

## DIRECTIONS OF THE DIVERSIFICATION OF NATIONAL PRODUCTION

### (On the example of Germany)

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#### Abstract

The diversification of national production refers to the process by which a country expands and broadens its economic activities across multiple sectors and industries. This strategic approach aims to reduce reliance on a single industry or sector, enhance economic resilience, and stimulate overall growth and development. This scientific article is devoted to analyses of the directions of the diversification of national production. Moreover, the topic of the article is explained on the example Germany.

**Keywords:** economy, finance, macroeconomy, stabilizing the commercial banks, national production diversification.

#### INTRODUCTION

The diversification of national production refers to the expansion and development of various sectors and industries within a country's economy. This diversification is often pursued to reduce dependence on a single industry or sector, enhance economic resilience, stimulate growth, and create employment opportunities.

To analyze the given topic deeply, we can take an example of Germany and explain the challenges according to its situation.

In recent years, Germany has been diversifying its national production in various directions to adapt to changing global trends and strengthen its economy. Here are some key areas of diversification:

#### Research and Analysis

**Renewable Energy:** Germany has been at the forefront of the renewable energy transition. The country has significantly increased its production of renewable energy sources such as solar and wind power. This diversification aims to reduce dependence on fossil fuels and promote sustainability.

**Advanced Manufacturing:** Germany has a strong manufacturing sector, and it has been diversifying into advanced manufacturing technologies. This includes areas such as

automation, robotics, and additive manufacturing (3D printing). The aim is to enhance productivity, improve product quality, and remain competitive in the global market.

**Electric Mobility:** Germany is actively promoting the production and adoption of electric vehicles (EVs). Automakers in Germany are investing heavily in EV technology and expanding their production of electric cars. This diversification is driven by the need to reduce greenhouse gas emissions and comply with stricter emission regulations.

**Industry 4.0:** Germany is embracing the concept of Industry 4.0, which involves the integration of digital technologies and automation in manufacturing processes. This includes the use of the Internet of Things (IoT), artificial intelligence (AI), and big data analytics to optimize production, improve efficiency, and enable smart factories.

**Biotechnology and Pharmaceuticals:** Germany has a strong pharmaceutical industry, and it has been diversifying into biotechnology. The focus is on developing innovative drugs, vaccines, and therapies. This diversification is driven by the growing demand for personalized medicine, biopharmaceuticals, and biotechnological research.

**Sustainable Agriculture:** Germany is promoting sustainable and organic agriculture practices. There is an increasing emphasis on environmentally friendly farming methods, such as organic farming, precision agriculture, and agroecology. This diversification aims to enhance food security, protect the environment, and meet consumer demand for sustainable food products.

**Digital Services and Software:** Germany is also diversifying into digital services and software development. The country has a thriving startup ecosystem and is investing in areas such as fintech, e-commerce, digital platforms, and software-as-a-service (SaaS) solutions. This diversification aims to foster innovation, create new job opportunities, and drive economic growth in the digital sector.

Table 1 summarizes the types of externalities and innovations generally associated with specialized and diversified economic structures.

	Specialized industry structure	Diversified industry structure	
Types of externalities [6, 11]	MAR externalities	Jacobs externalities	
Agglomeration externalities [18]	Localization externalities	Urbanization externalities	
Sources and ways of knowledge transfer	Intra-industry learning	Inter-industry learning	
Extension of diversity concept [9]		Related variety ↓	Unrelated variety ↓
Possible growth drivers [17]	Incremental innovation	Incremental innovation	Radical innovation

Source: authors

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\*Table 1. Types of externalities associated with economics structures.

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This study is based on a comprehensive dataset on German firms. The case of Germany is interesting because is the most industrialized country in G7 with industrial value-added as

a percentage of GDP standing at 26.8% in 2019 (WDI). It is the 4<sup>th</sup> most developed country according to the Human Development Index 2018 and it has the highest trade to GDP ratio in G7. It has the 3<sup>rd</sup> highest GDP in PPP terms among G7 countries. Finally, it is the 8<sup>th</sup> most diversified country in the EU according to the report by the European Union entitled “Competing in Global Value Chains: EU Industrial Structure Report 2013”<sup>1</sup>.

### Conclusion and Solutions

It's important to note that the actual macroeconomic implications of the TPP/CPTPP can vary depending on a range of factors, including the implementation of the agreement, domestic policy reforms, and broader global economic conditions. Additionally, the effects on non-member countries and sectors outside the agreement can also be significant, as trade diversion and spillover effects may occur.

Last but not least, the geopolitical landscape and trade dynamics have evolved since the TPP was initially proposed, with countries pursuing alternative trade agreements and regional partnerships. Therefore, it is essential to consult updated sources and analysis for the most recent developments and implications of the TPP.

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<sup>1</sup> <https://journals.plos.org/plosone/article?id=10.1371/journal.pone.0259352>

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