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German foreign trade surpluses – a problem for the European Monetary Union?

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Abstract: In the light of the controversial discussion on the cause and effects to the total economy of the high export surplus of one country and their consequences for other countries, the concrete question as to whether high German balance on current account surplus mentioned is indeed responsible, as alleged, for macroeconomic divergence in the European Union or for balance on current account deficits in other European countries will is addressed in this paper. We examine how and to what extent German export success represents a lasting threat to the stability of the Eurozone and impedes economic recovery in instable countries in the south, or whether it can even offer those countries better chances to overcome crisis and stabilise their economy. The study suggests that politically enforced shrinkage of German exports accompanied by a weakening of the German economy scarcely benefits deficit countries. Due to the very close intertwining of German industrial intermediate inputs import trade with European crisis partner countries, with their great demand for German investment goods exports, a decrease in German exports would not only cause a drop in their exports, but it would also whittle down the basis for public European financial help for handling crisis, help for which Germany provides a large proportion of the liability.

Key words: Exports, Imports, Balance on current account surplus, crisis, Eurozone, Germany

1. INTRODUCTION

During the course of recent world economic crisis and accompanying acute economic crisis in various European member states, balance on current account as well as discussion of the level of public debt and new debts have increasingly become the focus of political and scientific argument. Whereas scientific discussion focuses more on clarification of the causes and negative effects of the twin deficits caused by high national debts and negative balance on current account (Reinhard/Rogoff, 2008), especially, economies with permanent balance on current account surpluses are meanwhile being critically scrutinized. It has been confirmed that they are partially responsible for global financial and national debt crisis. Thus, even countries with a high balance on current account surplus are alleged possibly to trigger "dangerous global macroeconomic imbalance", which is clearly noticeable especially within single currency areas such as the Eurozone. Correspondingly, there is a demand for political countermeasures in these economies to combat the drifting balances of current account apart, which endangers stability and also block balance on current account surpluses in order to evade the risk to the regional and global economic fabric.

In consequence, the EU finance ministers agreed at their meeting on 18th September, 2011 in Breslau that in addition to excessive balance on current account deficits in member states, marked balance on current account surpluses which exceed 6% of the GDP for at least two successive years were to be rated as macroeconomic imbalances that endanger stability. Preceding this, there had been similar demands made on behalf of the IMF to introduce suitable measures (managing director Lagarde in the Financial Times dated 14.03.2010). Finally, formal procedures were implemented for the prevention and correction of macroeconomic imbalance in the form of mandatory ceilings for the balance on current account of member states. Infringement by member states could lead to sanctions in the form of a penalty of up to 0,5% of the GDP (EU commission, 2013). The reason for the sanction mechanisms defined is that surpluses in the balance on current account of a EU state accompanied by great export strength are at the cost of the other member states and must accordingly be prohibited or immediately reduced. It is alleged that the surpluses in the balance on current account of one member state are weighed against corresponding deficits in the balance on current account of other states and this results in a total economic game of zero in the Euro currency zone. Furthermore, it is concluded that the current deficits in the balance on current account of critical Euro states is increasingly causing them difficulty in financing their net imports, driving their debt even higher. In this way, states with deficits in their balance on current account are confirmed as being fundamentally weak competitively, and countries with trade surpluses are allegedly too dependent on exports.

Since Germany has reached a surplus of more than 6% in the balance on current account over several years from 2005, it has been the subject of increased annual analysis by the EU commission, without however the announced sanctions being imposed. In its first audit in 2012, although the commission on the one hand recognised Germany’s high balance on current account surplus as a reflection of its export strength, on the other hand, in its publicized audit, it found fault with Germany’s “suppressed domestic demand” (Currency Commissioner Rehn in NZZ dated 06.03.2014). Similarly, at the end of 2013, the US Finance Ministry noted Germany’s “anemic domestic demand” and called for political measures to increase domestic consumption (Welter in FAZ dated 30.10.2013).

Keynesian supporters go even further in their criticism of foreign trade imbalance by accusing countries such as Germany which shows a high surplus in their balance on current account of enriching themselves at the expense of trade deficit countries in a policy of “beggar my neighbor” (Daveri, 2014) by investing only part of their achieved export gains in imports. In this way, like a vampire, they “suck buying power out of the global system” (Bofinger in FAZ dated 24.03.2014). A glance at foreign trade statistics confirms that in 2013 Germany achieved a surplus in its balance on current account 201 billion Euros (DESTATIS dated 07.02.2014). This is the highest since the beginning of these statistics and comprises more than 7% of the GDP. Measured at this absolute amount and converted into US dollars, the surplus in the German balance on current account takes first place in an international comparison followed by China and Saudi Arabia. When its proportion of the GDP is measured against that of the industrial nations, Germany, with its current 7.3%, is only surpassed by Norway (14%) and Switzerland (around 10%) (FAZ dated 14.01.2014). This trend seems to be continuing in 2014: in the month of September alone, a monthly record in exports - 102.5 billion Euros was achieved (DESTATIS dated 07.11.2014), and for the whole year, even higher surplus in the balance on current account of 7.4% of the GDP has been forecasted (ifo-Institute, 2014). In the first nine months of the year 2014 alone, German exports increased by 3.5% compared to the same period in the previous year, although the highest rate of growth is in exports to European countries outside the Eurozone (FAZ dated 07.11.2014).

In the light of the controversial discussion on the cause and effects to the total economy of the high export surplus of one country and their consequences for other countries, the concrete question as to whether high German balance on current account surplus mentioned is indeed responsible, as alleged, for macroeconomic divergence in the European Union or for balance on current account deficits in other European countries will be addressed in the subsequent commentary. There will be further examination of how or to what extent German export success represents a lasting threat to the stability of the Eurozone and impedes economic recovery in instable countries in the south, or whether it can even offer those countries better chances to overcome crisis and stabilise their economy.

2. METHODOLOGY

Undertaken research is of the result of our exploratury study conducted through the analysis of recent literature on the topic. As it is stated by Robson (2002), an exploratory study is a valuable means of finding out “what is happening; to seek new insights; to ask questions and to assess phenomena in a new light”.We attempt to explore current allegations and interpretations of German foreign trade surpluses and its impact on the EU Monetary system. and attempted to draw some conclusion. Most of

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the information that contained in the research work comes from the secondary sources including books, journals, and available report data from governmental or agential official websites.

3. EXPRESSION AND DEVELOPMENT OF BALANCE ON CURRENT ACCOUNT IN THE EUROPEAN UNION

If we look at the balance on current account change in the European countries from the beginning of monetary union in 1999, it is noticeable that they have rapidly drifted apart throughout this period. At the outset of the Eurozone, there was divergence to a relatively low degree (with the exception of Greece, Spain, Portugal and Ireland – later they also showed high deficits of over 5% of the GDP), yet, later divergence turned out drastically resulting fast increasing surpluses in Germany, Austria, Finland and the Netherlands and increasing deficits in Greece, Spain, Portugal, Ireland, Italy and France.

In 2007, the positive account of the countries with a surplus amounted altogether to an average of some 7% of the GDP, whereas the average negative account of the deficit countries amounted to some 8% of their current national trade account (Thiemann, 2013). At the same time, between 1999 and 2007, the proportion of the German surplus of trade with other European countries increased from 3% to 5% of the GDP (Daveri, 2014). These developments lead to the assumption that within the Eurozone, high surplus is achieved at the expense of growing deficits and especially (measured in absolute figures) high German surplus might be the main cause of macroeconomic imbalance in the Eurozone.

However, a closer scrutiny of the target areas of German exports puts this speculation into perspective: despite the aforementioned record amount of the German export surplus of some 200 billion Euros in 2013, the export surplus in trade with European countries decreased significantly in 2013. The bulk of (five of seven percentage points) German trade surplus is with the rest of the world - not with the Eurozone countries (Daveri, 2014). This marked decline in the German trade surplus with the European countries is a result, on the one hand, of diminished exports to these countries and on the other hand, of increased imports from them. In this way, German export surplus was reduced by about half in the Eurozone between 2008 and 2012.

This "natural" tendency of the national balances of current account to come closer together is demonstrated by the fact that those European countries with a trade deficit imported less in times of crisis and as a result of (partially externally imposed) reform policies which resulted a fall in labour costs and a rise in productivity gained competitiveness and promoted more exports causing the balance on current account deficit to reduce or even, as it is in the case of Ireland, to offset (Thimann, 2013). A medium to long-term continuation of this trend of the balances of current account to draw closer together can be assumed from the fact that Germany and other classic countries with a balance on current account surplus will in the medium term, because of their drop in employment numbers due to a changing demography and a simultaneous rise in the proportion of retired persons, raise the amount of domestic consumption as a result of more demand for self-sufficiency and will export less.

German foreign trade success can further be put into perspective by considering the German economy's decreased contribution abroad in 2013. This represents the calculated difference between exports and imports, which even caused a decrease in real economic growth (despite the record balance on current account surplus) of some 0.3%. The explanation for this is seemingly paradoxical phenomenon; balance on current account shows nominal values (export and import quantities valued at actual prices), whereas in the foreign contribution, a refined evaluation of exports and imports is undertaken in order to understand the quantitative development of foreign trade (iw-dienst No. 6/2014). According to this calculation, export volume only increased by some 0.6%, whereas imports rose in real terms by 1.3% and this explains the decline in economic growth in real terms. The explanation of the nominal increase in the balance on current account surplus lies solely in the fact that import prices sank on average by some 1.9% (due mainly to a drop in the price of raw materials and a revaluation of the Euro), whilst export prices dropped on average by a mere 0.5% (iw-dienst, No. 6/20 14).

The real reason for the increase of the nominal German balance on current account surplus to a record level despite a decreasing surplus of trade with other European countries during the past years is the

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increase in trade volume with third countries outside the Eurozone. Especially, the growing demand in threshold countries more than compensates for the decreased trade surplus in the Eurozone. In addition to this, high trade surplus results solely from a strong goods trade, whereas the national balance on service current account is notoriously at a deficit (Grömling in iw- trends, 2013).

In a further close analysis of the foreign trade statistics for import quotas in the European countries, criticism of the excessively low level of German imports from abroad can further be put into perspective: the German import quota in international comparison is at a relatively high level that leads to the conclusion that German is a rather open country and well-disposed to imports. In 2013, an increased value of imports from the Eurozone amounting to 401 billion Euros (of a total of 895 billion Euros) demonstrates that Germany does not restrict exports (DESTATIS dated 07.02.2014). A selective comparison of the import quotas in the European countries further shows that the German proportion of imports of some 40% is far higher than that of any other big European countries, such as France, Spain, Italy or Great Britain, each of which only shows an import quota of less than 30% (WKO, 2014). This proves, in comparison to European countries, German economy is, to a relatively high degree, open to imports (iw-dienst No. 19/2013 and Knop, 2014).

4. BALANCE ON CURRENT ACCOUNT SURPLUSES – CAUSE OR RESULT OF EXPORTS OF CAPITAL?

Since current account and capital account always balance in the sum total of an economy, the fundamental question here is whether a foreign flow of capital follows a preceding flow of goods or it is determined by it. The EU commission bases its criticism of high balance on current account surpluses exclusively on the supposition that large German surpluses of goods exports are accompanied by enormous exports of capital. This is to say that the former is the cause of the latter and therefore, the export of capital follows the export of goods. Yet, such a view of "hydraulics at the hub of trade" (Kooths, 2014), an account automatism, blacks out the capital side and judges too much on one dimension. A closer analysis of the balance of capital reveals that this occasionally results from other economic factors and channels and does not simply "trot with financial automatism mechanically after foreign trade".(Kooths, 2014).

In the classic textbook definition, the balance on current account surplus of an economy represents portion of savings that is not invested domestically. Hence, a country with a large balance on current account surplus like Germany exports a large proportion of its savings abroad in the form of capital export. Exports of capital in the form of direct foreign investments and foreign investment capital, to this point of view, are regarded as being entered against a balance on current account surplus (ifo-Institut, 2014), though under other circumstances and as a reversal of the cause and effect principle to which the EU commission refers. Logically, decisions to save are necessary conditions for investment and the transfer of domestic savings to foreign countries is a prerequisite for the imports there. This follows the classic reasoning that the "balance of capital gives the orders, the balance on current account obeys" (Böhm-Bawerk, 1924). The investment of domestic savings surplus abroad therefore, seen from this angle, provides reasons for increased consumption and more imports and so, finances deficits in the balance on current account. This is explained very well by the example of the USA where flows of capital from abroad finance additional consumption and allowthe balance on current account deficit to increase considerably over time. (Schnabl, 2014). In this respect, with the investment of a domestic savings surplus abroad, there is a temporary shift of the purchasing power in that direction and consequently, the flow of purchasing power is followed by a later flow of current account. In this way, flows of capital, when it comes to the point, are inter-temporal calculations in goods economy (Kooths, 2014).

In this context, German tendency to save a great deal by abstaining from consumption can be identified as an alternative cause of domestic balance on current account surplus. However, certainly this is explained not so much by stereotype German qualities such as parsimony or aversion to risk, but rather by an expression of a justified anxiety with regard to the financial burdens of an ageing society (Steltzner, 2014). The fact that a large proportion of German national savings is invested more abroad than at home is certainly based on the assumption that there is, on the one hand, a stronger growth

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dynamic, especially, in direct investment capital, and, on the other hand, that higher returns can be achieved or it exists in investment capital. Hence, in spite of a temporary fall in value during the last global economic crisis, both German gross and net foreign assets increased in the past 15 years up to the beginning of 2014 to just under 1.4 billion Euros; and the average returns from German foreign assets for the period 2005 to 2013 amounted to some 4 % (iw-dienst, 35/2014).

Alternatively, domestic balance on current account surpluses are also judged to be a reflection of weak domestic investment (Fratzscher, 2013 and Plickert, 2014). Especially Germany is criticised for too little domestic investment and for exporting a large proportion of savings abroad instead (ifo-Institut, 2014). According to this view, exports surplus is not the sign of economic strength; it is even disadvantage to the national economy. This applies, especially, when it results from too little private domestic investment demands and (too) little expenditure on public infrastructure and therefore, is an expression of the neglect of a policy for sustained domestic growth. To go even further, a domestic balance on current account surplus is seen as an advancement of growth in other European counties in the form of a "blood transfusion" (Sinn, 2014), when goods there are available in excess of their manufacture at home. This, by means of imported capital transfers, increases productivity in those countries and creates market capacities, thus, inducing a rise in the national income there (Kooths, 2014).

From this point of view, domestic balance on current account surpluses are not at the expense of foreign countries, but together with exports of capital even encourage economic development there, as long as this capital is mainly used for sustained investment and not so much for consumption purposes. Conversely, profitable domestic capital assets abroad also encourage consumption so that this can strengthen demand at home in the medium term. Thus, with free movement of capital there cannot really be any national losers (Kooths, 2014). Independent of any macroeconomic consequences and alleged disruptions in the Eurozone, decisions are made in Germany and other European countries on savings at home and investments abroad by individual economic players in terms of their expected interest returns. The sum total of all the balances of national capital and current account is therefore the result of decisions made by individual economies that are largely beyond political regulation.

5. INTERPRETATION OF GERMAN BALANCE ON CURRENT ACCOUNT SURPLUSES FROM A DEMAND ORIENTATED PERSPECTIVE

The implied accusation by the EU commission and other countries that economies with balance on current account surpluses become rich at the expense of those with deficits is based on a one-sided explanation from the perspective of demand of how balances of current account occur. Seen from this point of view, a balance on current account deficit results from the fact that the domestic production of a country is not sufficient to cover domestic consumption and investment demands; correspondingly, a balance on current account surplus results from domestic production which exceeds the domestic demand for goods, causing the respective difference in terms of net goods import or export. As a simple approach to solving the problem of reducing these differences or causing the balance on current account to draw nearer together, deficit countries are advised to rely less and surplus countries to rely more on foreign demand. In addition, politically fixed ceilings or lower limits could serve as an incentive. Such considerations ignore the fact that the German balance on current account surpluses based on export strength, above all, also have positive effects on the European partner countries in the form of imported intermedia inputs from them; money which flows into and plays a decisive role in the manufacture of German export goods.

According to a current Prognos-Institute study on behalf of Bavarian Industry, in 2012 alone, German companies received intermediate goods from other European countries amounting to 409 billion Euros, which flowed exclusively into the manufacture of export goods (vbw, 2014). Of these, in respect of the supplier countries, the highest number of intermedia inputs imports was allotted to the Netherlands and Belgium (not least because of their large seaports of Rotterdam and Antwerp), followed by France, Italy, Great Britain and the Czech Republic. According to the calculations upon which it is based, there is considerable creation of value for classic German export goods in European supplier countries, out of

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which in turn 3.5 million jobs result. In this way alone, some 8% of the gross value creation of the Czech Republic is based on German industrial demand for intermedia inputs goods, followed by Hungary with 7%, Slovakia with just under 5% . The crisis countries like Italy, France, Portugal, Spain, Ireland can also write up appreciable proportions of gross value creation and employment as a result of intermedia inputs exports to Germany. With reference to the positive effects on employment in these intermedia inputs exporting countries per country, Poland, with 600.00 jobs, takes first place, followed by the Czech Republic, the Netherlands and Romania, each with 300.00 jobs, and Italy and France (vbw, 2014).

The closely interwoven production of the European economies as expressed in terms of large proportions of intermedia inputs imports shows that German export success is not necessarily at the expense of other EU states; or a called-for reduction of German exports (which comprise to a great extent intermedia inputs exports) would cause a considerable drop in the number of exports in European supplier countries, which would, among other things, increase their selective balance on current account deficits even further.

6. EXPLANATION OF GERMAN BALANCE ON CURRENT ACCOUNT SURPLUSES FROM A SUPPLY PERSPECTIVE

Criticism of German balance on current account surpluses can similarly be put into perspective by scrutinising export goods industries from a supply angle. In this context, imbalance in balances of current account is based on economic structures that have grown historically and allowed certain countries to become (net) suppliers and others (net) demanders. In this context, the dominant flow of world trade can be explained chiefly by reasons connected with supply. Consequently national economies with a relatively high proportion of industry are predestined for balance on current account surpluses, so that their national structure of tendered goods is, when it comes to the point, decisive in this respect (Grömling in iw.trends, 2013). The predominantly high availability factor in countries rich in raw materials, and similarly in highly developed economies the traditional availability of infrastructure and the range of tendered goods in existing manufacturing trades, are taken as an explanation of balance on current account. Hence, European countries with a (remaining) high industrial proportion of the GDP e.g. Germany (24%), Austria, Switzerland and Sweden (each with around 20%) achieve traditionally balance on current account surpluses, whilst countries with a lower industrial proportion of under 15% and a higher proportion of public services (e.g. Greece, Portugal, Spain, France and Great Britain) tend to be classic countries with a balance on current account deficit.

Whilst many products in the service sector have little international trade value because of their national design and/or due to additional trade restrictions, international trade in modern manufactured goods, the production of which is carried out to a great extent by global job-sharing, dominates today's flow of global trade (Grömling in iw-trends, 2013). If one subsequently analyses classical German manufactured products according to the type of goods, they can show an extremely large proportion of investment goods. Thus, German balance on current account surplus results are for the most part from a surplus of trade in investment goods. This is explained, on the one hand, by the fact that investment goods industries in Germany are highly conspicuous in a global and European comparison: with almost 15% of total economic value creation they are only surpassed by South Korea (18%), whilst other European countries such as Spain, France and Great Britain or (outside Europe) the USA only achieve a third of this amount. Especially in a comparison of European countries, this high proportion of the investment goods industry in manufacturing as a whole coupled with their great innovative strength and technological competitiveness proves that appropriate products (mostly in the form of machines and vehicles) meet with high foreign demand, showing a high export quota and also serve the domestic market very well. The result is consequently less demand for imports (Grömling in iw.trends, 2013). Furthermore, these facts make it even clearer that Germany (with its investment goods trade surplus of some 10% of the GDP) is not only a net exporter of investment goods to emerging economies, but also to European partner countries with comparatively low potential in investment goods industries which leads them to become net importers of German goods in particular. Hence, politically imposed reduction of German exports of investment goods could not possibly be compensated by the balance on current account deficit

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countries. This would result in a deficiency in the supply of (imported) investment goods at the expense of the extension and further development of national economic structures.

7. MONETARY AND CURRENCY POLICIES AS A TRIGGER FOR IMBALANCES IN FOREIGN ECONOMIES

An alternative approach to explaining the predominant foreign economic imbalances as shown in the divergence over time of balance on current account could be an examination of the design of European and global monetary politics. Critics base their argument on the balance on current account prevalent at the outset of the European Union. At this time, as mentioned above, these only differed slightly and up to that point had even drawn closer together; in the following years they drifted widely apart and a block of surplus and deficit countries emerged.

Whilst some of these critics identify the monetary union as being the exclusive cause of this discrepancy, others attribute responsibility to the development of global monetary politics as a whole. Those who see the European monetary union as such to be the main cause of the drifting apart of balance on current account put this down to the standardisation of exchange rates and the resulting average rate for the Euro for member countries with differing competitive power: this was too high for the countries of the south (with resulting deficits) and too low for the countries of the north (with resulting surpluses). Consequently, Germany is recognised as having an advantage in international trade over peripheral European countries, especially, because "German real exchange rate is strongly undervalued relative to the rest of the Eurozone… which makes its goods artificially cheap, crowding out those of other Eurozone countries from both Eurozone and world markets" (Springford/Tilford, 2014). In this context, it is further reasoned that the balance on current account surplus in the whole Eurozone, which is mainly due to the permanently high German balance on current account serves as such to encourage revaluation of the Euro in world trade, "and a strong Euro hits demands for Eurozone exports, especially the more sensitive ones of the southern European member countries, and lowers the prices of imported goods reinforcing downward pressure on prices" (Springford/Tilford, 2014).

On the other hand, the globally practised expansive monetary policies of the central banks are identified as a driving factor of imbalance in global balances of current account triggered by a drastic lowering of interest rates by the US, Japanese and European central banks which began in 2001 after the New Economy had burst and has continued throughout the global financial market crisis in 2008 until today. The flooding of the capital markets with liquidity accompanying this largely put an end to the signal function of interest and was a motor for consumption and particularly investment in construction, especially in peripheral countries in southern Europe, where the interest rate plummeted, and where these countries were no longer at the mercy of risky exchange rates. Contrary to the classic assumption that investments financed by loans must be supported by the same amount of savings, business banks in these countries issued massive loans to businesses and private households at low conditions and of almost unlimited amounts, using cheap money from the central bank without the assurance of the corresponding amount of savings (Bofinger, 2014). The result of this bank-fed loan boom was overheated markets, rising wages and firm profits, plus a growing foreign demand in these countries, who in this way were living above their means: those countries with great competitive power profited by this (Schnabl, 2014). Hence between 1999 and 2008 German exports in the Eurozone increased, not least due to monetary politics, by some 79% (Bofinger, 2014).

According to this reasoning, the central banks, with their collective extremely liberal monetary policy and the accompanying flooding of the markets with liquidity, were what triggered global balance on current account imbalance. In this respect, a basic approach to solving the problem of excessive balance on current account could be to reverse monetary policy by backing down from expansive monetary politics, not only by the European central bank but also by other important global central banks.

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8. ALTERNATIVE SUGGESTIONS FOR SETTLING BALANCE ON CURRENT ACCOUNT IN THE EUROZONE

Political and scientific supporters of fixing mandatory ceilings for national balance on current account fail to recognise that these can only to a certain extent be directly influenced by politics because they are a result of market processes decided by consumers, businesses and capital investors. These determine what goods they demand according to individual considerations and needs preference, where they come from or how much money can be saved or where and how they can invest it. Because these decisions, especially in European domestic trade with its open markets, can scarcely be politically controlled, the balance on current account equilibrium between every one of the European economies is a "quite natural phenomenon" (Heise, 2014). Furthermore, in other notable currency zones with a single currency, like the USA, there are imbalances in the balance on current account and macro-economic discrepancies between the individual member states; yet here this as such does not constitute a danger to the national economy, nor is it subject to political corrective measures.

Additional or alternative demands of theoretical enquiry for the reduction of national balance on current account surpluses, for example from the IMF or from union representatives, go even further and refer to measures for increasing domestic demand in the countries in question. For Germany there is a call for an excessive rise in wages, which is meant to increase national imports and decrease exports. However, such an approach ignores the fact that massive rises in wages are followed not only by positive effects on consumption, but also by negative effects on costs for the respective businesses, which diminish national competitiveness and are therefore contra-productive. Thus, according to the Prognos-Institute study, a rise in labour costs in Germany would trigger a short-term positive impulse for domestic demand, but, because of the closely woven fabric of suppliers, the GDP in other countries would in the medium and long term even suffer a sustained decline (vbw, 2014).

Furthermore, according to calculations by the German Federal Bank, an increase in the average wage level in Germany over and above the usual level in the peripheral countries would hardly bring about any increase in export demands, just as national debt-financed loans for public spending programmes would not notably boost national import demands from those countries (Weidmann in ifw, 2014). Nevertheless, it cannot be denied, and here there is wide scientific consensus, that in Germany there is an acute need for action to increase national investment demands. These have for several years, both on the private and public side, been considerably on the decline, and have clearly been underestimated (Fratzscher, 2014). Especially in the field of public infrastructure it is noted that there is a lot of ground to be made up in Germany. Yet, in the field of investment goods the called-for increased national investment, both private and public, in Germany, irrespective of the question of financing and of political demands there is, due to lack of national availability and/or insufficient competitiveness, little expectation of improvement in the field of this type of goods imports from countries with a balance on current account deficit among the European partner countries.

9. CONCLUSION

To sum up, the data and facts expressed in the above text indicate that balance on current account surpluses do not "to any remarkable extent result in distortions resulting from faulty domestic economical or financial developments" (Weidmann in Deutsche Bundesbank, 2014), and a politically enforced shrinkage of German exports accompanied by a weakening of the German economy scarcely benefits deficit countries. Rather it would trigger "collateral damage to world economic development" (Grömling in FAZ, 2013). Especially because of the very close intertwining of German industrial intermediate inputs import trade with European crisis partner countries, with their great demand for German investment goods exports, a decrease in German exports would not only cause a drop in their exports, but it would also whittle down the basis for public European financial help for handling crisis, help for which Germany provides a large proportion of the liability. Finally, let Abraham Lincoln's famous saying stand here as representative, "You cannot strengthen the weak by weakening the strong ".

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