

How A Focused Approach To Export Promotion Can Accelerate Zimbabwe's Post-Conflict Reconstruction

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ABSTRACT

Zimbabwe, like many countries that have emerged from a protracted period of conflict, is slowly putting the pieces in place to turn its economy around. But many challenges are presenting themselves, not least of which is how to devise a workable strategy to boost Zimbabwe's exports in the face of ever-shifting market conditions and competitive forces. This paper explains the rationale for and methodology used in the application of a Decision Support Model (DSM) for Zimbabwe, a market selection tool that uses a sequential filtering system to identify high-potential export opportunities. The results of this application – which reveal the most promising export opportunities for Zimbabwe should form the basis of a new strategy to re-focus and fast-track Zimbabwe's export promotion effort, and once again make exports one of the central pillars of the Zimbabwean economy.

INTRODUCTION

Zimbabwe, like several other countries in Africa, has made some progress in reviving its moribund economy after a protracted period of economic, political and social conflict. The conflict was precipitated by the Mugabe administration awarding millions of dollars in compensation to ex-combatants in the late 1990s and then embarking on an aggressive campaign of commercial farm seizures which left the country's farming sector in tatters.

Economic recovery is critical for reversing the negative consequences of conflicts (UNDP, 2008a: xvii). Along with restoring the rule of law and encouraging more active local participation in the economy, mobilising a serious export drive has been a major factor contributing to economic reconstruction in many previously conflict-ridden countries, such as Uganda, Mozambique and Rwanda. While Zimbabwe has moved on from its torrid past, many obstacles are impeding its economic recovery – not least of which is the absence of a clear strategy to boost and diversify the country's exports and thereby shore up much-needed foreign exchange.

According to Chiarlone and Amighini (2002: 254) and Foster (2005: 1058), increased export volumes can generate positive externalities for non-export sectors in the form of more efficient

production techniques and better overall management. However, deep economic fissures invariably call for robust solutions, and so a post-conflict export drive should ideally push traditional boundaries (African Development Bank, 2010: 2; World Bank, 2011: 2). Clearly, in Zimbabwe's case, the revival of the export sector will depend on a fresh and more focused approach to export promotion and development being introduced.

HOW THE DECISION SUPPORT MODEL (DSM) CAN BREATHE NEW LIFE INTO ZIMBABWE'S EXPORT PROMOTION EFFORTS

Origins of the Decision Support Model (DSM)

One of the most challenging aspects of building capacity in the export sector is determining where the best export opportunities are. Unfortunately, many exporters rely on superficial market intelligence, shallow insights and hunches when planning their foreign market initiatives. To assist Zimbabwe in putting its export promotion efforts back on track, the authors conducted a study into Zimbabwe's export potential in global markets, using the Decision Support Model (DSM). The Decision Support Model (DSM) is a scientific tool designed to bring precision to the process of identifying export opportunities, which speeds up decision making and helps to channel export promotional assistance in a cost-effective way.

The DSM was initially developed by Cuyvers et al. (1995: 173-186) to assist Belgium's export promotion agencies to identify and then prioritise realistic export opportunities (REOs) for the country. Several iterations later, the DSM has been applied to a number of other countries, including Thailand and South Africa (Cuyvers et al., 2012a). By focusing specifically on high-potential export opportunities, the DSM helps to streamline the work of export promotion bodies, which is particularly advantageous when such bodies have only meagre resources at their disposal.

Applying the Decision Support Model (DSM) to Zimbabwe

The DSM standard uses a sophisticated, four-stage filtering process. Filter 1 identifies preliminary market opportunities. In Filter

1.1, all the countries in the world are screened for political stability and commercial risk (Cuyvers et al., 2012b). Countries that survive this elimination round are analysed further in Filter 1.2 in terms of macroeconomic size and growth.

Filter 2 identifies product-country combinations (the so-called export opportunities referred to earlier) on the basis of acceptable size and growth of import demand (Cuyvers et al., 2012b). Filter 3, in turn, analyses the accessibility of all the product-country combinations that survived the Filter 2 screening process. Filter 3.1 considers the degree of concentration in the markets in question, while Filter 3.2 investigates the trade barriers associated with each of the countries that entered Filter 3 (Cuyvers et al., 2012b).

Filter 4 determines Zimbabwe's market share in the countries that emerged from Filter 3, relative to the market share enjoyed by the top six competitors in those countries. Each potential importing country are then assigned to a category (or 'cell' in a matrix structure) that reflects the size and growth of demand together with Zimbabwe's relative market share in each of the markets identified as having high export potential. The classification of export opportunities in this way is particularly helpful in informing an export promotion strategy (Cuyvers et al., 2012b). In addition, a potential export value is calculated for each REO, allowing the opportunities to be prioritised⁷.

The DSM is mainly a demand side model which identifies markets that show high import demand and are also accessible to the exporting country. In order to take into account the production capacity of Zimbabwe (the supply side), a fifth filter was added. The result was a unique extension to the DSM's traditional methodology. Zimbabwe's revealed comparative advantage (RCA_{Zim,j})² in respect of each product under consideration was used as an indication of Zimbabwe's production capacity (Balassa, 1965). However, the fact that the Zimbabwean economy was in a crisis from 1998 to 2008 (UNDP, 2008b:9) needed to be taken into consideration. In the period prior to 1998, the capacity utilisation in the country was relatively high (Confederation of Zimbabwe Industries, 2009:6), while in the post-conflict reconstruction period, capacity utilisation was still low (Biti, 2011:1). Zimbabwe was therefore seen to have sufficient capacity to produce and export a particular product if: (i) the country's RCA was equal to or greater than one before the onset of the crisis; (ii) the country's RCA was equal to or greater than 0.5 during the crisis period when capacity utilisation had significantly declined; and (iii) the country's RCA recovered after the crisis period to at least 0.75, indicating that capacity utilisation had marginally improved.

Results and observations

From the approximately 1.3 million³ product-country combina-

tions associated with Filter 1, 545 703 combinations entered Filter 2 and 182 036 entered Filter 3. The 8 418 product-country combinations that made it through Filter 3 were then categorised into different cells in Filter 4. Finally, 344 combinations were selected in Filter 5.

To illustrate how useful the DSM is for strategic export promotion purposes to specific countries (e.g. enhancing intra-African trade), the 20 export opportunities with the highest export potential for Zimbabwe in the rest of the African continent is listed in table 1.

High potential product-country combinations in Africa included tobacco products to Egypt, South Africa and Tanzania; worn clothing and ethyl alcohol to both Angola and Ghana; men's clothing to South Africa; and cement products and building materials to Tanzania.

The results can also be aggregated by adding up the potential export values for all the export opportunities identified per sector, or for all the countries identified for a particular product. On a sectoral level, metals were shown to have the highest world-wide total export potential for Zimbabwe, followed by textiles, wood and wood products, foodstuffs and vegetable products. To be more product specific, was shown to have the highest total export potential, followed by ferro-chromium and unwrought nickel (not alloyed). Cotton (not carded or combed) showed exceptional high export potential in China.

The findings also showed that 70.79% of Zimbabwe's total export potential lies in markets in which Zimbabwe has only a small market share (and even no market share) compared with that of the top six suppliers. In other words, Zimbabwe is not exploiting the demand for the products in those markets that have the highest potential - despite evidence that Zimbabwe has an RCA in producing and exporting such products.

CONCLUSION

The results of the study send a clear message that Zimbabwe is underutilising most of its REOs and in some cases, is overlooking them altogether. The country is undoubtedly ripe for a more strategic approach to building its export capacity and profile. However, the revitalisation and diversification of the export sector after so many years of neglect cannot be achieved overnight. Clearly, forward-thinking policymakers and other stakeholders need to chart a new course that puts export development at the centre of economic policy - as many other countries in a post-conflict situation have done.

Because the Decision Support Model (DSM) produces scientifically-derived results and conveniently narrows the range of realistic export opportunities that warrant serious attention, it is an ideal strategic companion. In this regard, the detailed DSM

Table 1: The 20 product-country combinations with the largest export potential for Zimbabwe in the rest of the African continent

Country	Product (on HS-6 level)	Potential export value (in US\$ thousands) [†]	% of potential export value realised in actual Zimbabwean exports
Egypt	240310 - Cigarette or pipe tobacco and tobacco substitute mixed	19 338	0.00%
Egypt	240120 - Tobacco, unmanufactured, stemmed or stripped	14 152	56.06%
Angola	630900 - Worn clothing and other worn articles	12 896	0.00%
South Africa	620342 - Mens, boys trousers and shorts, of cotton, not knit	10 918	43.67%
Ghana	630900 - Worn clothing and other worn articles	7 758	0.00%
Tanzania	252310 - Cement clinkers	7 691	0.00%
Ghana	220710 - Undenatured ethyl alcohol > 80% by volume	7 372	0.00%
Angola	220710 - Undenatured ethyl alcohol > 80% by volume	5 198	0.00%
Angola	441820 - Doors, frames and thresholds, of wood	4 576	0.00%
South Africa	240220 - Cigarettes containing tobacco	3 906	21.89%
Angola	170410 - Chewing gum containing sugar, except medicinal	3 496	0.00%
Angola	761519 - Table, kitchen and household	2 889	0.00%
Tanzania	240120 - Tobacco, unmanufactured, stemmed or stripped	2 496	0.00%
Zambia	250100 - Salt (sodium chloride) including solution, salt water	2 038	0.88%
South Africa	401019 - Conveyor belts not elsewhere specified	1 956	0.05%
South Africa	620349 - Mens, boys trousers & shorts, material, not knit	1 862	6.34%
Ghana	480511 - Semi-chem. fluting paper, uncoated, in rolls or sheets, not further worked	1 568	0.00%
Tanzania	252329 - Portland cement, other than white cement	1 507	0.00%
Angola	250100 - Salt (sodium chloride) including solution, salt water	1 494	0.00%
Egypt	761519 - Table, kitchen and household	1 451	18.95%

Source: *Results from the DSM application for Zimbabwe*

results that flowed from the study can form the basis of a more focused export promotion strategy for Zimbabwe, with export promotion officials and industry leaders ideally joining hands in kick-starting this important initiative.

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FOOTNOTES

1. The potential export value was calculated as 80% of the total imports by country i of product j divided by the number of countries that contribute this 80% of imports, plus one. This proxy gave an indication of the relative size of import demand for each product-country combination, and the average market share of the main players in the market.

2. The following formula was used to compute RCAs for Zimbabwe (Balassa, 1965):

$$RCA_{Zim,j} = \frac{X_{Zim,j}}{X_{W,j}} / \frac{X_{Zim,tot}}{X_{W,tot}}$$

With $X_{Zim,j}$ denoting Zimbabwe's exports of commodity j ; $X_{Zim,tot}$ denoting Zimbabwe's total exports; $X_{W,j}$ denoting the world's exports of product j ; and $X_{W,tot}$ denoting total exports in the world. $RCA_{Zim,j} \geq 1$ indicates that Zimbabwe specialises in producing and exporting the product j .

3. 241 countries multiplied by 5 403 HS 6-digit product lines.

4. The values in the tables should not be interpreted as target export values, but rather a means of ranking or comparing the different REOs.