

## Realistic Export Opportunity Analysis Report on:

**Tariff specific product code: HS210112**

**Product HS 6-digit tariff description**

**Preparations with a basis of extracts/essences/concs. of coffee/with a basis of coffee**

**Tariff main product category: HS2101**

**Extracts, essences & concs. of coffee**

**Contained in tariff chapter: HS21**

**Miscellaneous edible preparations.**

**Belonging to major product group:**

**16 - 24 Foodstuffs**

for home market: South Africa – Kwa-Zulu Natal Province



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## Disclaimer

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## 1. Introduction

This report contains information as provided by the South African TRADE-DSM (Decision Support Model) (Kwa-Zulu Natal provincial version) developed by North West University (Potchefstroom, South Africa see <http://www.nwu.ac.za/trade>) and TRADE Research Advisory (PTY) Ltd (see <http://www.tradeadvisory.co.za>).

The TRADE-DSM was specifically developed as an instrument in assisting with the identification of realistic export opportunities into global markets for a company's product. The TRADE-DSM is a quantitative methodology that uses trade data and various filters to determine the potential export opportunity of products into various markets based on a well-researched scientific and rigorous approach.

Detailed global trade data allows one to zoom into the trade flows of specific products which are identifiable by international tariff codes. For such potential target markets (countries) and products the DSM methodology applies various filters including on aspects such as economic and political risk, size and growth of market, competition in the target market, accessibility of a target market, maturity of a target market and also looks at the ability or capacity of the home country to supply the product(s) for the purposes of exporting.

The TRADE-DSM also provides a good reference for one to be able to prioritize marketing efforts based on the value and size of these opportunities in relative terms. This instrument provides sound information that companies can use in developing their export marketing strategy and forms the basis and guidance for further research should it be required.

The first section provides an overview of **South Africa's** trade of product **HS210112**, followed by a section explaining at a high level the TRADE-DSM approach applied to provide a scientific approach in assisting with the identification of realistic export markets for this product. Outcomes from the applied TRADE-DSM filtering process then follows with information on up to the top 10 potential markets for this product provided in more detail in the last section, followed by a summary and appendices.

### 1.1. South Africa's overall trade for HS210112

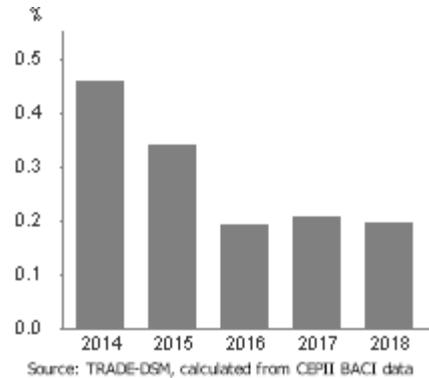
South Africa's total exports of the selected product (dotted blue line) is contrasted to the total global imports of the product into all markets (solid brown line) and is insignificant.

**Figure 1: Total World imports relative to total exports from South Africa for HS210112**



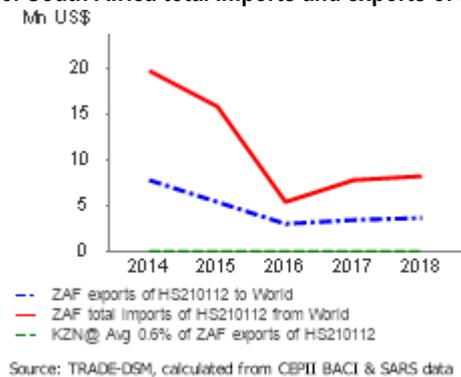
In terms of relative share of world demand supplied from exports of this product from South Africa, around 0.2 percent is supplied from South Africa.

**Figure 2: South Africa total exports as share of World imports for HS210112**



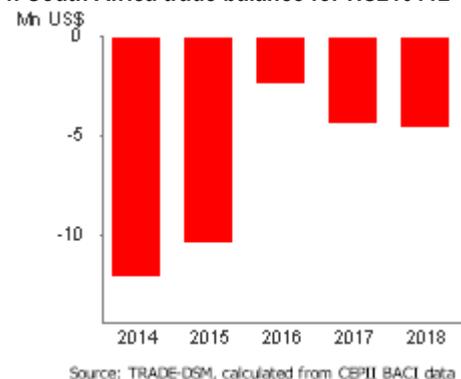
Total imports and exports for this product in the South African context is shown. Notably exports (blue line) is significantly less than imports (red line). The KZN province is estimated to produce end export around 0.6 percent of national South African exports of this product.

**Figure 3: South Africa total imports and exports of HS210112**



The trade balance is negative for South Africa for this product over the period 2014 to 2018.

**Figure 4: South Africa trade balance for HS210112**



## 2. Identification of realistic export opportunities - method and interpretation

As mentioned in the introduction this method was initially developed<sup>1</sup> in order to identify the product-country combinations with the highest export potential for a single country. It was specifically designed to provide export promotion agencies with a more scientific way of determining those products and destination countries on which to focus their scarce export promotion resources. Further refinements to the approach have been introduced over the past decade by TRADE at the NWU and the outcomes of this analysis are based on this subsequent refined approach.

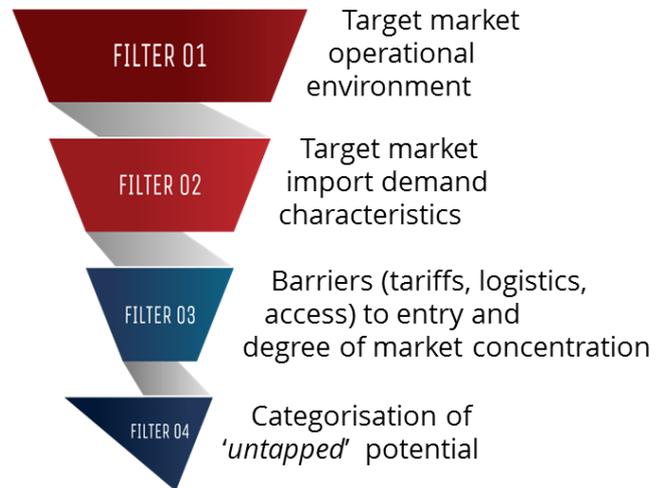
In a nutshell, the method involves evaluating all worldwide country and product combinations, and screening these using various intelligent 'filters' to eliminate export opportunities that are not potentially viable.

The method uses four consecutive filters that sequentially eliminate less realistic/interesting product-country combinations in an effort to categorise and prioritise realistic export opportunities (REOs) in different positions on a grid (referred to as the REO Map<sup>®2</sup>), for the country/company for which the analysis is applied.

These filters can be categorised in broad terms as:

- Filter 1:** Broad general market potential as reflected in economic size, growth, and political and commercial risk;
- Filter 2:** Product-country market potential characteristics;
- Filter 3:** Product-country market access conditions, including aspects such as market concentration and accessibility; and lastly
- Filter 4:** Categorisation of outcomes based on the revealed comparative advantage (RCA), revealed trade advantage (RTA) and 'home market' and 'target market' product-level trade characteristics.

Figure 5: Distilling data into intelligence in a nutshell



Source: Adjusted from Cameron and Viviers (2015)<sup>3</sup>, which is originally based on Jeannet and Hennessey (1988: 139)<sup>4</sup>

The RCA is a key measure used in this approach as a proxy for aspects that are difficult to get empirical information on, such as productivity of firms (trade theory states that typically it is more productive firms that export)<sup>5</sup>. The RCA can be described as a measure of both comparative (relative size of exports in the export basket) as well as competitive (in terms of the proxy for productivity) advantage of a product in a country's export context. The final outcome obtained can be represented as in Figure 6.

<sup>1</sup> By Cuyvers, L., De Pelsmacker, P., Rayp, G. & Roozen, I.T.M. (1995). A decision support model for the planning and assessment of export promotion activities by government export promotion institutions: the Belgian case. *International journal of research in marketing*, 12(2):173-186.

<sup>2</sup> REO-Map is a registered trade mark of TRADE.

<sup>3</sup> Cameron, M.J. and W. Viviers. 2015. Realistic Export Opportunity Analysis for Agricultural Products in the Major Group: HS08 - Edible fruit and nuts; peel of citrus fruit or melons. Study report prepared by TRADE (Trade and Development) research focus area, North-West University, Potchefstroom Campus, for Department of Agriculture, Forestry and Fisheries, South Africa.

<sup>4</sup> Jeannet, J.P. and H.D. Hennessey. 1998. *International marketing management: strategies and cases*. Boston: Houghton Mifflin.

<sup>5</sup> Vollrath, T. (1991). A theoretical evaluation of alternative trade intensity measures of revealed comparative advantage. *Weltwirtschaftliches Archiv*, 127, 265-280.

Figure 6: Realistic Export Opportunities (REO) Map®

	REALISTIC EXPORT OPPORTUNITIES	Home Market relative market share of Target Market			
		SMALL	INTERMEDIATELY		LARGE
			SMALL	LARGE	
Target Market Characteristics (Detailed product x market)	LARGE	REO1,1	REO2,1	REO3,1	REO4,1
	GROWING (Short & Long term)	REO1,2	REO2,2	REO3,2	REO4,2
	LARGE AND GROWING (Short term)	REO1,3	REO2,3	REO3,3	REO4,3
	LARGE AND GROWING (Long-term)	REO1,4	REO2,4	REO3,4	REO4,4
	LARGE AND GROWING (Short & Long-term)	REO1,5	REO2,5	REO3,5	REO4,5

OFFENSIVE  
Exploration

OFFENSIVE  
Expansion

DEFENSIVE  
Sustain and  
Maintain

Source: Cameron and Viviers (2015). Adapted from Cuyvers et al. (2012)<sup>6</sup>

## 2.1. 'Home market' market share characteristics for REOs (REO Map columns)

It is evident from the map that the characteristics of the REOs (which are the result of the process described at a high level in the preceding section) can be used to inform appropriate, though still broadly defined, export promotion or marketing strategies as follows:

- REO<sub>1,1</sub> to REO<sub>2,5</sub> – the 'home market' (in this case South Africa) has a non-existent to low market share for various reasons, and an offensive market **exploration** strategy is appropriate for products where a comparative advantage exists or can be developed;
- REO<sub>3,1</sub> to REO<sub>3,5</sub> – the 'home market' has a relatively medium-large market share and REOs are situated in large and/or growing market segments; therefore, an offensive market **expansion** strategy can be advocated; and
- REO<sub>4,1</sub> to REO<sub>4,5</sub> – the 'home market' has already gained an important relative market share and therefore a defensive market **sustain and maintain** strategy seems more appropriate.

## 2.2. 'Target market' characteristics for REOs (REO Map rows)

The target (or importing) market's characteristics (in this case various potential target markets) in terms of both size and growth can also be used to inform strategies:

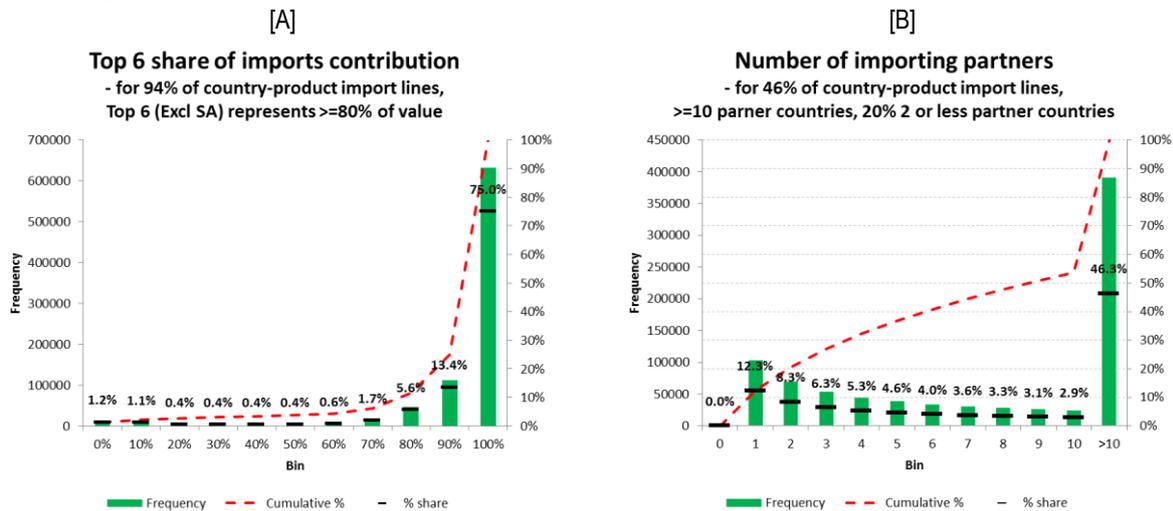
- REO<sub>1,1</sub>; REO<sub>2,1</sub>; REO<sub>3,1</sub>: 'Breaking into' a large 'relatively' new market, especially when the market share of the 'home market' is still relatively small (REO<sub>1,1</sub> and REO<sub>2,1</sub>);
- REO<sub>1,2</sub>; REO<sub>2,2</sub>; REO<sub>3,2</sub>: 'Taking advantage of a growing market', i.e. opportunities in target markets that are growing in both the long and short term;
- REO<sub>1,3</sub>; REO<sub>2,3</sub>; REO<sub>3,3</sub>: 'Growing and consolidating', i.e. opportunities in target markets that have experienced growth in the recent past/emerging opportunities;
- REO<sub>1,4</sub>; REO<sub>2,4</sub>; REO<sub>3,4</sub>: 'Leapfrogging', i.e. opportunities in target markets that exhibit long-term growth;
- REO<sub>1,5</sub>; REO<sub>2,5</sub>; REO<sub>3,5</sub>: 'Jumping on the bandwagon', i.e. target markets that show large import volumes and growth in both the short and long run.

<sup>6</sup> Cuyvers, L., E.A. Steenkamp and W. Viviers. 2012. The methodology of the Decision Support Model (DSM). In Export Promotion: A Decision Support Model Approach, edited by L. Cuyvers and W. Viviers. Stellenbosch: Sun Media Metro.

### 2.3. The calculation of potential export values

Up until this point, only lists of realistic export opportunities can be provided, and it is difficult to prioritise between export opportunities and between regions, countries, sectors and products, as no value is attached to the product-country combinations. By way of an example from a previous application of the DSM, small wares and toilet articles had export opportunities in 41 countries and ranked second when compared with other products, while motor vehicles for the transportation of goods or materials ranked 20<sup>th</sup> with opportunities in 35 countries. The size of the export opportunities was not considered and a ranking based on the number of opportunities is not accurate.

Figure 7: Analysis of import partners



Source: Authors calculation from CEPII BACI data

However, a statistical analysis of all the product codes on which trade is recorded over a five-year period shows that for 94 percent of country-product import lines (more than 840,000 in the data set), the top six supplying countries supply more than 80 percent of a country's imports in value terms (see Figure 7 panel [A]).

Further analysis also shows that 46 percent of these country-product import lines have more than 10 supplying trading partners (exporters to the importing country), while 20 percent have two or less partners.

Therefore, the calculation of a potential export value for each product-country combination that was selected as a realistic export opportunity is introduced at this point:

$$Pot\_exp_{i,j} = average(Z_{Six1,i,j}, Z_{Six2,i,j}, \dots, Z_{Six6,i,j})$$

where:

$Z_{Six1..6,i,j}$  is country  $i$ 's imports of product  $j$  from each of the top six competitors (excluding the exporting country for which the model is applied).

The potential export value is therefore considered the average market value of the top six competitors in each market (excluding the exporting country for which the model is applied). It gives a better indication of the size of the export opportunities relative to one another and is in line with filter 4 in which the exporting country's market share in each market is compared to that of the top six competitors. The potential value will therefore be much higher than the exporting country's actual export value if the export opportunity is classified into cells 1 to 10, while it will be much closer for export opportunities in cells 11 to 20. It is possible that the actual export value can be higher than this potential export value, which means that the exporting country is one of the main exporters in a particular market and exceeds the average market value of its top six competitors.

## 2.4. The data used

The international trade data that informs the TRADE-DSM outcomes as applied in this report is based on the CEPII, 2019 – HS2012 revision. However, the CEPII data only contains Southern African Customs Union (SACU) aggregate data. In practice, South Africa accounts for the majority of transactions. For this reason adjustments had to be made to the data to reflect Botswana, Namibia, Lesotho and Swaziland (eSwatini) separately. Although more recent (2018) data is available for some countries from the Division’s UNCOMTRADE database and the ITC’s TradeMap, the modelling requirement for reconciled data places a limit on the currency of the data. However, relative fundamental outcomes informed by this approach should not show significant differences from one year to the next.

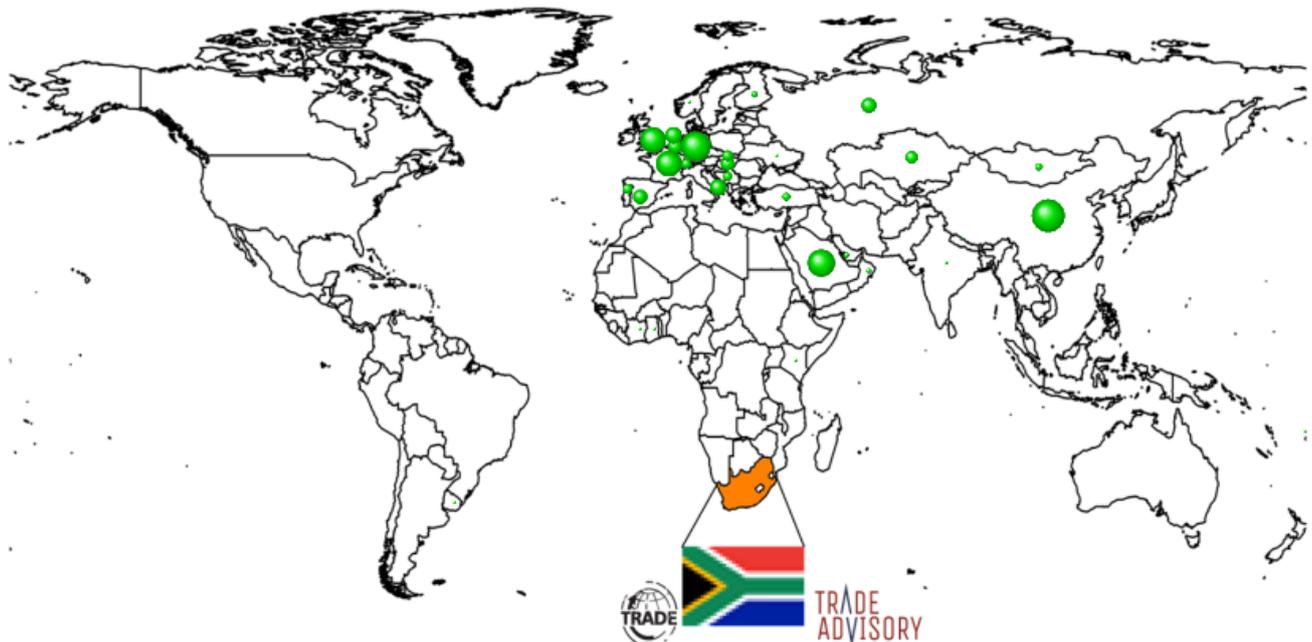
The current DSM analysis and outputs as applied in this report therefore make use of data for the period 2013-2017.

## 3. Realistic export opportunities identified

The following map provides a geographic representation of South Africa’s realistic export opportunities for this product into the top markets globally. The map shows the relative potential of the market opportunity in red bubbles. The bigger the bubbles the larger the potential size of the market. More details are provided in the following sections.

### Realistic export opportunities into target market(s)

Markets x Products:	<b>34 x 1</b>	Combinations:	<b>34</b>	Total Potential (US\$ Mn):	<b>103.32</b>
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The markets for HS210112 are classified into realistic export opportunities as described in the method section (1.1). The following tables provide an overview of the distribution of number and potential value share for the set of REOs. The detail per potential target market (country) provided in Table 2 also provides the REO classification for each of these opportunities.

Table 1: Number of realistic export opportunities per category

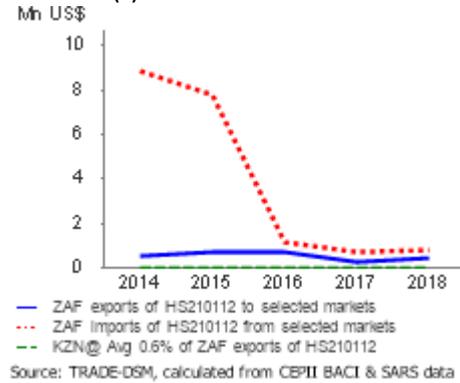
Map of Realistic Export Opportunities (REOs) No. [% of total no.] 'Untapped' potential value Millions (Mn) United States Dollar (USD) [% of total value]		Relative market share of Home Market into Target Market(s)				Row Totals
		Small (1)	Intermediate Small (2)	Intermediate Large (3)	Large (4)	
Product x target market (country) - size and growth	Large (1)	2 [5.9%] 30.97 Mn [30.0%]	-	-	-	2 [5.9%] 30.97 Mn [30.0%]
	Growing (2) (Short & Long term)	26 [76.5%] 38.97 Mn [37.7%]	1 [2.9%] 0.03 Mn [0.0%]	-	2 [5.9%] 0.06 Mn [0.1%]	29 [85.3%] 39.06 Mn [37.8%]
	Large and growing (3) (Short term)	1 [2.9%] 10.61 Mn [10.3%]	-	-	-	1 [2.9%] 10.61 Mn [10.3%]
	Large and growing (4) (Long term)	-	-	-	-	-
	Large and growing (5) (Short & Long term)	2 [5.9%] 22.66 Mn [21.9%]	-	-	-	2 [5.9%] 22.66 Mn [21.9%]
<b>Column Totals</b>		<b>31</b> [91.2%] <b>103.22 Mn</b> [99.9%]	<b>1</b> [2.9%] <b>0.03 Mn</b> [0.0%]	-	<b>2</b> [5.9%] <b>0.06 Mn</b> [0.1%]	<b>34</b> [100.0%] <b>103.32 Mn</b> [100.0%]

In total there are 34 opportunities identified, with the associated estimated 'untapped' potential value of 103.32 million (USD). 91.2% of the number of opportunities (and 99.9% of the estimated 'untapped' potential value) is associated with markets for which South Africa supplies none to very little of the target market(s) imports. Markets where South Africa supplies an intermediately small share of target market(s) imports is associated with 2.9% (and 0.0% in value terms) of these opportunities. The market(s) where South Africa supplies a large share imports account for 5.9% and 0.1% of value.

### 3.1. Overview of South Africa's trade with target market group for HS210112

The chart shows that there is major fluctuation in the importation and exportation of this product when reviewed in relation to the 34 selected export markets. South Africa does have some production capacity and export know-how for this product as indicated by the blue line (exports).

**Figure 8: South Africa's Imports and exports of the product with these market(s)**



The chart shows fluctuations in South Africa's trade balance of this product when reviewed in relation to the 34 selected global markets. The trend in the adjacent graph is a negative trade balance but shows signs of recovery primarily due to the drop in imports. Reasons for the change in trade flows need to be further investigated and understood.

**Figure 9: South Africa's trade balance for the product with these market(s)**



The chart shows that the South Africa's export to the 34 global markets is insignificant compared to the import demand (dark brown line). It also illustrates that there are other competitors that are successfully supplying into this market and meeting imported demand.

**Figure 10: South Africa's exports versus overall imports of this product for these market(s)**

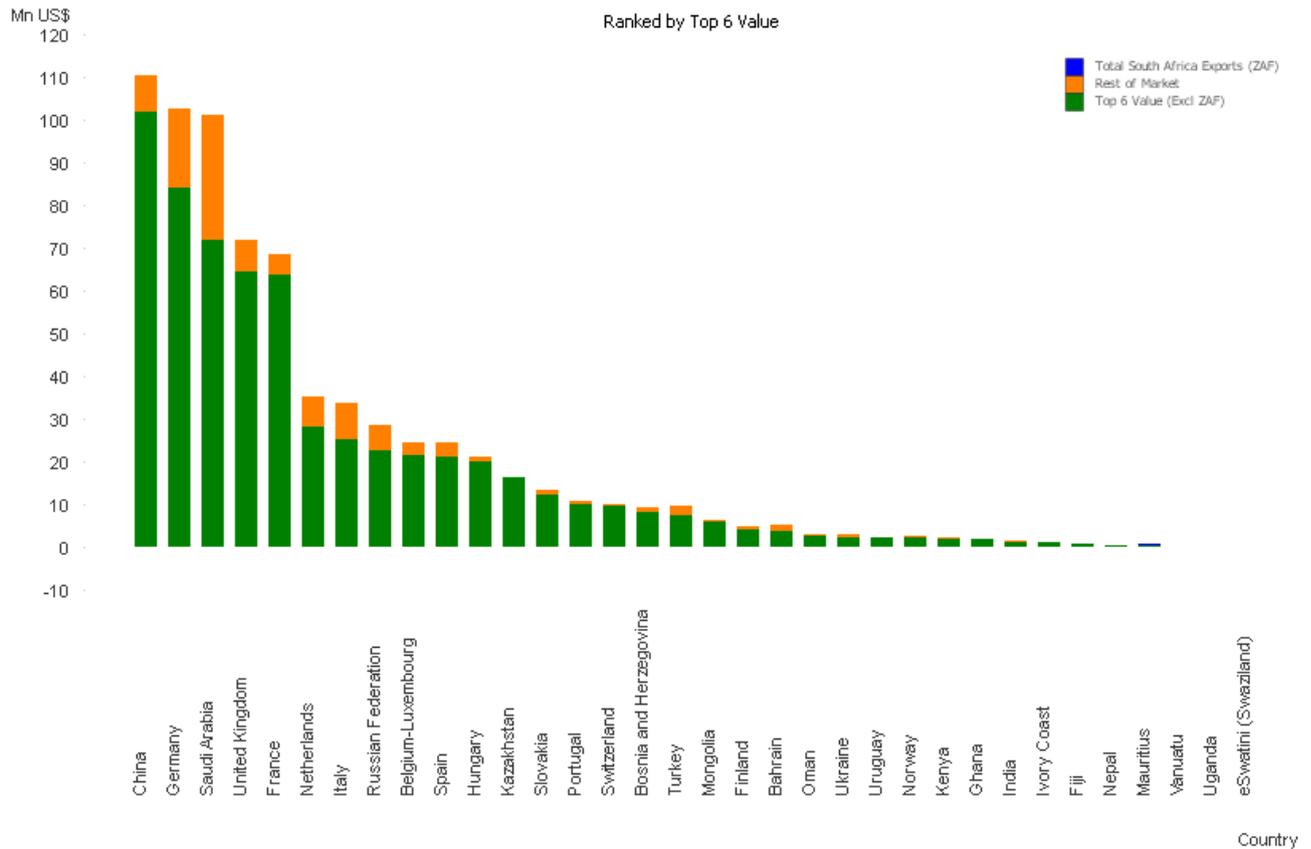


### 3.2. Identified (34) markets where South Africa's exporters can focus to expand sales

Based on the TRADE-DSM methodology as subset of 34 markets (countries) have been identified and are listed in Figure 11 ranked on potential (green bars) in descending order.

The chart illustrates potential target markets to which the South Africa's exporters can focus their attention to increase foreign sales. The markets are sorted in descending order of potential. Where blue blocks on the bar are visible, South Africa already supplies into these markets to some extent. The green bars represent the imports supplied by the 6 major supplying countries (excluding South Africa). The orange bars represent the rest of the supplying markets (also excluding South Africa).

**Figure 11: South Africa's identified markets in descending order of potential**

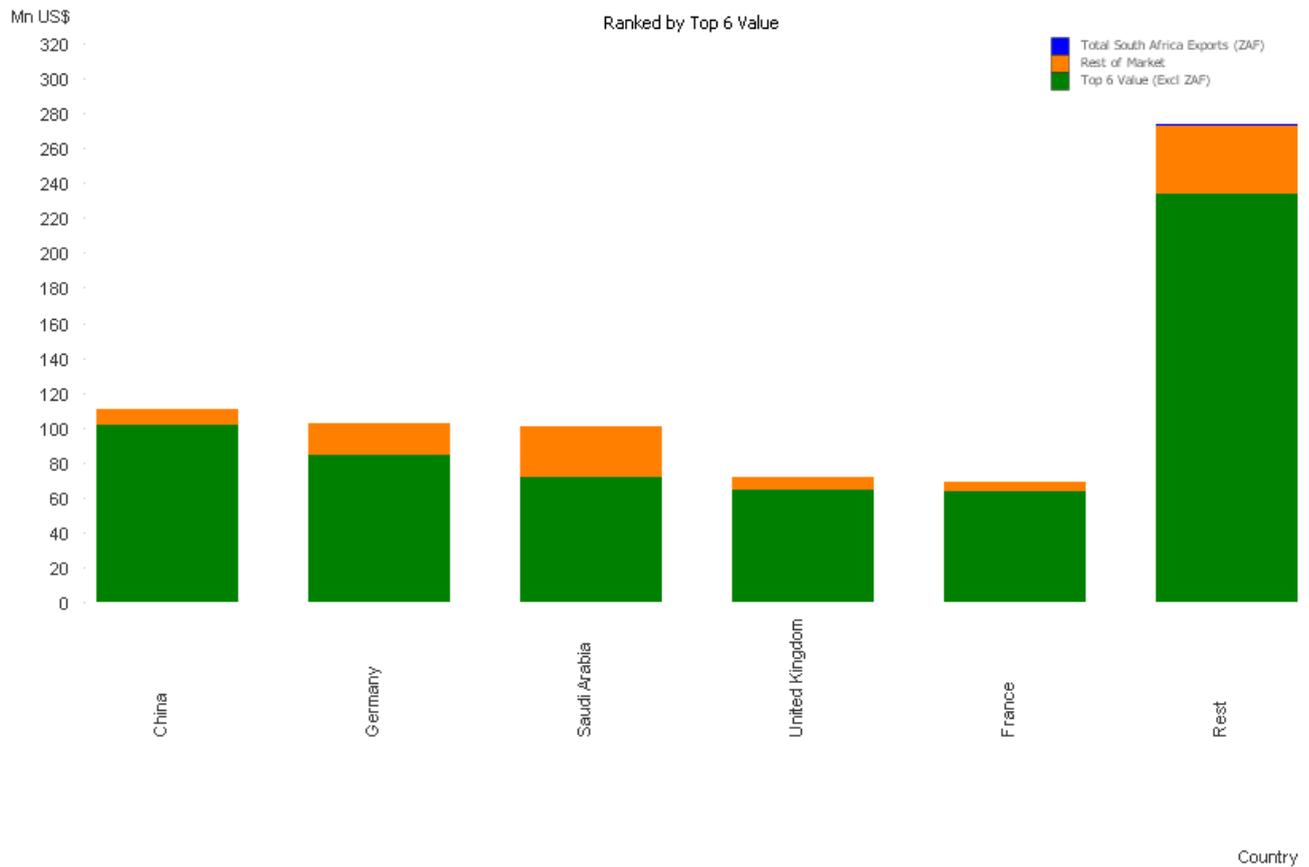


### 3.3. Top focus markets identified (5) where South Africa`s exporters can focus to expand sales

In order to assist with more focus a selection of the top potential markets are presented in Figure 12 below. The countries are again ranked in descending order based on the potential (average of green bars).

The top 5 countries exhibiting potential for South Africa`s exports include Vanuatu, Uruguay, United Kingdom, Ukraine and Uganda.

**Figure 12: South Africa`s proposed top 5 focus markets in descending order of potential**



The next section provides more information on these top markets and competitors that are supplying imports of the product into each of these potential target markets. It is suggested that this set of data is carefully studied to understand who are the competing countries that are playing in a specific market of interest and what is the concentration of the top competitors in that market.

Table 2: Detail of realistic export opportunity for each of the target markets identified

No	Country	REOxy	Tariff* %	[A] Total Realistic Export Potential to Target Market(s) (Mn) [USD]:	[A1] Halal reduced potential to Target Market(s) (Mn) [USD]:	[B] Total Exports from ZAF to Target Market(s) (Mn) [USD]:	[C] = [B] / [G] Total Exports from ZAF / Target Market(s) Total Imports %	[D] = [B] / [A] Total Exports from ZAF / Realistic Export Potential %	[E] Target Market(s) Imports from T6 (Excl ZAF) (Mn) [USD]:	[F] Target Market(s) Imports from Rest (Excl ZAF) (Mn) [USD]:	[G] Target Market(s) Total Imports (Mn) [USD]:
1	China	REO1,1	30.00	16.95	16.64	0.00	0.0%	0.0%	101.67	8.68	110.35
2	Germany	REO1,1	8.00	14.03	13.41	0.00	0.0%	0.0%	84.17	18.29	102.46
3	Saudi Arabia	REO1,5	5.00	11.95	0.12	0.03	0.0%	0.2%	71.72	29.17	100.92
4	United Kingdom	REO1,5	8.00	10.71	10.24	0.00	0.0%	0.0%	64.26	7.74	72.00
5	France	REO1,3	8.00	10.61	9.76	0.00	0.0%	0.0%	63.68	4.96	68.64
6	Netherlands	REO1,2	8.00	4.69	4.45	0.00	0.0%	0.0%	28.12	6.97	35.08
7	Italy	REO1,2	8.00	4.22	4.15	0.00	0.0%	0.0%	25.32	8.52	33.85
8	Russian Federation	REO1,2	11.00	3.74	3.28	0.00	0.0%	0.0%	22.46	6.02	28.48
9	Belgium-Luxembourg	REO1,2	8.00	3.57	3.39	0.00	0.0%	0.0%	21.42	2.99	24.41
10	Spain	REO1,2	8.00	3.54	3.54	0.00	0.0%	0.0%	21.21	3.21	24.42
11	Hungary	REO1,2	8.00	3.32	3.32	0.00	0.0%	0.0%	19.95	1.29	21.24
12	Kazakhstan	REO1,2	11.00	2.71	0.81	0.00	0.0%	0.0%	16.29	0.07	16.36
13	Slovakia	REO1,2	8.00	2.04	2.04	0.00	0.0%	0.0%	12.22	1.07	13.29
14	Portugal	REO1,2	8.00	1.68	1.68	0.00	0.0%	0.1%	10.09	0.82	10.91
15	Switzerland	REO1,2	2.41	1.59	1.51	0.00	0.0%	0.0%	9.53	0.46	10.00
16	Bosnia and Herzegovina	REO1,2	5.00	1.40	0.69	0.00	0.0%	0.0%	8.38	1.10	9.49
17	Turkey	REO1,2	11.50	1.26	0.00	0.00	0.0%	0.0%	7.58	1.94	9.52
18	Mongolia	REO1,2	5.00	0.99	0.96	0.00	0.0%	0.0%	5.96	0.33	6.29
19	Finland	REO1,2	8.00	0.70	0.70	0.00	0.0%	0.0%	4.23	0.50	4.73
20	Bahrain	REO1,2	5.00	0.63	0.19	0.00	0.1%	0.4%	3.80	1.31	5.11
21	Oman	REO1,2	5.00	0.46	0.07	0.00	0.0%	0.0%	2.79	0.21	3.00
22	Ukraine	REO1,2	10.00	0.40	0.40	0.00	0.0%	0.0%	2.42	0.75	3.17
23	Uruguay	REO1,2	16.00	0.38	0.38	0.00	0.0%	0.0%	2.30	0.10	2.39
24	Norway	REO1,2	-	0.37	0.36	0.00	0.0%	0.0%	2.25	0.39	2.63
25	Kenya	REO1,2	25.00	0.33	0.29	0.04	1.6%	10.7%	1.97	0.18	2.19

26	Ghana	REO1,2	20.00	0.30	0.25	0.01	0.4%	2.5%	1.78	0.17	1.96
27	India	REO1,2	30.00	0.21	0.18	0.00	0.0%	0.0%	1.24	0.13	1.38
28	Ivory Coast	REO1,2	20.00	0.18	0.10	0.00	0.0%	0.0%	1.08	0.06	1.14
29	Fiji	REO1,2	15.00	0.13	0.12	0.00	0.0%	0.0%	0.76	0.01	0.77
30	Nepal	REO1,2	30.00	0.08	0.08	0.00	0.0%	0.0%	0.48	0.02	0.50
31	Rest	-	-	0.13	0.12	0.41	33.8%	316.8%	0.73	0.07	1.20
	Total - All country REOs		-	103.32	83.22	0.49	0.1%	0.5%	619.85	107.52	727.87

Source: TRADE-DSM

*\*Applicable import tariff on product when imported from South Africa - in ad valorem equivalent percentage (ITC Market Access Map). Note that these tariffs are indicative and latest actual applied tariffs should be obtained from the relevant authority at the time of transaction.*

### 3.4. Top 5 markets – trends and competitor supplying countries

The following section provides some more detail regarding the specific target market for this product.

#### 3.4.1. Trends and competitor supplying countries: Market 1: China

China is in Eastern Asia, bordering the East China Sea, Korea Bay, Yellow Sea, and South China Sea, between North Korea and Vietnam. The country has a total surface area of 9,596,960 square kilometres. The country by size is at number 5 in the world.

Since the late 1970s, China has moved from a closed, centrally planned system to a more market-oriented one that plays a major global role. China has implemented reforms in a gradualist fashion, resulting in efficiency gains that have contributed to a more than tenfold increase in GDP since 1978. Reforms began with the phaseout of collectivised agriculture, and expanded to include the gradual liberalization of prices, fiscal decentralization, increased autonomy for state enterprises, growth of the private sector, development of stock markets and a modern banking system, and opening to foreign trade and investment. China continues to pursue an industrial policy, state support of key sectors, and a restrictive investment regime. From 2013 to 2017, China had one of the fastest growing economies in the world, averaging slightly more than 7% real growth per year. Measured on a purchasing power parity (PPP) basis that adjusts for price differences, China in 2017 stood as the largest economy in the world, surpassing the US in 2014 for the first time in modern history. China became the world's largest exporter in 2010, and the largest trading nation in 2013. Still, China's per capita income is below the world average.

In July 2005 moved to an exchange rate system that references a basket of currencies. From mid-2005 to late 2008, the renminbi (RMB) appreciated more than 20% against the US dollar, but the exchange rate remained virtually pegged to the dollar from the onset of the global financial crisis until June 2010, when Beijing announced it would resume a gradual appreciation. From 2013 until early 2015, the renminbi held steady against the dollar, but it depreciated 13% from mid-2015 until end-2016 amid strong capital outflows; in 2017 the RMB resumed appreciating against the dollar – roughly 7% from end-of-2016 to end-of-2017. In 2015, the People's Bank of China announced it would continue to carefully push for full convertibility of the renminbi, after the currency was accepted as part of the IMF's special drawing rights basket. However, since late 2015 the Chinese Government has strengthened capital controls and oversight of overseas investments to better manage the exchange rate and maintain financial stability.

The Chinese Government faces numerous economic challenges including: (a) reducing its high domestic savings rate and correspondingly low domestic household consumption; (b) managing its high corporate debt burden to maintain financial stability; (c) controlling off-balance sheet local government debt used to finance infrastructure stimulus; (d) facilitating higher-wage job opportunities for the aspiring middle class, including rural migrants and college graduates, while maintaining competitiveness; (e) dampening speculative investment in the real estate sector without sharply slowing the economy; (f) reducing industrial overcapacity; and (g) raising productivity growth rates through the more efficient allocation of capital and state-support for innovation. Economic development has progressed further in coastal provinces than in the interior, and by 2016 more than 169.3 million migrant workers and their dependents had relocated to urban areas to find work. One consequence of China's population control policy known as the "one-child policy" - which was relaxed in 2016 to permit all families to have two children - is that China is now one of the most rapidly aging countries in the world. Deterioration in the environment - notably air pollution, soil erosion, and the steady fall of the water table, especially in the North - is another long-term problem. China continues to lose arable land because of erosion and urbanization. The Chinese Government is seeking to add energy production capacity from sources other than coal and oil, focusing on natural gas, nuclear, and clean energy development. In 2016, China ratified the Paris Agreement, a multilateral agreement to combat climate change, and committed to peak its carbon dioxide emissions between 2025 and 2030.

The government's 13th Five-Year Plan, unveiled in March 2016, emphasizes the need to increase innovation and boost domestic consumption to make the economy less dependent on government investment, exports, and heavy industry. However, China has made more progress on subsidizing innovation than rebalancing the economy. Beijing has committed to giving the market a more decisive role in allocating resources, but the Chinese Government's policies continue to favour state-owned enterprises and emphasize stability. Chinese leaders in 2010 pledged to double China's GDP by 2020, and the 13th Five Year Plan includes annual economic growth targets of at least 6.5% through 2020 to achieve that goal. In recent years, China has renewed its support for state-owned enterprises in sectors considered important to "economic security," explicitly looking to foster globally competitive industries. Chinese leaders also have undermined some market-oriented reforms by reaffirming the "dominant" role of the state in the economy, a stance that threatens to discourage private initiative and make the economy less efficient over time. The slight acceleration in economic growth in 2017—the first such uptick since 2010—gives Beijing more latitude to pursue its economic reforms, focusing on financial sector deleveraging and its Supply-Side Structural Reform agenda, first announced in late 2015.

The following table provides a summary of outcomes for the various filters applied to inform on this specific combination of product and market (as per the approach explained previously in section 2).

**Table 3: Summarised DSM approach outcomes for HS210112: South Africa to China**

Main DSM filter outcomes for this opportunity		Realistic Export Opportunity (REO) characteristics	
Market passes economic filter [size & risk - F1]?	Yes	Home market import rank into target market:	46 out of 60
Product passes import demand filter [size & growth - F2]?	Yes	Home market share of market size indicator	1-Small Market Share ( $0 \leq S < 5\%$ )
Product has absolute positive historical growth [F2 +]?	-	Target market x product import demand characteristics:	1-Large Market
Passes concentration filter [of import partners - F3.1]?	Yes	Estimated 'untapped' potential associated with this opportunity:	16.9 million US\$
Product passes accessibility filter [tariffs, logistics - F3.2]?	Yes	Country x product tariff (+ latest year):	30.00% [2018]
Home market has product export maturity (proxy) [F4.1]?	-	Relative logistics index:	27.14%
Home market has product export production (proxy) [F4.2]?	-	Overall market accessibility index:	57.14%

**Explanatory notes:**

- **Market passes economic filter:** “Yes” means that the target market (in this case China) passes relative “cut-off” thresholds, meaning this market relative to others is performing sufficiently well in terms of economic growth, size and operational and environmental risk factors to be viewed as an “acceptable” market to trade with from South Africa’s perspective;
- **Product passes import demand filter:** “Yes” means that the import demand of China for the selected product (in this case HS210112) passes relative “cut-off” thresholds, meaning that the import demand for the product relative to others is performing sufficiently well in terms of short and longer term growth as well as size, to be viewed as an “acceptable” product and market combination to pursue from South Africa’s perspective;
- **Product has absolute positive historical growth:** “Yes” means that over and above the fact that the product and market combination passes the previous import demand filter requirements, it also exhibits not only relative but absolute positive growth over the period of analysis. Product-market combinations that meet this requirement is even more desirable from an export growth perspective.
- **Passes concentration filter:** “Yes” means that in relative terms the target market is willing to import the product in question from multiple different exporting countries. This in turn implies that it would be easier for a new supplier (country or company) to enter such a less concentrated market (from a procurement perspective) than an alternative where the market is concentrated. Such concentration can be due to various factors, including monopolies and oligopolies active in the target market, or other factors such as e.g. shared cultural, language, political / historical relationships, religious and bi-lateral trade agreements to name but a few.
- **Product passes accessibility filter:** “Yes” means that for the target market in question and the specific product, relative to other opportunities, this opportunity passes relative “cut-off” thresholds for 3 main areas of market access. These are import tariffs applicable on the product into the target market, the cost (in terms of both time and actual administrative and other import costs) as well as relative logistics costs to move a container from the home market base port to the target market base port.
- **Home market has product export maturity:** “Yes” means the product passes the “cut-off” threshold for the revealed comparative advantage indicator – indicating that the home market (in this case South Africa) has a comparative advantage (relative to the world average) for this specific product. Therefore the relative size of this particular product in the overall basket of products exported from South Africa is larger than the share of this product in the world export product basket. It is therefore also used as an indicator or “proxy” of the home market’s “maturity” of exporting of such a product.
- **Home market has product export production:** “Yes” in this instance means that when net exports of the product (so total exports of the product minus total imports of the product) is positive (so greater than zero), it can be inferred that the country has the domestic ability to “add” volumes (over and above what the country imports of the product) for purposes of exports and hence must have productive capacity for purposes of exports. Potential issues such as stock-holding and re-distribution is accounted for by calculating this indicator on a time-weighted basis over 5 years as opposed to only a single (the last) year.

South Africa's exports of the product are contrasted relative to the overall trend of this product's imports into China over the last 5 years (if South Africa historically did export any of this product to China) in Figure 13.

Furthermore, the estimated 'untapped' potential is contextualised relative to the target market's total imports as well as existing exports from South Africa's (the bright green bar for the last year).

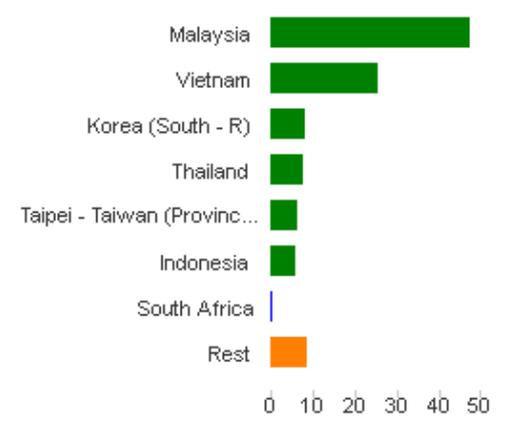
In this instance the estimated 'untapped' potential associated with this opportunity is estimated to be 16.9 million (USD). Note that if the value of exports from South Africa for this product already is close to the total of the green bar, it implies that South Africa is already a major supplier into the target market. While this may be the case, if the gap between the green bar and total imports (dashed brown line) is significant, there may still be opportunity to gain further additional market share in the target market. However, if the gap between the green bar and total imports (dashed brown line) is very small while at the same time exports from South Africa is close to the potential value (and therefore also to total imports of the product in such a scenario) there potentially remains relatively small 'untapped' potential for this product into China.

**Figure 13: HS210112 total exports from South Africa relative to total imports and potential for China**



While the above analysis indicated the measure of supplier concentration (or not) the following information provides more detail on the potential competing countries that currently are major suppliers of the product into China. The home market (in this case South Africa) is always placed in the last position of the chart (before 'Rest' if there are more than 7 supplying countries), irrespective of its actual position as supplier of this product into the target market, while the top 6 (or less) competitors are shown for context (refer to the method in section 2.3 on calculation of 'untapped' potential for the explanation of the top 6 competitors).

**Table 4: Competing suppliers into China for HS210112**

Item	Competitor(s)	Total value supplied to (imported by) target market from this source country (million US\$)	Share of import market (%)	Top supplying countries of HS210112 for imports into China
1	Vietnam	25.72	23.3%	<p>Average import value from top 6 competitors: 16.95 (Mn) [USD] on time-weighted basis</p> 
2	Korea (South - R)	8.34	7.6%	
3	Thailand	7.73	7.0%	
4	Taipei - Taiwan (Province of China)	6.24	5.7%	
5	Indonesia	6.08	5.5%	
6	South Africa	0.00	0.0%	
7	Rest	8.68	7.9%	
8		110.35	100.0%	
	<b>Total</b>	<b>47.57</b>	<b>43.1%</b>	

Overall, South Africa is ranked at position 46 out of 60 of all supplying countries of imports for this product into China.

### 3.4.2. Trends and competitor supplying countries: Market 2: Germany

Germany is in Central Europe, bordering the Baltic Sea and the North Sea, between the Netherlands and Poland, south of Denmark. The country has a total surface area of 357,022 square kilometres. The country by size is at number 64 in the world.

The German economy - the fifth largest economy in the world in PPP terms and Europe's largest - is a leading exporter of machinery, vehicles, chemicals, and household equipment. Germany benefits from a highly skilled labour force, but, like its Western European neighbours, faces significant demographic challenges to sustained long-term growth. Low fertility rates and a large increase in net immigration are increasing pressure on the country's social welfare system and necessitate structural reforms.

Reforms launched by the government of Chancellor Gerhard SCHROEDER (1998-2005), deemed necessary to address chronically high unemployment and low average growth, contributed to strong economic growth and falling unemployment. These advances, as well as a government subsidized, reduced working hour scheme, help explain the relatively modest increase in unemployment during the 2008-09 recession - the deepest since World War II. The German Government introduced a minimum wage in 2015 that increased to \$9.79 (8.84 euros) in January 2017.

Stimulus and stabilization efforts initiated in 2008 and 2009 and tax cuts introduced in Chancellor Angela MERKEL's second term increased Germany's total budget deficit - including federal, state, and municipal - to 4.1% in 2010, but slower spending and higher tax revenues reduced the deficit to 0.8% in 2011 and in 2017 Germany reached a budget surplus of 0.7%. A constitutional amendment approved in 2009 limits the federal government to structural deficits of no more than 0.35% of GDP per annum as of 2016, though the target was already reached in 2012.

Following the March 2011 Fukushima nuclear disaster, Chancellor Angela MERKEL announced in May 2011 that eight of the country's 17 nuclear reactors would be shut down immediately and the remaining plants would close by 2022. Germany plans to replace nuclear power largely with renewable energy, which accounted for 29.5% of gross electricity consumption in 2016, up from 9% in 2000. Before the shutdown of the eight reactors, Germany relied on nuclear power for 23% of its electricity generating capacity and 46% of its base-load electricity production.

The German economy suffers from low levels of investment, and a government plan to invest 15 billion euros during 2016-18, largely in infrastructure, is intended to spur needed private investment. Domestic consumption, investment, and exports are likely to drive German GDP growth in 2018, and the country's budget and trade surpluses are likely to remain high.

Last updated: April 2020 (Source: CIA World Factbook).

The following table provides a summary of outcomes for the various filters applied to inform on this specific combination of product and market (as per the approach explained previously in section 2).

**Table 5: Summarised DSM approach outcomes for HS210112: South Africa to Germany**

Main DSM filter outcomes for this opportunity		Realistic Export Opportunity (REO) characteristics	
Market passes economic filter [size & risk - F1]?	Yes	Home market import rank into target market:	47 out of 51
Product passes import demand filter [size & growth - F2]?	Yes	Home market share of market size indicator	1-Small Market Share (0<=S<5%)
Product has absolute positive historical growth [F2 +]?	-	Target market x product import demand characteristics:	1-Large Market
Passes concentration filter [of import partners - F3.1]?	Yes	Estimated 'untapped' potential associated with this opportunity:	14.0 million US\$
Product passes accessibility filter [tariffs, logistics - F3.2]?	Yes	Country x product tariff (+ latest year):	8.00% [2018]
Home market has product export maturity (proxy) [F4.1]?	-	Relative logistics index:	25.04%
Home market has product export production (proxy) [F4.2]?	-	Overall market accessibility index:	33.04%

**Explanatory notes:**

- **Market passes economic filter:** “Yes” means that the target market (in this case Germany) passes relative “cut-off” thresholds, meaning this market relative to others is performing sufficiently well in terms of economic growth, size and operational and environmental risk factors to be viewed as an “acceptable” market to trade with from South Africa’s perspective;
- **Product passes import demand filter:** “Yes” means that the import demand of Germany for the selected product (in this case HS210112) passes relative “cut-off” thresholds, meaning that the import demand for the product relative to others is performing sufficiently well in terms of short and longer term growth as well as size, to be viewed as an “acceptable” product and market combination to pursue from South Africa’s perspective;
- **Product has absolute positive historical growth:** “Yes” means that over and above the fact that the product and market combination passes the previous import demand filter requirements, it also exhibits not only relative but absolute positive growth over the period of analysis. Product-market combinations that meet this requirement is even more desirable from an export growth perspective.
- **Passes concentration filter:** “Yes” means that in relative terms the target market is willing to import the product in question from multiple different exporting countries. This in turn implies that it would be easier for a new supplier (country or company) to enter such a less concentrated market (from a procurement perspective) than an alternative where the market is concentrated. Such concentration can be due to various factors, including monopolies and oligopolies active in the target market, or other factors such as e.g. shared cultural, language, political / historical relationships, religious and bi-lateral trade agreements to name but a few.
- **Product passes accessibility filter:** “Yes” means that for the target market in question and the specific product, relative to other opportunities, this opportunity passes relative “cut-off” thresholds for 3 main areas of market access. These are import tariffs applicable on the product into the target market, the cost (in terms of both time and actual administrative and other import costs) as well as relative logistics costs to move a container from the home market base port to the target market base port.
- **Home market has product export maturity:** “Yes” means the product passes the “cut-off” threshold for the revealed comparative advantage indicator – indicating that the home market (in this case South Africa) has a comparative advantage (relative to the world average) for this specific product. Therefor the relative size of this particular product in the overall basket of products exported from South Africa is larger than the share of this product in the world export product basket. It is therefore also used as an indicator or “proxy” of the home market’s “maturity” of exporting of such a product.
- **Home market has product export production:** “Yes” in this instance means that when net exports of the product (so total exports of the product minus total imports of the product) is positive (so greater than zero), it can be inferred that the country has the domestic ability to “add” volumes (over and above what the country imports of the product) for purposes of exports and hence must have productive capacity for purposes of exports. Potential issues such as stock-holding and re-distribution is accounted for by calculating this indicator on a time-weighted basis over 5 years as opposed to only a single (the last) year.

South Africa’s exports of the product are contrasted relative to the overall trend of this product’s imports into Germany over the last 5 years (if South Africa historically did export any of this product to Germany) in Figure 14.

Furthermore, the estimated ‘untapped’ potential is contextualised relative to the target market’s total imports as well as existing exports from South Africa’s (the bright green bar for the last year).

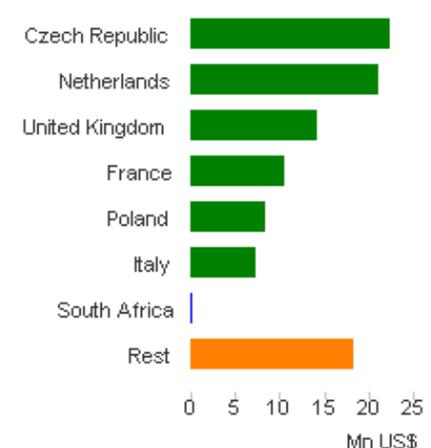
In this instance the estimated ‘untapped’ potential associated with this opportunity is estimated to be 14.0 million (USD). Note that if the value of exports from South Africa for this product already is close to the total of the green bar, it implies that South Africa is already a major supplier into the target market. While this may be the case, if the gap between the green bar and total imports (dashed brown line) is significant, there may still be opportunity to gain further additional market share in the target market. However, if the gap between the green bar and total imports (dashed brown line) is very small while at the same time exports from South Africa is close to the potential value (and therefore also to total imports of the product in such a scenario) there potentially remains relatively small ‘untapped’ potential for this product into Germany.

**Figure 14: HS210112 total exports from South Africa relative to total imports and potential for Germany**



While the above analysis indicated the measure of supplier concentration (or not) the following information provides more detail on the potential competing countries that currently are major suppliers of the product into Germany. The home market (in this case South Africa) is always placed in the last position of the chart (before 'Rest' if there are more than 7 supplying countries), irrespective of its actual position as supplier of this product into the target market, while the top 6 (or less) competitors are shown for context (refer to the method in section 2.3 on calculation of 'untapped' potential for the explanation of the top 6 competitors).

**Table 6: Competing suppliers into Germany for HS210112**

Item	Competitor(s)	Total value supplied to (imported by) target market from this source country (million US\$)	Share of import market (%)	Top supplying countries of HS210112 for imports into Germany
1	Netherlands	21.16	20.7%	<p>Average import value from top 6 competitors: 14.03 (Mn) [USD] on time-weighted basis</p> 
2	United Kingdom	14.16	13.8%	
3	France	10.61	10.4%	
4	Poland	8.35	8.1%	
5	Italy	7.42	7.2%	
6	South Africa	0.00	0.0%	
7	Rest	18.29	17.8%	
8		102.46	100.0%	
	<b>Total</b>	<b>22.48</b>	<b>21.9%</b>	

Overall, South Africa is ranked at position 47 out of 51 of all supplying countries of imports for this product into Germany.

### 3.4.3. Trends and competitor supplying countries: Market 3: Saudi Arabia

Saudi Arabia is in Middle East, bordering the Persian Gulf and the Red Sea, north of Yemen. The country has a total surface area of 2,149,690 square kilometres. The country by size is at number 14 in the world.

Saudi Arabia has an oil-based economy with strong government controls over major economic activities. It possesses about 16% of the world's proven petroleum reserves, ranks as the largest exporter of petroleum, and plays a leading role in OPEC. The petroleum sector accounts for roughly 87% of budget revenues, 42% of GDP, and 90% of export earnings.

Saudi Arabia is encouraging the growth of the private sector in order to diversify its economy and to employ more Saudi nationals. Approximately 6 million foreign workers play an important role in the Saudi economy, particularly in the oil and service sectors; at the same time, however, Riyadh is struggling to reduce unemployment among its own nationals. Saudi officials are particularly focused on employing its large youth population.

In 2017, the Kingdom incurred a budget deficit estimated at 8.3% of GDP, which was financed by bond sales and drawing down reserves. Although the Kingdom can finance high deficits for several years by drawing down its considerable foreign assets or by borrowing, it has cut capital spending and reduced subsidies on electricity, water, and petroleum products and recently introduced a value-added tax of 5%. In January 2016, Crown Prince and Deputy Prime Minister MUHAMMAD BIN SALMAN announced that Saudi Arabia intends to list shares of its state-owned petroleum company, ARAMCO - another move to increase revenue and outside investment. The government has also looked at privatization and diversification of the economy more closely in the wake of a diminished oil market. Historically, Saudi Arabia has focused diversification efforts on power generation, telecommunications, natural gas exploration, and petrochemical sectors. More recently, the government has approached investors about expanding the role of the private sector in the health care, education and tourism industries. While Saudi Arabia has emphasized their goals of diversification for some time, current low oil prices may force the government to make more drastic changes ahead of their long-run timeline.

Last updated: April 2020 (Source: CIA World Factbook).

The following table provides a summary of outcomes for the various filters applied to inform on this specific combination of product and market (as per the approach explained previously in section 2).

**Table 7: Summarised DSM approach outcomes for HS210112: South Africa to Saudi Arabia**

Main DSM filter outcomes for this opportunity		Realistic Export Opportunity (REO) characteristics	
Market passes economic filter [size & risk - F1]?	Yes	Home market import rank into target market:	41 out of 56
Product passes import demand filter [size & growth - F2]?	Yes	Home market share of market size indicator	1-Small Market Share ( $0 \leq S < 5\%$ )
Product has absolute positive historical growth [F2 +]?	Yes	Target market x product import demand characteristics:	5-Large Growing Market (Short & Long term)
Passes concentration filter [of import partners - F3.1]?	Yes	Estimated 'untapped' potential associated with this opportunity:	12.0 million US\$
Product passes accessibility filter [tariffs, logistics - F3.2]?	Yes	Country x product tariff (+ latest year):	5.00% [2017]
Home market has product export maturity (proxy) [F4.1]?	-	Relative logistics index:	33.55%
Home market has product export production (proxy) [F4.2]?	-	Overall market accessibility index:	38.55%

**Explanatory notes:**

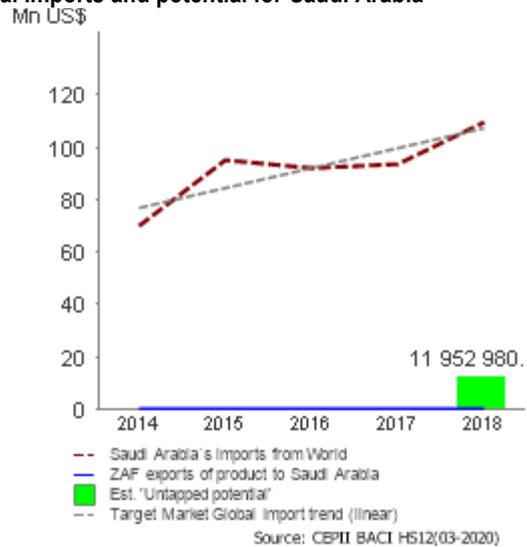
- **Market passes economic filter:** “Yes” means that the target market (in this case Saudi Arabia) passes relative “cut-off” thresholds, meaning this market relative to others is performing sufficiently well in terms of economic growth, size and operational and environmental risk factors to be viewed as an “acceptable” market to trade with from South Africa’s perspective;
- **Product passes import demand filter:** “Yes” means that the import demand of Saudi Arabia for the selected product (in this case HS210112) passes relative “cut-off” thresholds, meaning that the import demand for the product relative to others is performing sufficiently well in terms of short and longer term growth as well as size, to be viewed as an “acceptable” product and market combination to pursue from South Africa’s perspective;
- **Product has absolute positive historical growth:** “Yes” means that over and above the fact that the product and market combination passes the previous import demand filter requirements, it also exhibits not only relative but absolute positive growth over the period of analysis. Product-market combinations that meet this requirement is even more desirable from an export growth perspective.
- **Passes concentration filter:** “Yes” means that in relative terms the target market is willing to import the product in question from multiple different exporting countries. This in turn implies that it would be easier for a new supplier (country or company) to enter such a less concentrated market (from a procurement perspective) than an alternative where the market is concentrated. Such concentration can be due to various factors, including monopolies and oligopolies active in the target market, or other factors such as e.g. shared cultural, language, political / historical relationships, religious and bi-lateral trade agreements to name but a few.
- **Product passes accessibility filter:** “Yes” means that for the target market in question and the specific product, relative to other opportunities, this opportunity passes relative “cut-off” thresholds for 3 main areas of market access. These are import tariffs applicable on the product into the target market, the cost (in terms of both time and actual administrative and other import costs) as well as relative logistics costs to move a container from the home market base port to the target market base port.
- **Home market has product export maturity:** “Yes” means the product passes the “cut-off” threshold for the revealed comparative advantage indicator – indicating that the home market (in this case South Africa) has a comparative advantage (relative to the world average) for this specific product. Therefor the relative size of this particular product in the overall basket of products exported from South Africa is larger than the share of this product in the world export product basket. It is therefore also used as an indicator or “proxy” of the home market’s “maturity” of exporting of such a product.
- **Home market has product export production:** “Yes” in this instance means that when net exports of the product (so total exports of the product minus total imports of the product) is positive (so greater than zero), it can be inferred that the country has the domestic ability to “add” volumes (over and above what the country imports of the product) for purposes of exports and hence must have productive capacity for purposes of exports. Potential issues such as stock-holding and re-distribution is accounted for by calculating this indicator on a time-weighted basis over 5 years as opposed to only a single (the last) year.

South Africa’s exports of the product are contrasted relative to the overall trend of this product’s imports into Saudi Arabia over the last 5 years (if South Africa historically did export any of this product to Saudi Arabia) in Figure 15.

Furthermore, the estimated ‘untapped’ potential is contextualised relative to the target market’s total imports as well as existing exports from South Africa’s (the bright green bar for the last year).

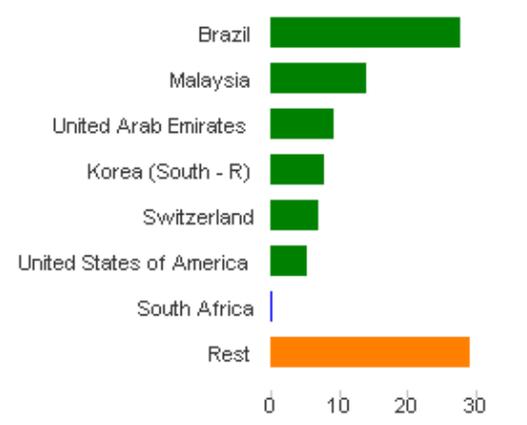
In this instance the estimated ‘untapped’ potential associated with this opportunity is estimated to be 12.0 million (USD). Note that if the value of exports from South Africa for this product already is close to the total of the green bar, it implies that South Africa is already a major supplier into the target market. While this may be the case, if the gap between the green bar and total imports (dashed brown line) is significant, there may still be opportunity to gain further additional market share in the target market. However, if the gap between the green bar and total imports (dashed brown line) is very small while at the same time exports from South Africa is close to the potential value (and therefore also to total imports of the product in such a scenario) there potentially remains relatively small ‘untapped’ potential for this product into Saudi Arabia.

**Figure 15: HS210112 total exports from South Africa relative to total imports and potential for Saudi Arabia**



While the above analysis indicated the measure of supplier concentration (or not) the following information provides more detail on the potential competing countries that currently are major suppliers of the product into Saudi Arabia. The home market (in this case South Africa) is always placed in the last position of the chart (before ‘Rest’ if there are more than 7 supplying countries), irrespective of its actual position as supplier of this product into the target market, while the top 6 (or less) competitors are shown for context (refer to the method in section 2.3 on calculation of ‘untapped’ potential for the explanation of the top 6 competitors).

**Table 8: Competing suppliers into Saudi Arabia for HS210112**

Item	Competitor(s)	Total value supplied to (imported by) target market from this source country (million US\$)	Share of import market (%)	Top supplying countries of HS210112 for imports into Saudi Arabia
1	Malaysia	14.11	14.0%	<p>Average import value from top 6 competitors: 11.95 (Mn) [USD] on time-weighted basis</p>  <p>0 10 20 30 Mln US\$</p>
2	United Arab Emirates	9.35	9.3%	
3	Korea (South - R)	7.90	7.8%	
4	Switzerland	7.11	7.0%	
5	United States of America	5.39	5.3%	
6	South Africa	0.03	0.0%	
7	Rest	29.17	28.9%	
8		100.92	100.0%	
	<b>Total</b>	<b>27.86</b>	<b>27.6%</b>	

Overall, South Africa is ranked at position 41 out of 56 of all supplying countries of imports for this product into Saudi Arabia.

### 3.4.4. Trends and competitor supplying countries: Market 4: United Kingdom

United Kingdom is in Western Europe, islands - including the northern one-sixth of the island of Ireland - between the North Atlantic Ocean and the North Sea, northwest of France. The country has a total surface area of 243,610 square kilometres. The country by size is at number 81 in the world.

The UK, a leading trading power and financial centre, is the third largest economy in Europe after Germany and France. Agriculture is intensive, highly mechanized, and efficient by European standards, producing about 60% of food needs with less than 2% of the labour force. The UK has large coal, natural gas, and oil resources, but its oil and natural gas reserves are declining; the UK has been a net importer of energy since 2005. Services, particularly banking, insurance, and business services, are key drivers of British GDP growth. Manufacturing, meanwhile, has declined in importance but still accounts for about 10% of economic output.

In 2008, the global financial crisis hit the economy particularly hard, due to the importance of its financial sector. Falling home prices, high consumer debt, and the global economic slowdown compounded the UK's economic problems, pushing the economy into recession in the latter half of 2008 and prompting the then BROWN (Labour) government to implement a number of measures to stimulate the economy and stabilize the financial markets. Facing burgeoning public deficits and debt levels, in 2010 the then CAMERON-led coalition government (between Conservatives and Liberal Democrats) initiated an austerity program, which has continued under the Conservative government. However, the deficit remains one of the highest in the G7, standing at 3.6% of GDP as of 2017, and the UK has pledged to lower its corporation tax from 20% to 17% by 2020. The UK had a debt burden of 90.4% GDP at the end of 2017.

The UK economy has begun to slow since the referendum vote to leave the EU in June 2016. A sustained depreciation of the British pound has increased consumer and producer prices, weighing on consumer spending without spurring a meaningful increase in exports. The UK has an extensive trade relationship with other EU members through its single market membership, and economic observers have warned the exit will jeopardize its position as the central location for European financial services. The UK is slated to leave the EU at the end of January 2020.

Last updated: April 2020 (Source: CIA World Factbook).

The following table provides a summary of outcomes for the various filters applied to inform on this specific combination of product and market (as per the approach explained previously in section 2).

**Table 9: Summarised DSM approach outcomes for HS210112: South Africa to United Kingdom**

Main DSM filter outcomes for this opportunity		Realistic Export Opportunity (REO) characteristics	
Market passes economic filter [size & risk - F1]?	Yes	Home market import rank into target market:	42 out of 52
Product passes import demand filter [size & growth - F2]?	Yes	Home market share of market size indicator	1-Small Market Share (0<=S<5%)
Product has absolute positive historical growth [F2 +]?	Yes	Target market x product import demand characteristics:	5-Large Growing Market (Short & Long term)
Passes concentration filter [of import partners - F3.1]?	Yes	Estimated 'untapped' potential associated with this opportunity:	10.7 million US\$
Product passes accessibility filter [tariffs, logistics - F3.2]?	Yes	Country x product tariff (+ latest year):	8.00% [2018]
Home market has product export maturity (proxy) [F4.1]?	-	Relative logistics index:	24.81%
Home market has product export production (proxy) [F4.2]?	-	Overall market accessibility index:	32.81%

#### Explanatory notes:

- **Market passes economic filter:** "Yes" means that the target market (in this case United Kingdom) passes relative "cut-off" thresholds, meaning this market relative to others is performing sufficiently well in terms of economic growth, size and operational and environmental risk factors to be viewed as an "acceptable" market to trade with from South Africa's perspective;
- **Product passes import demand filter:** "Yes" means that the import demand of United Kingdom for the selected product (in this case HS210112) passes relative "cut-off" thresholds, meaning that the import demand for the product relative to others is performing

sufficiently well in terms of short and longer term growth as well as size, to be viewed as an “acceptable” product and market combination to pursue from South Africa’s perspective;

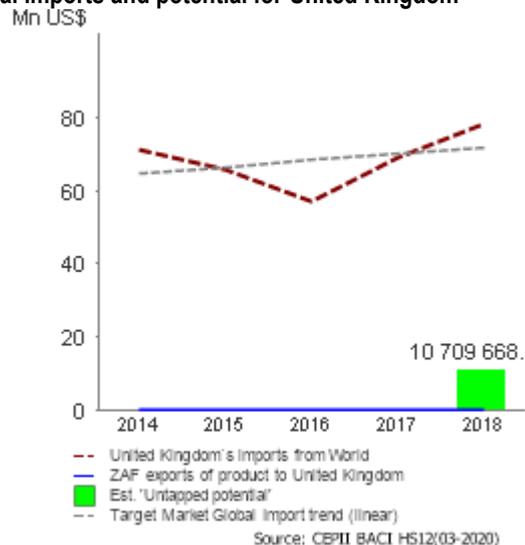
- **Product has absolute positive historical growth:** “Yes” means that over and above the fact that the product and market combination passes the previous import demand filter requirements, it also exhibits not only relative but absolute positive growth over the period of analysis. Product-market combinations that meet this requirement is even more desirable from an export growth perspective.
- **Passes concentration filter:** “Yes” means that in relative terms the target market is willing to import the product in question from multiple different exporting countries. This in turn implies that it would be easier for a new supplier (country or company) to enter such a less concentrated market (from a procurement perspective) than an alternative where the market is concentrated. Such concentration can be due to various factors, including monopolies and oligopolies active in the target market, or other factors such as e.g. shared cultural, language, political / historical relationships, religious and bi-lateral trade agreements to name but a few.
- **Product passes accessibility filter:** “Yes” means that for the target market in question and the specific product, relative to other opportunities, this opportunity passes relative “cut-off” thresholds for 3 main areas of market access. These are import tariffs applicable on the product into the target market, the cost (in terms of both time and actual administrative and other import costs) as well as relative logistics costs to move a container from the home market base port to the target market base port.
- **Home market has product export maturity:** “Yes” means the product passes the “cut-off” threshold for the revealed comparative advantage indicator – indicating that the home market (in this case South Africa) has a comparative advantage (relative to the world average) for this specific product. Therefor the relative size of this particular product in the overall basket of products exported from South Africa is larger than the share of this product in the world export product basket. It is therefore also used as an indicator or “proxy” of the home market’s “maturity” of exporting of such a product.
- **Home market has product export production:** “Yes” in this instance means that when net exports of the product (so total exports of the product minus total imports of the product) is positive (so greater than zero), it can be inferred that the country has the domestic ability to “add” volumes (over and above what the country imports of the product) for purposes of exports and hence must have productive capacity for purposes of exports. Potential issues such as stock-holding and re-distribution is accounted for by calculating this indicator on a time-weighted basis over 5 years as opposed to only a single (the last) year.

South Africa’s exports of the product are contrasted relative to the overall trend of this product’s imports into United Kingdom over the last 5 years (if South Africa historically did export any of this product to United Kingdom) in Figure 16.

Furthermore, the estimated ‘untapped’ potential is contextualised relative to the target market’s total imports as well as existing exports from South Africa’s (the bright green bar for the last year).

In this instance the estimated ‘untapped’ potential associated with this opportunity is estimated to be 10.7 million (USD). Note that if the value of exports from South Africa for this product already is close to the total of the green bar, it implies that South Africa is already a major supplier into the target market. While this may be the case, if the gap between the green bar and total imports (dashed brown line) is significant, there may still be opportunity to gain further additional market share in the target market. However, if the gap between the green bar and total imports (dashed brown line) is very small while at the same time exports from South Africa is close to the potential value (and therefore also to total imports of the product in such a scenario) there potentially remains relatively small ‘untapped’ potential for this product into United Kingdom.

**Figure 16: HS210112 total exports from South Africa relative to total imports and potential for United Kingdom**



While the above analysis indicated the measure of supplier concentration (or not) the following information provides more detail on the potential competing countries that currently are major suppliers of the product into United Kingdom. The home market (in this case South Africa) is always placed in the last position of the chart (before ‘Rest’ if there are more than 7 supplying countries), irrespective of its actual position as supplier of this product into the target market, while the top 6 (or less) competitors are shown for context (refer to the method in section 2.3 on calculation of ‘untapped’ potential for the explanation of the top 6 competitors).

**Table 10: Competing suppliers into United Kingdom for HS210112**

Item	Competitor(s)	Total value supplied to (imported by) target market from this source country (million US\$)	Share of import market (%)	Top supplying countries of HS210112 for imports into United Kingdom
1	France	13.12	18.2%	<p>Average import value from top 6 competitors: 10.71 (Mn) [USD] on time-weighted basis</p> 
2	Czech Republic	12.19	16.9%	
3	Germany	11.48	15.9%	
4	Hungary	9.26	12.9%	
5	Portugal	1.89	2.6%	
6	South Africa	0.00	0.0%	
7	Rest	7.74	10.8%	
8		72.00	100.0%	
	<b>Total</b>	<b>16.31</b>	<b>22.7%</b>	

Overall, South Africa is ranked at position 42 out of 52 of all supplying countries of imports for this product into United Kingdom.

### 3.4.5. Trends and competitor supplying countries: Market 5: France

France is in Europe. The country has a total surface area of 643,801 square kilometres. The country by size is at number 44 in the world.

The French economy is diversified across all sectors. The government has partially or fully privatized many large companies, including Air France, France Telecom, Renault, and Thales. However, the government maintains a strong presence in some sectors, particularly power, public transport, and defence industries. France is the most visited country in the world with 89 million foreign tourists in 2017. France's leaders remain committed to a capitalism in which they maintain social equity by means of laws, tax policies, and social spending that mitigate economic inequality.

France's real GDP grew by 1.9% in 2017, up from 1.2% the year before. The unemployment rate (including overseas territories) increased from 7.8% in 2008 to 10.2% in 2015, before falling to 9.0% in 2017. Youth unemployment in metropolitan France decreased from 24.6% in the fourth quarter of 2014 to 20.6% in the fourth quarter of 2017.

France's public finances have historically been strained by high spending and low growth. In 2017, the budget deficit improved to 2.7% of GDP, bringing it in compliance with the EU-mandated 3% deficit target. Meanwhile, France's public debt rose from 89.5% of GDP in 2012 to 97% in 2017.

Since entering office in May 2017, President Emmanuel MACRON launched a series of economic reforms to improve competitiveness and boost economic growth. President MACRON campaigned on reforming France's labour code and in late 2017 implemented a range of reforms to increase flexibility in the labour market by making it easier for firms to hire and fire and simplifying negotiations between employers and employees. In addition to labour reforms, President MACRON's 2018 budget cuts public spending, taxes, and social security contributions to spur private investment and increase purchasing power. The government plans to gradually reduce corporate tax rate for businesses from 33.3% to 25% by 2022.

Last updated: April 2020 (Source: CIA World Factbook).

The following table provides a summary of outcomes for the various filters applied to inform on this specific combination of product and market (as per the approach explained previously in section 2).

**Table 11: Summarised DSM approach outcomes for HS210112: South Africa to France**

Main DSM filter outcomes for this opportunity		Realistic Export Opportunity (REO) characteristics	
Market passes economic filter [size & risk - F1]?	Yes	Home market import rank into target market:	<b>40 out of 52</b>
Product passes import demand filter [size & growth - F2]?	Yes	Home market share of market size indicator	<b>1-Small Market Share (0&lt;=S&lt;5%)</b>
Product has absolute positive historical growth [F2 +]?	Yes	Target market x product import demand characteristics:	<b>3-Large Growing Market (Short term)</b>
Passes concentration filter [of import partners - F3.1]?	Yes	Estimated 'untapped' potential associated with this opportunity:	<b>10.6 million US\$</b>
Product passes accessibility filter [tariffs, logistics - F3.2]?	Yes	Country x product tariff (+ latest year):	<b>8.00% [2018]</b>
Home market has product export maturity (proxy) [F4.1]?	-	Relative logistics index:	<b>23.85%</b>
Home market has product export production (proxy) [F4.2]?	-	Overall market accessibility index:	<b>31.85%</b>

**Explanatory notes:**

- **Market passes economic filter:** “Yes” means that the target market (in this case France) passes relative “cut-off” thresholds, meaning this market relative to others is performing sufficiently well in terms of economic growth, size and operational and environmental risk factors to be viewed as an “acceptable” market to trade with from South Africa’s perspective;
- **Product passes import demand filter:** “Yes” means that the import demand of France for the selected product (in this case HS210112) passes relative “cut-off” thresholds, meaning that the import demand for the product relative to others is performing sufficiently well in terms of short and longer term growth as well as size, to be viewed as an “acceptable” product and market combination to pursue from South Africa’s perspective;
- **Product has absolute positive historical growth:** “Yes” means that over and above the fact that the product and market combination passes the previous import demand filter requirements, it also exhibits not only relative but absolute positive growth over the period of analysis. Product-market combinations that meet this requirement is even more desirable from an export growth perspective.
- **Passes concentration filter:** “Yes” means that in relative terms the target market is willing to import the product in question from multiple different exporting countries. This in turn implies that it would be easier for a new supplier (country or company) to enter such a less concentrated market (from a procurement perspective) than an alternative where the market is concentrated. Such concentration can be due to various factors, including monopolies and oligopolies active in the target market, or other factors such as e.g. shared cultural, language, political / historical relationships, religious and bi-lateral trade agreements to name but a few.
- **Product passes accessibility filter:** “Yes” means that for the target market in question and the specific product, relative to other opportunities, this opportunity passes relative “cut-off” thresholds for 3 main areas of market access. These are import tariffs applicable on the product into the target market, the cost (in terms of both time and actual administrative and other import costs) as well as relative logistics costs to move a container from the home market base port to the target market base port.
- **Home market has product export maturity:** “Yes” means the product passes the “cut-off” threshold for the revealed comparative advantage indicator – indicating that the home market (in this case South Africa) has a comparative advantage (relative to the world average) for this specific product. Therefor the relative size of this particular product in the overall basket of products exported from South Africa is larger than the share of this product in the world export product basket. It is therefore also used as an indicator or “proxy” of the home market’s “maturity” of exporting of such a product.
- **Home market has product export production:** “Yes” in this instance means that when net exports of the product (so total exports of the product minus total imports of the product) is positive (so greater than zero), it can be inferred that the country has the domestic ability to “add” volumes (over and above what the country imports of the product) for purposes of exports and hence must have productive capacity for purposes of exports. Potential issues such as stock-holding and re-distribution is accounted for by calculating this indicator on a time-weighted basis over 5 years as opposed to only a single (the last) year.

South Africa's exports of the product are contrasted relative to the overall trend of this product's imports into France over the last 5 years (if South Africa historically did export any of this product to France) in Figure 17.

Furthermore, the estimated 'untapped' potential is contextualised relative to the target market's total imports as well as existing exports from South Africa's (the bright green bar for the last year).

In this instance the estimated 'untapped' potential associated with this opportunity is estimated to be 10.6 million (USD). Note that if the value of exports from South Africa for this product already is close to the total of the green bar, it implies that South Africa is already a major supplier into the target market. While this may be the case, if the gap between the green bar and total imports (dashed brown line) is significant, there may still be opportunity to gain further additional market share in the target market. However, if the gap between the green bar and total imports (dashed brown line) is very small while at the same time exports from South Africa is close to the potential value (and therefore also to total imports of the product in such a scenario) there potentially remains relatively small 'untapped' potential for this product into France.

**Figure 17: HS210112 total exports from South Africa relative to total imports and potential for France**



While the above analysis indicated the measure of supplier concentration (or not) the following information provides more detail on the potential competing countries that currently are major suppliers of the product into France. The home market (in this case South Africa) is always placed in the last position of the chart (before 'Rest' if there are more than 7 supplying countries), irrespective of its actual position as supplier of this product into the target market, while the top 6 (or less) competitors are shown for context (refer to the method in section 2.3 on calculation of 'untapped' potential for the explanation of the top 6 competitors).

**Table 12: Competing suppliers into France for HS210112**

Item	Competitor(s)	Total value supplied to (imported by) target market from this source country (million US\$)	Share of import market (%)	Top supplying countries of HS210112 for imports into France
1	United Kingdom	23.70	34.5%	<p>Average import value from top 6 competitors: 10.61 (Mn) [USD] on time-weighted basis</p> 
2	Italy	3.04	4.4%	
3	Czech Republic	3.04	4.4%	
4	Netherlands	2.58	3.8%	
5	Spain	1.63	2.4%	
6	South Africa	0.00	0.0%	
7	Rest	4.96	7.2%	
8		68.64	100.0%	
	<b>Total</b>	<b>29.68</b>	<b>43.2%</b>	

Overall, South Africa is ranked at position 40 out of 52 of all supplying countries of imports for this product into France.

## 4. Summary

The information presented in this report is to be supplemented with further research to understand the trends that have been shown in this report. It is also advised that the company clarifies that the HS code utilised in the data analysis is correct and descriptive of the intended purpose of the company's products or service. It is suggested that after a review of this report, a further consultation could be arranged to gain insight into the company's market access strategy and approach to entering new markets. This should then assist in crafting an action plan for market access activities, supplemented with the appropriate resources.

## 5. Appendix

The following filters were applied in the production of the outcomes discussed in this report:

### DSM specific filters applicable for this report

F1: Econ Size & Commercial Risk	▼	Yes
F2: Size & Growth	▼	Yes
F2: Positive Growth	▼	<input type="radio"/>
F3.1: Concentration	▼	Yes
F3.2: Accessibility	▼	Yes
F4.1: Maturity Proxy (RCA $\geq$ 0.7)	▼	No
F4.1: Maturity Proxy (RCA $\geq$ 1)	▼	No
F4.2: Production Proxy (RTA $>$ 0)	▼	No
Revealed Absence (RATB $\geq$ 0.95)	▼	0
Concentration Index (HH)	▼	<input type="radio"/>
RCA	▼	0.29861
RTA	▼	-0.62461

The following selections were applicable for this report:

HS6			HS210112
F1:Econ & Risk			Yes
F2:Size & Growth			Yes
F31:Concentration			Yes
F32:Accessibility			Yes

### Interpretation notes:

- If a cell is 'greyed' [  ] it means that the current set of filters did not result in a specific outcome uniformly applicable to all the underlying HS 6 digit products evaluated. Therefore the set of results contains items for which the outcome is a mix of 'Yes' or 'No', or a variety of values (if the filter relates to a specific value such as a country or numeric value).
- When a cell have a specific outcome such as a 'Yes' or a 'No' or a specific value (whether the cell is highlighted in green or not), it implies that a "common" outcome uniformly applicable to all the underlying HS 6 digit products evaluated resulted from the applied set of filters.
- Green highlighted cells indicate that a filter was explicitly selected by the analyst, while a cell with a value in without green highlighting means the value is an outcome of the other explicitly selected ('green') filters.

\*\*\*\*\* END OF REPORT \*\*\*\*\*