Interview: Walther von Plettenberg – Director, German-Spanish Chamber of Commerce

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Walther von Plettenberg, director of the German-Spanish Chamber of Commerce, discusses the strong relationship between the two countries and how Spain's recent reforms puts the country at an economic advantage. Additionally, he praises the country's start-up culture and how important entrepreneurship is for bringing the spotlight onto Spain.

The Spanish-German Chamber of Commerce turned 100 years old in 2017. What is the significance of this centenary for Spanish-German trade relations?

The German Chamber of Commerce in Spain represents roughly 2,000 German companies in Spain which employ 200,000 people in the country, with this number at least doubling when looking at non-direct employment. These companies are reaping the rewards from operating in Spain, especially those in the automotive and pharmaceutical industries, exporting a good part of their high-quality products and helping to make Spain a reference country for exports.

It is no secret that Spain went through some hard times economically in the years before 2014. The new Spanish competitive model has succeeded in exporting enough to achieve a current account surplus every year since 2014. Spain has never been able to achieve this before. The reconstruction of Spain's economy has meant that Spain is now growing without accumulating new and excessive debt. Its new competitive industrial structure is taking credit for this, in addition to a jump in proactivity and a good working economy.

I would like to emphasize that tradition is not in conflict with constant innovation. Companies have changed a lot, many have acquired other companies or have been acquired by others or have even disappeared. We had a very special moment at our centenary celebration last year, when we rewarded 10 German companies who have maintained their name and activities in Spain for more than 100 years.

What are the most pressing issues that the members of the Spanish-German Chamber of Commerce are facing today?

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A pressing issue that our members face is the global market shift over the past decade. Companies are unable to achieve an augmentation of their sales in their traditional markets like they used to before the crisis. National sales had to be complemented by exports into new and less mature markets – and even there, a stronger competitive environment and a rapid process of coming to maturity forced the companies to accelerate their struggle for greater competitiveness. This paves the way for countries like Spain to attract international companies, even being a ripe and mature market, where companies can grow through strong competitive efforts and create excellent innovative products. It is important to have in mind in this context that Spain’s market is completely integrated into the competitiveness of Europe, forcing German companies in Spain to compete with one another and fight for the same budget for new investments. The challenge will lie in having stronger arguments to support their bid to bring investment to Spain than their sister companies in other European or even third countries.

What are the key goods being traded between Germany and Spain?

A key industry within German exports is automobiles, closely followed by the machinery, chemistry and pharmaceutical sectors. These four sectors are the main exports from Germany to Spain, and the same applies in the opposite direction. Increasing competitiveness in these areas has been a key factor of rising exports.

The main aspect that drives competitiveness in Spain derives from recent reforms in the country’s labor laws. Productivity per person underwent a drastic increase, with companies able to produce at the same level with fewer employees as a result. Regardless of their situation, many of the different industries in Spain felt like the liberalization and update of the labor law was essential to createing an equilibrium between the labor force and the work needed to be completed. This reform has put Spain at a competitive advantage against its neighbors who have been unable to regulate their labor law as swiftly as the Spanish government did.

What are some of the Chamber's success stories?

The Chamber has a strong relationship with the automotive and pharmaceutical industry in Spain, the two main pillars of German investment into the country, as referenced before. Our member companies are embracing the Chamber and the services we can offer. Let me put an example: in the interest of the pharmaceutical industry, the Chamber engaged in a campaign at the height of the past economic crisis to lobby the government to reduce the billions of euros of debt the Spanish healthcare system owed them. At the time, this was a pressing issue for our members and we took the initiative to make a move. This action contributed to a successful outcome for our members.

Some German pharmaceutical players have recently invested in their infrastructure and production facilities in Spain. How do you assess the investment landscape in Spain?

During and after a tough six years of crisis and the moderation of investment activity, Spain underwent a positive economic shift. This change resulted in pharmaceutical companies beginning to invest in Spain once again, with confidence rising to high, pre-crisis levels. For many of these international groups, Spanish production sites are considered "centers of excellence" in the context of their worldwide activities. From the last two enquiries that the Chamber conducted in 2016 and 2018 of German companies – ranging from multinationals to mid-sized outfits – we can deduce that they have resumed high investment rates consecutively over recent years, showing that the investment dynamics in Spain are good and that the investment evolution is not stagnant and continuing to move in the right direction.

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What is your assessment of the Spanish entrepreneurial spirit when it comes to the start-up scene?

The start-up community in Spain is extremely modern, thus attracting strong attention, with many companies wanting to meet and network with them and their innovations. This hype is good news for Spain and the Chamber is aware of this, resulting in the creation of our initiative "piosphere". This initiative helps German companies to contact and network with Spanish entrepreneurs, bringing the spotlight onto the country, showcasing Spain as a fruitful area for start-ups, similar to areas like Silicon Valley and Israel, traditionally well known for their competencies in start-up companies. The German Chamber awards start-up companies during this event, which is also a platform for start-ups to communicate with German companies. More recently, we have reversed the agenda, and now we also invite start-ups to bring solutions to the problems of bigger German

players. These incentives attract the attention of German companies to Spain, a country with a lot of interesting ideas.

What are the lessons that Spain can learn from Germany's competitive business activities?

Spain can learn a lot of from Germany and its business culture, but the same goes for German companies in Spain learning from the Spanish culture. Germans are well known to develop plans in small but strategic steps in comparison to Spain, however this is not always the best or fastest way, and so Spain's creativity is able to combat this. Furthermore, Spain has started to have a strong re-industrialization policy, taking from Germany the understanding that an industry basis is essential before investing in services. Spain is working hard to foster and implement a strong infrastructure and become more resilient after the crisis.

How would you envision Spain's investment landscape in four years' time?

Understandably, I am very cautious about betting on the country's situation in years to come. The international economy is extremely sensitive and susceptible to any shocks, so Spain needs to take each day as it comes. However, supposing that things continue to prosper and that there are no unexpected economic disruptions, Spain is heading in the right direction and will be in a strong position in four years' time. The Gross Domestic Product has continued to increase consecutively over the past years in addition to the country evolving its economic conditions. The demographic factor of Europe, however, is a problem, with there being no exception for Spain. There is currently a standstill in demographic evolution, and we cannot continue to assume that the market will grow through immigration, resulting in some markets growth becoming stagnant. Nevertheless, I believe that Europe will altogether continue growing in an innovative and – in comparison with international standards – socially stable environment which will make sustainably growth possible. Europe thus will be able to compete internationally also in the future – Spain will be a fierce competitor in this environment.

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