

Welcome Address by

DIETER REITER

Lord Mayor, City of Munich

Ladies and Gentlemen,

I am pleased to welcome you to the 13th Munich Economic Summit on behalf of the City of Munich. We are proud that Munich regularly serves as the venue for this conference, which has become an important forum for exchange between science, the economy and politics. I would like to thank the organisers of this conference, the BMW Foundation and the CESifo Group.

Munich's economy is export-oriented. *The dismantling of tariffs and an efficient and fair organisation of international trade rules are, therefore, in the prime interest of the City of Munich.* Under the headline 'Free Trade and Prosperity', this conference focuses on the current debate over the further formulation of global trade rules. Again, as the Lord Mayor of a major European city for which economic success and prosperity significantly depend on international business, I am well aware of the importance of this year's conference and its topic. 'Made in Munich' is in high demand globally. Successful global players like BMW, Siemens, Linde or Allianz and Munich Re have their headquarters in Munich. The success of these companies is determined by the international markets.

There is no doubt that free trade is a considerable source of our prosperity and that Munich benefits from globalisation. In the future, the significance of international trade to Munich's economy in terms of goods and services will increase even further. However, we nevertheless need to remember the downsides of globalisation.

Criticism of the current rounds of free trade negotiations is justified. For a number of reasons I share widespread scepticism regarding the ongoing rounds of free trade negotiations and it makes me critical of the

negotiations concerning the Transatlantic Trade and Investment Partnership (TTIP). The root of the problem is the following: in the current negotiations on free trade between industrialised nations, there is less and less talk of the so-called 'tariff' trade barriers like, for example, duties, but increasingly of the 'non-tariff' trade barriers that are to be regulated. Of course, it makes sense and is in everybody's interest to agree on common technical standards. It is, however, problematic that the harmonisation efforts are going beyond mere technical questions and are also extending to plant and health protection. They are aimed at increasing cooperation in the drafting of legal provisions and procedural rules and also affect regulatory issues that arise from the trade in services and access to public procurement.

This wide array of issues leads to the very basic concern that the planned agreement could undermine environmental and health standards. A harmonisation in the field of genetic engineering and in the case of hormones in animal feed, etc., from a European perspective is bound to mean a watering down of our very strict regulations. The same is true of social standards and employee protection rights. Their diversity can, of course, be regarded as a trade obstruction. The concern that harmonisation could be inspired more by the lower standard is not easy to dismiss.

Is trade liberalisation a threat to the municipalities' rights to self-government? The provisions of the TTIP could affect aspects of the rights of local authorities to provide essential services. The President of the German Association of Cities and Lord Mayor of Nuremberg, Ulrich Maly, has clearly warned that the transatlantic free trade agreement could rescind the success of the first European referendum that secures the municipal water supply. The same applies to the 'investor-state dispute settlement' that is also being discussed and that would grant foreign investors a right to sue if social, health or environment laws were to threaten their anticipated profit. As a result, the public authorities could be faced with massive lawsuits totalling billions of euros.



Free trade must not become a general instrument for deregulation. Despite the undisputed growth effects that trade liberalisation generates, we have to ask ourselves whether liberalisation always comes with long-term welfare gains. I would like to remind you: the liberalisation of the financial markets has certainly generated enormous growth. But the damage caused by the financial crisis that was abetted by the liberalisation of the financial markets has not been repaired to date. Many of the regulations in the health and environment sector, in the social field and in the provision of local services of general interest that are now to be limited in the course of further trade liberalisation affect the population's 'well-being'. Well-being is affected in terms of food safety, high environmental and social standards and, last but not least, high quality in the provision of public goods. I believe that trade agreements that seek to impose deregulation in fields in which our citizens depend on state protection will fail. It will also be essential to the conclusion and success of the agreement that the public is informed of its results and that there is widespread support for it from elected governments and parliaments too.

I would like to wish you a successful and exciting conference, as well as interesting discussions, so that the Munich Economic Summit 2014 can help to answer a difficult question: how can we promote free trade and, at the same time, maintain the sovereign rights of nations and local authorities to organise their ecological, social and regulatory standards?

Thank you for your attention.