

# Export Bridges: Developing a more targeted approach to export intermediation

**Nedlac Export Promotion Advisory panel**

25 November 2019



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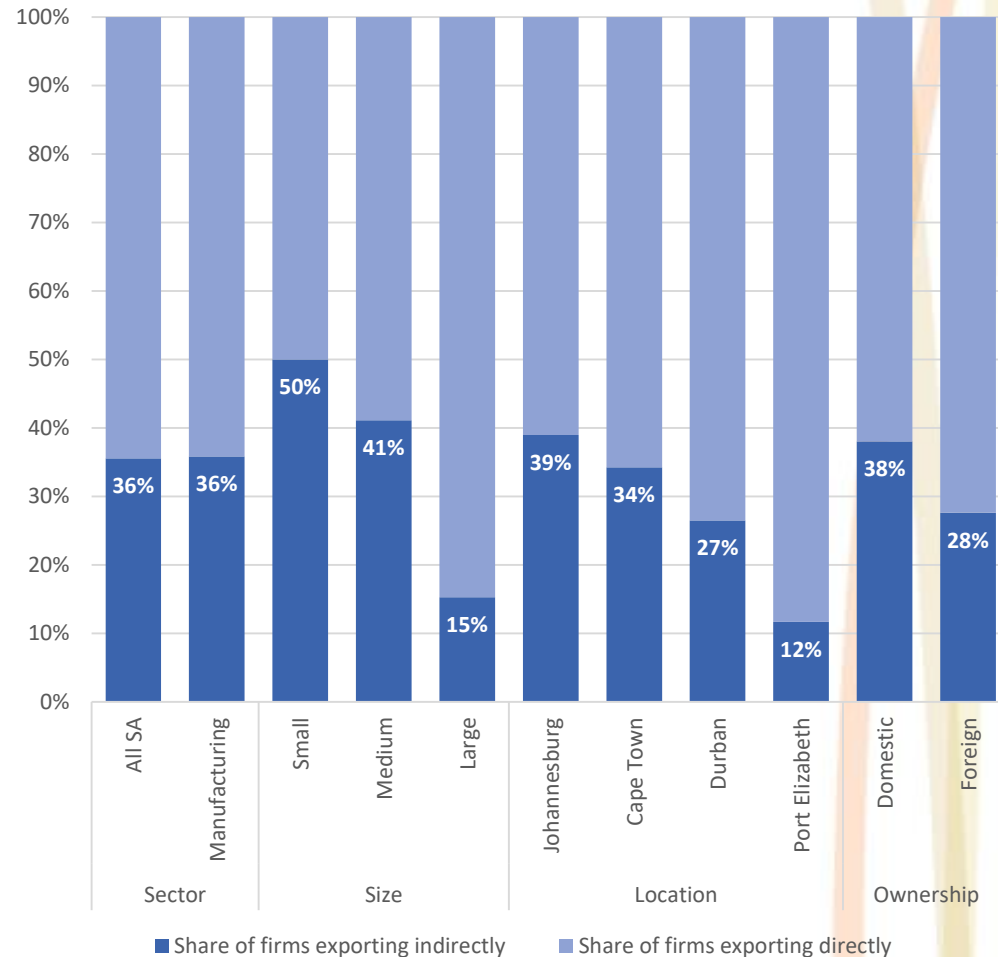
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# INTERMEDIATION GLOBALLY

## Trade intermediation is an important enabler of export development and diversification

- ❖ Historically, intermediation has played an essential role in all major export-led development paths.
- ❖ Intermediaries accounted for 40% of Japanese, 43,5% of Korean, and 22% of Chinese exports during their respective boom decades
- ❖ Intermediaries are particularly important for smaller firms, exports to new and difficult destination markets, and exports of new products.
- ❖ Broadly speaking, there are three key types of intermediary: retail/wholesale groups, marketing intermediaries ('import/export' companies), and lead firms in value chains.
- ❖ While data is very limited and outdated, about 36% of SA exporters report using some form of indirect export mode (as of 2007)

SA exports by export mode, 2007



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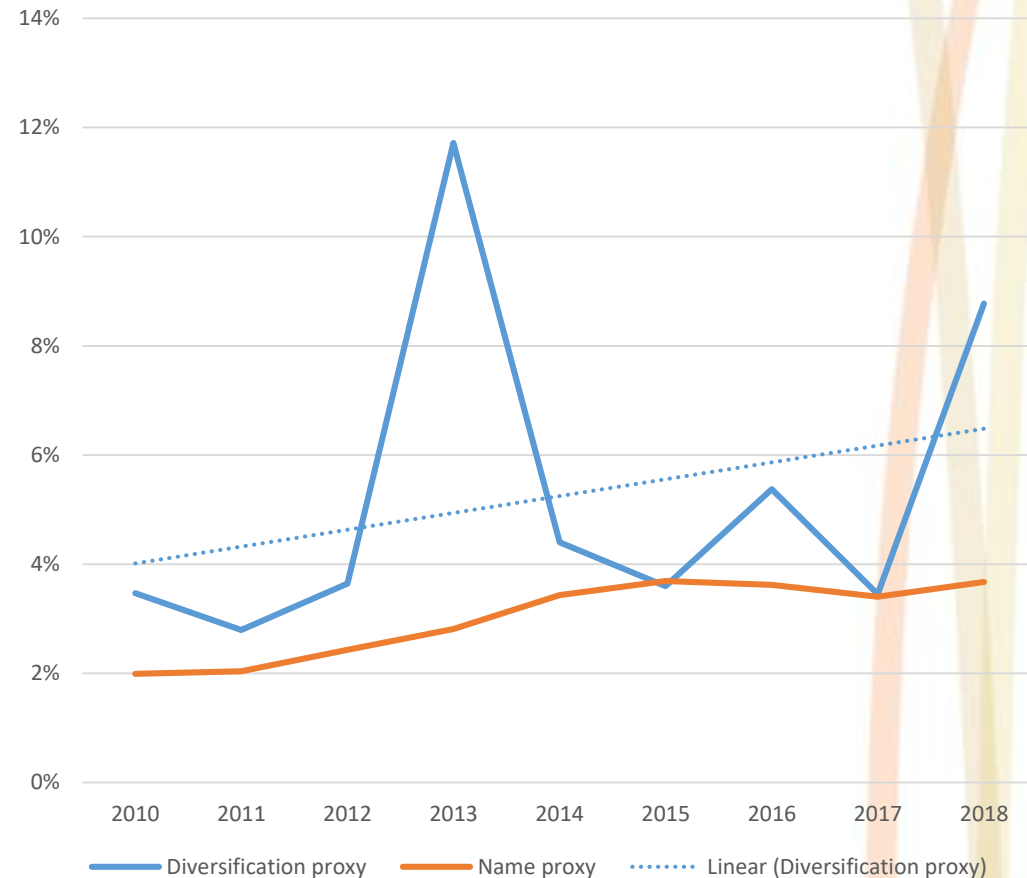
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# INTERMEDIATION IN SOUTH AFRICA

## Trade intermediation plays an important but underdeveloped role in South Africa's export basket

- ❖ Data is scarce on export intermediation in South Africa, and available data paints a mixed picture.
- ❖ Value chains clearly play an important role in exports, with domestic value add contributing a dominant portion of total exports.
- ❖ Retail firms play a small but significant role, estimated at 1,1% of total exports; rising to 4,4% for the Southern African region. This figure does not include imports by foreign-based retail firms.
- ❖ Marketing intermediaries are the hardest to assess – but may make up between 3,7% and 6,3% of total exports by value.
- ❖ A serious gap continues to exist in trade intermediation – and further research is a prerequisite to developing policy.

Estimate of marketing intermediaries' share of total export value, South Africa, 2018



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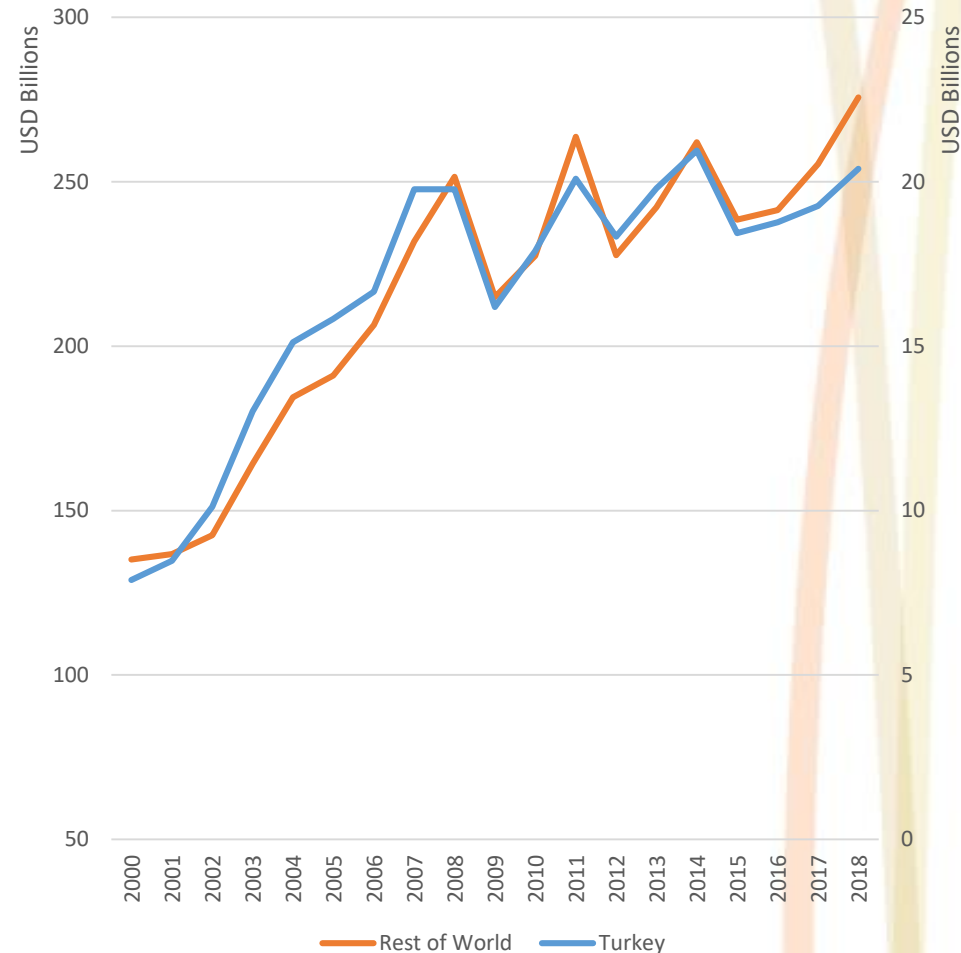
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# EXPORT BRIDGES

**Export bridges are an established approach to strengthening intermediation, and may prove suitable for the SA market**

- ❖ The Jobs Summit produced an outcome to “Explore the establishment of ‘export bridges’ for identified products.”
- ❖ The export bridge concept was developed in Turkey, and involved focused efforts to encourage major CTFL intermediaries to establish a local procurement office in Turkey.
- ❖ The Turkish model involved general promotion efforts, and the offer of subsidized office facilities, which were provided with no rental or utility costs for a period of five years.
- ❖ The model allowed Turkey to maintain a strong presence in the European market, at a time in which other suppliers were under pressure from competitors like China and Bangladesh.
- ❖ This was achieved despite South Africa, for example, being more cost competitive in CTFL than Turkey.

Imports of clothing and textiles by EU28, 2000 - 2018



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# PROPOSED APPROACH

**Support to export intermediaries requires more scoping and an initial integration into existing processes – followed then by broader exploration of a more comprehensive bridges program**

- ❖ Discussions should take place at the **NEDLAC Export Promotion Advisory panel**, which can consider a way forward
- ❖ No program is yet approved, and the proposed approach is **indicative only**.
  1. **Q1 2020**: Scoping of priority intermediaries, both for general export facilitation, and for priority sectors and markets
  2. **Q2 2020**: Strengthening the role of intermediaries in existing processes - export promotion, FER engagement, exporter management, etc.
  3. **To be considered**: Exploration of a support program for South African retailers in Africa
  4. **To be considered** : Integrating intermediary targeting into SEZ/industrial parks programmes
  5. **To be considered**: Local version of export bridges - 'procurement parks'?
- ❖ Given past successes of export bridges in the **CTFL sector**, and the importance of the sector in South Africa, CTFL would be a natural test industry for the intermediation policy.
- ❖ Additional potential in the export of **food** generally, **furniture**, consumer **plastics**, among others.
- ❖ **Implementation** would be led by TISA, in close collaboration with industry actors and interest groups, such as SACTWU.
- ❖ Next steps:
  - ❖ **Discussion** at the Export Promotion Advisory panel
  - ❖ If agreed, development of a proposal for **initial scoping** of intermediaries.
  - ❖ **Further work** would be contingent on findings of the initial scoping.