

Speech delivered by the German Ambassador Peter Ammon at the Annual Reception of the German-American Chamber of Commerce in New York on January 17, 2012

Ladies and Gentlemen,

2012 – the Year of the Dragon- will be a decisive year in many ways: we will see crucial elections not only in the US, but also in Iran, Russia, France and Mexico. We will witness an important transition of power in China. The deep undercurrents of global policy are in motion: The new economic power centers of the world, countries like China, Brazil and India, will continue to transform economic influence into political power.

The post-World War II global order will come under stress even further.

The US is redefining its strategic orientation towards the pacific region.

This new strategy includes trade, with the proposal of a new Transpacific Partnership (TPP), but also a new diplomatic and military posture of the US.

It is a core interest of us, Germans and Europeans, to ensure that this process does not damage transatlantic relations. We should not hesitate to point out that the transatlantic relationship continues to be of prime interest to the US: No other region in the world by far has created so many jobs in the US; German investment alone stands for 570 000 jobs in the US.

And when the US came under attack on September 11th and NATO for the first time in its history invoked Article V, it was Europe that responded first: 80% of all troops fighting alongside the US troops in Afghanistan are European.

We cannot repeat often enough that the transatlantic relationship is not a marriage of convenience. It is based on common interests and deep-rooted common values.

I call on you, the members of the GACC who are entrenched in the American society, to remain a strong voice for this message.

Ladies and Gentlemen,

The year 2012 was ushered in with a number of festering crises that have been worrying us already in previous years. In my view, the most dangerous trouble spots lie in Iran and the Middle East. Iran has to make a choice: Either it credibly gives up its military nuclear program and becomes a respected and prosperous member of the world community. Or it will be facing a constant tightening of sanctions that will cripple its capacity to develop a military nuclear option.

The EU members are about to impose sanctions that will curtail Iran's income from oil exports. The message is clear: We, like others, are ready to sacrifice our economic interests because we believe that any alternative could only be worse.

In the wider region, we see growing unrest, but also chances for a historic turn to freedom and democracy. The hopes for an Arab spring stand against the risk of a subsequent "Arab winter" with authoritarian rulers grabbing power again or the prospect of radical Islam following the model of the Iranian revolution, putting religious rule above democratic elections.

For us, in the West, there is no easy solution to the problem.

We have to acknowledge that the enemies of freedom will exploit prejudices against us. So whatever we do, we will have to act carefully and try to build trust in particular among the young people in these revolutionary societies- trust in us and our intentions.

Part of it may be our ongoing efforts to bring the generation-old conflict between Israel and the Palestinians to a solution. Demography alone tells us that time is running short for both sides, with the wider region more and more looking like a cinder-block.

Ladies and Gentlemen,

The way the world economy goes will be crucial to all this. History tells us that, once people lose hope for a better future, the going gets rough. I will not try to give a judgement of the perspectives of the emerging economies, where some signs of a slow-down are visible. Closer to us, there are worries about the state of the European and American economies. Let me say frankly that I do not agree with the slant with which many Anglo-Saxons are currently debating the situation in Europe.

The root cause of the malaise is an on-going debt crisis, that effects the US as well as Europe. In the first decade of this century, government debt on both sides of the Atlantic more than doubled, as interest rates were low and savings were easily available.

Now the tide has turned, the Asians are reducing their surpluses and hence their exports of capital, and debt in the US and EU has reached mind-boggling figures: The US has reached a debt ratio of 100% of the GDP, and runs a 10% deficit, the EU has gathered a 90% of GDP debt and runs a 4% deficit. This clearly is not sustainable.

The short-term option to print money - which could be easier turned into action in the US than in EU - cannot save us from a death-spiral into debt running out-of-control in the long term.

On both sides of the Atlantic, the hard thing for the individual countries is to embark on necessary political processes. I do not want to comment on the process here in the US. In the EU, governments fell in Greece, Italy and Spain. Although the decision making process is structurally more complicated in the EU, 17 Parliaments voted in favour of a solidarity Fund, the ESFS.

The German Bundestag endorsed (in a bipartisan vote) a package of guarantees worth 211 bn € to save our neighbours. The peripheral countries are cutting down deficits now in earnest.

I am full of admiration of Prime Minister Monti's program that will produce a primary surplus in Italy next year. Greece is a more difficult case, but it amounts to only 2% of the combined EU economy.

By the end of the month, I expect the EU Summit to agree upon a "Fiscal Compact" that will ensure fiscal stability in the future.

So what we witness today is

1. a structural modernization of peripheral states against huge vested interests that would not have been possible without the crisis.
2. After the Lisbon Treaty, we all believed that integration had come to a standstill. European Integration is now moving forward again, moving into new fields of fiscal integration that were unthinkable before.

So let me end on a more optimistic note. Of course, we cannot release pressure on profligate countries because otherwise the political will to reform would evaporate immediately.

Those who lived beyond their means will have to cut their expenditure, even if this means hardship for a while. But on the other hand, Germany –and the ECB has said the same – remain committed to the Euro.

I personally am convinced that those who bet on a demise of the Euro will find themselves in a squeeze later this year.

2012 will be a year that most probably will find its place in the history books. It is up to us that this will be on a positive note.

Thank you very much.