

The boss of Siemens on how to re-energise the German economy

IS GERMANY FINALLY ready for a reset? That's the question many asked when a broad centrist coalition recently shattered a long-held fiscal taboo in Europe's largest economy, embracing debt-funded investment in security, infrastructure and sustainable growth at a scale once unthinkable. It was a clear signal that sparked optimism at home and abroad. But one decision alone cannot undo years of complacency. For too long, Germany had resisted change and relied on a great legacy to continue powering it forwards.

That no longer works. Seismic geopolitical shifts, old and new conflicts and the upending of supply chains are reshaping global competition. Hyper-globalisation is giving way to "glocalisation" as America, China and others rewrite their industrial playbooks and companies pull production closer to key markets. German companies can move factories—but the German economy cannot. It must create new sources of growth.

At the same time, technological change is disrupting entire markets and reshaping economic power. The boundary between hardware and software is disappearing; this is apparent not only in how cars, smartphones and other products work, but also in the way their manufacture is being enhanced by software and AI. In this world, success no longer depends on engineering excellence alone, but on software, industrial AI and data. And perhaps no other economy faces greater pressure to adapt than Germany.

This should be Germany's moment. And it still could be. The country combines deep industrial know-how with leading expertise in industrial AI, automation and software. Its companies and inventors have plenty of good ideas and cutting-edge technology. They own an enormous amount of valuable industrial data. But they are held back by

excessive bureaucracy, rigid regulation, ageing infrastructure and sometimes also by a complacency rooted in past success and legacy business models.

Germany can't keep up by patching its old system. Investing in security, infrastructure and innovation is a bold start—but not enough. Structural reforms are essential, too. These should focus on three things: clearing the way for stronger economic growth, building a world-class innovation ecosystem and completing Europe's economic project.

Start with growth. Germany's economy will only thrive if people and businesses can invest, innovate and build. More competitive corporate taxes are important, but tax cuts alone won't fix the problem. Neither will billions in public funding, if investments remain smothered in red tape.

The system remains too clunky, despite recent reforms. It still takes 120 days to obtain a business licence in Germany—double the average for advanced economies. Approving high-voltage power lines or railway expansions can take more than a decade. The country needs fewer and better laws, and a public administration that can keep up with the pace of innovation. Faster approvals, digitalised processes and a culture that encourages action must become the norm.

Germany's transformation needs to be energised—literally. A reliable, affordable energy supply is critical for industry and successful decarbonisation. Lowering electricity taxes, modernising grids and fixing Europe's fragmented energy market are long overdue. Germany should trust the market-driven carbon-pricing system that reduces emissions while keeping industries competitive.

Moreover, ambition needs to be empowered. STEM careers must be made more attractive. That starts with properly funding vocational schools and expanding hybrid degree programmes that combine traditional fields with digital skills. At the same time, immigration processes must be modernised to attract the additional talent the economy urgently needs.

Next, innovation. Germany has mastered machines; now it must enhance them with industrial AI. In the future, "Made in Germany" has to be about AI agents, adaptive robots and self-optimising factories that redefine industries. But this requires an

ecosystem in which startups, industrial businesses, technology companies and universities drive innovation together.

Access to data and sharing data is decisive. Digital ecosystems thrive on availability, not artificial scarcity. Yet, in an unprecedented reversal for a digital economy, industrial data storage and sharing are shrinking in Europe due to restrictive regulation. Germany must turn the tide and champion smarter, innovation-friendly data policies.

Turning ideas into transformative businesses requires courageous bets. While it must aim higher still, Germany has made substantial progress on R&D, raising spending to 3% of GDP. But the missing link in turning innovation into profit is venture capital. In 2022, VC investment was an abysmal 0.09% of GDP—about one-eighth the American level and below the EU average. For Germany to be globally competitive, VC funding must increase at least fivefold.

The third task is to complete Europe's economic project. Germany's future is European; no country benefits more from a strong, competitive EU. Yet instead of driving growth, the bloc's regulations too often hold it back.

The EU's proposed Omnibus Bill, which is designed to cut red tape and simplify rules for citizens and businesses, is a step in the right direction. But one step won't win the race, especially not if it is taken slowly. Europe must act fast to implement these changes and take the next steps. That means announcing an immediate regulatory moratorium to stop stifling innovation before it can take off; and preparing a second Omnibus package—including a postponement of the AI Act and Cyber Resilience Act, and the repeal of the Data Act—to clear the way for the innovations that will define the future.

Europe needs more integration. Today, regulatory barriers in the EU act like a 45% tariff on industrial goods and a staggering 110% tariff on services. That is economic self-sabotage. A true single market for trade and capital would unleash new growth, help European tech champions scale up and strengthen the continent's sovereignty. A stronger, more unified Europe is essential—for more prosperity, for defending Europe's security and for upholding our values.

Germany has taken a bold first step. But real transformation takes more than breaking one taboo. It requires rewriting the code that drives the system. The country has the

talent, technology, and industrial base to be the master of its own destiny. But the window to act is closing, fast.

This is an all-hands-on-deck moment. Germany's operating system will not rewrite itself. It will require policymakers, workers, entrepreneurs, educators and the next generation's digital natives to make it happen.