

Germany Market Overview



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Introduction to Germany

Economy

Germany is the largest country and economy in the European Union. Since reunification in 1991, the country has maintained economic and political stability and is consequently often referred to as Europe's "stability anchor." The core of this stability has been German Chancellor Angela Merkel, who has ruled the country since 2005, mostly in a centrist coalition government with center-left Social Democrat Party (SPD).

The fifth-largest economy in the world in PPP terms, Germany has maintained fairly stable GDP growth for the past decade, around 2.5% in 2017. Germany's economy is powered by a highly skilled labor force and is a leading global exporter, especially of machinery, vehicles, chemicals and household equipment. The prestige of German manufacturing ("Made in Germany") gives the country's exporters a competitive advantage across the globe, leading to record-low unemployment rates (bottoming out at 3% in July 2019), higher real wages and corresponding higher private consumer demand.

Germany's strength as an exporter is reflected in the observation that the country consistently runs a trade surplus. In 2017, Germany reported a current account balance of \$291 billion, the largest in the world. The country has used its membership within the EU and strong diplomatic ties with the United States and China to spread its export reach, with exports amounting to half of German GDP.

As an industrial giant, Germany requires raw materials, fuel and capital equipment, which are the country's largest imports. In addition to countries in the EU – collectively Germany's largest trading partner – China and the US are Germany's largest sources of imports.

Until this year, Germany ran a federal budget surplus every year since 2011, largely due to a balanced budget amendment passed in 2009 which prevents national budget makers from planning a deficit of more than 0.35% of GDP. Consecutive budget surpluses have allowed the country to gradually reduce its sovereign debt and have been particularly instrumental in Germany's several stimulus packages in response to the Covid-19 pandemic (see Germany and Covid-19 section). The German economy's stability is also backed by significant foreign currency reserves, approximately \$245 billion as of April 2020 (13th in the world and most in the EU). [Source: Deutsche Bundesbank]

Overall, the stability of the German economy as a trading partner for US businesses cannot be understated, especially during the global economic recovery from the Covid-19 pandemic. While the country's GDP growth may be relatively low, Germany boasts the EU's largest consumer base and maintains central trading relationships within and outside of the EU.

Exporting to the EU

The vast majority of goods exported into the EU, Europe's customs and monetary union, are subject to Europe's value-added tax (VAT). While the VAT is fundamentally a consumption tax, it is levied incrementally along each step of the production process, meaning that non-EU producers must also pay the VAT when exporting goods into



Image: CIA Factbook

the EU. Since each country in the EU is allowed to set its own VAT rates, US exporters of most goods will have to register online with the importing country to receive a VAT number specific to that country. Maine firms looking to export goods into Germany are required to register with the Federal Central Tax Office (BZSt) [[Link](#)]. Information regarding the approximation of VAT rates can be found [here](#). In addition, the [US Commercial Service](#) provides a wealth of resources regarding EU customs, taxes, and regulations.

In response to the economic difficulties introduced by the coronavirus pandemic, the German parliament recently approved a temporary reduction in VAT rate, valid until December 31, 2020. The standard VAT rate fell from 19% to 16% and the reduced rate shrank from 7% to 5%. While the effect of VAT reduction on market prices has been shown to [vary](#) based on sector, it is likely to spark increased consumption of durable goods and drugstore items.

Another important factor to consider when exporting goods to Germany, especially if selling goods directly to local consumers, is the prominent form of payment. Credit cards are significantly less widely used in Germany than in the US, and direct bank transfers (e.g. Giro transfers) and direct debit payments (ELV) are greatly preferred. If applicable, local payment processing is greatly preferred to cross-border processing, as local consumers will appreciate lower processing/foreign transaction fees and greater approval rates when paying by credit card. For this reason, it is an advantage to develop connections with a bank in the importing country to facilitate local payment processing.

US-German Trade Statistics

While a significant fraction of Germany's trade takes place within the EU, the US is Germany's second largest external trading partner, after China. In 2019, the US exported over \$60 billion in commodities to Germany and – as the largest buyer of German products – imported over \$127 billion in goods. The table below shows the top six US exports to Germany:

Rank	HS Code	Description	ANNUAL 2017	ANNUAL 2018	ANNUAL 2019	GROWTH 2017-2019
		TOTAL	53,965,424,642	57,757,839,198	60,112,396,186	11.4%
1	88	Aircraft, Spacecraft, and Parts Thereof	7,080,490,950	8,902,701,663	10,359,340,478	46.3%
2	87	Vehicles, Except Railway or Tramway, and Parts Etc.	7,320,046,388	7,181,410,363	8,187,724,673	11.9%
3	90	Optic, Photo, etc.; Medic or Surgical Instruments etc.	6,315,841,743	6,706,777,151	6,810,211,509	7.82%
4	84	Industrial Machinery, incl. Computers	6,813,597,477	6,852,192,794	6,295,840,915	-7.63%
5	85	Electric Machinery, etc.; Sound Equip., TV equip., parts	5,233,627,143	5,469,753,121	5,460,968,810	4.54%
6	30	Pharmaceutical Products	3,069,494,598	3,416,693,459	4,816,398,852	56.9%

All figures in USD. Source: [WISERTrade](#)

From 2017 to 2019, US exports to Germany grew by 11.4%, greater than the 6.20% growth of US exports to all countries over this period. This increase is especially poignant in comparison to the growth of exports to Canada (3.49%) and Mexico (5.32%) – two of the US' largest trading partners – during the same period. While the volume of exports to Germany is only around a quarter of those to each of America's neighbors, the higher growth rate suggests that there is room for American businesses to expand into the German market.

It is important to note that the US currently maintains a significant trade deficit with Germany, importing over twice the volume of German goods in 2019 (\$127.5 billion) than the US exported. However, US exports to Germany have been growing at a slightly faster rate than imports from Germany, and as a result, the trade deficit decreased from 2018 to 2019.

The 11.4% overall growth in American exports to Germany from 2017-2019 was predominantly fueled by an increase in exports of aircraft and spacecraft (HS Code 88). Pharmaceutical products (HS Code 30) also experienced overproportionate growth between 2017 and 2019, which paralleled a 43.2% increase in imports of German pharmaceutical products over the same time period. An increase in imports more than offset the decrease in exports of industrial machinery (HS Code 84), one of only two top-10 US exports to Germany to experience negative growth during the two-year period, indicating further decreases in US exports of industrial machinery to Germany in the short term.

Maine-German Trade Statistics

In 2019, Maine had the 45th largest volume of exports to Germany out of all US states, including Puerto Rico. However, this is more or less proportionate to export volume to all countries in 2019, for which Maine ranked 48th. The following table shows the major Maine exports to Germany:

Rank	HS Code	Description	ANNUAL 2017	ANNUAL 2018	ANNUAL 2019	GROWTH 2017-2019
		TOTAL	149,812,282	66,018,492	57,889,722	-61.4%
1	98	Special Classification Provisions, Nesoi	17,271,500	21,911,954	18,797,474	8.84%
2	88	Aircraft, Spacecraft, and Parts Thereof	106,708,601	9,325,689	10,694,328	-90.0%
3	84	Industrial Machinery, incl. Computers	6,836,269	5,814,147	5,012,224	-26.7%
4	47	Wood Pulp etc.; Recovered (Waste & Scrap) Paper & Paperboard	88,439	5,327,066	3,725,181	4112%
5	75	Nickel and Articles Thereof	1,980,409	1,718,413	3,671,702	85.4%
6	85	Electric Machinery, etc.; Sound Equip., TV equip., parts	4,035,484	3,348,173	3,578,953	-11.3%

All figures in USD. Source: [WISERTrade](#)

While imports from Germany increased from 2017-2019, exports have decreased significantly since 2017, largely due to a monumental decrease in the exports of aircraft and spacecraft, which comprised over 70% of Maine’s exports to Germany in 2017 (but less than 20% in 2019). This drop can be partially attributed to the 2018 [decision](#) by German firm Lufthansa Technik to move an ongoing conservation project from Auburn back to Germany. However, this reduction was partially offset by the emergence of new export industries, such as nickel and wood pulp/recovered paper and paperboard, which have seen huge increases in export volume since 2017. In addition, several smaller export industries have also seen marked increases in exports over the past few years, including ships/boats (HS Code 89) and miscellaneous edible preparations (HS Code 21).

US-German Relations

Germany has been one of the US' closest allies in Europe for decades, and the countries are not only connected by strong trade ties but are close in political and security matters as well. Alongside the US, Germany is a fellow member in NATO, G-7, G-20, OSCE and the UN.

Germany is a beacon of political and economic stability in Europe. Chancellor Angela Merkel of the center-right CDU/CSU party has been in power since 2005, and although she has announced her resignation in 2021, her successor is widely expected to be nominated from her party and is highly unlikely to significantly shift the country's relations with the US. While Germany's decade-long expansion came to an end in 2020, the country maintained approximately 2% annual GDP growth from 2010-2019.

Germany's stability is responsible in part for the consistently strong trade relations between the two countries. The US is the biggest buyer of German exports and Germany is at the heart of US trade with the EU, collectively the country's largest trading partner. Bilateral trade has consistently increased between the two countries in recent years, with US exports into Germany growing nearly 25% from 2016-2019 and German exports into the US increasing by over 12% during the same period. German exports into the United States typically consist of capital equipment and machinery, which in turn are used for the manufacture (and often export) of American-made consumer goods. The rapid growth of US exports into Germany has partially offset America's trade deficit with Germany as well as revealed several industries with potential for significant export growth (see US-German Trade Statistics section). (Source: UN Comtrade, Wisertrade)

Business Practices

Before doing business in Germany, it is very important to understand local business practices. Here are a few:

- Germans maintain a stronger work-life division than in the United States. Do not plan business meetings outside of traditional work hours or on weekends. Many Germans are not available for normal contact outside of work hours.
- German business culture is characterized by punctuality and organization, and as a result, business relations are often conducted quite formally and in strict adherence to the meeting agenda. Timeliness is extremely important to maintaining positive relations.
 - In case of delay, inform the German business partner(s) as soon as possible.
- Upon meeting for the first time, German shake hands and make eye contact.
- Business dress code is formal: suits for both men and women.
- Gift-giving is not common.
- Humor is not a significant component of business meetings with Germans, who tend to be quite serious.
- Academic titles are extremely important forms of address, especially in written communication, where all titles are written (e.g. Prof. Dr. Jan Müller). All appropriate titles will be found on business cards, which are typically exchanged at the beginning of the meeting. American business cards must not be translated into German, as English proficiency is widespread among businesspeople.
- International business with Americans will almost always be conducted in English, and there is little expectation for Americans to speak German. However, there is good reason to learn a few basic phrases in German, which will be helpful if visiting the country and appreciated by German partners as a sign of cultural respect.
 - A brief guide for the correct pronunciation of German names and basic phrases follows.

- Note: If speaking German with German partners to any extent, it is imperative to use the formal address Sie ('the formal *you*'), even if you have met before.
- Germans generally do not engage in extended small talk, as initial meetings often do not last longer than an hour, unless otherwise agreed upon. On-topic discussion should dominate the majority of the meeting.
- Germans can be honest to the point of bluntness, and often will not disguise questions or criticism as is common in the United States. Many Germans, when listening, will make eye contact with the speaker but not provide the same body language customary in the US (nodding, smiling, etc.).
- Trade show participation is a very important marketing tool to advertise products to the target market.
- After the first approach, additional follow-up phone calls and emails play an important role in building the business relationship. Email is a significant component of communication, especially for recordkeeping, but many Germans prefer direct phone calls for time-sensitive communication.

Market Overview

Germany is the largest economy in Europe, with over 80 million consumers and a high GDP per capita, especially relative to the country's significant population. It represents a significant source of demand for high-quality, unique goods in various economic sectors.

Germany is a leading industrial nation and a giant in the automotive, life sciences, agritech, software and engineering sectors. In addition to Europe's largest consumer market, Berlin also boasts Europe's largest construction industry and the financial services sector in the Eurozone. Accounting for 40% of the EU's medical device market, Germany is the 3rd largest Medtech market in the world.

Top five reasons why U.S. companies should consider exporting to Germany:

- Excellent manufacturing and distribution infrastructure and international connections
- Europe's largest and wealthiest population, with direct access to nearly 450 million consumers in the EU
- Political and economic stability, especially in the post-Covid era
- "Made in Germany": standards of reliability, high quality and efficiency
- Popularity of American consumer products and culture

Germany has also been a key trade partner for Maine for the majority of the last two decades. Fueled by tremendous growth (32% per year from 2006-2016), Maine exports to Germany peaked in 2016, when the country was Maine's second largest export destination, after Canada. However, by 2019, Germany had fallen to 9th place, largely due to a significant drop-off in exports of spacecraft in 2018 (see Maine-Germany Trade Statistics section).

The third-largest exporter in the world (behind China and the US), the well-established German market also offers a gateway to international markets and leverage into international supply chains. Alongside "Made in the USA," the prestigious "Made in Germany" mark represents the country's high standards of quality and precision.

The "Bio" Advantage

German consumers are generally quite environmentally conscious. Agricultural products with the government-awarded "Bio" (pronounced "Bee-Oh") seal, which designates sustainably cultivated goods containing at least 95% organically grown ingredients, are highly favored by consumers. Stricter EU standards for food quality and ingredients could pose a challenge for American producers, but many agricultural products popular in Maine are poorly supplied in Germany and could discover a combination of significant local demand and sparse domestic competitors.

Trade Shows

Germany is a global hub for trade shows, hosting around 150 fairs per year – approximately 2/3 of the global total. Frequent attendance of trade shows is key for US exporters to indicate to potential German trade partners that the US firm is serious about market entry. Suggested marketing materials to bring to trade shows include product overviews, client endorsements, and social media links, both in English and German. If applicable, a German-language landing page for the product or firm's website can also be helpful. MITC currently supports Maine businesses attending international trade shows, including MEDICA, the world's largest medical technology trade show in Düsseldorf.

Covid-19 and Consumer Spending

While the Covid-19 epidemic has wreaked havoc on every economy, the combination of Germany's *Kurzarbeit* short-term employment scheme and unprecedented national stimulus packages (see Germany and Covid-19 section) is expected to provide a short-term boost in consumer spending as the country emerges from the pandemic. In addition, online retail sales, which grew over 10% annually since 2012, are expected to see an additional boost due to the country's quarantine measures. German online fashion retailer Zalando recently [revised](#) its full year earnings guidance to 15-20% revenue growth in 2020. Any prospective exporter to Germany should thoroughly consider establishing an online platform in order to take advantage of this ecommerce boom.

A Note of Caution: Germany's Market Maturity

Germany is a world leader in various economic sectors and is a global exporter. Accompanying the stability and infrastructural advantage that the German market offers to potential trade partners comes high consumer expectations and a highly saturated domestic market. German consumers will hold imported products to the same standards of quality and service as those produced domestically. In order to establish a niche in the highly saturated German market, American exporters will need highly differentiated products, especially since brand trust plays a significant role in purchasing decisions for many risk-averse Germans. Despite these challenges, establishing successful trade connections with Germany is far from impossible – Germany was Maine's second-largest export destination in 2016.

Business Challenges in Germany

Despite Germany's history of stability and economic robustness, the country faces several challenges which are important to consider when deciding to do business in Germany.

Leadership after 2021

Merkel's decision to step down as chancellor in 2021 has raised concerns about the continuity of Germany's centrist rule once a new government is formed following 2021 parliamentary elections. While the drastic rise in popularity of the EU-sceptic far-right Alternative for Germany (AfD) party since 2015 was once considered a threat to a centrist coalition, inter-party disputes and the prompt response of Merkel's government to the Covid-19 pandemic has reduced the support of the AfD. According to a [DW poll](#), Merkel's approval rating surged to around 68% in May and the popularity of the current government rose above 70% for voters of all parties except the AfD.

Instead of a dramatic overturn, a more likely outcome for Germany's 2021 election is a coalition between Merkel's center-right CDU and The Greens, Germany's green party which mainly focuses on climate change and sustainable development. Such a coalition would represent a shift to the left, and the Greens would likely demand stronger climate change and energy reforms, such as a carbon tax and an end to the development of nuclear power. While the Greens have never played a leading role on the federal level, a CDU-Green coalition has successfully existed in

Baden-Württemberg, one of Germany's largest states and home to Bosch, Mercedes-Benz and Porsche, since 2011.

Demographic decline

In the longer term, Germany faces negative population growth due to low fertility rates among native citizens. While an influx of over one million refugees and asylum-seekers in 2015-16, primarily from Syria, provided a temporary boost to the country's population, immigration will not be enough to reverse the trend of an aging population with declining birth rates. In the coming years, expect Germany's demand for imported medical goods and services to increase as a significant proportion of the population comes of pension age.

Business and bureaucracy

In the World Bank's annual [Ease of Doing Business ranking](#) in 2019, Germany was ranked 22 out of 190 countries in terms of ease of conducting local business, based on ten criteria. Many of Germany's strengths and weaknesses are connected to the country's bureaucracy and strong legal system: while Germany performed comparatively well in enforcing contracts (13), resolving insolvency (4), dealing with construction permits (30) and getting electricity (5), high levels of paperwork and complicated bureaucratic processes reduced the country's rankings for starting a business (125) and registering property (76). Total taxation on German businesses currently amounts to around 30%, including a 15% corporation tax. However, owners of small and medium enterprises in Germany may see a reduction in personal income taxes by 2021 as the country progressively abolishes its "solidarity surcharge," a tax levied at 5.5% of income tax to pay for the costs of German reunification. Nevertheless, Germany's corporate tax rate has remained stable since 2008 and is unlikely to significantly change in the near future.

Germany and China

German Chancellor Angela Merkel has often been criticized by opponents and members of her own party alike for her relatively soft stance towards China, the country's largest trading partner. She has not taken hard stances on the Chinese security law in Hong Kong nor regarding the role of Chinese telecommunication company Huawei in the construction of Germany's 5G network. As a result, she has prevented politics from interfering with the growing trade volume between the two countries, over \$230 billion in 2019. China is the only country with which Germany runs a significant trade deficit, importing nearly \$15 billion more than it exported to China last year.

While Markus Söder, the Minister President of Bavaria (Germany's largest state) and a likely candidate for chancellor in 2021, has echoed Merkel's stance towards China, pressure from within government – especially if the conservative CDU is forced into a coalition with the liberal Greens – may force Germany to adopt a stricter policy against China, which could hurt both German importers and exporters by reducing bilateral trade volume. However, this could prove a tremendous opportunity for US exporters, especially for producers of electrical machinery (HS Code 85), clothing (HS Code 61 & 62), furniture (HS Code 94) and scientific instruments (HS Code 90), goods which Germany imports significantly from China.

Germany and Covid-19

In order to safeguard the liquidity and solvency of many small-to-medium businesses, the German government broke from its long-term "Black Zero" budget surplus policy in March, taking on €150 billion in debt for emergency bailout measures. An additional €750 billion is planned for 2020, including €100 billion in direct equity stakes of stricken companies.

This unprecedented level of spending was made possible by years of running a budget surplus. Despite the packages, Germany will maintain a comparatively low debt-to-GDP ratio (expected to rise to 75% in 2020), even in comparison to other strong EU economies.

Berlin is expecting a 6% contraction in annual GDP in 2020, although the decline could reach 9% if the country is struck particularly hard in the Fall.

The rapid response of the German government to the coronavirus outbreak in Europe have been lauded, including high levels of testing, an effective containment strategy for elderly people, and an effective use of the country's wide healthcare capability (Germany has the highest number of IC beds per capita in the EU). As a result, Germany's death rate has remained very low for the country's large population. The number of new daily cases has decreased steadily since April, allowing the country to gradually reopen.

Kurzarbeit ("short-time work") is a social insurance system in which the federal government financially supports businesses which reduce their employees' hours instead of furloughing them. The government also subsidizes significant portions of the worker's original salary, typically 60% of lost net wages. Estimates show over 6 million workers in April received *Kurzarbeit* benefits, over four times more than during the 2008-09 crisis. Since workers receiving *Kurzarbeit* benefits remain technically employed, Germany's unemployment rate has remained very low (6.4% in June). While the program only provides for six months of benefits, it is expected to significantly alleviate a spike in unemployment. The program is financed by sovereign reserves, which totaled €227 billion in April (Source: Deutsche Bundesbank).

While the *Kurzarbeit* program and a temporary reduction of Germany's VAT (see Exporting to the EU section) are expected to help cushion the pandemic's blow to private domestic consumption, global uncertainty has significantly reduced business investment and foreign demand for German exports, especially durable goods like cars. Net exports are expected to decrease by 3.1% in 2020 but are expected to recover in 2021. An additional €130 billion stimulus package is expected to stimulate demand and increase business investment into public transport, digital infrastructure, education, and R&D, as well as provide financial incentives for the purchase of energy-efficient durable goods like hybrid vehicles.

Overall, expect German economic output to decline significantly in 2020 before beginning to recover in 2021. While unemployment will likely recover fairly quickly, consumer spending may not return to pre-crisis levels in the short run: 1/3 of Germans expect to spend less on durable goods from May 2020-2021. In contrast, the country's quarantine measures have opened up opportunities for e-commerce retail sales, which are expected to grow over 15% this year. (Sources: Reuters, E-Marketer). Expect diminished supply of foreign manufacturing and retail goods in the short term as Germany's main trading partners in the EU recover from the crisis to create room for American companies to penetrate Germany's recovering market.

General Market Opportunities

Germany is an industrial powerhouse, leading the way in many industrial industries as well as manufacturing and research. Its largest imports (shown below) largely reflect this status, as Germany imports machinery, materials and pharmaceutical products. Nevertheless, the wealthy country's economic status and welfare programs have allowed for a relatively high GDP per capita, such that consumer goods are also high in demand.

German demand for healthcare and life sciences products has steadily increased over the last decade and will only continue to accelerate as the country ages (see Industry Spotlights section).

The following table shows **Germany’s top imports** from 2017 to 2019. The Maine Export Rank (2019) column indicates the ranked volume of exports in the given HS Code from Maine during this period. For example, Electric Machinery (HS Code 85) was Maine’s third largest export in 2019, thus earning export rank #3.

GERMAN IMPORT RANK (2019)	HS Code	Description	ANNUAL 2017	ANNUAL 2019	GROWTH 2017-2019	MAINE EXPORT RANK (2019)
		TOTAL	1,167,753,355,161	1,240,696,545,698	6.24%	
#1	84	Industrial Machinery, including Computers	151,031,204,673	161,231,239,278	6.75%	#6
#2	85	Electric Machinery, etc.; Sound Equip., TV equip., parts	147,159,541,307	152,540,598,214	3.66%	#3
#3	87	Vehicles; other than railway or tramway, and parts thereof	122,816,289,727	137,035,342,545	11.6%	#14
#4	27	Mineral fuels, mineral oils and products of their distillation, etc.	92,127,407,626	109,255,759,481	18.6%	#7
#5	30	Pharmaceutical products	53,700,027,421	60,430,391,191	12.5%	#16
#6	39	Plastics and articles thereof	44,373,571,631	44,889,753,679	1.16%	#13
#7	90	Optical, photographic, medical or surgical instruments and apparatus	40,577,534,434	44,291,086,948	9.15%	#10
#8	29	Organic chemicals	34,639,777,637	40,533,597,761	17.0%	#71

All figures in USD. Source: [UN Comtrade](#)

All of Germany’s top seven imports also fell within Maine’s top 15 exports in 2019. While these metrics suggest that there is significant overlap between German demand and Maine supply, the 2-digit HS Codes contain a myriad of various goods. The following charts investigate potential compatibility between German imports and Maine exports on the four-digit HS Code level for three selected groups: Industrial Machinery (HS Code 84), Electric Machinery (HS Code 85) and Mineral Fuels (HS Code 27).

Industrial Machinery (HS Code 84)

Below is a chart of Germany’s top 11 imports of industrial machinery (HS Code 84), broken down by 4-digit HS Code. While Industrial Machinery is Germany’s #1 import and Maine’s #6 export, suggesting a high potential for future trade ties, the four-digit HS Code breakdown reveals that this compatibility is not perfect.

GERMAN IMPORT RANK (2019)	HS Code	Description	ANNUAL 2017	ANNUAL 2019	GROWTH 2017-2019	MAINE EXPORT RANK (2019)
	84	TOTAL	147,159,541,307	152,540,598,214	6.75%	
#1	8471	Automatic data processing machines	22,960,314,160	24,335,159,566	5.99%	#8
#2	8411	Turbo jets, turbo-propellers and other gas turbines	10,564,759,229	14,335,413,831	35.7%	#10
#3	8443	Printing machinery	8,975,366,184	8,134,680,097	-9.37%	#30
#4	8421	Centrifuges; filtering or purifying machinery for liquids or gases	5,781,225,060	7,036,841,393	21.7%	#12
#5	8481	Taps, cocks, valves for pipes, boiler shells, tanks, and vats; incl. pressure-reducing valves	6,420,886,166	6,939,915,707	8.03%	#16

#6	8409	Parts suitable for engines of heading no. 8407/8408	6,683,836,282	6,784,410,367	1.50%	#37
#7	8483	Transmission shafts and cranks; gears and gearing; gear boxes, etc.	5,581,835,363	5,712,172,442	2.34%	#22
#8	8479	Machinery and mechanical appliances, not elsewhere classified	4,843,734,084	5,508,001,273	13.7%	#4
#9	8473	Machinery, parts and accessories for use with machines of heading no. 8470 and 8472	5,877,090,647	5,207,901,680	-11.4%	#39
#10	8413	Pumps; for liquids, liquid elevators	4,942,081,663	5,091,657,799	3.03%	#3
#11	8414	Air or vacuum pumps, air or other gas compressors and fans, etc.	4,581,439,199	5,038,527,991	9.98%	#11

All figures in USD. Source: [WISERTrade](#)

Promising areas of future trade collaboration between Germany and Maine importers could include Turbo jets (HS Code 8411), German imports of which grew over 35% between 2017-2019, and Centrifuges (HS Code 8421), which experienced over 20% import growth during the same period in Germany. In addition, Maine exporters could attempt to capitalize on a competitive advantage in the smaller Pumps (HS Code 8413) market, which experienced more modest growth but is the third highest of Maine’s industrial machinery exports.

Electric Machinery (HS Code 85)

Below is a chart of Germany’s top 10 imports of industrial machinery (HS Code 85), broken down by 4-digit HS Code. While Industrial Machinery is Germany’s #2 import and Maine’s #3 export, suggesting a very high potential for future trade ties, the four-digit HS Code breakdown reveals that this compatibility may only be evident for several sub-sectors.

GERMAN IMPORT RANK (2019)	HS Code	Description	ANNUAL 2017	ANNUAL 2019	GROWTH 2017-2019	MAINE EXPORT RANK (2019)
	85	TOTAL	147,159,541,307	152,540,598,214	3.66%	
#1	8517	Telephones	22,507,177,522	22,892,637,476	1.71%	#14
#2	8542	Electronic integrated circuits	17,384,526,993	16,984,809,491	-2.30%	#2
#3	8544	Insulated wire, cable and other electric conductors; optical fiber cables	10,731,641,552	10,714,563,169	-0.16%	#11
#4	8536	Electrical apparatus for switching, etc.	7,845,454,527	7,922,503,175	0.98%	#10
#5	8537	Boards, panels, consoles, desks, cabinets, etc. with heading no. 8535, 8536	6,547,919,209	7,686,833,580	17.4%	#8
#6	8504	Electric transformers	6,155,966,105	6,940,067,268	12.7%	#12
#7	8541	Diodes, transistors, similar semiconductor devices	6,285,360,061	6,751,720,664	7.42%	#9
#8	8528	Monitors and projectors, incl. reception apparatus for TV	6,820,763,281	6,036,442,733	-11.5%	#20
#9	8501	Electric motors and generators	5,428,315,443	5,692,648,737	4.87%	#4
#10	8507	Electric accumulators, including separators	3,957,848,528	5,468,751,048	38.2%	#21

All figures in USD. Source: [WISERTrade](#)

Within the field of electric machinery, growth rates of top German imports greatly differ. One area where import growth and Maine exports align is in boards, panels and other products with electric switches (HS Code 8537): German imports grew 17.4% from 2017 to 2019 and they ranked 8th in Maine’s electric machinery exports by value in 2019, after falling slightly from 2018.

Mineral Fuels and Oils (HS Code 27)

Below is a chart of Germany’s top 10 imports of mineral fuels and oils (HS Code 27), broken down by 4-digit HS Code. While Mineral Fuels and Oils were Germany’s #4 import (and one of its fastest growing sectors) and Maine’s #7 export, suggesting a very high potential for future trade ties, the four-digit HS Code breakdown reveals a diverging set of growth rates for sub-fields of the sector.

GERMAN IMPORT RANK (2019)	HS Code	Description	ANNUAL 2017	ANNUAL 2019	GROWTH 2017-2019	MAINE EXPORT RANK (2019)
	27	Mineral fuels & oils	92,127,407,626	109,255,759,481	18.6%	
1	2709	Petroleum oils & crude	36,159,970,643	40,751,319,535	12.7 %	--
2	2711	Petroleum gases & other gaseous hydrocarbons	24,149,389,342	31,340,804,303	29.8%	#1
3	2710	Petroleum oils and oils from bituminous materials, not crude	20,321,728,764	24,278,822,581	19.5%	#3
4	2701	Coal	5,830,624,269	4,563,772,011	-21.7%	#5
5	2716	Electrical energy	1,164,538,610	2,022,528,758	73.7%	--
6	2707	Oils and other products of the distillation of high temp. coal tar	811,605,519	651,066,779	-19.8%	--
7	2704	Coke and semi-coke	669,446,784	582,099,109	-13.0%	--
8	2713	Petroleum coke, petroleum bitumen	276,802,745	471,434,004	70.3%	#2
9	2712	Petroleum jelly	365,939,716	324,334,061	-11.4%	#4
10	2703	Peat	86,632,334	92,329,100	6.58%	--

All figures in USD. Source: [WISERTrade](#)

Note that in 2019, Maine only exported five of the top ten imports in the mineral fuels and oils sector, although **97% of Maine’s 2019 exports were petroleum gases** (HS Code 2711). The overwhelming majority of this petroleum gas was natural gas (HS Code 271121). While Germany’s imports of petroleum gases grew nearly 30% between 2017-2019, with imports of natural petroleum gas growing slightly faster, it is nearly impossible and undoubtably economically inefficient to export natural gas from Maine to Germany. However, while direct trade opportunities between Maine and Germany may be scant in this sector, the two do have mutual interests in R&D as well as technological advancement in the field, such as the development of cheaper transportation networks.

Industry Spotlights

Wood Pulp Products

Germany is a leader of Europe’s pulp and paper industry, and as a major paper producer, Germany requires a steady supply of pulp and recycled paper materials (i.e. waste & scrap of paper or cardboard, HS 4707). In 2019, Germany imported \$4.2 billion in wood pulp and waste/scrap paper products (HS 47), over three times as much as the country exported. This pattern is also present in the waste and scrap paper (HS 4707) and chemical wood pulp (HS 4703) industries, where German imports amount to approximately twice and four times the volume of exports, respectively.

As highlighted in the US-German Trade Statistics section, a recent highlight of Maine’s trading ties with Germany in the past several years has been the export of wood pulp products, which saw over a 4000% increase between 2017-2019.

The following table shows more detailed trade statistics for Maine’s wood pulp exports to Germany:

Rank	HS Code	Description	ANNUAL 2017	ANNUAL 2018	ANNUAL 2019	GROWTH 2017-2019
	47	TOTAL	88,439	5,327,066	3,725,181	4112%
1	4703	Chemical Wood Pulp, Soda Or Sulfate, Not Dissoly Gr.	67,023	2,282,059	3,572,776	5231%
2	4707	Waste & Scrap Of Paper Or Paperboard	21,416	39,090	152,405	611%
3	4701	Mechanical Wood Pulp	0	3,005,917	0	--

All figures in USD. Source: [WISERTrade](#)

Note that the overall growth in wood pulp exports was primarily driven by chemical wood pulp products (HS Code 4703), although mechanical wood pulp (HS Code 4701) experienced a one-time volume of over \$3 million in 2018.

The following table shows more detailed trade statistics for the United States’ wood pulp exports to Germany:

Rank	HS Code	Description	ANNUAL 2017	ANNUAL 2018	ANNUAL 2019	GROWTH 2017-2019 (US)	GROWTH 2017-2019 (ME)
	47	TOTAL	232,558,935	234,595,700	252,073,315	8.39%	4112%
1	4703	Chemical Wood Pulp, Soda or Sulfate, Not Dissoly Gr	135,260,423	136,344,776	159,163,455	17.7%	5231%
2	4702	Chemical Wood Pulp, Dissolving Grades	56,499,138	50,763,925	60,039,087	6.27%	
3	4706	Pulps of Fibers from Recovered Paper, Another Cell Material	27,800,799	28,158,266	18,336,869	-34.0%	
4	4707	Waste & Scrap of Paper or Paperboard	11,926,292	16,202,390	14,037,233	17.7%	611%
5	4704	Chemical Wood Pulp, Sulfite, Not Dissolving Grades	104,477	6,050	312,041	199%	
6	4705	Wood Pulp from Mechanical/Chemical Pulp Processes	896,842	0	184,630	-79.4%	

7	4701	Mechanical Wood Pulp	70,964	3,120,293	0	--	--
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All figures in USD. Source: [WISERTrade](#)

The **bolded** rows represent commodities that Maine also exported during this period.

From the period from 2017-2019, Maine’s wood pulp industry takes on a larger market share in terms of total US exports to Germany. Disproportionately large growth in both chemical wood pulp (HS 4703) and waste & scraps of paper or cardboard (HS 4707) led to over forty- and fivefold increases in market share, respectively. Also significant is that Maine supplied over 96% of all US exports of mechanical wood pulp (HS 4701.00) in 2018. However, exports of mechanical wood pulp have dropped to zero from both Maine and the US since 2018.

Over the same period, Germany’s total imports of mechanical wood pulp (HS 4701.00) have steadily increased by over 15% in volume (Source: UN Comtrade), with mechanical wood pulp imports from Maine making up over 12.6% of total import volume from all countries. This suggests that mechanical wood pulp likely represents a **significant competitive advantage** for Maine wood pulp exporters to Germany.

Wood Pulp Industry in Germany	
Advantages	Challenges
Largest market in Europe with high income level	Higher shipping costs and tariffs in comparison to European competitors
Sustainability and recycling are important to many German consumers, fueling demand for recycled paper products (i.e. HS Code 4707)	German imports of wood pulp and scrap paper have stagnated over the last several years
Source: 2019 USDA Exporter Guide	

Life Sciences

Germany is Europe’s largest healthcare and life sciences market, leading the continent’s pharmaceutical, medical technology and biotech sectors. Over the past decade, Germany’s healthcare market grew at nearly 4% annually. In addition to a strong private sector (with over 5.5 million employees) and stable governmental support, Germany’s life sciences sector is expected to grow significantly over the next decade due to the country’s demographics. With a high life expectancy and one of the lowest fertility rates in Europe, Germany’s population is aging quickly. By 2030, 27% of the country’s population is expected to be over 65 years old ([Source](#)). This creates a heavy demand on the country’s life sciences sector – especially for pharmaceuticals and medical devices, two of Maine’s top 15 exports in 2019. While Germany currently maintains a heavy positive trade balance in these sectors (exporting more than importing), this trend is expected to flip as more and more industry workers move into retirement. This is especially true given that over 98% of Germany’s 12,000 medical technology companies have fewer than 100 employees. This statistic also suggests that small foreign exporters may also have a significant chance to succeed in the German market.

Maine’s life science exports – including pharmaceutical products (HS Code 30) and optic, photographic, medical and surgical instruments (HS Code 90) – to Germany have fallen since 2015. However, some sub-sectors, including instruments and apparatus for physical or chemical analysis (HS Code 9027), have shown promise in 2020, with exports from January to May 2020 more than double those YTD in 2019.

In addition, Maine’s life sciences exports to all countries have shown significant promise, growing by 15% from 2017 to 2019. Such growth in worldwide exports was also experienced by sub-sectors, including pharmaceutical products (18.6%) and optic, photographic, medical and surgical instruments (15.4%). Life science exports in 2020 (to May) have only fallen 10.4% YoY¹, performing slightly better than total Maine exports, which have fallen 11.5%. This suggests that Maine’s life sciences industry, especially pharmaceutical products and medical instruments, will continue to grow in the coming years. The German life science market, which offers stable growth, well-established healthcare infrastructure (see Covid-19 section) and promise of heightened future demand due to demographic change, offers a promising future export market for Maine life science businesses.

MITC currently leads a “Best of New England” collaborative partnership to MEDICA, the world’s largest medical trade show in Düsseldorf, Germany. For more information, please contact Zeynep Turk at turk@mitc.com.

German Pronunciation Guide and Basic Phrases

While German businesspeople do not expect their American counterparts to speak German, correctly pronouncing German words and a knowledge of basic phrases in the language can make a significant difference, both in and out of the meeting.

The German alphabet is very similar to the English alphabet but includes several extra letters (ß, ä, ö, ü). In addition, some letters are pronounced differently in German than in American English.

J	Jan	pronounced like Y
V	Volkswagen	pronounced like F
W	Weber	pronounced like V
Z	Zimmermann	pronounced like TS
ß	Schloß	pronounced like S

A more exhaustive guide to the German alphabet can be found [here](#).

Basic Phrases

Hello	Hallo	
	Guten Morgen	(during the morning)
	Guten Tag	(during the day)
Goodbye	Guten Abend	(during the evening)
	Auf Wiedersehen	
	Auf Wiederhören	(if talking by phone)
Nice to meet you.	Schön, Sie kennenzulernen.	

¹ That is, the volume of exports from January-May 2020 is 10.4% smaller than the export volume from January-May 2019.

How are you?	Freut mich, Sie kennenzulernen.
My name is...	Wie geht es Ihnen?*
	Ich heiße ...
	Mein Name ist ...
Mr. Schmidt	Herr Schmidt
Mrs. Schmidt	Frau Schmidt
Excuse me.	Entschuldigung
Please	Bitte
Thank you	Danke
Can we continue in English?	Können wir bitte auf Englisch weitermachen?

An excellent resource to hear German words pronounced by native speakers is forvo.com/languages/de/.

*Note: Americans ask the question “How are you?” quite casually, even upon first meeting. This is generally not done by Germans until a business and/or personal relationship has been established.

Sources

In addition to the sources cited directly, the following websites and databases were used to construct this report:

CIA Factbook
Deutsche Bundesbank
Eurostat
IMF
OECD
UN Comtrade
US Department of Agriculture
WiserTrade
World Bank