



# European Council: Federal Republic of Germany

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## 1 Introduction and Executive Summary

The Federal Republic of Germany (short form: Germany) is Europe's largest economy and second most populous nation (after Russia). As such, it is a key member of the continent's economic, political, and defense organizations. After its capitulation in 1945, Germany was occupied by the Allied Forces: USSR, USA, France and Great Britain, which led to the formation of two separate independent German States in 1949: the western Federal Republic of Germany (FRG) and the eastern German Democratic Republic (GDR). The democratic Federal Republic and the communist Democratic Republic each remained sovereign until the end of the Cold War, where the sudden decline of the USSR allowed for the Reunification of the two Germany's in 1990. Since then, due to the noticeably poorer economic situation in the East, Germany has expended considerable funds to bring eastern productivity and wages up to western standards [2]

Germany is federal parliamentary republic divided into 16 Administrative States (Bundeslaender). The Judicial Branch of Government is represented by 2 highest Courts, namely the Federal Court of Justice and the Federal Constitutional Court (Bundesverfassungsgericht), as well as many lesser state constitutional courts. Germany's Legislative Branch consists of two chambers of Parliament: the Federal Council (Bundesrat) composed of the representatives of the 16 Administrative States and the Bundestag, which represents the different political Parties. Finally the current Executive Branch of the German Government is made up of the President Frank-Walter Steinmeier, Chancellor Angela Merkel and her Cabinet of Ministers [2]

Angela Merkel has held the post of Chancellor since the 22nd of November, 2005. Her moderate political stance has garnered her a wide support base from all socioeconomic layers of the population. Adding her ability to avoid huge legal mistakes and the lack of political rivals cemented her stable position even further. She won the 2005 election by promising reform to lower the 11.5 percent unemployment rate. Merkel is known for using austerity measures both in Germany (in her first Term) and in the more recent Economic Crisis in Greece [3]

## 2 Societal and Economic History

As of July 2018 the population of Germany is about 80.5 million people, consisting 87.2 percent of ethnic Germans, 1.8 percent of people of Turkish descent and the rest being other ethnic minorities. A little more than half of the population identify themselves as Christian, while 37 percent do not identify with religion at all [2]

Since the "common" European currency came into existence in 1999 and bound the countries of the then EU even tighter financially, one of the biggest winners without doubt is Germany. Plagued by high government expenditure and high unemployment rates (both results of the Reunification with the underdeveloped East Germany), Germany had to take advantage of the new common currency to restore its economy, and so it did. By 2008 the annual expenditure of developing the former East Germany had fallen from 70 billion USD to



Fig. 1: Map of Germany

about 12 billion USD. After 2008 the growth rate of Germany's GDP increased drastically and was the top exporter of the world. Although China overtook Germany in the total amount of export haul, Germany has remained in the top 3 exporting countries in the world [4]

"Germany benefits from a highly skilled labor force, but, like its Western European neighbors, faces significant demographic challenges to sustained long-term growth. Low fertility rates and a large increase in net immigration are increasing pressure on the country's social welfare system and necessitate structural reforms. Reforms launched by the government of Chancellor Gerhard SCHROEDER (1998-2005), deemed necessary to address chronically high unemployment and low average growth, contributed to strong economic growth and falling unemployment. These advances, as well as a government subsidized, reduced working hour scheme, help explain the relatively modest increase in unemployment during the 2008-09 recession - the deepest since World War II" [2]

## 3 Political Position

Angela Merkel has a very strong sense of realism and pragmatism in her way of doing politics and notoriously known for being a Centrist. Her Party, the Christian Democratic Union (CDU), is a moderate conservative political entity. The biggest challenges that she faced in her time as Chancellor were mostly economic and usually had something to do with the financial Crises happening in fellow EU-member state [5]



**Fig. 2:** Angela Merkel

Nevertheless one of her most controversial decisions came in the midst of the recent refugee crisis where she made the decision to take in refugees stuck in Hungary. Furthermore, she decided not to close German borders for refugees two weeks later against the advice of most of her political allies and advisors. This decision caused a lot of chaos in her voter base, which led to her losing some popularity and a harder than ever reelection process. Nonetheless she was reelected for a fourth term, after which she built her second "grand coalition" (GroKo) consisting of her own Party, the CDU, its sister-Party, the CSU, and the centrist left SPD. The formation of this coalition led to some major loss of votes in the southern state of Bavaria and the growth of some alternative parties (die Gruene, AFD, etc.).

## 4 Foreign Policy [1]

Since West Germany joined the North Atlantic Treaty Organization (NATO) in 1955, its engagement and support have slowly grown over the years. Its first military conflict was in 1995 - the Bosnian War. 4 years later the German Military forces dispatched 8500 troops to the then young nation of Kosovo. In 2001 Germany's Armed forces entered Afghanistan to help in the fight against Terrorist Groups (Taliban, al-Qaeda, etc.). Since then, the fight has spread to Iraq, Syria and Mali, where Germany along with its NATO allies face new radicalized groups like ISIS. Germany's membership in NATO obliges Germany to spend at least 2 percent of its GDP on Military Spending. This has led to a recent altercation between Merkel and US President Donald Trump, which led to Chancellor Merkel's decision to increase the armed forces' budget 2024. Nonetheless, Trump's manner of doing politics has caused a rift to grow between the leaders of the two countries [8]

Since the formation of the EU, Germany has been the largest contributor to most EU budgets, as such Germany has a lot of influence on European decisions. Germany is a big advocate of keeping the EU united and strong, so it has been especially strict in the negotiations concerning Brexit, as to dissuade other EU members getting the same ideas as Britain. As such, Merkel is a supporter of most of Macron's reforms, including the creation of a European Monetary Fund and electing a new Finance Minister [6]

## 5 Domestic Policy

In Merkel's second Term she introduced tax cuts to pull Germany out of the 2008 financial Recession. This coupled with other stimulus and stabilization efforts increased Germany's total budget deficit to 4.1 percent in 2010. This was followed by a decrease in the budget deficit to 0.8 percent in 2011 due to slower spending and higher tax revenues. In 2017 Germany recorded a budget surplus of 0.7 percent.

Following the Fukushima Incident in 2011, Merkel announced that 8 of the 22 nuclear reactors would shut down immediately, while the rest would be completely shut down by the year 2022. She also announced on the very same night that Germany will invest more into renewable energy, as it will become the biggest source of German energy.

In Merkel's third Term she introduced a minimum wage (2015) that increased to 8.84 euros in January 2017. Furthermore, to increase the low levels of investment in the last few years, the German Government has developed a plan to invest 15 billion euros during 2016-18, largely in infrastructure, to stimulate further private investments [2]

## 6 Recent Developments

The topic of Russian aggression has become very actual in the last 5 years. To counteract this growing threat from the east, Germany has decided to take a leadership role in countering potential Russian aggression by taking over command of NATO's multinational Very High Readiness Joint Task Force (VJTF) at the start of 2019 [8]

Germany's quarterly financial report shocked the world as it showed minimal growth in 2018's final quarter. Experts say that the reason lies with Trump's Trade war, more specifically his steel tariffs. Another underlying reason for Germany's economic stagnation could lie in the Trade conflict between China and the USA, as China has slowed down its import of German and Italian cars [7]

## 7 References

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