

FOCUS ON GERMANY

• • GENERAL OVERVIEW

The Federal Republic of Germany is composed of sixteen states, called "Bundesländer" or "Länder". Germany is Europe's most industrialized country, with a population of over 82 million inhabitants, one of the highest population density within the European Union. The German economy is the world's third largest and, after the expansion of the European Union, accounts for nearly 20% of EU's GDP. The country's "social market" economy is based on free-market principles, but the government plays a central role in regulating social welfare.

Germany is a key consumer market at the heart of a 27-member EU with nine bordering countries and a strategic position near to the rapidly growing central European countries. A great amount of international trade is conducted in Germany at some of the world's largest trade events, such as CeBIT, Medica, Anuga, Hannover Fair, Automechanika, IDS and the ITB Tourism Show. Moreover, Germany hosts about 30% of the internet trade in Western Europe. Approximately 45,000 foreign companies, including the world's 500 largest corporations, operate in Germany, with US investments alone reaching 48 billion € in 2006.

The current government has addressed some of the country's structural problems, with important tax, social security, and financial sector reforms, such as the 25% final withholding tax on dividends, interest and all capital gains being introduced in 2009, and the corporation tax reform that became effective on January 1, 2008, reducing the corporate tax burden by around 9% (from 39% to below 30%). Small and medium-sized business enterprises will especially benefit from the new tax law, whose aim is to establish equal taxation treatment of corporations and partnerships and to provide incentives for investors to choose Germany as a location for their investments and business.

The reforming trend continues, though slowly, to pursue the goals of increased flexibility in the labour market, simplified bureaucracy and reduced inequality, for example by higher support for sector minimum wages. After a consistent export-driven growth in 2007, with GDP growth rate of 2.6%, Germany's economy experienced a contraction in the third quarter of 2008, mainly due to a drop in export orders and profits in consequence of the international financial turmoil. Such slowdown was led by trade as exports weakened and imports rose, although a little improvement was registered both in consumer and government spending. General economic growth is therefore estimated to remain around 1% in 2009.

Although the uncertain forecasts for the next period, some economists expect a slight recovery in the second half of next year, considering that factors such as high inflation, a strong Euro and tight monetary policy, which slowed German growth even before the break of the international crisis, are reducing their influence. According to the Federal Ministry for Economics and Technology, the reforms introduced in labour policy boosted the increase in employment registered in 2007 with more than 40 million persons employed, a positive signal considering that the number of unemployed fell from an annual average of 4,9 million in 2005 to less than 3,8 million in 2007 (nearly 25%).





Country General Statistics:

Population (2007)	82,268,000
GDP (million current US\$, 2007)	3,297,233
GDP (million current PPP US\$, 2007)	2,727,514
Current account balance (million US\$, 2007)	254,520
Trade per capita (US\$, 2005-2007)	30,278
Trade to GDP ratio (2005-2007)	83.3
FDI inflows (% of GDP)	1.2
Real GDP growth average (%)2003-07	1.5
Real domestic demand growth average (%)2003-07	0.6

Source: stat.wto.org

• FOREIGN TRADE

With an annual export volume of 970 billion Euros (2007), Germany is the world's biggest exporting nation. The statistics concerning foreign import and export mostly refer to 2007 figures, which don't account for the changed conditions in the last two quarters of 2008, but as far as import-export composition is concerned, the main trend remains a predominance of Europe in imported commodities (60%), followed by Asia and the United States.

The most important trade partners in 2007 were France, the Netherlands and China, with commodity imports from France amounting to 64,9 billion € (8.4% of total imports), those from the Netherlands totalling 64,3 billion € (8.3%) and those from China reaching 54,6 billion € (7.1%). German export sales are concentrated in motor vehicles, machinery, chemicals and heavy electrical equipment, with a considerable part of bilateral trade taking place intra-industry or intra-firm.

The states in Central and Eastern Europe that entered EU in 2004 and 2007 are a core resource for the German export business, making it likely that export towards most of these countries will continue to grow at a high level in the future. Especially the export industry in Eastern Germany is taking advantage of the particularly close trade relationships built up with these emerging markets, allowing higher expectations for the balance of Eastern Germany's exports in comparison with the other German regions.

Even though the lower rates of growth in export countries traditionally important for the German export economy are also being reflected in a weaker demand for German products, export-oriented enterprises still continue to assess their situation better than domestic oriented enterprises, partially because German manufacturers are frequently supplying investment goods to master the catching-up process in many growing markets in Asia, Central and Eastern Europe and South America.

Many of the manufacturers are not directly represented on overseas markets, but they rather use German export trading companies as intermediaries for selling their products abroad. The German export trade maintains a large system of branches, agencies and representatives all over the world. Many export trading companies are also acting as import traders, facilitating the import to Germany of indigenous products of the country where they are represented. German export trading companies currently handle 25-30% of all German exports, sharing more than 50% in overseas business.

Import – Export general figures

Year	Import in billion €	Export in billion €
2006	731	896
2007	770	969

Source: www.destatis.de

Foreign Trade by Commodity Group

Commodity group	Total Share Imports %	Total Share Exports%
Agricultural products	8.9	5.5
Fuels and mining products	16.4	5.7
Manufactures	73.2	86.5

Source: stat.wto.org

Foreign Trade by Country

Country	Total Share Imports %	Total Share Exports %
European Union (27)	59.5	64.7
China	7.1	7.6
United States	5.9	3.8
Switzerland	3.9	3.1
Russian Federation	3.7	2.9

Source: stat.wto.org

Leading Importers in Germany in 2007 (bn. €)

Country of Origin	2006	2007	Total Share %
France	62.1	64.9	8.4
Netherlands	60.7	64.3	8.3
China	50	54.6	7.1
USA	49.2	45.6	5.9
United Kingdom	41.5	44.3	5.7
Italy	40.8	43.4	5.6
Belgium	35.5	38.8	5.0
Austria	29.9	32.8	4.2
Switzerland	25.2	29.8	3.9
Russia	30.2	28.8	3.7
Czech Republic	22.1	26.2	3.4
Japan	23.7	24.1	3.1
Poland	20.6	24.1	3.1
Spain	19.5	21.1	2.7
Norway	19.6	17.7	2.3

Source: www.destatis.de



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• • MARKET ACCESS

Although the few formal barriers to trade or investment, German government regulation is often complex and safety or environmental standards can complicate access to the market products, therefore standards and certification are very important issues for companies trading with Germany.

Within the Single European Market, a community-wide system of VAT collection charges the same tax burden on imported and domestic products, as all industrial imports are levied an "Import sales tax" of 19%, corresponding to the value-added tax (VAT) on domestically produced items. The turnover tax is charged on the duty paid value of the import article plus a customs duty, with a discounted tax of 7% on food products, books, newspapers, pieces of art and other items. The importer can often assist the foreign producer in the promotion of his products thanks to his direct experience with the German and European consumers, as well as by a specific knowledge on labelling, certification and sanitary requirements.

The German market's key features are high levels of productivity, a very skilled labour force, a first-class infrastructure and engineering, and the favourable geographic location. Since German industrial production enjoys a renowned tradition of high quality standards, this is an essential feature for making a product successful in Germany, together with an attitude towards innovation and high technology. It is also worth mentioning that Germany has one of the highest Internet access rates in the EU.

• • HEALTHCARE SYSTEM

According to the Federal Statistical Office's latest information (DESTATIS, May 2008), from 1996 to 2007 health expenditures rose from € 195 billion to € 248 billion, accounting for 11.3% of GDP, with a total growth of 27%, which makes Germany the third country in the worldwide rank for health expenditure.

The German healthcare system is based on a statutory contribution system, the so-called "Gesetzliche Krankenversicherung" (GKV), covering about 90% of the population, with about 9% covered by the private system. The health insurance reform introduced in 2007 will require every person living in Germany to be insured for at least hospital and outpatient medical treatment by 2009. The public health insurance is compulsory for all individuals below a legally-fixed income threshold, covering in-patient care as a ward patient with doctor on duty at the nearest hospital, outpatient care with registered doctors and basic dental care. The statutory system provides a health insurance card, but many private insurers also issue a card bearing a "smart chip" to be presented at the doctor or hospital. Private healthcare schemes can either provide full health service or upgrade medical coverage for those who remain within the GKV, for instance allowing to consult a private doctor, to benefit from homeopathic care, to have a private room in hospitals or higher dental reimbursements.

The statutory health insurance is one of the major supporters of German healthcare balance, with almost 140 billion € expenditure in 2006. In the same year, private health insurance registered 22,5 billion € expenditure, while private households and organisations without financial reward totalled about 33 billion €. Outpatient healthcare providers accounted for almost half the total expenditure for 2006 (48.4%), for a total volume of over 118 billion €. Among these, the most important were medical practices (36,4 billion €), pharmacies (34,7 billion €), and dental practices (15,8 billion €). Most outpatient services are supplied by independent doctors contracted by the statutory health insurance practising on a freelance basis.

As regards in-patient care, there are three main types of hospitals:

- Public hospitals (Öffentliche Krankenhäuser) run by the local authorities, municipalities and "Länder";
- Voluntary non-profit hospitals (Frei gemeinnützige Krankenhäuser) run by the churches or non-profit organisations such as the German Red Cross;
- Private Hospitals (Privatkrankenhäuser) run as free commercial enterprises.

According to the German Medical Association, the number of doctors in Germany rose in 2007, with 314,912 active professionals. At the end of last year, 150,644 of them were working in hospitals and 137,538 in private practice.

The demographic trend shows that German society is ageing, and at the same time the German population has started declining. More specifically, Germany's median age is rising and the proportion of the population in the 25-49 age group is falling. This tendency poses several challenges to the health management, some of which were addressed by the recent health reforms: among the others, the government aims to cover rehabilitation by the health insurance in order to allow older persons to have more chances, after an accident or an illness, to remain at home instead of being accommodated in a nursing home.

• • MEDICAL INDUSTRY

The German healthcare industry currently employs more than 4,6 million people in 800 healthcare professions, with 21,500 pharmacies, 3,400 hospitals and prevention/rehab institutions, 809 HMOs (Health Maintenance Organisations), 45 university hospitals, 11,000 medical device companies, 1,045 pharmaceutical companies, and 500 biotech companies. Germany is the third largest medical devices market in the world, ranking behind the USA and Japan, but the largest market in Europe, and constitutes almost 4% of total healthcare expenditure, 0.4% of GDP and 6.4% of the world market. In 2006, the industry revenues reached € 16 billion for the medical devices sector and over 29 billion € for the pharmaceuticals' sector, with an export ratio rising over 50% for both (medical devices 64%, pharmaceuticals 55%). There are about 1,200 local medical device manufacturers, which accounts for a mainly export-driven market, with about 85% of domestic production exported to a wide range of countries. Although domestic production could easily supply the internal market, two-third of it is still supplied by imports. Most equipment imported into Germany is sold through foreign sales subsidiaries, and considering the size of the German market, there are comparatively few specialised importers in the medical field, tending to focus on a particular region. In spite of a significant decrease in the number of acute care hospitals due to government's reforms, hospital privatization seems to be a major source of investment opportunities in the next years, with a backlog estimated at US\$ 36 billion for investment in hospitals and doctors' practices. Diagnostic centres and the combination of practices with private home care may also provide additional opportunities.

The German government is working to advance research and development (R&D), with 800 million € expected to be available in health research and medical technologies by the end of 2009. As nearly one-fifth of the German population is over age 65, the country's demographic development combined with its high standard of health care is a main drive for the demand of world-class medical devices, requiring for increasingly sophisticated healthcare and homecare products and services.

• • DENTAL CARE

In Germany, dental care is provided by private practitioners and it can be covered by health insurance in the two basic forms of state-

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run and private plans. They cover some of the costs of dental care, but a certain amount of the expenses must be paid either by a supplemental insurance or by the patient itself, especially for the state-run plans as government is cutting payments to dentists in various areas in order to reduce expenditures, which makes it common to get further coverage from a private insurer.

Insured persons, under both types of plans, are covered for routine procedures such as dental hygiene, extractions, restorations with amalgam or composite, endodontic treatment, non-surgical periodontal treatment, and radiographies. Dental prostheses are not refunded as a percentage of the total cost, but rather according to a fixed amount based on the patient's dental state.

Major dental works involving bridges, crowns, dentures or orthodontics are only partially covered by the state plans, therefore a special cost estimate - "Heil- und Kostenplan" - must be submitted to the insurer prior to treatment for approval; in particular for dentures, crowns and bridges the patient must pay a bill for approximately 50% of the work, with a bonus of 10% to be refunded if annual dental appointments are verified. However, insurance funds don't provide any cover for preventive dental services, inlays, ceramic crowns on molars and implants.

The reimbursement amounts are calculated on a fixed price depending on the case, but since the fixed price system uses the absolute minimum standards and does not cover gold, porcelain or other materials, if the patient hasn't got any supplemental dental insurance he is likely to pay between 30% and 80% out-of-pocket for dental work. The German government has established a limit up to which dentists can be paid per year, so if the total number of dental services exceeds this limit, payments for single treatments are reduced.

• • DENTAL WORKFORCE

In 2007, according to the German Dental Association (BZÄK, Bundeszahnärztekammer), there were 65,929 active dentists, of which 55,799 were licensed dentists operating in their own consulting rooms and 2,829 were public official and employed dentists not working in consulting rooms. 7,301 assistants or substitute practitioners and 17,410 dentists without dental activities are also reported in BZÄK's statistics.

According to the data provided by the Federal Dental Authority (KZBV, Kassenzahnärztliche Bundesvereinigung), the two regions formerly known as BRD and DDR experienced different patterns in the development of the dental practices' structure in the last 15 years. The west area has registered a growth in the percentage of practices with a laboratory, but with a lower rate of dental technicians. An opposite trend seems to have marked the eastern regions, with less practices having a laboratory but an increased employment of dental technicians.

As regards dental practices' incomes and revenues, a further report available from the Federal Dental Authority shows the data for 2006 in four sectors:

Conservative	5,90 billion €
Parodontology	0,32 billion €
Orthodontics	0,83 billion €
Prosthetic dentistry	2,70 billion €

The greatest increases compared to 2005 were registered in parodontology (+4.6%) and prosthetic dentistry (+10.8%).

• • DENTAL INDUSTRY

The German dental manufacturing industry is composed of mainly small and medium-sized businesses, many of which are owner-run, with a strong export orientation and a good development of the delivery service. Because of its peculiar tradition, German dental industry has kept its stability although the global economic developments, which are forecasted to influence dental investments only to a limited degree, limited to large devices and apparatuses, while the demand for small devices, prosthesis materials and instruments seems to have experienced just a slight fluctuation. The close connection with scientific dental research institutes has made the industry very sensitive to product and process innovations, keeping at the same time the quality standards that make German dental industry one of the most important protagonists on the international scenario. Maintaining this leading role is one of the reasons behind the attention given to quality assurance for all products manufactured in Germany, together with the German attitude towards precision and reliability.

Germany is one of the four largest European Markets, having reached 530 million € in total sales of equipment in 2007. The German Dental Industry Association reports that in 2007 its 200 members employed 17,900 workers, both at home and abroad, with an in-



Dental practices equipment/employment

Dental practices %	Old länder & east Berlin		New länder	
	1991	2006	1991	2006
with laboratories	63.7	67.7	85	78.4
with laboratories without dental technicians	15.6	15.1	7	11.2
with laboratories with dental technician(s)	20.7	17.2	8	10.4
including with one dental technician	77.9	79.8	95	87.5
including with 2 dental technicians	17.4	15.6	5	11
including with 3 dental technicians	2.8	3.5	-	1.3
including with 4 dental technicians	1.9	1.1	-	0

Source: www.kzbv.de

crease of 2.5% compared to 2006 and a 4.5% growth in overseas production.

The total revenues registered by the Association in 2007 reached almost 3.8 billion €, a 7.4% growth on 2006, of which more than 2 billion € were earned on international markets, with an increase of about 9%. As regards domestic sales, an increase of 1.6 billion € (+5% compared to 2006) accounts for the relevance of the domestic market, although the current financial situation is likely to make it more difficult for German companies to equal the previous years' sales figures in 2009. Export shares in total turnover, however, have continued to grow through the last decade, thus confirming the constant orientation towards an export-driven development of the country's dental industry.

Import – Export of Dental Equipment and Materials, 2007

Type of commodity	Exports in million US\$	Imports in million US\$
Dental cements/other dental fillings/ bone reconstruction cements	365,5	173,4
Dental floss	13,3	14
Preparations for oral hygiene	104,8	62,5
Dental drill engines	83,7	25
Dental instruments and appliances	1.016,6	277,7
Dental fittings	86,7	188
Dental x-ray apparatus	133,6	70,6
Tooth brushes	279,7	88,7

Source: comtrade.un.org

Dental Production in Figures

Year	Total Turnover in billions €	Export Share in billions €	Employees
1997	2,01	0,80	13,265
1998	2,12	0,82	11,954
1999	2,11	0,95	13,216
2000	2,63	1,04	16,500
2001	2,79	1,22	16,411
2002	3,081	1,378	17,000
2003	3,11	1,52	17,118
2004	3,20	1,60	17,151
2005	3,20	1,80	17,190
2006	3,50	1,90	17,500
2007	3,80	2,10	17,900

1) Incl. Revenues from owned foreign production

Source: www.vddi.de

Source:

Association of German Dental Manufacturers

The VDDI was founded in Berlin on 24th June 1916. Today the membership of VDDI comprises almost 200 German manufacturers of dental-medical and dental-technical products. The VDDI is domiciled in Cologne since January 1969. In the beginning, the main task of VDDI was the organization of the IDS International Dental Show, however, the scope of tasks of VDDI has been extended to the representation of the members' interests toward ministries, authorities and other organisations - nationally and internationally - and the services and forums offered to the members, such as special working groups. The VDDI is member of the Federation of the European Dental Industry - responsible for the General Secretariat - and is associated to the International Dental Manufacturers Association.

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Other sources:

- www.destatis.de
(Federal Statistical Office / Statistisches Bundesamt Deutschland)
- stat.wto.org
(World Trade Organization Statistics Database)
- www.bga.de
(Federation of German Wholesale and Foreign Trade / Bundesverbandes des Deutschen Groß- und Außenhandels)
- comtrade.un.org
(United Nations Statistics Division)
- www.bundesaerztekammer.de
(German Medical Association / Bundesärztekammer)
- www.kzbbv.de
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- www.insure-invest.de
- www.invest-in-germany.com
- www.jdentaled.org

