



"Asia's success is good for everyone"

**Christian Wulff,
President of the Federal Republic of Germany,
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The horrific images coming out of Japan have shocked and appalled us. As in 2004 after the quake off Sumatra, a gigantic tsunami has killed thousands of people and laid waste large swathes of the country's coastline. The survivors wander amidst the debris, stunned by the scenes of devastation. The ferocity of the forces unleashed by nature leaves us awed and humbled. There's also another catastrophe Japan is grappling with. Nuclear disaster looms on a scale that cannot be gauged with any certainty at present.

This year we're celebrating 150 years of diplomatic relations with Japan. At the launch of the festivities marking 150 years of German-Japanese friendship, Japan's Deputy Foreign Minister pointed out in my presence that the test of true friendship is when it rains. Sadly, that now seems only too true. In the current grim situation, Germany is helping Japan in every way it can. People in Germany feel a strong sense of solidarity with our Japanese friends. For that I'm most grateful. We feel profound sympathy for all those who have lost loved ones, who have been injured or dispossessed. We hope all those now valiantly struggling to cope with the disaster and its consequences will soon be able to return to normal life.

The shock inflicted by the disaster sits deep. After the Kobe earthquake in 1995 Japan recovered fairly quickly from the damage to its economy. I'm absolutely sure that this time, too, it will have the strength to rebuild. However, right now it's still too early for any definitive assessment of what the accident at the Fukushima nuclear

power station will mean for Japan, its neighbours and the world at large.

On my visits to Asia I've seen for myself what close ties exist between Asia and Germany despite the great distance that separates them. These close ties always have to do with particular people. I'm thinking here, for example, of Erich Paulun, the German doctor who founded Shanghai's Tongji University. And the heroic efforts of Siemens manager John Rabe in Nanking are known to many of China's decision-makers. What these two individuals did laid a basis on which mutual good will can develop and thrive. Another moving episode concerns Japan's World War I POW camp in Bando, near Naruto in Tokushima, where German prisoners-of-war were treated with humanity and respect. It was they who first performed Beethoven's Ninth Symphony in Japan, establishing what is now a proud performance tradition. I could cite many other wonderful examples I brought back from these trips. And on my next visits to Asia I'm sure I'll come back with plenty more. I'm very glad to see how intensive the links between Germany and Asia are and how much they are based on mutual respect and good will.

Not just at the personal level but also at the economic and political level our links with Asia are extremely close. China, India, Indonesia and other ASEAN countries account for an increasingly large share in global output. Their economies are growing fast. Along with other newcomers, China and India now wield political clout in bodies such as the G20.

So beyond dealing with the direct aftermath of the earthquake in Japan, we also need to reflect anew on the nature of our relations with Asia. What does the rise of new Asian players mean for the world of the future? Will this trend continue unchecked? And how should we in Germany respond? I'd like to sum up my thoughts on this in seven points.

Point number one: The rise of Asia is not going to be a linear process. The disaster in Japan demonstrates just how quickly and dramatically a situation can change. For those affected it's a terrible tragedy. Yet people are sticking together, there's no sign of the violence or looting we've seen, sadly, in the wake of other disasters. This is due to the community spirit and stability that are such a feature of Japanese society.

In other Asian countries the situation is more fragile. Current developments in the Arab world have driven home to us just how strong and universal the yearning for justice, freedom and a better life is. A diverse and open society promises greater stability in the long run than a closed society with its enforced uniformity. Moving from the one to the other, however, can be an extremely complicated business that's bound to have economic repercussions.

At present also the continent's security situation looks somewhat precarious. On the Korean Peninsula North Korea escalated tensions a few weeks ago with a show of military force and remains an unpredictable player. Recently we've even seen armed clashes on the border between ASEAN partners Thailand and Cambodia. And of course there are also two major nuclear powers in Asia with competing territorial claims. In 2009 Asia recorded an almost 9% increase in military expenditure, a figure higher than the global average. In absolute terms spending on arms procurement was well below US spending in this area. But given the rapid expansion of Asia's military budgets and its still nascent security architecture, there's clearly a risk of an arms race.

That brings me to my second point. It is in our own vital interest to ensure the rise of Asia proceeds peacefully and without painful bumps. Germany and Europe should therefore continue to promote an environment conducive to long-term stability. That means we must draw attention time and time again to the importance of universal human rights, rights which Asian governments have solemnly undertaken to respect. Our aim must be not to impose our model of society – democracy, the rule of law and the social market economy – but to persuade others of its advantages. When German companies in Asia meet exemplary social and environmental standards, for example, they are doing much to put this argument across. We must all play our part in making our model of society so attractive that others are keen to try it out.

As a contribution to global stability, the success of Europe's post-World War II peace project is something of which we can be rightly proud. However heatedly they may debate specific issues, the countries of the European Union have learned the art of peaceful compromise. What Europe can offer here is time and time again to put its experience at Asia's disposal.

One area where this may be particularly valuable is relations between countries of different sizes. The relative difference in size between Malta's and Germany's populations is much the same as between the populations of Laos and China. Large countries not only in Europe do well to be on good terms with their smaller neighbours. That yields benefits both in terms of legitimacy and credibility.

European integration has been and still is a long and difficult process requiring strong political will. That's clearly demonstrated by the current euro crisis, yet this should not prevent us from seeing what a long way Europe has now come. Between individual European Union countries, customs tariffs, for example, no longer exist. We're already at the stage that ASEAN countries hope to reach by 2015.

What the world of the 21st century needs, however, is not only better cooperation within regions but better global cooperation. We

need – and this is my third point – reliable institutions and agreed rules for dealing with global problems.

The current crisis in Japan, for example, illustrates why an International Atomic Energy Agency is so important. The world needs a strong, internationally recognized authority in matters of nuclear security. Radioactive clouds don't stop at borders. International organizations can act with the necessary authority only when all world regions see themselves properly represented. The new status the BRIC countries now enjoy in the International Monetary Fund was a step in the right direction. In the 21st century it's important the United Nations, too, should no longer reflect the realities of 1945.

In the economic field we need a strong and universally accepted World Trade Organization. That's the right body to deal with the controversial issue of covert export subsidies that are causing many companies problems. To push for fair global groundrules and demand that they be respected is something that's in our own interest, even if that means in some areas we need to revisit our positions.

The challenge of climate change means that, when we come to defining global standards, also the tricky issue of per capita emissions must be on the agenda.

We don't have to look back far to see how important it is to take Asian views into account when drawing up global standards. When the Universal Declaration of Human Rights was being drafted after World War II, for example, the Chinese delegate, P. C. Chang, played a crucial role mediating between the various value systems informing the discussions. And Hansa Metha, the Indian delegate, was most insistent that the Declaration should include an explicit reference to the rights of women.

The latest financial and economic crisis has vindicated those who had always had strong doubts about largely unregulated world financial markets. In Asia sceptics abounded. We need to take the lessons of this crisis to heart. There must as soon as possible be a return to a culture of stability that guarantees sustainable economic growth. But we also need to discuss how better financial market regulation can prevent new crises arising. The financial crisis is yet another example of how closely even now the futures of Europe and Asia are linked. We're all in the same boat.

This boat will in future have relatively fewer European passengers. According to UN estimates, by 2050 four of the five most populated countries in the world will be in Asia. And the Asian passengers will also be better off. In GNP terms, some Asian countries are already ahead of Germany. And that's just the beginning. If they keep up this pace, per capita incomes will continue to rise. Asia will see its economic aspirations fulfilled only when per capita incomes draw

level with those in Europe and the United States. That will be a world in which Asia's output will far outstrip – and I really mean far outstrip – Europe's output, let alone Germany's. That doesn't mean the European passengers will actually be worse off, but they will be relatively less important.

So let me now turn to my fourth point. If Europe wants its interests to count in tomorrow's world, we need an effective common foreign policy. Joining forces is the only way Europe can make its voice heard in the debates ahead that will shape the world of the future.

This insight is of course not new. In a memorandum written in 1895 on the future of East Asia, German diplomat and Oriental scholar Max von Brandt noted: "The idea of a 'United States of Europe' is often considered foolish nonsense, yet such a union of European powers is the best and perhaps the only way to assert Europe's commercial, industrial and also political interests vis-à-vis the countries of East Asia."

The new European External Action Service has an important role to play here. In trade matters Europe has long benefited from acting jointly in the international arena. The free trade agreement the European Union recently concluded with South Korea is a clear sign that Europe recognizes the importance of Asian markets. Brussels is also negotiating with a number of ASEAN countries. The entry into force in 2010 of the free trade agreement between China and ASEAN is a vivid reminder that Asia's major growth economies offer opportunities the European Union cannot afford to miss.

Never before have so many people been integrated so fast into the world economy. This is a phenomenon far wider in scope than the rise of Japan and the four tiger economies of Hong Kong, Singapore, Korea and Taiwan. So it's likely to spell profound changes for us, too. That's not going to be easy. But seeking cover and sitting pretty is not the answer. The challenge – and this is my fifth point – is to compete with Asia, bending all our creative energies to the task. The warlike metaphors we often hear in this connection may make good headlines, but tend to be counterproductive. So they're best avoided. Economic competition is not war, it's the way the market economy works.

Obviously we need to watch out for fairness. Hacking into company or government computers is unacceptable from any quarter. The same goes for covert subsidies or the forced transfer of technology and so on. Here vigilance is required as well as clearcut global rules, as I noted earlier.

But all this must not be allowed to deflect us from putting our own house in order, ensuring that Germany stays competitive. I had plenty to say about this when I spoke to the Federation of German Industries in January and the German Association of Chambers of

Industry and Commerce in March. It's important we remind ourselves that if we want to stay ahead as a high-tech, high-wage country, the goods and services we produce must be better than those of our competitors.

There can be no resting on our laurels. The four small tigers, all keen to move up the value chain, have been joined now by China, India and the ASEAN countries, which won't be content of course to remain suppliers of cheap workbench products. And anyone who thinks copying is what Asians do best is making a big mistake.

So the lesson for us is to roll up our shirt-sleeves and be open to what's new. From technical toys to activities in schools, the media and museums, there are all kinds of ways to spark interest in technology and innovation. The shift to green energy, for example, will require a host of new ideas and inventions. It's up to us to create a innovation-friendly climate – which is not to be confused with uncritical acceptance of whatever new technology comes along. Such a climate will also encourage companies to continue investing in the very best training for staff at every stage of their careers. In an aging society, by the way, that goes for older employees, too.

As a nation we have important work on our hands, too. We need to make sure every child fulfils their potential, get more women into jobs, give migrants a fair chance, keep older employees longer at work. We need to put our industrial society onto a truly sustainable footing – that's the measure of the challenge we face.

Our nation's future prosperity will depend on our capacity for innovation. In many areas Germany has built up a fine track record, thanks also to the work of previous generations. As long as policy-makers, business and society at large continue to work together to renew and improve what we find wanting, I have no worries about our nation's future.

For the reality is – and this is my sixth point – that both now and in the future a competitive Germany has everything to gain from the rise of Asia. To make the most of our potential, however, we also need to convince others of our strengths and attract to Germany creative talent from all over the world.

The extent to which our own prosperity depends on events in Japan has lately been highlighted by the reactions on the stock exchanges. Strong growth in Asia had previously helped our economy recover rapidly from the recent turmoil. Asia's dynamic economies offer opportunities that German companies cannot afford to miss. The megacities there are growing at what seems to us Europeans a truly staggering pace. In China alone there are now more than 170 cities with populations of over a million. In the whole of Europe there are fewer than one hundred. Urbanization means huge new challenges in

terms of architecture, delivery of services and transport. German industry and German companies are developing and can supply solutions designed to meet these needs. Against this background, the planned restructuring of our global player Siemens is a highly promising move.

As a country we do a pretty good job in Asia, I believe, in showing what we have to offer in all kinds of areas of great importance for tomorrow's world. At last year's EXPO in Shanghai I was very pleased to see the German Pavilion take first prize in a crowded field as the best practical demonstration of the world exhibition's chosen theme "Better city, better life". Incidentally, there was a great deal of German technology and creative flair built into many of the other EXPO pavilions and buildings.

As a "country of ideas", Germany should also publicize its ideas. For example, the MP3 format for music files, a largely "made in Germany" innovation. As representatives of German business, ladies and gentlemen, let me invite you all to tell the world where your internationally successful technologies and products come from.

Over the past few years Germany has staged several presentations in Asia. I recall in particular the three-year programme under the motto "Germany and China – Moving Ahead Together" and the Germany in Viet Nam Year. I look forward also to the Germany in India Year due to take place fairly soon. Putting the spotlight on today's Germany with the help of our cultural, business and academic communities and in cooperation with host-country partners does great things for our reputation around the world. And I will gladly continue to act as patron for such events and do whatever I can to ensure their success.

This kind of promotion is important, as our country needs to attract outside talent. Demographic trends are likely to greatly exacerbate the already marked shortage of skilled labour. Even now India and China are both important sources of IT specialists and academically trained personnel. If Asia's economic boom continues, we'll need to come up with a host of new ideas for attracting highly qualified and motivated manpower. Obviously good pay is part of the equation. But for many potential migrants other factors are important, too. Good industrial relations at the workplace, for example, of which many Asians working for German companies abroad have first-hand experience, a healthy environment, legal certainty, a bright future for their children. For whatever reason people come to us, it's important they should feel comfortable in their new home, important they can become part of our society. People who come to us from Japan want Japanese restaurants, international schools that teach Japanese and a Japanese temple.

In the mid-19th century it came as an enormous shock to East Asia's ancient civilizations to discover how far they lagged behind the West technology-wise. Many of their leaders were eager to learn from Western technology but hoped to preserve traditional culture and society intact. That of course didn't work, as the modernizers soon found out. Today's Asian societies have been shaped by myriad influences. In the view of Singapore writer Kishore Mahbubani, Asia even owes its rise to its successful application of many Western standards. Asia was ready to learn from the West, in the same way as the Germanic tribes learned from Rome. Is Europe now ready also to learn from Asia?

I believe – and this is my seventh and last point – that we must be ready to learn much more about and from Asia if we want to remain a major player in the world of the 21st century. Let's start by looking at the economic facts. If Asia accounts for an increasing share of our business, we need to pay due attention to what our customers want. Hence more and more of the goods and services German companies produce will also need to be developed in Asia. That means we need to understand these countries' cultures. As I see it, it would be a mistake for companies to rely here mainly on their Asian employees who are familiar with Germany. We also need a large number of Germans with experience of Asia.

That's why encouraging interest in and learning about Asia is something that should start at school. In today's globalized world knowledge of Asian cultures and history should be part of the educational canon, just as the study of classical antiquity was in days gone by. In future Asian studies in Germany will need to acquire both a new focus and a new importance if our need for Asian specialists is to be met.

Their expertise will be crucial if we are to participate in a well-informed, unbiased way in the global debates ahead, the terms of which will clearly be very much shaped by Asia. For the first time in the history of our planet the Internet has created a truly global public space. People all over the world are united in their concern and solidarity as they anxiously watch events unfold in Japan. What we're seeing is the emergence of a new global consciousness.

On many issues in this global debate there are bound to be different opinions about the best ideas and strategies to follow. We should argue our views with confidence, but be equally receptive to good suggestions from other quarters.

This is a cultural challenge that I'm pretty sure we'll rise to. European attitudes to Asia's great classical civilizations have generally been shaped more by respect and fascination than by arrogance. And the way modern Japan has made its mark on culture, the arts and thinking here in Europe is also reason for optimism. Between the

cultures of Europe and Asia there's been abundant cross-fertilization. Today no one's surprised to come across Korean Christians, German Buddhists, Japanese violinists or French Judo instructors. The list could go on and on.

A Germany that has fully grasped Asia's political, economic and cultural significance is a country in whose future I have great confidence. Such a country clearly recognizes that there are global challenges which every continent must confront. What kinds of energy will provide us in future with sufficient and reliable supplies? How are we going to feed a fast increasing world population? How can climate change, which is already clearly causing a marked increase in extreme weather events, be kept at a tolerable level? How do we ensure fair and unhindered access to resources? Germany has many good solutions to offer here. Asian countries, too, have good solutions to offer. Progress in all these areas, however, requires cooperation with Asia. I see this as the real challenge posed by Asia's rise. And it's a challenge we must all tackle together. If we fail, the consequences certainly won't be confined to any one continent. But if we succeed, that will be good for everyone.