



# A Decision Support Model to identify realistic export opportunities for South African products and services



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# South Africa in the world economy

- South Africa – small share of world trade – 0.5%...
- Traditional markets are in recession and will take a while to recover
- Balance of power has shifted to the emerging markets... and Africa is shows robust growth
- SA needs to leverage its location advantage in the regional economy
- HOW - Diversification – in terms of products and markets!

# National objectives

- National Development Plan
- New Growth Path (2010) – importance to increase exports for job creation
- Industrial Policy Action Plan (IPAP) – focused clusters
- MCEP – Manufacturing....
- NIPF (2007) – importance of diversification of exports

# BUSA objectives...

- Represents South African **business** on macro-economic and high-level issues
- to ensure that ... **businesses of all sizes and in all sectors can thrive, expand and be competitive.**
- Advance and promote **initiatives aimed at job creation and the alleviation of poverty**
- Enable business to play a meaningful strategic role in South Africa's overall development by **promoting South Africa domestically and internationally**

## How can we assist?

- ✓ Promoting South African business internationally
- ✓ Awareness creation for existing and new exporters
- ✓ Increase export performance
- ✓ Job creation and economic welfare of South Africans

# Background...




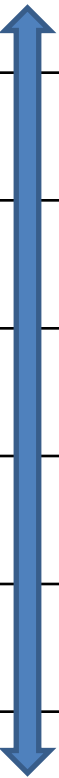
- the dti, National Export Strategy, 2007:

*“... the lack of a scientific method to prioritise markets and products resulted in a shotgun approach to export promotion... The challenge lies in how to select and prioritise markets from a global list of export opportunities...”*

- The DSM provides a focused approach to export promotion by identifying and prioritising export opportunities on a scientific basis.

# Previous work done

- A DSM for Belgium and Thailand.
- Three projects of the DSM for the Department of Trade and Industry since 2007.
- Project for the North-West Provincial government and Invest North-West.
  
- NEW INITIATIVES...

5403 HS 6-digit PRODUCTS	COUNTRIES (240) 						
							
			?				
					?		
	?						
						?	

$\Sigma$  1,296,720 possible country-product combinations

Starting from 1,296,720 possible world-wide possible export opportunities...

Use a **filtering process** to select export opportunities with the most potential



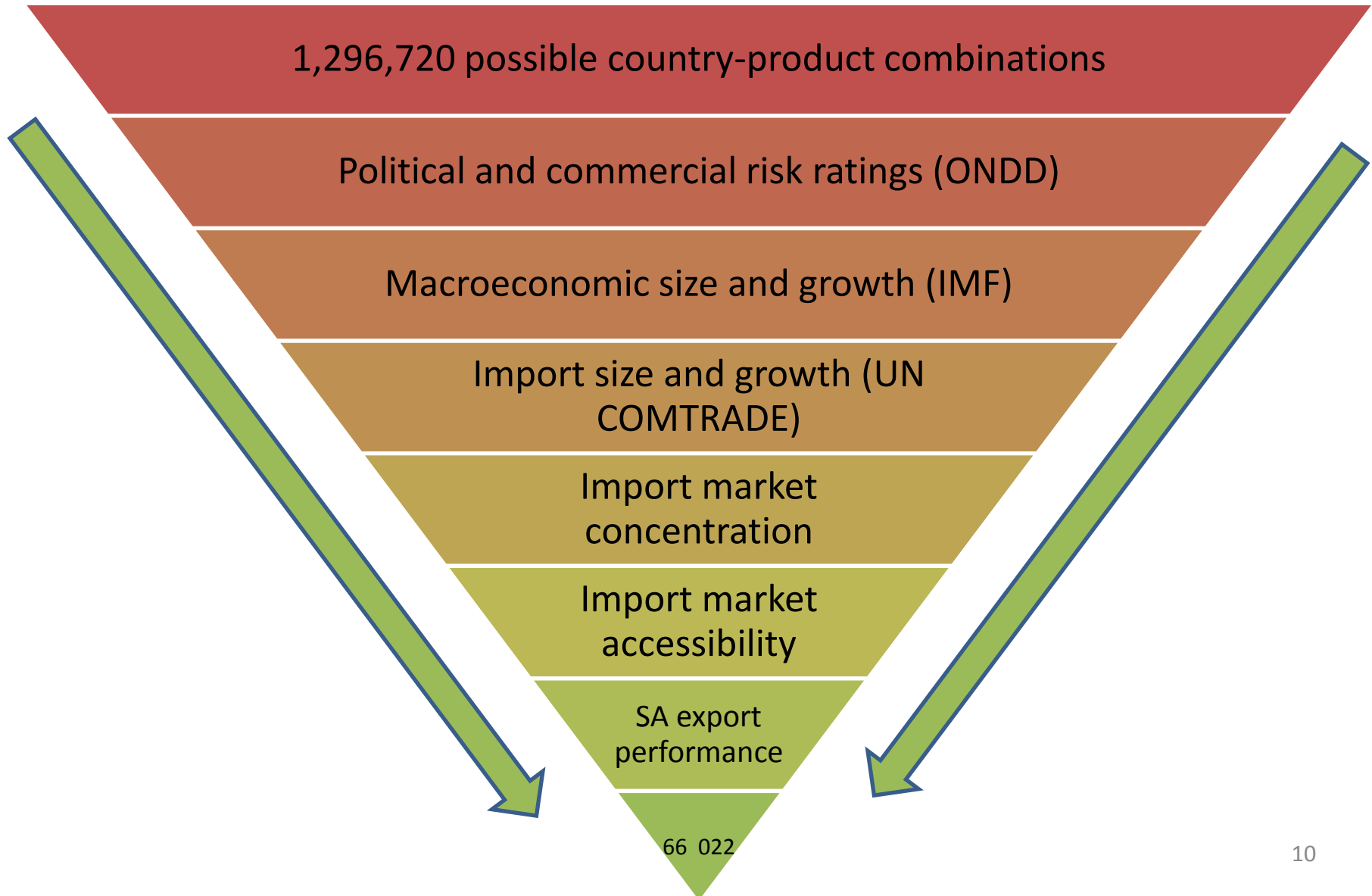


# DSM methodology in a nutshell

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



# DSM methodology – Filtering process



# DSM methodology ...

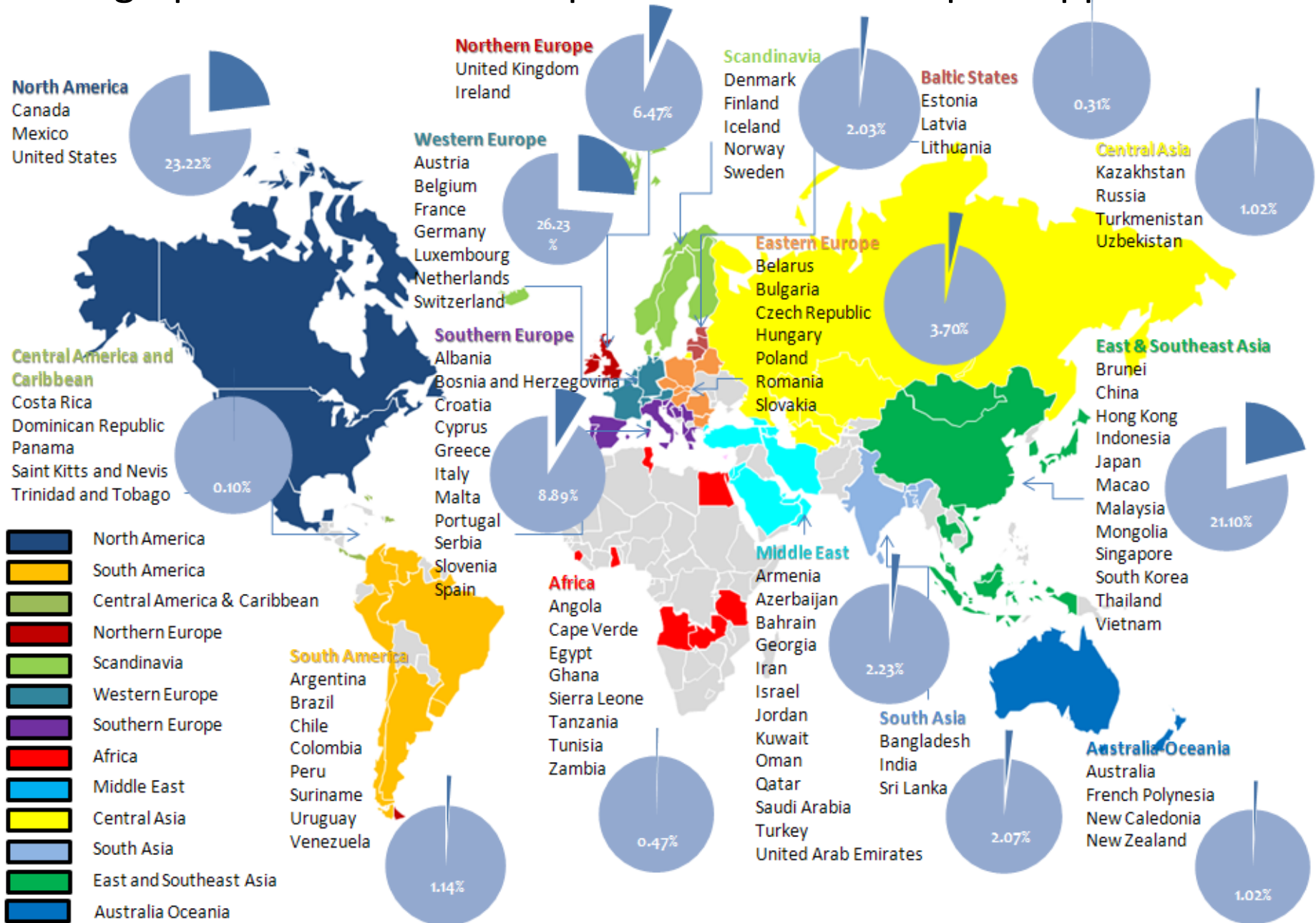
Classification of realistic export opportunities (REOs)

	Market share of South Africa relatively small	Market share of South Africa intermediately small	Market share of South Africa intermediately high	Market share of South Africa relatively high
Large product market	Cell 1	Cell 6	Cell 11 Articles of jewelry to the UK	Cell 16
Growing product market (ST+LT)	Cell 2 Extruders to Tunisia	Cell 7	Cell 12	Cell 17
Large and growing product market (ST)	Cell 3	Cell 8	Cell 13	Cell 18
Large and growing product market (LT)	Cell 4	Cell 9	Cell 14	Cell 19
Large and growing product market (ST+LT)	Cell 5	Cell 10 Potatoes to Germany	Cell 15	Cell 20

# DSM dashboard...



# Geographical distribution of potential value of export opportunities





# Top 10 countries (total potential export value)

Ranking	Countries identified in DSM for <b>products</b>	Countries identified in DSM for <b>services</b>
1	United States	China
2	Japan	Germany
3	China	United Kingdom
4	Germany	South Korea
5	United Kingdom	Canada
6	India	Japan
7	Canada	Russia
8	Belgium	Singapore
9	Italy	Saudi Arabia
10	Netherlands	France



# Top 10 products and services

Rank	Product category	Service sector
1	870323 - Automobiles, spark ignition engine of 1500-3000 cc	241 - Travel Personal - Health-related.
2	271011 - Aviation spirit	280 - Architectural, engineering and other technical services.
3	710239 - Diamonds (jewellery) worked but not mounted or set	239 - Travel Business – Other.
4	270112 - Bituminous coal, not agglomerated	242 - Travel Personal - Education-related.
5	710231 - Diamonds (jewellery) unworked or simply sawn, cleaved	213 - Air Transport – Other.
6	260300 - Copper ores and concentrates	238 - Travel Business - Expenditure by seasonal and border workers.
7	750210 - Nickel unwrought, not alloyed	247 - Communications Services - Telecommunication services.
8	760110 - Aluminium unwrought, not alloyed	251 - Construction Services - Construction in the compiling economy.
9	711011 - Platinum unwrought or in powder form	260 - Financial services.
10	940190 - Parts of seats	275 - Legal services.

# Top 10 product-country and services-country combinations

Rank	Top product-country combinations from the DSM for products		Top services-country combinations from the DSM for services	
	Country	Products	Country	Services
1	United States	870323 - Automobiles, spark ignition engine of 1500-3000 cc	China	208 - Sea Transport - Freight
2	United States	710239 - Diamonds (jewellery) worked but not mounted or set	United Kingdom	243 - Travel Personal - Other
3	Japan	270112 - Bituminous coal, not agglomerated	Japan	208 - Sea Transport - Freight
4	Canada	870323 - Automobiles, spark ignition engine of 1500-3000 cc	China	243 - Travel Personal - Other
5	United States	271011 - Aviation spirit	Canada	243 - Travel Personal - Other
6	Hong Kong	710239 - Diamonds (jewellery) worked but not mounted or set	Russia	243 - Travel Personal - Other
7	India	710231 - Diamonds (jewellery) unworked or simply sawn, cleaved	Saudi Arabia	243 - Travel Personal - Other
8	Japan	260300 - Copper ores and concentrates	Germany	243 - Travel Personal - Other
9	United Kingdom	270799 - Coal tar distillation products	Romania	243 - Travel Personal - Other
10	United States	940190 - Parts of seats	France	243 - Travel Personal - Other



# Applications of the DSM and work in progress

- New research unit: **TRADE** (Trade and Development): July 2012
- Expansion of research into the **private sector**
- Linking DSM export opportunities with IPAP clusters and impact on **employment**.
- In-depth **market studies** on selected realistic export opportunities: on provincial, sectoral, product level



# SUMMARY

- SA needs to diversify its export basket in terms of export destinations, products and services
- Our TRADE research unit has developed a new analytical tool – the DSM - to identify realistic export opportunities for SA on a scientific basis
- The DSM results add value to the public and private sectors' strategic business decisions



Thank you

Questions?

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