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**XIII: Munich Economic Summit - „Free Trade and Prosperity:
Home Free?“**

Bayerischer Hof,

Welcome Address, 15.05.2014, Hotel Bayerischer Hof,
ca. 10-15 Min.

Ladies and gentlemen,
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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 in the interest of the City of Munich

Under the headline "Free Trade and Prosperity: Home Free?", this conference focuses on the current debate about the further formulation of global trade rules. I am aware of the fact that, (for two weeks), I have been the Lord Mayor of a major European city for which economic success and prosperity significantly depend on international business. "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 on 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 in goods and services will increase even further for Munich's economy. However, we must not disregard the downsides of globalisation despite this fact.

Criticism of the current rounds of free trade negotiations is justified

There are a number of reasons that make me share the wide-

spread skepticism towards the ongoing rounds of free trade negotiations and that especially make me take a critical stance towards the negotiations concerning the Transatlantic Trade and Investment Partnership.

The root of the problem is the following: In the current negotiations on free trade between industrialised nations, talk is less and less about so-called "tariff" trade barriers like for example duties, but increasingly about "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 go beyond merely technical questions and also extend to plant and health protection. They aim at increased 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 results in the very basic concern that the planned agreement could undermine environmental and health standards. A harmonisation in the field of genetic engineering and in case of hormones in animal feed, etc., from a

European perspective is bound to mean a watering down of our very strict provisions.

The same is true for social standards and employee protection rights. Their diversity can of course be regarded as a trade obstruction. The concern that a harmonisation could be inspired more by the lower standard is not easy to dismiss.

Is trade liberalisation a threat to the municipalities' rights of self-government?

The provisions of the Transatlantic Trade and Investment Partnership could affect aspects of the right 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 for 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 threaten their

anticipated profit. As a result, the public authorities could be faced with massive lawsuits totaling 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 damages caused by the financial crisis that was abetted by the liberalisation of the financial markets have not been overcome until this day.

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 in terms of food safety, high environmental and social standards and, last but not least, a high quality in the provision of public goods. I believe that trade agreements that want to impose deregulation in fields in which our citizens depend on the protection

of the state will fail. It will also be essential for the conclusion and the success of the agreement that the public is informed about the results and that there is widespread support, also from elected governments and parliaments.

I would like to wish you a successful and exciting conference and interesting discussions so that the "Munich Economic Summit 2014" can contribute to answering a difficult question: How can we promote free trade and at the same time maintain the sovereign rights of nations and local authorities in organising their economic, social and regulatory standards?

Thank you for your attention.

Dieter Reiter