

Press release

Federation of German Industries President Kempf:
"Robust Economy no Cause for Complacency"

- Prepare German economy for future success
- Use record tax revenue equally for investment, education, and structural tax reform
- Chancellor Merkel and the SPD candidate for Chancellor Schulz attend German Industries Day

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The Federation of German Industries (Bundesverband der deutschen Industrie, BDI) warns that the favorable economic conditions may have negative political consequences. "The robust economic situation is not a signal to sit back and rest on one's laurels," said Federation of German Industries President Dieter Kempf on Tuesday in Berlin. "Our success is also a result of a weak euro, the moderate price of oil, and the expansive monetary policy of the European Central Bank. Those are all factors over which we have very limited control."

Kempf urged the federal political parties to come up with concrete ideas during the election campaign in order to prepare the German economy for future success in the face of global risks. "Federal, state, and municipal budget surpluses provide headroom to increase investments in education and in our future."

For the current year, the BDI estimates that real economic output will grow by 1.5 percent. "Finally, foreign trade will once again be the driver of the German economy," explained Kempf. "Despite uncertainty from the United States and Brexit, global markets remain the foundation and future of a strong German economy."

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The BDI President expressed concern around policy changes instituted by U.S. President Donald Trump. "Travel bans, withdrawal from free trade agreements, threats of countervailing duties, or withdrawal from the Paris climate agreement: these policies runs counter to the very core of the values we have shared with the United States," Kempf said, critically.

The BDI President urged Germany and Europe to increase their global influence in favor of a global economic order characterized by clear rules and openness. Commenting on the rise of Chinese investments in Germany, Kempf advocated for an equal treatment of German companies in China: "China has to get serious about opening its market. Germany has no interest in hindering market access for others. We all benefit from foreign investments."

With regard to the Brexit negotiations, Kempf sees the responsibility for limiting the harm to the economy and to citizens on both sides of the channel primarily with the British government. "Prime Minister Theresa May should consider this: a hard Brexit has been voted out." It is the British economy that would suffer the most from a hard Brexit.

Changes to European contracts should not be off-limits for necessary reforms in the EU, emphasized the BDI President: "Europe has to be more disciplined when it comes to reforms and fiscal policy, and European institutions need to be strengthened. This includes the eurozone and the European Minister of Finance getting its own dedicated budget."

The BDI President encouraged Germany and France to work together in advancing the European Single Market. "The broad support for President Emmanuel Macron proves that a pro-European agenda can be successful. We have to carry this momentum forward, for example, by expanding the Digital Single Market or a fully integrated internal energy market." Effectively interconnecting the European power supply network alone would yield efficiency gains of more than twelve billion euros annually.

According to the BDI, Germany's federal political parties should focus on taxes, energy, and digitalization. Germany's tax policy had to face the increasingly competitive international tax landscape. Tax incentives for research and development, as already adopted by 28 of the 35 OECD member states, are necessary. Instead of scattered tax breaks, the BDI President called for structural tax reform and even distribution of record tax revenues. "We propose the following: spend one third of the surplus on investments, one third on education, and one third on structural tax reform," explained Kempf.

Future funding of the energy transformation should be one of the key topics of discussion: "It's no good to continue with the Renewable Energies Act (EEG) as before. Cost cuts are necessary." The cost burden was a top priority for the industrial enterprises, 96 percent of which pay the Renewable Energies Act levy. The BDI President is not in favor of cutting energy taxes. "This would be totally ineffective and not increase the competitiveness of industry."

The BDI President is deeply concerned about broadband access in rural areas: "Roughly two out of three industrial jobs are in rural areas. Not even one out of three companies has access to the necessary 50 Mbps." Increasing the average connection speed by a mere one percent would increase the gross domestic product by two billion euros annually.

Around 1500 guests from business and political circles attended German Industries Day at Konzerthaus Berlin on the Gendarmenmarkt. Guest speakers included Chancellor Angela Merkel (CDU) and SPD Chairman and candidate for Chancellor Martin Schulz. Speakers also included Cem Özdemir (Alliance '90/The Greens federal chairman) and Christian Lindner (FDP federal chairman) and Alexander Dobrindt (CSU), Federal Minister for Transport and Digital Infrastructure.

Deloitte is a partner of German Industries Day.

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The Federation of German Industries (BDI) is the umbrella organization of German industry and industry-related services. It speaks for 36 trade associations and more than 100,000 enterprises with around eight million employees. Membership is voluntary. 15 organizations in the regional states represent the interests of industry at the regional level.