

# 3rd SA IORAG Meeting Agenda

## Theme: Trade and Investment Facilitation

### Outputs: Paper + Presentation

Towards expanding intra-Indian Ocean Rim Association (IORA) trade: a TRADE-DSM analysis of bi-lateral realistic export opportunities between Thailand and South Africa.

# The Challenge

## World Economic Forum's Global Enabling Trade Report 2016

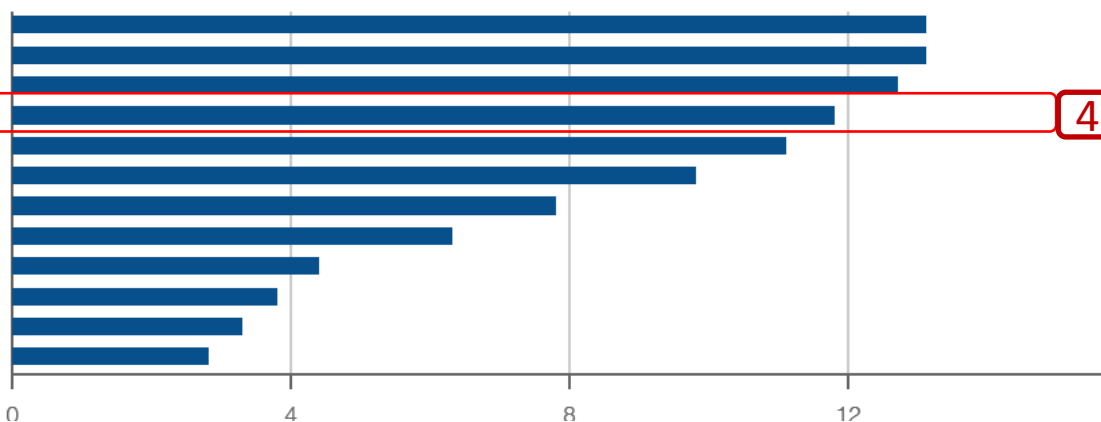
### 5 most problematic factors in each country ranked between 1 and 5

#### South Africa

#### Most problematic factors for exporting

Source: World Economic Forum, Executive Opinion Survey 2015

Inappropriate production technology and skills	13.1
High cost or delays caused by domestic transportation	13.1
Tariff barriers abroad	12.7
Identifying potential markets and buyers	11.8
Burdensome procedures at foreign borders	11.1
Access to imported inputs at competitive prices	9.8
Access to trade finance	7.8
High cost or delays caused by international transportation	6.3
Difficulties in meeting quality/quantity requirements of buyers	4.4
Technical requirements and standards abroad	3.8
Corruption at foreign borders	3.3
Rules of origin requirements abroad	2.8

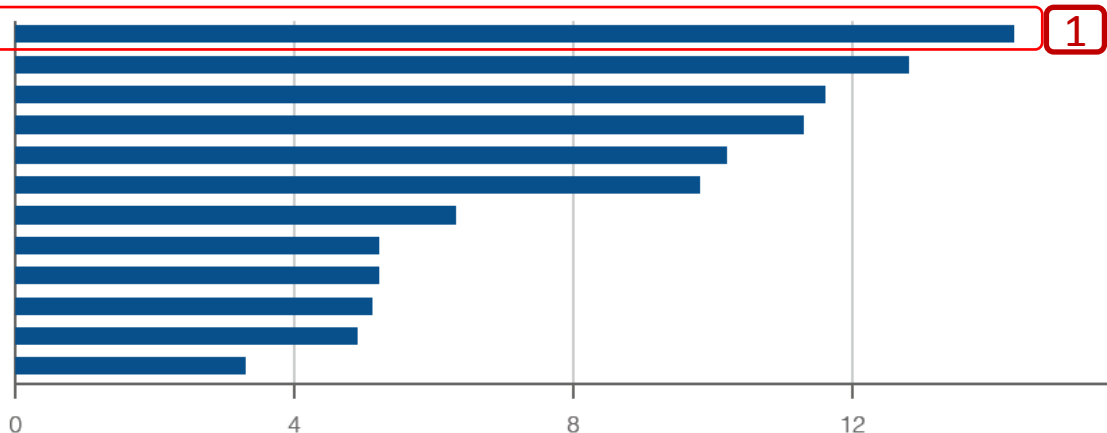


#### Thailand

#### Most problematic factors for exporting

Source: World Economic Forum, Executive Opinion Survey 2015

Identifying potential markets and buyers	14.3
Tariff barriers abroad	12.8
Technical requirements and standards abroad	11.6
Difficulties in meeting quality/quantity requirements of buyers	11.3
Access to imported inputs at competitive prices	10.2
Inappropriate production technology and skills	9.8
High cost or delays caused by international transportation	6.3
High cost or delays caused by domestic transportation	5.2
Burdensome procedures at foreign borders	5.2
Access to trade finance	5.1
Rules of origin requirements abroad	4.9
Corruption at foreign borders	3.3

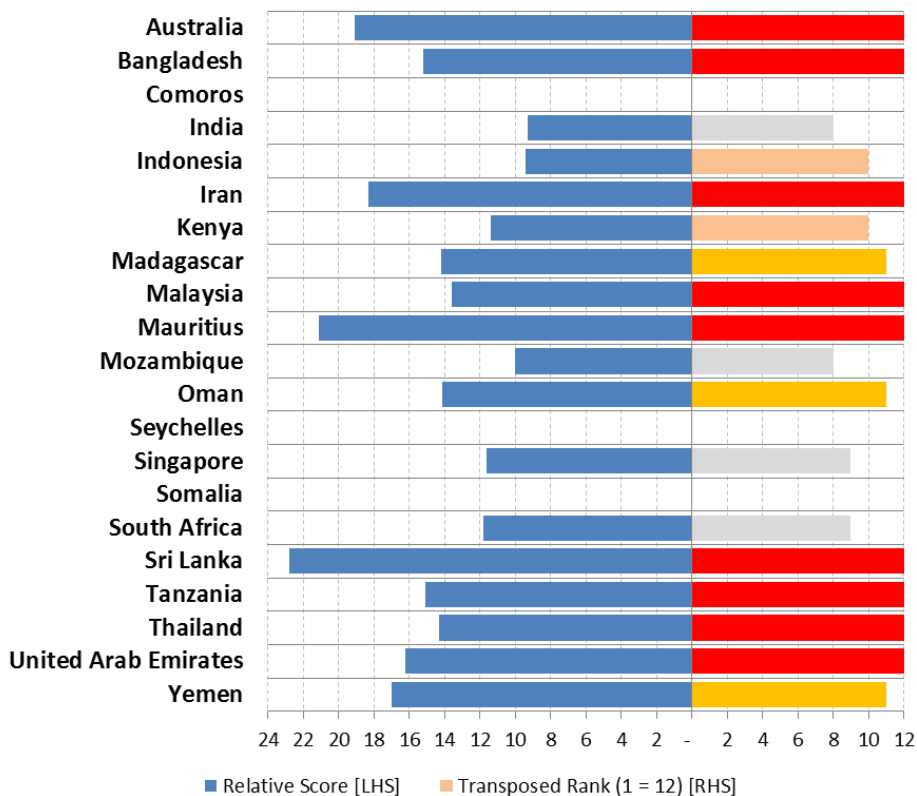


# The Challenge

IORA members – 66% (14/21) indicate that their major concern (rank 1,2,3) around exports is need to identify potential markets and buyers.

While rest of members indicate less important, still within top 5 (of 12) items ranked.

**Need to identify potential markets and buyers (WEF Executive Opinion Surveys)**



Rank	Count	%	
1	9	42.9%	66.7%
2	3	14.3%	
3	2	9.5%	
4	2	9.5%	
5	2	9.5%	
Na	3	14.3%	
Total	21	100.0%	

# Various ways of analysing – e.g. TCI

Trade complementarity indices (TCIs) measure the extent to which two countries are potentially “natural trading partners” in sense that what one country exports overlaps with what the other country imports.

## (5.a) IORA Intra-regional Trade Complementarity Index (2013)

EXPORTER	INDEX IMPORTER																				
	AU	BD	KM	IN	ID	IR	KE	MG	MY	MU	MZ	OM	SC	SG	SO	SA	SL	TZ	TH	AE	YE
Australia (AU)	-	0.22	0.19	0.33	0.26	0.21	0.21	0.18	0.27	0.23	0.20	0.24	0.17	0.22	0.12	0.29	0.24	0.18	0.30	0.28	-
Bangladesh (BD)	0.10	-	0.08	0.07	0.09	0.08	0.10	0.12	0.08	0.11	0.08	0.07	0.08	0.06	0.07	0.10	0.10	0.08	0.08	0.11	-
Comoros (KM)	0.06	0.06	-	0.08	0.05	0.06	0.05	0.05	0.06	0.06	0.04	0.05	0.13	0.04	0.03	0.08	0.06	0.07	0.08	0.09	-
India (IN)	0.46	0.45	0.32	-	0.55	0.44	0.58	0.57	0.47	0.59	0.53	0.53	0.49	0.49	0.26	0.46	0.51	0.56	0.37	0.54	-
Indonesia (ID)	0.40	0.30	0.24	0.36	-	0.34	0.37	0.31	0.36	0.32	0.28	0.29	0.24	0.31	0.23	0.40	0.38	0.29	0.37	0.34	-
Iran (IR)	0.22	0.17	0.09	0.50	0.26	-	0.20	0.13	0.19	0.12	0.13	0.18	0.09	0.22	0.06	0.30	0.23	0.13	0.30	0.17	-
Kenya (KE)	0.33	0.28	0.31	0.21	0.27	0.29	-	0.34	0.29	0.35	0.32	0.29	0.32	0.22	0.26	0.33	0.33	0.31	0.27	0.34	-
Madagascar (MG)	0.14	0.14	0.12	0.11	0.13	0.12	-0.12	-	0.13	0.15	0.10	0.11	0.11	0.11	0.10	0.14	0.15	0.11	0.11	0.17	-
Malaysia (MY)	0.50	0.36	0.27	0.37	0.48	0.36	0.43	0.35	-	0.40	0.38	0.40	0.33	0.64	0.22	0.46	0.43	0.37	0.49	0.40	-
Mauritius (MU)	0.21	0.18	0.16	0.17	0.18	0.18	0.17	0.23	0.16	-	0.15	0.15	0.16	0.16	0.25	0.22	0.21	0.16	0.16	0.26	-
Mozambique (MZ)	0.23	0.26	0.14	0.21	0.26	0.15	0.22	0.19	0.24	0.20	-	0.17	0.19	0.22	0.09	0.22	0.25	0.19	0.20	0.15	-
Oman (OM)	0.27	0.19	0.10	0.47	0.27	0.12	0.23	0.17	0.23	0.17	0.18	-	0.15	0.28	0.07	0.33	0.25	0.18	0.30	0.17	-
Seychelles (SC)	0.12	0.12	0.11	0.08	0.12	0.10	0.11	0.13	0.12	0.18	0.12	0.11	-	0.11	0.07	0.12	0.13	0.11	0.10	0.12	-
Singapore (SG)	0.45	0.32	0.24	0.33	0.53	0.37	0.48	0.42	0.63	0.44	0.44	0.46	0.38	-	0.16	0.45	0.41	0.45	0.43	0.42	-
Somalia (SO)	0.05	0.04	0.02	0.06	0.06	0.04	0.03	0.04	0.04	0.04	0.03	0.04	0.03	0.05	-	0.07	0.04	0.04	0.04	0.06	-
South Africa (SA)	0.38	0.27	0.27	0.39	0.34	0.34	0.32	0.30	0.35	0.33	0.32	0.39	0.28	0.27	0.18	-	0.33	0.30	0.35	0.43	-
Sri Lanka (SL)	0.19	0.15	0.15	0.16	0.16	0.18	0.17	0.18	0.15	0.22	0.15	0.15	0.17	0.13	0.12	0.19	-	0.16	0.16	0.24	-
Tanzania (TZ)	0.20	0.28	0.20	0.25	0.23	0.24	0.21	0.24	0.25	0.27	0.20	0.21	0.23	0.15	0.16	0.23	0.26	-	0.27	0.29	-
Thailand (TH)	0.55	0.39	0.38	0.67	0.51	0.54	0.47	0.42	0.53	0.49	0.42	0.49	0.39	0.44	0.28	0.53	0.47	0.43	-	0.53	-
UAE (AE)	0.41	0.22	0.22	0.34	0.42	0.29	0.38	0.31	0.39	0.35	0.33	0.35	0.29	-	0.16	0.47	0.42	0.32	0.48	-	-
Yemen (YE)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	- <sup>25</sup>

South-Africa ↔ Thailand

- Market identification needs to be done based on scientifically informed but pragmatic basis
- To “high-level” information useless for business – those who actually trade commercially
- Ultimately company level information required but challenging to obtain (unnecessarily so – information exists)



The DSM uses a sequential **filtering process** (4 filters) that eliminates less promising export opportunities, and focuses on those country-product combinations that show the **most potential**.



# DSM in a Nutshell – how?

Considers **demonstrated market**  
(import) demand

Based on **historical information**  
(currently no forecasting /  
projections)

Does not consider **production** side  
explicitly **but by proxy**

# What is a Realistic Export Opportunity?

Product & country combination:

- ✓ for which proven (import) demand exists
- ✓ that home market  
(South Africa & Thailand in case study)  
can produce
- ✓ and for which home market has  
demonstrated export capability





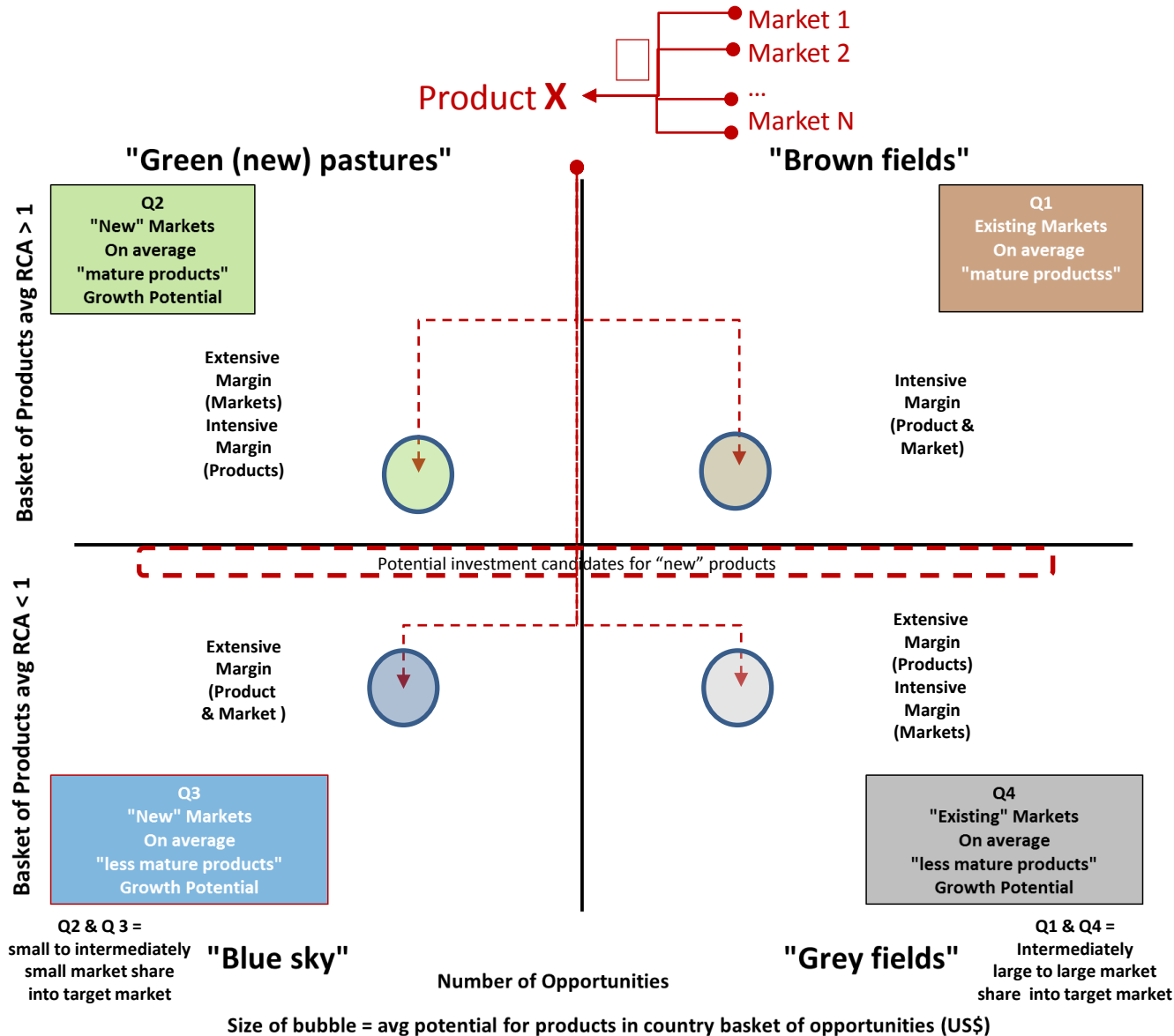
# Can also inform investment / export development opportunities

Can also be used to inform potential further investment and development opportunities:

- ✓ for which proven (import) demand exists
- ✓ that home market can produce
- ✓ for which home market has “immature” export capability



# REO export maturity, market share, growth and diversification (EMMGD) matrix conceptual model



Indicates potential of more than US\$ 10 million



# TRADE-DSM approach step-wise applied

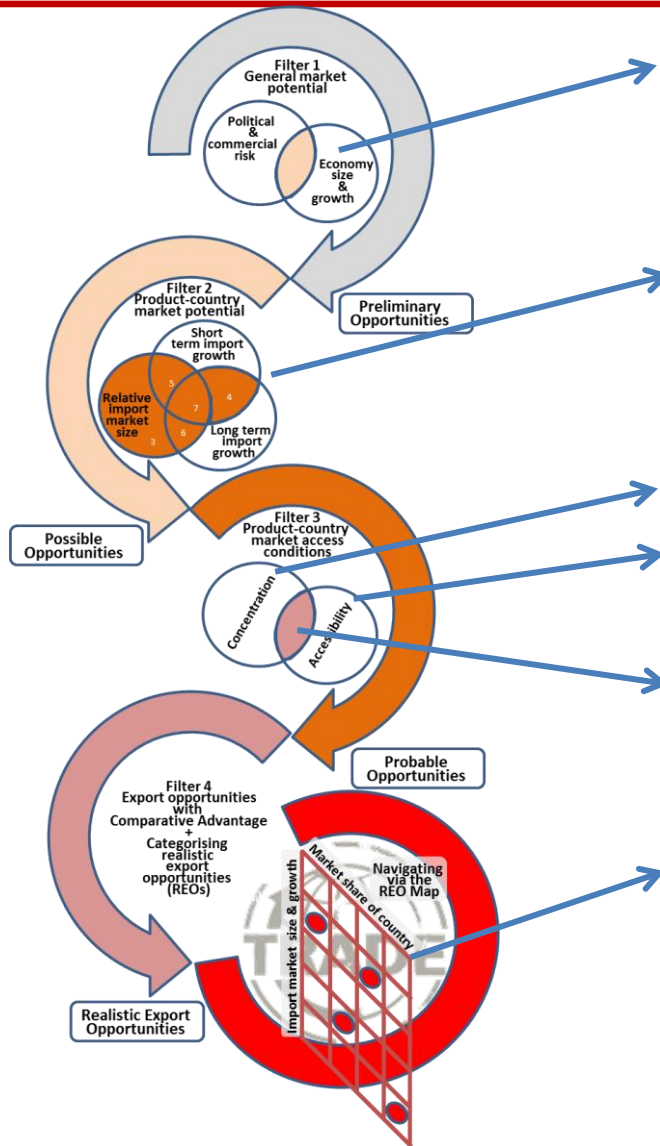
## South Africa → Thailand



WTO CHAIRS  
PROGRAMME



NORTH-WEST UNIVERSITY  
YUNIBESITHI YA BOKONE BOPHIRIMA  
NOORDWES-UNIVERSITEIT



### Filter 1

Ignored country risk sub-filter – only supplied country (Thailand) filter  
= 5 002 product x country flows  
(5 002 / 6 375 of the traded HS products, 1 / 246 countries)

### Filter 2 – Product x Country market potential

= 2 572 product x country flows  
(2 572 / 5 002 of the traded HS products, 1 / 246 countries)

### Filter 3.1 – Market concentration

= 1 815 remain (of 2 572 traded HS products, 1 / 246 countries)

### Filter 3.2 – Market access

= 2 050 remain (of 2 572 traded HS products, 1 / 246 countries)

### Filter 3.1 + Filter 3.2

= 1 513 remain (of 2 572 traded HS products, 1 / 246 countries)

### Filter 4 (RCA > 1 no RTA applied)

= 291 REOs (of 1 513 traded HS products, 1 / 246 countries)

RTA applied

= **224 REOs** (of 291 traded HS products, 1 / 246 countries)

### Filter 4 (0.8 ≤ RCA < 1 no RTA applied)

= 75 (of 1 513 traded HS products, 1 / 246 countries)

RTA applied

= 43 (of 75 traded HS products, 1 / 246 countries)

# TRADE-DSM approach step-wise applied

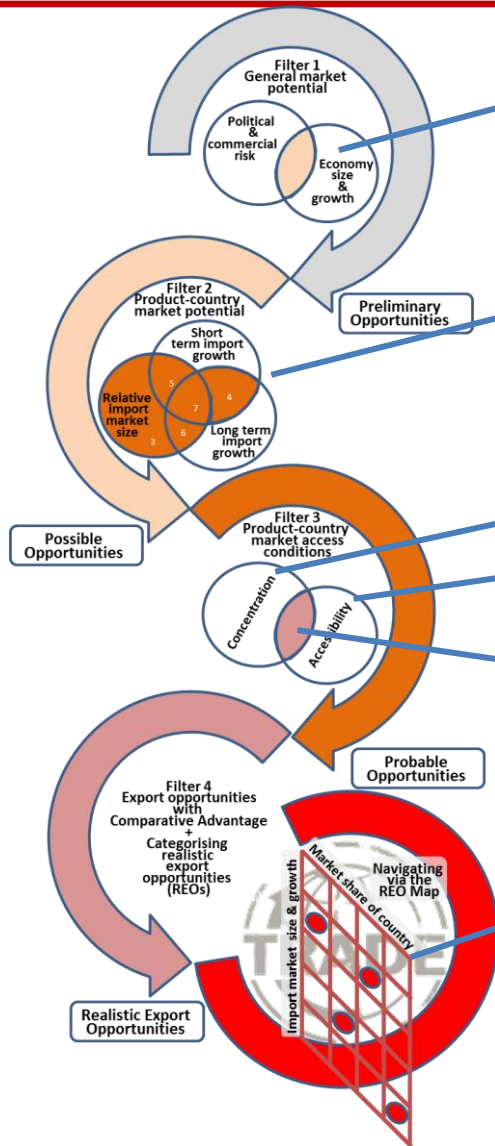
## Thailand → South Africa



WTO CHAIRS  
PROGRAMME



NORTH-WEST UNIVERSITY  
YUNIBESITHI YA BOKONE BOPHIRIMA  
NOORDWES-UNIVERSITEIT



### Filter 1

Ignored country risk sub-filter – only supplied country (Thailand) filter  
= 5 041 product x country flows  
(5 041 / 6 375 of the traded HS products, 1 / 246 countries)

### Filter 2 – Product x Country market potential

= 1 839 product x country flows  
(1 839 / 5 041 of the traded HS products, 1 / 246 countries)

### Filter 3.1 – Market concentration

= 1 381 remain (of 1 839 traded HS products, 1 / 246 countries)

### Filter 3.2 – Market access

= 447 remain (of 447 traded HS products, 1 / 246 countries)

### Filter 3.1 + Filter 3.2

= 364 remain (of 1 839 traded HS products, 1 / 246 countries)

### Filter 4 (RCA > 1 no RTA applied)

= 135 REOs (of 364 traded HS products, 1 / 246 countries)

RTA applied

= **106 REOs** (of 135 traded HS products, 1 / 246 countries)

### Filter 4 (0.8 ≤ RCA < 1 no RTA applied)

= 16 (of 364 traded HS products, 1 / 246 countries)

RTA applied

= 6 (of 16 traded HS products, 1 / 246 countries)

# TRADE-DSM approach

## Example outcomes – by broad economic sector



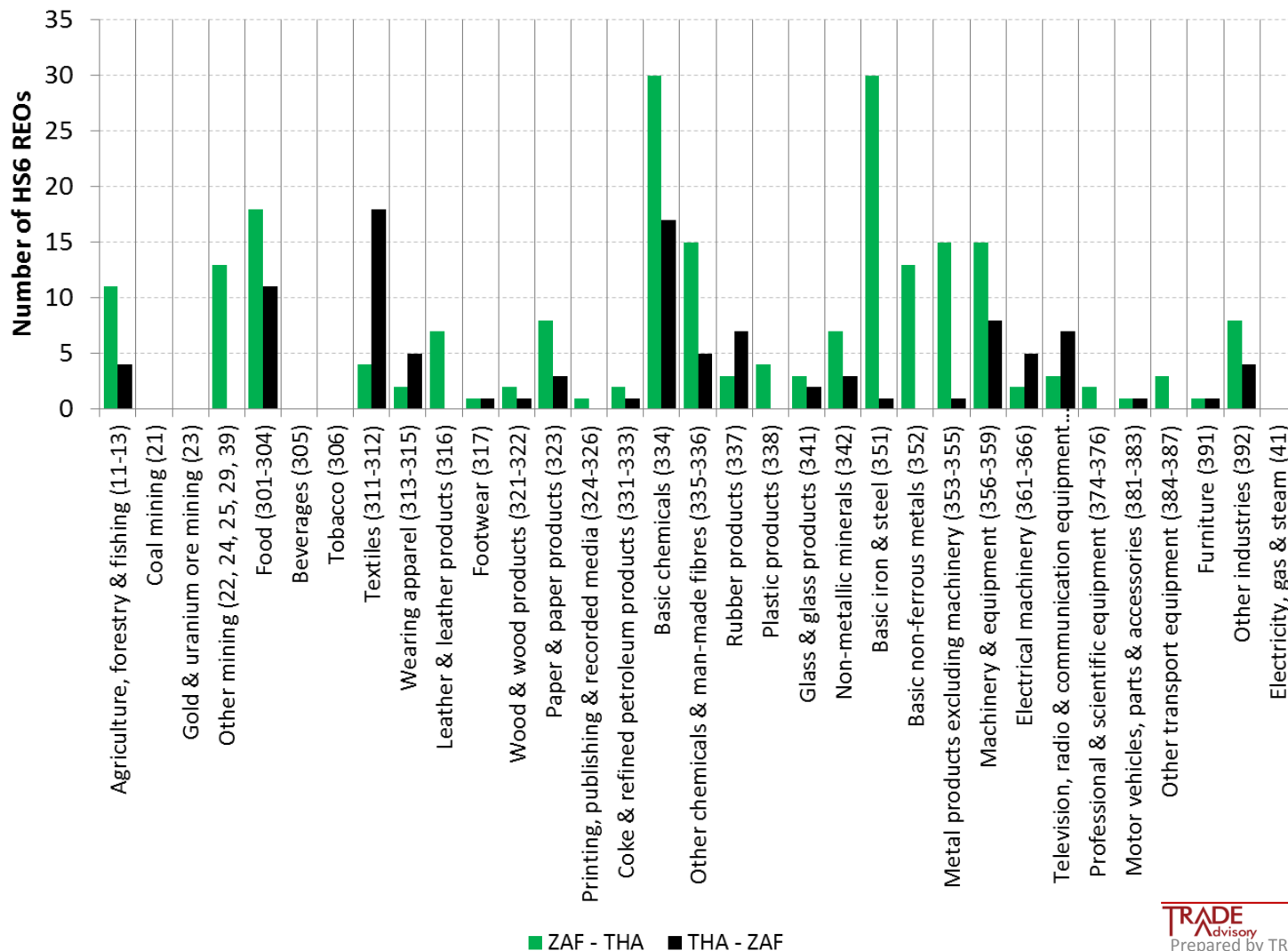
WTO CHAIRS  
PROGRAMME



NORTH-WEST UNIVERSITY  
YUNIBESITHI YA BOKONE BOPHIRIMA  
NOORDWES-UNIVERSITEIT

ZAF to THA = 224 REOs in 28 sectors (of 33)

THA to ZAF = 106 REOs in 21 sectors (of 33)



# TRADE-DSM approach

## Example outcomes – by broad economic sector



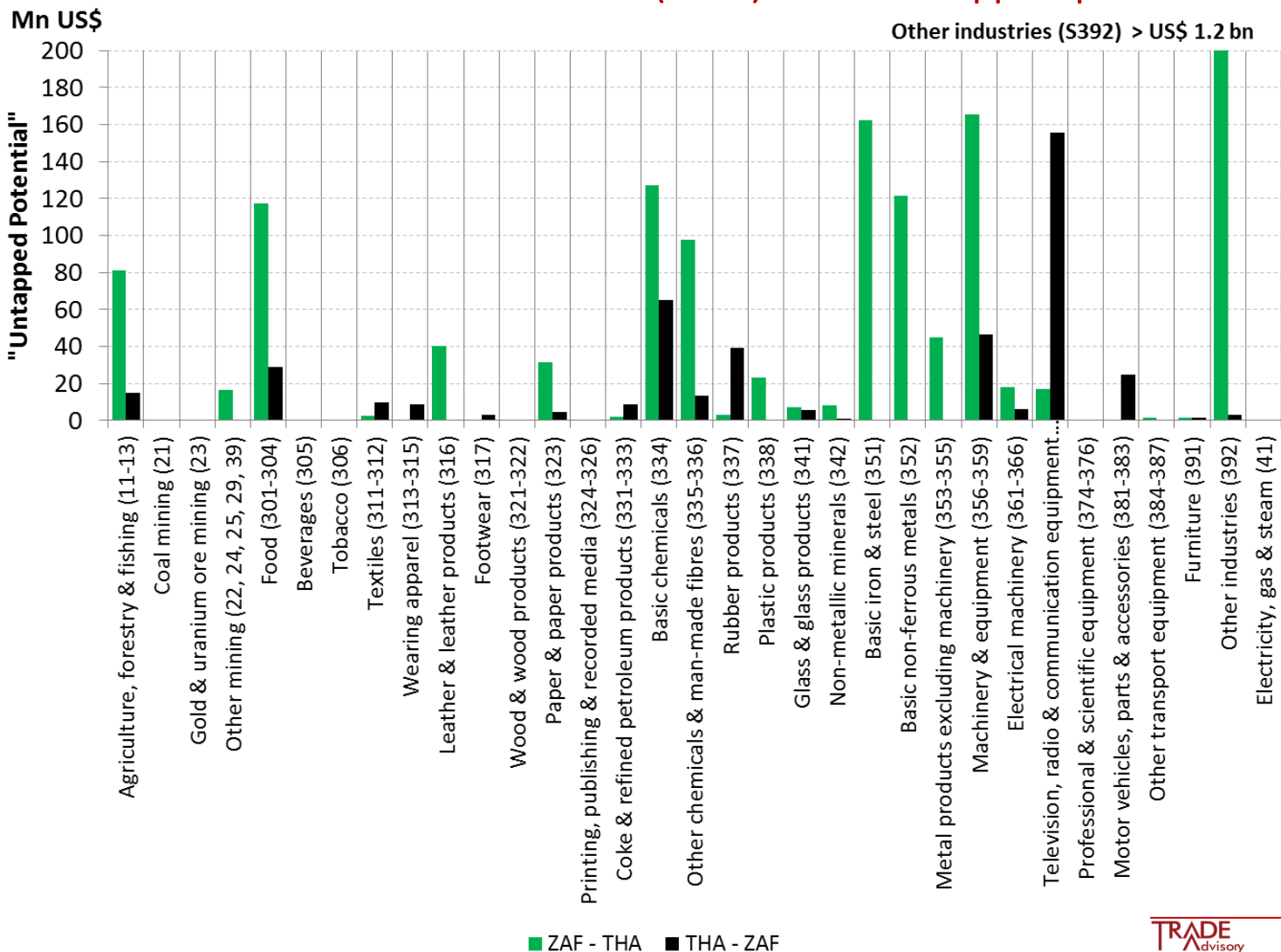
WTO CHAIRS  
PROGRAMME






NORTH-WEST UNIVERSITY  
YUNIBESITHI YA BOKONE-BOPHIRIMA  
NOORDWES-UNIVERSITEIT

ZAF to THA = 224 REOs in 28 sectors (of 33) – total 'untapped' potential US\$ 2.2 billion

THA to ZAF = 106 REOs in 21 sectors (of 33) – total 'untapped' potential US\$ 443 million



- Background research ✓ ✓
- Construct models (SA existing, Thailand)
- Analyse outcomes 
- Observations & recommendations 
- Presentation for 14<sup>th</sup> session 
- Paper (not started)

## Contact Details

**Martin Cameron**

Trade Research Advisory (Pty) Ltd

*Innovated by the North-West University*

[www.tradeadvisory.co.za](http://www.tradeadvisory.co.za) | [martin.cameron@tradeadvisory.co.za](mailto:martin.cameron@tradeadvisory.co.za)

Mobile +27 (0) 83 440 8191 | Direct +27 (0) 12 667 4669

**Prof. Wilma Viviers**

TRADE Research Focus Area

[commerce.nwu.ac.za/trade](http://commerce.nwu.ac.za/trade) | [wilma.viviers@nwu.ac.za](mailto:wilma.viviers@nwu.ac.za)

Mobile +27 (0) 83 440 8191 | Direct +27 (0) 12 667 4669

**TRADE**  
Advisory

