

## **ON THE CURRENT STATE OF SPECIALIZATION OF THE GERMAN ECONOMY**

In the European Union (hereinafter referred to as the EU), Germany is the leader in industrial production and high technologies. Today, Germany accounts for 21% of the EU's GDP and 16% of the EU's population lives and works on its territory [1]. Among the reasons for the steady development are specialization of the economy and the country's position in international trade. The relevance of this paper lies in the importance of understanding the specialization of the German national economy and its impact on economic growth and foreign trade. The aim of the paper is to examine the current state and specialization of the German national economy, as well as its prospects for further improvement.

In 2020, the service sector accounted for 70.4% of Germany's GDP, while the secondary and primary sectors together produced less than a third of GDP. More than 80% of all businesses operate in this sector and provide three-quarters of all jobs. Trade and transport accounts for the largest share (19%), while the public administration sector accounts for 15% [2].

Solid financial system is one of the greatest strengths of the German economy. Frankfurt am Main has become the fifth-largest financial capital in the world. There is a clear trend towards specialization in banking, the formation of bank-owned companies which carry out one or two types of banking operations [3].

Germany's international specialization can be judged by its export structure: the automotive industry has the largest share at 17.4%, general mechanical engineering at 14.7%, chemicals at 8.9% and electrical goods at 8.8% [1].

In this paper, the level of specialization has been calculated using the RCA (Revealed comparative advantage). It should be noted that Germany has a rather wide range of relatively specialized industries ( $RCA > 1$ ).

Germany leads (together with the US and Japan) in the global automotive industry, but the index is highest in "printing and bookbinding machinery, and parts thereof" (3.6), "tractors" (3.0), "transmission shafts" (2.8) and "machine-tools working by removing material" (2.6). Moreover, the level of specialization in these industries is continuously increasing [4].

The most specialized branches of the chemical industry are "monofilaments of plastics, cross-section  $> 1$  mm" (3.7), "other inorganic chemicals" (2.5), "tubes, pipes, hoses of plastics" (2.0) and "pigments, paints, varnishes and related materials" (2.0) [4].

In addition to the main branches of specialization of the German economy, production and export of "office and stationery supplies" (2.1), "chocolate, food preparations with cocoa" (2.1), "materials of rubber" (2.0) are well developed. Dairy products ("cheese and curd" (1.8), "milk, cream, other dairy products" (1.4)) and meat products (1.4) are the main exports of agricultural products [4].

It can be said that the generator of Germany's economic strength is the economy's capacity for innovation. Increased R&D efforts since 2007 have led to a positive trend. In 2018, Germany spent almost €105 billion on R&D, corresponding to 3.13% of GDP and thus well above the OECD average (2.4%) [5].

There are a number of obstacles to Germany's specialization: Germany's over-reliance on the international market, globalization, digitalization, demographic problem, uneven development of eastern and western regions, predominance of the automotive industry in the country's export structure and therefore exposure to economic shocks, increasing trade barriers and uncertain prospects caused by the COVID-19 crisis. However, its economy has already proved to be fairly resilient to economic crises. The German government perceives most of the emerging and forthcoming difficulties as not problems but as challenges that the state is successfully coping with. With regional development, particularly in eastern Germany, investment in research and development and the prudent development and expansion of specialization, Germany will continue to show stable growth and strengthen its position in international trade.

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#### THE COMPANY OF THE FUTURE

The Covid 19 pandemic continues to take a toll on many companies. Entire market segments are failing. Supply chains are interrupted again and again. Production management becomes an adventure. Cash flow is a stormy sea for many companies. And this is all the biggest true in times of global crises. The organisation of work has to be adapted again and again to infectious events - the key words here are lockdown and home office.