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Article
"Germany remains an important research location for foreign companies": Five questions to Alexander Eickelpasch

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1. Mr. Eickelpasch, you’ve studied the participation of foreign companies in research and development (R&D) in Germany. How has this developed in recent years? R&D expenditure decreased by ten percent in 2013 compared to 2011, bringing it down to 11.9 billion euros. We see a similar picture for the development of R&D personnel, in other words, employees tasked with research and development. Here, too, the volume dropped by almost one-tenth. At the same time, foreign-owned companies’ share in the research activities of the entire German economy also fell to just under 23 percent. The corresponding figure in 2011 was 26 percent.

2. How can this decline be explained? From a macroeconomic perspective, the decline can primarily be attributed to three sectors: first, information and communications, and second, in the manufacturing industry, primarily aerospace and automotive engineering. These are the three sectors where the decline was particularly pronounced. It may be that companies in these industries are making cutbacks, or it could also be that some have closed down, or moved into different sectors. We found that the number of foreign-owned companies conducting research and development has remained relatively constant. The figure for both 2009 and 2013 was around 1,500 companies. The number of German companies is also relatively constant, varying between 7,900 and 8,100 during this period.

3. In other words, the overall figure is about the same but foreign companies are investing less in research and development? The overall figure is about the same but individual larger companies are investing less. But this may also be due to a change in ownership if, for instance, a company that was foreign-owned in 2009 was subsequently sold to a German investor. We also see a drop in R&D spending where there has been a change in ownership like this. This is a relatively small group, while the development was more favorable for companies with no change in ownership also conducting research and development in both 2009 and 2013.

4. What is the significance of foreign companies participating in research and development in Germany? The participation of foreign companies in R&D in Germany is advantageous for both sides because, on the one hand, foreign investors can make use of the excellent infrastructure we have here. There is close cooperation with universities and research institutes, which effectively are also the backbone of the German research landscape. On the other hand, of course, products are also manufactured during the course of these research activities, which obviously has a direct impact on Germany as a research and manufacturing location because production also usually takes place where the research is carried out.

5. What does the decline in foreign research and development in Germany say about its attractiveness as a research location? The overall figure, which of course indicates a decrease in research activities of ten percent, should be taken with a pinch of salt because two factors have to be taken into consideration: first, we also see increases. For instance, there has been an increase in research spending by foreign investors in mechanical engineering and among the group of medium-sized companies. So it’s not as if there’s been a drop in spending right across the board. The second point is that Germany is still the second biggest research location in the world after the US. In light of this, the fact that there have been a few changes in business decisions, just over the last two years, should not be interpreted as a trend.

Interview by Erich Wittenberg