

World Economic Forum Annual Meeting

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Federal Chancellor Angela Merkel's speech

Professor Schwab,
Colleagues,
Ladies and gentlemen,

I am pleased to be back in Davos – in a very special situation this year, but I will get back to that later.

Today, when Europe is very much the focus of the discussions at this Davos Forum, I would like to recall that the First World War ended 100 years ago, in 1918. It is described as the seminal catastrophe of the 20th century. Worse catastrophes followed it. Like sleepwalkers, the politicians of the time blundered into a terrible situation. Today, 100 years later, when there are fewer and fewer surviving eyewitnesses to the Second World War, we need to ask ourselves if we have really learned from history or not. I think the generations of people born after the Second World War will need to prove whether they have really learned something.

The lessons of the Second World War led to the foundation of the United Nations. This was a multilateral response, a response founded on cooperation. Over 25 years ago, we experienced the end of the Cold War and of the division of the world into two blocs. This meant that for the first time, multilateralism and cooperation had an opportunity to thrive.

There was a multilateral response aimed at resolving the great challenge of 2007 and 2008, the international financial crisis. This response took the form of meetings between the Heads of State and Government of the G20, whose Presidency is held by Argentina this year. Germany held the Presidency last year and the motto of our Presidency was “shaping an interconnected world”. We tried to foster global cooperation in what is not a particularly easy time. We made progress in global cooperation in the health sector, the partnership with Africa and the global steel forum, which addresses dumping and fair trade. We tried to strengthen the role of multilateral organisations and sought to promote an open global trade system. As regards the great challenge to humankind, climate change, we had to draw our conclusions without the United States of America, unfortunately. Nevertheless, climate change remains a huge threat.

We see that national egoism exists. We see that populism exists. We see that a polarising atmosphere prevails in many countries. Perhaps there is also widespread concern about whether multilateral cooperation is really capable of solving people's problems honestly and fairly and whether everyone can be included given the great technological challenges of the Digital Revolution and disruptive changes. There are doubts about this everywhere. And that, Professor Schwab, is why I think “creating a shared future in a fractured world” is exactly the right motto for 2018.

To be honest, the country I come from and where I am Federal Chancellor also has difficulties. We are experiencing a level of polarisation not seen for decades. Germany is challenged by two events, which are also a result of globalisation – the euro crisis, which we have now largely overcome, and the migration of recent years. But let me tell you that Germany – as repeatedly shown in my earlier and current talks on forming a government – wants to be a country that continues to play its part in the future in order to solve

tomorrow's problems by working together in the world. We believe that isolation is not constructive. We believe that we need to cooperate and that protectionism is not the right answer. And we believe that if we think things are not being run fairly and mechanisms are not reciprocal, then we should seek multilateral solutions, and not unilateral responses, which ultimately only serve to further isolation and protectionism.

That is why it is so important that Germany forms a government quickly. I hope we will achieve this. Two key ideas are important in the talks we are currently conducting. The first is how we can safeguard prosperity for our country and its people. At the moment, we have a situation in Germany in which we can say that we are doing well – we are doing very well. All signs indicate that in 2020 we will have enjoyed eleven consecutive years of growth. The last time we experienced that was in the 1950s. More people than ever before are in employment. We have a solid financial situation. We have made good progress as regards adopting digital technology in our business sector and with Industrie 4.0. However – and I want to state this very frankly – we are not leaders in other areas of digital technology such as society and the state.

For the next four years, our job will therefore be to bring digital technology to our education system and bureaucracy, to give the public the option of communicating with their state via digital technology in the digital age and to create a better ecosystem for start-ups so that we remain a good place for innovation. I take this challenge very seriously indeed. We have no time to lose, as we know that other parts of the world are developing very rapidly in this regard. We also see that countries such as Estonia, which just held the Presidency of the Council of the European Union, are far more developed than a country like Germany, which is not at the top of the European league as regards digitisation.

We know that the spread of digital technology means we need to deal with lifelong learning and find completely new solutions for our social systems. That means the lesson is, and must be, that disruptive technological changes alter our societies. In an ageing country like Germany, the willingness to respond to this and to adopt new technology is, to put it mildly, not exactly widespread. This means that the question of what resources we can allocate and how to invest in the future are major topics in our talks.

We know that if we want to keep our promise of prosperity for all in the digital age, including for everyone in Germany, we need a smart social market economy and not merely smart industry. This means we also need to deal with the question of how we can include everyone. I think this is one of the most urgent questions because countries that are divided are far less able to take multilateral action and to cooperate with others. Instead, there is a very great danger that they will withdraw.

None of these questions can be solved at national level. That is why the question of what happens next in Germany is inextricably linked with the question of what happens next in Europe. With a view to large countries such as China and India, many problems can only be solved through cooperation at European level in the European Union. Interestingly, regrettable as the decision by the people of the United Kingdom to leave the EU was, the more it has given us the courage to concentrate on the big picture. I would like to say expressly that the election of French President Emmanuel Macron has brought new impetus to the European Union – and that will make us stronger.

What do we need to do? At a time when not all EU Member States say that an ever closer union is just what they have in mind, we need to learn to find answers to the major questions in Europe and to allow issues that can be solved locally to be solved by local people. Otherwise, there will not be a good atmosphere in Europe. Our priority must be to foster our economic strength. That means that after having overcome the euro crisis relatively well, with all Member States in the euro area now experiencing growth and

higher employment once again, we need to look towards the future. In my opinion, that is mainly why we need to expand the digital single market. In this regard, I believe there are two reasons why we are under pressure in the European Union.

Firstly, large US companies have access to data – and data is the raw material of the 21st century. The answer to the question of who owns this data will ultimately decide whether democracy, participation, sovereignty in the digital age and economic success can go together. On the other hand, there are countries, such as China, where you have very close cooperation between the state authorities and those who gather data, where they are virtually one and the same thing. Europeans have not yet made a real decision on how they want to deal with data. There is a great danger that we are too slow and will find ourselves overturned by events, so to speak, while we hold our philosophical debates about data sovereignty. That means we need to take action. I believe that our European social market economy gives us a chance to foster a fair digital age in which the privatisation of all personal data is not simply accepted as the normal state of affairs, but it is accepted that, in order to make the best of this era for the public, data is the raw material of the 21st century.

Secondly, we need to make our euro area stronger. That means we need a capital market union – the capital market is still fragmented. We need to complete the banking union. We need to think about how we can defend ourselves against future crises that hit us from outside so that risk is not simply communitarised and we all become liable, although everyone actually needs to manage their own risks. At the same time, we need to ensure that we are an interesting location for investment. That is why we cannot afford to isolate ourselves. Instead, we need to keep up with the world's best and promote our multilateral approach.

If we want to be taken seriously as Europeans, we face another great task, namely to work together in the field of foreign policy. Common European foreign policy remains underdeveloped. If Europe, with its future 27 Member States, is not in a position to send a coherent message to large countries such as China, India, the United States or Russia in the future, but instead conducts foreign policy at national level while trying to be a global player, this will result in failure. We still have plenty of work ahead of us in this regard because we are not yet able to feel certain that we can truly rely on each other.

At the same time, there has been great progress in one area, and I am pleased that Germany's Defence Minister is here with us. Following years of discussion in Europe, we have succeeded in establishing European defence cooperation in light of the challenges we see. That is very important for two reasons. Firstly, this cooperation does not seek to undermine NATO. We are very glad that the NATO Secretary General was involved in the foundation of our common defence policy and explicitly said that he sees it as complementary. Secondly, we are in a position to take a united stance towards third countries, something that is very important to us. This means we now have a common policy on security, development cooperation and economic development issues. We can show that we have a coherent model, particularly as regards Africa. This is very important.

Why are common foreign policy, common defence policy and common development policy of such great interest? If you look at the regions around Europe, you will see that most global conflicts are taking place on our doorstep. We experienced this in 2015 when one might say globalisation arrived in Europe in the form of people, refugees, when we did not in fact deal with the civil war in Syria or with IS in Iraq. I am sure that my Italian counterpart just reported here on the challenges regarding migration from Africa. We basically have the Sunni-Shi'ite conflicts on our doorstep. We have IS on our doorstep. Our neighbour is

Africa, just a few kilometres from the southern part of Europe. Syria is a neighbour of Cyprus.

The fact that Europe was not the most active continent as regards foreign policy, but instead often relied on the United States of America, which is now focusing more on itself, must therefore lead us to say that we need to take on more responsibility and to take our fate into our own hands to a greater extent. We are doing so by establishing a common defence policy and working together to tackle the challenge of migration, although there is still a great lack of unity on this topic within the European Union.

We now agree that we need to protect our external borders. But what does that mean? Europe is an interesting continent or entity. We created a common currency, but we never thought about what would happen if it were to be hit by crisis. Now we are making up for lost time and basically building the foundation that we should have created from the outset. We were incredibly proud to have freedom of movement. When you travel around the Schengen area, you do not need to show your passport anywhere. But we did not think about how to protect our external borders and whether we know who enters or leaves Europe. In hindsight, we have to ask ourselves how we could have done something like that without thinking about these issues. But we simply felt too safe.

Now we are working on an entry and exit system. We have set up a common border protection agency. However, one thing is true – since the Roman Empire and the construction of the Great Wall of China, history has taught us that isolation alone does not help to protect borders. Instead, what we need are good relations with our neighbours, agreements and international treaties in order to know how we can cope with the challenge of illegal migration. That is exactly what we have learned. This is shown in the EU's agreement with Turkey and our migration partnerships with Africa. But naturally, we still have a great deal to do.

If you think about it, you will realise that we share responsibility. If wealth inequality becomes ever greater, we will not be able to sign treaties with one another in an open world. We share responsibility for Africa's development. We share responsibility for what happens next in Iraq. We share responsibility for what happens next in Libya. We are hesitant to get involved, but we have in fact been successful in many areas in recent years. However, there is still a huge amount of work ahead of us. There is great consensus in the European Union on this – far more consensus, in fact, than on the question of how we allocate the refugees who arrive in Europe among the various Member States. Unfortunately, there is still no agreement on that. However, we are in a better position as regards the other issues.

Naturally, we also have the challenge of working with Africa. We will only have the strength to do so if our own economy is strong. It is of great importance to me personally that we work with Africa, firstly because we Europeans owe a great debt to the continent of Africa from the time of colonisation and secondly because we have a profound interest in positive development in Africa. We say "Africa", but it actually has over 50 different countries with very different levels of development. What is now important is that we work with Africa on ensuring it shares in greater wealth. That is why we named our initiative "Compact with Africa" and not "Compact for Africa". It is not a paternalistic partnership, but rather a partnership among equals. This means investing in education so that economic growth is not lower than population growth. Above all, it means using a completely new model of development aid, one based on wide-ranging development, including economic development. We will continue working in this way.

With regard to Europe, we have a problem that I would now like to address. Naturally, we all very much regret that the United Kingdom will no longer be part of the European Union.

Our colleague Theresa May will be here tomorrow. On behalf of Germany, but also other countries, I would like to say that we want to continue having a good partnership with the United Kingdom in the future. However, we will also make clear that access to the single market is tied to Europe's four freedoms. We can make no compromises on that. But we know that we are closely linked to the United Kingdom through values, convictions and foreign policy interests. It is up to the United Kingdom to say how close it wants this partnership to be. We are open to all forms of partnerships.

Ladies and gentlemen, I have tried to make clear to you what I believe can be done in a "fractured world". I think this always begins at home. The more we succeed in overcoming divisions in our own countries, the more freedom we will have to focus on solidarity, cooperation and multilateralism. Fundamentally, the solutions are always similar – we can leave no one behind. Perhaps one of the greatest tasks facing us in an age of hugely disruptive challenges arising from the spread of digital technology is to prevent division.

Professor Schwab, we spoke earlier about this and I am delighted that you are supporting networks to foster discussion between policymakers and business people on what is an ethical way to manage disruptive developments. If we do not succeed in finding an answer, the same thing will happen as in the early days of capitalism – we will be confronted with something like Luddites, as was the case back then. The task now – and in conclusion, I call on the business people here, who live in an investment environment with conditions from another era that they did not create themselves – is to please work with us on transferring these conditions to a new era.

We are wrong to think it is enough for 20 or 30 percent of a country's population to be enthusiastic about disruptive changes to ensure the entire country is on board. It is not enough. It requires lifelong learning and many other things. I believe many people will be happy to go along with this. But many others will need to be invited to do so because they are not able to keep up at once with this crazy tempo.

My hope is that this Davos forum will offer space for these questions because it brings together many people from the spheres of business, politics and society. Then we can achieve this and prevent the mistakes of the 20th century being repeated in any way. We know that the ways of causing great harm using disruptive digital developments and of confounding societies are of a very different nature to what we experienced in the 20th century. However, they are at least as harmful. That is why we need to achieve a genuine social market economy in this area, as we would say in Germany. Then global cooperation will also work. Germany would like to continue working on this in the future. If you could kindly keep your fingers crossed for me that we manage to form a government, this will work even better.

Thank you very much.