Germany 2064: The World of Our Children

Will Germany continue on as it has in the past, believing that all is well? Or will Germans recognize that change is necessary and dare to shape our country’s future?
Dear Reader,

A.T. Kearney celebrated its 50th anniversary in Germany last year. It has been an exhilarating journey since we opened our first international office in Düsseldorf in 1964. We have since expanded to five German offices, built strong relationships with clients, and delivered on some tough promises. The German story has been a success for us and for many businesses that have found a home within our borders.

With this in mind, we decided to take a look ahead—at where Germany will be 50 years from now—to find out if the German success story will continue uninterrupted. We joined forces with key players from business, government, and society to answer a short but important question: How can we secure growth and prosperity to ensure that the Germany our children inherit is worth living in and worth cherishing?

Some say it is unrealistic to look 50 years into the future and come up with one answer. We agree. After all, we are not clairvoyant. But we can close in on some potential answers and draw probable scenarios by examining what is most likely to drive German growth and prosperity. Our focus, therefore, is on six areas: society, value creation, small and medium-size enterprises, infrastructure and technology, the financial sector, and finally Germany’s position on the world stage. Each area is examined within two questions:

• What happens if Germany does not change and continues on as it has in the past?

• What happens if Germany does change; what is the best path forward?

Our findings suggest that the German success story is not sustainable. Achieving growth and prosperity over the next 50 years will require treading unfamiliar paths and mustering new courage. And we must start today—from a position of strength—for our sake and the sake of our children.

In this paper, we discuss our findings, review the two scenarios, and offer our perspective on Germany’s future. We also invite you, our readers, to share your thoughts: Where on the world stage do you think Germany will be in 2064?

Sincerely,

Dr. Martin Sonnenschein

Dr. Otto Schulz

on behalf of all German A.T. Kearney partners
Gambling Away Our Children’s Future

Our children are our future. This is clear. But if we look at the long-term consequences of decisions being made today, are we gambling away their future? To ensure that they have access to every opportunity possible, we must take “proactive” measures today—to pursue fairness and opportunities in education, to provide a means for everyone to make a good living, to ensure that all Germans live in freedom, and to safeguard a strong Germany that is able to innovate and compete on the global stage. These are among the main issues that will dominate our lives in the coming years and radically change the lives of our children.

To illustrate the different ways in which our country might develop, we launched “Germany 2064: The World of Our Children.” The initiative analyzes the key challenges that must be addressed if we want to leave our children a better, more prosperous Germany. It begins with several key questions:

- What kind of people will we be?
- How will value be created in Germany?
- How will German businesses develop and grow?
- How will we move data, people, and goods?
- Who will pay for our future?
- What kind of world will we inhabit?

These questions formed the starting point from which we settled on the six most important areas of focus for Germany over the next 50 years.

1. **Society:** Will Germany be a “silver-haired powerhouse” or a magnet for diversity?

2. **Value creation:** Will Germany be a global intelligence controller or a value-creation integrator?

3. **Small and medium-size enterprises (SMEs):** Will German SMEs remain in today’s surroundings or become the backbone of the German economy in future industries?

4. **Infrastructure and technology:** Will Germany depend on a broad-based or beacon-focused infrastructure?

5. **Financial sector:** Will the German financial sector remain a local supplier or will it export capital?

6. **Germany in the world:** Will Germany continue forming coalitions, essentially crafting bloc formation 2.0, or become a niche player in the global race?

Within each area, decisions must be made regarding the future: Will we continue on as we have in the past, believing that all is well? Or will we recognize that change is necessary and dare to shape Germany’s future?

In the next section, we answer both questions within two scenarios: Bartleby the Scrivener who clings to old habits and refuses to adapt, and Gulliver the Traveler who relishes complex adventures under the most adverse conditions.
All Is Well

Surely we can be content with our lot in life. After all, Germany is in an enviable position. Throughout Europe, Germany is considered the role model for budgetary discipline, economic strength, and public welfare, and it is also an export champion. Thanks to Germany’s industrial sector, we survived the financial crisis largely unscathed. We have the largest number of small- and medium-size businesses (SMEs) worldwide, command an extensive, broad-based infrastructure, and enjoy social stability and harmony. Looking back at the past 50 years, we can rightly bask in the German success model. So why should we change things now? That’s easy: Because the path forward is riddled with stumbling blocks.

Scenario 1: Bartleby the Scrivener

“I would prefer not to,” says Bartleby, the scrivener in Herman Melville’s short story of the same name. What seems a simple statement is in fact a radical mantra for life: Bartleby clings to old habits. He rejects modifications and refuses to adapt to the changes happening around him. Whether he is unwilling to change or unable to change doesn’t matter. His refusal to interact with the world means he says “No” to change and ultimately to survival.

The Bartleby scenario describes what could happen to Germany if, for the next 50 years, we continue to cling to our tried-and-tested models. For example, if Germany persists with today’s family and immigration policies, the population will continue to shrink. An aging society that demands social security and protection of vested rights will require ever-increasing spending. Continued scepticism about technological innovations means Germany will not play a leading role in industries of the future.

SMEs, our “hidden champions,” will be hurt the most as their traditional employment sectors come under increased pressure in a highly competitive global marketplace. Already, SMEs are losing ground as just 6 percent of our top small businesses were founded in the past 50 years; most before 1964 (see figure 1). Also, the funds currently available for transport routes and communications networks are inadequate. The result: A crumbling infrastructure endangers the German economy. If we stick with the tried-and-tested path, we risk losing most of what has been achieved.

Under the Bartleby scenario, the future could well look like this:

**Society:** Germany is a “silver-haired” powerhouse with proportionally lower numbers of migrants and a citizenry with a high average age.

- Of 65 million citizens, 20 million are age 65 or older and on pension plans
- For every citizen age 65 or older, 1.5 people are working
- 20 percent of population has migrant backgrounds

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**Figure 1**

Only 6 percent of Germany’s “Top 50 hidden champions” were founded in the past 50 years

<table>
<thead>
<tr>
<th>Founded before 1964</th>
<th>Founded between 1964 and 2014</th>
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<td>94%</td>
<td>6%</td>
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Sources: Study/Ranking Germany’s Hidden Champions; A.T. Kearney analysis
• Focus is on security and capital
• Working lives are longer, with periods of acquiring new qualifications alternating with periods of working

**Value creation:** Germany is a global intelligence controller, with global value creation structures in low-cost locations controlled from Germany.
- Value creation declines as attention turns to a small number of primary plants
- German dominance in future technologies wanes and traditional industries come under significant competitive pressure
- Investment in production equipment falls
- Focus is on globally distributed value creation controlled from locations in Germany
- Industrial services are higher quality and have global range

**Small and medium-size enterprises:** SMEs with conventional business models are trapped in traditional industries.
- Business is lost to global corporations, both within and outside of Germany
- Focus stays on established fields, such as automotive, mechanical engineering, and classic industry-oriented services such as technical services and maintenance
- Presence of SMEs in “industries of the future” is negligible
- Number of start-ups declines due to risk aversion, lack of capital, and an anemic start-up culture

**Infrastructure:** The German infrastructure is broad-based, of moderate quality, and spread over large areas. Germany’s global competitive edge in infrastructure continues a downward spiral, falling from number 1 to number 7 in the world (see figure 2).
- Infrastructure modernization is slow as investments focus on maintenance
- New IT technologies penetrate the infrastructure, but are introduced moderately and mainly in urban areas
- Investment in the latest technologies slows down
- Infrastructure innovations are piloted elsewhere

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**Figure 2**

**Germany no longer leads the world in infrastructure**

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Financial sector: Financial services firms re-discover the “real” customer as they take on the role of supplier to local communities and businesses.

- Business models are simpler and capacity is adjusted to ensure profitability
- Focus is on the domestic business (75 percent of revenues come from domestic companies)
- New business emerges in some areas such as infrastructure, which helps stabilize the sector but without growth
- Pensions and old-age provisions remain the same, leading to shrinking financial assets and wealth

Germany in the world

- Bloc formation 2.0: In this scenario, tried-and-tested paths become less viable
- Niche player in a global race: Assuming continued globalization, this scenario is sustainable for quite some time

Germany’s crumbling infrastructure is endangering the competitiveness of our economy. If we stick with the tried-and-tested path, we risk losing what has been achieved.

Dare to Shape the Future

The traditional German success model is not sustainable over the long term. Our country is changing. Societal change, new technologies, and global competition are gaining pace and influencing Germany’s position in the world. It’s up to us either to let the ensuing transformations happen or take a proactive role in shaping them. In this second scenario, we illustrate what Germany could look like in 2064 if we decide to take an alternative path.

Scenario 2: Gulliver the Traveler

He is bold, energetic, the epitome of a visionary, and man of action. In “Gulliver’s Travels,” author Jonathan Swift challenges his eponymous hero with complex adventures under the most adverse conditions. Gulliver knows how to transform each challenge into an advantageous situation for himself, relying on his courage, creativity, and eagerness to act.

The Gulliver scenario describes Germany in 2064 as a cosmopolitan country of “doers” flexible enough to adapt to new ideas and developments. Germans act dynamically, decisively, and pre-emptively. We become a multicultural, heterogeneous society that encourages immigration both to stabilize our population and to counteract disproportionate aging. We invest a significant portion of our financial capital in future-oriented fields—such as education and training, infrastructure, local manufacturing, and research and development of future technologies.
Social and economic innovation is always top of mind as we exploit our leadership role in the world. The hallmarks of German industry are vertical integration and integrated value chains, with a strong and versatile Mittelstand as the backbone of the economy, and an infrastructure able to meet all demands.

If Germany wants to hold its own in 2064, while preserving incomes and social welfare, the Gulliver scenario is the bold option. It will look something like this:

**Society:** Germany is a magnet for diversity as extensive migration succeeds and social stability remains in place.

- Population is around 80 million, with 22 million age 65 or older and pensioners
- For every citizen age 65 or older, 3 people are working
- More than 40 percent of the population has immigrant backgrounds
- Net immigration doubles to 400,000 per year (see figure 3)
- Average age of citizens is around 45
- Immigration is controlled—to fulfill certain needs and create a permeable society in which citizens’ hunger for success strengthens prosperity

**Value creation:** Germany is a value-creation integrator and an industrial powerhouse in its core industries.

- Focus is on existing industries and establishing new core industries to ensure long-term competitiveness
- Innovations to improve efficiencies and effectiveness sustain Germany’s competitive edge while achieving a globally attractive cost base
- Germany must be open to new technologies, innovations, education, and training; openness is reflected in society and supported by appropriate legal frameworks

**Small and medium-size enterprises:** Germany strengthens the backbone of its economy, the Mittelstand, as SMEs continue to function even in new sectors.

- SMEs flourish throughout the country
- Germany achieves innovation and technology leadership in new and traditional industries
- “Made in Germany” remains a unique selling proposition, especially for SMEs
- Entry into new sectors is required to ensure long-term viability
- A new business culture is born to enable the setup and promotion of Germany’s top 50 “Hidden Champions of 2064”
**Infrastructure:** Germany builds a beacon infrastructure in which the latest technologies in key locations are in place to move people, goods, and data.

- Investment focuses on key locations (central hubs)
- Innovations in the latest technologies are developed and launched
- Rural SMEs have sufficient access to infrastructure
- Investments focus on maintaining existing infrastructure and introducing future technologies such as driverless transportation, electric and hydrogen-powered vehicles, and IT security
- Approval processes are faster, which leads to more reliable planning

**Financial sector:** Germany’s financial sector grows in concert with German businesses, both domestically and globally.

- Focus is on restructuring to increase efficiency and international competitiveness
- Growth increases from zero to more than 2 percent per year, in line with the real economy
- Support is provided to international and entrepreneurial investments to ensure pension returns
- Immigration and internationalization help quell losses of domestic financial players

**Germany in the world**

- Bloc formation 2.0: If blocs begin to form, this scenario is comparatively robust
- Niche player in a global race: Assuming continued globalization, this scenario opens up markets and even more opportunities for growth and prosperity

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**Our country is changing. It’s up to us either to let the ensuing transformations happen or take a proactive role in shaping them.**

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**What Do We Mean By “German”?**

In this section, we provide a closer look at all six areas of focus, comparing what Germany might look like in the next 50 years. Whether the future is a story of success or failure depends on the path forward, the one that we as a nation decide to take. Will it be scenario 1? Or scenario 2?

**1. Society**

“It must be clear that in Germany, social advancement is possible through work.”

—Regine Stachelhaus
Former board member, E.ON
**Scenario 1: Silver-haired powerhouse.** Let’s assume we carry on as before. Our society becomes a silver-haired powerhouse in which there are fewer Germans, and most are older. The population falls from today’s 81 million to about 65 million, making Germany a medium-size EU country rather than a large nation state. Birth rates remain low and are not offset by immigration as the proportion of people with foreign backgrounds stagnates at around 20 percent. The average age of the population increases to around 51, with roughly one-third age 66 or older.

These demographic developments have significant consequences. For one, society is shaped less by multicultural trends and more by traditional Euro-German ones. People need to work until they are older, change jobs more often, and presumably are less innovative and more risk-averse. In short, people and society concentrate their efforts on preserving what has already been achieved.

To safeguard prosperity, traditional models will have to change. For example, laws regulating people’s working lives will need to adjust, and phases of learning and working will alternate as employment changes in line with different life phases. This is especially true during the “rush hour” of life between the ages of 25 and 40 when many people face a relentless onslaught of fundamental decisions—graduation, job, family, home. As people continue to work longer, they start drawing their pensions later in life. The public welfare system is remodeled to address these demographic trends in order to reconcile the interests of the young with those of the old. The prevailing German mindset changes as people learn to deal with more colorful curricula vitae.

**The myth:** Demographic change will be cushioned by people retiring later and by a moderate amount of immigration.

**The truth:** Urgent need for immigration (extent as yet unknown) and integration of new immigrants to maintain competitive edge.

**Scenario 2: Magnet for diversity.** Let’s assume we find a new model for German society and for the new arrivals from around the world. We acknowledge that we cannot reverse the demographic trends and move to create a society that is a magnet for diversity. We become a country of immigration and design a two-pronged framework in which (1) people already living here not only tolerate but welcome the influx of “strangers,” and (2) immigrants regard Germany as an attractive, welcoming country that puts their energy to good use. Both can only be achieved through active and rapid integration of immigrants of all ages. This requires significant investment in providing equal opportunities, education, and social stability. One important factor in successful immigration is the promise that work enables people to climb the social ladder.

If we succeed in creating these conditions, the character of German society is forever changed: Immigrants make up around 40 percent of the total population, the average age of citizens stabilizes at around 45 (the 2015 level), and number of citizens of German descent stays at 2015 levels. Life in Germany is characterized by cultural and religious diversity, with all living
peacefully side by side (although the rapid pace could be difficult for people in the “rush hour” age). In the end, Germany retains its position as the most populous country in Europe and as one of the largest economies globally.

2. Value Creation

“Today we protect people from machines. In the future, we will have to protect the machines from people.”

— Wilfried Porth
Board member, Daimler AG
HR Director of Labor Relations, Mercedes-Benz Vans

Scenario 1: Global intelligence controller. Let’s assume we carry on as before, and Germany grows more decisively into its role as a global intelligence controller. We focus on international value creation, which means actual manufacturing takes place in lower-cost locations and Germany assumes the role of production controller. Figure 4 shows that this may have already begun as the number of German manufacturing jobs today is 8 million, down from almost 9 million in 1995. As a result, there is a continual increase in globally oriented industrial services. However, as the role of German industrial manufacturing decreases so does local value creation as value becomes the purview of parent plants and development.

In this scenario, growth and prosperity results from significant expansion of German competencies, including establishing an education and research system to help develop management and leadership skills. The manufacturing industry, at least what remains, concentrates on innovative “Industry 4.0” technologies, investing in robotics, 3D printing, and nanotech, thus reversing a 20-year trend of limited investment (see figure 5 on page 9). Eventually, Germany secures its global position by building new competitive advantage in areas such as innovation, patents, and above all, the ability to develop and control global value chains.
Scenario 2: Value-creation integrator. Let’s assume that we enter into a new value-creation contract for “Germany 2064.” The contract is based on selecting competitive and future-proof industries that are expected to remain in Germany for the long term and that either maintain the current core value-creation pathways or build new ones. The prerequisite is to establish appropriate social and legal frameworks. We have to be convinced that we are a “land of ideas” in which technologies and industries of the future are of vital importance, and commit to keeping costs, including energy costs, at levels that allow businesses to remain competitive.

Armed with this value-creation contract, Germany becomes a value-creation integrator. Our select core industries cover a broad spectrum of business sectors and services. Germany manufactures locally, establishes integrated value chains, secures adequate profits, and is internationally competitive. German industry is known worldwide for its advanced manufacturing technologies and for its use of sustainable raw materials and resources.

The myth: The manufacturing industry secures prosperity and employment in Germany.

The truth: The manufacturing industry only accounts for around one-fifth of all German jobs and continues to make workforce cuts.
3. Small and Medium-Size Enterprises

“It is necessary [for Germany] to improve the conditions surrounding investment in start-ups.”

—Dr. Marijn E. Dekkers
Chairman, Group Board of Management
Bayer AG

**Scenario 1: Traditional SMEs.** Let’s assume that SMEs carry on as before. Their contribution to the economy as a whole decreases in terms of both revenues and number of employees. They continue to focus on traditional industries, such as automotive, mechanical engineering, and industry-oriented services. And they adhere to their conventional business models—including conventional financing, limited network cooperation, and (often) strict adherence to the model of family-run businesses. The consequences are painful. In some segments, mid-tier businesses lose their technological leadership and face the threat of new international rivals with competing products.

If SMEs want to safeguard against such outcomes, they will develop successful niche-building strategies and defend their leadership role within these niches. Otherwise, they will have no alternative but to focus on their core competencies, ultimately withdrawing into ever narrower niches where they still enjoy a competitive edge internationally. In addition, to remain attractive as employers and recruit qualified staff, it is important to turn positive characteristics—such as tradition and stability—into major selling points.

**The myth:** The Mittelstand will continue to be the backbone of the German economy.

**The truth:** Germany’s SMEs remain trapped in traditional industries, with negligible presence in future industries.

**Scenario 2: Backbone of the German economy.** The Mittelstand is an indispensable engine for growth. To maintain this status, Germany must attract entrepreneurs with the courage and openness to invest in future industries and to start new businesses. Entrepreneurs need the right environment, including available knowledge clusters, employees with key qualifications (for example, in mathematics, computer science, natural sciences, and technology), and easier access to finance. And they need a level of stability that only the government can provide.

Already, Germany has set up regional economic clusters built around academic institutions to foster research into future technologies, including battery technology, robotics, and 3D printing. The clusters include SME networks that can advise and promote start-ups. This approach is complemented by focused investment in research and in teaching corporate governance, business culture, and transition strategies, all of which are especially important for family-run enterprises. With the risks, both technological and entrepreneurial, shouldered by many individuals, more future entrepreneurs are willing to start businesses in Germany.
If kick-starting this large-scale initiative is a success, SMEs will continue as the backbone of the German economy—remaining broad-based, innovative, and accounting for the largest proportion of employees and revenues. German SMEs hold their own in both traditional and new sectors of industry and are poised to become global technology leaders in product niches. These firms relish new opportunities for growth, largely because they are open to different models of corporate governance. And they are apt to consider more flexible business models such as innovative financing and participate in cooperative networks. And importantly, SMEs are significantly more attractive when it comes to recruiting top talent.

4. Infrastructure

“Our competitiveness, and increasingly the quality of life in Germany, are dependent on the quality of our infrastructure.”

—Dr. Tanja Wielgoß
Chairwoman of the Board
Berliner Stadtreinigungsbetriebe AöR

Scenario 1: Broad-based infrastructure. Let’s assume Germany carries on as before. We secure a homogeneous basic infrastructure throughout the country, the modal transport mix remains largely the same, and further development and expansion of digital networks continues to plod along. Although the infrastructures of cities and the countryside are improved when compared to today, Germany falls well behind by international standards. Indeed, the cost to maintain a broad-based, low-quality infrastructure geared toward meeting immediate needs eats up a major portion of the funds available, leaving limited funds to invest in the latest and most innovative technologies (see figure 6 on page 12.).

The myth: Germany has a good and competitive infrastructure.

The truth: Germany’s crumbling infrastructure harms its position in the global race.

If this broad-based infrastructure is to continue to perform at competitive levels, considerable financial support from the state and from private sources is needed; and this money must be invested specifically in upgrading and expanding communications and modern transport routes.

Scenario 2: Beacon infrastructure. Let’s assume Germany succeeds in transforming its infrastructure, and all high-tech hubs function as beacons. To guarantee the viability and reliability of all relevant future technologies—such as electric and hydrogen-powered drivetrains, autonomous vehicles, and IT security—we agree on the infrastructure needs of citizens and businesses and define investment priorities. Our primary investment focus is on the central hubs; investment in regional projects (such as expansion of regional airports and broadband networks) is limited and needs-based; projects that go beyond such needs are simply not implemented.
By 2064, Germany is transformed into a globally competitive infrastructure focused on central hubs and a new modal mix that governs the transport of people, data, and goods. Future technologies are deployed in the central hubs and more conventional technologies are deployed in the regions. This infrastructure not only provides Germany with a significant competitive advantage, but also improves the overall quality of life for our citizens.

Figure 6
Germany’s infrastructure “pain points”

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<th>Rail</th>
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<td>The yearly costs associated with traffic jams amounted to about €25 billion in 2013, of which €9 billion were indirect cost burdens for the industry.¹</td>
<td>To meet transportation needs, handling capacities in combined transport rail-street need to be doubled from today’s 7.9 million loading units to 15.8 million by 2025.</td>
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<th>Sea</th>
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<td>Investments of €550 million to €600 million are required to deepen the Elbe, so containerships with a 13.50-meter draft can reach the port of Hamburg independent of the tides.</td>
<td>The ban on night flights between 11 p.m. and 5 a.m. in Frankfurt costs Lufthansa Cargo €50 million annually.</td>
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¹ Exchange rate: €/$ 1.30
Sources: Centre of Economics and Business Research 07/2014; Federal Ministry of Transport and Digital Infrastructure (BMVI) – Entwicklungskonzept 2025 für den kombinierten Verkehr (KV) in Deutschland, German Logistics Association, Institute for Ecological Economic Research; Company information Lufthansa Cargo, A.T. Kearney analysis

5. The Financial Sector

Scenario 1: Local supplier. Let’s assume the financial sector rediscovers the “real” customer and reclaims its position as local supplier to local communities and businesses. The sector maintains streamlined business models to ensure profitability, and the focus is largely on the domestic business with three quarters of revenues being generated in Germany. While new business areas could emerge, perhaps in infrastructure financing to stabilize the existing business, none leads to significant growth. In addition, overall financial assets and wealth continue to grow (albeit with smaller returns) but, much like today, a collapse is imminent as pensions and old-age provisions cannot be sustained, at least not in the midterm (see figure 7 on page 13).
The myth: The financial sector has learned its lesson.

The truth: The financial sector does not learn its lesson and must “reroute” now for our children’s sake.

Scenario 2: Exporting capital. Let’s assume the financial sector manages to grow both domestically and around the globe. The sector restructures to increase efficiencies, innovation, and raise international competitiveness, and in doing so achieves growth of more than 2 percent per year within the real economy. Pension returns are sustained by investing in entrepreneurial and international financial assets, and immigration and internationalization help suppress shrinkage of Germany’s financial sector.

6. Germany in the World

“If we want a world in which we can move freely, there is no alternative to globalization.”

—Kasper Rorsted
CEO, Henkel AG & Co. KGaA

Scenario 1: Bloc formation 2.0. Let’s assume that as countries and communities move toward forming nation states, rising tensions and conflicts lead to temporary or even long-term bloc formation. Countries join together in separate economic alliances as the advantages of partial
isolation are outweighed by the opportunities of globalization. Within these blocs, resources are optimized, governments assume the task of coordination, and barriers (such as customs duties and limits on financial and capital flows) are raised between the various alliances. Figure 8 illustrates the impact of tariff and non-tariff barriers on today’s markets. In extreme cases—for instance if economic sanctions are imposed—markets are completely isolated. Such barriers increase the fragility of global production chains as value creation is concentrated within individual blocs. As the market shrinks, Germany’s value-added share rises while goods produced falls. The German economy contracts and prosperity stagnates.

Figure 8
While import tariffs have decreased in recent years, the share of products with non-tariff trade barriers has risen

**Tariff and non-tariff trade restrictions in G20 countries**
(% 1997-2011)

The **reality**: Globalization continues to progress and is irreversible.

The **risk**: Globalization is fragile and could grind to a halt tomorrow.

**Scenario 2: Niche player in the global race.** Let’s assume globalization continues its steady progression and the global economy is characterized by international links in the areas of trade, finance, and capital. Germany shapes the world by joining forces with its partners in the EU and international organizations such as the United Nations. Few obstacles impede free trade. Countries establish globally competitive positions by focusing on products and services that they are either better at producing or can produce more cost effectively than rivals. Germany’s
domestic production falls, but its economic power in absolute terms increases. German industry secures a position in niche markets and individuals take advantage of the strong growth potential, ultimately leading to an unequal distribution of wealth.

Germany must prepare for both scenarios—bloc formation and global niche player—particularly as globalization decisions are not made by our government alone. If blocs begin to form, we must be ready to safeguard against the potential loss of sales and procurement markets. This means ensuring supply availability during all phases of bloc formation, including establishing local value-creation structures in core industries and engaging alternative suppliers; this is especially pertinent in securing energy and raw materials supplies. If the second scenario wins the day and globalization continues to progress in a positive way, we must intensify our political and economic involvement worldwide.

On Your Mark, Get Set, Go

Germany has made good progress over the past 50 years, perhaps more than expected. But good is not good enough. Ensuring the welfare of future generations demands the strength to continually question the “as-is,” the wisdom to develop a vision that at first glance reaches into infinity, and the courage to face numerous unknown challenges. We cannot wait to do this tomorrow. We must start today. Right now.

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Appendix: Forecasting the Future


**Ruge:** Why did you choose 2064 of all years for your forecast? Isn’t this out of the reach of serious predictions.

**Sonnenschein:** A.T. Kearney has been active in Germany for 50 years and is likewise a child of the German “economic miracle.” So forecasting what can happen in the five decades that lie ahead is not out of the question. What’s interesting is that despite going through post-war reconstruction, the paradigm shift of the ’60s, and reunification, Germany is still without a scenario for the next 50 years.

**Ruge:** How will these scenarios help companies and managers arrive at their decisions?

**Schulz:** Scenarios encourage managers to craft their own positions and determine where certain developments, if they occur, will lead. There is an allure in what 50 years from now will look like. It is beyond the reach of one’s own lobbying, one’s own company, and one’s own life interests. People begin to discuss things in a different way, more freely and objectively.

**Ruge:** You point out development paths and possible scenarios in a complex world. What is the basis for your evaluation?

**Sonnenschein:** A large team working over the course of 12 months analyzed the past 20 years and identified the forces driving Germany’s future. We then organized six roundtables—featuring experts in the fields of economics, science, politics, and societal change among others—to discuss potential future scenarios.

**Schulz:** The materials collected were used as the basis for continuing our work and to formulate some simple propositions. It quickly became clear that we must make decisions now about our future direction.

**Ruge:** You identified six widespread myths and contrasted them with current realities. How confident are you in your analysis?

**Sonnenschein:** The Ukrainian crisis erupted during our research into the possibility of new bloc formations. We realized then that our analysis was on the right track.

**Schulz:** Scenarios are used to point out the realm of possibilities, which can lead to different outcomes. We want people to consider the possibilities and then determine whether or not they are ready for what might occur. Of course, as current trends change and become more interconnected, it will be harder to anticipate possible developments.

**Ruge:** One of your assertions is that the German model for success is no longer sustainable. If we carry on as before, we will hit a wall. How serious is the situation?

**Schulz:** There are certain consequences to prepare for if we continue to apply the recipes of the past. Everything will be thrown out of sync: the ratio of pensioners to working people, industrialization, infrastructure, the development of SMEs, and so on.

People believe that things will get better because more people around the world will buy more goods from Germany, the world’s “export champion.” However, today’s success doesn’t tell us anything about tomorrow. It only means that we have been lucky enough to place our chess pieces in good positions.
Ruge: Do you think our general reluctance to take a fresh look at Germany is related to 60 years of continual peace and economic upswing—that we cannot even imagine what it means to stumble?

Schulz: Yes. And people generally do not know what it means to really fight for something or to take risks. When I say this, I mean in economic terms of course. It’s intriguing to look back at the points in time when small businesses were set up, and compare them to businesses being set up today.

Sonnenschein: To Otto’s point, less than 10 percent of the hidden champions were set up over the past 50 years. And most of them—more than 90 percent—are in traditional industries. Hardly any are concerned with future technologies!

Ruge: Do we need a brutal crisis to wake people up?

Schulz: A crisis wouldn’t make things any easier. The solution is to discuss issues that affect people directly. This became apparent during our conversations with decision makers as we spent many hours exchanging views on particular aspects of Germany’s future. They willingly spent the time in order to reflect on their own and their children’s future. This gives us hope.

Ruge: Does this mean that the lever for change is found chiefly in more intensive communication?

Sonnenschein: Yes. People will need to find the courage to do something new, so the media and the elites will have an important role to play. During the financial crisis, the media was much better at communicating complex matters. These skills are needed now as well. As for the elites, they have to show leadership and live the example they have set for us all.

Ruge: And what about companies?

Sonnenschein: Business has an important role to play as multipliers are required—family policies must reach the parents, education policies the teachers, and so on. It is most definitely possible to buy success—investing in families, education, innovation, and in an open society that offers opportunities for everyone.

Schulz: When we look at the political spectrum, all we see is nostalgia. This is amply supported by the fact that most people would rather enter a career in the civil service than start their own companies.

Sonnenschein: Something that caused us great concern during our work on this study was the fact that educational initiatives will only come to fruition in 25 to 30 years. If it takes us 10 years from today to define the relevant structures and content, we will just about reach the very year in which A.T. Kearney celebrates its 100th anniversary. This is why preparations for 2064 begin today.
A.T. Kearney is a leading global management consulting firm with offices in more than 40 countries. Since 1926, we have been trusted advisors to the world’s foremost organizations. A.T. Kearney is a partner-owned firm, committed to helping clients achieve immediate impact and growing advantage on their most mission-critical issues. For more information, visit [www.atkearney.com](http://www.atkearney.com).

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The signature of our namesake and founder, Andrew Thomas Kearney, on the cover of this document represents our pledge to live the values he instilled in our firm and uphold his commitment to ensuring “essential rightness” in all that we do.