TRADE ADVISORY

Innovated by the North-West University

WTO CHAIRS PROGRAMME

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Beyond COVID-19: The pandemic's effect on global trade and new opportunities for Australia and South Africa

Realistic export opportunities, an initial analysis: Australia and South Africa

Australian Government
Australian Trade and Investment Commission

ABCSA
Australian Business Chamber of Commerce (Southern Africa)

Martin Cameron, Trade Advisory

Contents

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- Context setting
- High level overview of the approach applied
- Overview of outcomes for Australia ⬅➡ South Africa
- Summary

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Context – **the situation**

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- **Anti-globalisation and protectionism on the rise**:
  Pre-COVID emergence of **anti-globalisation and re-shoring trends** (e.g. USA & UK) already influenced global trade patterns and will continue to do so, most probably exacerbated by pandemic;
- **Changing sentiment**:
  Underlying **sentiment against China** changing, both from supply and demand perspective
  – how fast, deep and sustained not clear at the moment;
- **Emerging strategies – focus on risk mitigation:**
  Accentuated need for geographic diversification
  (markets [**exports**] as well as suppliers [**imports**])

Beyond COVID-19 initial thought …

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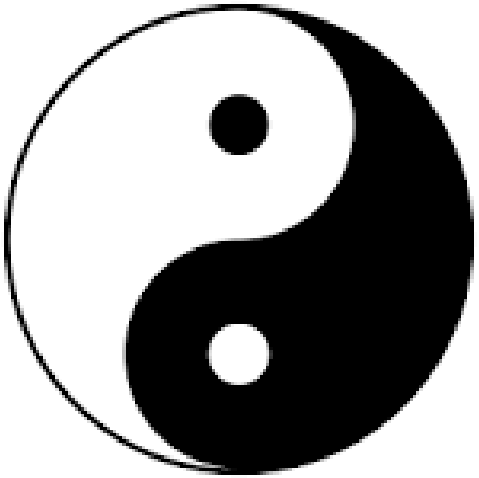
- The glass half-full or half empty?

  Keep in mind the old Chinese saying

  "*in change lies opportunity*".



In Chinese philosophy,
yin and yang
= "dark-bright",
= "negative-positive"

describes how seemingly opposite or contrary forces may actually be complementary, interconnected, and interdependent in the natural world, and how they may give rise to each other as they interrelate to one another.

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Easter morning 1900:
5th Ave, New York City.

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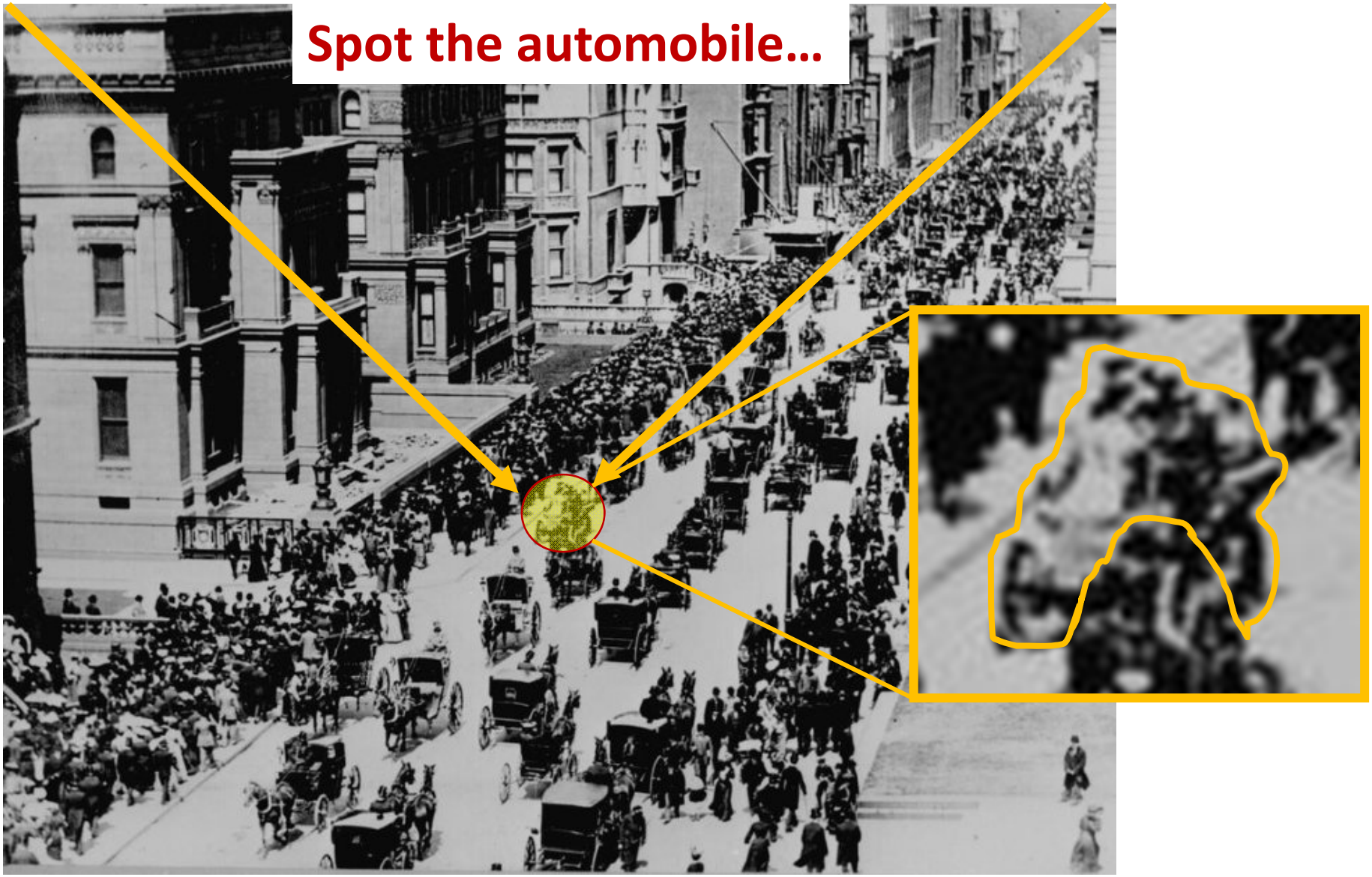

Source: US National Archives

Easter morning 1913: just more than 10 years…
5th Ave, New York City.

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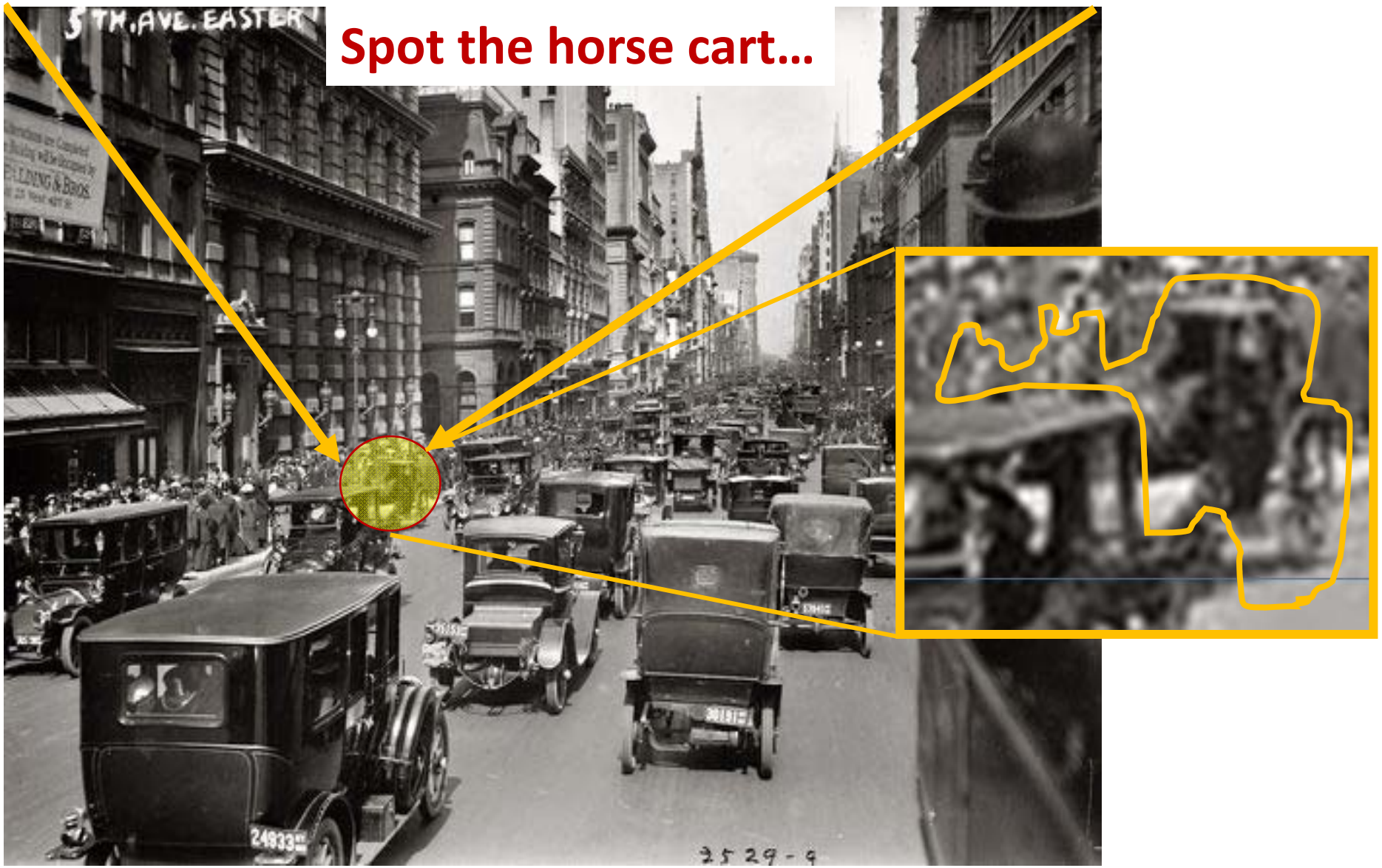

Source: US National Archives

Context –
changing trade relationships … or lack thereof

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13 MAY 2020

Australia's Business Community – A Perilous Lack of Imagination

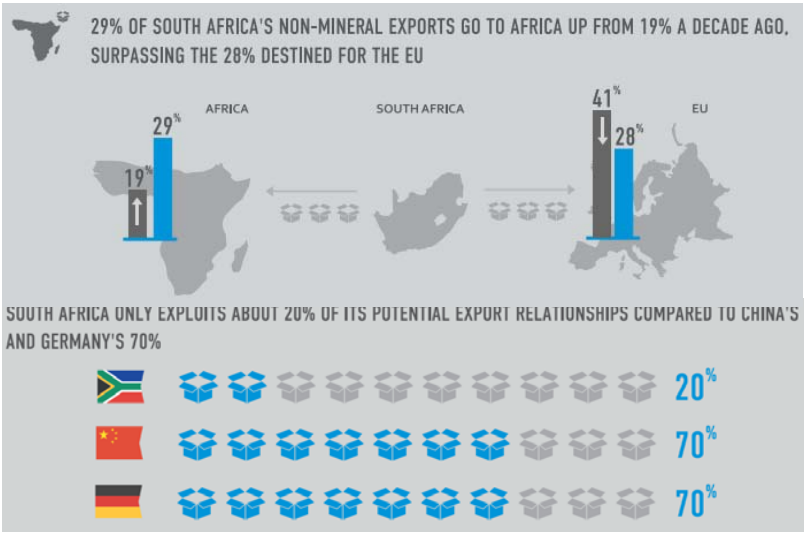
By Henry Storey

FRESH PERSPECTIVE

The reaction of some in the business community to China's threats of an economic boycott reflect an acute over-reliance on China. This in itself is symptomatic of the Australian business community's lack of imagination.

http://www.internationalaffairs.org.au/australianoutlook/australias-business-community-a-perilous-lack-of-imagination/

South Africa exploits only about 20% of its potential trade relationships



World Bank

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Context – need to think differently
… same facts, different focus

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Context – **global imports**

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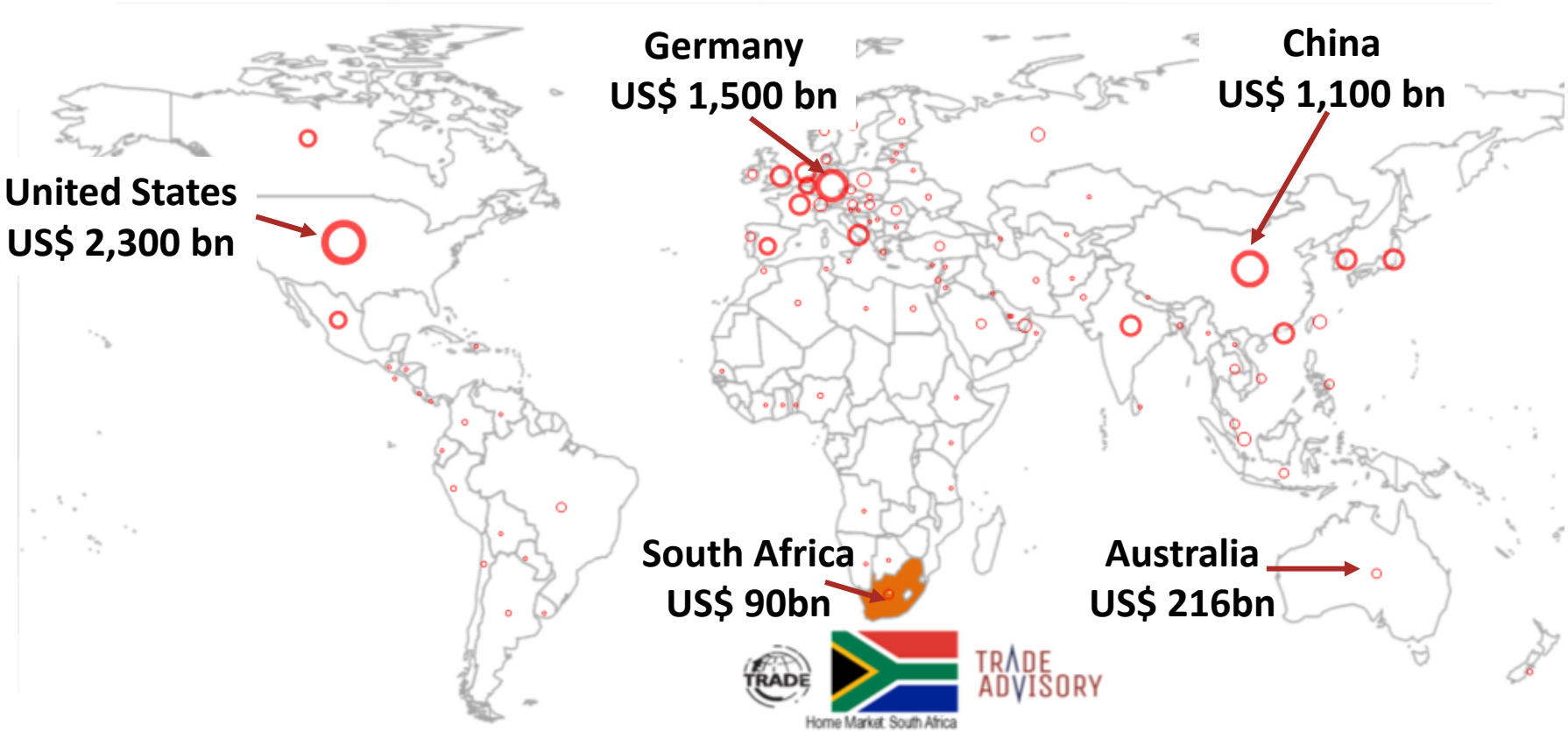
Global imports in relative terms

Markets x Products : 181 x 5216



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Some further thoughts…

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- In times of uncertainty information is key

  (after cash flow …)

Context – **the challenge**

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- Challenge – all are looking for new markets
- Need fact-based decision making
- Should consider 'unusual' suspects
- Bigger not always better …

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High level overview of our **approach** (TRADE-DSM®)

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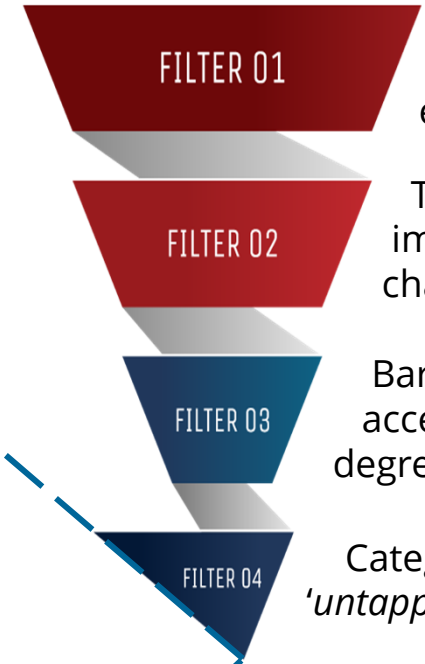
The TRADE-DSM approach in a nutshell …

REALISTIC EXPORT OPPORTUNITIES	RELATIVE MARKET SHARE OF TARGET MARKET			
	SMALL	INTERMEDIATELY		LARGE
		SMALL	LARGE	
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**

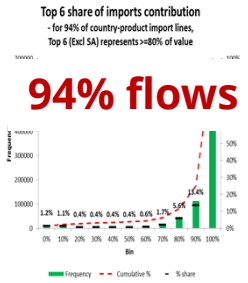


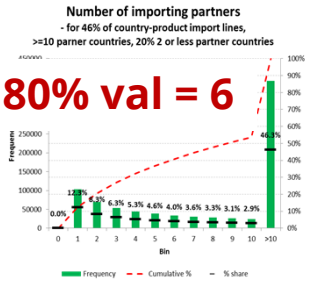
Target market operational environment

Target market import demand characteristics

Barriers (tariffs, logistics, access) to entry and degree of market concentration

Categorisation of '*untapped*' potential





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Outcomes analysis key assumptions

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- Most onerous set of filters applied;
- Excluded products in primary mining, minerals, energy (coal, petroleum etc.) and basic metals;
- Excluded Automotive and Arms & ammunition;
- Excluded Non-tariff barriers (SPS, standards etc.);
- Excluded specific quotas (treated as ad valorem equivalent);

Outcomes – **South Africa**

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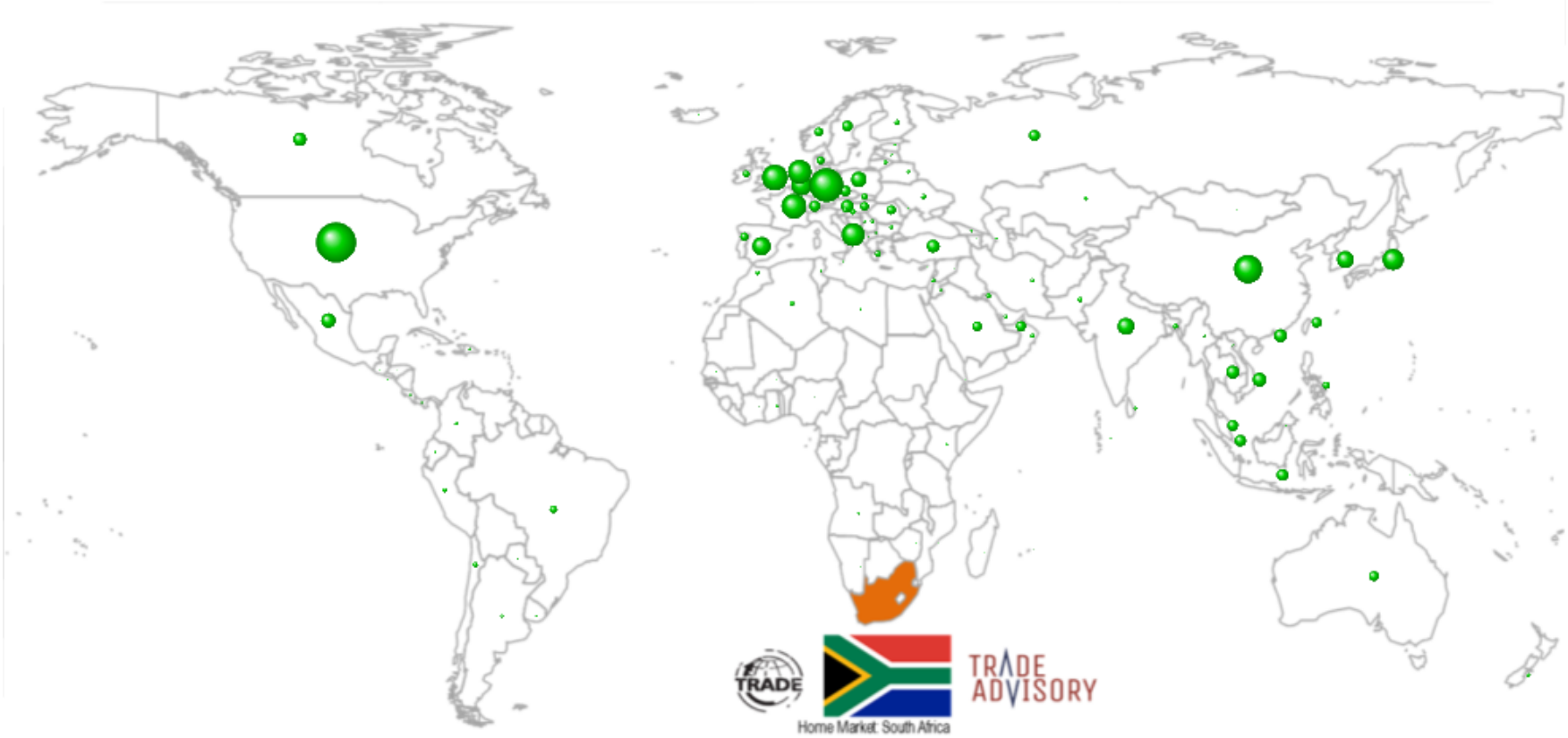
Current Selection Potential Export Markets for: South Africa (ZAF)

Markets x Products :	160 x 757	Combinations:	27 263	Total Potential (Bn) [USD]:	111.96



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Outcomes – South Africa to Australia
281 products (HS 6-digit) @ US$ 1 bn

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Current Selection Potential Export Markets for: South Africa (ZAF)

Markets x Products :	1 x 281	Combinations:	281	Total Potential (Mn) [USD]:	999.39

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Outcomes – South Africa to Australia
281 products (HS 6-digit) @ US$ 1 bn

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Map of Realistic Export Opportunities (REOs) No. [% of total no.] `Untapped` potential value (Mn) [USD]: [% of total value]		Home market relative share of target market imports				
		Small (x1)	Intermediate: Small (x2)	Intermediate: Large (x3)	Large (x4)	Row Totals
Product x country market size and growth	Large (y1)	1,1 -	2,1 -	3,1 -	4,1 -	x,1 -
	Growing (y2) (Short & Long term)	1,2 148 [52.7%] 267.06 Mn [26.7%]	2,2 18 [6.4%] 12.38 Mn [1.2%]	3,2 7 [2.5%] 1.15 Mn [0.1%]	4,2 10 [3.6%] 2.04 Mn [0.2%]	x,2 **183 [65.1%] 282.63 Mn [28.3%]**
	Large and growing (y3) (Short term)	1,3 -	2,3 -	3,3 -	4,3 -	x,3 -
	Large and growing (y4) (Long term)	1,4 36 [12.8%] 198.68 Mn [19.9%]	2,4 8 [2.8%] 41.53 Mn [4.2%]	3,4 2 [0.7%] 2.27 Mn [0.2%]	4,4 2 [0.7%] 2.24 Mn [0.2%]	x,4 **48 [17.1%] 244.72 Mn [24.5%]**
	Large and growing (y5) (Short & Long term)	1,5 38 [13.5%] 405.57 Mn [40.6%]	2,5 9 [3.2%] 62.83 Mn [6.3%]	3,5 1 [0.4%] 2.44 Mn [0.2%]	4,5 2 [0.7%] 1.20 Mn [0.1%]	x,5 **50 [17.8%] 472.04 Mn [47.2%]**
	Column Totals	1,y **222 [79.0%] 871.31 Mn [87.2%]**	2,y **35 [12.5%] 116.74 Mn [11.7%]**	3,y **10 [3.6%] 5.86 Mn [0.6%]**	4,y **14 [5.0%] 5.48 Mn [0.5%]**	x,y **281 [100.0%] 999.39 Mn [100.0%]**

80% of number of opportunities and **87%** of 'untapped' **potential value** South Africa currently supplies zero to very little to Australia

Example product - Australia currently trades with China but based on approach can be supplied by South Africa

In total there are 281 opportunities identified, with the associated estimated 'untapped' potential value of 999.39 million (USD). 79.0% of the number of opportunities (and 87.2% 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 12.5% (and 11.7% in value terms) of these opportunities. South Africa supplies an intermediately large share of target market(s) imports for around 3.6% (0.6%of the value) of these opportunities. The market(s) where South Africa supplies a large share imports account for 5.0% and 0.5% of value.

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Outcomes – South Africa to Australia
Example detail for HS 6-digit level product

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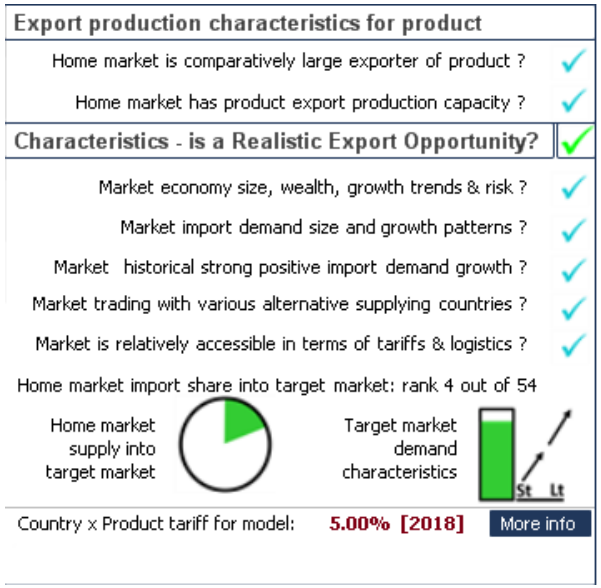
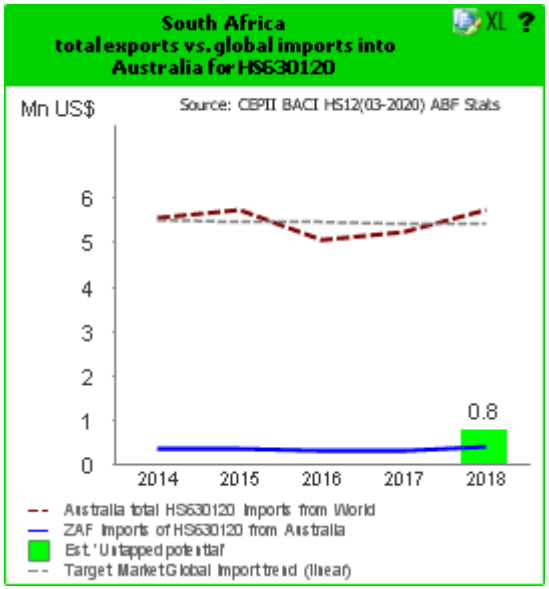
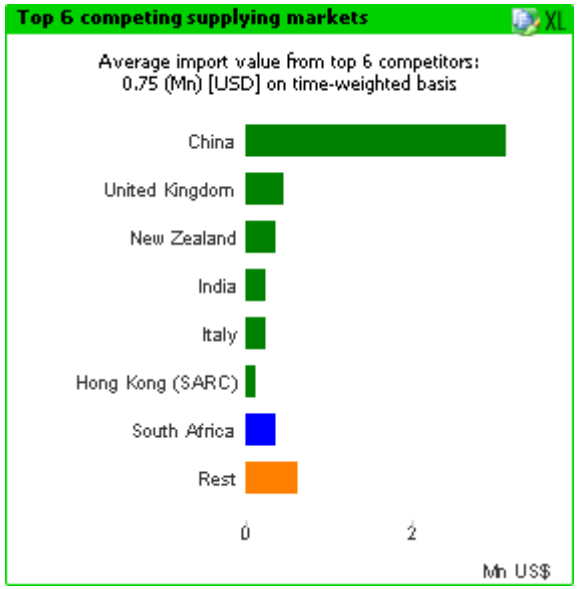
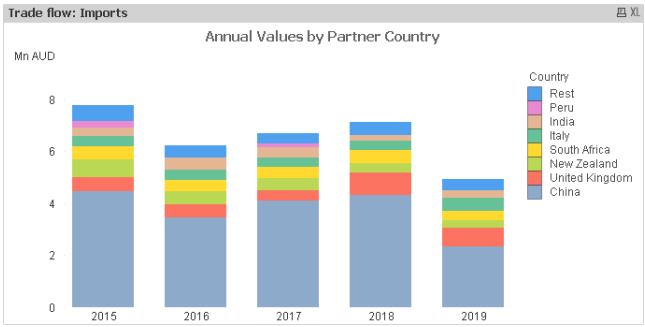
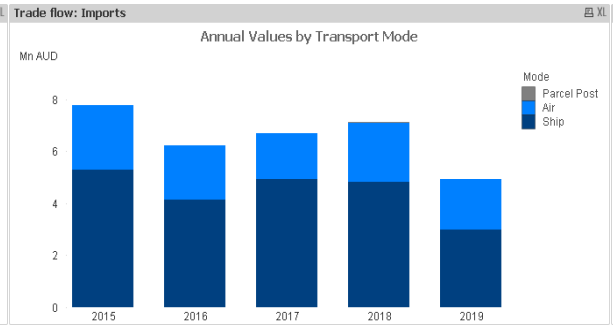
HS630120:
Blankets (other than electric blankets) and travelling rugs: of wool or fine animal hair

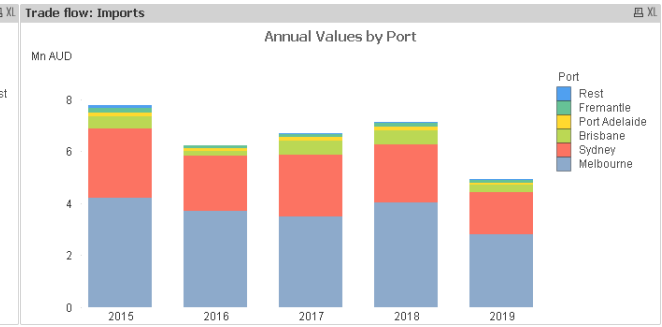












Source: Australian Bureau for Statistics

From South Africa
> 70% by ship

From South Africa
- Melbourne & Brisbane

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Outcomes – South Africa to Australia
281 products spread over > 25 sectors

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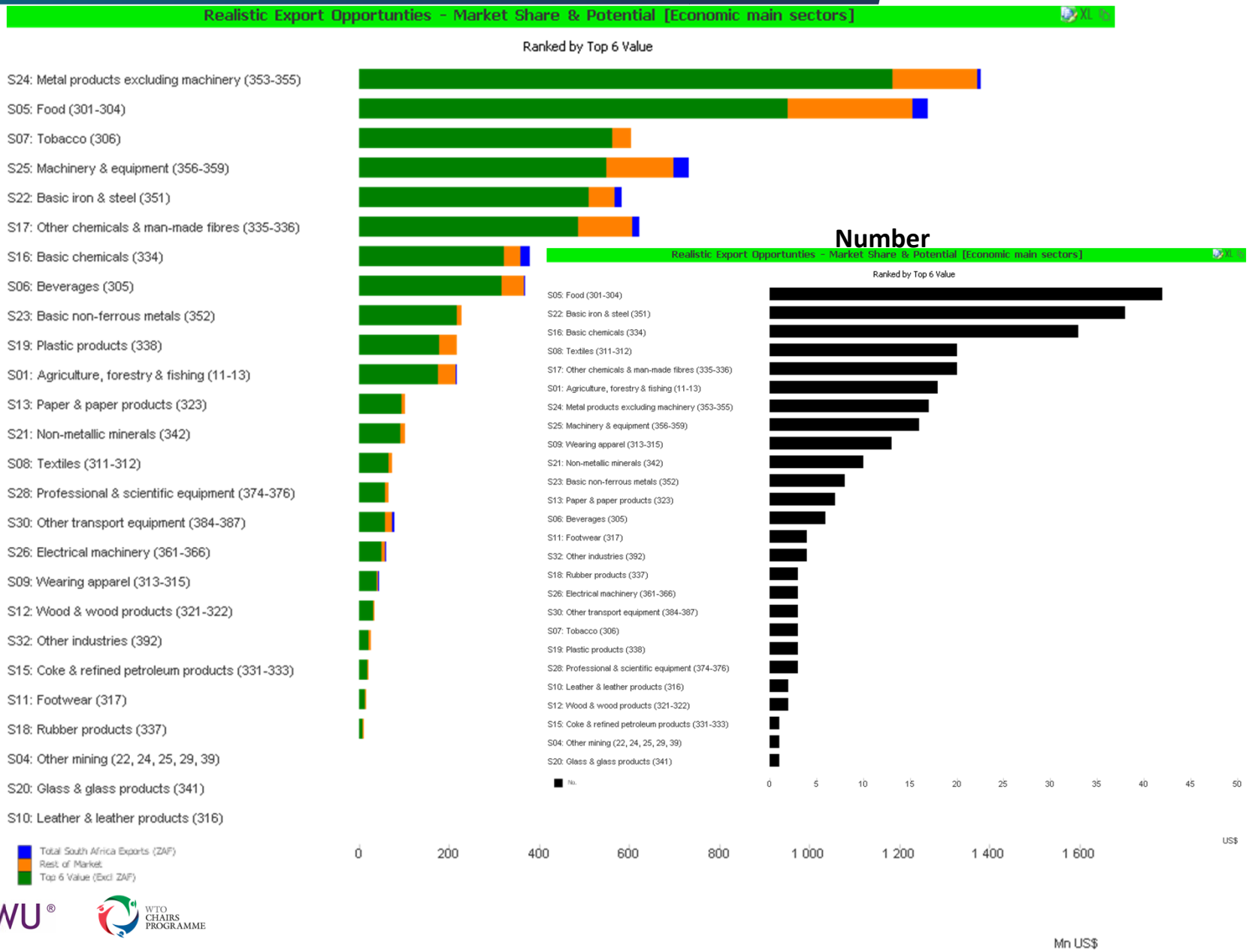

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Context – **Australia**

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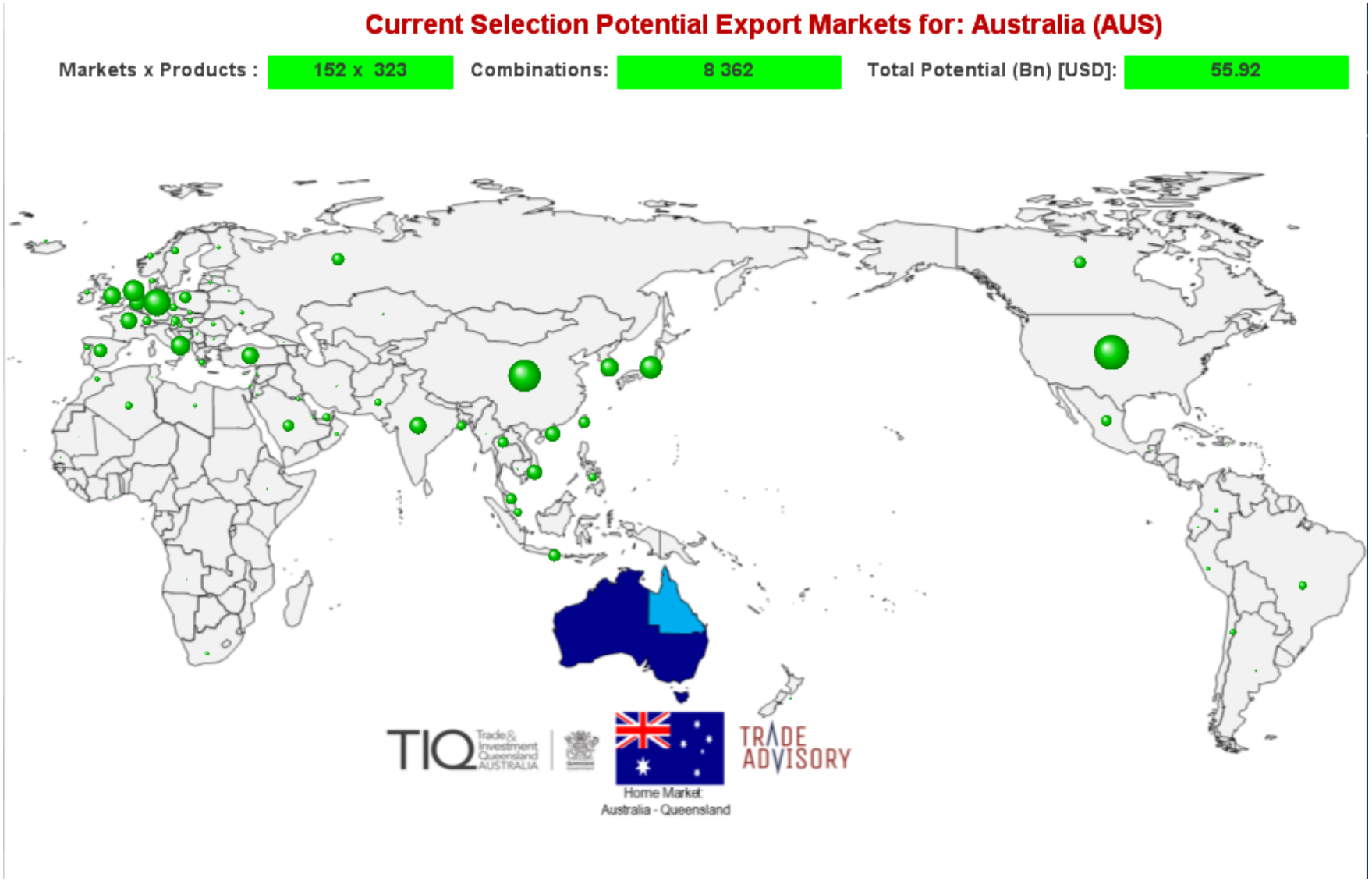

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Outcomes – Australia to South Africa
93 products (HS 6-digit) @ US$ 174 mn

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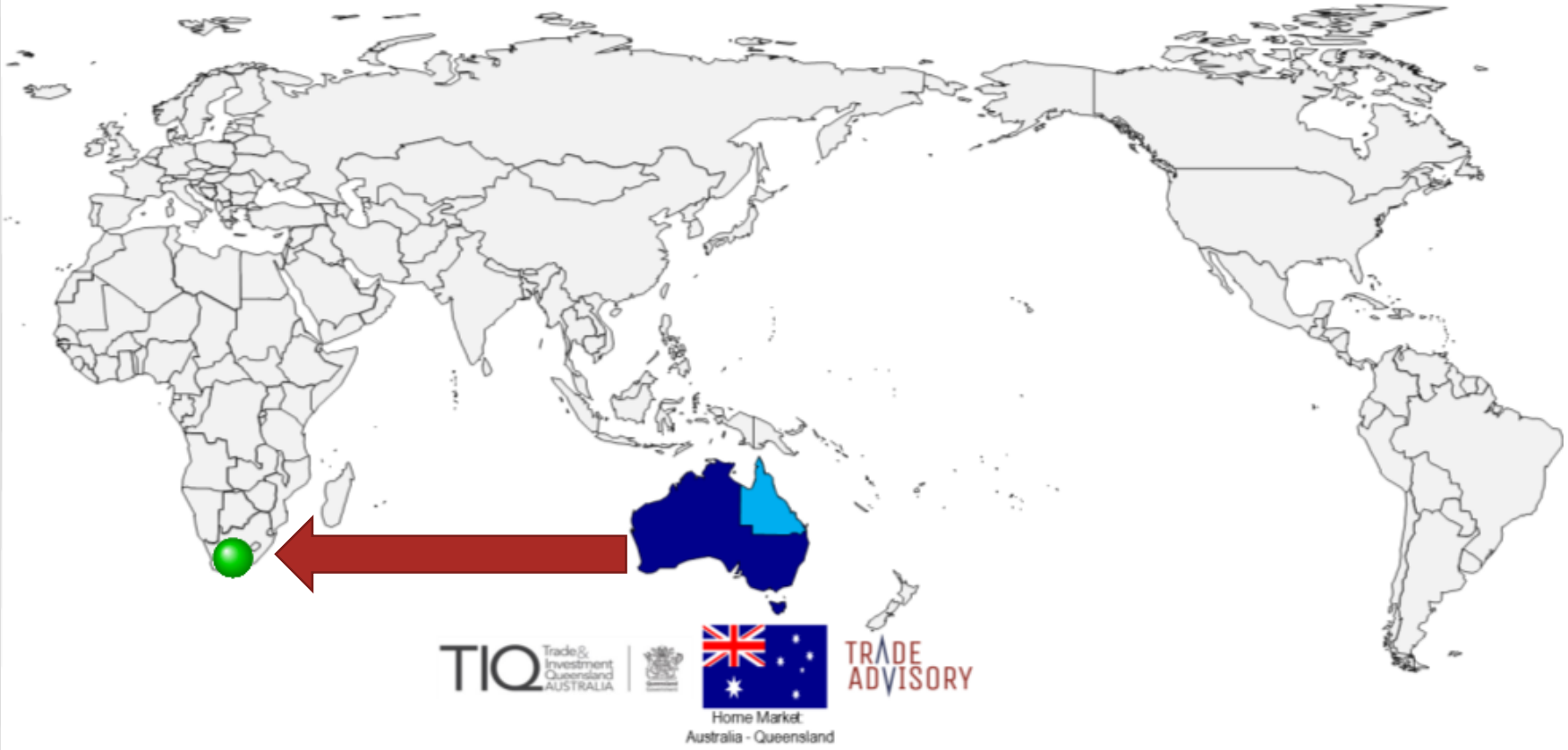
Current Selection Potential Export Markets for: Australia (AUS)

Markets x Products :	1 x 93	Combinations:	93	Total Potential (Mn) [AUD]:	174.06



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Outcomes – Australia to South Africa
93 products (HS 6-digit) @ US$ 174 mn

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Map of Realistic Export Opportunities (REOs) No. [% of total no.] `Untapped` potential value (Mn) [USD]: [% of total value]		Home market relative share of target market imports				
		Small (x1)	Intermediate: Small (x2)	Intermediate: Large (x3)	Large (x4)	Row Totals
Product x country market size and growth	Large (y1)	1,1 -	2,1 -	3,1 -	4,1 -	x,1 -
	Growing (y2) (Short & Long term)	1,2 55 [59.1%] 92.93 Mn [70.6%]	2,2 7 [7.5%] 10.12 Mn [7.7%]	3,2 6 [6.5%] 3.94 Mn [3.0%]	4,2 13 [14.0%] 3.83 Mn [2.9%]	x,2 **81 [87.1%] 110.83 Mn [84.2%]**
	Large and growing (y3) (Short term)	1,3 -	2,3 -	3,3 -	4,3 -	x,3 -
	Large and growing (y4) (Long term)	1,4 2 [2.2%] 2.38 Mn [1.8%]	2,4 1 [1.1%] 1.14 Mn [0.9%]	3,4 -	4,4 2 [2.2%] 0.80 Mn [0.6%]	x,4 **5 [5.4%] 4.33 Mn [3.3%]**
	Large and growing (y5) (Short & Long term)	1,5 5 [5.4%] 10.92 Mn [8.3%]	2,5 1 [1.1%] 0.48 Mn [0.4%]	3,5 -	4,5 1 [1.1%] 5.02 Mn [3.8%]	x,5 **7 [7.5%] 16.43 Mn [12.5%]**
	Column Totals	1,y **62 [66.7%] 106.24 Mn [80.7%]**	2,y **9 [9.7%] 11.75 Mn [8.9%]**	3,y **6 [6.5%] 3.94 Mn [3.0%]**	4,y **16 [17.2%] 9.65 Mn [7.3%]**	x,y **93 [100.0%] 131.59 Mn [100.0%]**

67% of number of opportunities and **80%** of 'untapped' **potential value** Australia currently supplies zero to very little to South Africa

Example product - South Africa currently trades with Europe but based on approach can be supplied by Australia

In total there are 93 opportunities identified, with the associated estimated 'untapped' potential value of 131.59 million (USD). 66.7% of the number of opportunities (and 80.7% of the estimated 'untapped' potential value) is associated with markets for which Australia supplies none to very little of the target market(s) imports. Markets where Australia supplies an intermediately small share of target market(s) imports is associated with 9.7% (and 8.9% in value terms) of these opportunities. Australia supplies an intermediately large share of target market(s) imports for around 6.5% (3.0%of the value) of these opportunities. The market(s) where Australia supplies a large share imports account for 17.2% and 7.3% of value.

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Outcomes – Australia to South Africa
Example detail for HS 6-digit level product

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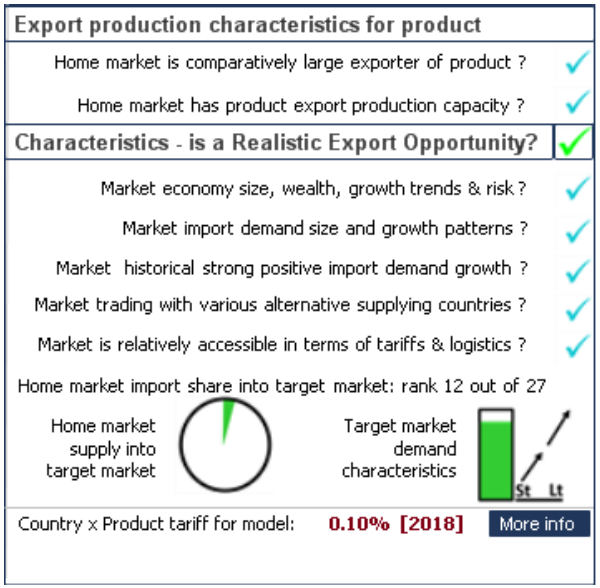
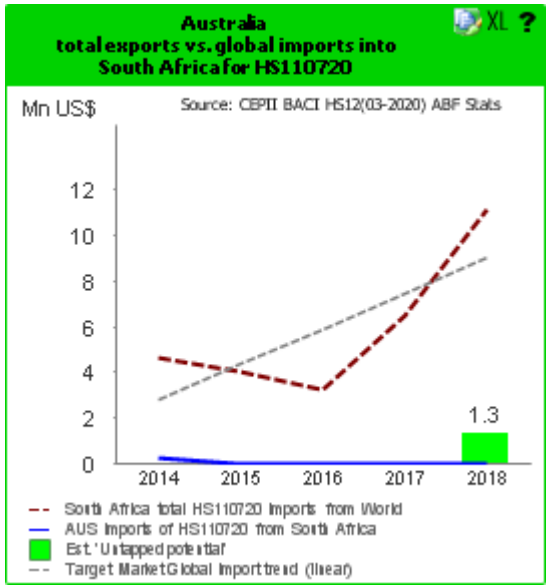
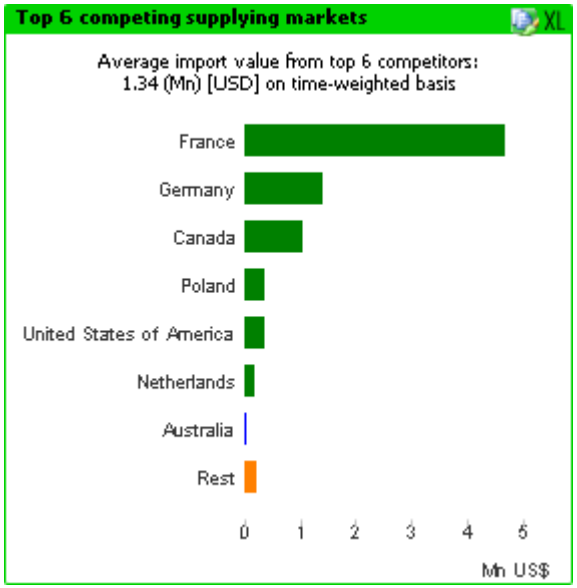
HS110720:

Malt: roasted (mainly of barley HS1107.20.20)







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Outcomes –Australia to South Africa
93 products spread over > 17 sectors

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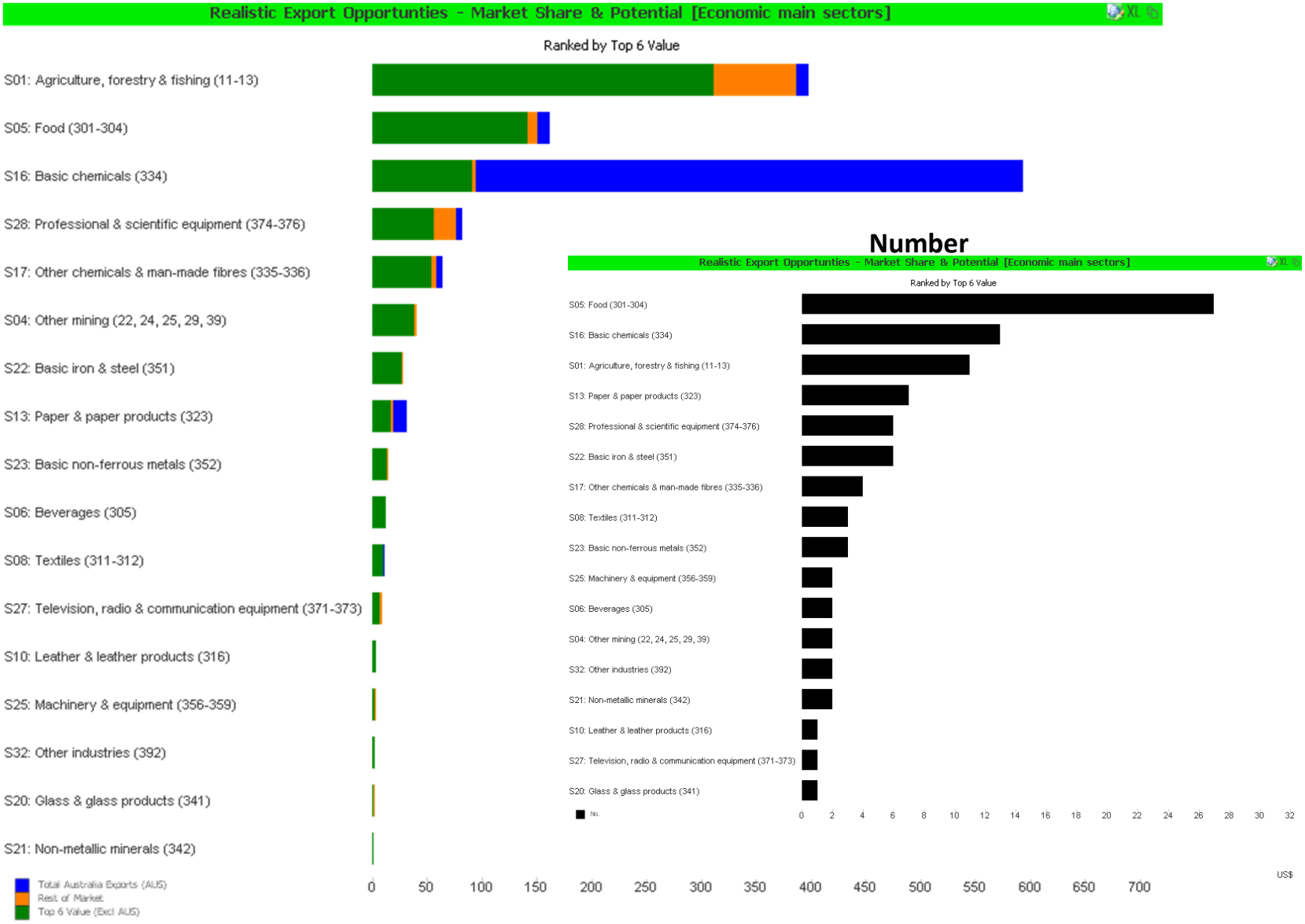

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Summary

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- Beyond COVID requires alternative thinking;
- South Africa has more opportunities towards Australia than the reverse (as to be expected);
- Australia has more opportunities into the African continent if willing to pursue;
- In both cases various ‘unusual’ opportunities requiring closer investigation for better understanding;
- The more opportunities are developed, the more will emerge as volume of trade increases;
- Resulting in logistics and related services increase leading to cost reductions (a virtuous cycle);

Some final thoughts…

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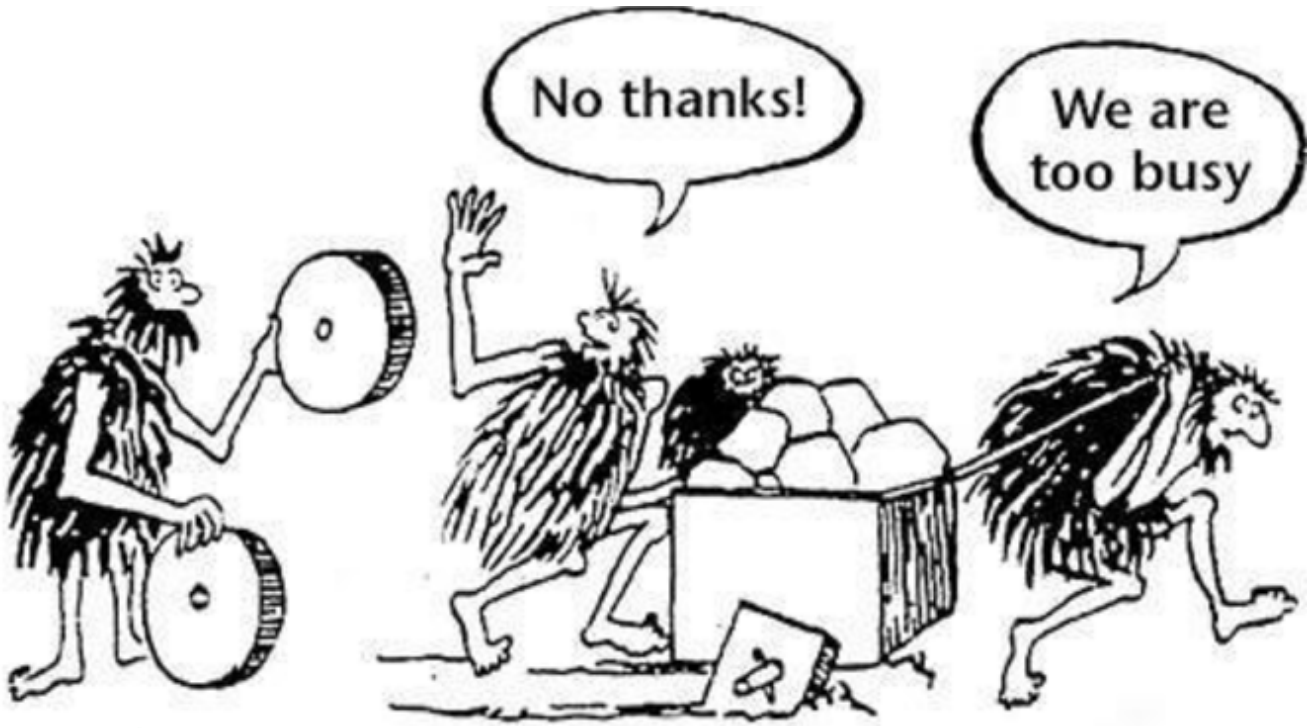
- What if the ‘new normal’ is here to stay, are you thinking about your business and how it will function in this ‘new normal’?

Everybody wants growth, but nobody wants to change.



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END

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Questions

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