

REPORT BACK

WTO Chairs at North-West University and the University of Tunis join forces to identify new trade opportunities between South Africa and Tunisia

With South Africa and Tunisia being located at opposite ends of the African continent and their main export markets being in Europe and other major trading regions, one might think that the two countries have relatively little to offer each another in terms of reciprocal trade opportunities. To date, trade between South Africa and Tunisia has been very limited. One of the reasons for this is that both South Africa's and Tunisia's exports have traditionally been resource-based (with a focus on mining) with relatively little complementarity. Other factors include distance and the absence of a formal trade agreement between the countries.

However, recent years have seen both South Africa and Tunisia diversify into the production of more value-added goods and services, which means that new opportunities are potentially opening up for greater two-way trade. Their respective governments are also giving increasing attention to the expansion and diversification of the countries' export sectors in the face of pressing economic challenges at home – from lacklustre economic growth to rising unemployment and inequality. Policymakers have recognised that there is potential for the two countries to address their similar economic challenges through heightened reciprocal trade.

It is against this backdrop that the governments of South Africa and Tunisia recently launched a bilateral research project under the auspices of the **'South Africa-Tunisia Science and Technology Collaboration'** initiative. The research project is aimed at identifying realistic and sustainable export opportunities between the two countries, with a specific focus on SME (small and medium enterprise) exporters. Following an extensive bidding process, a research consortium comprising the **WTO Chairs at the North-West University (South Africa) and the University of Tunis (Tunisia)** were awarded the project. The project, which is funded by **South Africa's NRF (National Research Foundation) and Tunisian Ministry of Higher Education and Scientific Research Tunisia's Department of Science and Technology** will span a three-year period (2019-2021). It kicked off with a three-day planning workshop for the South African and Tunisian project teams at the North-West University in Potchefstroom, from 3-5 December 2019.

With the global trade arena experiencing much turbulence and traditional trade relationships becoming increasingly uncertain, many African countries are giving more attention to intra-African trade. Although trade on the continent is still very limited, attitudes are changing, particularly at the policy level.

"Over the last few years we have been hearing much more about Africa", said **Prof Leila Baghdadi**, WTO Chair and head of the Tunisian project team. Tunisia exports are mainly oriented to European markets with rather limited exports to Africa. Tunisia mainly trades with West Africa (about 57% of the country's total African trade). Only 4% of Tunisia's Africa trade is with Southern Africa.

"South Africa would be a 'new' market for Tunisia," said Leila. South Africa's main export focus on the African continent are other SACU (Southern African Customs Union) and SADC (Southern African Development Community) member countries, with which South Africa has well-established trade ties. However, the synergies between South Africa and Tunisia could in time translate into a more robust trading relationship.

One of the main obstacles to successful trade expansion in Africa is that policymakers and businesses often lack relevant and reliable data on which to base their market selection and/or development decisions. Where data is available, notably in international databases, it is often not readily accessible – especially to SMEs which face financial, knowledge and capacity constraints.

“Large companies trading internationally generally have significant human and financial resources to draw on when researching and exporting to markets in various regions. But SMEs often lack the knowledge and/or capacity to effectively identify and pursue export opportunities,” said **Prof Wilma Viviers**, WTO Chair and head of the South African project team.

For the purpose of the project, the North-West University’s TRADE-DSM® (Decision Support Model) will be used to identify realistic export opportunities for targeted SMEs in each country. The TRADE-DSM® is a market selection tool that uses a sophisticated data-filtering methodology to identify those opportunities that have the best chances of meeting market demand and delivering value. When the TRADE-DSM® is run for a particular country, it reveals a list of product-country combinations with the highest ‘untapped’ export potential for that country. These results then inform country or sector export strategies for particular markets – with a strategy either being aggressive or defensive, depending on the size, concentration and growth potential of the market in question.

“While the TRADE-DSM® is able to give a country or sector a head-start in a particular market, it does not provide detailed insights into, for example, non-tariff barriers and other technical issues, which require detailed analysis on a case-by-case basis,” said **Martin Cameron**, Managing Director of the North-West University spin-out company, Trade Advisory, and member of the South African project team. Martin added that although tariffs are important determinants of the attractiveness (or otherwise) of a market, logistics is a key market access consideration in Africa. For example, long (and expensive) sea voyages may be the only way to transport goods from one African country to another because of the absence of viable overland options. Culture, religion and the commercial environment also need to be taken into account because they can affect the cost of doing business and therefore the viability of a particular market as an export destination.

While SME development is often prioritised in government policy and strategy documents, this rarely translates into practical, results-driven assistance, with the result that most SMEs operate below their potential. Therefore, the project will also see the project teams providing training/capacity-building to the selected SME exporters in the two countries so that they will be able to optimise their revealed export opportunities. Following an implementation phase in which the practicality of the findings will be tested in designated markets, case studies will be developed based on the SMEs’ experiences. These case studies are intended to provide useful insights into what went well and/or what challenges were encountered, and what resources and practical assistance were needed to ensure that the SMEs’ export ventures bore fruit.

“The ‘hand-holding’ component of the project will help the SME exporters turn their theoretical knowledge into practice, a process that they can replicate when presented with future export opportunities,” said Wilma. Another important outcome of the project will be the writing of a number of academic articles, with the themes informed by the interactions among the various participants and stakeholders and the research results as they unfold.

For more information about the work of the WTO Chairs Programme, contact Prof Wilma Viviers: wilma.viviers@nwu.ac.za or Prof Leila Baghdadi: leila.baghdadi@tbs.mu.tn

PROJECT PARTICIPANTS:



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