International Business Review 19 (2010) 345–359

Contents lists available at ScienceDirect

International Business Review

journal homepage: www.elsevier.com/locate/ibusrev

Identifying export opportunities for South Africa in the southern engines: A DSM approach

Joseph Pearson [a], Wilma Viviers [b], Ludo Cuyvers [c,b], Wim Naudé [d,*]

[a] RMB Asset Management Johannesburg, South Africa
[b] School of Economics, North-West University, Potchefstroom, South Africa
[c] Department of International Management, University of Antwerp, Antwerp, Belgium
[d] World Institute for Development Economics Research (WIDER), United Nations University, Katajanokanlaituri 6 B, 00160 Helsinki, Finland

ARTICLE INFO

Article history:
Received 1 November 2007
Received in revised form 8 January 2010
Accepted 11 January 2010

JEL classification:
L26
L25
M16
F14
F15
O24

Keywords:
Brazil
China
Decision support model
Exports
India
South Africa
Trade

ABSTRACT

Brazil, China and India have been described as 'southern engines of growth' in the world economy. By 2050, these three countries could count under the top 5 largest economies in the world. This implies many opportunities for international trade. Governments could facilitate such international trade by helping firms identify feasible export opportunities. In this paper we set out a decision support model (DSM) to assist in the identification of such opportunities. We illustrate the potential usefulness of the model by applying it to the case of South Africa—the first time that we are aware of that it has been applied to an African country. The DSM indicates that there exist significant opportunities for South African exporters in 'southern engines of growth', in particular China and India, and to a lesser extent, Brazil. We identify 51 export opportunities in Brazil, 259 in China, and 198 in India. The number of export opportunities identified in China is the largest of any country, emphasizing the importance of the Chinese market for exports from South Africa.

1. Introduction

International entrepreneurship (IE) is the 'discovery, enactment, evaluation, and exploitation of opportunities – across national borders – to create future goods and services' (Oviatt and McDougall, 2005: 540). Exploiting cross-border opportunities most often results in exports and flows of investment between countries, and is generally regarded as essential for growth and development (Edwards, 1997; Elbadawi, 1998; Sachs & Warner, 1997; Sala-I-Martin, 1997; Venables, 1996). Indeed, export-led growth is widely acknowledged to have been responsible for economic growth in Japan, the East Asian 'Tigers' (e.g. Korea, Singapore, Taiwan) and more recently China (Naudé, 2009a; Naudé & Matthee, 2007; Siebert, 2007).

* Corresponding author. Tel.: +358 9 615 99219; fax: +358 9 615 99333.
E-mail addresses: Joseph.Pearson@rmbam.co.za (J. Pearson), Wilma.Viviers@nwu.ac.za (W. Viviers), ludo.cuyvers@ua.ac.be (L. Cuyvers), wim@wider.unu.edu (W. Naudé).

0969-5931/$ – see front matter © 2010 Elsevier Ltd. All rights reserved.
doi:10.1016/j.ibusrev.2010.01.003

The Commission for Africa (2005) recently stated its support for export-led growth strategies for Africa, the world's poorest continent.[1] For Africa, the recent rise of Brazil, China and India may offer significant opportunities for international entrepreneurship (Broadman, 2007: 1). These three countries, together with South Africa, have been described as 'southern engines of global growth' (UNU-WIDER, 2007). Brazil, China and India are set to join the ranks of the world's five largest economies within the next half century[2] (Wilson & Purushotothaman, 2003). China and India have been growing at extraordinary high rates[3]: China has been growing on average by 9.3% between 1980 and 1990, 10.4% between 1990 and 2000 and 9.7% between 2000 and 2006 (Siebert, 2007: 895). The Indian economy grew on average by 6% per annum between 1980 and 2002, and by 7.5% per annum between 2002 and 2006 (Das, 2006) and is expected to be one of the fastest growing countries over the next 30–50 years (Wilson & Purushotothaman, 2003: 4).

The potential of opportunities for international entrepreneurs to export to countries such as Brazil, China and India may be significant and may make a substantial positive impact on economic growth in Sub-Sahara (Phillips, 2007: 14 – see also Naudé & Rossouw, 2010). Studies have already determined that the growth of China and India have had substantial benefits for Latin America – through for instance higher commodity prices, cheaper inputs and growing capital inflows (Bizquez-Lidoy, Rodriquez, & Santiso, 2006; Perry, 2006). Perhaps the same benefits could be expected for Africa. Moreover, the greater opportunities for international entrepreneurship opened up by growth in these 'southern engines' is significant from the point of view of expanding Africa's south–south trade. Calls for greater south–south trade, as opposed to south–north trade which dominated developing countries' exports in the aftermath of colonialism, have been made regularly since the 1970s 'as a mean of revamping the international division of labour and reducing the dependence of LDCs on the industrialized economies' (Amsden, 1980: 1; see also Stewart, 1976). Hence our focus in this paper not as such on identifying all export opportunities for a country such as South Africa in the rest of the world, but to particularly restrict our attention to export opportunities in the major developing country markets.

The evidence is indeed suggesting that African entrepreneurs are beginning to avail themselves of this opportunity and that south–south trade is rising dramatically: African exports to China and India have been growing very fast: 1.7 times faster than the continent's total exports to the rest of the world. Between 1999 and 2004 exports from Africa to China and India grew respectively by 48 and 14% annually. In total, 27% of Africa's exports are now destined for Asia (compared to 14% in 2000), which is almost as much as to its traditional markets in the EU (Broadman, 2007: 11, 2).

There may be many further opportunities for exports from Africa to China and India. Less than 2% of China's imports for instance come from Africa. By 2005 China's trade alone with Africa stood at US$ 40 billion, and is expected to exceed US$ 100 billion by 2010. Historically, China's own growth in exports has raised its demands for imported goods used in the production of exports, so that the good prognosis for Chinese growth implies growing opportunities for African exports (Alexander & Warwick, 2007: 179).

The benefits of greater exports for economic growth, and the export opportunities for African entrepreneurs in Brazil, China and India has raised the issue of appropriate (WTO-consistent) strategies that African governments[4] can follow to promote international entrepreneurship (Broadman, 2007: 344). While these include a number of measures such as trade facilitation, duty drawbacks, attracting export-oriented FDI and investing in transport infrastructure, strong but neglected cases exist for government to provide information on export opportunities. Lack of information on export opportunities due to market failure have been identified as limiting African international entrepreneurship. As recognized by Alexander and Warwick (2007: 181) 'the public good nature of some information suggests the market might not provide it in sufficient quantities'.

In this paper we contribute to the debate on the role of government support for exporting, by proposing and applying a decision support model (DSM) for the identification of export opportunities for South African entrepreneurs in the other 'southern engines' of Brazil, China and India.[5] Although the DSM is not novel (it has been designed and applied in the case of Belgium and Thailand) its application to an African developing country context is unique. We apply this model to identify export opportunities for South African entrepreneurs, for two main reasons. One, South Africa is one of the largest trading partners of China, Brazil and India in Africa. Two, the South African government has signalled its intention to start bilateral free trade agreements with China,[6] Brazil (Mercosur) and India (Hartzenberg, 2003) in the near future so that identification

[1] As noted by Naudé and Matthee (2007: 1) Africa's poor performance as far as international entrepreneurship is concerned is a cause for concern (see also Bloom & Sachs, 1998; Easterly & Levine, 1997; Jenkins & Thomas, 1999; Temple, 1999). The continent's share of world manufactured exports remained roughly constant at 0.8% over the period 1980–2000 (Lawrence, 2005: 1121).

[2] China is expected to overtake the USA as the world largest economy by 2041. India is expected to move to the 3rd position by 2050. Brazil is expected to have a larger economy than Germany by 2036 and to be the world's 5th largest economy by 2050 (Wilson and Purushotothaman, 2003). Combined the economic size of these three countries currently exceeds US$ 4.7 trillion in nominal GDP terms, and US$ 15.6 trillion in PPP adjusted GDP.

[3] Brazil's economic growth has been significantly lower and variable than that of China and India, but has nevertheless been positive over the past decade, with an average growth rate of 2.5% per annum between 2000 and 2006 (Estevao, 2007). It remains the single largest economy in Latin America.

[4] The case for government support for international entrepreneurship has extensively been made in the literature. Alexander and Warwick (2007: 177) provides a recent summary, listing arguments for government support based on scale economies, productivity spillovers, 'batting average effects' (see Bernard, Redding, & Schott, 2004), terms of trade gains and information failures. Rose (2007: 23) finds the number of foreign missions of a country positively correlated with its exports to a destination and found that for each additional consulate in a country, exports to that country increase by between 6 and 10%.

[5] Although similar exercises for the export promotion of services and outward FDI would contribute to the discussions on foreign market potential and promotion strategies involved, the use of a similar DSM for trade in services and outward FDI is evidently beyond the scope of this paper due to lack of sufficiently detailed statistical data.

[6] Antkiewicz and Whalley (2005) analyses China's growing number of regional trade agreements.