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FOREIGN ECONOMIC RELATIONS AND DEVELOPMENT PROSPECTS OF GERMANY

Introduction. The Federal Republic of Germany is the fourth largest economy in the world (after the USA, China and Japan). The economic system of modern Germany is a social market economy, which development began immediately after the end of the Second World War.

The modern model of the social market economy in Germany is a compromise between economic growth and a uniform distribution of wealth. The center of the system is the business activity of the state, which provides more or less equal distribution of social benefits to all members of society.

In terms of GDP, industrial output and the average GDP, Germany is among the top ten countries in the world. It has the second place in the world export after the US, although its economic potential is three times lower. In the European Union, Germany is an absolute leader in all fields.

The purpose of the paper is to examine the German's economy, its specificity and development, and to analyse its main problems.

Results of research. Foreign economic relations are one of the engines of the German's economy. They are implemented mainly within the EU. In 2015 the share of Germany in the total volume of world export and import ranges from 15% to 115% (the second place in the world). The volume of import is $700 billion, export - $655 billion. In this case, the commodity structure of export and import prevails and finished products predominate (Figure 1) [1].

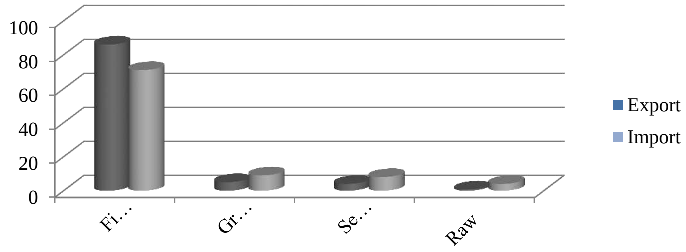

Fig.1 Commodity structure of export and import (%).

German companies are ranked the first in the export of finished chemical products (17%). Participation in the international trade of the general mechanical engineering products reflects the state of competitiveness of products. By its share in the world export, the country is ranked the first in 22 out of 43 sub-sectors of general mechanical engineering, including mining, polygraphic equipment, equipment for the rubber industry and the production of plastics, measuring instruments, woodworking, metallurgical equipment, etc. Germany occupies the leading position in the export of textile - about 12% of world supplies and third in the world after the PRC and Italy in the export of clothing – 6-7% [2].

The main export fields are dairy and meat products. Germany is also the second largest importer in the world. The import quota has increased significantly for many industries. In the manufacturing industry, it has increased to 22% (aerospace industry - more than 80%). The import quota increase is due to the intensification of intra-specialization, which results in the intra-industry exchange increase among the same commodity groups. Leading trading partners are France, Italy and Britain, each of them accounting for 13.9-9% of German exports. Active trading links are supported from the US (8.7% of exports). As a whole, the industrial development of the country accounts for more than 80% of foreign trade turnover of the Federal Republic of Germany, including the EU countries - 50%. For a number of countries it is the main market for selling their products (Figure 2).

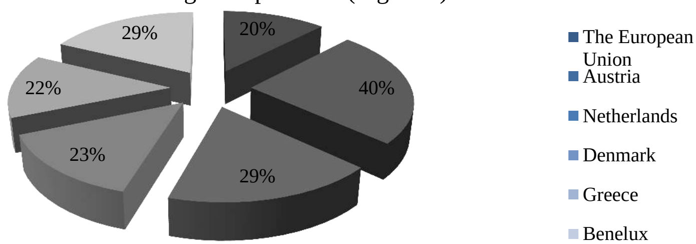

Fig.2 Germany’s absorption of exports from other countries

In recent decades, the Federal Republic of Germany has consistently been among the top five leaders in accumulating direct foreign investment: its share in the world is about 15%, more than twice its share in world GDP. However, the prevailing country holding model of capitalism (unlike the stock model of the United States, Britain and a number of small European countries) imposes certain restrictions on the further growth of German FDI (FDI). Holding model of capitalism rarely crashes in traditional industries, where FDI is mainly related to the creation of tangible assets. Therefore, the Federal Republic of Germany is steadily allocated by the volume of FDI in the industry. Relative underdevelopment of the stock markets of the Federal Republic of Germany and the associated underestimation of the capitalization of German companies leads to the loss of the country's leading position in FDI, especially in new industries, which role in the economy is constantly increasing [3].

Conclusion. Consequently, in modern Germany dominant is the process of creating the nation-wide economy from two distinct economic complexes, where the former Federal Republic of Germany, which modernizes and rehabilitates the land. The bank's two-tier system has been successfully launched, a system of lending has been established, and exhausted foreign-policy ties have made Germany the world leading country. It became the third nation in the world in terms of exports of goods and services.

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