

Keynote Event Community Global Partners Bavaria

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Cooperation is the order of the day

Tempera mutantur nos et mutamur in illis

The times are changing and we are changing with them (actually correct: and we are being changed by them).

Today we would like to introduce our cooperation between the OstWestWirtschaftsForum Bayern, the Global Partners Bayern and the Bavaria Health Association:

Community Global Partners Bavaria.

At the suggestion of LMR Andreas Ellmaier from the Ministry of Health, the initiator, Mr. Ellmaier, Thomas Wüst, Michael Koller and myself met last year. We quickly came to the conclusion that we could and must move much more together.

Please do not expect a "scientific" lecture. Economists in particular have repeatedly found that asking company managers for their opinion on economic development (IFO indices) usually provides a more accurate picture than calculations carried out at great expense.

I will present things from my personal point of view. Let me elaborate a bit on this.

Trade between peoples, even over long distances, was an important economic factor even in ancient times. The Celtic tribes, as everyone knows the early inhabitants in Central and Northern Europe already had an intensive "long distance trade" with Greece. Also in Roman times there was an exchange of goods within, but also with countries outside the empire. From ancient times, this stimulated economic development.

Today, due to the development of logistics, global trade has developed. One of the logistical problems we have just been shown by the blocking of the Suez Canal.

"Export world champions" (Germany - China) and import world champions (USA) have established themselves, creating a great imbalance in international trade. Using Germany as an example, I would like to briefly show how this development came about:

After World War 2, Germany was economically at the bottom. Due to the destruction caused by the war, the focus had to be put on investments in order to become productive again. The weak purchasing power at home made it important to export as much as possible. Thus, we developed many instruments to promote investment and exports and still use them primarily to promote the economy.

Keynes, i.e. the direct stimulation of demand, is frowned upon in our country, in contrast to the USA, for example, is frowned upon. Both ideas have their justification, of course, but only in combination.

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The promotion of exports went so far that we exported goods to countries, secured the exports with guarantees and encouraged our banks to finance them. This was done even though it was well known that many countries could not actually afford it. In the financial crisis a good ten years ago, we were then forced to supposedly support these countries (Greece), although we also had to save our banks above all.

◀ The imbalance in global trade was articulated not least by Donald Trump, whom I have to agree with on this point for once.

Germany AG will have to adjust its business model. For years, people have been stating that domestic purchasing power is too low, but equally, for years, people have been pointing out, for example in wage negotiations, that we can only be successful internationally, i.e. in exports, through low wages. Of course, we could all win if goods were produced in the appropriate country and could then be traded on an equal footing. At present, countries are considered suitable that employ their workers at starvation wages and adventurous working conditions, as in some cases in the textile industry. This certainly does not serve the development of these countries.

◀ I would like to cite Argentina as an example. The country was a prosperous state in the 1930s. The most important export goods were agricultural products, as they are today. However, the exchange value for Argentina was much more advantageous than it is today. At that time, one could buy an agricultural machine for the equivalent of a double-digit number of cattle. Today, Argentina is a poor country. Not least because of the subsidy policy for agriculture, our farmers today produce so many goods that here, too, only exports ensure sales (as long as they are possible). The industrialized country of Germany is the fourth largest agricultural exporter in the world, although beef from our farm, for example, is more expensive than beef from Argentina when it arrives at the German port.

Secured social and environmental standards would be possible, for example, through a law to monitor production and supply chains. However, as we have just experienced, transparency is unfortunately always the order of the day only when the child has fallen into the well.

Global trade is important and good, but it also needs a reasonable framework. Contrary to the opinion of the disciples of neoliberalism, the markets do not regulate everything and, above all, they do not regulate everything better.

The virus has taught us that it is not advantageous to be dependent on supplies from outside for certain products. One could try to get out of globalization, to reduce the mobility of capital, data, people and goods, in order to avoid a "pandemic" of the financial markets, health or the Internet. But this would interrupt global value chains, which create a win-win situation for the creation of and participation in prosperity worldwide. Globalization needs regulation!

I quote from an essay by Mr. Sinner, who refers to the current pandemic.

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◀ We need global standards that build a firewall against pandemics. More important than physical walls that can be easily circumvented are integrated security systems that catch pandemics at their source and prevent them from spreading. Chinese animal markets, with their close interaction between the keeping, slaughter, sale and consumption of a wide variety of animals, require binding hygiene standards; financial products need neutral quality control, not the ratings of agencies interested in the profits of the products they assess; the Internet needs a constant monitoring mechanism for malware.

Globalization can only be sustainable if prevention to avoid pandemics that collapse entire economies and societies becomes a natural part of the WTO agreements. Product safety is a basic requirement for putting goods or services on the market.

A public health firewall is the most important prerequisite for preventing disruptive pandemics, such as the one we are currently experiencing, because of the central importance of health for sustainable development. A Firewall Public Health does not come from national regulation, it requires the multilateral approach.

◀ The EU could be a pacesetter, because cross-border standardization is part of the core business of the European Community and the internal market with its volume is a heavyweight of world trade. Germany could take an important step towards sustainable globalization that is resilient to pandemics by evaluating the Corona crisis during its EU presidency.

So much for Mr. Sinner's comments.

I would like to add to this: in the future, we will have to focus strongly on cooperation for the benefit of both the domestic economy and the economy in the partner country. Only in this way can we create a situation that is advantageous for both sides and contributes to mutual value creation.

Bavaria has strong and innovative companies in many areas, especially medium-sized companies. The community has created a platform that enables such project collaboration. In my view, this is an offer and an opportunity that we must seize and use in order to maintain prosperity in our country and promote it in our target countries in the future. This will be presented comprehensively in the other articles.