

**CENTER FOR STRATEGIC
AND INTERNATIONAL STUDIES**

**“AN INTEGRATED STRATEGY FOR SOUTHEAST
EUROPE: THE ROLE OF GREECE”**

**TUESDAY, SEPTEMBER 26, 2006
12:00-12:45 p.m.**

INTRODUCTION:
DR. JOHN HAMRE, PRESIDENT AND CEO, CSIS

FEATURING:
HER EXCELLENCY DORA BAKOYANNIS,
FOREIGN MINISTER OF GREECE

*Transcript by
Federal News Service
Washington, D.C.*

DR. JOHN HAMRE: Ladies and gentlemen, I apologize for interrupting the conversations. There is such warm and positive energy in the room, and I'm delighted you are all here. You have outdone us. We had a – more people came than reserved, so that is good sign. But we are going to try to get a few more chairs set up here real quick.

Thank you. Welcome to all of you. I'm delighted you're here. My name is John Hamre. I'm the president at CSIS. And I am just very grateful for the opportunity that the ambassador has given us to be the partner here in Washington for this portion of the minister's visit. And we are delighted to have her here.

I don't know normally – well, first of all, let me just say one thing. We are going to have a question-and-answer period, and we have given you little cards, and so please fill out the card. We have got people positioned to pick them up. And I'm going to be going through them. I'm going to screen out all of the dumb questions, you know – (laughter) – so only ask smart questions, and we also – this way, we have got such a limited amount of time that we have with the minister that we don't want to have – you know, usually questioners ask long questions, so we are going to get them focused. So please do fill out the cards and pass them to our colleagues.

I don't normally introduce speakers who are so well known. But in this instance, I just want to take a moment because I think that the life journey that the foreign minister has been through is very important for recounting for all of us here. She comes from a famous political family of course, but this was a family that had to flee into exile when she was 14 years old, at the time of the coup. And she spent that very formative time when in Paris waiting for her country to return to the democracy that it invented, okay.

She went back of course to Greece, and it's where she met and married her remarkable husband, Pavlos. Now, people probably know he was assassinated, murdered by terrorists. It is important to say that to Americans. We somehow think we alone have experienced terrorism, and yet that we have had friends and important leaders around the world that have lived through it much more dramatically and personally than have we.

Now, going through that, it would be understandable if you were scarred and you came out of it bitter and resentful. And what instead, Minister Bakoyannis came out of this with a vision, a vision for what America – or what Greece can be. I would like it to be a vision of what America can be post-9/11. I'm worried that we don't have the kind of optimism and hope that we need in this country because we are letting 9/11 too much shape that. And I look to her frankly as a model for what I wish we could become here in America.

Now, you saw that optimism and that strength when she was the mayor in Athens for the Olympics. I told her last night I couldn't sleep kind of anticipating today, and I kept – my mind kept drifting off to images of that opening ceremony, you remember at the Olympics, where there was marvelous images of Greek antiquity that was brought

back to life in such a vivid way, and it was such a success. But it was an image, again, coming from a person who has endured true terrorism, true pain and suffering, and has come out with a grander vision for herself and for Greece. This is a great story; it's a great human story, and it's a great story of leadership.

We are delighted you are here, Minister. I welcome you to Washington. You can see there is great interest in what you are going to share with us today. So let me not take any longer. We need to hear from you. Thank you. I introduce to you Her Excellency Dora Bakoyannis.

(Applause.)

DORA BAKOYANNIS: Thank you so much. Thank you, President Hamre. Thank you for the kind words you said about me, and to let me also pay tribute to Pavlo Bakoyannis. It's today 17 years since he was assassinated. He was a great Greek leader and a democracy fighter. And I think that what he left behind is a Greece reconciled, which was very important at that time.

So, distinguished scholars, colleagues, and friends, ladies and gentleman, I would like to thank everyone at the Center for Strategic and International Studies for the kind invitation to address you today. I have to confess, I hesitated a little because I had just finished a book of essays by the American critique John Jay Chapman, and in one of them he wrote, "The world of politics is always 20 years behind the year of thought." And I thought, is this how American intellectuals view politicians? But then I saw that Mr. Chapman wrote these words 130 years ago and I realized that he was obviously talking about male politicians.

So here I am – (laughter) – and very glad to be with you too because I have always believed that it is of mutual benefit for policymakers and policy analysts to exchange views as often as possible. Indeed, all of us who practice politics are influenced directly or indirectly by the insights of those who study and analyze the issues we face.

I would like to take this opportunity to speak about a region that is not one of the danger zones preoccupying the world right now: Southeastern Europe. My choice of topic may come as a surprise to some. The eyes of the world have turned to other flashpoints: the Middle East, Sudan, Iran, Afghanistan, and always of course Iraq. However, I think you will find that while history's cauldron, as the Balkans have been called, may be not boiling, they are still simmering and will continue to require careful attention for some time to come.

And let me be very clear: Our job there is not done yet. Indeed, the area continues to constitute a central challenge for the European Union and I believe also for the U.S.'s external relationship. Bismarck once said, "If there is every another war in Europe, it will come out of some damn silly thing in the Balkans." None of us in Europe can forget how often he was proven right.

The task of building strong states or fostering economic development and establishing the rule of law, of building effective institutions in which all citizens, regardless of their religion or ethnicity, can place their confidence is making headway, but it's far not complete. The Balkans remain a work in progress, as a quick survey of the region reveals. A decade after having signed the Dayton Accords, we are currently in the process of updating them, of making them more relevant to today's reality, and of agreeing on a new, more stable Bosnia Herzegovina.

The newest entry in the world of state, Montenegro, is just beginning to dip its toe in the international arena while striving to establish itself internally as a functional state. Serbia, a key country for the region's stability, is still sadly haunted by the past. It has yet to fully meet the obligations set by the ICTY, to begin to move – and I hope she will move quickly – towards membership in the EU and NATO.

The international community still seeks clarity when it comes to the final status of Kosovo. And until that is achieved and has the support of the countries in the region, no one really believes that the stability in the Balkans arrived. Ladies and gentleman, when we talk about Southeastern Europe, we must first remember that the biggest and most successful post-war exercise in conflict prevention has been the progressive enlargement of the European Union itself.

The European Union has successfully tied former enemies together with bonds of shared interests and benefits, and has consolidated democracy in former dictatorships with remarkable success. The European Union has made the first half of the last century look even more distant than it is. Foremost, in not (?) all of the countries now lining up to join the EU, the prospect of membership has acted as a great stimulant for change. It has encouraged and supported governments in the long and difficult process toward free-market democracy, the values, diversity, respect minorities, encourages differences of opinion, and accepts criticism of governmental politics.

In this light, that Greece has strongly supported the integration of the whole of Southeast Europe into the European family, our overall political direction has been based on a very simple principle: If we are to have peace and prosperity on the continent, European integration cannot be fragmented. We believe that new Europe that is being born will be even richer, stronger, and more enduring if it includes Southeastern Europe. We made this policy a cornerstone of our European Council presidency back in 2003.

We supported the EU's so-called big-bang enlargement to include the 10 new member states. We endorsed the admission of Romania and Bulgaria, which will bring them full EU membership and encourage the candidacy of Croatia and Turkey. Since the most recent expansion, the European Union, I'm pleased to say, has granted candidate status to the former Yugoslav Republic of Macedonia, is nearing the conclusion of a stabilization association agreement with Albania, and has opened SEA and negotiations with Bosnia Herzegovina.

Sadly, negotiations with Serbia have been called off following Serbia's failure to locate, arrest, and transfer wanted war criminals to The Hague. We hope that these issues will soon be resolved and that negotiations will resume. Ladies and gentleman, the road to Europe is rewarding, yet long, demanding, and oftentimes difficult. The so-called enlargement fatigue that characterizes public opinion in many Europe countries today, the appearance of new states such as Montenegro, and the serious political problems that persist in the region call for greater efforts, particularly by the countries concerned. We must work hard to prepare for the incorporation of all Balkan countries into the European framework, for only then will Europe be truly united.

Our policy is about cooperating with likeminded partners and international institutions to spread and consolidate freedom and democracy. After all, free societies make the best neighbors. They also offer the best places to invest, to do business. In pushing stability, peace, and prosperity throughout the continent, the EU is the largest donor in Southeastern Europe. During the period 2000, 2006, the EU has allocated 6.6 billion euros to the countries of the Western Balkans.

Indeed, through such funding, we aim to achieve four main objectives: first, democratic stabilization, reconciliation, and the return of refugees; second, institutional and legislative development with EU norms, respect for the rule of law, human rights, democracy, principles, and free-market economy; third, sustainable economic development; fourth, regional cooperation among Balkan countries between them and the EU. Greece, thanks to its advanced infrastructure, its geographical position, and its know-how and experience is a unique springboard for foreign companies wishing to expand their activities to the wider region.

Greece has invested approximately 14 million euros in the wider region, including Turkey, creating over 200,000 new jobs in the process. We are the primary foreign investor in Albania, the former Yugoslav Republic of Macedonia and Serbia, and the second in Romania, and the third in Bulgaria. In the banking sector, more than a thousand branches of Greek banks operate in the region, amounting to 20 percent of the market. As a result of our growing economic involvement in the area, Greece's exports have risen by approximately 10 percent during 2004 to 2005 fiscal period. In Turkey alone, our exports soared 36 percent in 2005.

Last but not least, in the field of security, we are contributing to UNMIK and KFOR in Kosovo, to the EU military operation ALTHEA, and the EU police mission in Bosnia Herzegovina. At the same time, we play an active role in promoting the creation of a single economic space in the area, which will act as a catalyst in the completion of the enlargement process.

What do we hope to achieve with all of these activities? We have five major objectives. Our first major goal is the creation of a free-trade zone that will include our neighbors, and replace the complex bilateral agreements between countries in the region currently in force. We are hopeful that by the close of this year, we will achieve a new

agreement with European standards, harmonizing all rules and regulations regarding settling of disputes, economic transactions, and protection of intellectual property.

Our second objective is the promotion of major transport corridors linking the whole region. While European and international organizations are pulling most of the load in this enterprise, Greece is using its capabilities to support their efforts. To that end, we are financing section of corridor X, which connects Thessaloniki, Skopje, and Belgrade to Central and Eastern Europe, and corridors four, which links Thessaloniki, Sofia, and Bucharest, and which will facilitate the movement of people and goods. We are also encouraging corresponding efforts in rail transport.

Our third objective is the creation of a single energy market. The past October, the energy charter was signed by the EU 25 members and our nine neighboring countries in the region. Based on this charter, the national legislation on energy in these nine countries is being brought into line with the legislation enforced within the European Union. The fourth objective is the creation of a major energy hubs transcending the Balkans and connecting the whole Southeastern Europe.

Indeed, Greece is rapidly becoming a hub for energy networks in the area. In agreement of strategic importance signed by Russia, Bulgaria and Greece, whose leaders met in Athens just a few weeks ago, will pave the way for the construction of an oil pipeline that will connect the Black Sea port of Bourgas in Bulgaria with the Greek port of Alexandroupolis in Northern Aegean Sea.

The pipeline will significantly reduce both the cost and the time required to transport oil to the West and decongest the tanker traffic flowing through the Bosphorus Straits. The construction of the natural gas pipeline between Baku in Azerbaijan, in Turkey, and Komotini in Greece, will also expand energy flow in the region, and with its extension to Italy, via the undersea link in the free Adriatic – Greek Petroleum has acquired an undersea link in the Adriatic.

Greek Petroleum has acquired the only refinery in FYROM, and in December of 2005, the construction of a pipeline connecting Skopje via Thessaloniki began. Two new pipelines will fan out from Kosovo to supply – from Skopje to supply Kosovo and Serbia and Montenegro.

All of these efforts are solely needed to meet energy demands in the region, which are growing rapidly. Last winter, Albania and Kosovo used load shedding to deal with the growing demand that overwhelmed supply, and this coming winter, it is likely to be even more difficult.

Our fifth objective is the promotion of policies for the unification of the Balkan economic space in multiple sectors through development assistance. Briefly, this will include the Internet linking of Balkan research and educational institutions, and will facilitate the development of high-speed Internet in the wider region

Ladies and gentlemen, all our efforts, however, whether on a European or on a regional level, will be in vain unless we firmly entrench political stability in the region. The key challenge we face as an international community relates to the fate of Kosovo. Unfortunately, despite months of negotiations, no concrete progress has been achieved so far. The Serbs appear ready to agree to everything but independence, and the Kosovo-Albanians to nothing short of independence.

The policy of Greece on this issue is clear. We believe we must not risk achieving a long-last and viable solution for the sake of meeting pre-set arbitrary deadline. The EU has often been criticized for not making the EU perspective more credible in the Balkans, thereby highlighting a growing importance on both sides to make commitments and conditions, yet we all know that international relations are a dynamic rather than static procedure. Adaptability is the essence. Hence, if the need arises for more time for the parties to achieve the best possible results, I believe it should be given to them.

In this respect, we should not underestimate the domestic politics on each side, and should provide the opportunity for everyone involved to have a voice. We also believe that both sides should be strongly encouraged to maintain democratic and human rights standards, especially when it comes to the protection of minorities. History in the Balkans has not been kind to minorities and their rights. It is time to change that once and for all.

Most important, we must start preparing both in Kosovo and Serbia the day after. In Kosovo today, the general mood on the street is that independence is the solution to all problems. Independence is seen as a magic wand, which, once waved, will provide employment, running water, stable electricity, education, health and prosperity. Yet we all know that independence is no panacea. We have to work very hard in order that Kosovo, a land-locked area with few competitive advantages and the long history of economic mismanagement does not become a state that fails to deliver on its promises to his people.

More than half of the population of Kosovo is under 30. Unemployment is the highest in Europe, and opportunities are the lowest. Until such problems are dealt with in Kosovo, it will remain a volatile area. So whatever the outcome of the current talks, the international community must retain its presence in Kosovo for some time.

When it comes to Serbia, we must remember the lessons of history that teach us that neither a country's humiliation, nor one's absolute victory guarantees peace and stability in the long term. This is even more pertinent in the case of Serbia, one of the most significant states in Southeastern Europe. Indeed, no Balkan equilibrium can ignore Serbia, and we must do our best to discourage their eyes of extremist nationalistic voices. The lessons of the Weimar Republic remain as potent as ever.

Allow me now to focus briefly on Turkey, a state of great geopolitical importance in the region. As I previously noted, our commitment to the European perspective for the

whole region remains unwavering. Provided of course the candidate for admission fulfill EU criteria and requirements, and that naturally includes our Eastern neighbor, Turkey.

Greece supports the bid of Turkey to become a full member of the European Union. As you know, Turkey must fulfill certain concrete political, economic, and institutional criteria for joining the European Union. And I want to be very clear here. The EU is built on a shared legal and civic culture. It is important for Turkey, like all candidate countries before her, to proceed with the necessary reforms it has pledged to enact. Once Turkey makes the necessary adjustments, she should be granted full entry to the European Union.

Ladies and gentlemen, for the past few years Greece and Turkey have made considerable progress, particularly on the economic demand. Trade between the two countries is booming, as is tourism. Scientific cooperation and exchanges of experts are also extensive. Furthermore, Greece and Turkey, as I have already mentioned, joined undertaking major infrastructure projects.

Unfortunately, major issues remain unresolved. Most of these pertain to the obligations Turkey assumed as a candidate country for EU accession, including human and minority rights. One such example is that the free functioning of the Ecumenical Patriarchate is at present not guaranteed. It is a pity that Turkish officials failed to realize the tremendous asset the patriarchate can be for Turkey in its push for European Union membership.

Turkey has made efforts recently to comply better with European values, norms, and practices. Yet, she still has a long road to travel. Consider the Cyprus problem. Cyprus is a story of invasion and occupation, and the U.N. Security Council has repeatedly called for the Turkish troops to withdraw from the island. Today, 37 percent of all Cypriote territory is still occupied by Turkey, a country which maintains nearly 40,000 troops there. Let me just say that we needed only 13,000 troops in Lebanon as a UNIFIL force to make it clear that the war in Lebanon will not go on. I'm saying that just so that you have a comparison.

So weak Cypriotes constitute more than 80 percent of the total population, and they have accepted since 1974 the creation of a federal, bi-communal state in which they will share power with Turkish Cypriotes. Greece and the whole European Union supports the creation of such a state. The latest U.N. plan was rejected by the Greek Cypriotes. It was deemed unworkable and unfair.

A new solution is now sought, which now you must take into consideration not only the work done by the U.N., but also the plain fact that Cyprus is a member of the European Union and hence that European principles and norms must be applied in dealing with it.

I remain optimistic and believe that the solution will improve in the future as long as the political will is present on both sides. Ladies and gentlemen, Aeschylus, one of the

Ancient Greece's play-writers wrote, "It is through suffering that learning comes." Well, the people in the Balkans have suffered long enough, and by extension, we have all suffered enough. We have all learned that hard work, cooperation, mutual respect and common goals provide the very foundations for progress, peace, and prosperity. That is the new Europe that we are building, and we are determined that the Balkans will be part of it. Thank you very much.

(Applause.)

DR. HAMRE: Foreign Minister, thank you. This was as inspiring as I knew it would be. Thank you.

I am going to take the prerogative of being the chair. I paid for this microphone. I would like to ask, if I may, the first question, and then I have got some questions from the floor.

You have personally lived through terrorism, as I think, if I'm right, you had an assassination attempt directed at you as well, personally. We know that when society is confronted by this, that we have an obligation to go after those who intend to kill. We also know that we have got a larger question, and that is how do you steal away from terrorists the issue that gives them credibility in the society they are in. And so it's striking this balance between acting and also embodying the values that give a larger vision so people can hope for the future.

You have lived through this. What would you be saying to America today?

MS. BAKOYANNIS: I will probably have to go back to my mike. But I would say that we have a war and it's a war between our values and what terrorists think. It is very hard to win this hard. It is very hard to go after terrorists without denying ourselves. And I strongly believe – and I would just say what I told my children, that we cannot become or have the terrorist logic. We will never win if we deny our value system. So it is very important. It will be difficult, it will be hard, but it's very important to make this war with our values, with our beliefs, with our visions.

And democracy and democratic values will prevail at the end. I strongly believe that, but it is difficult, it is very difficult because they fight this war without any rules. But if we are strong – and I believe that the European union, the United States are democratic societies, are strong, we can answer. It's not a war of civilizations. We Greeks lived long enough with Muslim societies together. We know and understand and respect the Muslim societies which are our neighbors – still our neighbors and we live very close by. We understand also the symbolisms which are very important in the Middle East region, and one should respect them.

Muslim culture does not mean that every Muslim in the world is a terrorist, and one should be very, very clear about that. But we must go through a long way fighting

terrorists, and fight them with our weapons. And our weapons is our collective value system.

DR. HAMRE: Minister, let me – (applause). Minister, you gave a very strong speech for security in Europe and prosperity. You didn't use the word "NATO" at any time. The questioner is asking what do you personally see is the role now of NATO in the security environment for Europe? It appears to be diminishing in its popular support. Do you – how do you assess this? What is your perception about NATO in especially the Balkans but Europe in general?

MS. BAKOYANNIS: Yes, I'm sorry I didn't mention it. For the whole Balkan region, their will is to be part of NATO. So most of the countries have start with agreements, and they will continue. I mentioned it only for Serbia because it was important that they get the message that they will be part of the Euro Atlantic structures.

Of course, NATO is changing, and it will change. And the next Riga meeting will be I think meeting focused exactly on these changes which are needed. But the countries in my region, all of them want to become members of NATO. They see that as part of their security and their stability in the region, and I think the old ideas, where NATO was seen as a very bad thing in the region are not there anymore. There are always NATO critics which exist, but this new NATO has at least on the governmental level of all of the countries in the region full acceptance.

DR. HAMRE: The World Bank's Doing Business in 2007 survey ranks Greece as the 107th country out of 175 for ease of business activity. This is behind other countries in the region. What can you say about how the Greek government could improve the capacity to do business in Greece?

MS. BAKOYANNIS: My government has a very hard fight against Greek bureaucracies, which is one of the biggest liabilities for Greece. We need to win that fight. We are working for that. It's not easy. If there is any strong opposition, you can find it as a picture of a bureaucrat. A real bureaucrat never wants to give up so he always tries to find ways to make himself useful. But we are committed in having new legislation which will facilitate investments in Greece. We know we need it. We know that as all countries, we are very much interested in having investments, and we know that Greece is very well positioned today to have investments because of our very good relations, which I mentioned before for the whole region. So we will have some new legislation trying to cut down all of the obstacles which bureaucrats create to make investment difficult.

DR. HAMRE: I have several questioners who have – who are asking about EU enlargement, and it really keys off in part to – you introduced it when you said that EU enlargement was in many ways one of the best-preventive-diplomacy moves to take tension out of the region. And yet recently EU Commissioner President Barroso talked about limiting enlargement, I think just to Romania and Bulgaria, and then taking a pause. You, yourself, spoke about certain enlargement fatigue.

So the questions generally are asking what do we do about this because it does represent a progressive step that can be taken by Europe, and yet there does seem to be now a malaise, and how should we approach this?

MS. BAKOYANNIS: Well, Europe is a very difficult structure to understand so many American friends have anyway difficulty. But we Europeans have a difficulty to understand it ourselves quite often.

So I'm trying to explain what is really happening – is that we are going through an economical difficult moment in Europe. So the so-called social net of Europe is very difficult to be kept up economically. Of course this is – but this is the vision of Europe. Europe has a distinction from the United States exactly for a very strong social protection net. But economically this is difficult. We have to become more competitive; we have to have another growth in our economies. So this balance is a difficult balance to be kept.

So with the 10 countries which came in, the societies in Europe, at least some societies in Europe believe that their economic problems are due to the enlargement. So this is the wonderful talk which goes on and on in Europe about the Polish plumber with the Chinese T-shirt. So what do you do with the Polish plumber with the Chinese T-shirt who comes over to France and takes over the jobs? So that was a little bit the discussion which went on.

And this brought France, one of the biggest countries, and the Netherlands to the denial of the European constitution. And this is a very big problem, and it's a very big internal problem for the European Union, and we have to solve it by 2008.

So now there are two different discussions – one, the Western Balkans – what I was talking about – the Western Balkans, more or less most of my colleagues understand that you cannot leave it – you cannot leave these countries out of Europe because then you don't have a stable Europe anyway. And of course we are speaking about a small number of people.

But then comes the discussion on Turkey, and Turkey is the key issue. And there of course Europe is divided, clearly divided. There are those who are against Turkey's participation for cultural reasons. They say that Turkey has nothing to do with Europe. There are those who are against Turkey for economic reasons. They say 70 million people; it's too much for Europe. There are those who are against Turkey for structural reasons. They say if 70 million comes, what are we going to do, how is the decision-making going to be.

And these are really difficult answers – very difficult answers, and it does not help that Turkey does not make any concrete movements in answering those concerns because they are not moving. They are having a slowdown in their reforms. They are not honoring the Ankara protocol, which means to open their airports and their ports to Cyprus goods, et cetera.

So all of these make it a very complicated very situation. But if I may close with an optimistic note, Europe has been an extraordinary structure. If you look back what happened in the last 50 years, you can still remain optimistic that we will find the right balance for the decision-making. The people in Europe have decided to go forward and to leave back a lot of the problems of yesterday, and I believe it will be very difficult. Sometimes – I don't know how it's called in English – you need quadron (ph) the circle.

DR. HAMRE: Square the circle.

MS. BAKOYANNIS: Square the circle. But I think we will do it. But enlargement will be the main issue for the two or three years to come for us.

DR. HAMRE: If you could take one more question. And let me just say thank you here to all of you who have given such good questions. You have just answered three of them – (chuckles) – so I am not going to ask anymore. But I would like to ask one. As a very interested American that treasures this relationship with Greece, and it's a question that would still seem to have the lingering problems of the – of America's role with Greece during the period the junta. And what can we do – is there anything we should be doing to restore the warmth and the generosity or relationships to each other to that pre-1967 level.

MS. BAKOYANNIS: Honestly, I don't think that this is a problem anymore. We were absolutely not pleased, which is a diplomatic way to say, with America's politics at the time of the junta, and I have every reason to be very clear about that, but that is over. America's and Greece's relationship is very good. We don't look always eye-to-eye on every issue, but we are honest and very good friends, and we are clearly communicating. The United States called us a strategic partner in the region, and I believe that we have the same value system, so we are working together on a lot of different places and countries and subjects. So I think this is not an issue anymore. We have overcome that. All of us in history have made history, and I think that that was one of them.

DR. HAMRE: You know, the world is full of politicians who follow, and I think we have had a chance to see a politician today that leads. I want to thank you, Madam Secretary.

MS. BAKOYANNIS: Thank you very much.

DR. HAMRE: It has been splendid.

(Applause.)

(END)