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Bachelor Thesis

Foreign Trade Analysis – Case Study of Germany

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

BACHELOR THESIS ASSIGNMENT

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Economics and Management

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Thesis title

Foreign Trade Analysis – Case Study of Germany

Objectives of thesis

The main goal of my thesis is to analyze the analysis of foreign trade in Germany. The purpose of my thesis is to consider international trade in the system of international economic relations.

Explore the main indicators of foreign trade. To characterize the modern foreign trade policy of Germany. Analyze the dynamics and structure of foreign trade of Germany. Identify methods of regulating the country's foreign trade.

Methodology

The thesis will use methods of comparison and analysis of statistical indicators, which allowed to identify the main factors for the development of foreign trade. Considering the high economic status compared to most countries of the world, the thesis will widely describe the nexus between trade and economic growth in Germany. The study will investigate the relationship between exports, imports, and economic growth in Germany.


The proposed extent of the thesis

35 – 40 pages

Keywords

Germany, Foreign trade, Analysis, Economy, International trade

Recommended information sources

- Dilawar Khan and al. (2012). Exports, imports and economic growth nexus: Time series evidence from Pakistan. *World Applied Sciences Journal*.18 (4): 538-542, 2012.
- Robert Sugden. *The Community of Advantage: A Behavioural Economist's Defence of the Market*, ISBN:978-0198825142
2. GANDOLFO, G. *International finance and open-economy macroeconomics*. Berlin: Springer, 2002. ISBN 3-540-43459-3.
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Declaration

I declare that I have worked on my bachelor thesis titled "Foreign Trade Analysis – Case Study of Germany" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break copyrights of any their person.

In Prague, March 24th 2020

Alika Li

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I would like to thank my family and friends who support and encourage me to finish my bachelor program. I also would like to express my special thanks to Doc. Ing. Mansoor Maitah, Ph.D. who is the supervisor of my diploma thesis. This diploma thesis would not be finished without his valuable advices and directions.

Foreign Trade Analysis – Case Study of Germany

Summary

Germany is one of the most developed countries in the world, which is actively engaged in foreign trade. The thesis analyzes the foreign trade of Germany and assesses the role of this country in the global economy. First of all, an analysis is made of its competitive advantages, which ensure Germany's superiority in the world arena. External relations play a key role in the economic life of the country. The most important trading partners of Germany are the industrial states of the West. For Germany, the European market is targeted, thanks to the ongoing process of economic integration of the EU countries. Germany mainly specializes in exporting products of the engineering and electrical industries, as well as products of the chemical and manufacturing industries, and imports engineering and electrical products, as well as mineral fuel raw materials.

Keywords: Foreign trade, Germany, Export, Import, Geographical structure of trade, EU, Integration, Commodity structure of export, Commodity structure of import

Německý zahraniční obchod

Souhrn

Německo je jednou z nejrozvinutějších zemí na světě, která se aktivně zabývá zahraničním obchodem. Práce analyzuje zahraniční obchod Německa a hodnotí roli této země v globální ekonomice. Nejprve je provedena analýza jeho konkurenčních výhod, které zajišťují nadřazenost Německa na světové scéně. Vnější vztahy hrají klíčovou roli v hospodářském životě země. Nejdůležitějšími obchodními partnery Německa jsou průmyslové státy Západu. Pro Německo je evropský trh cílený díky probíhajícímu procesu ekonomické integrace zemí EU. Německo se specializuje především na export produktů strojírenského a elektrotechnického průmyslu, jakož i produktů chemického a zpracovatelského průmyslu a dovoz strojírenských a elektrických výrobků, jakož i nerostných surovin.

Klíčová slova: Zahraniční obchod, Německo, Export, Import, Zeměpisná struktura obchodu, EU, Integrace, Komoditní struktura vývozu, Komoditní struktura dovozu

Table of content

1 Introduction.....	9
Objectives and Methodology	10
1.1 Objectives.....	10
1.2 Methodology.....	10
2 Literature Review.....	11
2.1 Conditions for economic activity.....	11
2.2 Competitive features of Germany and features of external economic relations	11
2.3 Foreign trade analysis	13
2.4 The World Trade Organization (WTO)	17
3 Practical Part.....	19
3.1 The structure of exports and imports	19
3.2 Retail indicators	22
3.3 Foreign trade indicators in 2014-2019	23
3.4 Trade with other countries.....	24
4 Results and Discussion	26
4.1 Measures to increase the investment of Germany	26
4.2 Labor market situation	27
5 Conclusion	30
6 References.....	32

1 Introduction

Germany is the largest country in Western Europe. The rise of Germany after the Second World War is associated with a significant expansion of the domestic market, massive renewal and growth of fixed capital. The growth of production was facilitated by financial and material assistance under the Marshall Plan, the import of foreign capital, and small military expenses. In the first post-war decade, economic policy was carried out under the sign of a social market economy in order to combine competition, private initiative with social progress ensured by the productivity of the economy. The inclusion in the FRG in 1990 of the GDR and the collapse of the Soviet Union fundamentally changed the economic and geopolitical positions of Germany in Europe. It has become the largest economic force, claiming a leading political position in the region.

The German economy is thriving, attracting a large number of investments thanks to a well-developed infrastructure, skilled labor with effective motivation for work. An important role of Germany in the European and world economy is determined by its industry, which specializes in the production of high-quality products. Germany today is a country with high productivity and high income, with a developed sphere of social services and a high level of welfare. In order to maintain this standard, it is necessary to adapt to new trends in science, technology and in global markets. The purpose of this thesis is to identify the features of economic development and foreign economic activity of Germany.

In accordance with the goal, the following most important tasks were identified: to give a general description, analyze the economy of the region, consider the policy of social market economy in Germany, evaluate investment attractiveness, study the features of foreign economic relations, the commodity and geographical structure of exports and imports, and foreign trade policy of the state.

Objectives and Methodology

1.1 Objectives

The main goal of my thesis is to analyze the analysis of foreign trade in Germany. The purpose of my thesis is to consider international trade in the system of international economic relations.

Explore the main indicators of foreign trade. To characterize the modern foreign trade policy of Germany. Analyze the dynamics and structure of foreign trade of Germany. Identify methods of regulating the country's foreign trade.

1.2 Methodology

The thesis will use methods of comparison and analysis of statistical indicators, which allowed to identify the main factors for the development of foreign trade. Considering the high economic status compared to most countries of the world, the thesis will widely describe the nexus between trade and economic growth in Germany. The study will investigate the relationship between exports, imports, and economic growth in Germany.

2 Literature Review

2.1 Conditions for economic activity

Germany is one of the most developed industrial countries, it takes the fourth place in the world in economy (after the USA, China and Japan). Germany has a population of 83.2 million, and Germany is also the largest and most important market in the European Union (EU). This is primarily due to foreign trade. Germany's foreign trade in 2019 set another historical record. According to the Federal Statistical Office (Destatis) exports from the country increased by 0.8% - to 1.327 trillion. euro in 2019.

Due to the volume of exports, Germany is one of the world's largest exporters of goods, it occupies the third place in the world in terms of export volume for 2019. Every fourth euro is earned on the export of goods and services, every fifth job depends on foreign trade. The state is interested in the open market and is increasing its presence in the international arena. The key trading partners are the EU countries, in particular France and the UK, as well as the USA, India, China and Eastern European countries.

2.2 Competitive features of Germany and features of external economic relations

An important role of Germany in the European and world economy is determined by its industry, which specializes in the production of high-quality products. EGP of Germany is extremely beneficial for the development of foreign trade. The country is located in the center of the most economically developed region of Europe, where the largest trade and transport arteries of world significance converge. Through Germany pass all the most important trade routes that connect western and eastern Europe. The country has access to the North and Baltic Seas, which also contributes to strengthening the country's trade and economic ties.

Germany is a highly developed industrial country. Germany is not too rich in mineral reserves. Only coal and brown coal and potassium salts can be noted. Obviously, such minerals do not represent any significant economic value. According to the results of research by many experts, it became known that Germany is the main manufacturer of engineering products and a leading exporter of machinery and equipment among the EU

countries. In many sectors of mechanical engineering, Germany is an undoubted technological leader, specializing in high-quality products. German products have a good reputation around the world, which stimulates exports to the UK and the USA, and supports domestic demand.

Engineering is focused on foreign markets and therefore is multidisciplinary and multistructural. Stable external environment allowed Germany to achieve a leading position in world markets. For example, the export coefficient of printing and paper-making machines and mechanisms was 0.85 in 2000, and its share in world exports was 40%. Germany is followed at a considerable distance by the USA (28%), Japan (10.1%), Switzerland (9.9%), and Great Britain (8%).

According to the results of the study, it turned out that Germany is rightfully the leader (along with the United States, China and Japan) in the global automotive industry. High-quality German cars are popular all over the world. Automotive factories are concentrated in the lands of Baden-Württemberg (Audi, Daimler-Benz), Lower Saxony (Volkswagen), Hesse (Opel), North Rhine-Westphalia (Ford, Opel), Bavaria (BMW) and Saarland (Ford). Car production in the eastern lands was discontinued due to non-compliance with environmental requirements of the products. But Volkswagen, Opel and Daimler-Benz quickly mastered and reoriented East German factories to make cars of their own brands. Germany also produces fire engines, sprinklers, sweepers (IVEKO company) and trucks.

The authors of many textbooks on the world economy rightly call Germany one of the "locomotives" of the world economy. According to the level of world development, the magnitude of economic potential, the share in world production, the degree of involvement in the international division of labor, and other most important criteria, it is one of the most highly developed states in the world, and it is included in the so-called "Big Seven". External relations play a key role in the economic life of Germany. From the very beginning, she advocated close intersectoral relations in the world economy and the principle of the international division of labor. In accordance with this, the foreign trade policy of Germany is also being built. The Federal Republic advocates further liberalization of world trade with a stronger consideration of environmental and social aspects in the spirit of sustainable development. Openness to the outside world led to the fact that Germany - after the United States - has the second largest foreign trade turnover in the world.

Currently, approximately 24.3% of all people employed in the German economy work directly or indirectly for export. This means that approximately every fourth job in Germany is dependent on exports. In the manufacturing industry, this dependence is even higher: a quarter of all its products are exported. The most important export goods: there were automobiles, machine tools, products of the chemical and electrical industries. The close interweaving of the German economy with the world economy entails a certain dependence. Germany is sensitive to all the obstacles in world trade and to changes in world conditions: it affects jobs, investment, income and living standards. For the positive continuous development of the German national economy, the important prerequisites are a stable world economy, free trade and an orderly monetary system. The most important trading partners of Germany are the industrial states of the West. Due to the ongoing process of economic integration of the EU countries, intra-European trade has also gained rapid development. In the global economy, direct investments play an increasingly important role in the globalization of enterprises and in the development of close economic ties between countries. Recently, international competition in the field of attracting mobile foreign capital to a particular country has significantly intensified. The Investment and Development Society, a federation created by the federation, encourages direct investment by German firms in the third world and in reform countries. The Credit Department for Reconstruction and Development provides preferential loans and subsidies to German medium-sized enterprises in the framework of the program for small and medium-sized businesses, the program for creating branches and the technological program.

2.3 Foreign trade analysis

Germany is a member of the European Union and therefore it has a common foreign trade policy with it. West European integration developed in stages, and at each stage there were its own characteristics of foreign trade policy. For example, at the first stage of integration - the formation of a free trade zone - between the participants of Western European integration, customs duties and quantitative restrictions on mutual trade were canceled. At the same time, each country participating in the integration bloc maintained its national customs tariff for third countries. At the stage of formation of the customs union, the

participating countries introduced a single customs tariff for countries, while coordinating their external individual tariffs and bringing them to a common denominator.

The single customs tariff is one of the most important components of the EU customs union. It was he who allowed the EEC to introduce independent customs and general trade irrigation, income from a single customs tariff goes directly to the Community, being one of the important sources of the EU budget. The EU Common Customs Tariff (ETT) has been applied in trade relations of the Union countries with third countries since 1968. The common customs tariff includes ad valorem and contractual (convention) duties. As a rule, ad valorem duties are levied when goods are imported into the EU from third countries, and only in some cases are contractual duties. When importing agricultural products that are subject to the unified agricultural policy of the EU, compensatory fees or duties are taken in conjunction with such fees. Contractual fees are the result of multilateral agreements and apply not only to GATT member countries, but also to states not participating in these agreements. As the study showed, customs taxation of imports varies significantly for individual groups of goods. The size of the fee depends primarily on the degree of processing of raw materials. For many commodities and semi-finished products in which EU countries are interested in importing, there are no customs duties or their level is insignificant. On semi-finished and finished products, duties increase markedly.

Currently, the arithmetic average level of customs taxation on ETT is (in% of the cost of goods): for oil - 6.4, for raw materials (excluding oil) - 1.6, for semi-finished products - 6.2, for finished products - 7. Depending on the degree of processing of raw materials ETT duties are set at the following level: raw cotton - 0, cotton yarn - 10, cotton fabrics - 17 - 19% or leather raw materials - 0, dressed leather - 7, leather shoes - 16%. In addition to customs duties, the European Community also applies other instruments of foreign trade policy, in particular, some of the restrictions that have been retained. Among them are the following: tariff quotas for agricultural products; tariff quotas for textiles under the multilateral textile agreement; quotas established under "voluntary export restriction" agreements from third countries; export quotas; export control and quantitative restrictions on exports from the Community countries are nevertheless maintained in the following cases: with export restrictions in accordance with the COCOM lists. COCOM was established in 1949 at the initiative of the United States. The English abbreviation "CoCom" comes from the full name "Coordinating Commute of East-West Trade Policy". In the English language, this is not about control, but about coordination of trade policy

between the West (meaning the capitalist world) and the East (socialism camp). The committee publishes the following lists of goods whose export is controlled:

- Goods and equipment used in nuclear energy;
- Military goods (weapons and ammunition; goods, materials and equipment for their production);
- Industrial equipment and materials of "dual purpose".

Export of goods included in the first two lists is completely prohibited. The bulk of COCOM's current activities falls on the last of the lists, which covers dual-use goods (for civilian and military purposes). Goods from this list may be delivered "as an exception" with the permission of COCOM.

It also includes ten groups: metalworking equipment; chemical and oil equipment; electrical equipment and equipment for the production of electricity; general engineering products; transport equipment; electronic devices and precision instruments; metals, minerals and products from them; chemicals and metalloids; petroleum products; rubber products. Even export controls and quantitative restrictions on exports from the Community countries are maintained with export restrictions in compliance with the international obligations of the Community countries, especially when it comes to chemical products and radioactive waste; when exporting certain goods whose production is insufficient within the framework of the integration block.

The most important feature of the functioning of the EU is the introduction of a common agricultural policy. Its main element was an effective pricing mechanism developed for each type of agricultural product and for each region. Several price categories have been established — indicative prices defined by the Community as desirable, minimum import prices, or threshold, minimum selling prices guaranteed to the manufacturer by the intervention of official organizations. The existence of a threshold price protects the market from imports; the intervention price guarantees a minimum income to producers. Thus, protectionism on the borders of the EU protected manufacturers from sharp shocks of the world market.

It can be concluded that a well-thought-out agricultural policy allowed the EU to move from an importer of agricultural products to a position close to self-sufficiency and a second world exporter within 10-15 years.

The basis of the foreign economic policy of Germany is the development of economic relations with its main foreign economic partners: the EU, China, the USA and Japan.

Much attention is paid to the expansion of the presence of German companies in the markets of Southeast Asia, Latin America, the southern African continent, and Eastern and Central Europe. Of primary importance is the strengthening of the EU, in which Germany occupies a significant place.

In recent years, when German national authorities have taken measures to restrict or liberalize the export or import of goods, decisions of the European Union, which oblige member states to transform relevant provisions into national legislation, have become increasingly important. The dominant official economic doctrine of free enterprise in the Federal Republic of Germany does not mean, however, the state's refusal to regulate and perform control functions in the implementation of external economic relations. This is evidenced by the numerous changes and additions made by the Government of the Federal Republic of Germany to the main regulatory acts in this area, and most often this happens in pursuance of decisions of the bodies of the European Union in the framework of the implementation of a single trade policy.

Germany is a member of the currently most developed integration group (EU), and therefore it adheres to the common foreign trade policy of the economic union.

Foreign trade policy applies a single customs tariff, tariff quotas for agricultural products; tariff quotas for textiles under the multilateral textile agreement; quotas established under "voluntary export restriction" agreements from third countries; export quotas.

Another important feature of the functioning of the EU is the introduction of a common agricultural policy, which has allowed the EU to become the second exporter of agricultural products in the world.

It can be noted that the basis of Germany's foreign economic policy is the development of economic relations with its main foreign economic partners: the EU, China, the USA and Japan. Much attention is paid to the expansion of the presence of German companies in the markets of Southeast Asia, Latin America, the southern African continent, and Eastern and Central Europe. Of primary importance is the strengthening of the EU, in which Germany has a key place.

2.4 The World Trade Organization (WTO)

The World Trade Organization (WTO) began to operate on January 1, 1995. The creation of this organization is the result of complex and multifaceted international trade negotiations, in which 125 states participated. The negotiations that took place as part of the GATT were called the Uruguay Round (negotiations were opened in the city of Punta del Este, Uruguay, in September 1986, which is why they got this name). The headquarters of the WTO is located in Geneva (Switzerland), is today the only global international organization engaged in the rules of trade between countries.

The main objectives of the WTO are the liberalization of international trade, ensuring its fairness and predictability, promoting economic growth and improving the economic well-being of people. WTO member countries solve these problems by monitoring the implementation of multilateral agreements, conducting trade negotiations, regulating trade in accordance with the WTO mechanism, as well as assisting developing countries and conducting a policy review.

In accordance with the agreement on the establishment of the WTO, all GATT members (128 states by 1994) became the founding countries of the organization, which submitted lists of obligations for goods and services and ratified the package of agreements of the Uruguay Round. Currently, 159 countries are full members of the WTO.

The WTO regulates the trade and political relations of members of the Organization. An integral part of the WTO is a unique mechanism for resolving trade disputes. Since 1947, a discussion of the global problems of liberalization and the prospects for the development of world trade has been held within the framework of multilateral trade negotiations (GATT) under the auspices of the GATT. The purpose of creating the WTO is to ensure the functioning of the world trade system on the basis of uniform rules so that markets remain open and that access to them cannot be violated by the introduction of sudden and arbitrary restrictions on imports. At the same time, WTO member countries have the right to introduce protective anti-dumping and countervailing measures to restrict access to their market. The introduction of such measures is possible in connection with the onset of a crisis in a particular industry or in connection with a violation by trade partners of WTO principles. Nevertheless, business communities in many countries are still not fully aware of the benefits of the WTO trading system. The main reason for this is the enormous complexity of the system, which still prevents business people from benefiting from it and comprehending its provisions and rules.

The main goal of the GATT / WTO is to create, on the basis of uniform legal norms, a trading system in which enterprises of WTO member countries can trade with each other on the basis of fair and free competition. main task of this influential international economic organization is the liberalization of world trade.

3 Practical Part

3.1 The structure of exports and imports

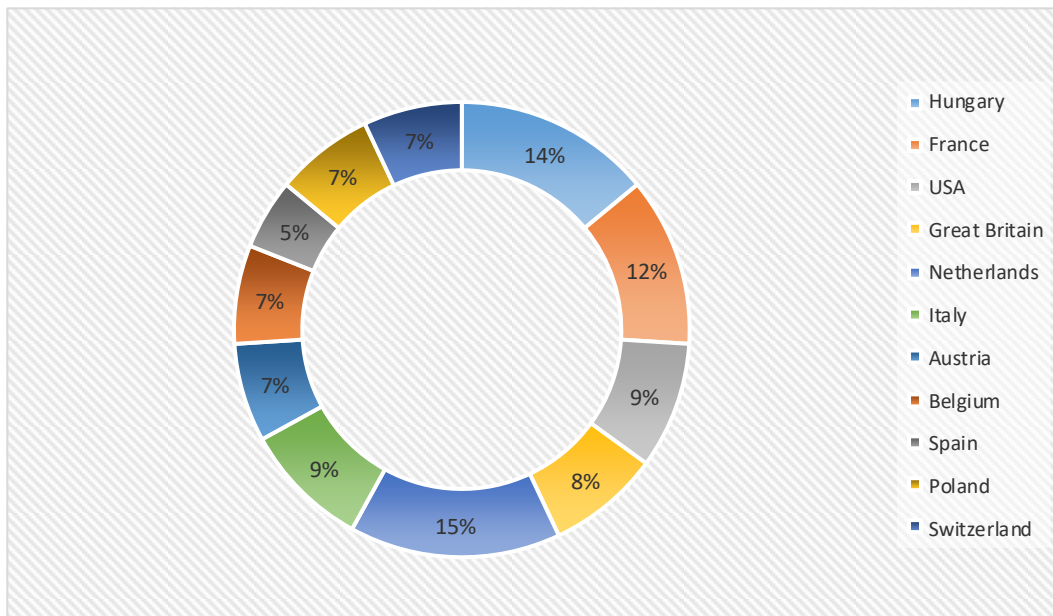
In the economic strategy of Germany, a key role is assigned to the development of foreign economic relations, taking into account the high dependence of the state of the economy on the results of its participation in world economic relations, since without foreign trade the country could not independently provide for the domestic demand for goods in full. For example, Germany lacks many types of resources; therefore, it is a major importer of non-food raw materials, products from the forest and woodworking industries (including furniture), non-ferrous and rare metals, their alloys, as well as clothing, footwear, and tourist equipment.

Germany's foreign trade is mainly determined by cooperation with the United States of America, Great Britain, France, the Netherlands, and Italy. These countries account for more than 40% of the country's trade.

The main trading partners of Germany receive from the country the following groups of goods:

- Chemical products - almost 11% of the turnover.
- Auto, auto parts - a little more than 10%.
- Cars - 7%.
- Communications, television and radio, oil, gas - more than 75%.

Figure 1. Germany import geography.



Source: Site of World Bank <http://data.worldbank.org/> , by own procedure.

According to this figure, the main importers of Germany are Hungary, France, the Netherlands.

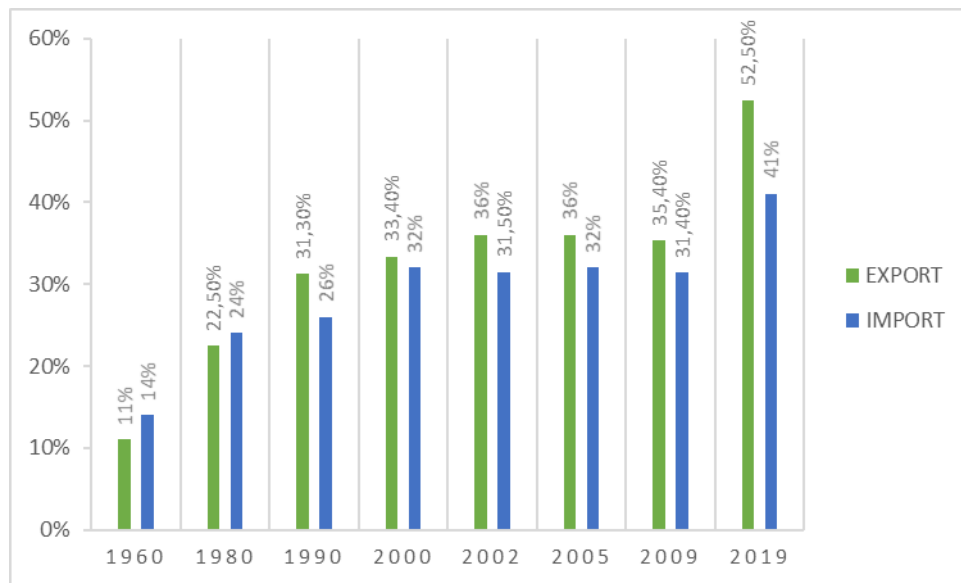
German exports have the following structure:

- Metallurgy, electrical engineering, the chemical industry, communications and electronics are more than half of the turnover.
- Cars - more than 14%.
- Cars, their parts and spare parts - a little more than 19%.

You can see how imports and exports changed in the foreign trade of Germany, in table 1. Here are the data for the period 1960-2009, which is one of the most productive in the country's trade, in GDP growth, and in the growth of the positive trade balance. This was made possible thanks to the participation of the German state in the Marshall Plan, the involvement of migrants from Eastern Europe, the Balkans and Turkey in the restoration of infrastructure and production.

The crisis that swept the global economy in 2008–2009 did not pass Germany as well. Foreign trade volumes fell, imports and exports declined. Nevertheless, Germany was able to smooth the economy and return trade to pre-crisis positions. The consequence was an increase in the salaries of the Germans. Peak incomes fell in February – March 2019.

Table 1. Dynamics of changes in imports and exports in Germany from 1960 to 2019



Source: World Development Indicators (WDI), by own procedure.

Year	Export as a percentage of GDP	Dynamics	Import as a percentage of GDP	Dynamics
1960	11%		14%	
1980	22,50%	Increase	24%	Increase
1990	31,30%	Increase	26%	Increase
2000	33,40%	Increase	32%	Increase
2002	36%	Increase	31,50%	Decrease
2005	36%	Increase	32%	Increase
2009	35,40%	Decrease	31,40%	Decrease
2019	52,50%	Increase	41%	Increase

In world trade, German exports amounted to almost 9%, imports - 8%. But in European trade from the late 50s to the end of the first decade of the zero years, exports to EU member states grew from 38 to 51%. Goods from Germany go to the States, the Netherlands, Britain, Russia. Stable important partners in foreign trade are Italy, India, China, Japan, Latin America, and ASEAN member states. The government cooperates with Arab states, countries of Central and Eastern Europe. Stable economic and trade relations are being established with the Balkan region and Ukraine. In external relations of Germany there is a trade deficit with Japan and China. At the same time, Austria and Switzerland are completely dependent on trade with Germany. Less influence of Denmark, France and the Netherlands, each of which consumes about 20% of German products.

Goods are exported from Germany, which are divided into four groups:

- Manufactured by the auto industry.

- Cars.
- Electronics, electrical equipment and electronic products.
- Chemical products.

In recent years, the structure of exports in machinery production has changed significantly. Previously, this group was 20% or more. Since 2010, over the course of a decade, the figure has dropped to 17%. Imports are more diverse and less concentrated: Agricultural products - 5%. Groceries - 6%. Petroleum products and oil - 7%. Textiles - 8%. Chemicals - 10%. Auto - 11%. Electronics, electric means and electronic goods - 12%. Import and export significantly affect the economic performance of Germany, determines which areas of production and industry should primarily receive investment and support from the state.

3.2 Retail indicators

2019-2020 German consumer sentiment is growing at a high rate, contributing to retail development. As a result, excellent conditions were created for private entrepreneurship and business in Germany. Despite price increases, a relatively slow increase in household incomes, sales are increasing, a network of retail enterprises in Germany is growing, and revenue from sales.

More than a third of retailers, especially in the field of sales of final products, are online businesses. It exists simultaneously with traditional trade and multi-channel sales. Internet commerce is growing and expanding, giving the state budget billions of euros. For example, in 2019, online sales increased by 10%, and traditional retail trade - only by 2%. Germans buy a lot of food, which stimulates the development of e-commerce, including e-food.

Retail analysis reveals the main trends in the development of this segment:

- Consumers buy mainly household and food products.
- Increased retail space.
- The leading companies are dm, REWE, Rossmann.
- Almost 1/5 of the turnover in the non-food sector is occupied by trade in electronics, clothing, footwear and office.

- The Germans visit shopping centers, supermarkets and hypermarkets to buy what they need.
- Online trading companies are trying to acquire stationary retail space.
- Wholesale companies (discounters) unite networks and upgrade long-acquired facilities in every way.
- Since 2019, spending on cosmetics and household cleaning products has been growing.
- The Germans buy a lot of food, relying on quality, organics and local producers.

Among the largest retailers, the following are noted: ALDI NORD; Liddle; Net; EDEKA; Rewe; Rossmann; Kaufpark.

In January 2020, retail trade in Germany was recorded at a positive value of 0.9%. In February, this figure is 2.8%. According to market analysts, the sales index will be -1%.

Table 2. Dynamics of retail trade in Germany

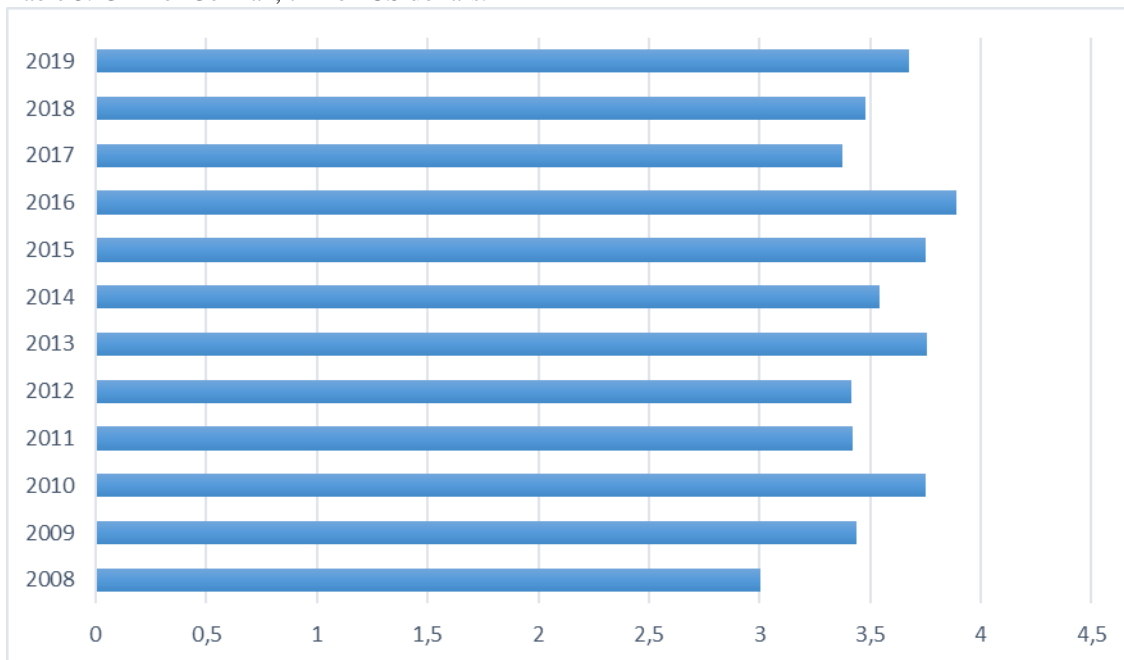
Month	Value
December 2019	-4,3%
November 2019	1,4%
October 2019	-0,3%
September 2019	0,1%
August 2019	-0,1%
July 2019	0,4%
June 2019	1,2%
May 2019	-2,1%
April 2019	2,3%
March 2019	-0,6%

Source: World Development Indicators (WDI), by own procedure.

3.3 Foreign trade indicators in 2014-2019

Since 2014, Germany has seen an increase in foreign trade and turnover. Many experts from the World Bank note that Germany has created an excellent business climate, conditions for foreign and domestic trade. In the ranking of the organization in 2019, Germany took 14th place. According to the data provided, foreign trade positively affects the country's nominal GDP. The statistics for this parameter are shown in table 3.

Table 3. GDP of German, trillion US dollars.



Source: World Development Indicators (WDI), by own procedure.

Following the data, in 2019, nominal GDP grew by \$ 675 billion. The average annual increase in gross domestic product from 2007 to 2019 was 0.6%. The maximum growth was observed in 2014, and the minimum - in 2007. Germany's foreign trade twice peaked from 2014 to 2020. So, according to the results of 2014, export revenues amounted to 1.133 trillion euros, while imports reached almost 917 billion euros. In 2019, exports allowed the budget to be filled up to 1.279 trillion euros. Imports rose to 1.034 trillion euros. Due to this, there was a reduction in foreign trade surplus.

The main partners of Germany were and remain:

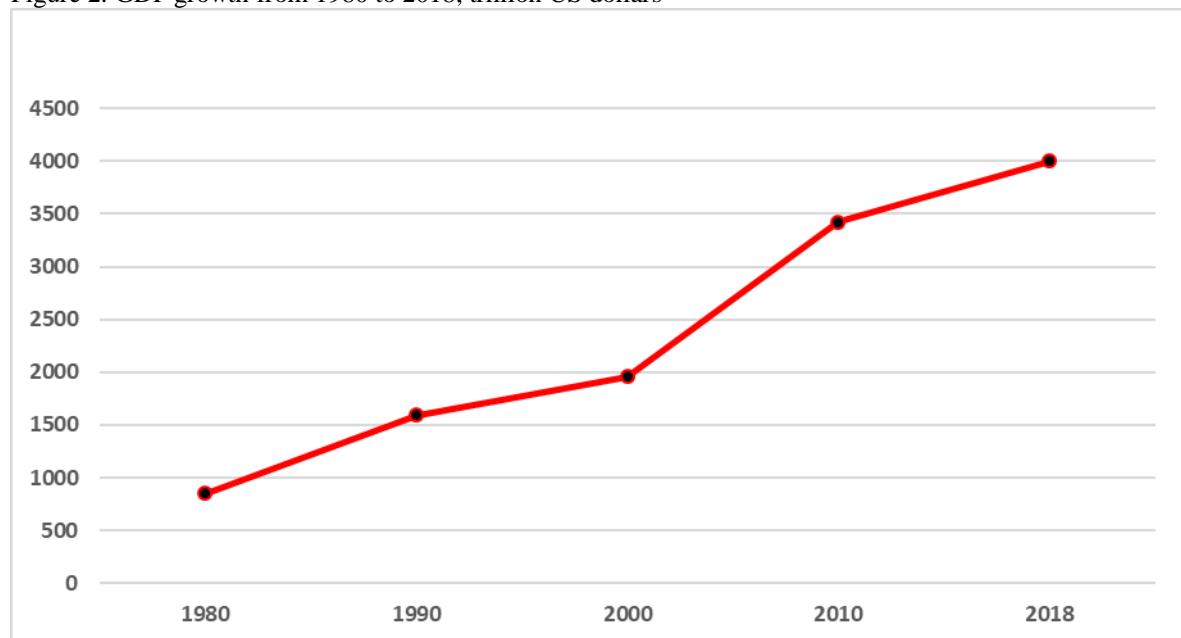
- The European Union, to which almost 58% goes (68% of production from Germany as a whole goes to Europe).
- Asia - about 17%.
- South and North America - 12%.
- Africa - 2%.
- Australia and Oceania - almost 1%.

3.4 Trade with other countries

The main suppliers of goods to Germany are the Netherlands, China, France. In 2019-2020 foreign trade with European countries continues to grow. This can be seen in imports

(growth of 8–9%) and exports (6–7%) with the European Union, which brings hundreds of billions to the state budget of the country and stimulates GDP. Despite a slight reduction in the foreign trade balance, the German economy remains the fourth largest in the world in terms of nominal gross product, as well as the first in Europe. The development of trade is facilitated by the structure of exports and imports, highly qualified labor resources, investment in infrastructure, stimulation of the agricultural sector, industrial production, energy, and services. The German government is interested in expanding foreign trade relations and attracting labor resources from other countries of the world to work in Germany. All this has a positive effect on the GDP, welfare and wages of the Germans.

Figure 2. GDP growth from 1980 to 2018, trillion US dollars



Source: Site of World Bank <http://data.worldbank.org/>, by own procedure.

According to Figure 2, since the mid-80s. gross domestic product exceeded one billion US dollars. After the unification, the German state received an incentive for a new development of the economy and trade, which had a positive effect on GDP growth. So, from 1992 to 2000, GDP amounted to more than two billion US dollars. A slight decline was observed at the beginning of the new millennium, but then the GDP quickly began to gain momentum, having crossed the three trillion mark in 2006. Despite the slight recession observed in 2019, the German economy allowed Germans to increase wages, open vacancies for highly qualified specialists from other states, and expand export and import items. Gross domestic product at the end of 2019 amounted to more than four trillion US dollars.

4 Results and Discussion

4.1 Measures to increase the investment of Germany

In Germany, great importance is attached to creating conditions for attracting foreign capital to the country's economy. This is evidenced by the fact that at the initiative of the Federal Ministry of Economics and Labor of Germany in 2003 The federal company Invest in Germany GmbH was founded, which is the successor to the one that existed in the period 1998-2003. Office of the Federal Commissioner for Attracting Investments into the Country. The sphere of activity of this organization, along with ensuring a positive international image of Germany, attracting foreign capital to the economy and consulting foreign investors, also included the preparation of proposals to improve the investment climate in Germany. Over the past three years, the annual budget of the company has been 2 million euros and was formed entirely at the expense of the state (at the expense of the federal budget). Along with the company Invest in Germany GmbH, another structure operates in Germany with the objective of attracting investment in the country's economy, which is financed from the federal budget, as well as from the budgets of 6 new federal states, including Berlin: Industrial Investment Council - IIC), whose main task is to attract foreign investors to the new federal states and Berlin. This organization was created in 1997 for the period until December 2004. IIC's annual budget was 4.8 million euros. 70% of it was formed at the expense of new federal lands and 30% - at the expense of the federal budget. Considering the positive experience of this organization, in August 2004 a decision was made to continue IIC until December 2008, and from 01.01.2008 the share of the federal budget for financing IIC activities increased from 30% to 49.9%. Over the years of its activity, this organization has provided assistance to more than 100 international investors, the implementation of projects of which has allowed to create about 18.5 thousand jobs. The total amount of attracted investments is more than 4.4 billion euros. According to the plan for the development of investment activity in Germany in January 2006. there was a merger of these investment agencies into one - "Invest in Germany GmbH". The goal of creating a new joint agency is to strengthen efforts to attract foreign investment in Germany, especially in the eastern lands.

As a place of capital application, Germany has several advantages over other countries. It is the largest market among European countries. Taking into account the EU enlargement,

the impulses this expansion will give for boosting the economy and employment growth in Europe, Germany's geographical proximity to its most important trading partners, we can confidently assume that all these processes will further strengthen Germany as a place for the application of foreign capital. Today in Germany there are already more than 20 thousand foreign enterprises, which employ about 2 million people. At the same time, Germany continues to be a global exporter of capital.

4.2 Labor market situation

Modern immigration to Germany has a number of historically developed features. For many years this country has been a center where powerful migration flows flock. However, in different periods the nature of these flows, as well as their direction, were significantly different. Periods of labor surplus were replaced by its shortage and even a significant deficit that arose in certain sectors of the economy. Such changes in the labor market significantly influenced the immigration of foreigners. In turn, the presence of a significant contingent of foreign labor in Germany significantly affected the labor market. And the difficulties in regulating immigration flows and controlling the use of foreign labor did not allow us to establish the necessary balance between labor resources and jobs. Interest in the influx of labor is observed in those areas of economic activity that are unattractive to the Germans. It is extremely important that the described situation develops against the backdrop of such an acute social problem as unemployment, which is observed in other areas of the economy. Foreigners, especially permanent residents of the country, are becoming competitors for local residents in the labor market, which leads to increased social tension. The system of support for the unemployed in the Federal Republic of Germany provides them with rather generous assistance. Anyone who has not worked for at least 12 months in the past three years receives an unemployment benefit of no more than 67% of their salary, net of taxes, during the year.

After that, as a rule, unlimited help is paid in the amount of up to 57% of net income. In other industrialized countries, conditions for helping the unemployed are more stringent. Thus, researchers from Canada, who conducted a study of unemployment assistance systems in 58 countries in 2001, rated the German system as the worst (Germany ranked last according to the corresponding rating). First of all, negative assessments concerned unemployment insurance and the collective bargaining system. Given the sluggish market environment, we understand that the ultimate goal of the policy may be in jeopardy -

reducing the number of unemployed to below 3.5 million. In 2007, the Institute of German Economics, after analyzing the unemployment structure in Düsseldorf, came to the conclusion that out of 49,000 registered unemployed, one third did not need help, and 6,000 were “targeted unemployed” who only received social benefits but did not look for work.

Nevertheless, against the international background, the actions of German labor exchanges look very soft. One of the most difficult problems when trying to reduce the number of "social parasites" is the law.

In the medium term, a fundamental reform is needed: the period for the payment of unemployment benefits should be limited, only minimal social assistance can be provided outside; need to stimulate the hiring of unemployed.

Germany is still difficult: about 4 million people are explicit and almost 2 million are hidden unemployed. Most of all, unemployment affected low-skilled workers, because due to structural and technological changes, the demand for low-skilled labor is decreasing. The globalization and expansion of the EU to the East also increases pressure on this problem group of workers. High and long-term unemployment is the primary economic and socio-political problem. In economic terms, unemployment distorts the distribution of resources and as a result, national income is much lower than it could be. In addition, human capital is depreciated due to unemployment, which causes significant damage to the national economy. Finally, people who have no work, especially for a long time, fall out of public life, which increases the danger of their political radicalization. Unsurprisingly, the topic of unemployment has become central to the economic and political debate in Germany. There are more and more demands to solve this problem more consistently. The federal government's project on the development by labor exchanges for each unemployed individual plan of returning to the RRS, providing for a specific time period when he will be offered a job or training, and on increasing pressure on the unemployed to agree to offers should be supported. However, such increased attention of the state to the problem of employment expansion makes sense only if private enterprises offer a sufficient number of jobs. Otherwise, the state will have to create jobs for itself. In 2007, the Federal Employment Office allocated about 44 million euros to various events for the year. To this should be added the appropriations of lands, communes and the European Social Fund. Unfortunately, all these expenses did not have a positive effect, turned out to be

unproductive and rather led to an increase, rather than a decrease, in the number of unemployed.

Since unemployment in Germany for decades has been mostly structural rather than opportunistic in nature, the effectiveness of the unemployment insurance system is assessed by how adequate it is to structural changes. This system rather discourages structural change. This is especially evident in the example of low-skilled workers. Since their salaries in industry are higher than in the services sector, having become unemployed, they prefer to wait for vacancies in industrial enterprises, rather than looking for a job in the services sector. In most cases, their expectations are not met, and low-skilled workers fall into the number of long-term unemployed. This can only be avoided by realizing that labor must become either cheaper or more skilled. The German unemployment insurance system makes it difficult to recognize this fact. Another reason for the difficult return of social assistance recipients to regular professional employment is the high income tax. Forfeiture tax policy reduces incentives to work.

Another important factor affecting the labor market in Germany is the natural decline in the population. Of course, it must be borne in mind that the influx of immigrants partially compensates for this decline. In addition, mostly middle-aged people and young people immigrate, which, combined with the characteristics of the religion, traditions and mentality of immigrants, determines a relatively high birth rate among them. However, if the task was to compensate for the total fertility deficit through immigration, the scale of immigration would have to constantly increase, and by 2050 it would have significantly exceeded 0.5 million people a year. Moreover, with full compensation of the birth rate deficit due to those who came to Germany, the share of immigrants and their descendants by this time will exceed half the total population in many regions. At present, if we summarize the low birth rates of Germans with the high birth rates of immigrants, there will still be a progressively increasing birth deficit in Germany as a whole. As a result, while maintaining existing trends, each next generation entering a working and child-bearing age will be smaller in number than the previous one.

5 Conclusion

Foreign trade is the trade of a country with other countries, consisting of import and export of goods. It is fundamentally different from international trade, since international trade is the total volume of trade of all countries of the world, while foreign trade is considered within the framework of individual specific states. A study of the state's foreign economic activity is necessary in order to understand how much this country is involved in world economic relations and how dependent the state of the economy is on the results of its participation in world economic relations.

We learned that Germany is a highly developed industrial country. It is a major producer of engineering products and a leading exporter of machinery and equipment among EU countries. Germany can be called the undisputed leader in the global automotive industry. Foreign trade is one of the most dynamic sectors of the German economy, a stimulator of its economic growth. The export item is significant in Germany's total GDP. Now in terms of export volume, Germany ranks second in the world. The country also has a surplus in foreign trade, and therefore it can be concluded that Germany exports more goods than imports them.

It may be noted that external relations play a key role in the economic life of Germany. From the very beginning, she advocated close intersectoral relations in the world economy and the principle of the international division of labor. In accordance with this, the foreign trade policy of Germany is also being built. The Federal Republic advocates further liberalization of world trade with a stronger consideration of environmental and social aspects in the spirit of sustainable development. Openness to the outside world led to the fact that Germany - after the United States - has the second largest foreign trade turnover in the world. The importance of trade and economic ties with Asian threshold countries, such as China and India, is also constantly growing. If in 1993 German exports to this region amounted to 33 billion euros, now it has more than tripled and reached 104 billion euros (2008). The number of German enterprises in Asia over the same period increased from 1800 to 3500, direct investment more than quadrupled.

Foreign trade policy applies a single customs tariff, tariff quotas for agricultural products; tariff quotas for textiles under the multilateral textile agreement; quotas established under "voluntary export restriction" agreements from third countries; export quotas. Another important feature of the functioning of the EU is the introduction of a

common agricultural policy, which has allowed the EU to become the second exporter of agricultural products in the world.

The international competitiveness of the German economy, and, above all, its basic and knowledge-intensive industries - automotive, chemical and biotechnological industries - will grow in the long run.

Currently, a number of sectors of the German industry, from mechanical engineering and automotive to the pharmaceutical industry and the production of sports goods, are successfully exporting their products. This stimulates other industries.

Since Germany is a country with a high level of salary, it is especially important for German enterprises to get ahead of competitors in the field of quality

In the manufacturing sector, the highest growth rates and in 20 years will be observed in export-oriented industries - machine-building and automotive industries. The competitiveness of these sectors in the global market will be ensured by their activity in the field of research and development. Wherever high technology will be in demand, Germany will play a big role.

The close interweaving of the German economy with the world economy entails a certain dependence. Therefore, Germany is sensitive to all the obstacles in world trade and to changes in world conditions: it affects jobs, investment, income and living standards. A stable global economy, free trade and an orderly monetary system are important prerequisites for the positive continuous development of the German national economy.

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