



Volume 10. One Germany in Europe 1989 – 2009

DaimlerChrysler Chairman Jürgen Schrempp Defends Globalization as an Opportunity  
(July 2, 1999)

Countering the strident criticism of the left, DaimlerChrysler chairman Jürgen Schrempp defends globalization as an opportunity to increase worldwide prosperity through trade and competition.

---

### **DaimlerChrysler Chairman Jürgen Schrempp on Globalization at the 7th Annual Colloquium of the Alfred Herrhausen Society in Berlin**

#### **1. Globalization is a competition not only for markets but also for values.**

You all saw the pictures from the G8 summit: demonstrations by activists against globalization and global corporations. Their perspective reduces globalization to a new form of profit maximization. The market has become “an idol,” as was recently stated in the weekly newspaper *Die Woche*. The book *The Economic Horror* was a bestseller. But all of this overlooks the fact that globalization not only exposes our economy to international competition but our liberal democratic values and economic ethics as well. Economic and political freedom are interdependent.

So what does capitalism mean today? Capitalism per se has a moral quality, since it creates prosperity for broad segments of the population. The justification of capitalism and of the market economy can only be found in what they do for the people and nowhere else. The key elements of capitalism – competition and the pursuit of profit – do not imply a dog-eat-dog world. They are the necessary incentives for ultimately advancing the common good. In this respect, serving society is also always one function of capitalism.

That is why the concept of the market economy, together with the rule of law, is one of the basic pillars of a democratic constitutional state. Competition prevents the concentration of economic and also political power; it guarantees equal opportunity, performance equity, and social security; and it is the driving force behind social change. If there are still many people around the world who don't share in this prosperity, then the market economy needs to be really set in motion. Improvement does not come from restraining market forces, but rather from liberating them.

## **2. Globalization does not create new conflicts; rather, it is a key to peace.**

The elimination of divisive borders and the opening of national markets are the keys to stability and prosperity on our continent. The European Alliance for Peace, the European Union, and the integration of markets in Western Europe were the prerequisites for preserving freedom. Today, the economy accelerates political change in places where there used to be a lack of freedom.

The economy creates networks. The economy creates common interests, also for people from different countries. After years of being sealed off, the young democracies of Central and Eastern Europe have good reasons for wanting to become part of the European Union. Security and stability in today's world community can no longer be guaranteed through military means alone. These things are increasingly dependent on global economic growth. Global corporations create a common basis for this – a basis for prosperity, jobs, and worldwide participation in forward-looking technologies.

## **3. Globalization does not mean lowering social standards but rather increasing worldwide prosperity.**

It is often claimed that global competition leads to job cuts and social dumping. But the figures say the opposite. Since 1970, employment in the OECD countries increased by an average of 37 percent. In other words: the industrial countries have been able to create 110 million new jobs since 1970.

Globalization does not mean a withdrawal from Germany but rather investments in new markets that also secure jobs for us at home. At DaimlerChrysler, for every three new jobs created abroad, one new job is created in Germany.

[ . . . ]

At the same time, globalization does not mean irresponsible short-term investment decisions. We invest with a long-term strategy. That is why global corporations did not leave the crisis-laden regions of Eastern Europe, Southeast Asia, South America, or Africa, but instead persisted in opening plants and launching new products. In the crisis year of 1998, there were direct investments in foreign companies in developing and threshold countries to the tune of 155 billion US dollars – this was only barely (five percent) below the high level of the previous year. Anyone who knows how sharply domestic investments plummet in countries in crisis can appreciate the stabilizing influence that foreign companies exercise as reliable partners.

## **4. Worldwide capital markets are not the cause of crises; rather, they are catalysts for transparency, business efficiency, and democratic control.**

Nowadays the amount of foreign currency exchanged around the world in a single day is equal to the total value of all world trade in four months. More and more people – including German citizens – are tying their savings and retirement accounts to the success of companies. Institutional investors, such as the California state workers' retirement fund, have become dominant actors on capital markets. They currently administer roughly 8000 billion US dollars, which is more than one-fourth of the global GNP. Thus, for large companies, global competition and the competition for international capital will be even harsher in the future. And the pressure they face to achieve transparency, efficiency, and profitability will continue to increase.

In return, however, we also need additional stabilizing mechanisms on the finance markets. Better international early warning systems, the transparency of capital flows, risk-appropriate liability regulations, and the promotion of long-term investment horizons are prerequisites for responsible action on these markets.

**5. The decisive resource in global market competition is not the limited reserve of raw materials but rather the unlimited reserve of knowledge.**

[ . . . ]

Permanent innovation determines whether a company is viable for the future. At DaimlerChrysler, for instance, eighty percent of our profit comes from products that are less than five years old.

But innovation does not come for free. In order to preserve our technological edge in the future, DaimlerChrysler is investing 46 billion Euros over the next three years. Each and every day, 42 million Euros are invested in the future of the corporation and its employees.

The cost of innovation is rising. At the same time, we are witnessing the segmentation of the market into ever smaller niches, and the shortening of product cycles in which investments can be amortized.

The consequence is clear: investments only pay off when products are made and sold in greater numbers. And that means worldwide marketing and opening up new markets. When markets expand, companies have to expand. That is why mergers are an expression of functioning competition.

**6. Globalization does not break down connections; rather, the internationalization of communication creates new types of connections.**

In 1994, only about three million people used the Internet. Last year, that number had already grown to 100 million, and it is estimated that it will reach 1 billion in 2003. Traffic on the World Wide Web doubles every hundred days. Not tons, but kilobytes are the decisive measure in

international competition. News cannot be suppressed – ideas and new products can no longer be simply withheld from people. The Internet gives consumers new options. If a product isn't available on the domestic market, it can be ordered from abroad on the Internet. And conversely, the Internet opens up new trade channels and markets.

### **7. Global business approaches do not diminish national responsibility; rather, they strengthen the regional foothold.**

It is nonsense to charge global corporations with a lack of patriotism. Just the opposite is true: calls for regulation and isolation are a vote of no confidence for Germany as a business location and for its citizens. Patriotism, on the other hand, is believing in our people and our companies, believing that we can hold our own in the international competition to attract business and industry. "Think globally, act locally" is the key challenge. We know that the only companies that will succeed in the long run are those that are based on national cultures and traditions, and that adapt to their respective markets, because we can no longer succeed and secure jobs through exports alone. We need to secure our competitive position through direct investments on the ground, and we need to be accepted by the people.

In light of all this, entrepreneurial responsibility not only means paying attention to profits but also considering the overall responsibility of entrepreneurial actions. As companies, we have to convey one thing clearly to the public: We are taking the critical questions and concerns about globalization seriously. It is precisely the focus on economic success that forces global corporations to think beyond narrow business horizons. Sustainable growth can only be achieved if companies make a visible and recognized contribution to the economic, social, and also ecological stability of those countries in which they operate and work.

### **8. Globalization does not reduce individual freedom; rather, it offers new leeway for independent action.**

Not only are goods and services becoming more mobile, but the labor markets are becoming more flexible. We experience it every day: loyalty to an employer is no longer taken for granted, and celebrating years of service to a particular company is no longer fashionable. This is not a negative development. Companies are taking advantage of opportunities offered by new work models, and employees are benefiting from them as well. They can use their skills flexibly, can switch not only from one company to another, but can also become self-employed. More and more young people are daring to gain a piece of freedom on the market.

For us as a corporation, this means that if we attract good employees and want to hold on to them, then it is our responsibility to guarantee attractive working conditions. Therefore, at DaimlerChrysler, we vigorously support ongoing training and continuing education for our employees, in the factories and at our corporate university. If our employees are employable worldwide, then we have acted responsibly.

**9. Globalization does not deprive nation-states of their power; rather, it leads to a new partnership between the economy and politics.**

Competition is largely foreign to politics. For centuries, governments could rule according to their wishes alone. Today, however, politicians throughout the world are in direct competition with each other. The key question is how can a government's ability to make political decisions be strengthened by the sometimes variable approaches of the market economy? National governments can only be influenced and controlled to a limited extent. This does not make nation-states superfluous. As guarantors of freedom and the rule of law, they remain the foundation of every new international order – but their role will change.

Overarching thinking and economic action are now needed in order to take advantage of the growth potential of open markets. But just as international companies want national regulatory frameworks in the countries where they operate, they also want the same on a global level. It is precisely those companies that operate internationally that need legal security on global markets – not to tighten the network of regulations, but rather to release the growth potential of open markets. It is clear to us that we, as a company, can only achieve economic success by working *with* politics and not *against* it.

**10. Our future prosperity cannot be achieved by protecting our vested rights but only by continuing to open up markets.**

In the past years, we have made enormous progress in opening up markets. But I am concerned about growing efforts to oppose free global trade. Together with our various countries, we are standing at a major crossroads today. Do we want to shape globalization and make it an employment program for all of Europe, or do we favor protectionism and state interventions that limit market forces? Demands for regulation and individual state isolation are not only a vote of no confidence for Europe and its citizens. Ultimately, they also represent unsocially-minded politics, because open markets are inherently social [since they have the capacity to improve society]. What we now need is joint leadership in politics and the economy in order to break the rising wave of protectionism. Two major tasks take center stage here: the creation of a transatlantic market between Europe and North America, and the Eastern expansion of the European Union. Neither the EU nor the transatlantic market should become an exclusive club. [ . . . ]

Ladies and gentlemen, we have reached a milestone in our quest to ensure the future viability and prosperity of our countries and their people in the harsh global competition. I am convinced that, at the threshold to a new century, global corporations not only can, but must contribute to this effort. Thank you.

Source: Rede des DaimlerChrysler-Vorstandschefs, Jürgen E. Schrempp, zur Globalisierung beim 7. Jahreskolloquium der Alfred Herrhausen Gesellschaft am 2. und 3. Juli in Berlin [Speech on Globalization by DaimlerChrysler Chairman Jürgen E. Schrempp at the 7th Annual Colloquium of the Alfred Herrhausen Society in Berlin on July 2 and 3], reprinted in *Internationale Politik*, no. 8, 1999, pp. 114-18.

Translation: Allison Brown