

Federal Foreign Minister Dr. Guido Westerwelle

Germany is not for turning on how to save the euro (Financial Times 18.11.2011)

Europe is facing its toughest test ever. The debt crisis brutally revealed all the cracks in the economic and monetary union: the decade-long accumulation of public debt and the lack of competitiveness of some national economies as well as shortcomings of the European treaties. Despite the European Union's most strenuous efforts, it has not yet won back the confidence of financial markets.

There are forces which are betting on breaking up the eurozone. What would that actually mean? The eurozone is the economic backbone of the European Union. Its stability directly affects non-euro states and global financial markets. An erosion of the eurozone would jeopardise Europe as a political project, and with it the chance to make our values and interests be heard in the new power set-up of the 21st century.

Stabilising the eurozone is in the interest of all 27 EU member states, not least the UK, with its extremely close economic ties. Time to find a solution is running out fast. Three things need to be done urgently if people and markets are to regain confidence in Europe.

The first is to tackle the immediate crisis. Greece's government must without further delay adopt and implement the necessary reforms. Just as urgently, states and banks need protection from contagion. This includes implementing the decisions of the European Council on private sector-involvement, recapitalising banks and increasing the "firepower" of the EFSF. But one thing is clear: the effectiveness of the rescue mechanism cannot be separated from the soundness of the economies behind it. Only when states regain trust by immediate and thorough reforms, can the crisis be overcome.

Some argue the euro can be saved only at the price of sacrificing monetary stability. This would be a momentous mistake. Putting the European Central Bank's printing presses to work might at best bring some short-term relief. But it would have dire consequences, both raising inflation and dissipating vitally important incentives for reform. In the end we would end up with a depreciated currency and an even more destabilised eurozone. The European Central Bank's independence and firm commitment to price stability are of paramount importance to Europe's economy.

Second, we need a clear-cut strategy for competitiveness and growth. This includes completing the single market by extending it to growing sectors such as energy and IT, and creating a more enterprise-friendly environment. It is equally crucial to put much greater emphasis on innovation, education and research in EU budgets. Economic and financial policies must be co-ordinated more closely. Also EU structural funds need to be targeted better to improve competitiveness.

Third, we need to provide for the future and upgrade the monetary union to a stability union. Sound budgeting is not a German *idée fixe* based on our historical experience of hyperinflation. It is in the interest of Europe as a whole. Voluntary commitments and debt brakes are necessary, but insufficient. If we want to turn things around irreversibly, we will not be able to avoid amending the treaties.

There is no time to lose. It is vital to send a clear message to markets that the eurozone is determined to end the policies of debt-making. At the European Council in December, we should agree on establishing a convention for a limited treaty change. Its mission would be to strengthen the economic and currency union, no more, but no less. The process leading to sanctions should in the future be triggered automatically. There need to be binding rights at the European level regarding the budgets of eurozone states which continuously deviate from the fiscal straight and narrow.

To overcome its weaknesses the eurozone needs deeper integration through tighter economic governance and tougher rules for the stability pact. The challenge is to

manage this without creating a split within the EU. Does that mean squaring the circle? No. There are ways to ensure coherence of the union as a whole. Changing the EU-treaty at 27 - however tiresome and difficult that may seem - is the best way to prevent a disconnect between the eurozone and remaining EU member states. Greater transparency and closer ties between the euro-17 and the other EU states would also help cohesion, as would further measures to strengthen the single market. A separate treaty limited to the eurozone can only be a last resort. Treaty change will require considerable political will. But if we fail to muster the courage to do this now, Europe will remain permanently vulnerable to crisis.

The writer is Germany's foreign minister