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Alexander Schiersch, Research Associate in the "Innovation, Manufacturing, Service" department at DIW Berlin

SIX QUESTIONS FOR ALEXANDER SCHIERSCH

“Leading position maintained”

1. Mr. Schiersch, is German high technology industry better or worse off than before the crisis? If you consider added value only, the crisis isn't quite over yet. This means that the research-driven industry sector hasn't recovered yet to where it was in the summer of 2008, when the financial crisis struck the real economy. However, we are getting there. If you look at relative proportions in the different markets, the losses were not as big as in other countries.
2. Why did the German research-driven industry do so well through the crisis? German industry has always paid attention to efficiency issues, even before the demand slump and it has always actively faced competition. Research investments were barely reduced during the crisis and industry made an effort to keep its staff and their know-how. In contrast, in the Anglo-American countries - especially the U.S. - employees were let go and expenses reduced. Germany and German firms bet that the crisis would be temporary and that industry would only be able to take advantage of the expected upward trend of the global economy if its staff and its know-how were retained and available. Thus, money was invested, in cooperation with the state and jobholders, in order to make it through the dry spell. Looking back today, it was the right strategy.
3. Which industry sectors were able to stand their grounds and which did not do so well? All sectors were affected by the crisis. The slump in added value was immense, and sometimes as big as 20 percent. However, the demand for cars was stimulated by government policy. This caused the automotive industry, which suffered great

losses as well, to be less affected by the crisis than, for example, the machine building industry, which didn't have a "car-scrap bonus".

4. What is Germany's position in international comparison? It is important how focussed on global or national markets an industry is. Germany - like Japan - has good and competitive products that are generally very successful on global markets. However, during the crisis there was a worldwide demand slump. This is why Germany and Japan were more affected by the crisis than other countries, such as the US. The US high technology sector is much bigger, but it is also much more focussed on national markets. However, even there, losses were high.
5. Which are the most important foreign markets for German high technology? The most important foreign markets are located in Europe. The US also remains a very important market. However, Germany is increasingly paying attention to so-called Emerging Markets, such as Brazil, India and China. We, as Europeans, have a natural disadvantage in transportation compared to Japan and the US, but if German products are successful there, despite the geographical challenges, it is due to the quality of our products.
6. What are the prospects – Is there going to be growth over the next few years? Currently, there are signs of growth. Although the losses have been severe, recovery is happening very quickly. If no further external problems occur and global economic growth remains steady, research-driven industries in Germany will keep benefitting.

Interviewed by Erich Wittenberg



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