



GED Focus Paper

Roadmap 2030

Germany's success in a globalized world economy

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Foreword

Global integration is anything but a new concept. Civilizations created routes and strategies to exchange sought after goods in Phoenician, Roman and ancient Chinese times. Driven by innovation in transport and communication technologies, global integration reached new heights in the late 19th century. It is still proceeding, while constantly changing, according to the social, economic, and political trends of its time. Although globalization is not a new phenomenon, making the best of it requires a deep understanding of its direct and indirect effects on the global and national economy, on policymaking, and most importantly on society.

While the world has increasingly become more integrated, it became also more complex. First, developed economies are no longer the only competitors in the world market. The steady economic growth of countries like Brazil, China, India and Russia in the last decades has shown that Western industrialized countries like Germany, France and the US have to reconsider their role in the world economy to maintain their competitiveness. Secondly, integration goes beyond increasing levels of international trade. Inflows and outflows of foreign direct investments as well as global value chains play a key role in modern economic integration. Thirdly, the digital advances over the last decades are reshaping the global economy. On the one hand, although its economic and social impact is still rather difficult to quantify, digital trade is becoming an increasingly more relevant, but still rather mysterious, component of global flows. On the other hand, the fourth industrial revolution (digitalization) is changing the competitiveness of industries and services around the world. Fourthly, current global political context is testing international institutions that were founded to facilitate international integration. The ongoing crisis in the World Trade Organization (WTO) has shown that now, more than ever, international cooperation is necessary to find a common ground to safeguard current and future economic integration.

Nevertheless, the economic analysis of globalization is not a simple task, not least because it is a controversial topic. Supporters of globalization see it as a source of economic growth and prosperity, while its opponents claim that global integration is eroding our natural environment and causing global inequality to increase. We believe that the debate surrounding global integration should go beyond the perception of whether globalization is good or bad. Most importantly, it should be based on empirical evidence. This evidence should promote transparency, break down the complexity behind the economic dynamics of globalization and allow evidence-based policymaking.

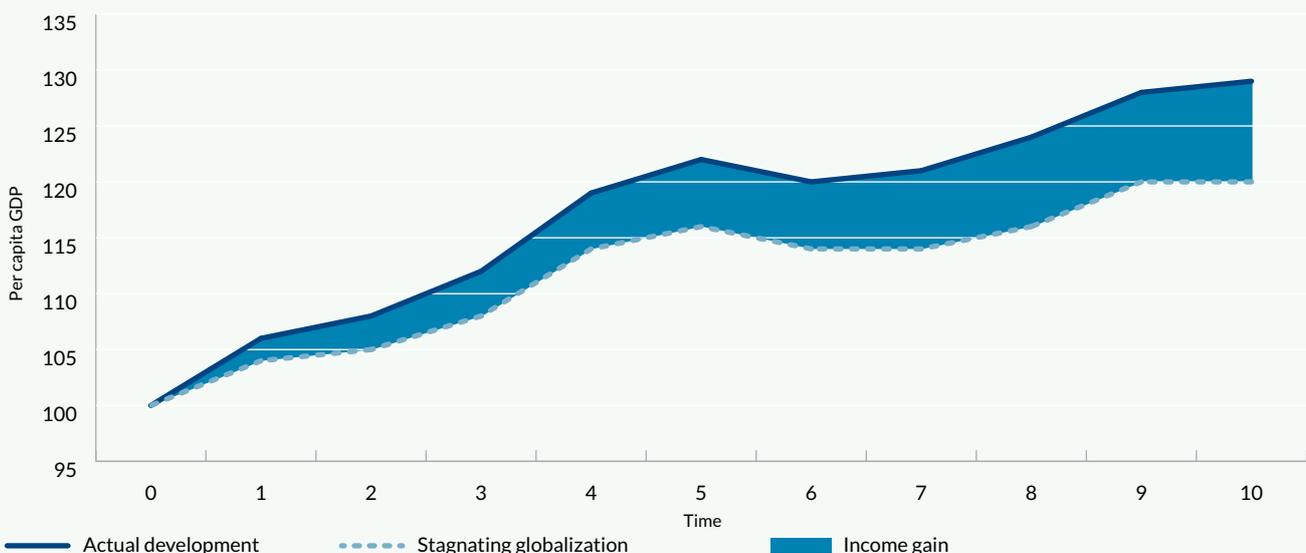
This is the pursuit of the project “Global Economic Dynamics” (GED) of the Bertelsmann Stiftung. Through our quantitative and qualitative work, we attempt to provide a deeper understanding of globalization, by learning its determinants, as well as its social and economic effects. Without neglecting the possible economic and social problems that may arise as markets become more integrated, our work tries to identify the channels through which Germany, Europe and the world can profit even stronger and wider from economic integration. Most importantly, it aims

at fostering a future global integration that is fairer, economically sustainable and serves the interests of the whole population. We will now present an overview of our findings from the past five years of our project work. From our study, we have derived areas of action that will be crucial for Germany's and Europe's success in the next decade of globalization.

1. Analysis of global economic integration

To summarize in a single sentence the central empirical finding of our project work: Globalization is not a zero-sum game. The global integration of markets increases economic growth, including growth that is generated by real gross domestic product (hereinafter referred to as “GDP”) of all countries involved. Our analyses have repeatedly confirmed this thesis:

FIGURE 1 Schematic representation of the change in gross domestic product and globalization-induced income gains



Source: Globalization Report 2018

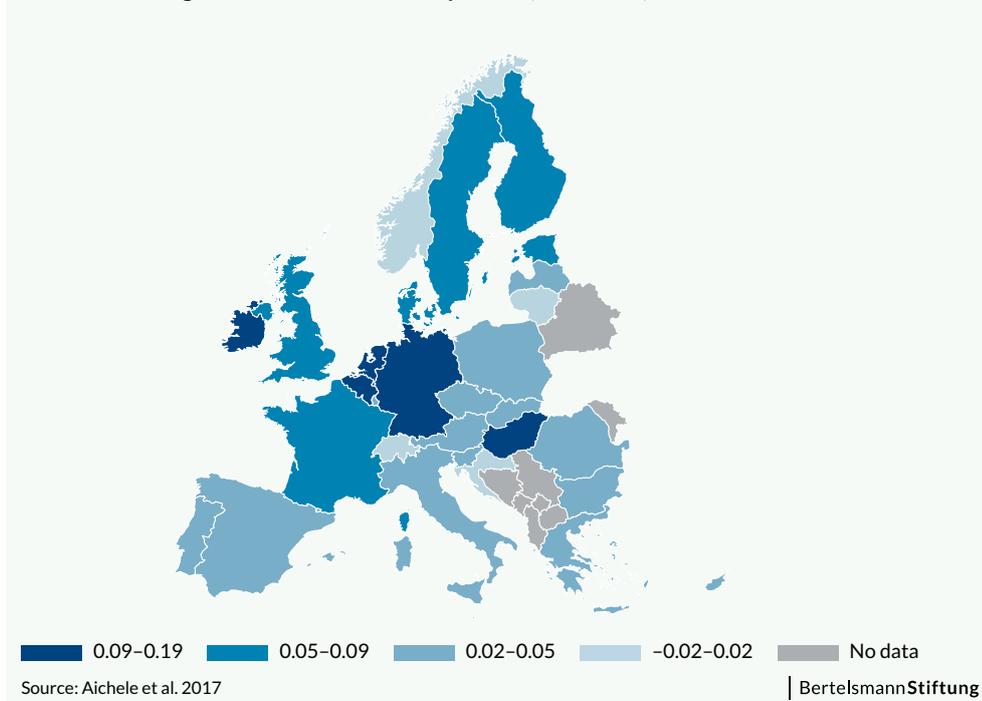
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Interpretation of globalization-induced income gains as a key indicator in determining the “globalization champion”

The stagnation of globalization assumed for the counterfactual scenario implies lower economic growth and, therefore, a flatter growth trajectory. The year-on-year difference between per capita gross domestic product according to this alternative trajectory and the actual development shows the absolute economic gains due to globalization.

In order to measure the cumulative effects of globalization, these gains for each of the 42 studied countries are added together for the entire period from 1990 to 2016. The metric calculated in this way is also described as the “cumulative gain in income due to increasing globalization.” The gain in income must be differentiated from the metrics used for the national accounts such as disposable income, for example.

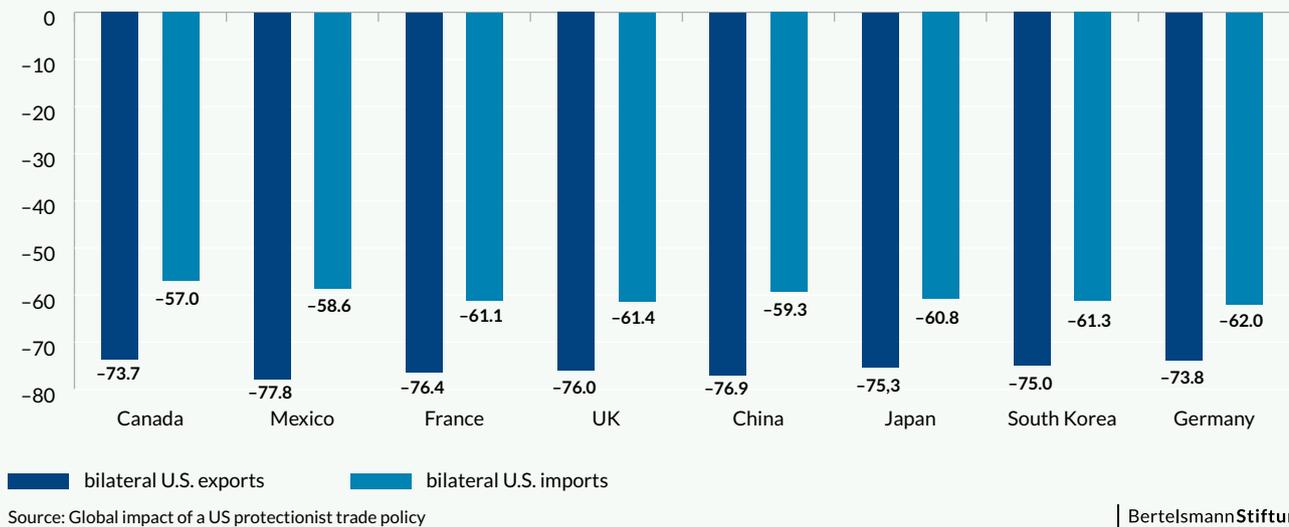
FIGURE 2 Change in real GDP across Europe, in % (Scenario II)



- Looking back at the past, it can be seen that globalization, which has been advancing since 1990, has increased real GDP per capita in all 42 industrialized and emerging countries surveyed (cf. Bertelsmann Stiftung 2014a, 2016 and 2018a). The advancing economic integration through the European single market has also increased GDP per capita in the participating countries (cf. Bertelsmann Stiftung 2014b).
- Simulation calculations for the conceivable intensification of economic integration through bilateral free trade agreements also show growth-promoting effects. This is illustrated by the studies on the effects of corresponding agreements between the EU and the USA (cf. Bertelsmann Stiftung 2013), Japan (cf. Felbermayr et al. 2017), India (cf. Aichele et al. 2017) and Eurasia (cf. Aichele, Felbermayr and Gröschl 2016).
- In addition, simulation calculations show that economic disintegration steps have negative effects on growth and employment. Examples of setbacks in economic integration are the reintroduction of border controls in the Schengen area (cf. Böhmer et al. 2016), the withdrawal of the United Kingdom from the EU (cf. Aichele and Felbermayr 2015 and Sachs 2019) and a protectionist trade policy (cf. Aichele et al. 2017 and Felbermayr, Steininger and Yalcin 2017 and cf. figure 3).

However, the fact that advancing economic integration increases GDP in all participating economies, does not mean that all people living there can expect income increases. The opening of the borders for goods, services and production factors changes the scarcity conditions in each participating country and thus also changes all prices. Consequently, globalization automatically generates sectors, sectors and groups of people whose income situation deteriorates.

FIGURE 3 Change in long-term bilateral trade relations between the United States and selected countries if the United States increases customs duties and non-tariff trade barriers by 20 percent, respectively, figures in percent.

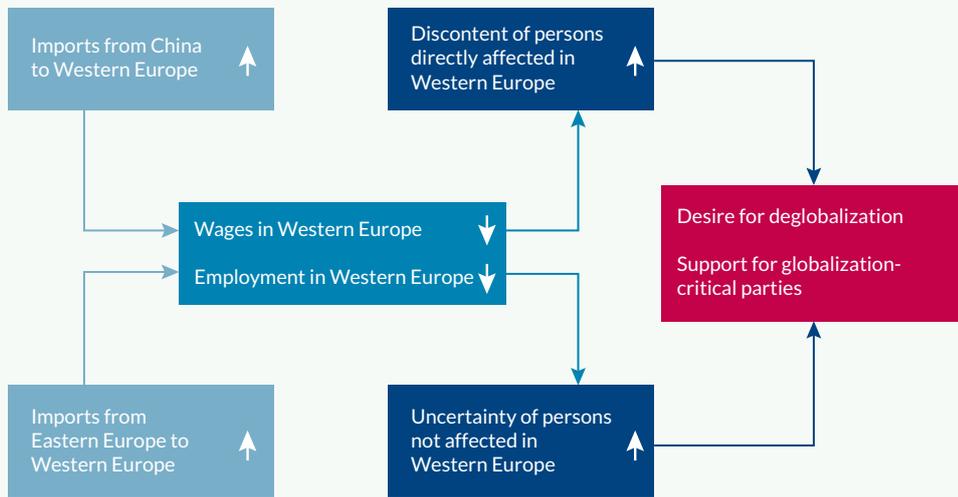


In Germany, individuals and sectors are particularly affected by negative income developments that are in intense competition with suppliers from low-wage countries, especially from Asia and Eastern Europe (cf. Ronge 2016 and Petersen 2017a). These negative effects of economic integration on individual groups are problematic because they can lead to social tensions, growing criticism of the economic model in Germany and ultimately to political fragmentation and polarization (cf. Petersen 2018a and 2017b).

It should be noted that in the course of the project work the tendencies towards economic protectionism continued to increase (failed TTIP agreement, Schengen, Brexit, growing criticism of Chinese FDI, US punitive tariffs including countermeasures by the EU and China etc.). Project activities therefore focused more strongly than originally planned on measures to prevent such isolationist tendencies.

The following section first gives an overview of the main challenges facing Germany, but also the EU and the rest of the world in the 21st century. Then we derive five starting points for dealing with these challenges.

FIGURE 4 **Diagram of the relationship between foreign trade with developing countries and voting behavior in Western European countries**



Source: Economic Globalization Under Pressure

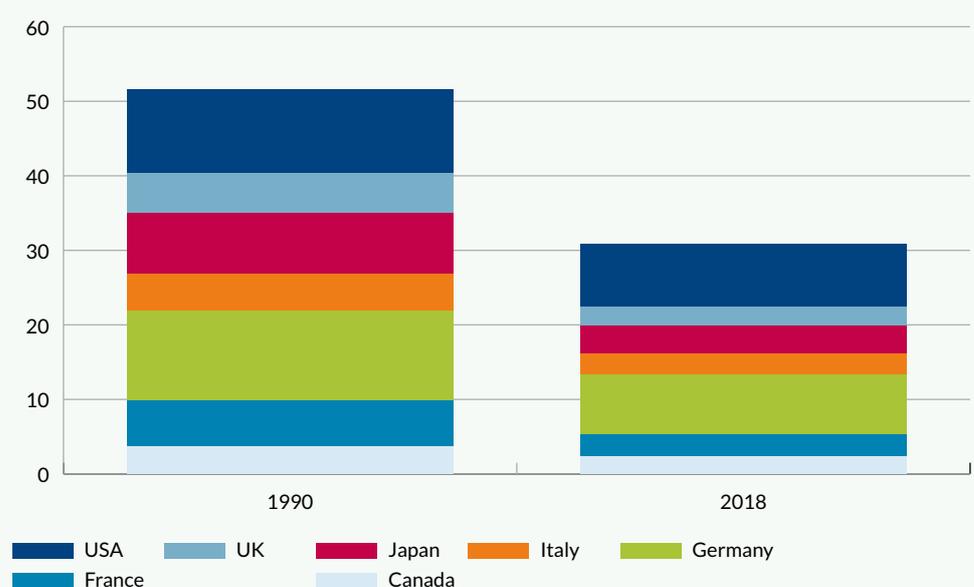
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2. Global challenges and options for action in Germany and the EU

The open, export- and import-oriented German economic system is put under pressure not only by criticism in its own country, but also by growing international criticism of Germany's export surpluses. In addition, there will be growing competitive pressure in the future, primarily as a result of the catching-up of emerging markets, the aging of the German population and increasing digitalization (cf. Petersen and Jungbluth 2018).

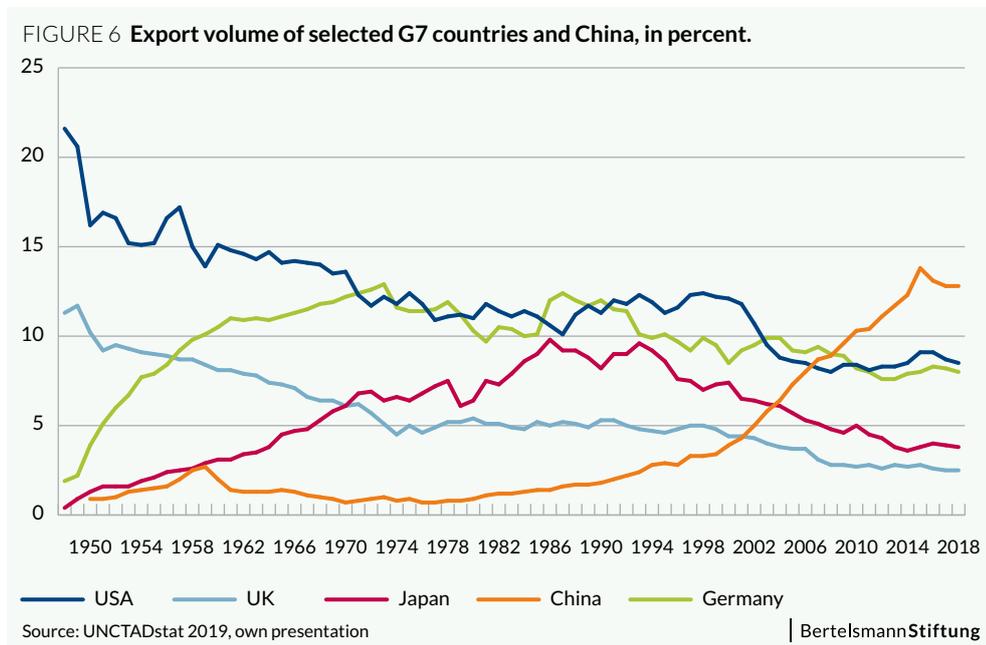
- 1. Emerging markets catching up:** Until the 1990s, global economic development was almost exclusively shaped by Western industrialized countries. They were by far the most important export nations and therefore dominated world trade. The fall of the "Iron Curtain", as a consequence of which Eastern Europe was integrated more closely into global trade, as well as China joining the World Trade Organization in 2001, essentially reduced the relevance of the industrial states. The share of G7 countries in global exports fell from 51.6 percent in 1990 to only 30.95 percent in 2018 (UNCTAD-stat 2019). By contrast, the export share of the emerging markets – above all China – rose rapidly during this period. With a view to the coming decades, it can be assumed that emerging and developing countries will continue to expand their share of global trade.

FIGURE 5 **Export volume of G7 countries (as a share of world exports) in %**



Source: UNCTADstat 2019, own presentation

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2. **Demographic change:** Over the next few decades, Germany's population will become smaller and older. The aging of society is weakening Germany's international competitiveness due to increasing demands on social security systems; the threat of a skilled worker shortage; and a declining ability to innovate. The financing of age-related additional expenditure, especially in the areas of pensions; nursing care; and health care, calls for corresponding revenue increases. In the pay-as-you-go social security system in force in Germany, a decreasing number of contributors, as well as increasing expenditure in general, means an increase in the contributions. This, however, increases non-wage labor costs, and with them production costs, so that international competitiveness deteriorates. In general, empirical studies show that an aging society invests less, which has a negative impact on productivity and competitiveness.
3. **Automation and digitization** are noticeably changing world trade. The lower share of labor costs in production, due to automation, causes many companies to once again produce closer to the consumer. This results in the potential for increasing reindustrialization, particularly in Germany. At the same time, digitization allows greater trade in digitally delivered services. As a country with a strong human capital, Germany has great economic potential that it currently does not fully exploit. This is due to an insufficiently competitive digital infrastructure, but also to the digital capabilities of businesses and consumers that can be improved upon.

Against the background of these challenges, the question arises as to how Germany as a business location can remain export-oriented and competitive in the future, because only an internationally competitive economy can provide its citizens with the material prosperity necessary to improve the opportunities for participation of all people in Germany. We see five central starting points for this.

2.1 Responding appropriately to growing protectionism

The biggest immediate challenge for the German economy, which is dependent on imports and exports, is the increasing protectionism worldwide, which currently emanates mostly from the US government. The protectionist measures of the USA are directed primarily against China, but the EU and Germany are increasingly being targeted by American trade policy. As a reaction to protectionist measures – regardless of which country takes them – Germany should advocate that the EU take five central measures (see Petersen 2018b):

- 1. Removing European trade barriers vis-à-vis the rest of the world:** This measure does not primarily have the goal of “appeasing” a country with a protectionist trade policy, but to credibly show the rest of the world that the EU takes its commitment to free global trade seriously – even in times of increasing protectionism. In order to reaffirm its commitment to fair world trade, the EU should also reduce or remove its subsidies and quotas for agricultural products, which would eliminate the associated distortion of competition vis-à-vis emerging economies, which are more dependent on agriculture.
- 2. Developing the European single market:** If the EU's export opportunities decline because of a protectionist course taken by other countries, this will weaken Europe's economic development. To compensate for exports to these countries, it would be appropriate to expand the European single market, especially in the areas of trade in services; digital trade; cross-border mobility of labor; and public procurement.
- 3. Support for multilateralism in the WTO framework:** As a normative framework setter, the WTO is in principle the most important place to stabilize and intensify the multilateral trading system. A reform process is necessary to defend and further develop the liberal, rules-based order of the world trade system in order to strengthen the WTO's currently limited functionality (cf. in more detail on the further development of the WTO Bertelsmann Stiftung 2018b).
- 4. Conclusion of regional trade agreements:** From a welfare perspective, regional free trade is only the second-best solution compared to multilateral free trade, because the intensification of trade relations between the Member States of such an agreement on trade diversions is accompanied by income and employment losses in third countries. Nevertheless, regional agreements are at least better than not intensifying international trade at all. Such agreements must include the high standards of protection that the EU has now achieved (see also section 2.3.).
- 5. Moderate retaliation:** Should EU products be subject to retaliatory measures in the form of punitive tariffs, the EU will have to impose punitive tariffs as well, in order to put pressure on other countries. However, they must remain moderate, as retaliatory measures against foreign goods are also at the expense of the European economy.

FIGURE 7 Recommendations for Revitalizing the Multilateral Governance at the WTO

	Dialog on policies affecting competitiveness
	Dealing with concerns regarding how the WTO dispute resolution system functions without undermining the dispute settlement process' operation must be a priority for the WTO membership.
	Fostering substantive deliberation in WTO bodies
	Bolstering the regular work of WTO bodies could revitalize the organization's deliberative function. This should be done in a participative matter, as the WTO is a 'member-driven' organization and it should therefore approach the needs of its member states in a comprehensive manner.
	Open plurilateral initiatives among WTO members
	Open plurilateral initiatives can be a vehicle for countries to consider the adoption of common policy principles such as regulatory coherence, or to agree to new policy disciplines.
	Use the Secretariat more efficiently
	Strengthening the secretariat's ability to provide knowledge and analytical inputs to the members will make it more useful to the constituencies that have a stake in enhancing the performance of the WTO-bodies.
	Review organizational performance
	Periodic assessment of institutional performance can foster learning about what works well and what does not.
	Outreach strategies
	Communication strategies should be based on the activities of the WTO that led the institution to achieve economic and social goals. The WTO communication should go beyond the narrow interest of exporters; but more attention needs to be paid to the role of the organization in reducing uncertainty for firms, and providing governance-frameworks that help governments in welfare-enhancing policymaking.

Source: Bertelsmann Stiftung 2018b

2.2 Reducing the German export surplus

The German export surplus is contributing to the current good economic situation in Germany. Whether Germany must make its own efforts to reduce this surplus is highly controversial among economists (cf. Petersen 2018c). Since the central balancing mechanisms for reducing the German surplus are blocked (first and foremost a separate flexible exchange rate), and further surpluses are likely to trigger protectionist responses from countries with trade deficits, Germany should act in this area. With regard to the scope for government action, there are five screws for reducing Germany's export surpluses (cf. Petersen 2015, 2018c and 2018d). What is important here is not to actively hinder German exports, but to increase German imports:

- 1. Increase in German domestic demand through wage increases:** Due to the autonomy of collective bargaining in Germany, the state's scope for action is limited here. As an employer, the state can support higher wages for employees in state-organized areas (education; health; and administration). However, the resulting increase in government spending would have to be financed by higher taxes in the medium term.
- 2. Dynamization of the Service sector:** As a starting point, lifting or easing the existing restrictions on access would make the service sector more dynamic. Their elimination is expected to create new jobs and increase productivity, which should be accompanied by an increase in wages and salaries. There would also be an increase in investments. Higher investments, and an income-induced increase in consumer demand, would reduce German export surpluses by increasing domestic demand.
- 3. Increase imports by reducing import restrictions:** A traditional instrument for this is the dismantling of tariffs and non-tariff barriers to trade. As a member of the European Union, however, Germany's scope for action here is limited. However, it would be possible to reduce subsidies in the agricultural sector. Subsidies distort competition to the detriment of foreign suppliers. The reduction of subsidies would increase the competitive chances of the remaining countries offering such products in the world market, and thus increase their exports, i.e. Germany's imports.
- 4. Increase in public investments:** In several areas, there are societal needs that are not met by private investors due to insufficient private returns: Transport infrastructure; network infrastructure; expansion of the education sector; basic research; and more. If the state increases its investments here, this will increase domestic demand for goods and services and therefore reduce Germany's export surplus.
- 5. Tax measures to strengthen domestic demand:** It would be conceivable to reduce the tax and social security burden on labor income, especially in the area of low labor income. This would increase consumer demand and thus domestic demand. The same effect can be expected from a reduction in VAT rates. Finally, higher tax depreciation possibilities for private investment should be considered, leading to an increase in private investment. The resulting loss of revenue for the state must, however, be counterfinanced.

2.3 Improve framework conditions for welfare-enhancing free trade

Free, rules-based world trade is of existential importance for Germany as a business location. However, with a view to the further development of the legal framework for the cross-border exchange of goods, services, production factors and technologies, certain standards must be observed so that free trade between economies can actually lead to an improvement in people's living conditions. Three aspects play a central role in this (cf. Petersen 2016):

- 1. Reduction of discriminating trade obstacles without a "race to the bottom":** The central element of international trade is the dismantling of import restrictions which merely serve to protect domestic companies (so-called discriminatory trade barriers). However, restrictions designed to protect domestic consumers must be maintained. In order to prevent downwards competition ("Race to the bottom"), it is also mandatory that working, social and other protection standards achieved (e.g. working time provisions, the prohibition of forced and child labor, protection against unfair dismissal, health at the workplace and environmental protection requirements) are not abandoned in the scope of intensifying global free trade.
- 2. Market transparency and the same level of information for all market participants:** Market transparency is a mandatory prerequisite for a functioning free trade system. The removal of trade barriers in international trade must therefore not lead to the waiving of product claims that are necessary for optimal consumer choices. A functioning free trade system also requires the elimination of information differences between consumers and suppliers of products. If the asymmetrical distribution of information cannot be removed, market failure is expected in that products of inferior quality will become established while high-quality goods disappear from the market ("adverse Selection"). To cure this market failure, state intervention is necessary, which must not be eliminated within the framework of a free trade system.
- 3. Increasing welfare requires internalization of external effects:** Free trade only leads to an improvement in the welfare of society if consumers and producers bear all the costs associated with international trade. This concerns, for example, the pricing of the costs associated with the use of the environment (e.g. the costs of CO₂ emissions for society as a whole) into market prices. Where the enforcement of the principle of liability requires State intervention, it should not be considered as discriminatory barriers to trade. This also applies if the private benefit of an economic decision is less than its benefit for society. This form of market failure requires State intervention, which is expressed above all in the participation of the State in the financing of the corresponding activities. Subsidies that serve to internalize positive external effects should therefore not be regarded as a distorting preference for domestic producers.

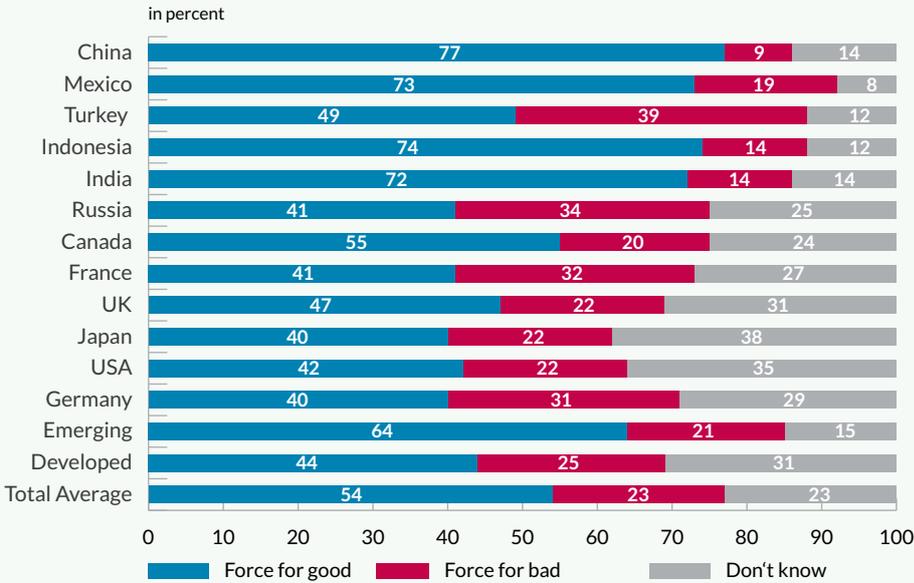
2.4 Globalization gains in Germany more widely spread

Increased cross-border exchanges of goods, services, labor, capital and technology are changing the scarcity situation within individual economies: If, for example, the production of goods, for the production of which above all low-skilled workers are needed, is outsourced to low-wage countries, this worsens the income and employment opportunities of low-skilled people in an industrialized country like Germany (cf. Bertelsmann Stiftung 2016b: 12). As a result, cross-border trade generates both winners and losers.

Survey results show that people in Germany are aware of the overall positive results of globalization. But they also make it clear that they are concerned about the divergence of income and social cohesion (cf. Bluth 2018). In our view, there are three starting points for counteracting this and spreading the benefits of globalization more widely:

1. **Fair distribution of income growth between countries:** The studies mentioned above on the growth effects of advancing globalization show, among other things, that the developed industrial nations have so far benefited most from globalization if the absolute level of GDP per capita is used as an indicator. For international trade to benefit emerging and developing countries more from the economic benefits of the international division of labor, it would be helpful, for example, for developed countries to open their markets to processed products from developing countries without requiring developing countries to do the same in return (because developing countries are generally inferior to competition from developed countries). Moreover, industrialized countries should reduce or even abolish their subsidies for agricultural products in order to eliminate the distortion of competition vis-à-vis developing countries that are heavily dependent on agriculture. Finally, a fair distribution of trade profits could also include rich industrialized countries providing financing opportunities to the less developed economies so that these countries can finance the necessary infrastructure, education and production facilities.
2. **Fair distribution of income growth within countries:** As mentioned at the beginning, as globalization progresses within the participating countries, it produces both winners and losers. To ensure that the social acceptance of an open economy is not lost, the gains from globalization must be widely spread. Many policy areas are therefore called upon to take appropriate measures. Structural and regional policies and the education system need to be adapted and income inequalities compensated by the tax and transfer system (see also section 2.5.). Because the international division of labor increases the material prosperity of all participating economies, the winners of globalization in one country can – at least in principle – more than compensate the losers and still improve their own income situation through global division of labor and global trade.
3. **Strengthening the welfare state:** People want a combination of economic openness and protection against possible negative effects. Here the welfare state plays an important role in maintaining a social consensus in favor of an open economy. However, it can be shown that the welfare state has not grown at the same time as the increase in trade. As a result, the capacity of the welfare state to cushion negative globalization effects is reduced (cf. Bluth 2017). Greater security can be achieved through a more regional and sector-targeted welfare state, without placing a much heavier burden on public budgets.

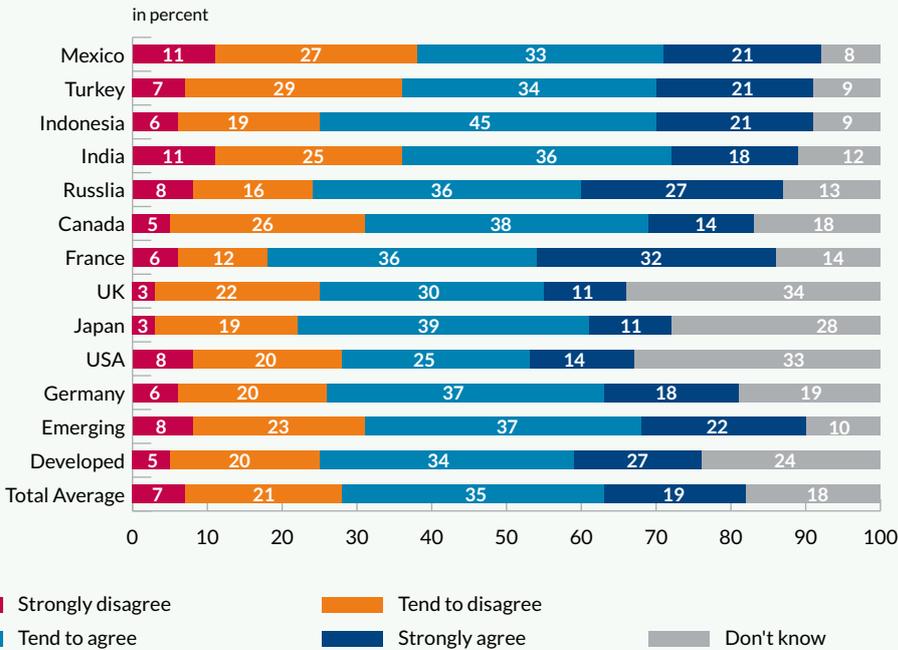
FIGURE 8 Globalisation is the word used to describe the increasing movement of products, ideas, money, jobs, culture and people around the world. Overall, do you think globalisation is a force for good or bad for the world?



Source: Bluth 2018

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FIGURE 9 Globalisation increases social inequalities



Source: Bluth 2018

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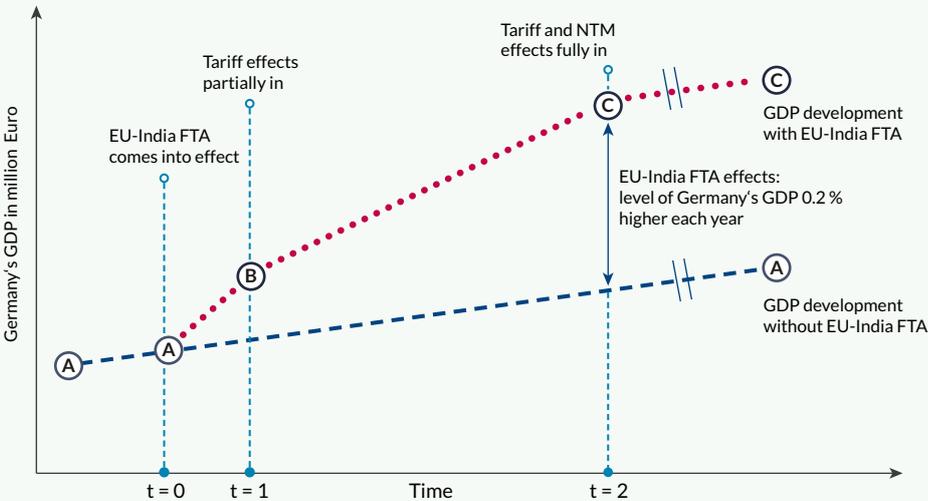
2.5 Better prepare Germany, as a business location, for future challenges

The catching-up of emerging markets (especially China); demographic change; and digitization are the three central challenges that could have a significant impact on Germany's competitiveness in the future. Germany must be better prepared for this. The measures that Germany needs to employ will not only be found at national level, but also within the EU and at a global level (cf. Petersen and Jungbluth 2018).

1. **Securing Germany's future competitiveness:** In order to survive in international competition in the future, productivity in Germany must be increased. This is the only way to secure jobs, and thus income, in Germany, otherwise products manufactured in Germany will no longer be in demand – neither abroad nor by domestic consumers. In view of the expected aging of society, higher productivity increases are urgently needed. The entire education system needs to be looked at, starting with early childhood education via general schools, the dual vocational training system and the entire higher education system through to learning in adulthood. A nationwide quantitative and qualitative expansion of childcare, particularly in the under-three age range, is also an important basis for ensuring the employment of both men and women and continuing to support the now rising birth rate in Germany. In addition, increased investment is needed – both in the private and public sectors – because high productivity requires not only a well-trained workforce, but also efficient machinery and technology.
2. **Create stable framework conditions in the EU:** Germany needs a long-term stable EU with a stable Euro. If necessary, transfer payments will be necessary to prevent the eurozone from disintegrating (Petersen 2012). As mentioned above, a further measure to stabilize Europe's economy is to reduce Germany's high export surpluses, which are increasingly met with criticism in the rest of the world (see Petersen 2015 for the following remarks). In other European countries, accusations have been growing that German exports are displacing domestic products, and thus increasing unemployment in the affected countries. There will be no automatic reduction of German export surpluses within Europe because membership of the monetary union means that there will be no appreciation of the German currency, which in terms of a flexible exchange rate for the individual European currencies would reduce this surplus. However, the necessary reduction in Germany's current account surpluses should not be so abrupt as to lead to massive losses in production and employment in Germany. Such an economic loss would cause Europe to lose its "economic upswing locomotive". As a result, other European economies would have to accept economic loss as well. No one would benefit from this development.
3. **Support a rules-based international economic order:** As an export-oriented economy, Germany has a central interest in functioning world trade. Germany should therefore support the expansion of free trade and help to shape corresponding agreements. Ideally, this should be done within the framework of a multilateral agreement such as the World Trade Organization. However, this is currently undergoing a difficult reform process. The second-best alternative, is therefore regional free trade agreements, in order not to have to do without an intensification of international trade. Central principles of the social market economy, such as labor, social and environmental standards, must be considered. Within this framework, Germany should generally advocate open markets, but at the same time

make it clear that reciprocity and fair competitive conditions are central prerequisites for this. If a global economic actor, such as China, systematically violates them, measures should therefore be possible to protect German and European interests from unfair competition. In general, the principle of non-discrimination must be upheld (Jungbluth 2018).

FIGURE 10 Effects of an EU-India FTA on the level of Germany's GDP



GDP = Gross Domestic Product FTA = Free Trade Agreement NTM = non-tariff trade measures
 Source: ifo graphic based on WTI (2016). | BertelsmannStiftung

3. Possible starting points at national, European and international level

Like all other developed economies, Germany benefits strongly from a comprehensive integration into the global economy. This core thesis was reviewed in detail by the “Global Economic Dynamics” project in the last years, and comprehensive evidence was found to confirm it. Further integration of economies at the global or regional level will therefore remain an important goal for economic growth policies in Germany and other OECD countries. The decisive question here cannot be that of whether globalization should happen, but must above all focus on how globalization works.

The previous remarks give first recommendations for this way – no more and no less. They show that there are indeed great challenges to shaping globalization in a positive way. These include, above all, increasing protectionism, imbalances in trade balances, the reform of the world trade system, the distribution of globalization gains; and greater attention to long-term trends or expected world change processes such as digitization and demographic change. Some of these challenges can be addressed at least in part at national level, but many require extensive and often lengthy cooperation at international level.

Unfortunately, the chances for this are not very good – neither at the moment, nor in the foreseeable future. Populist forces, often advocating antiglobalization fundamentalism, often direct the national debate exclusively towards dramatizing risks or distorting opportunities. In this climate, protectionist forces can easily thrive and trigger a spiral of isolation – especially when the economic situation deteriorates. At the international level, the shift in the balance of power away from the actors who have traditionally advocated an ever more open world economic system is causing great uncertainty with regard to the further development of the multilateral institutional structure and alternative ideas for order, which are reflected in greater institutional fragmentation and regionalization.

It is therefore even more important that Germany uses its current economic strength to better prepare itself for the coming challenges. This includes not only the continuous and unprejudiced handling of the many “known unknowns” of globalization, but also, and most of all, the development of constructive suggestions for further development of social economy. The key question here is: How can the social market economy continue to offer the best possible framework conditions for the competitiveness of German companies and employees in the international division of labor in the future, while at the same time providing an adequate safety net against the risks of globalization? Or in short: How do we ensure as many globalization winners, and as few losers, as possible?

At the European level, Germany should continue its efforts to stabilize the eurozone and prevent European integration from being cut back as a result of a broad exit. Important decisions will be taken here in 2019: In the European elections in May, the nationalist forces were again strengthened; the political centre was further thinned out. Against this background, the establishment of a new European Commission, but also the appointment of a new President of the European Central Bank, is likely to prove a difficult challenge. Despite all the wrangling for the right proportion between the nations, the development of a viable strategy for a strong Europe must not be neglected here.

This is important not only at the international level. Germany can give most weight to constructive proposals for the further development of the world economic order if the EU speaks with one voice and acts together. This is particularly true in times when the USA is no longer a reliable partner, and China is increasingly becoming a serious competitor that does not always play by the same rules. The Franco-German Manifesto for a Common European Industrial Policy, presented by Germany and France in February 2019 (German Ministry of the Economy 2019), is a first starting point for how the EU will position itself over the long term in its external relations, in view of the changed landscape. However, the discussion has only just begun.

In this context, new pragmatic coalitions with partners who share the values and interests of the EU and Germany, as much as possible, are important. Particular attention must be paid to those countries whose importance in the international world economy will (further) increase in the future (especially Southeast Asian or African economies). They are under-represented in the current formal institutional system and are therefore most likely to have an incentive to revise it at best or to look for alternatives at worst. Particularly in view of the growing debate on the reform of the World Trade Organization, this also represents an opportunity.

4. Literature

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