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Dinner Speech at the New Year's Reception

“2012 – The Year of Decision-Making in German and U.S. Politics”

Office of the Konrad Adenauer Stiftung, Washington D.C. (USA)

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Dr. Hänsel,

Staff members and friends of the Konrad Adenauer Stiftung,

Thank you very much for your kind invitation to this New Year's reception at the Konrad Adenauer Stiftung.

I would like to preface my remarks by first saying “Thank you”. For many years I dealt with the Konrad Adenauer Stiftung in the context of my political work. Whether a trip had to be organized or information on a political topic was needed quickly: The Stiftung has always been a competent, committed and reliable partner.

Dr. Hänsel, I would like to thank you for the Stiftung's many years of good work. Not only here in the USA but also elsewhere in the world.

Ladies and Gentlemen,

“Lebenskunst Optimismus” – the *art* of optimism. This telling title of the recent cover story of the German news magazine *Der Spiegel* makes one thing clear. For us Germans, an optimistic approach isn't an inborn characteristic. Americans, as we all know, are born optimists. We Germans, by contrast, have to struggle to learn optimism – time and again.

And this despite the fact that Germany always ranks at the top in categories such as employment rate and life expectancy. Nevertheless, surveys show that we Germans tend to be skeptic and look to the future with sorrow.

People ask me: Did we gave the right answer towards the nuclear disaster in Japan? And don't some aspects of the European debt crisis still remain unresolved? Of course! But in my opinion German policymakers did some things right. Precisely these examples show that in 2011 the Federal Government was capable of action even under difficult conditions. We thus have good reason to “dare more optimism”.

With the revision of the “Renewable Energy Sources Act” following the Fukushima disaster, we stepped up the transition to the age of renewable energy. And in Brussels, our Federal Chancellor saw to it that Europe will take a big step towards a “fiscal stability union”.

Angela Merkel is called the most powerful woman in the world. Or, as the French President put it:

“First everyone is allowed to present their wish lists, and then we do what Angela says!”

When I take a look at Germany these days, I am pleased to see the positive development of the economy. Thanks to this upswing, the German labor market is booming. More people were employed in Germany in 2011 than ever before. According to several experts, an end to the German “job miracle” is nowhere in sight. Companies are expected to continue hiring new employees. More and more older workers and more and more women will be able to find a job. Unemployment among young people is virtually nil.

Okay, I am a little biased here – but in my opinion, the CDU/CSU-FDP coalition has pursued smart policies.

Above all, it makes me proud that these policies have been noted in the United States. A country we Germans always will admire for its economic power.

In a recent article in the *New York Times*, David Leonhardt stressed that the USA could even learn from Germany in the field of economic policy. During the crisis, he wrote, the German Government had moved effectively to help its economy. The results, he said, were “intriguing”.

But there are further reasons for my fellow Germans to have more optimism. Here are just a few examples:

The income of private households will rise faster than the inflation rate. The pension contribution rate will decline. Since January 1st of this year, “family care time” has been possible in Germany. This means that relatives of elderly or sick people can work part time under a pay adjustment scheme if they wish to care for family members themselves. And we are simplifying access to the German labor market for qualified migrants. For the first time, migrants will have a legal entitlement to prompt evaluation of their qualifications.

Ladies and Gentlemen,

Optimism should not be confused with naïvety. I am aware that we will be faced with tough challenges in 2012. Addressing the European debt crisis and stabilizing the euro will undoubtedly be the greatest challenge.

At European level, Angela Merkel has successfully pushed to have all countries introduce a “statutory debt brake”. Wild public borrowing must come to an end. Those who do not comply must reckon with a penalty in the future.

In my opinion, the results of the December EU summit point in the right direction. This year we must continue building a European “fiscal stability union”. In doing so, we will tackle the root cause for the crisis. Too many Member States of the European Union did pursue an irresponsible budgetary policy – far too long.

Colleagues in my parliamentary group think that we must also take closer look on the credit rating agencies. Criticism of the agencies comes not only from Europe. In its September 2011 report the U.S. Securities and Exchange Commission identified “apparent failures” in core areas of the agencies’ operations.

On the one hand, the ratings were often too good in the past. The risk signaled to market participants was thus too low. Bad investments were the result. In some cases, on the other hand, ratings were too negative. I, for one, find it very difficult to understand why Standard & Poor’s recently gave Germany’s credit rating a negative outlook.

After all, Germany has the strongest economy in the eurozone. Germany enjoys an outstanding international reputation for credit worthiness. And the United States hasn’t had good experience with Standard & Poor’s recently either.

One option would be to obligate the rating agencies under civil law to operate uniformly and transparently. We should examine whether a liability of the rating agencies under civil law could be enshrined in the legislation of the EU Member States. Liability could arise if a rating agency was proved to have acted with gross negligence.

One thing is clear in any case: The rating agencies must do a better job of fulfilling their great responsibility in the future.

As far as I am concerned, the bottom line is this: The financial markets must serve the economy and the people – and not the other way around. Anything else has nothing to do with a social market economy!

Precisely in regard to this last point we will only be successful if Europe manages to reach agreement with its international partners. This expressly includes the United States of America.

“If there is one lesson the world has learned from last year’s financial crisis, it is that there is no alternative to a global framework for a globalized economy.” These words from Federal Chancellor Merkel’s speech before the U.S. Congress are as timely as ever.

This year, moreover, we want to ensure that the people in Germany are able to participate even more in the upswing. Also, we want to strengthen homeland security. Let me briefly touch on both points.

Thus far, the German tax system has a central problem: Even small increases in income trigger a disproportionately higher tax burden. Despite wage increases many people end up with less money in their wallets each month. This drop in purchasing power is what we call “fiscal drag”. At the end of March we expect to give a first reading to an act designed to fight fiscal drag. We want to relieve people with small and medium incomes.

Also, the security situation in Germany remains fragile. Last year, two U.S. airmen were killed in Frankfurt by an Islamist-motivated gunman. Furthermore, a terrorist cell was uncovered in Düsseldorf. The cell was about to carry out an attack on the local transport network. And finally, it turned out that a group of militant Neonazis committed a shocking series of murders.

It will be a major goal to protect people in Germany against these and other threats. In order to achieve this objective, it makes sense

for communications data to be stored for a period of time. Precisely attacks by individual perpetrators can be prevented through Internet intelligence. If the security agencies discover extremist content, they must be in a position to attribute such content to a specific author. They are only in a position to do so with the aid of data retention.

Our Federal Minister of Justice from the FDP presently had some problems with this measure. On the other hand, an EU Directive on data retention has been adopted that we are bound to implement. I am sure that we will manage to resolve this issue in the course of 2012.

Ladies and Gentlemen,

When Konrad Adenauer looked out of the window of his house in Rhöndorf, he not only saw the Rhine. His gaze always fell on a piece of America as well: In his house, the Chancellor had hung a painting that depicted an American landscape. U.S. President Dwight D. Eisenhower had painted this landscape and presented it to Adenauer.

From a political standpoint, too, Adenauer never took his eyes off the United States. And these close ties to the West paid off. Without the influence of the United States of America, the stabilization of democracy in Germany would not have been possible. The “economic miracle”, too, would have been impossible without the support of our American friends.

I grew up with a keen awareness of these close ties. While I did not personally experience the famous “candy bombers” or the CARE packages, I heard stories about them from my grandfather. A photograph of one of the famous Douglas aircraft hangs in my Berlin office.

I can of course vividly remember the era of East-West conflict. Without the United States as the guarantor of freedom during the Cold War and as a champion of German reunification, Germany would never have been able to regain its national unity as a free nation. Especially George Bush Senior deserves particular thanks here!

Ladies and Gentlemen,

It is not only for these reasons that I highly value a stable German-American friendship.

We will all remember President Obama awarding the Medal of Freedom to our Chancellor. Our two nations are joined by common interests and shared values.

But we dare not rely on these alone. Friendship is like a plant. If it is not cared for, it will wither and die. I am not quite sure that we have paid enough attention to this plant recently.

An article in a recent issue of the German news magazine *Focus* noted that Germany and the USA were like “estranged friends”. American politicians, it continued, were now concerned with China. The new world power was receiving the most attention in Washington.

There seems to be some truth to this. For U.S. Secretary of State Hillary Clinton wrote in the November issue of *Foreign Policy*:

“One of the most important tasks of American statecraft over the next decade will therefore be to lock in a substantially increased investment – diplomatic, economic, strategic, and otherwise – in the Asia-Pacific region.”

I can understand this shift in focus. China, for instance, is of great strategic importance to Germany as well. I just want to make it clear that now, more than ever, the *transatlantic ties* are *also* of great importance!

If the USA and Europe are unable to agree, we will not be able to master the global challenges of the 21st century. There are many of these challenges, from regulation of the financial markets to environmental protection issues and the fight against terrorism. We have many common challenges today and we need to cooperate in order to meet these challenges. What we lack today is a major common project. This could help to strengthen transatlantic relationship and give it new meaning and depth.

Even though I have just poured a little cold water on the subject, I have no doubts that this relationship will function. For I see many people here tonight for whom transatlantic relations are no abstract concept. For them, these relations are an integral part of their daily lives.

It is precisely the Washington office of the Konrad Adenauer Stiftung which time and again – as in the case of this New Year’s reception – brings together multipliers from the USA and Germany. These opportunities for exchanges of views and opinion are of great importance.

I now hope that we will further cultivate the German-American friendship in stimulating conversations this evening in what I am sure will be a most congenial atmosphere!

Thank you very much.