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**Article**

## Export Orientation of Service Companies on the Increase

Weekly Report

**Provided in Cooperation with:**

German Institute for Economic Research (DIW Berlin)

*Suggested Citation:* Eickelpasch, Alexander (2008) : Export Orientation of Service Companies on the Increase, Weekly Report, ISSN 1860-3343, Deutsches Institut für Wirtschaftsforschung (DIW), Berlin, Vol. 4, Iss. 5, pp. 28-35

This Version is available at:

<https://hdl.handle.net/10419/151028>

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# Weekly Report

## Export Orientation of Service Companies on the Increase

*In the course of increasing internationalisation of the German economy, growth in export can also be expected for the German service sector. However, there has only been limited information about the export behaviour of German service companies so far. This gap can be closed to some extent by statistics existing since 2000. This study confirms that export orientation increased between 2000 and 2005. The proportion of exporting companies has augmented as well as the share of exports in turnover. There are differences according to industrial sectors. Small companies are generally less export-oriented than larger ones. The export potential is assessed as being favourable. One reason is that modern communication technologies ease the international exchange of information. The other reason is that in the international market—both in the European Union and in other countries—demand for services will also grow with investment by German companies abroad.*

In the last few years, the internationalisation of the economy has continued to increase undiminished. Accordingly, world trade is growing faster than the individual economies. The internationalisation is mainly determined by the exchange of goods, but more and more frequently by the exchange of services. Those economies that want to benefit from the growth of the world markets have to be successful not only in trading commodities but also services.

The growing internationalisation is mirrored in the German economy. This applies in particular to trading of products: In 2007, German companies exported 696 billion euros worth of goods, according to the balance of payments.<sup>1</sup> This was 62 percent more than in 2000. In addition, services were exported to a large extent. In 2007, the export of services (not including travel expenses) amounted to 135 billion euros. This was up 86 percent on 2000 and thus represented even greater growth than that of products. The export of technological services (patents, licences, research and development, engineering and data processing) increased by 47 percent in the same period (at 31 billion euros in 2007). However, in most cases, these services are not exported by the service companies. Only just under two fifths of exports of technological services are carried out by companies in the service sector, and almost two thirds by companies in the manufacturing sector.

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**JEL Classification:**  
F14, F23, L80

**Keywords:**  
export,  
service sector,  
small and medium-sized  
enterprises

<sup>1</sup> See Deutsche Bundesbank (ed.): Balance of payments, Frankfurt am Main 2008.

In comparison with the export of commodities, the export of services makes other demands on the companies. Services are mostly not generally standardised products: they are mostly custom-tailored and need intense communication and interaction with clients. For this, geographical proximity is normally required. However, the corresponding limitations for export are undermined by developments in information and communication technologies. Companies are able to communicate with customers and suppliers long-distance.

Due to the above-mentioned developments it is highly probable that the export orientation of service companies has increased over the last few years. However, there has only been limited information about the export behaviour of service companies, in contrast to that of manufacturing companies.<sup>2</sup> Information about export behaviour is important in order to explore the prospects for internationalisation of companies, particularly small and medium-sized enterprises. In 2000, a new type of statistics on business services was launched (“Dienstleistungsstatistik”) that provides information on the aggregate level as well as the firm level in order to fill this gap, at least to some extent (see box).

The present report is based on these statistics and investigates the development and prospects of the export activities of service companies. For this purpose, the export behaviour of the companies and the export rate in the business-oriented service sector are analysed. Differences between industrial sectors and size of companies are also worked out. The analysis covers the period from 2000 to 2005.

### Export orientation is growing

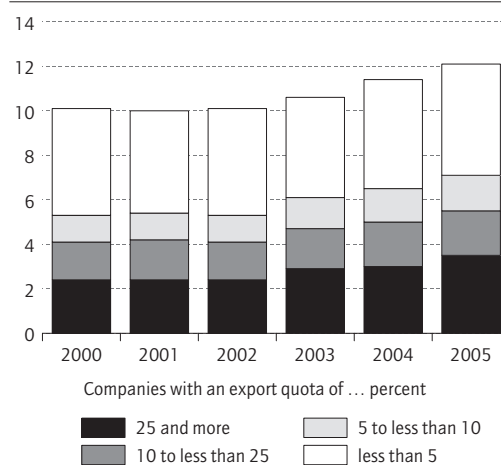
In 2005, 12.1 percent of the service companies were exporting (Fig. 1). Five percent of all companies exported only a small proportion of their products. The export rate of these firms was less than five percent of the total turnover. In a further 1.6 percent of all companies, the export rate reached between five and ten percent, in a further 2.0 percent between ten and 25 percent, and in a further 3.5 percent over 25 percent. In previous years, the proportion of companies with exports was smaller: from 2000 to 2002, about ten percent of the companies were exporting. It is noteworthy that among the group of exporting companies those with a high export rate (over 25 percent) has increased remarkably.

<sup>2</sup> Occasionally, export activities are investigated by using the statistics of turnover tax. However, the validity of the data for measuring exports is limited. Cf. Vogel, A: Zur Exporttätigkeit unternehmensnaher Dienstleister in Niedersachsen – Erste Ergebnisse zu Export und Produktivität auf Basis des Umsatzsteuerstatistikpanels, University of Lüneburg, Working Paper Series in Economics No. 82, Lüneburg 2008.

Figure 1

### Export activities of companies in the business oriented service sector

Share of exporting companies on all companies in percentages



Source: Research Data Centres of the Federal Statistical Office and the statistical offices of the Länder, DIW Berlin. DIW Berlin 2008

### Export orientation by industry ...

There are significant differences between the various lines of business. In “Research and Development”, the proportion of companies exporting is 36.0 percent and thus the highest (Table 1). One explanation for this is that privately organised entities, owned by German research institutions such as the Max Planck Society, the Fraunhofer Society, Helmholtz Association of National Research Centres, and public research institutions of the federal and Länder governments are included. These institutions are normally very much internationally networked. Also, in industrial sectors such as “Technical testing and analysis”, “Computer and related activities”, “Water transport”, “Market research and public opinion polling”, “Air transport” and “Advertising”, the overall proportion of companies with exports is relatively high (20 to 30 percent). The sectors “Supporting and auxiliary transport activities” (17.7 percent) and “Legal activities” (17.5 percent) follow. The first mentioned comprises haulage companies, and thus the high proportion of companies exporting is not surprising. The high export orientation in legal activities can be derived from the international notary’s offices and patent agents. Export orientation is very low in rather locally bound activities such as “Real estate activities”, “Post and telecommunications”, “Accounting, book-keeping and auditing”, “Renting of machinery and equipment” and “Land transport”.

The export orientation has grown in some lines of business whereas it has not changed in others. In

Table 1

**Export activities of companies in the business oriented service sector**

Share of exporting companies on all companies in percentages

	2000	2001	2002	2003	2004	2005
Companies total	10,1	9,9	10,1	10,6	11,4	12,1
Transport, storage and communication	12,5	12,6	12,5	12,2	13,1	13,7
Land transport; transport via pipelines	9,9	10,6	10,7	9,8	10,6	10,9
Water transport	17,6	15,2	16,1	16,3	21,8	23,1
Air transport	19,2	11,5	20,1	16,8	19,4	22,0
Supporting and auxiliary transport activities; activities of travel agencies	16,9	16,7	16,2	16,1	17,2	17,5
Post and telecommunications	7,1	7,3	6,9	8,8	6,6	8,2
Real estate, renting and business activities	9,5	9,2	9,5	10,2	10,9	11,7
Real estate activities	0,8	0,9	0,9	0,9	1,1	0,8
Renting of machinery and equipment without operator and of personal and household goods	7,7	10,1	11,2	8,6	8,4	10,0
Computer and related activities	23,3	22,4	24,2	24,6	24,8	25,5
Research and development	29,1	27,4	32,3	32,9	35,3	36,0
Other business activities	11,0	10,4	10,9	11,8	12,7	13,9
<i>thereof:</i>						
Legal activities	15,3	16,2	6,5	18,5	17,2	17,7
Accounting, book-keeping and auditing activities; tax consultancy	7,4	6,3	2,9	7,4	9,4	9,4
Market research and public opinion polling, Business and management consultancy activities	19,4	15,8	2,6	18,8	19,1	22,5
Architectural and engineering activities and related technical consultancy	7,5	7,0	16,1	9,0	11,5	12,8
Technical testing and analysis	19,3	18,2	10,3	18,0	24,9	27,5
Advertising	17,2	17,6	20,3	17,9	18,4	21,3
Size classes by employees						
1 to 4 employees	6,5	6,0	6,7	6,9	7,5	8,1
5 to 9 employees	9,8	9,5	9,5	9,8	10,6	11,9
10 to 19 employees	10,6	10,6	11,4	12,4	13,5	13,9
20 to 49 employees	15,1	15,5	16,0	15,8	16,9	17,8
50 to 99 employees	16,5	17,0	16,7	17,1	18,4	18,5
100 to 249 employees	19,5	20,9	19,1	17,8	17,5	19,0
250 and more employees	17,4	18,4	18,6	16,7	18,4	17,9

Source: Research Data Centres of the Federal Statistical Office and the statistical offices of the Länder, DIW Berlin.

DIW Berlin 2008

the course of the period from 2000 to 2005, it increased dramatically in “Research and development”, “Technical testing and analysis”, “Advertising” and “Water transport”. These industries were already very much export oriented in 2000. One area with initially weak export and significant growth was “Architectural and engineering activities”. Here, the proportion of exporting companies grew from 7.5 percent in 2000 to 12.8 percent in 2005. In other lines of business, the export orientation did not change dramatically, neither in branches with high export rates such as “Computer and related activities” nor in branches with low export rates such as “Post and telecommunications”.

**... and size**

In general, large companies have more clients, larger markets also in geographical terms as well as a stronger performance than small companies do. Thus, it can be expected that export orientation is greater among larger companies than among smaller and medium-sized enterprises. Whereas this has already been shown for the manufacturing industry,<sup>3</sup> there is very little empirical evidence for the service sector. According to the statistics used for the purposes of this paper, in 2005, 8.1 percent of very small companies with less than five employees and 11.9 percent of small companies (five to nine employees) had clients abroad. In the group of companies with 10 to 19 employees, this proportion is 13.9 percent

<sup>3</sup> See, for example, Bernard, A.B. and J. Wagner: Exports and success in German manufacturing. In: Weltwirtschaftliches Archiv 133, pp. 134 – 157.

Box

**The annual statistics on business services in Germany**

The annual statistics on business services in Germany ("Strukturerhebung im Dienstleistungsbereich") were first compiled for the year 2000 on the initiative of the European Union.<sup>1</sup> This structural survey comprises service activities included in Section I ("Transport, storage and communication") and Section K ("Real estate, renting and business activities") according to the NACE Rev. 1.1.<sup>2</sup> Companies from these lines of business may be asked to provide information to the statistical offices of the Länder on an annual basis. This applies to all companies that are subject to turnover tax and to

professional workers ("Freie Berufe") with a turnover of 17,500 euros or more per annum. 15 percent of these receive a questionnaire from the statistical offices and are asked to participate in the survey. The companies are randomly selected according to the sample criteria of Bundesland, line of business and turnover. The results are projected and published by the statistical offices of the Länder. The Federal Statistical Office publishes the results for Germany as a whole.

The statistics provide information, inter alia, about turnover, export, and employment.<sup>3</sup> A total of 35 questions are included. Small companies (companies with a turnover of less than 250,000 euros per annum) are

<sup>1</sup> See Pesch, K.-H. et al.: Unternehmensstrukturen in ausgewählten Dienstleistungsbereichen 2004, in: Wirtschaft und Statistik, 1/2007, pp. 58 – 67.

<sup>2</sup> Statistical Classification of Economic Activities in the European Community, Rev. 1.1. See European Commission (ed.): COMMISSION REGULATION (EC) No 29/2002.

<sup>3</sup> Employed persons, not including temporary workers.

Table

**Characteristic of the companies in the business oriented service sector 2005**

Share in percentages

	Companies	Turn over	Exports	Employees
Companies total	183 863 <sup>1</sup>	625.2 <sup>2</sup>	37.6 <sup>2</sup>	5 097.3 <sup>3</sup>
Transport, storage and communication	20.5	43.6	52.7	34.3
Land transport; transport via pipelines	10.9	8.9	3.1	10.9
Water transport	1.1	3.0	27.4	0.6
Air transport	0.1	1.9	0.9	1.1
Supporting and auxiliary transport activities; activities of travel agencies	7.0	14.5	17.0	9.8
Post and telecommunications	1.3	15.3	4.4	11.9
Real estate, renting and business activities	79.5	56.4	47.3	65.7
Real estate activities	20.3	13.8	1.9	4.4
Renting of machinery and equipment without operator and of personal and household goods	2.4	4.5	1.4	1.3
Computer and related activities	6.9	9.1	20.3	6.7
Research and development	0.9	1.2	2.5	1.7
Other business activities	48.9	27.9	21.2	51.6
thereof:				
Legal activities	6.4	2.0	2.9	2.8
Accounting, book-keeping and auditing activities; tax consultancy	9.2	2.7	0.9	4.8
Market research and public opinion polling, Business and management consultancy activities	4.8	2.5	3.0	2.1
Architectural and engineering activities and related technical consultancy	10.0	4.2	5.2	4.8
Technical testing and analysis	1.0	0.7	1.3	0.9
Advertising	3.8	2.5	1.1	3.3
Size classes by employees				
1 to 4 employees	35.1	12.1	6.6	2.5
5 to 9 employees	26.5	6.4	4.1	6.5
10 to 19 employees	19.6	8.4	6.8	9.5
20 to 49 employees	11.4	11.1	10.4	12.4
50 to 99 employees	3.6	8.0	6.7	8.9
100 to 249 employees	2.4	10.5	16.2	13.4
250 and more employees	1.3	43.6	49.2	46.8

<sup>1</sup> Number. <sup>2</sup> Billion Euros. <sup>3</sup> Thousand persons as of 30 September.

Source: Research Data Centres of the Federal Statistical Office and the statistical offices of the Länder. DIW Berlin.

DIW Berlin 2008

asked 12 questions only. For this report, the companies' responses for the years 2000 to 2005 were made anonymous and available to the DIW Berlin by the research data centres of the Federal Statistical Office and the statistical offices of the Länder.<sup>4</sup>

In 2005, there were 680,000 companies active in Sections I and K, with 6 million employees and a total turnover of 700 billion euros. Information about exports is collected only in companies with a turnover of 250,000 euros per annum or more.<sup>5</sup> In 2005, almost 184,000 companies belonged to this group of companies with an

overall turnover of 625 billion euros,<sup>6</sup> export amounting to almost 38 billion euros and just under 1.5 million employees. Further information about the distribution of companies in terms of turnover, export, and employment broken down by business lines and size is shown in the table. The target countries of exports are not included in the statistics.<sup>7</sup> Also, no information is required about other forms of companies' activities abroad, such as cooperation, direct investment or imports.

<sup>4</sup> Particular thanks to Anja Malchin and Ramona Pohl from the Research Data Centre in Berlin for providing the data and Karl-Heinz Pesch from the Federal Statistical Office for valuable information concerning the specific characteristics of the statistics.

<sup>5</sup> Exports defined as turnover for business with companies located abroad. Exports to foreign affiliates are included.

<sup>6</sup> Turnover by operational business.

<sup>7</sup> From 2008 onwards, companies will be asked about exports to EU and non-EU countries.

(Table 2). Notably, the export orientation in companies with over 250 employees is 17.9 percent. Thus, it is lower than in the group of companies with 100 to 249 employees. This is a surprising result that may be explained by the assumption that large companies not only export directly from their home country, but also by establishing branch offices in the respective target countries. Whether or not this is true cannot be proved by the statistics used here, as there is no further information provided about other patterns of foreign trade, such as cooperation and foreign investment.

In the course of the period from 2000 to 2005, the proportion of companies exporting did not increase in all size classes. Whereas in companies with over 100 employees export activities stagnated, they increased in the smaller companies.

The differences in export activities depending on size can also be found in most lines of business, as illustrated for 2005. There are just two exceptions: in "Legal activities" the proportion of companies exporting is highest among large companies with over 250 employees (70.6 percent). The same applies to large companies in "Technical testing and analysis" (73.3 percent).

Tabelle 2

### Export activities of companies in selected industries of the business oriented service sector by size 2005

Share of exporting companies on all companies in percentages

	Total	Size classes by employees						
		1 to 4	5 to 9	10 to 19	20 to 49	50 to 99	100 to 249	250 and more
Companies total	12,1	8,1	11,9	13,9	17,8	18,5	19,0	17,9
Transport, storage and communication	13,7	13,1	11,9	11,7	16,0	20,0	20,2	20,1
Real estate, renting and business activities thereof:	11,7	7,4	11,9	14,6	18,7	17,9	18,6	17,0
Computer and related activities	25,5	17,9	22,5	28,5	34,8	32,7	47,2	39,6
Research and development	36,0	24,9	27,0	37,7	40,8	57,3	60,4	48,6
Other business activities thereof:	13,9	14,3	12,1	13,9	17,4	16,3	14,4	13,5
Legal activities	17,7	21,5	16,8	13,8	25,9	48,0	58,3	70,6
Accounting, book-keeping and auditing activities; tax consultancy	9,4	12,4	5,8	10,0	16,5	16,8	41,1	26,7
Market research and public opinion polling, Business and management consultancy activities	22,5	17,1	20,5	31,3	40,4	40,2	48,0	36,1
Architectural and engineering activities and related technical consultancy	12,8	11,1	8,6	13,7	22,0	45,0	59,8	47,1
Technical testing and analysis	27,5	24,0	24,6	23,6	35,7	42,7	51,5	73,3
Advertising	21,3	19,1	19,1	25,5	26,6	25,4	28,3	19,3

Source: Research Data Centres of the Federal Statistical Office and the statistical offices of the Länder, DIW Berlin.

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## Export rate grow

In 2005, exports of companies in the business-oriented service sector amounted to 37.6 billion euros, 6.0 percent of the total turnover of the companies involved (Fig. 2).<sup>4</sup> Within the sector of “Transport, storage and communication”, the export rate for 2005 was very low in most subsectors, with the exception of “Water transport” (55.1 percent). The export rate is above average in “Computer and related activities” (13.5 percent), followed by “Research and development” (13.1 percent) and “Technical testing and analysis” (11.5 percent). Average export rates are to be found for the lines “Legal activities” (8.8 percent), “Architectural and engineering” (7.5 percent), “Market research” and “Supporting and auxiliary transport activities” (7.0 percent).

The export rate for small companies is lower than for larger ones. Among the very large companies with over 250 employees, the export rate is lower than among companies with 100 to 249 employees (Table 3).

There is no homogeneous medium-term trend of increasing internationalisation that applies to all lines of business investigated here. There are sectors that attach a growing importance to foreign markets including those that are already quite active abroad, such as “Water transport”, “Supporting and auxiliary transport activities”, “Computer and related activities”, “Architectural and engineering” and “Technical testing and analysis”. Businesses previously with low exports, such as “Legal activities” can also now be added to this group. At the same time, the export share remains constant in “Research and development”.

For each of the sectors mentioned, the differences in export according to the size of the companies are similar (Table 4). Among the small companies the export share is lower than among larger companies. However, among the very large companies with 250 or more employees, the rate is lower for almost all sectors than it is for companies with 100 to 249 employees.

Comparisons with other countries in the European Union and Norway for 2004 illustrate that the export share in the German business service sector is lower (10 percent) than the average for the EU (13 percent).<sup>5</sup> In a vast number of sectors, it was lower in Germany than in the EU countries investigated.

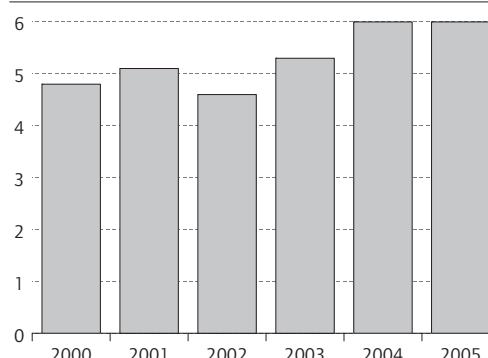
<sup>4</sup> The statistics do not provide information about the target countries. A pilot study carried out by the Federal Statistical Office shows that about one half of exports are to other EU countries. See Redling, B.: Pilotstudie „Dienstleistungsumsätze nach Arten 2004“. In: *Wirtschaft und Statistik* Nr. 2/2007, pp. 180 – 192.

<sup>5</sup> See Alajääskö, P.: Exports of business services. Statistics in focus. Industry, Trade and Services, No. 74/2007, Luxembourg 2007.

Figure 2

## Export share in the business oriented service sector

Share of exports on turn over in percentages



Source: Research Data Centres of the Federal Statistical Office and the statistical offices of the Länder, DIW Berlin. **DIW Berlin 2008**

In Denmark and in the UK, it was considerably higher.

## Conclusions

The investigation has shown that the export orientation in the business oriented service sector has increased in the past few years: The share of exporting companies has grown as well as the export rate. The export activities vary significantly between branches. Large companies tend to be more international than smaller ones.

The information used here only covers up until 2005. How export activities have developed since then can only be roughly estimated.<sup>6</sup> Some evidence about the growth of services exports can be derived from the statistics on technological services compiled by the Deutsche Bundesbank.<sup>7</sup> According to these, exports grew at over 6 percent per annum in 2006 and 2007 as compared to the previous year. According to the statistics on business cycles for the service sector compiled by the Federal Statistical Office,<sup>8</sup> the overall turnover of companies in the business service sector grew at around 6 percent per annum in 2006 and 2007, and thus considerably faster than in the previous years. To sum up, both sources of information indicate that export orientation has not decreased in the meantime.

The extent of German service companies' presence on international markets depends on various factors.

<sup>6</sup> In the late summer of 2008, results of the statistics used here for 2006 can be expected.

<sup>7</sup> See Deutsche Bundesbank, *ibid*.

<sup>8</sup> See Statistisches Bundesamt (ed.): *Dienstleistungen. Konjunkturstatische Erhebung in bestimmten Dienstleistungsbereichen. Umsatz- und Beschäftigungsindizes*. 4. Vierteljahr 2007. Wiesbaden 2008.

Table 3

**Export share in the business oriented service sector**

Share of exports on turn over in percentages

	2000	2001	2002	2003	2004	2005
Business oriented sector total	4,8	5,1	4,6	5,3	6,0	6,0
Transport, storage and communication	6,2	6,6	5,8	5,6	7,7	7,3
Land transport; transport via pipelines	2,0	2,9	2,3	3,0	2,8	2,1
Water transport	44,4	43,3	40,7	27,2	51,4	55,1
Air transport	0,3	0,9	5,1	1,2	1,8	2,8
Supporting and auxiliary transport activities; activities of travel agencies	6,5	6,5	5,8	6,3	8,7	7,0
Post and telecommunications	3,3	2,5	2,3	3,1	2,0	1,7
Real estate, renting and business activities	3,8	4,1	3,7	5,0	4,6	5,0
Real estate activities	0,2	0,3	0,2	0,4	0,4	0,8
Renting of machinery and equipment without operator and of personal and household goods	2,9	1,7	2,7	3,5	2,7	1,9
Computer and related activities	9,8	10,2	7,0	12,4	12,4	13,5
Research and development	15,4	16,9	13,9	12,1	14,1	13,1
Other business activities	3,7	3,8	4,2	5,0	4,1	4,6
<i>thereof:</i>						
Legal activities	4,8	6,8	5,5	5,5	8,4	8,8
Accounting, book-keeping and auditing activities; tax consultancy	1,2	1,3	2,1	1,1	1,2	1,9
Market research and public opinion polling, Business and management consultancy activities	6,6	6,6	7,3	6,5	4,8	7,0
Architectural and engineering activities and related technical consultancy	7,6	6,1	5,8	6,8	7,2	7,5
Technical testing and analysis	5,3	4,8	4,2	4,2	5,7	11,5
Advertising	2,5	3,2	2,6	2,8	2,5	2,6
Size classes by employees						
1 to 4 employees	2,0	2,5	3,0	3,1	3,1	3,3
5 to 9 employees	2,4	2,9	2,9	3,0	3,0	3,9
10 to 19 employees	3,7	3,4	3,6	3,6	3,6	4,9
20 to 49 employees	3,7	4,3	4,3	4,6	4,6	5,7
50 to 99 employees	3,4	3,9	4,0	4,7	4,7	5,0
100 to 249 employees	3,8	5,3	6,3	6,0	6,0	9,3
250 and more employees	7,0	7,1	5,3	6,6	6,6	6,8

Source: Research Data Centres of the Federal Statistical Office and the statistical offices of the Länder, DIW Berlin.

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Table 4

**Export share in selected industries of the business oriented service sector by size 2005**

Share of exports on turn over in percentages

	Total	Size classes by employees						
		1 to 4	5 to 9	10 to 19	20 to 49	50 to 99	100 to 249	250 and more
Companies total	6,0	3,3	3,9	4,9	5,7	5,0	9,3	6,8
Transport, storage and communication	7,3	15,2	8,6	8,6	7,3	5,7	14,9	5,8
Real estate, renting and business activities	5,0	1,6	2,4	3,4	4,8	4,6	6,2	8,5
<i>thereof:</i>								
Computer and related activities	13,5	5,2	5,3	4,7	7,1	5,3	10,3	18,8
Research and development	13,1	9,1	5,9	8,2	15,9	15,0	17,6	12,9
Other business activities	4,6	3,0	2,8	3,9	5,0	5,8	6,9	4,4
<i>thereof:</i>								
Legal activities	8,8	4,9	4,0	1,8	5,6	10,4	32,0	21,5
Accounting, book-keeping and auditing activities; tax consultancy	1,9	0,8	0,3	1,3	0,3	0,2	0,8	5,4
Market research and public opinion polling, Business and management consultancy activities	7,0	6,3	4,6	8,7	10,0	6,5	7,9	5,4
Architectural and engineering activities and related technical consultancy	7,5	4,6	2,4	4,9	6,4	9,6	18,4	11,8
Technical testing and analysis	11,5	1,6	9,3	14,2	7,5	13,6	7,0	17,1
Advertising	2,6	3,2	2,0	2,8	3,6	2,0	2,8	0,2

Source: Research Data Centres of the Federal Statistical Office and the statistical offices of the Länder, DIW Berlin.

DIW Berlin 2008



One is the development of markets in the target countries. Inside the European Union (EU), sales opportunities are promising, as it may be assumed that there is considerable potential particularly in the new member states, for example, in connection with the need for modernisation of public infrastructures and expansion of industrial capacities. Outside the EU, China, India and the US are seen as interesting markets by a number of companies.<sup>9</sup> With export to countries outside the EU, the currency exchange rate is another factor to be taken into account. Many service companies will probably benefit from manufacturing companies that export or invest in their target countries.

Market success also depends on conditions for market access. Within the EU, the Directive on services in the Internal Market was passed in December 2006. This was an important step towards liberalisation of trade in services. It is envisaged that it will be put into practice by member states as of the end of 2009. What is much more unclear is liberalisation on world markets through the GATS (General Agreement on Trade in Services). Negotiations have been under way since 1995, but concrete results are not yet foreseeable.

Finally, the market success of companies is determined by their strategies and competences. It is promising if a company is able to take up a position of a quasi-monopolist in a niche market.<sup>10</sup> Moreover, a study by the Association of the German Chambers of Industry and Commerce (DIHK) shows that the following factors contribute to export success: quality of products, functioning personal relationships with partners in the target countries and qualified personnel.<sup>11</sup> A study published by the European Commission shows similar results.<sup>12</sup> Accordingly, international business necessitates competence in the language of the target countries, knowledge of the market conditions, the law and the culture. Individual experience gathered by the executive or the person responsible for the export market is also useful. Small and medium-sized enterprises in particular are faced with meeting additional costs. Quite often attempts to export fail when employees are not prepared to go abroad, even temporarily.<sup>13</sup>

It can be presumed that, in view of the favourable economic setting, there is potential for export growth in the future. Thus, an increase in export by German companies can be expected. However, it should not be ignored that the potential for exports of services is limited: in Germany, many service companies are too small to serve international markets. In addition, not all kinds of business services are suitable for export.

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ISSN 1860-3343  
Price: Euro 10.–  
[www.diw.de/english/produkte/publikationen/weeklyreport](http://www.diw.de/english/produkte/publikationen/weeklyreport)  
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<sup>9</sup> See DIHK (ed.): *Services Going International*. Berlin 2006.

<sup>10</sup> See Redling, B.: *ibid.*

<sup>11</sup> See DIHK (ed.): *ibid.*

<sup>12</sup> See European Commission (ed.): *Internationalisation of SMEs*. Brussels 2003.

<sup>13</sup> See, for example, Winkler, J.: *Die Internationalisierung mittelständischer Softwareunternehmen in Deutschland. Ergebnis von Expertengesprächen*. INTERDIG Arbeitspapier, Universität Mannheim, 2006.