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THE UKRAINE CRISIS

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## P R O C E E D I N G S

MR. SHAPIRO: Hi, thanks and welcome to Brookings. I'm Jeremy Shapiro. I'm a fellow at Brookings here and at the Center on the U.S. and Europe. And I wanted to thank you all for coming out to see this event on such a beautiful Friday morning right before a long weekend. I think you have shown enormous dedication to the cause of Germany's new foreign policy, and we appreciate it.

And so, as a reward, I think we have a special treat for you this morning, by which I mean in addition to the sort of usual rhetorical brilliance of our panelists, the panel will also be very ably chaired by Brookings' newest visiting fellow, Jutta Falk-Ischinger at the end there. Jutta has a lot of experience in getting smart people to sound even smarter. She is the founder of Disput/Berlin!, a debating platform which discusses current political and cultural issues in a sort of Oxford Union type style. It's modeled, I think, on the UK's Intelligence Squared, if you are familiar with that.

She's also been a journalist for over 30 years, including as Berlin Bureau Chief of Ranisher Mccure, and she's the author of a very interesting and funny book on her diplomatic adventures in America and in Britain in the 2000s. So, we are very pleased and grateful to have Jutta here, even for a short time. And so, I turn the microphone over to her capable hands to introduce the panelists.

MS. FALKE-ISCHINGER: I'm very happy to be here at Brookings, and it's great to see so many faces I know from a long time before. So, we have to my left, Ralf Fücks, whom I know actually for a long time since the Green Party days, when I went to Green Party conventions, when they were still sort of shooting with water pistols at each other. But those times lay behind us. Now, it's running behind like (Inaudible). Then on the far, far left, we have Fiona Hill, the Russia expert at Brookings and published a very, very good book on Putin last year. And we have Olaf Böhnke working for the

European Council on Foreign Affairs in Berlin.

So now, when Fiona first asked me to moderate this panel on the new German foreign politics, I was a bit bored. I thought, oh my god, I have really high expectations. And at that time, I hadn't even seen the last parlance with the German Republic. But yes, it's true, on a more serious note, when the new government came and took power, even in the coalition treaty, there was some mentioning of the future that Germany should actually take on more responsibility.

After all, this is the year it's a hundred years after the beginning of the first World War. It's 70 years after D Day, and it is 25 years after the fall of the Berlin Wall. Then, in January and February, we had a series of speeches, famous --

(Recess)

MS. FALKE-ISCHINGER: So, I think Ursula von der Leyen, our new elected Defense Minister, gave an overview with Der Shpiegel where he was mentioning that Germany should actually take on more responsibility in military -- in more military engagement. And he said, indifferent is never an option.

Steinmeier, our Foreign Minister followed in the Bundestag saying more or less the same. Also, Germans should take on more responsibility in a globalized world. And then, at the Munich Security Conference, very importantly, our President Gauck said Germany should not keep out of conflict; should actually act earlier and in a more decisive way than had happened at earlier times.

The German public at that time, the media, didn't really react too distinctively. I think everybody understood it as a reaction to Guido Westerwelle. He called it the Culture of Military Restraint, which had been around, at least in that coalition government, even though in earlier coalitions, the requiem government had actually led for the first time after the second World War, German soldiers into the war against

Serbia, so we shall not forget that.

But Guido Westerwelle's politics of this military restraint or the culture of restraint was actually not such a happy one. We have not forgotten the abstention on Libya at the UN General Assembly. So, I think from there on, German politics decided that would be a different tone.

So now, Steinmeier had started a review process of his foreign politics. He invited scholars and experts to comment upon the German politics, and even he sort of had (Inaudible) on the day when he presented the outcomes of the review or till the German polls came out, which revealed quite shockingly well that about 60 percent of the Germans, in fact, were not really interested so much in foreign politics, and they thought we should not engage in a very strong way.

Yes, they would like an engagement for human rights, but they didn't really say how. So basically, the impression was, they liked to be, you know, sitting in their arm chairs and watching the big world on their TV screens. Nonetheless, the reality is the reality, and even if Germans like it or not, Angela Merkel took up on quite an active, quite a key role in the current Russia/Ukraine crisis.

And now, I would like to ask Ralf Fücks, who has been like a frequent traveler to Ukraine, that maybe he first comments on the situation down there, and then maybe also on the stance his party takes in the Ukrainian Russian crisis, which actually has been quite more a hardliner stance than the German government. So, they're even far more away from what the German public seems to think. So Ralf, please, if you could comment on that.

MR. FÜCKS: Thank you. Thank you for that very special introduction. But I am shying away from my image as a kind of liberal heart. Now okay, to be serious, Russia's Foreign Minister Lavrov, yesterday, at the Saint Petersburg Economic Forum

again repeated a narrative -- the Russian leadership all the time is promoting the Maidan Movement. And the change of the presidency in Ukraine created a civil war. And the West, you, the U.S., was there (Inaudible) support for this movement -- is responsible for that civil war.

I think this is a completely misleading narrative of what's going on in the Ukraine. From my experience and we are running an office in Kiev since six years, we are working with a lot of civil society initiatives there, I feel personally in Kiev and Kharkiv, other cities three times over the last two months, we see a non declared war against the Ukraine in at least three dimensions.

First, it covered military intervention of Russia. It started -- of course, everybody knows it, with Crimea, with these ominous special troops and the creation of (Inaudible) and the annexation of Crimea, and then, it continued in the east of the Ukraine with special forces from Russia, which have been replaced by the time by armed militias from Chechen and Afghan fighters among them, and also, some ultra nationalist elements from the Russian -- ultra nationalist elements from the Donbas region.

The second dimension of that undeclared war is an economic warfare. Part of that is the increase in the gas tariffs. Russia is demanding from Ukraine by 80 percent, closing the border of Ukrainian exports to Russia, so destabilizing the economy, especially in the eastern regions.

And the third dimension is a propaganda war beyond our imagination. I couldn't imagine that -- what is going on in Russian TV. These ongoing talks about the fascist hunter in Ukraine, about the return of the Bandera fascism and all this kind of historical stuff.

They are talking about genocide against the so-called Russian population in East Ukraine. I say so-called because people from ethnic -- from Russia

and Ukraine still can feel as Ukrainians, and the majority of them do so. So, this is a very sophisticated kind of intervention. And I think the aim of all that is making for any kind of failed state and creating political dynamics which would allow Russia de facto to restore its dominance, its political inference over Ukraine, to turn it back into the Russian fear of influence.

We see a collapse of the government's authority in the Donbas region. Donetsk, Lugansk. I would say it's misleading to talk about the east, the Ukrainian east. It's very heterogeneous; very different shaded situation there. But in these two regions, these two provinces, the government has lost both political authority and security control. This allowed quite small, but heavily armed and radical militias to take control over around about half of the territory in these two regions.

The polls, until April, told us that around about 15 percent of the population in the east is in favor of joining Russia. Around about 30 percent are in the mindset of let's say, kind of Soviet nostalgia and would prefer to cooperate with Russia than with the European Union, or joining the European Union.

Then, there is an indifferent group, and then there is a strong minority, especially the younger, better educated people who are definitely pro European and who want to have another -- a different life. They are looking to Poland, other Central Eastern European countries, and they definitely don't want to belong to the Russian fear of authoritarianism and this kleptocratic economy.

In some cities like Kharkiv, also, Odessa, you have the very vivid, lively civil society, lots of NGOs. These are multi-cultural cities; always a theme -- multi-cultural cities with a European flavor. And I've been listening to feminist academics talking about how could Kharkiv defend itself, completely new tone.

So, I guess still, these separatist militias can't rely on the majority of the

population, but given the absence of the monopoly of force -- because there is a lot of space for these groups, maybe sentenced to the role of the oligarchs in the east, the most important tycoon in the (Inaudible) came out last week with a very strong statement against the separatist movement after weeks of maneuvering around.

We will see if this will change the situation on the ground. He is employing round about 300,000 workers. And in one city, Mariupol, these workers already took over control from these separatists.

MS. FALKE-ISCHINGER: What do you think -- how will the election change the situation in the Ukraine?

MR. FÜCKS: Difficult to say. I hope we will see a significant outcome. People will go to the polls, and the vast majority of then Ukraine -- in these provinces, I guess regular elections will not be possible, and the cities and the pockets controlled by the armed militia, they will try everything, and they doing it already to prevent elections. But nevertheless, I think it will create a new legitimacy for -- I hope Poroshenko will make it in the first round for the president.

At the same time, you know it very well, there is this attempt to create a kind of national dialogue, the roundtable with elected representatives from the east, mayors and people from the regional parliaments. And I think there is a broad consensus on the reform of the Constitution decentralizing economic and political powers, but not (Inaudible) the country. No Bosnian solution for Ukraine.

The language issue isn't an issue de facto. Ukraine is a bilingual country. Even at the Maidan, you heard more Russian speeches than Ukrainian ones. So, I think there is a potential to restore the political authority of the government to create a new consensus on the institutional reforms in the country, if the two main challenges could be managed.

The first one is, of course, the security challenge; how to disarm the militias and to restore a monopoly of force of the Ukrainian state. And the other one is fighting the economic collapse. There is an immediate threat of economic collapse, both fiscally and in terms of industrial production. And so, we need very, very determined, fast and coordinated efforts from the United States, Europe, the IMF and the World Bank to stabilize the economic situation.

MS. FALKE-ISCHINGER: Before we get to Olaf and Fiona, one last question and more determined effort. How do you see the role of Germany there? And you have been criticizing the government, that they were not really hard enough on sanctions, and they were too Russia friendly.

MR. FÜCKS: I wouldn't say too Russia friendly. This may be the case, possibly, the general public's opinion, so people who are not only trying to understand the motivation of the Russian leadership, but having a lot of empathy for Putin and his allies.

But the government -- I would say it reacted as is typical for German foreign policy; cautiously, slowly, incrementally. This must not be the worst way to act in such turbulence, but I think slowly, slowly, there is a process of readjustment and rethinking going on in the German government and the political elite, that their desperate wish that they could return to the old policies of strategic partnership with Russia will not happen again. This is gone.

We are entering a new period of relationship to Russia which has turned into both an authoritarian state and into a counter force to the west on the international scene, and it will be very difficult for Germany to readjust its relationship to Russia, given the deep economic interdependence, and also, the role Russia is playing politically in Europe.

MS. FALKE-ISCHINGER: Well, that's not exactly what Angela Merkel



said. She said last week, she doesn't really see a reason to abandon the strategic partnership. Olaf, would you like to comment on what I've just said?

MR. BÖHNKE: Yeah. Maybe -- let me take you actually back a little bit to the year 2009 to understand actually, so, two important elements of the German government's behavior. So, if you look at the crisis management of Angela Merkel's government in the Euro crisis, there was an interesting phenomena.

You had on the one hand, this big Switzerland phenomena, as it's called. So a German public opinion, which actually is just caring for its own decent living. So, it was always my kind of attempt to translate to a non German audience, actually, Germany is not willing or the German public opinion doesn't want to tell people how to live. That was never actually the approach, actually, to have a German euro. It was more or less actually, get problems fixed and then let us shut down and let's care for ourselves.

And what Angela Merkel did at that time, she was responding to this by saying, okay, so we'll not engage. There will be no (Inaudible), so they should care for themselves. There will be no rescue mechanism. But the interesting thing is, in practice, what she did was every time she said something, a week later, she did just the opposite. So, what would you expect from --

MS. FALKE-ISCHINGER: Like Putin.

MR. BÖHNKE: -- from a mature leader to say, okay, yeah, maybe a difficult comparison. No, but the thing is, so looking back, you could say -- of course, you can doubt the medicine, the recipes she chose, but she managed the euro crisis in a very well way. So, there are articles published these days in Germany where a journalist heavily criticizing her for years asking, okay, do I have to apologize to Angela Merkel?

Of course, the conclusion is not -- I do not, because she took the wrong medicine. But in the end, so in comparison to the rest of Europe, we survived the crisis

very well. So, what she established is an interesting approach of leading from behind. And I had an interesting ECFR debate a couple of years -- I think Ralf was also there -- where a senior German diplomat said, you know, what? German leadership is executed the best way, if nobody realizes it's German leadership behind.

So, and this is still what's going on. The interesting thing then was, as you said, so the Munich Security Conference, where we had the three speeches by Gauck, Westerwelle and von der Leyen with very different approaches --

MS. FALKE-ISCHINGER: Not Westerwelle.

MR. BÖHNKE: Sorry? Sorry. Steinmeier. Yeah, yeah. No, Gauck, Steinmeier and von der Leyen. That was the difference, right, to the year before? And in a way, you could say okay. The interesting thing is that Gauck said very much what one of his predecessors, Haug, a couple of years before, and he had to step down, because he was criticized for saying something like, okay, Germany has to step up to take care of its national interests, things like that.

But of course, the line was different. So, it was much more -- so a colleague of mine said this was the Spiderman doctrine, actually. So, with great powers, comes great responsibilities. This was the message from Munich, so translated in different ways. So, my thesis is that the Gauck speech was actually addressed to the public opinion. So, it was to the German audience. It was not actually to the international audience. Ursula von der Leyen, just the opposite. She held a speech in English -- so she said that the --

MS. FALKE-ISCHINGER: But in Munich -- but it was quite an international audience there.

MR. BÖHNKE: No, absolutely. Absolutely. And of course, there was -- a part of the message was to the international audience. Okay? So we, listened to you.

We realized we have to do something, but as we said, German public opinion is a wild animal. So, still, if you look into the polls and you refer to the recent polls from the beginning of this week in Berlin published by the Kerber Foundation, so you can see Germans still feel not very comfortable with this position of being the leader.

So, if you translate leader in German into fuehrer, so this is a very weird comparison. So therefore, this is still what's in this mixture. Then, it's interesting if we go back to Russia and look at Steinmeier, the SBD and their relationship to Russia, which is also quite an interesting object. So, even before Frank-Walter Steinmeier entered the foreign ministry back in December, in my eyes, the headline of his legacy was already set. It was fix Russia or fail.

So, this was the attitude in Berlin. So everybody was looking -- okay, so you can tell whatever you want. Or nobody is interested in the usual stuff, but how do you want to fix Russia? So, he is the father of the modernization partnership, and he failed. And he said so publicly in December in his inauguration speech when he handed over from Westerwelle.

He said okay, I invented the modernization partnership, and to be honest, I'm frustrated. And this was the ongoing competition of ideas in Berlin since then, so how do we fix Russia? And I think you have to understand this to understand why Steinmeier is so, so ambitious to find a solution in this conflict. And I think he earns an award at least by Lufthansa for being the most traveling foreign minister, maybe together with John Kerry to the Middle East. So, I don't know if they crossed their lines, but --

MR. FÜCKS: It's not traveling with Lufthansa.

MR. BÖHNKE: Yeah. But just for the ads here. Fly German. So therefore -- but the interesting thing, as you said, so here there was a discussion, so is Germany too pro Russian; are they too cautious? There's a very interesting article for

those of you who read German by Andreas Rink who was one of the senior journalists in the current issue of Internet (Inaudible) Politic, which is the foreign affairs magazine in Germany.

It's a chronological picture of what happened within the German cabinet since November of 2013. And if you read this, it's really -- it could also be written by John Le Carre. So you think, okay, this is fiction, but it happened really. So he outlines with very much inside knowledge, so what has happened behind it, and he ends with saying that Lavrov -- the recent conference, I think it ends in April this year, said okay, actually, the Germans are the driving force behind the sanction against Russia.

So still, in public, you don't get that feeling, but obviously, in the elite, actually, that's it. And you can see that also the rhetoric of Merkel, who is, as I said, so very cautious in her public announcement if it comes to politics. So, it was in the Europe crisis, the same with Russia. So, was outspoken in a way I've never seen her in her entire political career before.

MS. FALKE-ISCHINGER: Yeah. Fiona, I had the impression that the Americans expect really a lot of Germany. That's why we do this panel, you know, with German foreign politics. Now, you get all these mixed signals from the German public, the Germans. So, what do you really expect of German leadership in the wake of this current crisis?

MS. HILL: Thanks, Jutta. This is actually obviously a two edged question, because it's -- you know, what does one hope for in terms of expectations, and then what do we actually think will be the outcome? And I think those might be two different things, especially listening to the panel. I mean, we are very grateful to have both Ralf and Olaf here, who obviously are offering you know, some different perspectives.

And if perhaps we had, you know, a colleague here from the CDU, we might get again another -- let's just think -- another perspective on the German foreign policy. I think that's part of the problem for the second answer, just like in every other country, there's such a spectrum of views across foreign policy, which will then create an outcome that won't be what people actually are looking for in the first instance.

I mean, clearly, the United States sees the current crisis as coming out of Europe. We might say that back in 2008 with the war with Georgia, the last major blow-up with Russia got blamed for that, let's just say; kind of a lot of responsibility for that would land on the United States' doorstep because of certain calculations that were made in U.S. foreign policy, the United States pushing the MAP issue, the Membership Action Plan into NATO for both Ukraine and Georgia; at the Bucharest NATO summit when there was a lot of resistance from the European allies.

But in this case, the trigger, at least the proximate trigger for this crisis was the EU, and the EU's association agreement at the Vilnius Summit in November of last year. The United States has been accused by the Russians of somehow orchestrating this, but frankly, the United States was not part of the EU deliberations. And many of the reasons that we have seen the current crisis was not -- there was insufficient foresight about what the impacts of the association agreements and the decisions of the deep comprehensive free trade agreements would have been in the relationship with Russia.

In a way, the EU became by default, a geopolitical actor, something that it aspired to be for a long time after the Lisbon Treaty, but was too preoccupied with its internal affairs for a very long time. Olaf has been mentioning 2009. 2009 is a very critical year for a whole host of reasons. It's not just the Euro's in crisis and you know, a bit of the economic crisis, but it's also the year that the decision is made to set up the

eastern partnership program for the EU, which everyone saw as being particularly (Inaudible). We actually had a launch event for it here at Brookings in November of 2009 with Carl Bilt and Rudick Sakorsky.

And most of the European actors didn't pay a lot of attention to that, including in Germany, for a very long time. There was a lot of resistance to this in Germany, and the point that I'm making here is that the United States started to expect Europe and Germany and everyone else to really step up as a part of the eastern partnership.

The United States didn't have a similar sort of program, and so the expectation from the United States, the hope for German foreign policy in a European context was that once this program was initiated, particularly after the war with Georgia that the Europe and Germany as a leading force within Europe would pick up more of the responsibility for the relationships with this eastern neighborhood with a shared neighborhood between Europe, and would frankly, resolve a lot of the disputes with Russia. So, the United States was looking for Germany and the EU to be part of the solution for relations with Russia, not to become part of the problem.

MS. FALKE-ISCHINGER: Do you think the eastern partnership was a mistake altogether, or should it have been orchestrated in a different way?

MR. BÖHNKE: I don't think it a mistake at all. I think that unfortunately, the problem was then how it was managed. And I think we have a whole host of miscalculations that have led us to where we were. The Vilnius Summit for the Eastern Partnership program that was supposed to see the signing of Ukraine's association agreement and the initialing for Georgia and Moldova took part against the backdrop of the elections in Germany, and then the coalition negotiations. And all of the people here know what a difficult process that was.

I mean, you in fact, don't have the coming out of the coalition and the new cabinet until really the Munich Summit in February, by which time the crisis is already upon us. So, when the three major actors that we've talked about from Germany come out at Munich and say, you know, we're here. You know, we're ready. We've got the foreign policy all dusted off, and you know, we have a perspective, the Ukraine crisis was already unfolding.

Also, at Munich at the security conference, we had a panel on Ukraine, and we had you know, basically, Stephan Fuller acting as the moderator, as the enlargement representative even when he was part of the crisis. And this pointed out, you know, by the Russians --

MS. FALKE-ISCHINGER: Yeah. And please --

MS. HILL: -- at the time, and we were basically in the midst of the crisis, and we haven't caught up with it. And many members of the EUUU who were not in the driving seat for the eastern partnership complained that Germany's absence was basically letting the whole process go on auto pilot. So, we slept walked, if people want to use that analogy, international the Vilnius Summit without really thinking about what the longer-term implications were going to be, even though it was obvious by this point that there would be a blow up with Russia about this.

And the United States was somewhat taken by surprise, too, thinking that -- you know, and hoping, of course, that Europe and Germany and all of the major actors would have thought all of this through.

MS. FALKE-ISCHINGER: Even though there were some signals from the Ukrainian government, as well.

MS. HILL: There were plenty of signals.

MS. FALKE-ISCHINGER: And so there were so mixed --

MS. HILL: And so I think that's how we got there. We didn't pay due attention.

MS. FALKE-ISCHINGER: Uh uh.

MS. HILL: The whole program was not a mistake, but we all share you know, blame for not paying due attention to how everything was unfolding.

MS. FALKE-ISCHINGER: I mean, when you listen to Russians, they mention NATO enlargement all the time as a constant threat to their identity after the Cold War. Would you like to comment on what --

SPEAKER: Yeah, yeah. I agree very much with Fiona's remark that we -- the European Union and most of the European governments completely underestimated the political implication of the association treatment with Ukraine. It was provided in a kind of technical way, and this is the way usually, the European commission is working.

And the signals which had been sent from Russia, years ago, had been completely either ignored or misinterpreted. When Putin was talking about the dissolution of the Soviet Union as the major geopolitical catastrophe of the last century, we have should have listened more closely and more seriously than we did. And when Russia started with economic sanctions last year against Ukraine, this was as clear signal that they would not agree, they would not accept an economic political integration of Ukraine in the EU hemisphere.

Also, parts of the European governments and the European political (Inaudible) so this kind of eastern partnership policy not as a bridge to membership to the European Union, but as an alternative to them. Keep them and have distance. But the Russian leadership had a different reading, and we didn't take serious enough that there was a turn in Russia's politics to restore the Soviet fear, to restore Russian hedge money



over the eastern neighborhood, and to see new integration and even the association treaty as a kind of zero sum game.

The European leadership all the time tried to explain to Putin and the Russian government that this would be in their favor, to have a stable, flourishing Ukraine in their neighborhood, but the Russian authorities have a completely different understanding of their strategic interests. So, to a certain extent, it was a nice phrase, geopolitical actor by default. There was some naivety and now, there is a learning process that power politics is back again in Europe, and it's not clear what will be the outcome of that.

MS. FALKE-ISCHINGER: So I mean, what exactly -- how exactly should the lesson look like? When we look into the future, I think the EU really got heavily criticized. Now, when we look after the elections, there is some talking about how -- what the status of the Ukraine looked like. Henry Kissinger and others talk about maybe a neutral state, a Finland solution.

SPEAKER: Mm-hmm.

MS. FALKE-ISCHINGER: How does that resonate in American understanding?

MS. HILL: Well, I think we've gone beyond the kinds of solutions that are suggested by the Finlandization model, which is always very complicated. And as any Finn will tell you, that was a very difficult relationship during the Cold War for Finland, and they had to work extremely hard --

MS. FALKE-ISCHINGER: But then that's --

MS. HILL: -- at creating you know, kind of basically an understanding with Russia. And it was also based on the fact that Finland spent an awful lot of attention on building of its own economy and systems of domestic governance. Finland becomes

one of the most transparent, least corrupt countries in the world, and basically, becomes a very robust democracy, as well as a very successful economy. So, it's a long way for Ukraine to go to become Finland, and of course the scale of Ukraine --

MS. FALKE-ISCHINGER: That's why --

MS. HILL: -- is enormous.

MS. FALKE-ISCHINGER: Mm-hmm.

MS. HILL: I mean, what we're looking at in the case of Ukraine is something that is more akin to East Germany after 1989, which is where Germany has a very special set of perspectives. On the scale of -- there's what, 14 million people in East Germany? And Ukraine is 43, 45 million? So, just in the population size, that's enormous, the territorial size.

But it's the state of the Ukrainian economy is very much akin to what we actually discover was the state of the East German economy after the collapse of the Berlin Wall. It needs complete restructuring, and Russia has to be part of that. No matter who we want to you know, spin this right now from the perspective of where we are, Russia has made enormous investments into the Ukrainian economy over the last 20 years, since the collapse of the Soviet Union.

It's continued to be the main source of orders for the money factoring sector in Ukraine, not just the defense sector that we keep talking about and focusing on, all of which is mostly focused in Kiev, and then to the east of Ukraine. So, we have to figure out, even as we're dealing with the governors in the political situation in Ukraine, an economic solution that gets over the divisions that we're currently having and the disputes over trade and economic blocks, because Ukraine, frankly, will not be able to recover without some role, major role for Russia in that economy, even if we have a full program by the IMF, the World Bank, the United States on the EU.

And East Germany, of course, had West Germany to integrate, but also, Germany has benefited from this large amount of trade to the east. So we have very difficult sort of problems that we have to address here. We have -- yes, the political --

SPEAKER: But the conflict here --

(Simultaneous discussion)

MS. HILL: -- and the economic.

MS. FALKE-ISCHINGER: Absolutely.

SPEAKER: If I may, the conflict, Fiona, on Ukraine is not about economics. It's not about economic relationships between Ukraine, Russia and the European Union. The conflict is about the political orientation, the political association, and it's about the inner constitution, the inner character of Ukraine itself.

My guess is that the Russian intervention is heavily driven by the fear that the Maidan experience could happen in Moscow. And that the prospect, the idea of a democratic, modern Ukrainian society is a threat to the ruling elite of Russia and their political and societal model. And this is the core of the conflict. And with respect to that, I don't see a compromise, unfortunately.

Now, talking about a compromise with Russia, when I'm reading it, it's almost about neutralization; making Ukraine a kind of buffer state. And this is not only a foreign policy idea, it's also then about the domestic development of Ukraine. So, of course, I guess there is no difference.

Do we really want to return to that kind of grand design that Washington and Berlin are decide -- and Moscow are deciding about the future of Ukraine? So, it's a matter of the -- what the Ukraine people want.

(Simultaneous discussion)

MS. FALKE-ISCHINGER: Yeah, you have to ask them.

MS. HILL: May I just clarify that the economic aspect of this does not preclude what you have just said. But we have to be realistic about what we can possibly do.

SPEAKER: Yeah.

MS. HILL: And for Russia, economics is everything.

SPEAKER: Yeah.

MS. HILL: One of the reasons this was such a trigger, which is why the EU didn't realize about this, this is a major threat to the Russian economy, at a time when the Russian economy is in decline. Putin does think about the bottom line in terms of you know, kind of the economic issues. His whole system is underpinned by economics; by oil and gas revenues.

And what the big concern is Russia was, that by telling Ukraine that it can join the European Association Agreement, and it cannot have an association with the Eurasian Union --

SPEAKER: But they could have a free so -- a free trade --

MS. HILL: It would jeopardize -- this is the Russian viewpoint -- it would jeopardize Russian jobs. The biggest problem for Putin and my down like scenario is if work is in Russia in the large manufacturing sectors and pensioners no longer have their wages and pensions paid. So, the Russian economy is at the root of a lot of this, and the political -- the politics of this creates another overlay.

So, by ignoring the economics of the (Inaudible) will make another fundamental mistake. So, the reason for flogging this is we have to be extraordinarily careful when we look at this issue, not to be totally distracted by what is, indeed, a fundamental disagreement about European security, but one that is also underpinned by economics. Russia is a major economic actor, and Putin's success, as he sees it in

Russia, has been by guaranteeing more than a decade of economic growth and prosperity, which is also coming to an end.

So, that adds even more of an element of necessity in his view for reacting very negatively. It doesn't preclude anything that you have said, but it makes it even more difficult for us to deal with this issue.

MS. FALKE-ISCHINGER: So, I think the rhetoric was a little bit -- it's all about spheres of interest, Russian heartland. So you're really saying it's -- basically, it comes down to the economy. So now in that context, sanctions -- I think maybe we roughed a little bit in looking very far ahead.

First of all, do we see immediately after the elections -- do we see the danger of further escalation? And then how would -- maybe further -- another step -- another state of sanctions come in?

MS. HILL: Well, I'd be interested to see how all often we'll all see this, because I mean, all offers really sort of describe Germany as the sort of stealth operator here, and actually being you know, very much perceived as being behind the sanctions. But I'll just -- I can say very openly that if you look at what Putin is saying in Russian, which you know, I'm looking at all the time, he's already talking about war. This is open warfare for him.

And economic warfare is the new war. It's not just you know, the green men with no epilates, you know, appearing in a covert operation. It's not just the propaganda war that Ralf has described very aptly which is going on. What Putin sees is an economic war. And the Saint Petersburg economic forum that we're meeting against the backdrop of this is very important in that.

It's important to keep having the big investors coming. It's important to have them at odds, you know, with the -- with our government. And Putin is looking for

asymmetric ways in which to fight back against the sanctions, because of course, they can have an impact. And they are causing him to, you know, think about another calculation.

But we shouldn't be deluding ourselves. Putin is already -- believes that he is at war with the EU, with the west, with the United States, and frankly, with Germany. And although I know that --

MS. FALKE-ISCHINGER: With Germany?

MS. HILL: With Germany, as well, although he's not saying it openly. But remember that Frank-Walter Steinmeier was actually asked that question just recently in a press conference about Germany's perspective on this. And of course, he was trying to say that he and Germany are trying to act as the peacemakers here.

But we are already in an economic war. These are tools of war in Putin's view, and he's been very clear since 2008, when it was discussed about putting sanctions on Georgia -- on Russia, because of its activity in Georgia. They weren't actually implemented, but they were certainly discussed. And after that point, if you look very closely at what Putin has been saying, they have acknowledged that this is the new form of warfare.

He's been talking -- and Russian military people and others have been talking since 2009, and definitely since 2012 when Putin comes back, about new forms of asymmetric warfare, and that Russia is engaged in a struggle with the west, with NATO, with the United States, and it's now become one with the EU. And I'm afraid that that's where we are right now.

MS. FALKE-ISCHINGER: But how should we react on this? Should we actually react in the same way, respond in the similar language with sanctions and punishment? Or is there, in all this crisis, the opportunity to press another reset button?

And probably, that doesn't work without finding a solution for Ukraine, which is accepted by all sides.

But further than that, obviously, NATO hasn't worked as a forum. Everybody -- all the Russians who talk about NATO are totally disappointed. The EU doesn't look so good either right now. OSAD? Yeah. Right now, they have the roundtable solution. Maybe they have even more. How can you get the dialogue running again? Fiona? I simply have to exploit your deep insight into Putin (Laughs).

In your book, you describe at length, Putin as an outsider who put himself always in situations where he is not -- where he can actually not be approached by others. Also, not by his own people, but also not by foreign leaders. Is there a way of changing that at all?

MS. HILL: Well, that's the ultimate challenge that we have. That's exactly why the United States, getting back to the theme of our session, is looking to Germany, because there is a feeling that because of all of the, you know, Putin fishtaire and the Rouson fishtaire, you know, elements inside of Germany, that there are special connections that frankly, the United States and other countries don't have with Russia, because the big challenge is getting into that tiny group around Putin, which is deliberately kept closed, so that he has the advantage over all of us of not knowing -- we don't know what he's thinking. We don't know what he's planning next.

So, we therefore can't stop him. It becomes more difficult for us to, you know, get into the mix to either deter or head off or change the calculation, when we don't know what it is.

But the expectation is that all of these German business links, the political links, the fact that people like Frank-Walter Steinmeier and others have spent years in basically giving outreach to Germany so they can penetrate that tiny circle to

change the way of thinking. Now, I think given everything that we've said here and what Ralf was saying, and I'm -- you know, again, hearing, you know, what Olaf has to say, that we have a great deal of skepticism about that.

Because if Steinmeier and others have spent years trying to persuade Russia that you know, modernization partnership that brings them into Europe is in their best interest, but Russia ultimately wants to modernize on its own terms and not become part of Europe, then we have a major dilemma. So, the step forward is then in persuading Putin and Russia that the steps that they're taking in Ukraine will backfire for them over the longer term.

This will so fundamentally change their relationships and so step back the interconnections, that --

MS. FALKE-ISCHINGER: Olaf, yeah?

MS. HILL: -- that we will basically -- Russia itself will have negative impacts from this, not just Europe.

MR. BÖHNKE: But isn't the reality check just proving him wrong? So, because the debate we're having in Berlin is so -- is he acting out of a position of strength or weaknesses? And everybody said in the beginning, so up till April -- okay? He's acting out of a position of strength. But actually, so, at later -- having listened to Nazarbayev, the president of Kazakhstan, actually, who was all over sudden wandering.

So, where is actually our interest in becoming a member of the Eurasian Union? So, Putin maybe won the Crimea, but he lost Ukraine. And he lost the entire potential to build what he has had in mind as a counterpart in Europe to the European Union, to western integration with this Eurasian Union. So, all of these other dictators are now making up their minds, oh, do we really have an interest, actually, in joining Putin for them.



So therefore, the question is nevertheless, as much as I agree with Ralf on the assessment that -- and as you said, so what Putin took out of the modernization partnership was the economic incentives. He was always interested in the economic incentives, so, and he managed in a very well way not to deal -- not to deliver on the political reform agenda. So, and this is where at some point we realized, okay, it's not working out.

The question, of course, is, did we manage really in 25 years since the end of the Cold War to have a serious dialogue on the security architecture in Europe in the post Cold area. And I think we don't. And we are -- it's coming back now, 25 years later, actually, these same discussions we had in '89 and '90. And so as much as I respect Ukraine and its domestic interest -- so I think we can't shy away from a dialogue with Russia on spheres of influence.

MS. FALKE-ISCHINGER: Yeah.

MR. BÖHNKE: Don't get me wrong. So there's not an inch, actually, of understanding on my side that we have to give on this. But this is the dialogue we have to do. And so therefore, I think it's not by surprise that the LSE Roundtable as a German chairman at the moment -- so, because this is what the Germans did for years, actually, moderating in this kind of crisis. This is also what is backed by German public opinion, which by -- so, having these talks about Putin and such.

So, I don't really buy into this; at least not their intellectual crisis. And unfortunately, there are too many former elder statesmen by SBD, two former chancellors, master minds like Egon Bahr and Aaron Eppler, who really can get what they have in mind by giving interviews or writing essays on these kinds of things.

So, I think German public opinion is just scared to hell, actually, about ending up another Cold War, which is interesting. If you look into polls last week, the

ARD, German television did a poll. Seventy-five percent of Germans are very strong, up to strongly scared of another Cold War. The same survey in 2008 in the height of the Georgian War, there was just -- there was 50/50. So there is really -- there is this feeling of not maybe really a hot war or something like that, but really ending up 25 years after the end of the Cold War in the pretty same situation, so, and lessons learned are zero.

This is the assumption I think of German public opinion. Nevertheless, it's also interesting to see that the Russian understanding amongst Germans is decreasing. Russia ended up in a historical low of 14 percent of Germans who think that Russia is a reliable partner for Germany. So, there's not so much understanding. I think Germans are just scared.

MS. HILL: Yeah.

MS. FALKE-ISCHINGER: Ralf?

MR. FÜCKS: Yeah. I wanted to -- if you allow, to agree to disagree. When you're saying we have to negotiate with Russia on spheres of influence, I think this is really the way back. You know? I would strongly oppose the idea that we should have a second Yalta, that we should have a new division of Europe into the spheres of influence.

And this kind of (Inaudible) than public policy between the big powers on the expense of the Central and Eastern Europe being states. So, no way back to the Brezhnev Doctrine; no way back to the policy of Limited Sovereignty for Ukraine or for the caucus wars of -- maybe in the future or so (Inaudible). But I agree --

(Simultaneous discussion)

MR. BÖHNKE: But that would be the OCE process, not actually going down to --

MR. FÜCKS: Of course, I agree that we have to look for potential

compromise with Russia when it comes to their economic interests. Having kind of a European energy, architecture that included Russia -- they offered Russia an energy agreement. They rejected it because they didn't agree to the transparency and competition rules the EU wanted to have.

Even in Ukraine was an association agreement with -- the EU could have a free trade agreement with Russia. Yeah? So, we should offer Russia win/win scenarios in economic terms. But what we can't offer them is a compromise on the expense of the sovereignty and integrity of Ukraine. So, this is the red line. And I would say let's not panic. Olaf had actually mentioned that maybe Putin is already discovering that his triumph in Crimea and his successful destabilization of Eastern Ukraine will fire back heavily.

It will fire back in economic terms. You will see an enormous capital flight from Russia. You will see a decline of the Russian economy. You will see -- you mentioned the Russian neighbors becoming nervous and questioning the idea of having a Eurasian union with Russia. Even there is a momentum of nation building in Ukraine as a consequence of the Russian intervention and a non-ethnic kind of nation building constituting themselves as a political nation of different ethnicities.

And maybe, we'll see as the outcome of the Ukrainian crisis strengthening of European foreign and security policy, repoliticizing the EU itself. So, I am not so pessimistic, let's say, on the medium and long-term. And the Russian elites, I think are finally very aware, or they will discover that they are depending more from cooperation with the EU than vice versa.

MS. FALKE-ISCHINGER: That would be good.

MR. BÖHNKE: Jutta, just to make that clear --

MS. FALKE-ISCHINGER: Yeah? Not --

MR. BÖHNKE: I did not actually advocate any kind of a Vienna Congress solution,, so it's more talking about Finland. So what I had in mind was something like --

MR. FÜCKS: But Finland is named after the European Union.

MR. BÖHNKE: Of course. So but he has (Inaudible) Carter in the OCE process -- I think something like that is -- I think we need a process, not time for making decision, just for the sake of making a decision and showing face. I think you have to re-engage them.

MS. FALKE-ISCHINGER: Okay. Now, I think we'll take questions from the floor.

MR. FÜCKS: A lot.

MS. FALKE-ISCHINGER: There are quite a lot. But we'll have a microphone there. So, maybe if you ask your question, if you briefly could introduce yourself. So, who was first? I think there.

(Discussion off the record)

SPEAKER: Thank you very much. A great panel and a wonderful discussion. And I hope you are right with your optimistic reading that Putin might somehow be acting out of weakness rather than strength that could backfire on that. But you know, while Fücks mentioned he is not worried about medium and long-term, and I hope you are right, but the key is, of course, short-term.

MR. FÜCKS: Yeah.

MS. FALKE-ISCHINGER: Mm-hmm.

SPEAKER: And that is the stabilization of Ukraine. And here is the question. I mean, your own analysis would point to a great difficulty to achieve that with Russia. Your analysis. And is it possible, really, realistically to stabilize Ukraine

economically and politically without some form of cooperate with Russia?

MS. FALKE-ISCHINGER: That's a good point. Yeah?

SPEAKER: I can just take it here. (Inaudible) currently at the American Institute for Contemporary German Studies. A quick comment, and one question. The comment is, it's really strange, I think, this proposed Finlandization, because Finland is -- of course as was just mentioned, a full member of the European Union. This is something which, of course, has provoked the crisis. I mean, it's absurd, this idea.

Okay. Another question to Fücks. You said, okay, at the moment, this idea of returning to EU -- to a German Russian strategic partnership is over. The question is, was there ever really a strategic partnership between Germany and Russia?

MS. FALKE-ISCHINGER: Okay. Maybe if you take these first questions, and then we go on? Ralf?

MR. FÜCKS: Okay. I would agree that there was in a -- in fatidic meaning, there was no strategic partnership, because strategic partnership depends on common valued, on shared values, not only on mere interests. So, but of course, there was a very wide range of economic cooperation, even integration if you're looking to the energy sector, and a very intense, long diplomatic relationship.

So, it will be very difficult to find a new balance to Russia. I would say a combination of limited conflict and limited cooperation. And how this will play out is still an open question. I don't see a return to a full-fledged Cold War, you know, containing Russia, isolating Russia. That will not happen. We will have a mixed picture of limited sanctions and limited conflict and limited cooperation on other areas, also, other international areas, Syria, Iran and whatever.

So, I think it will be more of a mixed picture in the future. The first question -- of course, it would be -- we could wish to include Russia in the scenario

stabilizing the Ukraine politically and economically, and we should try everything to do it. But I'm not sure if it will work. So, it depends from a learning process in the Russian leadership, and it will be very, very, very difficult for Putin to pull back.

Even the nationalistic wave and the heat he himself turned on in Russia, it will be extremely difficult to pull back not only literally, but politically, and agree to a sovereign independent and pro-European course of Ukraine. I don't have an answer to that dynamic.

MS. FALKE-ISCHINGER: Ralf, did you want to add something?

MR. FÜCKS: One question -- and I might be interested in Fiona's take on that. So, I think we should spend more attention to the domestic developments in Russia. So, because as Ralf said, so that was my reading. So even during the Arab Spring, Putin was very much concerned about getting this kind of empowerment movement to Russia. And we had this mass demonstration in his inauguration actually, in December, so where he heavily used the use of violence actually, to get this silent again. So therefore, I agree.

And I think this is also one of the motivations, maybe. So if you might ask, so why is he acting? So, the one thing is his economic interest, and of course, the question of leadership in the region. But I think it's also kind of a tactic, actually, to get the attention away from his domestic problems. And from what I know, actually, they are serious. So, not just on economic terms, on modernization.

So actually, he would be in sore need of a modernization partnership, because there is no modernization going on inside Russia. And I think we have to understand much more, and I think the approach, and this is one of -- at least of the German government talking about strategic partnership, to have the much stronger engagement with Russia civil society supporting them, actually, supporting the forces.

They are actually making a difference, and yeah, I think we should continue.

MS. HILL: Okay, so, yeah, can I make just a quick comment on this? Because there's an important element that we have to recognize here, and we have to be very carefully when we start talking about involvement in Russian domestic affairs, just like we have in any country's domestic affairs, because we don't always fully appreciate or understand the situation.

The question was about strength and weakness, and which is Russia reacting from. It's from both. I mean, as all of us who are in the audience -- there are many people here who know Russia very well -- I mean, Hannah Sodemite has been working on this for many years, as well -- Russia was never as weak and never as strong as it kind of looks from different perspectives.

And Putin is acting from the perspective of both issues right now. There is weakness and strength in the domestic situation. Weakness is, his ratings were declining from the period of when he came back into the presidency to just the end of last year. I mean, this was in, you know, a range of course -- it's fabulous from an external perspective, but he went down to 63 percent from 87 percent.

And as there is no political alternative to Putin in the system, he's running against himself. So, he was not as popular as he had been in the past, and that raises the possibility of a contender or some kinds of contenders emerging. And they would come out of economic difficulty. The economy is slowing down and Russia is facing, just like every other country, the rise of a populist nationalist right, which has always been in Russian politics since the 1990s.

What Putin has done is usurped their agenda. I mean, he is Marine Le Pen, Nigel Farage, opportunity for Deutschland all in one person. And that's the strength of his position, because he's usurped the agendas that other people could take, and

Crimea was the ultimate revisionist, revanchist success.

Now, there's a long way you can go down from there. He's back up at 87 or so percent in the polls again; the largest single percentage raise that he has had in the whole time since he came into power.

MS. FALKE-ISCHINGER: Mm-hmm. That's true.

MS. HILL: And it was the Sochi Olympics, and it was Crimea. The problem is, where you're talking about turning up the heat to achieve that, do you have to keep doing things like this, you know, to go forward? How many other agendas do you have to take on to -- you know, basically to succeed? The last time that Putin was riding so high in the polls was after Georgia in 2008. He was on the Prime Minister in that point, but nonetheless, he was seen as been having, you know, played the role in the small victorious war against Georgia. We should have paid attention at that particular point.

The other strength that he has is he has complete or almost complete control of the media as the propaganda war. He has the strength that we don't have, because it's the robustness of our democracy. So, just like Olaf was not suggesting, you know, basically spheres of influence, I'm not suggesting that we start playing psychological operations where we take complete propaganda control of our media.

But the point for Putin is, as my colleague Cliff Doddy says, he's the uni-polar president. He can pretty much do and say what he wants. He is the one voice that counts. He doesn't have Senator McCain constantly saying, you're being terribly weak. He doesn't have the media saying, oh, my god, you know, if we don't do this, China will go and do this over here.

He doesn't have, you know, Angela Merkel having to look at every opinion poll in her coalition's partners. He can speak up and say what he wants. The



risk, of course, is that in gaining the popular legitimacy and complete control of the propaganda machine, you don't find the kind of information that suggests that things may be going awry.

The economy is also both weak and strong. The economy is robust in many respects, because they've talked down expectations and they have oil and gas revenues, and it's weak, because you're not modernizing, you're not actually diversifying, because you can't really, without basically becoming more integrated into the world economy.

But if you decide that success is in robustness and not in modernization, you can play this game for a long time, unless oil prices drop for a considerable period of time to a very low point as they did in the 1990s. So, we have to be very careful about how we calibrate this, because Russia is neither weak nor strong. It's both.

MS. FALKE-ISCHINGER: Yeah. (Inaudible). Bill?

(Discussion off the record)

MS. FALKE-ISCHINGER: And the gentleman at the back will be soon.

MR. DROSDIAK: Bill Drosdiak, American Council on Germany. Just to pick up on Fiona's point, the next meeting, I gather, between Putin, Merkel and President Obama will take place June 6<sup>th</sup>, when they meet for the 70<sup>th</sup> anniversary that -- D-Day in Normandy.

So, I'd be interested in hearing the views of the panel. What would be the best approach that western leaders should take in this sense? Gerhard Schroeder, after celebrating his 70<sup>th</sup> birthday party with Putin in Saint Petersburg, was quoted as saying, when asked did he have a good conversation with Putin about what would be the best out of the Ukraine crisis, he said, yes, Putin told him, give me a 10 year moratorium on NATO membership for Ukraine, and that would clear the way.

Now, we know he's said a lot of misleading things. Would that be something that NATO leaders should explore as a possible way out of this crisis? Or would such a compromise or concession be simply seen as another sign of weakness by Putin and exploited as such?

MS. FALKE-ISCHINGER: Let's take two more questions over there, a couple of questions together. The two gentlemen in the back row.

SPEAKER: My question is about the mistreatment of the Russian minority that is inside Europe and in Ukraine. The question is, don't you think that we made a big mistake as Europeans to let them mistreat the Russian minorities, giving to Putin's side the good excuse to go to defend "the Russian minority in Ukraine?"

MS. FALKE-ISCHINGER: And your neighbor?

MR. KOPER: Stanley Koper. You might have noticed that Putin was in China the last two days.

MS. FALKE-ISCHINGER: Mm-hmm.

MR. KOPER: Concluded a deal on gas, also inaugurated naval exercises near the Senkakus. First time that's been done. Russia and China would be a powerful combination, and then there's India. India, along with Russia and China, full member of BRICs in the Shanghai Cooperation Organization -- they want to be full members. If you have a trilateral arrangement, Russia, China, India, why would Putin care so much about Europe? Europe is an appendage.

MS. FALKE-ISCHINGER: So, who wants to comment on the appendix? Probably your opinion.

MS. HILL: Nice choice of words there, sonny. And as the lone, you know, kind of woman speaker on the panel along with Jutta here, maybe I'll not use that - pick that up again. Mr. Putin, however, would probably make quite a lot of jokes about

that point.

I mean, I think to pick up Stanley Koper's point, you know, Russia has always been looking for the Asian alternative for a very long time; I mean, historically, as well. I mean, this is a long tradition going back to the 20<sup>th</sup> century, and you know, the late 19<sup>th</sup>, when Russia was expanding eastwards.

And obviously, the Russia China gas deal has been something that has been more than a decade in process, and Russia was very anxious to get that concluded and to find some agreement both on volumes and price with China. Of course, we have a lot of deliberation about this. We don't really know what the terms are, and I think clearly, the event in Ukraine and the disputes with Europe have been impetus to both sides to resolve this -- to Russia and China, and they still have something of a long way to go.

But I think you know, for Russia overall, the necessity of diversifying away from Europe has been there for a long time as well in its economy. The problem, I think, for Europe is precisely that Europe is not an appendage at this point, and that Russia's trades with the east and elsewhere is much smaller than Russia hoped it would be.

And unfortunately for Russia, the gas deal just basically reinforces, in many respects, the fact that most of that trade is focused on natural resources. I think what will be more significant, if there is a massive arms deal again with China, and I think we should look out for that. But that is -- over the last few years, it seemed more unlikely, as China has reverse engineered many of the Russian armaments, aircraft and others that it has received over time, and has become a competitor to Russia in many of the same arms markets that Russia was hoping to push into.

So I think you know, although it's completely understandable that Russia

would do this, indeed, there is more competition now with Europe and in energy, and I think that's been rightfully pointed out. And Russia has been pushed you know, more to looking to the Asia-Pacific. It still has a very difficult economic position there, and a lot more things would have to be worked out.

Russia was hoping to improve their relationship with Japan. That's something else to watch in the next several months, as to whether Putin goes on his visit to Japan. But that seems more unlikely now than it did in the fall because of the Ukraine development. And also, if Russia is promoting of exercise off the Senkakus, that won't go well (Laughs) in Japan. So, the whole effort of Putin, as much as of Abe to improve that relationship is now under question. So, we'll have to see how that plays out.

The issue of the minorities -- Russian speaking minorities, is such as a loaded one, Daniella, as we all know, because as Ralf pointed out, just because you speak Russian doesn't mean you're an ethnic Russian. And in fact, we have many people here in the audience now -- I see people from you know, former parts of the Soviet Union who feel very comfortable in Russia, but would not describe themselves as Russian.

And you know, coming from the United Kingdom, where there's going to be a vote on September 18<sup>th</sup> for independence in Scotland is not based on language, because the vast majority of the people in Scotland speak English, admittedly, with a Scottish accent -- a heavy Scottish accent, but as somebody with a --

SPEAKER: Kind of English.

MS. HILL: -- very sort of accent myself, you know, that is no incumbent, you know, I think to one's identity. So, you have to be very careful about this. It certainly was an explosive issue in the Baltic states in the 1990s, and a lot of pressure was put on the Baltic states by the OSCE, by the high commission of international minorities and

others to address that issue. And the Baltic states will still have to completely step up on the question of citizenship and language issues.

The Ukrainians made a massive mistake in the repeal of the language law. Now, admittedly, Mr. Yanukovich only introduced that as part of his own political maneuvering to increase his base in Eastern Ukraine, and as Ralf said, a lot of Ukrainians speak Russian as their first language and are very comfortable in that, including many members of the opposition and so-called Ukrainian nationalists.

For many of the people I spoke to on Maidan, that was what they were herself. They were hearing Russian. They were very rarely hearing Ukrainian, including from some of the most self-evolved Ukrainian nationalists. So, language politics is an explosive issue, but it's certainly incumbent upon all of us to make sure that minority rights and language rights are very much observed, but are not turned into political tools, because there a lot of the places where this could play out.

And many of the people that are getting passports -- Russian passports right now around the region are not actually ethnic Russians, even if they may be language speakers. It's an explosive issue in Georgia and Armenian parts of Georgia. It's been an explosive issue throughout the whole Central Asia about passports. It was in Georgia in 2008. So, I think we have to be very careful about this issue.

There are an awful lot of English speakers around the world who don't have British or American passports. And you know, we have to be very careful how we play with this issue for a whole variety of reasons.

MS. FALKE-ISCHINGER: One more question. So who was next?

Yeah, you.

(Discussion off the record)

SPEAKER: Mike (Inaudible). If Anders Azlam is here, I'll let him speak

for himself. But he was in a forum a couple days ago where he was suggesting that a deal is already cooking between the EU and Ukraine, should the "right side" win the election; that the EU enlargement commissioner is already talking about getting some kind of association talks going, if there is a receptive audience on the Ukrainian side, which if this one candidate wins, there ostensibly would be.

Have you all heard anything to this point? And do you see the EU really rethinking their position on this? Have they learned any lessons from all of the things that you folks have been talking about?

MS. FALKE-ISCHINGER: Good question. Two more, maybe. Who was next? Maybe if you go to the back corner.

(Discussion off the record)

MR. DONESK: Hello. My name is Igor Donesk. I am a reporter for a Russian newspaper. Thank you for your time. Olaf was talking about German public opinion and the German (Inaudible) in this situation. But recently, there was an op-ed by -- in the (Inaudible) editor in the *New York Times* that told why Germans love Russia.

And he was talking that -- how Germany wasn't traditionally a western country, but historically, it was between west and east, and has become western as a result of old war alliances; and that today, across the political spectrum in Germany, you can find both in the right spectrum and in the left, people who support Russia, because they think sometimes that Germany and Europe -- or Europe has become too tolerant, too homosexual, maybe too unchristian.

So, my question is, do you think -- to share the title of this article. And do you think it will -- this German public opinion can limit, or -- in some way, the foreign policy of Germany towards Russia? Thank you.

MS. FALKE-ISCHINGER: Ralf, do you want to take that?

MR. FÜCKS: Yeah, let's start with that. It's really an interesting phenomenon with me, how similar to (Inaudible) exploit this pro Russian sentiment in the German public. It has deep historical roots.

This idea of a special soul relationship between Germany and Russia, in cultural terms -- you know, of Nietzsche and Dostoevsky and these kinds of anti western, anti modernity feelings, politically, you have this tradition of a special German Russian relationship. It started with Prussia and the Czarist Empire, the vision of Poland between Russia, the Habsburg Empire and Prussia, and even the Hitler Stalin pact -- a kind of special German Russian relationship dividing Eastern Europe between these two powers.

And of course, you have strong economic interests; 6,000 German companies are invested in Russia, and there's strong pressure from the business community to keep that special relationship, having privileged access to the energy resources and minerals of Russia and vice versa, delivering high technology and machinery to Russia.

So, there is, beyond the -- our foreign politics, you have this notion of a special proximity between Germany and Russia. And yes, I would say it is limiting to a certain extent, the capacity of their governments to take more conflictive stances, then towards Russia. On the other hand, we shouldn't overestimate, I think, this false -- if it comes really to (Inaudible) decisions, I still would believe that the majority, not only of the clearly elite, but of the German society is very aware that our place is with the European Union, and that at least, the alliance with the United States is one of the stable components of our international orientation.

MS. FALKE-ISCHINGER: I think that's very good last words, even though we have a lot of questions, and I'm sure we could talk for hours. So, let me thank you, the panel, for a lively debate, and the audience for your patience and questions.

And come again. (Applause)

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I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Carleton J. Anderson, III

(Signature and Seal on File)

Notary Public in and for the Commonwealth of Virginia

Commission No. 351998

Expires: November 30, 2016