Evropský ekonomický motor se zastavuje: deindustrializace Německa – POLITICO

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Vyjádřeno umělou inteligencí.

BERLÍN – Největší německé společnosti se zbavují vlasti.

Chemický gigant BASF je pilířem německého byznysu již více než 150 let a podporuje průmyslový vzestup země neustálým proudem inovací, díky nimž svět „Made in Germany" závidí.

Ale jeho poslední moonshot – investice ve výši 10 miliard dolarů do nejmodernějšího komplexu, o kterém společnost tvrdí, že bude zlatým standardem pro udržitelnou výrobu – se v Německu nezvyšuje. Místo toho se staví 9000 kilometrů daleko v Číně.

I když se společnost BASF, založená na břehu Rýna v roce 1865 jako *Badische Anilin- & Sodafabrik* , pronásleduje v Asii za budoucností, v Německu se zmenšuje. V únoru společnost oznámila uzavření závodu na výrobu hnojiv ve svém domovském městě Ludwigshafen a dalších zařízení, což vedlo ke zrušení asi 2 600 pracovních míst.

"Máme stále větší obavy o náš domácí trh," řekl generální ředitel BASF Martin Brudermüller v dubnu akcionářům s tím, že společnost loni v Německu ztratila 130 milionů eur. "Ziskovost už není zdaleka tam, kde by měla být."

Taková malátnost nyní prostupuje celou německou ekonomiku, která v prvním čtvrtletí sklouzla do recese uprostřed přívalu průzkumů , které ukazují, že jak společnosti, tak spotřebitelé jsou hluboce skeptičtí ohledně budoucnosti.

Tato obava je opodstatněná. Před téměř 20 lety překonalo Německo svou pověst „nemocného muže Evropy“ balíkem ambiciózních reforem trhu práce, které rozpoutaly jeho průmyslový potenciál a zahájily trvalé období prosperity, poháněné zejména silnou poptávkou po strojích a autech z Číny. Zatímco Německo frustrovalo mnoho partnerů tím, že mnohem více vyváželo, než nakupovalo, jeho ekonomika vzkvétala.

Doba rozmachu však přišla s cenou: Ekonomická síla ukolébala její vůdce falešným pocitem bezpečí. Jejich neschopnost uskutečňovat další reformy se nyní vrací zpět.

Najednou se nad bývalou evropskou velmocí schyluje dokonalá bouře, která signalizuje, že její současná recese není jen „technická“, jak se politici modlí, ale spíše předzvěst zásadního zvratu v ekonomickém jmění, který hrozí otřesy po celé Evropě a vnese do již tak polarizované politické krajiny kontinentu ještě větší otřesy.

Mnoho největších německých společností – od gigantů, jako je Volkswagen a Siemens až po řadu méně známých, menších – čelí toxickým koktejlům vysokých nákladů na energii, nedostatku pracovníků a spousty byrokracie, zažívá hrubé probuzení a honbu za zelenějšími pastvinami v Severní Americe a Asii.

Bez nečekaného obratu je těžké se vyhnout závěru, že Německo směřuje k mnohem hlubšímu hospodářskému poklesu.

Zprávy z předních linií se jen zhoršují. Nezaměstnanost v červnu meziročně vzrostla zhruba o 200 tisíc, což je měsíc, kdy firmy běžně přidávají pracovní místa. Přestože celková míra nezaměstnanosti zůstává nízká na 5,7 procenta a počet volných pracovních míst je vysoký téměř 800 000, němečtí představitelé se připravují na další špatné zprávy.

"Začínáme pociťovat obtížné ekonomické podmínky na trhu práce," řekla šéfka německého úřadu práce Andrea Nahles. "Nezaměstnanost roste a růst zaměstnanosti ztrácí na síle."

New orders at the country's engineering companies, long a bellwether for the health of Germany Inc., have been dropping like a stone, falling 10 percent in May alone, the eighth consecutive decline. Similar weakness is apparent across the German economy, from construction to chemicals.

Foreign interest in Germany as a place to invest is also receding. The number of new foreign investments in Germany fell in 2022 for the fifth year in a row, hitting the lowest point since 2013.

"One sometimes hears about 'creeping deindustrialization — well, it's not just creeping anymore," said Hans-Jürgen Völz, chief economist at BVMW, an association that lobbies for Germany's *Mittelstand*, the thousands of small- and medium-sized firms that form the backbone of the country's economy.

When Germany sneezes …

To understand the long-term effects of deindustrialization, one needn't look further than America's Rust Belt or the U.K.'s Midlands, once thriving industrial corridors that fell victim to policy missteps and global competitive pressures and never fully recovered.

Only with Germany, the consequences would play out on a continental scale.

The country's reliance on industry makes it particularly vulnerable. With the exception of software maker SAP, Germany's tech sector is essentially non-existent. In the financial world, its biggest players are best known for making bad bets (Deutsche Bank) and scandal (Wirecard). Manufacturing accounts for about 27 percent of its economy, compared with 18 percent in the U.S.

A related problem is that Germany's most important industrial segments — from chemicals to autos to machinery — are rooted in 19th-century technologies. While the country has thrived for decades by optimizing those wares, many of them are either becoming obsolete (the internal combustion engine) or simply too expensive to produce in Germany.

Take metals. In March, the company that owns Germany's largest aluminum smelter, Uedesheimer Rheinwerk, said it would shutter the plant by the end of the year due to the high cost of energy.

Such reports would be less worrying if Germany had a strong history of economic diversification. Unfortunately, its track record on that front is patchy at best.

Germany pioneered modern solar panel technology, for example, to become the world's largest producer in the early 2000s. After the Chinese copied the German designs and flooded the market with cheap alternatives, however, Germany's solar-panel makers collapsed.

In biotech, Mainz-based firm BioNtech was as the forefront of the development of the mRNA vaccine that proved crucial in helping the world overcome the COVID-19 pandemic. But on the back of that success, the company announced plans in January for what its founder called a "huge" investment in cutting-edge cancer research — in the U.K.

… Europe catches a cold

Innovation begets economic growth and as Germany's traditional industry declines, the question is what big new thing will replace it. So far, there's nothing in sight.

Germany ranks only eighth in the Global Innovation Index, an annual ranking compiled by the U.N.'s World Intellectual Property Organization. In Europe, it's not even in the top three.

In artificial intelligence, a technology many observers believe will drive economic growth for the coming generation, Germany is already an also-ran. Only four of the 100 most-cited scientific papers on AI in 2022 were German. That compares with 68 for the U.S. and 27 for China.

“Germany has nothing to offer in any of the most important future-oriented sectors,” said Marcel Fratzscher, the head of Germany’s DIW economic institute. “What exists is old industry.”

The power of technology to transform an economy — or leave it behind — is apparent when comparing the trajectories of Germany and the U.S. over the past 15 years. During that period, the U.S. economy, driven by a boom in Silicon Valley, expanded by 76 percent to $25.5 trillion. Germany’s economy grew by 19 percent to $4.1 trillion. In dollar terms, the U.S. added the equivalent of nearly three Germanys to its economy over that period.

Porsche makes some of its top-selling cars in Slovakia | Thomas Kienzle/AFP via Getty Images

The erosion of Germany's industrial core will have a substantial impact on the rest of the European Union. Germany is not just Europe's largest player; it also functions like the hub of a wheel, linking the region's diverse economies as the largest trading partner and investor for many of them.

Over the past three decades, German industry has turned Central Europe into its factory floor. Porsche makes its top-selling Cayenne SUV in Slovakia, Audi has been churning out engines in Hungary since the early 1990s, and premium appliance-maker Miele makes washing machines in Poland.

Thousands of small- and medium-sized German firms, the so-called *Mittelstand* that forms the backbone of the country's economy, are active in the region, producing mainly for the European market. While they won't disappear overnight, a sustained decline in Germany would inevitably pull the rest of the region down with it.

"There's a danger that Europe will end up being the loser in this shift," Klaus Rosenfeld, the chief executive of Schaeffler, a car-parts maker, acknowledged recently, adding that his company was likely to build its next plants in the U.S.

Shortfalls

While EU officials have blamed the region's looming deindustrialization on what they see as unfair policies in the U.S. and China that place European companies at a disadvantage, the problems in Germany run much deeper and are largely homemade. And they don't have easy fixes.

Put simply, the formula that made Germany Europe's industrial powerhouse — a highly skilled workforce and innovative companies powered by cheap energy — has come undone.

As a generation of baby boomers retires in the coming years, Germany is speeding toward a demographic cliff that will leave its companies without the engineers, scientists and other highly skilled workers they need to stay competitive in the global market. Within the next 15 years, about 30 percent of Germany's workforce will reach retirement age.

The graying population isn't the only issue. Young Germans yearn for safe jobs, not the rough and tumble of entrepreneurship and invention that made the country one of the world's leading economies.

"Many young people would rather work for the state than start a business," said DIW's Fratzscher.

Efforts to compensate for the growing worker shortfall through migration have so far failed. (Though Germany continues to take in hundreds of thousands of asylum seekers every year, most lack the skills companies need.)

Last week, German lawmakers passed a new immigration law that lifts many of the bureaucratic barriers foreign skilled workers have faced to settle in the country. Whether it will work is another question. Compared with the U.K., Canada or the U.S., Germany is often a tough sell, due to high taxes, the difficulty of learning the language and a culture that is often less than welcoming to foreigners.

A nearly 400-page study commissioned by the government that was published last month, for example, found that half of Germans harbored anti-Muslim views. Given that many of the highly educated workers the government would like to attract hail from Muslim countries such as Turkey, such animosity is hardly a selling point.

Compounding those demographic challenges are skyrocketing energy costs in the wake of Russia's war on Ukraine, and Germany's own efforts to combat climate change.

By halting deliveries of natural gas to Germany, the Kremlin effectively removed the linchpin of the country's business model, which relied on easy access to cheap energy. Though wholesale gas prices have recently stabilized, they're still roughly triple where they were before the crisis. That has left companies like BASF, whose main German operation alone consumed as much natural gas in 2021 as all of Switzerland, with no choice but to look for alternatives.

The country's Green transformation, the so-called *Energiewende*, has only made matters worse. Just as it was losing access to Russian gas, the country switched off all nuclear power. And even after nearly a quarter century of subsidizing the expansion of renewable energy, Germany still doesn't have nearly enough wind turbines and solar panels to sate demand — leaving Germans paying three times the international average for electricity.

Death of *Das Auto*

Though the public at large appears blissfully unaware of the economic challenges that lie in store, those on the front lines have no illusions.

"The geopolitical developments have made it abundantly clear that our economic model is no longer a guarantor of prosperity," said Andreas Rade, the managing director of the Association for the German Auto Industry, the sector's main lobbying arm.

Neither is *das Auto*.

The car industry has buoyed Germany's fortunes for more than a century and the country's economic future rests in large measure on the ability of the sector — which accounts for nearly a quarter of its output — to maintain its hold on the luxury segment in a world of electric vehicles.

It’s not looking good. While the companies have recently booked record profits with the help of pent-up demand in the wake of the pandemic, that boost looks more like a last gasp than renewal.

Long a source of national pride, the car industry has become Germany’s Achilles’ heel for reasons that have more to do with hubris than the country’s structural deficiencies. For years, companies like Mercedes, BMW and Volkswagen refused to let go of the combustion engine, dismissing Tesla and other early innovators as flashes in the pan.

That strategic blunder opened the door not just to Elon Musk, but for China, which began investing substantial sums in electric vehicle development 15 years ago as the Germans pooh-poohed the idea, to build a substantial lead. Last year, Chinese producers accounted for about 60 percent of the more than 10 million all-electric cars sold worldwide.

The Germans are already feeling the effects of their miscalculation.

Volkswagen, which has dominated the Chinese auto market for decades, lost its crown as the country’s largest automaker in the first quarter to BYD, a local competitor, amid a surge in EV sales. China is the world’s largest car market, accounting for nearly 40 percent of Volkswagen’s revenue.

A recent study by insurer Allianz projected that if current trends hold with Chinese manufacturers increasing their market share in both China and Europe, European carmakers and suppliers could see their profits fall by tens of billions of euros by 2030, with German companies bearing the brunt.

Though German carmakers have undergone a collective foxhole conversion on EV’s and are racing to catch up, they still lack the competitive advantage they enjoyed for more than a century with combustion engines. Indeed, the essential technology in an EV isn’t the motor, which is off-the-shelf technology, but the battery, which relies on chemistry, not the mechanical engineering prowess that defined *Vorsprung durch Technik*.

What’s more, electric vehicles are increasingly evolving into rolling tech-entertainment capsules, with self-driving cars just around the corner. And if there’s one area in which Germany hasn’t excelled, it’s digital technology. That might explain why Tesla is now worth more than three times all the German automakers combined.

“We definitely have innovation difficulties with German industry and a competitiveness issue,” said Jens Hildebrandt, who leads the German Chamber of Commerce in China.

For the economic relationship between Germany and China, that represents a sea change. For decades, the Chinese viewed German industry and engineering as a model. All of a sudden, it’s the Germans who are looking to China.

“The big Chinese auto companies will soon have to build their own factories in Europe and maybe even in Germany,” Hildebrandt said, adding that it was a trend that “can’t be reversed.”

Downward spiral

Given the economic headwinds, it’s perhaps no surprise that many of Germany’s biggest companies are on a path toward being German in name only.

If that sounds far-fetched, consider the example of Linde, the industrial gases conglomerate. Until this year, the company, which started in the 1870s by developing refrigeration for breweries, was the most valuable blue-chip in Germany, with a market capitalization of about €150 billion. In January, it decided to exit the Frankfurt stock exchange in favor of its New York listing.

The move followed the group's 2018 merger with a U.S. competitor after which it decided to give up its downtown Munich headquarters and relocate to Dublin. In the course of the restructuring, Linde cut hundreds of jobs in its home country. Though Germany remains an important market, accounting for about 11 percent of revenue, it's just one of many.

What Linde illustrates is that big German companies can survive and thrive with or without Germany. As conditions in the fatherland worsen, they will simply move elsewhere. For Germany, however, that would mean fewer high-paying jobs and lower tax revenue, not to mention the threat of sustained economic decline and political instability.

A recent surge in national polls by the far-right Alternative for Germany (AfD) underscores those stakes. Though the AfD's rise has been driven by growing frustration over migration, a sustained economic funk would likely give the party a further boost.

Far-right party Alternative for Germany recently surged in national polls | Matthias Rietschel/Getty Images

A big flash point will be social welfare. Germany operates one of the most generous welfare states, with social spending accounting for 27 percent of the economy last year (compared with 23 percent in the U.S.). With Berlin under pressure to spend vastly more on defense, the belt-tightening — and the public backlash — has already begun. In an economic decline, it will only get worse.

A top priority for German industry — the modernization of Germany's creaking infrastructure — will be more difficult to finance. Germany's roads, bridges, shipping lanes and other critical infrastructure are in sore need of repair. Four out of five German companies said poor infrastructure hampered their business, according to a study published in November by the Institute for the German Economy (IW). The regulatory hurdles revitalization efforts need to overcome before breaking ground mean there's no quick fix.

I'm fact, "the problems are likely to get worse," the study's authors concluded.

Exodus

German industry isn't abandoning Deutschland altogether. They're happy to stay — as long as the government pays them off.

BASF opened a plant near Dresden that makes cathode materials for electric-car batteries just two weeks ago and has pledged to keep investing in its home market. To secure such commitments, however, local and federal governments have been forced to offer generous incentives. BASF will receive €175 million in government support for its new battery operation, for example.

Similarly, in June, the U.S. chipmaker Intel secured an eye-watering €10 billion subsidy for a massive new factory in the eastern city of Magdeburg. That translates into €3.3 million for each of the 3,000 jobs the company has pledged to create.

Absent such support, the siren calls of more affordable markets is proving hard to resist. With German engineering having lost its edge in the electric era, the carmakers are doubling down on their overseas investments, especially in China or the U.S. — neither of them unfamiliar with using tax incentives and subsidies to rope in investors.

Funding offered by the U.S.'s Inflation Reduction Act has proved a particularly attractive lure. Volkswagen unveiled plans in March to build a $2 billion factory in South Carolina, where it wants to revive the Scout brand, a popular American 4×4 in the '60s and '70s.

In April, executives from the carmaker's battery startup, PowerCo, stood alongside Canadian premier Justin Trudeau as they announced a €5 billion investment in a new battery factory in Ontario. The carmaker has pledged to invest billions more in North America in the next several years as it shifts to electric vehicles.

In Germany, by contrast, Volkswagen has abandoned plans to build a new factory for the "Trinity," a new electric SUV, opting instead to retool existing facilities. The carmaker, which has a stable of brands that also includes Audi and Porsche, decided not to build a second battery plant in its home state of Lower Saxony due to the high cost of electricity. In April, however, the company announced it would invest roughly €1 billion in an electric vehicle center near Shanghai.

A recent survey of 128 German auto suppliers by the VDA, an industry group, found that not a single one planned to increase their investment in their home market. More than a quarter were planning to shift operations abroad.

Despite the country's industrial exodus, Germany's politicians are largely in denial about the looming political and economic challenges.

Industry lobbyists argue that the "interdependence" between China and Germany will be positive in the long run, but similar logic drove Berlin's embrace of Russian natural gas — with disastrous consequences. And there's no sign the German push into China is abating. Last year, German companies invested €11.5 billion in China, a record.

"What worries me is the asymmetry of the dependence," Fratzscher said. "German companies have opened themselves up to blackmail because they are much more dependent on China than the other way around."

For a taste of just how quickly national champions can get swept away by technology, they would do well to put in a call to Finland and enquire about Nokia, or Canada to ask about the fate of Research in Motion, the company behind the once-ubiquitous BlackBerry.

At some point, Germans will wake up to the dangers they face. The question is whether they will before it's too late to do anything about it.

Either way, BASF will be ready. Asked recently what the company planned to do with the chemical plants it was shutting down at its German hub, Brudermüller, the CEO, tried to soften to blow, saying the company wouldn't "demolish everything immediately."

But he was more direct on another point: "We don't need the space in Ludwigshafen at the moment."

Gabriel Rinaldi and Peter Wilke contributed reporting.

CORRECTION: An earlier version of this article misnamed the Inflation Reduction Act.