An Investigation into Factors Impacting on Exports from South Africa to the Southern African development Community (SADC)

Collin Fish
Chris Adendorff
Kobus Jonker
Nelson Mandela Metropolitan University Business School

Abstract

Manufacturers face vigorous competition in local and export markets and need to have a genuine competitive advantage in order to grow. The South African 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 competitive advantages for South African manufacturers exporting into the region. However, since the 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 structured literature review was undertaken to encapsulate export barriers, the role of the South African government in the export process, and the SADC agreement. The findings of the reviewed literature form the basis of the survey that led to the compilation of the research primary data. The results indicate that export barriers do not pose a major obstacle to trade into the SADC region. The role that the South African government holds was less conclusive with some successes noted, but on the whole the impact is not meaningfully positive. 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 appears to be low.

Résumé

Les fabricants font face à une vive concurrence sur les marchés locaux et d'exportation et ont besoin d'avoir un véritable avantage concurrentiel pour se développer . Le gouvernement sud-africain a reconnu l'importance de renforcer les capacités nationales de production comme un moyen d'accroître l'emploi et réduire la pauvreté . À cette fin , le gouvernement apporte un soutien important à la fois la fabrication et secteurs exportateurs . Le gouvernement a également négocié l'accord Southern African Development Community (SADC), qui s'appuie sur des avantages concurrentiels pour les fabricants sud-africains exportateurs dans la région . Cependant , depuis la ratification de l'accord de la SADC en 2008 , il a eu aucune augmentation

perceptible de l'activité d'exportation de la région par rapport à d'autres marchés . Cette étude a été menée afin de déterminer pourquoi c'est le cas et quels sont les facteurs qui influencent le processus . Une revue de la littérature structurée a été entreprise pour encapsuler les obstacles à l'exportation , le rôle du gouvernement sud-africain dans le processus d'exportation , et l'accord de la SADC . Les résultats de la littérature examinée forment la base de l'enquête qui a conduit à la compilation des données primaires de la recherche . Les résultats indiquent que les barrières à l'exportation ne constituent pas un obstacle majeur au commerce dans la région de la SADC . Le rôle que le gouvernement sud-africain détient était moins concluante avec quelques réussites constatées, mais dans l'ensemble l'impact n'est pas significative positive. L'accord de la SADC et la dynamique qui prévaut dans la zone de libre-échange ont un impact positif sur les exportations de la région . Le niveau de sensibilisation à l'égard des initiatives de soutien du gouvernement semble être faible .

Introduction

Globalisation has enabled businesses to increase revenues by selling to larger markets internationally, thereby allowing businesses to take advantage of cheaper factors of production by manufacturing in optimal location economies (McLeay, 2010). Foreign competitors are now entering industries in developing nations that were closely protected in the past and this has resulted in increased competition, which ultimately benefits consumers through lower prices (Hill, 2011). In a small open economy such as 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 world is looking to Africa for growth opportunities and South Africa has the advantage of being a gateway into sub-Saharan Africa (DTI, 2010).

The terms of the SADC agreement therefore 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 export, to achieve the dynamic gains required to compete successfully in the new economic paradigm.

Problem statement and objectives

In the context of an increasingly competitive economic environment, the importance of exporting has been widely recognised (DTI, 2011). To satisfy the growth imperative large companies have to turn to export when local markets are saturated (Adendorff, 2010; UN, 2012). Besides the traditional argument on the benefit of economies of

scale, exporting also gives companies valuable insights into customers and competitors attributes that enhance overall competitiveness (Van Eldik and Viviers, 2005). Small to medium sized manufacturing enterprises (SMME's) that export are therefore usually more sustainable and have a greater likelihood of business survival and expansion (Trung, 2008). According to Brouthers, Nakos, Hadjimarcou and Brouthers (2009), the higher the ratio of exports, the greater the competitive advantage that is developed through the transfer of knowledge gained in international markets.

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% in 1994 to 63.7% in 2006, it still lags noticeably behind the world average of 74.8% (UN, 2012). Recent data reveals that the ratio of manufactured exports to total merchandise exports decreasing from 68% in 2008 to 59% in 2011(DTI, 2011).

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 (UN, 2012). Unfortunately South Africa lags behind international trends in this category (Van der Walt, 2007) and failure to address this problem may lead to a systematic decline in the competitive position of South African manufacturers.

Against this background, the primary objective of this study is to identify the trade barrier factors that impact on successful SADC exports. The potential influences will also be investigated in terms of why exports to the SADC region have not improved and to determine further factors influencing this process?

Factors impacting on exports

In developing nations, an outward orientation promotes the adoption of best business practices, new product development and improved competitiveness (UN, 2012). 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; UN, 2012). 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).

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. 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. Large multinationals 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 some developing countries rob employment from other countries by following an export-led growth policy. This critique also suggests that developing countries on the other hand exports may ultimately end up in congested markets. Rangasamy (2009) however 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 South African government has therefore recognised this hazard and targets "balanced growth" as part of the AsgiSA initiative.

Export barriers

Exports barriers refer to restrictions that constrain a firm from trading in foreign markets. Arteaga-Ortiz and Fernández-Ortiz (2010) performed an analysis of the literature and categorised the barriers according to four core factors: knowledge barriers; resources barriers, procedure barriers and exogenous barriers. For the purpose of this study, a selection of internal and external barriers has been reviewed.

According to Köksal and Kettane (2011), external barriers arise from market structures and the government policies in the home and foreign countries. These include factors such as fierce competition and cut-throat pricing in foreign markets. Alternatively difficulties may also 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 and 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). Political instability also poses a serious threat via the risk of property being confiscated, operations being terminated or payments being frozen (Leonidou, 2004).

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. Many South African companies are not price competitive and lack an export culture (DTI, 2011). 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. 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 (Adendorff,2010). Mpinganjira (2011) also highlights management perceptions and the effect of negative experiences in the past as important barriers to export.

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 also an important impediment to trade. A World Bank (2009) report on logistics performance highlights the "thickness" of Africa's borders. The "thicker" the border the greater the restrictions placed on trade, travel and the mobility of the factors of production (UN, 2012). 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 that the number of days to import or export goods in sub-Saharan Africa are 38 and 32 days respectively and 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. 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). 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 (UN, 2012). A major retailer in South Africa 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 therefore inefficient and overly complicated.

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 the same retailer, who lay out US$5.8 million per year to recover SADC duties of US$13.56

million. In contrast, another major South African retailer does not bother with ever 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 also cited technical regulations as a trade barrier, and Southern African countries are guilty of being overly zealous in this department.

Government support

Several studies (UN, 2012; Flatters, 2002; Economic Commission for Africa, 2011; Gorlach, 2011; Gwartney, Lawson and Hall, 2011; Reddy, 2011) recognise the importance of 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 (UN,2012, Adendorff,2010). 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 indicates that an increase in labour productivity of 10 % improves the ratio of exports to GDP by 3% and increases the economic growth rate by 0.65%. This highlights the need to have government policies that are complimentary to each other; thus making labour productivity a strategic objective that should be supported by appropriate education and training programmes (UN, 2012).

According to the Economic Commission for Africa (2011), another area where government has an important role to function 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 (UNDP, 2012). The recent global economic crisis has also 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. 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 therefore mitigate the effects of these risks, which may stabilise and expand trade in recessionary times (UN, 2012; World Bank, 2010).

Research by Skae and Barclay (2007) also found that developing countries should have export growth in excess of 5% per annum to have a meaningful impact on poverty reduction. It was 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. 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.

Metodology

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 (Yin, 2004). Surveys may be descriptive in nature and aimed at gaining insights into phenomena at a certain point in time; whereas analytical surveys, are conducted to ascertain if a relationship exists between variables (Collis and Hussey, 2009). The descriptive element covers the level of awareness of the manufacturing community with regard to the role of the government and that of the SADC agreement and the analytical component examines the impact of the variables on exports to the SADC region.

The Sample and Data Collection

The population for this study was manufacturing enterprises within the Eastern Cape of South Africa. The unit of analysis was the export managers or middle to senior level marketing managers within these businesses. The sample frame contained manufacturers that currently export to the SADC region and/or, currently export but not to the SADC region. Due to time and cost constraints, convenience sampling was used for this study. Subjective sampling is based on methods such as judgment and convenience sampling (Evans, 2010). With this is 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. 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. However, 52 were deemed suitable for analysis after visual examination of the completed questionnaires. This translates into response rate of 69%. All of the items on the questionnaire were based on a 5 point Likert scale.

Data Analysis Procedure

The results were initially arranged in a suitable format using Microsoft Excel 2010 and subsequently analysed using Statistica 10.0. The objective was to determine if any relationships exist between the variables. When the objective is to measure relationships between one or more independent variables and a dependent variable, Evans (2010) proposed that regression analysis is a suitable tool for this type of analysis. A thorough, descriptive statistical analysis, which entails means, was also undertaken by the researchers using Microsoft Excel 2010.

Reliability and Validity Of The Instrument

Reliability and validity are important concepts in research and impact on the probability that researchers will be able to obtain meaningful results from the data. 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 .1 that all four variables exceed this benchmark.

Table 1: Cronbach test for internal consistency

Average inter-item correlation: 0.56		
	Item-Total Correlation	Alpha if deleted
EXB1	0.42	0.92
EXB2	0.74	0.90
EXB3	0.80	0.90
EXB4	0.78	0.90
EXB5	0.68	0.91
EXB6	0.71	0.91
EXB7	0.68	0.91
EXB8	0.82	0.90
EXB9	0.69	0.91
Cronbach alpha: 0.91		

Average inter-item correlation: 0.39		
	Item-Total Correlation	Alpha if deleted
INB1	0.48	0.79
INB2	0.60	0.76
INB3	0.40	0.80
INB4	0.51	0.78
INB5	0.64	0.75
INB6	0.64	0.76
INB7	0.52	0.78
Cronbach alpha: 0.80		

Average inter-item correlation: 0.55		
	Item-Total Correlation	Alpha if deleted
ROG1	0.69	0.88
ROG2	0.66	0.88
ROG3	0.67	0.88
ROG4	0.70	0.88
ROG5	0.84	0.86
ROG6	0.76	0.87
ROG7	0.43	0.90
ROG8	0.73	0.88
Cronbach alpha: 0.89		

Average inter-item correlation: 0.41		
	Item-Total Correlation	Alpha if deleted
SAD1	0.57	0.75
SAD2	0.71	0.72
SAD3	0.53	0.76
SAD4	0.54	0.76
SAD5	0.53	0.77
SAD6	0.47	0.79
Cronbach alpha: 0.79		

Results

The questionnaire encompassed 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 2 including each question's mean and standard deviation.

Table 2: Responses to export barriers

Section 3: Barriers to exports										
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?		**Code**	**Valid n**	**1**	**2**	**3**	**4**	**5**	**x-bar**	**StdDev**
Q3-1	A shortage of foreign exchange	EXB1	48	4%	4%	15%	25%	52%	4.2	1.10
Q3-2	Documentation and red tape required for the export operation	EXB2	48	8%	15%	27%	25%	25%	3.4	1.25
Q3-3	Political instability	EXB3	48	4%	15%	29%	23%	29%	3.6	1.18
Q3-4	Corruption	EXB4	46	15%	15%	20%	24%	26%	3.3	1.41
Q3-5	Import duties	EXB5	49	4%	12%	27%	27%	31%	3.7	1.16
Q3-6	Risk of exchange rate volatility	EXB6	49	4%	10%	31%	29%	27%	3.6	1.11
Q3-7	Transport costs and shipping arrangements	EXB7	48	6%	33%	33%	13%	15%	3.0	1.15
Q3-8	High financial cost of the methods of payment	EXB8	46	7%	15%	26%	24%	28%	3.5	1.24
Q3-9	Mandatory pre-shipment inspections	EXB9	47	0%	17%	26%	23%	34%	3.7	1.11
Q_3 - 10	Lack of personnel skilled in exports	INB1	48	4%	19%	15%	21%	42%	3.8	1.29
Q_3 - 11	Lack of knowledge of potential export markets	INB2	48	10%	21%	19%	21%	29%	3.4	1.38
Q_3 - 12	Insufficient production capacity in your firm	INB3	48	2%	6%	10%	19%	63%	4.3	1.04
Q_3 - 13	Lack of finance to fund export operations	INB4	48	2%	4%	13%	21%	60%	4.3	1.00
Q_3 - 14	Lack of information on opportunities for your products abroad	INB5	48	6%	23%	25%	21%	25%	3.4	1.26
Q_3 - 15	Difficulty in complying with product certification	INB6	48	2%	2%	13%	27%	56%	4.3	0.93
Q_3 - 16	Lack of management time	INB7	48	2%	8%	13%	29%	48%	4.1	1.06

Source: Author's own construction from survey data

The first perception measured was in relation to the influence of a lack of foreign exchange on exports to the SADC region. The data reveals that 77% of the respondents indicated that this factor is not a significant constraint, with only 8% 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. With a mean score (MS) of 4.2, this is clearly not a barrier that is significantly restricting exports to the SADC region.

Only 23% of respondents indicated that documentation requirements are a hindrance, while half of the sample indicated that 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% of their export turnover going to the SADC region. This group had an MS 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) found that the primary facilitating factor requested by exporters from government was the simplification of paperwork. The data depicted appears to indicate that this element is not a major impediment to initiating exports but there is still a need to streamline these processes. The data demonstrates a similar configuration for political stability with more than half of the respondents indicating that this factor poses no major export barrier.

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% of respondents, who have suggested that corruption is a noteworthy hindrance. 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 export within the region. This is borne out by 58% of the respondents. Perhaps more significant is the fact that only 16% 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% 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 reveals a similar pattern to that of import duties, with 56% not being harshly affected and only 14% ranking this factor negatively. This may imply that the government is succeeding with its AsgiSA objective of reducing exchange rate overvaluation and volatility. The World Bank (2012) consistently highlights the challenges associated with moving goods within Africa and the results imply that their observations and concerns are accurate. With only 28% indicating that transport is not a major hindrance, countered by a category high of 39% 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% of their export turnover going to the SADC region) affirm this position with a mean of 2.4. The results 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. 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 argued that political and exchange rate stability has a positive impact on this factor. The final external barrier that was reviewed was that of mandatory pre-shipment inspections, with an MS of 3.7 and 57% 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.

The MS of 3.6 supports the perception that external export barriers do not present a significant hindrance to SADC exports.A noteworthy incidence within this data set is reflected with the average score for each category of employee level. 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 that smaller firms are more flexible and adaptable than larger firms.

The first measurement of internal factors analysed the human resource aspect of exports. The data reveals that, although 23% of respondents designated this factor as a hindrance, 63% did not, suggesting that the Eastern Cape has a reasonable supply of export personnel. The MIDP scheme played an important role in generating remarkable increases of exports in the automotive industry. 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. While half the respondents may not perceive this factor to be a serious obstacle, 31% do find it to be a noteworthy barrier.

The data displayed, 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 a recession that is leading to 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. Although the feedback on production capacity was not an unexpected revelation, it is conceivably surprising that the data on finance reveals similar characteristics as it reflects that 81% of respondents do not regard a lack of finance as a major barrier.

Another interesting characteristic 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.

When scrutinising the data covering the lack of information on opportunities abroad, it is interesting to note a parallel with the data. These elements both form part of the knowledge barriers referred to by Arteaga-Ortiz and Fernández-Ortiz (2010) and have the joint lowest mean score of 3.4 in this category.

Another 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. It was noted 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 that this factor appears to have little negative influence on exports to SADC. Both the 83% who indicated a minimal negative impact and the 4% 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.

The final element assessed as part of the internal export barriers examined the influence of a lack of management time. This is another internal barrier where a majority (77%) of respondents indicated that this factor was not a significant negative influence. This may be another factor that is linked to the worldwide recession, in a similar manner as proposed with regard to production capacity. The reduced operating levels associated with the recession may have freed up management time that can be allocated to exports and other endeavours. The means for all the internal export barriers paints an even more favourable picture than the external barriers. The data indicate that 69% of the respondents do not perceive a significant negative impact and only 10% feel that internal barriers do pose a material hindrance.

Question Q3-17 was open-ended questions 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.

The Role of Government

Calculating a mean of means across all eight elements results in an average of 40 % of the responses being "Yes". Looking at this another way, 50% more of the respondents said "No" rather than "Yes". However, 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 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.

A summary of the responses on impact is listed in Table 3, including each question's mean and 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. The data excludes the neutral answers allocated to the respondents who answered "No" to the questions on awareness.

Table 3: Responses to the role of the Government

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

Source: Author's own construction from survey data

Nonetheless, more than half of the responses given were neutral and only 14% indicated any degree of positive impact. In the context of this data set, a fairly significant 34% of responses inferred that the initiatives listed did not have a positive impact on exports to the SADC region. This is reinforced by a means score of 2.7. It was noted that on average only 40% of the respondents indicated that they are aware of the government initiatives listed.

The SADC Agreement

While it is encouraging that 82% of respondents have at least an awareness of the agreement, this is mitigated by the fact that only 35% have at least worked within SADC. When compared to the data which depicts the role of government, there is an almost completely asymmetrical contrast, with a mean of means for all the dynamics indicating 62% responding "Yes" and 38% "No". However, it remains to be seen if this improved level of awareness translates into a positive overall dynamic.

Table 4: Responses to the SADC agreements

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

Source: Author's own construction from survey data

While the data above includes all the responses, the data depicted 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 62% 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 the fact that 24% indicated that they strongly agree, which is the highest score on this scale for any of

the elements in this section. The next two questions reported on the impact of reduced multinational and indigenous competition in the SADC market. These two factors delivered very similar results. In both cases more than half of the respondents felt that these factors had a positive impact on their competitive position.

The data reveals that the good economic growth in the SADC region also has a positive impact on exports in the region. With 68% agreeing and only 8% disagreeing, this is a strong indication of the potential that lies within the region. A factor that the literature revealed as a possible impediment to export within the SADC region was the requirements with regard to the rules of origin. This is not supported by the data, which indicate that 55% perceive that the requirements are not a hindrance. It is fairly remarkable that no respondent 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.

To measure the impact of the close geographical proximity of South Africa to other markets in the SADC region, this response scored the highest level of awareness at 73%. This is supported by the fact that 53% of the respondents indicated that this dynamic has a positive impact on their ability to export to the SADC region. One possible explanation is that the vast improvements in transport and communication technologies have reduced the effect of distance to market. When searching for other significant associations within the data the positive effect of the SADC agreement was also revealed when considering the results. When analysing data in conjunction with knowledge of the SADC agreement, the respondents who indicated that they are simply aware of the SADC agreement, achieved an overall MS of 3.2. The respondents that answered and have at least worked with the SADC agreement returned an MS of 3.7. Hence, the conditions of awareness and knowledge emerge once again as relevant factors.

Managerial implications and concluding remarks

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, which identifies transport as an important barrier to overcome throughout Africa.Another barrier that displayed a crucial negative propensity relative to the other external factors is that of the documentation and red tape associated with the export operation. There is also an overlap between some aspects of the shipping arrangements raised and the documentation and red tape 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.

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. 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.

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. As mentioned earlier, 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.

The research of Herrington, Kew and Kew (2009) and Finscope (2010) forewarned of the low levels of awareness in the small business sector with regard to government support programmes. This is supported in this study. 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.

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 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%. 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.

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 from the perspective of the study respondents.

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. 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 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% 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.

It is also 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 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.

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. 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. 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 that a fundamental tenet of comparative advantage is bilateral trade.

The focus on the high levels of economic growth indicates that 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 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. 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 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.

References

Adendorff, C.M., 2010. *SIERRA LEONE IN 2030: SCENARIOS FOR THE FUTURE*, Paper presented to USB Business School, Futures Studies, Stellenbosch University, South Africa.

Arteaga-Ortiz, J. and Fernández-Ortiz, R., 2010. Why Don't We Use the Same Export Barrier Measurement Scale? An Empirical Analysis in Small and Medium-Sized Enterprises. *Journal of Small Business Management,* 48(3), pp. 395-420.

Brouthers, L., Nakos, G., Hadjimarcou, J. and Brouthers, K., 2009. Key Factors for Successful Export Performance for Small Firms. *Journal of International Marketing,* 17(3), pp. 21-38.

Collis, J. and Hussey, R., 2009. *Business Research: A practical guide for undergraduate and postgraduate students.* 3rded. New York: Palgrave Macmillan.

Daya, Y., Ranoto, T. and Letsoalo, M., 2006. Intra-Africa Agricultural Trade: A South African Perspective. *Acta Commercii,* pp. 99-113.

Economic Commission for Africa, 2011. *Governing development in Africa - the role of the state in economic transformation.*Addis Ababa: Economic Commission for Africa.

Evans, J., 2010. *Statistics, Data Analysis, and Decision Modeling.* 4th ed. New Jersey: Prentice Hall.

Finscope, 2010. *FinScope South Africa Small Business Survey 2010,* Johannesburg: Finmark Trust.

Flatters, F., 2002. *Trade Policy Strategies for Mozambique.* Maputo, s.n., pp. 1-9.

Gorlach, V., 2011. *An Econometric Analysis of the Impact of Economic Freedom on Economic Growth in the SADC,* Unpublished Masters thesis, Nelson Mandela Metropolitan University,Port Elizabeth: Faculty of Business and Economic Sciences.

Government Communication and Information Services, 2006. *Accelerated and Shared Growth Initiative for South Africa (AsgiSA).* [Online] Available at: http://www.info.gov.za/asgisa/asgisa.htm [Accessed 24 March 2012].

Gwartney, J., Lawson, R. and Hall, J., 2011. *Economic Freedom of the World: 2011 Annual Report,* s.l.: Fraser Institute.

Hallaert, J., Cavazos, R. and Kang, G., 2011. *Estimating the Constraints to Developing Countries Trade,* s.l.: s.n.

Herrington, M., Kew, J. and Kew, P., 2009. *Tracking Entrepreneurship in South Africa from a GEM perspective,* s.l.: Global Entrepreneurship Monitor (GEM).

Hill, C. W., 2011. *International Business: Competing in the Global Marketplace.* 8th ed. New York: McGraw-Hill/Irwin.

Hye, Q. and Siddiqui, M., 2011. Export-led growth hypothesis: Multivariate rolling window analysis of Pakistan. *African Journal of Business Management,* 5(2), pp. 531-536.

Jordaan, A. and Kanda, P., 2011. Analysing The Trade Effects Of The EU-SA & SADC Trading Agreements: A Panel Data Approach. *South African Journal of Economic and Management Sciences,* 14(2), pp. 229-244.

Karungu, P. and Khamfula, Y., 2004. Impact of export earnings fluctuation on capital formation: evidence from four SADC countries. *Applied Financial Economics,* Volume 14, pp. 1097-1103.

Koch, S. and Peet, M., 2007. Non-tariff barriers faced by South African firms: Are there any lessons?. *South African Journal of Economic and Management Sciences,* NS10(4), pp. 530-543.

Köksal, M. and Kettane, T., 2011. Export problems experienced by high- and low-performing manufacturing companies: A comparative study. *Asia Pacific Journal of Marketing and Logistics,* 23(1), pp. 108-126.

Leonidou, L. C., 2004. An Analysis of the Barriers Hindering Small Business Export Development. *Journal of Small Business Management,* 42(3), pp. 279-302.

Mbatha, C. and Charalambides, N., 2008. What is really in the economic partnership agreements for the Southern African region? A perspective from Botswana's beef export markets. *Agrekon,* December, 47(4), pp. 410-432.

McLeay, F. A. H., 2010. The art of SME export marketing: a case study. *Marketing Review,* 10(3), pp. 239-258.

Mpinganjira, M., 2011. Perceived benefits and barriers to export involvement: Insights from non-exporters. *African Journal of Business Management,* September, 5(22), pp. 9116-9124.

Nsingo, S. and Steyn, E., 2007. Technical Regulatory Reform in Africa: A Condition for a Competitive Regional Economy. *Journal of Public Administration,* September, 42(4), pp. 414-425.

Palley, T., 2011. *The Rise and Fall of Export-led Growth,* New York: Mew America Foundation.

Parker, A., 2009. *A Qualtitative Study of the Key Success Factors for Multinational Corporations Operating in Sub-Saharan Africa,* Stellenbosch: Faculty of Economic and Management Sciences.

Rangasamy, L., 2009. Exports and Economic Growth: The case of South Africa. *Journal of International Development,* October, Issue 21, pp. 604-606.

Reddy, K., 2011. Developing Africa: Trade barriers, liberalization and inequality in the World Trade Organisation. *African Journal of Business Management,* 30 September, 5(22), pp. B686-B696.

Skae, F. and Barclay, B., 2007. Managing the linkage between export development and poverty reduction: An effective framework. *Management Decision,* 45(8), pp. 1208-1223.

The Department of Trade and Industry, 2010. *Annual Review of Small Business in South Africa 2005-2007,* Pretoria: s.n.

The Department of Trade and Industry, 2011. *Medium-Term Strategic Plan 2011-2014,* Pretoria: Department of Trade and Industry.

The World Bank, 2010. *Progress Report on the Regional Integration Assistance Strategy for Sub-Saharan Africa,* Washington: The World Bank.

The World Bank, 2012. *De-Fragmenting Africa: Deepening Regional Trade Integration in Goods and Services,* Washington: s.n.

Trung, T., 2008. Performance of export-oriented small and medium-sized manufacturing enterprises in Viet Nam. *Asia-Pacific Trade and Investment Review,* Volume 4, pp. 83-112.

UN, 2012. World Economic Situation and Prospects 2012: Update as of mid-2012.

UNDP, 2012. Africa Human Development Report.

Van der Walt, J., 2007. *Barriers to Exports faced by Manufacturing SME's in South Africa,* Pretoria: Gordon Institue of Business Science.

Van Eldik, S. and Viviers, W., 2005. The measurement of export readiness of companies in South Africa. *Southern African Business Review,* 9(2), pp. 1-11.

Williams, D., 2010. Export Initiation in Small Locally-Owned Firms from Emerging Economies: The Role of Personal factors. *Journal of Developmental Entrepreneurship,* 15(1), pp. 101-122.

Yin, R.K., 2004. Case Study Research: Design and Methods. Sage Publications, Fourth Edition.