German Chancellor Schröder Urges More Help For Developing Nations Plus European Social Reform

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German Chancellor Gerhard Schröder today urged “helping developing nations more than ever before” but said Europe’s most powerful economy must also get its own house in order through a programme of far-reaching social reform. Speaking at the Annual Meeting 2005 of the World Economic Forum, Schröder urged rich nations to grant developing countries better market access and to eliminate agricultural subsidies, punitive excise duties and protective clauses. The Chancellor agreed with a recent UK proposal to increase the funding required to meet the Millennium Development Goals through a series of payments to refinance the International Finance Facility, something he said Germany is prepared to support during the UK Presidency of the G-8.

He supported taxation on cross-border speculative financial transactions, as proposed by French President Jacques Chirac at the Annual Meeting two days ago. “Promises to raise funding have been hot air and speculation so far,” he said. “We want to go into implementation and we are ready to pay for it,” he said.

At the same time, living up to international commitments is about “national strength”, which means national economies must also chart a course for success. It is against this “very difficult background” that Germany has embarked upon its ambitious programme of social reform. Two important factors are driving this process: globalization, which has spurred strengthening the national economy from within, and the changing demographics of German and European societies.

“We needed to respond to these challenges while ensuring that our social security and welfare systems are safe and protected,” he said. “They must be readjusted so that in ever-changing surroundings they become valuable tools for the future.”

Schröder outlined Germany’s ambitious – but controversial – three-pronged programme of reform:

· An old age pension scheme that is a hybrid of pay-as-you-go and private contributions. The median retirement age of 65 may have to be 70.
· Germany’s model universal healthcare system is too expensive. The solution is to strike a “new balance between solidarity and the private approach”, which means user fees for visits to the doctor. Sick pay benefits are also going to have to be reduced over time, a proposal that has sparked “a revolutionary mood” across the country in the past.

Liberalizing the labour market must be continued. The process that has resulted in "tough struggles" across German society, he acknowledged. Despite the country's "fantastic, well-functioning low-wage sector", there are almost 5 million unemployed.

Reforming the social system will open the door to more financing of R&D to attract more investment into the country, promoting excellence in the education system and bringing more women into the labour force by providing better childcare.

Germany is a success story, he declared. "We are a country and a people who find it important to have social welfare within our own country, and we are willing to stand up and do the same for people in the developing world."