

Welcome Address by

## DIETER REITER

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Ladies and Gentlemen,

It is a great pleasure for me to welcome you to this 12th Munich Economic Summit on behalf of Lord Mayor Christian Ude. This forum provides economic and political decision-makers with a great opportunity to exchange opinions in discussions and presentations delivered by scientists and experts in the field and serves as a platform to reflect on one's opinions and engage in discussions with an expert audience. The City of Munich is proud to host such a high-level conference year after year. I would now like to seize the opportunity and thank the organizers of this 12th Munich Economic Summit: the BMW Foundation and the CESifo Group.

At a first glance, 'Relaunching Europe' seems to be a topic of national and European significance rather than a municipal issue. But already today, more than one out of two Europeans lives in a city. In the federalist German system with its federal states and a comprehensive local self-government scheme, cities like Munich are in a relatively strong position. Taking into account the consequences of European decisions on financing, services of general interest or procurement law for cities and municipalities, it is pretty obvious that Europe becomes more and more important for municipalities as well. For that reason, I would like to review the three panel topics from a municipal angle in my short address today and provide you with the City of Munich's perspective before you'll focus on the European and national perspectives in the coming days of this Summit.

### Getting slimmer

Europe needs to get slimmer! To me, that also means reflecting on the current allocation of tasks and re-

sponsibilities and organizing them in a decentralized manner wherever possible. But at the same time, I would like to warn against misunderstanding this need to get slimmer by relaunching a wave of privatization similar to that of the 1980s and 1990s.

As Head of the City of Munich's Department of Labor and Economic Development, I am, among other things, responsible for the utility company Stadtwerke München and thus for the provision of services of general interest. I don't want to go into too much detail here, but let me mention that the possible privatization of water supply is currently one of our main concerns. Decisions made at the European level often have an impact on municipal fields of action. Against this background, it would be very helpful to take a closer look at the situation and the framework conditions at the local level as well as at the possible repercussions before passing Europe-wide reforms and privatization legislation.

Market liberalization and transparent procurement is one aspect but citizens' needs and high security of supply is another aspect which must not be ignored. At the European level, the cities' and municipalities' problems and interests are often not given sufficient consideration or the attention corresponding to their significance. That should also be an aspect of 'Relaunching Europe'.

The City of Munich is not opposed to opening up the markets or to free market access. However, a full and unconditional privatization alone cannot be the solution. The City of Munich with its city-owned enterprises and corporations clearly shows that it is very well possible for municipalities to face free competition while at the same time remaining in charge of providing services of general interest. These services of general interest are not entirely comparable to regular goods and services and while there are many reasons in favour of privatization, there are also many reasons against it. The final decision on how to provide services of general interest should therefore remain with the local players.



The financial crisis and the corresponding discussions on a new orientation for Europe allow for reallocating responsibilities to lower levels of administration which are closer to the citizens – permanently, if possible. Lobby groups calling for more privatization need to be opposed in my opinion, especially when it comes to services of general interest provided by the local level.

### Getting fitter

I believe that increasing competitiveness is a challenge faced by the European Community as a whole just like by individual countries, regions and municipalities. In the competition between cities and regions, both companies and citizens compare the framework conditions and location factors encountered on site. They want to know if certain location factors apply and if the region can provide an attractive overall package of business factors and quality of life.

It's these framework conditions which make companies stay in a region or locate there. They therefore have a crucial influence on whether people stay or even migrate to a region. In addition to the current situation and quality of life offered by a city or region, the future potential also plays an important role. Which opportunities can a city offer today, how fast will it develop and what are its future prospects?

For the EU member states, increasing competitiveness thus does not only mean launching the necessary reforms as quickly as possible. First and foremost, it also means showing people where a city or a region will stand after the implementation of an often cumbersome reform process. The European countries are faced with the challenge of a double competition here. On the one hand, Europe as a whole has to be attractive in competition with other global economic regions, but on the other hand Europe's member states and regions are also in competition with each other. The objective of 'getting fitter' thus also requires an idea or a vision of where we want to stand at the end of the process.

The European Union has developed a comprehensive scheme of support programs to improve business and living conditions throughout Europe. Being a dynamic economic area with a growing population, Munich is very well-placed, both in Germany

and in Europe. But as a consequence of this favorable situation, Munich hardly has a chance to access any of the European support programs.

I would now like to seize the opportunity and put an idea up for discussion: if Europe really wants to become fitter and more competitive, can it really afford to neglect its dynamic economic centers? For only these regions really have a chance to be successful in the global competition between the regions. So, wouldn't it make sense to think about how to promote Europe's strengths as well? Shouldn't we also promote dynamic metropolitan regions which are usually the driving force behind any economic development in order to make other regions and Europe as a whole more competitive?

### Growing stronger

How can Europe grow closer together? Economic integration in Europe is progressing. This is not least a consequence of intensive and still increasing economic interrelations. Accounting for a share of more than 50 percent in export sales, European partners are already the most important customers for Munich-based companies.

In addition to that however, political support is required as well when it comes to implementing large-scale international projects. There are many examples of that in the Munich region such as Airbus and Eurocopter, EADS or the Galileo navigation system. In order to grow closer together, Europe needs to strengthen its core competencies and step up cooperation also in the fields of social market, solidarity and the diversity of living conditions.

The percentage of foreigners living in Munich is almost 25 percent. More than half of them come from other EU countries. Munich is thus among the German cities with the highest percentage of immigrants. Local politics has therefore focused on integrating these citizens into Munich's urban society. For only people who feel well-integrated and accepted can make a contribution to keeping the city attractive and promote its further development which can actually benefit from this diversity.

Munich is one of the very few German cities which has been growing from within, as a consequence of a birth surplus, for years. But the most significant

growth factor is migration, both from other German regions and from abroad. In order to integrate the newly arrived, we need a welcoming atmosphere and offer help and support.

Different reasons for migration may of course have an impact on the success of integration measures. It is for instance a win-win situation when well-educated, qualified employees who couldn't find a job in their European home countries take up work here in Munich and, at the same time, help to mitigate our shortage of skilled labor. Their integration is usually unproblematic and often accompanied by employer's schemes. But then there is also migration which is not so much driven by the perspectives and opportunities offered by the target regions but rather by a lack of prospects in the region of origin migrants are trying to escape from. Naturally, the cities and regions are responsible for making sure that these people are equally well-received and integrated into society.

But the framework is provided by the European Union. At present, cities and municipalities are often left alone in coping with the problems resulting from this so-called migration of poverty. This is where a relaunch of Europe could begin to not only shape a European community of states but also develop ways and mechanisms allowing for European citizens to feel well-integrated in the European Union.

European integration is a great political, social and economic achievement, despite repeated setbacks we experienced during the years of the European unification process and which we will certainly continue to experience in the future. I am convinced there can be no doubt that we all need and want a strong Europe. This also, maybe even particularly, applies to regions like Munich and countries like Germany which are well off economically.

We, therefore, need to discuss how Europe can become slimmer, fitter and stronger and what the co-operation between different countries and players is to look like in the future. So what should Europe's relaunch look like, if you'll permit this little play on words, to create a stronger and more competitive Europe 2.0? I'm looking forward to the answers this conference will find to this question.