

Press Release

30 Years after Berlin Wall, German East Up to Western Economic Standards

Three decades on from communism, the economy in Germany's post-Communist east is comparable to that in much of Western Europe.

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Berlin (GTAI) - As Germans prepare to celebrate the thirtieth anniversary of the opening of the Berlin Wall on November 9, 1989, the nation is taking stock of the economic development of that part of the country which used to be behind the Iron Curtain. Much has been made of economic inequalities between western and eastern Germany, but the data suggests that the two halves of Germany have reached comparability, if not parity. Government statistics put per-capita GDP in the east at 70 percent of that in the west (or 75 percent of all of Berlin is included). That compares with only 32 percent in 1991, the first year after German reunification.

Meanwhile, unemployment in the east, which reached a peak of 18.7 percent in 2005, is now set to fall to a new low of 6.6 percent, according to 2019 prognoses. Average monthly gross wages in eastern Germany are 83.5 percent of those in the west of the country. European Commission statistics show per-capita GDP in eastern Germany to be roughly what it is in much of France or the United Kingdom. In terms of gross value added in manufacturing, Eurostat figures from 2017 put Germany in the middle of the European spectrum and ahead of the UK, France, Italy and Spain.

"If you ask me the classic glass-half-full-or-half-empty question, I'd say the glass in eastern Germany is two-thirds to three-quarters full," says Germany Trade & Invest CEO Jürgen Friedrich. "And that's not bad at all. We need to remember that by the end of Communism in East Germany, 70 percent of all industrial machinery needed replacing, while less than 10 percent of households even had a telephone. Given the state of play in 1989, the Federal Republic of Germany has made excellent progress toward raising the east up to Germany's high levels of productivity and quality of life."

Some regions in the east have been able to exploit traditional economic strengths, as Dresden and Leipzig have done with the automotive sector or Jena in Thuringia with the precision optics industry. The state of Saxony is a particular success story, transforming itself into a center for the manufacture of computer chips among other things, while the eastern half of the reunified capital Berlin has developed into one of the world's leading hubs for start-ups, IT and innovators in a host of areas.

This revival has not failed to attract the notice of investors. Germany Trade & Invest registered 843 major foreign direct investment projects in the formerly communist east between 2014 and 2018, and the companies involved include heavyweights like Pfizer and Goodyear. "East German cities like Berlin, Dresden, Leipzig and Jena are fantastic places to do business," says Jürgen Friedrich. "It speaks volumes about the progress made in this region overall that the government feels able to phase out aid specifically targeted at the formerly communist east this year." Monies previously earmarked only for the formerly communist east will become available to any German regions, eastern or western, in need of special economic development aid as of 2020.

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