

## **The U.S. can Increase Exports by Emulating Germany**



*German Chancellor Angela Merkel addresses the delegates during a party meeting of Christian Democratic Union in Karlsruhe, Germany, Monday, Nov. 15, 2010. Writing in background reads "German". (AP Photo/Michael Probst)*

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Nobody doubts that the U.S. must get better at exporting. Although there is “generic” support for the concept in Congress and from the public, when it comes to specifics, the U.S. struggles. There was a call earlier in 2010 to increase exports by 5 percent in the next few years, but there was nothing to support that goal in subsequent speeches, and Congressional action has actually made things worse.

Most Americans oppose free trade and are convinced isolating the economy behind massive walls of protectionism will solve the crisis. The average citizen thinks that the only nations that benefit from trade are those like China, which has advantages such as low wage structure; lax safety, and environmental laws; and a government willing to manipulate currency, establish trade barriers, and stack the deck in favor of its local companies.

People making this assumption have not looked very closely at a nation that is far more like the United States than any of the developing nations - Germany. The

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Germans are now the export masters of Europe and keep that position despite having all the same disadvantages as the U.S. They have high wages, a generous system of benefits, high taxes, and strict environmental and safety laws. In most respects the Germans have more inhibitions than the U.S. when it comes to competing on the global stage.

## **Behavior of U.S. Consumer Forces Change**

The German and U.S. economies have become more similar since the beginning of the recession into the U.S. The biggest change is in consumer behavior. U.S. companies never really had the need to seek out foreign business because the domestic consumer was eager to purchase what was offered.

German companies, however, did need foreign business. Prior to the recession, the U.S. consumer accounted for 70 percent of the action in the economy, but that number is slipping. It may drop to 65 percent or even 60 percent by the end of the decade.

In Germany, the domestic consumer only accounts for about 57 percent of consumption and is notoriously cautious when it comes to buying. This has forced German companies to seek markets elsewhere and they expanded to developed and developing nations alike.

The German economy is only about a quarter of the size of the U.S. economy, but it exports more in the way of manufactured goods and in more categories. The demand for high value German machine tools and technology is well known, yet the Germans export consumer goods as well. It is not generally appreciated in the U.S. that Germany produces inexpensive goods that sell well in markets such as China, India, Brazil and elsewhere.

## **Consider Emulating Germany**

The U.S. should consider emulating Germany. Analysts are divided as to what makes the Germans effective at exports, but there are patterns, not unique to German culture, that win praise from most observers. Other nations can replicate these patterns, but it takes commitment from both political leaders and the general population.

The first factor is strong support from the top. This may have begun in the U.S. with earlier statements from President Obama that now must be reinforced constantly. A significant amount of time and energy must be spent engaging high level leaders in trade missions. In the case of Germany, Chancellor Angela Merkel leads as many as two dozen trade missions a year focused on opening markets to German companies.

The U.S. leaves too many trade missions to collections of business people who lack power to change government policies. With the Chancellor engaged, Germany can force change on trade policy at the highest level. President Obama's approach has been too distant when it comes to representing U.S. interests.

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The second factor is lack of commitment to trade promotion within the government. The bulk of the U.S. economy depends on small and medium sized businesses. These companies provide the most jobs and often are the anchors of their communities. They also are the companies most challenged by trade.

The rest of the world only has to figure out how to sell to the U.S. and Europe, but a U.S. company needs to grasp how to sell to more than 100 nations. The U.S. Department of Commerce and the various state agencies promoting exports do a yeoman's job, but their budgets are paltry compared to what is spent in Germany, Japan or most other nations. Until the U.S. funds these agencies better, there will be limited progress on trade.

The third factor is America's failure to back its strongest export sectors. The Germans work diligently to support the pillars of their export economy. They establish policies that focus on opening up the world market to the niche manufacturing companies that often dominate their unique sectors.

The U.S. economy is a powerful service based system and the export potential is huge. The U.S. has to better protect that industry with more attention to intellectual property support, innovation and more aggressive attempts to overcome barriers. This is also key to expanding manufacturing.

The barriers to U.S. activity in China are absurd and essentially block the vast majority of U.S. operations. However, the U.S. does very little to pry open that system. The Germans have not been nearly so accommodating and know that China needs what they have. If the Chinese want access to Germany, access must be granted in return.

### **U.S. Must Change Attitude Toward Trade**

One of the most important differences between the U.S. and Germany is the attitude that exists toward trade. The Germans unite behind the notion of export and import. The government, business community and workers all see their future in global business and they work for a common purpose more often than not.

The U.S. attitude is deeply divided as evidenced by the polls showing that fully 70 percent of Americans think that trade has been bad for the U.S. economy. The Germans know their future lies in the world market and they cooperate in reaching their common goals. The U.S., on the other hand, rips itself apart over the issue and leaves everybody poorer in the process.

Lastly, Germans are much more focused and aggressive on trade and they exploit their advantages. The U.S. hedges between protectionism and capitulation. At the same time that Americans are angry at China over its export centered policies and currency manipulation, the reaction of business and the government is cautious and diffident.

The U.S. waffles and threatens, but backs down when China talks of trade

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restrictions. The Germans consistently call the Chinese bluff and they are doing it again over the currency issue. The Germans shot back and listed the hundreds of products – critical to China’s economy -- that they would stop sending to China if it imposed barriers against Germany. The reaction from Beijing was capitulation and a toning down of the rhetoric.

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*Based in Rockford, Ill., FMA is a professional organization with more than 2,100 members working together to improve the metal forming and fabricating industry. Founded in 1970, FMA brings metal fabricators and fabricating equipment manufacturers together through technology councils, educational programs, networking events, and the FABTECH trade show. FMA also has a technology affiliate, the Tube & Pipe Association, International (TPA), which focuses on the unique needs of companies engaged in tube and pipe producing and fabricating.*

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