

Executive Summary

Sub-Saharan Africa and foreign trade activities of German SME

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Daten und Fakten Nr. 23

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Summary

Sub-Saharan Africa has received increasing attention within the economic policy debate: The region is seen as a continent full of economic opportunities, although its economic power remains at a very low level. However, the population and economic growth perspectives of some states create potential for foreign trade relations of German SME. This study investigates the economic development of the sub-Saharan States. Based on foreign trade statistics, the economic activity of German SME is analyzed.

Little economic power

Sub-Saharan Africa generates just 1700 billion US dollar equaling less than 2 percent of the world gross domestic product (GDP). At the same time, one-seventh of the world's population (1 billion people) currently lives in the region. By 2050, a doubling of the population is expected. The current annual GDP per capita of 1,500 US dollar provides little incentive to start overseas activities in sub-Saharan Africa. However, several individual states stand out with positive economic growth (e.g. Ethiopia), higher purchasing power of the population (e.g. Seychelles) or a comparatively well-developed infrastructure (e.g. South Africa).

Low activity of German SMEs in sub-Saharan Africa

Around 13,000 German SME export goods to sub-Saharan Africa. This is five percent of all exporting German SME. Their trade in sub-Saharan Africa reaches 2 billion euros. Thus, only a share of less than one percent of total German goods exports flows into the region. This level is not exceeded in any company size category. The import trade with sub-Saharan Africa still has a low importance, both in terms of the number of companies importing and the value of imported goods. Only 3,000 SMEs source goods or raw materials from sub-Saharan Africa. Last but not least, Germany's trade in services is not geared towards Africa. Apart from growth in ICT services, there is little momentum. The number of SME trading in services is unknown.

Germany not a major investor

German direct investment in Africa is very little. Only one percent of Germany's direct investment flows to Africa. Only 800 companies are invested in the region, however, this number doesn't include small companies. By international comparison, the US, UK and France have the highest levels of investment in Africa, while China has significantly expanded its investments in recent years.

Cautious outlook due to ambivalent experiences

The economic commitment of German enterprises as a whole, as well as of SME in particular, is weak in the sub-Saharan Africa region. This applies both in comparison with total German foreign trade and in comparison with the involvement of other European countries in sub-Saharan Africa. However, several thousands of German SME have gained experience in export business with sub-Saharan Africa in recent years. Whether the plans of German SME for a stronger engagement in sub-Saharan Africa will be realized in the future also depends on improved institutional conditions, profit potential and the suitability of imported goods for the German economy.