

11:10-12.10 (Dynasty A) |WKF Day 2| Jordan Chmiel Twardowski, Reporter

Speaker: Dr. Theo Waigel- Former Finance Minister of Germany from 1989-1999, the father of the “Euro”

Moderator: Choong Soo Kim- Bank of Korea, Governor of Bank of Korea (2010-2014)

The Future of Euro and the European Union

“Europe today is facing new challenges,” said Dr. Theo Waigel, the former Finance Minister of Germany from 1989-1999, during the 2nd day of the World Knowledge Forum held on October 21, 2015 in Seoul, South Korea. Faced with the recent possibility of a Greek exit from the European Union, causing the Euro to come under recent fire, Dr. Waigel offered his insight on the European financial crisis, the strength of the Euro currency, and his solutions to help Europe recover.

Also known as the “father of the Euro,” Dr. Waigel began by discussing the long history and purpose of the European Union and its currency.

“[The] Founding Fathers learned after the 2 world wars... If the old continent wanted to preserve its historical way, then it has to move from confrontation to cooperation,” he explained. “Countries with a common currency will never fight again,” as this gave rise to the modern EU and the Euro.

Things were pleasant for Europe as it reaped the numerous benefits of cooperation.

“For more than 60 years... [Europe has been] a continent of peace and freedom, an area without borders for goods and ideas,” he said. “Historically, [it has been] an interweaving of economy and culture.”

However, things have taken a dark turn in recent years as European countries and especially Greece face high sovereign debt, causing questions on the stability of the EU and its currency.

“It was a big mistake,” Dr. Waigel explained, regarding the admittance of Greece into the Eurozone. “After [the creation of the Eurozone] there were some mistakes. Not mistakes in the foundation, but the execution. It was absolutely wrong to take Greece in the Eurozone because they were not able [to meet the requirements].”

This has resulted in the recent financial crisis experienced in Europe. While Greece has been experiencing turmoil, other countries in similarly difficult situations have been able to steer themselves out of trouble and back onto a more sustainable economic path with the help of the EU.

“Ireland, Portugal, and Spain had programs and they did an excellent job. They were able, with the help of the European community, to restructure the economy, to reduce the deficits, and now they are able to access the international financial market. The programs were absolute successes,” he said.

Dr. Waigel believes that Greece could follow a similar path for success and has actually already shown it can be possible with the right measures.

“At the end of the last year, they were on a good way,” he noted. “They reduced budget deficit from 15 percent to 2 percent. [For the] first time in their history, they had a primary budget surplus. ...export was [also] increasing.”

However, since the recent government change with the election of Prime Minister Mr. Alexis Tsipras last year, the situation has put Greece back into dangerous waters.

“The new government tried [to] do everything in another way. They tried to change the Euro, but that could not be successful. Now the new Prime Minister has to tell his voters that he cannot fulfill the promises he gave them the summer before,” Dr. Waigel said. This may have also played a role in Mr. Tsipras’ recent resignation as Prime Minister on September 21st, 2015.

So with Greece in murky waters as it continues to face financial difficulties, should there be panic about the stability of the Euro currency?

Dr. Waigel argues that the Euro continues to play a vital role in the global economy as a safe and stable currency.

“[It] is the 2nd important currency [in the world] with Euro-denominated securities occupying 27 percent of foreign reserves of overseas central banks,” he said.

As Europe faces unprecedented hurdles with its union and currency, Dr. Waigel advised that Europe “must demonstrate responsibility to [the] outside world, and solidarity between themselves.”

“Project Euro extends far beyond markets and currency,” he concluded. “The project determines in the end, if Europe in the 21st century will have merely a working part or be a major player on the world political stage.”