



Industry Report

May 2021

Why Germany Just Works

For many New Zealand businesses, it is now important to look beyond the pandemic and to watch out for possibilities and options that are waiting for them – in Germany. According to Business Development Germany (bdg) the country is still one of Europe's most cost-effective production locations and has one of the highest productivity rates in the world. Located at the heart of Europe, Germany is Europe's number one logistics market. The German law makes no distinction between Germans and foreigners in the establishment of companies and puts no restrictions on the repatriation of profits. With a gross domestic product of more than 4.029 trillion USD, Germany is a global economic driving force. While still recovering from the pandemic, Europe's largest economy is expected to grow by about 3.5 percent this year. KPMG forecasts a strong economic rebound in 2021 and states that Germany remains the top trading nation in Europe. Germany is an influential, valuable, and reliable trading partner for export and import businesses in New Zealand. With total trade in goods and services worth NZ 3.8 billion dollars.

Exporting to Europe post Brexit

The worldwide pandemic caused many interruptions for businesses and trade. In knowing about these uncertainties New Zealand companies who are thinking of doing business in Germany and Europe in the future might have become a little bit hesitant. But a big part of the Kiwi nature is to not give up big ambitions against all odds. That's why the New Zealand Embassy in Berlin took a closer look at all these questions and released a report on the current situation for exporters, especially in a post Brexit and post Covid world. After the UK's departure from the European Union it may no longer be the perfect hub to export goods from New Zealand into the EU. The Embassy's report explains why Germany is a good alternative market for Kiwi exporters. Firstly, because Germany is already New Zealand's key goods export market in the EU: "Most companies exporting to the EU will find that Germany is their biggest market on the continent, and proximity to market or even being in the market matters, for logistical, market

development, regulatory and many other reasons.” Secondly, when it comes to logistical performance the country plays right at the front. Hamburg is the third busiest port in Europe, Frankfurt handles the biggest volume of air cargo within the EU, ahead of big metropolises like Paris and Amsterdam. Germany’s DHL and Schenker rank first and third in terms of logistic revenue in Europe. The World Bank’s Logistics Performance Index (2018) ranks Germany first globally as it is most efficient with its custom clearance process, the quality of its trade and transport related infrastructure and the competence of its logistics services.

Germany as Gateway to Europe

The current bilateral relationship between Germany and New Zealand is based on common values, good access, and communication, and it is full of potential. As Europe’s largest and strongest economy and its unique position within the EU, Germany could be the key for New Zealand’s negotiations for a free trade agreement (FTA) with the European Union, one of the world’s largest trading entities. With a FTA, trading with the EU will become much easier for New Zealand businesses in the future and because of its geographical and infrastructural benefits Germany could very likely become a well-positioned gateway for Kiwi exporters. New Zealand has already developed a plan to strengthen relationships with five different countries (funding volume of NZ\$ 714 million over a period of four years) and it could be seen as a significant statement that Germany was selected as the only European country overall. The so called “Strategic Intensions” (2020-2024) paper was developed by the Ministry of Foreign Affairs and Trade (MFAT). This strategy is also meant to contribute to

the objectives of other stakeholders such as the German Federal Ministry of Foreign Affairs, the German-New Zealand Chamber of Commerce (GNZCC) and the business community. MFAT states within its strategy paper: “Develop a deeper strategic relationship with Germany by 2022” (p. 29), and it also aims to see Germany become a reliable and influential partner for New Zealand within the European Union.

Possibilities for NZ Exporters

Germany shares borders with every major economy in central Europe, providing instant access to both established markets in western Europe and growing markets in central and eastern Europe. A first step for future exporters into the German and/or European market could be to join a business or trade organisation and to take advantage of their experience. One of them is New Zealand Trade and Enterprise (NZTE). It’s the Government’s trade promotion and business agency that supports growth of NZ businesses that want to expand internationally. The German-New Zealand Chamber of Commerce (GNZCC) is a direct link between the two countries as it represents the trading relationship between New Zealand and Germany. GNZCC is an important address for exporters that plan to develop ties with Germany as we offer a detailed target market research and can also help to find business partners on the other side of the globe for Kiwi exporters.

German Investments in New Zealand

At the end of last year, the German government adopted its new guide for the Indo-Pacific region. There it clearly states the

importance of the region for the future of Germany and Europe. Surveys by the Association of German Chambers of Industry and Commerce (DIHK) confirm that both the trade conflict between the U.S. and China and the COVID 19 pandemic have reinforced trends toward diversification of companies' value chains. In particular, Germany wants to specifically promote investments in Asia and Down Under by German companies in the areas of infrastructure, mobility, energy and digitalisation. For example, cooperation to promote sustainability along supply chains is to be expanded. Another development policy field is cooperation in agriculture. The commitment of German businesses investing in New Zealand's economy is long term with a strong presence of 130 subsidiaries based in Aotearoa. Companies like GEA from Düsseldorf, as one of the largest suppliers for food processing technology, have already been operating in New Zealand for many years, combining Kiwi ingenuity with German precision for the benefit of dairy farming in NZ. According to Managing Director of GEA NZ Ltd, Nick Ramsden, they hold the largest market presence (25-30% market share) in their particular technology sector which is in return beneficial for New Zealand's economy. Turners & Growers Ltd (T&G) are one of the largest growers of fresh produce in New Zealand and the largest exporter of apples to the world. In 2012 the BayWa AG from Munich, a leading trading and service group, acquired a majority shareholding, 73.99 percent, of Turners & Growers Global. Peter Landon-Lane, Chief Operating Officer of T&G Global, believes that the acquisition has brought huge benefits to both companies as they have continued to develop and grow their respective businesses but also took advantage of synergies in areas such as new technologies, IT, governance, sustainability and people exchanges.

Hidden Champions

There are already a number of NZ companies that found their way into the German market and are using those connections right in the heart of Europe for the benefit of their business.

Kiwi retailer Icebreaker, for example, show in their "Transparency Report 2018" that they've chosen the German city of Osnabrück as their distribution centre for the whole of Europe. There is even an Icebreaker E-commerce Site Coordinator on the ground in Starnberg by Munich who gets quoted within the report: "Moving to Munich is both a personal and professional opportunity of a lifetime. Working in another market means that even after four-and-a-half years, every day I am learning something new."

Founded in 1991, NZ children's shoe company Bobux story of success has lots to do with their willingness to expand their business on an international stage. Bobux was keen to maximise the market opportunities, extend their geographical range, and grow market share. With the help of New Zealand Trade and Enterprise (NZTE) and their network in Europe they decided to set foot in Hamburg, Germany. According to Andrew Sharp, CEO of Bobux, they hired a local research agency in Hamburg to do a market research first. With the help of those results the NZ company iterated a three to five-year strategy to incorporate innovations they wanted to make across the business. Those insights enabled them to tailor their product line to the Northern European market which included adding additional shoes to their range to be more in tune with seasonal requirements.

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