one because, I confess, I am very pro European Union integration, so I will work very hard for next year, for the next European elections, to avoid the raise of populism in Europe. That is, in my view, the main risk because of the crisis, the consequences of the crisis, the consequences of the rise of unemployment, youth unemployment, and we need to have a strong European Union to change, to do what.

My crucial point is about what are today the main goals for Europe and the main reasons why we need Europe. We had a past in which Europe was needed because of this. It was exactly the beginning of the European integration history, but today I think we have to change the

approach. I would say that the image is the image of Mitterrand and Kohl hand-in-hand in Verdun. That was the image of Europe, of the European integration against the war, against the idea of the war, against the idea of coming new wars. Of course, it was also true for the '90s during the ex-Yugoslavian war and so. Today it's not enough and today I think we have to build a new set, a new agenda for Europe, first of all, the new motivation, the new reasons why we have to push people to fight for more European Union.

And I will suggest to you just as more a joke, when the G-7 was founded in '75, we or they founded the G-7 with the ranking of the main economies in the world. And at that time, it was '75, and Rambouillet, the seven economies were four Europeans, two North Americans, and one Japan. And, of course, Europe was the center. Today Europe is still formally in the center. When I participated in my G-8 in Lough Erne in June, we were 10 around the table and we were 6 Europeans on 10 because we were 4 Italy, Germany, France, and the UK; and 2 representatives of the European institutions, Van Rompuy and Barroso. Six on 10.

But Europe is not still the center of the world. And I imagine the G-7 of 2020 with the same criteria of the G-7 of '75 will not have any European countries there. We will have just seven countries out of

Europe. Europe will be there only if Europe will be united because, of course, in 2020, with the trend we are experiencing, we will have all the BRICS there and the others, no European on board.

So my point, my crucial point is that we have -- we, the Europeans, of course -- we have to discuss about our future, knowing what is the consequence of the big change in the global economy and the fact that we, the Europeans, we are not the center of the world. And we can have influence in the world, in the world economy, in the world of foreign policy, I would say, only if we are united.

And the true consequence of that was, for instance, the crisis, the euro zone crisis we experienced. We had 5 years of crisis. The crisis was solved or we started to solve the crisis when Mario Draghi said "whatever it takes". But it was September 12th, after 4 years of crisis, after 30 European summits, and a lot of money wasted for arriving to the summits without any banking union tools for preventing and solving banking crises and wasting a lot of money for Irish banks, Cyprus banks, Spanish banks, or UK banks, and so on.

So there is at the European level today a huge political and institutional problem. And the institutional problem is, of course, what is Europe today? What are the reasons and is Europe effective in solving the problems or not? And today we are not effective. And today we need

to change institutionally, in my view radically.

First of all, we need to have a European leadership linked to the voters. We can't have European leaders without any link with the voters. There's a problem of legitimacy in my view that is crucial for the future of the Europe. This is why I think that we need to have the president of the European Union elected directly. We need to have a change of the treaties, yes, but maybe we can avoid the treaty change today and next May, having the president of the Commission elected with the main parties, European parties, presenting a candidate, and with the members of the European Council saying, okay, we will decide and we will apply the candidate of the party winning the European elections. That will be a first step to having a true legitimacy.

A second step that is for me very important is we need to have just one leader of the European Union. Today I know, from Washington, it's not easy to say who is the European Obama. I think it's not easy. If Obama comes to Brussels, who will meet him? Many people. And I know that for today's political approach it is impossible to have this big entity that is the European Union without the capability to have leadership, leadership linked to the voters, and, of course, able to deliver. So one second approach could be, in my view, is it possible to have the two-role president of the European Council and president of the

Commission still divided in two? Why? I don't think so. I don't think it's completely necessary. We can have the same person as president of the Council and president of the Commission, for instance. That would be a sort of revolution, I know. It's not easy, but it's a way -- it's a step to have a European Union more similar to something comprehensible by the citizen and not something very difficult to be understood by the citizen.

So my first point about Europe is that we need today, we really need to have an approach to the institutional and political change that we need at the European level. That is maybe the crucial answer to the crisis. If not, I think it will be very easy for the populist parties to arrive to the European elections next May and to say what is Europe? Who will decide in Brussels? With which kind of legitimacy they will decide? And that will bring in the Europeans institutions.

The main risk we are leaving is to have the most anti-European European Parliament ever next May. And in my view, it's a crucial risk. So we have to answer. We have to answer with radical changes, saying to the voters, okay, we understood. We need to have a European Union more democratic with a big, big new legitimacy and linked to the voters.

Second point, very short, about Italy. Italy will be next year president of the European Union in the second semester. It will be the

first semester of the new European legislature because the legislature will end at the end of the Greek semester in June. And we will have a new parliament, a new European Parliament, a new Commission. And we will have, in November, a new president of the European Council. So we will start a new legislature.

We are at the end of a legislature completely linked to one word. The word was "austerity." Now we have to understand that we need to link the next legislature to the word "growth." And not because of we need growth against austerity. We need growth with fiscal consolidation and budget under control, but we need growth because, if not, it will be impossible to have a European Union competitive and it will be impossible, in my view, to sustain our welfare system and to sustain our demography. Because we are -- we, the Europeans, and I would say with the Italians first of all -- a country with a very strange demography. You know very well and I don't want to waste time in describing the strange Italian demography, but it's a huge problem. And, of course, it's a general European problem because we have the welfare that we have to sustain and we need growth to sustain welfare.

I know very well that to have growth, we need structural reforms. We need to have competitiveness. We need to have a digital agenda perfectly working. But, in my view, what is absolutely necessary

today is to have a European Union without walls and we have a lot of walls inside the European Union. On the financial market, for instance, we don't have the correct institutions. For instance, we have the same currency, 18 countries with the same currency, without institutions at 18. The only institution at 18 is -- the only true institution is the ECB. But we can't ask the ECB to play a role that is not the role of a Central Bank because we are asking to the ECB to play a role that is a more political one and it's not correct. So we need to have at 18, in my view, a more institutional framework.

And, of course, this is what, as -- we, the Italians, we have to do, we have to be very credible in trying to push for more European integration. If not, and I think we, the Italians, we can do this job and we need to have this mission because if not, it will be very difficult. It will be very difficult for many reasons. If we don't deal with the problem, first of all, we will have the UK problem. In the UK, without any change, I think, they will have a referendum in some years and the referendum will be probably negative for staying in or staying out. And my feeling is that a European Union without the UK is a worst European Union. We need to have the European Union -- we need to have the UK in the European Union, but we are taking a big risk on that.

Second, we need to have Italians the credibility to stay there,

to lead in the second half of next year. The European Union able to deliver and to deliver on growth, on banking union. That is the second main issue because we need to have -- we decided in the last European Council in June to have the banking union directives. Now we have to apply these directives. And I know there are some problems with some countries because having the banking union applied, that means no more banking crises.

But avoiding all the wars, I repeat it, is one of the major problems is a way to have European champions and we need to have European industrial champions. Today we have national champions. And we name these national champions as European, but they are not Europeans. We have just a few examples of European champions. We need to have across borders European champions.

And for Italy, of course, that means credibility. Credibility means what we are trying to do. And we are trying to have a stable Italy, first of all. Why do I call for stability always? Because of our -- I think we have to understand what was the true reason of our crisis. The reason was the fact that suddenly markets said to the Italians we don't want to pay your debt. But markets paid the Italian debt for decades and decades, and suddenly markets said game over, we don't want to pay your debt, so. And, of course, that was the main problem of Italy. And

that was the main problem because we needed and we need today stability for having lower interest rates. Without lower interest rates it will be impossible to sustain our debt.

And lower interest rates arrive with political stability. Without political stability it will be impossible. This is why I call always for political stability. And I will say we reached important results. Yesterday and today, we are reaching the best result in the interest rates since 2 years and a half, the best result. It is a fact and it is, in my view, a very important fact.

And the budget law we passed in the Council of Ministers on Tuesday was a budget with some goals. The first goal is to have for the first time after 5 years the general debt decreasing. After 5 years of new increasing of the debt, for the first time next year, thanks to a privatization plan that we will present in the next days, we will have a decrease of the general debt.

We will have a deficit among the most virtuous countries in Europe. We will have a 2.5 deficit. We will have, for the first time after many years, public spending decreasing and the tax level not increasing. And for families and entrepreneurs to start a decrease.

Of course, it's very important to repeat that we can't arrive to these goals without political stability. And this is why I was, but I stopped

immediately, I was so interested in understanding what's happening here, the discussion between the Tea Party and the Republican Party and so on. It was something very interesting for me, of course, because of the future of the discussion of the political parties and of the discussion around the problem of the debt, around the problem of how to deal in a bipartisan way until we have and I'm running a grand coalition. It's not easy to run a grand coalition, but, in Germany, they are negotiating a grand coalition today. In Austria, they have a grand coalition. In Ireland they have a grand coalition. In the Netherlands, they have a grand coalition. In Finland, today they have a grand coalition.

This is why I think that in Italy we have to be more courageous than that. We have to work very clearly, saying the truth. The truth, of course, is that we still have this big debt and the situation is still difficult. But we can deliver on this path if the political stability is possible. This is why I was so happy to be here and, of course, to have these meetings today, this morning. But also, I will be very, very engaged in having these European reforms because I know that for a country like Italy, without a European positive perspective and without a European integration path, it will be impossible to solve our problems altogether.

We, the Italians, the Germans, the British, the Spanish, too, it will be impossible to say alone we will be again a great power in the

world of tomorrow. This is why my point, my final point, is exactly a point on the future of Europe. The future of Europe and of the European countries can be a successful future only if we are more integrated. I know that is not easy to sell to our public opinion. I know very well that is not easy, but I know very well that our future in the next 3 decades will depend on the decision that we will take in the months, in the next years.

And the only decision that we can have and can give as a future perspective will be a decision on more integration. And we need leadership to explain to the people how it's so important. If not, it would be impossible to speak with the people and to demonstrate how important is the European level and to have more European integration. This is, I think, my job, first of all. And this is, first of all, the role that I want to give to Italy. Because, also, I know and I remember, first of all, to myself, that the treaties founding the European Union were signed in a city called Rome, and not by chance, I hope. Thank you. (Applause)

MR. DERVIŞ: Well, Prime Minister, thank you very much. This was a very strong speech, a very strong pro-European and European message. Yesterday, I think it was, on PBS maybe and other forums, too, you stressed that after the effort on financial sustainability and economic recovery, where things are, you know, cautiously optimistic one could say, Europe-wide.

But on the social side, on the unemployment side, at least in many of the southern countries, things are still very bad. And I think the kind of populist negative forces that you referred to obviously will thrive on that. The unemployment rate in the euro zone is above 12 percent on average. In Spain and Greece, it's much worse. In Italy, it's somewhat better, but still bad. Youth unemployment is very bad. So there is this challenge of social sustainability, sustainability in terms of unemployment, jobs, young people's hopes.

Do you want to say a few more words on that, how this could be tackled? And in particular, maybe you have some thoughts whether the new coalition in Germany, which is about to be debated, you know, may shift a little bit, not just because it includes a social Democrat, but also because it's a post-election coalition, shift a little bit more to growth, to employment?

PRIME MINISTER LETTA: I think youth unemployment today for Italy, I'm sure, this is our first nightmare. It is a nightmare because of the fact that we never had in the last decades such a problem on youth. Today we are risking a lost generation. That is, of course, not only a problem of welfare or a problem of competitiveness. It is a cultural problem. A country without the new generation driving is a country without hope, I would say. And Italy is a country obliging young people to leave

and to find opportunities in Australia or here in the States or in other European countries and so on. And I'm very happy because I come from a past in which I had the opportunity to study out of my country. But it's not the correct way to deal with a new generation.

I think my first goal today is to explain to Italy and, of course, to explain to the rest of Europe and the rest of the world that in Italy, we can have a generational change. You know, when President Napolitano asked me to form a government suddenly, I had three ideas. The first idea: to have a very young cabinet to demonstrate that in Italy it's possible to have young people driving. The second mission was to have the biggest number of women in the government because Italy is a country in which we don't give enough opportunities to women. And the third mission was to have the first black minister in our history because I know the difference between, for instance, what I experienced when I was young and when I was at school, and in my class no one was black or -- we were all white and all Italians.

The class of my children today, they are 5, 7 years, is a class in which they experience what is the globalization and diversity, and for them it's very easy. But Italy's a country with a big divide. And we had parties having a big success on the immigration problem. So we wish to have -- and I'm very proud of the work that Minister Kyenge is doing on

that. True change on three main issues because of the problem of youth.

And my first goal in these 6 months, where to find money to cut labor taxes on youth and to incentivize the youth employment. We started with this new measure in October. We started with this new incentive. The first results are good. We will continue on that.

I'm ready, of course, to see the best practices in other countries. I was -- for instance, I came to Austria and I will go to the Netherlands because the Netherlands and Austria are the two European countries with the best performance on youth employment. And we will be ready to change and to apply some reforms coming from their experience because, in my view, it's really the nightmare and it's really the main perspective, and I hope it will be the main achievement as well.

MR. DERVIŞ: You had a meeting with President Obama and I know that the President of the United States has always been quite supportive of European growth efforts, reform efforts. Do you want to say a few words on Europe and the U.S., and the support you're getting and you're looking forward to and why it's important for the U.S. that Europe succeeds and the kind of support you're getting from President Obama?

PRIME MINISTER LETTA: I remember what Mario Monti told me when I became prime minister. In the G-8 in Camp David last year, he told me how decisive was the role of President Obama there to

convince the Europeans to change their attitude and to be more proactive on growth. And I think this meeting was the precondition to arriving to this Mario Draghi's "whatever it takes". So Obama's leadership was very important for us, for the Europeans.

And today, we talked about, for instance, one of the main issues and, of course, it's one of our responsibilities, the TTIP, the agreement, the trade agreement between the European Union and the United States. We started -- we had the good news in these very days that we are quite at the end of the CETA. The CETA is the Canadian-European Union Trade Agreement. If we sign this agreement in these very days, it will be very important to help, of course, the agreement with the United States. It would be very important for the future because I'm sure that the European Union and the U.S. and Canada, we can work together and we can, on trade, we can reach a lot of opportunities, and I would say for Italy, first of all. Because for Italy it will be very, very important. Italy will be, following some studies, the country with more profit from a big TTIP agreement. And I'm sure that this agreement will be one of our priorities. It will be next year in the second semester for sure the priority of our European presidency. And today with Obama, we discussed about the dream to sign this agreement together before the end of next year.

MR. DERVIŞ: That will be great. Now, one last question before turning to the audience and I think it's an important question. You yourself referred to the United Kingdom. And you know, Mr. Prime Minister, that the U.S., also, I think, has sent clear messages that it would much rather have the United Kingdom stay in the European Union and so on. But you also mentioned the countries in the euro zone, the need for much more greater integration, even the idea, which I think is a great idea, to have the president of the Council and the president of the Commission perhaps at some point be the same person. But there is a tension between the United Kingdom's view of the European Union and the euro zone's need to integrate much further. You will lead the European Union starting the 1st of July and, you know, that may be one of the big topics.

Is there a way to have a Europe with concentric circles or with some flexibility that would accommodate the United Kingdom and keep it in the Union, but, at the same time, go ahead with further, much stronger integration that is needed for common currency? How do you see that kind of challenge?

PRIME MINISTER LETTA: I think we share the same view. I am sure that the UK will have to be on board. I think it will be a big risk for the European Union to be without the UK for many reasons. Because we need a strong single market, a strong free market, pro-free market

approach, and so on. We need to be a global player at the global level. The only way is to be more flexible, of course, but it can be a common interest. We, the countries with the euro, we need to have more integration among us. And I think it's --

MR. DERVIŞ: And Prime Minister Cameron actually said that in his speech.

PRIME MINISTER LETTA: And I share his view on that. Of course, we have different interests because we are the countries sharing the euro, but after the experience of the last 4 years, we know very well that we need a more integrated euro area. If not, it will be quite impossible to manage the future of Europe without institutions there, without a banking union, without tools to avoid crises. So I think we can -- the main problem is that we don't be inertial. We have to --

MR. DERVIŞ: Engage.

PRIME MINISTER LETTA: -- to engage the problem, yeah.

MR. DERVIŞ: Thank you very much. So now I'll open the -- this gentleman first because you were ready already 10 minutes ago, I think. (Laughter) And I may take a few, two or three questions together and then give the prime minister the floor again. Yeah.

MR. PAPANTONIOU: Okay. My name is Yiannos Papantoniou. I have been economy and finance minister of Greece from

'93 to 2001 and, in fact, responsible, for better or for worse, for steering my country to the euro zone. I would like, first of all, to congratulate you, Prime Minister, for your very substantial remarks and tell you how strongly I'm with you on two points.

First of all, that recession and unemployment are the biggest threats now for Europe and the South because they breed extremism. And the threat and political stability was the key to our success.

And second, we also agree that fundamentally the two recipes are reforms on an individual country basis and integration at the European scale. And I'm very happy that a senior European -- and successful European politician spoke so warmly about European integration.

However, let us be realistic. I doubt if on either front we will have impressive results in the short- to medium-term because reforms, as we all know from our country, from our experience, are very difficult to implement, particularly in conditions of recession and mass unemployment, when people don't expect to be rewarded for the sacrifices which we inflict on them. And secondly, on European integration, you know better than I do, that Germany's not very warm about this anymore. France is resisting very strongly. And I doubt if there is widespread support for substantial moves in fiscal, economic, financial, and eventually

political integration. So the question is what can we do more drastically and immediately to overcome recession?

My rather simplistic idea is that if all these pressures we exert on Germans for euro bonds, for a banking union, for this, that, or the other are unlikely to bring fruit, then the simplest way might be -- and I would like to have your opinion on this -- to ask for more money from what is wrongly, I think, called a Marshall Plan for the south of Europe, to sustain demand in the south and give hope to young people, to small- and medium-sized enterprises, very specific projects which would finance their activities. Would you think, and I finish -- I take your nod (Laughter) -- would you think that it is possible to create an alliance between Southern European countries, European institutions, the Commission, France perhaps in pushing for such a plan now in Europe? Thank you.

MR. DERVIŞ: Thank you. I will take two more. Let me see, somebody who looks very young over there. Yes. But please identify yourself, yes, and stand up.

MR. PONZONI: Yeah, good evening, Prime Minister. I'm John Ponzoni. I'm a young Italian, unemployed -- (Laughter) -- that just obtained his master's degree with a final grade of 110 *cum laude*, but maybe I'm looking for a job in the United States because there is no job in Italy. I'd like to ask you, in your opinion, is it acceptable that a civilized

country, such as Italy, in 2013, denies a funeral and burial to a 100-year-old person that is Erich Priebke? I mean, how can a country that is looking forward to the future stay anchored to its past?

MR. DERVIŞ: Okay. Yes, why don't we have -- yes.

QUESTIONER: Mr. Prime Minister, I notice how you in your speech you noticed that the most important part of further solving of the crisis is stability, but you also mentioned that Italy and the whole European Union is in need of growth. How do we balance these two together? Because more often than not, the two processes can often contradict and produce backwards results.

PRIME MINISTER LETTA: Maybe I can --

MR. DERVIŞ: Okay.

PRIME MINISTER LETTA: -- immediately answer on this point because, for instance, why I call for stability in Italy, because we have such a big debt. And as just figures, if we have this -- if we pay 6 percent interest rates for this debt, it's the moon. If we pay 3 percent for this debt, it's the sun because the difference is around maybe 30 billion euros of interest rates each year. Having 30 billion euros free, I would be free to cut taxes for fighting youth unemployment. If I have to pay 30 billion more for financing this huge debt, for me it would be impossible, really impossible, to manage the crisis. This is why, for me, stability is so

important and this is why stability is the ally of growth. It's not the alternative. Because of the -- I know Italy is peculiar, but it's exactly what we need.

Of course, the Priebke funeral was something very peculiar for Italy, but it was -- I'm sure it would be peculiar in any country. It's not just an Italian problem.

And on what you raised, I don't think is the solution, I would say, because we have to avoid a North-South divide in Europe. We have to work together to apply structural reforms. And we can have structural reforms, both in Italy or in Greece or in Belgium or in France. We have different problems. I just raised the peculiar Italian problem that is completely different from others. But we need to apply these reforms, for instance, what we are doing in Italy to cut in public spending. I can present you Mr. Spending Review. Mr. Italian Spending Review, who is here. Mr. Carlo Cottarelli, a former, I would say, former head of the IMF. We will ask him to be the Mr. Spending Review of the Italian government. He accepted. He will be on board in 3 --

MR. COTTARELLI: Five days.

PRIME MINISTER LETTA: In 5 days, so on next Tuesday.

MR. DERVIŞ: This is news.

PRIME MINISTER LETTA: He is free for 5 days. But this is

-- I mention and I take the opportunity to thank Carlo Cottarelli for having accepted our proposal. Because we need to change the composition of the public spending and we need to be very clear on that because, of course, we can't continue with the historic spending and so on. But my feeling is that we can have, at the European level, for instance, a banking union.

Why somebody will be against a banking union? In my view, it is impossible to explain that a banking union is not a good solution. It is impossible to explain to the public opinion. If we have the same currency -- because we, the 18, we have the same currency -- we need to have a banking union. We need to have a resolution for a banking crisis. We need to have common answers on that. The main problem, in my view, is that we avoided to talk and to discuss publicly on these issues. And we thought that without public discussions we were able to apply European reforms, and it's impossible today. We need to have a frank and public discussion and to say European integration is better than European collapse. I'm ready to engage a big public discussion on that, but we need, in my view, political leadership able to do that. If not, it will be, for the future of Europe, a disaster.

MR. DERVIŞ: Are there forces among the pro-European politicians and movements to engage and to go against the populist anti-

European voices for the European parliamentary elections? I mean, you said we could end up with the most anti-European European Parliament, so just following up on that.

PRIME MINISTER LETTA: But, for instance, I raise what happened in Germany, Angela Merkel's leadership, she was able to defeat populists in Germany.

MR. DERVIŞ: Yes.

PRIME MINISTER LETTA: Because populists remained at 4 percent.

MR. DERVIŞ: I think 8, yeah.

PRIME MINISTER LETTA: And she won with a strong leadership demonstrating that it's possible to have political leadership. She is pro-European because she is pro-European. And I think it was a good example of leadership.

MR. DERVIŞ: There's a question, yes. Over there.

MR. ZUPRAN: Thank you very much. My name is Caramine Zupran. I work here for the World Bank in D.C. Your Excellency, it's a great pleasure for us to be here as an Italian citizen. I'm really pleased to be having this opportunity to ask you actually two questions and not only one, if I'm allowed to.

One has to do with youth unemployment, which everybody

seems to be talking about. We know you've been champion on the European level and you fought quite hard to make sure that that actually was relatively high on the EU agenda. So based on that, would you be able to anticipate two or three concrete measures that your government's planning on implementing at the domestic level in the first semester of 2014 in order to encourage youth employment, especially in the southern regions of the country? And then based on that, would you be able to say what you would be willing to do in the second semester when you will assume the presidency of the EU?

And the second question has to do with something that you just mentioned, which is a spending review. We're very pleased to have Mr. Spending Review in this room this afternoon. You actually were talking about the need of revisiting the composition of public spending. Now, spending cuts seems to be another very popular topic in these years, yet it seems to me and to many back home there's one (inaudible) in the public budget that seems to remain quite protected from public spending, and that's what we call in Italy the cost of politics. And when I say that I refer to generous parliamentarians' salaries, benefits, and pensions and everything else.

Now, one apparently good measure seemed to be the one that tended to reduce the number of provinces at a national level, which

was launched by the former government and which seems to be stuck at the moment. So would you be able to say a little bit more in terms of whether and how you're planning on reducing public spending on the side of cost of politics. Thank you very much.

MR. DERVIŞ: Let's take two more. Do you want to --

PRIME MINISTER LETTA: I want to answer it immediately.

MR. DERVIŞ: Okay. (Laughter)

PRIME MINISTER LETTA: On the second question, first of all, three initiatives that my government took on cost of politics, the first one exactly because you raised the point on provinces. We decided to be very clear to eliminate provinces; the only way is to change the Constitution because the name province is in the Constitution. And if we don't eliminate the name from the Constitution, it will be impossible. So we presenting the constitutional law for the elimination of the name province from the Constitution, and I am sure that Parliament will pass.

Second, salaries. In Italy, we had the tradition, as other countries, that if the prime minister or ministers are a member of Parliament, they have two salaries: one as a member of Parliament and one as prime minister. I decided the day after my election to pass a law, a decreed law, so a law immediately, enforced with the elimination of the second salary. So personally, I have just one and I eliminated the second

for all the ministers of my government. And if my successor wants to have again two salaries, he has to pass a law to be allowed to do that.

Third, the main problem of Italian cost of politics was the public law on financing of the parties. That was one of the reasons why, in my view, Grillo's movement had such a big result. Because in the past we had a referendum, the referendum result was very clear, and it was not applied. So my government decided to change this law and to pass from a public financing of the parties without any check, that was the system, to a system in which the citizen has the right to finance parties with a public incentive, with a fiscal incentive, and there is no other way to finance parties. And I'm very happy that yesterday, after a good and positive discussion, the Parliament approved this law, exactly yesterday afternoon. And now the Senate has to approve this law and I hope the Senate will approve the law before the end of the year. And this law will be one of the radical changes in the Italian -- so I am confident that the page has turned on that. We are turning the page and it is not words. I'm talking about facts on that.

And on youth employment, one idea is to -- you know, one of the best news of my day here was the news about the possibility of the U.S. to participate in the Expo 2015, Milan. It will be an important, a very important challenge for us. I'm sorry because we won --

MR. DERVIŞ: Snatched it from --

PRIME MINISTER LETTA: -- with the Turkish (inaudible).

MR. DERVIŞ: That's right. Next time.

PRIME MINISTER LETTA: But it will be very important for us because of the subject, first of all. It will be food security, feeding the planet. It is a typical Italian. And I think it's a true modern subject, very positive.

And also because it will be very useful for us because we, the Italians, Kemal, we are very good, but when we have deadlines, we are better. (Laughter)

MR. DERVIŞ: I think that's human. Most people are like that.

PRIME MINISTER LETTA: So I hope the deadline to Expo 2015 will help us to reach goals and to have growth and so on. The U.S. participation will be very important news. We had very good news of the UK participation 1 month ago. And I will apply an experimental labor law on this Expo 2015 and I'm sure that -- on youth, first of all, and I'm sure that the positive result will push us and all the others to extend this experimentation to the normal discussion.

And the second one, of course, at the European level, in my view we have to strengthen the Youth Guarantee. The Youth Guarantee

is a good idea that we raised at the European level, but we need more money there. So my first goal and our first goal will be to strengthen the Youth Guarantee. He has to become a sort of ERASMUS for youth employment. ERASMUS was, I think, one of the best words for the European Union and for the relationship between the European Union and the citizens. So now we need to have an ERASMUS of employment, and this idea is one of them.

MR. DERVIŞ: Okay, one more question. But, you know, there needs to be some gender balance in the questions. (Laughter) I mean, okay, I'm sorry for all the others, but the prime minister will only -- yes, the lady there, that's right.

MS. HAWKINS: I'm all for gender balance. Thank you very much. (Laughter) My name is Rosario C. Hawkins, News (inaudible).

I wanted to go back, Mr. Prime Minister, to your concept of stronger European integration. And how are you going to reconcile that with a strong anti-European sentiment that is so widespread in Europe, the tension between the two? And what are you going to do to --

PRIME MINISTER LETTA: I think we have to engage the public debate on that, and it will be a political fight. Today we need to say very clearly what will be the consequence of the collapse of the European Union; what will be the consequence of anti-European and anti-euro

policies. And we have to engage this fight saying very clearly in the European elections all the assets of being in Europe.

For instance, in Italy, all the legislation on environment in Italy is application of European directives. If you change my statement I can say without Europe, Italy would be a country with many problems with the environment. And it's just an example because, of course, applying directives on environment, it's a cost. It's a cost for entrepreneurs, for public administration, and so on. But thanks to the European Union we have these directives and we have this very pro-environment legislation.

One second asset: Today, after 5 years of crisis, Italy is a country with a budget under control, after 5 years of crisis. Why? Thanks to Maastricht. I know I am saying something very unpopular, but we have to be very clear. Before Maastricht, Italians -- we, the Italians -- we made a disaster with our debt before Maastricht. With Maastricht, we stopped raising debt and deficit. And having debt means to solve my problem with money of my children. And it was the way Italy solved the problem in the '70s and in the '80s, and this is why Italy today is in difficulty. And my mission is to say never, never, never debt again. And we have to stop and I think we have to say maybe something unpopular. I know saying thanks to Maastricht is very unpopular, but before Maastricht, we had this very unpopular way to print money. And I don't think that printing money

is the correct way to take care of our children.

MR. DERVIŞ: Well, thank you very much. I know that on behalf of all of us in the room here, you know, best wishes for success for Italy, which is such a country that is so central in the world in terms of so many dimensions, which so many people love. And on behalf of Brookings, but also the whole community here, best of luck in the many fights you said you were going to fight tonight, and hope to have you again at some point when you have won at least two or three of those fights.

PRIME MINISTER LETTA: Thank you.

MR. DERVIŞ: Thanks a lot. (Applause)

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