AN INVESTIGATION INTO FACTORS IMPACTING ON EXPORTS FROM SOUTH AFRICA TO THE SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC)

By

Colin Fish

Submitted in partial fulfilment of the requirements for the Master’s degree in Business Administration to be awarded at the Nelson Mandela Metropolitan University.

December 2012

PROMOTER: PROFESSOR J.A. JONKER
ABSTRACT

Globalisation has changed the world economy. Manufacturers face vigorous competition in both local and export markets and need to have a genuine competitive advantage in order to prosper and grow.

South Africa is still predominantly a resource based exporter with high aspirations of developing trade in value-added products. The government has recognised the importance of developing national manufacturing capacity as a means of increasing employment and reducing poverty. To this end the government provides substantial support to both the manufacturing and exporting sectors. The government also negotiated the Southern African Development Community (SADC) agreement which leverages some powerful competitive advantages for South African manufacturers exporting into the region.

However, since ratification of the SADC agreement in 2008 there has been no perceptible increase in export activity to the region when compared to other markets. This research study was conducted to determine why this is the case and what factors are influencing the process. A literature review was undertaken encapsulating three principal themes; namely, export barriers, the role of the South African government in the export process, and the SADC agreement.

Based on the findings of the literature review a research questionnaire was constructed and subsequently completed by a cross section of manufacturers in the Eastern Cape. It was found that export barriers do not pose a major obstacle to trade into the SADC region. The role the government plays was less conclusive with some successes noted, but on the whole the impact is not meaningfully positive. On the other hand the SADC agreement and the dynamics prevailing in the free trade area do have a positive impact on exports to the region.

The level of awareness with regard to the government support initiatives was disappointing low. The government offers a number of helpful support initiatives which are unknown to more than half the response group. The awareness level of the dynamics prevailing in the SADC region are an improvement but are still
surprisingly low. South African manufacturers enjoy significant competitive advantages within the region that are going largely unnoticed.

It is recommended, inter alia, that the government consolidates some of its support initiatives, as well as provides a dedicated SADC support desk. Management should adopt an export culture and re-evaluate the opportunity to trade with the SADC region.
DECLARATION BY CANDIDATE

NAME: COLIN JAMES FISH
STUDENT NUMBER: 210062797
QUALIFICATION: MASTERS OF BUSINESS ADMINISTRATION

TITLE OF PROJECT:
AN INVESTIGATION INTO FACTORS IMPACTING ON EXPORTS FROM SOUTH AFRICA TO THE SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC)

DECLARATION:

In accordance with Rule G4.6.3, I hereby declare that the above-mentioned treatise is my own work and that it has not previously been submitted for assessment to another University or for another qualification.

SIGNATURE: __________________________________________________________

DATE: ____________________________________________________________
ACKNOWLEDGEMENTS

This study would not have been possible without the contributions and support of the following parties:

- Sharon, Mark and Catherine, the many hours dedicated towards my studies kept me from you. Thank you for your support and understanding.

- Professor Kobus Jonker, my promoter, for his expertise and guidance. When I was too deeply immersed he pulled me back and steered me in the right direction.

- To all the individuals who took the time to complete the survey, your feedback is sincerely appreciated. It is encouraging to find islands of support in a sea of apathy. It is hoped that the process was reciprocal and the exchange at least inspired some new ideas in your business.

- Group 10.2 PT, it was a privilege to be a part of such a strong unit. You taught me one of my most valuable lessons, the strength of diversity.

- To my Mother, you make the world a better place. I aspire to do what you do.
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>APDP</td>
<td>Automotive Production and Development Programme</td>
</tr>
<tr>
<td>AsgiSA</td>
<td>Accelerated and Shared Growth Initiative for South Africa</td>
</tr>
<tr>
<td>BRICS</td>
<td>Brazil, Russia, India, China and South Africa</td>
</tr>
<tr>
<td>COMESA</td>
<td>Common Market for Eastern and Southern Africa</td>
</tr>
<tr>
<td>DTI</td>
<td>The Department of Trade and Industry</td>
</tr>
<tr>
<td>EAC</td>
<td>East African Community</td>
</tr>
<tr>
<td>ECDC</td>
<td>The Eastern Cape Development Corporation</td>
</tr>
<tr>
<td>ECOWAS</td>
<td>Economic Community of West African States</td>
</tr>
<tr>
<td>EMIA</td>
<td>Export Marketing and Investment Assistance scheme</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>FTA</td>
<td>Free Trade Area</td>
</tr>
<tr>
<td>GATT</td>
<td>General Agreement on Tariffs and Trade</td>
</tr>
<tr>
<td>GEAR</td>
<td>Growth, employment and redistribution strategy</td>
</tr>
<tr>
<td>GEIS</td>
<td>General Export Incentive Scheme</td>
</tr>
<tr>
<td>ICT</td>
<td>Information and communication technologies</td>
</tr>
<tr>
<td>IDC</td>
<td>Industrial Development Corporation</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>MFN</td>
<td>Most Favoured Nation</td>
</tr>
<tr>
<td>MIDP</td>
<td>Motor Industry Development Programme</td>
</tr>
<tr>
<td>NAFTA</td>
<td>North American Free Trade Agreement</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
</tr>
<tr>
<td>OEM</td>
<td>Original Equipment Manufacturer</td>
</tr>
<tr>
<td>ROO</td>
<td>Rules of Origin</td>
</tr>
<tr>
<td>RTA</td>
<td>Regional Trade agreement</td>
</tr>
<tr>
<td>SACU</td>
<td>Southern African Customs Union</td>
</tr>
<tr>
<td>SADC</td>
<td>Southern African Development Community</td>
</tr>
<tr>
<td>SADCC</td>
<td>Southern African Development Coordination Conference</td>
</tr>
<tr>
<td>Seda</td>
<td>Small Enterprise Agency</td>
</tr>
<tr>
<td>SMME</td>
<td>Small and medium manufacturing enterprise</td>
</tr>
<tr>
<td>SSA</td>
<td>Sub-Saharan Africa</td>
</tr>
<tr>
<td>TISA</td>
<td>Trade and Investment South Africa</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organisation</td>
</tr>
</tbody>
</table>
CONTENTS

CHAPTER ONE: SCOPE OF THE STUDY ................................................................. 1
  1.1 INTRODUCTION ......................................................................................... 1
  1.2 PROBLEM STATEMENT ............................................................................. 2
  1.3 RESEARCH OBJECTIVES ........................................................................ 7
    1.3.1 Primary objective .............................................................................. 7
    1.3.2 Secondary objectives ...................................................................... 7
  1.4 RESEARCH DESIGN OBJECTIVES ....................................................... 7
  1.5 RESEARCH METHODOLOGY ................................................................. 8
    1.5.1 Research paradigms and motivation of choice .............................. 8
    1.5.2 Sample and data collection ............................................................ 9
    1.5.3 Measuring instrument .................................................................... 9
  1.6 OUTLINE OF STUDY ............................................................................... 10
  1.7 CONCLUSION ......................................................................................... 11

CHAPTER TWO: LITERATURE REVIEW ......................................................... 12
  2.1 INTRODUCTION ....................................................................................... 12
  2.2 THE THEORIES OF EXPORT .................................................................. 13
    2.2.1 The benefits of exporting ............................................................... 14
    2.2.2 Dissenting voices and counter arguments ................................... 16
    2.2.3 Regional Trade Integration ............................................................. 17
    2.2.4 Conclusion ....................................................................................... 20
  2.3 EXPORT BARRIERS ................................................................................ 21
    2.3.1 External barriers ............................................................................ 23
    2.3.2 Internal barriers ............................................................................. 25
    2.3.3 Transport ......................................................................................... 26
    2.3.4 Non-tariff barriers ......................................................................... 31
    2.3.5 Conclusion ....................................................................................... 36
  2.4 THE ROLE OF GOVERNMENT IN THE EXPORT PROCESS .............. 36
    2.4.1 The influence of macroeconomic policies .................................... 37
    2.4.2 Trade facilitation ............................................................................ 39
    2.4.3 Government support programmes ............................................... 41
    2.4.4 Conclusion ....................................................................................... 45
LIST OF FIGURES

Figure 1.1: South African Manufactured Exports as a percentage of Total Merchandise Exports ................................................................. 3
Figure 1.2: Export Growth 2000 - 2011 ............................................................... 6
Figure 2.1: Internal and external export problems that influence export-marketing strategy of manufacturing firms from developing countries ........................................ 22
Figure 2.2: SA exports by world zone 2004-2011 .................................................. 25
Figure 2.3: Average transport prices: a global comparison .................................... 27
Figure 2.4: West Africa – First Priority Corridors: Check Points, Bribes and delays. 30
Figure 2.5: Borders in Africa remain very thick...................................................... 33
Figure 2.6: The extended spectrum of trade facilitation ........................................ 40
Figure 3.1: South African manufactured exports vs total exports by region ............ 51
Figure 5.1: The sample’s age analysis ................................................................. 67
Figure 5.2: The sample’s gender analysis ............................................................. 67
Figure 5.3: The qualification level of the respondents ............................................. 68
Figure 5.4: An analysis of the management level of the respondents ....................... 69
Figure 5.5: An analysis of the respondents years of service .................................. 70
Figure 5.6: The levels of employment in the sample group .................................... 70
Figure 5.7: The industry spread in the sample group .............................................. 71
Figure 5.8: Exporters versus non-exporters .......................................................... 72
Figure 5.9: The export levels of the respondents .................................................. 73
Figure 5.10: The ratio of SADC exports ............................................................. 74
Figure 5.11: External export barriers: Shortage of foreign exchange ....................... 76
Figure 5.12: External export barriers: Documentation and red tape ....................... 77
Figure 5.13: External export barriers: Political instability ..................................... 78
Figure 5.14: External export barriers: Corruption ............................................... 79
Figure 5.15: External export barriers: Import duties .............................................. 80
Figure 5.16: External export barriers: Risk of exchange rate volatility .................... 80
Figure 5.17: External export barriers: Transport costs and shipping arrangements . 81
Figure 5.18: External export barriers: Costly payment methods ............................ 82
Figure 5.19: External export barriers: Mandatory pre-shipment inspections ............ 83
Figure 5.20: Average for all external export barriers ............................................ 83
Figure 5.21: Internal export barriers: Lack of personnel skilled in exports .......... 84
Figure 5.22: Internal export barriers: Lack of market knowledge.......................... 85
Figure 5.23: Internal export barriers: Insufficient production capacity............. 86
Figure 5.24: Internal export barriers: Lack of finance....................................... 87
Figure 5.25: Internal export barriers: Lack of information on opportunities......... 88
Figure 5.26: Internal export barriers: Difficulty in complying with product certification
......................................................................................................................... 89
Figure 5.27: Internal export barriers: Lack of management time...................... 90
Figure 5.28: Average for all internal export barriers........................................... 90
Figure 5.29: Awareness of government initiatives.............................................. 92
Figure 5.30: Averages for government initiatives................................................ 95
Figure 5.31: Respondents perception of their knowledge of the SADC agreement . 96
Figure 5.32: Awareness of the SADC dynamics.................................................. 97
Figure 5.33: The impact of SADC preferential duties........................................... 99
Figure 5.34: The impact of fewer multinational competitors in SADC markets...... 100
Figure 5.35: The impact of less indigenous competition in SADC markets........... 100
Figure 5.36: The impact of good economic growth in SADC markets............... 101
Figure 5.37: The impact of the Rules of Origin.................................................... 102
Figure 5.38: The impact of the close proximity of the SADC markets.............. 103
Figure 5.39: Averages for SADC dynamics........................................................ 103
LIST OF TABLES

Table 2.1: Number of documents required to export.......................................................... 23
Table 2.2: Share of manufactures in total merchandise exports by region, 2010........... 28
Table 2.3: Dwell time in Southern Africa ............................................................................... 29
Table 2.4: Dwell time in sub-Saharan Africa ........................................................................ 30
Table 2.5: Trading across borders in SSA is costly and time consuming ....................... 34
Table 2.6: Awareness and use of government small enterprise support ......................... 44
Table 3.1: South Africa’s Trade Balances with SADC States (R'000) ............................. 52
Table 3.2: Robust growth predicted in sub-Saharan Africa ............................................ 55
Table 4.1: Cronbach test for internal consistency ............................................................... 65
Table 5.1: Responses to Section three of the questionnaire ............................................ 75
Table 5.2: External export barrier mean per employee category ...................................... 84
Table 5.3: Lack of finance mean per employee category ..................................................... 87
Table 5.4: Responses to Section four of the questionnaire ............................................... 93
Table 5.5: Responses to Section six of the questionnaire .................................................. 98
Table 6.1: Awareness of government support programs .................................................... 107
Table 6.2: The impact of government initiatives on small business................................. 109
Table 6.3: Awareness of SADC dynamics ......................................................................... 110
CHAPTER ONE: SCOPE OF THE STUDY

1.1 INTRODUCTION

During the last three decades the world economy has made a fundamental shift away from isolated national economies into an interdependent global economic system. This phenomenon has largely been driven by declining trade barriers and technological improvements in transport and communications, and is generally referred to as globalisation (Hill, 2011).

Globalisation has enabled businesses to increase revenues by selling to larger markets internationally. It has also allowed businesses to take advantage of cheaper factors of production by manufacturing in optimal location economies. Foreign competitors are now entering industries in developing nations that were heavily protected in the past. This has resulted in increased competition, which ultimately benefits consumers through lower prices (Hill, 2011).

In a small open economy like that of South Africa it is becoming increasingly important for manufacturing enterprises to compete in international markets to benefit from economies of scale and develop a sustainable competitive advantage (Williams, 2010). The global recession since 2008 has impacted on the traditional South African export markets, particularly in Europe and North America. The whole world is looking to Africa for growth opportunities and South Africa has the advantage of being a gateway into sub-Saharan Africa. The terms of the SADC agreement create a favourable environment for South African manufacturers competing in this region, although it appears that manufacturers have yet to leverage these benefits to their full potential.

This leads to the need for research to enable the effective internationalisation of South African manufacturers through exporting, to achieve the dynamic gains required to compete successfully in the new economic paradigm. This will be accomplished by an investigation into the dynamics affecting manufacturers in the Eastern Cape when exporting into the SADC markets.
1.2 PROBLEM STATEMENT

In the context of an increasingly competitive economic environment the importance of exporting has been widely recognised. To satisfy the growth imperative larger companies can turn to exporting when local markets are saturated. Besides the traditional argument on the benefit of economies of scale, exporting also gives companies valuable insights into both customers and competitors enhancing overall competitiveness (Van Eldik and Viviers, 2005). Small to medium manufacturing enterprises (SMME’s) that export are usually more sustainable and have a greater likelihood of business survival and expansion (Trung, 2008). According to Brouthers, L., Nakos, Hadjimarcou and Brouthers, K. (2009) the higher the ratio of exports the greater the competitive advantage that is developed through the transfer of knowledge gained in international markets.

The South African government grasped the importance of exports in the early 1970s and this policy was sustained when a democratic government was elected in 1994. This was initially reflected in the growth, employment and redistribution (GEAR) strategy and later in the Accelerated and Shared Growth Initiative for South Africa (AsgiSA) (Rangasamy, 2009). More recently the South African government focused on both manufacturing and exports in its latest strategic planning, and has made substantial provision for both financial and non-financial support mechanisms to these sectors (DTI, 2011).

However, South Africa is still largely a resource based exporter with a relatively poor record when it comes to manufactured exports. While the ratio of manufactured exports to total merchandise exports increased from 43.2 per cent in 1994 to 63.7 per cent in 2006 it still lags noticeably behind the world average of 74.8 per cent. A good indication of an effective strategy is that of China, which can boast an enviable rate of manufactured exports to total merchandise exports of 92 per cent (Van der Walt, 2007). Recent data as detailed in Figure 1.1 below reveals that the trend has reversed in South Africa, with the ratio of manufactured exports to total merchandise exports decreasing from 68 per cent in 2008 to 59 per cent in 2011.
To review thus far, it is in the best interests of the South African economy to stimulate the growth of manufacturing and it is advantageous to stimulate the export growth. Taking this one logical step forward dictates that it is in the best interests of a modern economy to stimulate the exports of manufactured goods. Unfortunately South Africa lags behind international trends in this category (Van der Walt, 2007). Failure to address this problem may lead to a systematic decline in the competitive position of South African manufacturers.

The importance of manufacturing for the South African economy is underscored by the Minister of Trade and Industry, Dr Rob Davies, who suggests that the future of the country is greatly dependent on improvements in manufacturing capabilities. The government has identified this condition through the New Growth Path as well as the Industrial Policy Action Plan, whereby the country needs to evolve from the production and export of primary products to increasingly become manufacturers of value-added products (Davies, 2012)
While the barriers to export have been extensively researched, the scope of these barriers may appear overwhelming to consider in a practical manner. Leonidou (2004) constructed a comprehensive list of export barriers for small firms, splitting 39 different barriers into internal and external classifications. Leonidou (2004) also noted that smaller and younger firms are more susceptible to export barriers than bigger firms that have been internationalised for a longer time.

Perhaps a more relevant observation is by Suarez-Ortega (2003, as cited in Okpara, 2010), which considers more specifically the knowledge barriers in terms of the lack of awareness by firms of: i) the opportunities that are available, ii) the export support and subsidies on offer and iii) the economic and dynamic gains that can be realised through exporting.

Even though the barriers to export may appear imposing they are not insurmountable. Large firms have the advantage of greater company resources while SMME’s are more flexible and adaptable, both distinctive advantages in the international arena (Trung, 2008). Small businesses are also increasing the use of outsourcing to gain access to skills, expertise and to reduce costs (Sen and Haq, 2010).

Nonetheless a large proportion of existing research places the responsibility for developing exports at the door of government. In India Khorana, Verousis and Perdikis (2010) contend that government should support exports by negotiating free trade agreements, building domestic capacity and improving transport and telecommunications infrastructure. Djebarni and Al-Hyari (2009) propose a wide variety of government support measures for Jordan, ranging from international exhibitions, financial support and addressing the skills shortage.

South Africa is no exception, with Van der Walt (2007) proposing a government focus on export marketing and information support systems. In addition to the above Van der Walt (2007) also recommends that government simplifies paperwork procedures, and provides specialised training to third party facilitators.
It should be noted that governments from all corners of the globe already provide substantial support for export promotion programmes. The Department of Trade in the United Kingdom subsidises international trade shows, trade missions and provides matching services to name just a few of their support programmes (McLeay, 2010). The Department of Trade and Industry (DTI) in South Africa provides similar support through the Export Marketing and Investment Assistance (EMIA) scheme (DTI, 2011).

The government is also actively involved in negotiating free trade agreements which can be significant enablers of trade. The Southern African Development Community (SADC) Free Trade Agreement (FTA) is of particular interest and will be examined in detail. South Africa’s recent inclusion into the BRICS group (Brazil, Russia, India, China and South Africa) should also be monitored closely as it is hoped that noteworthy gains from trade emanate from our membership (DTI, 2011).

To conclude, with regard to the current South African government support programmes, it should also be noted that there are number of support structures in place for businesses like the Industrial Development Corporation (IDC), the regional development corporations, Ntsika, Khula and Business Partners (formerly the Small Business Development Corporation). The Department of Trade and Industry also established the Small Enterprise Development Agency (Seda) in 2004 with an emphasis on non-financial assistance to small businesses to promote exports and achieve sustainable growth (DTI, 2011).

Notwithstanding the extensive research into the export barriers and government support measures there are areas that require a more detailed investigation to determine the extent of the problem at hand. Van der Walt (2007) undertook a fairly wide-ranging review of this topic and identified the following issues (amongst others) that merited further analysis:

- Effectiveness of government communication to manufacturers of its programmes
- Awareness and utilisation of government export support programs
Another area of interest that has undergone limited examination is that of the Southern African Development Community (SADC) free trade area and the benefits available to exporters of goods manufactured in South Africa. While there is some older research on SADC it should be noted that that the SADC free trade area was only formalised in 2008. Subsequent to this formalisation almost 85 per cent of trade within SADC is now duty free (Kalaba, 2009). This presents a significant competitive advantage to South African manufacturers within the SADC region.

The World Bank (2012) supports the notion that there is a tremendous opportunity for African cross-border trade and that this potential is not being harnessed effectively. They concur that the products traded will tend to have a greater value-added and be more labour intensive than minerals.

While it may be reasonable to expect that exports to the SADC region should grow at a faster rate subsequent to 2008, Figure 1.2 illustrates that export growth to the SADC region mirrors total export growth. The objective of this research is to investigate the reasons why this is the case and what can be done to remedy the situation.

Figure 1.2: Export Growth 2000 - 2011

Source: Author’s construction based on DTI data (2012)
1.3 RESEARCH OBJECTIVES

Both the primary and secondary research objectives for this study are as follows:

1.3.1 Primary objective

To investigate why exports to the SADC region have not improved and what are the factors influencing this process?

1.3.2 Secondary objectives

The following secondary objectives have been formulated to enable the researcher to investigate and resolve the primary objective effectively:

1. What does literature reveal as the factors that impede exports to SADC?
2. What is the role of the South African government in supporting exports to SADC?
3. What are the dynamics of the SADC agreement and how does it affect South African exports to the region?
4. How well informed are manufacturers with regard to SADC opportunities and Government support for exports?
5. What solutions can be formulated to address the sub problems above?

1.4 RESEARCH DESIGN OBJECTIVES

These objectives are as follows:

- The initial phase will be a secondary literature review examining the obstacles that inhibit manufacturers from becoming exporters. The role of the South African government and the SADC regional trade agreement will also be investigated.
- Using the literature review as a foundation, a measuring instrument will be constructed in the form of a questionnaire, to collect primary data from manufacturers in the Eastern Cape on the factors influencing exports to the SADC region.

- Data will then be collected via a convenience sample of at least 50 manufacturers across a range of manufacturing industries in the Eastern Cape.

- The data will be captured on Microsoft Excel and analysed using descriptive statistics. The data will also be tested for validity and reliability using the Statistica computer programme.

- The objective is then to interpret the results and formulate practical proposals to solve the problems investigated.

1.5 RESEARCH METHODOLOGY

The planned research strategy and sampling methods are introduced to demonstrate how the research objectives will be examined (Collis and Hussey, 2009).

1.5.1 Research paradigms and motivation of choice

In research methodology there are two main research paradigms that can be followed; namely the positivistic and phenomenological paradigms. Positivism is associated with the quantitative, objective, scientific and traditionalist approaches. The phenomenological approach is associated with the qualitative, subjective and humanist aspects of interpretivism. It should be noted that these terms are not automatically interchangeable (Collis and Hussey, 2009). For the purposes of this research the preferred terms will be the quantitative and qualitative paradigms.

The scope of this study is to determine the influence of export barriers, the government and the SADC regional trade agreement on exports to the region. The awareness of manufacturing enterprises in the Eastern Cape about potential SADC
export opportunities and the government support that is available will also be tested. This requires a quantitative approach to measure the levels of awareness, as well as the relationships between the variables.

1.5.2 Sample and data collection

The population for this study will be all manufacturing enterprises in the Eastern Cape. The unit of analysis will be the export managers or middle to senior level marketing managers in these Eastern Cape manufacturers. The sample frame should contain manufacturers that:

- currently export to the SADC region;
- currently export but not to the SADC region; and
- would like to export but do not currently export.

Convenience sampling will be used to find respondents in the fields of manufacturing and exports in the Eastern Cape with the assistance of appropriate bodies across the industry such as the Eastern Cape Exporters Club, the Nelson Mandela Bay Business Chamber, Tradepoint and the Eastern Cape Development Corporation.

1.5.3 Measuring instrument

As this research is centred on a quantitative approach the measuring instrument is primarily constructed of closed questions. Some guidance and direction with regard to the questions has been gleaned from previous studies by Oliphant (2007), and Van der Walt (2007).

The section on barriers to exports is based on questions constructed by Arteaga-Ortiz and Fernández-Ortiz (2010) and assessed as relevant to the SADC region in the literature review. These questions are anchored on a five-point Likert scale ranging from hinders-enormously to does-not-hinder.
The questions on the role of government and the SADC agreement are self-constructed and based on the key factors revealed in the literature review. The first part of each has a qualifying yes/no question testing the awareness of the respondent with regard to the factor under review. The second part is anchored in a five-point Likert scale ranging from strongly-disagree to strongly-agree and measures the impact of each factor.

1.6 OUTLINE OF STUDY

The first chapter presents the scope of the study and introduces and argues the problem. The primary and secondary research objectives are defined as well as the research methodology that will be followed.

The second chapter encapsulates a secondary literature review covering export theories, export barriers and the role of government in the export process.

The third chapter examines the evolution of the Southern African Development Community and the political and economic dynamics that prevail in the region. The opportunities available for South African manufacturers are also explored.

The fourth chapter provides details on the research paradigms and the choice of research methodology. It also incorporates information on the sample, data collection and analysis, as well as the measuring instrument employed.

The fifth chapter summarises the data collected, and thereafter focuses on the interpretation of this data.

The sixth and final chapter presents the conclusions and recommendations derived from the research that has been conducted.
1.7 CONCLUSION

This first chapter served to introduce the scope of the study to be undertaken. The problem has been defined, the aim of the research has been established and the manner in which the research will be conducted has been determined.

Key concepts have been defined and a roadmap for the process has been drafted. The central theme of this study is grounded on the premise that exporting manufactured products is highly beneficial for the South African economy. There may be a variety of obstacles that inhibit the export process but these are generally not insurmountable. There is already a great deal of government support offered to the export community to initiate and grow export operations. The SADC agreement negotiated by the South African government also offers a competitive advantage to South African manufacturers.

The intent is to determine awareness levels and establish if there are relationships between these elements. At the very least it is hoped that the distribution of the measuring instrument prompts those manufacturers who have previously disregarded the SADC region as a potential market for their products to re-evaluate their position.

The next chapter will consist of a secondary literature review aimed at gaining a better understanding of export theories and export constraints, and the role of government support in the export process.
CHAPTER TWO: LITERATURE REVIEW

2.1 INTRODUCTION

The first chapter introduced the scope of the study and this chapter serves as the initial departure point on the road to solving the problem. The benefits of exporting are widely acknowledged and export-led growth is an established policy for many developing nations. It is also recognised that in addition to growing export volumes, the value-added element of the products exported plays an important role in the contribution made to economic growth (Matthee and Naudé, 2007). Three central themes will be reviewed in this chapter namely export theories, export barriers and regional trade integration.

Various export theories will be examined with a view to establishing the country (macro) and company (micro) benefits associated with exporting. This will be moderated by considering the arguments against export-led growth in the contemporary economic environment. A thorough study will also be made of the theories underlying regional trade integration as a precursor to the ensuing chapter on the SADC agreement.

The second theme deals with the external (macro) and internal (micro) barriers that companies encounter in the export process. Export barriers have received extensive attention in research literature and it is necessary to take cognisance of the wide range of obstacles that exporters face. It is also necessary to realise that due to the dynamic nature of the modern economy it follows that some barriers will have a diminishing influence while others will have an elevated influence. In this context the objective is to uncover the most relevant barriers encountered by manufacturers exporting into the SADC region.

The final theme evaluates the role government can play in overcoming the barriers and supporting the export process. This initially examines the case for minimal direct intervention by government, with exports being enabled through sound economic policies supported by good governance. This is followed by an analysis of
the more recent trend towards government focusing on trade facilitation. The final premise in this argument covers the traditional topics of subsidies and direct support programmes.

Understanding these dynamics provides the theoretical foundation for the following chapter, where the SADC agreement will be examined in greater detail. At this stage it is appropriate to begin with the review of export theories.

2.2 THE THEORIES OF EXPORT

The mercantilists of the 16th century viewed trade as a zero sum game, suggesting that the road to national prosperity lay in increased exports and restricted imports. The first formal argument in favour of bilateral international trade was Adam Smith’s 1776 theory of absolute advantage. This theory introduced the notion that trade can be a positive sum game with all countries benefitting from international trade. The paradox of this theory is that countries with an absolute advantage across all the goods it produces would refrain from importing (Smit, 2010).

This led to the development of Ricardo’s theory of comparative advantage in 1817 which proposed that countries should specialise in the manufacture of products it can make relatively more efficiently. In this case a country should import products where it has the smallest absolute advantage (Sun, Peng, Ren and Yan, 2010). Comparative advantage was developed and explained further by the Heckscher-Ohlin theory which contends that comparative advantage is derived from an abundance of factor endowments (Smit, 2010).

As a practical example Mutambara (2010) contends that the Heckscher-Ohlin theory is validated by a country like Zimbabwe that exports land and labour intensive goods and imports capital and skilled labour intensive products. In contrast the Leontief paradox confounded many with the finding that, while most would expect the United States to export capital intensive products and import labour intensive products the reverse is true. This in turn led to alternative rationalisations for the Heckscher-Ohlin
theory such as the differences in human capital, the product cycle theory and the
differences in technologies (Smit, 2010).

Export-led growth is a paradigm that gained prominence in the 1970s and is
fundamentally based on the theories of comparative advantage and Heckscher-
Ohlin. In developing nations an outward orientation promotes the adoption of best
business practices, new product development and improved competitiveness. The
economic argument is that all countries enjoy the benefits of comparative advantage
while emerging economies reap the additional benefits associated with an external
orientation (Palley, 2011). The success of the Asian countries that adopted an
outward orientated approach also provides a strong case for exporting as a medium
to achieve economic growth (Hye and Siddiqui, 2011).

On a global scale the promotion of world trade was initially facilitated by the General
Agreement on Tariffs and Trade (GATT) and subsequently by the World Trade
Organisation (WTO). Over a period of more than six decades these institutions have
been successful in liberalising trade by removing tariffs, quotas and subsidies (Hill,
2011). While some have questioned the effectiveness of the GATT and WTO,
Subramanian and Wei (2007) conclude that they have been responsible for
increasing world imports by potentially 120 per cent of world trade. And whilst it is
argued that trade is promoted unevenly between developed and developing
countries Subramanian and Wei (2007) contend that exports by developing countries
to developed countries are about 150 per cent higher, thanks to the GATT/WTO.

2.2.1 The benefits of exporting

Free trade acts as an enabler for exporting and produces a range of international
benefits. It instigates the efficient allocation of global resources and allows for
specialisation in the areas where comparative advantages exist. These efficiencies
ultimately allow consumers everywhere to enjoy the benefits of lower prices (Reddy,
2011).
The arguments in favour of exporting include both country and company benefits. At the macroeconomic level the benefits are centred on:

- Increased foreign exchange reserves (Adjasi, 2006; Eita and Jordaan, 2007; Kuada, 2007; Leonidou, 2007; Odularu, 2009; Mpinganjira, 2011);
- The development of new technologies (Adjasi, 2006; Leonidou, 2007; Mpinganjira, 2011; Sakyi, 2011);
- Increased employment (Adjasi, 2006; Eita and Jordaan, 2007; Kuada, 2007; Leonidou, 2007; Mpinganjira, 2011); and
- Improved standards of living (Eita and Jordaan, 2007; Kuada, 2007; Leonidou, 2007; Mpinganjira, 2011).

These are the typical benefits that persuaded developing countries to move away from the import substitution policies that had failed to deliver sustainable economic growth (Mpinganjira, 2011).

At the micro level companies can experience an even wider range of benefits accruing from the export process. Van Eldik and Viviers (2005) point out that exporting offers access to an expanded customer base and this is supported by The World Bank (2012) and Adjasi (2006). Van Eldik and Viviers (2005) highlight the opportunity to gain access to new technologies and improving the firm’s financial position, sentiments that are echoed by Leonidou (2004) and Adjasi (2006). There is the opportunity to take advantage of unused capacity and improve operating efficiency (Leonidou, 2004; Adjasi, 2006). Leonidou (2007) also cites the benefit of spreading risk through diversified markets.

But it is also at a less visible level where significant benefits are achieved through international trade. By being involved in international markets companies gain new insights into what customers want and what their competitors are offering. It is necessary to learn new ways to do business and this contributes to the overall competitiveness of an enterprise (Van Eldik and Viviers, 2005). This is supported by Albertyn (2011) who explains that “Entering the international arena changed the way they think. Coca-Cola Sabco had to change the way they do things, look at things
from another angle or perspective, and ‘pull their socks up’. It is noticeable how employees that have worked internationally are more flexible and better at problem solving, and this has been a major advantage.”

2.2.2 Dissenting voices and counter arguments

Export trade theory has attracted a great deal of research into its shortcomings and limitations, particularly with regard to the assumptions based on perfectly competitive markets (Mbatha and Charalambides, 2008). While questioning the economic fundamentals underlying export theory is important, it is perhaps more pertinent to this study to rather focus on the criticisms against export-led growth as a national policy.

Palley (2011) argues that some of the proponents of economic openness and trade are the large multinationals that benefited from what is now known as globalisation. They found allies in the IMF and World Bank who provided financial assistance to developing countries conditional on the acceptance of open economic policy. Palley (2011) contends that this paradigm fosters a “race to the bottom” that is characterised by a poor regulation of environmental and working conditions in order to attract investment.

Palley (2011) cites the Robinson (1947) critique that infers that developing countries rob employment from other countries by following an export-led growth policy. This critique also suggests that developing countries’ exports may ultimately end up in congested markets. Palley (2011) also cites the Prebisch (1950)–Singer (1950) critique that predicts a deteriorating position for countries exporting commodities, a dynamic that now affects manufactured products.

Rangasamy (2009) cautions that there is a risk that South Africa may end up being vulnerable to external slumps by cultivating a strong dependence on exports. The Asian countries have traditionally been the strongest argument in favour of an external orientation but the Asian crisis of the late 1990s demonstrated the risks inherent in this approach. The South African government has recognised this hazard
and targets “balanced growth” as part of the AsgiSA initiative. While not having a formal definition, “balanced growth” usually refers to growth that does not strongly favour export growth over domestic demand.

This is supported by Palley (2011) who argues that globalisation has fundamentally changed the economic paradigm to such an extent that export-led growth is no longer sustainable. This is not to imply that countries should no longer export, but rather that there should also be an emphasis on domestic demand-led growth.

2.2.3 Regional Trade Integration

It has already been recorded that free trade is regarded as the best approach to achieve economic growth and prosperity. Regional trade integration is a popular mechanism used internationally to capture the benefits of trade openness. There are currently more than 150 regional trade agreements in force and most countries across the globe are members of at least one regional trade agreement (RTA). It is pertinent to note that there is a wide variety of RTAs with divergent configurations and objectives (Omilola, 2011). A synopsis of some of the basic configurations includes the following:

- Free trade areas: no trade barriers amongst members but each country as its own tariff policy with respect to non-members;
- Customs union: no trade barriers amongst members and a common tariff policy with respect to non-members;
- Common market: trade and tariff policies are as per a customs union, as well as the free flow of the factors of production;
- Economic Union: when members of a common market also agree to organise their economic policies on monetary, fiscal, trade and welfare in harmony; and
- Political union: when members countries agree to harmonise all policies and effectively become one country.

Omilola (2011) finds ample evidence of both static and dynamic gains associated with RTAs. The one-time correction in resource allocation results in static gains.
The net value of the static gains achieved is determined by the relative differences between trade creation and trade diversion.

The net increase in trade as a result of moving away from expensive local products to cheaper imported products from a member state is referred to as trade creation. Trade diversion is when more expensive products from a member state replace cheaper products from a non-member state (Jordaan and Kanda, 2011).

The supply side benefits of trade creation are found in the efficient reallocation of resources away from industries that are protected, to industries involved with producing products for the regional market. The final consumers also enjoy a demand side benefit of buying from the cheapest manufacturer in the region. Conversely trade diversion is usually regarded as having a negative influence on welfare. While consumers still ultimately benefit from a lower price the government loses out on the revenue that would have been generated if the product had been imported from outside the RTA member states. This means that consumers are subsidising producers in other member states, whereas duties accrued from non-member state imports would remain in their own country (Omilola, 2011).

The objective of an RTA is to accrue trade creation benefits that exceed the costs associated with trade diversion. This is possible if the RTA member states have different factor endowments or differing tastes as this allows for differing comparative advantages. In general developing countries have a tendency to export similar goods which generates opportunities for both trade creation and trade diversion. RTAs may pull together countries that are already big trading partners and it is usually found that this enhances the opportunities for trade creation. If barriers to factor mobility are removed within an RTA it has also been found that members can benefit from a more efficient allocation of resources (Omilola, 2011).

It is in the domain of dynamic gains where many observers maintain that the real benefits of RTAs lie. Larger and more diversified markets offer good opportunities for economies of scale. Unit costs for transport and telecommunications can be reduced in an RTA environment. Governments can collaborate with regard to the
construction of public infrastructure, in ways that can reduce costs and increase benefits for member states. Although this may not always be welcomed, RTAs can increase competition which leads to improved efficiencies. Some argue that the “infant industry argument” has merit in this scenario, where manufacturers can first move from domestic competition to regional competition before being exposed to the challenges of full international competition (Omilola, 2011).

There are also significant non-economic benefits associated with RTAs. Being a member of a larger group allows for collective bargaining on the international stage. Perhaps one of the most valuable gains from RTAs is the reduction of conflicts and tension between neighbouring countries. An RTA may not be a cure for all ills but it can certainly be an effective inducement for governments to look beyond their own national interests in favour of the region (Ngongang, 2009). As Omilola (2011) observes, while an RTA does not guarantee peace it does promote greater interaction between member states and links the welfare of different countries to each other.

Mbeki (2009) contends that the political necessity outweighs the economic benefits of regional integration. He cites the example of Europe, where three major wars were fought between 1870 and 1945. The nuclear era and the rise of Soviet power compelled the nations to unite to avert the region being torn apart. By the time the first integration steps were taken most of the countries involved already had well developed economies.

By contrast, many African countries are the construct of arbitrary colonial decisions taken more than a century ago. Since the 1960s when many African countries gained independence there has been a great deal of intra-state strife accompanied by a decline in economic fortunes. Mbeki (2009) thus argues that the preconditions for successful regional integration is absent in the African context and predicts that many of the desired objectives will not be achieved.

Odularu (2009) proposes that intra-African trade can create scale economy benefits with concomitant cross-border investment and faster growth. And perhaps the most
significant reward is the opportunity to diversify production and trade away from primary commodities to manufactured products.

Ngongang (2009) supports the value of the link between regional integration and peace and highlights the complexity of this interaction with reference to the relative trade volumes involved. When trade levels are high the link between countries is obviously strong, but when trade levels are low there is little incentive for the meaningful policy reforms needed to develop the middle classes and establish democracies. In the context of sub-Saharan Africa it is argued that trade and investment levels within the region need to increase to reach a critical mass which will provide the impetus required for political stability.

While the role of South Africa in regional trade integration will be examined in more detail in chapter three it is prudent to introduce an observation that is relevant to the current discourse. It has been recognised that middle income countries have an important role to play on the African continent in terms of economic development and regional integration. A country like South Africa has a great deal to offer its low income neighbours in terms of investments, entrepreneurship, and experience that is indigenous to Africa. This is a reciprocal relationship and South Africa can benefit from joint infrastructure development as well as significant social benefits like arresting the spread of diseases such as malaria and AIDS (The World Bank, 2011).

2.2.4 Conclusion

The rationale for exporting has evolved over many centuries and can be expected to remain in a perpetual state of flux. Regardless of the theoretical foundation employed the consistent consequence of exporting is the accrual of a wide range of country and company benefits. While there are some well-founded arguments against a dominant policy of export-led growth even the detractors acknowledge that exporting is an important component of an economic growth policy. As noted by Thierry (2007) the main focus should not be on if countries should trade, but rather on how countries should engage in trade. Palley (2011) makes the valid observation
that exports should be the outcome of best business practices rather than heavy subsidisation.

Export theories form the basis of economic arguments in favour of regional trade integration, as RTAs can leverage enhanced benefits from trade openness. Coupled to this RTAs suggest powerful political arguments in favour of cooperation. Consistent with export theories, regional trade integration is also a multifaceted issue and care must be taken not to adopt a “one size fits all” approach.

Having investigated the rationale supporting exporting it is now pertinent to examine the obstacles that companies face when entering into exports.

2.3 EXPORT BARRIERS

Exports barriers refer to any restrictions that constrain a firm from trading in foreign markets. There is a wide range of export barriers that have been identified and researched in academic literature, with one of the most comprehensive studies being conducted by Leonidou (2004). Leonidou (2004) classifies export barriers, as detailed in Appendix A, with a broad demarcation of internal and external barriers. The internal barriers refer to a company’s resources and competencies while the external barriers arise from environmental factors in both local and foreign markets.

Leonidou (2004) also ranks the barriers in Appendix B from very low impact such as the unavailability of warehousing facilities abroad to very high impact barriers like a lack of market information or political instability. Leonidou (2004) observes that most studies on export barriers focus on manufacturers in developed economies, limiting the validity of the findings across all economies.

On the other hand Tesfom and Lutz (2006) conducted their literature review with the emphasis on small and medium manufacturers based in developing countries. Their model, as depicted in Figure 2.1, lists company and product barriers as internal problems, while external problems are divided amongst industry, market and macro environment barriers. Arteaga-Ortiz and Fernández-Ortiz (2010) performed a more
recent analysis of the literature and categorised the barriers according to four core factors: knowledge barriers; resources barriers, procedure barriers and exogenous barriers.

Figure 2.1: Internal and external export problems that influence export-marketing strategy of manufacturing firms from developing countries

Source: Tesfom and Lutz (2006)

There are clearly many ways to categorise export barriers with a great deal of overlapping between the various categories. For the purposes of this study a selection of internal and external barriers will be reviewed briefly. Thereafter a more thorough examination will be conducted on the barriers most pertinent to South African exporters in the context of SADC.
2.3.1 External barriers

According to Köksal and Kettane (2011) external barriers arise from market structures and the government policies in the home and foreign countries. These may include factors like fierce competition and cut-throat pricing in foreign markets. Alternatively difficulties may relate to perceptions about the country of origin.

A significant barrier to exporting is the regulatory environment which can be split into economic, social and administrative regulations. Economic regulations involve interference in the market that may affect pricing or competition. Social regulations are instituted to protect safety, health and the environment. Administrative regulations consist of the documentation and administration procedures that need to be performed to comply with government requirements. (Koch and Peet, 2007)

An example of the administrative burden is reflected in Table 2.1 indicating the number of documents that need to be completed to execute an export transaction. This table shows that South Africa has consistently maintained a high number of documentary requirements while a country like France has managed to reduce this requirement substantially over the period examined.

Table 2.1: Number of documents required to export

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>FRA</td>
<td>7</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Canada</td>
<td>CAN</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>ARE</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>GBR</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>United States</td>
<td>USA</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>European Union</td>
<td>EUU</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Mauritius</td>
<td>MUS</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>SSA</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>South Africa</td>
<td>ZAF</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
</tr>
</tbody>
</table>

Source: Author’s construction based on World Bank data (2012)
The recent study performed by Van der Walt (2007) highlights the importance of this issue. When asked which type of government action was required to stimulate exports the most popular choice by current exporters was the simplification of paperwork and procedures, coming in ahead of requests for financial subsidisation and market information.

Political instability poses a serious threat via the risk of property being confiscated, operations being terminated or payments being frozen (Leonidou, 2004). Daya, Ranoto and Letsoalo (2006) note that some of the minimum requirements for stability are obeying the rule of law, protected property rights, a strong independent judiciary and clear and consistent fiscal and monetary policy. Corruption is also cited as a disincentive to trade.

A barrier that is consistently declining is that of communication. Because of the great distances between the buyers and the seller communication has traditionally been listed as an export barrier (Leonidou, 2004). However, the rapid improvement in ICT has had a positive impact even in SADC countries, with the result that communication is far less of a barrier than in the past.

Another barrier that is on the decline is that of import tariffs. In the 1930s tariffs reached heights of 900 per cent in some cases but have decreased over the years (Reddy, 2011). In Africa the two decades between 1980 and 2000 saw significant decreases in import tariffs and trade agreements like SADC have reduced tariffs even further. This has regrettably given rise to a number of non-tariff barriers that will be addressed later.

Exchange rate fluctuations and uncertainty is another barrier that features prominently in the literature (Tesfom and Lutz, 2006). Up until 2001 the steadily depreciating rand had been an incentive to export for South African companies. Research by Van der Walt (2007) illustrates this point by finding the exchange rate to be the most popular facilitating factor to export. The currency has, however, steadily appreciated since then or fluctuated wildly. It is thus perhaps more important for
planning purposes to have a stable currency rather than a depreciating one (Government Communication and Information Services, 2006).

An export barrier that has had a major impact in recent years is that of recessionary conditions in foreign markets. With the advent of the global recession in 2008 South African exports to all trading regions took a steep decline as illustrated in Figure 2.2. The only region that noticeably exceeded 2008 levels by the end of 2011 is Asia.

Figure 2.2: SA exports by world zone 2004-2011

<table>
<thead>
<tr>
<th>Year</th>
<th>AFRICA</th>
<th>EUROPE</th>
<th>AMERICA</th>
<th>ASIA</th>
<th>OCEANIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Author’s own construction from SARS Data (2012)

2.3.2 Internal barriers

Research by Mpinganjira (2011) points to the following as the most common internal export barriers: shortage of personnel skilled in exports; lack of knowledge on export opportunities; lack of production capacity; shortage of finance, and product quality issues. Perhaps more significantly Mpinganjira (2011) found that firms in different industries viewed the relative importance of barriers very differently.
According to Van Eldik and Viviers (2005) some of the reasons firms are restricted from exporting are related to insufficiencies in financial, operational and managerial capabilities. Furthermore, many South African companies are not price competitive and lack an export culture. In terms of product certification Koch and Peet (2007) point out that while many South African firms already conform to international requirements some exporters have great difficulty in obtaining the correct information to allow them to comply.

Some of the above factors are reflected in the outcome of Van der Walt’s (2007) study of non-exporters. Companies that were interested in exporting but not yet exporting cited a lack of information on export opportunities and an inability to compete on price as the two most prevalent barriers to entry. Almost half of the non-exporters that were not interested in exporting had management that were not interested or did not have sufficient time.

Mpinganjira (2011) also highlights management perceptions and the effect of negative experiences in the past as important barriers to export. Because successfully breaking into the export market is a challenging process management may be reluctant to try again after previous failures. Combined with preconceived thoughts about exporting this can form a powerful barrier. Indeed management commitment is one of the cornerstones to a successful export programme (Van der Walt, 2007).

2.3.3 Transport

The World Bank (2011) argues that as tariff levels have reduced significantly over the past few decades the focus has turned to transport prices as the main trade deterrent in emerging markets and suggests that the best example of this emanates from sub-Saharan Africa. While South Africa has the best infrastructure in the region, expenditures on logistics and commercial transport equate to more than 15 per cent of GDP, double the amount compared to countries like India and Brazil. Raballand and Macchi (2008) contend that while transport prices are relatively high
in Africa, the important Durban–Lusaka corridor is the most competitive route on the continent – see Figure 2.3.

Figure 2.3: Average transport prices: a global comparison

<table>
<thead>
<tr>
<th>Region</th>
<th>Average Transport Price (in US cents per km)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pakistan</td>
<td>2</td>
</tr>
<tr>
<td>Brazil</td>
<td>3.5</td>
</tr>
<tr>
<td>USA</td>
<td>4</td>
</tr>
<tr>
<td>China</td>
<td>5</td>
</tr>
<tr>
<td>Western Europe–long distance (France)</td>
<td>6</td>
</tr>
<tr>
<td>Africa–Durban–Lusaka</td>
<td>6</td>
</tr>
<tr>
<td>Africa–Local–Ouagadougou</td>
<td>7</td>
</tr>
<tr>
<td>Africa–Mombasa–Kampala</td>
<td>8</td>
</tr>
<tr>
<td>Africa–Duba–Nairobi</td>
<td>11</td>
</tr>
</tbody>
</table>

Source: Raballand and Macchi (2008)

Teravaninthorn and Raballand (2008) also conclude that transport prices in Africa are the highest worldwide raising business costs and acting as a trade barrier. This has a more notable effect on landlocked countries as it implies that even if they introduce trade liberalisation they may still be landlocked in a practical sense.

Daya, Ranoto and Letsoalo (2006) find that high transportation prices can affect price competitiveness in the export market and that a 10 per cent increase in transport can reduce trade by about 20 per cent. Daya, Ranoto and Letsoalo (2006) also contend that transport prices that form a high percentage of the value of the exported product can negatively impact on international competitiveness. Thus transport prices tend to be a greater barrier to trade for African countries, with the generally low value of exported products resulting in a high transport percentage. This is reflected in Table 2.2 below which illustrates that Africa is the lowest when it comes to the percentage of manufactured goods to total merchandise exports.
Table 2.2: Share of manufactures in total merchandise exports by region, 2010

<table>
<thead>
<tr>
<th>Share in total merchandise</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>67.1</td>
</tr>
<tr>
<td>North America</td>
<td>68.8</td>
</tr>
<tr>
<td>South and Central America</td>
<td>26.2</td>
</tr>
<tr>
<td>Europe</td>
<td>76.4</td>
</tr>
<tr>
<td>Commonwealth of Independent States (CIS)</td>
<td>23.9</td>
</tr>
<tr>
<td>Africa</td>
<td>18.6</td>
</tr>
<tr>
<td>Middle East</td>
<td>22.0</td>
</tr>
<tr>
<td>Asia</td>
<td>79.4</td>
</tr>
</tbody>
</table>


The preceding data illustrates the significance of transport as a barrier to exports, particularly in the African context. Section 3.3 will also highlight transport influences with specific reference to SADC exports. It is also pertinent to look at transport as an export barrier in more detail as a link to the role of government in section 2.4.

Hallaert, Cavazos and Kang (2011) propose that defining transport as a barrier can cover a variety of different problems. The first issue raised is that of the inland distance to reach a seaport. This is important due to the fact that overland transport costs are far greater than sea freight costs. In a South African example this manifests itself via the costs incurred in getting goods from a manufacturer in Gauteng loaded onto a vessel in Durban. In the SADC context South Africa’s two main export destinations are the landlocked countries of Zambia and Zimbabwe making overland transport an important part of the export equation.

The next issue raised by Hallaert, Cavazos and Kang (2011) with regard to transport problems is that of poor infrastructure. Daya, Ranoto and Letsoalo (2006) argue that excessive transport prices are the result of inefficient transport operations and inadequate infrastructure. Hallaert, Cavazos and Kang (2011) support this by reporting that a poor road network alone accounts for 40 per cent of costs for coastal countries and about 60 per cent for the landlocked countries. Besides the road infrastructure other factors that affect trade are the port infrastructure, as well as the transport infrastructure prevailing in transit countries. The most important aspect
here is the overall condition of the main road corridor linking the inland trade hubs to the seaports.

The third transport problem put forward by Hallaert, Cavazos and Kang (2011) relates to the costs incurred due to the time needed to trade. The longer the transit period, the greater the costs incurred due to greater inventories and depreciation. Lengthy transit times also restrict a country’s ability to diversify into time sensitive products. Globalisation has resulted in production being dispersed to optimal location economies and the choice of these locations is directly affected by the transit times applicable. Having a suitable and competent transporter is essential when costs need to be reduced and delivery schedules must be met (Köksal and Kettane, 2011).

This is supported by Kgare, Raballand and Ittman (2011) who noted that the South African automotive industry listed reduced inventories as a primary objective. Their studies focused on port delays as this has a direct impact on inventories and thus final costs. It is encouraging to note that the dwell time at South African ports is better than at any of the other African ports reviewed.

Table 2.3: Dwell time in Southern Africa

<table>
<thead>
<tr>
<th></th>
<th>Cape Town</th>
<th>Durban</th>
<th>East London</th>
<th>Port Elizabeth</th>
<th>Walvis Bay</th>
<th>Luanda</th>
<th>Beira</th>
<th>Maputo</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>South Africa</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Namibia</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Angola</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Mozambique</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Container dwell time—average (days)</strong></td>
<td>6</td>
<td>4</td>
<td>7</td>
<td>6</td>
<td>8</td>
<td>12</td>
<td>20</td>
<td>22</td>
</tr>
</tbody>
</table>

Source: Africa Infrastructure Country Diagnostic, 2009

Source: Kgare, Raballand and Ittman (2011)
Table 2.4: Dwell time in sub-Saharan Africa

<table>
<thead>
<tr>
<th></th>
<th>Douala</th>
<th>Lome</th>
<th>Tema</th>
<th>Mombasa</th>
<th>Dar-es-Salaam</th>
<th>Average (Durban excluded)</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>Cameroon</td>
<td>Togo</td>
<td>Ghana</td>
<td>Kenya</td>
<td>Tanzania</td>
<td></td>
</tr>
</tbody>
</table>

Source: Refos et al. (2011) for Douala, surveys for the other ports.

Source: Kgare, Raballand and Ittman (2011)

Hallaert, Cavazos and Kang (2011) expand on the time factor involved with transport to include time lost at roadblocks, whether official or unofficial, as well as the costs of border crossing and unofficial payments. These can be significant costs as depicted in Figure 2.4.

Figure 2.4: West Africa – First Priority Corridors: Check Points, Bribes and delays

Source: Raballand, et al. (2008)
The final point mooted by Hallaert, Cavazos and Kang (2011) suggests that, even if good quality infrastructure exists in the trade corridor and there are no problematic roadblocks and grease payments, transport can still be a problem because of a lack of logistics, government regulations or uncompetitive practices. Raballand and Macchi (2008) found that in West and Central Africa truck utilisation can be very low, resulting in an oversupply of transport capacity. Freight is allocated according to a queuing system which ultimately leads to inferior freight services and high transport prices.

Expanding on this theme Raballand and Macchi (2008) note that overall transport costs are generally not much higher in Africa than in Western Europe. Variable costs in Africa are higher due to higher fuel costs and older trucks which use more fuel. But these older trucks result in lower fixed costs offsetting the higher variable costs.

Another factor listed by Raballand and Macchi (2008) as impacting on the transport price is the availability of return loads. Many developing countries do not have goods available for return trips to the ports and this negatively affects the transport price. Teravaninthorn and Raballand (2008) points out that in terms of volume a country like Zambia is a net exporter hence it is an efficient destination for South African companies.

The consequence of the aforementioned conditions is that transport prices vary greatly across the African continent. For Southern Africa there is a positive corollary as transport prices are generally two to three times below those found in Central Africa (Raballand and Macchi, 2008).

2.3.4 Non-tariff barriers

Tariffs usually refer to import duties on products but can also include quotas and anti-dumping duties. Regardless of the type of tariff, the end result is higher prices for consumers as they enable local traders to charge higher prices. As discussed in
section 2.3.1 Reddy (2011) pointed out that tariff levels have reduced substantially over time. Indeed Leonidou (2004) only ranks tariffs as having a moderate impact as a barrier to export.

The downside to the reduction in tariff levels is the subsequent rise of non-tariff barriers. According to Nsingo and Steyn (2007) everything from subsidies to regulations has an increased impact on the free flow of goods. Government regulations cover the rules laid down to control business operations while technical regulations prescribe standards for products and services and may also include public safety issues. Nsingo and Steyn (2007) contend that sometimes regulations are applied too stringently and may discriminate to intentionally inhibit trade.

Reddy (2011) points out that non-tariff barriers are those barriers not officially legislated and masquerade as rules and regulations pertaining to business and product standards. Reddy (2011) also highlights subsidies and technical standards as well as the following factors as the main non-tariff barriers: administrative procedures; emergency import protection; embargoes prohibiting specific exports; boycotts; licensing and, exchange control.

The preceding factors are echoed by Flatters (2002) who notes the importance of the costs associated with non-tariff barriers, however difficult they may be to measure. Flatters (2002) cites the example of Indonesia in the 1980s, where changes to customs procedures resulted in savings on import charges of more than 20 per cent being realised within a few months. He argues that recent restructurinc of customs processes seems to be more directed towards revenue generation rather than facilitating the free flow of trade. Customs clearance remains time consuming and expensive as are unpredictable port charges. Licensing and registration requirements also absorb time and money with no noticeable reward.

As with tariff barriers Leonidou (2004) again ranks non-tariff barriers as only having a moderate impact on export performance. However, Daya, Ranoto and Letsoalo (2006) argue that non-tariff barriers are of major importance with regard to the African continent. Obstacles like customs procedures and payment mechanisms
affect the price of goods sold and hence competitiveness. The absence of predictability and transparency within customs offices in Africa is an important impediment to trade.

A World Bank (2009) report on logistics performance highlights the “thickness” of Africa’s borders as depicted in Figure 2.5. The thicker the border the greater the restrictions placed on trade, travel and the mobility of the factors of production.

Figure 2.5: Borders in Africa remain very thick


*The wider the border, the more the country limits trade, travel and the flow of factors of production. The measure uses information on average tariffs, capital openness, proportion of countries that need a visa to visit that country, and a press freedom index that includes information such as internet filtering.*

Examining this in more detail reveals that African countries trail other regions when it comes to customs procedures, infrastructure, logistics capabilities and time
efficiencies. This is backed up by the Doing Business report (The World Bank, 2012) which reflects in Table 2.5 that the number of days to import or export goods in sub-Saharan Africa is 38 and 32 days respectively. This is three times longer than the OECD countries. A similar pattern emerges when it comes to the costs of moving containers across borders, where it is more than double the cost in SSA compared to the OECD and East Asian countries.

Table 2.5: Trading across borders in SSA is costly and time consuming

<table>
<thead>
<tr>
<th>Region</th>
<th>Days to export</th>
<th>US$ per container cost to export</th>
<th>Days to import</th>
<th>US$ per container cost to import</th>
</tr>
</thead>
<tbody>
<tr>
<td>EAP</td>
<td>22.7</td>
<td>890</td>
<td>24.1</td>
<td>935</td>
</tr>
<tr>
<td>ECA</td>
<td>26.7</td>
<td>1,652</td>
<td>28.1</td>
<td>1,845</td>
</tr>
<tr>
<td>LAC</td>
<td>18.0</td>
<td>1,228</td>
<td>20.1</td>
<td>1,488</td>
</tr>
<tr>
<td>MENA</td>
<td>20.4</td>
<td>1,049</td>
<td>24.2</td>
<td>1,229</td>
</tr>
<tr>
<td>OECD</td>
<td>10.9</td>
<td>1,059</td>
<td>11.4</td>
<td>1,106</td>
</tr>
<tr>
<td>SAR</td>
<td>32.3</td>
<td>1,512</td>
<td>32.5</td>
<td>1,744</td>
</tr>
<tr>
<td>SSA</td>
<td>32.3</td>
<td>1,960</td>
<td>38.2</td>
<td>2,492</td>
</tr>
</tbody>
</table>

Source: The World Bank (2012)

Finally it is pertinent to review some of the most detrimental barriers that remain in Africa and consider their consequences and the costs they incur (The World Bank, 2012). As raised in section 2.3.3, low quality transport and logistics networks, delays caused by inefficient customs procedures and a lack of competition amongst logistics providers leads to increased trading costs. Shoprite maintain that for each day lost due to border delays the cost incurred is US$500 per truck.

The fiscal borders between the countries of Southern Africa are inefficient and overly complicated. Even though SACU is a customs union internal border posts remain to capture the data required for revenue sharing. Just the fact that VAT systems are not aligned within the union is estimated to add two per cent to the cost of each inter-SACU transaction.

Another important issue uncovered by The World Bank (2012) report is that preferential trade is limited by obstructive rules of origin. The labour intensive
industries of the SADC region often require capital intensive inputs that are not competitive locally. The cost of complying with the rules associated with certificates of origin offsets the benefit gained from a trade preference and acts as a disincentive to trade. The administrative costs can be almost half of the benefit enjoyed as experienced by Shoprite, who lay out US$5.8 million per year to recover SADC duties of US$13.56 million. In contrast, Woolworths does not bother with claiming preferential SADC duties as it considers the reward not worth the investment (The World Bank, 2012).

Both Nsingo and Steyn (2007) and Reddy (2011) have already cited technical regulations as a trade barrier, and Southern African countries are guilty of being overly zealous in this department. There is very little harmonisation of standards in the region and the application of the rules often discriminate against imports. Some countries prescribe mandatory pre-shipment inspections which is an expensive transaction cost. While it is recognised that technical regulations are necessary in the interests of public safety, the reality is that precious resources are being squandered on regulations that exceed reasonable requirements.

Import licensing is another obstacle that inhibits regional trade, once again corroborated by the experience of Shoprite. The cost of obtaining the required permits to trade milk, meat and plant-based foods into their Zambian stores is US$20 000 per week. Shoprite need to apply for roughly 100 import permits per week, increasing to 300 per week during busy periods. By the time one of their trucks crosses a SADC border, it may have as many as 1 600 documents on board to comply with licensing and rules of origin requirements.

Aggregating the costs in Southern Africa, The World Bank (2012) estimates non-tariff barriers to be the equivalent of a 40 per cent tariff, higher than the MFN rate prevailing in most countries. Based on this percentage and applied to US$3.3 billion of annual trade it could be argued that non-tariff barriers cost the region in excess of US$1 billion per year. Looking at this from the viewpoint of the SADC consumer, Woolworths intimates that the impact of these costs results in non-SACU SADC customers paying almost double compared to those within SACU.
2.3.5 Conclusion

There is a wide variety of both external and internal export barriers and the intent was to highlight the most relevant of these in the context of this discourse. Whether external or internal, barriers do not affect all companies in the same way. And as environmental conditions change so do the effects of certain barriers.

What is disconcerting is that the decline of some barriers appears to have resulted in an increase in others. The best example of this may be with regard to import tariffs. While GATT and thereafter the WTO have been successful in reducing import duties in both developed and emerging nations, it seems that this has been accompanied by an unwelcome increase in non-tariff barriers. The financial costs of these non-tariff barriers can be even more excessive than import tariffs.

Along with transport and logistics issues, non-tariff barriers pose some of the biggest barriers to export in the SADC region. Nevertheless it has emerged that South Africa is in a comparatively favourable position with regard to the impact of export barriers relevant to the SADC region. In light of this an evaluation of the role the South African government plays in the export process will now be conducted.

2.4 THE ROLE OF GOVERNMENT IN THE EXPORT PROCESS

Government intervention is a standard feature of almost any economic activity and exporting is no exception. This section commences with a brief exploration on the influence of macroeconomic policies as the basis for creating an enabling environment for exports. This is followed by an evaluation of the trend in favour of government acting as a facilitator to trade.

Finally this section highlights the fact that there are already numerous government support programmes in place both for general business and specifically for exports. In many cases government support is directly focused on overcoming some of the barriers that have been identified in section 2.3.
There are many counter arguments against direct government subsidies but it will be demonstrated that some programmes can have a positive effect, at the very least in terms of increased export volumes.

2.4.1 The influence of macroeconomic policies

Several studies (Flatters, 2002; Economic Commission for Africa, 2011; Gorlach, 2011; Gwartney, Lawson and Hall, 2011; Reddy, 2011) recognise the importance of the government’s role with regard to the macroeconomic environment. In this context the state enables trade through the provision of a stable exchange rate and macroeconomic policies, the financial regulatory environment, education, enforcing the rule of law, telecommunications and the many other factors conducive to creating a climate favourable for trade, investment and employment.

The importance of good infrastructure to facilitate trade has already been noted in section 2.3 and it is at the macroeconomic level where government can deliver on this mandate. Creating strong institutions, bringing in foreign resources and improving productivity are all important elements of the process.

The issue of productivity is particularly important as it is the differential in productivity between countries that is the main reason for different income levels, rather than capital accumulation (Economic Commission for Africa, 2011). Hallaert, Cavazos and Kang (2011) support the importance of labour productivity as a factor to increase trade and economic growth. Their research shows that an increase in labour productivity of 10 per cent improves the ratio of exports to GDP by 3 per cent and increases the economic growth rate by 0.65 per cent. This highlights the need to have government policies that are complimentary to each other; thus making labour productivity a strategic objective should be supported by appropriate education and training programmes.

According to the Economic Commission for Africa (2011), another area where government has an important role to play is with regard to economic diversification.
The lack of structural transformation and limited diversification inhibits the ability of African economies to reach and sustain high growth rates and to benefit from the concomitant social development. This is evident in the high African growth rates achieved over the past decade, which have counter-intuitively been accompanied by increased unemployment and poverty. This is indicative of the fact that social development has not kept pace with economic growth. The recent global economic crisis has demonstrated the need for economic transformation, for economies to be diversified to be able to create wealth, reduce poverty and provide good quality employment.

The importance of economic diversification is supported by Karungu and Khamfula (2004) who contend the developing economies are too reliant on the exports of primary products. This places such economies at risk in terms of unpredictable exchange rates as highlighted in section 2.3.1. An even greater risk may be volatile international commodity prices that are beyond national control and can have a serious impact on export performance. Economic diversification can mitigate the effects of these risks which may stabilise and expand trade in recessionary times.

Research by Skae and Barclay (2007) found that developing countries should have export growth in excess of 5 per cent per annum to have a meaningful impact on poverty reduction. It is argued that this will not happen autonomously; hence countries need a national strategy to facilitate the growth of exports.

It would be unfair to suggest that the South African government does not play a significant role, whether it is with regard to export promotion, trade facilitation or in the macroeconomic arena. A wide range of business support services is already available and will be mentioned in section 2.4.3. Through AsgiSA (Government Communication and Information Services, 2006) the government identified constraints restricting economic growth, as well as a set of strategic interventions designed to overcome these restraints. A component of this package includes macroeconomic challenges such as reducing exchange rate overvaluation and volatility.
Jordaan and Kanda (2011) cite the argument that since the 1990s the South African government has implemented reforms that have transformed a highly protected economy into one that is now open. The contention is that industries that are now externally orientated are growing at a faster rate than other industries. This has been facilitated by the government through the acceptance of GATT in 1994, as well as the negotiation of the EU (1999) and SADC (2000) agreements. The key component of all these agreements is the lowering of protection for imports.

2.4.2 Trade facilitation

One of the trends in government support is to engage in broader trade facilitation measures. This is a more wide-ranging approach than was followed previously, where the cost factors of the entire trading chain are now considered. This includes costs incurred in production all the way to final delivery of the goods to the end user. In addition it is not only direct costs that are investigated but also the indirect costs inherent in the export transaction. As highlighted earlier the focus has now shifted to transportation and logistics costs, physical infrastructure and other entry barriers (The World Bank, 2012).

This broadened spectrum of facilitation is depicted in Figure 2.6 and permits the identification of the most important factors that negatively influence trade. It is then possible for government to intervene strategically to facilitate trade in the most appropriate way suitable for each situation. For example, focusing on the traditional area of cross-border constraints may make little difference to trading competitiveness if further up the chain there are cost barriers that need to be addressed. Alternatively the problem may lie further downstream in the logistics or infrastructure network.

This comprehensive approach is particularly relevant to Africa where most countries encounter multiple trade constraints. It also offers an opportunity for economic cooperation as many of the barriers are best solved on a regional basis (The World Bank, 2012).
The most important factor in Southern Africa is still the time associated with crossing borders. This is because the trucks used on this route are more expensive than in other parts of Africa hence a higher fixed cost per day (Teravaninthorn and Raballand, 2008). It is encouraging to note that these issues are being addressed in the SADC region. The busy Chirundu border post between Zimbabwe and Zambia used to require a two to three day clearance period as up to fifteen government agencies needed to be involved. A one-stop border post has now been established at Chirundu and it is estimated that the savings accrued are in the region of $140 per truck per day (IFC, 2011).

Another encouraging development is the North South Corridor Program which is a joint venture between the East African Community (EAC), the Common Market for Eastern and Southern Africa (COMESA) and SADC. The intention is to enhance the road and rail network as well as the ports and border posts. This includes a revamp of the administrative procedures and transit regulations that are currently in place. The aim of this programme is to reduce the transit costs between the Copperbelt in Zambia and Dar es Salaam in the East, down to Durban in the South. This programme has an implementation period of five years and a budget of approximately $2.5 billion and is a good example of a regional initiative to increase competitiveness (The World Bank, 2011).
2.4.3 Government support programmes

It is customary practice across the globe for governments to provide support for export initiatives, albeit through a variety of different means. Mpinganjira (2011) lists a number of typical examples available in a resource-scarce country like Malawi:

- Establishment of an Export Promotion Council;
- Appointing trade officers in diplomatic missions;
- Providing export training;
- Arranging exhibitions at trade fairs;
- Supplying market information on export trade opportunities;
- Financial export incentives;
- Establishment of export processing zones;
- Negotiating preferential trade agreements; and
- Import duty rebates on capital equipment used for export manufacturing.

South Africa is no exception when it comes to export promotion activities since turning to an export orientated industrialisation programme in the early 1970s. There was the realisation at that time that the country needed to move away from a dependency on gold exports and diversify into manufactured products. One of the first direct incentives instituted at that time was a special tax allowance for marketing expenses incurred for exports. The 1980s saw the launch of incentives encouraging value-added exports and this pattern was continued with the General Export Incentive Scheme (GEIS) introduced in 1990. There was also the realisation at this time that to further promote exports, trade liberalisation was required to reduce import tariffs and raise competitiveness (Rangasamy, 2009).

When the political landscape changed in South Africa in the 1990s the newly elected government retained export promotion as official trade policy. This was reflected in the growth, employment and redistribution strategy (GEAR) and later in the Accelerated and Shared Growth Initiative for South Africa (AsgiSA). The target of AsgiSA is to increase economic growth to about 6 per cent per annum and exports
are expected to make a significant contribution towards achieving this target (Government Communication and Information Services, 2006).

The government currently still has a wide range of support measures in place, both for exports and investment. Due to a conflict with the General Agreement on Tariffs and Trade (GATT) and the World Trade Organisation (WTO) the GEIS scheme was terminated in 1997. The Motor Industry Development Programme (MIDP) has been operational since 1995 and is scheduled to conclude at the end of 2012. This structural adjustment programme has been fundamental in changing the automotive industry from an inward focus to being outwardly oriented. The government support offered by the MIDP is in the form of duty free import credits earned for automobile and component exports (Barnes and Morris, 2008).

The MIDP is set to be replaced by the Automotive Production and Development Programme (APDP) in January 2013. Again the influence of the WTO and GATT is evident as the APDP will endeavour to offer a fair amount of support to the motor industry but without any specific export benefits (Gaskin, 2010).

The Department of Trade and Industry (DTI) is the foremost service provider with regard to business support services in South Africa. One of the longest standing measures is the Export Marketing and Investment Assistance Scheme (EMIA). This programme offers financial assistance with regard to: export marketing; attending trade exhibitions; patent support and bring in buying missions to South Africa.

The DTI has trade officers at various diplomatic missions to assist with market research and information on export opportunities and offers local support to small businesses through the Small Enterprise Development Agency (Seda). Seda in turn offers specialised support for international trade through the TradePoint programme. The DTI (2012) also offers a wide range of support and financial assistance to the business community, inter alia, via the following programmes:

- Automotive Investment Scheme;
- Business Process Services;
- Capital Projects Feasibility Programme;
- Critical Infrastructure Programme;
- Co-operative Incentive Scheme;
- Clothing and Textile Competitiveness Improvement Programme;
- Manufacturing Investment Programme;
- Production Incentive;
- Sector-Specific Assistance Scheme;
- Section 12I Tax Allowance Incentive;
- Small Medium Enterprise Development Programme;
- Support Programme for Industrial Innovation;
- Seda Technology Programme;
- Technology and Human Resources for Industry Programme; and
- Tourism Support Programme;

The intent here is not to critique the various support measures on offer but rather to highlight the fact that there are indeed many schemes that are available from the South African government. What is in question is the level of awareness of the South African business community with regard to what is already currently available.

With reference to small business owners, research by Finscope (2010) found that more than three quarters could not name one organisation that was available to support them. And only about 6 per cent of small businesses had actually used the services of a support organisation. This is supported by the work of Herrington, Kew and Kew (2009) who also found low levels of awareness and usage as illustrated in Table 2.6 on page 44.
Table 2.6: Awareness and use of government small enterprise support

<table>
<thead>
<tr>
<th></th>
<th>Heard of</th>
<th>Used</th>
</tr>
</thead>
<tbody>
<tr>
<td>SETAs</td>
<td>61%</td>
<td>32%</td>
</tr>
<tr>
<td>Competitiveness Fund</td>
<td>32%</td>
<td>11%</td>
</tr>
<tr>
<td>Industrial Development Corporation</td>
<td>45%</td>
<td>7%</td>
</tr>
<tr>
<td>Export Incentives</td>
<td>12%</td>
<td>2%</td>
</tr>
<tr>
<td>Ntsika Promotion Agency</td>
<td>13%</td>
<td>1%</td>
</tr>
<tr>
<td>Khula Enterprise Finance</td>
<td>9%</td>
<td>1%</td>
</tr>
<tr>
<td>Brain</td>
<td>9%</td>
<td>1%</td>
</tr>
<tr>
<td>Umsobomvu Youth Fund</td>
<td>4%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: Herrington, Kew and Kew (2009)

There are arguments against the practice of promoting exports, particularly when it comes to direct financial subsidies. As noted above, in the past South Africa has had to take action with regard to both the GEIS and MIDP schemes to fall in line with WTO and GATT directives. According to Palley (2011) some economists maintain that export subsidisation in developing countries is acceptable and that the subsidy can be viewed as a windfall for the importing country. Palley (2011) argues that this is only valid in the unlikely situation that the industries disaffected by the subsidies do not suffer long term consequences and there is full employment. Otherwise subsidies merely rob demand and employment from trading partners.

In the South African context perhaps the most contentious and emotive case is that of the MIDP. According to Barnes and Morris (2008) the key mechanism of the MIDP is the import duty credits earned in return for exports. They assert that the MIDP has been successful in transforming the South African automotive industry to become cost competitive and creating a duty free environment.

In contrast Flatters (2007) argues that the MIDP has notable shortcomings in a number of different dimensions. The automotive industry still enjoys relatively high levels of protection and runs the risk of being permanently reliant on government protection and subsidisation. The beneficiaries of this support are the foreign
shareholders of the vehicle producers. The increase in employment in the automotive sector has been negligible over the life of the programme. Flatters (2007) asserts that the opportunity cost of the scheme is too high and the resources foregone by the government could have been put to better use.

Notwithstanding its detractors the Motor Industry Development Programme (MIDP) is an example of what can be achieved by focused government support. This structural adjustment programme transformed a heavily protected industry into an outward orientated player in one of the most competitive international sectors. Between 1995 and 2008, automotive vehicle and component exports increased off a negligible base to R 94.2 billion. The nominal value of motor vehicle exports grew by 3 066 per cent during this time (Lamprecht, 2009).

The common theme with regard to export promotion is that there is not one way to do it, but rather a package of different support measures is a more effective strategy (Agatiello, 2007). The historical approach was to focus on the marketing of products already in existence which is no longer appropriate in the current trade environment. The emphasis has shifted to issues such as sourcing input materials at world prices, assisting firms to improve price and quality performance, and creating legal and infrastructural frameworks that support international trade (Odularu, 2009).

This is supported by Mpinganjira (2011) who suggests that export barriers affect firms in different ways and therefore governments need to gain an understanding both of individual firms and the different industrial sectors. Mpinganjira (2011) also cites the importance of a favourable business environment which includes sound macro-economic policies and appropriate infrastructure.

**2.4.4 Conclusion**

This section commenced with the significant effect of macroeconomic policies on international trade. Just as proponents of free trade argue that trade openness promotes increased trade, there are also arguments that the provision of a stable macroeconomic environment provides the necessary foundation for increased
development. The contention is that government can act as a catalyst for export growth by providing a sound macroeconomic environment for the manufacturing community.

Besides the more obvious tenets of good governance and enforcing the rule of law, there are also more complex dynamics that need to be addressed by government. There needs to be consistency in policymaking to ensure that government actions are not counterproductive.

There are also strong arguments in favour of government acting in a facilitator role with regard to exports. The government has the resources to make a positive impact on environmental factors and assist manufacturers in overcoming external barriers in particular.

It is clear that substantial government support already exists for the export community in South Africa. What needs to be ascertained is the effectiveness of this support, as well as the level of awareness that manufacturers have of these support measures.

The next chapter deals with a significant government intervention, the SADC regional trade agreement. This agreement appears to embrace many competitive advantages for South African manufacturers but, as with government support mechanisms, may be challenged by a lack of awareness of these benefits.
CHAPTER THREE: THE SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC)

3.1 INTRODUCTION

As revealed in the previous chapter there are strong arguments in favour of exporting as well as the role government can play in overcoming obstacles and supporting manufacturers. The rationale for regional trade integration advocates a mechanism whereby these factors can be captured and leveraged for the benefit of an entire region.

The SADC agreement represents an informative example of this mechanism in practice, including the South African government executing the role of facilitator. This chapter serves to illustrate the dynamics of SADC that favour South African manufacturers as a basis for questioning why export growth to the region is not surpassing export growth to other destinations.

The chapter traces the creation of SADC from its early political motivations to the current economic agenda. The facilitation role of government detailed in the previous chapter is again reflected in the SADC context, and non-tariff barriers unfortunately also require further attention. The dominant position of South Africa within the SADC region is analysed in terms of both the positive and negative aspects this contributes to the agreement.

Counter arguments to SADC are considered from some highly respected sources that make powerful arguments backed up by cogent alternatives. Finally the various enabling elements of SADC in favour of South African manufacturers are examined. As the initial departure point in this chapter the establishment and intent of the SADC agreement will be reviewed.
3.2 THE EVOLUTION AND OBJECTIVES OF SADC

The first incarnation of SADC was the formation of the Frontline States with a focus on security and achieving political freedom in Southern Africa (Kiptoo, 2009). This group subsequently transformed into the Southern African Development Coordination Conference (SADCC) in April 1980, with a charter to reduce economic dependence on South Africa. The transformation into the Southern African Development Community (SADC) occurred in August 1992 with a mandate to focus on regional economic integration. There are currently 15 member states incorporating more than 250 million people with a GDP of over 471 US$ billion (SADC, 2012).

The SADC trade protocol was drafted in 1996 and ratified in 2000. This allowed for the creation of a free trade area by 2008, with 98 per cent of intra SADC trade projected to be duty free by 2012. The agreement requires South Africa, as the biggest economy in the group, to take the lead with trade liberalisation (Jordaan and Kanda, 2011).

It is pertinent to note that within the SADC grouping resides the Southern African Customs Union (SACU), consisting of South Africa, Namibia, Botswana, Lesotho and Swaziland. SACU was formed in 1910 making it the oldest African RTA, with the wealthiest members. It is also the most successful RTA having removed all internal barriers of trade and production factors, as well as a common external tariff. South Africa is the dominant SACU member but has jeopardised the union by unilaterally signing trade agreements with Zambia, Zimbabwe and the EU (Omilola, 2011).

The primary objective of SADC is to promote sustainable economic growth and thereby attain improved standards of living for all people of Southern Africa. This will ostensibly be achieved through integration and co-operation, good governance, more effective production practices, with long term security and peace, to ensure SADC becomes a meaningful force in the international political and economic arena.
(Gorlach, 2011). The abiding objective is to transform the FTA into a Customs Union and ultimately a Common Market (SADC, 2012).

3.3 THE POLITICAL AND ECONOMIC DYNAMICS OF SADC

As mooted in section 2.2.3 there is a wide range of political and economic dynamics that can be associated with regional trade integration. There is a great deal of literature that relates these dynamics to the SADC context and it is appropriate to briefly consider some of these factors.

Kiptoo (2009) argues that one of the main drivers of economic development is competitiveness relative to international competition. This was valid in the past for Western Europe and is particularly relevant to Asia today. Various authors contend that the SADC FTA provides a mechanism to improve competitiveness within the region through reduced trade barriers and improved knowledge transfers (Daya, Ranoto and Letsoalo, 2006; Mutambara, 2007; The World Bank, 2012).

Allied to the issue of competitiveness are the economies of scale that can be leveraged through the SADC community. The creation of one large market coupled to the opportunity to specialise according to comparative advantage facilitates competitiveness firstly within the FTA and ultimately on world markets (Daya, Ranoto and Letsoalo, 2006; Mutambara, 2010).

One of the prevailing themes throughout this exposition is the importance of good public infrastructure to promote economic growth. The infrastructural backlog is regarded as one of the factors inhibiting effective SADC integration (Saurombe, 2009; Omilola, 2011). As Draper (2012) points out, the SADC FTA provides an opportunity for co-operation between member states with regard to the provision of public goods. This will reduce the cost burden for individual countries as well as improve the effectiveness of the outcomes due to the inclusivity of the process.

Another positive outcome is the significant reduction in tariffs applicable to intra SADC trade and the impact of this will be evaluated in the following section. This has
however been counteracted to some degree by the increased level of non-tariff barriers in the SADC community (Nsingo and Steyn, 2007; Mutambara, 2010; Soko, Balchin, Cupido and Hess, 2010). One of the key factors identified that is particularly relevant to SADC manufacturers is the lack of a uniform set of rules of origin. The Woolworths example introduced in section 2.3.4, where tariff benefits are sacrificed due to the complexities of the processes involved, highlights the need for intra state co-operation to facilitate simpler procedures. This will enable manufacturers to secure the benefits on offer and achieve the objective of increasing trade within the region (The World Bank, 2012).

The consequence of the present status quo is that while intra SADC trade is growing steadily, it is very slow with the end result being very low when measured relative to total trade (Nsingo and Steyn, 2007; Omilola, 2011; The World Bank, 2012). The intra-regional trade level of 10 per cent within SADC is the lowest in the world and is placed in perspective when compared to the 70 per cent rate of intra bloc trade within the EU (Draper, 2012).

Draper (2012) raises an important distinction by examining African trade data in the absence of resource exports. In this scenario Africa is one of the top two export destinations for more than 60 per cent of African states. This reveals the potential market Africa holds for value-added manufactured products made in Africa.

This phenomenon is supported by trade statistics as detailed in Figure 3.1 on page 51. South Africa’s manufactured exports to SADC are on average more than 90 per cent of the total value of merchandise exports. This is in stark contrast to the data on exports to China, where manufactured exports from South Africa have declined from 47 per cent to 24 per cent over the past 4 years.
Figure 1.2 in Section 1.2 illustrated that South Africa’s export growth to SADC mirrored overall export growth. Given the fact that since 2008 South Africa has been able to export most products into most SADC markets at a duty free rate it is intuitive to expect that the export growth rate to SADC would be above the overall average. But this does not appear to be happening in practice.

One of the challenges associated with the SADC paradigm is South Africa’s manufacturing dominance within the region. South Africa has a diverse range of products suitable for export in contrast to the limited options available to its SADC partners (Daya, Ranoto and Letsoalo, 2006; Mutambara, 2007; Draper 2012; The World Bank, 2012). This is noticeable in the retail sector where South African firms have made substantial investments in the SADC region. But most of the products sold in the retail outlets are still sourced from South Africa (Mutambara, 2007).

This contributes to the large trade imbalances South Africa has with its SADC partners as detailed in Table 3.1 below. The only country to hold a positive trade
balance with South Africa is Angola. However, about 99 per cent of Angola’s exports to South Africa are resources so the country is also faced with the same manufacturing deficiencies as the other SADC members.

Table 3.1: South Africa’s Trade Balances with SADC States (R’000)

<table>
<thead>
<tr>
<th>State</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANGOLA</td>
<td>-15 609 057</td>
<td>-6 092 146</td>
<td>-9 863 346</td>
<td>-5 662 815</td>
</tr>
<tr>
<td>DEM REP of CONGO</td>
<td>7 926 019</td>
<td>4 623 804</td>
<td>5 912 819</td>
<td>7 545 130</td>
</tr>
<tr>
<td>MADAGASCAR</td>
<td>1 700 610</td>
<td>857 996</td>
<td>1 135 363</td>
<td>762 800</td>
</tr>
<tr>
<td>MALAWI</td>
<td>2 621 299</td>
<td>2 833 318</td>
<td>2 483 144</td>
<td>2 205 333</td>
</tr>
<tr>
<td>MAURITIUS</td>
<td>2 505 104</td>
<td>1 774 381</td>
<td>1 612 480</td>
<td>1 045 431</td>
</tr>
<tr>
<td>MOZAMBIQUE</td>
<td>9 726 954</td>
<td>9 402 740</td>
<td>9 996 244</td>
<td>9 548 208</td>
</tr>
<tr>
<td>TANZANIA</td>
<td>2 515 969</td>
<td>3 331 124</td>
<td>3 468 880</td>
<td>3 541 734</td>
</tr>
<tr>
<td>ZAMBIA</td>
<td>13 009 444</td>
<td>9 584 711</td>
<td>9 335 139</td>
<td>13 569 286</td>
</tr>
<tr>
<td>ZIMBABWE</td>
<td>7 012 455</td>
<td>11 720 284</td>
<td>13 724 747</td>
<td>14 003 407</td>
</tr>
</tbody>
</table>

Source: Author’s construction based on DTI data (2012)

There are, however, several arguments in favour of having strong states within an organisation, like the United States in relation to GATT and France and Germany within the EU. The theory of hegemonic stability proposes that having a dominant state in an organisation can ensure a favourable outcome for all members. In the context of a regional trade agreement the dominant state would keep smaller members aligned by allowing access to its own market rather than through coercion (Draper, 2012).

The reduction of import duties within SADC creates the risk of trade diversion in favour of South Africa. Saurombe (2011) however contends that the creation of the SADC FTA offers a good opportunity for a strong country like South Africa to increase investment in the region. The South African Minister of Trade and Industry, Dr Rob Davies, highlights the need to create manufacturing value chains within the region (Davies, 2012). This will generate growth throughout the community that can increase imports from outside the region, offsetting the short term trade diversion losses.
Mutambara (2007) argues that a country like South Africa plays an important role within SADC not just as a source of investment, but also via the transfer of technological and managerial knowledge. This plays an important part by improving production efficiencies and thereby increasing the competitiveness levels required for sustainable growth. As the levels of efficiency and competitiveness increase there may be changes in the dynamics of comparative advantage which may also result in the conception of new comparative advantages (Mutambara, 2010).

The final theme examined here reviews the problems associated with having a number of overlapping agreements operating concurrently (Chingono and Nakana, 2009; Omilola, 2011; Draper, 2012; The World Bank, 2012). The previous section already mentioned the Southern African Customs Union (SACU) which falls within the SADC community, while the Common Monetary Area covers the SACU countries excluding Botswana. The biggest overlap occurs with the Community of Eastern African and Southern African States (COMESA) which has 19 member states and extends from Libya and Egypt in the North to Zimbabwe and Swaziland in the South.

Each regional trade area has its own objectives managed by differing sets of rules. When countries are members of more than one grouping it creates confusion and counterproductive competition. It is also costly to belong to multiple communities and this burden is carried by the taxpayer. The conflicting rules of origin cause inefficiencies and increased trade costs; hence the view that overlapping agreements are a severe limitation to both COMESA and SADC (The World Bank, 2012). Just as it is a requirement for South Africa to have internal policies that are consistent and complementary, it is also requisite for SADC economies to have congruent policies and structures (Chingono and Nakana, 2009).

Mbeki (2009) and Draper (2012) make compelling arguments against an EU type of formation for the SADC region. The political rationale behind the EU is the “liberal peace hypothesis” which postulates that good economic relations between countries act as a restraint against hostilities against each other. This has limited applicability to Southern Africa as the political conditions are vastly different to those found in the
EU. Another political difference is that while the EU states have a long history of conflicts between each other this is not true of Africa where hostilities are generally intra-country.

According to Draper (2012) the economic case for an EU type formation is also not strong. Because many countries in the SADC region have similar comparative advantages the risk of trade diversion is far higher than in the EU. The result in the case of SADC is that South Africa will tend to enjoy benefits but at the expense of the other members. This will inevitably lead to strained political relationships contradicting the “liberal peace hypothesis”.

While debunking the EU type formation as a panacea for Southern African development Draper (2012) is not suggesting that regional integration has no role to play in the region. He makes a persuasive argument for a viable alternative, proposing a more limited approach with an economic priority that is focused on trade facilitation along with regulatory cooperation between the members.

This must be supported by a security regime that puts an emphasis on good governance within the member states. The structure must avoid substantial execution and capacity requirements to minimise institutional needs as much as possible. In this function SADC should operate predominantly on an intergovernmental basis with a limited supranational infrastructure and authority.

Draper (2012) does caution that SADC must not lose sight of the importance of maintaining north-south integration. Trading with northern blocs like the EU enables SADC countries to benefit from the differing comparative advantages and allows the opportunity for knowledge transfers and product diversification.

As the hegemon in the region South Africa should be at the vanguard of this process demonstrating strong leadership balanced with soft sovereignty, which promotes the cause of good governance. South Africa needs to permit preferential access to its markets to validate commitment to the region as opposed to its own national interests. The country can also take the lead in the provision of regional public
goods with the initial focus being a regionally integrated network services infrastructure.

3.4 THE SADC OPPORTUNITY FOR SOUTH AFRICAN MANUFACTURERS

This section seeks to provide a dispassionate evaluation of the conditions, existing in the SADC region, that favour South African manufacturers over those outside the region. The intent is to steer clear of issues such as trade diversion and South African dominance and merely focus on the export opportunities and attractions for South African manufacturers.

Using international growth projections as a departure point it appears that sub-Saharan Africa has turned a corner as is evident in Table 3.2. Expected growth in the region exceeds both that of South Africa and the rest of the world. Parker (2009) contends that this situation has been more than a decade in the making and it seems set to continue in the aftermath of the global meltdown subsequent to 2008.

Table 3.2: Robust growth predicted in sub-Saharan Africa

<table>
<thead>
<tr>
<th>Robust growth</th>
<th>2004-08</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-Saharan Africa (total)</td>
<td>6.5</td>
<td>2.8</td>
<td>5.3</td>
<td>5.1</td>
<td>5.4</td>
<td>5.3</td>
</tr>
<tr>
<td>Of which: Oil-exporting countries</td>
<td>8.6</td>
<td>5.2</td>
<td>6.6</td>
<td>6.0</td>
<td>7.1</td>
<td>6.1</td>
</tr>
<tr>
<td>Middle-income countries</td>
<td>5.0</td>
<td>-0.8</td>
<td>3.7</td>
<td>4.3</td>
<td>3.4</td>
<td>4.0</td>
</tr>
<tr>
<td>Of which: South Africa</td>
<td>4.9</td>
<td>-1.5</td>
<td>2.9</td>
<td>3.1</td>
<td>2.7</td>
<td>3.4</td>
</tr>
<tr>
<td>Low-income countries</td>
<td>7.3</td>
<td>5.5</td>
<td>6.3</td>
<td>5.8</td>
<td>5.9</td>
<td>5.9</td>
</tr>
<tr>
<td>Fragile countries</td>
<td>3.1</td>
<td>2.9</td>
<td>3.8</td>
<td>1.7</td>
<td>6.6</td>
<td>5.8</td>
</tr>
<tr>
<td>Memo item: World economic growth</td>
<td>4.6</td>
<td>-0.6</td>
<td>5.3</td>
<td>3.9</td>
<td>3.5</td>
<td>4.1</td>
</tr>
</tbody>
</table>

Source: IMF (2012)

The positive growth figures reflected above translate into rising incomes at the regional level which in turn create consumer demand for a broader range of more sophisticated products. As developing countries in the SADC region have a limited ability to satisfy this need there is an increased import demand for these types of products. This is an ideal opportunity for South African exporters of manufactured
products (Daya, Ranoto and Letsoalo, 2006). The example noted in section 2.3.4 reveals this buying power, where Woolworths SADC customers are prepared to pay almost double the prices charged to SACU customers.

The fact that South Africa is a direct neighbour or very close to most SADC members is another favourable condition for the country. Studies by Eita and Jordaan (2007) found evidence that the closer a country is to South Africa the more the effect on exports. They also found that being a SADC member also promoted exports.

Perhaps the most fundamental and direct advantage for South African manufacturers is that the SADC region is almost completely duty free (Kalaba, 2009; Jordaan and Kanda, 2011). Given that the duty level for manufactured products imported into SADC countries is on average 25 per cent, the impact of this benefit is abundantly clear.

Drilling down to the firm level Parker (2009) dispels the myth of low profits in sub-Saharan Africa. While the economic landscape is changing rapidly across Africa, South African manufacturers can still expect lower levels of competition than in their local market. Firstly they face fewer of their international competitors in these markets than they do locally or in first world export markets. Secondly the other SADC countries do not have tough indigenous competitors, and those that do exist now have to face South African manufacturers without the protection of import duties.

The question is therefore, with due regard for all the aforementioned factors why has the growth of exports to SADC not exceeded the growth to the rest of the world as depicted in Figure 1.2 in section 1.2? It may be the case that South African manufacturers are unaware of the advantages and opportunities that lie on their doorstep. Another alternative is that the benefits inherent in the SADC agreement do not have a significant impact on the competitive position of South African manufacturers.
3.5 CONCLUSION

The SADC agreement has been examined from its early political roots to its contemporary configuration. The main aim of SADC is to promote sustainable economic development to improve living conditions for all within the region. This is to be achieved through integration and co-operation whilst fostering long term security and peace.

A number of constructive environmental factors have been reviewed ranging from reduced trade barriers to improved knowledge transfers and infrastructure. This has been tempered with a finding of increased non-tariff barriers along with confusion created by overlapping agreements on the continent.

The dominant position of South Africa within the region emerged as a complicating factor. Awarding substantial competitive advantages to the leading manufacturer in the region increases the likelihood of skewed trade balances and increased trade diversion, at least in the short term. But South Africa can bring significant stability and benefits to the region by taking the lead in opening access to its markets. Perhaps even more significant is the ability of South Africa to invest in the region, which is accompanied by the crucial transfer of technical and management skills.

Some notable authors make convincing arguments against the structure of the SADC RTA, but still propose that regional integration is important especially in the economic domain. The overriding paradox that needs to be understood is that despite competitive advantages encompassing significantly reduced duties since 2008, a close geographical proximity and lower levels of competition coupled to a fast growing market, export growth to the region has not exceeded export growth to the rest of the world over the past four years.
CHAPTER FOUR: RESEARCH DESIGN

4.1 INTRODUCTION

Chapter 2 reviewed the factors that affect exports to the SADC region and chapter 3 examined the SADC dynamics and the opportunities that exist for South African manufacturers. The purpose of this study is to investigate why exports to the SADC region have not improved given the dynamics presented in chapters 2 and 3.

This chapter describes the methodology used to conduct the research aimed at resolving the study objectives. In this context it serves to connect the findings of the literature review with the empirical results in the chapters that follow.

The elements discussed in this chapter include the following:

- The research paradigms;
- The research method: sample, data collection, measuring instrument and data analysis;
- The pilot study; and
- The reliability and validity of the results.

4.2 RESEARCH PARADIGMS

Research plays an important role in both the business and academic environments. There is no single definition of research as the significance changes according to each situation. In general there is consensus that research should be systematic and methodical and aimed at generating new knowledge. The process should include suitable data collection and analytical techniques that are applied scrupulously. And while there are many notable objectives it is worth mentioning that the information that is reviewed must undergo a process of synthesis in order to increase knowledge (Collis and Hussey, 2009).
Research studies are usually classified as either applied or basic research. Applied research is often undertaken to facilitate decision making with a view to solving a specific problem. Problem solving can also be the focus of basic research but it usually centred on increasing theoretical knowledge as opposed to having a practical orientation (Leedy and Ormrod, 2010). Viewed in this context this study can be classified as basic research.

In terms of the approach taken by the researcher there are two main categories, namely quantitative and qualitative. The quantitative approach requires the observer to be independent with regard to the subject being observed. The positivists make hypothetical deductions that are tested by experiments and quantitative methods. They look for cause and effect explanations and are focused on testing relationships between variables (Ikeda, 2009). Positivists will often survey a large sample to produce accurate and reliable results that can be generalised to the population (Collis and Hussey, 2009). Historically these characteristics have made quantitative methods more attractive to researchers (Hanson and Grimmer, 2007).

In a simple sense qualitative research can be defined as research that is not numerical and does not use statistical procedures, but this may be a little too straightforward as the qualitative paradigm covers a wide variety of research approaches under one heading (Cassell, Buehring, Symon and Johnson, 2006). The researcher is an integral part of the research process with the result that the research is subjective and biased. Interpretivists try to understand and explain the nature of a problem through an inductive process. Samples are usually small with the focus on gaining insight into perceptions with a view to formulating explanatory theories (Collis and Hussey, 2009).

As one of the main objectives of this study is to examine the impact of export barriers, the government and the SADC agreement on exports to the region it is appropriate to take a quantitative approach. This will also facilitate a statistical analysis of the information to verify reliability and validity.
4.3 RESEARCH METHOD: SURVEY

In quantitative research data is collected by means of a survey for statistical analysis purposes with the intent to generalise the results to a population. Surveys may be descriptive in nature and aimed at gaining insights into phenomena at a certain point in time. Analytical surveys are conducted to ascertain if a relationship exists between variables (Collis and Hussey, 2009).

This study contains both descriptive and analytical elements. The descriptive element covers the level of awareness of the manufacturing community with regard to the role of the government and the SADC agreement. The analytical component examines the impact of the variables on exports to the SADC region.

4.3.1 The sample and data collection

The population for this study is all manufacturing enterprises in the Eastern Cape. The unit of analysis is the export manager or middle to senior level marketing managers in these Eastern Cape manufacturers.

The sample frame should contain manufacturers that:

- currently export to the SADC region;
- currently export but not to the SADC region; and
- do not currently export but would like to export.

Sampling methods may be based on probability or they may be subjective. Probability sampling is based on selection that involves a random procedure, while subjective sampling is based on methods such as judgement and convenience sampling (Evans, 2010). While not the most ideal for statistical analysis, the time and cost constraints dictated that convenience sampling was used for this study.

With this in mind the measuring instrument was sent to the Eastern Cape Exporters Club, the Nelson Mandela Bay Business Chamber, Tradepoint Nelson Mandela Bay
and the Eastern Cape Development Corporation for distribution to their members. The measuring instrument was sent as an attachment in Microsoft Word format, to be completed and returned either via email or fax. This was not a successful approach with only one response being generated through this mechanism.

The Nelson Mandela Bay Business Chamber declined to distribute the measuring instrument to their members due to the large number of survey requests they receive on a regular basis. They suggested that their members be contacted directly and this process was implemented to facilitate reaching the objective of 50 valid responses across the sample frame. This was a fairly arduous task that ran from 19 August until 28 September 2012 and was achieved through a combination of telephone calls supported by follow up emails. The questionnaire was also offered as an online survey where the anonymity and ease of submission appeared to facilitate a better return rate.

Through this process 80 manufacturers were approached and this yielded 55 responses. Including the initial respondent there were thus 56 responses received, in total of which, 52 were deemed suitable for analysis. This translates into an acceptable response rate of 69 per cent. Figure 5.7 on page 71 illustrates that all the manufacturing sectors offered in the questionnaire form part of the sample.

### 4.3.2 The measuring instrument

In line with the quantitative approach adopted for this study the measuring instrument is constructed predominantly of closed questions. There are nevertheless four open-ended questions. The first question is open-ended offering respondents the option of recording their company name. The other three open-ended questions occur when the respondent’s answer is not listed as one of the available options on the questionnaire.

The first section covers demographic information and is made up of fairly generic questions collecting nominal and ordinal data. The second section contains the
dependent variable and initially identifies which respondents are exporters and subsequently which respondents export to the SADC region.

Section 3 includes two of the independent variables, namely external (Code EXB) and internal (Code INB) export barriers. To a large extent these questions are based on a comprehensive series of questions constructed by Arteaga-Ortiz and Fernández-Ortiz (2010). The questions revealed as the most relevant according to the literature review have been included. The questions in this section are anchored on a five-point Likert scale which ranges from “hinders-enormously” to “does-not-hinder”.

Section 4 contains the role of government (Code ROG) in the export process and takes a two pronged approach to examining this variable. The elements of this variable were revealed in the literature review and a dual line of enquiry was necessary. The first aspect in question is whether respondents are aware of the listed initiatives currently offered by the South African government. This required a simple yes or no answer. If the respondent answered yes they were then mandated to indicate the impact of each initiative on their ability to export to the SADC region. This second part is anchored in a five-point Likert scale ranging from strongly-disagree to strongly-agree.

If the respondents answered no they were requested not to answer the second part of each question. For the purposes of the statistical analysis respondents who answered no were allocated the neutral score of three. During the construction phase of the questionnaire it was considered that the yes/no question could be eliminated to simplify the process. In this case respondents who were not aware of a particular government initiative would then be directed to answer the neutral three. This would result in the collection of the same data as the previous paragraph for the purposes of statistical analysis.

The difference is that it would not have been possible to separate the respondents who are aware of an initiative and also indicated the impact was neutral. As the level of awareness of the response group is an important element of the study the double-
barrelled approach was adopted. The discourse above is also applicable to Section 6 that covers the impact of the SADC agreement (Code SAD).

Section 5 incorporates a single question that seeks to comprehend the respondent’s level of knowledge with regard to the SADC agreement. It was initially planned to include this question in Section 1 on demographics but it was felt that it would be more appropriate to sequence this question immediately before the examination of the SADC elements.

4.3.3 Data analysis procedure

The results were initially arranged in a suitable format using Microsoft Excel 2010 and subsequently analysed by an expert using Statistica. The objective was to determine if any relationships exist between the variables. According to Evans (2010) correlation is an appropriate tool that can be used to measure relationships between variables. Evans (2010) maintains that correlation measures the extent of any linear relationship between variables. When the objective is to measure relationships between one or more independent variables and a dependent variable, Evans (2010) proposes that regression analysis is a suitable tool for this type of analysis.

A thorough, descriptive statistical analysis was also undertaken by the researcher using Microsoft Excel 2010. Descriptive statistics cover measures of central tendency such as means and medians as well as dispersion like the range or standard deviation.

4.4 PILOT STUDY

Before the measuring instrument was released to the sample frame a pilot study was undertaken whereby the questionnaire was sent to five respondents. These included experts from the Exporters Club and Tradepoint Nelson Mandela Bay as well as selected manufacturers.
The purpose of the pilot study was to test the questionnaire for content validity and to assess the practical issues associated with completing the survey. Some constructive suggestions were received that assisted in making the survey more appealing to respondents, as well as a request for two additional initiatives to be added to Section 4.

4.5 RELIABILITY AND VALIDITY OF THE INSTRUMENT

Reliability and validity are important concepts in research and impact on the probability that you will be able to obtain meaningful results from the data. Validity is associated with the notion that the measuring instrument will in fact measure what it is supposed to measure (Leedy and Ormrod, 2010). As recorded in the previous section the questionnaire was sent to experts as part of the pilot study for the express purpose of establishing content validity.

It should also be noted that the questions in Section 3 were originally constructed by Arteaga-Ortiz and Fernández-Ortiz (2010) in their bid to create a uniform scale for measuring export barriers. These questions were selected and adapted marginally to be relevant to this particular study.

Reliability is related to the consistency of the results. In an ideal situation repeating a survey should yield the same results in order to be reliable (Collis and Hussey, 2009). In terms of the data collected for this study the Cronbach alpha test was performed for each of the variables to determine the internal consistency. With acceptable reliability being associated with a result of 0.70 it can be seen in Table 4.1 below that all four variables exceed this benchmark.
Table 4.1: Cronbach test for internal consistency

<table>
<thead>
<tr>
<th>Item</th>
<th>Item-Total Correlation</th>
<th>Alpha if deleted</th>
<th>Item</th>
<th>Item-Total Correlation</th>
<th>Alpha if deleted</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXB1</td>
<td>0.42</td>
<td>0.92</td>
<td>INB1</td>
<td>0.48</td>
<td>0.79</td>
</tr>
<tr>
<td>EXB2</td>
<td>0.74</td>
<td>0.90</td>
<td>INB2</td>
<td>0.60</td>
<td>0.76</td>
</tr>
<tr>
<td>EXB3</td>
<td>0.80</td>
<td>0.90</td>
<td>INB3</td>
<td>0.40</td>
<td>0.80</td>
</tr>
<tr>
<td>EXB4</td>
<td>0.78</td>
<td>0.90</td>
<td>INB4</td>
<td>0.51</td>
<td>0.78</td>
</tr>
<tr>
<td>EXB5</td>
<td>0.68</td>
<td>0.91</td>
<td>INB5</td>
<td>0.64</td>
<td>0.75</td>
</tr>
<tr>
<td>EXB6</td>
<td>0.71</td>
<td>0.91</td>
<td>INB6</td>
<td>0.64</td>
<td>0.76</td>
</tr>
<tr>
<td>EXB7</td>
<td>0.68</td>
<td>0.91</td>
<td>INB7</td>
<td>0.52</td>
<td>0.78</td>
</tr>
<tr>
<td>EXB8</td>
<td>0.82</td>
<td>0.90</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXB9</td>
<td>0.69</td>
<td>0.91</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Cronbach alpha: 0.91
Cronbach alpha: 0.80

<table>
<thead>
<tr>
<th>Item</th>
<th>Item-Total Correlation</th>
<th>Alpha if deleted</th>
<th>Item</th>
<th>Item-Total Correlation</th>
<th>Alpha if deleted</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROG1</td>
<td>0.69</td>
<td>0.88</td>
<td>SAD1</td>
<td>0.57</td>
<td>0.75</td>
</tr>
<tr>
<td>ROG2</td>
<td>0.66</td>
<td>0.88</td>
<td>SAD2</td>
<td>0.71</td>
<td>0.72</td>
</tr>
<tr>
<td>ROG3</td>
<td>0.67</td>
<td>0.88</td>
<td>SAD3</td>
<td>0.53</td>
<td>0.76</td>
</tr>
<tr>
<td>ROG4</td>
<td>0.70</td>
<td>0.88</td>
<td>SAD4</td>
<td>0.54</td>
<td>0.76</td>
</tr>
<tr>
<td>ROG5</td>
<td>0.84</td>
<td>0.86</td>
<td>SAD5</td>
<td>0.53</td>
<td>0.77</td>
</tr>
<tr>
<td>ROG6</td>
<td>0.76</td>
<td>0.87</td>
<td>SAD6</td>
<td>0.47</td>
<td>0.79</td>
</tr>
<tr>
<td>ROG7</td>
<td>0.43</td>
<td>0.90</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROG8</td>
<td>0.73</td>
<td>0.88</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Cronbach alpha: 0.89
Cronbach alpha: 0.79

Source: Constructed by Dr J Pietersen from survey data

4.6 CONCLUSION

This chapter reviewed the types of research as well as the two main research paradigms. The chosen approach was to undertake a quantitative study and the proposed hypotheses have duly been presented.

The research method has been described including the sample and data collection. The measuring instrument was also introduced followed by the data analysis procedures that were applied. The measuring instrument was subjected to a pilot study as well as being tested for reliability and validity. This leads to the presentation of the empirical results in the next chapter.
CHAPTER FIVE: THE ANALYSIS AND INTERPRETATION OF THE EMPIRICAL STUDY

5.1 INTRODUCTION

The previous chapter described the research design process which was crafted on the foundation of the literature review undertaken in chapters two and three. The measuring instrument constructed in chapter four aims to address the following secondary objectives identified in section 1.3.2:

1. What does literature reveal as the factors that impede exports to SADC?
2. What is the role of the South African government in supporting exports to SADC?
3. What are the dynamics of the SADC agreement and how does it affect South African exports to the region?
4. How well informed are manufacturers with regard to SADC opportunities and Government support for exports?

As detailed in section 4.4.2 the measuring instrument consists of the following sections:

Section 1 – Demographic Information;
Section 2 – Exports;
Section 3 – Barriers to exports;
Section 4 – The role of government;
Section 5 – The SADC agreement; and
Section 6 – The impact of SADC.

Each of these sections will now be analysed and discussed.
5.2 DEMOGRAPHICS OF THE SAMPLE GROUP

Although it was optional there were nevertheless 25 respondents that supplied their company name. This information has not been published as per an undertaking to maintain confidentiality. This was followed by a measurement of the age groupings according to the four categories in Figure 5.1 below. With only 15 per cent of respondents being under the age of 36 the sample group contains a reasonable level of maturity.

Figure 5.1: The sample’s age analysis

![Age Distribution Graph]

Source: Author’s own construction from survey data

The next demographic measured was gender, with 87 per cent of respondents being male as illustrated in Figure 5.2 below

Figure 5.2: The sample’s gender analysis

![Gender Distribution Graph]

Source: Author’s own construction from survey data
The sample bias in favour of male respondents is not regarded as significant. Differences in gender are not expected to result in outcomes skewed in any particular direction.

The education levels basically distinguished between matric, a diploma or degree, and a post graduate qualification. As can be seen in Figure 5.3, the split between these three levels is reasonably even.

Figure 5.3: The qualification level of the respondents

![Pie chart showing the qualification levels of respondents.

A Senior Certificate (Matric) 27%

National Diploma/Degree 38%

Post Graduate (B Tech, Honours, Masters, Doctorate) 35%

Q1-4 My highest qualification is:

Source: Author's own construction from survey data

This is followed by the analysis of the management levels of the respondents. It was noted in the discussion on the sample that the preferred management level is middle management and above.
Figure 5.4 below indicates that 96 per cent of the respondents meet this standard, with almost three quarters being senior management or executive level. This is regarded as an important demographic element as middle and senior level management can effectively contribute to the strategic choices made within an organisation.

An interesting association is the fact that 64 per cent of the of the respondents in Figure 5.3 above, that have a matric as their highest qualification, are in fact employed at senior management or executive level.

Figure 5.4: An analysis of the management level of the respondents

<table>
<thead>
<tr>
<th>Q1.5 I am currently employed as:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior manager or executive 73%</td>
</tr>
<tr>
<td>Middle manager 23%</td>
</tr>
<tr>
<td>Junior manager 4%</td>
</tr>
</tbody>
</table>

Source: Author’s own construction from survey data

When scrutinising the number of years each respondent has been with their respective employer, Figure 5.5 on page 70 displays a remarkably even spread between the five available categories. While it may be preferable to have respondents with many years of service, newer employees have the ability to bring fresh ideas into an enterprise.
Figure 5.5: An analysis of the respondents years of service

Q1.6 I have been employed with the company between (how many years):

- 0 - 5 years: 19%
- 6 - 10 years: 19%
- 11 - 15 years: 21%
- 16 - 20 years: 18%
- >20 years: 23%

Source: Author’s own construction from survey data

Figure 5.6 below portrays the levels of employment within the response group and shows a reasonable distribution across all four categories. It was encouraging to receive the good response from the largest employer grouping. Having the smallest employer category as the largest response group is also relevant to many elements of this study. For example many government support initiatives are specifically focused on this sector.

Figure 5.6: The levels of employment in the sample group

Q1.7 What is the total number of staff in your organisation within the Eastern Cape?

- < 50: 42%
- 50-200: 15%
- 201-500: 17%
- > 501: 25%

Source: Author’s own construction from survey data
The final demographic factor in Section 1 covers the manufacturing sectors within the response group. Again it is pleasing to note as per Figure 5.7 that all the sectors offered as options in the questionnaire are represented in the sample. Given the fact that the population is located in the Eastern Cape it is no surprise that the largest proportion of respondents come from the automotive industry, as this is the biggest private sector employer within the region. Indeed there was a concern that an overwhelming majority of the response group might come from the automotive sector and this could skew the results, but this has not transpired.

Figure 5.7: The industry spread in the sample group

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive</td>
<td>34%</td>
</tr>
<tr>
<td>Chemicals</td>
<td>8%</td>
</tr>
<tr>
<td>Food and beverage</td>
<td>6%</td>
</tr>
<tr>
<td>High tech and electronics</td>
<td>4%</td>
</tr>
<tr>
<td>Industrial manufacturing</td>
<td>8%</td>
</tr>
<tr>
<td>Metalworking</td>
<td>4%</td>
</tr>
<tr>
<td>Plastics</td>
<td>4%</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>2%</td>
</tr>
<tr>
<td>Leather, Textiles and clothing</td>
<td>13%</td>
</tr>
<tr>
<td>Other</td>
<td>17%</td>
</tr>
</tbody>
</table>

Question 1-9 allowed the 17 per cent of respondents whose industry was not listed to specify their manufacturing sector. Only one sector generated more than two responses within this group. It was interesting to note that this sector is involved in the manufacture of sports equipment.
On reviewing the demographic composition above it is considered that the sample group is qualified to offer useful and informative data for analysis purposes. In places where the sample is skewed, it may be deemed insignificant as is the case with the gender distribution. On the other hand, the skewness is appropriate in the makeup of the management levels recorded. Indeed the two respondents that are at the junior management level both have more than twenty years of service at their respective organisations. They also both indicated in question 5.12 that they have worked with the SADC agreement hence there was little hesitation in including their responses.

5.3. EXPORTS: THE DEPENDANT VARIABLE

As discussed in section 4.3.1 the objective was to capture a sample that included both exporters as well as non-exporters. As reflected in Figure 5.8 below 83 per cent of the respondents are currently engaged in exporting.

Figure 5.8: Exporters versus non-exporters

<table>
<thead>
<tr>
<th>Q2.1 Does your company sell products outside of South Africa?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes 83%</td>
</tr>
<tr>
<td>No 17%</td>
</tr>
</tbody>
</table>

Source: Author’s own construction from survey data

The nine respondents (17 per cent) who are not currently engaged in exporting were requested to indicate whether they were interested in exporting. There were four
who responded positively and were directed to section 3 to continue the survey. The five who indicated that they were not interested in exporting were asked to indicate the main reason why they were not interested. Three of the five indicated that there was no foreign demand for their product. It was also noted that eight of the nine respondents who do not currently export have staff levels of 50 or less.

Figure 5.9 below shows that 70 per cent of the exporters have an export turnover of 20 per cent or less when measured against overall turnover. Only 21 per cent of the respondents export more than half of their turnover.

Figure 5.9: The export levels of the respondents

Source: Author's own construction from survey data

The remaining objective discussed in section 4.3.1 was to obtain a sample that includes manufacturers that export to the SADC region. As illustrated in Figure 5.10 on page 74 almost three quarters of the respondents sell 20 per cent or less of their exports to the SADC region. Thus only 28 per cent of respondents sell more than 20 per cent of their export turnover to the SADC region.
Reviewing the data in this section highlights the fact that although the sample contains a high percentage of exporters, the level of export turnover is not particularly high. It should also be noted that a closer scrutiny of export turnover reveals that the proportion of SADC exports is also relatively low.

This is perhaps not surprising as the largest manufacturing and export industry in the region is automotive. More than 80 per cent of automotive exports are destined for the EU and NAFTA, with less than 10 per cent headed for Africa (Lamprecht, 2009). The composition of the sample foretells a lack of awareness amongst the respondents with regard to the SADC dynamics.

5.4 EXPORT BARRIERS

Section 3 of the questionnaire encompasses the export barriers, with the first nine questions relating to external barriers and the next seven to internal barriers. A summary of the responses is listed in Table 5.1 including each question’s mean and standard deviation.
Table 5.1: Responses to Section three of the questionnaire

<table>
<thead>
<tr>
<th>Q3</th>
<th>Description</th>
<th>Code</th>
<th>Valid n</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>x-bar</th>
<th>StdDev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3-1</td>
<td>A shortage of foreign exchange</td>
<td>EXB1</td>
<td>48</td>
<td>4%</td>
<td>4%</td>
<td>15%</td>
<td>25%</td>
<td>52%</td>
<td>4.2</td>
<td>1.10</td>
</tr>
<tr>
<td>Q3-2</td>
<td>Documentation and red tape required for the export operation</td>
<td>EXB2</td>
<td>48</td>
<td>8%</td>
<td>15%</td>
<td>27%</td>
<td>25%</td>
<td>25%</td>
<td>3.4</td>
<td>1.25</td>
</tr>
<tr>
<td>Q3-3</td>
<td>Political instability</td>
<td>EXB3</td>
<td>48</td>
<td>4%</td>
<td>15%</td>
<td>29%</td>
<td>23%</td>
<td>29%</td>
<td>3.6</td>
<td>1.18</td>
</tr>
<tr>
<td>Q3-4</td>
<td>Corruption</td>
<td>EXB4</td>
<td>46</td>
<td>15%</td>
<td>15%</td>
<td>20%</td>
<td>24%</td>
<td>26%</td>
<td>3.3</td>
<td>1.41</td>
</tr>
<tr>
<td>Q3-5</td>
<td>Import duties</td>
<td>EXB5</td>
<td>49</td>
<td>4%</td>
<td>12%</td>
<td>27%</td>
<td>27%</td>
<td>31%</td>
<td>3.7</td>
<td>1.16</td>
</tr>
<tr>
<td>Q3-6</td>
<td>Risk of exchange rate volatility</td>
<td>EXB6</td>
<td>49</td>
<td>4%</td>
<td>10%</td>
<td>31%</td>
<td>29%</td>
<td>27%</td>
<td>3.6</td>
<td>1.11</td>
</tr>
<tr>
<td>Q3-7</td>
<td>Transport costs and shipping arrangements</td>
<td>EXB7</td>
<td>48</td>
<td>6%</td>
<td>33%</td>
<td>33%</td>
<td>13%</td>
<td>15%</td>
<td>3.0</td>
<td>1.15</td>
</tr>
<tr>
<td>Q3-8</td>
<td>High financial cost of the methods of payment</td>
<td>EXB8</td>
<td>46</td>
<td>7%</td>
<td>15%</td>
<td>26%</td>
<td>24%</td>
<td>28%</td>
<td>3.5</td>
<td>1.24</td>
</tr>
<tr>
<td>Q3-9</td>
<td>Mandatory pre-shipment inspections</td>
<td>EXB9</td>
<td>47</td>
<td>0%</td>
<td>17%</td>
<td>26%</td>
<td>23%</td>
<td>34%</td>
<td>3.7</td>
<td>1.11</td>
</tr>
<tr>
<td>Q3-10</td>
<td>Lack of personnel skilled in exports</td>
<td>INB1</td>
<td>48</td>
<td>4%</td>
<td>19%</td>
<td>15%</td>
<td>21%</td>
<td>42%</td>
<td>3.8</td>
<td>1.29</td>
</tr>
<tr>
<td>Q3-11</td>
<td>Lack of knowledge of potential export markets</td>
<td>INB2</td>
<td>48</td>
<td>10%</td>
<td>21%</td>
<td>19%</td>
<td>21%</td>
<td>29%</td>
<td>3.4</td>
<td>1.38</td>
</tr>
<tr>
<td>Q3-12</td>
<td>Insufficient production capacity in your firm</td>
<td>INB3</td>
<td>48</td>
<td>2%</td>
<td>6%</td>
<td>10%</td>
<td>19%</td>
<td>63%</td>
<td>4.3</td>
<td>1.04</td>
</tr>
<tr>
<td>Q3-13</td>
<td>Lack of finance to fund export operations</td>
<td>INB4</td>
<td>48</td>
<td>2%</td>
<td>4%</td>
<td>13%</td>
<td>21%</td>
<td>60%</td>
<td>4.3</td>
<td>1.00</td>
</tr>
<tr>
<td>Q3-14</td>
<td>Lack of information on opportunities for your products abroad</td>
<td>INB5</td>
<td>48</td>
<td>6%</td>
<td>23%</td>
<td>25%</td>
<td>21%</td>
<td>25%</td>
<td>3.4</td>
<td>1.26</td>
</tr>
<tr>
<td>Q3-15</td>
<td>Difficulty in complying with product certification</td>
<td>INB6</td>
<td>48</td>
<td>2%</td>
<td>2%</td>
<td>13%</td>
<td>27%</td>
<td>56%</td>
<td>4.3</td>
<td>0.93</td>
</tr>
<tr>
<td>Q3-16</td>
<td>Lack of management time</td>
<td>INB7</td>
<td>48</td>
<td>2%</td>
<td>8%</td>
<td>13%</td>
<td>29%</td>
<td>48%</td>
<td>4.1</td>
<td>1.06</td>
</tr>
</tbody>
</table>

Source: Author’s own construction from survey data

The headings above can be expanded as follows:

- **Code** - Code allocated for statistical analysis
- **Valid n** - Number of valid responses
- **1 to 5** - Scale from "Hinders enormously" (1) to "Does not hinder" (5)
- **x-bar** - Average of the scores allocated on the scale above
- **StdDev** - Standard deviation
5.4.1 External export barriers

The first perception measured was in relation to the influence of a lack of foreign exchange on exports to the SADC region. Figure 5.11 reveals that 77 per cent of the respondents indicated that this factor is not a significant constraint, with only 8 per cent indicating that it is a hindrance. This is a factor that has historically been a problem in the SADC region so the positive response is encouraging.

One of the largest SADC markets that experienced foreign exchange shortages was Zimbabwe, but this situation has improved in recent years since the country adopted the US dollar as its official currency. While foreign exchange is not currently freely available, importers in Zimbabwe have a far better chance of securing currency than in the past.

Another prominent SADC market with a history of forex shortages is Malawi. Since Joyce Banda ascended to the Presidency in April 2012 she repaired international relations which has resulted in an influx of foreign aid. As is the case in Zimbabwe foreign currency is not abundantly available but the situation is vastly improved. It may be these scenarios which has prompted the positive response to this question. With a mean of 4.2, this is clearly not a barrier that is significantly restricting exports to the SADC region.

Figure 5.11: External export barriers: Shortage of foreign exchange

---

**Q3-1 A shortage of foreign exchange**

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>4%</td>
<td>4%</td>
<td>15%</td>
<td>25%</td>
<td>52%</td>
<td></td>
</tr>
</tbody>
</table>

Hinders enormously | - | Does not hinder

Source: Author’s own construction from survey data
Only 23 per cent of respondents indicated that documentation requirements are a hindrance while half of the sample indicated that this factor is not a material obstruction to SADC exports. It is worth noting the feedback from the “Category 7” SADC exporters – respondents who have more than 60 per cent of their export turnover going to the SADC region. This group had a mean score of 2.6, indicating that they felt the negative impact of this factor more than the other respondents.

Previous research by Van der Walt (2007) as referenced in section 2.3.1 found that the primary facilitating factor requested by exporters from government was the simplification of paperwork so this is an important part of the export process. The data depicted in Figure 5.12 appears to indicate that this element is not a major impediment to initiating exports but there is still a need to streamline these processes.

Figure 5.12: External export barriers: Documentation and red tape

<table>
<thead>
<tr>
<th>Q3-2 Documentation and red tape required for the export operation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hinders enormously</td>
</tr>
<tr>
<td>---------------------</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

Source: Author’s own construction from survey data
Figure 5.13 demonstrates a similar configuration for political stability with more than half of the respondents showing that this factor poses no major export barrier. This is supported by a mean score of 3.6 and is a promising gauge of the improving health of the region.

Parker (2009) reflected on the negative impact of the so called “big man” syndrome prevalent in SSA but also pointed to a brighter future with improved leadership in the region. While there is still much room for improvement, political instability is no longer ubiquitous in the region and this is possibly reflected in the results below.

Figure 5.13: External export barriers: Political instability

The influence of corruption also had half the respondents indicating that this factor does not significantly hinder exports to the SADC region. But this must be moderated with the 30 per cent of respondents shown in Figure 5.14, on page 79, who have suggested that corruption is a noteworthy hindrance. The mean of 3.3 is also the second lowest in the external export barrier category, supporting the notion that corruption levels have room for improvement. Adding to the ambiguity related to this element, corruption has the highest standard deviation related to both external and internal barriers implying that there is not a clear trend amongst the respondents.
Figure 5.14: External export barriers: Corruption

[Bar chart showing Q3-4 Corruption]

Source: Author’s own construction from survey data

As one of the corner stones of the SADC agreement is the reduction of import duties within the region, it was expected that this factor would not prove to be a substantial barrier to exporting within the region. This is borne out by 58 per cent of the respondents as shown in Figure 5.15 on page 80. Perhaps more significant is the fact that only 16 per cent of respondents ranked this as an influential barrier.

It might be argued that if the SADC agreement was completely effective in reducing the impact of import duties then the ratio of 16 per cent would be even lower. It should, however, be borne in mind that import duties have not been eradicated entirely by the SADC agreement. Where import duties are still applicable it is usually to protect an indigenous manufacturer, hence the tariff rate may be sizeable.
The perception of exchange rate volatility depicted in Figure 5.16 reveals a similar pattern to that of import duties, with 56 per cent not being harshly affected and only 14 per cent ranking this factor negatively. This may imply that the government is succeeding with its AsgiSA objective, noted in section 2.4.1, of reducing exchange rate overvaluation and volatility.
The World Bank (2012) consistently highlights the challenges associated with moving goods within Africa and SSA and the results in Figure 5.17 imply that their observations and concerns are accurate. With only 28 per cent indicating that transport is not a major hindrance, countered by a category high of 39 per cent saying it has a negative influence on exports, it appears that this is indeed the most significant external export barrier in the SADC region.

The mean score of 3.0 is also the lowest in the category of external barriers supporting the perception that this is the leading external barrier. The “Category 7” SADC exporters (those with more than 60 per cent of their export turnover going to the SADC region) affirm this position with a mean of 2.4, also the lowest score for this group in the category of external barriers.

Figure 5.17: External export barriers: Transport costs and shipping arrangements

<table>
<thead>
<tr>
<th>Q3-7 Transport costs and shipping arrangements</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Hinders enormously</td>
</tr>
<tr>
<td>2.</td>
</tr>
<tr>
<td>3.</td>
</tr>
<tr>
<td>4.</td>
</tr>
<tr>
<td>5. Does not hinder</td>
</tr>
</tbody>
</table>

Source: Author’s own construction from survey data

The results in Figure 5.18 below on payment costs again support the notion of an export barrier in decline with just over half the respondents not perceiving a significant negative impact and a little more than one fifth indicating the opposite. This is possibly the result of an improved banking infrastructure within the region, making payment mechanisms quicker, easier and cheaper to process.
It may also be linked to Figure 5.11, which highlights the fact that foreign exchange may be more freely available. When a country like Malawi experienced severe forex shortages one of the methods that remained available to effect payment was via a letter of credit, which is an extremely expensive payment mechanism particularly in Africa. Improving the foreign exchange reserves allows for telegraphic transfers (TT) to take place which is the quickest and cheapest payment method available. It may also be argued that political and exchange rate stability has a positive impact on this factor.

Figure 5.18: External export barriers: Costly payment methods

![Bar chart showing the financial cost of payment methods]

Source: Author’s own construction from survey data

The final external barrier that was reviewed is that of mandatory pre-shipment inspections as illustrated in Figure 5.19 on page 83. With a mean of 3.7 and 57 percent of respondents perceiving this factor as a low hindrance, this is another export barrier that does not appear to have any significant negative impact on exports to the SADC region. An interesting phenomenon is that this is the only external or internal barrier that had no respondents indicating 1 (hinders enormously) on the scale.
Figure 5.19: External export barriers: Mandatory pre-shipment inspections

Source: Author’s own construction from survey data

Figure 5.20 displays the means of all the external barriers replicating the most common configuration of the preceding nine factors. Thus just over a half the respondents do not perceive a significant negative impact and around one fifth feel that external export barriers do have a negative impact on exports to the SADC region. The mean score for the category is 3.6 supporting the perception that external export barriers do not present a significant hindrance to SADC exports.

Figure 5.20: Average for all external export barriers

Source: Author’s own construction from survey data
A noteworthy incidence within this data set is reflected in Table 5.2 below which lists the average score for each category of employee level. As can be seen the smallest companies with a mean score of 3.8 perceived external barriers as a lower hindrance than respondents with more than 500 employees. This might appear counterintuitive but could be a manifestation of Trung’s (2008) claim, referred to in chapter one, that smaller firms are more flexible and adaptable than larger firms.

Table 5.2: External export barrier mean per employee category

<table>
<thead>
<tr>
<th>Number of employees</th>
<th>x-bar</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 50</td>
<td>3.8</td>
</tr>
<tr>
<td>50-200</td>
<td>3.7</td>
</tr>
<tr>
<td>201-500</td>
<td>3.7</td>
</tr>
<tr>
<td>&gt; 501</td>
<td>3.1</td>
</tr>
</tbody>
</table>

Source: Author’s own construction from survey data

5.4.2 Internal export barriers

The first measurement of internal factors analysed the human resource aspect of exports. Figure 5.21 reveals that, although 23 per cent of respondents designated this factor as a hindrance, 63 per cent did not, suggesting that the Eastern Cape has a reasonable supply of export personnel. As reviewed in section 2.4.3 the MIDP scheme played an important role in generating remarkable increases of exports in the automotive industry. With the Eastern Cape possessing a strong concentration of companies in the automotive sector it is possible that this development created a pool of talent skilled in the export process.

Figure 5.21: Internal export barriers: Lack of personnel skilled in exports

![Q3-10 Lack of personnel skilled in exports](image)

Source: Author’s own construction from survey data
The next factor evaluated was the knowledge of potential export markets and a mean score of 3.4 with a standard deviation of 1.38 infers that there is no clear trend in this element. As shown in Figure 5.22, while half the respondents may not perceive this factor to be a serious obstacle, 31 per cent do find it to be a noteworthy barrier.

This is another result supported by the “Category 7” SADC exporters (those with more than 60 per cent of their export turnover going to the SADC region). This group has a mean score of 2.1 for this question, which is the lowest recorded for any of the questions on export barriers. The results may be inconclusive but it is clear that this is an area for improvement.

Figure 5.22: Internal export barriers: Lack of market knowledge

<table>
<thead>
<tr>
<th>Hinders enormously</th>
<th>Does not hinder</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>21%</td>
</tr>
<tr>
<td>21%</td>
<td>19%</td>
</tr>
<tr>
<td>19%</td>
<td>21%</td>
</tr>
<tr>
<td>29%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author’s own construction from survey data
The data displayed in Figure 5.23, complemented by a mean score of 4.3, indicates that production capacity does not appear to be hindering exports to the SADC region. This is perhaps not surprising given the fact that the world is in the midst of the worst recession in decades resulting in reduced production levels across most industries.

The risk inherent in this scenario is that manufacturers may engage in exports to dispose of this excess capacity, but withdraw from the export market when the local market stabilises. Foreign customers negatively affected by this type of behaviour are seldom recovered once lost so it may be a prudent long term strategy to practise export customer loyalty in both good and bad times.

Figure 5.23: Internal export barriers: Insufficient production capacity

![Graph showing Q3-12 Insufficient production capacity in your firm]

Source: Author’s own construction from survey data

Although the feedback on production capacity was not an unexpected revelation, it is conceivably surprising that the data on finance reveals similar characteristics. Figure 5.24 on page 87 reflects that 81 per cent of respondents do not regard a lack of finance as a major barrier while only 6 per cent accord it any negative credence.
Another interesting characteristic is shown in Table 5.3 below which lists the mean score per employee level. Where it might be expected that small companies would feel the greatest negative impact with regard to a lack of finance the mean of 4.5 indicates strongly that the opposite holds true.

This is relevant because many of the resources allocated by government to the business sector are focused on providing finance. Viewing the observations below it may be tempting to suggest that the South African government could move some resources from funding to skills training, for example. Alternatively the findings might simply be confirmation that the government funding programmes are in fact successfully achieving their objectives.

Figure 5.24: Internal export barriers: Lack of finance

<table>
<thead>
<tr>
<th>Number of employees</th>
<th>x-bar</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 50</td>
<td>4.5</td>
</tr>
<tr>
<td>50-200</td>
<td>3.9</td>
</tr>
<tr>
<td>201-500</td>
<td>4.4</td>
</tr>
<tr>
<td>&gt; 501</td>
<td>4.3</td>
</tr>
</tbody>
</table>

Source: Author’s own construction from survey data
When scrutinising the data in Figure 5.25 below covering the lack of information on opportunities abroad it is interesting to note a parallel with the data in Figure 5.22. These elements both form part of the knowledge barriers referred to by Arteaga-Ortiz and Fernández-Ortiz (2010) in section 2.3 and have the joint lowest mean score of 3.4 in this category.

Another interesting link between these two knowledge barriers is found when analysing the data relative to the number of employees in the organisation. Once again both elements have the same mean score (3.1) for businesses with 50 or less employees.

Figure 5.25: Internal export barriers: Lack of information on opportunities

<table>
<thead>
<tr>
<th>Q3-14 Lack of information on opportunities for your products abroad</th>
</tr>
</thead>
<tbody>
<tr>
<td>1: Hinders enormously</td>
</tr>
<tr>
<td>Does not hinder</td>
</tr>
</tbody>
</table>

Source: Author’s own construction from survey data

It was noted in section 2.3.4 that one of the non-tariff barriers that has gained favour to offset declining import duties was that of product certification. It is reassuring to
note as per Figure 5.26 that this factor appears to have little negative influence on exports to SADC.

Both the 83 per cent who indicated a minimal negative impact and the 4 per cent who indicated that this factor is an obstruction are the most positive results for either external or internal export barriers. This may be because many South African manufacturers are already familiar with the stringent requirements of first world markets such as Europe or the United States of America. It may also imply that our SADC partners are not using product certification in a discriminatory fashion.

Figure 5.26: Internal export barriers: Difficulty in complying with product certification

The final element assessed as part of the internal export barriers examines the influence of a lack of management time. This is another internal barrier where a majority (77 per cent) of respondents indicated that this factor was not a significant negative influence, with only 10 per cent indicating the opposite.

Previous research on SMME’s by Van der Walt (2007) found a lack of management time to be an inhibiting factor but this is not confirmed by the data in Figure 5.27 below. This may be another factor that is linked to the worldwide recession, in a similar manner as proposed with regard to production capacity above. The reduced
operating levels associated with the recession may have freed up management time that can be allocated to exports and other endeavours.

Figure 5.27: Internal export barriers: Lack of management time

![Q3-16 Lack of management time](image)

Source: Author’s own construction from survey data

Figure 5.28 displays the means for all the internal export barriers and paints an even more favourable picture than the external barriers. The data shows that 69 per cent of the respondents do not perceive a significant negative impact and only 10 per cent feel that internal barriers do pose a material hindrance. The mean score for the category is 3.9 supporting the perception that internal export barriers do not present a significant hindrance to SADC exports.

Figure 5.28: Average for all internal export barriers

![Mean of internal export barriers](image)

Source: Author’s own construction from survey data
Question Q3-17 was an open-ended question allowing respondents to add a barrier that was not listed and question Q3-18 gave them an opportunity to indicate the impact of their barrier. Nine respondents added their own barriers with only one new barrier occurring two or more times. Three respondents highlighted the fact that there are no vehicle original equipment manufacturers (OEM) in the SADC region. As would be expected these three respondents are in the automotive industry and it is most likely that they are automotive component manufacturers who produce products that do not have a large aftermarket requirement.

5.5 THE ROLE OF GOVERNMENT

Section 4 of the questionnaire assimilates the role of the South African government in the export process. This section contained eight initiatives that were measured respectively for respondent awareness and their perceived impact. The responses to the questions on awareness have been summarised in Figure 5.29.

As anticipated from the literature review and in support of the research by Finscope (2010) the results on the levels of awareness should not be surprising. Calculating a mean of means across all eight elements results in an average of 40 per cent of the responses being “Yes”. Looking at this another way, 50 per cent more of the respondents said “No” rather than “Yes”. However it is premature to make any profound interpretations from this simple analysis and it is necessary to introduce some balance to the results.

The two initiatives with the lowest positive response rates are Tradepoint Nelson Mandela Bay (AROG6) and the Nelson Mandela Municipality Trade and Investment Promotion Unit (AROG8). But it should be noted that both of these initiatives are relative newcomers. In contrast, the first three factors (AROG1, AROG2, and AROG3) have been in existence for more than two decades each, hence it would not be unreasonable to expect that these would have an even greater level of visibility.
Figure 5.29: Awareness of government initiatives

Awareness of government initiatives

Source: Author’s own construction from survey data

Key

<table>
<thead>
<tr>
<th>AROG1</th>
<th>Q4-1 Are you aware of The Export Marketing and Investment Assistance (EMIA) scheme?</th>
</tr>
</thead>
<tbody>
<tr>
<td>AROG2</td>
<td>Q4-3 Are you aware of the diplomatic missions of the South African government?</td>
</tr>
<tr>
<td>AROG3</td>
<td>Q4-5 Are you aware of the Export Promotion Directorate of the Department of Trade and Industry?</td>
</tr>
<tr>
<td>AROG4</td>
<td>Q4-7 Are you aware of Trade and Investment South Africa (TISA)?</td>
</tr>
<tr>
<td>AROG5</td>
<td>Q4-9 Are you aware of the Eastern Cape Development Corporation (ECDC) Export Promotion Unit?</td>
</tr>
<tr>
<td>AROG6</td>
<td>Q4-11 Are you aware of Tradepoint Nelson Mandela Bay?</td>
</tr>
<tr>
<td>AROG7</td>
<td>Q4-13 Are you aware of the Eastern Cape Exporters Club?</td>
</tr>
<tr>
<td>AROG8</td>
<td>Q4-15 Are you aware of the Nelson Mandela Bay Municipality Trade and Investment Promotion unit?</td>
</tr>
</tbody>
</table>

Source: Author’s own construction from survey data
A summary of the responses on impact is listed in Table 5.4, including each question’s mean and standard deviation.

Table 5.4: Responses to Section four of the questionnaire

<table>
<thead>
<tr>
<th>Section 4: The role of government</th>
<th>Code</th>
<th>Valid n</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
<th>x-bar</th>
<th>StdDev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4-2 The Export Marketing and Investment Assistance (EMIA) scheme has a positive impact on your ability to export to the SADC region.</td>
<td>ROG1</td>
<td>50</td>
<td>8%</td>
<td>4%</td>
<td>80%</td>
<td>4%</td>
<td>4%</td>
<td>2.9</td>
<td>0.75</td>
</tr>
<tr>
<td>Q4-4 The diplomatic missions of the South African government have a positive impact on your ability to export to the SADC region.</td>
<td>ROG2</td>
<td>50</td>
<td>10%</td>
<td>6%</td>
<td>80%</td>
<td>4%</td>
<td>0%</td>
<td>2.8</td>
<td>0.68</td>
</tr>
<tr>
<td>Q4-6 The Export Promotion Directorate of the Department of Trade and Industry has a positive impact on your ability to export to the SADC region.</td>
<td>ROG3</td>
<td>49</td>
<td>10%</td>
<td>10%</td>
<td>73%</td>
<td>4%</td>
<td>2%</td>
<td>2.8</td>
<td>0.77</td>
</tr>
<tr>
<td>Q4-8 Trade and Investment South Africa (TISA) has a positive impact on your ability to export to the SADC region.</td>
<td>ROG4</td>
<td>49</td>
<td>4%</td>
<td>6%</td>
<td>90%</td>
<td>0%</td>
<td>0%</td>
<td>2.9</td>
<td>0.46</td>
</tr>
<tr>
<td>Q4-10 The Eastern Cape Development Corporation (ECDC) Export Promotion Unit has a positive impact on your ability to export to the SADC region.</td>
<td>ROG5</td>
<td>50</td>
<td>8%</td>
<td>6%</td>
<td>80%</td>
<td>4%</td>
<td>2%</td>
<td>2.9</td>
<td>0.70</td>
</tr>
<tr>
<td>Q4-12 The Tradepoint Nelson Mandela Bay has a positive impact on your ability to export to the SADC region.</td>
<td>ROG6</td>
<td>48</td>
<td>8%</td>
<td>4%</td>
<td>79%</td>
<td>6%</td>
<td>2%</td>
<td>2.9</td>
<td>0.72</td>
</tr>
<tr>
<td>Q4-14 The Eastern Cape Exporters Club has a positive impact on your ability to export to the SADC region.</td>
<td>ROG7</td>
<td>47</td>
<td>6%</td>
<td>6%</td>
<td>81%</td>
<td>4%</td>
<td>2%</td>
<td>2.9</td>
<td>0.67</td>
</tr>
<tr>
<td>Q4-16 The Nelson Mandela Bay Municipality Trade and Investment Promotion unit has a positive impact on your ability to export to the SADC region.</td>
<td>ROG8</td>
<td>50</td>
<td>4%</td>
<td>4%</td>
<td>88%</td>
<td>2%</td>
<td>2%</td>
<td>2.9</td>
<td>0.55</td>
</tr>
</tbody>
</table>

Source: Author’s own construction from survey data
Key (also applicable to Table 5.7):

- **Code**: Code allocated for statistical analysis
- **Valid n**: Number of valid responses
- **SD**: Strongly disagree
- **D**: Disagree
- **N**: Neutral
- **A**: Agree
- **SA**: Strongly agree
- **x-bar**: Mean of the scores allocated on the scale above
- **StdDev**: Standard deviation

When analysing the descriptive statistics relating to the government initiatives, a great deal of symmetry was found in the data. Instead of belabouring the point by deliberating charts for each element it is more effective and instructive to consider the mean scores for all eight questions together.

Figure 5.30 on page 95 suitably demonstrates the pattern that permeates through this line of questions. The data depicted below also excludes the neutral answers allocated to the respondents who answered “No” to the questions on awareness. Nonetheless more than half of the responses given were neutral and only 14 per cent indicated any degree of positive impact. In the context of this data set, a fairly significant 34 per cent of responses inferred that the initiatives listed did not have a positive impact of exports to the SADC region. This is reinforced by a means score of 2.7.

It was noted above that on average only 40 per cent of the respondents indicated that they are aware of the government initiatives listed. Taking this one step further, only 14 per cent of this 40 per cent indicated that the initiatives had a positive impact on their exports to the SADC region. Given the ample resources allocated by the government towards export promotion, there appears to be a disconnect somewhere along this value chain.
5.6 THE SADC AGREEMENT

Section 5 contained one question measuring the respondents’ own perception of their knowledge of the SADC agreement. Chapter 3 provided a broad overview of the SADC agreement, highlighting the fact that, although the agreement has its origins back in the 1980s, it was only officially ratified at the start of the new millennium. It was also noted that the duty free benefits only became effective during 2008; hence it would be unreasonable to expect that most respondents would have a thorough knowledge of the agreement, as is borne out in Figure 5.31 below.

While it is encouraging that 82 per cent of respondents have at least an awareness of the agreement this is mitigated by the fact that only 35 per cent have at least worked with SADC.
5.7 THE IMPACT OF SADC AGREEMENT

The final section of the questionnaire deals with the awareness and impact of the dynamics prevailing in the SADC region. This section comprises six dynamics revealed in the literature review and consistent with the section on the role of government, is also measured respectively for respondent awareness and their perceived impact. The responses to the questions on awareness have been summarised in Figure 5.32.

When compared to the data in Figure 5.29, which depicts the role of government, there is an almost completely asymmetrical contrast, with a mean of means for all the dynamics showing 62 per cent responding “Yes” and 38 per cent “No”. It remains to be seen if this improved level of awareness translates into a positive overall dynamic.
Figure 5.32: Awareness of the SADC dynamics

Source: Author’s own construction from survey data

Key:

<table>
<thead>
<tr>
<th>ASAD1</th>
<th>Q6-1 The SADC agreement makes provision for preferential duties in favour of goods manufactured in member states. In terms of this provision most goods manufactured in South Africa can be exported to other SADC members on a duty free basis. Are you aware of this dynamic?</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASAD2</td>
<td>Q6-3 The contention is that SADC markets have fewer multinational competitors than found in South Africa which creates a more favourable trading environment for South African manufacturers. Are you aware of this dynamic?</td>
</tr>
<tr>
<td>ASAD3</td>
<td>Q6-5 Most of the SADC markets are not heavily industrialised. The contention is that the SADC markets therefore do not have strong competition from indigenous manufacturers which creates a more favourable trading environment for South African manufacturers. Are you aware of this dynamic?</td>
</tr>
<tr>
<td>ASAD4</td>
<td>Q6-7 The SADC region has had higher levels of economic growth over recent years than the rest of the world. Are you aware of this dynamic?</td>
</tr>
<tr>
<td>ASAD5</td>
<td>Q6-9 Manufacturers must comply with Rules of Origin requirements to qualify for the preferential duties available under the SADC agreement. Manufacturers must register for SADC benefits with the South African Revenue Services (SARS) and upon approval receive SADC certificates that facilitate the duty preferences. Are you aware of this factor?</td>
</tr>
<tr>
<td>ASAD6</td>
<td>Q6-11 The contention is that our close proximity to the SADC markets results in lower transport costs and shorter delivery lead times for South African manufacturers. As South Africa is the largest manufacturer in the SADC region this creates a favourable environment for our products. Are you aware of this dynamic?</td>
</tr>
</tbody>
</table>
Considering that the agreement is relatively new and a key element such as the preferential duties has only been operational for a few years, the results bode well for a more positive outcome compared with the earlier section on the role of government. A summary of the responses on impact is listed in Table 5.5 including each question’s mean and standard deviation.

Table 5.5: Responses to Section six of the questionnaire

<table>
<thead>
<tr>
<th>Section 6: The impact of SADC</th>
<th>Code</th>
<th>Valid n</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
<th>x-bar</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q6-2 The preferential duties have a positive impact on your ability to compete in the SADC region.</td>
<td>SAD1</td>
<td>50</td>
<td>0%</td>
<td>4%</td>
<td>54%</td>
<td>26%</td>
<td>16%</td>
<td>3.5</td>
<td>0.81</td>
</tr>
<tr>
<td>Q6-4 Having fewer multinational competitors within your industry in the SADC markets has a positive impact on your ability to compete in the SADC region.</td>
<td>SAD2</td>
<td>49</td>
<td>2%</td>
<td>4%</td>
<td>61%</td>
<td>31%</td>
<td>2%</td>
<td>3.3</td>
<td>0.67</td>
</tr>
<tr>
<td>Q6-6 The lack of indigenous competition within your industry has a positive impact on your ability to compete in the SADC region.</td>
<td>SAD3</td>
<td>49</td>
<td>2%</td>
<td>4%</td>
<td>59%</td>
<td>31%</td>
<td>4%</td>
<td>3.3</td>
<td>0.71</td>
</tr>
<tr>
<td>Q6-8 The high level of SADC economic growth has a positive impact on your ability to initiate and grow exports into the region.</td>
<td>SAD4</td>
<td>49</td>
<td>0%</td>
<td>4%</td>
<td>61%</td>
<td>31%</td>
<td>4%</td>
<td>3.3</td>
<td>0.63</td>
</tr>
<tr>
<td>Q6-10 The Rules of Origin requirements do not hinder your ability to export into the SADC region.</td>
<td>SAD5</td>
<td>49</td>
<td>0%</td>
<td>0%</td>
<td>67%</td>
<td>27%</td>
<td>6%</td>
<td>3.4</td>
<td>0.61</td>
</tr>
<tr>
<td>Q6-12 The close proximity has a positive impact on your ability to export into the SADC region.</td>
<td>SAD6</td>
<td>49</td>
<td>6%</td>
<td>14%</td>
<td>41%</td>
<td>35%</td>
<td>4%</td>
<td>3.2</td>
<td>0.94</td>
</tr>
</tbody>
</table>

Source: Author’s own construction from survey data

While the data above includes all the responses, the data depicted in the graphs that follow exclude the neutral answers allocated to the respondents who answered “No” to the questions on awareness.
The first question measured the impact of the preferential duties and as reflected in Figure 5.33 sixty two per cent of respondents indicated that this factor had a positive impact on their ability to compete in the SADC region. Another good indication of the degree of impact is that fact that 24 per cent indicated that they strongly agree, which is the highest score on this scale for any of the elements in this section.

When viewing the 6 per cent of responses that suggest the impact is not positive it may be argued that this figure could conceivably be zero. It should however be remembered that while duties have been eliminated across most products some protection does still remain, particularly for products where destination countries have their own manufacturing industry.

Figure 5.33: The impact of SADC preferential duties

![Bar chart showing Q6-2 The preferential duties have a positive impact on your ability to compete in the SADC region.](image)

Source: Author’s own construction from survey data

The next two questions reported on the impact of reduced multinational and indigenous competition in the SADC markets. These two factors delivered very similar results, as shown in Figures 5.34 and 5.35 on page 100. In both cases more than half of the respondents felt that these factors had a positive impact on their
competitive position. The respondents who did not agree were 10 per cent or less with just over a third remaining neutral.

Figure 5.34: The impact of fewer multinational competitors in SADC markets

Q6-4 Having fewer multinational competitors within your industry in the SADC markets has a positive impact on your ability to compete in the SADC region.

Source: Author’s own construction from survey data

Figure 5.35: The impact of less indigenous competition in SADC markets

Q6-6 The lack of indigenous competition within your industry has a positive impact on your ability to compete in the SADC region.

Source: Author’s own construction from survey data
Figure 5.36 reveals that the good economic growth in the SADC region also has a positive impact on exports to the region. With 68 per cent agreeing and only 8 per cent disagreeing this is another strong indication of the potential that lies within the region. When viewing this data in conjunction with Figure 5.32 it is noteworthy that this factor scored the lowest level of awareness with only 51 per cent of respondents indicating that they are aware of this dynamic.

Figure 5.36: The impact of good economic growth in SADC markets

A factor that the literature revealed as a possible impediment to export into the SADC region was the requirements with regard to the rules of origin. This is not supported by the data reflected on the following page, in Figure 5.37 which shows that 55 per cent feel that the requirements are not a hindrance, with 45 per cent being neutral. It is fairly remarkable that no respondents indicated that the rules were any form of hindrance.

This may be evidence that the South African Revenue Service (who manage the certification process through Customs and Excise) is performing effectively with regard to the administration of this process. The other factor to consider is that the
sample consists of manufacturers and it is easier for this group to comply with the requirements than it is for third party exporters.

The practical examples contained in the literature review highlighted the difficulties faced by companies such as Woolworths and Shoprite with regard to compliance. As both these entities buy products from many different manufacturers, they would need to process documentation to cover each of these manufacturers to comply with the rules of origin requirements. This is a very different and more challenging proposition compared to that faced by the sample group in this study, who only need to administer their own range of products.

Figure 5.37: The impact of the Rules of Origin

![Bar chart showing the impact of Rules of Origin on ability to export into SADC region.]

Q6-10 The Rules of Origin requirements do not hinder your ability to export into the SADC region.

Source: Author’s own construction from survey data

The final question measured the impact of the close geographical proximity of South Africa to most of the SADC markets. This response scored the highest level of awareness as per Figure 5.32, at 73 per cent, which may be due to the intuitive nature of the question. This is supported by the fact that 53 per cent of the respondents indicated that this dynamic has a positive impact on their ability to export to the SADC region.
While the evidence in support of this dynamic is strong, it is worth noting in Figure 5.38 that the 27 per cent of responses that disagreed is the highest in this array of questions, with only 19 per cent remaining neutral. One possible explanation is that the vast improvements in transport and communication technologies have reduced the effect of distance to market.

Figure 5.38: The impact of the close proximity of the SADC markets

Q6-12 The close proximity has a positive impact on your ability to export into the SADC region.

Source: Author’s own construction from survey data

Figure 5.39 reveals the mean of means for all the SADC factors and illustrates that on average 58 per cent of responses signify that the SADC dynamics have a positive impact with only 11 per cent disagreeing with this notion.

Figure 5.39: Averages for SADC dynamics

Source: Author’s own construction from survey data
When searching for other significant associations within the data the positive effect of the SADC agreement was also revealed when considering the results against the responses in Figure 5.31. When analysing data in conjunction with knowledge of the SADC agreement, the Category 2 respondents to question 5-1, who indicated that they are simply aware of the SADC agreement, achieved an overall mean score of 3.2. The respondents that answered 3 or 4 and have at least worked with the SADC agreement returned a mean score of 3.7. Hence the conditions of awareness and knowledge emerge once again as relevant factors.

5.8 CONCLUSION

The data collected via the empirical study were analysed and interpreted in this chapter. The results were linked back to the literature review where appropriate and compared to previous studies where relevant. The specific intent of this process was to accomplish the research objectives detailed in chapter one and resolve the associated secondary objectives.

The final chapter will deliberate the conclusions and recommendations derived from the preceding analysis. It will also discuss the limitations inherent in this study as well as any recommendations and opportunities for further research.
CHAPTER SIX: CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

Chapter 5 presented the research findings and introduced the discussion themes. Where appropriate the process of integrating the findings with the literature review was begun. This chapter completes the integration process and extracts a summary of the main findings.

The limitations of the research study are highlighted and recommendations are suggested. Some areas for further research are proposed and the final act consists of concluding remarks.

6.2 RESEARCH SUMMARY

The primary objective of this research study was to investigate why exports to the SADC region have not improved and what are the factors influencing this process. To achieve this it was first necessary to understand why exporting is considered beneficial both for a firm and for economic development in South Africa.

The next step was to consider the barriers that impede exports from South Africa into the SADC region. This was followed by an examination of the role the South African government plays in supporting exports to SADC including an analysis of the SADC dynamics. An important element of this process was to determine the awareness that exists with regard to the government support measures and the SADC dynamics.

A thorough literature review was conducted to provide a foundation for the construction of a measuring instrument designed to collect usable primary data from manufacturers in the Eastern Cape. The sample included a suitable distribution across the various manufacturing sectors as well as a range of employment levels. The data collected from the survey was analysed and discussed in the preceding
chapter. The most significant discoveries will now be deliberated in accordance with
the three principal themes that have guided this study.

6.2.1 Export barriers

As has been the norm throughout this study the export barriers are separated into
external and internal barriers. The results revealed that the most significant external
barrier inhibiting exports to the SADC region is that of transport costs and shipping
arrangements. This affirms the exposition in section 2.3.3 which identifies transport
as an important barrier to overcome throughout Africa.

Another barrier that displayed a larger negative propensity relative to the other
external factors is that of the documentation and red tape associated with the export
operation. Once again this is not surprising as these elements were identified in
section 2.3.4 covering non-tariff barriers. There is also an overlap between some
aspects of the shipping arrangements raised in the previous paragraph and the
documentation and red tape discussed here, being corroborated by consistency in
the findings.

The significance of these two barriers needs to be moderated and viewed in the
context of the results for the other external barriers. With respective means of 3.0
and 3.4, transport and documentation can hardly be regarded as having a
significantly negative influence on SADC exports. The impact is simply greater than
the other barriers.

The issues of political instability and corruption might receive a great deal of
coverage in the popular media but the research findings do not support a negative
inference with regard to these barriers. With means of 3.6 and 3.3 respectively both
of these factors display positive trends. While this may be contrary to popular media
it is the result of a reawakening in Africa that has been recognised by Parker (2009),
amongst others.
The mean for all the external barriers is 3.6 which generally infers that external barriers do not pose a significant hindrance.

When evaluating the internal export barriers the two factors that share the lowest mean score are both classified as “knowledge” barriers. These are the lack of knowledge of potential export markets and the lack of information on opportunities abroad and have a mean of 3.4, which once again infers that these barriers do not pose a significant negative influence on exports to SADC.

Indeed the mean score for all internal barriers is 3.9 which demonstrates an even stronger positive influence than the external barriers. Perhaps the most surprising outcome is the mean score of 4.3 measured for the “lack of finance” barrier. As mentioned in the previous chapter a great deal of government support is focused on providing financial backing to industry and this result may either be interpreted as implying that government resources are focused in the wrong area or alternatively that the financing programmes are working successfully. A mean of means for both external and internal barriers is 3.7, which suggests that export barriers do not significantly hinder exports to the SADC region.

6.2.2. The role of government

The research of Herrington, Kew and Kew (2009) and Finscope (2010), cited in section 2.4.3, forewarned of the low levels of awareness in the small business sector with regard to government support programs. This is supported by Table 6.1 which illustrates that although the mean of means for the response group may be 40 per cent the level of awareness amongst the smallest businesses is only 28 per cent.

Table 6.1: Awareness of government support programs

<table>
<thead>
<tr>
<th>Number of employees</th>
<th>Aware</th>
<th>Not Aware</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 50</td>
<td>28%</td>
<td>72%</td>
</tr>
<tr>
<td>50-200</td>
<td>56%</td>
<td>44%</td>
</tr>
<tr>
<td>201-500</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>&gt; 501</td>
<td>41%</td>
<td>59%</td>
</tr>
</tbody>
</table>

Source: Author’s own construction from survey data
While the awareness level is consistently low amongst small businesses, this does not imply that the level for larger businesses is acceptable. The quality of government support measures is immaterial if the intended recipients are unaware of their existence.

What is perhaps surprising is that of all of the options offered none stood out on its own with a particularly high level of awareness. The highest outcome, where the respondents indicated positive awareness, was the 57 per cent achieved by the Exporters Club, which may still be regarded as low. As recorded in section 5.5 there are some meaningful and generous government support measures that have been operational for many years but still do not enjoy high levels of exposure.

A good example of this is the EMIA scheme which provides direct financial assistance for various export marketing operations. This beneficial scheme is promoted by the Department of Trade and Industry, the Eastern Cape Development Corporation, Tradepoint Nelson Mandela Bay and the Nelson Mandela Bay Municipality amongst others, and yet only records a 42 per cent level of awareness.

Using this as a departure point to move on to the impact of the government initiatives, it has been noted in Table 5.6 that the mean score for EMIA is 2.9. As EMIA and a great deal of other support measures are directed towards smaller businesses the data were analysed by employee level for those respondents that are aware of the scheme. This analysis returned a mean of 3.8 which implies that the EMIA scheme is having at least some form of positive impact for smaller firms.

In the quest to derive some value from the indifferent results related to the government initiatives this analysis was applied to all the initiatives. The most meaningful outcomes are summarised in Table 6.2 on page 109. In alignment with the results for EMIA, both the ECDC and Tradepoint reflect improved means of 3.4 and 3.5 respectively.
Table 6.2: The impact of government initiatives on small business

<table>
<thead>
<tr>
<th>Government support initiative</th>
<th>x-bar</th>
<th>Mean for manufacturers with &lt; 50 employees who are aware of the initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Export Marketing and Investment Assistance (EMIA) scheme</td>
<td>2.9</td>
<td>3.8</td>
</tr>
<tr>
<td>The Eastern Cape Development Corporation (ECDC) Export Promotion Unit</td>
<td>2.9</td>
<td>3.4</td>
</tr>
<tr>
<td>The Tradepoint Nelson Mandela Bay</td>
<td>2.9</td>
<td>3.5</td>
</tr>
</tbody>
</table>

Source: Author’s own construction from survey data

This suggests that there are manufacturing sectors that are being served fairly effectively by some of the support programmes that are currently available. The initial challenge appears to lie with the lack of awareness prevailing in the local manufacturing sector. As noted earlier some of the programmes are promoted by many different organisations yet remain largely unknown. With all the promotional efforts already taking place it would be unfair to charge the government with the lone responsibility for improving this state of affairs.

During the course of the pilot study the manager of Tradepoint Nelson Mandela Bay made a prescient request for the measuring instrument to include a question testing “inertia”. While not within the scope of this study it may be a worthwhile topic for future research as there indeed appears to be elements of lethargy and inaction in the Eastern Cape manufacturing community.

Nonetheless when all the results are considered, the conclusion must be that the government support programmes are not having a positive impact on exports to the SADC region. To reduce this element down to the most basic level, if only 40 per cent of the respondents are aware and this group denotes a positive impact of 14 per cent, it could be inferred that the government initiatives thus have a 5.6 per cent positive impact on exports to SADC. This may not be technically correct but it does illustrate the point.
6.2.3 The SADC agreement

The SADC agreement and the SADC acronym itself enjoy a fair amount of exposure in the media; hence it may not be unexpected that the gross level of awareness exceeds that of the government initiatives by more than 50 per cent. Also, based on the literature review it should not be unexpected that the dynamics in question have a positive impact on exports to the region.

Performing the analysis of awareness based on employee level reveals that the smallest companies once again have the lowest level of awareness. What is more encouraging is that the larger employers, and particularly those with more than 500 employees, display a far higher level of awareness when compared to Table 6.1.

Table 6.3: Awareness of SADC dynamics

<table>
<thead>
<tr>
<th>Number of employees</th>
<th>Aware</th>
<th>Not Aware</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 50</td>
<td>46%</td>
<td>54%</td>
</tr>
<tr>
<td>50-200</td>
<td>65%</td>
<td>35%</td>
</tr>
<tr>
<td>201-500</td>
<td>67%</td>
<td>33%</td>
</tr>
<tr>
<td>&gt; 501</td>
<td>83%</td>
<td>17%</td>
</tr>
</tbody>
</table>

Source: Author’s own construction from survey data

When analysing the influence of SADC the impact of the preferential duties achieved the highest overall ranking as well as the highest number of responses that “strongly agree”. In practice it is not unusual for manufactured products to attract duties of 25 per cent or higher in many African markets. The SADC agreement makes provision for most of these products to be zero rated or have reduced import duties when emanating from South Africa. This translates into an unambiguous competitive advantage over manufacturers outside of the SADC region. The respondents who indicated “strongly agree” are most likely manufacturers that are already benefiting from this significant competitive advantage.

This situation does raise the spectre of South African hegemony and trade diversion as raised in section 3.3 above. It is unlikely that a duty imbalance of this magnitude will apply indefinitely and it is advisable that South African manufacturers take a long
term view of the region. Efforts should be made to advocate the primary objectives of SADC as noted in section 3.2 by creating development partnerships within the region designed to benefit all member states.

Simply taking advantage of the favourable duties without any noticeable benefit to the importing country will surely lead to repercussions. For example there are already rumblings within Zambia that trade diversion has caused increased costs in some of their sectors and they are considering levelling the playing fields by removing duties for the non-SADC countries as well. This will have serious consequences for South African manufacturers.

Moving on to the competitive environment, both the lack of multinational competitors and indigenous competition were revealed to be enabling factors in exporting to SADC. Many multinational companies have previously ignored the African continent for political and economic reasons already documented. This is changing as the continent is receiving increased attention both due to the depressed international markets as well as the good African growth rates reflected in Table 3.2.

Outside of SACU and Mauritius, the other SADC members generally have limited manufacturing capabilities, resulting in the muted impact of indigenous competition. This is perhaps the area where South African manufacturers need to consider partnerships with SADC counterparts to genuinely leverage the benefits of regional integration. While having an absolute advantage within the region is appealing, it is worth recalling from section 2.2 that a fundamental tenet of comparative advantage is bilateral trade.

Shifting the focus to the high levels of economic growth, it is clear that this has a positive impact on exports to the region. It is the fact that almost half of the respondents are not aware of what is happening in nearby states that is disconcerting. Even for companies who do not currently have suitable products for African markets it should still be good business practice to have an awareness of markets showing good growth, particularly this close to home.
As mentioned in sections 2.3.4 and 3.3 the rules of origin requirements were considered to be a potential stumbling block in the process of accessing the preferential SADC duties, but this is not supported by the data as not one respondent indicated that the rules were any form of hindrance at all. It is a pleasant surprise that, while this factor was expected to have the weakest impact, it in fact returned the second highest mean score. There is also a degree of consistency with the earlier findings on documentation and red tape in Figure 5.12, with neither of these elements proving to be a significant export barrier.

The final perception related to the benefit of the SADC markets being relatively close to South Africa. While the responses confirmed that the majority do indeed feel that this is a positive factor, there was a meaningful number who opposed this notion. It was not expected that this factor would return the lowest mean score within the category. This could be the result of the improvements made with regard to transport and communication. It could also imply that products imported into Africa are of a high value.

Translating this into a practical example, transporting a container from the East to the African coast can cost in the region of US$ 3 500. If the product being shipped falls into the low valued-added raw material type category, the value of the goods being shipped might be as low as US$ 10 000. Based on this the freight would add 35 per cent to the cost of the shipment.

In contrast, a high value-added product might produce a container value in excess of US$ 100 000. In this case the freight would only add 3.5 per cent to the cost of the shipment. Given that products from the East can have ex-factory prices in excess of 30 per cent cheaper than products manufactured in South Africa, it is clear that freight costs have a minor impact in this scenario. It is thus possible that the respondents who do not feel that the close proximity is a competitive advantage are feeling the impact of this dynamic.
Taking cognisance of the example above it should be remembered that although the impact of freight costs may be neutralised there are still many others benefits attached to being in close proximity to destination markets. Delivery lead times can be much shorter and this has the concomitant benefit of reducing the customers’ stock holding requirements, hence reducing their working capital requirements. There are also other practical benefits associated with proximity such as similarities in time zones, language and culture that work in favour of South Africa manufacturers.

The results support the findings of the literature review. The terms of the SADC agreement and the dynamics prevailing in the region are enabling factors for exports by manufacturers in South Africa. And although awareness levels are relatively higher than for government support measures, there is still room for a great deal of improvement in this regard.

6.3 SUMMARY OF FINDINGS

A brief summary of the findings is listed under the main sub-headings below:

- Export Barriers

  There are some areas that need attention but generally external and internal barriers do not hinder exports to the SADC region.

- The South African government

  The South African government dedicates substantial resources to export promotion through some worthy initiatives. Unfortunately there still appears to be a pervasive lack of awareness regarding these initiatives. On balance it must be expressed that government support programmes are not having a positive impact on exports to the SADC region
The Southern African Development Community (SADC)

There is a reasonable level of awareness with regard to SADC but still room for improvement. Perhaps the highlight of the study is the finding that the SADC agreement and the dynamics prevailing in the region have a positive impact on exports to the region.

6.4 LIMITATIONS OF THE RESEARCH

The primary limitation to this research study is the relatively small sample size of 52 respondents. While it would have been preferable to poll a substantially larger sample, this was not possible with the resources available.

In a conversation with one of the respondents after their feedback had been submitted, it transpired that they felt embarrassed by their lack of knowledge on the government initiatives and the SADC agreement. As it was hoped that a fair response would be received from non-exporters who are interested in exporting, it is possible that some respondents failed to complete the questionnaire either due to feeling embarrassed by a lack of knowledge or feeling that their response would not add value to the research study.

Another limitation is the fact that the sample was restricted to the Eastern Cape, so drawing conclusions on government initiatives and the SADC dynamics may only have regional legitimacy. It is not inconceivable that doing the same research in Gauteng might return different results.

6.5 RECOMMENDATIONS

The main aim of this research study was to investigate why export growth to the SADC region has not exceeded export growth to the world, as manifested in Figure 1.2 on page 6. This was accomplished by investigating the factors influencing this process. The recommendations that flow from this process are presented under the headings of government and management.
The South African government

As noted repeatedly there are many support programmes that already exist, but they are often administered by different departments. It is suggested that as many of these programmes as possible are consolidated under one body. This would increase the body of knowledge under one umbrella and make it easier for manufacturers to access support.

It is necessary to establish an export culture within the manufacturing sector. Globalisation has fundamentally altered the economic paradigm and it has increasingly become an imperative to compete on international markets, or risk becoming uncompetitive in the local market. With all the resources dedicated to providing support it is recommended that that an initial focus is placed on educating manufacturers on the explicit as well as the latent benefits of exporting.

The next suggestion is for government to create specific support structures for African exports in general, and SADC exports in particular. The SADC agreement provides a genuine competitive advantage and should be backed by support mechanisms that leverage the benefits for South African manufacturers.

At a regional level it is recommended that the government actively promotes access to the South African market for the other SADC member states. This can encourage the establishment of manufacturing value chains within the region. It may also appease any calls for economic retaliation that arise as a result of trade diversion in favour of South Africa.

The final recommendation stems from the finding that a lack of finance is not revealed as an export barrier. Hence new resources directed towards export support should be focused on providing more effective information on SADC markets as well as the opportunities that exist for products manufactured in South Africa.
• Management

The decision makers at South African manufacturers need to genuinely buy in to the export culture that the government is promoting. Part of this buy in process is accepting responsibility for learning about the dynamics that are at work. For example, it should not be the responsibility of the government to raise awareness levels; manufacturers should be proactive in staying abreast with factors such as the healthy growth rates in SADC markets.

As a practical exercise manufacturers should do a survey through the SADC markets to determine the duties that apply to products that originate from South Africa, as well as the duties that apply to products that originate outside the SADC region. It is predicted that in numerous cases the duties applicable to South African products are zero per cent while the duties applicable to products that originate outside the SADC region are 25 per cent and higher.

Manufacturers are encouraged to carry out a Porter’s five forces analysis for their industry in some or all of the SADC markets.

It is recommended that manufacturers take a long term view of the SADC region as an export destination. To maintain sustainability the region should not be used to absorb excess capacity but rather form part of long term strategy.

A final recommendation is to explore any opportunities to source products and inputs from the SADC region, however limited this may be. It is likely that imports from the region will also be duty free, and freight costs may be very competitive due to the need for return loads from within the region. This may well be the key to unlocking the potential of the region and achieving the SADC objectives detailed in section 3.2.

6.6 AREAS FOR FURTHER RESEARCH

The first proposal is to undertake this research study nationwide to see if the results from the Eastern Cape are corroborated in the other major regions.
It is also suggested that research is conducted into the awareness levels of all the benefits of exporting.

While this research has focused on manufacturers it is proposed that trade in services is also examined.

And finally, while there is already a great deal of research on the Southern African Development Community it appears mostly to focus on the political and economic arguments from the basis of the agreement. It is proposed that more in depth research is undertaken to measure the tangible impact of the agreement on South African manufacturers.

6.7 CONCLUDING REMARKS

The purpose of this chapter was to conclude the study by summarising the process and extracting the main findings. Based on these findings a set of recommendations was formulated. This served to resolve the primary and secondary objectives. The limitations of the study were demarcated as well as recommendations for future research.

The significance of this research is founded on the importance of manufacturing and exports to the South Africa economy. The environment is competitive and there are challenges to overcome. But effective support is available and the SADC region offers authentic opportunities for South African manufacturers to expand their markets. These opportunities should be exploited.
REFERENCE LIST


Agatiello, O., 2007. Is South-South trade the answer to alleviating poverty?. *Management Decision, 45*(8), pp. 1252-1269.


APPENDIX A: Classification of Export Barriers

**Internal**
- **Informational**
  - Limited information to locate/analyse markets
  - Problematic international market data
  - Identifying foreign business opportunities
  - Inability to contact overseas customers
  - Lack of managerial time to deal with exports
- **Functional**
  - Inadequate/untrained personnel for exporting
  - Lack of excess production capacity for exports
  - Shortage of working capital to finance exports
  - Developing new products for foreign markets
  - Adapting export product design/style
- **Marketing**
  - Meeting export product quality standards/specs
  - Meeting export packaging/labelling requirements
  - Offering technical/after-sales service
  - Offering satisfactory prices to customers
  - Difficulty in matching competitors’ prices
  - Granting credit facilities to foreign customers
  - Complexity of foreign distribution channels
  - Accessing export distribution channels
  - Obtaining reliable foreign representation
  - Maintaining control over foreign middlemen
  - Difficulty in supplying inventory abroad
  - Unavailability of warehousing facilities abroad
  - Excessive transportation/insurance costs
  - Adjusting export promotional activities
- **Distribution**
  - Unfamiliar exporting procedures/paperwork
  - Problematic communication with overseas customers
  - Slow collection of payments from abroad
  - Lack of home government assistance/incentives
  - Unfavourable home rules and regulations
  - Different foreign customer habits/attitudes
  - Keen competition in overseas markets
  - Poor/deteriorating economic conditions abroad
  - Foreign currency exchange risks
  - Political instability in foreign markets
  - Strict foreign rules and regulations
  - High tariff and non-tariff barriers
- **Logistics**
  - Unfamiliar foreign business practices
  - Different sociocultural traits
  - Verbal/nonverbal language differences

**External**
- **Procedural**
  - Unfamiliar home rules and regulations
  - Different foreign customer habits/attitudes
  - Keen competition in overseas markets
  - Poor/deteriorating economic conditions abroad
  - Foreign currency exchange risks
  - Political instability in foreign markets
  - Strict foreign rules and regulations
  - High tariff and non-tariff barriers
  - Unfamiliar foreign business practices
  - Different sociocultural traits
  - Verbal/nonverbal language differences

- **Governmental**
  - Problematic international market data
  - Identifying foreign business opportunities
  - Inability to contact overseas customers
  - Lack of managerial time to deal with exports
  - Inadequate/untrained personnel for exporting
  - Lack of excess production capacity for exports
  - Shortage of working capital to finance exports
  - Developing new products for foreign markets
  - Adapting export product design/style
  - Meeting export product quality standards/specs
  - Meeting export packaging/labelling requirements
  - Offering technical/after-sales service
  - Offering satisfactory prices to customers
  - Difficulty in matching competitors’ prices
  - Granting credit facilities to foreign customers
  - Complexity of foreign distribution channels
  - Accessing export distribution channels
  - Obtaining reliable foreign representation
  - Maintaining control over foreign middlemen
  - Difficulty in supplying inventory abroad
  - Unavailability of warehousing facilities abroad
  - Excessive transportation/insurance costs
  - Adjusting export promotional activities

- **Task**
  - Unfamiliar exporting procedures/paperwork
  - Problematic communication with overseas customers
  - Slow collection of payments from abroad
  - Lack of home government assistance/incentives
  - Unfavourable home rules and regulations
  - Different foreign customer habits/attitudes
  - Keen competition in overseas markets
  - Poor/deteriorating economic conditions abroad
  - Foreign currency exchange risks
  - Political instability in foreign markets
  - Strict foreign rules and regulations
  - High tariff and non-tariff barriers
  - Unfamiliar foreign business practices
  - Different sociocultural traits
  - Verbal/nonverbal language differences

- **Economic**
  - Unfamiliar exporting procedures/paperwork
  - Problematic communication with overseas customers
  - Slow collection of payments from abroad
  - Lack of home government assistance/incentives
  - Unfavourable home rules and regulations
  - Different foreign customer habits/attitudes
  - Keen competition in overseas markets
  - Poor/deteriorating economic conditions abroad
  - Foreign currency exchange risks
  - Political instability in foreign markets
  - Strict foreign rules and regulations
  - High tariff and non-tariff barriers
  - Unfamiliar foreign business practices
  - Different sociocultural traits
  - Verbal/nonverbal language differences

- **Political-Legal**
  - Unfamiliar exporting procedures/paperwork
  - Problematic communication with overseas customers
  - Slow collection of payments from abroad
  - Lack of home government assistance/incentives
  - Unfavourable home rules and regulations
  - Different foreign customer habits/attitudes
  - Keen competition in overseas markets
  - Poor/deteriorating economic conditions abroad
  - Foreign currency exchange risks
  - Political instability in foreign markets
  - Strict foreign rules and regulations
  - High tariff and non-tariff barriers
  - Unfamiliar foreign business practices
  - Different sociocultural traits
  - Verbal/nonverbal language differences

- **Sociocultural**
  - Unfamiliar exporting procedures/paperwork
  - Problematic communication with overseas customers
  - Slow collection of payments from abroad
  - Lack of home government assistance/incentives
  - Unfavourable home rules and regulations
  - Different foreign customer habits/attitudes
  - Keen competition in overseas markets
  - Poor/deteriorating economic conditions abroad
  - Foreign currency exchange risks
  - Political instability in foreign markets
  - Strict foreign rules and regulations
  - High tariff and non-tariff barriers
  - Unfamiliar foreign business practices
  - Different sociocultural traits
  - Verbal/nonverbal language differences
APPENDIX B: Aggregate Ranking of Export Barriers

Very High Impact
- Limited information to locate/analyse markets
- Inability to contact overseas customers
- Identifying foreign business opportunities
- Difficulty in matching competitors’ prices
- Excessive transportation/insurance costs
- Different foreign customer habits/attitudes
- Poor/deteriorating economic conditions abroad
- Political instability in foreign markets

High Impact
- Offering satisfactory prices to customers
- Accessing export distribution channels
- Obtaining reliable foreign representation
- Granting credit facilities to foreign customers
- Unfamiliar exporting procedures/documentation
- Unfavourable home rules and regulations
- Foreign currency exchange risks
- Strict foreign rules and regulations

Moderate Impact
- Problematic international market data
- Lack of managerial time to deal with exports
- Inadequate/untrained personnel for exporting
- Shortage of working capital to finance exports
- Providing technical/aftersales service
- Complexity of foreign distribution channels
- Adjusting export promotional activities
- Problematic communication with overseas customers
- Slow collection of payments from abroad
- Lack of home government assistance/incentives
- Keen competition in overseas markets
- High tariff and nontariff barriers
- Unfamiliar foreign business practices
- Different sociocultural traits

Low Impact
- Meeting export product quality standards/specs
- Lack of excess production capacity for exports
- Verbal/nonverbal language differences

Very Low Impact
- Developing new products for foreign markets
- Adapting export product design/style
- Meeting export packaging/labelling requirements
- Maintaining control over foreign middlemen
- Difficulty in supplying inventory abroad
- Unavailability of warehousing facilities abroad
**APPENDIX C: Research Questionnaire**

### 1. Demographic Information

<table>
<thead>
<tr>
<th>1.1</th>
<th>Company name: (Optional)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>1.2</th>
<th>My current age is:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Between 18-25 years</td>
</tr>
<tr>
<td></td>
<td>Between 26-35 years</td>
</tr>
<tr>
<td></td>
<td>Between 36-48 years</td>
</tr>
<tr>
<td></td>
<td>Greater than 49 years</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1.3</th>
<th>My gender is:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
</tr>
<tr>
<td></td>
<td>Female</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1.4</th>
<th>My highest qualification is:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A Senior Certificate (Matric)</td>
</tr>
<tr>
<td></td>
<td>National Diploma/Degree</td>
</tr>
<tr>
<td></td>
<td>Post Graduate (B Tech, Honours, Masters, Doctorate)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1.5</th>
<th>I am currently employed as</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A junior manager</td>
</tr>
<tr>
<td></td>
<td>A middle manager</td>
</tr>
<tr>
<td></td>
<td>A senior manager or executive</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1.6</th>
<th>I have been employed with the company between (how many years):</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0 - 5 years</td>
</tr>
<tr>
<td></td>
<td>6 - 10 years</td>
</tr>
<tr>
<td></td>
<td>11 - 15 years</td>
</tr>
<tr>
<td></td>
<td>16 - 20 years</td>
</tr>
<tr>
<td></td>
<td>&gt;20 years</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1.7</th>
<th>What is the total number of staff in your organisation within the Eastern Cape?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&lt;50</td>
</tr>
<tr>
<td></td>
<td>50 - 200</td>
</tr>
<tr>
<td></td>
<td>201 - 500</td>
</tr>
<tr>
<td></td>
<td>&gt; 501</td>
</tr>
</tbody>
</table>
1.8 Which of the following best describes the manufacturing sector for your company?

- Automotive
- Chemicals
- Food and Beverage
- High tech and electronics
- Industrial Manufacturing
- Leather, Textiles and clothing
- Metalworking
- Pharmaceuticals
- Plastics
- Other

1.9 If 1.8 is `Other`, please specify

The questions hereafter make reference to the Southern African Development Community (SADC) which comprises of the following countries: Angola, Botswana, DR Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.

In the context of the rest of this questionnaire `the SADC markets` and `exports to the SADC region` refer to sales by manufacturers in the Eastern Cape to the following countries: Angola, DR Congo, Madagascar, Malawi, Mauritius, Mozambique, Seychelles, Tanzania, Zambia and Zimbabwe.

2. Exports

2.1 Does your company sell products outside of South Africa? □ Yes □ No

2.2 If your answer is to 2.1 is Yes, what percentage of turnover consists of exports?

- < 10%
- 10 - 20%
- 21 - 30%
- 31 - 40%
- 41 - 50%
- 51 - 60%
- >61%
2.3 If your answer to 2.1 is Yes what percentage of export turnover is to the SADC region?

- < 10%
- 10 - 20%
- 10 - 20%
- 31 - 40%
- 41 - 50%
- 51 - 60%
- >61%

2.4 If your answer to question 2.1 is No, is your company interested in exporting?

- Yes
- No

2.5 If your answer to 2.4 is Yes, please skip this question and move immediately to Section 3. If 2.4 is No please indicate the main reason why your company is not interested in exporting - please choose only one option: (your questionnaire is now complete, please page through to page 5 to submit)

- Insufficient production capacity in your firm
- Management not interested/does not have enough time
- Business is too small
- No foreign demand for product
- Local market is big enough
- Not part of business model
- Other

2.6 If 2.5 is other please specify


3. BARRIERS TO EXPORTS

The purpose of this section is to test the impact of export barriers on your ability to export to the SADC region. To what extent does each of the barriers to exports indicated below make it difficult for your company to initiate or expand its export activity into the SADC region?

3.1 A shortage of foreign exchange

- Hinders enormously
- Does not hinder

3.2 Documentation and red tape required for the export operation

- Hinders enormously
- Does not hinder

3.3 Political instability

- Hinders enormously
- Does not hinder

3.4 Corruption

- Hinders enormously
- Does not hinder

3.5 Import duties

- Hinders enormously
- Does not hinder

3.6 Risk of exchange rate volatility

- Hinders enormously
- Does not hinder

3.7 Transport costs and shipping arrangements

- Hinders enormously
- Does not hinder
<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High financial cost of the methods of payment</td>
<td></td>
<td></td>
<td></td>
<td>Does not Hinder</td>
</tr>
<tr>
<td></td>
<td>Mandatory pre-shipment inspections</td>
<td></td>
<td></td>
<td></td>
<td>Does not Hinder</td>
</tr>
<tr>
<td></td>
<td>Lack of personnel skilled in exports</td>
<td></td>
<td></td>
<td></td>
<td>Does not Hinder</td>
</tr>
<tr>
<td></td>
<td>Lack of knowledge of potential export markets</td>
<td></td>
<td></td>
<td></td>
<td>Does not Hinder</td>
</tr>
<tr>
<td></td>
<td>Insufficient production capacity in your firm</td>
<td></td>
<td></td>
<td></td>
<td>Does not Hinder</td>
</tr>
<tr>
<td></td>
<td>Lack of finance to fund export operations</td>
<td></td>
<td></td>
<td></td>
<td>Does not Hinder</td>
</tr>
<tr>
<td></td>
<td>Lack of information on opportunities for your products abroad</td>
<td></td>
<td></td>
<td></td>
<td>Does not Hinder</td>
</tr>
<tr>
<td></td>
<td>Difficulty in complying with product certification</td>
<td></td>
<td></td>
<td></td>
<td>Does not Hinder</td>
</tr>
<tr>
<td></td>
<td>Lack of management time</td>
<td></td>
<td></td>
<td></td>
<td>Does not Hinder</td>
</tr>
<tr>
<td>3.17</td>
<td>If you consider that there is another barrier to exports not included above, please specify:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.18</td>
<td>If you added a barrier in 3.17 please indicate the extent to which it hinders the initiation or expansion of your export activity to the SADC region</td>
<td></td>
<td></td>
<td></td>
<td>Does not Hinder</td>
</tr>
</tbody>
</table>

### 4. THE ROLE OF GOVERNMENT

The South African government currently offers a number of initiatives to support exports. These may be in the form of financial assistance or business support services. The purpose of this section is to test your awareness of these initiatives and their impact on your ability to export to the SADC region.

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1</td>
<td>Are you aware of the Export Marketing and Investment Assistance (EMIA) scheme?</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>
4.2 If your answer to question 4.1 is `No` please skip this question. If it is `Yes` please indicate if The Export Marketing and Investment Assistance (EMIA) scheme has a positive impact on your ability to export to the SADC region

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
</table>

4.3 Are you aware of the diplomatic missions of the South African government?

| Yes | No |

4.4 If your answer to question 4.3 is `No` please skip this question. If it is `Yes` please indicate if the diplomatic missions of the South African government have a positive impact on your ability to export to the SADC region

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
</table>

4.5 Are you aware of the Export Promotion Directorate of the Department of Trade and Industry?

| Yes | No |

4.6 If your answer to question 4.5 is `No` please skip this question. If it is `Yes` please indicate if the Export Promotion Directorate of the Department of Trade and Industry has a positive impact on your ability to export to the SADC region

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
</table>

4.7 Are you aware of Trade and Investment South Africa (TISA)?

| Yes | No |

4.8 If your answer to question 4.7 is `No` please skip this question. If it is `Yes` please indicate if Trade and Investment South Africa (TISA) has a positive impact on your ability to export to the SADC region

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
</table>

4.9 Are you aware of the Eastern Cape Development Corporation (ECDC) Export Promotion Unit?

| Yes | No |

4.10 If your answer to question 4.9 is `No` please skip this question. If it is `Yes` please indicate if the Eastern Cape Development Corporation (ECDC) Export Promotion Unit has a positive impact on your ability to export to the SADC region

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
</table>
4.11 Are you aware of Tradepoint Nelson Mandela Bay?

4.12 If your answer to question 4.11 is `No` please skip this question. If it is `Yes` please indicate if the Tradepoint Nelson Mandela Bay has a positive impact on your ability to export to the SADC region

4.13 Are you aware of the Eastern Cape Exporters Club?

4.14 If your answer to question 4.13 is `No` please skip this question. If it is `Yes` please indicate if the Eastern Cape Exporters Club has a positive impact on your ability to export to the SADC region

4.15 Are you aware of the Nelson Mandela Bay Municipality Trade and Investment Promotion unit?

4.16 If your answer to question 4.15 is `No` please skip this question. If it is `Yes` please indicate if the Nelson Mandela Bay Municipality Trade and Investment Promotion unit has a positive impact on your ability to export to the SADC region

The Southern African Development Community (SADC) came into being in August 1992 with a mandate to focus on regional economic integration. This allowed for the creation of a free trade area by 2008, with 98% of intra SADC trade projected to be duty free by 2012. The purpose of this section is to measure your awareness of the dynamics prevailing in the SADC region and their impact on your ability to export to the SADC region.

5. The SADC agreement

5.1 On a scale of 1 - 5 how would you rate your knowledge of the SADC agreement?
6. The Impact of SADC

The contention is that the SADC agreement and the dynamics of the SADC markets create favourable conditions for South African manufacturers to export into the region. The purpose of this section is to test your awareness of these dynamics and their impact on your ability to export to the SADC region. Please indicate the extent to which the following dynamics affect your ability to compete in the region.

6.1 The SADC agreement makes provision for preferential duties in favour of goods manufactured in member states. In terms of this provision most goods manufactured in South Africa can be exported to other SADC members on a duty free basis. Are you aware of this dynamic?

6.2 If your answer to question 6.1 is ‘No’ please skip this question. If it is ‘Yes’ please indicate if the preferential duties have a positive impact on your ability to compete in the SADC region.

6.3 The contention is that SADC markets have fewer multinational competitors than found in South Africa which creates a more favourable trading environment for South African manufacturers. Are you aware of this dynamic?

6.4 If your answer to question 6.3 is ‘No’ please skip this question. If it is ‘Yes’ please indicate if having fewer multinational competitors within your industry in the SADC markets has a positive impact on your ability to compete in the SADC region.

6.5 Most of the SADC markets are not heavily industrialised. The contention is that the SADC markets therefore do not have strong competition from indigenous manufacturers which creates a more favourable trading environment for South African manufacturers. Are you aware of this dynamic?

6.6 If your answer to question 6.5 is ‘No’ please skip this question. If it is ‘Yes’ please indicate if the lack of indigenous competition within your industry has a positive impact on your ability to compete in the SADC region.
<table>
<thead>
<tr>
<th>6.7</th>
<th>The SADC region has had higher levels of economic growth over recent years than the rest of the world. Are you aware of this dynamic?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Yes</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>6.8</th>
<th>If your answer to question 6.7 is <code>No</code> please skip this question. If it is <code>Yes</code> please indicate if the high level of SADC economic growth has a positive impact on your ability to initiate and grow exports into the region.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly disagree</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>6.9</th>
<th>Manufacturers must comply with Rules of Origin requirements to qualify for the preferential duties available under the SADC agreement. Manufacturers must register for SADC benefits with the South African Revenue Services (SARS) and upon approval receive SADC certificates that facilitate the duty preferences. Are you aware of this factor?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Yes</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>6.10</th>
<th>If your answer to question 6.9 is <code>No</code> please skip this question. If it is <code>Yes</code> please indicate if the Rules of Origin requirements do not hinder your ability to export into the SADC region.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly disagree</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>6.11</th>
<th>The contention is that our close proximity to the SADC markets results in lower transport costs and shorter delivery lead times for South African manufacturers. As South Africa is the largest manufacturer in the SADC region this creates a favourable environment for our products. Are you aware of this dynamic?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Yes</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>6.12</th>
<th>If your answer to question 6.11 is <code>No</code> please skip this question. If it is <code>Yes</code> please indicate if the close proximity has a positive impact on your ability to export into the SADC region.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly disagree</td>
</tr>
</tbody>
</table>