

Positionspapier

RESTART to Improve Germany's Competitiveness

Economic policy ideas for boldness, growth, and prosperity in the context of the transatlantic partnership

A contribution to the debate by the American Chamber of Commerce in Germany e.V.
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Please note that this is an English translation of the original position paper in German.

Preamble

The American Chamber of Commerce in Germany (AmCham Germany) is the voice of transatlantic business – an association of large, medium-sized, and small companies and individuals based in Germany, Europe, and the United States who are active in the transatlantic economic area and foster transatlantic relationships.

AmCham Germany promotes global trade relations that are built on the strong foundation of the German-American partnership. This partnership is based on long-standing social, cultural, and economic interdependencies and the common interests of our two countries.

In addition, AmCham Germany advocates for transparent dialogue and is committed to transatlantic values. Central to this are freedom and human rights, democracy and the rule of law, free trade, and competition.

Transatlantic companies employ roughly 1.6 million people in both economic areas.

Reasons for a RESTART to Improve Germany's Competitiveness

Germany has been undergoing the greatest upheaval in its industrial history for a number of years and despite the associated disruptive processes, remains the largest economy in Europe. In the *Transatlantic Business Barometer 2024 (TBB 2024)*, an annual survey of AmCham Germany members in collaboration with the international management consultancy Roland Berger, the participating U.S. companies active in Germany highlighted a number of location factors as either “very good or good”: the quality of the workforce (84%), the quality of research and development (75%), and the country's potential as a sales market (53%).

Yet the assessment of Germany as a business location is ambivalent and has suffered overall. Only just under a third of the U.S. companies participating in *TBB 2024*, which together generate revenues of approximately 36 billion euros in Germany, consider the conditions here to be “very good or good.” All of the participating companies rated a number of location factors in particular as “less good or bad”: energy costs (84%), economic and industrial policy and the quality of digital infrastructure (61% each), and the ability to plan investments (53%).

These problems were not only influenced by geopolitical factors, but are primarily home-made. They jeopardize Germany's competitiveness in an international comparison, reinforce weak economic growth, and harbor long-term risks for our country, such as a noticeable loss of prosperity across all levels of society and a long-term loss of confidence in the social market economy and democratic structures. Without value creation and growth, prosperity and social security in Germany cannot be maintained and certainly not increased. This economic and social contribution of companies calls for more political recognition.

That is why Germany's competitiveness needs a RESTART – driven by the political catalyst resulting from the elections in Europe and the U.S.. Although the 2024 European elections have led to relatively stable conditions in the new EU Parliament, they have created major uncertainties in some EU member states. Their impact on the transatlantic partnership is just as difficult to assess as the snap parliamentary elections in France and the UK, the U.S. elections, and three state elections in eastern Germany in the fall, as well as the German parliamentary elections in September 2025 at the latest.

Alongside the European Union, the transatlantic partnership is the foundation of Germany's freedom, prosperity, and future. This was true in past decades and is even more true given current and future geopolitical upheavals. The EU and the transatlantic partnership are both stronger the greater the mutual integration of the partners and the greater Germany's international competitiveness.

In the following, AmCham Germany outlines economic policy requirements and industry examples in key economic areas relevant to the RESTART needed to improve Germany's competitiveness from a transatlantic perspective:

R – REFORMS

Many of the challenges facing the German economy are linked to internal omissions that have been discussed for quite some time but have not been addressed in a timely or fundamental enough manner. This negligence now poses the greatest risk to the country's international competitiveness. In other words, the greatest opportunities to improve Germany's competitiveness lie in overcoming the omissions as quickly as possible.

These instances of negligence include, for example, the slow pace at which infrastructure networks are being repaired or expanded, the quality of education from preschool to the various secondary school diplomas (which has been declining for years), and inadequate measures to secure skilled workers. An even more forward-looking education in schools is particularly necessary in order to be prepared for the development of requirements for skilled workers on the labor market. One of the biggest omissions is the inadequate reduction of bureaucracy in Germany and the EU. The debates around the draft of the Fourth Bureaucracy Reduction Act and the delays in the Grid Expansion Acceleration Act are examples of the lack of courage in Germany to take major, liberating steps. As a result, not even one in four U.S. companies that took part in *TBB 2024* thinks the underlying conditions for doing business here are either "very good or good."

There is no question that substantial public investment is needed to overcome internal omissions. However, because the state cannot possibly provide unlimited funding for the many different "wish lists," structures, and processes in the affected areas of society need to be reformed quickly and effectively. The delays that have led to these omissions are often related to the nature and amount of time taken to balance differing government priorities. Germany's competitiveness will depend heavily on when and how the country is able to implement targeted structural reforms. Companies will support policymakers and government agencies in this process and make their existential contribution to investments and jobs.

E – ENERGY

Germany's energy supply is caught between the conflicting priorities of economy, environment, and supply security and must be more secure than before in order to incentivize innovation and investment and spur growth. In addition to competitive energy prices, measures for the large-scale expansion and conversion of the energy infrastructure are required not only to achieve the goals of net greenhouse gas neutrality by 2045, but also to regain general competitiveness. This includes the construction of additional transmission lines, the digitalization and improvement of the distribution grids, the expansion of renewable energy sources, in particular wind and solar power, as well as the construction of the hydrogen-capable gas-fired power plants required for supply security and decarbonization as part of the power plant strategy.

The country also needs to continue diversifying its natural gas supply sources. This includes the development of alternative, carbon-based raw materials through the introduction of chemical recycling, the use of smart CCU/S infrastructures, and the circular economy. These comprehensive measures will inevitably make energy prices more expensive. The transformation can only succeed if their development is permanently monitored and taken into account, and if all the potential opportunities to cut costs in the short, medium, and long term are fully exploited.

S – STANDARDS

Germany must develop and introduce more innovative products in less time, not least in order to maintain its influential role in the international competition for standards and norms. This is not about national dominance, but about achieving the greatest possible level of international coordination. At the same time, the strategic importance of standards and norms is becoming increasingly clear in the global systemic debate. This applies equally to research and development, global trade, and the industrial sectors relevant to growth and prosperity, such as the industrial health care sector. With a gross value added of nearly 440 billion euros, it is an important anchor of stability for Germany as a business location. Nevertheless, developments in recent years show that Germany's attractiveness in the field of research and development and when it comes to access to new medical innovations has declined in an international comparison.

In order to counteract this trend, reliable economic framework conditions, e.g., faster access routes and predictable reimbursement structures, combined with international advocacy for strong patent and document protection are necessary. Achieving interoperability within the health care system is of particular importance, and not just with regard to the *European Health Data Space* and the use of health data. In the interests of patients, it is important to ensure that internationally recognized standards take precedence over unique national solutions.

T – TAXATION

Investment and innovation are prerequisites for sustainable growth and tax revenue through value creation as well as highly qualified jobs. This is also indicative for international competitiveness. To achieve this goal, the intrusive jungle of tax reporting and documentation obligations in Germany must finally be cleared; it is simply no longer manageable. A considerable portion of this bureaucracy is resolved upon by the EU member states in the European Council, often on issues where central regulation by the EU is questionable.

In addition, the regulations under international law to avoid international double taxation are increasingly being undermined by a general suspicion of abuse and numerous *treaty overrides*, resulting in even more bureaucracy. The legitimate prevention of abuse must not lead to general suspicion and excessive documentation obligations. If applications for relief under double taxation agreements take years to process, it harms Germany as a business location. Extraterritorial taxation measures must be completely eliminated. Overlapping disallowance rules leading to double taxation exacerbate the trend. The rule that an existing regulation must be abolished for a new regulation to be introduced is being ignored when it comes to tax law. The highly complex regulations on global minimum taxation alone, which have so far only been implemented in a few countries outside the EU, will absorb enormous resources for a long time. These will then be lacking elsewhere. Nobody can foresee the consequences at the moment.

Instead, investment should be promoted through broad simplifications across industries and products. This particularly applies to accelerated depreciation and amortization rules and the general tax neutrality of corporate restructuring measures. This will help to secure value creation, forward-looking innovation, and thereby a tax base in Germany and the EU on a sustainable basis.

A – ALLIANCES

Alliances based on the shared values of freedom, the rule of law, and a market economy strengthen Germany's competitiveness. States linked in this way are particularly well positioned to prioritize their common interests. Transatlantic partners have been proving this for decades, especially in recent years.

As the global systemic competition intensifies, it is becoming increasingly important for Germany to expand its competitiveness beyond the transatlantic partnership and to strengthen cooperation with democracies worldwide. Common interests also help overcome global challenges and are always part of national interests.

The importance of global alliances of this kind and their joint approaches to solutions is particularly evident in key areas of digital policy, such as transatlantic data transfer or cooperation on the further development and use of generative artificial intelligence. The ability to reach a global consensus here, e.g., within the framework of the G7 countries, the Trade and Technology Council of the U.S. and the EU, the OECD, or UNESCO, must ensure that the advantages and opportunities of the new technologies are widely shared and used in the interests of the common good. The challenges of new technologies can thus be met more effectively. In view of the enormous potential for innovation offered by artificial intelligence and its globally interconnected use in economies and companies, global regulation of this technology is imperative and must be respected.

R – RESILIENCE

In disruptive times, the economy and companies in Germany must strengthen their resilience in order to maintain their competitiveness, even in times of upheaval. They need sufficient free resources to respond appropriately, quickly, and with flexibility in such situations. Strategic economic policy must make it possible to create and secure these resources.

Internal resilience is encompassed by a framework of external resilience to defend freedom, peace, and democracy, but also the free international movement of goods and complex supply chains. War and terrorism in many parts of the world, in particular Russia's war of aggression against the peaceful order in Europe and Ukraine, make it politically and economically necessary to further strengthen Germany's military resilience and defensive capabilities within the NATO alliance.

Germany must systematically implement the security policy transformation process announced in 2022 and keep its military alliance commitments in terms of defense spending. Doing so not only strengthens NATO, but also curbs existing special interests that could influence economic cooperation between the partners.

In order for companies in the transatlantic defense industry to provide the governments of the NATO alliance with the necessary military capabilities, the speed, predictability, and coordination of government decisions at the national and international level must increase significantly.

T – TRADE

Decades are simply too long to wait for legally sound, WTO-conform trade agreements to be negotiated. Compromises based on common interests are not easy, but they are always better than a standstill for everyone involved and are often associated with direct and indirect effects on global challenges of development, growth, and climate action. Moreover, if a country itself fails to enter into a trade agreement, others will.

An open and rules-based multilateral system of trade is therefore a key requirement for Germany's economic success as an exporting nation. The ongoing, and in some cases even intensified, rejection of trade facilitation measures worldwide is counteracting growth, prosperity, and their security-relevant effects. Trade policy measures that primarily pursue security and climate policy objectives should be carefully weighed up to ensure that they both do not have a counterproductive effect on economic policy, inhibit growth, and compromise the priority of states' common interests.

The EU and the U.S. are natural partners for tackling the challenges of geopolitics and the necessary transformation of the economy. Openness and stronger ties between the two markets are the basis for transatlantic competitiveness. To achieve this, the partners must finally resolve long-standing trade disputes and enter into strategic partnerships, for example related to raw materials and technology standards, in order to create reliable framework conditions for investments and exports on both sides of the Atlantic. The work of the EU-U.S. Trade and Technology Council must focus more specifically than before on dismantling transatlantic trade barriers.

In order to be able to negotiate and apply EU free trade agreements more quickly, the initiative by the French and the German government to negotiate more sectoral agreements should be welcomed.

AmCham Germany Policy Committees

Aerospace & Defense

Digital Policy

Energy & Climate

Healthcare & Life Sciences

Tax

Trade & Strategic Competitiveness

AmCham Germany General Manager

Daniel Andrich

Staff Contact

Maik Luckow

Head of Department, Department Communications & Government Relations

T +49-30-213-0056-34

M +49-151-1465-7921

E mluckow@amcham.de

About the American Chamber of Commerce in Germany e.V. (AmCham Germany)

Founded 121 years ago, AmCham Germany is the oldest and largest trade association in Germany and represents the interests of U.S., German, and multinational member companies of all industries and sizes. As a representative of the transatlantic economy, AmCham Germany advocates for free and rules-based trade as well as a competitive and innovation-friendly business climate.

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