

RUSSIAN-GERMAN ECONOMIC RELATIONS UNDER GLOBALIZATION

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Globalization of the world economy is the modern stage in the internationalization of production and capital which began and is under way for about 100 years. After the Second World War the internationalization process gained speed and became deeper which found its reflection, on the one hand, in the dramatic expansion of the transnational banks' activities and , on the other hand, in the facilitation of the integration economic process which raised from the micro level to the macro level and took the shape of regional integration associations.

In the 90s of the XXth century there happened a conversion into the new quality which allows to speak about the beginning of the next stage in the internalization and call it globalization. Its immediate task is the establishment of the global world economy with some specifics, features and structures which never existed before.

Functionally, the global economy manifests itself in the following:

- global financial system which is gradually becoming as such thanks to the advance in electronic communication and computer technologies;
- global exchange in intellectual activities beginning from the traditional trade in technology licenses and ending in computer information nets;
- global commodity and service promotion including transportation, insurance, marketing, advertising and commodity flow structuring, as well as other required transactions.

At the same time some trends in globalization are not worth being overestimated. Euphoria over the globalization positive consequences which, to a greater extent, were initiated by the famous "The End of the Nation State" and "A Borderless World: Power and Strategy in the Interlinked Economy" by K. Ohmae, is over.¹

It is clear now that the level of globalization has been overrated in respect to some trends. Thus, the international production didn't become its main trend. On the whole, the global commodity system still bases itself on the results of the national productions. Specialization and cooperation are likely to develop further in the same way, meanwhile it would be more correct to speak about the international commodity produced in one country but on the basis of international factors of production such as capital, technologies, information, labour force, etc.

Other spheres have been put to the forefront: the global financial system; global exchange in intellectual activities, including Internet; global promotion of commodities and services.

Globalization has covered finance and banking to the utmost degree. Financial globalization is fraught with a number of risks which are able to undermine the stability of the world economy. The most important aspect of globalization consists in the advance in communication facilities and information networks, while the financial sphere, through making use of them, may transit to the new stage of globalization and certain self-sufficiency which leads to new possibilities in investments and credit, as well as to the new possibilities for the unseen in scale speculations.

The globalization hasn't yet radically influenced the world flows of direct foreign investments. To a comparatively higher degree it has told on portfolio investments. On the whole, we may even observe the so-called "home shift" to some preference for investments into the national economies on the part of the leading world investors. Most noticeable is the growth of speculative movement

¹ See: The End of the Nation State. N.Y., Free press, 1995; Ohmae K. A Borderless World: Power and Strategy

of capital which plays the negative role undermining the stability of the world economy.

A new stage in the world trade cardinal liberalization acts as a powerful lever of globalization.

The meaning of the national border has been sharply reduced. Former external factors of the economic development became a kind of internal ones not only for the transnational business but also for the national entrepreneurs and national governments. Globalization has demanded from countries to pass over a part of their national functions of government to the above-nation bodies. Most vividly it may be traced on the example of the World Trade Organization (WTO).

Following the above, a question arises as to the role of bilateral economic relations between such countries as Germany and Russia.

As we see it, under globalization, such relations are of special importance because the world economy is entering the phase of **geo-economic development**. It means that in line with the new scenario **competition among the key zones of economic interaction** will become the leading factor in the XXIst century. **In the long-term perspective this process means the establishment and enlargement of new regional "nuclei of development" which would combine high technologies and natural recourses.** Economic competition will primarily develop not on the national and state level but among internationally organized enterprises and "nuclei of development".

In the XXIst century Russia may play an extremely important and independent role of the participant in the new geo-economic process which will spread around Germany as an initiator and stabilizer of global political and economic processes in the European region. With regard to Russia's tremendous territory and abundance of natural recourses, its joining to the system of economic relations of the European "nucleus of development" will be of huge

international importance and will in principle influence the placement of economic forces in the world economy.

As experts in geopolitics state, " nuclear and, in general, military predominance, in which Europe will further on never be able to compete with the USA, will in the visible future cease to be the main factor of the world leadership, giving way to the priority of the "soft force", that is to the economic might. And it is exactly in the part of the economic might that Europe as a whole, and Germany in particular, becomes the competitor of the USA".²

Economic relations between Germany and Russia go far back to history. They began in 1697, the year of Peter I Great Embassy to the western countries. The first German-Russian project also dates back to that time. Famous scientist Leibniz produced a memorandum containing a plan of transformations in Russia which stipulated the establishment of a network of research and educational institutions as well as a whole number of projects in the field of economy, prospecting of the natural recourses, etc.

It is well-known, that there were different periods in the history of Russian-German relations. Presently the FRG holds the leading position among commercial partners of Russia. The FRG is the most prominent supplier to Russia of machines, equipment and modern technologies (more than 25% of the 2002 total Russian import of these goods), clothes and footwear (more than 50%), food stuffs (14%). It covers about 14% of Russia's total foreign trade turnover.

In 2002 the leading items of Russian export to the FRG included:

- energy sources – 77% (of the total exports);
- raw material and semi-manufactured goods – 15%;
- ready-made commodities – 7% , out which 1% falls to machinery and equipment.

² Nezavisimaya Gazeta No 181 (2243), 26 September 2000.

Deliveries from Russia cover the FRG import requirements in the natural gas by 35%, in oil – by 28%, in non-ferrous metals – by more than 11%, in fertilizers – by 13%.

The main types of commodities presented in the import from the FRG in 2002 comprise:

- machinery and equipment – 53% (of the total imports);
- chemicals –17%;
- metals and metal wares – 7%;
- textile fabrics – 4%;
- products of woodworking and pulp-and-paper industries – 3%.³

Strategic landmarks should change: if, up till now, commerce was the main branch in the chain of our economic ties, then in future investments could become as such.

Prospects for the Russian-German economic relations depend , to a greater extent, on mutual confidence among the Germans and the Russians. A special review was held for this purpose.⁴ The attitude to Germany among the Russians of different ages is seen from the table below (the data is in %).⁵

The feelings caused among the Russians at the mentioning of Germany	Up to 30	31-50	51-60	Older than 60
Generally positive feelings	72.9	71.3	62.9	60.3
Generally negative feelings	10.7	12.1	19.0	22.2
Found it difficult to answer	16.4	16.6	18.1	17.5

³ Russian Trade Representative office in the FRG, 2003

⁴ Russia and Germany. What the Russians think about the Russian-German relations and prospects for their development/http://www.fesmos.ru/Rus_part1.html#

⁵ Ibid/

The majority of the Russians and Germans approach the prospects for the Russian-German relations rather optimistically. At the same time the review shows that this optimism has a tendency to growth. According to the poll held by the Allensbach Institute of Demoscopy in April 2002, the number of the Germans who believe in good relations between Russia and Germany in the perspective, grew from 36 % in 1996 up to 55% in 2002.

The highest level of optimism about the possible forms of the long-term Russian –German relations is demonstrated first of all by the Russian well-off respondents. Among them those who believe that the relations will be positive make 71.3%, meanwhile, the Russians living beyond the poverty line, are more reserved in their assessments. Among them a bit more than a half have a positive attitude (53.8%) and, on the contrary, there are more skeptics than in other walks of the society (31.1%).⁶

⁶ Ibid.