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

MS. HILL: Ladies and gentlemen, we'll get started right away. I apologize for the slight delay in our program this morning, but Foreign Minister Westerwelle was in the midst of some very important, as I think we all can appreciate, meetings at the Treasury Department. He assures me that everything is all resolved, as he's about to tell us in his presentation this morning, so the markets can rest easy now.

I'm Fiona Hill, the Director of the Center for the United States and Europe here at the Brookings Institution. And first of all, I'd just like to welcome everyone here, and Foreign Minister Westerwelle on behalf of the Institution, our President Strobe Talbott, who unfortunately, couldn't join us today, and also the head of the Foreign Policy program, Martin Indyk who also unfortunately is not here. But you are here, a very large audience. We also have an overflow room. And we would also like to say hello to all of the audience of C-SPAN who are covering this, and all of the other media outlets that we have here today.

This is obviously a very important speech that we are here present for. And we would like to thank Foreign Minister Westerwelle for making the time to come to talk to us in between so many important meetings. He's leaving at 12:00 to go and meet with Secretary Clinton so we could like, of course, not to delay that meeting in anyway whatsoever, so I'm going to hand over right away to Foreign Minister Westerwelle for his presentation. And he



has graciously offered to take a number of questions from the audience, and we'll try to accommodate as many of you as we can. So thank you very much, Foreign Minister Westerwelle. Thank you for joining us.

MR. WESTERWELLE: Fiona Hill, distinguished guests, ladies and gentlemen, excellencies, I'm delighted and honored to be guest of the Brookings Institution today, and I am especially pleased to see so many friends of Europe in the audience here. I really want to apologize that I am a bit late. I'm sorry for this delay, but it is the truth, I just had a meeting with Timothy Geithner and it was very intensive. It was constructive. And if this helps to relax the markets, well it's fine.

The famous line in Mark Twain's memoirs about Wagner is also true for Europe; "The music is better than it sounds." And I say this as a great fan of both, of Richard Wagner and of the European integration.

I know that there are many questions and concerns about Europe these days. I followed a bit the internal discussions about Europe in this important and crucial time in the United States of America, questions about the current crisis and what it means for Europeans, Americans and others around the globe, questions also about Germany's approach to the crisis about the place it sees for itself in Europe.

I have come here to answer four fundamental questions as openly and directly as possible. What is the nature of the crisis we are facing; what are we trying to achieve; what is Germany's role in all of this and, of course,



what's in it for the United States. First, the nature of the crisis.

The term euro-crisis is, from my point of view, convenient but misleading. In its first 10 years, the common currency has been remarkably successful by any standard. Its exchange rate and inflation rate are as stable as that of the Deutschmark. The euro has assumed the role of a second global reserve currency. In times of globalization, the euro was the right thing to do. If we did not have it, we would have to invent it now as a lesson learned from the financial crisis that would have had worse effects without a common currency.

But it's also obvious that a number of European countries are no longer enjoying sufficient trust in the financial markets. The reasons are slightly different in each case, but three things are at the root of this crisis: to begin with, the words financial crisis as the trigger; secondly, excessive public and private debt and growing macro-economic imbalances as a result of lacking competitiveness and flaws in eurozone governments.

All of these factors are interlinked. In the aftermath of the financial crisis of 2008, the state had to rescue an over-leveraged and ill invested banking sector. At the same time, it had to provide a huge fiscal stimulus for the economy. The German fiscal stimulus, by the way, was comparable in relative size to U.S. efforts at the time. As a result, financial markets started questioning the ability of some eurozone members to repair their debt or to grow their way out of the debt burden first in Greece, then in Ireland, then in Portugal. The debt crisis moved into a crisis of confidence,



questioning the political will and determination of eurozone members to fix the flaws in the construction of the monetary union.

Second, what we are trying to achieve? There are those who argue that an early and massive rescue operation would somehow have prevented the crisis from developing, as if some sort of unlimited guarantee of Greek sovereign debt by all other eurozone members in the spring of 2010 could have put everything on hold. I frankly don't think that this argument holds up. It focuses exclusively on the contagion issue but completely ignores the deeper origins of the crisis. The same is true in my view for the argument that Germany, Europe's anchor of stability, somehow misreads the nature of the crisis; that we are trying to amend the rulebook instead of putting out the fire.

From the very beginning we have focused on a double-track strategy, linking solidarity with partners under pressure, with a firm commitment to fix the eurozone and put all members on a path of fiscal responsibility. Both are necessary and both are interlinked. So our philosophy in this present crisis is that we, on the one hand, have to erect the firewall, that we have on the one hand to fight against this present crisis; but that we, on the other hand, also have to be aware long-term engagement is necessary, long-term solutions are necessary, structural reforms are necessary, otherwise this kind of crisis would hit us every few months, every few years again and we wouldn't solve the problem. We wouldn't only heal the symptoms but we wouldn't care about the root and the causes for the crisis we are in. So from our point of view, both are



necessary.

And if we explained this as a German politician, it's crystal clear for us we have to show, and we show solidarity. But on the other hand, we have to use the opportunity, the chances in this crisis that we solve the structure of crisis that they give answers to deficits and to the flaws in the construction of the eurozone.

Let me emphasize this point again because it represents the core of our approach. There are those who argue that we under estimate the severity of the crisis, that we mistakenly focus on long-term remedies for what is in reality a short-term problem. My answer is, it is actually this argument itself that underestimates the nature and the scope of the crisis. Yes, we need short-term crisis management, but we should not opt for measures that would lay the ground for an even bigger crisis in years to come. And most importantly, our short-term measures will only be credible and effective if we address the root causes at the same time.

Some think, in the public opinion -- some discuss it in the sense that a long-term solution is something we should get answered in a few months after the present crisis is solved. If our idea, if our analysis is right -- and we think it is right -- that we are in a present crisis which started as a debt crisis, which moved into a crisis of confidence, then also a long-term answer is necessary to solve this crisis of confidence. The long-term answer, the sustainable answer is also important for the international markets for all the



citizens world-wide who want to see that Europe knows what it has with the European Union and with our common currency, so the combination of both is necessary. It is a comprehensive approach which we discuss and which we have as a guideline in our policy.

Solidarity with countries having liquidity problems is an indispensable part of our effort. We are now in the final stage of setting up a permanent European stability mechanism to deal with liquidity problems. Germany's share of these financial guarantees is more than a quarter of the total. The German parliament has approved financial guarantees for more than €200 billion. Translated into the size of the U.S. economy, this will be the equivalent of far more than \$1 trillion U.S. in guarantees by the U.S. Treasury.

I think this is a remarkable answer. More than €200 billion on the table expressing and showing solidarity, knowing that this is our responsibility in the interest of Europe, but also, of course, in our well-defined national interest as a national economy in the Federal Republic of Germany.

But please, \$1 trillion -- if I compare it to your size, to the American size of the economy -- \$1 trillion, what this means if I translate it to you and to your country. And just answer the question to yourself. Can you imagine members of congress approving such a sum to help out non-Americans?

The theory that Germany is not demonstrating solidarity with its fellow eurozone partners in trouble is urban legend and simply not accurate.



The European Central Bank also has a very important role in managing the crisis. It will do what it considers necessary and appropriate with its mandate. It is not for me to commend or to give advice, because you know that the European Central Bank is independent and it was one of the German goals in the negotiations 15 years ago that the European Central Bank is independent and does not have to follow political orders.

The core of the problem, however, goes even deeper than providing liquidity. The crisis of confidence requires decisive action on two fronts. First, we have to fix the flaws in the eurozone's construction. When setting it up shortly after the fall of the Berlin Wall, we were not able to go all the way and create a political union side-by-side with the economic and monetary union. It took a while for the consequences of this failure to become apparent because we enjoyed a decade of low interest rates and strong economic growth, especially in southern eurozone members. This made it so tempting and easy to neglect the dangerous productivity and competitiveness gap with the eurozone. We thought we were doing well, even without stronger coordination of fiscal and economic policies. This was a mistake. We also allowed the hallmark of our monetary union, the stability and growth pegged to be hollowed out and violated numerous times without real consequences. This was another mistake. And we did not reduce public and private debt in good times. This was our third mistake. We are now addressing and correcting all three of them.



This is why we have pushed for change through the European treaties. This is why we hope to conclude a new fiscal compact by the end of this month. With this compact, we will firmly establish the principles of future fiscal responsibility. We will introduce strong 'debt-brake.' We call this 'debt-brake.' If I translate it into American language, into English, we introduce strong 'debt-brake' provisions in member states league of frameworks and we will significantly strengthen policy, coordination within the eurozone and its perspective members.

I'm confident that most non-euro members of the EU will join in this effort. Our door will also remain open to Great Britain. Yet, in my view, tighter rules and better coordination cannot be the end of this story. We have to recognize that we need nothing less than a paradigm change for our countries and our society.

The debt economy itself has reached its limits. Fiscal responsibility and sustainability are not arcane concepts for experts, nor are they awkward hobbies of Germans still traumatized by memories of hyperinflation three generations ago. They are the imperative of our time.

The policies of debt combined with the shortcomings of the eurozone construction and compounded by the effects of the financial crisis have led us into the danger zone. We have taken it too far beyond the point of credibility. And allow me the question, as a guest with all modesty and politeness, can we really be sure that this is only a problem of the eurozone?



The triple origin of the crisis that defies all the easy answers, all the big bazooka remedies put forward by economists and pundits on both sides of the Atlantic and on the island in between. That is why we are focusing our efforts on creating a union of stability in Europe and moving towards fiscal sustainability and growth here and now.

We cannot postpone this fundamental change of direction to a distant future. Rescue packages and short-term liquidity are not a solution to the crisis. They are buying us time in which to address the root causes, no less, but also no more. The key is, therefore, to strike the right balance between easing the short-term pain and laying the foundations for long-term gain.

Europe has decided to no longer ease the symptoms of the crisis by fighting debt with more debt. This is an enormous challenge. It will be neither easy nor quick, but it is the only viable path for a stronger Europe in the future. Our partners in Greece, in Ireland and in Portugal and many other countries deserve our respect and our support for the efforts and sacrifices they have made.

When we discuss the merits of this argument, let us not overlook the different demographic realities of our societies. In Germany and many parts of Europe, every euro of debt will have to be shouldered by fewer and fewer taxpayers in the future.

Ladies and gentlemen, by no means do I advocate austerity only.



Apart from the debt issue, the widening gap in competitiveness between eurozone members is the most important cause of the crisis. Budget cuts alone will not do the trick. Structural reforms are essential for the creation of new growth. They are also essential for the long-term cohesion of the eurozone. It is simply not acceptable that one out of five Europeans under the age of 25 is without a job. In some countries, we are even talking about one out of three. Here, we can and we must do better.

Reforming labor markets is only one element, but a very important one. We know from our own experience 10 years ago when Germany was singled out as the 'sick man of Europe' that these reforms are politically difficult but very beneficial for long-term growth and employment. In other words, Germany is asking and urging for structural reforms. But we do not ask any other country in Europe or in the eurozone for more than we did by ourselves in our own country. Structural reforms are decisive because a currency is only as strong as the economies of the countries behind the currency are successful.

This is the very challenge that some of our partners in Europe are now facing. Others like, for example, the Baltic States have already successfully implemented these reforms and have returned to solid growth. And we will do more. We will employ and use EU's structural funds to stimulate economic growth. We will focus the upcoming EU budget for the years 2014 to 2020 on innovation and new technologies and move away from subsidizing the economy of yesterday, a budget, by the way, to which Germany will be the



biggest net contributor.

And finally, we should never lose sight of the benefits of free trade. We work hard to expand free access to the emerging markets. Shouldn't we also put the issue of a transatlantic free-trade area high on our agenda, a free-trade area that is not weakening our WTO efforts for global free-trade? We are, after all, more deeply integrated through trade and investment ties than any other two economic areas of the world.

This brings me, ladies and gentlemen, to my third question: what is Germany's role in all this? When you look at most of the public commentary, you can't help but feel a dilemma. We are either criticized for being too cautious in addressing the crisis or for being too dominant in dictating our own policies to others. We take both views seriously and we believe both are beside the point.

To be perfectly clear from the outset, there is no good future for Germany without a good future for united Europe. While there are undoubtedly differences in opinions among German political parties on the details of crisis management, there is a broad consensus that the answer to the current crisis has to be more Europe, not less Europe. Germany is and remains deeply and firmly committed to a united Europe. The integrated single European market is the basis of our wealth and economic prosperity.

The integrated decision-making in Brussels, while often tedious and full of compromises, has been the basis of more than six decades of peace



among the European Union member states. The integrated trade and foreign policies are our best chance to preserve our European way of life and to assert our values and interest in a globalized world with new centers of power.

Going it alone is not an option for Germany, however strong our economy may be. History has taught us with chapters too dark to forget that European integration was and remains the only convincing and viable answer to the so-called German question. This fundamental insight continues to guide our policies. I am personally deeply committed to the idea of a European Germany.

And allow me, besides this text and my prepared speech, to make a very personal remark to you here in Washington. I was born in '61, so I'm the first generation with parents who grew up in the time of the Second World War. And for us, for my generation, Europe and the European Union was always more than just a single market or a common currency or a monetary system.

I remember the talks with my parents, difficult enough, about the Nazi time and the war. I remember in the '60s, and when I was a bit older in the '70s when I went to school, how it was to travel to other European countries, to our neighbor countries.

I remember when I was in the age probably of 14 or 15, or even a bit younger, when I traveled to France to the Atlantic coast in the Bretagne by tent. I remember in the middle of the '70s that I was there with three friends traveling around the Bretagne with tents and railway. And I wanted to buy



something in a real rural area in a single room shop. And there was a lady, the owner of this single room shop. She was, from our point of view, in those times, very old. She was my age now. And we were, I think, three boys in this single room shop. She wore her traditional clothes. Some of you have been there. You know what I mean. In those days, there were not touristic reasons to wear this. And I was very slim, fair hair, blue eyes, horrible accent when I tried to speak French. It was really a torture for everyone; je voudrais l'addition s'il vous plaît, une tente pour trois personnes. It was something like that. But it was a very serious, impressive moment for the rest of my life. We were in this room. It was easy to see that I was German in the middle of the '70s. And this lady who was the owner of the shop didn't serve us. She went out of the shop to this room, a little kitchen, behind this single-room shop. And we could hear that she started to cry. She didn't want to serve us. And then the daughter came out of this kitchen and she talked to us -- three young men, 14, 15 years old. And she said, "I apologize, boys. This has nothing to do with you personally. But my father, her husband, was killed in Second World War by the Germans." And if you grew up in this situation, I think you would understand by the deepness of your heart that euro and Europe is always more than a single market and a common currency. It is the answer to the darkest chapter in our history, and it's also our life insurance in times of globalization. And please forgive me that I want to underline my personal commitment and the commitment of my generation, the European commitment, of the Germans with



these very personal remarks. But probably you understand that for us this is not a technical question, it's an historical question for us. And this well may prove to you and show you that the German commitment about Europe and the eurozone is out of discussion.

However, it would be wrong to deny that there are different visions of what Europe should be. There are those who do not want an open, tolerant, and integrated Europe. There are those who stress the differences by their ethnics or religions rather than what unites us. They are advocating a fortress Europe. This is a vision that we need to oppose forcefully. The re-nationalization in a time of globalization is a dangerous concept, and this is a message To Whom It May Concern.

The financial, political, and human costs of a disintegrating Europe would be crippling. And it would be foolish to believe that Europe could withdraw into some sheltered corner. Yet it is only if we can put our own house in order that we can seriously and credibly establish Europe as a strong political actor on the global stage.

I am deeply convinced that Europe has something to offer beyond preserving its wealth and its own security. We are a community of values. We are founded upon the fundamental rights of the individual. Our European model of shared sovereignty can be an inspiration in a globalized world in need of order.



This leads me to my fourth and my final point: What's in it for the United States? I firmly believe in what Vice President Joe Biden said so eloquently in his speech to the Munich Security Conference three years ago. I was there and I could listen to him. In sharing ideals and searching for partners in a more complex world, he said, "Americans and Europeans still look to one another before they look to anyone else." This is, to add my own words, this is what we have done in the past. This is what we are doing today. This is what we have to do in the future.

The effects of globalization confront us with new challenges. From climate change to water and food shortages, from cyber security to the protection of the global commons, new powers are rising faster than we could foresee only a few years ago. The growing economic weight increasingly translates into political weight. Every government on our two continents is shifting resources towards fast-growing new centers of power in Asia and elsewhere. And yet when we confront the pressing issues of today, it is about all Americans and Europeans who share the same values, interests, objectives, and resources.

We continue to fight alongside each other in Afghanistan. At the Bonn Conference in December, we pushed forward our joint strategy for a gradual transfer of responsibility to the Afghan authorities. We are working on a political solution to prevent the country from ever again becoming a safe haven for terrorism. We stand firmly together in confronting Iran's increasingly



dangerous course. And for us, like for many of you, the security of Israel is *raison d'être*. The European Union will put into place a new and very substantial round of sanctions this coming Monday to forcefully make the point that Iran's behavior in the nuclear issue is unacceptable and a danger to world peace.

We are working closely together and with our partners in the Arab League to address the ongoing bloodshed in Syria where a brutal regime resorts to violence against its own people. We are joining forces to support the transformation underway in the Arab world towards more representative, more participatory political systems. Both America and the European Union put a particular emphasis on the empowerment of women as a key to successful transformation.

We work closely together to facilitate and negotiate a lasting peace between Israelis and Palestinians. We will reaffirm our close alliance at the NATO Summit in Chicago in May, an alliance of collective defense, an alliance that gives itself the means to be an element of stability in an increasingly fragile world.

Possibly the most important common task of all will be to restore the legitimacy and viability of our economic model. The proper regulation of the global financial system is still unfinished business. We have to continue to work on it together and in the G-20 framework. This includes making sure that the IMF has what it takes to play its crucial role in the global system. If we do



not address these issues in a convincing fashion, we will face a systemic crisis of legitimacy that by far transcends our two economies. It would undermine our own political systems, and it would sharply diminish our ability to successfully promote our values and interests globally.

Ladies and gentlemen, when I look at the American debates over the past weeks, I see mostly a caricature of Europe, the image of a continent mired in gloom and self-absorption. I beg to differ. First point: We actually overcame socialism in Europe 20 years ago, and we owe this among others to the firm commitment to the idea of freedom by both Democratic and Republican American administrations.

Secondly, the world economic forum's most recent global competitiveness index lists seven European countries in its top-ten list; three of them are members of the eurozone. European companies are among the fastest growing businesses in America, investing billions of dollars and creating thousands of jobs in this wonderful country.

Finally, Europe is the largest donor of development assistance and humanitarian aid across the globe. In short, Europe is a strong and a vibrant continent, and I firmly believe that we will emerge stronger from this crisis. My vision of our future strategic partnership sees the United States and the united Europe at the core of the enlarged West. In a word, with new centers of power agreement between the U.S. and the E.U., it will no longer be sufficient to shape global solutions. But we can and we should be a model of



progress. We have to engage with new powers and bring onboard new partners in order to build a broader consensus. In a world where the idea of freedom continues to gain strength, it is imperative that the West, the cradle of freedom, stands together.

Thank you so much for your attention.

MS. HILL: Thank you, Foreign Minister Westerwelle. I think as you can see from the round of applause that you received, this was a very powerful and well-received speech. And I think many of the people in the audience -- when you were relating your personal story from Brittany and your tour in France, I was looking at the audience and everyone had fallen very silent and very thoughtful. I think that really made a big impact on the way that people think about the exercise that you and our other colleagues in Europe are engaged in right now. So thank you for sharing that with us.

FOREIGN MINISTER WESTERWELLE: Thank you.

MS. HILL: I will also look to some of your colleagues from the Foreign Ministry and Embassy to signal to me with a meaningful gesture when you need to leave because we certainly don't want to hold you up from the important issues you have to discuss today. But I know that there are a lot of questions. Some people have already tried to attract my attention. So what I will do, if it's okay with you, I will try to group maybe two or three questions together. I'll keep a note of them in case we lose track. And we'll try to fit in as many questions as possible.



Obviously you've covered a lot of territory in your speech. The primary points were about the eurozone and what Germany and other European countries are doing to tackle all of the issues you laid out. But you also touched at the end upon some of the issues that you're here to discuss at the upcoming summit in May in Chicago for NATO. There may be some questions about that.

You talked about your discussions with the United States' counterparts on issues relative to the Arab Spring, to Syria, to Iran, the Arab-Israeli peace process -- so there are many issues that perhaps people here in the audience may want to cover.

But I'll start with Michael Haltzel, one of our colleagues from across the road at SAIS, who also used to work with someone you quoted today, Joe Biden, before he became the Vice President. And as you all probably recognize from Mr. Haltzel's name, he has some German connections.

MR HALTZEL: Thank you very much, Mr. Minister, for a really stimulating and heartfelt speech. I would take issue with only one thing you said, and that was the rhetorical question at the beginning of your speech when you asked whether the United States would commit the equivalent of a trillion dollars to essentially help non-Americans out of their economic problems. With all due respect, I think that's what you would call in your country (German). I mean that's the wrong question to ask. The question is whether, I would



submit, Americans from wealthier, more competitive parts of the United States through their elected political representatives would agree to appropriate money to help the country as a whole, especially their fellow citizens elsewhere. And I think this is probably what the European Union is striving toward.

And in that regard, I'd like to pose the question about euro bonds. It's something that you didn't bring up. It's often talked about. As I understand it, the federal government has basically said that it won't consider this essentially until after the elections next year. I wonder how you feel about euro bonds as a means of showing the solidarity that you've expressed both in terms of short term and long term. Thank you very much.

MS. HILL: Thank you, Michael. Clara O'Donnell. And if people could introduce themselves to the Minister as well before they ask a question.

MS. O'DONNELL: Thank you. Clara O'Donnell, Visiting Fellow at the Center on U.S. and Europe here at Brookings. You mentioned the U.K. I was wondering if you could give further details of your assessment of the U.K.'s response to the eurozone crisis so far?

MS. HILL: Thanks, and then a gentlemen right at the very back there, please.

MR. TALLEY: Ian Talley, *Dow Jones - Wall Street Journal*. Wondering -- the negotiators are in Greece right now, hoping to close a deal. I'm wondering whether you have hopes for a deal to be done before Monday.



And secondly, you made very clear in your speech Germany's commitment to a united Europe. Is there -- can you characterize how far that commitment extends? Is there a point at which politically or economically that Germany will not commit to a united Europe?

MS. HILL: Foreign Minister? So we have a question euro bonds as a means of solidarity; the U.K response; and then a very pertinent question about how far Germany will commit itself to the enterprise at hand; and, of course, about the deal that we're expecting before Monday.

FOREIGN MINISTER WESTERWELLE: First, Michael Haltzel, I would like to answer to your answer, if you allow, because you used this wonderful German phrase *falsche Fragestellung*. *Falsche Fragestellung* in Germany is a very well-used term by politicians if they don't want to answer *richtige Frage*. And I said, if nothing else, there is a cliché and there is a stereotype in the public discussions. Germany has not committed clear enough. They do not show enough solidarity. Europe and the eurozone is not active enough, are not quick enough in their decisions -- their opinion leaders, the governments, are too weak. They discuss more than they act.

And I think this is completely wrong. Because, I mean, you know what kind of discussions you had on the Hill about debts -- not my business -- but then you can imagine how complicated it is to discuss and to decide such a size of solidarity in a totally different situation, politically different situation. You are one country, not since 10 years. And you have experienced structures --



public services, parliaments, decisions, opinion leaders, White House, and so on and so on.

When we are talking about Europe, please be aware we have national countries in Europe. We are national countries, and we are together in a union. We are not one country yet. From my point of view, and I think you could read this between the lines of what I said, from my point of view it is necessary to develop with the next chapter of integration Europe more and more into this direction. But at the moment, we are not. At the moment, we are 27 -- probably after Sunday and the referendum in Croatia, 28, this year or next year, 28 member states -- 27 national countries united under one political umbrella with one parliament with limited authorities and possibilities. There is no one government. We do not have a president in the sense of -- you used the word "president" in America, in the United States. And this was the only thing why I wanted to compare it. So if there is discussion, public discussion -- Germany does not do enough, does not show enough solidarity -- I just wanted to compare it with the size of our economies.

I mean, we are 80 million citizens on the European continent. We are not the so-called superpower worldwide. We are, from our point of view, a very successful country, and we showed that we know what we have to do in the last 10 years -- excellent growth rates, decreasing unemployment rate, an economic situation, and a social situation better than we had the most time in our history. So I just wanted to tell you, €200 billion for Germany -- more than



€200 billion for Germany, euros we put on the table for solidarity. With no doubt decided with 80 percent support in the German Bundestag all over the party lines. It's really a lot. And I just wanted to ask that we do not underestimate this money and this solidarity. This was the only effect; not to criticize my friends here in the United States. I mean, if you know me a bit longer, you know that I'm working for the transatlantic partnership of friendship many years before I became a member of the German government.

So if we are talking about more than €200 billion in Germany, it is in your ears. If you translate it into your situation, it is a thousand, more than a thousand billion dollars in the United States of America. This is the only thing I wanted to -- I just wanted to explain, not to criticize anyone. Just wanted to translate it because sometimes I have the impression the expectation of management about Germany is also necessary. Sometimes I think you look to Germany and think we can shoulder everything. There is a responsibility to protect, but we always have to see the capability to protect and to help. Both are to balance. This was the only background of my little ironic remark.

And also if you'd please just imagine how complicated sometimes it is to decide. The European institutions, with one exception, all other governments, all other parliaments, 26 parliaments, independent, national parliaments, decided to support this agreement, decided to show solidarity, and decided to open the next chapter of European integration. And always was European integration the answer to the last crisis. This is normal.



Euro bonds -- what you said -- my answer is very short and very simple. I do not think that you can solve a debt crisis by making it easier to take up new debts. To fight debt with debt doesn't work in the private life and it does not work in countries, in nations. This is our authority and our idea. And please don't forget, once again, everything when we ask for structural reforms we did before in our own country, retirement age, and so on and so on. We did all this in our country and this is the reason why I wanted to say.

And now please put on my glasses; I mean not immediately, but put on my glasses and look through my glasses to the situation. Do you think that, for example, some member countries in the European Union will work courageously on these structural reforms? If we as Germans would say you get the money, thank you, we are fine? So it's a mutual agreement. We show solidarity, but we ask those who ask for solidarity to do their homework, to fulfill and to work on the necessity of structural reforms and competitiveness. We all know this. It's the key question in this crisis for new growth and then, of course, for a balanced budget which is, of course, our long-term goal.

About the United Kingdom, your second question: Thank you so much for this. I was also a bit ironic because I just had been in the United States after the 9th of December summit we had in Europe, in the European Union. And please understand, I know, of course, the public opinion in the United States of America is very much influenced by the discussion in Great Britain, which is very understandably so because most American people do not



follow our German language which is obvious, of course. And, of course, there's a long tradition and common cultural roots. There's no doubt about it.

But what I want to say is as German Foreign Minister, I want to have Great Britain onboard. And we have to work now on how we can build a bridge over this troubled water to the continent. And this is -- probably you have a professional background for your question and you know this very well, it's not the first time. I want my money back. When I was your age, I never forget this quote, of course, from an historical lady with a later movie career.

So I think this is my answer. So, I mean, you felt by my words, they were very kind I think and gentle and open-minded. It's a standing invitation. I addressed this in London to the public there.

Third, Greece -- I think we should stop as politicians or as responsible political leaders to answer hypothetical questions. If it is right, and I'm sure it is right, that there is a lack of confidence, that we are in a confidence crisis, I think it would be better that politicians and governments answer questions when they have to answer it, which means when the situation is there to answer a question. All these hypothetical questions mislead us. What would you do if -- well, if the spotlight would fall down, I would leave the room, but probably it will not happen, and we work exactly on the opposite. This is why we fix the spotlights. So we have to answer it.

We are working at the moment. We have a present. We have now a negotiation with the troika in Greece, and we are waiting for the report.



And I will not make comments to Greece and to the future of Greece before I could read the report, before I couldn't receive the report by the troika, which is ECB, and commission and IMF.

So this is my answer, and I have just been in Athens last Sunday, and I have the conviction that they know it is necessary to do the homework, that they know it is necessary to do the structural reforms.

And I had a meeting also with the head of the Nea Dimokratia. Someone asked the so-called opposition leader -- because their party's also member in the government, in this government of Papademos, and I think they understood that this is a crucial time, and that everyone has to do their homework at home.

MS. HILL: Thank you. Let me take a few more questions. Gentleman right at the back here, then this gentleman here and then over here. So I'll take the gentleman in the back first.

MR. SCARLIS: I'm Basil Scarlis. I used to deal with economic issues at the State Department in the past.

My question is, if southern Europe and the periphery are introducing austerity measures and structural reforms, is Germany prepared to introduce offsetting expansionary fiscal policies? And if not, have you no fear that Europe could be a continent in austerity, and facing stagnation and recession?

MS. HILL: Thank you. And just behind you?



MR. MAZERICH: Paul Mazerich. I'm a Marshall Fund Congressional Fellow at the U.S. House of Representatives. Thank you for your talk, Mr. Westerwelle.

The E.U. Summit has agreed on December 9 to increase IMF's firepower in order to prepare the organization for further actions in the European debt crisis. The European leaders have invited partners all over the place to contribute to that, in a total \$600 billion package, whereas the German government is criticized by foreign partners for considering tax cuts at that time while its economy is still in good shape -- so it's still competitive.

So what's your plan to convince these leaders -- obviously, it's to contribute to the European Union's plan to increase IMF's firepower. Vielen dank, Außenminister.

MINISTER WESTERWELLE: Thank you.

MS. HILL: Thank you, and then the gentleman here, please?

SPEAKER: Mr. Foreign Minister, the loan mandate for the ECB is price stability. With the expansion of the balance sheet of double in the past five years and up to 2.7 trillion euros, I think, how can it achieve that mandate?

MS. HILL: Thank you. So three rather technical questions here.

You're having meetings with Christine Lagarde --

MINISTER WESTERWELLE: Yesterday evening, yes.

MS. HILL: You already had them.

MINISTER WESTERWELLE: Yep.



MS. HILL: So presumably, some of these issues must have come up in that context.

MINISTER WESTERWELLE: Well, let me answer the first question because I think I understood the background of your question, and it would be impossible to answer with yes or no, with three words.

Because it's, of course -- it is enormous, important discussion what we have, not only in the European Union -- I think we have this worldwide, this discussion. My opinion is that it does not make sense in such a situation to help the weaker countries in Europe and the eurozone by weakening the stronger countries in Europe and the eurozone. Just imagine in what kind of situation this discussion would take place if Germany wouldn't be so strong after the structural reforms in the last 10 years, and after especially the wise policy of the German government in the last two years. I have to say this.

I mean, this is -- I think this is the effect. I follow this discussion a bit, that some come to us and say, well, you have to reduce your competitiveness. You have to be more careful. Don't be so dominant. Don't be so busy. You're always so busy. Yeah, that's true.

But this is the reason -- and just imagine what kind of solidarity we could bring into these European discussions without having such a strong economy.

So my point is and my opinion is, instead of weakening the strong countries, we should strengthen the weaker countries. And this is necessary,



especially in the field of structural reforms. And never, ever -- I would go home to my busy German fellows and citizens, to the German taxpayers who bring on the table more than 200 billion euro and tell them, well, you have to reduce your expectations, work less.

Just for example, to the demographic situation from my point of view, many other countries will understand that, for example, the change to the retirement age and many other things will be the answer for many others.

So I understood this. I think it is necessary that the stronger countries show their solidarity, but it is not the answer to weaken them. So I think that the German economy is so successful is a plus, not a minus. It's positive, not negative in this discussion.

This answers the first part of your second question, and this is about the tax cuts, and about this present discussion we have -- who asked the second question? I'm sorry. There you are. I'm sorry -- about this present discussion we have.

What we decided is that we support families, and especially the medium sized companies in Germany. And we think -- and probably we are right -- if we look how we survived the recession of the two years, 2008 and 2009, we think that the medium sized companies -- the medium sized and the smaller sized companies are the backbone of our economy, and therefore we think it is right to support them and to give them more possibilities and more capability.



And about the IMF -- you asked, what does this mean? I cannot answer this at the moment because the IMF didn't ask for a concrete support yet. And of course, we will discuss this with the German Bundestag, if there will be a question addressed to countries worldwide and, of course, also to Germany. But I think the IMF is very important, and they play a key role for us, and I just can say if there would come up a question of Madam Lagarde of the IMF, we would discuss it in the German government, and of course we would discuss it with the German Bundestag. And we know how important the work of the IMF is.

Third question is about the ECB. I can only repeat what I've said, and I have to be very disciplined in public discussions about the European Central Bank because -- especially with Germans -- we always ask for the independency of the European Central Bank, and I think it does not make sense to give public comments in this or in that direction which only could be misunderstood as a try to intervene into their policy, which I do not want to do.

They do what they think is necessary, and I describe what they did, but I think I do not want to make comments to this because I'm not sitting here as a private person. I'm sitting here as the German Foreign Minister, and we are discussing in this wonderful private audience, but enough is enough.

MS. HILL: Well, it's not quite as private, given that some of our other colleagues are here with us today.

Let me take three more questions, and I'll also look to our



colleagues from the embassy about when we need to leave. Can we take three more? Yes, good.

Gentleman here, gentleman here and I saw another hand -- yes, and the gentleman over by the wall.

And please introduce yourselves when you ask your question.

MR. PRIVITERA: Yes, thank you for taking my question, Mr. Westerwelle. Alex Privitera with N24.

My question goes to the solidarity that you spoke of so eloquently. One of the questions has been raised here, in the U.K., but also in other European countries, is whether Germany will commit to raising the cap of the combined force of the FSF and the future ESN -- the cap -- the €500 billion -- because you have come -- you as the German government have come under some kind of pressure, at least from the Italian Prime Minister, Mario Monti, who has repeatedly in interviews with Die Welt, and then with a long interview in The Financial Times, basically said -- sent this message to Berlin:

We're undergoing structural reforms, but in order to keep my country behind me, I need to show my people that interest rates on Italian bonds are going down. Otherwise, I will probably be kicked out of power, and the future could be much worse than it is at the moment. And in order to do that, I need a sign from the Europeans -- and in this case, particularly for the Germans.

And since you so adamantly opposed to the introduction of euro



bonds, at least at this stage, there needs to be some kind of firewall, measurable increase of the firewall, in place to impress markets and to get those spreads down. What do you respond to that?

MINISTER WESTERWELLE: Thank you.

MS. HILL: Thanks. The gentleman here, and then over here?

SPEAKER: Thank you. My name is Uri Schnel. I'm a student here in Washington, and you talked about the community of ideals that we are sharing in Europe.

And I would like to ask you, in the face of Libya and Tunisia and Egypt, we have seen this uprising of democratic movements -- so how can we as Europeans, who are all sharing these ideas, how can we ensure, especially in the future, that we support these democratic movements around the world, and not just support them as long as it's in our economic interest?

MINISTER WESTERWELLE: Thank you.

MS. HILL: Thank you. Over here. I hope we can get them -- microphone passed, maybe, along the -- thank you.

MINISTER WESTERWELLE: This is the last one, right?

MS. HILL: I think so, unless your colleagues --

SPEAKER: Thank you, Mr. Minister, for your speech today. The part on the European Union was particularly heartfelt, as a student of it. But I want to ask you about NATO enlargement. At the upcoming Chicago summit, I know that this is a very contentious issue, especially in light of the recent ICJ



ruling on Republic of Macedonia and the name dispute that they're having with Greece.

I was wondering if you could give any insight onto where you see enlargement on the agenda, and what the chances are for Macedonia's accession.

Thank you.

MS. HILL: Thank you very much, and as we've just indicated, this is the last round so if the Foreign Minister -- if there are other things that you would like to say in wrapping up, please do so in the context of these questions.

MINISTER WESTERWELLE: Well, I think Mr. Privitera asked about Italy and the situation of the new government -- the situation at the interview Mr. Monti gave a few days ago in Berlin.

I have just been to Rome, and I said there some words in public of respect of what the Italians are doing now. I have been to Lisbon in the last days, to Athens and to Rome. And I always had one message there -- that Germany appreciates and knows and have great respect to what these countries are doing now, and what they are going through, especially the middle class and the people in these countries.

And I think it is the first time I remember since many, many years -- and you know Italy very well. I think it's the first time since many, many years -- I'm not sure if I ever can remember such a situation -- that the governments ask for support in the parliament for such a reform package, and was supported



in Italy by 70 or 80 percent of the MPs.

So do not misunderstand me. Listen to what I say and what I said. We have a lot of respect to what these countries did.

And I do not go to Rome or to Athens or to Lisbon as a teacher with this finger. We are there because we think we want to have a partnership between equals. This was always the idea of our foreign policy, my foreign policy, that Europe is cooperation instead of confrontation, and that we have a partnership between equals. And the fact that the European Union was founded by six member countries, three bigger and three smaller member countries, shows you that the idea the biggest and most successful country has to dictate all the others what they have to do is wrong.

So we ask for cooperative opinion leadership, not for a dictation of one or two or three countries. And it's always important for me to include not only the eurozone countries.

For example, if you remember the strategic situation of Berlin and of Germany, our eastern partner Poland, they are not member of the eurozone -- but what a successful country! They're even at positive growth rates in the times of recession! What a successful country! Breathtaking, the success story of Poland in the last years. This is the philosophy and the background.

I know what you would like to get as an answer, as a journalist, and I know that some of you are disappointed because they ask a question and then they want to have numbers and dates and road maps. But this is not the



way how it works in such a situation.

I can only express goodwill. I can only describe a mentality because it's a work in progress. We are in negotiations so I think it's easy to understand. It's very understandable. So Mr. Monti wants to see effects of the hard programs for the normal citizen in his own country -- and please, Mr. Privitera, if you look back to the very beginning of this new year, you saw that there was on the markets - can I use the word relaxation?

The markets were -- this is the wrong word, but not only the interest rates got down, there was a psychological relaxation -- and not only decreasing interest rates. And then one of these wonderful rating agencies started with some absolutely necessary public comments, which is an old story from my point of view, and I think competitiveness is the answer. Competition is the answer, I should say.

Well, so there were decreasing interest rates in early January for Italy and for Spain, if you remember, and I think this shows us that the agreement of December 9 worked, and I understand completely the position, for example, of the Italian government, that they, of course, want to tell their own people it works. Our program works and we get a response for our hard work.

And believe me, I remember -- I mean, 10 years ago, Germany was the sick man of Europe. Just remember how the media discussed the German situation 10 years ago. And I remember what it meant for us as



politicians to go into the streets to discuss this with people who demonstrated, and to tell them 'I'm sorry. We would like to give you better news, but it is necessary that we have to change, and that change is necessary, and that we have to reduce our deficit and our public spending.'

The third question I will answer secondly is about NATO enlargement. I would like to say that NATO enlargement is always on the agenda, but it's too early to answer you as a student, if I understand you right, but you can tell your professor how the decisions and results will be in Chicago. It's a bit too early.

But German policy is, of course, for us, NATO has always been not only an alliance for security -- and by the way, Germany showed solidarity, if you look back 10 years ago after 9-11. When the mission started in Afghanistan, we were there. We were together. We knew that we owe you the same solidarity you showed us in the last decades.

But for us, NATO is always more than a security alliance. For us, NATO's also a community of values. And of course, countries who are on their way with rule of law, good governance and democratic reforms -- we are interested to integrate them, but don't misinterpret this in the sense that I want to make any remark to one special country.

This is an abstract description of our policy, and it's not possible for me as Foreign Minister to answer this question before we have an agreement in Chicago or a bit earlier. We will see.



My last answer is to the second question, about Libya, Tunisia and Egypt. I think we have to differentiate. There are a variety of different developments in those countries.

For example, we have a discussion here -- and when I say here, not in Washington -- the western world, I meant. It's the same in my country -- that Islam -- you cannot bring together with democracy, and so on and so on.

And I think if we look to each country in the region, you understand that Tunisia is not the same. With Libya, the development is not the same like in Libya or like in Egypt. Tunisia, from my point of view, has a realistic chance to become a role model for the whole region.

There is a start after the latest elections with a party. I expect and I hope that they become what we one day will call an Islam democratic party, like we have Christian democratic parties in Europe -- if it goes well. It's not for sure. It's not decided yet. They have probably the first third of their way behind them, and two-third they have to go. But I think it is positive.

In Egypt, it's a very fragile situation at the moment, and therefore, our transformation, the partnership, the offer for our transformation partnership is so constructive.

In Libya, I think -- I have just been there a few days ago. I think they understood very well that they need an inclusive policy to integrate all the others if they want to be successful. I welcome this, and I left Libya much more positive than I was before I arrive in the country. So I think it's always positive.



But what I would like to propose, and what I would like to ask everyone is, let us not only look to those countries who choose the revolutionary way. There are some countries who choose the evolutionary way. And I think we also should offer them the transformation partnership.

And of course, it's necessary to support the civil society. It's necessary to support them by the developments of a media system, free media system with many -- with pluralism.

Of course, it's necessary to work and to defend the women's rights and many other things. But personally, I'm 100 percent convinced the success of the transformation into the direction of democracy will depend also on the positive economic development. There needs a transformation dividend, which changed the lives for the normal families in these countries.

I have been on Tahrir Square. I have been two times after the revolution in Tunisia now. And I can only tell you, the people I met there, especially the young generation, they asked for political participation. They asked for their -- and they protested for the democratic rights, for their fundamental civil and human rights, but they also seeked for a better life for themselves and for their families.

And this is the reason why I think those countries in the region who decide to go into the direction of democracy, they need our support, which means also that we have to open our markets for their products because if we want to have a sustainable, constructive development in these countries, we



have to help them with their economic development and economic success because a revolution is the one thing, but the better life is the best proof to the normal people that democracy is not only something for academic discussions, that this is also decisive for them and for their destiny, and for the destiny of their families.

Thank you so much. I apologize if I couldn't satisfy you at every question. Just imagine you would sit here. I wish you all the best. Thank you so much, and I hope to see you soon.

MS. HILL: Thank you.

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