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**MARKET FOCUS**

**Opportunities for Singapore companies arise out of German economic gloom**

*International Enterprise (IE) Singapore's Centre Director for Frankfurt offers insider tips and insights*



Heavy reliance on manufacturing exports has rendered Germany vulnerable to the worldwide economic crisis. Industrial orders and manufacturing output fell by 8 percent and 7.5 percent respectively, the worst monthly figures since 1991.

"For Singapore manufacturing companies this may present a moment of opportunity, as more German companies are fast-forwarding their plans to engage Asian suppliers to seek out better total costs of operation and also establish themselves in the Asian market," Rahul Ghosh, IE Singapore's Centre Director for Frankfurt, said.

**inews** asked Ghosh to share insights on how local companies can capitalise on Germany's current economic situation.

**inews: How favourable is Germany for foreign investors?**

**Ghosh:** Germany is interesting for foreign investors who seek to establish themselves in the European market. With its many technical institutes and innovative companies, Germany offers good opportunities for R&D and product development. The country has a large base of engineering companies that require suppliers of parts, sub-modules and complete products. Having a German operation with a track record of supplying to German firms would give any foreign investor a better chance of being easily accepted by buyer companies in other European countries.

**Q: Which industry sectors hold the most promise for Singapore companies looking to expand into Germany?**


**A:** Given Germany's prowess in engineering, some of the key industries that hold promise are for Singapore companies seeking to find parts-supply or investment opportunities. They include the automotive, medical technology, machine manufacturing and aerospace industries. We also see a growing interest from German furniture companies to engage Singapore furniture design and manufacturing firms as business partners.

**Q: Which do you think are the growing industries in Germany? What are the industries that the government plans to invest in and develop?**

**A:** The renewable energy industry is a growing industry around the world, and Germany is a leader in this field. Since 1999 the German government has legislated integration of clean and renewable energy into the market and improve the efficiency of energy consumption. The government also aims to have its primary energy consumption from renewable energy by 2050.

The year 2007 saw a boom in the wind energy industry. An increase of 27 percent in installed capacity worldwide brought the total installed wind power generation to 100,000 megawatts. Germany is among the top five countries in terms of installed capacity, ranking ahead of USA, Spain, India and China. A new niche area involving offshore wind energy generation systems is gaining more interest and there may be

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**Success Factors**

According to Rahul Ghosh, IE Singapore's Centre Director for Frankfurt, companies that possess the following characteristics are more likely to flourish in Germany:

- Research and development capabilities
- Innovative products
- Capacity to do in-house product development
- An Asian manufacturing footprint
- Global quality certifications
- A good track record of serving MNC companies
- Respect for intellectual property
- A representative office or agent in Germany
- Ability to accept low-volume, high-mix orders

opportunities for Singapore companies with expertise in offshore oil rig production to manufacture platforms for wind turbines. There may also be a possibility for these companies to co-invest in large-scale projects that require them to build, own, operate and sell power to the national grid.

In addition, Singapore parts/components suppliers can also look for potential opportunities in the areas of turbine blade parts, transformers, seals, specialised bearings and couplings. In the future, as the installed wind power generation in Asia rises, there may be opportunities for Singapore companies to be in-market manufacturing partners for European wind turbine producers.

In the solar energy industry, Singapore companies could look at investing in technologically efficient, low-cost products and also at partnering with German companies to expand manufacturing capacity to serve the growing markets outside of Europe.

**Q: What obstacles can Singapore companies expect to face when expanding into Germany and how can they overcome them?**

**A:** One of the biggest obstacles is language. Hence it is important to have local German-speaking people on board. Also German companies are very demanding in terms of product needs and quality, so Singapore companies must be willing to do R&D and product development to suit these demands. Firms need to have the necessary certification and experience, as quality is of utmost importance. Having a German partner will reduce the learning curve.

IE Singapore's Frankfurt office can point Singapore companies to the right contacts in Germany, which can include local investment agencies, lawyers, financiers and marketing agents. We can also make introductions to potential customers where relevant. For a one-year period, we can also provide subsidised rented office space to Singapore companies looking to test the market by setting up a representative office.

For more information, please visit [IE Singapore website](#).

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