

The Foreign Trade Strategy of the State of Berlin: Evaluation and Development of the Target Country System in the European Context

A Policy Learning Platform peer review
December 12th-13th, 2024

Final Report



1. Presentation of the Senate Department for Economic Affairs, Energy and Public Enterprises and its motivation to host a peer review

The Senate Department for Economic Affairs, Energy and Public Enterprises aims to secure Berlin's global competitiveness, innovative capacity and economic growth.

Berlin is home to approximately 180,000 companies and businesses. With its more than 4,550 startups and 21 unicorns, the city boasts the largest startup ecosystem in Germany. Berlin's key industries and innovative technologies include: healthcare; information and communications technology, media and creative industries; photonics, energy and environmental technologies; transportation, mobility and logistics; manufacturing; and services.

An important factor in strengthening Berlin's status as a leading business and technology hub on both the global and European stage is its strategic approach to foreign trade.

Berlin's foreign trade strategy provides regional support for location-specific internationalization. It thereby complements the foreign trade promotion of the Federal Republic of Germany and operates within the framework provided by European trade policy.

The Senate Department for Economic Affairs, Energy and Public Enterprises is responsible for developing and implementing Berlin's foreign trade strategy and associated financing instruments. In 2016 the Senate Department introduced the concept of international economic cooperation (KIW) as a foundation for Berlin's foreign trade strategy. It aims to internationalize Berlin companies and attract new businesses to the city, thereby strengthening the city's economic and innovative capabilities and securing and creating local jobs. The concept is tailored to the needs of small and medium-sized enterprises (SMEs) and startups, as they form the backbone of Berlin's economy.

The fundamental idea of KIW is to maintain a systematic and consistent focus on Berlin's target markets in foreign trade. To this end, target countries are identified where Berlin products are in high demand and there is huge potential for cooperation and direct investment in both directions. Adopting this long-term approach to a clearly defined country portfolio is an effective way to increase synergies among stakeholders, ensure greater planning stability, and achieve sustainable success in Berlin's foreign trade activities.

Target countries are systematically reviewed approximately every two years based on economic data. After listing the top 35 export countries for Berlin, these are further ranked according to the following statistical values: Berlin's main sales markets, GDP, GDP growth, OECD Country Risk Classification, World Bank Business Ready Index, countries of origin of foreign tourists in Berlin, countries of origin and destination of foreign direct investment. The resulting top 14 target countries, with a strong focus on the top 4 ranks, are at the center of Berlin's economic internationalization activities and support programs.

Furthermore, a watch list is employed. Countries that demonstrate potential to become target countries may be added to the watchlist in order to ensure flexibility and stay open to adaptation.

Berlin's target countries were last updated in 2023: The top four markets are the US, China, Poland and France. Other target countries are Great Britain, Japan, Korea, India and the hubs Dubai (incl. Gulf States) and Singapore (incl. ASEAN countries).

Berlin's funding instruments for international economic development are aligned with the KIW and, hence, focus strongly on the top 14 countries. They facilitate international economic cooperation and cross-border economic activities, such as delegation and business trips, the establishment and operation of foreign offices (currently two located in Beijing, China and New York City, USA), location marketing abroad, trade fair promotion, and the formation of cooperation networks.

The outlined process and the final decision on Berlin's target countries and the watchlist lie with the network of stakeholders in Berlin's foreign trade strategy. The network is coordinated by the Senate Department for Economic Affairs, Energy and Public Enterprises. It meets regularly to address strategic issues, make key decisions, and define the final measures for Berlin's foreign trade strategy. Stakeholders include:

- The **Berlin Senate Chancellery**, responsible for representing Berlin internationally. It coordinates relations with Berlin's partner cities around the globe and with international networks and provides assistance to foreign diplomatic missions.
- **The Chamber of Commerce and Industry of Berlin (IHK)**, the association representing Berlin's companies. As membership is mandatory for companies registered in Berlin, the IHK represents the entirety of Berlin's business community.
- **Berlin Partner für Wirtschaft and Technologie**, the city's economic development agency and a key connector for Berlin's major economic players.

In order to evaluate the suitability and effectiveness of Berlin's current foreign trade strategy, the Senate Department for Economic Affairs, Energy and Public Enterprises applied for a peer review. Through an intensive exchange with other European regions, a strategic reflection on the foreign trade strategy can be initiated, especially with regard to the definition of target countries. The Senate Department seeks to learn about other approaches to the topic and exchange best practices.

2. Specification of the policy challenge encountered

It is undeniable that since Berlin's foreign trade strategy was implemented nearly 10 years ago, there have been significant changes in the political and economic landscape both within the EU and internationally. To ensure that Berlin's regional foreign trade strategy remains adaptable, forward-thinking and inclusive, the following thematic blocks were prepared for the peer review:

- **Determining scope or regional focus**
 - How does your region select countries or regions for closer international economic cooperation? Which strategy and approach to the process has proven successful?
 - What is your feedback on the target country system Berlin has in place and where do you see a need for adjustment?
- **Integrating relevant political and economic factors into the foreign trade strategy and its target country system**
 - Role of EU internal market: What are the arguments for shifting the focus from defining individual EU countries as target markets to defining the EU as a target region?

- To what extent should a foreign trade strategy focus more on countries outside the EU's common economic area in the first place?
 - Resilience: What is the significance of resilience in a regional foreign trade strategy and how can it be adequately reflected?
 - Sustainability: How can the principle of ecological, economic and social sustainability be put into practice in the context of the target country system and foreign trade support?
 - What other strategic factors should be included in the foreign trade strategy and its target country system and why?
- **Refocusing and criteria-based operationalization**
 - Which criteria, with which weightings, best reflect the previous discussion and strategic prioritisation?

3. Participants

In addition to the Interreg Europe team and the European peers, the local network of stakeholders involved in Berlin's foreign trade strategy was invited to ensure a broader range of perspectives and secure stakeholder involvement from the outset.

Senate Department for Economic Affairs, Energy and Public Enterprises		
Dr. Anna Hochreuter	Senate Department for Economic Affairs, Energy and Public Enterprises	Head of Division Economic Policy and Regulatory Framework
Dr. Jens Homann	Senate Department for Economic Affairs, Energy and Public Enterprises	Head of Unit Foreign Trade, European Economic Policy, Development Cooperation
Eda Özbay	Senate Department for Economic Affairs, Energy and Public Enterprises	Head of Group Foreign Trade & Foreign Trade Promotion
Carolin Fiedler	Senate Department for Economic Affairs, Energy and Public Enterprises	Policy Advisor Foreign Trade & Foreign Trade Promotion

Local Stakeholders		
Thomas Honeck	Berlin Senate Chancellery	Deputy Head of Division for International Affairs/ International Networking Policies
Nadine Jüdes	Berlin Partner für Wirtschaft und Technologie	Head of Division Digital Business/Startups
Markus Facklam	Berlin Partner für Wirtschaft und Technologie	Head of Unit International
Dr. Valentina Knezevic	Chamber of Commerce and Industry of Berlin	Public Affairs Manager Foreign Trade & International Markets
Sami Bettaieb	Chamber of Commerce and Industry of Berlin	Public Affairs Manager Foreign Trade & International Markets

Senatsverwaltung für Wirtschaft, Energie und Betriebe	BERLIN	
Peers		
Inma Rodriguez	ACCÍO, Catalonia	Market Intelligence Manager
Giulia Diamante	ACCÍO, Catalonia	Head of International Business Opportunities Analysis
Kolja Harders	Ministry of Economy and Innovation, Hamburg	Head of Foreign Trade Division
Marek Tiits	Policy Lab, Estonia	Specialist of trade statistics
Peter Jaspers	Flanders Investment & Trade Strategy Office	Coordinator
Sara French	London & Partners	Director Trade & Growth

Interreg Europe Team		
Thorsten Kohlisch	Policy Learning Platform	Lead Manager
Luc Schmerber	Policy Learning Platform	Thematic Expert Smarter Europe
Rene Tönnisson	Policy Learning Platform	Thematic Expert Smarter Europe
Alison Morrisroe	Interreg Europe Joint Secretariat	Finance Officer

4. Strategic reflections and policy recommendations

The peer review provided a valuable platform to explore diverse resources and methodologies used across European regions, fostering an engaging exchange on foreign trade strategy development.

When identifying suitable discussion partners for the peer review, it became apparent that not many cities and regions in Europe have the competence to strategically shape foreign trade at a regional level. It was interesting to note that the represented European regions face comparable issues and challenges in determining their foreign trade approaches and strategies. In the joint strategic process of the workshop, several key points emerged.

The added value of a regional foreign trade strategy was confirmed by all attendees, particularly with regard to the following key values:

- A strategy sets a transparent framework for regional foreign trade promotion and according activities and thereby ensures clear communication towards Berlin-based companies.
- Foreign trade strategies are economic strategies prior to being political tools.
- At the heart of a regional foreign trade strategy is the principle of "making trade possible" (including foreign direct investment) by providing information, guidance and advice to companies and other stakeholders.
- The main purpose is to create good growth (e. g. sustainable and resilient), which can be monitored at the political level. Possible measures include gross value added (GVA), investments and jobs.
- A foreign trade strategy validates existing structures, identifies opportunities and advises on potential risks.

- In order to promote the cooperation and collaboration of the local stakeholders involved a foreign trade strategy can be used as a coordinating instrument.
- Offices abroad can use the strategy as a joint action plan.
- A foreign trade strategy is a tool for allocating resources for proactive action. It determines priorities for funding schemes.

During the discussions, the peers validated Berlin's strategic path taken so far. They emphasized the importance of actively involving local stakeholders, as Berlin does with its economic clusters and foreign trade stakeholders, in defining target regions and activities.

Additionally, innovation was highlighted as a key factor in foreign trade, as innovative products and services have higher international market potential, attract more foreign direct investment, and reduce dependence on a few industries. Therefore, ensuring strong coherence between the foreign trade strategy and the innovation strategy, as already practiced in Berlin, is essential.

Building on these insights, the peer review workshop also provided constructive feedback and several recommendations for possible adjustments to Berlin's foreign trade strategy.

- **Suggestions for determining regional focus and target countries:**

- For identifying core markets, a sector/country combination is recommended instead of a horizontal assessment by country. The recommended sectoral approach can be described as 'content first, region second': first, identify the sector focus and define the key industries, followed by geographical prioritization (regions) and the determination of relevant markets (countries).
- Prioritize countries and regions with Foreign Trade Agreements instead of conducting an overall regional outlook. Accessing markets outside the EU can be easier when targeting regions with low export barriers for entry.
- Integrate innovation regions, strategic partnerships (sectoral and challenge-based) and sister cities into the foreign trade strategy.
- Further interpret the employed economic data, as large industries and global players might distort the overall picture. They are largely unaffected by regional trade promotion activities and are often already supported at the national level.

- **On relevant political and economic factors that should be integrated into Berlin's foreign trade strategy:**

- **Role of EU internal market**
- The EU market continues to be the most significant trade market, as confirmed by the peers. For many local companies, Europe may be easier to access both financially and geographically. Additionally, Europe-wide support structures are already in place, such as central contact points and networks.
- However, there is no argument for seeing the EU as one target region. It is important not to underestimate the differences within the EU single market, as very few sectors have an identical Europe-wide appeal and proposal. Furthermore, different regulations can apply and different economic structures (e. g., industries and employment rates) are in place.
- **Resilience**
- Consider scenario approaches for unexpected events in order to increase resilience. The working model or process used could be integrated into the strategy.



- **Sustainability**
- Caution is advised against using sustainability criteria as a basis for selecting target countries, as political decisions in those countries may change unpredictably. Furthermore, sustainability considerations are increasingly integrated into standards and international trade agreements, which often lie beyond the direct influence of specific regions.
- Sustainability should continue to be promoted at the local level, e.g., as a factor in determining financial trade support, with impact companies specifically targeted in funding programs.

5. Possible calendar of implementation

The Foreign Trade Strategy of the State of Berlin: Evaluation and Development of the Target Country System in the European Context Berlin, December 12th-13th, 2024														
Applicability	Recommendations	month 1 01.2025	month 2 02.2025	month 3 03.2025	month 4 04.2025	month 5 05.2025	month 6 06.2025	month 7 07.2025	month 8 08.2025	month 9 09.2025	month 10 10.2025	month 11 11.2025	month 12 12.2025	Comments
Very likely to be applied	Adjust the determination of target countries: - integrate a sector/country approach - prioritize countries and regions with Foreign Trade Agreements													The operationalization of this recommendation will be examined and finalized within workshop setting.
Very likely to be applied	Sustainability can be a factor in determining the level of financial trade support provided to companies. Impact companies could be specifically targeted in funding programs.													Explore the possibility of a higher rate of public funding for impact companies in the future.
Depends on specific political decisions/conditions	Consider scenario approaches for unexpected events in order to increase resilience. The working model or process used could be integrated into the strategy.													Examination of applicability and potential operationalization
Depends on specific political decisions/conditions	Integrate strategic partnerships and sister cities into the foreign trade strategy.													Examination of applicability and potential operationalization

6. Conclusions

The importance of a strong and innovative foreign trade strategy for regional development cannot be overstated, as it drives innovation, strengthens local industries, and fosters connections with global markets. The documented peer review provided an excellent foundation for our long-term objective of evaluating and improving Berlin's foreign trade strategy.

We would like to express our sincere gratitude to all participants and facilitators for their valuable contributions. We are excited about the new contacts we have made and look forward to maintaining these connections and continuing to exchange ideas and collaborate.

The peer review has proven to be a very helpful tool that we are eager to recommend and support in the future.

Berlin, 28th of March 2025