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***Achieving sustainable progress –
Remarks on a new transatlantic agenda***

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Minda de Gunzburg Center for European Studies

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Ladies and gentlemen,

This is my first visit to the United States as Germany's Economic Affairs Minister, and I have been inspired by everything I have seen yesterday and today.

Yesterday, I was in Spartanburg, where I toured the BMW car plant. In future - and I am truly fascinated by this - this will be the company's largest production facility anywhere in the world. This German luxury auto manufacturer has just invested a billion dollars in the factory! The United States is a country which is rediscovering industry and reindustrialisation.

And today, I am at Harvard, a mecca for so many young academics from all around the world. A place which not only offers excellent education, but also open debate, bold arguments, an international approach, and a free spirit, which is always the well-spring of creativity.

Far too little of this America, with all its innovative and intellectual facets, is to be seen in Europe at the moment. In politics, there are always reasons to criticise: criticism is a material which can be made into progress and innovation. But we shouldn't talk about each other in stereotypes and caricatures. So I am glad to be here, and I thank you for the opportunity to reflect during the next hour with you about the things which we have in common and which can bring us even closer together in future.

This brings us to the question of current European-American, current German-American relations.

Looking at my own country, I can see an increased nervousness. Even though both our countries have an eagle on their coat of arms, people currently are focused on a different bird: the chicken. And not just any old chicken, but the “Chlorhuhn” chicken. Perhaps I should translate it for you: The “Chlorhuhn” is a chicken that has been disinfected in a bath of chlorine - as American food companies do it.

This chicken - free from bacteria, thanks to the chlorine - has made it into the top ten of German America clichés. It now makes appearances in our late night comedy shows, which are having a great time mocking TTIP, the transatlantic trade agreement. The “Chlorhuhn” chicken symbolises the fears triggered by this free-trade agreement. Fears that foreign products will push out local goods, and that health standards will drop.

Now there is a problem with these fears. Of course, it is always true what the writer Joseph Heller said, that

“Just because you’re paranoid doesn’t mean they’re not after you.”

Even chronic pessimists can be right to be afraid. But it's pretty obvious that something is wrong here: the same people who are afraid of the chicken are happy to send their kids to the pool, where they can spend the whole day swimming in chlorine.

A bit more reason, a bit more calmness, would benefit the talks on a free-trade agreement between the world's two largest trading powers, the U.S. and Europe. If we had a bit more self-confidence, we could decide to use TTIP to set new standards for a good free-trade agreement which cuts red tape for business and respects special national features. We could have a free-trade agreement which sets standards for technology and innovation, labour and the environment - standards which other major trading nations in Asia could take up.

The fear we are talking about here - the fear that is being conjured up - is the fear of what is different. It understands commerce as a zero-sum game. As a battle over a cake of a certain size. But what we are actually talking about is creating opportunities and options.

Free trade not as a race to the bottom on health, environment or social security, but free trade with rules for high-value products and with competition for the best ideas. These standards could shape the progress towards fair globalisation.

I think that would be a historic project which reflects the major possibilities of a new transatlantic agenda.

Ladies and gentlemen,

Of course, Edward Snowden's revelations have also disrupted relations between Europe and the U.S. May I be very frank about this? The apparently unlimited access of the NSA to the personal data of internet users without any specific suspicion, the disregard for the fundamental rights of any constitution based on the rule of law: this has destroyed trust. Tapping the German Chancellor's cell phone cannot be interpreted as a gesture of friendship.

Individual freedom is what defined Western societies and what stood against dictatorship. Back then during the cold war it was the great difference to the communist bloc where the individual had no privacy rights.

Now we see how the relationship between the state and the individual in Western societies could be reversed: That not the state has to justify its actions to restrict personal freedom. On the contrary, the individual who insists on privacy becomes a suspect.

I had a public debate last week with Google CEO Eric Schmidt, and we talked about this issue. You probably know that we are having an argument about the way the major internet companies mine and use data - with the danger that they will turn us into transparent human beings. But one thing we do agree on is that unrestricted monitoring of communications by the secret services can destroy the internet as a space of liberty. Eric Schmidt rightly described this practice as “outrageous”.

So I believe that we urgently need new initiatives to rebuild lost trust. Joint initiatives for greater data security for individuals and businesses can help. The transatlantic cyber dialogue launched by German Foreign Minister Frank-Walter Steinmeier is a good start. I believe that the rule of law we established in the analogue age of democratic societies is a good pointer for our digital future.

Since the internet is a world-wide-web, it is clear that national solutions are not enough. We must not be driven by a new wave of protectionism. International data privacy law would be the right way to go. I think that this is another aspect of how we need to shape globalisation in the twenty-first century. And this project can also become a new transatlantic agenda which is deeply rooted in our values of freedom and democracy. Values which should apply to every individual, no matter which country they live in. Surely, that is what defines them: the fact that they apply universally is their true message.

Since the American Declaration of Independence. Since the democratic revolutions of the eighteenth and nineteenth centuries. We are still rooted in this tradition. It is what binds us together. Equality and human rights define our political identity.

Ladies and gentlemen,

It is difficult to believe this message today. It is almost difficult to express it without sounding naive. Hope, confidence and political resolve have declined. Worries, fears and political helplessness have grown.

Today, we see

- that the hopes for cooperation and partnership with Russia have been replaced by the conflict in Ukraine;
- that the efforts to bring about peace in the Middle East have been dashed by the conflict in Gaza;
- that all the initiatives to build things up in Africa are powerless in the face of the Ebola outbreak in West Africa and the risks to the stability of entire countries;
- that the hopes of the Arab Spring have been swept aside by the civil wars in Libya and Syria, and by the advance of the “Islamic State” in Syria and northern Iraq.

Today, we see

- new uncertainties, new instability;
- states which are falling apart; civil wars which are being conducted with fanatical cruelty and contempt for human life;
- the return of territorial ambitions which disregard the right of peoples to self-determination;
- and also growing social and economic inequality; not only between developed and less-developed countries, but even at the heart of our own societies;

- economic inequality which undermines the promise of equal opportunities and of social improvement (as Janet Yellen, Chair of the Federal Reserve Bank, recently said);
- economic imbalances which are even threatening the historic project of European unification.

In this difficult situation, I would like to remind us of an understanding which became accepted in the decades after the Second World War: security and stability can never be permanently achieved by military means. Anyone who wants a lasting, stable political and social situation needs to take a comprehensive approach and foster economic prosperity. “Soft power” - a concept defined by Harvard political scientist Joseph Nye - is more attractive and more effective.

We need to ensure that there is the greatest possible amount of equality and fairness. Of course, this requires an appropriate degree of redistribution of wealth. Unbounded inequality not only keeps destabilising the notorious crisis regions: it also weakens our own societies if we permit it at the heart of Europe or America. Not least, it makes business unproductive. Too much effort has to be spent on repairing what is broken.

The strength of Europe and of the United States lies in our economic attractions. Prosperous, inclusive societies are worth living in. They create values and are valued.

Both America and Europe attract hundreds of thousands of young people from all around the world every year: they come to study at fantastic universities like Harvard, and they want to benefit from the job opportunities as well as the social security and quality of life in countries like Germany. We have a common experience as countries of immigration. It may sound amazing, but the proportion of the population born abroad is just as large in Germany today as it is in the United States.

I am quite sure of one thing: anyone who denounces as decadent people's desire to live their lives as they wish, in prosperity and safety, will find that these people eventually run away from them. In the past, this has unmasked the bluster of many a dictator and caused great powers - despite all their weapons - to fall. But those who respect the dreams and ambitions of their young people have the future in their hands.

I say it again: ensuring that people enjoy equal opportunities is our political identity. In his State of the Union Address at the beginning of the year, President Obama said: “Opportunity is who we are.” What a great sentence!

Ladies and gentlemen,

As the minister responsible for the economy, I am always thinking about how we can place our prosperity on a broader and more sustainable basis, and how more people can share in it.

Germany was criticised at the IMF's latest annual meeting in Washington. We were accused of doing too little to steer our financial strength into higher investment, of doing too little to make our own economy into the engine driving higher economic growth in Europe. With its export-oriented growth model and with its high current-account surpluses, Germany is said to be the cause of economic imbalances in the eurozone.

My response to this is that we should not think in false alternatives. The fact that Germany is a strong exporter does not automatically mean weaker European growth. This is an equation that doesn't work out. Firstly:

Germany earns added value in global trade that also benefits our European neighbours. After all, German industrial products have a lot of input from European suppliers. Our value chains are highly integrated.

Secondly: weaker German exports would not alter the fact, for example, that France and Italy need to boost their productivity if they are to succeed on the world's markets.

Yes, it is true that Germany can and must boost its domestic demand. This fall, we ourselves are feeling how international uncertainties are hitting our growth. We are having to reduce our expectations for this year from 1.8 to 1.2 percent. At the same time, domestic demand is currently our anchor of stability. I think that, against this background, we are right to introduce the minimum wage from next year to increase purchasing power. I also believe that unions and management - we call them “social partners” - should use the scope created by productivity gains to agree wage rises above inflation.

And, yes, Germany can and must invest more in order to modernise its infrastructure and equip its schools and colleges better. We have agreed to increase government funding for this by 23 billion euros in the next few years. And we are currently considering how we can boost this amount further. However, when I think about paying for the investment we need, I am also thinking of private-sector funding. Creating the preconditions so that this capital - in partnership with the public sector - can find profitable investment options will benefit everyone. Germany has a high savings ratio.

The private monetary assets alone amount to more than 5 trillion euros. If we could just steer a small part of this, say one percent, or 50 billion, into useful infrastructure projects, there would be a clear rise in our investment rate.

So the critics who say that Germany can do more are right. But I should also say that I'm no friend of high government borrowing. The experience of the eurozone shows that high public borrowing without regard to the ability to service the debt is a risky undertaking. Of course, this is just as true of the private sector. When confidence is lost, societies pay a high price. At the same time, the costs are often shared unfairly. People who rely on the ability of the state to help them with welfare are hit harder. That was the mistake made by some eurozone countries, who have now been battling for years. Fiscal consolidation is crucial.

Against this background, the German government's aim to present a budget without new borrowing next year is a signal for healthy public finances.

I think it is wrong to call for non-targeted stimulus programmes. We need to invest more. But we need to target that investment. It simply doesn't make sense to waste money on unproductive schemes.

So we need to talk about investment and a stimulus which will boost productivity and competitiveness. We need to invest in order to master the major challenges facing our society:

- the challenge of a sustainable and secure energy supply;
- the challenge of reducing our dependence on fossil fuel and of improving our energy efficiency;
- the challenge of climate change and reducing carbon emissions;
- the challenge of providing the digital infrastructure for a faster internet, the question of digitising industry, and making sure that the data storage and data transmission for this is secure;
- the challenge of creating the innovative industrial skills for electric mobility;

- and of course the challenge of demographic change, with fewer people of working age, the question of retaining skills and human capital, the question of excellent training and integration into the labour market.

These are challenges for which we need to mobilise more investment.

The better the answers from Germany and Europe to these questions, the more stable and sustainable our growth will be. And the more stable and sustainable our growth, the more valuable our contribution towards the development of the world economy will be. And the more people will have the chance to participate in the welfare gains of the future.

Giving people these opportunities: that is our key challenge. I am sure that, in this way, we will make a fundamental contribution towards a more stable international order.

Ladies and gentlemen,

I am firmly convinced that we can develop a new shared agenda in our transatlantic relations. To put it in a nutshell: what we need is sustainable progress. Progress which places our energy supply on a new and sustainable basis. Progress which shapes the digital revolution and establishes a fair market system for the data-driven economy. Progress which creates fresh opportunities for a good and safe life for the largest possible number of people.

The better we are at doing that, the more our societies will regain confidence. Ultimately, the hope that we can improve people's lives is what drives us politicians.

Thank you!