

Berlin aims to lure British startups fearful over Brexit

July 5 2016, by Frank Jordans



An advert suggesting start-up businesses based in the UK move to Berlin is displayed on a parked vehicle on Finsbury Square in the City of London, Tuesday, July 5, 2016. Its image as a relaxed and relatively affordable city may convince tech companies to relocate to Berlin, which is already home to online retailer Zalando, language-learning service babble and audio sharing platform SoundCloud. Last year, Berlin startups attracted more investment than those in based in London. (AP Photo/Matt Dunham)

When Cornelia Yzer woke to the news that Britain had voted to leave the

European Union her initial reaction was disappointed. As an anglophile she was saddened by the thought of Britain leaving the club.

Then Berlin's economy minister reached for the phone and got busy luring companies from Britain to the Germany capital.

"The decision (to leave the EU), which I regret, was taken by Britain," Yzer told The Associated Press. "So there can't be any surprise that those who see themselves firmly anchored inside the European Union—and that's the case for Germany and its capital Berlin—now want to make sure that they're a home for businesses that say 'we need to be in.'"

Yzer (pronounced EE-ser) isn't the only official on the continent hoping for a bonanza from Britain's exit, informally known as Brexit. Cities such as Frankfurt, Paris and Amsterdam have already been jostling to tempt banks away from London, Europe's biggest financial hub, with the promise of protecting their much-cherished access to the other 27 EU markets.

Berlin stands little chance of competing for a piece of the lucrative banking pie. But Yzer believes multinational companies—from airlines to pharma firms—will see the advantage of basing their European headquarters in the capital of the EU's biggest economy.



In this photo taken Monday, July 4, 2016, Steve Gilmore, interim head of human researches of the game developing company Wooga poses for a photo after an interview with the Associated Press at the Wooga office in Berlin, Germany. (AP Photo/Markus Schreiber)

Its image as a relaxed and relatively affordable city may also convince tech companies, particularly startups, to relocate. Berlin is already home to online retailer Zalando, language-learning service babble and audio sharing platform SoundCloud. Last year, Berlin startups attracted more investment than those in based in London.

"We have always advertised Berlin to London's startup scene," said Yzer, who now plans to open an office in London that will talk up the city's advantages over its British rival and assist companies in relocating.

"Call it an economic embassy for Berlin," she said.

One of the key benefits that Berlin's business ambassadors will tout is access to the EU's single market that ensures the free movement of labor and capital. This was one of the main reasons British businesses wanted to remain in the EU, even as voters saw in it the cause of mass immigration.



In this photo taken Monday, July 4, 2016, People of the game developing company Wooga sit at their desks at the office in Berlin, Germany. (AP Photo/Markus Schreiber)

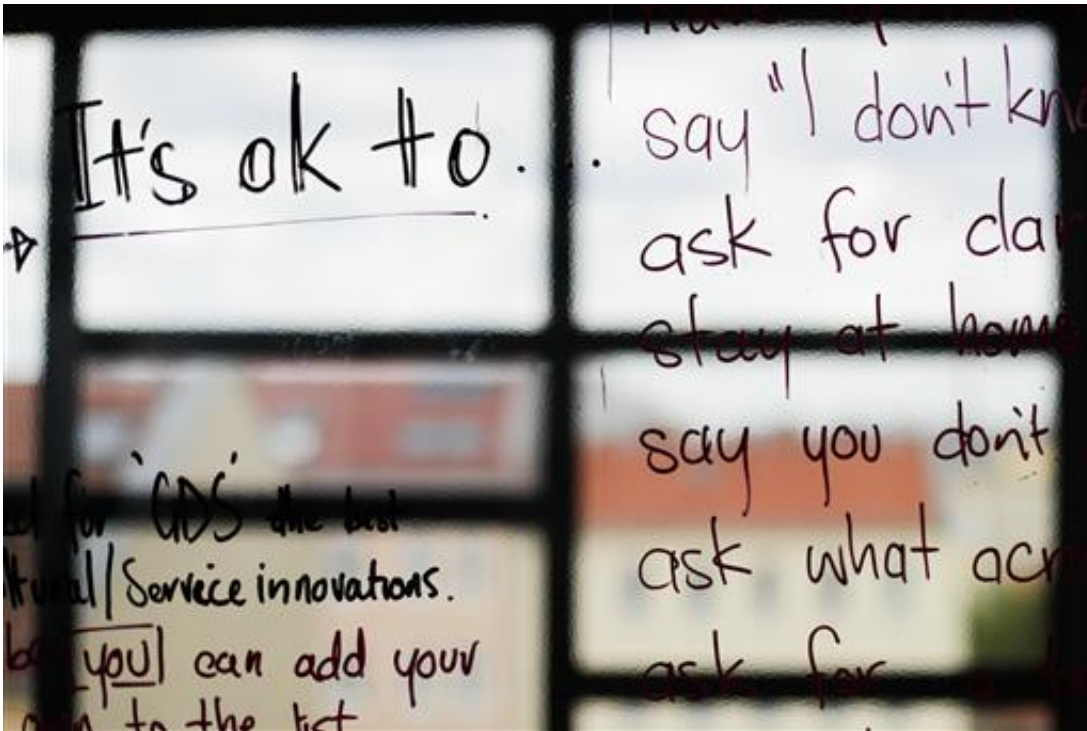
"The prevailing feeling here in Berlin is that with the Brexit, London has more or less taken itself out of the race," said Lukas Kampfmann, co-founder of Factory Berlin, a [company](#) that rents space to tech firms.

London and the EU are likely to spend years haggling over trade tariffs

and labor permits, creating uncertainty for U.K. companies wanting to do business on the other side of the channel.

"Once a Brexit has been done it's not going to get easier for London-based companies to do business in the world but probably harder," said Kampfmann.

Still, convincing companies to move to the continent may not be so easy.



In this photo taken Monday, July 4, 2016, words are written on a window at the Factory Berlin, a company that rents space to tech firms, in Berlin, Germany. (AP Photo/Markus Schreiber)

Paris, where officials announced over the weekend that they were rolling out the red carpet to British banks, is hampered by France's high labor

costs and taxes. The country also has a reputation for being slow and difficult to reform to keep up with global economic shifts.

Those who know Berlin have likewise questioned whether it can match the cosmopolitan and dynamic air of London. The city's new airport is years behind schedule, English isn't universally spoken and bureaucracy can be cumbersome.

"Why is London attracting startups? It has to do that the framework, the rules are flexible enough that a small company can come in and can create something without a lot of red tape," said Artur Fischer, the co-CEO of the Berlin Stock Exchange.

"Over the medium and long term I can see that Berlin will benefit," he said. "But there is no reason why companies should leave tomorrow and desperately look for another place to be. London is still London and it's still functioning very, very well."



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Even those who believe in Berlin are keen to avoid any impression of Schadenfreude.

"I can tell you that everyone here in Berlin would have preferred for the UK to stay within the EU because we believe that the European Union would have been stronger with Great Britain," said Kampfmann. "But if that is the vote then obviously we will have to accept that as well and try and make the best out of it."



In this photo taken Monday, July 4, 2016, people sit in the community working area at the Factory Berlin, a company that rents space to tech firms, in Berlin, Germany. (AP Photo/Markus Schreiber)



In this photo taken Monday, July 4, 2016, Lukas Kampfmann, co-founder and CMO of the Factory Berlin, a company that rents space to tech firms, poses for a photo in Berlin, Germany. "The prevailing feeling here in Berlin is that with the Brexit London has more or less taken itself out of the race," Kampfmann said. (AP Photo/Markus Schreiber)

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