

The German concept for increasing the economic benefits of globalisation

Artur Ciechanowicz, Konrad Popławski

On 8 February, the German government adopted its foreign policy strategy entitled ‘Shaping Globalisation – Enhancing Partnerships – Sharing Responsibility.’ This document acknowledges the significance of the ‘emerging powers’ (*Gestaltungsmächte*) and envisages attracting them to participate in political co-operation and building a global order. The ‘emerging powers’ – according to the definition provided in the document – are those countries which Berlin is not co-operating with as part of the EU, the G8, or NATO, and which are distinguished by their significant strength or economic potential in the regions they are situated in, have ambitions to form regional policy, and – last but not least – countries which for various reasons are predestined to play the key role in their respective regions. This strategy is complementary to the already well-established platforms of co-operation with such countries as Russia or Turkey. This is a clear sign that co-operation with regional powers for Germany is no longer only an economic project, but is also going to be included in its political agenda. The German political elite not only continue to support specific actions taken by representatives of business circles but are also adding strategic political concepts to their activity. On the one hand, these concepts are aimed at institutionalising previous co-operation, and on the other at encouraging co-operation with Germany. One should expect that Berlin will take care to maintain its position as an economic and political leader in the EU and at the same time will be enhancing its relations with the ‘emerging powers.’

The emerging powers – a new goal for German diplomacy

All the ministries responsible for co-shaping German foreign policy, including the Ministry of Foreign Affairs, the Ministry for the Economy and the Ministry for Developmental Aid – have begun to view the development of co-operation with the ‘emerging powers’ as a high-priority issue. Germany has been urged to take such actions not only due to the expected stagnation in the eurozone but also as part of searching for new, attractive markets. Co-operation with partners in Asia and Africa is also vital for Germany because these regions have significant reserves of the raw materials necessary for the development of German industry and the maintenance of the present economic model.

What makes the government's new strategy 'Shaping Globalisation – Enhancing Partnerships – Sharing Responsibility' different from previous documents of this type is the attempt to build a comprehensive approach to co-operation with 'emerging powers,' which (for the time being) concerns mainly the following countries: China, India, Brazil, the Republic of South Africa, Vietnam, Mexico, Malaysia, Indonesia, Columbia, Nigeria and Angola. At the core of this concept is the assumption that we are witnessing the emergence of new 'centres of power' in different regions across the world which are being called 'emerging powers.' In this case the term 'emerging power' is not used as a precise description of reality but rather as a rhetorical trick letting some countries feel they are held in esteem. Hence also the rather imprecise definition which allows for quite considerable arbitrariness in the classification.

Changes in exports change the perception of Germany's politicians

The structure of the German economy has made it necessary to search for markets in the 'emerging powers.' Germany specialises predominantly in the traditional branches of industry (machines and cars), and – given the saturation of the market in old Europe – it needs continuous expansion (see [Appendix](#)). 2011 turned to be a record-breaking year for German foreign trade. The value of German exports reached 1.06 trillion euros (an 11.4% growth), while German imports were worth 0.9 trillion euros (a 13.2% growth). This allowed Germany to generate a positive balance in foreign trade at a level of 158 billion euros, which supported the German labour market and debt servicing.

Despite the rather slow economic growth in the eurozone, at 1.6%, Germany managed to increase its exports by 6.7% and imports by 10.3% in comparison to 2010. However, the fall in exports to such countries as Portugal, Spain or Greece in 2011 was double-digit. These countries' problems along with the economic slowdown in the eurozone may lead to a reduction in Germany's exports to the euro area in the future.

Foreign exchange with Central and Eastern Europe was much better. Exports to Central Europe grew by almost 14%, and to Russia by 30%. This was the first year when exports to Russia were at a level higher than in 2008, i.e. before the crisis, credit for which can be claimed mainly by the increase in sales of the German car and machine industries in Russia, which reached double figures. Nevertheless, Poland still remains Germany's most important partner in Central and Eastern Europe. Furthermore, the quantity of German goods which go to Central Europe is almost three times higher than that of the goods sold to Russia.

Trade with the 'emerging powers' performed even better. Exports to China grew almost 21%, and to India by 17.5%. At present, China is the most important supplier and the fourth most important export market for Germany.

The perspective of the last few years makes it clear that the very rapid growth on Asian and Latin American markets has been regularly decreasing the share of the other regions in German trade. German sales in Asia have increased by 43% over the past three years to reach a share of 14.5% in German exports. At the same time, sales to Latin American

markets have grown 21%, and have a share of 2.7% of German exports. The eurozone's share has fallen by 3 percentage points throughout the crisis to a level of 39%.

The tough challenge

The European market will remain the main area of trade co-operation for Germany, although its significance may be lessening. The prospect of co-operation with Central European EU member states will be more and more attractive for German firms at the expense of the eurozone, which is focused on debt reduction. However, Germany expects the emerging markets to grow at the fastest rate, and for this reason it will make attempts to build its strongholds there using both political (international organisations, intergovernmental consultations and bilateral partnerships) and economic means (supporting the co-operation of individual firms, the intensification of contacts between scientific institutions, and supporting friendly economic elite groups). However, this will not be easy for a number of reasons. Such countries as India, China, Brazil or Mexico are aware of their significance and have embarked upon assertive policies towards the West. One of the many proofs was how the Chinese government took affront during Angela Merkel's visit to Beijing: one of the best-known human rights activists was not allowed to meet her at the German embassy. Similarly, a proposal from the German minister of finance, Wolfgang Schäuble, was met with a cool reception at the most recent meeting of the G20 ministers of finance and heads of central banks. This proposal was aimed at increasing the level of engagement from emerging economies in rescuing the eurozone. The example of China, who Germany has been developing political co-operation with since the 1970s, shows however that it is possible to strongly enhance economic co-operation provided that one is ready to make political concessions. Furthermore, Berlin must also take into account the intensifying rivalry for influence, contracts, licences and export markets with other Western countries (which it has already encountered in Angola, Nigeria and Mongolia).

Appendix

The intensification of political activity and economic diplomacy in new directions

The first German-Indian intergovernmental consultations took place in New Delhi on 31 May 2011. The two countries reiterated their promise to support each other as part of the G4 (Germany, India, Brazil and Japan – the countries which aspire to gain permanent membership on the UN Security Council). Chancellor Angela Merkel and Prime Minister Manmohan Singh expected then that the value of trade exchange between their countries would reach 20 billion euros by 2012 (it equaled 15.4 billion euros in 2010). Less than a

month later, consultations with China were held, with the same formula applied. At the beginning of February 2012, Angela Merkel made attempts to convince the Chinese government to become engaged in aid for the eurozone (Beijing, which has US\$3.2 trillion in currency reserves, could support the stability facilities ESM and EFSF, which were created to combat the crisis in the eurozone). During the meeting of the G20, ministers of finance and the heads of the central banks on 25 and 26 February 2012 in Mexico City, Wolfgang Schäuble attempted to convince (mainly) the representatives of the BRICS countries to increase the pool of the funds which the IMF has at its disposal, so that they can be used in combating the crisis. Some smaller initiatives were also indicative, such as signing raw material partnership agreements with Mongolia and Kazakhstan, Angela Merkel's visits to Nigeria, Kenya and Angola, and advocating for the emerging economies at the WTO, the IMF and the UN.