EXPORT PROMOTION

A Decision Support Model Approach

Editors

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Chapter 7

The identification of export opportunities for South Africa in the rest of the African content

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7.1 Introduction

Export development can be regarded an economic tool that enables a nation to employ citizens, build overseas exchange reserves and ultimately create a higher standard of living (Shankarmahesh, Olsen & Honeycutt, 2005:203; Edwards & Stern, 2007:1-22). However, governments and individual firms that want to stimulate growth through export development must distinguish between a vast number of export combinations due to the fact that in most circumstances a large number of export opportunities exists, and only a limited number of these can be explored because of scarce resources (Papadopoulos & Denis, 1988:38).

Therefore, the challenge that governments and individual firms face was in choosing specific markets for export promotion (Shankarmahesh *et al.*, 2005:204). In order to yield a higher return on investment and to make sure that resources are not wasted on less attractive export markets, they should focus their efforts and resources on a limited set of export markets that holds the highest export potential (Shankarmahesh *et al.*, 2005:204). Furthermore, selecting the “right” market is important as a first step to ensure export success (Papadopoulos & Denis, 1988:38).

The DSM was specifically designed to select the most promising markets for a given exporting country in order to assist export promotion organisations in planning and assessing their export promotion activities (see Chapter 2). In this chapter the DSM methodology (as

discussed in Chapter 4) is applied to identify realistic export opportunities for South African products in the rest of the African continent.

The strengthening of trade and economic links with countries in Africa is regarded a priority in the trade policies of the South African government (DTI, 2006). The South African government's strategic objectives include support to economic development in Africa through regional integration, increased intra-African trade and capacity building and strengthening SADC, SACU, NEPAD and the AU institutions (DTI, 2006). The reasons for prioritising the strengthening of trade and economic links with countries in Africa include the following (DTI, 2006):

- (i) South Africa's economic development is linked to the economic development of the rest of the African continent.
- (ii) South Africa is the leading economy in Africa. This presents unique trade and investment opportunities for South Africa, but also presents a responsibility to contribute to the continent's economic development.
- (iii) Other countries around the world are seeking increased presence in the African continent through various trade initiatives. South Africa needs to compete with this growing competition for markets in Africa.

Furthermore, according to the DTI (2010), the African continent is amongst the most important and fastest growing destinations for South African exports. South Africa's exports to the rest of the African continent also include more higher value-added products compared to other continents. To increase South Africa's exports to other African countries is also part of South Africa's industrial and employment objectives (DTI, 2010).

In section 7.2 the methodology of the DSM specifically applied to identify export opportunities for South Africa in the rest of the African continent, will be discussed. The results of this unique application of the DSM will be discussed in section 7.3.

7.2 Method

The methodology of the DSM was discussed in detail in Chapter 4. For identifying export opportunities for South Africa specifically in the rest of the African continent, it was decided to change the sequence of the filters.

The reason for this is that in a study to determine South Africa's export opportunities to the rest of the world, 42 African countries were already eliminated in Filter 1 (Steenkamp & Viviers, 2011). Sixteen (16) African countries were eliminated based on too high commercial

and political risk ratings and another 27 countries eliminated based on too low GDP/GDP per capita levels as well as GDP/GDP per capita growth values in Filter 1. Therefore, in total, 42 of the 52 African countries were eliminated in Filter 1, leaving only 10 African countries to be analysed in Filters 2 to 4 (for more detail, see Steenkamp & Viviers, 2011).

Based on the strategic importance of increasing and diversifying South Africa's exports to other African countries (as indicated in section 7.1) and, therefore, the importance of identifying export opportunities for South Africa in the rest of the African continent, it was decided to start the DSM approach with Filter 2. Therefore, all 52 African countries entered the analysis.

7.3 Results

The filtering process of the DSM applied to identify export opportunities for South Africa in the rest of the African continent is illustrated in Figure 7.1. For a detailed description of the filters applied, see Chapter 4.3: the sequential filtering process of the DSM.

Figure 7.1. Selection of realistic export opportunities for South Africa in Africa.

From a possible 280,956¹ product-country combinations in Africa 2,986 were identified as having export opportunities for South Africa in the rest of the African continent. These product-country combinations are categorised according to South Africa's relative market share and the importers' market characteristics in Table 7.1 and 7.2 (see Chapter 4 section 3.4).

Table 7.1. Number of realistic export opportunities in Africa according to South Africa's relative market share and the importers' market characteristics.

	Market share of South Africa relatively small	Market share of South Africa intermediately small	Market share of South Africa intermediately large	Market share of South Africa relatively large	Total
Large product market	(Cell 1) 5 (0.17%)	(Cell 6) 0 (0.00%)	(Cell 11) 1 (0.03%)	(Cell 16) 7 (0.23%)	13 (0.44%)
Growing (long- and short-term) product market	(Cell 2) 1248 (41.80%)	(Cell 7) 58 (1.94%)	(Cell 12) 63 (2.11%)	(Cell 17) 1,499 (50.20%)	2,868 (96.05%)
Large product market, short-term growth	(Cell 3) 6 (0.20%)	(Cell 8) 0 (0.00%)	(Cell 13) 0 (0.00%)	(Cell 18) 3 (0.10%)	9 (0.30%)
Large product market, long-term growth	(Cell 4) 6 (0.20%)	(Cell 9) 1 (0.03%)	(Cell 14) 0 (0.00%)	(Cell 19) 8 (0.27%)	15 (0.50%)
Large product market, short- and long-term growth	(Cell 5) 37 (1.24%)	(Cell 10) 3 (0.10%)	(Cell 15) 7 (0.23%)	(Cell 20) 34 (1.14%)	81 (2.71%)
Total	1,302 (43.60%)	62 (2.08%)	71 (2.38%)	1,551 (51.94)	2,986 (100%)

It is interesting to note that both in terms of the number of opportunities selected and the potential export value, most export opportunities fall into either Cells 1 to 5 or Cells 16 to 20. South Africa, therefore, mostly has either a very small or a relatively large market share in the markets identified as export opportunities in the rest of the African continent. For the markets in which South Africa already has a relatively large market share, little interference from export promotion organisations are probably needed. For markets in which South Africa has a very low market share there is still much exploration and preparation that need to take place. For a further analysis of these results, see section 7.3.5 and for the practical

1 Fifty-two (52) African countries (excluding South Africa) x 5,403 HS 6-digit product classifications.

implications of the cells for government export promotion, see the case studies discussed in Chapter 9.

Table 7.2. Potential export values of therealistic export opportunities in Africa according to South Africa's relative market and the importers' market characteristics (thousands of US\$).

	Market share of South Africa relatively small	Market share of South Africa intermediately small	Market share of South Africa intermediately large	Market share of South Africa relatively large	Total
Large product market	(Cell 1) 44,852 (0.63%)	(Cell 6) 0 (0%)	(Cell 11) 15,061 (0.21%)	(Cell 16) 71,506 (1.01%)	131,419 (1.85%)
Growing (long- and short-term) product market	(Cell 2) 2,352,359 (33.06%)	(Cell 7) 560,910 (7.88%)	(Cell 12) 123,776 (1.74%)	(Cell 17) 2,803,259 (39.40%)	5,840,304 (82.09%)
Large product market, short-term growth	(Cell 3) 35,888 (0.50%)	(Cell 8) 0 (0.00%)	(Cell 13) 0 (0.00%)	(Cell 18) 50,845 (0.71%)	86,733 (1.22%)
Large product market, long-term growth	(Cell 4) 195,906 (2.75%)	(Cell 9) 377 (0.01%)	(Cell 14) 0 (0.00%)	(Cell 19) 23,374 (0.33%)	219,657 (3.09%)
Large product market, short- and long-term growth	(Cell 5) 396,232 (5.57%)	(Cell 10) 307,66 (0.43%)	(Cell 15) 54,671 (0.77%)	(Cell 20) 354,579 (4.98%)	836,248 (11.75%)
Total	3,025,237 (42.52%)	592,053 (8.32%)	193,508 (2.72%)	3,303,563 (46.44%)	7,114,361 (100%)

It is also interesting to note from Tables 7.1 and 7.2 that in total, 96.05% (in terms of the number of opportunities selected) or 82.09% (in terms of the potential export value) of the total export opportunities selected in Africa is in growing in the short and long term, but not large markets (Cells 2, 7, 12 and 17).

In the following sections the results will be presented according to regions, countries, sectors (HS 2-digit), and products (HS 6-digit).

7.3.1 Regional results of the Africa DSM

In this section the results of the DSM applied to identify export opportunities for South Africa in the rest of the African continent will be reported per region, namely Northern Africa, Eastern Africa, Southern Africa, Middle Africa and Western Africa². Figures 7.2 and

2 Regions as defined by the United Nations (2010).

7.3 provide graphical illustrations of the DSM results per region based on the number of opportunities identified and the potential export values of these opportunities respectively.

Figure 7.2. Regional distribution of export opportunities in Africa: share in total number of opportunities.

From Figure 7.2 it is clear that in terms of number of opportunities, Eastern Africa holds the highest export potential for South Africa with 50.33% of the opportunities in this region. Southern Africa follows with 18.92%. Western Africa (14.33%) and Northern Africa (13.95%) are in the third and fourth places, followed by Middle Africa with only 3.38% of the total number of opportunities identified in this region. This picture changes when the potential export values of the different export opportunities are considered (see Figure 7.3).

From Figure 7.3 it is clear that while Eastern Africa holds 50.33% of the number of export opportunities in Africa (see Figure 7.2), these change when the potential export values of the export opportunities identified are considered. Eastern Africa still holds the largest percentage of the export opportunities (29.22%), followed by Western and Northern Africa with 28.89% (as opposed to 14.33% in terms of number of opportunities) and 21.85% (as opposed to 13.93% in terms of number of opportunities) of the export opportunities in each of these regions.

Figure 7.3. Regional distribution of export opportunities in Africa: share in total potential export value.

Source: GDP per capita data from World Bank (2011).

Southern Africa still holds around 18% of the export opportunities, while Middle Africa is still in the last place with only 1.36% of the total potential export value of the export opportunities identified for South Africa that fall in this region.

When one compares each region's share in the total African³ GDP per capita to its share in the total potential value of the export opportunities identified, as indicated in Figure 7.3, these percentages correlate well in Northern Africa, Eastern Africa and Southern Africa. Although Western Africa's 12.81% share in total African GDP per capita is considerably less than its share in total African potential export value (28.89%), it holds 28.55% of total African GDP, which correlates well with the share in total potential export value. The same applies for Middle Africa that holds a 5.74% share of the total African GDP, and correlating better to its share in the total potential export value (1.36%).

Figure 7.4 provides an illustration of South Africa's actual exports to the product-country combinations identified as export opportunities in each region. This analysis will shed some light on the degree to which South Africa is utilising its export potential in each region.

3 This excludes South Africa and the countries in which no export opportunities were identified.

Figure 7.4. Regional distribution of South Africa's actual exports to Africa.

From Figure 7.3 and 7.4 it can be noted that South Africa is on the right track in exporting to Eastern, Southern and Middle Africa, but might be missing many export opportunities in Western and Northern Africa. To elucidate this situation, Figure 7.5 illustrates the differences between the potential and actual exports of the export opportunities identified in each of the African regions.

Figure 7.5. Potential export value realised in actual export values per African region (US\$ thousand).

Figure 7.5 confirms that South Africa is utilising its export potential to a large extent in Eastern, Southern and Middle Africa, but falls short in Northern and Western Africa.

In order to be more specific, the specific countries with the highest export potential for South Africa in the rest of the African continent will be determined in section 7.3.2.

7.3.2 Country-level results of the Africa DSM

The top 20 African countries in terms of total potential export value are provided in Table 7.3. The African countries with the highest potential export values for South Africa are situated in Western Africa, Eastern Africa and Northern Africa. Nigeria presents the highest potential export value for South Africa, but South Africa only tapped into 13.35% of this country's potential.

Table 7.3. Top 20 African countries based on total export potential values.

Ranking	Country	Potential export value (2007) ⁴ (US\$ thousand)	Current export value (2007) (US\$ thousand)	% of the total potential export value realised in actual exports ⁵
1	Nigeria	1,213,631	162,028	13.35%
2	Namibia	1,019,333	924,307	90.68%
3	Ghana	631,990	127,986	20.25%
4	Egypt	573,624	19,200	3.35%
5	Morocco	544,189	134,985	24.80%
6	Zambia	523,376	504,549	96.40%
7	Kenya	342,553	241,339	70.45%
8	Tunisia	333,054	7,790	2.34%
9	Zimbabwe ⁶	253,928	232,902	91.72%
10	Mauritius	230,736	165,817	71.86%
11	Botswana	230,272	198,877	86.37%
12	Mozambique	195,143	171,385	87.83%
13	Uganda	158,208	86,775	54.85%
14	Tanzania	114,348	94,153	82.34%
15	Malawi	105,616	98,218	93.00%
16	Madagascar	99,606	73,906	74.20%
17	Côte d'Ivoire	86,544	9,009	10.41%

Ranking	Country	Potential export value (2007) ⁴ (US\$ thousand)	Current export value (2007) (US\$ thousand)	% of the total potential export value realised in actual exports ⁵
18	Swaziland	78,868	77,064	97.71%
19	Senegal	70,341	8,269	11.76%
20	Algeria	67,017	233	0.35%

Countries in which South Africa has, to a relatively large degree, tapped into the export potential include Namibia, Zambia, Zimbabwe, Botswana, Mozambique, Tanzania, Malawi and Swaziland which are all SADC countries. Countries that hold high potential for exporters, that are not adequately utilised by South Africa, are Tunisia (2.45%), Egypt (3.35%), Côte d'Ivoire (10.41%), Senegal (11.76%), Nigeria (13.35%), Ghana (20.25%) and Morocco (24.80%).

In section 7.3.3 a sector-level analysis (HS 2 digit) of the results follows.

7.3.3 Sector-level (HS 2-digit level) results of the Africa DSM

This section will report in more detail on the sector-level (HS 2-digit level) results of the DSM applied to identify export opportunities for South Africa in the rest of the African continent. Firstly, to gain an overview of the different types of product groups identified as export opportunities in Africa, a comparison of the potential export values for each product category is provided in Figure 7.6.

The product groups with the highest export potential for South Africa in the rest of the African continent include mineral products, metals and transportation. Chemicals and allied industries also hold high export potential for South Africa in Africa.

Table 7.4 presents the percentages of the potential export values for the different product categories realised in actual exports. These percentages should be interpreted together with the relative size of the export potential in each product category as illustrated in Figure 7.7.

4 The most recent trade data in the database obtained from the International Trade Centre are for 2007.

5 This ratio is the sum of the actual exports of only the products for which realistic export opportunities was identified divided by the potential export value thereof per country.

6 The export opportunities identified in Zimbabwe should be interpreted bearing the current political and economic instability in Zimbabwe in mind.

Figure 7.6. Comparison of potential export values per product group in Africa (HS 2-digit level) (US\$ thousand). **Table 7.4.** Potential export value realised in actual export values for export opportunities identified per HS 2-digit product group in Africa.

	Potential export value (US\$ thousand)	Actual SA export value (US\$ thousand)	% of the total potential export value realised in actual exports
01 – 05 Animal and animal products	127,657	33,191	26.00%
06 – 15 Vegetable products	134,132	96,612	72.03%
16 – 24 Foodstuffs	247,491	174,843	70.65%
25 – 27 Mineral products	1,908,724	719,517	37.70%
28 – 38 Chemicals and allied industries	665,812	428,658	64.38%
41 – 43 Raw hides, skins, leather and furs	213,906	112,598	52.64%
44 – 49 Wood and wood products	236,105	113,377	48.02%
50 – 63 Textiles	57,499	26,441	45.99%
64 – 71 Stone/Glass	81,280	27,571	33.92%
72 – 83 Metals	1,344,067	722,214	53.73%
84 – 85 Machinery/Electrical	585,196	300,264	51.31%
86 – 89 Transportation	1,397,269	591,355	42.32%
90 – 97 Miscellaneous	115,223	69,253	60.10%
Total	7,114,361	3,415,894	48.01%

Figure 7.7. Potential export value realised in actual export values per product group in Africa (US\$ thousand).

From Table 7.4 and Figure 7.7 it is clear that the sectors with the highest export potential and the biggest shortfalls in actual exports versus potential export values are mineral products, transportation products and metals. The export promotion of these product groups in African countries can therefore be regarded as first priorities on which the South African export promotion organisations should focus their export promotion activities.

In order to combine the regional (section 7.3.1) and sector-level results (section 7.3.3), the product groups with the most potential in each African region have been identified in Figure 7.8.

Mineral products to Western Africa far outweigh the other export opportunities for South Africa in the rest of the African continent. Metals to Eastern Africa, transportation products to Western Africa, mineral products and metals to Northern Africa, mineral and transportation products to southern Africa as well as chemicals and allied industries to Eastern Africa also hold relatively large export potential for South Africa.

Following on the sector-level analysis of the results of the African DSM, the specific HS 6-digit level products with the highest export potential for South Africa in the rest of the African continent will be discussed in section 7.3.4.

Figure 7.8. Potential export values of the different product groups per African region (US\$ thousand).

7.3.4 Product and product-country level results of the Africa DSM

The top 50 HS 6-digit products in Africa that hold the highest export potential values for South Africa are provided in Table 7.5.

Table 7.5. Top 50 products with the highest export potential for South Africa in Africa.

Rank	Product category	Potential export value (US\$ thousand)	Actual SA export value (US\$ thousand)	% of potential value realised
1	271011 – Aviation spirit	1,249,734	426,635	34.14%
2	870323 – Automobiles, spark ignition engines of 1500-3000 cc	827,972	248,884	30.06%
3	870421 – Diesel powered trucks weighing less than 5 tons	237,282	183,876	77.49%
4	270119 – Coal except anthracite or bituminous, not agglomerate	223,845	197,650	88.30%

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Rank	Product category	Potential export value (US\$ thousand)	Actual SA export value (US\$ thousand)	% of potential value realised
5	720839 – Flat-rolled products/coils of iron/non-alloy steel of a thickness less than 3 mm	220,096	141,362	64.23%
6	260112 – Iron ores and concentrates, excluding iron pyrites, agglomerated	177,938	0	0.00%
7	720719 – Semi-finished products of iron/non-alloy steel, containing by weight less than 0.25% of carbon, n.e.s.	113,974	7,162	6.28%
8	250300 – Sulphur of all kinds	109,700	21,810	19.88%
9	870322 – Automobiles, spark ignition engines of 1000-1500 cc	105,051	2,546	2.42%
10	870410 – Dump trucks designed for off-highway use	100,867	82,396	81.69%
11	730890 – Structures and parts of structures of iron or steel, n.e.s.	95,682	84,078	87.87%
12	730410 – Line pipe of iron or steel used for oil or gas pipelines	93,479	276	0.30%
13	310520 – Nitrogen-phosphorus-potassium fertilizers, pack >10 kg	73,761	50,894	69.00%
14	847490 – Parts of machinery for mineral sorting, screening, mixing, etc.	72,679	54,444	74.91%
15	390210 – Polypropylene in primary forms	72,642	41,858	57.62%
16	401120 – Pneumatic tyres new of rubber for buses or lorries	66,375	32,223	48.55%
17	030374 – Mackerel, frozen, whole	61,039	945	1.55%
18	721391 – Bars and rods of circular cross-section, less than 14 mm in diameter	60,623	21,286	35.11%
19	760110 – Aluminium unwrought, not alloyed	54,312	51,371	94.58%
20	720918 – Flat-rolled products of iron /non-alloy steel, in coils, less than 0.5 mm thick	53,742	15,093	28.08%
21	841381 – Pumps n.e.s.	53,301	27,069	50.79%
22	730690 – Tube/pipe/hollow profile of iron/steel, n.e.s.	47,373	35,687	75.33%
23	721049 – Flat-rolled products of iron or non-alloy steel, coated with zinc, of a width of 600 mm or more, other than corrugated	45,696	27,197	59.52%
24	710231 – Diamonds (jewellery) unworked or simply sawn, cleaved	43,386	6,714	15.48%
25	360200 – Prepared explosives, except propellant powders	42,115	37,091	88.07%
26	847420 – Machines to crush or grind stone, ores and minerals	41,813	20,022	47.88%

Rank	Product category	Potential export value (US\$ thousand)	Actual SA export value (US\$ thousand)	% of potential value realised
27	721633 – Angles, shapes and sections of iron/non-alloy steel, H-sections, hot-rolled/ hot-drawn/ extruded of a height of 80 mm or more	39,979	12,281	30.72%
28	852510 – Transmission apparatus for radio, telephone and TV	39,570	2,295	5.80%
29	280700 – Sulphuric acid, oleum	38,356	27,133	70.74%
30	902830 – Electricity supply, production and calibrating meters	37,466	24,462	65.29%
31	380830 – Herbicides, sprouting and growth regulators	37,187	16,041	43.14%
32	730820 – Towers and lattice masts of iron or steel	35,478	32,961	92.91%
33	721310 – Bars and rods of iron or non-alloy steel, hot-rolled in irregular wound coils	35,403	31,779	89.76%
34	030379 – Fish n.e.s., frozen, whole	32,842	12,329	37.54%
35	310590 – Fertilizers, mixes, n.e.s.	32,291	29,248	90.58%
36	940600 – Prefabricated buildings	32,120	21,010	65.41%
37	310230 – Ammonium nitrate, including solution, in pack > 10 kg	30,249	9,031	29.86%
38	491199 – Printed matter, n.e.s.	29,810	16,662	55.89%
39	480256 – Paper and paperboard, not cont, fibres obt by a mech/chemi-mech process	29,369	26,779	91.18%
40	854460 – Electric conductors for over 1,000 volts, n.e.s.	29,122	13,641	46.84%
41	760511 – Wire, aluminium, not alloyed, of which the cross-sectional dimension > 7 mm	28,922	1,236	4.27%
42	170199 – Refined sugar, in solid form, n.e.s., pure sucrose	28,771	27,665	96.16%
43	260700 – Lead ores and concentrates	28,765	0	0.00%
44	310240 – Ammonium nitrate limestone, etc mixes, pack > 10 kg	27,780	27,780	100.00%
45	480421 – Sack kraft paper, unbleached, uncoated	26,476	1,738	6.56%
46	300680 – Waste pharmaceuticals	24,025	20,110	83.70%
47	220421 – Grape wines n.e.s., fortified wine or must, pack < 2l	23,943	21,413	89.43%
48	720852 – Flat-rolled products of iron/on-alloy steel, in coils, less than 4.75 mm thick	22,971	19,138	83.31%
49	721190 – Flat-rolled iron or non-alloy steel of a width less than 600 mm, not clad/ plated/coated, n.e.s.	22,945	22,688	98.88%
50	240120 – Tobacco, unmanufactured, stemmed or stripped	22,717	5,174	22.78%

These products are diverse, but those with the highest potential export values include mineral products (e.g. aviation spirit, coal, iron ores, sulphur), transportation products (e.g. 1000-3000 cc automobiles, diesel trucks weighing less than five tons and dump trucks for off-highway use) and metals (e.g. flat-rolled products of iron/non-alloy steel of different thicknesses, semi-finished products of iron/non-alloy steel, iron or steel structures and parts of structures, line pipe used for oil/gas pipelines of iron or steel).

South Africa has tapped into the potential to a relatively large extent in the following products: ammonium nitrate limestone mixes, flat-rolled iron/non-alloy steel, refined sugar, aluminium, iron or steel towers and lattice masts, paper and paperboard, fertilizers, hot rolled bars, grape fines, coal, prepared explosives, structures and parts of structures of iron or steel, waste pharmaceuticals, dump trucks for off-highway use, diesel powered trucks weighing less than 5 tons and tube, pipe and hollow profile of iron or steel.

However, for the following products South Africa has not adequately tapped into the export potential in the identified markets⁷: lead ores, iron ore, line pipe used for oil/gas pipelines of iron or steel, frozen mackerel, 1000-1500 cc automobiles, aluminium wire, transmission apparatus for radio, telephone and television, semi-finished products of iron or non-alloy steel, sack kraft paper, unworked diamonds, sulphur and tobacco.

The 50 product-country combinations with the highest export potential for South Africa in the rest of the African continent are provided in Table 7.6.

Table 7.6. Top 50 product-country combinations in Africa.

Country	HS 6-digit product code and description	Filter 4 Cell classification ⁸	Potential export value (US\$ thousand)	Actual SA Exports (US\$ thousand)
Nigeria	271011 – Aviation spirit	2	781,698	63,025
Namibia	271011 – Aviation spirit	17	391,642	350,000
Ghana	870323 – Automobiles, spark ignition engine of 1500-3000 cc	7	317,623	486
Namibia	870323 – Automobiles, spark ignition engine of 1500-3000 cc	17	249,881	223,563
Egypt	260112 – Iron ores and concentrates, excluding iron pyrites, agglomerated	4	164,777	0
Nigeria	870323 – Automobiles, spark ignition engine of 1500-3000 cc	17	153,468	13,589
Morocco	270119 – Coal except anthracite or bituminous, not agglomerate	20	128,331	102,147

Country	HS 6-digit product code and description	Filter 4 Cell classification ⁸	Potential export value (US\$ thousand)	Actual SA Exports (US\$ thousand)
Tunisia	720719 – Semi-finished products of iron/non-alloy steel, containing by weight less than 0.25% of carbon, n.e.s.	5	106,802	0
Kenya	720839 – Flat-rolled products/coils of iron/non-alloy steel of a thickness < 3 mm	17	79,686	79,686
Egypt	870322 – Automobiles, spark ignition engine of 1000-1500 cc	2	66,427	1,925
Morocco	720839 – Flat-rolled products/coils of iron/non-alloy steel of a thickness < 3 mm	2	59,468	0
Zimbabwe	870421 – Diesel powered trucks weighing less than 5 tons	2	56,106	47,102
Morocco	250300 – Sulphur of all kinds	5	56,052	0
Mauritius	270119 – Coal except anthracite or bituminous, not agglomerate	17	51,473	51,473
Nigeria	720918 – Flat-rolled products of iron /non-alloy steel, in coils, < 0.5 mm thick	18	48,086	10,486
Zambia	730890 – Structures and parts of structures of iron or steel, n.e.s.	17	44,599	44,599
Nigeria	730410 – Line pipe of iron or steel used for oil or gas pipelines	5	41,057	0
Zambia	870410 – Dump trucks designed for off-highway use	17	39,458	39,458
Tanzania	720839 – Flat-rolled products/coils of iron/non-alloy steel of a thickness < 3 mm	17	38,548	31,755
Ghana	870421 – Diesel powered trucks weighing less than 5 tons	17	36,876	36,876
Zambia	847490 – Parts of machinery for mineral sorting, screening, mixing, etc	17	35,205	35,205
Kenya	870421 – Diesel powered trucks weighing less than 5 tons	7	35,054	18,093
Uganda	271011 – Aviation spirit	2	35,032	3,243
Botswana	870410 – Dump trucks designed for off-highway use	17	33,373	33,373
Botswana	710231 – Diamonds (jewellery) unworked or simply sawn, cleaved	7	32,572	5,513

7 These products are successfully exported by South Africa (RCA > 1), but are not exported to the markets in Africa with high export potential for South Africa.

8 See Table 4.6 for the meaning of the different cell classifications.

Country	HS 6-digit product code and description	Filter 4 Cell classification ⁸	Potential export value (US\$ thousand)	Actual SA Exports (US\$ thousand)
Ghana	760110 – Aluminium unwrought, not alloyed	17	31,374	31,374
Tunisia	250300 – Sulphur of all kinds	1	30,166	0
Namibia	870421 – Diesel powered trucks weighing less than 5 tons	7	29,203	25,562
Tunisia	870323 – Automobiles, spark ignition engine of 1500-3000 cc	2	29,111	0
Uganda	870421 – Diesel powered trucks weighing less than 5 tons	2	28,994	15,507
Uganda	720839 – Flat-rolled products/coils of iron/non-alloy steel of a thickness < 3 mm	17	28,974	28,648
Morocco	260700 – Lead ores and concentrates	2	28,765	0
Zambia	280700 – Sulphuric acid, oleum	16	27,771	25,638
Senegal	721391 – Bars and rods of circular cross-section, less than 14 mm in diameter	12	27,132	858
Zimbabwe	310520 – Nitrogen-phosphorus-potassium fertilizers, pack > 10 kg	17	27,008	23,814
Morocco	870322 – Automobiles, spark ignition engine of 1000-1500 cc	12	26,716	621
Mozambique	270119 – Coal except anthracite or bituminous, not agglomerate	17	26,031	26,031
Zambia	310590 – Fertilizers, mixes, n.e.s.	20	26,027	23,606
Algeria	730410 – Line pipe of iron or steel used for oil or gas pipelines	5	24,976	58
Ghana	852510 – Transmission apparatus for radio, telephone and TV	10	24,870	228
Zambia	300680 – Waste pharmaceuticals	16	24,025	20,110
Nigeria	401120 – Pneumatic tyres new of rubber for buses or lorries	7	22,861	294
Egypt	721633 – Angles, shapes and sections of iron/non-alloy steel, H-sections, hot-rolled/hot-drawn/extruded of a height of 80 mm or more	2	22,804	0
Malawi	310520 – Nitrogen-phosphorus-potassium fertilizers, pack > 10 kg	7	22,722	22,722
Morocco	721190 – Flat-rolled iron or non-alloy steel of a width less than 600 mm, not clad/plated/coated, n.e.s.	17	22,253	22,253
Kenya	760110 – Aluminium unwrought, not alloyed	2	22,093	19,152
Zambia	250300 – Sulphur of all kinds	20	21,810	21,810

Country	HS 6-digit product code and description	Filter 4 Cell classification ⁸	Potential export value (US\$ thousand)	Actual SA Exports (US\$ thousand)
Kenya	721310 – Bars and rods of iron or non-alloy steel, hot-rolled in irregular coils	17	21,351	21,351
Egypt	390210 – Polypropylene in primary forms	2	20,767	0
Côte d'Ivoire	870323 – Automobiles, spark ignition engine of 1500-3000 cc	7	20,619	2

The countries in which the top 50 export opportunities for South Africa are located include, in order of highest to lowest total export potential value, Nigeria, Namibia, Ghana, Morocco, Egypt, Zambia, Tunisia, Kenya, Uganda, Zimbabwe, Botswana, Mauritius, Tanzania, Senegal, Mozambique, Algeria, Malawi and Côte d'Ivoire.

The products with the highest potential export values in the top 50 product-country combinations for South Africa in Africa are mineral products (aviation spirit, iron ore, sulphur and coal) and transportation products (1500-3000 cc automobile engines and diesel powered trucks weighing less than 5 tons).

Amongst the product-country combinations with the highest potential for South Africa in the rest of the African continent, there are product-country combinations to which South Africa has not exported at all. It means that South Africa is not tapping the export potential of these markets even though the demand is sizable and/or growing, the competition is not too fierce, barriers to trade are not too high, South Africa is specialised in producing and exporting the product and the potential export value is high. Examples of such product-country combinations include iron ore to Egypt, semi-finished iron or non-alloy steel products to Tunisia, flat-rolled products of iron/non-alloy steel in coils less than 3 mm thick to Morocco, sulphur to Morocco and Tunisia, pipe line of iron or steel for oil or gas pipelines to Nigeria, 1500-3000 cc automobiles to Tunisia, lead ores to Morocco, polypropylene to Egypt and H sections angles, shapes and sections of iron/non-alloy steel of a height of 80 mm or more to Egypt. It is interesting to note that most of these opportunities are in Northern Africa.

On the other hand, there are product-country combinations to which South Africa has utilised the export potential to a relatively large degree. These product-country combinations include flat-rolled products of iron/non-alloy steel in coils less than 3 mm thick and hot-rolled bars and rods of iron/non-alloy steel to Kenya, coal to Mauritius and Mozambique, structures and parts of structures of iron and steel, parts for mineral sorting, screening and mixing machinery, sulphur, sulphuric acid and fertilizers to Zambia, dump trucks for off-highway use to Botswana and Zambia and diesel powered trucks weighing less than 5

tons and aluminium to Ghana. It is interesting to note that most of these opportunities are situated in Eastern Africa.

If the export promotion organisations (EPOs) want to focus their export promotion efforts and their resources, they can do so by focusing on prioritised product-country combinations. In order to determine on which product-country combinations the focus should be, it is necessary to determine the so-called “low hanging fruits” for export promotion organisations. In section 7.3.5 recommendations for focused export promotion into Africa is discussed.

7.3.5 Focused export promotion by export promotion organisations into Africa

Cuyvers *et al.* (1995:183) and Cuyvers (1997:14-15; 2004:270) recommend that when resources are limited, export promotion agencies should not actively promote export opportunities in Cells 1 to 10, where South Africa’s market share is small, but rather focus on expanding markets in Cells 11 to 15. Furthermore, resources should not be used to actively promote exports to markets in Cells 16 to 20, where South Africa already has a large market share and exporters are familiar with their markets. These markets should rather be maintained by the exporters themselves.

In total, there are 71 export opportunities identified in Cells 11 to 15 for South Africa in the rest of the African continent. In Table 7.7 the top 50 product-country combinations selected in Africa, which are categorised in Cells 11 to 15, are provided.

The top 50 export opportunities in Cells 11 to 15 with the highest export potential values are situated in Northern Africa (Egypt and Morocco), Eastern Africa (Kenya, Zambia and Tanzania) and Western Africa (Senegal and Ghana).

Table 7.7. Top 50 African product-country combinations in Cells 11 to 15.

Country	HS 6-digit product code and description	Filter 4 Cell classification	Potential export value (US\$ thousand) (2007)	Actual SA export value (US\$ thousand) (2007)
Senegal	721391 – Bars and rods of circular cross-section, less than 14 mm in diameter	12	27,132	858
Morocco	870322 – Automobiles, spark ignition engine of 1000-1500 cc	12	26,716	621
Ghana	283711 – Cyanides and cyanide oxides of sodium	15	15,324	107
Egypt	480421 – Sack kraft paper, unbleached, uncoated	11	15,061	248

Country	HS 6-digit product code and description	Filter 4 Cell classification	Potential export value (US\$ thousand) (2007)	Actual SA export value (US\$ thousand) (2007)
Zambia	360200 – Prepared explosives, except propellant powders	15	14,463	13,977
Tanzania	730820 – Towers and lattice masts of iron or steel	12	12,959	12,959
Egypt	320710 – Pigment, opacifier, colours, etc for ceramics or glass	15	10,005	18
Kenya	440310 – Poles, treated or painted with preservatives	15	9,490	5,208
Egypt	480255 – Paper and paperboard	12	9,197	544
Nigeria	480419 – Paper, kraft liner, other than unbleached, uncoated	12	5,492	96
Kenya	842919 – Bulldozers and angledozers, wheeled	15	3,178	290
Madagascar	310520 – Nitrogen-phosphorus-potassium fertilizers, pack > 10 kg	12	3,068	1,385
Uganda	852510 – Transmission apparatus for radio, telephone and TV	12	2,955	492
Ghana	940180 – Seats n.e.s	12	2,506	92
Egypt	843629 – Poultry-keeping machinery, other than poultry incubators and brooders	12	2,476	13
Morocco	300230 – Vaccines, veterinary use	12	2,235	75
Tunisia	842123 – Oil/petrol filters for internal combustion engines	12	2,150	59
Morocco	580890 – Ornamental trimmings in the piece	15	2,033	266
Tunisia	380830 – Herbicides, sprouting and growth regulators	12	1,930	257
Uganda	850433 – Electrical transformers having a power capacity of 16-500 kVA	12	1,679	251
Ghana	842123 – Oil/petrol filters for internal combustion engines	12	1,531	82
Botswana	630629 – Tents, of textile material n.e.s	12	1,529	1,529
Tanzania	730690 – Tube/pipe/hollow profile of iron/steel, n.e.s	12	1,186	618
Ghana	842131 – Intake air filters for internal combustion engines	12	1,123	91
Egypt	380400 – Residual lyes from the manufacture of wood pulp	12	1,083	314
Tunisia	291612 – Acrylic acid esters	12	1,058	217

Country	HS 6-digit product code and description	Filter 4 Cell classification	Potential export value (US\$ thousand) (2007)	Actual SA export value (US\$ thousand) (2007)
Egypt	843050 – Construction equipment, self-propelled n.e.s	12	1,052	20
Kenya	847490 – Parts of machinery for mineral sorting, screening, mixing, etc	12	913	508
Kenya	271290 – Mineral waxes n.e.s	12	897	662
Mauritius	842959 – Earth moving/road making equipment, self-propelled ne	12	889	200
Egypt	731582 – Chain, welded link, iron or steel	12	880	13
Tunisia	848420 – Mechanical seals	12	780	12
Gabon	842131 – Intake air filters for internal combustion engines	12	665	12
Ghana	401019 – Conveyor belts n.e.s	12	603	80
Mauritius	390210 – Polypropylene in primary forms	12	540	88
Mozambique	630510 – Sacks and bags of jute or other bast fibres, used for packing of goods	12	525	56
Madagascar	860900 – Cargo containers designed for carriage	12	519	519
Zimbabwe	842139 – Filtering or purifying machinery for gases n.e.s	12	519	430
Tanzania	680223 – Cut or sawn slabs of granite	12	471	471
Mauritius	283319 – Sodium sulphates other than disodium sulphate	12	448	7
Mauritius	030420 – Fish fillets, frozen	12	430	347
Morocco	220870 – Liqueurs and cordials	12	428	8
Mali	852510 – Transmission apparatus for radio, telephone and TV	12	413	58
Seychelles	730690 – Tube/pipe/hollow profile of iron/steel, n.e.s	12	351	101
Djibouti	842959 – Earth moving/road making equipment, self-propelled ne	12	332	152
Cameroon	220429 – Grape wines, alcoholic grape must n.e.s	12	314	34
Kenya	080610 – Grapes, fresh	12	314	314

The product categories in Cells 11 to 15 that hold the highest potential export value are chemical and allied industries (cyanides, prepared explosives and pigment or colour for ceramics or glass), metals (circular cross bars and rods and iron or steel towers and lattice masts), wood and wood products (unbleached, uncoated paper and sack kraft, poles treated

or painted with preservatives and paper and paper board) and transportation products (1000-1500 cc automobiles).

The export promotion organisation could use focused export promotion strategies and instruments to assist exporters that can produce this “low hanging fruit”.

7.4 Conclusions

The main aim of this chapter was to identify export opportunities for South African products in the rest of the African continent.

The Department of Trade and Industry (DTI), as the government export promotion organisation (EPO) in South Africa, can, as a starting point, focus on gathering information on and deriving export promotion strategies for the countries, products and product-country combinations identified as priority export opportunities. Thereafter, the results of the top regions, countries, products and product-country combinations contained in this chapter can be analysed and more priorities can be established. This information can be very helpful in supplying foreign offices and export councils with specific export opportunities in their countries and/or sectors. If information on the products produced in every province in South Africa is available, the results per province can also be extracted from the results lists to provide the provincial trade promotion organisations in South Africa with the specific product-country combinations with high export potential in the world and in Africa.

As a final recommendation and analogue to the conclusions of Chapter 5 (see Chapter 5.9) it is highlighted that it is unwise to rest all export promotion decisions upon the DSM results alone (Cuyvers *et al.*, 1995:174). It is important not to use the results of the DSM in isolation. The model uses quantitative information to provide a limited list of identified export opportunities, but qualitative information concerning each product-country combination should also be taken into consideration in the export promotion activities and instruments. This information might include specific diplomatic and political issues between the exporting and importing countries, consumer tastes, product adaptation needs, packaging, labelling and a wide range of other factors. Product and country-specific research should, therefore, compliment the DSM approach to deliver optimal results (see Chapter 11 for exporters' information requirements).

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