
MERKEL: GERMANY SHOULD EMULATE ASIA

11.10.2018

Geopolitical Futures (10 October 2018)

German Chancellor Angela Merkel has proposed a new model to help increase the competitiveness of European companies. On Monday, she said she disagrees with the European Unions approach to corporate organization and antitrust regulation. Similar to the U.S. model, the European policy has been to avoid having one or even a few major players dominate an industry by encouraging competition and limiting corporate mergers. This is in contrast to places like China, as Merkel noted, where a very small number of telecommunications companies provide services for a very large population. Merkel predicted that more mergers in Europe would come in the future. In her view, if we want to keep up, we have to be able to develop global players.

Her argument appears to be that having a few companies dominate the domestic market enables them to grow and become more competitive on the global stage. But her proposal, which French President Emmanuel Macron has already dismissed, is less important than what it reveals about the German economy and the pressure it is currently under.

Germany is the worlds fourth-largest economy. It is also one of the most export-dependent economies, deriving almost 50 percent of its gross domestic product from exports. Much of those exports go to the European Union, but the EU is fraying. Its in contentious negotiations with the United Kingdom over Brexit and battling with Italy, Poland and Hungary over economic and political issues. Another dispute is also emerging with Switzerland, which is in talks over a treaty that would govern its economic relationship with Brussels. The German-dominated trade zone is fragmenting at the same time that the United States, another important consumer of German goods, is ramping up its own battle over trade.

The EUs long-term future is now in question. Increasing German domestic consumption to compensate for potentially lost foreign sales is unlikely, and even if it were possible, the German economy is geared toward exports, and changing it now would be exceedingly difficult.

Kaynak/Source: