

Barrier	Companies number	Importance				
		Very important	Important	Barely important	Not important	Don't Know
Distance to core markets	16 630	16.2	32.1	33.2	14.2	4.3
Tariffs	16 631	10.6	36.5	34.7	14.1	4.2
No suitable suppliers abroad	16 628	11.2	32.5	34.9	17.0	4.5
Insufficient process documentation	16 626	5.5	25.4	43.9	20.3	4.8
Other	254	64.2	31.7	0.0	/	/

Source: Statistisches Bundesamt (2008), own translation. “/” means that this number is uncertain and thus not disclosed by the Statistical Office.

One frequently voiced perception is that German firms took advantage of the emergence of close by and low-wage Central and Eastern European (CEE) countries by outsourcing most of their inputs in these countries. Such an argument clearly deserves some attention. To assess this, we can relate to evidence by Geishecker (2007) who uses calculations similar to those reported in Figure 2, but where he is able to break down outsourcing by partner country. He finds that outsourcing to CEE countries is at a relatively low level for Germany. In 2004 it accounts for about 13 percent of total imported intermediate inputs; the bulk of outsourcing (almost three-quarters) is with other developed countries. Still, outsourcing to CEEC has by far the highest growth rates, between 1995 and 2004 it roughly doubled in size.

Another indication to illustrate the attractiveness of German firms to Eastern European Countries' products and services is suggested in Table 10 which is taken from the survey by the German Statistical Office. It shows the relocation destinations of German firms according to 9 broad regions including one on the neighbouring new member states of the European Union. We observe that most German firms in the sample relocated some activities in these new EU member states, but among these firms, the majority (54 percent) relocated some activities in at least another broad region beside the new EU member states. This suggests that new European Union member states are attractive to German firms, but that relocating activities there is also often part of a broader strategy as to where to outsource their activities.⁶

⁶ An interesting further question is whether Germany's geographical location aids it in attracting other firms to locate in Germany. For example, all else being equal, a manufacturer that uses intensively inputs from low wage countries could locate in Germany, rather than say France to be closer to suppliers in low-wage Eastern Europe. As far as we are aware there is no evidence to judge whether or not this is happening to any large extent