

# GERMANY



**FOREIGN RELATIONS:** Germany continues to emphasize close ties with the United States, membership in NATO, and the "deepening" of integration among current members of the EU. The Federal Republic of Germany took part in all of the joint postwar efforts aimed at closer political, economic, and defense cooperation among the countries of western Europe. Germany has been a large net contributor to the EU budget. Germany also is a strong supporter of the United Nations and of the Organization for Security and Cooperation in Europe (OSCE).

During the postwar era, the Federal Republic of Germany also sought to improve its relationship with the countries of Eastern Europe, first establishing trade agreements and, subsequently, diplomatic relations. With unification, German relations with the new democracies in central and eastern Europe intensified. On November 14, 1990, Germany and Poland signed a treaty confirming the Oder-Neisse border. They also concluded a cooperation treaty on June 17, 1991. Germany concluded four treaties with the Soviet Union covering the overall bilateral relationship, economic relations, the withdrawal of Soviet troops from the territory of the former G.D.R., and German support for those troops. Russia accepted obligations under these treaties as successor to the Soviet Union. Germany continues to be active economically in the states of central and Eastern Europe and to actively support the development of democratic institutions, bilaterally and through the EU.

**U.S.-GERMAN RELATIONS:** U.S.-German relations have been a focal point of American involvement in Europe since the end of World War II. Germany stands at the center of European affairs and is a key partner in U.S. relations with Europeans in NATO and the European Union.

German-American ties extend back to the colonial era. More than 7 million Germans have immigrated over the last three centuries and today nearly a quarter of U.S. citizens claim German ancestry. In recognition of this heritage and the importance of modern-day U.S.-German ties, the U.S. President annually has proclaimed October 6, the date the first German immigrants arrived in 1623, to be "German-American Day."

U.S. policy toward Germany remains the preservation and consolidation of a close and vital relationship with Germany, not only as friends and trading partners, but also as allies sharing common institutions. During the 45 years in which Germany was divided, the U.S. role in Berlin and the large American military presence in West Germany served as symbols of the U.S. commitment to preserving peace and security in Europe. Since German unification, the U.S. commitment to these goals has not changed. The U.S. made significant reductions in its troop levels in Germany after the Cold War ended, and, on July 12, 1994, President Clinton "cased the colors" at the Berlin Brigade's deactivation ceremony. The U.S., however, continues to recognize that the security and prosperity of the United States and Germany significantly depend on each other.

As allies in NATO, the United States and Germany work side by side to maintain peace and freedom.

This unity and resolve made possible the successful conclusion of the 1987 U.S.-U.S.S.R. Intermediate-Range Nuclear Forces Treaty (INF), the Two-plus-Four process--which led to the Final Settlement Treaty--and the November 1990 Conventional Armed Forces in Europe (CFE) Treaty.

More recently, the two allies have cooperated closely in peacekeeping efforts in the Balkans and have worked together to encourage the evolution of open and democratic states throughout central and eastern Europe. Germany is also a strong contributor to our common effort to secure peace and stability in Afghanistan, providing some 3,500 military personnel to the NATO ISAF mission, making it the third-largest troop contributor after the U.S. and the U.K. Germany currently commands ISAF's northern region (RC-North) where it leads two of the five provincial reconstruction teams (PRTs) as well as the forward support base. Under a new parliamentary mandate approved in October 2008, the troop ceiling for German forces in Afghanistan was increased from 3,500 to 4,500.

The Bundeswehr is in the process of transforming itself from a purely territorial defense force, as it was during the Cold War, into an expeditionary force capable of deploying up to 14,000 soldiers at a time. Currently, Germany has some 7,000 soldiers on deployments outside NATO territory. In addition to the troops in ISAF, Germany has more than 2,000 military personnel in the NATO-led Kosovo Force (KFOR) and contributes troops to the European Union Force in Bosnia, the UN Interim Force in Lebanon, and the UN missions in Sudan, Georgia, and Ethiopia.

Following the September 11, 2001, attacks on the World Trade Center in New York City and the Pentagon in Washington, DC, Germany has been a reliable U.S. ally in the campaign against terrorism. As two of the world's leading trading nations, the United States and Germany share a common, deep-seated commitment to an open and expanding world economy. Personal ties between the United States and Germany extend beyond immigration to include intensive foreign exchange programs, booming tourism in both directions, and the presence in Germany of large numbers of American military personnel and their dependents.

The United States and Germany have built a solid foundation of bilateral cooperation in a relationship that has changed significantly over six decades. The historic unification of Germany and the role the United States played in that process have served to strengthen ties between the two countries.

German-American political, economic, and security relationships continue to be based on close consultation and coordination at the most senior levels. High-level visits take place frequently, and the United States and Germany cooperate actively in international forums.

**GOVERNING JUSTLY AND DEMONCRATICALLY:** The government is parliamentary, and a democratic constitution emphasizes the protection of individual liberty and division of powers in a federal structure. The chancellor (prime minister) heads the executive branch of the federal government. The duties of the president (chief of state) are largely ceremonial; the chancellor exercises executive power. The Bundestag (lower, principal chamber of the parliament) elects the chancellor. The president is elected every 5 years on May 23 by the Federal Assembly, a body convoked only for this purpose, comprising the entire Bundestag and an equal number of state delegates. President Horst Koehler (Christian Democratic Union - CDU) was re-elected on May 23, 2009.

The Bundestag, which serves a 4-year term, consists of at least twice the number of electoral districts in the country (299). When parties' directly elected seats exceed their proportional representation, they may receive more seats. The number of seats in the Bundestag was reduced to 598 for the 2002 elections. The Bundesrat (upper chamber or Federal Council) consists of 69 members who are delegates of the 16 Laender (states). The legislature has powers of exclusive jurisdiction and concurrent jurisdiction with the Laender in areas specified in the Basic Law. The Bundestag has primary legislative authority. The Bundesrat must concur on legislation concerning revenue shared by federal and state governments and those imposing responsibilities on the states.

Germany has an independent federal judiciary consisting of a constitutional court, a high court of justice, and courts with jurisdiction in administrative, financial, labor, and social matters. The highest court is the *Bundesverfassungsgericht* (Federal Constitutional Court), which ensures a uniform interpretation of constitutional provisions and protects the fundamental rights of the individual citizen as defined in the Basic Law.

#### **Political Parties-**

**Christian Democratic Union/Christian Social Union (CDU/CSU).** An important aspect of postwar German politics was the emergence of a moderate, ecumenical Christian party--the Christian Democratic Union (CDU)—operating in alliance with a related Bavarian party, the Christian Social Union (CSU). Although each party maintains its own structure, the two form a common caucus in the Bundestag and do not run opposing campaigns. The CDU/CSU has adherents among Catholics, Protestants, rural interests, and members of all economic classes. It is generally conservative on economic and social policy and more identified with the Roman Catholic and Protestant churches.

**Social Democratic Party (SPD).** The SPD is one of the oldest organized political parties in the world. It originally advocated Marxist principles, but in the 1959 Godesberg Program abandoned the concept of a "class party" while continuing to stress social welfare programs. Under the leadership of Gerhard Schroeder, the SPD-Greens government implemented in 2003 the centrist Agenda 2010 reforms, designed to modernize the country's social system and labor market. The SPD elected Franz Muentefering as chairperson on October 18, 2008 replacing Kurt Beck, who had resigned in September 2008. The SPD also chose Foreign Minister Frank-Walter Steinmeier to lead the party against incumbent Chancellor Angela Merkel's CDU in the September 27, 2009 national parliamentary elections. The SPD has a powerful base in the bigger cities and industrialized states.

**Free Democratic Party (FDP).** The FDP has traditionally been composed mainly of middle and upper class Protestants who consider themselves heirs to the European liberal tradition. It supports free trade and reducing the role of the state in economic policy. It is libertarian on social issues. The party has participated in all but three postwar federal governments but has not been in federal government since 1998.

**The Left.** The PDS (composed largely of former East German communists) and the WASG (composed of western leftists) merged in June 2007 to form a party simply known as "The Left." The party's foreign policy is largely shaped by its rigid opposition to foreign military

deployments. On domestic policy, the party opposes economic and social reforms, such as Hartz IV, which aim to increase free markets and reduce unemployment benefits. The Left proposes to replace the free market system with a return to socialist principles.

**Alliance 90/Greens.** In the late 1970s, environmentalists organized politically as the Greens. Opposition to nuclear power, military power, and certain aspects of highly industrialized society were principal campaign issues. In the December 1990 all-German elections, the Greens merged with the Eastern German Alliance 90, a loose grouping of civil rights activists with diverse political views. The Greens joined a federal government for the first time in 1998, forming a coalition with the SPD.

**Other parties.** Because of the instability caused by the need for multi-party coalitions in the Weimar Republic, Germany's Basic Law today requires parties reach 5% of the vote to win seats in the Bundestag. In addition to those parties that won representation in the Bundestag in 2005, a variety of minor parties won a cumulative 2.7% of the vote, down from 3.0% in 2002. Several other parties were on the ballot in one or more states but did not qualify for representation in the federal Bundestag.

### **2005 Federal Elections**

The 2005 federal elections were held after Chancellor Schroeder asked for a Bundestag "vote of confidence" on the SPD-Greens coalition. The July 1, 2005, confidence motion failed, and President Koehler called for elections to be held on September 18, 2005, a year earlier than planned.

After several weeks of negotiations, the CDU/CSU and SPD agreed to form a "grand coalition" under the leadership of Chancellor Angela Merkel. Angela Merkel and the new cabinet were sworn in on November 22, 2005. The next Bundestag elections are scheduled to be held on September 27, 2009.

**INVESTING IN PEOPLE:** Most inhabitants of Germany are ethnic German. There are, however, more than 7 million foreign residents, many of whom are the families and descendents of so-called "guest workers" (foreign workers, mostly from Turkey, invited to Germany in the 1950s and 1960s to fill labor shortages) who remained in Germany. Germany has a sizable ethnic Turkish population. Germany is also a prime destination for political and economic refugees from many developing countries. An ethnic Danish minority lives in the north, and a small Slavic minority known as the Sorbs lives in eastern Germany. Due to restrictive German citizenship laws, most "foreigners" do not hold German citizenship even when born and raised in Germany. However, since the German Government undertook citizenship and immigration law reforms in 2002, more foreign residents have had the ability to naturalize.

Germany has one of the world's highest levels of education, technological development, and economic productivity. Since the end of World War II, the number of youths entering universities has more than tripled, and the trade and technical schools of the Federal Republic of Germany (F.R.G.) are among the world's best. Germany is a broadly middle class society. A generous social welfare system provides for universal medical care, unemployment compensation, and other social needs. Millions of Germans travel abroad each year.

With unification on October 3, 1990, Germany began the major task of bringing the standard of living of

Germans in the former German Democratic Republic (G.D.R.) up to that of western Germany. This has been a lengthy and difficult process due to the relative inefficiency of industrial enterprises in the former G.D.R., difficulties in resolving property ownership in eastern Germany, and the inadequate infrastructure and environmental damage that resulted from years of mismanagement under communist rule.

Economic uncertainty in eastern Germany is often cited as one factor contributing to extremist violence, primarily from the political right. Confusion about the causes of the current hardships and a need to place blame has found expression in harassment and violence by some Germans directed toward foreigners, particularly non-Europeans. The vast majority of Germans condemn such violence.

**ECONOMIC GROWTH:** Germany is the world's fourth-largest economy and the largest in Europe. In 2006, Germany had its best year since 2000 with 2.7% growth; in 2007, growth was at 2.5% despite a 3 percentage point value added tax (VAT) hike at the beginning of the year. In the context of the global financial crisis, economic growth slowed during 2008 and continues to slow in 2009.

From the 1948 currency reform until the early 1970s, West Germany experienced almost continuous economic expansion. Real gross domestic product (GDP) growth slowed down, and even declined, from the mid-1970s through the recession of the early 1980s. The economy then experienced 8 consecutive years of growth that ended with a downturn beginning in late 1992. During most of the post-reunification period, Germany has seen relatively low average real growth and stubbornly high unemployment.

Germans often describe their economic system as a "social market economy." The German Government provides an extensive array of social services. The state intervenes in the economy by providing subsidies to selected sectors and by owning some segments of the economy, while promoting competition and free enterprise. The government has restructured the railroad system on a corporate basis, privatized the national airline, and is privatizing telecommunications and postal services.

The German economy is heavily export-oriented, with exports accounting for more than one-third of national output. As a result, exports traditionally have been a key element in German macroeconomic expansion, accounting for over half of the economic growth in recent years. Germany is a strong advocate of closer European economic integration, and its economic and commercial policies are increasingly determined within the European Union (EU). Germany uses the common European currency, the euro, and the European Central Bank sets monetary policy.

In the early-mid 2000s, Germany adopted a complex set of labor/social welfare reforms to overcome structural weaknesses of the German welfare state and to create policies more conducive to employment. Defying a skeptical German public, the coalition government of Chancellor Angela Merkel initiated additional reform measures, such as the gradual increase in the mandatory retirement age from 65 to 67--a move intended to add 2.5 million to the workforce by 2030. Subsequently, however, there has been active political debate and some rollback of these labor reforms; most notably the government decided to extend the payment period of unemployment benefits to older workers in early 2008.

Nearly 20 years after reunification (October 3, 1990), Germany has made great progress in raising the standard of living in eastern Germany, introducing a market economy and improving its infrastructure. At

the same time, the process of convergence between east and west is taking longer than originally expected and, on some measures, has stagnated since the mid-1990s. Growth rates in the east have been lower than in the west in recent years. Unemployment is twice as high, prompting many skilled easterners to seek work in the west, and productivity continues to lag. Eastern consumption levels are dependent on large public net financial transfers from west to east. In addition to social assistance payments, the government will extend funds to promote eastern economic development through 2019.

The United States is Germany's second-largest trading partner, and U.S.-German trade has continued to be strong. Two-way trade in goods totaled \$152 billion in 2008. U.S. exports to Germany were \$54.5 billion, while U.S. imports from Germany were more than \$97.5 billion. At \$43 billion, the U.S.'s fifth-largest trade deficit is with Germany. Major U.S. export categories include aircraft, electrical equipment, telecommunications equipment, data processing equipment, and motor vehicles and parts. German export sales are concentrated in motor vehicles, machinery, chemicals, and heavy electrical equipment. Much bilateral trade is intra-industry or intra-firm.

Germany has a liberal foreign investment policy. For 2007, German investment in the U.S. amounted to \$202.6 billion, while U.S. investment in Germany was \$107 billion.

U.S. firms employ about 800,000 people in Germany; German firms likewise employ about 670,000 people in the United States.

Despite persistence of some structural rigidities in the labor market and extensive government regulation, the economy remains strong and internationally competitive. Although production costs are very high, Germany is still an export powerhouse, and unit labor costs have decreased in the last decade. Additionally, Germany is strategically placed to take advantage of the rapidly growing central European countries. The current government has addressed some of the country's structural problems, with important tax, social security, and financial sector reforms.