

Going International 2019

Experiences and Perspectives of German Business abroad Results of the 2019 IHK Business Survey – National Evaluation

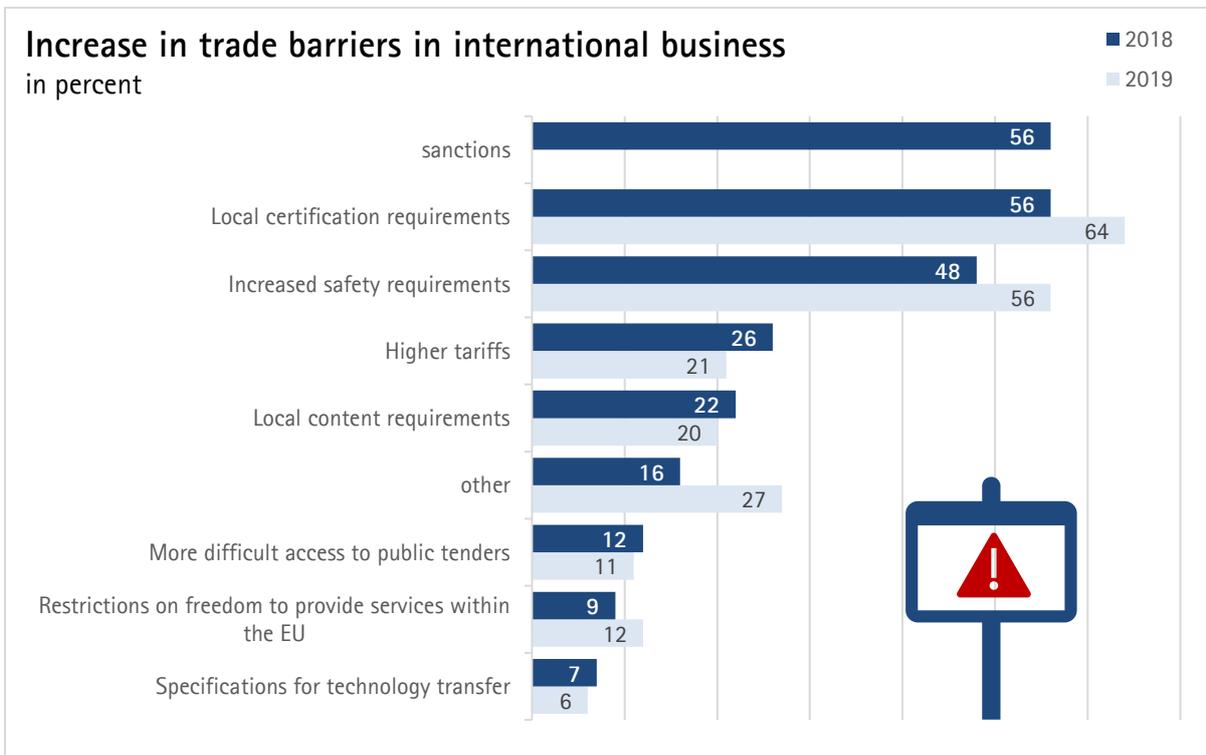
The slowdown in the global economy is making itself felt among German companies with international operations. Trade disputes, Brexit and uncertainties in connection with sanctions are slowing down foreign business and dampening the mood of the export-oriented German economy. Only 15 percent of companies worldwide expect their business to improve. Just as many expect the situation to deteriorate. The expected balance of better and worse valuations thus reaches a zero point. This is the lowest figure since the financial crisis. Only a year ago, the expected balance was still plus 15 percentage points.

Almost every second company has registered an increase in trade barriers abroad for its business in the past twelve months. Of those companies that report an increase in trade barriers, 56 percent complain about the effects of sanctions (and counter-sanctions) as well as disadvantages caused by local certification and safety requirements. Such trade policy barriers lead to higher costs and longer delivery times in foreign business. They may even prevent the conclusion of business transactions. Particularly in Russia, the USA, the MENA region and Turkey, companies are struggling with such obstacles. The planned introduction of American import duties on European cars and the expected corresponding countermeasures by the European Union (EU) likewise entail the risk of escalation with customs duties and counter duties.

Brexit, trade disputes, US sanctions and the erosion of the WTO: more and more countries are turning to protectionist solutions in trade policy, multilateral and rule-based world trade is increasingly being called into question. German companies are feeling this in two places at once: on the one hand, directly when conducting business with foreign partners, and on the other hand, because of the clear downturn in the global economy. Initiatives for open markets – such as the new EU Free Trade Agreements with Japan, Canada or Singapur – are a lifeline for the economy in view of the current turmoil. The export-oriented German economy in particular relies on reliable, fair framework conditions and market access for its foreign business. European trade agreements can make an important contribution here.



The majority of companies (56 percent) make use of EU trade agreements. For 37 percent, free trade agreements even have a direct influence on business decisions to open up new markets. The most pronounced is the influence on farms in the agricultural and food industries (48 per cent strong to slight significance) – this is also where the highest tariff rates and non-tripartite trade barriers are traditionally to be found worldwide. German products are still in demand on global scale. Nevertheless, in view of the difficult foreign trade environment, German companies are concerned about their foreign business for the next twelve months. Worldwide, existing and newly created trade barriers are increasingly slowing down the export activities of the German economy. After 32 per cent in 2017 and 40 per cent in 2018, 46 per cent of the companies currently state that they have been affected by new trade barriers since last year – almost every second company. This is the third time in a row that the figure has risen significantly and reached a new all-time high. Even if companies want to take advantage of new business opportunities, they often find themselves confronted with time-consuming and complex requirements as well as disadvantages in favour of domestic competitors. As a result, business projects, some of which have been painstakingly worked out, sometimes fall by the wayside.



The nationwide survey "Going International 2018" of the Association of German Chambers of Commerce and Industry (DIHK) has been created with the support of 79 Chambers of Commerce and Industry (IHKs). A total of 2,100 companies which are active abroad and have a registered office in Germany participated in the online survey in February 2018. The current survey continues the analyses of the same name from 2005 to 2018.

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