Welcome Address by Former State Secretary, Jürgen Chrobog, Chairman of the Board of Directors of the BMW Stiftung Herbert Quandt,

on the occasion of the 12th Munich Economic Summit

on 16 and 17 May 2013, in Munich, Germany

Dear Mr. Vice President,

Your Excellencies,

Ladies and Gentlemen,

On behalf of the BMW Stiftung Herbert Quandt, I welcome you most warmly to the 12th Munich Economic Summit in the Bavarian state capital. This year, more than 180 participants have accepted our invitation together with the CESifo Group. This new record-high number of attendees is impressive proof of the positive development of the Summit since its inception 12 years ago as an international political and economic forum.

Just as last year, this year's participants come from more than 20 countries, most of them from the EU or its neighbors and from all walks of life: the business world, science, politics, and civil society, thus reflecting Europe's diversity. As we see, this forum brings together a diverse range of people and offers the opportunity to engage in an international and cross-sector dialogue. This is the very essence of our programs and it reflects our belief that in order to reach long-term results, complex challenges and decision-making processes that are typical of our interlinked societies require wide-ranging participation.

As we face the fifth year of the debt and financial crisis, we want to discuss possibilities for a restart for Europe by focusing on the following aspects: Getting slimmer – How can we decrease government debt in socially acceptable ways? Getting fitter – How can we boost competitiveness in large parts of the EU?

Getting stronger – How and with what goal can we push ahead with reforms and the institutional deepening of the EU?
The negative assessment of Europe's economic development recently announced by the IMF in Washington demonstrates the urgent need to renovate Europe's crumbling house. The Managing Director of the IMF, Christine Lagarde, talked about a three speed global economy and ranked Europe among the tail group. She expects emerging markets such as China, India, and Brazil to exhibit strong growth. Forecasts for the U.S. have also improved. But a continuing recession will keep the 17 EU countries in its grip.

Is the harsh criticism voiced by the IMF correct that Europe's slumping economy is not only an indicator of weaknesses in its periphery but also of "a certain weakness at its core" that does too little or chips in too late to help?

Let me say first that this criticism reflects the ideological dispute between Washington and Berlin in terms of economic policy, in particular when it comes to questions of crisis management. Whereas Washington and the IMF support an easy monetary policy to stimulate the economy, Berlin favors debt reduction as a solution to restore market confidence. In fact, all-in-all Europe has not been doing all that bad thus far: despite initial organizational difficulties, the measures taken to save Cyprus have had an overall positive impact as proven by the relaxed reactions of the financial markets.

Today, the EU as a whole stands taller than at the outset of the crisis. The Managing Director of the European Stability Mechanism, Klaus Regling, who unfortunately had to cancel his participation on short notice, rightly stressed that Europe is on the right track: collaboration in the field of economic policy has improved, the banking system has been strengthened and the ESM was created.

Nevertheless, Europe still faces a multitude of problems, and pressure to solve them increasingly mounts. Just think of the high unemployment rates in Greece and Spain that are at a rate of 20% overall with youth employment exceeding 50%. Potential scenarios of highly explosive social uprisings in these countries are in fact well within the realms of possibility.

In the near future, good relations between France and Germany, who will have to revive their traditional role as the motor of the EU, will be all the more important. Among other things, they must chart a clear course that equally represents the northern and the southern EU members and which all the states can accept. Both Paris and Berlin are currently working on suitable policy proposals for saving the euro while at the same time adjusting the speed of reforms to match the specific social and economic conditions of the individual member states. However, I believe that not much is going to happen in this field before the federal elections in Germany in September. On the other hand, we have no time to lose: 2014 might be the decisive year for the fate of the euro zone.

I hope that today's and tomorrow's panel discussions will provide new insights into a possible future for Europe and may inspire you all to take an active role.

On behalf of myself and our partner, Professor Sinn of the CESifo Group, I thank you very much for coming and hope that you will have two stimulating and enriching days. Mr. Sinn, the floor is yours.