

"The Eurozone Crisis and Its Implications for Transatlantic Relations"

The following is an excerpt from the prepared text of a speech German Vice Minister of Foreign Affairs Michael Link gave on Feb. 13, 2013 at Carleton University in Ottawa.

**Professor De Bardeleben,
Ladies and Gentlemen,
Distinguished Colleagues,**

Thank you for your kind words of welcome. It gives me great pleasure to be here at Carleton University. And I am glad to have the opportunity to talk to you about what is happening in Europe, within the eurozone, and about its implications for transatlantic relations.

We live in an era of ever growing interdependence, and I fully understand that many people in Canada and elsewhere in the world are somewhat worried when they hear about the challenges we are facing within the eurozone.

I would first of all like to address what we are doing to deal with these challenges, how we are trying to make our societies, economies and businesses more crisis resilient – and more dynamic for the future. In a second step, I will then talk about the implications for transatlantic relations as we see them.

I can start on a positive note: The doomsday scenarios on Europe's future that many economists and pundits painted last year have not come true: Europeans have not given in to the dangerous temptation to repatriate powers.

The eurozone has not eroded. Instead, slowly but surely, we are addressing the root causes of what has morphed into the gravest crisis of confidence in the history of European integration. But I can state today: Europe and the European Union have moved from "crisis mode" into what could be called "crisis solving mode". Europeans are now optimistic about the future of their currency. Latvia recently even took the decision to join the euro in 2014.

Three steps have been essential on this road:

Firstly, we have ratified a Fiscal Compact that anchors a culture of sustainable public budgets in the eurozone. Its entry into force in January is a major milestone, a true historic paradigm shift: Europe has decided to no longer fight its debt with more debt.

This return to the path of sound budgeting is not a German obsession, but an imperative of our time. And it is not merely a lofty aspiration but a fact: Since 2009, new public deficit in the eurozone has decreased by fifty percent.

Secondly, we have established a powerful permanent European Stability Mechanism to protect our currency. Solidarity with countries encountering liquidity problems is an indispensable part of our strategy. And Germany is assuming its responsibility. The German parliament, the Bundestag, has approved guarantees of over 200 billion euros. That is a lot of money – even by

German standards. And by Canadian standards too, I would have thought: 200 billion euros roughly equals the GDP of the province of Alberta in 2011.

Thirdly, we recognize that growth is important in order to balance budgets and to allow for structural reforms. We have concluded an ambitious European Compact for Growth to revive investment, employment and dynamism. German domestic consumption has increased significantly lately and thereby become an important driver of growth in Europe. The European Central Bank, as you know, has also played a crucial role in managing the crisis in accordance with its mandate.

This policy triad of consolidation, solidarity and growth is yielding results: Ireland and Portugal are well on their way to returning to the capital markets. Trade and fiscal deficits as well as labour costs are decreasing in those countries most severely affected by the crisis. We are on the right track.

The dark clouds of crisis, however, have not yet entirely dispersed. That is why now is not the time to be complacent. Now is the time to heed the wakeup call. We must build a stronger Europe.

To succeed, we must pursue two strategic objectives:
We need to revive the dynamism of our economies.
And we must strengthen the resilience of our monetary union.
We believe that in order to strengthen European monetary union we have to address the euro's structural shortcomings. We have to do what was not yet possible in Maastricht twenty years ago: The time has come to complement our monetary union through closer coordination of our financial, fiscal and economic policies within Europe.

We must forge much closer cooperation between the national and the European level in order to prevent economic imbalances. Setting up a single supervisory mechanism for banks is another crucial step. These are not technical measures only. We are taking European integration to the next level.

In this endeavour, we will make sure that our citizens have their say whenever we transfer responsibilities to the European level. A Europe without full democratic legitimacy would be built on sand. On this we fully agree with British Prime Minister David Cameron.

Debt mutualization in the eurozone, however, would be a dangerous mistake, whether it be called Eurobonds, redemption fund or have any other label. If we went down this road, we would set the wrong incentives. We would not build but undermine solidarity and we would strangle further incentives for reform which have been shown to bring indebted and struggling countries back on track to growth.

The path we are taking should lead to political union one day. It will complete our monetary union. At the same time, it will empower Europe as a global actor to assert its values and interests in the world with one strong voice.

Building this Europe of the future will require passion and determination. In due course, we will have to revisit the European treaties. Otherwise the ambitious reforms implemented to date might run the risk of remaining piecemeal. This is why German Foreign Minister Guido Westerwelle is proposing a rigorous reform of the European treaties after next year's European Parliament elections.

Germany's commitment to the European project is unwavering. Our economy may be weathering the crisis more robustly than others. Two decades after our reunification, Germany's political clout may have increased. But this does not translate into a unilateral policy option.

For Germany, the European project continues to be the fundamental lesson history has taught us. In this global age, we need Europe more than ever if we want a bright future for our country. There is a broad consensus in Germany: Germany's future lies in Europe. Or, in the words of Hans-Dietrich Genscher, long-term German Foreign Minister, co-architect of German reunification and the overcoming of the division of Europe in 1989: "Europe is our future, without Europe we don't have any."

In our view, European integration has brought peace, freedom, democracy and prosperity to our continent. That is why the EU was awarded the Nobel Peace Prize in 2012. That is why our commitment to Europe will remain a cornerstone of German foreign policy.

Let me turn to the second challenge – which also brings me to transatlantic relations: How do we revitalize our economies?

Thirty years ago, an economic crisis in Europe would have been painful, but it would not have called into question Europe's status as an economic powerhouse on the global stage. But things have changed – and this is true for Europe as well as for Canada or the United States: Today, the lion's share of global growth is being generated outside Europe. In 2011, Europe, the U.S. and Canada combined accounted for about 45% of worldwide GDP. Thirty years ago, Germany exported ten times more goods than China; in recent years, China has repeatedly outperformed us as the "export world champion". In twenty years' time, according to United Nations estimates, India's population will be around three times that of the European Union. As new powers emerge and the relative weight of Europe and of the U.S. and Canada diminishes, we must put our houses in order on both sides of the Atlantic, and I have outlined what we are doing in Europe to put our house in order.

Obviously, we expect the U.S. to do likewise and to address its own budget deficit sometime in the near future. And I know that Canada has similar plans and will reduce its overall deficit from about 85% of GDP now to about 75% in 2016.

There is also something that Europeans, Canadians and Americans should do together in order to foster growth and to create jobs: We believe that promoting free trade across the Atlantic Ocean should play an important role in revitalizing our economies and stimulating further growth including job creation on both Atlantic shores.

You might know that the EU and Canada are about to conclude negotiations on a Comprehensive Economic Trade Agreement – CETA.

Negotiations on CETA have proven to be challenging. We believe, however, that the enormous economic and political benefits for both sides are worth the effort. That is why Germany has been in favour of an ambitious, balanced and encompassing agreement. And we are working hard to ensure that negotiations between Canada and the EU are concluded soon.

Now that the second Obama Administration has taken office, we have also approached the U.S. and suggested we talk about what we can do to further spur trade and investment between the EU and the U.S. We believe the time is ripe for an ambitious project that will make use of our strengths on both sides of the Atlantic. The time is ripe for a “transatlantic single market”. A comprehensive agreement on trade, investment, norms and standards will require heavy lifting – as we have seen in negotiations with Canada on CETA. And yet, such a project would spark major impetus for jobs and growth.

A comprehensive agreement between the U.S. and Europe – and Canada will be included and its interests respected through CETA – would constitute an important building block for the future of the liberal world order that is the foundation of our security and our prosperity. We are therefore encouraged by what U.S. Vice-President Biden said at the Munich Security Conference ten days ago when he declared that the U.S. fully supports the idea of a comprehensive transatlantic trade and investment agreement.

The rise of new centres of power and global players has accelerated in recent years. Germany and other export-oriented economies in Europe and North America have benefited enormously from the hundreds of millions of new consumers in the emerging countries of Asia, Latin America and Africa. Our relative weight, however, has gone down in both political and economic terms.

A transatlantic agreement that covers all relevant sectors including investment, services, norms and standards, government procurement as well as trade issues would ensure that Europe and North America can hold their own and secure their future in this age of globalization.

That is why strong transatlantic relations are in the interest of both Europe and North America, and allow me to explicitly include Canada here once more. Only together will we assert the unique cultural community that we share. Only united can we foster the resilience and dynamism on which our future prosperity and freedom depend.

One of the important lessons drawn from the financial crisis, is this: In today’s globalized world, Europeans, Americans and Canadians will only assert their common values and interests if they firmly close ranks while at the same time remaining committed to an open and liberal world economic order.

I am convinced: Europe will emerge from its crisis stronger than it was thanks to a policy of working together and integrating more rather than less. That goes for economic policy, and it also goes for foreign and security policy.

Our Canadian and American friends are our natural partners in this. We need the U.S., we need Canada to stay engaged. If we want to preserve the current liberal economic order, fight for peace, human rights and a more secure world we cannot withdraw from the world. Instead, we have to strengthen institutions like the United Nations, NATO, the OSCE – and we have to build new regimes – such as the comprehensive trade agreements we are currently working on. Only by pooling our strength can we defend our values and our interests in this new world. In that endeavour, the strategic partnership with the United States and Canada is our strongest card. We should play it.

Thank you.

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