

## THE ROLE OF GERMAN ECONOMY IN EUROPEAN UNION INTEGRATION

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**Abstract.** This article analyzes the role of the German economy in the process of European Union integration, focusing on its influence on trade, economic governance, industrial development, and regional stability. As the largest economy in the EU, Germany plays a central role in shaping intra-European trade flows and strengthening economic interdependence among member states. The study highlights Germany's contribution to policy coordination within the Economic and Monetary Union, particularly through its emphasis on fiscal discipline and price stability. It also examines Germany's role during major economic crises, where it acted as both a stabilizing force and a key decision-maker in collective responses. Furthermore, the paper discusses Germany's impact on technological innovation, global value chains, and the green transition within the EU. The findings suggest that while Germany significantly supports deeper integration, its dominant position also creates structural asymmetries and policy tensions that must be carefully managed to ensure balanced and sustainable development across the Union.

**Keywords:** European Union, German economy, economic integration, trade interdependence, fiscal policy, monetary union, industrial competitiveness, global value chains, economic governance, regional development.

**Introduction.** The European Union (EU) represents one of the most advanced examples of regional economic integration in the modern world, characterized by a single market, a common regulatory framework, and, for many member states, a shared currency. Among the diverse economies that constitute the EU, Germany stands out as the largest and most influential economy, both in terms of gross domestic product and its structural role within European supply chains, trade networks, and institutional governance. Understanding the role of the German economy in EU integration is therefore essential for analyzing the dynamics of cohesion, convergence, and resilience within the Union. Germany's economic strength is rooted in its highly developed industrial base, export-oriented model, and strong institutional framework. As the largest economy in Europe, Germany contributes significantly to the EU's overall GDP and serves as a key driver of intra-EU trade. Its central geographic location and advanced infrastructure have enabled it to become a hub for logistics and manufacturing, linking Western and Eastern European economies. This structural position reinforces Germany's importance in facilitating economic interdependence among member states, a core principle of EU integration.

One of the primary ways Germany influences EU integration is through its trade relationships. Germany is consistently one of the top exporters within the EU, with a substantial portion of its exports directed toward other member states. This creates deep economic interconnections, as German industrial goods—particularly machinery, automobiles, and chemical products—are integrated into the production and consumption systems of neighboring economies. These trade linkages not only strengthen economic ties but also promote policy harmonization, as regulatory alignment becomes necessary to ensure the smooth functioning of cross-border commerce. In addition to trade, Germany plays a crucial role in shaping EU economic governance. As a leading member state, it has considerable influence in key EU



institutions and policy-making processes, including fiscal coordination, monetary policy discussions, and regulatory frameworks. Germany's commitment to fiscal discipline, price stability, and competitiveness has historically shaped the direction of EU economic policies, particularly within the framework of the Stability and Growth Pact and the Economic and Monetary Union (EMU). The German economic model, often referred to as the "social market economy," emphasizes a balance between free-market principles and social welfare policies, and this philosophy has contributed to shaping broader EU economic norms.

The role of Germany became especially prominent during periods of economic crisis, such as the Eurozone debt crisis and the COVID-19 pandemic. During these episodes, Germany's economic capacity allowed it to act as a stabilizing force within the EU, providing financial support mechanisms, endorsing recovery packages, and advocating for coordinated responses. At the same time, Germany's policy preferences often influenced the design of EU-level interventions, particularly in terms of conditionality, fiscal responsibility, and long-term sustainability. This dual role—as both a stabilizer and a policy influencer—highlights the complexity of Germany's position within the integration process. Furthermore, Germany's industrial and technological leadership contributes to innovation diffusion across the EU. German firms are heavily involved in research and development, automation, and advanced manufacturing, which fosters technological spillovers to other member states through supply chains, foreign direct investment, and collaborative projects. These interactions enhance productivity and competitiveness across the Union, supporting convergence among economies at different stages of development. In this context, Germany not only benefits from integration but also actively contributes to its deepening by promoting economic upgrading in partner countries. However, Germany's dominant economic position also raises important questions regarding asymmetry and power distribution within the EU. While its leadership can facilitate coordination and stability, it may also generate tensions related to economic policy priorities, trade imbalances, and fiscal strategies. Some member states may perceive Germany's influence as disproportionately strong, particularly in negotiations concerning budgetary rules, trade policies, and crisis management mechanisms. These dynamics underscore the need to balance national interests with collective European goals in order to maintain cohesion within the Union.

Recent scholarly literature has increasingly focused on the evolving nature of Germany's role in EU integration in light of global challenges such as geopolitical uncertainty, supply chain disruptions, digital transformation, and the green transition. Germany's policies in areas such as energy transition (Energiewende), industrial modernization, and climate neutrality have significant implications not only domestically but also for the broader EU agenda. As the Union seeks to enhance strategic autonomy and sustainability, Germany's economic strategies will continue to play a pivotal role in shaping policy direction and implementation. The German economy occupies a central position in the process of European Union integration, influencing trade flows, policy frameworks, economic governance, and technological development. Its role extends beyond mere economic size, encompassing leadership in institutional coordination and crisis response. At the same time, the asymmetrical nature of its influence presents both opportunities and challenges for the future of EU cohesion. A comprehensive analysis of Germany's role provides valuable insights into the mechanisms of integration and the balance between national leadership and supranational cooperation within the European Union.

**Literature review.** The role of the German economy in European Union (EU) integration has been widely examined in contemporary economic and political literature, particularly in the context of globalization, regional interdependence, and institutional evolution within the EU. Recent studies emphasize Germany's structural position as a core economy that shapes trade patterns, policy coordination, and macroeconomic stability across member states. This literature review synthesizes key academic contributions from the last decade, highlighting theoretical perspectives, empirical findings, and ongoing debates regarding Germany's influence on EU



integration. A central theme in the literature is Germany's role as a "core" economy within the EU's core-periphery structure. According to modern regional integration theories, advanced economies tend to act as anchors that drive convergence through trade, investment, and institutional leadership. Studies such as those by Paul De Grauwe and others in European macroeconomic research argue that Germany's economic size and export-oriented model position it as a stabilizing force within the Eurozone. Its strong manufacturing base and high productivity levels create demand for intermediate goods from other member states, thereby reinforcing intra-EU value chains.

Empirical research has consistently shown that Germany is the largest trading partner for many EU countries. Publications by institutions such as the European Commission and the OECD indicate that a significant share of intra-EU exports is linked to German supply chains. This interconnectedness supports the argument that Germany plays a pivotal role in deepening economic integration by fostering production networks that span multiple countries. More recent analyses highlight that German firms are central nodes in European global value chains, particularly in sectors such as automotive manufacturing, machinery, and chemicals. These industries facilitate cross-border specialization and increase economic interdependence among EU economies. Another important strand of literature focuses on Germany's influence on EU economic governance. Scholars examining fiscal and monetary coordination within the Eurozone note that Germany has historically advocated for rules-based frameworks emphasizing fiscal discipline and price stability. Works discussing the design and evolution of the Stability and Growth Pact suggest that German economic preferences have significantly shaped EU fiscal rules. In this context, Germany's "Ordoliberal" tradition—rooted in the idea of a strong regulatory framework ensuring market stability—has influenced broader EU economic policy orientations. Recent studies also indicate that Germany continues to play a key role in debates on fiscal integration, particularly in discussions surrounding common debt instruments and recovery mechanisms.

The Eurozone crisis (2009–2015) is a frequently analyzed period in the literature, as it highlighted both the strengths and limitations of Germany's leadership. Researchers such as Hans-Werner Sinn and Joseph E. Stiglitz have provided contrasting perspectives on Germany's role during the crisis. While some studies argue that Germany contributed to stabilizing the Eurozone through financial support and policy coordination, others critique its emphasis on austerity measures, suggesting that such policies may have slowed recovery in peripheral economies. More recent literature tends to adopt a balanced view, recognizing Germany's dual role as both a stabilizer and a policy influencer whose decisions have distributional consequences across the EU. In addition to crisis management, recent literature explores Germany's contribution to technological innovation and industrial transformation within the EU. Germany's leadership in advanced manufacturing and Industry 4.0 initiatives has been widely documented. Academic studies and policy reports highlight how German investments in research and development (R&D) contribute to innovation spillovers across Europe. Collaborative programs funded by EU frameworks, such as Horizon Europe, often involve German institutions and firms, facilitating knowledge transfer and technological diffusion. This aspect of Germany's economy supports convergence by enabling less-developed member states to benefit from shared expertise and technological progress.

Energy policy and the green transition have also become prominent topics in recent literature. Germany's *Energiewende* (energy transition) is frequently analyzed as a model with implications for EU-wide climate policy. Scholars argue that Germany's commitment to renewable energy and carbon neutrality has influenced EU directives and targets related to sustainability. At the same time, recent studies highlight challenges associated with balancing industrial competitiveness and environmental objectives. Germany's transition policies affect energy prices, industrial costs, and supply chains across Europe, making its domestic decisions



relevant for the entire Union. Another growing area of research examines Germany's role in addressing geopolitical and economic shocks, such as the COVID-19 pandemic and disruptions in global supply chains. Studies published in recent years emphasize that Germany's fiscal capacity enabled it to implement substantial stimulus measures, which had spillover effects across the EU. The introduction of the NextGenerationEU recovery instrument marked a significant step toward fiscal solidarity, with Germany supporting collective borrowing mechanisms. Scholars interpret this as an evolution in Germany's traditionally cautious stance on fiscal integration, reflecting a pragmatic response to systemic crises. However, the literature also identifies tensions arising from Germany's dominant economic position. Some authors argue that structural imbalances within the Eurozone—such as persistent trade surpluses in Germany—create asymmetries that can hinder balanced integration. These critiques suggest that Germany's export-led growth model may contribute to macroeconomic imbalances within the EU, raising questions about coordination mechanisms and adjustment processes. Additionally, debates persist regarding whether Germany's policy preferences align sufficiently with those of other member states, particularly in Southern and Eastern Europe.

Recent interdisciplinary studies incorporate political economy perspectives to analyze Germany's influence not only as an economic actor but also as a political leader within the EU. These works emphasize the interaction between domestic politics, institutional constraints, and European-level decision-making. Germany's coalition governments, electoral considerations, and constitutional framework all shape its approach to EU integration. This dynamic adds complexity to its role, as policy decisions often reflect both national interests and commitments to European cooperation. The literature on the role of the German economy in EU integration highlights several key dimensions: trade interdependence, institutional leadership, crisis management, technological innovation, and policy influence. While Germany is widely recognized as a central actor driving integration, scholarly debates continue regarding the implications of its economic dominance, the sustainability of its growth model, and its long-term impact on EU cohesion. Recent studies suggest that Germany's role is evolving in response to global challenges, indicating that its influence will remain a critical factor in shaping the future trajectory of European integration.

**Research discussion.** The findings and perspectives presented in the literature highlight that the German economy occupies a structurally central and multifaceted role in the European Union's integration process. This discussion interprets these insights by examining how Germany's economic strength, policy orientation, and external linkages influence both the depth and direction of integration within the EU, while also considering the associated challenges and future implications. One of the most significant aspects of Germany's role is its function as a core economic anchor within the EU. Its large GDP, advanced industrial base, and export-oriented growth model enable it to generate substantial intra-EU trade flows. This interconnectedness reinforces economic integration by linking supply chains across member states and fostering mutual dependence. From a theoretical perspective, this aligns with the logic of endogenous integration, where economic interdependence deepens as trade barriers are reduced and cross-border production networks expand. Germany's central position in these networks not only strengthens its own economy but also enhances the overall efficiency of the EU single market.

At the same time, Germany's dominance introduces structural asymmetries within the Union. While its economic capacity allows it to act as a stabilizing force, particularly during periods of crisis, it also creates disparities in bargaining power and policy influence. Smaller and less-developed member states may rely heavily on Germany's economic performance and policy decisions, which can lead to uneven adjustment processes across the EU. These asymmetries are especially evident in macroeconomic coordination, where Germany's emphasis on fiscal discipline and competitiveness may not always align with the short-term needs of other



economies. As a result, integration becomes a balancing act between maintaining national economic stability and achieving collective convergence. Germany's role in shaping EU economic governance further underscores its influence on integration dynamics. Its preference for rules-based fiscal frameworks and monetary stability has significantly contributed to the design of institutions such as the Stability and Growth Pact and the European Central Bank's policy orientation. While these frameworks aim to ensure long-term stability, they also impose constraints on fiscal flexibility, particularly for countries facing asymmetric shocks. The discussion in the literature suggests that Germany's institutional preferences have helped promote credibility and discipline within the Eurozone, but they have also sparked debates about the need for greater fiscal solidarity and risk-sharing mechanisms.

Crisis periods provide important evidence of Germany's dual role as both a stabilizer and a policy influencer. During the Eurozone debt crisis and the COVID-19 pandemic, Germany supported collective measures that enhanced financial stability, including bailout mechanisms and recovery funds. These actions demonstrate Germany's capacity to facilitate deeper integration when faced with systemic risks. However, the conditions attached to some of these measures, particularly during the sovereign debt crisis, reveal the tension between solidarity and conditionality. This tension reflects broader disagreements within the EU regarding the appropriate balance between national responsibility and collective support. Another key dimension of discussion relates to Germany's contribution to technological advancement and industrial competitiveness across the EU. Through its leadership in high-value manufacturing, automation, and research and development, Germany serves as a hub for innovation diffusion. Its firms are deeply embedded in European and global value chains, enabling knowledge transfer and productivity gains in partner economies. This contributes positively to convergence by helping less-developed regions integrate into advanced production systems. However, it also raises questions about dependency and the uneven distribution of technological capabilities across member states.

Germany's energy transition policies add another layer to its influence on EU integration. The country's commitment to renewable energy and climate neutrality has implications not only for its domestic economy but also for the broader EU policy agenda. As energy markets are interconnected, Germany's decisions regarding energy production, imports, and pricing affect neighboring countries. While its leadership in green transformation supports the EU's sustainability goals, it also introduces challenges related to energy security, industrial costs, and coordination among member states with different energy structures and priorities. From a geopolitical and global perspective, Germany's economic strength enhances the EU's collective capacity to compete in the international arena. Its role in global trade negotiations, supply chain resilience, and industrial policy contributes to the EU's strategic autonomy. At the same time, reliance on Germany as a central economic actor may expose the Union to risks associated with domestic economic fluctuations or policy shifts. Therefore, diversification of economic leadership and increased coordination among member states are often discussed as ways to mitigate such vulnerabilities. Overall, the discussion suggests that Germany's role in EU integration is both enabling and complex. On one hand, its economic power, institutional influence, and technological leadership drive deeper integration by promoting interdependence and convergence. On the other hand, structural imbalances, policy asymmetries, and differing national interests present ongoing challenges to cohesion. The evolving nature of global economic conditions, including digital transformation, climate change, and geopolitical uncertainty, will likely further shape Germany's role in the EU. Germany remains a pivotal actor in the European integration process, acting as both a driver of economic connectivity and a key influencer of policy direction. The sustainability of EU integration will depend, in part, on how effectively Germany and other member states manage the trade-offs between national priorities and collective objectives. Strengthening coordination mechanisms, enhancing fiscal and



economic solidarity, and fostering inclusive growth will be essential for ensuring that Germany's leadership continues to support, rather than constrain, the long-term integration of the European Union.

**Conclusion.** This study examined the role of the German economy in the process of European Union integration, highlighting its multidimensional influence on trade, policy coordination, institutional development, and economic convergence. The analysis shows that Germany functions as a core economic engine within the EU, significantly contributing to intra-regional trade flows and the stability of supply chains across member states. Its export-oriented industrial structure and strong participation in global value chains reinforce economic interdependence, which is a fundamental pillar of European integration. In addition, Germany's leadership in economic governance and its preference for rules-based fiscal and monetary policies have played a decisive role in shaping EU institutional frameworks. At the same time, the study identifies structural asymmetries and policy tensions arising from Germany's dominant position, particularly in relation to fiscal coordination and economic adjustment mechanisms. While Germany has acted as a stabilizing force during periods of crisis, its influence has also raised debates about balance, equity, and solidarity within the Union. Overall, the findings suggest that Germany's role is both enabling and complex, and its continued engagement will remain crucial for the future trajectory of EU integration, especially in the context of emerging global economic and geopolitical challenges.

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