

Contents

I.	Introduction	11
II.	The Debate on Germany as a Business Location	13
	1. Deficits in the Creation of Profitable Jobs	14
	2. Do Mobile Factors Sidestep Germany?	20
	3. Locational Competition and the Role of ITP	35
III.	From a Framework-Oriented to a Formative Structural Policy: Stages in the Evolution of ITP in Germany	37
IV.	The Making of ITP in Germany	45
	1. Influential Factors at the National Level	45
	2. The Significance of Supranational Institutions for Germany's ITP	49
V.	International Competitiveness and Domestic Competition: The Role of Competition Policy	61
VI.	Promoting Industry via Research and Technology Policy	71
VII.	Export Promotion and Import Policy	87
VIII.	Regulation and Subsidisation	97
	1. Regulation and Regulatory Reform	97
	2. Subsidies and Moves to Reduce Them	108
IX.	Special Challenges from Eastern Germany	119
X.	Conclusions and Recommendations	129
	References	139
	Appendix	157

List of Tables

Table 1: Selected methods of government regulatory restrictions by branches at the beginning of the 1980s	99
Table 2: Electricity prices in Europe - industrial consumers	103
Table 3: Tariffs for telecommunication services for selected distance zones in OECD countries	106
Table 4: Subsidies by industry in West Germany, 1984 and 1993	113
Table 5: Total of subsidies from federal, state and local authorities, ERP, EU	122
Table 6: Principal transfers for enterprises	123

List of Charts

Chart 1: Unemployment in Germany, 1980-1994	14
Chart 2: Employment trends in OECD countries, 1980-1995	16
Chart 3: Real income per capita in OECD countries, 1980-1995	17
Chart 4: Trends in direct investments, 1980-1996	21
Chart 5: Expenditure on R&D in OECD countries, 1981-1995	25
Chart 6: R&D expenditure in total manufacturing and R&D intensive industries in OECD countries, 1980-1993	26
Chart 7: R&D expenditure in high-technology and medium-technology industries in OECD countries, 1980-1993	28
Chart 8: Patent specialisation of OECD countries in R&D intensive fields, 1985-1993	29
Chart 9: R&D of US companies in foreign manufacturing, 1982 and 1993	33
Chart 10: State financing of R&D in OECD countries, 1981-1995	75
Chart 11: Country shares of OECD-exports of R&D-intensive goods, 1989 and 1994	81
Chart 12: Patterns of specialisation in the field of R&D-intensive goods in OECD countries, 1994	82
Chart 13: Electricity prices for industry in selected countries, 1981 and 1994	102
Chart 14: Subsidies in different countries, 1960-1994	110
Chart 15: Sectoral distribution of subsidies in Germany, 1985 and 1993	111
Chart 16: Intramural expenditure on R&D of business enterprises by number of employees, 1993	116
Chart 17: The decline in production in eastern Germany (in %) compared to the effects of the Great Depression	119

List of Charts in Appendix

Chart A1: R&D expenditures in high-technology industries in OECD countries, 1980-1993	159
Chart A2: R&D expenditures in medium-technology industries in OECD countries, 1980-1993	160
Chart A3: Relative export share (RES) of Germany in R&D intensive goods, 1989-1994	161
Chart A4: Revealed comparative advantage (RCA) of Germany in R&D intensive goods, 1988-1994	162