Doing Business in Germany:

2008 Country Commercial Guide for U.S. Companies

3/26/2008

Return to table of contents

Chapter 1: Doing Business in Germany

Market Overview Return to top

The German economy is still the world's third largest (likely to be surpassed by China soon) and, after the expansion of the EU, accounts for nearly one-fifth of European Union GDP. Germany is the United States' largest European trading partner and is the sixth largest market for U.S. exports. Germany's "social market" economy largely follows free-market principles, but with a considerable degree of government regulation and generous social welfare programs and protections.

Germany is the largest consumer market in the European Union with a population of over 82 million. However, the significance of the German marketplace goes well beyond its borders. An enormous volume of worldwide trade is conducted in Germany at some of the world's largest trade events, such as CeBIT, Medica, Hannover Fair, Automechanika, and the ITB Tourism Show. The volume of trade, number of consumers, and Germany's geographic location at the heart of a 27-member European Union that added ten members in 2004, and two more in 2007 make it a keystone around which many U.S. firms seek to build their European and worldwide expansion strategies.

Market Challenges Return to top

Real German GDP expanded by 2.5% in 2007 despite the increase in value-added tax from 16% to 19% in January 2007; forecasters predict economic growth to reach 1.7% in 2008. Consumer demand, which had been sluggish for several years, is picking up. The economy continues to be strong on exports; consumption and investment have started to pick up in 2006 and are expected to compensate for some of the world economic slowdown. Business confidence indices rose in early 2007 and show signs of optimism, despite a lot of uncertainty in financial markets. The German economy continues to suffer from structural problems, including over-regulation in labor markets, taxation, and business establishment, as well as high social insurance costs.

The German government has recognized the need for reform and is pursuing a series of initiatives. While many observers regard these programs as a useful start, most expect that additional reforms to enhance Germany's global competitiveness will be required while consensus will become more difficult in the run up to federal elections in 2009. German firms focusing on exports, especially in the automotive, chemicals, and high tech sectors, recently have enjoyed healthy profits and have exported more goods and services than firms from any other country. The retail sector, by contrast, continues to have lower growth. Major manufacturing firms have increasingly shifted their production overseas to maintain global competitiveness and reduce costs.

Persistent high unemployment, particularly long-term (longer than one year) unemployment, has long been among Germany's most serious political and economic problems. The economic growth Germany has experienced since 2006, however, has reduced in a rapid fall of unemployment to levels not seen since before German unification.

Since the beginning of 2006, what had been an export-led recovery has begun to expand into the domestic economy. Investment in machinery and equipment has grown rapidly and business confidence has risen – the latest survey results from the Munich-based Ifo Institute showed optimism prevailing despite the uncertainty resulting from the subprime mortgage crisis in the U.S. The economic recovery finally reached the labor market in late 2006. The strong revival of the German labor market continued in 2007. Registered unemployment fell by 15.7% to below 3.8 million on an annual average. This corresponded to a decline in the unemployment rate from 10.8% in 2006 to 9.0%, the largest year-to-year decline in Germany history. In eastern Germany, the unemployment rate stood at 15.0% and was still twice as high as in the western part of the country. The Federal Employment Agency's Institute for Labor Market Research has projected an average of 3.5 million unemployed for 2008, provided the current demand for labor continues. While much of the improvement has been the result of an expanding number of temporary or low-paid jobs, more significantly, the number of socially-insured and self-employed jobs has risen, too.

Germany presents few formal barriers to U.S. trade or investment, although Germany's participation in the EU's Common Agricultural Policy and German restrictions on biotech agricultural products mean barriers for some U.S. goods. Germany has pressed the new EU Commission to reduce regulatory burdens and promote innovation in order to increase the EU member states' competitiveness. The Merkel government has talked about the need of regulatory reform in Germany as well. Germany's regulations and bureaucratic procedures can prove baffling. While not directly discriminatory, government regulation is often complex and may offer a degree of protection to established local suppliers. Safety or environmental standards, not inherently discriminatory but sometimes zealously applied, can complicate access to the market for U.S. products. American companies interested in exporting to Germany should make sure they know which standards apply to their product and obtain timely testing and certification. German standards are especially relevant to U.S. exporters because, as EU-wide standards are developed, they are often based on existing German ones.

Market Opportunities

Return to top

For U.S. companies, the German market - the largest in the EU - continues to be attractive in numerous sectors and remains an important element of any comprehensive export strategy to Europe. While U.S. investors must reckon with a relatively higher cost of doing business in Germany, they can count on high levels of productivity, a highly skilled labor force, quality engineering, a first-class infrastructure, and a location in the heart of Europe.

Market Entry Strategy

Return to top

The most successful market entrants are those that offer innovative products featuring high quality and modern styling. Germans are responsive to the innovation and high technology evident in U.S. products, such as computers, computer software, electronic components, health care and medical devices, synthetic materials, and automotive technology. Germany boasts one of the highest Internet access rates in the EU and new products in the multi-media, high tech, and service areas offer great potential as increasing numbers of Germans join the Internet generation. Certain agricultural products also represent good export prospects for U.S. producers. Price will not necessarily be the determining factor for the German buyer, given the German market's demand for quality.

The German market is as decentralized and diverse as the U.S. market, with interests and tastes that differ dramatically from German state to German state. Successful market strategies take into account regional differences as part of a strong national market presence. Experienced representation is a major asset to any market strategy given that the primary competitors for most American products are domestic firms with established presence. U.S. firms can overcome such stiff competition by offering high quality products, services at competitive prices, and sales back-up, as well as establishing a local network of support. For investors, Germany's relatively high marginal tax rates and complicated tax laws may constitute an obstacle, although deductions, allowances and write-offs help to move effective tax rates to internationally competitive levels.

Return to table of contents

Return to table of contents

Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

http://www.state.gov/r/pa/ei/bgn/3997.htm

Return to table of contents

Return to table of contents

Chapter 3: Selling U.S. Products and Services

Using an Agent or Distributor Return to top

Companies wishing to use distribution, franchising and agency arrangements need to ensure that the agreements they put into place are in accordance with European Union (EU) and Member State national laws. Council Directive 86/653/EEC establishes certain minimum standards of protection for self-employed commercial agents who sell or purchase goods on behalf of their principals. In essence, the Directive establishes the rights and obligations of the principal and its agents; the agent's remuneration; and the conclusion and termination of an agency contract, including the notice to be given and indemnity or compensation to be paid to the agent. U.S. companies should be particularly aware that the Directive states that parties may not derogate certain requirements. Accordingly, the inclusion of a clause specifying an alternate body of law to be applied in the event of a dispute will likely be ruled invalid by European courts. http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31986L0653:EN:HTML

The European Commission's Directorate General for Competition enforces legislation concerned with the effects on competition in the internal market of such "vertical agreements." Most U.S. exporters are small- and medium-sized companies (SMEs) and are therefore exempt from the regulations because their agreements likely would qualify as "agreements of minor importance," meaning they are considered incapable of affecting competition at the EU level but useful for cooperation between SMEs. Generally speaking, companies with fewer than 250 employees and an annual turnover of less than €50 million are considered small- and medium-sized undertakings. The EU has additionally indicated that agreements that affect less than 10 percent of a particular market are generally exempted as well (Commission Notice 2001/C 368/07). http://eur-lex.europa.eu/LexUriServ/site/en/oj/2001/c_368/c_36820011222en00130015.pdf

The EU also looks to combat payment delays with Directive 2000/35/EC. This covers all commercial transactions within the EU, whether in the public or private sector, primarily dealing with the consequences of late payment. Transactions with consumers, however, do not fall within the scope of this Directive. In sum, the Directive entitles a seller who does not receive payment for goods/services within 30-60 days of the payment deadline to collect interest (at a rate of 7 percent above the European Central Bank rate) as compensation. The seller may also retain the title to goods until payment is completed and may claim full compensation for all recovery costs.
http://ec.europa.eu/comm/enterprise/regulation/late_payments/

Companies' agents and distributors can take advantage of the European Ombudsman when victim of inefficient management by an EU institution or body. Complaints can be made to the European Ombudsman only by businesses and other bodies with registered offices in the EU. The Ombudsman can act upon these complaints by investigating cases in which EU institutions fail to act in accordance with the law, fail to respect the principles of good administration, or violate fundamental rights.
http://www.ombudsman.europa.eu

To a far greater degree than its neighbors in Europe, Germany's population and industry are decentralized and their locations spread throughout much of the country. Major cities and businesses dot the countryside in a landscape that features no one single predominant business center. Often U.S. companies hope to cover Europe from a single European base, or even through periodic visits from the United States. The German commercial customer at the same time expects to be able to pick up the telephone, talk to his or her dealer, and have replacement parts or service work immediately available. American exporters should avoid appointing distributors with impossibly large geographic areas, without firm commitments regarding parts inventories or service capabilities, and without agreements on dealer mark-ups.

Success in the German market, as elsewhere around the world, requires long-term commitment to market development and sales back up, especially if U.S. companies are to overcome the geographic handicap with respect to European competitors. Germans at times perceive U.S. suppliers as tending to process a U.S. domestic order before taking care of an export sale, or being quick to bypass a local distributor to deal directly with its customer. Some German entrepreneurs with selective experience with U.S. companies are skeptical about their long-term commitment and after-sales support. American firms entering Germany today are generally aware of the factors that make for a successful export relationship and are ready to establish a credible support network. Nevertheless, U.S. firms should be ready to address any lingering doubts from prospective German clients/partners.

If a manufacturer wishes to distribute its products abroad by itself, an independent distribution company must usually be established. This step entails not only considerable expense, but also requires extensive organization and control. Medium-sized manufacturing companies, in particular, therefore, tend to engage sales intermediaries to work a certain market independently.

The most important types of distribution intermediaries are commercial agents, distributors, and franchisees. While the law on commercial agents has been revised and harmonized among the European Union member states based on a European Commission Directive, Germany still lacks a codified distributor and franchising law. For

EU directives and legislation relevant for selling U.S. products in the European Union, please see the Country Commercial Guide of the U.S. Mission to the European Union available at http://export.gov/mrktresearch

Commercial Agents

Agency Agreements

An agency agreement needs not be concluded in writing and can arise informally, verbally or even tacitly. There are, however, two exceptions to this rule: a del credere agreement, under which the commercial agent guarantees the fulfillment of liabilities arising from a transaction, must be concluded in writing, as must a post-contractual agreement regulating exclusivity.

To attract a talented consultant or salesperson, a firm will need an impressive track record. Germans, in particular, are hesitant to participate in start-up ventures.

Claim to Remuneration

The remuneration of a commercial agent may consist of either a performance-related commission, fixed remuneration, or a combination thereof (a so-called guaranteed commission).

In addition to remuneration for the arrangement and conclusion of sales activities, a commercial agent may also be entitled to a commission for other activities, such as collections, assumption of liability, warehousing, and after-sales service.

Distribution

A distributor is always a dealer, i.e., he or she buys and sells in his or her own name and for his or her own account. The distributor undertakes to vouch for the sale of the contractual products on an ongoing basis. He or she often also assumes the obligation to maintain a warehouse, a stock of spare parts or even a repair service.

Exclusivity Clause

A territorial protection or exclusivity clause is often included in distribution agreements. Pursuant to EU competition law, such clauses, however, are allowed to a limited extent only. They prevent a manufacturer from engaging other distributors in a certain contractual region or from conducting transactions directly. It is not unusual for a manufacturer to reserve the right to supply certain major customers with whom business relations already exist before concluding the distribution agreement. For a distributor, exclusivity usually means that only he or she may purchase the same or similar products from the manufacturer for sale in the contractual region. Exclusivity clauses are generally agreed to when the manufacturer’s product is protected by a patent.

Under an exclusive distribution arrangement, a product may or may not receive the attention it deserves. It could become nothing more than a line item in a hefty catalogue. Without someone on the ground to initiate demand, it is unlikely that a new product will sell on its own.

Competitive Restrictions

Objections based on EU and German competition law may be raised against distribution agreements if exclusivity or territorial protection, non-competition, resale price maintenance, or other restrictive clauses are included. Distribution systems between non-competing companies are widely covered by the Block Exemption Regulation for Vertical Restraints, which applies to products and services in all industries, except for motor vehicle distribution and technology transfer.

The Block Exemption Regulation exempts all types of vertical restraints on competition from the general prohibition, unless the share of the supplier, or for exclusive purchase agreements, of the buyer of the relevant market is not higher than 30%. Some particularly restrictive clauses are “blacklisted”; agreements providing for such restrictions do not benefit from the exemption, such as minimum or fixed resale price maintenance or restrictions regarding the territory in which the buyer may sell the products. Non-competition clauses, which also include exclusive purchasing agreements, are exempted only for a limited time. Special rules apply to agreements between competitors and to post-contractual non-competition agreements.

Agreements that are not covered by the Block Exemption, for instance because the market share threshold is passed, must be reported to the Commission of the European Union to apply for a single exemption or a comfort letter.

German law prohibits resale price maintenance and resale maintenance of terms and conditions. In general, exclusivity or tying agreements can be practiced unless the competent competition authority prohibits the parties from doing so.

Data Privacy Return to top

The EU’s general data protection Directive (95/46/EC) spells out strict rules concerning the processing of personal data. Businesses must tell consumers that they are collecting data, what they intend to use it for, and to whom it will be disclosed. *Data subjects* must be given the opportunity to object to the processing of their personal details and to opt-out of having them used for direct marketing purposes. This opt-out should be available at the time of collection and at any point thereafter. This general legislation is supplemented by specific rules set out in the "Directive on the processing of personal data and the protection of privacy in the electronic communications sector" (2002/58/EC). This requires companies to secure the prior consent of consumers before sending them marketing emails. The only exception to this opt-in provision is if the marketer has already obtained the intended recipient’s contact details in the context of a previous sale and wishes to send them information on similar products and services.
http://ec.europa.eu/justice_home/fsj/privacy/index_en.htm

Transferring Customer Data to Countries Outside the EU
The EU's general data protection Directive provides for the free flow of personal data within the EU but also for its protection when it leaves the region’s borders. Personal data can only be transferred outside the EU if adequate protection is provided for it or if the **unambiguous consent** of the data subject is secured. The European Commission has decided that a handful of countries have regulatory frameworks in place that guarantee the adequate protection of data transferred to them – the United States is not one of these.

The Department of Commerce and the European Commission negotiated the Safe Harbor agreement to provide U.S. companies with a simple, streamlined means of complying with the adequacy requirement. It allows those U.S. companies that commit to a series of data protection principles (based on the Directive), and who publicly state that commitment by "self-certifying" on a dedicated website, to continue to receive personal data from the EU. Signing up is voluntary but the rules are binding on those who do. The ultimate means of enforcing Safe Harbor is that failure to fulfill the commitments will be actionable as an unfair and deceptive practice under Section 5 of the FTC Act or under a concurrent Department of Transportation statute for air carriers and ticket agents. While the United States as a whole does not enjoy an adequacy finding, companies that join up to the Safe Harbor scheme will. Companies whose activities are not regulated by the FTC or DoT (e.g. banks, credit unions, savings and loan institutions, securities dealers, insurance companies, not-for-profit organizations, meat packing facilities, or telecommunications carriers) are not eligible to sign up to the Safe Harbor.

EU based exporters or U.S. based importers of personal data can also satisfy the adequacy requirement by including data privacy clauses in the contracts they sign with each other. The Data Protection Authority in the EU country from where the data is being exported must approve these contracts. To fast track this procedure the European Commission has approved sets of model clauses for personal data transfers that can be inserted into contracts between data importers and exporters. The most recent were published at the beginning of 2005. Most transfers using contracts based on these model clauses do not require prior approval. Companies must bear in mind that the transfer of personal data to third countries is a processing operation that is subject to the general data protection Directive regardless of any Safe Harbor, contractual or consent arrangements.

EU countries' Data Protection Authorities (DPAs) and large multinational companies are also developing a third major approach to compliance with EU rules on transfers of personal data to countries outside the EU. This is based on country-by-country approval of "binding corporate rules" (BCRs). Companies that set up BCRs that satisfy European DPAs will be able to use the presumption of conformity that these approvals provide to transfer personal data from the EU to any location in the world – not just the United States. BCRs can be a tool for compliance with privacy rules on a global scale. The process of negotiation and approval of the BCRs is currently lengthy and complex, and has not been attempted by small or medium-sized companies.
http://www.export.gov/safeharbor/
http://ec.europa.eu/justice_home/fsj/privacy/modelcontracts/index_en.htm
http://ec.europa.eu/justice_home/fsj/privacy/workinggroup/wpdocs/2007_en.htm

Establishing an Office Return to top

If a potential investor intends to form a relationship or entity beyond a strategic alliance with an existing German business on a contractual basis, German law allows a broad variety of business forms. Since corporate, tax, and trade law (containing the provisions regarding partnerships and sole proprietorships) are codified in German Federal law, the actual place of business or incorporation is not a factor in choosing the business vehicle (except for the local trade tax burden).

GmbH
The GmbH (Gesellschaft mit beschränkter Haftung - limited liability corporation) is the corporate entity most commonly used for business enterprises in Germany. The structure of a GmbH is relatively straightforward and flexible. It is designed for private businesses (no IPO possible) with a clear and stable shareholder structure looking for full liability protection of their shareholders. The liability of a GmbH is limited to the value of its assets including its share capital.

For detailed information on the different German business vehicles please visit http://www.invest-in-germany.de

Franchising Return to top

Germany is a mature franchise market in which local entrepreneurs have developed sophisticated concepts. A high concentration of franchising chains in Germany exists in the service sector (45%), trade (37%), building and handicraft (8%), and gastronomy (10%). Industry sources expect the best prospects to be in the areas of training and educational services; express delivery services (all types); theme bistros/restaurants; office management, accounting and tax services; maintenance, cleaning and sanitation services; advertising; telecommunication products and services; energy saving products and services; retail stores (specialized); home care services; and environmental services. U.S. franchisors must be prepared to adapt to required market norms and standards, invest in market research, test market receptivity through pilot projects, and to adjust their concepts to German business practices and consumer tastes. Restrictions to competition in franchise agreements are generally covered by the Block Exemption on Vertical Restraints of 1999 referred to in the preceding chapter "Distributors."

Direct Marketing Return to top

German consumers are accustomed to purchasing via catalog and have become more receptive to shopping on Internet platforms. More than 80% of German enterprises use direct marketing to sell their products and services. The most frequently used formats are email and Internet marketing (65%), telephone marketing (31%), direct mail (24%) and inserts in publications with a response element (18%). Trading companies, manufacturers, and service companies spend more than EUR 30 billion on direct marketing with mailing expenditures clearly in the lead, followed by inserts with response elements, and telephone marketing. Direct marketing agencies currently employ 48,000, a number which is expected to grow over the next years.

It is important to know the pitfalls of using direct marketing as a selling tool in Germany. Data protection and privacy laws are stringent, and consumer protection guidelines and competitive advertising are also highly regulated. Companies should consult with a lawyer before raising, storing or processing any sort of data in Germany. Other potential challenges regard the laws pertaining to unfair competition and rebates.

EU Regulations
There is a wide range of EU legislation that impacts the direct marketing sector. Compliance requirements are stiffest for marketing and sales to private consumers. Companies need to focus, in particular, on the clarity and completeness of the information they provide to consumers prior to purchase, and on their approaches to collecting and using customer data. Companies are advised to consult the information available via the hyper-links, to check the relevant sections of national Country Commercial Guides, and to contact the Commercial Service at the U.S. Mission to the European Union for more specific guidance.

Processing Customer Data
The EU has strict laws governing the protection of personal data, including the use of such data in the context of direct marketing activities. For more information on these rules, please see the privacy section above.

Distance Selling Rules
Distance and Door-to-Door sales
The EU's Directive on distance selling to consumers (97/7/EC) sets out a number of obligations for companies doing business at a distance with consumers.
http://ec.europa.eu/consumers/cons_int/safe_shop/index_en.htm

Distance Selling of Financial Services
Financial services are the subject of a separate Directive that came into force in June 2002 (2002/65/EC). This piece of legislation amends three prior existing Directives and is designed to ensure that consumers are appropriately protected in respect to financial transactions taking place where the consumer and the provider are not face-to-face.
http://ec.europa.eu/consumers/cons_int/fina_serv/index_en.htm

Direct Marketing Over the Internet
The e-commerce Directive (2000/31/EC) imposes certain specific requirements connected to the direct marketing business. Promotional offers must not mislead customers and the terms that must be met to qualify for them have to be easily accessible and clear. The Directive stipulates that marketing e-mails must be identified as such to the recipient and requires that companies targeting customers on-line must regularly consult national opt-out registers where they exist.
http://ec.europa.eu/internal_market/e-commerce/index_en.htm

Joint Ventures/Licensing

Return to top

Joint Ventures
Dealing with joint ventures ranks among the most difficult jobs under German competition law. In Germany, joint venture legislation falls under the purview of the Federal Cartel Office (Bundeskartellamt: http://www.bundeskartellamt.de[3]). The law requires that a joint venture must exercise "genuine entrepreneurial" activities. Under German law, this means:

- Organizations which merely carry out auxiliary functions such as purchasing or distribution on behalf of the parents are *not* considered joint ventures; and
- JVs must have at their disposal sufficient assets and personnel to carry out their activities.

The Bundeskartellamt is required to prohibit a merger if it is "expected to create or strengthen a dominant position." Market dominance is defined as an undertaking, which either has no competitors or is not exposed to any substantial competition or has a paramount market position in relation to its competitors.

Licensing
German antitrust law does not, in the absence of a dominant market position, restrict the owner's freedom to use her/his industrial property rights, including the exploitation of a patented innovation.

Selling to the Government Return to top

Selling to German government entities is not an easy process. Although there has been a delay in implementing some facets of the EU Utility Directive, German government procurement is formally non-discriminatory and compliant with the GATT Agreement on Government Procurement and the European Community's procurement directives. That said, it is a major challenge to compete head-to-head with major German or other EU suppliers who have established long-term ties with purchasing entities.

EU Regulations
The EU public procurement market, including EU institutions and Member States, totals around EUR 1,600 billion. This market is regulated by two Directives:

- Directive 2004/18 on Coordination of procedures for the award of public works, services and supplies contracts, and
- Directive 2004/17 on Coordination of procedures of entities operating in the Utilities sector, which covers the following sectors: water, energy, transport and postal services.

Remedies directives cover legal means for companies who face discriminatory public procurement practices. These directives are implemented in the national procurement legislation of the 27 EU Member States.

The US and the EU are signatories of the World Trade Organization's (WTO) Government Procurement Agreement (GPA), which grants access to most public supplies and some services and works contracts published by national procuring authorities of the countries that are parties to the Agreement. In practice, this means that U.S.-based companies are eligible to bid on supplies contracts from European public contracting authorities above the agreed thresholds.

For more information, please visit the U.S. Commercial Service at the U.S. Mission to the European Union website dedicated to EU public procurement. This site also has a database of all European public procurement tenders that are open to U.S.-based firms by virtue of the Government Procurement Agreement. Access is free of charge.
http://www.buyusa.gov/europeanunion/eu_tenders.html

Distribution and Sales Channels Return to top

Distribution channels are varied and similar to the United States. There are certain restrictions, however, concerning multi-level networking systems, i.e., so-called snowball or pyramid distribution systems. More information: http://www.wettbewerbszentrale.de/

Selling Factors/Techniques
Return to top

Success in the German market, as elsewhere around the world, requires long-term commitment to market development and sales backup, especially if U.S. companies are to overcome the geographic handicap with respect to European competitors. Germans at times perceive U.S. suppliers as tending to process a U.S. domestic order before taking care of an export sale, or being quick to bypass a local distributor to deal directly with its customer. Some German entrepreneurs with selective experience with U.S. companies are skeptical about their long-term commitment and after-sales support. U.S. firms entering Germany today are generally aware of the factors that make for a successful export relationship and are ready to establish a credible support network. However, U.S. firms should be ready to address any lingering doubts from prospective German clients/partners.

Electronic Commerce
Return to top

Germany is the European leader in Internet commerce and is among the world's most sophisticated markets: business worth a total of EUR 438.7 billion was conducted online in 2006, and EUR 779.8 billion is predicted for 2010. In 2006, over 30% of all goods and services traded online in Western Europe (EU 15 plus Norway and Switzerland) were sold in Germany, representing by far the largest market share of any Western European country. Germany, the world's number one exporter, is the largest economy in the European Union and the third largest in the world. As Europe's most populous nation, Germany also has the largest number of Internet users, nearly 56 million people in 2007. These users generate one of Europe's highest per capita revenue rates and contribute, alongside businesses, to the predicted 84% growth of e-commerce volume in Germany.

B2C - In 2006, EUR 46 billion were exchanged in the B2C market, representing 11% of the Germany's total e-commerce volume. Price plays a major role in determining where various IT products are purchased. Sales of small-ticket items such as speakers, web cams, and wireless input devices are reasonably balanced between bricks-and-mortar stores and online shops. More expensive devices, however - laptops, desktops, monitors - are purchased 58% online. Retailers without "physical" retail stores or those lacking brand recognition sometimes encounter difficulties when trying to win the trust of German customers. Besides price and trust, product diversity is also an important competitive factor.

B2B - Virtually all German small and medium-sized businesses have Internet access. In 2006, EUR 392 billion were exchanged in Germany in the B2B sector. In contrast to B2C, business-to-business trade is unaffected by seasonal cycles and is predicted to grow steadily, reaching EUR 636 billion by 2010. Germany represents 31% of the entire western European online trade among businesses – by far the largest share of any country. Among wholesalers, the traditional distribution channels still clearly dominate: nearly 72% of companies employ a field sales force, and about 61% market their products via telephone and mail advertising. Despite this apparent reluctance among B2B firms to embrace the online world, there is a clearly measurable trend toward internationalization. 56% of these same companies have expanded their territory in order to sell to other parts of Europe, and nearly 34% deliver outside the continent.

Financial Services - Germans are heavy users of banking and financial sites and increasingly trust online banking services. Forty-nine percent of Germans did online banking in 2007.

E-Government - Germany offers a good number of e-government services. Since August 2005, more than 440 Internet-capable services of German federal agencies can be used online. The German federal and of state governments, backed by national associations and local authorities, adopted a joint strategy called "Deutschland-Online" in 2003. On the basis of successful joint projects, they are intensifying their efforts in e-Government (http://www.deutschland-online.de). The central German government online procurement website e-Vergabe is available at http://www.evergabe-online.de/
In July 2003, the European Union (EU) started applying Value Added Tax (VAT) to sales by non-EU based companies of Electronically Supplied Services (ESS) to EU-based, non-business customers. U.S. companies that are covered by the rule change must collect and submit VAT to EU tax authorities. European Council Directive 2002/38/EC changed the EU rules for charging Value Added Tax. The U.S. businesses mainly affected by this rule are those that are based in the United States and selling ESS to EU-based, non-business customers or to businesses that are EU-based and selling ESS to customers outside the EU who no longer need to charge VAT on these transactions. There are a number of compliance options for businesses. The Directive created a special scheme that simplifies registering with each Member State. The Directive allows companies to register with a single VAT authority of their choice. Companies have to charge different rates of VAT according to where their customers are based, but VAT reports and returns are submitted to just one authority. The VAT authority responsible for providing the single point of registration service is then responsible for reallocating the collected revenue among the other EU VAT authorities.

EU Regulations
In July 2003, the EU started applying Value Added Tax (VAT) to sales by non-EU based companies of Electronically Supplied Services (ESS) to EU based non-business customers. U.S. companies that are covered by the rule must collect and submit VAT to EU tax authorities. European Council Directive 2002/38/EC further developed the EU rules for charging Value Added Tax. These rules are currently set to expire at the end of 2008.

U.S. businesses mainly affected by the 2003 rule change are those that are U.S.-based and selling ESS to EU based, non-business customers or those businesses that are EU based and selling ESS to customers outside the EU who no longer need to charge VAT on these transactions. There are a number of compliance options for businesses.
http://ec.europa.eu/taxation_customs/taxation/vat/how_vat_works/e-services/index_en.htm

Trade Promotion and Advertising Return to top

Trade Fairs
Few countries in the world can match Germany when it comes to leading international trade fairs. Such a reputation should be no surprise given that the trade fair concept was born in Germany during the Middle Ages. Today, Germany hosts a major world-class trade event in virtually every industry sector, attracting buyers from around the world. Trade fairs thrive in Germany because they are true business events where contracts

are negotiated and deals are consummated. The U.S. exhibitors at German fairs should be prepared to take full advantage of the business opportunities presented at these events. While U.S. exhibitors and visitors can conclude transactions, all attendees can use major German trade fairs to conduct market research, see what their worldwide competition is doing, and test pricing strategies. Finally, German fairs attract buyers from throughout the world, allowing U.S. exhibitors to conduct business here with buyers from across Europe, Asia, Africa, Latin America, the Middle East, as well as with other U.S. companies.

German trade fairs, in general, attract impressive numbers of visitors and exhibitors. This reality confirms the conviction that there is no other venue where an American company can get so much product exposure for its marketing dollar. Trade fairs also provide a U.S. company interested in entering Germany with the opportunity to research its market and the potential of its product properly before making a business decision. Website: http://www.buyusa.gov/germany/en/events.html

Showcase Europe

Responding to the international nature of German trade shows, the U.S. Commercial Service has a broad-ranging program entitled "Showcase Europe" designed to support U.S. business interests in the expanded European Union. Focused on high priority sectors such as aerospace; energy; medical equipment, including drugs and pharmaceuticals; telecommunications and information technologies; environmental technologies and equipment; and travel and tourism, "Showcase Europe" provides contacts, market information, and commercial guidance for the entire European market region. What makes these programs effective and unique is that they are conducted by trade specialists who regularly work at U.S. embassies and consulates around Europe, but come together at selected trade fairs for the sole purpose of supporting U.S. firms. "Showcase Europe" programs also address trade policy and other business concerns, such as the protection of intellectual property rights and other market impediments to U.S. companies, which are common across Europe. Website: http://www.buyusa.gov/europe/

Showcase Global

Only recently, U.S. Commercial Service Germany has started to expand "Showcase Europe" into a true "Showcase Global" program, which is designed to promote the presence of U.S. companies at selected trade fairs in Germany globally, through the Commercial Service's worldwide network. Please visit our website at http://www.buyusa.gov/germany/en for more information on Commercial Service Germany's activities at trade fairs.

Advertising

In addition to exhibiting at major German trade fairs, advertising plays a central role in most companies' broad-based marketing programs. Regulation of advertising in Germany is a mix between basic rules and voluntary guidelines developed by the major industry associations. The "Law Against Unfair Competition" established legal rules at the beginning of the 20th Century. Although it has been modified over time, this law continues to be valid today. The law allows suits to be brought if advertising "violates accepted mores."

Many advertising practices that are common in the United States, such as offering premiums, are not allowed in Germany. Any planned advertising campaigns should be discussed with a potential business partner or an advertising agency in Germany. Following is the address of the German association of advertising agencies:

Gesamtverband Kommunikationsagenturen e.V.
(German Association of Advertising Agencies)
Friedensstr. 11
60311 Frankfurt a.M.
Telephone: [49][69] 2560080
Telefax: [49][69] 236883
http://www.gwa.de/

There are numerous technical or specialized periodicals that deal with all aspects of technology and doing business in Germany. In addition, Germany has a well-developed array of newspapers and magazines which offer the opportunity to gather information and advertise products and services.

EU Regulations
Laws against misleading advertisements differ widely from Member State to Member State within the EU.

The EU's Television without Frontiers Directive lays down legislation on broadcasting activities allowed within the EU. From 2009 the rules will allow for US-style product placement on television and the three-hour/day maximum of advertising will be lifted. However, a 12-minute/hour maximum will remain. Child programming will be subject to a code of conduct that will include a limit of junk food advertising to children.

The EU adopted Directive 2005/29/EC concerning fair business practices in a further attempt to tighten up consumer protection rules. These new rules will outlaw several aggressive or deceptive marketing practices such as pyramid schemes, "liquidation sales" when a shop is not closing down, and artificially high prices as the basis for discounts in addition to other potentially misleading advertising practices. Certain rules on advertising to children are also set out.
http://ec.europa.eu/comm/consumers/cons_int/safe_shop/fair_bus_pract/index_en.htm

Medicine
The advertising of medicinal products for human use is regulated by Council Directive 2001/83/EC. Generally speaking, the advertising of medicinal products is forbidden if market authorization has not yet been granted or if the product in question is a prescription drug. The Commission plans to present a new framework for information to patients on medicines in 2008. The framework would allow industry to produce non-promotional information about their medicines while complying with strictly defined rules and would be subject to an effective system of control and quality assurance.
http://ec.europa.eu/eur-lex/pri/en/oj/dat/2001/l_311/l_31120011128en00670128.pdf

Food Supplements
Regulation 1925/2006, applicable as of July 1, 2007, harmonizes rules on the addition of vitamins and minerals to foods. The regulation lists the vitamins and minerals that may be added to foods and sets criteria for establishing minimum and maximum levels.
Key Link: http://useu.usmission.gov/agri/foodsupplements.html

Tobacco
The EU Tobacco Advertising Directive bans tobacco advertising in printed media, radio, and internet as well as the sponsorship of cross-border events or activities. Advertising in cinemas and on billboards or merchandising is allowed though these are banned in many Member States. Tobacco advertising on television has been banned in the EU since the early 1990s and is governed by the TV Without Frontiers Directive.
http://ec.europa.eu/health/ph_determinants/life_style/Tobacco/tobacco_en.htm

Pricing Return to top

Germany has become more price-conscious, especially in consumer goods areas. Consequently, price is increasing in importance as a competitive factor, but quality, timely delivery and service remain equally important, especially in the B2B relations.

Sales/Service/Customer Support Return to top

The German commercial customer expects to be able to pick up the telephone, talk to his or her dealer and have replacement parts or service work immediately available. American exporters should avoid appointing distributors with impossibly large geographic areas, without firm commitments regarding parts inventories or service capabilities, and without agreements on dealer mark-ups

EU Regulations
Conscious of the discrepancies among Member States in product labeling, language use, legal guarantee, and liability, the redress of which inevitably frustrates consumers in cross-border shopping, the EU institutions have launched a number of initiatives aimed at harmonizing national legislation. Suppliers within and outside the EU should be aware of existing and upcoming legislation affecting sales, service, and customer support.

Product Liability
Under the 1985 Directive on liability of defective products, amended in 1999, the producer is liable for damage caused by a defect in his product. The victim must prove the existence of the defect and a causal link between defect and injury (bodily as well as material). A reduction of liability of the manufacturer is granted in cases of negligence on the part of the victim.
http://ec.europa.eu/enterprise/regulation/goods/liability_en.htm

Product Safety
The 1992 General Product Safety Directive introduces a general safety requirement at the EU level to ensure that manufacturers only place safe products on the market. It was revised in 2001 to include an obligation on the producer and distributor to notify the Commission in case of a problem with a given product, provisions for its recall, the creation of a European Product Safety Network, and a ban on exports of products to third countries that are not deemed safe in the EU.
http://ec.europa.eu/consumers/safety/prod_legis/index_en.htm

Legal Warranties and After-sales Service
Under the 1999 Directive on the Sale of Consumer Goods and Associated Guarantees, professional sellers are required to provide a minimum two-year warranty on all consumer goods sold to consumers (natural persons acting for purposes outside their

trade, businesses or professions), as defined by the Directive. The remedies available to consumers in case of non-compliance are:

- repair of the good(s);
- replacement of the good(s);
- a price reduction; or
- rescission of the sales contract.

http://ec.europa.eu/comm/consumers/cons_int/safe_shop/guarantees/index_en.htm

Protecting Your Intellectual Property

Return to top

Several general principles are important for effective management of intellectual property rights in the EU and Germany. First, it is important to have an overall strategy to protect IPR. Second, IPR is protected differently in Germany than in the U.S. Third, rights must be registered and enforced in Germany under EU laws. Companies may wish to seek advice from local attorneys or IP consultants. The U.S. Commercial Service can often provide a list of local lawyers upon request.

It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in Germany. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. While the U.S. Government is willing to assist, there is little it can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IPR in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should USG advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

The EU's legislative framework for copyright protection consists of a series of Directives covering areas such as the legal protection of computer programs, the duration of protection of authors' rights and neighboring rights, and the legal protection of databases. Almost all Member States have fully implemented the rules into national law, and the Commission is now focusing on ensuring that the framework is enforced accurately and consistently across the EU.

The on-line copyright Directive (2001/29/EC) addresses the vexing problem of protecting rights holders in the online environment while protecting the interests of users, ISPs and hardware manufacturers. It guarantees authors' exclusive reproduction rights with a single mandatory exception for technical copies (to allow caching) and an exhaustive list of other exceptions that individual Member States can select and include in national legislation. This list is meant to reflect different cultural and legal traditions, and includes private copying "on condition right holders receive fair compensation.": http://ec.europa.eu/internal_market/copyright/index_en.htm

Patents (Patent) are issued for technical inventions, which are new, involve an inventive step, and are susceptible to a commercial application. The term of protection is 20 years, commencing with the filing date. The pertinent legal source is the Patent Act of 1981 (Patentgesetz, PatentG), which has adapted the former German Patent Act to the European Patent Convention.

The EU countries, including Germany, have a "first to file" approach to patent applications, as compared to the "first to invent" system followed in the United States. This situation makes early filing a top priority for innovative companies. Unfortunately, it is not yet possible to file for a single EU-wide patent that would be administered and enforced like the Community Trademark (see below). For the moment, the most effective way for a company to secure a patent across a range of EU national markets is to use the services of the European Patent Office (EPO) in Munich. It offers a one-stop-shop that enables rights holders to get a bundle of national patents using a single application. However, these national patents have to be validated, maintained, and litigated separately in each member state. EPO's web site is
http://www.european-patent-office.org

http://ec.europa.eu/internal_market/indprop/index_en.htm

Trademarks ("Marken") are signs that serve to distinguish the goods and/or services of one enterprise from those of another. They enable their holders to build up, expand and maintain a market position. Trademarks are regulated by the German Trademark Act, which covers both trademarks that are used although not registered, as well as registered trademarks. The Trademark Act further provides protection of commercial designations (trade names and other company designations, such as titles and the trading name of works, e.g., for films and books). A German trademark is registered for ten years, after which the term can be extended for another ten-year term. Additional fees become due if the extension fee is not paid in a timely fashion.

The EU-wide Community Trademark (CTM) can be obtained via a single language application to the Office of Harmonization in the Internal Market (OHIM) in Alicante, Spain. It lasts ten years and is renewable indefinitely. For companies looking to protect trademarks in three or more EU countries, the CTM is a more cost-effective option than registering separate national trademarks. On October 1, 2004, the European Commission acceded to the World Intellectual Property Organization (WIPO) Madrid Protocol. The accession of the Madrid Protocol establishes a link between the Madrid Protocol system, administered by WIPO, and the Community Trademark system, administered by OHIM. As of October 1, 2004, Community Trademark applicants and holders are allowed to apply for international protection of their trademarks through the filing of an international application under the Madrid Protocol. Conversely, holders of international registrations under the Madrid Protocol will be entitled to apply for protection of their trademarks under the Community Trademark system:
http://oami.europa.eu/en/default.htm
http://www.wipo.int/madrid/en

A utility model ("Gebrauchsmuster") is a registered right to technical inventions (e.g., for equipment, technical devices, chemical substances, electrical switches, etc.). Unlike a patent, protection by utility model is not possible or appropriate for processes such as production or assessment.

A design patent (“Geschmacksmuster”) is used to protect the coloring and shape of two-dimensional or three-dimensional commercial products intended to appeal to the eye.

Designs
The EU adopted a regulation introducing a single Community system for the protection of designs in December 2001. The regulation provides for two types of design protection, directly applicable in each EU member state: the registered Community design and the unregistered Community design. Under the registered Community design system, holders of eligible designs can use an inexpensive procedure to register them with the EU’s Office for Harmonization in the Internal Market (OHIM), based in Alicante, Spain. They will then be granted exclusive rights to use the designs anywhere in the EU for up to twenty-five years. Unregistered Community designs that meet the Regulation’s requirements are automatically protected for three years from the date of disclosure of the design to the public. http://oami.europa.eu/en/design/default.htm

Copyright
The German Copyright Act (“Urheberrechtsgesetz”) grants someone who creates an original work expression the right to control how that work is used. On July 1, 2002, after lengthy and public discussion, the Copyright Act was amended to improve an author’s rights for reasonable compensation, as well as an author’s contractual position vis a vis the industry exploiting the author’s works. Literary works, musical arrangements, graphic works, audio-visual works, compilations thereof and other works are all covered by copyright. The act expressly mentions computer programs and databases. German copyright has no formal requirements. Registration is not required. Copyright protection is limited to 70 years after the death of the author.

European Trademarks
Since 1996, it has been possible to register Community Trademarks at the Office for Harmonization in the Internal Market, Alicante, Spain (http://oami.europa.eu/). This step often makes sense if an enterprise seeks protection not only in one country, but in at least three or four EU member states of the European Union. The Community Trademark offers financial advantages in addition to other significant advantages. For example, the use of a Community Trademark in only one member state is sufficient to meet the requirement of use for the entire territory of the European Union. It is advisable to consider use of both community and single country protection systems simultaneously.

Trademark Exhaustion
Within the EU, the rights conferred on trademark holders are subject to the principle of "exhaustion." Exhaustion means that once trademark holders have placed their product on the market in one Member State, they lose the right to prevent the resale of that product in another EU country. This has led to an increase in the practice of so called "parallel importing" whereby goods bought in one Member State are sold in another by third parties unaffiliated to the manufacturer. Parallel trade is particularly problematic for the research-based pharmaceutical industry where drug prices vary from country to country due to national price Regulation.

Community wide exhaustion is spelled out in the Directive on harmonizing trademark laws. In a paper published in 2003, the Commission indicated that it had no plans to propose changes to existing legal provisions.

http://ec.europa.eu/internal_market/indprop/tm/index_en.htm

European Patent Law

The European Patent Convention, in force in Germany since 1976, provides for a single, centralized and uniform procedure for granting patents in all or part of the contracting or extension States (i.e., all Member States of the European Union, in addition to Monaco, Switzerland, Albania, and Macedonia). Once a European patent has been granted, the convention stipulates that the European patent assumes the character of individual national patents of the Member States, subject to the authority of the respective States. Patents so derived enjoy the same protection as a national patent. Further information on protecting your intellectual property in Germany and elsewhere in the EU is available from the German Trademark and Patent Office at http://www.dpma.de

IPR Resources

A wealth of information on protecting IPR is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at **www.StopFakes.gov**.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: **www.StopFakes.gov** This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IPR-infringing products) and allows you to register for Webinars on protecting IPR.

Due Diligence

Return to top

Companies interested in taking over German firms should always conduct their own due diligence before entering into business ventures. One of the Commercial Service Programs, the International Company Profile, has been designed to support due diligence processes. All major consulting companies offer due diligence services, and most large U.S. accounting or consulting firms have subsidiaries in Germany.

Local Professional Services
Return to top

The professional services sector is comparable to that in the United States. For all segments of business, there are professional service providers. U.S. Commercial Service Germany has started to build its own network of such companies. The Business Service Provider Directory lists experienced firms which offer services to U.S. exporters and investors interested in Germany:
http://www.buyusa.gov/germany/en/business_service_provider.html

Local service providers focusing on EU law, consulting, and business development can be viewed on the website maintained by the Commercial Service at the U.S. Mission to the European Union at: www.buyusa.gov/europeanunion/services.html

For information on professional services located within each of the EU member states, please see EU Member State Country Commercial Guides which can be found at the following website: http://www.export.gov/mrktresearch/index.asp under the Market Research Library.

Marketing U.S. Agricultural Products
Return to top

Marketing U.S. Agricultural Products
The Foreign Agricultural Service (FAS), of the U.S. Department of Agriculture (USDA) maintains an Agricultural Affairs Office in the U.S. Embassy in Berlin. A primary objective of the Agricultural Affairs Office is to facilitate trade in U.S. agricultural products. To meet this goal, they provide the following support and services:

- Custom Matchmaking Service (CMS): Designed to bring German importers and U.S. exporters of food and agricultural products together.
- Lists of German importers, by product sector, for use by U.S. exporters.
- Attaché Reports: Current Market trends on select commodities, such as fish, wine, and forestry products; basic information on exporting food and agricultural products to Germany; and reports on the retail and food-processing sectors in Germany.
- USA Promotions: Decoration and other promotional materials for use in special USA promotions.
- Trade Shows: Information on key trade shows being held in Germany. Also, coordinate special USA pavilions at certain food shows in Germany, and organize and recruit German buyers for U.S. food and agricultural trade shows.
- American Food Directory: Extensive listings of U.S. food and beverage products imported and available for sale in Germany.

The Agricultural Affairs Office also works closely with numerous U.S. agricultural trade associations and U.S. firms in programs to boost foreign demand for U.S. agricultural products. The Agricultural Affairs Office is also responsible for agricultural trade issues, such as reform of farm support, food aid, and biotechnology.

Agricultural Affairs Office
American Embassy/Berlin
Clayallee 170,
14195 Berlin, Germany
Tel: [49][30] 8305-1150
Fax: [49][30] 8431-1935
Email: Agberlin@usda.gov
http://www.usembassy.de/germany/fas/index.html

Web Resources

Return to top

German Patent and Trademark Office (Deutsches Patent-und Markenamt):
www.dpma.de

European Patent Office
http://www.european-patent-office.org/

EC Directive on Commercial Agents
http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31986L0653:EN:HTML

EC Directive on Data Protection
http://ec.europa.eu/justice_home/fsj/privacy/law/index_en.htm

Electronic Commerce
http://ec.europa.eu/internal_market/e-commerce/index_en.htm

Industrial Property
http://ec.europa.eu/internal_market/indprop/index_en.htm

Office for Harmonization in the Internal Market (OHIM)
http://oami.europa.eu/en/default.htm

WIPO Madrid System
http://www.wipo.int/madrid/en

OHIM Community Design
http://oami.europa.eu/en/design/default.htm

Exhaustion of trademark rights
http://ec.europa.eu/internal_market/indprop/tm/index_en.htm

Return to table of contents

Return to table of contents

Chapter 4: Leading Sectors for U.S. Export and Investment

Commercial Sectors

Exchange Rate (used throughout this section)

EUR 1 = USD 1.45

Computer Software Return to top

(USD million)	2006	2007	2008 (e)
Total Market Size	26,000	27,500	28,300

The German market for software is the largest in Europe and ranks second in the world, behind only the United States. Economic recovery and a backlog in IT modernization are driving factors prompting companies and institutions to invest in software solutions. One driving factor behind these investments is the increasingly important role of medium-sized firms in international business. They have a strong need to upgrade their existing software platforms according to the regulations and requirements of the global stage.

As a result, the German market is anticipated to grow by 3-5% over the next few years. Even though German software companies are very competitive, analysts estimate that approximately 80% of software products sold in Germany come from U.S. suppliers (the majority of large U.S. software developers have subsidiaries in Germany.) There are no trade barriers obstructing sales of U.S. software. Industry-specific and niche products will continue to find good sales opportunities in Germany. However, as the European Union continues to expand as a single market, competition from other European software vendors is expected to increase.

Best Products/Services Return to top

Business intelligence software; enterprise content management (ECM), storage management software, product lifecycle management software, middleware, IT-security, customer relationship management software, document management software, Software as a service (Saas).

Opportunities Return to top

The German public sector, along with the banking, insurance and medical sectors, the utilities and automotive sectors.

Public tenders: www.bundesausschreibungsblatt.de, www.subreport.de

Resources Return to top

German Government Agencies:
BSI (Federal Agency for IT Security): http://www.bsi.de/english/index.htm

Trade Fairs:
CeBIT: www.CeBIT.de
Systems: http://www.systems-world.de
EBIF: www.ebif.de
CRM-Expo: www.crm-expo.com
Digital Management Solutions: www.dms-expo.de

Trade Associations:
www.bitkom.org
www.eito.com
www.vdbw.de
www.bvdw.org

Trade Publications:
www.computerwoche.de
www.informationweek.de
www.computerpartner.de
www.crn.de

Commercial Service Contact:
doris.groot@mail.doc.gov

Computer Services

Return to top

Overview

Return to top

(USD million)	2006	2007	2008 (e)
Total market size	40,700	42,700	44,000

After some difficult years, the market for IT services is expected to grow 4-5% in the next few years. Outsourcing will remain the main market growth engine, driven by an increasing search for cost reduction and flexibility and the need to focus on core business. In addition, there is growing demand for security, e-business and CRM services. Most large American IT service providers have facilities in Germany and for official statistical purposes are counted as local firms. This affords them national treatment from German and EU authorities. Approximately 60% of overall IT-services sales are attributed to German subsidiaries of U.S. firms. While competition from local companies exists, U.S. firms are often perceived as having more experience in the IT environment and therefore have the lead. However, as the European Union continues to develop as a single market, U.S. computer services companies will encounter growing competition from other European countries, as well as from India and Israel.

Best Prospects/Services

Return to top

Outsourcing services; Systems Integration, Deploy and Support, IT-security services; E-commerce projects; BPO (Business Process Outsourcing) services; CRM services.

Opportunities

Return to top

The following industries are expected to make major software and services investments to standardize and optimize business processes, as well as to implement IT-security features: insurance, banks, small to medium-sized companies. The latter, which have not invested in IT for some time, will have to make considerable investments in the near future in order to remain competitive. In order to be able to satisfy these customers, IT service providers are encouraged to adapt their current offers to SME's needs and provide moderately priced standard services.

Public tenders: www.bundesausschreibungsblatt.de, www.subreport.de

Resources

Return to top

Trade Fairs:
CeBIT: www.CeBIT.de
Systems: www.systems.de

Trade Associations:
www.bitkom.org
www.eito.com
www.vdeb.de

Other:
Industry research:
www.luenendonk.de
www.pac-online.de
www.eito.com

Major trade journals:
www.computerwoche.de
www.informationweek.de
www.computerpartner.de
www.crn.de

Commercial Service Contact:
doris.groot@mail.doc.gov

Computers and Peripheral Equipment

Overview

Return to top

(USD million)	2006	2007	2008 (e)
Total Market Size	28,000	28,500	29,000
Total Local Production	11,500	11,760	12,000
Total Exports	14,500	14,830	15,000
Total Imports	35,500	37,000	37,000
Imports from the U.S.	8,700	9,185	9,200

U.S. computer products are generally viewed as innovative, with superior quality and leading edge technology. Germany accounts for approximately one quarter of the EU's total IT market. Assisted by the very weak dollar, the United States is expected to retain its 2007 import share of approximately 25% at least until the end of 2008. Exports exceed production due to considerable amounts of imported equipment being directly resold abroad or included as value-added equipment in locally manufactured products that are exported.

Best Prospects/Services

Return to top

Leading edge ICT products, servers, laptops, printers, W-LAN equipment, memory and networking products.

Resources

Return to top

Government:
Federal Statistical Office: http://www.destatis.de/

Trade Fairs:
CeBIT, the world's largest trade fair for ICT products and services: www.cebit.de

Associations:
Association of German Electro-technical Manufacturers: www.zvei.de

Association of German Information Technology Manufacturers: www.bitkom.de

Major trade journals:
www.computerwoche.de
www.informationweek.de
www.computerpartner.de
www.crn.de

Commercial Service Contact:
john.lumborg@mail.doc.gov

Drugs and Pharmaceuticals

Overview

Return to top

(USD million)	2006	2007	2008 (e)
Total Market Size	22,100	25,200	28,500
Total Local Production	29,700	32,200	34,800
Total Exports	41,900	44,100	46,300
Total Imports	34,300	37,100	40,000
Imports from the U.S.	4,322	4,668	5,000

Germany continues to be the most important destination for U.S. pharmaceuticals, representing the third largest market in the world after the U.S. and Japan. For 2007 production growth is still expected in a still vastly overregulated market. The AVWG Reform of 2007 included another lowering of reference pricing, a ban on natural rebates for all trading segments, a price moratorium until March 2008, and a bonus-malus system for physicians. Pharmaceuticals in Germany are subject to the full VAT rate, increased to 19% in January 2007, resulting in additional cost pressures on pharmaceuticals suppliers. Ireland, the United States, Switzerland, France, the United Kingdom and Italy are the major suppliers to the German market. Germany has roughly 1,042 local pharmaceutical manufacturers and an additional 230 biotechnology firms specializing in the development of pharmaceuticals. The exclusion of non-prescription drugs from reimbursement, the expansion of mail order supplies and multiple ownership have stimulated competition over the past year. The market is increasingly consumer-driven; patients' expenditures for non-reimbursable medication were valued at roughly USD 8.1 billion in 2006. Proposed legislation on drug benefits assessment for new, innovative, patented pharmaceuticals is heavily opposed by the large research-based pharmaceutical manufacturers, including U.S. subsidiaries. They consider the proposed procedure a major threat and barrier to biomedical innovation in Germany since it would impose high costs for additional clinical studies and jeopardize reimbursement of innovative drugs by German insurance funds. Germany registered 10,919 pharmaceutical patents in 2006, an increase of 4.5%, ranking Germany second worldwide after the United States. The sale of generic pharmaceuticals increased by 9.7% in 2006 to 341 million packages, valued at USD 8.25 billion. Next to France, Germany also has the lead in the homeopathic medicines segment, which should see good growth over the next 12 months. Re-importers achieved sales of over USD 2.7 billion in 2007, an increase of over 20%, increasing their share of the German pharmaceuticals market from 7.7% in 2006 to 8.9% in 2007.

Best Prospects/Services

Return to top

Innovative and improved pharmaceuticals, generic and OTC products; homeopathic medicines. High growth in 2006 was recorded for medications treating the following: Analgesics; cough and cold medications; anti-rheumatic drugs; beta blockers.

Resources

Return to top

German Government Agencies:
German Health Ministry: www.bmgs.bund.de
Federal Agency for Pharmaceuticals and Medical Products: www.bfarm.de
Federal Agency for Sera and Vaccines: www.pei.de
Federal Institute for Risk Assessment: www.bfr.bund.de
Federal Institute for Consumer Protection and Food Safety: www.bvl.bund.de

Trade Fairs:
Expopharm: www.expopharm.de
Biotechnica: www.biotechnica.de
MEDICA: www.medica.de

Trade Associations:
BPI (Association of the German Pharmaceutical Industry): www.bpi.de
VFA (German Association of Research-Based Pharmaceutical Companies): www.vfa.de
BAH (Federal Trade Association of Pharmaceutical Manufacturers): www.bah-bonn.de
German Generics Manufacturers Association: www.generika.de

Commercial Service Contact:
anette.salama@mail.doc.gov

Medical Equipment

Overview

Return to top

(USD million)	2006	2007	2008 (e)
Total Market Size	24,300	25,700	27,100
Total Local Production	21,000	22,700	24,500
Total Exports	12,500	13,800	15,200
Total Imports	15,800	16,800	17,800
Imports from the U.S.	4,740	5,040	5,300

The German market for medical devices stood at USD 24.3 billion in 2006, up 7.5% from 2005. Health expenditures in Germany amounted to USD 302.4 billion in 2006, approximately 10.7% of Germany's GDP. There are about 1,200 local medical device manufacturers, which produced medical devices valued at roughly USD 21 billion in 2006. The market continues to be export-driven. Ongoing health reform efforts and cost-containment measures have a negative impact on market development. Demand will mainly be driven by demographics and a substantial increase in the number of patients; by the need for economies of scale and efficient procedures; and by a major investment backlog estimated at USD 63 billion in hospitals and doctors' practices. A recent study characterized the medical device market as one with high growth dynamics and continuing consolidation, making it highly attractive for investors. It will also continue to provide excellent potential for U.S. suppliers of innovative and price-competitive products. U.S. medical device exporters to Germany continue to hold a 30% market share.

Best Prospects/Services Return to top

High quality advanced diagnostic and therapeutic equipment. Innovative technologies and minimally invasive equipment, such as laser-optics in vascular surgery, urology, gastrology, dermatology, and neuro-surgery, new diagnostic and imaging devices, as well as specialized wound care and easy-to-use home care products. The trend is toward miniaturization of electro-medical equipment and nanotechnology products. Natural orifice surgery and novel imaging technologies such as HDTV and NBI are also trendy and widely discussed among the German medical community.

Opportunities Return to top

As a result of the general need for cost savings in the medical sector, there are no identifiable major projects in this sector. As a result of ongoing health care reforms, the number of acute care hospitals decreased to 2,104 in 2006, a minus of 1.64%. However, investment opportunities may arise through a major drive toward hospital privatization by 2013. Diagnostic centers and the combination of practices with private home care may provide additional opportunities.

Resources Return to top

German Government Agencies:
German Health Ministry: www.bmgs.bund.de
Federal Agency for Pharmaceuticals and Medical Products: www.bfarm.de
Federal Bureau for Physical-Technical Equipment: www.ptb.de
Federal Institute for Risk Assessment: www.bfr.bund.de
Federal Institute for Consumer Protection and Food Safety: www.bvl.bund.de

Trade Fairs:
MEDICA: www.medica.de

Trade Associations:
Federal Association of the Medical Devices Industry: www.bvmed.de
Federal Association of the Electro-Medical Industry: www.zvei.de/medtech
German Hospital Association: www.dkgev.de
Medical Dealers Association: www.zmt.de

Commercial Service Contact:
anette.salama@mail.doc.gov

Management Consulting Services

Overview

Return to top

(USD million)	2006	2007	2008 (e)
Total Market Size	19,100	21,300	23,600

(Source; BDU)

Germany is the largest consulting market in Europe, followed by the UK. In 2006, around 73,000 management consultants worked in about 14,250 management consulting firms. About 35% of the consultants work in firms, which achieve revenues below EUR 1 million, and about 34% in large firms with more than EUR 45 million in revenues. These large consulting firms earn nearly half of all revenues in the consulting market.

Management consultants in Germany experienced their most successful year in 2006, with consulting firms of all sizes enjoying revenue growth. The two largest fields are strategic and organizational/process consulting. Consulting firms throughout Germany tend to be located in various regional centers, rather than in one city serving as a national center. Continued overall growth is expected for 2007.

Best Products/Services

Return to top

More than half of the demand for consulting services comes from clients in both the manufacturing and financial services industries. Customer relationship management, innovation, cost management, globalization and organic growth are expected to be the hottest topics for German clients in the next years.

Resources

Return to top

Associations;
Bundesverband Deutscher Unternehmensberater BDU e.V.
(Federal Association of German Management Consultants)
www.bdu.de

Commercial Service Contact:
mathias.koeckeritz@mail.doc.gov

Electronic Components

Overview

Return to top

(USD million)	2006	2007	2008 (e)
Total Market Size	23,500	25,730	27,300
Total Local Production	23,300	24,900	26,300
Total Exports	11,400	11,300	11,000
Total Imports	11,600	12,100	12,000
Imports from the U.S.	2,300	2,500	2,500

(Source: German Electrical and Electronics Manufacturers Association (ZVEI), unofficial estimates)

Germany is the largest electronics producer within the EU, and the 5th largest worldwide. The German market for electronic components is expected to grow 8.7% (based on USD value) in 2007, reaching a volume of USD 25.7 billion. More than 45% of the products and services provided by the electronic components industry is exported; 65% to European countries. Local production has decreased over the last 5 years due to a growing trend of outsourcing to companies in Central and Eastern Europe as well as in South East Asia. Despite a decline in both the total import value and export value in the period 2001-2005, Germany remained by far the largest importer, as well as exporter, in Europe in 2006. In November 2007, semiconductors accounted for 63.8% (USD 16.4 billion) of the total ELC market in Germany. The market for electromechanical components is valued at USD 4.1 billion (2006: 3.4 billion); printed circuit boards/laminated circuits accounted for USD 3.0 billion (2006: 2.6 billion). The market for passive components reached USD 2.3 billion. Prime end-user sectors for electronic components are the automotive industry (37%), data processing (23%), industrial electronics (19%), telecommunications (17%), and consumer electronics (4%). As a result of the still ongoing shift of production facilities to Eastern Europe and Asia, the telecommunications sector and consumer electronics sector are expected to be the only industry sectors with a negative growth (both -5.0%) in 2007.

Best Products/Services

Return to top

Prospects are in the automotive industry (motor management, security and infotainment, including telematics) and on a smaller level, data processing (data storage and infrastructure for mobile networks, e.g., cables, switches, fiber-optic connectors, and fuses).

Resources

Return to top

Trade Associations:
ZVEI (Electrical and Electronics Manufacturers Association): http://www.zvei.de

Trade Fairs:
Embedded World 2008: http://www.embedded-world.de/
Sensor + Test 2008: http://www.sensor-test.com

PCIM Europe 2008: http://www.mesago.de/de/PCIM/main.htm
Electronica 2008: Global-Electronics.net

Trade publications:
Design & Elektronik; ElektronikPraxis; Elektronik; Elektronik Industrie; Markt&Technik

Customer requirement and legal regulations:
Guidelines and Forms Version 2.1 can be downloaded on http://www.zvei.de

Commercial Service Contact:
dagmar.winkler-helmdach@mail.doc.gov

Industrial Chemicals

Overview

Return to top

(USD million)	2006	2007	2008 (e)
Total Market Size	114,400	120,800	127,200
Total Local Production	165,800	174,100	182,400
Total Exports	173,400	193,700	214,000
Total Imports	122,000	140,400	158,800
Imports from the U.S.	13,630	15,370	17,110

Germany offers good opportunities for U.S. chemicals. It is the largest market in Europe and, with its central location, a major hub for supplying other European countries. In 2006, Germany's total chemical imports reached USD 122 billion, USD 13.6 billion of which originated from the United States, an increase of over 14% over the previous year. Estimates for 2007 anticipate total chemical exports at USD 193.7 billion, total imports at USD 140.4 billion and imports from the U.S. at USD 15.3 billion. Positive developments will continue throughout 2008, despite higher energy and oil prices. Approximately 2,000 companies in Germany produce chemicals, among them global players such as Bayer, BASF, Henkel. Ninety percent of German chemical producers are small to medium in size.

Best Products/Services

Return to top

Coatings, additives, nano materials and other innovations. High quality specialty products have good market potential throughout Europe. In contrast, standard chemicals are highly competitive and price-sensitive in Germany, since competition from Asia, particularly from China, and India is strong. The market for standard chemicals is therefore less attractive for U.S. exporters than the market for specialty chemicals.

Opportunities

Return to top

Demand in the German chemical sector is usually generated by the German processing industries. Germany's chemicals industry was highly satisfied with 2006 results. It is likely that this positive trend will continue beyond 2007 providing U.S. chemical exporters with good sales opportunities.

Resources

Return to top

German Government Agencies:
Federal Statistical Office: http://www.destatis.de/

Trade Fairs:
European Coatings: http://www.european-coatings-show.de/
CphI: http://www.cphi.com

Trade Associations:
Chemical Industry Association: http://www.vci.de/

Commercial Service Contact:
kirsten.hentschel@mail.doc.gov

Automotive Parts and Services

Overview

Return to top

(USD million)	2006	2007	2008 (e)
Total Market Size	38,700	38,700	38,700
Total Local Production	46,000	46,000	46,000
Total Exports	18,900	18,900	18,900
Total Imports	11,500	11,500	11,500
Imports from the U.S.	2,000	2,000	2,000

(Source: GAI)

The automobile industry remains one of the driving forces behind German economic growth. Both domestic demand and exports of German cars increased slightly in 2006. Because of increased global sourcing by German manufacturers, and a favorable EUR-USD exchange rate, U.S. parts manufacturers were able to increase their exports to Germany.

Best Products/Services

Return to top

Engine electronics; multi-media products; forged and pressed parts.

Resources

Return to top

Trade Fairs:
IAA: http://www.iaa.de/
Automechanika: http://automechanika.messefrankfurt.com/frankfurt/de/home.html

Trade Associations:
VDA (German Automobile Association): www.vda.de
ZKF (Central Association for Car and Body Technology): www.zkf.de
Central Association for German Motor Trades and Repair: www.kfzgewerbe.de

Commercial Service Contact:
paul.warren-smith@mail.doc.gov
andrea.stahl@mail.doc.gov

Franchising

Overview

Return to top

(USD million)	2006	2007	2008 (e)
Total Sales	46,300	55,260	58,000
Sales by local firms	37,000	45,000	50,000
Sales by local firms abroad	N/A	N/A	N/A
Sales by foreign-owned firms	9,300	11,100 (e)	12,500

(Source: German Franchise Association, trade publications, individual research)

The German franchising industry continues to grow moderately. In 2007, franchising systems in Germany are projected to generate revenues of USD 55.3 billion. Early 2007, there were approximately 51,100 franchise outlets operating under the framework of about 900 different franchise systems, supporting over 429,000 full-time jobs. Compared to 2006, this adds up to a 3.4% increase in franchise systems and a 6.3% increase in outlets, reflecting a satisfying industry growth. The growth in the number of outlets in Germany is attributable to both an expansion of existing franchise systems, as well as an increase in the absolute number of franchise systems. German companies hold 80% of the total German franchising market. A healthy annual growth rate of approximately 19.4% (based on USD value) is anticipated for the year 2007. The structure of the German franchise market has, since 2000, experienced a clear shift towards the service industries, mainly at the expense of the retail systems. The service sector represented the largest block, accounting for 50% of the total franchising industry, followed by the retail sector with 29%. The hotel & restaurant/catering industries accounted for 14%, and the handicrafts industry for 7%.

Franchise systems are at least equally as difficult to introduce in Germany as in other major, non-English speaking EU countries (France, Spain, and Italy). U.S. franchisors must be prepared to adapt to required market norms and standards, invest in market research, test market receptivity through pilot projects, and adjust their concepts to German business practices and consumer tastes.

Best Products/Services

Return to top

Training and educational services; express delivery services; business services (incl. management consultancy, recruitment, accounting); maintenance and cleaning services; energy saving products and services; printing services; health food supply; home care services; environmental services; “market niche” services (comparative pricing services, pet food delivery, etc.); wellness and body care services.

Opportunities

Return to top

For American franchisors wishing to find potential master/area franchisees, the Commercial Service offers the “Franchise Partner Search Service” (FPS), a program tailored specifically to the needs of U.S. franchisors in locating suitable franchise partners in Germany.

Resources Return to top

Trade Associations:
German Franchise Association: http://dfv-franchise.de

Other:
Trade Publications:
http://www.geschaeftsidee.de
http://www.unternehmerverlag.de
http://www.impulse.de
http://www.franchise-net.de
http://www.franchiseportal.de
http://www.franchise-world.de
Law and Accounting Firms:
http://dfv-franchise.de, http://www.franchiserecht.de
Financing:
http://www.bvk-ev.de

U.S. Commercial Service Contact:
dagmar.winkler-helmdach@mail.doc.gov

Telecommunications Equipment

Overview Return to top

(USD million)	2006	2007	2008 (e)
Total Market Size	20,400	20,900	21,100
Total Local Production	19,600	20,100	20,100
Total Exports	11,200	11,500	11,500
Total Imports	12,000	12,300	12,500
Imports from the U.S.	2,000	2,100	2,150

(Source: RegTP, EITO)

Telecommunications spending increased about 1% in 2006 (after a 1.5% increase in 2005). Broadband will remain the key application with more than 7 million connections and a penetration rate of 8%. DSL will continue to represent the overwhelming majority of broadband connections, with Deutsche Telekom (DTAG) providing more than 83% of all broadband connections. VoIP is expected to change the competitive landscape. In the mobile segment, providers are investing in UMTS infrastructure and WiMax applications. Demand for mobile phones is beginning to decline due to market saturation.

Best Products/Services Return to top

Broadband equipment and services, W-Lan equipment and services

Opportunities

Return to top

Broadband technologies (DSL and TV cable) will offer considerable opportunities for suppliers of technology and services.

Resources

Return to top

German Government Agencies:
German Regulatory Authority: www.bundesnetzagentur.de

Trade Fairs:
CeBIT, the world's largest trade fair for ICT products and services: www.cebit.de

Trade Associations:
Electro-technical Manufacturers: www.zvei.de
German Information Technology Manufacturers: www.bitkom.de
German telecommunications service providers: www.vatm.de

Commercial Service Contact:
volker.wirsdorf@mail.doc.gov

Sporting goods

Overview

Return to top

(USD million)	2006	2007	2008 (e)
Total Market Size	5,561	5,863	6,200
Total Local Production	3,776	4,056	4,300
Total Exports	1,080	1,140	1,200
Total Imports	2,865	2,947	3,100
Imports from the U.S.	685	679	685

Germany is Europe's largest sporting goods equipment market and a very sport-minded country. There are no fewer than 86,000 clubs, with nearly 27 million members, associated with the Deutscher Sportbund (German Sports Federation). It is through these clubs' training and other programs, rather than school programs as in the United States, that the nation's elite athletes rise to the top. Excellent opportunities exist for U.S. firms in the German sporting goods market. American sporting goods products, especially those that are "Made in the USA", continue to set trends and enjoy great popularity in Germany.

Best Products/Services

Return to top

Exercise equipment; outdoor sports equipment; hunting equipment; athletic goods; in-line skating; skateboarding; golf equipment.

Resources

Return to top

Trade Fairs:
ispo, www.ispo.com

FIBO, www.fibo-messe.com
OutDoor, www.messe-friedrichshafen.de
EuroBike, www.eurobike-exhibition.de
Golf Europe, www.golf-europe.de
Fairway, www.fairway.de
IWA & Outdoor Classics, www.iwa.info

Trade Associations:
German Sporting Goods Manufacturers Association: www.bsi-ev.com
German Association of Sporting Goods Retailers: www.vds-sportfachhandel.de

Commercial Service Contact:
dagmar.winkler-helmdach@mail.doc.gov

Travel and Tourism

Overview

Return to top

(USD million)	2006	2007	2008 (e)
Total Market Size	74,300	84,700	86,000
Total Local Production	N/A	N/A	N/A
Total Exports	N/A	N/A	N/A
Total Imports	N/A	N/A	N/A
U.S. Expenditure by German Tourists	3,165	4,060	4,300

Travel to the United States from Germany is expected to increase by 5% in 2008 with the strong Euro, creative packaging and promotional activities of German tour operators and their U.S. industry partners. Germans are still the world's number one travelers per capita and are expected to take advantage of the strong Euro to visit the United States. Continuing negative public perceptions of entry and visa regulations and aggressive marketing by other destinations are barriers to development. The environmental debate is not expected to unduly influence outbound travel from Germany in 2008; however, gradual climate changes leading to more hurricanes, forest fires, lack of snow in ski resorts, etc. are expected to influence travel patterns in future.

Best Products/Services

Return to top

Flexible itinerary elements for FITs; innovative and unique study tours; value-added accommodation and rental offers; Native American inventory packaged with local attractions and service providers, which should be activity-based rather than language dependent; sports packages, both spectator and participatory; incentives for small groups.

Resources

Return to top

Government:
Entry and visa regulations information
http://germany.usembassy.gov/germany/visa/

Trade Fairs:
Reisen Hamburg, http://www.hamburg-messe.de/reisen
CBR Munich, http://www.c-b-r-muenchen.de
ITB Berlin, http://www.itb-berlin.com
IMEX Frankfurt, http://www.imex-frankfurt.de
TravelTour & Trends Cologne, http://www.reisemarkt-koeln.de
CMT Stuttgart, http://www.messe-stuttgart.de/cmt

Other:
http://www.usa.de (German language consumer travel website on United States)
http://www.vusa-germany.de (Official site of the Visit USA Committee Germany e.V.)

Commercial Service Contact:
elizabeth.powell@mail.doc.gov

Biotechnology

Overview

Return to top

(USD million)	2006	2007	2008 (e)
Total sales related to Biotechnology (incl. the estimated sales of the biotech segments of big pharmaceutical companies)	24,300	26,700	28,800
Total sales of German core biotech companies	1,050	1,140	1,200

While agricultural biotech applications, in Germany often referred to as "green biotech," are controversial, demand for so-called "white biotechnology" applications aiming at making industrial processes more environmentally is expected to increase. Medical applications, referred to as "red biotech," remain an important area for German pharmaceutical research and product development. The biotech sector in Germany is growing and will continue to grow. German biotech companies are starting 2008 on an optimistic note, as shown by a survey carried out by the trade association of the German biotechnology industry, BIO Deutschland e.V. According to the results of the survey, 2008 investments in research and development, however, are expected to stagnate or even slightly decrease – while 56% of the firms planned to increase their investment in this area in 2007, only 47% plan to do so in 2008.

Best Products/Services

Return to top

Cardio-, cancer- and neuro-therapeutical products. Peptides in the treatment of diabetes find more and more applications. Enzymes used in washing powders and in the textile industry are in high demand.

Resources   Return to top

Trade Fairs:
Analytica, http://www.analytica-world.com
Biotechnica, http://www.biotechnica.de

Trade Associations:
Bio Germany, http://www.biodeutschland.org
European Private Equity & Venture Capital Association, http://www.evca.com/
BVK (Association of Equity Firms), http://www.bvk-ev.de
Dechema (Chemical Manufacturers), http://www.dechema.de
VCI (Chemical Industries), http://www.vci.de

Commercial Service Contact:
nils.roeher@mail.doc.gov

Agricultural Sectors   Return to top

BEST PROSPECTS FOR AGRICULTURAL PRODUCTS
(All figures are in metric tons, unless otherwise stated.)

1: Tree Nuts
2: Fishery Products
3: Wine
4: Pet Food

1	**Tree Nuts**	**HTP**		
The category of tree nuts includes almonds, pistachios, pecans, hazelnuts and walnuts. Germany does not produce significant quantities of these products, therefore, supply comes primarily from imports. A number of U.S. agricultural associations actively promote their products in Germany, including the Almond Board of California, California Pistachio Commission and the California Walnut Commission. The leading competitor for the United States in the German tree nut market is Turkey. In 2006, U.S. tree nut exports to Germany were valued at $333 million out of a total import value of $1.24 billion.				
		2005	**2006**	**2007(e)**
		MT	**MT**	**MT**
Total market		131,998	144,800	146,300
Production		*	*	*
Total exports		35,727	41,748	52,000
Total imports		198,748	223,380	279,200
Imports from the U.S.		52,405	60,421	75,500

2	Fishery Products	FFPD		
Fish and fishery products enjoy growing popularity in Germany. The two most important fishery products the U.S. exports to Germany are lobster and frozen Alaska Pollock. Shipments of the latter increased significantly after a major German fish processor decided to source only groundfish that was frozen on the trawler directly after catch. In 2006, U.S. total exports of fishery products to Germany were valued at $179 million, out of a total import value of $3.7 billion. The biggest U.S. competitors are China (for Alaska pollock) and Canada (for lobster).				
		2005	**2006**	**2007(e)**
		MT	**MT**	**MT**
Total market		831,528	920,300	900,800
Production		469,903	473,361	482,000
Total exports		511,379	541,600	454,900
Total imports		872,691	908,557	901,300
Imports from the U.S.		63,132	55,889	46,400

3:	Wine	HTP		
Germany is the world's largest importer of wine. In 2006, German wine imports were valued at more than $2.4 billion. Italy, France and Spain are the leading suppliers of wine to Germany with a combined import market share of nearly 79%. U.S. wines, together with other "new-world" wines, have developed an increasingly good reputation for quality in the German market. In 2006, the value of Germany's imports of U.S. wines totaled approximately $54 million.				
		2005	**2006**	**2007(e)**
		hl (1,000)	**hl (1,000)**	**hl (1,000)**
Total market		20,000	20,300	21,500
Production		9,170	8,800	9,800
Total exports		3,140	2,310	2,900
Total imports		14,254	14,241	17,800
Imports from the U.S.		482	451	500

4:	Pet Food	G&FD		
Germany is one of the leading countries for pet ownership in the world. Germans are willing to pay a premium to properly feed their pets and interest in specialty health pet food products is growing rapidly. The majority of pet foods are produced domestically and the EU requires pet foods to be derived from meat that is fit for human consumption. In 2006, the value of U.S. pet food exports to Germany totaled $3.5 million, out of a total import value of nearly $775 million. Despite the bureaucratic obstacles, opportunities for exporting pet food products to Germany are available given the considerable size of the market.				
		2005	**2006**	**2007(e)**
		USD Million	**USD Million**	**USD Million**
Total market		2,289	2,300	2,500
Production		2,188	2,400	2,400
Total exports		520	543	600
Total imports		752	775	800
Imports from the U.S.		5	6	5

Return to table of contents

Return to table of contents

Chapter 5: Trade Regulations and Standards

Import Tariffs

Return to top

U.S. exporters seeking to enter the German market can obtain useful information from the Office of European Union and Regional Affairs at the U.S. Department of Commerce. When provided with a product's Schedule B Number, the Office for EU and Regional Affairs supplies tariff information for American products exported to Germany. The Office's phone number is 1-800 USA TRADE or (202) 482-0543. For the Schedule B Number, please contact the Bureau of the Census

An alternative source for EU customs tariffs is:
http://ec.europa.eu/taxation_customs/dds/home_en.htm

A general overview of customs issues can also be obtained by visiting the following web page: http://www.export.gov (TIC Trade Information Center, U.S. Department of Commerce)

Import Turnover Tax
All industrial imports into Germany are subject to an "Import Turnover Tax" of 19%, which is charged on the duty-paid value of the import article plus the customs duty, which varies by item. (Exemptions: certain agricultural and a few other products, which are taxed 7% ad valorum). The Import Turnover Tax is designed to place the same tax burden on imported goods as goods produced domestically, on which is levied a 19% "Value-added Tax" (VAT). The German customs authorities collect both customs duty and Import Turnover Tax.

It is important, however, to collect and present all invoices as originals in order to deduct any VAT charges from one's own tax liability or to get reimbursed by the German Ministry of Finance, if eligible.

Trade Barriers

Return to top

Germany's regulations and bureaucratic procedures can be a difficult hurdle for companies wishing to enter the market and require close attention by U.S. exporters. Complex safety standards, not normally discriminatory but sometimes zealously applied, complicate access to the market for many U.S. products. U.S. suppliers are well advised to do their homework thoroughly and make sure they know precisely which standards apply to their product and that they obtain timely testing and certification.

For information on existing trade barriers, please see the National Trade Estimate Report on Foreign Trade Barriers, published by USTR and available through the following website: http://www.ustr.gov/Document_Library/Reports_Publications/2007/2007_NTE_Report/Section_Index.html?ht.

Information on agricultural trade barriers can be found at the following website: http://www.useu.usmission.gov/agri/usda.html.

To report existing or new trade barriers and get assistance in removing them, contact either the Trade Compliance Center at http://www.trade.gov/tcc or the U.S. Mission to the European Union at http://www.buyusa.gov/europeanunion.

Import Requirements and Documentation

Return to top

The Integrated Tariff of the Community, referred to as TARIC (Tarif Intégré de la Communauté), is designed to show various rules applying to specific products being imported into the customs territory of the EU or, in some cases, when exported from it. To determine if a license is required for a particular product, check the TARIC.

The TARIC can be searched by country of origin, Harmonized System (HS) Code, and product description on the interactive website of the Directorate-General for Taxation and the Customs Union. The online TARIC is updated daily.

Many EU Member States maintain their own list of goods subject to import licensing. For example, Germany's "Import List" (Einfuhrliste) includes goods for which licenses are required, their code numbers, any applicable restrictions, and the agency that will issue the relevant license. The Import List also indicates whether the license is required under German or EU law.

Imported goods must be accompanied by a customs declaration, which has to be submitted in writing, and an invoice in duplicate. Normally the German importer files this declaration. The commercial invoice must show the country of purchase and the country of origin of the goods. The invoice should contain:

- Name (company) and address of seller and buyer
- Place and date of issue
- Number, kind of packages
- Precise description of articles
- Volume or quantity in normal commercial units
- Invoice price (in invoice currency)

- Terms of delivery and
- Payment.

In addition, a certificate of origin may be required in some cases.
Import duties and taxes are subject to change and companies are well advised to verify the correct tariff level shortly before carrying out any export transaction. For further information, including current customs tariffs, please visit:
http://www.zoll.de/

http://www.germany-info.org/relaunch/info/consular_services/customs/tariff.html

The summary declaration is to be lodged by:

- the person who brought the goods into the customs territory of the Community or by any person who assumes responsibility for carriage of the goods following such entry; or
- the person in whose name the person referred to above acted.

Non-EU goods presented to customs must be assigned a customs-approved treatment or use authorized for such non-Community goods. Where goods are covered by a summary declaration, the formalities for them to be assigned a customs-approved treatment or use must be carried out:

- 45 days from the date on which the summary declaration is lodged in the case of goods carried by sea;
- 20 days from the date on which the summary declaration is lodged in the case of goods carried other than by sea.

Where circumstances so warrant, the customs authorities may set a shorter period or authorize an extension of the period.

The Modernized Customs Code (MCC) of the European Union is expected to be passed into law in the first half of 2008. The MCC will replace the existing Regulation 2913/92 and simplify various procedures such as introducing a paperless environment, centralized clearance, and more. Check the EU's Customs website periodically for updates:http://ec.europa.eu/taxation_customs/customs/procedural_aspects/general/community_code/index_en.htm.

U.S. Export Controls

Return to top

The Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies is one of four multilateral export control regimes in which the United States and Germany participate. The Arrangement's purpose is to contribute to regional and international security and stability by promoting transparency and greater responsibility in transfers of conventional arms and dual-use (i.e., those having both civil and military uses) goods and technologies to prevent destabilizing accumulations of those items. The Wassenaar Arrangement establishes lists of items for which member countries are to apply export controls. Member governments implement these controls to ensure transfers of the controlled items do not contribute to the development or enhancement of military capabilities that undermine the goals of the Arrangement and are not diverted to support such capabilities. In addition, the Wassenaar Arrangement imposes some reporting requirements on its member governments.

The U.S. Government controls all items for export that are controlled multilaterally by the Wassenaar Arrangement. In general, export controls for dual-use goods and technologies controlled in the Wassenaar Arrangement are administered by the U.S. Department of Commerce and controlled for National Security reasons on the Commerce Control List. The U.S. Department of State administers export controls on conventional arms.

More information under: http://www.bis.doc.gov

Temporary Entry

Return to top

For temporary entry it is usually advisable to purchase an ATA Carnet, which allows for the temporary, duty-free entry of goods into over 50 countries, and is issued by the United States Council for International Business by appointment of the U.S. Customs Service: http://www.uscib.org

Labeling and Marking Requirements

Return to top

The European Union does not generally legislate packaging and labeling requirements, but does so for what it sees as specific high-risk products. In the absence of any EU-wide rules, the exporter has to consult national regulations or inquire about voluntary agreements among forwarders that affect packaging and labeling of containers, outside packaging, etc. Importers or freight forwarders should be able to advise U.S. exporters on shipping documents and outer packaging/labeling. European Union customs legislation only regulates administrative procedures, such as type of certificate and the mention of rule of origin on the customs forms and shipping documents.
Product-specific packaging and labeling requirements applicable throughout the EU apply to food, medicines, chemicals, pharmaceuticals and other items EU authorities regard as high-risk. The stated purpose of harmonizing such legislation throughout the EU is to minimize the risk for consumers (the end user).
The CE mark is mandatory in the 25 EU countries for any electrical apparatus and often more than one CE mark law may apply.
The relevant EU website with more details regarding CE mark/electrical equipment is http://europa.eu.int/comm/enterprise/electr_equipment/index.htm. For example, for medical devices, it is http://ec.europa.eu/enterprise/medical_devices/index_en.htm.
In addition to product-specific labeling and packaging requirements, there is also more general consumer-related legislation.
http://europa.eu.int/comm/consumers/policy/developments/labelling/lab01_en.pdf

Eco-Label

Since its inception ten years ago, many companies have recognized the benefits of adopting the EU Eco-Label scheme. There are currently 135 companies licensed under the regime, and it has been awarded to 21 product groups. The products range from paints, detergents, and refrigerators to tourist accommodation. The number is growing and it is the only voluntary scheme that covers products moving across borders within the EU. It sets ecological criteria for a range of products and services in a transparent way so that the consumer can make a more informed choice in order to support sustainable consumption patterns. The EU Eco-Label program takes the lifecycle (from cradle to grave) of a product into account, e.g., the materials, health implications, and waste factors that may have an impact on the environment.

The “Blue Angel” is a voluntary environmental labeling program. Created in 1977 by the Interior and Environmental Ministry, it is the oldest environment-related label in the world. The mark is awarded to products and services, which are beneficial to the environment. High standards of occupational health and safety, ergonometrics, economical use of raw materials, service life and disposal are also factors covered under this “seal of approval.”

According to the German Ministry for Environmental Affairs, the Blue Angel offers companies the opportunity to document their environmental competence in a simple and inexpensive way, thereby enhancing their market image. About 3,700 products and services have been awarded the label, including, recently, mobile phones and marine transport.

An overview of EU mandatory and voluntary labeling and marking requirements has been compiled in a market research report that is available at: http://www.buyusainfo.net/docs/x_4171929.pdf.

The subject has been also been covered in the section about standards (see below).

Customs Regulations and Contact Information

Return to top

The website of the German Customs Authorities is: http://www.zoll.de/

Standards

Return to top

Overview

Return to top

Products tested and certified in the United States to American standards are likely to have to be retested and re-certified to EU requirements as a result of the EU’s different approach to the protection of the health and safety of consumers and the environment. Where products are not regulated by specific EU technical legislation, they are always subject to the EU’s General Product Safety Directive as well as to possible additional national requirements.

European Union standards created under the New Approach are harmonized across the 27 EU Member States and European Economic Area countries to allow for the free flow of goods. A feature of the New Approach is CE marking. While harmonization of EU legislation can facilitate access to the EU Single Market, manufacturers should be aware that regulations and technical standards might also function as barriers to trade if U.S. standards are different from those of the European Union.

Most manufacturers believe the EU's attempt to harmonize the various product safety requirements and related standards for industrial products of its member states has generally helped open member state markets. It did not, however, get entirely rid of voluntary national requirements, a fact which complicates the issue. Theoretically, during a transition period, national requirements must be met. (After the transition period, the EU "CE" mark supersedes all other compliance certificates, provided the products in question are covered by an EU directive.) The EU's efforts to harmonize standards through the "New Approach" certification-facilitating directives (and separately developed European standards) are incomplete as far as sectors covered. In some cases, U.S. firms (for example, in the automotive or pharmaceutical sectors) will have to worry about complying with the specific requirements of all applicable "Old Approach" product-specific EU technical legislation.

This is doubly important because, to the extent EU-wide standards are developed, there is a high probability that the existing German standard will form the basis for the eventual European standard. In many cases, Germany will also be the first member country to implement EU-wide standards. The implementation of electromagnetic compatibility standards (EMC), despite a five-year phase-in period, surprised many affected companies - not only foreign, but also German.

German buyers may require additional performance or quality marks, which are not necessarily legally required, but which greatly enhance a product's chances to be marketed. Both EU requirements and the standards for a German quality or performance mark will, in many cases, require modifications for an imported product. Even if the product does not require modification, it may still need testing and certification before it can be marketed.

Two non-mandatory marks which may still be critical to successfully marketing product in Germany are the "geprüfte Sicherheit" (GS) mark, for mechanical products, and the "Verband Deutscher Elektrotechniker" (VDE) mark for electrical components.
Neither the "GS" nor the "VDE" mark are mandatory for most products sold in Germany except for products for use in certain work place applications, where these marks are required to meet insurance requirements. However, many German consumers look for these marks as an additional sign of quality, similar to the UL mark in the U.S., regardless of legal requirement.

Standards Organizations Return to top

Standards setting is a process based on consensus initiated by industry or mandated by the European Commission and carried out by independent standards bodies, acting at the national, European or international level. There is strong encouragement for non-governmental organizations, such as environmental and consumer groups, to actively participate in European standardization.

Many standards in the EU are adopted from international standards bodies such as the International Standards Organization (ISO). The drafting of specific EU standards is handled by three European standards organizations:

- CENELEC, European Committee for Electrotechnical Standardization (http://www.cenelec.org/Cenelec/Homepage.htm)

- ETSI, European Telecommunications Standards Institute (http://www.etsi.org/)

- CEN, European Committee for Standardization, handling all other standards (http://www.cen.eu/cenorm/homepage.htm)

Standards are created or modified by experts in Technical Committees or Working Groups. The members of CEN and CENELEC are the national standards bodies of the Member States, which have "mirror committees" that monitor and participate in ongoing European standardization. The German organization that compiles standards is the Deutscher Industrie Normenausschuss - DIN (German Standards Institute, www.din.de[12]). The DIN also compiles the standards that lay down the requirements for a "GS" mark. Since 1975, DIN has been recognized by the German government as the national standards body and represents Germany's interests at the international and EU levels. DIN offers a forum in which interested parties meet in order to discuss and define their specific standardization requirements and to record the results as German Standards. In DIN, standard work is carried out by some 26,000 external experts, serving as voluntary delegates in more than 4,000 committees. Draft standards are published for public comment, and all comments are reviewed before final publication of the standard. Published standards are reviewed for continuing relevance at least every five years. According to DIN, standards are designed to promote rationalization, quality assurance, safety, and environmental protection, as well as improving communication between industry, technology, science, government, and the public domain. The input of external experts into standardization is organized through standards committees and working groups. Each standards committee is responsible for a distinct area of activity and coordinates the corresponding standardization work at the EU and international levels. As a rule, the standards committee in DIN includes a number of technical sub-committees. There are currently 76 standards committees that maintain their own websites. Basic details of their area of activity and a list of the standards are published in English. Links to these committees are available on the DIN website

NIST Notify U.S. Service
Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: http://www.nist.gov/notifyus/

Conformity Assessment

Return to top

Conformity Assessment is a mandatory step for the manufacturer in the process of complying with specific EU legislation. The purpose of conformity assessment is to ensure consistency of compliance during all stages of the production process to facilitate acceptance of the final product. EU product legislation gives manufacturers some choice with regard to conformity assessment, depending on the level of risk involved in the use of their product. These range from self-certification, type examination and production quality control system, to full quality assurance system. You can find conformity assessment bodies in individual Member State country in this list by the European Commission. http://ec.europa.eu/enterprise/newapproach/nando/

Accreditation of conformity assessment bodies
Conformity assessment bodies evaluate the competence of German entities to carry out tests and certifications in accordance with third country law. Following a successful appraisal, the entities are accredited, and the scope of their accredited work is designated by the conformity assessment body of a Federal Ministry.

EC agreements with third countries
The Mutual Recognition Agreements on Conformity Assessment (MRAs) form the basis of the accreditation and designation of conformity assessment bodies. These agreements stipulate that the authority in the importing country recognizes the evaluation of devices or quality management systems conducted by a conformity assessment body located in the exporting country. This situation means that EU manufacturers can receive confirmation of compliance with third country regulations from EU conformity assessment bodies. The agreements imply the mutual acceptance of conformity assessment bodies and systems. They do not however imply mutual recognition (harmonization) of regulation. Thus, the regulations of the importing contract party apply.

MRA with the United States
The Agreement on Mutual Recognition with the United States of America was signed with the EU on May 18, 1998, and came into effect June 22, 1998.

The texts of the agreement and further information can be found on the EU website, http://europa.eu.int/comm/trade. All conformity assessment bodies accredited are obliged to participate in the confidence-building exercises and in the national MRA information exchange. This information exchange of the notified bodies is in accordance with the Medical Devices Law (EK-Med).

Recognized conformity assessment bodies
An overview of existing recognized conformity assessment bodies can be found on the website of the European Commission, http://europa.eu/index_en.htm

Product Certification

Return to top

To sell products on the EU market of 27 Member States, as well as Norway, Liechtenstein and Iceland, U.S. exporters are required to apply CE marking whenever their product is covered by specific product legislation. CE marking product legislation offers manufacturers a number of choices and requires decisions to determine which safety/health concerns need to be addressed, which conformity assessment module is best suited to the manufacturing process, and whether or not to use EU-wide harmonized standards.

Organizations responsible for testing and certification are, for example, Underwriters Laboratories or the "Technischer Überwachungsverein e.V. - TÜV" (Technical Inspection Association). TÜVs are private companies set up by various German states to inspect and test products for compliance with German safety standards. Individual TÜVs have also been authorized by the German Government to test products for compliance with

EU legislation and many have established representative offices in the United States. Within the DIN group, certification services are offered by: DIN CERTCO (product and services certification), and DQS (management systems).

For the VDE (Association for Electrical, Electronic & Information Technologies) mark, which is applicable for electrical products only, companies can obtain information directly from the VDE (for contact information please see below).

The process for "VDE" certification is the same as that of the "GS" mark. Firms interested in certification should contact a U.S.-based test laboratory or a Conformity Assessment Body (see: http://ts.nist.gov/Standards/Global/europe.cfm).

Self-Certification
For certain products, self-certification by manufacturers (through a Manufacturer's Declaration of Conformity) is sufficient. Further information is available from the contacts listed at the end of this chapter (see http://www.buyusa.gov/europeanunion).

Agreements on Certification
CB - IEC System for Conformity Testing to Standards for safety of electrical equipment
CCA - CENELEC Certification Agreement
CECC - CENELEC Electronic Components Committee - System for electronic components of assessed quality
ENEC - ENEC Agreement
HAR - CENELEC Agreement for the use of an agreed marking for cables and cords in combination with harmonized standards
IECQ - IEC System for the quality assessment of electronic components and associated materials

Accreditation

Return to top

Independent certification bodies, known as notified bodies, have been officially accredited by competent authorities to test and certify to EU requirements. However, under U.S.-EU Mutual Recognition Agreements (MRAs), notified bodies based in the United States and referred to as conformity assessment bodies, are allowed to test in the United States to EU specifications, and vice versa. The costs are significantly lower which results in U.S. products becoming more competitive. At this time, the U.S.-EU MRAs cover the following sectors: EMC (in force), RTTE (in force), medical devices (in transition), pharmaceutical (on hold), recreational craft (in force) and marine equipment (in force). The U.S. Department of Commerce, National Institute of Standards and Technology (NIST), has a link on its website to American and European Conformity Assessment bodies operating under a mutual recognition agreement.
http://ts.nist.gov/Standards/Global/mra.cfm

The German Accreditation Council (DAR) is a working group established in 1991 by ministries of the German Federal Government, ministries of the German federal states, and by representatives of the German industry.

The DAR coordinates the activities in the field of accreditation and recognition of laboratories, certification, and inspection bodies as far as they are represented in the DAR; it represents German interests in national, European and international organizations dealing with general issues of accreditation and recognition, including voluntary and mandatory (KOGB) areas. The DAR itself does not carry out any accreditations or recognitions.

All accreditation bodies represented in the DAR are operating on the basis of the EN 45000/EN ISO/IEC 17000 standard series and the DAR resolutions. With permission of the DAR, they may therefore use DAR certificates for accreditation.

Publication of Technical Regulations Return to top

Technical regulations are published by the publishing house of DIN, Beuth Verlag: www.beuth.de

The Official Journal is the official gazette of the European Union. It is published daily on the internet and consists of two series covering draft and adopted legislation as well as case law, questions from the European Parliament, studies by committees, and more (http://europa.eu.int/eur-lex/lex/JOIndex.do?ihmlang=en). It lists the standards reference numbers linked to legislation (http://www.newapproach.org/Directives/DirectiveList.asp).

National technical Regulations are published on the Commission's website http://ec.europa.eu/comm/enterprise/tris/ to allow other countries and interested parties to comment.

Labeling and Marking Return to top

Manufacturers should be mindful that, in addition to the EU's mandatory and voluntary schemes, national voluntary labeling schemes might still apply. These schemes may be highly appreciated by consumers, and thus, become unavoidable for marketing purposes.

Manufacturers are advised to take note that all labels require metric units although dual labeling is also acceptable until end of December 2009. The use of language on labels has been the subject of a Commission Communication, which encourages multilingual information, while preserving the right of Member States to require the use of language of the country of consumption.

The EU has mandated that certain products be sold in standardized quantities. Council Directive 2007/45/EC, to replace 80/232/EC in April 2009, harmonizes packaging of wine and spirits throughout the EU. Existing national sizes will be abolished with a few exceptions for domestic producers.
http://ec.europa.eu/enterprise/prepack/packsize/packsiz_en.htm

The Eco-label

EU legislation in 1992, revised in 2000, distinguishes environmentally friendly products and services through a voluntary labeling scheme called the Eco-label. Currently, the scheme applies to 7 product groups: cleaning products, appliances, paper products, clothing, lubricants, home and garden products and tourism services. The symbol, a green flower, is a voluntary mark. The Eco-label is awarded to producers who can show that their product is less harmful to the environment than similar products. This "green label" also aims to encourage consumers to buy green products. However, the scheme does not establish ecological standards that all manufacturers are required to meet to place product on the market. Products without the EU Eco-label can still enter the EU as long as they meet the existing health, safety, and environmental standards and Regulations.

The EU Eco-label is a costly scheme (up to EUR 1,300 for registration and up to EUR 25,000/year for the use of the label, with a reduction of 25% for SMEs) and has therefore not been widely used so far. However, the Eco-label can be a good marketing tool and, given the growing demand for green products in Europe, it is likely that the Eco-label will become more and more a reference for green consumers.
http://buyusainfo.net/docs/x_4284752.pdf
http://ec.europa.eu/comm/environment/ecolabel/index_en.htm
http://www.eco-label.com/

Agricultural Products

Return to top

General **Veterinary Requirements**: In April 1997, the U.S. and the EU reached an equivalency agreement on an overall framework for recognizing each other's veterinary inspection systems. The veterinary equivalency agreement covers more than USD 1.5 billion in U.S. animal product exports to the EU and an equal value of EU exports to the United States. The agreement preserved most pre-existing trade in products, such as pet food, dairy, and egg products. All beef and pork exported to Germany for human consumption must come from slaughterhouses, cutting plants, and cold stores approved for export to the EU. Since 1989, the EU has prohibited imports of beef from cattle treated with growth hormones. Soon after this ban went into effect, an agreement was reached between the United States and the EU that allows American producers of beef from animals not treated with hormones to export to the EU under certain conditions.

Beef: The EU beef market is largely insulated from the world market by high import duties. Import opportunities do exist, however, for selected products that are covered by fixed, relatively low tariffs or special quota. Most notably, the EU grants market access through a quota for annual imports of up to 11,500 MT of high-quality beef (HQB) from the United States and Canada. Beef entering the EU under the HBQ tariff-rate quota are subject to a 20 percent duty.

Pork: Selected market opportunities exist for imports of pork. Market access within the EU has improved through the creation of a tariff-rate quota (TRQ) totaling 66,500 MT. The TRQ includes a 39,000 MT allocation for tenderloins, boneless loins and boneless hams.

Poultry: Unfortunately, U.S. and EU negotiators have not been able to reach agreement on a number of important points during the veterinary equivalency negotiations, particularly in the poultry sector. The most contentious issue is the use of pathogen reduction treatments in U.S. poultry processing. Most forms of anti-microbial treatments are prohibited in the EU. The EU's ban on anti-microbial treatments effectively blocks U.S. poultry exports to the EU, which were estimated at USD50 million in 1996.

Dairy Products: The veterinary agreement allows for the resumption of U.S. dairy product exports to Germany. Under the Uruguay Round Agreement, the variable levy on dairy products was replaced by a fixed tariff equivalent.

Pet food: U.S. pet food exports to the EU must comply with EU regulation 1774/2002. This regulation, implemented in 2004, requires that animal by-products used in the production of feeds and pet food be derived from the carcasses of animals declared fit for human consumption following veterinary inspection. Provisions include a ban on intra-species recycling, fallen stock and restrictions on yellow grease. Certain categories of pet food have to be denatured with specified substances. Pet food plants have to be dedicated to the production of product fit for human consumption.

Plant Health: As part of the Single Market exercise, plant health regulations in the 27 European Union Member States have been harmonized. The new regulations went into effect on June 1,1993, for the 15 members then in the EU and in 2004 for the new accession countries. The EU has been successful in reducing the number of phytosanitary restrictions and new marketing opportunities have been created for U.S. horticultural exports. Phytosanitary certificates are required for many imported fresh products. With respect to the use of solid wooden packing materials (SWPM), it is important to note that the EU intends to require that all SWPM be either heat treated or fumigated beginning January 1, 2009. In addition to these treatment requirements, the material has to be free of bark. EU scientists fear that improperly treated SWPM is at risk for re-infestation. International plant protection standards as agreed upon by the United States do not require the absence of bark. Exporters should carefully follow the status of EU import requirements to avoid problems at the EU port of entry.

Horticultural Products: Germany is an important market for United States horticultural products. Principal products include almonds, walnuts, pistachios, prunes, raisins, citrus, and pears. Horticultural products entering Germany face a number of import restrictions. In addition to considerable tariffs that vary by product, imports of selected produce (tomatoes, cucumber, artichokes, zucchini squash, citrus, table grapes, apples, pears, apricots, cherries, peaches, nectarines and plums) are subject to an entry price system. Under such a system, imports that have a price at or above the respective entry price are assessed only the appropriate ad valorem duty. Imports, which have a price below, but within a certain range of the entry price, are assessed the ad valorem duty plus a specific duty that is the difference between the import price and the entry price. "Within a certain range" generally means within eight percent of the entry price. Imports having a price more than 8% below the entry price are assessed the ad valorem duty plus a very large specific duty (known as the tariff equivalent) which generally takes the cost of the product (import price plus duties) far above the entry price.

Organic Products: There is a growing market within Germany for certified organic products. Since July 1992, EU-wide regulations on marketing organic products have been in effect. Administrative hurdles still slow down the development of this promising import market. The U.S. National Organic Program Final Rule became fully implemented in October 2002. Adherence to EU regulations should help to reduce bureaucratic import requirements. Nonetheless, until the EU and the U.S. negotiate an organic equivalency agreement, importers must work through German authorities to submit oversight information on certified organic products on a case-by-case basis. In 2004, the EU implemented an Action Plan to promote the production and consumption of organically grown and produced foods. Since this is a very generic promotion program, suppliers of organic products worldwide should also be able to take advantage of it. Currently, about 4% of German agricultural output is organic.

Consumer-Ready Products: Imports of consumer-ready food products into Germany face many market access restrictions and very strict food laws. In addition to bound import duties, the EU has established a complex system of border protection measures for food products. Since prices for basic agricultural commodities, such as dairy products, sugar and cereals are considerably higher than world market prices, the EU maintains a mechanism to protect European consumer-ready food products from imports made with lower-price inputs. Therefore, most processed products entering the EU are subject to additional import charges based on the percentage of sugar, milk fat, milk protein, and starch contained in the product. These additional import charges have made many imported processed food products non-competitive in the EU market. Reports on the German retail and gastronomy sectors are available under “attaché reports” at http://www.fas.usda.gov/scriptsw/attacherep/default.asp.

Packaging Disposal: With the tremendous increase in waste and disposal problems, Germany has established legislation that contains certain rules for the disposal of packaging materials. In response to this legislation, a cooperative effort for the collection and recycling of packaging materials was initiated. The organization involved is called the “Duales System Deutschland” and it administers the use of the “Green Dot,” a recycling symbol that is found on the packaging material of virtually all products sold in Germany. While packaging materials for products sold in Germany are not legally required to carry the Green Dot, it is almost impossible to market a product in Germany without it. Typically, the importer pays a license fee to the user of the Green Dot, depending on the type and amount of packaging, and provides the exporter with the information necessary. In 2003, German retailers began requesting a deposit for disposable or "one-way" drink packages, i.e., soft drink or beer cans. Since the requested deposit is about three times as high as that requested for returnable beer bottles, it could disadvantage imported drinks.

U.S. Agricultural Commodity Associations Active in Germany

A number of U.S. agricultural commodity and other trade associations conduct market development programs in Germany. In some cases, these associations maintain field offices in Germany, while others may have a trade representative or public relations company representing their interests. Others may cover Germany from elsewhere in Europe or from offices in the United States. The USDA-operated Market Access Program (MAP) and Foreign Market Development program (FMD) provides a portion of the funding for the market development programs of these associations. For further information about the MAP and FMD program or to know more about which associations are active in Germany, please contact the Office of Agricultural Affairs at the U.S. Embassy in Berlin (see first section for phone, address and e-mail).

Trade Agreements

Return to top

For a list of trade agreements with the EU and its Member States, as well as concise explanations, please see http://tcc.export.gov/Trade_Agreements/index.asp.

Web Resources Return to top

1. Product legislation:
http://ec.europa.eu/enterprise/index_en.htm
http://www.ts.nist.gov/ts/htdocs/210/217/export-alert.htm

2. CE Mark legislation:
http://europa.eu.int/comm/enterprise/newapproach/legislation/guide/
http://www.newapproach.org/

3. European standards:
http://europa.eu.int/comm/enterprise/newapproach/legislation/guide/
http://www.newapproach.org/
http://www.cenorm.be/catweb

4. EU Notified bodies:
http://www.europa.eu.int/comm/enterprise/newapproach/legislation/nb/notified_bodies.htm

5. Test laboratories:
http://www.ts.nist.gov/ca

6. DAR - Deutscher Akkreditierungsrat – (German Accreditation Council)**:**
http://www.dar.bam.de/

7. Labeling:
http://europa.eu.int/comm/consumers/policy/developments/labelling/lab01_en.pdf

8. TÜV:
http://www.tuvamerica.com/

9. Other Sources:

BMU – (Federal Environment Ministry)
http://www.bmu.de/

BMWA –(Federal Ministry of Economics and Labor)
http://www.bmwi.de/

DIN – (German Standards Institute)
http://www2.din.de/

NIST – National Institute of Standards and Technology
http://www.nist.gov/

UL - Underwriters Laboratories, Inc.
http://www.ul.com/

VDE – Verband der Elektrotechnik, Elektronik und Informationstechnik
(Association for Electrical, Electronic & Information Technologies.)
http://www.vde.de/

VDMA - Verband deutscher Maschinen- und Anlagenbau e.V.
http://www.vdma.de/

ZLG – Zentralstelle der Länder für Gesundheitsschule bei Arzneimitteln und Medizinprodukten
(Central Authority of the Federal States for Health Protection regarding Medicinal products and Medical Equipment)
http://www.zlg.nrw.de/

ZVEI - Zentralverband Elektrotechnik- und Elektronikindustrie e.V.
(Central Federation for the German Electrical and Electronics Industry)
http://www.zvei.de/

Return to table of contents

Return to table of contents

Chapter 6: Investment Climate

Openness to Foreign Investment Return to top

The German government and industry actively encourage foreign investment in Germany, and German law provides foreign investors national treatment. Under German law, foreign-owned companies registered in the Federal Republic of Germany as a GmbH (limited liability company) or an AG (joint stock company) are treated no differently from German-owned companies. Germany also treats foreigners equally in privatizations. There are no special nationality requirements on directors or shareholders, nor do investors need to register investment intent with any government entity except in the case of acquiring a significant stake in a firm in the defense or encryption industries. The investment-related problems foreign companies do face are generally the same as for domestic firms, for example high marginal income tax rates and labor laws that impede hiring and dismissals. The German government has begun to address many of these problem areas through its reform programs. German courts have a good record in upholding the sanctity of contracts.

The 1956 U.S.-FRG Treaty of Friendship, Commerce and Navigation affords U.S. investors national treatment and provides for the free movement of capital between the U.S. and Germany. Germany subscribes to the OECD Committee on Investment and Multinational Enterprises' (CIME) National Treatment Instrument and the OECD Code on Capital Movements and Invisible Transactions (CMIT). While Germany's foreign economic law contains a provision permitting restrictions on private direct investment flows in either direction for reasons of foreign policy, foreign exchange, or national security, no such restrictions have been imposed in practice. In such general cases, the federal government would first consult with the Bundesbank and the governments of the federal states. Specific legislation requiring government screening of foreign equity acquisitions of 25% or more of German armaments companies took effect in July 2004.

Under the 2004 law, foreign entities that wish to purchase more than 25% equity in German manufacturers of armaments or cryptographic equipment are required to notify the Federal Economics and Technology Ministry, which then has one month in which to veto the sale. The transaction is regarded as approved if the Economics and Technology Ministry does not react in that time. A new law currently in draft and under review is expected to broaden these rules and establish a procedure similar to the U.S. CFIUS. Industrial policy considerations and lobbying by business interests have occasionally delayed decision-making on investment.

Conversion and Transfer Policies Return to top

As a result of European Economic and Monetary Union (EMU), the Deutsche Mark (DM) was phased out on January 1, 2002, and replaced by the euro, which is a freely traded currency with no restrictions on transfer or conversion and which is the unit of currency in Germany and 20 other European countries. There is no difficulty in obtaining foreign exchange. There are also no restrictions on inflows and outflows of funds for remittances of profits or other purposes.

Expropriation and Compensation Return to top

German law provides that private property can be expropriated for public purposes only in a non-discriminatory manner and in accordance with established principles of constitutional and international law. There is due process and transparency of purpose, and investors and lenders to expropriated entities receive prompt, adequate and effective compensation.

Dispute Settlement Return to top

Investment disputes concerning U.S. or other foreign investors and Germany are rare. Germany is a member of the International Center for the Settlement of Investment Disputes (ICSID), as well as a member of the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. German courts are fully available for foreign investors in the event of investment disputes. The government does not interfere in the court system and accepts binding arbitration.

Performance Requirements and Incentives Return to top

There are about 3,000 incentive programs for investors in Germany, offered by EU, federal, and state authorities. Cash Grants under the Joint Agreement for the Improvement of Regional Economic Structures are available for improving the structure of regional economies and the economy as a whole – a primary objective of the German federal and state governments. Distribution of these subsidies is generally subject to approval by the European Union.

A comprehensive package of federal and state investment incentives is available to domestic and foreign investors. In some cases, there may be performance requirements tied to the incentive, such as maintaining a certain level of employment. There are no requirements for local sourcing, export percentage or local national ownership. Offsets have been a part of procurements by some state and local governments and by the federal government for some defense procurement, but they are infrequently used at present. Germany is in compliance with its WTO TRIMS notification.

The government has placed particular emphasis on investment promotion in the New States of the former East Germany and has offered a large number of incentives to this end. Ongoing efforts to reduce government budget deficits and EU efforts to reduce state aid to industry are putting pressure on these programs. With the beginning of the new budgetary period of the EU, which started in January 2007 (and runs through 2013), Germany is going to receive a total of € 26.3 billion. The accession of 10 new EU member countries in 2004 has resulted in reduced subsidy levels for Germany since 2007. Especially eastern Germany felt the impact of the change, losing its status as "target one" region for highest priority support. The new German states are still going to receive the lion's share of the EU subsidies going to Germany, € 15 billion, for the budget period of 2007 -2013.

Available incentives currently include:

For the eastern German states and eastern Berlin:

- Tax Incentives: investment allowances, special depreciation allowance.
- Investment Grants: improvement of Regional Economic Structures Program; grants for research and development; consulting fee and training costs; export, marketing and fair participation assistance.
- Credit Programs: loans at below-market interest rates from the government-owned Bank for Reconstruction (KfW) and its subsidiary the Mittelstandsbank; the European Recovery Program (ERP); EU programs; and loan guarantee and credit programs.

Programs for all of Germany:

- Still applicable are cash grants under the Joint Agreement. Investments in eastern Germany in particular profit from this program, with outright grants of 50% available to SME's (small and mid-size companies – defined by the EU as having fewer than 250 employees, a maximum turnover of € 40 million, or a balance sheet total of no more than € 27 million); larger firms receive grants of 35% of investment costs. As noted above, the EU has reviewed this program and while there may be cuts for some regions, by and large the program and grant volumes remained relatively constant.
- Tax Incentives: special depreciation allowance, capital reserve allowance.
- Investment Grants: improvement of Regional Economic Structures Program, grants for research and development, consulting fees, and training costs.
- Credit Programs: loans at below-market interest rates from the Equalization Funds Bank, Reconstruction Funds Bank, the European Recovery Program, European Union programs, loan guarantee programs, and other programs for small technology firms and environmental demonstration projects.

United States and other foreign firms may also participate in government and/or subsidized research and development programs, provided that:

- The company is legally established in Germany;
- The activity is a long-term operation with significant R&D capacities;
- The project engages in sponsored research entirely performed in Germany;

- The firm can exploit intellectual property rights independent from a parent company;
- The Federal Ministry of Education, Science, Research and Technology (BMBF) may exploit intellectual property rights from funded research;
- Any licensing of technology outside of the EU is done with the written approval of the BMBF;
- Preference is given to locating manufacturing facilities in Germany for any production resulting from the research (this criterion can be modified on a case-by-case basis.)

American business representatives generally report that these formal requirements and the administration of the programs by German authorities do not constitute barriers for access to this R&D funding.

Foreign investors can obtain more information on investment conditions and incentives from:

Invest in Germany GmbH
Friedrichstrasse 60
10117 Berlin
Telephone: +49 30 200 099 250
Telefax: +49 30 200 099 111
Email: office@invest-in-Germany.de
http://www.invest-in-germany.de

Invest in Germany, LLC
1776 1 Street, N.W.
Suite 1000
Washington D.C. 20006
Telephone: 202 347 7471
Telefax: 202 347 7473
Email: m.schmidt@invest-in-germany.com
www.invest-in-germany.com

Invest in Germany, LLC
401 N. Michigan Ave, Suite 3330
Chicago, IL 60611-4212
Telephone: 312 377 6131
Telefax: 312 377 6134
Email: bremer@invest-in-germany.com
www.invest-in-germany.com

Invest-in-Germany, LLC
201 C California St., Suite 450
San Francisco, CA 94111
Telephone: 415 248 1246
Telefax: 415 627 9169

Email: geiger@invest-in-germany.com
www.invest-in-germany.com

The Industrial Investment Council, IIC, which used to provide assistance to foreign investors specifically on the new states in Eastern Germany, merged with Invest in Germany in January 2007.

American companies can, with effort, generally obtain the resident and spouse work permit visas they need to do business in Germany, but the relevant laws are quite broad and considerable administrative discretion is exercised in their application. A number of U.S. states have not yet concluded reciprocal agreements with the German government to recognize one another's driver's licenses. As a result, licenses from those states are not usable in Germany for longer than six months, whereas licenses from states that have signed agreements can be converted to German licenses after six months.

Right to Private Ownership and Establishment Return to top

Foreign and domestic entities have the right to establish and own business enterprises, engage in all forms of remunerative activity, and acquire and dispose of interests in business enterprises.

Privatization of state-owned utilities has promoted competition and led to falling prices in some sectors. Following deregulation of the telecommunications sector in 1998, scores of foreign and domestic companies invested vast sums in that sector. Since then, former state monopoly Deutsche Telekom (DT) has lost more than 49% of the fixed-line market to competitors (while at the same time profiting from the latter who must lease the last mile from the incumbent), although it still controls 86% of DSL broadband connections. The 2003 introduction of call-by-call and pre-selection in the local loop allowed competitors to increase their share of the local call market to an estimated 49% by mid-2006. In June 2004, a new telecommunications law to implement EU directives entered into force. The law mandates less regulation in some areas while giving the regulator new powers to address abuse of market dominance and ensure competitors' access to services. A second amendment to the telecommunications law became effective in early 2007. Aimed to strengthen consumer rights it also includes a controversial component, entitling the incumbent to a regulatory holiday in return for a sizeable investment in a VDSL network, providing the investment creates a "new market". The regulator determines the definition of "new markets" and can subsequently rule on the entitlement to a regulation-free timeframe. The German government continues to hold a 38% share in DT, although it has expressed its desire to sell these shares eventually.

Some competition has come to the gas and electricity markets since 1998 as well, but competitors have had enormous difficulty gaining access to the incumbents' networks. In July 2005, RegTP became the Federal Networks Agency and took over responsibility for gas and electricity network prices and access. In summer 2006, it began issuing orders to incumbents to cut prices. Faced with rising energy prices and rising profits in the energy sector, consumer and political pressure on the industry to contain prices has increased. The EU has raided leading energy utilities and plans to file charges of price fixing and territorial demarcation against at least two major German utilities. Legislation to force utilities to accept new competing power stations into their nets went into force in 2007; legislation increasing the authority of the Bundeskartellamt in this sector came into force this year. As consumers begin to change their suppliers in the electricity market in particular, courts are also increasingly supporting consumers against energy suppliers. After years of competitive stagnation, some new foreign competitors have entered the market in the last two years.

The government partially privatized Deutsche Post (DP) in November 2000 and is slowly divesting its remaining shares. After successive rounds of liberalization, DP's monopoly on letter delivery expired on December 31, 2007; full competition now exists in the German postal sector. A new minimum wage law in the postal sector is regarded by some competitors, however, as favoring Deutsche Post (DP). Germany's Cartel Office, which enjoys an excellent international reputation, and Germany's other regulatory agencies address problems and settle complaints brought forward by foreign market entrants and bidders. However, as noted above, German law and court decisions have limited these agencies' effectiveness in some areas.

Pushed by the desire of the 100% government-owned Deutsche Bahn (DB) to have private ownership by 2008, Government and Parliament have hotly debated the sale of DB since 2006. To date, however, no agreement has been reached on how this would occur. The DB and rail unions favor retaining the ownership of both rolling stock and the rail network in any privatization scheme. The Government has appeared to support DB's position but is now faced with grass roots opposition from the SPD. Some members of Parliament are considering unbundling the infrastructure from the rolling stock to increase competition. On January 1, 2006, the Bundesnetzagentur (BNA) took over responsibility for access and prices issues for competitors' access to the railroad network. The Cabinet has yet to review the latest proposals to privatize only a minority share in DB or, alternatively, to retain government ownership of a track and infrastructure and a separate operational subsidiary which could be privatized. Privatization during 2008 will be difficult.

Protection of Property Rights Return to top

The German Government adheres to a policy of national treatment, which considers property owned by foreigners as fully protected under German law. There is almost no discrimination against foreign investment and foreign acquisition, ownership, control or disposal of property or equity interests, with airline ownership being an exception. In Germany, the concept of mortgages is subject to a recognized and reliable security. Secured interests in property, both chattel and real, are recognized and enforced.

Intellectual property is well protected by German laws. Germany is a member of the World Intellectual Property Organization (WIPO). Germany is also a party to the major international intellectual property protection agreements: the Bern Convention for the Protection of Literary and Artistic Works, the Paris Convention for the Protection of Industrial Property, the Universal Copyright Convention, the Geneva Phonograms Convention, the Patent Cooperation Treaty, the Brussels Satellite Convention, and the Treaty of Rome on Neighboring Rights.

National treatment is also granted foreign copyright holders, including remuneration for private recordings. Under the TRIPS agreement, the federal government also grants legal protection for practicing U.S. artists against the commercial distribution of unauthorized live recordings in Germany. Germany has signed the WIPO Internet treaties and ratified them in 2003. Foreign and German rights holders, however, remain critical of provisions in the German Copyright Act that allow exceptions for private copies of copyrighted works. Most rights holder organizations regard German authorities' enforcement of intellectual property protections as comprehensive, although problems persist due to lenient court rulings in some cases and the difficulty of combating piracy of copyrighted works on the Internet.

Transparency of the Regulatory System

Return to top

Germany has transparent and effective laws and policies to promote competition, including anti-trust laws. German authorities recently lifted many restrictions on store business hours, which had formerly restrained competition and business opportunities. There are concerns in Germany and abroad about the level of regulation prevailing with regulatory authority dispersed over the federal, state, and local levels. Many investors consider Germany's bureaucracy excessive, which has prompted most state governments to establish investment promotion offices and investment banks to expedite the process. The Merkel government has talked about the need to cut red tape in Germany and in the EU as a whole. New rules have simplified bureaucratic requirements but industry must sometimes contend with officials' relative inexperience with deregulation and lingering pro-regulation attitudes.

Laws and regulations in Germany are routinely published in draft and public comments are solicited. The legal, regulatory and accounting systems can be complex but are transparent and consistent with international norms.

Efficient Capital Markets and Portfolio Investment

Return to top

Germany has a modern financial market sector but is often considered "over-banked," as evidenced by on-going consolidation and low profit margins. The IMF's assessment of the German financial sector in spring 2003, the so-called stress tests, found that the system is robust. To improve their international competitiveness, the large private banks in particular have launched massive cost cutting programs. Consolidation among the banks is continuing. Regional state banks have increased their cooperation with affiliated local savings banks in an effort to cut costs and remain competitive.

In 2006 the total assets of Germany's 2,089 domestic banks were worth EUR 7.18 trillion. The 5 largest banks (Deutsche Bank, Commerzbank, Dresdener Bank, DZ Bank and Landesbank Baden-Wuerttemberg) accounted for over 20% of this figure.

Credit is available at market-determined rates to both domestic and foreign investors and a variety of credit instruments are available. Legal, regulatory and accounting systems are generally transparent and consistent with international banking norms. Germany has a universal banking system that is effectively regulated by federal authorities.

Given the prevailing overall economic conditions, mergers and acquisitions (M&A) have decreased over the last few years in line with global trends. More recently, however, analysts have predicted this trend to change and M&A transactions to pick up again given Germany’s improved economic condition, the increased financial assets of especially the top 30 companies listed in the German stock exchange “DAX", and the high value of the euro. "Cross shareholding" exists among some large German companies, in particular among banks that hold shares in large industrial customers. However, Germany's major banks have been reducing their cross-shareholdings in recent years.

In response to a 2004 EU directive, the government has implemented legislation that established new rules ensuring greater transparency for takeovers. The new law went into effect in 2006.

In recent years, Germany has implemented a series of laws to improve its securities trading system, including laws against insider-trading and the Fourth Financial Market Promotion Law in 2003. In 2002, a corporate governance code was adopted, which, while voluntary, requires listed companies to "comply or explain" why the code or parts thereof have not been followed. The code is intended to increase transparency and improve management response to shareholder concerns. The Finance and Justice Ministries drew up a ten-point plan in 2003 to improve investor protection. As a part of that plan, the government tabled a bill in November 2004 that would (a) increase the liability of boards of directors for false or misleading statements; and (b) improve oversight of auditing operations. The EU's Financial Services Action Plan – an effort intended to create a more integrated European financial market by 2005 – has helped stimulate changes in the German regulatory framework, including adoption of International Accounting Standards for listed firms and use of company investment prospectuses on an EU-wide basis.

Political Violence

Return to top

Political acts of violence against either foreign or domestic business enterprises are extremely rare. Isolated cases of violence directed at certain minorities and asylum seekers have not affected U.S. investments or investors.

Corruption

Return to top

Among industrialized countries, Germany ranks in the middle, according to Transparency International's corruption indices. The construction sector and public contracting, in conjunction with undue political party influence, represent particular areas of continued concern. Nevertheless, U.S. firms have not identified corruption as an impediment to investment.

The German government has sought to reduce domestic and foreign corruption. Strict anti-corruption laws apply to domestic economic activity and the laws are enforced. Germany ratified the 1998 OECD Anti-Bribery Convention in February 1999, thereby criminalizing bribery of foreign public officials by German citizens and firms abroad. The necessary tax reform legislation ending the tax write-off of bribes in Germany and abroad became law in March 1999. Germany has signed the UN Anti-Corruption Convention but has not yet ratified it. The country participates in the relevant EU anti-corruption measures. Germany has increased penalties for bribery of German officials, for corrupt practices between companies, and for price-fixing by companies competing for public contracts. It has also strengthened anti-corruption provisions applying to support extended by the official export credit agency and tightened the rules for public tenders. Most state governments and local authorities have contact points for whistle-blowing and provisions for rotating personnel in areas prone to corruption. Government officials are forbidden from accepting gifts linked to their jobs.

Opinions, however, differ on the effectiveness of these steps, particularly in the area of foreign corruption. German industry - while generally in favor of creating a central, national-level register of corrupt companies that would be barred from bidding for public contracts - refrained from openly calling for its creation out of fear of added regulatory burden. Draft legislation to create such a register passed the lower chamber of the German Parliament but was blocked by opposition parties in the upper chamber in 2002. The CDU-SPD Government, which took over in November 2005, did not include a similar initiative in its program. Nevertheless, some individual states maintain their own registers and pressure is growing to reintroduce such legislation on the federal level. Transparency Deutschland, the German Chapter of Transparency International, sees a national corruption register as one of its main goals in Germany and a speedy ratification of the UN Anti-Corruption Convention placing bribery of parliamentarians on the same level as bribery of public officials. Federal freedom of information legislation entered into force in January 2006, but is seen by many as ineffective. Several states have introduced their own freedom of information laws. The German government has successfully prosecuted hundreds of domestic corruption cases over the years. Numbers rose especially significantly in the last two years. Corruption cases involving major (internationally operating) German companies in 2006 may lead to greater public awareness and increased enforcement of the laws. To date, only a small number of , charges have been filed involving the bribery of foreign government officials since the 1999 changes in German law to comply with the OECD Anti-Bribery Convention were enacted. However, the ongoing corruption scandal involving Siemens AG has brought new charges and hefty fines.

Bilateral Investment Agreements Return to top

Germany has investment treaties in force with 120 countries and territories. Of these, eight are with predecessor states and indicated with an asterisk (including Czechoslovak SFR, Soviet Union, Yugoslavia [SFRY]). Treaties are in force with the following states: Albania; Algeria; Angola; Antigua and Barbuda; Argentina; Armenia; Azerbaijan, Bangladesh; Barbados; Belarus; Benin; Bolivia; Bosnia and Herzegovina; Botswana Brunei; Bulgaria; Burundi; Cambodia; Cameroon; Cape Verde; Central African Republic; Chad; Chile; China (People's Republic); Congo (People's Republic); Congo (Democratic Republic); Costa Rica; Croatia; Cuba; CSFR**; Czech Republic*; Dominica; Ecuador; Egypt; El Salvador; Estonia; Ethiopia; Gabon; Georgia; Ghana; Greece; Guatemala; Guinea; Guyana; Haiti; Honduras; Hong Kong; Hungary; India; Indonesia; Iran; Ivory Coast; Jamaica; Jordan; Kazakhstan; Kenya; Republic of Korea; Kuwait; Kyrgyzstan*; Laos; Latvia; Lebanon; Lesotho; Liberia; Lithuania; Macedonia; Madagascar; Malaysia; Mali; Malta; Mauritania; Mauritius; Mexico; Moldova*; Mongolia; Morocco; Mozambique; Namibia; Nepal; Nicaragua; Niger; Nigeria; Oman; Pakistan; Panama; Papua New Guinea; Paraguay; Peru; Philippines; Poland; Portugal; Qatar; Romania; Russia*; Rwanda; Saudi Arabia; Senegal; Sierra Leone; Singapore; Slovak Republic*; Slovenia; Somalia; South Africa; Soviet Union**; Sri Lanka; St. Lucia; St. Vincent and the Grenadines; Serbia and Montenegro*; Sudan; Swaziland; Syria; Tajikistan*; Tanzania; Thailand; Togo; Tunisia; Turkey; Turkmenistan; Uganda; Ukraine; United Arab Emirates; Uruguay; Uzbekistan; Venezuela; Vietnam; Yemen (Arab. Rep.); Yugoslavia (SFRY)**; Zambia; and Zimbabwe.

(Note: Asterisk * denotes treaty in force with predecessor state; Asterisks ** denote continued application of treaties with former entities, which have not been taken into account in regard to the total number of treaties.)

Germany has ratified treaties, which are not yet in force, with the following countries:

Country	Signed	Temporarily Applicable
Afghanistan	7/20/2005	No
Brazil	09/21/1995	No
Burkina Faso	10/22/1996	Yes
Egypt	06/16/2005	*
Israel	06/24/1976	Yes
Morocco (new treaty)	08/06/2001	*
Timor-Leste	08/10/2005	No
Yemen	02/02/2005	*
Palestine	07/10/2000	No

Germany has signed, but not yet ratified, treaties with the following 7 countries. These include new treaties signed with some of the countries of the former Soviet Union and former Yugoslavia, which also remain listed above, as prior treaties with these entities remain in effect.

Country	Signed	Temporarily Applicable
Bahrain	02/05/2007	No
Guinea	11/08/2006	No
Jordan	11/13/2007	No
Libyan Arab Jamahiriya	10/15/2004	No
Madagascar	08/01/2006	No
Oman	05/30/2007	No
Trinidad and Tobago	09/08/2006	No

(*) Previous treaties apply

Protocols of modification to existing treaties with the following countries have been signed:

Country	Signed	Temporarily Applicable
Poland	05/14/2003	No
Moldova	08/26/2003	No

Germany does not have a bilateral investment treaty with the United States. Taxation of U.S. firms within Germany is governed by the 1989 "Convention for the Avoidance of Double Taxation with Respect to Taxes on Income." It has been in effect since 1989 (and since January 1, 1991, for the area that comprised the former German Democratic Republic.) With respect to income taxes, both countries agree to grant credit to their respective federal income taxes for taxes paid on profits by enterprises located in each other's territory. The German system is more complex, but there are more similarities than differences between the German and U.S. business tax systems. On December 28, the U.S. and Germany ratified the Protocol of June 1, 2006, amending their 1989 income tax treaty and protocol. The new protocol updates the existing treaty and includes several changes, including a zero-rate provision for subsidiary-parent dividends, a more restrictive limitation-on-benefits provision and a mandatory binding arbitration provision.

OPIC and Other Investment Insurance Programs Return to top

OPIC programs were available for the new states of eastern Germany following reunification for several years during the early 1990s, but were suspended following progress in the economic and political transition.

Labor Return to top

The German labor force is generally highly skilled, well educated, disciplined, and very productive. However, the performance of the German labor market since the late 1990s, as measured by the level and growth of job creation and unemployment, has been weaker than in many comparable countries.

Germany was often seen as unable to institute necessary labor market and social welfare reforms as reflected by notoriously sluggish employment growth and rising unemployment. Recent years, however, saw a complex set of reforms of labor and social welfare related institutions, such as labor market deregulation, cuts of social benefits, more emphasis on active and activating labor market policies and attempts to reduce the burden of payroll taxes and – last but not least – a series of changes in collective bargaining.

The labor-market related reforms implemented by the former SPD/Greens Government have in fact contributed to overcoming structural weaknesses of the German welfare state and creating an institutional setup more conducive to strong employment growth and lower unemployment. The current government of Chancellor Angela Merkel has initiated other reform measures, such as a gradual increase in the mandatory retirement age from 65 to 67 – a move that would add 2.5 million to the workforce by 2030 – and an initiative aimed at reducing unemployment among older workers and discouraging early retirement. Moreover, the government has encouraged female labor market participation by measures that would make it easier for mothers to work – for example, longer school hours and more day care centers. To address the problem of Germany's low birth rate, it has also adopted a new "parents allowance," which entitles parents who give up work or reduce their hours of work in order to care for their newborn children to a compensatory monthly payment for one year.

Since 2006, the German economy has been registering rates of growth last seen in the 1998-2000 period. After years of stagnation (between 2001 and 2005 the economy grew by a mere half percent per annum) – Germany is no longer the "sick man" of Europe but rather by some measures its healthiest partner. The need to reduce labor costs has helped to achieve Germany's remarkable economic turnaround. Business, through painful restructuring, the opening of new markets and the development of innovative products is the major force behind the success. Wage restraint on the part of the unions, coupled with longer working hours and more flexible labor input, added substantially to the decline in unit labor costs. Under growing competitive pressure, increases in nominal unit labor costs in recent years are clearly behind the rises in other countries. While the German unit labor costs increased from 1999 to 2006 by only 0.6 percent, the unit labor costs of other Eurozone countries increased by 15.9 percent, on average, resulting in a relative reduction of labor costs in Germany of 13.2 percent. This development has also generated a downward pressure on real income. According to federal statistics office data, disposable incomes of German households in 2006 were, in real terms, 2% lower than in 1991.

In 2007, as in the two preceding years, the macroeconomic scope for distributing the national income was not fully exhausted by negotiated wage settlements. In July 2007, the Institute of Economic and Social Research presented its interim report on Germany's 2007 round of collective bargaining. The study evaluated the collective agreements concluded in the first half of 2007, affecting about 33% of all workers covered by such agreements. Calculated on an annual basis, the average increase in wages and salaries amounted to about 2.3% in 2007, which was above the average pay increase of 1.5% in 2006.

The strong revival of the German labor market continued in 2007. Registered unemployment fell in 2007 by 15.7% to below 3.8 million persons on an annual average, which corresponded to a decline in the unemployment rate from 10.8% in 2006 to 9.0%. In eastern Germany the unemployment rate stood at 15.0% and was roughly twice as high as in the western part of the country. While much of the improvement has been the result of an expanding number of temporary or low-paid jobs, more importantly, the number of socially-insured jobs and of self-employed have been rising, too. Employment increased during the year by 1.7% to an annual average of just below 40 million persons, while the number of people in jobs subject to full social security contributions rose by 2.2% to almost 27 million. The current development on the labor market has not been caused solely by a cyclical recovery but is also characterized by a higher flexibility and dynamics. The now declining numbers of long-term unemployed and of older jobseekers are indicative of a more sustained revival of the labor market.

This strong dynamic will likely persist in 2008, and although the increase in employment and decrease in unemployment will become less pronounced in the course of the year, the robust state of the labor market is playing a major role in lifting disposable incomes in real terms and hence stimulating private consumption, which with a projected increase of 1.7% will become the main driver of economic expansion in 2008.

Since the late 1990s, Germany's system of wage determination through multi-company, industry-wide contracts has become considerably more decentralized in recent years. Although sector-wide labor agreements can set wages and working conditions at high levels in some industries, company-level agreements frequently deviate significantly from them. Many industry-wide contracts have been revised in recent years, not only to include highly flexible working time arrangements but also to introduce escape clauses for ailing companies, and to lower entrance pay scales and performance-based annual bonuses. Moreover, the coverage of collective agreements has been declining. Multi-company, industry-wide contracts cover about 43.4% of all firms; 5.3% are covered by a company-level agreement; and 51.3% are not covered at all. Coverage in the eastern states is even lower than in the west. In terms of workers covered by a collective agreement, 73.6% of workers are covered, while 26.4% are uncovered. Again, the coverage is higher in the west than in the east.

The country's education system for skilled labor, combining on-the-job and in-school training for apprentices, produces many of the skills employers need. There are rigidities in the training system, however, such as restrictions on night work for apprentices, to which some employers object. Another criticism is that the system is inflexible with regard to occupational categories and training standards. Labor unions complain employers do not establish enough training slots and do not hire enough of the trainees after their training is completed. Regulatory obstacles to workers' mobility remain high in Germany (and throughout the EU) and have also contributed to serious labor shortages in many high-skilled fields, above all of engineers, technical professions and manufacturing trades. The German government has tried to address shortages of IT specialists through a "Green Card" program that has made available 20,000 work visas to foreign IT workers. In addition, a new immigration law went into effect January 1, 2005, easing the entry of highly qualified immigrants and promoting their integration into German society. Critics of the legislation, however, argue that a so-called "points system" would have been substantially more effective. On November 1, 2007, the German government implemented a measure allowing companies to hire electrical and mechanical engineers from the eastern European countries that had joined the EU in 2004 without giving priority to German applicants. Concerns have been raised, however, that the move, intended to ease the skilled labor shortage in Germany, could lead to a "brain drain" in the ten new EU member states.

The increasing demand for skilled labor is resulting in the first staffing problems in some economic sectors. Vacant positions can no longer be filled as quickly as in previous years. Small and medium-sized businesses often have problems finding personnel – they are not as well known and the applicants do not queue up at their doors. Engineering companies and medium-sized businesses are feeling the labor shortage more than large companies, whose personnel departments are able to recruit new employees more easily.

About 23% of the workforce is organized into unions. The overwhelming majority are in eight unions largely grouped by industry or service sector. These unions are affiliates of the German Trade Union Federation (DGB). Several smaller unions exist outside the DGB, principally in white-collar professions. Since peaking at more than 13 million members shortly after German re-unification, total union membership has steadily declined to about 7.9 million at the end of 2006.

Unions' right to strike and the employers' right to lockout are protected in the German constitution. Court rulings over the years have limited management recourse to lockouts, however. Although 2006 and 2007 were years of major industrial conflicts by German standards, the country reports on average a low volume of industrial action compared with other European countries. Labor-management agreements have resulted in relatively few work stoppages (in 2006, about 2.4 days of work lost per 1,000 workers).

At the company level, works councils represent the interests of workers vis-à-vis their employers. A works council may be elected in all private companies employing at least five people. The rights of the works council include the right to be informed, to be consulted, and to participate in company decisions. Works councils often help labor and management to settle problems before they become disputes and disrupt work. "Codetermination" laws give the workforce in medium-sized or large companies (stock corporations, limited liability companies, partnerships limited by shares, co-operatives, and mutual insurance companies) significant voting representation on the firms' supervisory boards. This codetermination in the supervisory board extends to all company activities.

Foreign Trade Zones/Free Trade Zones

Return to top

There are eight free ports in Germany established and operated under EU Community law: Bremen, Bremerhaven, Cuxhaven, Deggendorf, Duisburg, Emden, Hamburg and Kiel. These duty-free zones within the ports also permit value-added processing and manufacturing for EU-external markets, albeit under certain requirements. All of them are open to both domestic and foreign entities. Falling tariffs and the progressive enlargement of the EU have in recent years gradually eroded much of the utility and attractiveness of duty-free zones, but there are currently no plans to eliminate them.

Foreign Direct Investment Statistics

Return to top

According to the Bundesbank, in 2005 German direct investment in the United States was worth $ 280 billion (€ 233 billion), while U.S. direct investment in Germany was worth $ 54 billion (€ 45 billion). Foreign investment has been particularly strong in eastern Germany where about 1 trillion euros have been invested since 1991, the majority, an estimated 84%, from private, non-government sources. Some 2,000 foreign companies, including 300 U.S. firms, have invested in eastern Germany since reunification.

Top 20 U.S. Companies in Germany by sales in 2007:

1. ExxonMobil Central Europe Holding GmbH	11. Dow Gruppe Deutschland
2. Adam Opel	12. Ingram Micro Holding
3. Ford-Werke GmbH	13. Johnson Controls GmbH
4. GE Deutschland	14. TRW Automotive
5. IBM Gruppe	15. McDonald's Deutschland Inc.
6. Philip Morris GmbH	16. Abbott GmbH & Co. KG
7. ConocoPhillips Germany	17. Goodyear Dunlop Tires Germany GmbH
8. Motorola GmbH	18. Microsoft Deutschland GmbH
9. Hewlett-Packard GmbH	19. MTU Aero Engines Holding AG
10. Proctor & Gamble	20. Deere and Company - European Office

(Source: American Chamber of Commerce in Germany “Commerce Germany” September 2007)

Return to table of contents

Return to table of contents

Chapter 7: Trade and Project Financing

How Do I Get Paid (Methods of Payment) Return to top

The majority of import transactions by German customers, especially those involving large German distributors, take place under seller-buyer terms, such as the common 30/60/90-day accounts, or payment against documents. The most popular payment mechanism by which German importers remit payment to their U.S. suppliers is the electronic funds transfer (EFT, equivalent to SWIFT or wire transfers), the fastest and cheapest way to transfer funds. Current technology makes online transfers reasonably secure and transparent.

The letter of credit is still used in some industry sectors, but now covers a fraction of total imports, largely due to its cost and time requirements, as well as the ease in obtaining credit ratings in Germany, which increases transparency and transactional surety. L/C's for payments under USD 5,000 are almost unseen in Germany. U.S. exporters may also encounter Bills of Exchange (Wechsel), usually payable within two or three months, but this antiquated payment mechanism is also passing from the scene.
Cash-in-advance is also rare in German import payment, although German's economic doldrums have recently led to an increase of financially strapped firms on whom such terms are imposed.

Both private and public credit insurance are available in Germany. Euler Hermes, Coface and Atradius are among the private providers (which also offer ranking and scoring services); and the main public insurer is the Staatliche Kreditversicherung (Hermes-Buergschaften), which is administered by Euler Hermes and is used to cover German exports to countries with high political and country risk. United States exporters tend to purchase credit insurance to a much lesser extent than European exporters, due to the relatively greater recourse to factoring in the United States.

Overall, German firms continue to enjoy a relatively good reputation for their payment practices and management of credit. However, the macroeconomic situation in Germany (high structural unemployment, increasing corporate bankruptcies, high public indebtedness, flat growth) has generally increased the probability of defaults by German importers. Critical industries for U.S. exporters are construction, furniture, paper and publishing. Default risk is somewhat higher for firms in unevenly performing eastern Germany. The U.S. Commercial Service Germany offers the International Company Profile as a tool to help evaluate the credit-worthiness of potential customers or partners and recommends U.S. exporters to consider normal, prudent credit practices in Germany in all transactions.

The Export-Import Bank of the United States (Ex-Im Bank) is the official export credit agency of the United States. The Ex-Im Bank's mission is to assist in financing exports of U.S. goods and services to international markets. The Ex-Im Bank enables U.S. companies -- large and small -- to turn export opportunities into real sales that help to maintain and create U.S. jobs and contribute to a stronger national economy. The Ex-Im Bank does not compete with private sector lenders, but provides export-financing products that fill gaps in trade financing. The bank assumes credit and country risks that the private sector is unable or unwilling to accept and helps to level the playing field for U.S. firms by matching the financing that other governments provide to their exporters. The Ex-Im Bank provides working capital guarantees (pre-export financing); export credit insurance; and loan guarantees and direct loans (buyer financing). Primarily focusing on developing markets worldwide, Ex-Im Bank has recently supported U.S firms supplying to the world's largest solar energy facility in Bavaria. For further information on Ex-Im Bank's objective and programs please see: http://www.exim.gov.

How Does the Banking System Operate Return to top

Germany has a non-discriminatory, well-developed financial services infrastructure. Germany's universal banking system allows the country's more than 39,000 bank offices not only to take deposits and make loans to customers, but also to trade in securities. The traditional German system of cross-shareholding among banks and industry, as well as a high rate of bank borrowing relative to equity financing, allowed German banks to exert substantial influence on industry in the past. Germany's recent tax reform, however, eliminated the capital gains tax on holdings sold by one corporation to another as of January 2002. This change is considered especially important to promote industrial restructuring, unwind Germany's complex web of interlocking corporate ownership, and rationalize capital allocation.

Private banks control roughly 30% of the market, while publicly owned savings banks partially linked to state and local governments account for 50% of banking turnover, and cooperative banks make up the balance. All three types of banks offer a full range of services to their customers. A state-owned bank, KfW, provides special credit services, including financing homeowner mortgages, providing guarantees to small and medium-sized businesses, financing projects in disadvantaged.

Regions in Germany and providing export financing for projects in developing countries. Virtually all major U.S. banks are represented in the German market, principally but not exclusively in the city of Frankfurt am Main, Germany's main financial center. A large number of German banks, including some of the partially state-owned regional banks, similarly maintain subsidiaries, branches and /or representative offices in the United States. Germany's major private banks are Deutsche Bank, Commerzbank, HVB, and Dresdner Bank.

Foreign-Exchange Controls
Return to top

Practices regarding finance, availability of capital and schedules of payment are comparable to those, which prevail in the United States. There are no restrictions or barriers on the movement of capital, foreign exchange earnings or dividends.

U.S. Banks and Local Correspondent Banks
Return to top

Citibank AG
Reutterweg16
60323 Frankfurt am Main, Germany
Telephone: 49-69-1366 0
Website: http://www.citibank.de

JP Morgan GmbH
Junghofstr. 14
60311 Frankfurt am Main, Germany
Telephone: 49-69-7124 0
Telefax: 49-69-7124 2209
Web site: http://www.jpmorgan.com

Goldman-Sachs & CO OHG
Messeturm
Friedrich-Ebert-Anlage 49
60308 Frankfurt am Main, Germany
Telephone: 49-69-7532 1000
Telefax: 49-69-7532 2800
Web site: http://www.gs.com/

Merrill Lynch Bank AG
Neue Mainzer Strasse 52
60311 Frankfurt am Main, Germany
Telephone: 49-69-5899 0
Telefax: 49-69-5899 4000
Web site: http://www.ml.com/

Project Financing
Return to top

Germany possesses the financial framework and institutions to support the development of large infrastructure works. However, the volume of project finance operations has been relatively modest in Germany in comparison to other EU countries, particularly the U.K. or France. Although the rising indebtedness of the German federal state, and local authorities would seem to favor this type of financing, the relatively stagnant economic conditions have also limited anticipated rates of return for potential project finance developers. Other inhibiting factors are Germany's complex juridical and federal frameworks, which make project financed works relatively harder to structure than in other countries. One area that has attracted project finance, including that involving a few U.S. developers and investors, is alternative energy production. Clean and renewable energy projects generally have gained prominence in Germany through the country's commitment to meeting sharply reduced CO2 emission targets.

The principle German institutions active in facilitating project finance deals are the state-owned KfW Bank Group (Kreditanstalt fuer Wiederaufbau), which plays a major role in virtually all industry fields, commercial banks Commerzbank and HVB, and several of the publicly-owned savings banks controlled by state and local governments (Landesbanken) located in northern Germany. The KfW Group includes KfW IPEX-Bank, which supports consortia with German members to design and finance infrastructure projects in Germany and overseas. Another group member, KfW Development Bank (Förderbank), helps municipalities finance infrastructure.

Web Resources Return to top

Export-Import Bank of the United States: http://www.exim.gov
Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html
OPIC: http://www.opic.gov/
Trade and Development Agency: http://www.tda.gov/
SBA's Office of International Trade: http://www.sba.gov/oit/[1]
USDA Commodity Credit Corporation: http://www.fsa.usda.gov/ccc/default.htm
European Bank for Reconstruction and Development (EBRD) http://www.ebrd.com/
U.S. Commercial Service Liaison Office to the EBRD http://www.buyusa.gov/ebrd/
The German Bankers' Association http://www.bdb.de
Federal Financial Supervisory Authority http://www.bafin.de

Return to table of contents

Return to table of contents

Chapter 8: Business Travel

Business Customs Return to top

- Never underestimate the importance of punctuality in German business culture. Arriving even five to ten minutes after the appointed time is perceived as late; a fifteen minute variance would be considered a very serious faux pas and could mean a shaky start to any potential business relations.
- Be prepared to make an appointment for most things.
- The preferred times for business appointments are between 10:00 a.m. and 1:00 p.m. or between 3:00 p.m. and 5:00 p.m.
- Avoid scheduling appointments on Friday afternoons, as some offices close by 2:00 p.m. or 3:00 p.m. on Fridays.
- Giving compliments is not part of German business protocol and can often cause embarrassment and awkwardness.
- Germans traditionally use: “Wie geht es Ihnen?” [“How are you?”] as a literal question that expects a literal answer, in contrast to the common English usage of “How's it going?” to simply meaning “Hi”. It may, therefore, be considered strange or superficial to ask the question and keep on moving without waiting for an answer.

Travel Advisory Return to top

Germany remains largely free of terrorist incidents. However, like other countries in the Schengen area, Germany’s open borders with its European neighbors allow the possibility of terrorist groups entering/exiting the country with anonymity. Overall, the security risk to travelers in Germany is low.
For the latest security information, Americans traveling abroad should regularly monitor the State Department’s Internet web site at http://travel.state.gov/[1] where the current Worldwide Caution Public Announcement[2], Travel Warnings and Public Announcements can be found. Up-to-date information on security can also be obtained by calling 1-888-407-4747 toll free in the United States, or, for callers outside the Untied States and Canada, a regular toll line at 1-317-472-2328. These numbers are available from 8:00 a.m. to 8:00 p.m. Eastern Time, Monday through Friday (except U.S. federal holidays).

Visa Requirements
Return to top

A passport is required. A visa is not required for tourist/business stays up to 90 days within the Schengen Group of countries, which includes Germany. Further information on entry visa and passport requirements may be obtained from the German Embassy at 4645 Reservoir Road N.W., Washington, D.C. 20007, telephone (202) 298-4000, or the German Consulates General in Atlanta, Boston, Chicago, Houston, Los Angeles, Miami, New York, or San Francisco and on the Internet at http://www.germany-info.org

Inquiries from outside the United States may be made to the nearest German embassy or consulate.

United States companies that require travel of foreign businesspersons to the United States should allow sufficient time for visa issuance if required. Visa applicants should go to the following links:

State Department Visa Website: http://travel.state.gov/visa/index.html
United States Visas: http://www.unitedstatesvisas.gov/
United States Embassy Berlin: http://www.usembassy.de/

Telecommunications
Return to top

Thousands of miles of high-quality fiber optical cable make the country ready for the applications of the future.
Mobile phones are based on GSM 800 and 1600 Mhz standards. UMTS/IMT 2000 frequencies are 1900 to 2170 MHz.

Transportation
Return to top

Travel by plane, train or car meets international standards, but prices exceed U.S. averages. The number of in-country flights has been picking up and the train stations that dot the country provide sufficient access to nearly all cities (for train schedules, please see www.db.de). Nevertheless, cars are the most popular means of transport and Germany's famous highway system is extensive.
Geographic distances are relatively short, when compared to the United States, but as Germany is much more densely populated than its European neighbors, it may take a little longer to travel the same distance in Germany than it may take in France or Scandinavia.

Language
Return to top

German. In larger towns, many people can communicate in English.

Health Return to top

Good medical care is widely available. Doctors and hospitals may expect immediate payment in cash for health services from tourists and persons with no permanent address in Germany. Most doctors, hospitals and pharmacies do not accept credit cards. Medical Insurance: The Department of State strongly urges Americans to consult with their medical insurance company prior to traveling abroad to confirm whether their policy applies overseas and if it will cover emergency expenses, such as a medical evacuation. U.S. medical insurance plans seldom cover health costs incurred outside the United States unless supplemental coverage is purchased.

Local Time, Business Hours, and Holidays Return to top

See http://www.buyusa.gov/germany/en/holidays.html for German holidays in 2008.
Central European Time (CET): UTC/GMT +1 hour
Central European Summer Time (CEST): UTC/GMT +2 hours

Daylight saving time in Germany starts on Sunday, March 30, 2008 at 2:00 AM local standard time and ends on Sunday, October 26, 2008 at 3:00 AM local daylight time.

See http://www.timeanddate.com/ for more information.

Temporary Entry of Materials and Personal Belongings Return to top

When bringing professional equipment, such as electronic goods, cameras, and musical instruments, into Germany, it is strongly recommended that you first contact the consulate or embassy in your area for customs information. You might also want to consider purchasing an ATA Carnet. The ATA Carnet, which allows for the temporary, duty-free entry of goods into over 50 countries, is issued by the United States Council for International Business by appointment of the U.S. Customs Service; www.uscib.org

Note: Voltage in Germany is 230. Electronic equipment from the U.S. will require an adaptor.

Return to table of contents

Return to table of contents

Chapter 9: Contacts, Market Research, and Trade Events

Contacts Return to top

A. Country Contacts
Federal Ministry of Economics and Technology
Bundesministerium fuer Wirtschaft & Technologie
www.bmwi.bund.de

Federal Bureau for Foreign Trade Information
http://www.bfai.de

Federal Ministry of Finance
Bundesministerium der Finanzen
http://www.bundesfinanzministerium.de

B. Country Trade Associations/Chambers of Commerce
Bundesverband der Deutschen Industrie e.V. (BDI)
(Federation of German Industries)
http://www.bdi-online.de

Deutscher Industrie und Handelskammertag (DIHK)
(Federation of German Chambers of Industry and Commerce)
http://www.dihk.de

Bundesverband des Deutschen Gross- und Aussenhandels e.V. (BGA)
(Federation of German Wholesale and Foreign Trade)
http://www.bga.de

Zentralverband Elektrotechnik- und Eletronikindustrie e.V. (ZVEI)
(German Electrical and Electronic Manufacturers Association)
http://www.zvei.de

Verband Deutscher Maschinen- und Anlagenbau e.V. (VDMA)
(German Association of Machinery and Plant Manufacturers)
www.vdma.org

Centralvereinigung Deutscher Handelsvertreter- und Handelsmakler-Verbaende (CDH)
(General Association of Commercial Agents and Brokers)
http://www.cdh.de

C. Country Market Research Firms

It would exceed the scope of this guide to list even only the major market research or consultant companies. Most of these firms belong to one or both of the following associations and can be contacted through these:

Bundesverband Deutscher Unternehmensberater e.V. (BDU)
(Federal Association of German Consultants)
http://www.bdu.de

Arbeitskreis Deutscher Markt- und Sozialforschungsinstitute e.V. (ADM)
(Federation of German Market and Social Research Institutes)
http://adm-ev.de

D. Country Commercial Banks

There are numerous domestic and foreign banks represented in Germany; among the largest German institutions are:

Deutsche Bank AG	http://www.deutsche-bank.de
Dresdner Bank AG	http://www.dresdner-bank.com
Commerzbank AG	http://www.commerzbank.com

E. U.S. Embassy Trade Personnel

United States Embassy, Berlin	http://www.usembassy.de
Commercial Service	http://www.buyusa.gov/germany/en/berlin.html

U.S. Consulates

Dusseldorf	http://duesseldorf.usconsulate.gov
Commercial Service	http://www.buyusa.gov/germany/en/duesseldorf.html
Frankfurt/Main	http://frankfurt.usconsulate.gov
Commercial Service	http://www.buyusa.gov/germany/en/frankfurt.html
Hamburg	http://hamburg.usconsulate.gov
Leipzig	http://leipzig.usconsulate.gov
Munich	http://munich.usconsulate.gov
Commercial Service	http://www.buyusa.gov/germany/en/munich.html

F. Washington-based USG Country Contacts

U.S. Department of Commerce, International Trade Administration
http://www.trade.gov

U.S. Department of State
http://www.state.gov

USDA - Foreign Agricultural Service, Agricultural Export Services Division. The website has trade and production statistics, exporter assistance information, marketing information, trade policy news and links to the attaché reports.

http://www.fas.usda.gov

U.S. Department of the Treasury
http://www.ustreas.gov

Office of the U.S. Trade Representative, Office of Europe and the Mediterranean
http://www.ustr.gov

http://www.useu.be/agri - the office of Agricultural Affairs at the U.S. Mission to the European Union has a very comprehensive website on EU food laws, import requirements, and duties and quotas.

G. U.S.-based Multipliers

Embassy of the Federal Republic of Germany
http://www.germany-info.org

CMA - German Agricultural Marketing Board
North American Office
http://www.germanfoods.org

German American Chamber of Commerce Inc. (Headquarters)
http://www.gaccny.com

German Representative for Industry and Trade
http://www.rgit-usa.com

H. Other Contacts

http://www.buyusa.gov/germany/en/contact.html - U.S. Commercial Service Germany's trade specialists can help you identify trade opportunities, find local trading partners, launch your company, and obtain market research reports.

http://www.export.gov - U.S. Government Export Portal

http://www.buyusa.gov/europeanunion - As EU member states harmonize their regulations and increase their economic integration, a direct connection to the U.S. Commercial Service at the U.S. Mission to the European Union can be the key to success in the EU market.

http://www.agbc.de - American-German Business Club

http://www.agbc-berlin.de - American German Business Club Berlin

http://www.amcham.de - American Chamber of Commerce in Germany

http://www.useu.be/agri/ - the office of Agricultural Affairs at the U.S. Mission to the European Union has a very comprehensive website on EU food laws, import requirements, and duties and quotas.

http://www.fas.usda.gov - The Foreign Agricultural Service website has trade and production statistics, exporter assistance information, marketing information, trade policy news and links to the attaché reports.

Agricultural Affairs Office
American Embassy/Berlin
Clayallee 170
14195 Berlin, Germany
Tel: [49][30] 8305-1150
Fax: [49][30] 8431-1935
Email: Agberlin@usda.gov
http://www.usembassy.de/germany/fas/index.html

http://www.useu.be/agri/ - the Office of Agricultural Affairs at the U.S. Mission to the European Union has a very comprehensive website on EU food laws, import requirements, and duties and quotas.

http://www.tradestatsexpress.gov - provides statistical data on trade between the United States and Germany.

http://www.bundesbank.de - provides information and key indicators on Germany's economy.

Market Research Return to top

To view market research reports produced by the U.S. Commercial Service please go to the following website: http://www.export.gov/mrktresearch/index.asp and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

http://www.buyusa.gov/germany/en/marketresearch.html - Comprehensive and up-to-date information about the German market and the export potential for U.S. products and services

http://www.buyusa.gov/europe/ - The Showcase Europe website of the U.S. Commercial Service provides trade opportunities, new business partners, market research and one-on-one assistance.

http://www.buyusa.gov/europeanunion/tender_search.html - Public Procurement Opportunities in Europe

Agricultural Reports

Attaché Reports

Attaché reports provide information on market opportunities, crop conditions, new policy developments and information on the German food industry. Some standard reports include: Retail Market Report, Exporter Guide, Food Service Report, and market briefs on wine, seafood, and other select products. Attaché reports can be found at http://www.fas.usda.gov/scriptsw/attacherep/default.asp. In recent years, many of the German reports have been consolidated and are submitted as EU reports. We recommend that companies interested in the German market also review the EU reports.

American Food Directory
The Agricultural Affairs Office has produced a food directory entitled "American Foods in Europe (AFE) 2004 Directory of European Importers of U.S. Food and Beverage Products". The AFE directory contains listings of about 200 European companies, from 16 European countries within the EU-25, handling about 500 branded and a wide assortment of generic U.S. food and beverage products available in Europe. The directory is a useful resource for retailers, hotels, caterers, restaurants and others seeking to purchase U.S. food or beverage products but who do not wish to import directly. In addition to a hardcopy, an Internet version of the 2004 Directory is available at http://www.american-foods.org

For further information please review the FAS Homepage and the FAS Processed Products Division. The FAS homepage may be visited on line at:
http://www.fas.usda.gov

Trade Events

Return to top

Please click on the link below for information on upcoming trade events:
http://www.buyusa.gov/germany/en/events.html

Directory of important trade fairs in Germany and the U.S.
http://www.export.gov/tradeevents/

For some of the major trade shows being held in Germany that are dedicated to the food and agricultural sector and products, please see:
http://www.usembassy.de/germany/fas_tradeshows.html
Note: The promotional events listed are provided for informational purposes only. No endorsement should be implied unless specifically stated.

Return to table of contents

Return to table of contents

Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

http://www.buyusa.gov/germany/en/find_partners.html

Return to table of contents