

Table 10: Geographic relocation of German firms by broad regions

	Total	To multiple regions %
Germany	38,6	-
EU-15	27,6	32,5
New EU member states	59,3	54,2
Rest of Europe	19,1	24,0
China	33,7	43,2
India	16,4	23,6
Australia and Oceania	11,5	15,0
North America	14,9	21,1
Latin America	7,5	11,2
Africa	3,8	5,2
Firms relocating (Number)	3 261	2 123

Source: Statistisches Bundesamt (2008), own translation.

As such, this suggests that proximity, low trade costs, an educated workforce, and lower wages than in Germany are not the sole factors that drive the decision about outsourcing activities in its eastern close by countries. Factor costs and productivity considerations as well as firm-level characteristics shown in section 4.2 are also included in the choice of an optimal outsourcing strategy for German firms.

Additional studies that focus specifically on German outsourcing to CEEC are informative too. Marin (2006) defines outsourcing as any foreign direct investment (FDI) that also involves intra-firm trade between the parent and its foreign affiliates. She finds that almost half of German FDI in CEEC fulfils this condition and therefore is categorized as outsourcing. In particular, she shows that outsourcing dominates German FDI in the Czech Republic, Bulgaria, Slovakia and Romania, but is less important in Slovenia and Poland.

Marin (2006) and Marin et al. (2002) also investigate what may drive the German outsourcing decisions to CEEC. Low labour costs are, of course, important, as is the proximity between Germany and these countries, which presumably allows relatively easy relocations of activities and minimised trade costs. Furthermore, reduced levels of corruption and improvements in the contracting environment in CEEC are found to affect positively German outsourcing to these countries. There is no evidence that tax holidays granted by host countries play any role, however.

We now turn to the question of "which German firms outsource". The survey of the German Statistical Office does, unfortunately, not provide any information on the characteristics of firms involved in global value chains. However, we can use some alternative data on German firms to those used so far. The database we use is part of the "Business Environment and Enterprise Performance Survey" (BEEPS) which is carried out jointly by the World Bank and the European Bank for Reconstruction and Development. While this firm-level business survey focuses on transition countries in Eastern Europe and Central Asia, a comparison survey of firms in a number of more developed countries, including Germany, was also carried out in 2004.⁷

⁷ A more detailed description of this data base is available at <http://www.ebrd.org/pages/research/analysis/surveys/beeps.shtml>, accessed on 6 July 2010.