



## GERMAN MARKET PROFILE

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Export Development Board (EDB), Sri Lanka  
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## 01. BACKGROUND OF THE COUNTRY

### KEY POINTS

- Germany's real GDP is expected to rise by just 0.5% in 2013. Investor confidence reached a 2.5 year high in January 2013. Consumer confidence, however, remains near its two-year low.
- The jobless rate was 5.5% in 2012 and a slight increase to 5.6% is expected in 2013. This would be a post- reunification low. Roughly two-thirds of all workers are employed in small and medium-sized enterprises, known in Germany as the "Mittelstand" . The Mittelstand is an important reason for the impressive performance of the labour market in the face of the euro zone crisis.
- The real value of private final consumption has seen feeble growth for several years. Gains of 0.1% occurred in 2012 and growth of 0.5% is expected in 2013. Although the number of employed Germans continues to rise, many of these jobs are low-paying and do little to support consumer spending.
- Consumer spending and moderately strong exports helped sustain momentum but weakening investment activities proved to be a drag on the economy. According to the central bank, the economy may have actually contracted in the final three months of 2012.

### FACTS

<b>Area</b>	56,840 square kilometres
<b>Currency</b>	Euro (€ = 100 cents)
<b>Location</b>	Germany occupies a central position in Western Europe bordering no less than six other Western European countries. The country's terrain ranges from the marshes of the Danish border in the north, to the Bavarian Alps in the south. The five eastern L nder, together with the eastern sector of Berlin, formed the German Democratic Republic until unification in 1990.
<b>Capital</b>	Berlin
<b>Number of companies</b>	3.7 million, 99.6% SMEs

## ECONOMIC INDICATORS GERMANY

<b>Population</b>	81.77 million (2009)
<b>GDP (nominal in EUR billion)</b>	2012: 2,666
<b>GDP Growth Rate</b>	-4.72% (2009)
<b>Per capita GDP (EUR ) (2012)</b>	32,550
<b>Inflation (2012)</b>	2.1%;
<b>Unemployment rate (2012)</b>	5.5%;
<b>Total Imports(EUR bn)</b>	909
<b>Total Exports(EUR bn)</b>	1,097
<b>Germany's trade relations with EU (EUR bn)- Exports</b>	621
<b>Germany's trade relations with EU (EUR bn)- Imports</b>	504
<b>Export goods (2012):</b>	Machinery 18.6%; motor vehicles and parts 16.6%; chemical goods 14.4%;electronic goods 9.0%; foodstuffs 4.4%; others 37.0%
<b>Import goods (2012):</b>	Crude oil and gas 14.0%; machinery 12.0%; chemical goods 11.7%; electronic goods 10.0%; motor vehicles and parts 7.9%; foodstuffs 5.9%; others 38.5%

*Sources: Germany Trade & Invest, Federal Statistical Office, Federal Ministry of Finance, ifm Bonn 2013*

## ECONOMY

The German economy is the world's fourth largest and the biggest in Europe, accounting for more than one-fifth of European Union GDP. Germany is the second largest importer and also the second largest exporter in the world. Germany is Europe's most populous country, inhabited by some 81.7 million people, of whom approximately 41m are counted as being in employment. It shares common borders with nine countries, which makes it the most important transit route within Europe.

Germany has four cities with populations larger than a million, namely Berlin (3.5m), Hamburg (1.9m), Munich (1.4m) and Cologne (1.0m). There is no dominant center equivalent to London, Paris or Prague in their respective countries. By contrast, there are 80 cities bigger than 100,000 inhabitants, which illustrate Germany's federal character. The country comprises 16 federal states, the Bundesländer. Berlin, Hamburg and Berlin form the so-called city-states with the remainder being larger territorial states such as Bavaria and North Rhine-Westphalia. Each of the Lands has its own legislative competence. For the retail real estate market, this means the Lands' governments/parliaments decide on their respective building regulations, planning laws and other related matters such as regulations on shop opening times. Cities also tend to have local bylaws in areas such as Sunday trading, street cleaning and garbage collection. The federal government looks at nationwide regulations such as the federal building code. Germany's gross domestic product stands at €2.6 trillion, equating to ca. €31,400 per capita. Of this total, 54% is generated by service industries, 30% by manufacturing industries, 15% from trade and 1% from agriculture (2011 figures).

Germany generates a surplus from its exchange account of more than 150bn per year. German-produced goods from the chemical, automotive and machinery & equipment industries are in particularly high demand worldwide.

Among Germany's main trading partners are European countries such as France, UK, Italy, and the Netherlands as well as international markets including the United States, China, Russia and Japan.

When compared with its European neighbours, Germany shows favourable economic metrics, notably in areas such as unemployment and public debt. Germany's economy is based on export industries, with car production most prominent among them. The country is home to Volkswagen (Lower Saxonia), Daimler-Benz and Porsche (Baden-Wuerttemberg), Audi and BMW (Bavaria), plus Ford Germany and Opel.

While several large German enterprises are global players, the vast majority of all firms (99.7% out of 3.7m firms) are small and medium-sized – an anchor of employment stability. Of the major companies, we can consider engineering firms Siemens and Bosch, plus others in chemistry and even construction services, to be world-class enterprises. An important feature of the German economy is its well-developed infrastructure in terms of transportation (streets, railways, airports, sea and river harbours), communications and energy. This is evaluated as being the second-best in the world after Hong Kong according to a study of the World Economic Forum published in 2011. As an economic principle, doing business in Germany is covered by general freedom of trade. Further non-physical infrastructures, such as the legal system, (including protection of intellectual property rights) and professional education, are considered among the best in the world.

The services sector dominates the economy, with 72 percent contribution to the GDP. Germany also has a well developed manufacturing industry, but is rapidly transforming itself into a knowledge-based economy with significant growth in research-intensive sectors. It is very successful in the information and communication technology (ICT), automobile and medical technology industries<sup>4</sup>. Germany has strong business and investment freedom, but a considerable degree of government regulation and generous social welfare programmes.

The integration and modernisation of the eastern German economy (where unemployment is twice as high as in the west), continues to be a costly long-term process. However, government reforms implemented over the past several years to deal with high unemployment, health and welfare costs and lower pensions have resulted in a fall in unemployment, which reached a post-reunification low of 7.8 percent in 2008.

The global economic slowdown had an effect on the country, with the economy shrinking by around five percent in 2009, more than in any year since World War II. However, the country has coped surprisingly well with the recession and thanks to a government-sponsored reduced working hours programme, unemployment rose only marginally. The German economy has recovered in 2010 with GDP growth of 3.7 percent. In 2011, GDP growth is forecast to be between 2 - 2.5 percent.

## **FOREIGN TRADE**

As the world's second-largest exporter, the country has been hard-hit by the global downturn in world markets. The dollar value of exports dropped by 4.2% in 2012. The share of exports in GDP amounted to 41.6% in 2012, up from 40.1% in 2008. Export momentum is expected to slow in the medium term.

Germany's main export markets are widely diversified. In 2012, they included France (10.1%), the USA (5.6%) and China (5.2%). The EU accounted for 62.7% of the total in 2012. Exports to China are expected to rise despite the slowdown in that country. Machinery and transport equipment are the largest export category, accounting for 46.8% of the total in 2012. Germany's current account surplus was 6.3% of GDP in 2012 and it will slip to 5.6% in 2013. The current account surplus reflects a relatively comfortable degree of competitiveness.

## **EVALUATION OF MARKET POTENTIAL**

Germany's longer term growth prospects depend mainly on exports. With a process of fiscal consolidation now underway, the pace of growth is bound to slow. The country also has much to make up in the way of productivity. Exporters are obviously competitive but productivity in the large service sector lags far behind. Germany also faces a broad-based decline in population over the next two decades. At the same time, the country is rapidly ageing. By 2030, more than one in every three residents will be over 60 years. The work force is also ageing at the same time as the number of new job entrants is falling. The working-age population between 15 and 64 years reached a high in 1998 and will steadily decline over the longer term. Skills shortages will remain even as unemployment rises and could worsen as the population ages. Increased labour participation, especially among women, the low-skilled, and the elderly is needed to counteract the effects of a declining work force. One consequence of all these trends will be a long-term decline in the rate of potential growth.

## INDICATORS OF BUSINESS ENVIRONMENT: 2013

Ease of doing business rank (out of 185)	20
Starting a Business	
Cost (% of GNI per capita)	4.9
Time (days)	15
Dealing with construction permits	
Time (days)	97
Cost (% of GNI per capita)	48.1
Getting Electricity	
Time (days)	17
Cost (% of income per capita)	48.3
Employing workers	
Minimum wage for a 19-year old worker or an apprentice (US\$/month)	1,126.1
Ratio of minimum wage to average value added per worker	0.20
Standard workday in manufacturing (hours)	8
Tax rates	
Total tax rate (% profit)	46.8
Labour tax and contributions (% of commercial profits)	21.9
Time (hours per year)	207
VAT (%)	19.0
Exporting	
Documents for export (no.)	4
Time to export (days)	7
Cost to export (US\$ per container)	872
Importing	
Documents for import (no.)	5
Time for import (days)	7
Cost to import (US\$ per container)	937
Protecting investors	
Strength of investor protection index (0-10)	5.0
Resolving Insolvency	
Time (years)	1.2
Cost (% of estate)	8

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Source: *Euromonitor International based on the World Bank*

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## 02. BILATERAL TRADE

### SRI LANKA – GERMANY BILATERAL TRADE

Germany is amongst Sri Lanka's most important partners for trade, investment and technology. Bilateral trade has been healthy in the recent years. The table below illustrates the pattern of trade during the last 07 years. The statistical data of bilateral trade reveals that our exports have increased from US\$ 437 Mn in 2007 to 467 Mn in 2013 indicating an increase of 6.8%. Our imports from Germany have increased from US\$ 230 Mn in 2007 to 385 Mn in 2013 indicating an increase of 67% during last seven years.

Germany is Sri Lanka's largest trading partner in European Union and 11<sup>th</sup> largest trading partner globally. Germany is also Sri Lanka's leading technology partner. Sri Lanka's significance as a trading partner for Germany is also on the increase. Currently Sri Lanka ranks at the 5<sup>th</sup> position amongst trading partners for Germany worldwide, accounting for 4.67% of total Export to Germany and ranks 5th among Sri Lanka's world export.

As the table shows Sri Lanka Sri Lanka has traditionally held a positive trade balance with Germany.

While major items of exports from Sri Lanka to Germany are Apparel, Pneumatic & Retreated Rubber Tyres & Tubes, Industrial & Surgical Gloves of Rubber, Tea, Frozen Fish, Electrical & Electronic Products, etc.

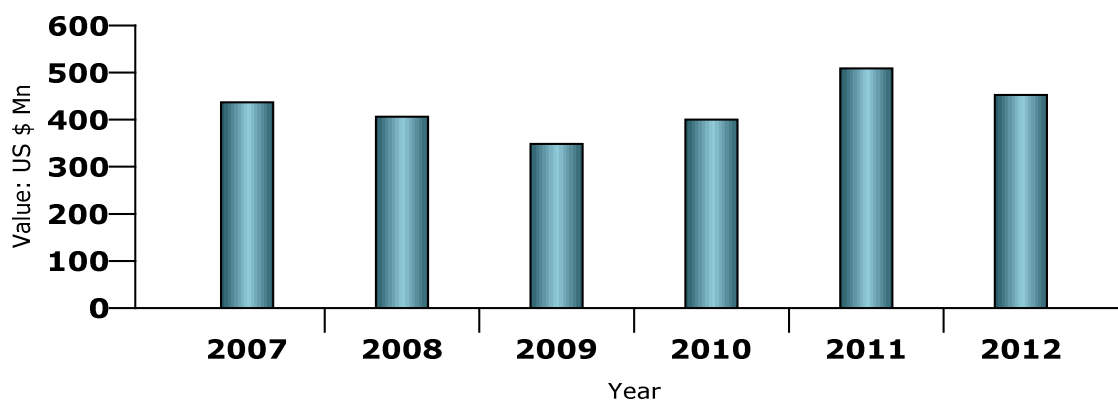
Our major exporting products to Germany are Apparel, Pneumatic & Retreated Rubber Tyres & Tubes, Industrial & Surgical Gloves of Rubber, Tea, Frozen Fish, Electrical & Electronic Products, etc. Germany is Sri Lanka's fifth exports destination in the EU region. Our major importing products from Germany Electrical & Electronic Products, Machinery & parts, Chemicals & Plastic Products, etc

### BILATERAL TRADE BETWEEN SRI LANKA AND GERMANY (US \$ Million)

YEAR	EXPORTS	IMPORTS	BALANCE OF TRADE	TOTAL TRADE
2007	437	230	207	667
2008	406	281	125	687
2009	348	253	95	601
2010	400	253	147	653
2011	509	356	153	865
2012	452	318	134	770
2013	467	385	82	852

Source: Sri Lanka Customs Returns

## Export to Germany



### SRI LANKA'S MAJOR EXPORTS TO GERMANY (US \$ Million)

No.	Products	2010	2011	2012	2013
1.	Apparel	175	208	187	189
2.	Pneumatic & Retreated Rubber Tyres & Tubes	35	63	64	64
3.	Industrial & Surgical Gloves of Rubber	15	24	23	23
4.	Tea in Bulk	16	20	15	21
5.	Frozen Fish	6	2	4	15
6.	Industrial Gloves, Belts etc. of Leather	9	12	11	13
7.	Toys Games & Sport Requisites	12	12	11	13
8.	Other Electrical & Electronic Products	5	14	10	11
9.	Tea Packets	7	12	10	11
10.	Other Manufactures	10	14	12	10
11.	Gaskets, Washers, Seals etc. of Hard Rubber	5	8	7	8
12.	Manufactured Tobacco		1	1	6
13.	Electrical Transformers	24	7	7	5
14.	Spices	3	5	5	8
15.	Liquid Coconut Milk	3	3	4	3
16.	Activated Carbon	1	3	3	3
17.	Natural Rubber	11	13	7	5
18.	Made-Up Textile Articles	2	3	3	3
19.	Desiccated Coconut	4	8	4	3
20.	Discharge Lamps	4	4	4	3
21.	Coconut Fiber products	6	11	9	9
22.	Essential Oils	2	2	2	3
23.	Aircrafts & Parts	3	3	3	2
24.	Tools, Implements, Cutlery & Parts	2	4	3	2



25.	Printed Circuits	2	2	2	2
26.	Jewellery	3	3	2	2
27.	Carpets, Mats, Floor Coverings	1	3	2	2
28.	Motor Vehicles & Parts	1	2	1	2
29.	Other Products of Base Metal	2	2	2	2
30.	Processed Vegetables, Fruits & Juices	1	2	1	2
31.	Coconut Milk Powder	1	2	2	1
32.	Fish Fresh or Chilled	3	13	13	1
33.	Registers, Account Books, Diaries	1	1	1	1
34.	Woven Fabrics	...	1	1	1
35.	Gems	1	1	1	1
36.	Cut Flowers & Foliage	1	1	1	1
37.	Fruits	1	1	1	2
38.	Ornamental Fish	1	1	...	1
39.	Gloves, Mitts & Mittens	2	2	1	1
40.	Insulated Wires and Cables	1	1	1	1
41.	Graphite	...	...	1	1
42.	Other	18	15	10	9
	<b>Total :</b>	<b>400</b>	<b>509</b>	<b>452</b>	<b>467</b>

*Source: Sri Lanka Customs Returns*

Potential products to be developed for German market are apparel, rubber tyres, tea, rubber gloves, edible fish, toys, coconut products and rubber tyres, edible fish, tea, processed food, footwear and electrical & electronic products.

### **SRI LANKA'S MAJOR IMPORTS FROM GERMANY (US \$ Million)**

No.	Products	2010	2011	2012	2013
1.	Electrical & Electronic Products, Parts & Machinery	121	180	163	230
2.	Chemicals & Plastic Products	45	56	51	66
3.	Other Manufactures	13	20	22	22
4.	Base Metal Products	20	28	23	18
5.	Paper & Paper Products	20	21	9	10
6.	Woven Fabrics	9	19	13	10
7.	Food, Feed, Beverages & Tobacco	7	11	13	7
8.	Non - Metallic Mineral Products	3	4	4	6
9.	Other Textile Articles nes	3	5	5	4
10.	Other of Other Export Crops nes	4	3	4	4
11.	Rubber Finished Products	2	3	3	3
12.	Leather Products	1	1	1	1
	<b>Total :</b>	<b>253</b>	<b>356</b>	<b>318</b>	<b>385</b>

*Source: Sri Lanka Customs Returns*

## DEMAND IN WORLD'S MAJOR MARKETS FOR THRUST SRI LANKAN PRODUCTS IN 2013

(Value: US \$ '000)							
No.	PRODUCTS	UK	ITALY	BELGIUM	GERMANY	FRANCE	NETHERLANDS
1	TEA	422,914	75,193	84,946	<b>233,412</b>	185,128	143,382
2	<b>RUBBER PRODUCTS</b>	5,092,267	3,995,270	3,519,685	<b>13,388,646</b>	6,513,305	3,775,739
	-New pneumatic tires, of rubber	3,000,307	2,552,523	2,058,172	<b>7,713,323</b>	4,192,820	2,573,557
	-Hygienic/pharmaceutical rubber ,gloves	43,182	55,156	38,428	<b>80,434</b>	39,241	28,327
3	<b>COCONUT / KERNAL PRODUCTS</b>						
	-DESICCATED COCONUT	22,279	6,105	33,652	<b>24,901</b>	11,294	26,236
4	<b>COCONUT / BY PRODUCTS</b>						
	-COCONUT FIBRE	21,926	2,468	4,159	<b>7,310</b>	2,954	11,933
5	<b><u>SPICES</u></b>						
	-PEPPER	128,482	34,871	33,898	<b>293,296</b>	90,638	126,929
	- CINNAMON	8,692	1,808	1,418	<b>8,603</b>	4,618	8,784
	-CLOVES	5,270	1,307	906	<b>7,034</b>	3,923	12,184
	-Nutmeg, mace and cardamons	23,176	14,754	9,047	<b>44,486</b>	13,283	40,811
6	<b>VEGETABLES</b>	4,521,608	1,901,886	2,113,759	<b>6,844,362</b>	3,570,042	2,841,645
7	<b>FRUITS FRESH OR DRIED</b>	5,782,364	3,269,352	3,776,183	<b>10,045,529</b>	5,354,218	6,568,567
8	<b>PROCESSED FRUITS &amp; FRUIT JUICES</b>	3,707,630	1,384,852	2,247,523	<b>5,478,024</b>	4,319,680	3,471,350
11	<b>CUT FLOWERS &amp; FOLIAGE</b>	1,705,172	642,267	660,948	<b>3,454,951</b>	1,450,190	2,095,359
12	<b>FISHERIES PRODUCTS</b>	2,654,088	4,284,562	1,683,778	<b>4,118,107</b>	5,079,217	2,704,571
	-Live Fish	70,644	25,591	31,629	<b>63,452</b>	25,066	20,257
	-Fish fresh whole	668,915	921,459	169,667	<b>533,457</b>	1,301,488	302,984
	-Fish frozen whole	141,155	346,534	61,704	<b>220,674</b>	213,217	417,608
	-Crustaceans	509,548	758,383	557,815	<b>421,896</b>	1,157,855	373,863
	-Fish fillets and pieces, fresh, chilled or frozen	1,126,518	688,211	488,862	<b>1,632,309</b>	1,506,573	877,228
13	<b>DIAMONDS</b>	6,268,188	573,545	19,227,553	<b>276,759</b>	842,678	42,341
14	<b>GEMS</b>	125,520	230,050	32,582	<b>172,979</b>	244,006	3,005
15.	<b>JEWELLERY</b>	3,057,528	1,227,243	202,408	<b>1,453,605</b>	3,548,254	181,575
16	<b>GARMENTS</b>	21,408,465	14,834,319	8,606,331	<b>34,183,354</b>	22,290,244	12,272,643
17	<b>FOOTWEAR</b>	5,520,959	6,058,103	3,370,495	<b>9,720,993</b>	7,203,458	3,905,745

20	<b>CERAMIC &amp; PORCELAIN</b>	1,575,225	758,366	907,328	<b>2,943,480</b>	2,284,151	739,196
21	<b>ACTIVATED CARBON</b>	64,624	84,868	102,964	<b>177,873</b>	91,923	66,689
24	<b>ARTICLE OF PLASTICS</b>	2,306,781	1,428,315	1,447,444	<b>4,940,469</b>	3,106,268	1,499,544

### 03. GERMANY WORLD IMPORTS AND EXPORTS & SAARC TRADE-2013

China, the Netherlands and France are the largest importers to Germany, whilst the most exports go to France, the US and the Netherlands. Germany's main trading partners include European countries such as France, the Netherlands, UK and Italy as well as international markets such as the United States, China, Russia and Japan.

#### GERMANY'S TOP TEN IMPORTS 2013

	US\$ billion
Mineral fuels, oils, distillation products, etc	176
Machinery, nuclear reactors, boilers, etc	142
Electrical, electronic equipment	126
Vehicles other than railway, tramway	98
Pharmaceutical products	44
Plastics and articles thereof	42
Optical, photo, technical, medical, etc apparatus	36
Organic chemicals	<b>33</b>
Iron and steel	<b>29</b>
Aircraft, spacecraft, and parts thereof	<b>28</b>
<b>Total imports</b>	<b>1,187</b>

#### GERMANY'S TOP TEN EXPORTS 2013

	US\$ billion
Machinery	253
Motor vehicles	250
Electrical and electronic equipment	141
Pharmaceutical products	74
Plastics	<b>68</b>
Optical, photo, technical, medical, etc apparatus	66
Aircraft, spacecraft, and parts thereof	46
Mineral fuels, oils, distillation products, etc	45
Articles of iron or steel	<b>34</b>
Organic chemicals	<b>33</b>
<b>Total exports</b>	<b>1,453</b>

## GERMANY TRADE RELATIONS WITH SAARC-COUNTRIES

(Value: US \$ '000)

LIST OF SUPPLYING MARKETS FROM ASIA FOR A PRODUCT IMPORTED BY GERMANY					
Exporters	2009	2010	2011	2012	2013
World	938,363,080	1,066,816,800	1,260,297,500	1,173,287,600	1,187,702,428
India	7,089,501	8,205,114	10,594,423	9,099,689	7,827,053
Bangladesh	2,758,290	3,115,672	4,340,872	4,093,566	3,367,836
Pakistan	921,980	1,133,176	1,563,516	1,260,953	1,233,396
<b>Sri Lanka</b>	<b>498,101</b>	<b>536,261</b>	<b>656,705</b>	<b>624,743</b>	<b>502,519</b>
Nepal	38,154	42,021	49,054	39,903	37,105
Maldives	4,830	3,777	11,338	15,401	13,639
Bhutan	1,877	21	1,106	1,442	6,539
<b>TOTAL</b>	<b>11,312,733</b>	<b>13,036,042</b>	<b>17,217,014</b>	<b>15,135,697</b>	<b>12,988,087</b>

Source: ITC Trademap

## GERMANY TRADE RELATIONS WITH SAARC-PRODUCTS

(Value: US \$ '000)

HS	DESCRIPTION	Import from SAARC	Import from World	Percentage(%)
	<b>All products</b>	<b>12,988,087</b>	<b>1,187,702,428</b>	<b>1.1</b>
'61	Articles of apparel, accessories, knit or crochet	2,644,060	16,845,559	15.7
'62	Articles of apparel, accessories, not knit or crochet	2,099,052	17,337,795	12.1
'29	Organic chemicals	741,030	33,320,562	2.2
'85	Electrical, electronic equipment	697,381	126,470,464	0.6
'84	Machinery, nuclear reactors, boilers, etc	693,585	142,213,421	0.5
'63	Other made textile articles, sets, worn clothing etc	626,825	4,109,074	15.3
'42	Articles of leather, animal gut, harness, travel goods	550,599	4,120,075	13.4
'64	Footwear, gaiters and the like, parts thereof	435,809	9,720,993	4.5
'73	Articles of iron or steel	329,009	22,329,821	1.5
'40	Rubber and articles thereof	284,159	17,595,675	1.6
'87	Vehicles other than railway, tramway	273,357	98,716,966	0.3
'30	Pharmaceutical products	264,397	44,343,713	0.6

'52	Cotton	232,989	1,300,334	17.9
'32	Tanning, dyeing extracts, tannins, derivs,pigments etc	214,259	7,390,703	2.9
'09	Coffee, tea, mate and spices	197,667	4,745,700	4.2
'90	Optical, photo, technical, medical, etc apparatus	183,926	36,333,823	0.5
'39	Plastics and articles thereof	180,865	42,794,746	0.4
'72	Iron and steel	176,587	29,641,624	0.6
'71	Pearls, precious stones, metals, coins, etc	154,939	21,418,748	0.7
'94	Furniture, lighting, signs, prefabricated buildings	153,533	18,923,794	0.8
'57	Carpets and other textile floor coverings	145,243	1,301,089	11.2
'03	Fish, crustaceans, molluscs, aquatic invertebrates nes	118,076	4,118,107	2.9
'08	Edible fruit, nuts, peel of citrus fruit, melons	96,482	10,045,529	1.0
'13	Lac, gums, resins, vegetable saps and extracts nes	91,026	611,985	14.9
'55	Manmade staple fibres	79,495	1,996,456	4.0
'27	Mineral fuels, oils, distillation products, etc	78,582	176,214,889	0.0
'99	Commodities not elsewhere specified	76,438	7,674,917	1.0
'38	Miscellaneous chemical products	74,385	14,932,220	0.5
'68	Stone, plaster, cement, asbestos, mica, etc articles	71,662	3,315,867	2.2
'74	Copper and articles thereof	61,740	13,184,565	0.5
'15	Animal,vegetable fats and oils, cleavage products, etc	61,156	4,766,689	1.3
'82	Tools, implements, cutlery, etc of base metal	58,192	5,260,504	1.1
'41	Raw hides and skins (other than furskins) and leather	57,726	1,182,016	4.9
'95	Toys, games, sports requisites	56,169	6,167,888	0.9
'83	Miscellaneous articles of base metal	50,454	4,998,960	1.0
'12	Oil seed, oleagic fruits, grain, seed, fruit, etc, nes	48,695	6,679,545	0.7
'33	Essential oils, perfumes, cosmetics, toiletries	45,816	7,048,858	0.6
'24	Tobacco and manufactured tobacco substitutes	44,498	2,465,250	1.8
'10	Cereals	34,040	3,342,122	1.0
'76	Aluminium and articles thereof	33,973	17,194,277	0.2
'28	Inorganic chemicals, precious metal compound, isotopes	31,302	8,239,278	0.4
'70	Glass and glassware	31,042	5,322,149	0.6

'05	Products of animal origin, nes	29,490	1,193,569	2.5
'96	Miscellaneous manufactured articles	27,616	2,984,194	0.9
'53	Vegetable textile fibres nes, paper yarn, woven fabric	22,581	85,188	26.5
'88	Aircraft, spacecraft, and parts thereof	21,722	28,902,029	0.1
'07	Edible vegetables and certain roots and tubers	21,455	6,844,362	0.3
'21	Miscellaneous edible preparations	21,212	3,394,450	0.6
'25	Salt, sulphur, earth, stone, plaster, lime and cement	18,828	2,353,559	0.8
'20	Vegetable, fruit, nut, etc food preparations	17,634	5,478,024	0.3
'54	Manmade filaments	16,246	1,782,626	0.9
'69	Ceramic products	15,003	2,943,480	0.5
'44	Wood and articles of wood, wood charcoal	14,891	8,498,679	0.2
'17	Sugars and sugar confectionery	14,458	2,178,747	0.7
'65	Headgear and parts thereof	13,767	565,380	2.4
'35	Albuminoids, modified starches, glues, enzymes	12,307	2,517,909	0.5
'81	Other base metals, cermets, articles thereof	12,220	1,863,467	0.7
'22	Beverages, spirits and vinegar	10,572	8,696,218	0.1
'23	Residues, wastes of food industry, animal fodder	10,275	4,849,545	0.2
'48	Paper and paperboard, articles of pulp, paper and board	10,179	14,990,571	0.1
'58	Special woven or tufted fabric, lace, tapestry etc	10,012	376,651	2.7
'34	Soaps, lubricants, waxes, candles, modelling pastes	8,927	4,322,638	0.2
'51	Wool, animal hair, horsehair yarn and fabric thereof	8,884	879,823	1.0
'06	Live trees, plants, bulbs, roots, cut flowers etc	8,673	3,454,951	0.3
'50	Silk	7,383	90,666	8.1
'16	Meat, fish and seafood food preparations nes	6,956	3,069,796	0.2
'49	Printed books, newspapers, pictures etc	5,463	2,391,537	0.2
'59	Impregnated, coated or laminated textile fabric	4,190	1,443,426	0.3
'18	Cocoa and cocoa preparations	3,983	4,035,465	0.1
'78	Lead and articles thereof	3,500	425,653	0.8
'26	Ores, slag and ash	3,453	10,257,449	0.0
'56	Wadding, felt, nonwovens, yarns, twine, cordage, etc	3,420	1,510,870	0.2

'86	Railway, tramway locomotives, rolling stock, equipment	3,380	3,123,077	0.1
'92	Musical instruments, parts and accessories	2,472	607,670	0.4
'46	Manufactures of plaiting material, basketwork, etc.	1,891	134,323	1.4
'14	Vegetable plaiting materials, vegetable products nes	1,579	38,161	4.1
'91	Clocks and watches and parts thereof	1,579	2,851,167	0.1
'60	Knitted or crocheted fabric	1,533	554,280	0.3
'19	Cereal, flour, starch, milk preparations and products	1,280	4,108,280	0.0
'43	Furskins and artificial fur, manufactures thereof	1,136	220,072	0.5
'67	Bird skin, feathers, artificial flowers, human hair	967	196,358	0.5
'11	Milling products, malt, starches, inulin, wheat gluten	950	679,639	0.1
'79	Zinc and articles thereof	773	1,398,591	0.1
'75	Nickel and articles thereof	633	1,825,013	0.0
'04	Dairy products, eggs, honey, edible animal products nes	442	8,877,310	0.0
'31	Fertilizers	358	1,915,563	0.0
'97	Works of art, collectors pieces and antiques	356	499,355	0.1
'66	Umbrellas, walking-sticks, seat-sticks, whips, etc	335	210,622	0.2
'80	Tin and articles thereof	319	508,255	0.1
'89	Ships, boats and other floating structures	186	4,500,538	0.0
'37	Photographic or cinematographic goods	37	1,017,889	0.0
'02	Meat and edible meat offal	33	7,899,802	0.0
'01	Live animals	8	2,771,959	0.0

**Source: ITC Trademap**

- Don't assume everyone will have English language skills, though most export managers should speak reasonable English.
- It is not appropriate to request appointments from large organisations at short notice. Long lead times are generally to be expected. Punctuality with appointments is vital.
- Exporters should not expect to close a deal during a first visit. German companies generally require time to analyse and respond to an opportunity.
- German companies expect timely replies to business correspondence.
- Attention to detail is most important.

- For the business environment, the dress code is formal in Germany. A casual but smart dress code is expected for any leisure activities involving business partners. Jeans, shorts or sneakers are not acceptable.
- For correspondence or at official events, people address each other formally, i.e. by their last name.
- The cost of accommodation and daily expenses in Germany is fairly high compared with New Zealand. Exporters need to budget for these costs when planning visits or evaluating the cost of market support.
- There are numerous commercial centres in Germany and travelling between them can be both costly and time consuming. This should be taken into account when planning a travel schedule.
- German companies generally seek market share rather than market domination and many compete for a certain niche. They have a low regard for price competition and instead compete on a basis of “Leistungswettbewerb” i.e. on the basis of high quality product and service.
- Product presentation: German partners appreciate fact based product description and a good presentation of the product benefits to them. Claims are expected to be proven and case studies as well as references are helpful.
- Negotiations: ensure that proposals are backed up with a lot of logical supporting arguments and concrete examples.
- Germans are very schedule-oriented and business communication is very agenda-based meeting would usually end with a clear communication of next steps to be taken. A respect for communicated deadlines is assumed.
- Companies need to focus on maintaining a good working relationship with their German partners. To build trust in the company and the person regular visits to the market may be required.
- To demonstrate commitment to the German market, products should generally be labelled in German. The German culture is highly fact-oriented. Product literature should therefore be more serious in tone (i.e. Germans are less impressed with flashy advertising and momentous slogans) and, depending on the product, should provide substantial technical data. Any claims should be supported with hard facts and examples.
- Germans are direct communicators and will openly express any reservations they may have e.g. if they see a deficiency in the product.
- Any attempt to use German, even a basic expression of courtesy, will be appreciated.
- Entertaining is commonly used to establish and maintain business relationships. Alcohol should be handled carefully. A lot of German companies now have an alcohol-free policy in place for lunch appointments, but business dinners with alcohol are common and often seen as an important way to create closer relationships.
- It is advisable to avoid conducting business in the months of July and August, as this is Germany’s main summer holiday period and many business contacts take extended leave. Visits to the food and beverage sector should not be made in December as the Christmas trade is in full swing and appointments are difficult to organise. The actual Christmas break is relatively short and most people



are back to work during the first week of January. Also avoid scheduling appointments on Friday afternoons as some offices shut by 2.00 pm or 3.00 pm on Fridays.

## 04. TARIFF ,TAXATION & FREIGHT

### TYPES RATES

Corporate tax rates : The corporate tax rate is 15%, plus a trade tax of between 14% and 17% (levied by municipalities), plus a 5.5% solidarity surcharge (levied on income tax). The result is an effective corporate tax of between 30% and 33%. Resident individual income tax Progressive up to 45%, plus a solidarity tax (5.5%)

Non-resident individual income tax: Non-residents are taxed only on German-source income. Value-added tax (VAT) 19% (reduced rate of 7% on some items).

Real property tax : 0.35% of the tax value of the property, multiplied by a municipal coefficient.

Withholding tax Dividends (25%), with a possible 40% refund for non- resident corporations. Interest (0%) except for interest on deposits with German banks/financial institutions (25%), Royalties paid to non-resident corporations (15%).

### TARIFFS AND DUTIES

		<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
All Products	Average of MFN tariffs	3.23%	3.23%	3.27%	3.21%	3.12%
All products	Average of preferential tariffs	0.90%	0.86%	0.88%	0.84%	0.83%
Agricultural	Average of MFN tariffs	14.55%	13.77%	14.41%	14.27%	12.78%
Agricultural	Average of preferential tariffs	6.68%	6.06%	6.06%	5.86%	5.53%
Industrial	Average of MFN tariffs	2.41%	2.47%	2.43%	2.37%	2.38%
Industrial	Average of preferential tariffs	0.48%	0.49%	0.49%	0.47%	0.48%

Source :ITC MACMAP

<b>Germany's average applied tariffs by HS section based on the data from 2013 using Harmonized System Nomenclature HS Rev.2012.</b>		
HS	DESCRIPTION	AVERAGE
1	Live animals; animal products	10.91%
2	Vegetable products	2.89%
3	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	3.05%

4	Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes	4.47%
5	Mineral products	0.03%
6	Products of the chemical or allied industries	0.33%
7	Plastics and articles thereof; rubber and articles thereof	0.63%
8	Raw hides and skins, leather, furskins and articles thereof; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silkworm gut)	0.57%
9	Wood and articles of wood; wood charcoal; cork and articles of cork; manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork	0.36%
10	Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or paperboard; paper and paperboard and articles thereof	0%
11	Textiles and textile articles	2.62%
12	Footwear, headgear, umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof; prepared feathers and articles made therewith; artificial flowers; articles of human hair	2.17%
13	Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware	0.64%
14	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin	0.03%
15	Base metals and articles of base metal	0.32%
16	Machinery and mechanical appliances; electrical equipment; parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	0.22%
17	Vehicles, aircraft, vessels and associated transport equipment	1.40%
18	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; clocks and watches; musical instruments; parts and accessories thereof	0.14%
19	Arms and ammunition; parts and accessories thereof	1.47%
20	Miscellaneous manufactured articles	0.17%
21	Works of art, collectors' pieces and antiques	0%
<b>Note: In the calculation of MFN tariff averages, general tariffs (for non-WTO members) and non-MFN tariffs are included.</b>		

Deliveries to and from Germany and other EU countries are not regarded as imports or exports, as the EU member states are regarded as one single European Market. Customs duties at different rates are levied depending on origin and type and value of goods. The administration of customs duties has to be carried through at the entry into Germany by the carrier or any other forwarding agent. Also the importer needs to comply with return, reporting and filing requirements within the EU-Intrastat system.

Germany conforms to the EU customs duties which are based on international HS classification codes. Duty rates on manufactured goods from non-EU countries generally range from 5-8 percent and are

levied on the Cost Insurance Freight (CIF) value of the goods at the port of entry. Most raw materials enter duty free or at low rates while agricultural products face higher rates and special levies. Imports of consumer-ready food products into Germany and the EU are subject to additional import duties based on the percentage of sugar, milk fat, milk protein, and starch contained in the product.

Further information can be found on the customs tariff database, TARIC, [ec.europa.eu/taxation\\_customs/dds/home\\_en.html](http://ec.europa.eu/taxation_customs/dds/home_en.html)

All goods imported into Germany from non-European countries are subject to an 'import turnover tax' of 19 percent, which is charged on the customs valuation of the imported good plus the customs duty, which varies by item. It is equivalent to the value-added tax (VAT) which is levied on all domestically sold items, thus placing the same tax burden on imported and domestic products. There are exemptions for some agricultural and other products, which are taxed 7 percent ad valorem<sup>18</sup>

## **FREIGHT**

### **Air Freight**

Frankfurt airport is a major European hub. There are 19 international airports in numerous other German cities, including Munich, Stuttgart, Berlin, Hamburg, Dusseldorf and Cologne/Bonn. There are many options in terms of routes and airlines for Sri Lankans flying to Germany, but air freight for fresh products may at times be limited, depending on the season. Please check with your travel agent or freight forwarder.

### **Sea Freight**

The German international harbours are located in Hamburg, Bremen, Wilhelmshaven, Lübeck and Rostock. There is ample sea freight capacity between Sri Lanka and Germany.

## **05. SECTOR OPPORTUNITIES**

There are good opportunities for Sri Lankan exports to Germany in various sectors. Some examples are given below.

### **HEALTH AND BIOTECHNOLOGY**

Germany is the largest medical devices and pharmaceuticals market in Europe. Given the country's aging population, increasing costs and focus on wellness, it provides broad opportunities for Sri Lanka health technology companies.

Health - Germany is the third largest market for medical devices in the world, behind the United States and Japan. In 2010, the German medical device market was estimated at US\$18.3 billion, equal to US\$223 per capita. The domestic market remains tight, with continued downward pressure on prices. Despite a strong domestic manufacturing industry, imports supply around three-quarters of the medical market. Healthcare expenditure is at a high level (11 percent of GDP) but is increasingly constrained.

### **FOOD & BEVERAGE**

Seafood – Germany is dependent on imported seafood, with only around 21 percent of consumption coming from domestic fisheries. Fish plays an important role in the trend towards a healthier diet, and per capita consumption of fish is rising. Supermarkets are increasingly using the fresh fish counter as a point of difference. Approximately a third of all fish consumed is bought frozen.

Sustainable fishing is an important topic, and Germany sells the largest number of products with Marine Stewardship label (MSC) globally. Under significant pressure by Greenpeace and other consumer organisations, retailers increasingly demand the MSC label as a prerequisite to sell fish.

Functional Foods - As is the case in many other markets, the sale of foods with functionality is increasing. This offers opportunities for New Zealand companies to sell intellectual property for functional ingredients as well as to partner with European companies to jointly develop ingredients. Especially interesting are ingredients that help fight society's growing modern problems of obesity, cardiovascular diseases, allergies and diabetes. For example, sugar-free sweets and healthy snacks, non-dairy drinks, low-calorie drinks, low-fat dairy products and herbal teas.

### **ORGANICS**

With more than €5.8 billion in organic food sales in 2009, Germany is a frontrunner in the production and consumption of organic food products, and by far the largest market in Europe. Organic food categories with significant growth levels include infant nutrition, alcoholic beverages and meat. Other future growth segments include convenience foods, dairy products, confectionery, and nonalcoholic beverages. The rising demand for organic foodstuffs in the commercial catering sector, although still emerging, is further driving the market.

In Germany, organic foods are increasingly being sold by supermarkets and discounters. Most supermarkets and discounter chains have successfully introduced their own organic label brands

and the number of organic food supermarkets has increased from 50 ten years ago to more than 500 today.

The introduction of the new EU-wide organic food logo in July 2010 further eases the import and distribution of organic foods in Germany and other EU member states.

Germany is the world's largest importer of agricultural products, with the majority supplied by other EU countries. Products must meet strict German/EU food laws, packaging and labeling requirements.

### **INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT)**

Germany is the largest ICT market in Europe with excellent opportunities in areas such as enterprise solutions, wireless applications and health and the fifth largest worldwide, representing 20 percent of the total European market with a turnover of about €141,6 billion in 2010. After an austere 2009 without any growth, the prognosis for 2010 and for 2011 is much more positive with growth between 1,5 and 2 percent expected.

<b>THE MAJOR IMPORT PRODUCTS OF THAT GERMANY FROM THE WORLD AND SRI LANKA'S EXPORTS-2013</b>					
(Value US \$'000)					
<b>HSNO</b>	<b>PRODUCTS</b>	<b>from Sri Lanka</b>	<b>from world</b>	<b>Percentage (%)</b>	<b>Potential (%)</b>
'4012	Retreaded/used tire;solid tire,interchangeable tire treads& flaps	47,711	230,104	20.7	79.3
'6203	Men's suits, jackets, trousers etc & shorts	44,812	4,455,357	1.0	99.0
'0902	Tea	38,813	233,412	16.6	83.4
'6116	Gloves, mittens and mitts, knitted or crocheted	26,569	323,235	8.2	91.8
'6206	Women's blouses & shirts	25,793	1,245,431	2.1	97.9
'6204	Women's suits, jackets,dresses skirts etc&shorts	24,813	4,215,640	0.6	99.4
'4015	Articles of apparel&clothing accessories of vulcanised rubber	24,339	583,729	4.2	95.8
'0304	Fish fillets and pieces, fresh, chilled or frozen	18,617	1,632,309	1.1	98.9
'4011	New pneumatic tires, of rubber	16,285	7,713,323	0.2	99.8
'8431	Machinery part (hd 84.25 to 84.30)	15,437	3,893,946	0.4	99.6
'6115	Panty hose, tights, stockings & other hosiery, knitted or crocheted	14,822	1,097,902	1.4	98.6
'4203	Articles of apparel&clothing access, of leather or composition leather	12,595	803,845	1.6	98.4
'9503	Other toys;scale model (puzzles of all kinds, stuffed toys, electric t	10,698	2,647,522	0.4	99.6
'6104	Women's suits,dresses,skirt etc&short, knit/croch	8,456	1,993,344	0.4	99.6
'9031	Measuring or checking machines, nes	8,226	2,932,445	0.3	99.7

'6108	Women's slips,panties,pyjamas, bathrobes etc, knitted/crocheted	7,578	737,216	1.0	99.0
'6212	Brassieres,girdles,corsets,braces,suspenders etc&parts	7,522	665,366	1.1	98.9
'4001	Natural rubber,balata,gutta-percha etc	5,996	1,056,360	0.6	99.4
'8504	Electric transformer,static converter (for example rectifiers)	5,805	5,684,242	0.1	99.9
'6107	Men's underpants,pyjamas,bathrobes etc,knit/croch	5,598	406,847	1.4	98.6
'2401	Tobacco unmanufactured; tobacco refuse	5,167	1,000,931	0.5	99.5
'0904	Pepper, peppers and capsicum	5,090	293,296	1.7	98.3
'5305	Coconut, abaca, ramie & other vegetable fibers, raw, processed, not sp	5,016	7,310	68.6	31.4
'7103	Precious & semi-precious stone,not strug,	4,525	138,441	3.3	96.7
'6109	T-shirts, singlets and other vests, knitted or crocheted	4,466	4,071,486	0.1	99.9
'4016	Articles of vulcanised rubber o/t hard rubber, nes	4,406	2,924,428	0.2	99.8
'2106	Food preparations, nes	4,303	1,527,898	0.3	99.7
'3802	Activated carbon; activated natural mineral products; animal black	3,210	177,873	1.8	98.2
'8804	Parachutes and parts and accessories thereof	3,033	18,979	16.0	84.0
'6111	Babies' garments, knitted or crocheted	2,529	363,368	0.7	99.3
'8207	Interchangeable tl for hand tol, or for machine-tools	2,363	1,814,287	0.1	99.9
'8537	Board & panels, equipped with two/more switches, fuses	2,350	4,669,337	0.1	99.9
'8538	Part suitable for use solely/princ with boards, panels, fuses, switche	2,221	1,984,629	0.1	99.9
'9603	Brooms/brushe (tooth, toilet, painting);squeegee	2,196	598,168	0.4	99.6
'6505	Hats&o headgear, knit/chroch from lace	2,132	300,684	0.7	99.3
'0801	Brazil nuts, cashew nuts & coconuts	2,103	292,190	0.7	99.3
'6211	Track suits, ski suits and swimwear; other garments	2,051	493,044	0.4	99.6
'7113	Articles of jewellery&parts thereof	1,860	1,453,605	0.1	99.9
'8503	Parts suitable for use solely/princ with machines of hd no 85.01/85.02	1,841	1,970,724	0.1	99.9
'3301	Essential oils; resinoids; terpenic by-products etc	1,823	277,602	0.7	99.3
'2008	Preserved fruits nes	1,821	1,272,651	0.1	99.9
'9014	Direction finding compasses; other navigational instruments & applananc	1,750	511,244	0.3	99.7
'9032	Automatic regulating or controlling instruments and apparatus	1,738	2,798,645	0.1	99.9

'6110	Jerseys, pullovers, cardigans, etc, knitted or crocheted	1,576	4,400,659	0.0	100.0
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### POTENTIAL EXPORT PRODUCTS FROM SRI LANKA

Industrial Products	Agricultural & Fisheries Products
Retreaded tire/solid tire/ pneumatic tires	Tea
Articles of vulcanised rubber	Food preparations
Gloves, mittens and mitts, knitted or crocheted	Fish fillets and pieces, fresh, chilled or frozen
Women's blouses & shirts	Tobacco unmanufactured
Women's suits, jackets,dresses skirts etc &shorts	Pepper
Articles of apparel & clothing accessories	Coir Products
Panty hose, tights, stockings & other hosiery, knitted or crocheted	Preserved fruit
Articles of apparel	
T-shirts, knitted or crocheted	
Babies' garments, knitted or crocheted	
Women's suits, dresses	
Brassieres	
Track suits, ski suits and swimwear	
Men's underpants	
Jerseys, pullovers, cardigans	
Precious & semi-precious stone	
Machinery part	
stuffed toys	
Measuring or checking machines	
Electric transformer	
Activated carbon	
Board & panels, switches, fuses	
Brooms/brushes	
Articles of jewellery	
Essential oils	

## 06. THE GERMAN RETAIL & FASHION MARKET

Retail is an important sector in the German economy. 16.4% of Germany's GDP is generated by German retail. In comparison, Germany's renowned automotive industry (production/sales), with companies including BMW, Volkswagen and Mercedes, contributes only 8.1% to Germany's total GDP. This makes German retail an important employer. There are currently three million people employed by approx. 400,000 retail companies, of which approx. 1.3 million employees are employed full-time.

89.5% of the disposable income available to Germany's population is used for private consumption. This figure has risen steadily over the past 11 years, whilst the savings rate has remained at a constant level of 11.5%. Despite the current European economic uncertainties, German consumers are not increasing the percentage of their incomes on savings. Although disposable income has risen over the past 11 years, the percentage of retail spending has reduced, falling from 33.5% in 2001 to 28.6% in 2011. This reduction has resulted mainly from the strong increase in the cost of living, energy prices and spending on private pension funds.

Germany's retail market has developed relatively consistently over the past ten years. It reached its all-time peak in 2011, at EUR 422 bn. The 2.6% increase in 2011 is the highest registered since German re-unification.

Compared to other European retail markets, this stability in turnover would appear to be attracting interest from international retailers. Other major European retail markets have experienced a significant sales slowdown over the past years due to economic uncertainties caused by the financial and sovereign debt crises.

The 2012 forecast by the German Retail Association HDE shows positive market sentiment. It predicts growth of 1.5% but may be slightly higher, because the first half of 2012 developed better than expected, registering growth of 2.6%. Although things appear calm on the surface, there is continual movement below. The German retail market is undergoing significant structural change. Formats which were regarded as solid pillars in the German retail business over decades are now being replaced by new formats and international operating retail chains. Owner-operated retail companies and department stores have experienced a significant decline in market share over the past decade, while big box retailers and chain store operators on high streets and in shopping-centres have improved their position. Whereas the department store business was affected by the insolvencies of Karstadt, Hertie and Woolworth, owner-operated companies have given up as a result of costs and productivity and a lack of subsequent regulation. This development has motivated many wholesale brands to develop their own retail businesses, which is increasing the diversity on high streets and in shopping centres in Germany.

Today the German retail market is dominated by five major companies which gain together 39% of the total domestic turnover. This is almost the equivalent of the total food turnover generated in Germany with 37%. The primary focus of these companies is food but some of them are also one of the largest clothing retailers due to their complementary offer. Today the German retail market is dominated by five major companies which, together, account for 39% of total domestic turnover. This is almost the equivalent of the total food turnover generated in Germany (of 37%). The primary



focus of these companies is food but some are also considered major clothing retailers as a result of the complementary services offered.

### **LARGEST RETAILERS IN GERMANY – DOMESTIC SALES 2011**

<b>Company</b>	<b>in € bn</b>
<b>Edeka</b>	47.20
<b>Rewe</b>	35.50
<b>Metro</b>	30.10
<b>Schwarz-Gruppe</b>	28.70
<b>Aldi</b>	24.70
<b>Otto Group</b>	10.00
<b>Lekkerland</b>	8.00
<b>Tengelmann Group</b>	7.30
<b>dm-Drogeriemarkt</b>	4.50
<b>Globus</b>	4.40
<b>Amazon</b>	3.90
<b>Rossmann</b>	3.80
<b>Euronics</b>	3.80
<b>Ikea</b>	3.40
<b>Bartels-Langness</b>	3.30
<b>Karstadt Warenhaus</b>	3.20
<b>H&amp;M</b>	3.20
<b>C&amp;A</b>	3.00
<b>Praktiker/Extra/MaxBahr</b>	2.70
<b>Bauhaus</b>	2.70

*Source: top 50 Handel aktuell, CBRE 2012*

### **THE GERMAN FASHION MARKET**

Approximately 9% of Germany's total retail turnover is spent on clothing and home textiles, making it the second largest retail sector after food (37%). retail turnover in clothing and home textiles has continued to rise in recent years, reaching an all-time peak of 59.7 billion in 2011, according to figures published by the German Fashion retail association (Bte). this makes Germany the world's 4th largest apparel market, as well as the biggest in europe.

From a statistical point of view retail turnover for textiles is divided between fashion and home textiles, with the fashion retail business counting for the largest share. 10 largest clothing and home textiles retailers generate 35.8% of the annual textile turnover in Germany. Department stores and food retailers – in particular food discounters – are the two biggest retail formats in which clothing and home textiles are sold, generating about twothirds of total fashion turnover. Clothing retailers form the most important retailer group on German high streets and in its shopping centres. National and international fashion brands are the anchors of the retail areas and are essential to the creation of attractive shopping environments for customers. No other retail sector in Germany comes close to having such a variety and dynamism of retail formats as the multi-genre fashion business has to offer. While the German food retail business can more or less be regarded as an oligopoly, with five major companies and a few regional players, the German fashion retail business is much more fragmented. The majority of the companies generate less than €1m annual turnover while only eleven companies earn more

than €250m per annum. This fragmentation eases market entry and opens up good opportunities for international retailers to expand their businesses into the German market. German customers are very interested in new brands which have a clear brand profile. A recent CBRE survey on the expansion of new retailers to Germany showed that more than three-quarters of the 190 new arrivals since 2007 were fashion concepts. Today the German fashion market is particularly interesting for international labels as it is undergoing a significant structural change. Although the market is relatively stable from a turnover perspective, department stores, fashion chains with weak finances and owner operated shops are constantly losing market share. The alignment of the fashion retail market towards mono-brand stores is unrelenting and offers new players the possibility to take part in this important shift.

**▼ TOP 10 GERMAN TEXTILE RETAILERS 2011**

<b>FIRM/GROUP</b>	<b>HEAD- QUARTERS</b>	<b>TURNOVER GROSS GENERATED (IN MILLIONS € MILLION)</b>	<b>BRANCHES</b>
<b>Deichmann*</b>	Hamburg	4.118	270
<b>Primor</b>	F-Hamburg	3.29	383
<b>C&amp;A</b>	Dusseldorf	3.090	494
<b>Metro/Kaufhof</b>	Dusseldorf	2.263	544
<b>Karstadt</b>	Essen	1.894	120
<b>P&amp;C (Incl. Anson's)</b>	Dusseldorf	1.359	64
<b>Tengelmann (KIK, Plus)*</b>	Muehlheim/R., E	1.206	2,517
<b>Lidl*</b>	Neckarautm	1.023	3,282
<b>Aldi (Nord + Süd)*</b>	Muehlheim/R., E	1.003	4,314
<b>Tchibo*</b>	Hamburg	0.926	830

\* estimations BTE, Source: Textilwirtschaft

**▼ LARGE CLOTHING RETAILERS IN GERMANY**

<b>TURNOVER IN CLOTHING IN € MILLION 2011</b>	<b>BRANCHES</b>	
<b>C&amp;A</b>	3.090	494
<b>P&amp;C Dusseldorf</b>	1.359	65
<b>Breuninger</b>	470	10
<b>P&amp;C Hamburg</b>	440	24
<b>Deichmann</b>	438	128
<b>Primor</b>	329	383
<b>Wendthorn</b>	322	36
<b>K&amp;L Ruppert</b>	216	63
<b>Ulla Popken</b>	194	199
<b>Hirmer</b>	183	22
<b>Engelhorn</b>	160	8
<b>Douglas</b>	148	13
<b>Green (Hilfenszentrum)</b>	112	20

## 07. THE ISSUE OF MUTUAL CLAIMS BETWEEN THE GERMANY AND SRI LANKA

Withdrawal of EU GSP Plus facility has affected trade with Germany.

- The Common Agricultural Policy (CAP) in the EU is one of the examples of protectionism. The EU agricultural sector is protected against cheaper imports by heavy import duties.
- The Value Added Tax (V.A.T.) is levied on all imported goods, calculated over the sum of the CIF value and the import duties. Importers can get a refund, but have to pay V.A.T. on the actual added value. Goods traded between EU countries are exempted from import duties and V.A.T.
- **Licensing:** The EU has a liberal import regime where import licensing is not common. Import licenses are issued with due consideration for the provisions of relevant European Union trade agreements and the needs of the specific importing country.
- **Quality Standards:** Under the EU's "*New Approach to Technical Harmonization*", certain products are required to meet the specific quality standards including toys, machinery, telecommunications terminal equipment, medical devices, electrical equipment, appliances, etc. Qualified products must carry a CE mark to show its compatibility, fixed onto the product by a manufacturer or importer as self-declaration of compliance
- **Eco-labels:** This scheme has expanded to 219 products, particularly footwear, textiles and personal computer software.
- **Packaging:** Manufacturers and exporters should minimize the packaging of their products exporting to the EU.

### THE SUPPORT WE EXPECTED FROM SRI LANKA MISSION /RECOMMENDATIONS:

#### SHORT-TERM

- Frequent Exchange of trade delegations
- Organizing inward buying missions
- Identify trade opportunities in Germany for Sri Lankan exporters.
- Identifying trade professionals to get their knowledge to Sri Lanka.
- Participation in trade fairs.
- Market research is a prerequisite for operating successfully. Identifying correct target market is also very important for our growth.
- Establishment of ware housing facility for Sri Lankan exporters should be initiated as early as possible
- Serious efforts must have been made to diversify our exports in products Apparel, fish and fish preparations, etc.

- Taking into account that Sri Lankan products are very underrepresented in Germany, any quality and price-competitive consumer product, such as cosmetics, furniture, apparel, Rubber products has good market potential here. However, the economy's growth, the increasing retail trade turnover in Germany provided great opportunities for Sri Lankan exports of consumer goods to the German regions.
- Provide information on market access requirements.
- Provide information on market trends and regulations.
- Assistance towards continuing and monitoring the Ceylon cinnamon trade mark registration programme.

### **MID-TERM**

- Product specific studies should be carried out by EDB on the basis of inputs provided by the trade mission to educate the exporters and enable them to devise their marketing strategies accordingly.