

# INTRODUCTION TO EXPORT WEEK MASTER CLASS 20 Nov 2014



Trade & Investment  
KwaZulu-Natal

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# PRESENTATION CONTENT

**INTRODUCTION**

**SOUTH AFRICA TRADE PROFILE**

**KZN TRADE PROFILE**

**BRICS AND AFRICA OPPORTUNITIES**

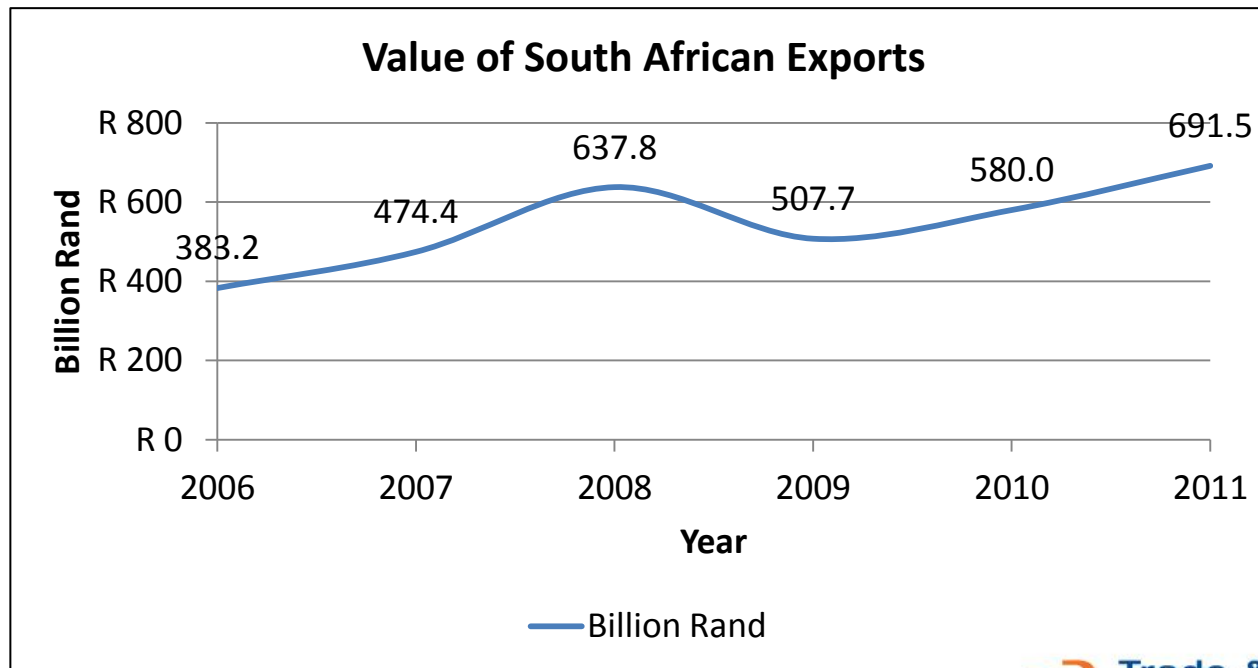
**CONCLUSION**

# Introduction

- Importance of Exports to the economy
- Global competitiveness
- South African trade balance
- KwaZulu Natal location
- A case for KZN Export Week

# South Africa's Export Performance

- The value of **South African exports grew by an average of 16% per annum** between 2006 and 2011.
- The decline experienced between 2008 and 2009 coincides with the global financial crisis (2009).



# South Africa's Top 15 Export Products (HS6)

Product	Value of exports (2012)	Share of total value of exports
H710813: Gold, semi-manufactured forms, non-monetary	R71.0 Billion	10.1%
H270112: Bituminous coal, not agglomerated	R55.8 Billion	8.0%
H260112: Iron ore, concentrate, not iron pyrites, agglomerated	R42.0 Billion	6.0%
H711019: Platinum in semi-manufactured forms	R27.3 Billion	3.9%
H711011: Platinum unwrought or in powder form	R22.0 Billion	3.1%
H720241: Ferro-chromium, >4% carbon	R21.4 Billion	3.0%
H260111: Iron ore, concentrate, not iron pyrites, unagglomerated	R19.6 Billion	2.8%
H870323: Automobiles, spark ignition engine of 1500-3000 cc	R18.8 Billion	2.7%
H870421: Diesel powered trucks weighing < 5 tonnes	R18.0 Billion	2.6%
H842139: Filtering or purifying machinery for gases	R16.3 Billion	2.3%
H271012: Blends of complex petroleum hydrocarbons for use as plasticisers in the manufacture of pneumatic tyres	R13.4 Billion	1.9%
H261000: Chromium ores and concentrates	R9.6 Billion	1.4%
H260200: Manganese ores, concentrates, iron ores >20% Manganese	R9.6 Billion	1.4%
H710231: Diamonds (jewellery) unworked or simply sawn, cleaved	R7.7 Billion	1.1%
H760110: Aluminium unwrought, not alloyed	R7.7 Billion	1.1%

At the HS6-digit level, South Africa's primary export products are:

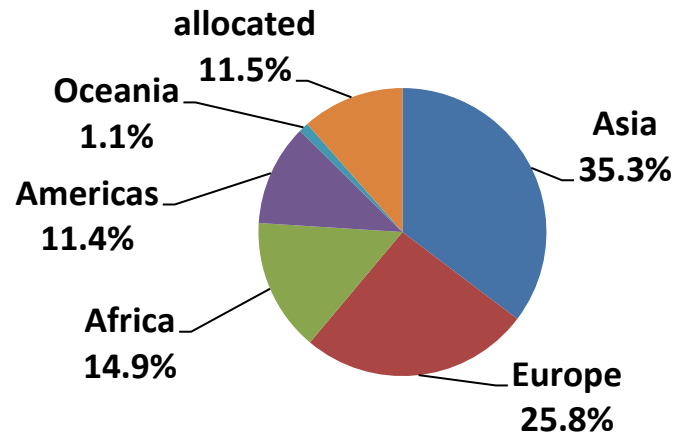
- Raw and **semi-processed minerals** (gold, platinum, coal, iron-ore, ferro-chromium, manganese and diamonds), and
- **Automobiles** (cars and trucks) and **automobile components** (catalytic converters)

# South Africa's Top Export Markets

South Africa's top regional markets are **Asia**, **Europe** and **Africa**.

Country	Value of exports (2011)
China	US\$12.4 Billion
US	US\$8.4 Billion
Japan	US\$7.7 Billion
Germany	US\$5.5 Billion
UK	US\$4.0 Billion
India	US\$3.4 Billion
Netherlands	US\$2.9 Billion
Switzerland	US\$2.8 Billion
Zimbabwe	US\$2.4 Billion
Mozambique	US\$2.4 Billion
Zambia	US\$2.3 Billion
Republic of Korea	US\$2.3 Billion
Belgium	US\$2.1 Billion
Italy	US\$1.8 Billion
Hong Kong	US\$1.3 Billion
Total overall	US\$93.0

South Africa Exports to the World by Region



South Africa's top 15 export markets are spread across four continents and include a mix of traditional, emerging and local (i.e. Southern African and Sub-Saharan African) countries.

# Regulatory Framework

At a national-level, South Africa has numerous policies, strategies and incentives, as well as trade and cooperation agreements related to exporting.

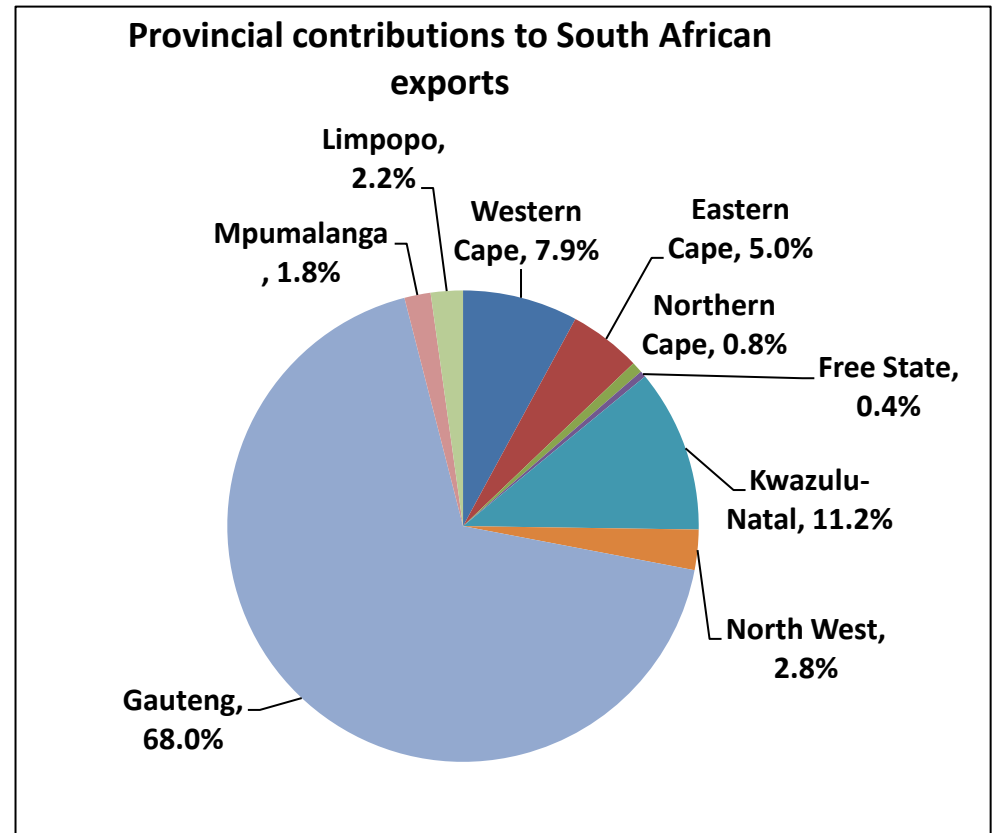
- General legislation.
- Sector, industry and country-specific legislation, regulation and standards.
- Incentives/Incentive programmes.
- Trade agreements.
- Special Economic Zones



# KwaZulu-Natal's Export Performance

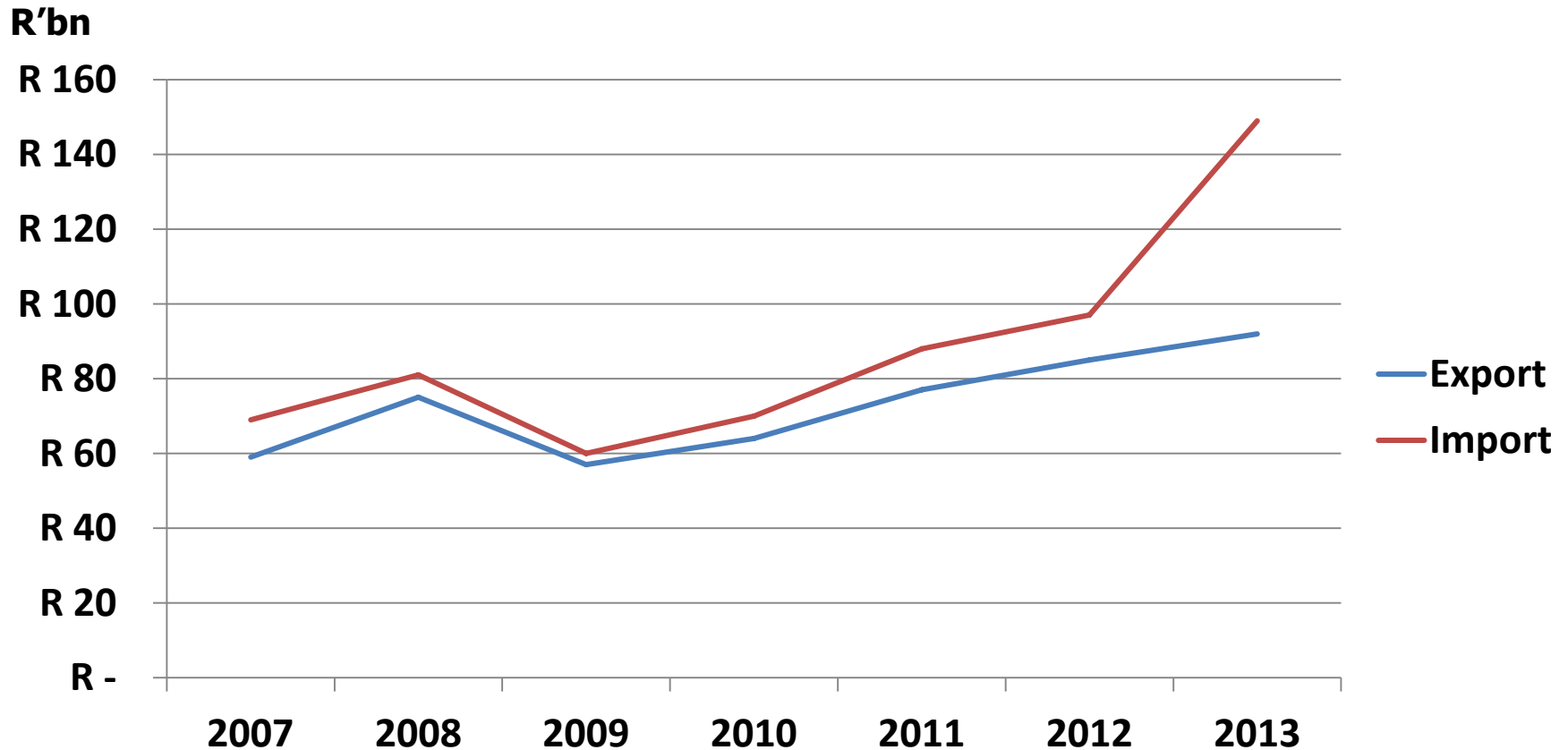
**Leading export sectors** include:

- Metals
- Transport equipment.
- Mineral products.
- Chemicals
- Wood
- Paper and pulp.
- Machinery/electrical.





# KwaZulu-Natal's Export Performance



KwaZulu-Natal's year-on-year growth averaged 10.8 percent between 2006 and 2011 – **below national average**

# KZN Markets

<i>Destination markets</i>				<i>Source markets</i>			
<i>2009</i>		<i>2013</i>		<i>2009</i>		<i>2013</i>	
United States	9.5	United States	10.4	China	16.7	China	13.5
Japan	7.8	China	6.4	Japan	13.5	Japan	11.1
China	6.1	Japan	4.9	Germany	8.1	Saudi Arabia	7.9
United Kingdom	4.7	United Kingdom	4.7	United States	6.4	India	5.8
Netherlands	4.6	Netherlands	4.6	Australia	6.2	Thailand	5.2
Republic of Korea	3.6	Algeria	3.5	Argentina	5.8	Angola	5.1
Indonesia	3.3	Zambia	3.4	Thailand	4.8	Australia	4.3
Nigeria	3.2	India	3.3	United Kingdom	3.4	Germany	3.8
Mozambique	2.9	Mozambique	3.2	India	3.0	Singapore	3.2
Zambia	2.8	Zimbabwe	3.1	Malaysia	3.0	United States	3.2

# Prominent Export Sectors, Products and Companies

- **Agriculture; automotive; transport and logistics** and **mining** are the most prominent export sectors in KwaZulu-Natal
- The most important export products identified are **automotive components; clothing and textiles** and **electronics**
- Some of KwaZulu-Natal's most successful exporting companies include: Unilever, Defy, Toyota, Aspen, Illovo, Accelor Mittal, Kwezi Mine, Tongaat Sugar, Autowatch, Pi Shurook, Apollo Tyres, UEC, Hulamin, PSK Electronics, Mondi, RBM.
- Looking ahead, the following are sectors with the greatest potential for export growth: **automotive; agriculture; aluminium and steel; agro-processing** and **arts and crafts**

# ***WHAT ABOUT BRICS?***



# BRICS NATIONS

- Brazil, Russia, China, India and South Africa form the BRICS group of emerging powers
- The term BRICS was coined by Jim O'Neill of the US Investment bank, Goldman Sachs, in 2001
- BRICS has gained clout on the global stage in the past decade as their economies grew faster than those of the developed countries
- In 2002, BRICS inter-trade accounted for \$27bn and increased to \$310bn in 2012
- China is the largest trade partner - \$271bn within the BRICS bloc

# World Economic Ranking (GDP) 2013

<i>Ranking</i>	<i>Economy</i>	<i>USD m</i>
1	United States	16 800 000
2	China	9 240 270
3	Japan	4 901 530
4	Germany	3 634 823
5	France	2 734 949
6	United Kingdom	2 521 381
7	Brazil	2 245 673
8	Russian Federation	2 096 777
9	Italy	2 071 307
10	India	1 876 797
11	Canada	1 826 769
12	Australia	1 560 597
13	Spain	1 358 263
14	Korea, Rep.	1 304 554
15	Mexico	1 260 915
16	Indonesia	868 346
17	Turkey	820 207
18	Netherlands	800 173
19	Saudi Arabia	745 273
20	Switzerland	650 377

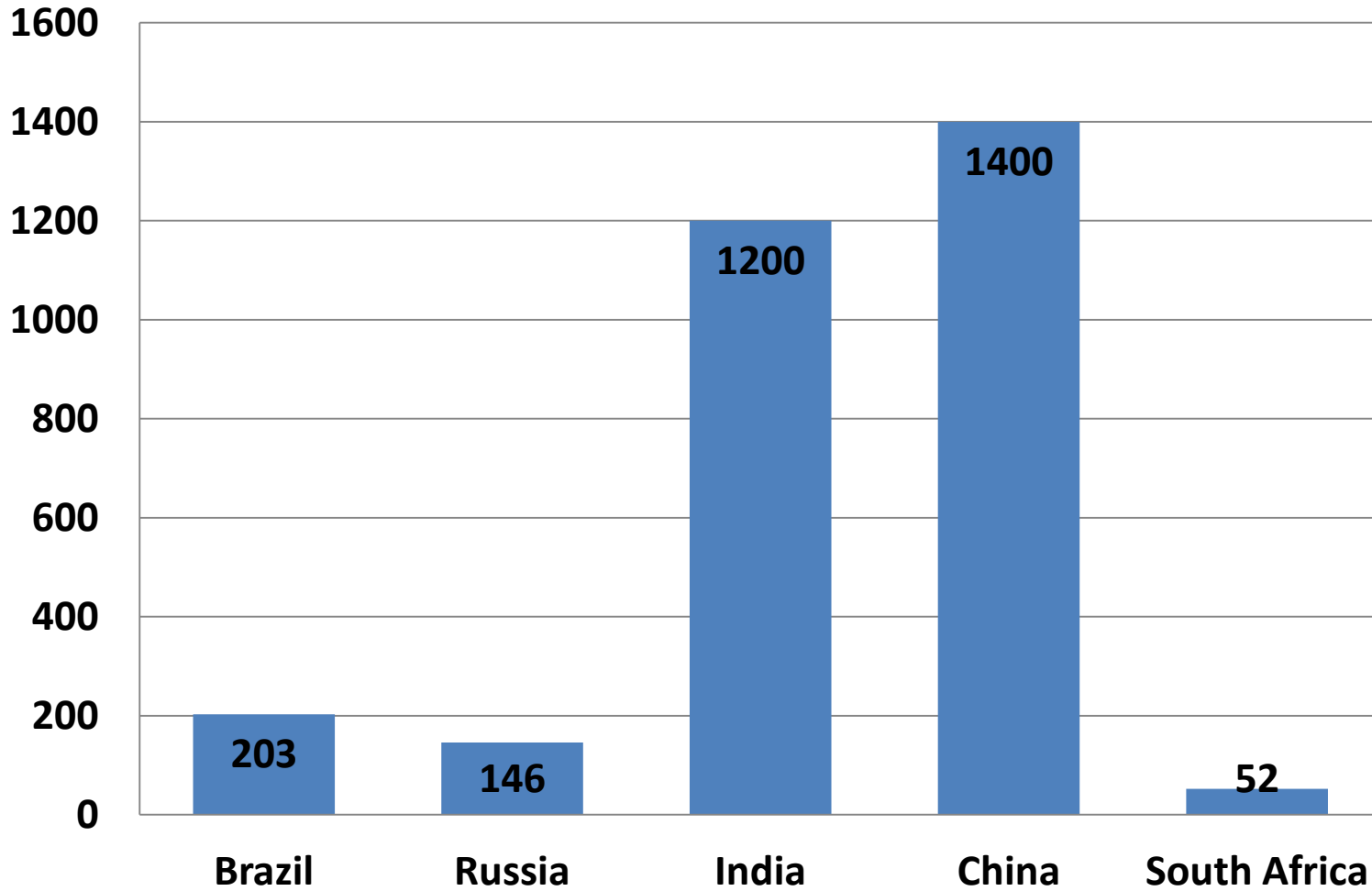
Source: World Bank 2014

# World Economic Ranking (GDP) 2013

<i>Ranking</i>	<i>Economy</i>	<i>USD m</i>
21	Argentina	611 755
22	Sweden	558 949
23	Nigeria	521 803
24	Poland	517 543
25	Norway	512 580
26	Belgium	508 116
27	Venezuela, RB	438 284
28	Austria	415 672
29	Thailand	387 252
30	United Arab Emirates	383 799
31	Colombia	378 148
32	Iran, Islamic Rep.	368 904
33	South Africa	350 630
34	Denmark	330 614
35	Malaysia	312 435
36	Singapore	297 941
37	Israel	291 357
38	Chile	277 199
39	Hong Kong SAR, China	274 013
40	Philippines	272 017

Source: World Bank 2014

# Population (mil)





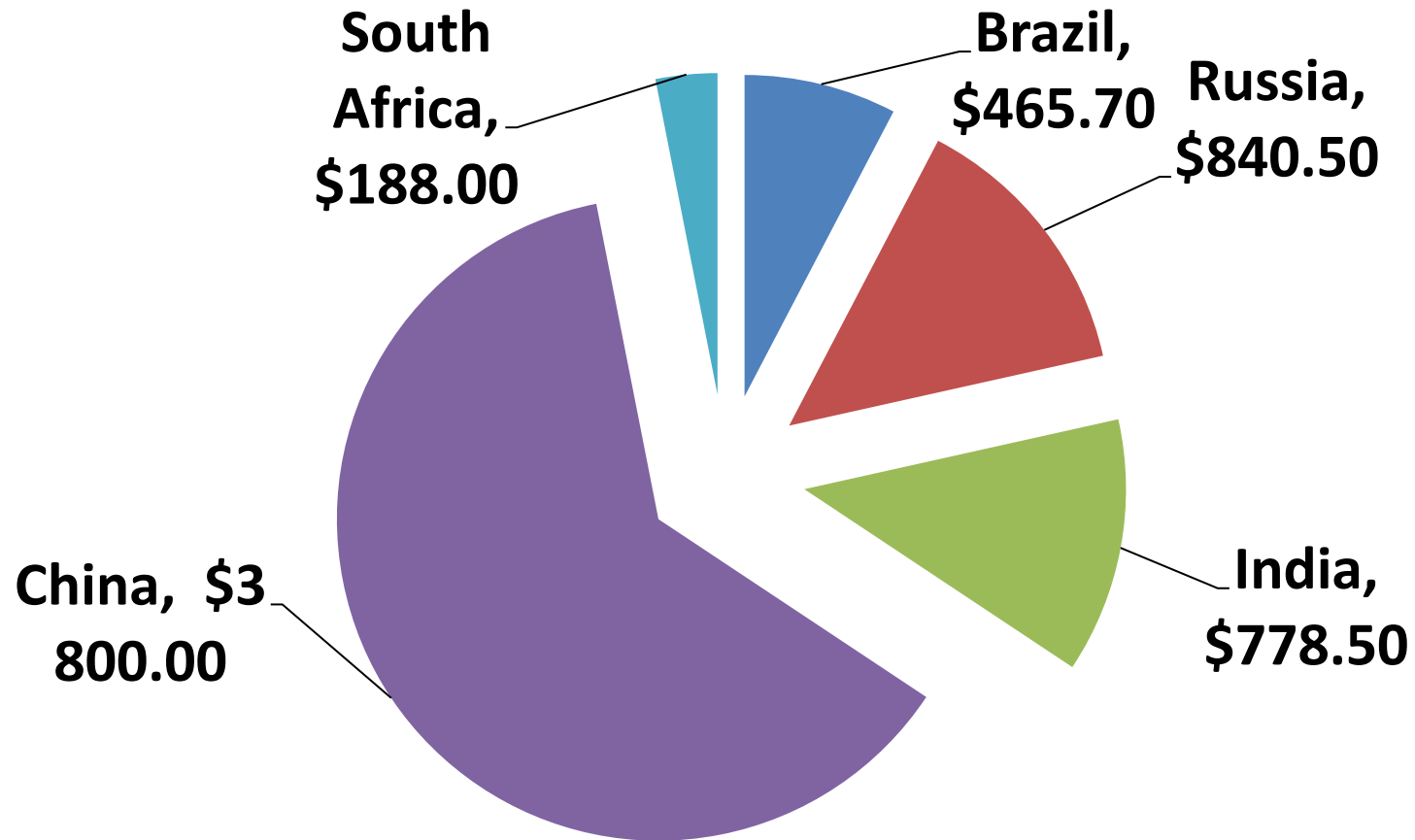
# GDP OF BRICS COUNTRIES

## Economic Performance

Country	GDP 2013	Average GDP Growth, 2013	GDP Per Capita 2013	Unemployment
Brazil	\$2.25 Trill	2.3%	\$11,208	5.4%
Russia	\$2.10 Trill	1.3%	\$14,612	5.2%
India	\$1.88 Trill	4.7%	\$1,499	3.5%
China	\$9.24 Trill	7.7%	\$6,807	4.1%
South Africa	\$350 Bill	1.9%	\$6,618	24.7%

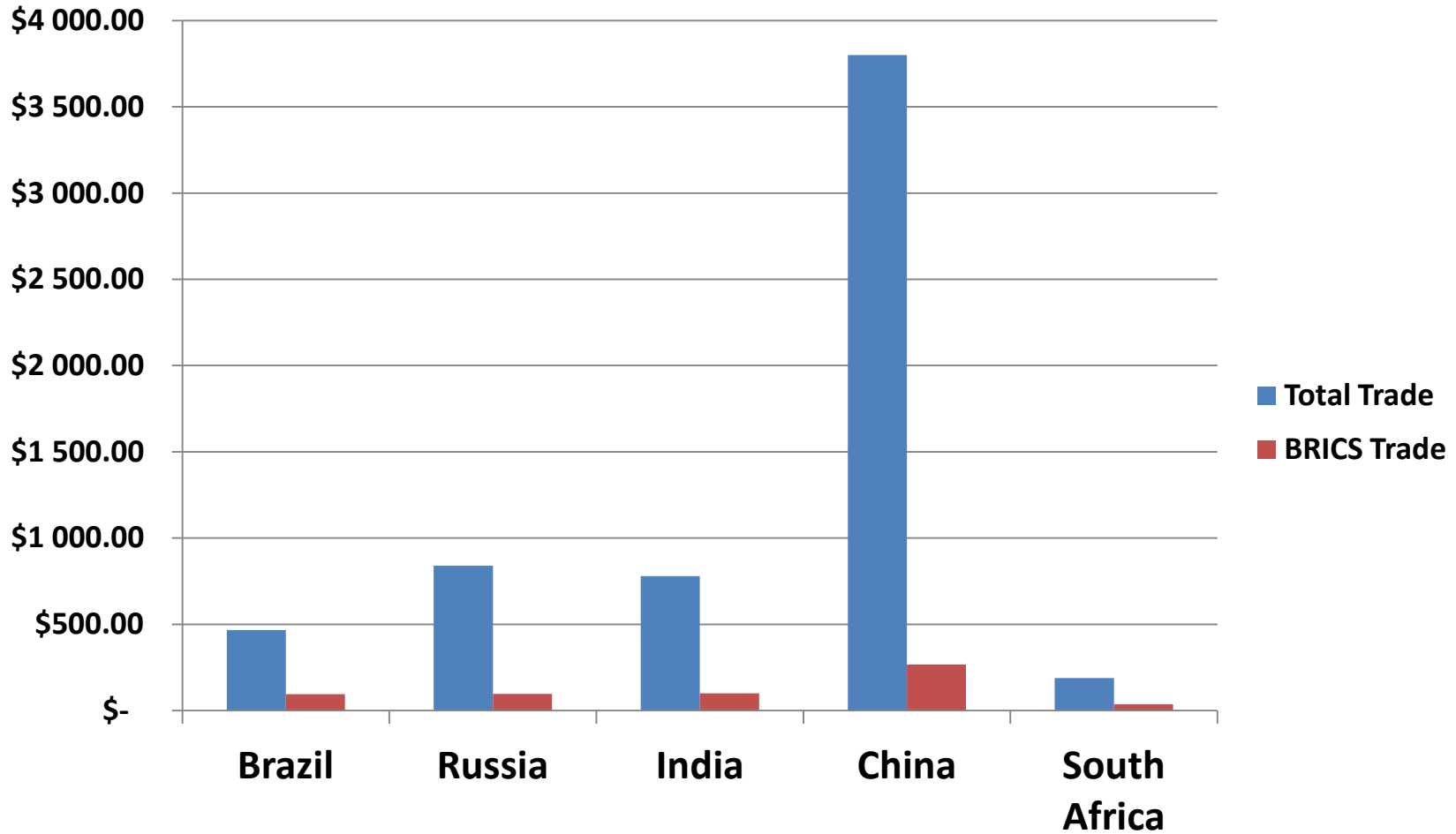
World Bank, IMF 2014

# Total Trade \$bn



Source:

# BRICS Intra-Trade \$bn



Source:

# FACTS ABOUT BRICS....

- Most BRICS members are mineral and **resource-endowed**;
- Other BRICS members have rapidly growing manufacturing catering for **large populations**;
- Some countries have **highly protected economies**;
- South Africa's economy is built on extractive industries and **the manufacturing sector is under-developed**;
- South Africa's main **competitors** are often BRICS members themselves;
- South Africa's exports continue to be dominated by raw materials and basic outputs with little value-addition.

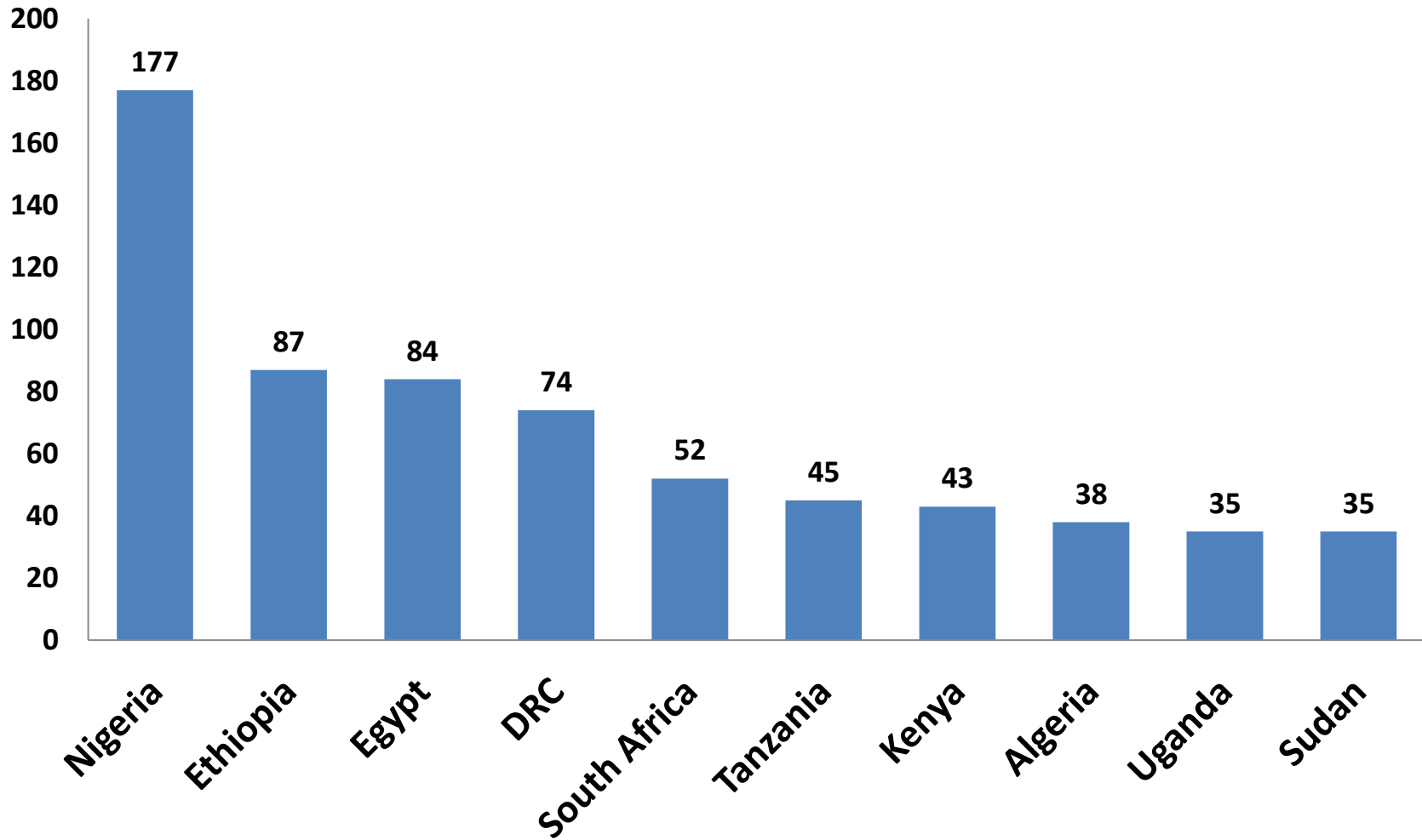
# FACTS ABOUT BRICS...

## However, beyond these challenges:

- RSA **formal agreements** are coming into force and favour manufacturing sector
- Comparative and competitive advantages in **accessing other African markets**
- The **climate** is favourable for agro-processed goods.
- Natural reserves of minerals and other raw materials form a foundation for further **value-added manufacturing.**
- **Skills**, expertise and experience in developing industrial machinery, specifically for use in extractive industries and fuel processing.
- A **vibrant local automotive industry** and high demand of parts and components
- Competitive advantages in the area of chemical manufacturing,
- The high **demand of semi-processed metals** in various forms, machinery for use in the extractive and construction industries,

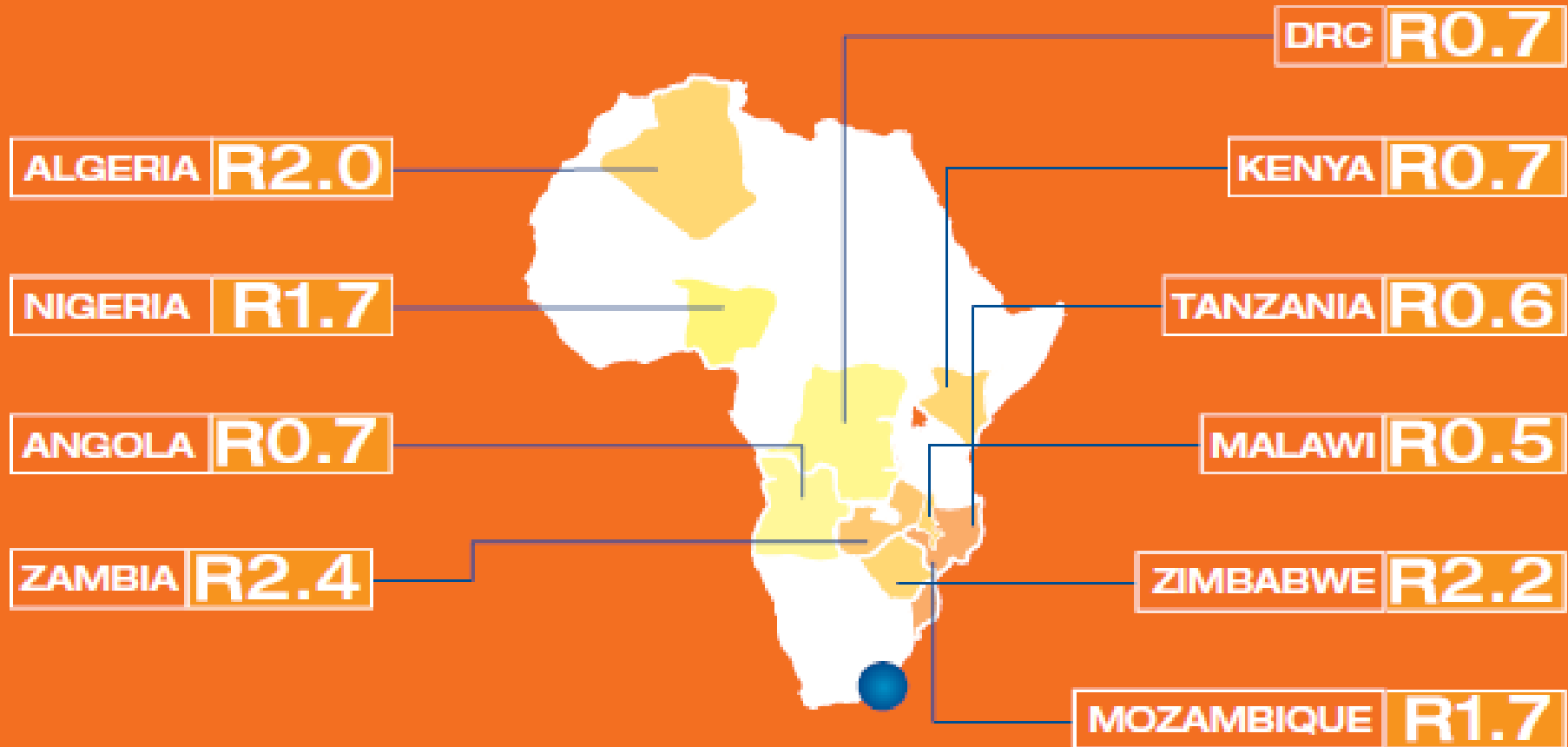
# ***WHAT ABOUT THE REST OF AFRICA?***

# Population Africa



# TOP 10 KWAZULU-NATAL AFRICAN EXPORTS MARKETS, 2011

Source Quantec 2012





# Key Points about AFRICA

- Population of more than 1 billion, in 54 countries
- Fastest growing economies are in Africa
- Increasing number of middle income individuals
- Intra-Africa trade is approximately 12% of Africa's total trade (3% of the global trade)
- **Key constraints:** production capacity, relative market size and infrastructure development
- COMESA, ECOWAS and SADC discussions on regional integration
- RSA exports a significant amount of finished products to Africa
- RSA retail, financial, communication and mining companies are doing extremely well

# Conclusion

## Recommendations emerging from the DTI Mthente Report include:

- strategic focus on the supply of automotive parts, components and accessories
- efforts to increase the profile of South African wines (food and beverage) within BRICS markets
- increased exports of specialised machinery and electronic components
- diversified chemical production, which includes polypropylene and polymers, pesticides and pharmaceuticals
- continued exports of semi-manufactured metal products

# Conclusion

## Government support for South Africa Companies should include:

- Negotiating lower tariffs and import duties
- Increase contact, support and assistance from South African embassies in BRIC countries
- Risk insurance for small exporters
- Electronic systems to improve export documentation from South Africa
- Support for participation in trade fairs and expos beyond covering the cost of stalls alone

# Conclusion

TIKZN Cooperation with:

- KZN Companies that have a footprint in the BRIC
- Destination Marketing Initiatives
- Foreign Embassies in South Africa
- SA Embassies Abroad
- Strategic Partnership (e.g. Brand South Africa)
- Department of International Relations and Cooperation and DTI

# Thank You