

# **Partnership with Africa: Challenges for an African Social Market Economy**

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## **Partnership with Africa: Challenges for an African Social Market Economy**

### **Background of the Conference**

The conference "Partnership with Africa" convened on the initiative of Professor Dr Horst Köhler, the Former President of the Federal Republic of Germany and John Agyekum Kufuor, the Former President of the Republic of Ghana. It was organized by the Konrad-Adenauer-Foundation and held in early March 2012 on the grounds of the historic Villa La Collina in Cadenabbia. The conference brought together high-ranking German and African participants with a political or business background to discuss possible models for African development and debate about the potential of German-African business partnerships to assist in this development.

### **Africa on the Rise**

#### ***A positive outlook on African development***

The inaugural conference for German-African business dialogue demonstrated a remarkable sense of heading towards new horizons. Although many challenges for the development of Africa were discussed, the participants from Germany and a range of African countries shared a very positive outlook on the future of the continent. While Africa was still seen very much as a continent of disaster a decade ago discussants felt that this had been changing in recent years. We observe now more and more a consensus that a new Africa is emerging.

#### ***Notable trends***

Keynote speakers illustrated the rising importance of Africa with a series of figures. The population of Sub-Saharan Africa is growing fast, estimated to reach 1.08 billion by 2020. With Africa's population being very young on average, conference participants recognized this development as a potent political and cultural force, which will increase the continent's weight in world politics. Simultaneously, the percentage of the population in working age is going up, which is expected to reduce government spending on health and increase savings. Accordingly, a strong GDP growth can already be witnessed in some African countries. Speakers also pointed out the sharp rise in cell phone usage, meaning that the lives of African people will increasingly be shaped by global and regional information as well as global financial exchange. Very encouragingly, the number of conflicts has gone down over the last years, while the number of democratic states has increased. These trends prepare the ground for the development of the private sector.

### *Africa in the focus of investors worldwide*

The new interest of investors around the globe in African business opportunities was a guiding theme of the conference. Participants agreed that unfortunately poverty still determines the living conditions of the majority of people in Sub-Saharan Africa, but they also found that this poverty is not ubiquitous. Business opportunities with the potential to increase wealth were found to be very present, as demonstrated by the vast investment from China and recent expressions of interest by US investors. Conference participants felt "an extraordinary buzz" among worldwide investors, whose discourse about Africa seemed to have shifted from "the hopeless continent" to "the rising continent". While some discussants cautioned that the truth may be somewhere in between these extremes, conference participants agreed that Africa needs to seize this opportunity for the continent's development and use it to its best.



“In this conference I find it refreshing that finally Africa is not talked about as a problem to be solved, but as a continent offering very promising opportunities. We have to thank China for this positive attention. Chinese investment demonstrates that they do not see Africa as a basket case, but take note of the rising opportunities.”

*Dr Greg Mills*, Director, The Brenthurst Foundation,  
South Africa

### *The new African assertiveness*

During the conference, the spirit of "Africa rising" became very manifest in the forceful representation of the African participants' opinion. While the majority of German participants attended the conference to listen and learn, representatives from African business and politics claimed the lion's share of speaking time. Being aware that they know best what their home countries need, they very clearly voiced their opinions and concerns, displaying no hesitance to strongly criticize institutional environments of their own countries and the past behavior of foreign investors. This self-confident representation of own points of view alone can be considered a healthy and promising development.

In many instances, African speakers aimed to convince German participants about business opportunities in their home countries and voiced demands for the desired modalities of cooperation. While they made it clear that the increasing interest of investors from around the globe provides them with them greater choice in selecting their partners than ever before,

African participants expressed their preference for partnerships with socially responsible German investors over foreign market entrants from China.

## **The Role of Business in Society**

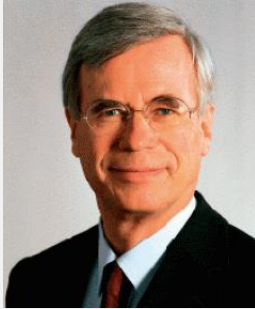
### ***Business people's multifaceted goals***

The potential of the private sector, both foreign and domestic, to assist the development of African countries was a key theme of the conference "Partnership with Africa". While participants agreed that profit maximization is the prime goal of businesses, they also recognized that the goals of most businesspeople are multifaceted. In this vein, creating jobs and promoting development were highlighted as motivators by both African and German business representatives.

### ***African perspectives***

African speakers clearly voiced their hope that private entrepreneurship could significantly foster scientific and technological innovation and create valuable linkages in the domestic economy of African countries. They expressed the view that creating a large number of private sector jobs is crucial for moving the continent forward. Representatives of African business underlined this perspective with figures about the positive impact of their companies' growth and related social responsibility activities.

At the same time, African representatives placed strong demands in foreign investors in that they should not remain passive in the face of African grievances. Instead, they need to understand and embrace their role and responsibility for promoting Africa's change. They expressed the firm belief that German businesses can play a significant role in developing the African economy. Therefore, they called on German business representatives to "wake up" and help Africa get out of poverty with the help of socially responsible investment. Importantly, African representatives did not regard such engagement of German companies as an extension of development aid, but, to the contrary, as very much in the interest of profit-seeking German business. It is important to note that in general the term (development) aid did not play a significant role in the discussion. By contrast, the focus was very much on mutual benefits and a positive sum game.



“German companies can contribute their business know-how to a modern development policy for Africa. The Otto Group, for example, runs a project showing cotton farmers how to produce more efficiently with less pesticides. We guarantee sales for the farmers. Our alliance partners pay license fees to bear the label of this project. These fees are used for training cotton farmers, paying dividends to them and building schools for their kids.

*Dr Michael Otto, Chairman of the Board, Otto Group, Germany*

### ***German perspectives***

The demands by African conference participants were heard and positively received by their German counterparts. The representatives of German business embraced their corporate social responsibility in cooperation with African partners and recognized the need to focus on technical training for local employees, worker safety, social housing, CO2 reduction, and support for local small and medium enterprises. They identified the following prerequisites for both economically successful and socially responsible investment: environmental policies need to be strictly enforced, efforts need to be made to develop local leaders, business partnerships need to be tightly integrated with local communities and products need to be specifically developed to meet local “bottom of the pyramid”-needs.

In this context, German speakers placed special emphasis on the potential of their home country’s small and medium enterprises to create employment opportunities and thereby foster development in African countries. Since the SME sector with its roundabout 1500 global market leaders forms a particularly strong pillar of the German economy, speakers considered SMEs’ socially responsible investment in German-African partnerships as very important and potentially highly beneficial for both sides.

While it is by no means secured that all German investors will equally embrace their social responsibility when entering African markets, it is very encouraging that the business representatives who were present at the conference demonstrated very acute conscience of their role for the positive future development of African economies.



“Long-term and fair investment is crucial to strengthen new business locations. It not only benefits the companies concerned but also serves the host economy and society in several ways: It creates technological ‘spillover’ effects, enhances competition, increases the productivity of entire sectors, helps to transfer know-how via production processes and management of modern industrial plants, and it secures a permanent information flow into the country through fluctuations of qualified staff from international technology-oriented companies to local industries.”

*Dr.-Ing. Hans-Peter Keitel*

*President Federation of German Industries (BDI)*

## **African Expectations for Cooperation on Equal Terms**

### ***Differentiation***

The representatives of African business and politics demonstrated great interest in cooperation with German businesses, but at the same time clearly outlined their expectations for equitable partnerships. One major point concerned the economic and political differences between Africa’s 55 sovereign states. African speakers demanded that German investors should stop talking about their continent as if it was a monolithic entity. Instead of following a previously rather common “one size fits all”-approach, they were strongly encouraged to take account of Africa’s heterogeneity, enter the continent nation by nation and broadly collect information from local experts to tailor their engagement to country-specific circumstances.

### ***Advanced manufacturing in Africa***

The strong focus of past foreign investors on low value-added resource exploitation in African countries faced strong criticism by African conference participants. They deplored the fact that the continent’s vast resources are mostly exported as commodities, refined in the investors’ home countries and then frequently sold back at a substantial price premium to

African consumers. African speakers strongly and unanimously demanded that the real value creation based on African resources should take place in their countries of origin.



“After all these fifty years of freedom from colonial rule, why should I sell you my cocoa, if you use it to make chocolate in your country and then sell it back to us? Why don’t you bring your company and make it here? Do you really mean it well with African development or are we only paying lip service? We urge you to take action and show your commitment to equitable partnership!”

*Chris Kirubi, Chairman & Executive Director, International House Ltd, Kenya*

These demands specifically focused on the metal and food production industries. Concerning metal industries, African conference participants called out to the world-leading German engineering companies to commit their partnerships to the development of Africa’s engineering industry. For the food sector, they demanded that German partners lend assistance to African businesses engaging in local food production.

African conference participants denounced the past international trade patterns, which for a very long time made Africa “specialize in being poor” by perpetually exporting raw materials and importing manufactured goods, in particular consumables. At this point in time, Africa feels in the position to stipulate more equitable trade. Therefore, African representatives repeatedly highlighted that African-German cooperation needs to be planned in a way that recognizes the continent more for its significant contributions and compensates it appropriately.



*Dr Joyce R. Aryee,*  
Former Chief  
Executive, Chamber  
of Mines, Ghana

“Africa is unarguably a land of vast resources. Whether you go East, West, South or North, the continent is blessed with immense raw materials for almost every finished product available for man’s consumption on earth. These include gold, diamonds, manganese, cocoa, timber, bauxite and oil. She brings all of these freely to the table, but with little or no value addition. Our focus is on the development of Africa, using the manufacturing sector as the engine to drive that development. This particular engine will be manned by Africa and Germany. My worry is: How can Africa be recognized more for its significant contributions, acknowledged better as a key player and compensated appropriately for its offerings and prospects?”

### ***Fostering local skill development***

The development of indigenous technical skills was underlined as a further prerequisite for African development. Many African speakers deplored the fact that the current systems fail to produce a sufficient number of experts to enable the development of sophisticated local businesses. In this context, they voiced the expectation that German business partners should bring in their globally renowned technical expertise and invest in mathematics, science, engineering and management education in Africa. This constitutes a notable parallel to German engagement in China, where investing in training was made a requirement for the market entry of multinational corporations.

While some German business representatives proposed to train talented young Africans at production sites in Germany, their African counterparts emphasized that education needs to be done in Africa to avoid brain drain. Ideally, German institutions should assist African universities in running technical programs.

### ***Engaging in long-term partnerships***

Representatives of African business and politics clearly expressed their expectation that German businesses should initiate cooperation with African partners with a long-term vision and a pronounced agenda of social responsibility. To demonstrate that they have come to stay, German investors are expected to make strong commitments by bringing more high value-



added activities and jobs to Africa. The German side was asked to have their whole value chain represented in Africa, not only the first (extracting raw materials) and the final step (sales).

While African conference participants outlined rather demanding expectations for German-African business partnerships, they at the same time warmly welcomed German investment. They admitted to accept investment offers from any country, but clearly expressed their preference for socially responsible German investment. Therefore, they asked German business leaders to openly declare their interest in African countries, hoping that the rest of Europe will follow Germany’s lead. Discussants agreed that conferences like this one are a very useful forum for initiating these processes.

**German Expectations for Cooperation with Africa**

*Entering new growth markets*

Compared to the assertive stance of African business representatives, their counterparts from German business attended the conference mostly to listen and learn. In this vein, they hardly contested the above outlined hopes from the African side. While it is unclear if the challenging goals expressed by African representatives will be met in all future partnerships, German business representatives stated their intent to comply with these demands to the best of their abilities. Their hopes for partnerships with African companies center on the large growth potential of so far untapped production sites and markets.



“The Bosch Group is very conscious of the fact that Africa is a very attractive future growth market. Over the next years, Bosch is planning to grow twice the GDP growth rate in Africa. Right now Bosch is only an observer in most African countries. However, we are planning to increase our engagement in these markets step by step until we can manufacture locally and assemble in Africa for Africa.”

*Tilman Todenhöfer*, Board Member,  
Robert Bosch GmbH, Germany

### ***Mutual gains from educating Africans talents***

German business representatives strongly embraced African calls for investment in skill development, hoping that a win-win situation can be created. Whereas German companies can benefit from close ties to local market experts, skilled technicians can support the development of high value-added businesses in African countries. The motto “What is good for Baden-Württemberg is also good for Malawi” was therefore put forward in a double sense. On the one hand, German speakers expressed the conviction that their tried and tested education model also works for African trainees. On the other hand, they expected both parties to benefit equally from investment in skill development.

Despite these common goals, however, there was some disagreement about the optimal location of education. Whereas discussants from German business suggested training talented young Africans in German corporations and reported remarkable success stories about the initiative “Afrika kommt” introduced by former Federal President Professor Horst Köhler, some African speakers voiced concerns about possible brain drain (also see above). Specific incentives need to be created for the trainees to return to their home countries and deploy their skills for the benefit of local economies.

### ***Promoting a social market economy***

Representatives of German politics ventured out further, expressing the hope that stronger economic involvement in African countries could promote the development of social market economies following the German model. In these systems entrepreneurs should be able to securely purchase property, while embracing the responsibility coming with it. Speakers recommended creating the necessary framework by implementing a progressive income tax system and providing better health insurance for workers. Overall, they underlined the importance of business people’s orientation towards the common good and expressed their hope that regional, family and clan particularism will decline.

## **Political Concerns of African Representatives**

### ***Self-interested political leaders***

The political instability in some African countries and its disastrous implications for business development constituted the most important grievance for African conference participants. Much emphasis was put on a functioning democracy as a central prerequisite for successful African development. At the same, however, discussants agreed that many African leaders of

the past have been rather short-term oriented or even outright predatory vis-à-vis their local economies. African speakers identified this problematic leadership behavior as the reason why the immense inflow of foreign aid so far had rather insignificant net results. In their view, the situation will not improve as long as African leaders are unwilling to create an institutional environment conducive to economic development.

African representatives agreed that serious leadership should not try to cure the symptoms of poverty, but engage with its causes. Leaders need to change the way things are done, plan properly for the medium and long term, monitor progress, follow up on previous programs and crack down on corrupt officials. In a similar vein, conference participants suggested that development aid should only be granted to states where the minimum requirements of good governance, accountability and democracy are met.



*Strive Masiyiwa,*  
Executive Chairman, Econet  
Wireless,  
Zimbabwe

**The story of Econet Wireless**

“In 1993, a new disruptive technology was introduced into the telecommunication market. I travelled to Siemens production sites to learn about this innovation. But when I tried to introduce this technology at home through licensing, the reaction from officials was extreme. To uphold the existing telecom monopoly, they persecuted me and put me into prison. My case was never mentioned in newspapers! Only when the courts finally ruled that this monopoly was unlawful could I start my company. I had to do this all alone, because any potential foreign partners were so terrified of Zimbabwe’s government. Today my company is the largest in the country!”

***Instability in the institutional framework***

Conference participants from Africa unanimously highlighted that leadership must become more transparent and accountable for their populations in order to create an environment where entrepreneurs can fulfill their beneficial role in society. They found it essential for an African development model to maintain political stability, institutionalize the Rule of Law and guarantee citizens’ security of tenure and physical safety. With one voice, participants fervently called for strong, independent and credible institutions with transparency, separation of powers, checks and balances to uphold democratic principles. Free elections were considered to provide

a basis for democratic processes, upon which appropriate monetary and fiscal policies can follow.

### ***Rampant corruption***

Representatives from African business and politics furthermore strongly denounced the widespread corruption in their home countries and other African states. Although some cases of corruption were heard in court, there have been very few convictions. In some countries such as Malawi, the head of the anticorruption unit is appointed by head of state and therefore cannot be considered independent. Conference participants agreed that these practices send a wrong message to local government officials and deter foreign investors.

In their view, it would be of great assistance to extend global institutions' efforts to curb money-laundering and its financial networks to African countries. If they succeeded in reducing corruption, public opinion and trust in African leaders would be enhanced. Discussants expressed the hope that compliance in taxation and government revenue would increase simultaneously, which might, if applied well, eventually heighten purchasing power.



“We definitely need decisive actions on corruption. I would like to urge the elites, non-governmental Organizations, Civil Society, and Political Parties, the media, parliament and the general public as well as our Partners in development to continue fighting corruption and expose without fear any corrupt activities. Together we shall win, separated we shall loose the fight against this social evil that eats into the very fabric of the society. Where there is embedded corruption there is no possibility of economic development however much billions of dollars are pumped into a country.”

*Dr Willibrod Slaa, Secretary-General of the CHADEMA Party, Tanzania*

### ***Little progress in regional integration***

A final political concern voiced by African conference participants referred to the hesitant progress of regional integration. Most speakers found a stronger cooperation between African states to be desirable for fostering cross-border business activities. German discussants joined in this call for common policies, since many African countries have markets of sub-critical size,

which by themselves do not warrant significant investments. However, contrary to these calls for regional integration, other voices cautioned that in some cases small-scale regional integration has created fault lines between different blocks of countries within Africa. Thus, it becomes clear that integration needs to be designed in a way that fosters rather than impedes cross-border business activities.

### **Political Concerns of German Representatives**

#### ***Instability in the institutional framework***

African panelists' criticism of the insecure and volatile institutional framework in many African countries was supported by German conference participants, who reported that many prospective German investors indeed feel strongly deterred by political instability and potential threats to their property rights. The importance of local governments establishing stable frameworks for business activities was highlighted as a key prerequisite for successful partnerships. In unison with their African colleagues, German business representatives furthermore expressed their worries about corruption. To preclude ethical dilemmas for German investors, organizations like the German-African business association were called upon to take a firm stand demonstrating that German investors will definitely not pay any lubrication fees.

#### ***The role of political parties***

Tying in with African discussants' concerns about self-interested leadership (see above), worries concerning the party systems in many African states were raised and intensely discussed by German representatives. With their democratic socialization in mind, they highlighted that multi-party governments can only function democratically if political parties follow clearly outlined and distinct programs. Unfortunately, German observers did not always find this to be the case in African countries, where campaigning frequently does not focus on issues, but on the funds to pay key people. As these practices make political parties appear less like democratic forces and more like mere vehicles for gaining power, some disillusionment about multi-party governments in many African states was discernible among German observers. These worrisome issues were traced back to African countries' lack of domestic capacities to democratically fund political parties. Finding ways to enable viable forms of party funding and strengthening the oversight power of parliaments were therefore identified as central challenges for the next generation of African leaders.

German business representatives highlighted the severe implications of faulty democratic processes for foreign investors. Under the impression that doing business in Africa must always go through politics, they deplored the fact that German business people are very inexperienced in negotiating with local officials.

### *Problematic perception of Africa in German politics*

Interestingly, conference participants from German politics were not only concerned about political conditions in Africa. They also expressed their worries about the perceptions of parliamentarians at home, denouncing the fact that North-South relations are currently rather peripheral to the German political agenda. When Africa is addressed at all, they reported, it is often discussed as if Germany was a teacher or master, not in terms of equitable partnerships. This heritage of colonialism was seen as very problematic.



*Dr Uschi Eid, Deputy  
President German  
Africa Foundation,  
Germany*

“I really wish German politicians could hear the voices raised here in this meeting! When it comes to Africa, the elite consensus in Germany is totally different from what we are discussing here. The German consensus is that we need a higher quota higher Official Development Assistance quota. NGOs demand to use 0.7% of the German GDP for development aid, believing that this will save Africa. To raise money, our churches and aid organizations raising money always portray Africa as very poor, talking about HIV, malnutrition and child soldiers. Whenever I say that Africa is a continent with significant business opportunities, people shout ‘How dare you?’ But we really should not only talk about poverty reduction. We should enlighten people about what the real Africa is!”

Discussants from the German political arena furthermore regretted that Africa is conventionally labeled as “poverty-stricken, “underdeveloped”, “malnourished” and “constantly needing aid”. Reinforced by the 2005 G8 Gleneagles Summit, the German intellectual consensus considers a stark increase in development aid to be the chief avenue for advancing Africa. On the contrary, a focus on mutually gainful business partnerships is usually not received very well by German politicians. In this respect, conference participants strongly expressed their wish to promote different views on Africa among German parliamentarians.

### ***Lack of political support for German companies venturing into Africa***

German business representatives also criticized the somewhat passive stance taken by German ambassadors in many African countries. To successfully initiate partnerships with African businesses and overcome regulatory and political obstacles, they reported to require well-grounded information about local institutions as well as contacts to local decision-makers. Business representatives called on German embassies in Africa to make greater efforts in providing this information and creating linkages between German investors and local officials.

## **Economic Concerns of African Representatives**

### ***Poverty***

African speakers identified the pervasive and extreme poverty in many African regions as the central impediment to economic development. The majority of African people lives on less than a dollar a day and has only restricted access to clean drinking water. Discussants pointed to the fact that 39 African states are net food importers. With cereal yields stagnating in Sub-Saharan Africa and global food prices rising, the standards of living are declining even further for large parts of the population. If basic needs cannot be safeguarded Africa's economic advancement faces severe obstacles.



“Compared to Germany, Japan and the BRIC states, South Africans spend a very high percentage of the country’s GDP on household consumption. The rate of capital formation is alarmingly low. In China, the percentage of gross capital formation exceeds the percentage of private consumption - this allows the Chinese to heavily invest in Africa.”

*Moeletsi Mbeki*, Deputy Chairperson, South African Institute of International Affairs (SAIIA), South Africa

### ***Absence of savings***

Representatives of African business and politics furthermore expressed concerns about the very low or even nonexistent rate of capital building in their home countries. For the above

mentioned reasons, the majority of citizens spend three quarters of their daily income on food. To compound this issue, speakers noted a culture of “conspicuous consumption”, which promotes consumption at the expense of saving. In South Africa, the household consumption therefore reaches 70% of GDP, whereas it only amounts to 35% of GDP in China. Most discussants found this widespread attitude rather worrisome, emphasizing that investment, not consumption will be both the goal and arbiter of success. However, some speakers cautioned against discounting consumption per se, since consumption of local goods may also spur growth.

### ***Exclusive focus on raw materials***

Another serious concern of African conference participants referred to their home economies’ strong dependence on commodities. Since oil and other minerals still constitute more than 70% of African exports, economic growth tends to track volatile commodity prices. Speakers deplored Africa’s ‘charcoal’ rate of growth, meaning that development rests on unsustainable foundations in low-tech industries with little job creation. Discussants recognized that growth per se does not yet bring benefits for a country. As long as it comes from oil extraction only, profits do not accrue to local populations.

In contrast, the industrial sector including manufacturing and construction was found to present greater opportunities for sustained growth, employment and poverty reduction in Africa. So far, however, Africa has no control over these sectors. Despite its abundant raw materials, African industries account for just 1% of global manufacturing according to a recent UNCTAD report. Speakers identified the scarcity of well-trained labor as a central cause of this deficiency.

### ***Africa’s bad image among European investors***

African discussants moreover voiced their concern about the continent’s negative representation in the European media. They called upon German media to quit portraying Africa solely as the “dark continent” in constant war, but instead adopt a more positive view also showing positive aspects of African life. These wishes met agreement from German participants, who pointed to European consumers’ negative perception of the quality of African products. Before local production of consumer goods can become veritably profitable, these misperceptions need to be changed. African and German conference participants therefore agreed on the need to make joint efforts in spreading the word about the exciting, new and emerging opportunities in African markets.



### ***Women's underrepresentation in decision-making***

A final issue raised by African speakers referred to women's underrepresentation as decision makers in African countries. Although women have a very important role in the continent's economy, supply more than half the workforce on farms, are often responsible for food production and fulfill important roles in various low-tech industries, their voices are frequently not heard. Speakers named cultural and religious constraints to female education, leading to the fact that African women hold only 10% of the continent's wealth, while they frequently work longer hours than men. Not only the (underrepresented) female conference participants, but also their male colleagues emphasized that women's advancement will be important for the development of African economies in general.

### **Economic Concerns of German Representatives**

#### ***Perception of a risky environment***

According to German business representatives, managerial perceptions of African countries as very risky environments for investment constitute the strongest impediment to German-African partnerships. Not only do most listed companies refrain from burdening their balance sheets with such risky investments, small and medium enterprises which do not face shareholder concerns also tend to shy away from country environments perceived as uncertain. Discussants found it "mindboggling" how decision makers at German headquarters are influenced by mainstream thinking and saw their future task in convincing German managers that the risks come with high potential gains.



“Many German SMEs have very little idea what they need to take into account when they venture into Africa. They just don’t know that it is crucial to talk to government officials rather than just look for local partners. Another problem for German investment in Africa is German business people’s fear of the unknown and the insecure. This fear is not very rational, but it is there. So problems are more atmospheric than rational. To tackle them, we must inform German SMEs much more comprehensively about opportunities in Africa.”

*Dr Stefan Liebing*, Chairman of the Board of Directors, German-African Business Association, Germany

### ***SMEs’ weak position vis-à-vis local institutions***

In Germany, there are 1500 small and medium-sized enterprises, which are world market leaders in their specialized segments. Conference participants repeatedly highlighted the potential of these businesses to create significant value and a large number of skilled jobs through cooperation with African partners. However, they unanimously stated that the insecure institutional environment of many African countries presents especially formidable obstacles for German SMEs, which find it hard to get access to local authorities. If they do, their bargaining power remains very limited. Consequently, they find it difficult to access land, get clearance at checkpoints and defend themselves against corrupt structures. In addition, most German engineer-led SMEs lack knowledge about the cultural environment of doing business in Africa. Conference participants agreed that shortcomings in cross-cultural competence can severely impede foreign entrants’ business success.

### ***Lack of infrastructure***

German discussants furthermore pointed out that the underdeveloped infrastructure in many African regions seriously impedes their efforts to set up operations which may facilitate positive change. African participants acknowledged the existence of these barriers, which were held accountable for large market inefficiencies. Unfortunately, a speedy construction of roads and railways is often impeded by local decision makers. Conference participants therefore agreed that infrastructure development must take priority in any model for African development.

### ***Chinese competition***

Competition by investors from other countries emerged as a major concern among German business representatives planning to invest in Africa. Specifically, they expressed their fear that assets might be preempted by Chinese investors, who may find it easier to accommodate corrupt local officials. Also, the German preference for planning everything in detail before deciding about partnership agreements was identified as a handicap in the “race” for profitable investments in Africa.

Concurrently, African conference participants encouraged German investors to recognize the opportunities offered by African markets before they are seized by competitors from other countries. They made it clear that Chinese investment will certainly be accepted by their fellow countrymen, even though it is often considered less sustainable and less socially responsible than German investment. It was pointed out that Chinese investors have recently started investing in education and local skill development. African participants’ message to German businesses was clear: Seize the opportunities before they slip away!

## **Towards a Future Agenda**

### ***Unanimity between African and German representatives***

German and African participants of the conference “Partnership with Africa” demonstrated remarkable agreement about central challenges for business partnerships and African development in general. No apparent conflicts of interest were raised. Instead, discussants unanimously emphasized that positive development can happen, if German business know-how and African local market expertise are brought together. The atmosphere was characterized by strong optimism and a sense of heading towards new horizons. Although the conference has not yet outlined a conclusive model for African development, the dialogue has been initiated very successfully.

### ***Paradigms shifting from aid to trade***

To translate talk into action, conference participants agreed that existing approaches to African development need to be changed. In this respect, lateral thinking “out of the box” was seen as an important virtue both for African leaders and German businesses.

A central theme of the conference was the necessity of shifting paradigms from a focus on development aid to a focus on equitable trade. While discussants recognized that foreign aid can be used beneficially to support entrepreneurial startups for people from poor backgrounds,

they also criticized that large parts of foreign aid ultimately subsidize flawed local governments. Furthermore, foreign aid may be detrimental to small local businesses and erode African people's self-reliance. Contrary to the elite consensus in Germany, conference participants therefore agreed that equitable trade constitutes the best way to help African countries rise out of poverty. For a modern development policy, a healthy mix of economic development programs and well controlled aid was called for to increase the independence of the local population. Discussants agreed that European and specifically German investors can make a very important contribution in this respect.



“This conference has shown that we agree on the market economy as the right coordination system for a sustainable development in Africa. To work for all, this economy needs to be supported with clear rules of the game. Values like honesty, solidarity and good governance are crucial in this respect. There are some differences in how German and African partners define good governance, so we need to engage in constant dialogue about these issues.

At this conference I noted with humor and satisfaction that African entrepreneurs are encouraging German entrepreneurs to detect and seize the obvious opportunities in Africa. This shows me that German-African partnership is desirable and possible!”

*Professor Dr Horst Köhler, Former President of the Federal Republic of Germany*

### ***Sustained dialogue***

Overall, the conference has clearly demonstrated that German businesses are warmly welcomed by potential African partners. To foster these desirable partnerships it will be very important to sustain the dialogue and bring private entrepreneurs from Germany and different African countries together. Through their exchange of ideas, trust can be built and the groundwork for sustainable cooperation can be laid. As one speaker put it: “We should not put our trust in money, but put our money in trust.”