

SUSTAINABLE SYNERGY

Germany's mix of investment in infrastructure, higher education and incentives has the business world taking notice



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Germany's economy, the largest in Europe, is robust despite turmoil elsewhere and weak U.S. demand for exports. Through September, unemployment in Germany had declined for 27 consecutive months.

Just over a year ago, Germany celebrated the 20th anniversary of reunification. Speaking at an official celebration to mark the occasion, German President Christian Wulff told a rapt crowd: "We remember the momentous day that a people experience only rarely. I bow before everyone who fought for freedom ... your courage moved the world." Today, 21 years on from those world-changing events, the former East Germany has witnessed dynamic development and a transformation into a region rich in economic opportunity and potential.

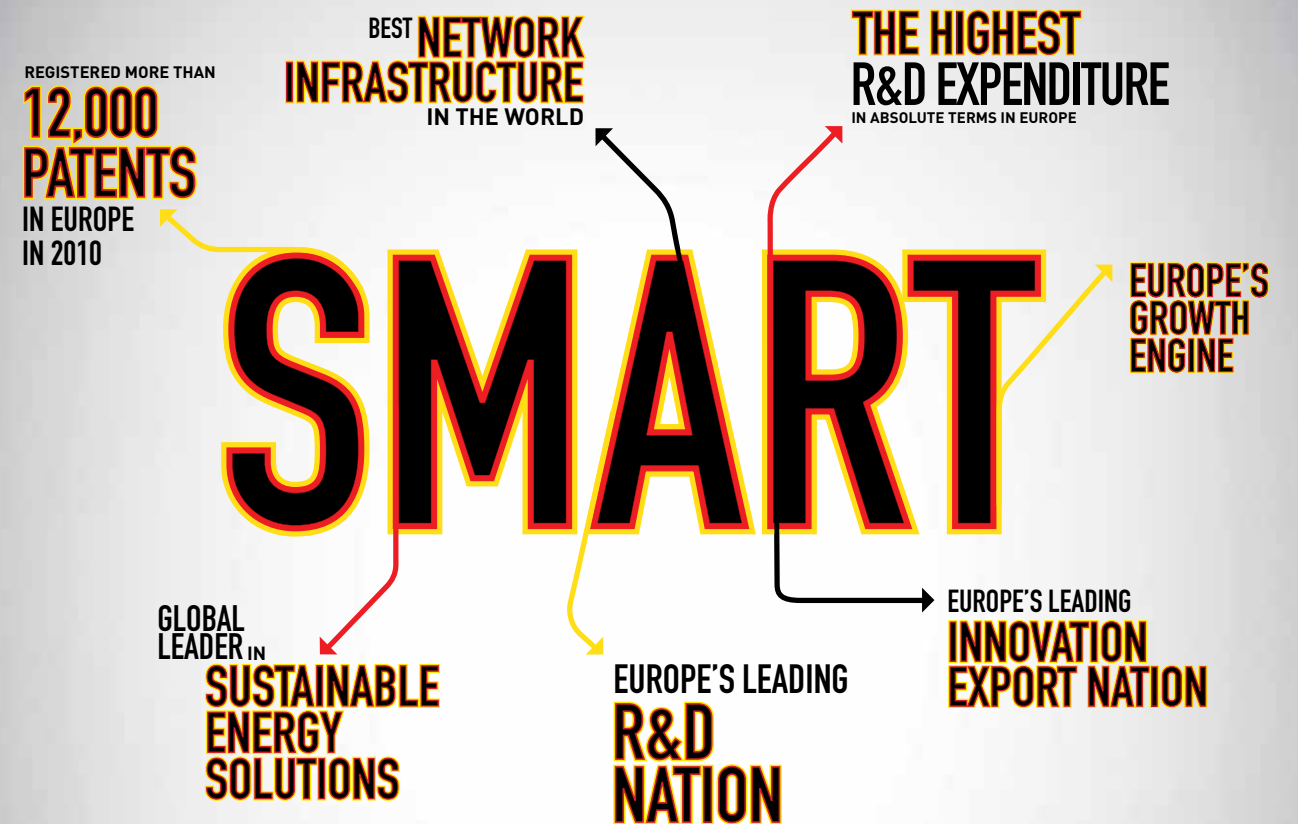
The landmark Berlin Brandenburg Airport (BER) project provides an enticing glimpse of the region's future. Built on a 1,470-hectare site (equivalent to 2,000 soccer pitches) adjacent to the existing Berlin Schoenefeld Airport, BER is scheduled to open its doors to the flying public in June 2012 and will offer the easiest airport access in Germany, and strengthen Berlin's reputation as a world city.

Yet just two decades ago, the difficulties plaguing the population of what are now the eastern federal states demanded both ingenuity and urgency. In 1991, unemployment rates in the new eastern federal states were double those of their West German counterparts. GDP in the new federal states (excluding Berlin) was little more than a third of western levels; export levels were half those of the existing federal states; and the eastern share of overall manufacturing-sector value added was a paltry 3.5 percent.

Since then, the former East Germany has become a major component of a country whose economy helps drive both Europe and the world. The unemployment rate in Germany is now at its lowest level since reunification, with employment spurred by robust global demand for exports. The news in September that German unemployment had declined for a 27th consecutive month (despite weak U.S. demand for goods) pays vivid testimony to the core strength of Europe's largest economy. And despite the global reverberations of the European debt crisis, in November Germany recorded impressive third quarter growth of .5 percent over the previous quarter (with GDP growing 2.6 percent compared with the same period the previous year).

The keys to the economic evolution of the German East have been financial resources and governmental resolve. "Around 1.3 trillion euros have been spent on the reconstruction of Eastern Germany. Major investment in road, rail, air and telecommunications infrastructure has helped set the path for the steady growth being witnessed today," says Peter Alltschekow, Director, Eastern Germany at Germany Trade & Invest, the country's foreign trade and inward investment agency. The potential investor visiting today sees the dramatic results, which include an extensive research and development capability.

Invention and innovation flow from the region's world-renowned universities and research institutes, whose presence has driven the rapid development of



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Left: A Frank Gehry-designed building at Dusseldorf's harborfront. Below left: The skyline of Frankfurt's financial district. Below right: The port at Duisburg, at the confluence of the Rhine and Ruhr Rivers. The world's largest inland port, it handles over 100 million tons of goods per year.



financing package. Incentives in Germany are designed to meet the immediate capital needs of investors. Early-stage investment financing provides funding at the beginning of the new investment project. These incentives, mostly provided as cash grants, are important as they guarantee liquidity at a stage in the investment process when investor capital requirements are typically high. Later-stage investment incentives are made available in the form of programs that support putting together a workforce in Germany and provide R&D project assistance.

For any foreign business seeking to leverage these resources, it makes sense to look eastward. Two

industry sectors such as biotechnology and renewable energies. The traditional East German chemical industry cluster in Saxony-Anhalt is returning to the successes of its heyday. The "Solar Valley" photovoltaic cluster (in Saxony, Saxony-Anhalt and Thuringia) is the largest concentration of solar companies in the world. In *The World is Flat*, Thomas L. Friedman wrote that it is better to start a renewable energy business in Germany than anywhere else, citing the country's thriving Frankfurt (Oder) solar location.

Fundamental to this success has been the country's high-tech "cluster" concept that promotes knowledge transfer between science and industry for commercial application. "The cluster concept is one which is unique to Germany," says Michael Pfeiffer, Chief Executive of Germany Trade & Invest. "We have created a physical environment where complete industry value chains are covered, from R&D right through to production and supply. Ready access to infrastructure provides investors with all of the resources they require with none of the costs of a greenfield investment."

Little in the way of infrastructure and pooling of knowledge has been overlooked to make the country as attractive as possible to foreign investors. "What investors find here is a two-level approach to encouraging new projects and enterprises," adds Pfeiffer. "There is a beneficial environment and also liquid resources for businesses." Pfeiffer is of course referring to the country's investment

programs direct most allocation of cash grants in Germany: the Joint Task for the Promotion of Industry and Trade; and a special cash incentives program to promote investment activities in Eastern Germany called the "Investment Allowance." All investors in Eastern Germany are automatically eligible for Investment Allowance funding without having to go through application procedures for the general incentives program. As well as providing optimal investment conditions, the eastern federal states provide a quality of life that is hard to match. According to the Mercer 2010 Quality of Living Survey, Berlin ranks 17th among 221 global cities surveyed. This is a reputation that will doubtless be enhanced when BER opens its doors for business in 2012.

NORTH RHINE-WESTPHALIA EMERGING

Looking westward, North Rhine-Westphalia (NRW) has emerged as Germany's No. 1 investment location. More than 13,100 foreign companies control their German or European operations from a base in NRW. Surveyed as to why, these firms cite North Rhine-Westphalia for its central location, its proximity to internal selling markets and a highly efficient transport infrastructure. Petra Wassner, Chief Executive of the Economic Development Agency of the Federal State of North Rhine-Westphalia, guides initiatives for partnership with the world's manufacturers.

Wassner's approach to the task includes a focus on fundamentals intermixed with innovative strokes. She has labored to establish a series of cooperation networks across NRW composed of municipal and regional economic development facilities. More recently, Wassner warmed NRW's welcome by setting up an in-service study course for economic developers. Her ability to sell NRW globally is built on belief in the product.

"North Rhine-Westphalia is an industrial location that's been able to build on its traditions and move into the future by mastering difficult structural changes," says Wassner. "The density and diversity of our research and development facilities are unique in Europe, so we're well equipped to take on the technological challenges new business projects present." Companies that venture abroad in search of manufacturing advantages have tended to skip the idea of finding adjacent markets to sell in, but the NRW scenario revives that concept nicely. "If you come to NRW for its infrastructure, its central position in Europe and its highly qualified workforce," says Wassner, "you'll also find that it's an enthusiastic market for quality products, with formidable purchasing power."

One look at a road map of Germany reveals a transportation network that makes NRW one of Europe's central logistics hubs. Handling 100 million tons of goods per year, Duisburg, sited at the confluence of the Rhine and Ruhr Rivers, is the world's largest inland port. The region between the Rhine and Ruhr is a critical European economic center; at 543 billion euros, companies in North Rhine-Westphalia generate roughly one-fifth of German GDP.

Of course, commerce and business don't exist on practicalities alone. Any representative of a foreign business that's preparing to locate operations in NRW is naturally drawn to the reconstructed Dusseldorf harborfront that includes the Media Center Rhine Haven. One of Europe's most discussed centers of contemporary architecture, it is home to the tilting, wavering facades of several Frank Gehry-designed buildings, as well as prominent works by Harald Deilmann and Claude Vasconi. Bustling with hip restaurants and clubs, it's a favored spot for networking and socializing.

Another highlight of NRW's assistance to foreign investors is a one-stop agency known as NRW.INVEST GmbH that supports companies throughout the entire process of establishing their business. Its services include tax and legal advice, plus help navigating the German commercial and economic structures. The experts at NRW.INVEST also offer assistance in finding a business location, and will analyze investment projects and arrange appointments for negotiations with all parties involved in the approval process.

The German evolution into a completely integrated and modern business environment is a positive story for any foreign entrepreneur or corporation seeking an advantageous base of operations in Europe. Now closely identified with its problem-solving role in European Union affairs, Germany has continued without pause to expand its economic assets and strengths. Recovery and stability worldwide seem increasingly elusive, but solutions are attainable. Germany is a prime example of what can be accomplished through cooperative investment, education and incentives. ●



NORDRHEIN-WESTFALEN

MORE THAN A PROMISE. Every day, more and more foreign companies experience why **NORDRHEIN-WESTFALEN | NRW** (North Rhine-Westphalia) is Germany's No. 1 investment location. As one of the largest markets in Europe and as a leading international trade fair venue we offer an impressive spectrum of outstanding key benefits: innovative research and development, highly qualified employees and first-rate industrial real estate. Discover even more outstanding key benefits for yourself and your company. Curious to know more? www.nrwinvest.com



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