

Going International

Erfahrungen und Perspektiven der deutschen Wirtschaft
im Auslandsgeschäft

Ergebnisse der IHK-Unternehmensumfrage 2010
Bundesweite Auswertung

**Experiences and Perspectives of German Business Overseas
(Shortened English Version)**



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Results of the 2010 IHK Business Survey National evaluation

Following the economic setbacks caused by the financial crisis, the economic motor of overseas business is, since the beginning of 2010, booming again. For German businesses the opportunities of globalisation outweigh the risks – despite numerous restrictions to trade and a renewed increase in protectionism. Yet the economic crisis has shown that overseas business does not sell by itself. It is subject to preparation and support and to its positioning within the wider economic context. How are German businesses operating in world markets after the crisis? In which target regions are they active and how are they structured? What are the top target markets for the mid-term future? How do they evaluate the current business climate there? What are the factors which explain their success? What support is necessary?

These questions are answered in the DIHK's national survey, "Going International 2010", which was put together with help from the 80 German Chambers of Industry and Commerce (IHKs). In total 2000 businesses which are based in Germany and are active overseas took part in the online survey during the summer of 2010. The survey continues the national analysis of 2005-2009 and ties in with the 2003 questionnaire by the Stuttgart Chamber of Industry and Commerce, "Going International". The following analysis is primarily a guide for small and medium sized businesses which want to thoroughly prepare before engaging in new foreign markets – a significant challenge in an economically demanding climate.

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The Results in Brief

Businesses are once again investing strongly in their own presence abroad

- After last year's restraint, more internationally-active businesses are expanding their overseas investment: 33% now have their own overseas representation (a 9 point increase from 2009) and 30% have subsidiary companies or branch offices (up 4 points). This is especially true for countries in West Europe and in particular North America.
- Nevertheless the proportion of businesses which use independent business partners and trade representatives for their overseas commerce has dropped considerably to 41%, a 10 point decrease. In the financial crisis such partnerships were an important means of staying in the market. Even joint ventures with local partners are losing importance: while their proportion in recent years has remained more or less the same at 12%, other forms of activity have become more attractive, leaving joint ventures ranked second bottom above e-commerce. Only in Asia do they have an above average representation.

The presence of German companies abroad is as strong as it was before the financial crisis

- In regard to the target areas for overseas business, German companies can hardly increase their activity in West European markets: 88% of those surveyed are already active there. The importance of other markets, however, is growing. Following the crisis it is businesses in Asia (up 5 points from 2008) and those in the MENA region (up 6 points) which show the greatest increase in economic activity. The crisis meant that the region of Sub-Saharan Africa (down 8 points in 2009) suffered a 19% loss (23% in 2008) and was still unable to overturn its losses.
- Large companies with an annual turnover of over €50 million are regaining ground that was lost last year and are even beginning to expand. Significantly it was possible for them to offset their losses due to the large amount of business activity in Latin America, North America and Eastern Europe.
- In 44 of the surveyed countries there is a noticeable recovery in current business conditions. At the same time, however, the current situation is characterised by considerable uncertainty and on average results are still down around 19 points; compared to last year, however, this represents an increase of 19 points.
- Nevertheless prospects for the next five years are positive. Businesses see particular potential in the Indian market and, with a rating of 58 points, it comes in at first place. While Russia (51 points) maintains its position, China (49 points) and Brazil (47 points) have to make way at the top for ambitious developing countries from "the second tier", in whose top 10 are Vietnam (58 points), Argentina (49 points) and Chile (48 points). Confident that the USA will make an economic recovery, German businesses place it at fifth place with a rating of 50 points.

Funding/safeguarding and market access rated as the top reasons for success during the crisis

- The financial crisis continues to have an effect in the following way: although the reasons for success during the crisis i.e. funding/safeguarding and easy market access are still important to more than half of businesses, problems of funding and protectionism persist. Over 40% of businesses also place importance on a secure political environment i.e. stable political conditions, a stable exchange rate and legal security – also a result of experiences gained during the crisis.
- Factors relating to businesses, such as product quality and reliable business partners, are, regardless of economic fluctuations, vital to success – this is shown by comparisons with previous surveys.

The international success of business following the crisis rests with an active foreign economic policy

According to the survey the following political recommendations can be deduced:

- To further the independent assistance given for the creation of business contacts and to strengthen AHKs as partners to business. For 52% of businesses the accumulation of reliable business partners is a decisive factor for success. AHKs play an important role in this, as seen when businesses were asked to name the most important instruments for overseas business.
- To make funding and safeguarding of overseas business secure against a crisis and to create a better atmosphere between banks, export insurers and the state: for 51% of businesses success is down to appropriate opportunities for funding and safeguarding.
- To provide businesses with reliable market information for the establishment and expansion of their overseas activities: for 51% of businesses market information from an unbiased source forms a central basis for strategic decisions pertaining to overseas business.
- To pursue an active trade policy i.e. opposing protectionism, encouraging trade liberalisation and simplifying foreign trade legislation. During the crisis new barriers to market access were imposed in many countries, thus making international business for German companies more difficult. Easy market access (52%) and legal security (41%) are seen as decisive reasons for overseas success.
- To create a more effective harmonisation between all means of foreign trade promotion, in particular between foreign economic policy and development assistance. Both the "BRIC states" and those from the "second tier", which are currently still beneficiaries of development assistance, are of increasing interest to businesses.

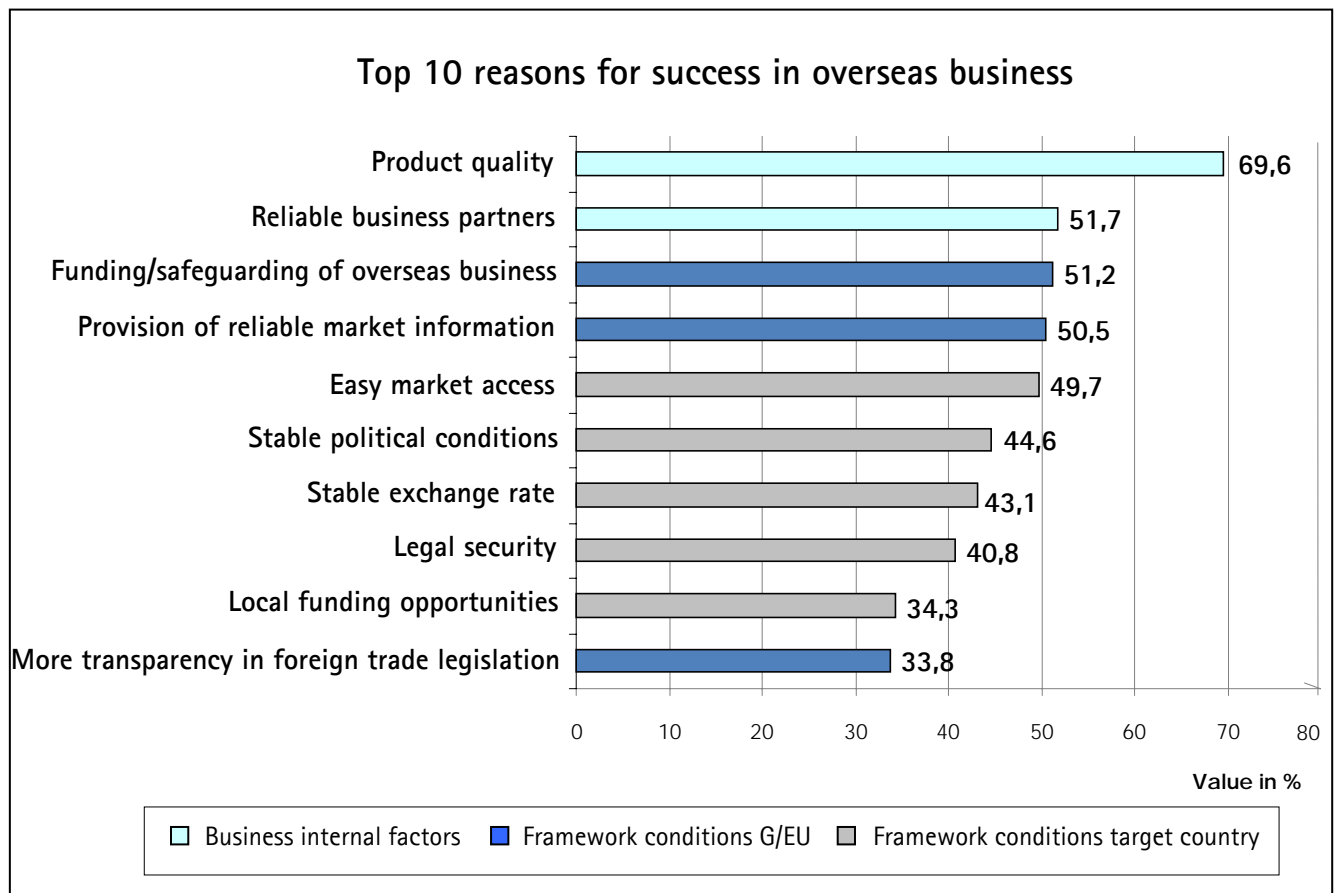


Figure 1: Top 10 reasons for success in overseas business

**TOP 15 business prospects for the next five years,
in order of best to worst**

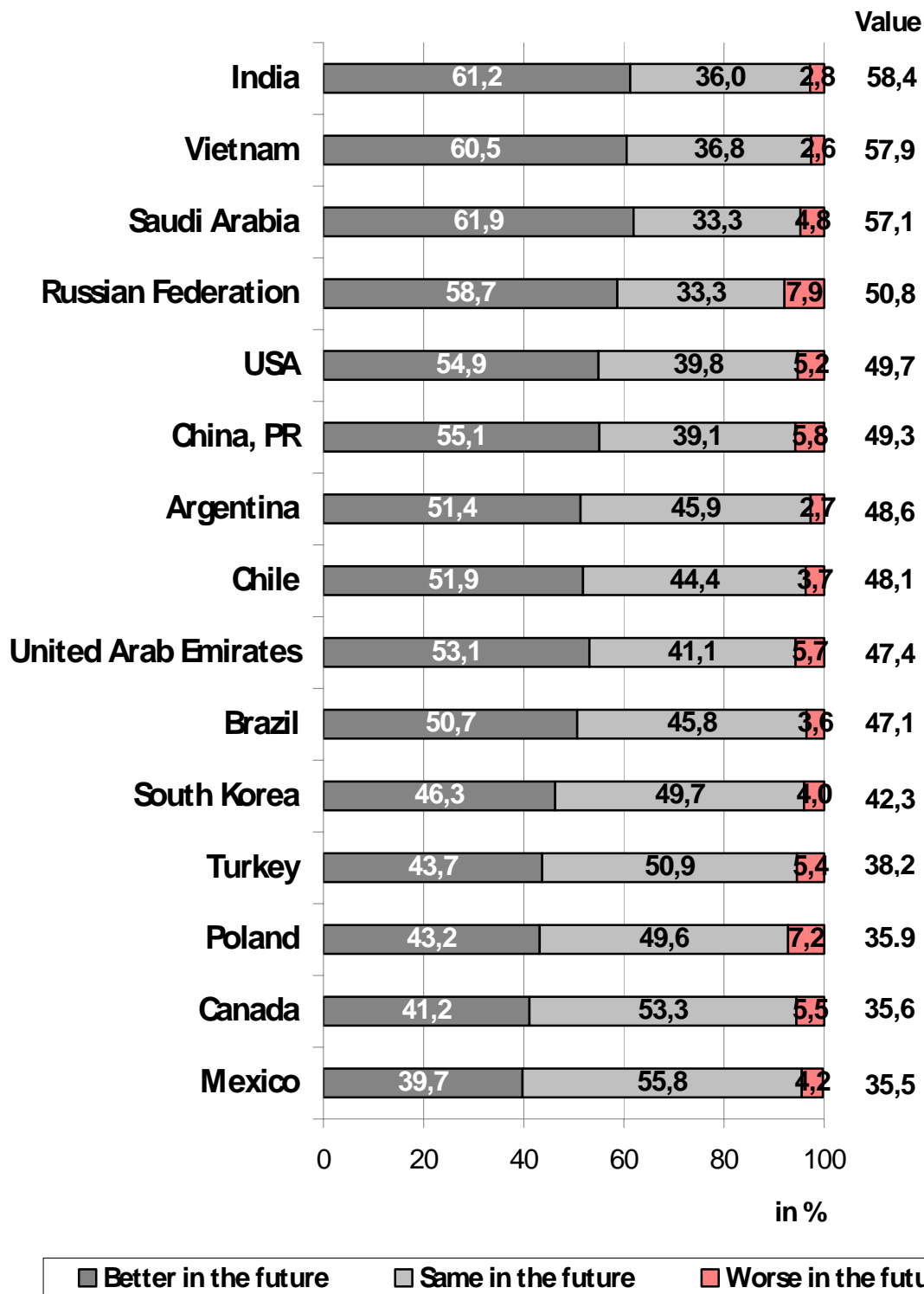


Figure 2: Top 15 business prospects for the next five years, in order of best to worst