

# Press

## Destination 2022: Allianz presents seven pillars for the future of Europe

- Flaws in the present euro framework must be eliminated
- European integration and unity must be elevated to a new level
- Reforms and structural changes key to getting Europe back on track

At a press conference in Frankfurt today, Jay Ralph, Chairman of Allianz Asset Management and Member of the Board of Allianz SE, and Michael Heise, Chief Economist of Allianz SE, presented Allianz's views on the future of Europe.

The long-running debate about the crisis in Europe has been dominated by crisis management, the costs of the various rescue efforts and bleak economic data from the peripheral countries. What has been missing is a clear target picture of where Europe should strive to be ten years from now.

Jay Ralph: "To regain investor confidence, Europe must finally get to grips with the crisis and stake out a clear path leading to renewed economic dynamism. Prolonged uncertainty and indecision scares investors off. Stability and predictability are the foundations of an attractive investment environment."

The importance of Europe as an economic and political force in the world has been dwindling in recent years. This process is set to continue in a world with newly emerging powers. The challenges of demographics and mobility are mounting drastically. Asia's population is set to grow by a further 1.7 billion over the next four decades, and Africa, an immense continent five times larger than Europe, will have a population of 2 billion, half of whom will be under 20 years old. Europe on the other hand will see its population fall by 20 million by 2050. No one single country in Europe will be in a position to exert major influence on the foundations and the values of tomorrow's world economic and political order.

Michael Heise: "European integration and European unity must be elevated to a new level. A dissolution of the euro would work in exactly the opposite direction, it would weaken Europe in many different areas. A renationalization of currencies would imply a return to narrower, more individualistic policies. Hardly an answer to today's global challenges. The euro is not the *raison d'être* of Europe, but it is the most important symbol and facet of the deepness of integration."

The top priority for the EU and the euro area must be the resumption of growth, overcoming the present instability and the lack of competitiveness some countries are presently experiencing. That requires sweeping structural reforms. Economic policymaking must be better co-ordinated and fiscal policies should have achieved a significant debt reduction by 2022 in compliance with the fiscal compact and the Stability and Growth Pact. Macroeconomic policies in member countries should be geared to strong growth and higher employment, but should keep countries on a sustainable, non-inflationary path. Financial markets should be overseen by a euro- or eventually EU-wide bank supervisor that guarantees that the same rules are applied across the region in the same way. All this means more decision making on an EU-level and requires stronger political co-operation and clearer democratic accountability on an EU level.

Allianz has identified seven key elements that need to be addressed:

1. Reform of EU governance, enhancing EU decision making and the democratic legitimacy of EU institutions.
2. Explicit exit rules for countries that do not live up to their commitments within the Monetary Union.
3. A precise fiscal rulebook empowering an EU finance commissioner to intervene when necessary.
4. An effective mechanism at the EU level to detect and correct the evolution of imbalances that may derail economies.
5. Enhanced competencies for European institutions, particularly with regard to the European banking system.
6. More common policies that foster investment in Europe's physical and intellectual infrastructure, boosting growth and competitiveness.
7. A sovereign debt restructuring mechanism offering liquidity support to governments when appropriate, but also guaranteeing an orderly process in the case of default.

"It is our responsibility as a company and as citizens to engage in a discussion for the better future of Europe. The ambition of policymakers should be to eliminate the flaws in the present institutional framework of the euro, to foster integration and unity among the EMU and the EU members. In short: to unite and not to divide the old continent. European unity is the only way forward if we want to preserve our influence on the international economy, safeguarding our living standards for the coming generations," said Ralph.

The target picture 2022 can be found on our homepage:

[https://www.allianz.com/en/economic\\_research/index.html](https://www.allianz.com/en/economic_research/index.html) under Publications/Specials

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Together with its customers and sales partners, Allianz is one of the strongest financial communities. Around 78 million private and corporate customers rely on Allianz's knowledge, global reach, capital strength and solidity to help them make the most of financial opportunities and to avoid and safeguard themselves against risks.

In 2011, around 142,000 employees in some 70 countries achieved total revenue of 103.6 billion euros and an operating profit of 7.9 billion euros. Benefits for our customers reached 86.5 billion euros.

This business success with insurance, asset management and assistance services is based increasingly on customer demand for crisis-proof financial solutions for an ageing society and the challenges of climate change. Transparency and integrity are key components of sustainable corporate governance at Allianz SE.

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