

Some food for thought...

“Opportunity is primarily a question of an entrepreneur recognizing the value of new information”

– Mainela et al (2018: 536)

“Unfortunately, there seems to be far more opportunity out there than ability....

We should remember that good fortune often happens when opportunity meets with preparation.”

– Thomas Edison

<https://www.thomasedison.org/edison-quotes>

The glass half-full or half empty?
Keep in mind the old Chinese saying
“in change lies opportunity”.



Some food for thought...



https://m.facebook.com/Revenueboomers/photos/a.482842862070363/1349025348785439/?type=3&_rd



EU Green Deal (EGD) Opportunities in Brief

- **Focus on Green Economy and broader “environmental goods”**
OECD Combined List of Environmental Goods (CLEG) – extended in this study
- **20 products identified for short-term export promotion focused engagement**

Target markets (EU partner countries) already exhibit import demand for these products
 South African exporters already can produce and export these products.
 South African exporters should be able to potentially expand sales into these EU markets.
 In reality, many further aspects need to be verified and clarified (e.g. standards requirements, logistics arrangements, relative market pricing and details of competitors, market demand preferences) but as a first “screening” process, the identified EU partner countries merit further investigation and understanding.

- **24 products exhibit potential for medium-term, as these may require some intervention to expand into the EU market**

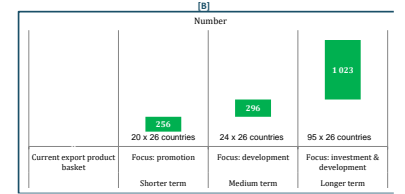
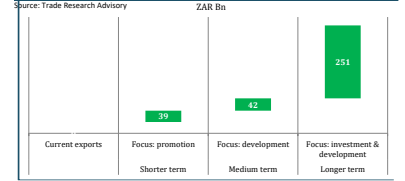
Target markets (EU partner countries) already exhibit import demand for these products.
 Relative “maturity” of South African exports (relative to the world average) is lower but, these products are also relatively strongly related to the more mature group associated with the short-term opportunities.
 Some export development may be required to increase the production and sales capabilities of such products.

- **95 products exhibit potential for longer-term**

Target markets (EU partner countries) already exhibit import demand for these products.
 These products are “new” to South African exports but, these products are also relatively strongly related to the more mature group associated with the short-term opportunities.
 expectation is that it may require significant lead time before these opportunities may be realised (if pursued).

Definition (Eurostat): environmental goods
 Those that are used “to measure, prevent, limit, minimize or correct environmental damage to water, air and soil, as well as problems related to waste, noise and eco-systems, [including] cleaner technologies ... that reduce environmental risk and minimize pollution and resource use.”

OECD CLEG-E	Industrial Master Plans							
	Automotive	IT/ITF	Forestry	Furniture	Food & Agric	Iron & Steel	Renewable	Sugar
Air pollution control	-	-	-	-	-	-	1	-
Clean up or remediation of soil and water	-	-	-	-	-	-	1	-
Cleaner or more resource efficient technologies and products	13	-	-	-	6	-	-	-
Environmental monitoring, analysis and assessment equipment	-	-	-	-	-	-	6	-
Environmentally preferable products based on end use or disposal characteristics	-	3	1	-	-	-	-	-
Heat and energy management	-	-	-	-	-	-	1	-
Management of solid and hazardous waste and recycling systems	-	-	-	-	-	-	2	-
Natural resources protection	-	-	-	-	-	-	-	-
Noise and vibration abatement	-	-	-	-	-	-	-	-
Renewable energy plant	-	-	-	-	6	-	66	-
Wastewater management and portable water treatment	-	1	-	-	11	-	9	-
Not allocated	A	110	354	182	16	268	22	15



Source: Trade Research Advisory

Recommendations

To unlock potential – policy space



- **Parallel processing: leveraging short-term opportunities while building long-term vision**

Some major opportunities for “existing” products produced and already exported from South Africa. Focus should be placed on further understanding these opportunities and developing a strategy for realising the most feasible. In the current constrained (from a resources perspective) environment it is increasingly important to focus and allocate resources to those opportunities with the most potential return on investment.

- **Resourcing of trade and investment promotion agencies for focused and relevant tasking**

Success in realising these opportunities will depend on relevant and focused export promotion and marketing, as well as realistic timelines. Adequate resourcing of trade and investment promotion agencies is key.

- **Unblocking critical infrastructure and logistics constraints**

Trade-enabling infrastructure is key to achieve export-led growth.

Bottlenecks and constraints must be identified, and action plans developed and implemented to remove such constraints.

- **Longer-term strategic considerations – investment and capacity building**

The longer-term opportunities need parallel focus but will require local private sector or foreign investment.

Longer term, a skills development strategy aligned with the prioritised key sectors is critical, as new developments require new and different skill sets.

Mechanisms that may contribute to the required skills development could include, an alternative approach to application of the Skills Development Levy (SDL) – e.g. a ‘preferential’ SDL focused on export-oriented sectors – as opposed to general training.

A ‘Young exporters programme’ could be implemented to fast-track some ‘new’ unusual opportunities.

Regulation & Market Risks

Getting prepared



- **Actively monitor your changing environment:**
Regulations and consumer expectations will be changing quickly - monitor what is changing and how it affects exporters (IPA “clients”). Export councils or industry bodies, need to step-up monitoring capacity. When risks are identified, trade promotion agencies need to become aware, so that they support industry to adapt ~observatory?
- **Strengthen monitoring systems (where possible):**
Even if companies comply with the new rules, **proving compliance** can be complex and costly – particularly with new testing and conformity assessment. May need support to upgrade internal monitoring capacity, and tracking environmental considerations like carbon emissions, chemical usage, and waste generated in their supply chain. Companies need to start collecting this information now - to reduce costs of collecting it for future regulatory compliance.

- **Consider a green marketing strategy:**

European clients – even if they are manufacturers or resellers – will increasingly be required to examine the sustainability of their supply chain.

Even if exporter is not in a consumer-facing industry, highlighting sustainable innovations in an exporter’s business is / will become more important to their clients.

Technology Risks:

EGD aims to accelerate the transformation of core productive technologies of a wide range of key industries



- All exporters will face a **rapidly changing standards environment**. As new standards are adopted, companies may have to comply with multiple standards, until convergence on dominant technologies is found in the specific industry
- For **consumer-facing industries**: these technological changes will shift the productive environment for European competitors, and may change important competitive considerations e.g. expectations of retailers or the regulatory cost of bringing a product to market

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- For **component and commodity producers**, shifting technologies for downstream industries may change the inputs required by end producers. Where **digitization or electronic processes** replace traditional mechanical components, supply chains may shorten dramatically

Note: Role of Private Standards

EU Green Deal: Making Europe climate neutral by 2050

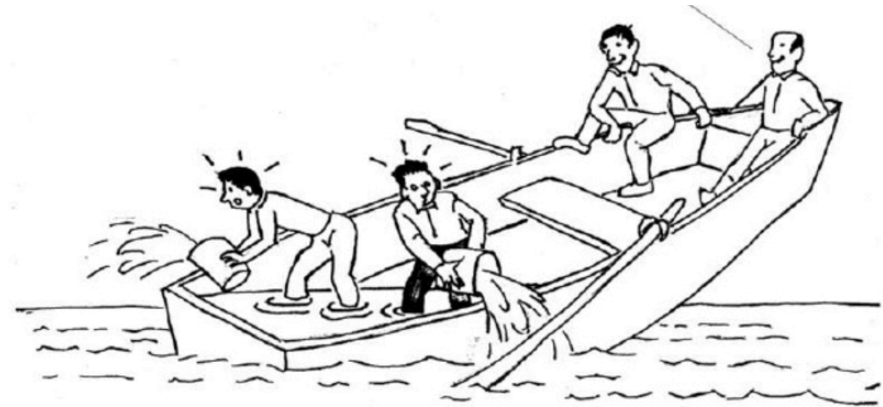
“Glad the hole is not at our end...”

Where to from here?

ALL OTHER countries and companies are looking for ‘new’ opportunities and markets and how to adjust to the EGD developments (and others)

- so RSA needs to be fast and agile
- need to use the SADC-EU EPA mechanism pro-actively
- need to facilitate/utilize opportunities for more direct engagement with EU policy makers and partners

Companies need to pro-actively self-analyse and reach out where support required



EU Green Deal (EGD) Opportunities in Brief

Question: Apart from the 6-digit Tariff Level, was the GS1 coding analysed?

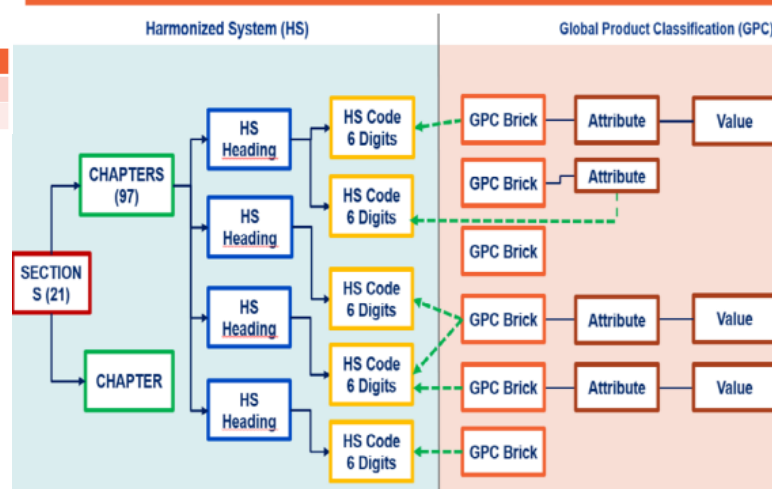
Answer

- no, not explicitly, since there are some challenges in mapping between GS1 and HS6 tariff line
- suggest that this type of ‘matching’ be done on a case-by-case basis where a company does want to link with GS1

But there are significant mapping challenges

Example

HS code 9503.00 Children's Toys	Toys – Ride on (Non-Powered) GPC code 10005187
	Dolls/Soft (Powered) GPC code 10005143
	Dolls/Soft Toys (Non-powered) GPC code 10005142



Not always one to one
match HS level 6 # brick

Below HS level six often
specific country codes

Dynamic - updating for
changes – not a static
map

New GS1 registry
platform not complete yet
but well on the way



The Global Language of Business

© GS1 2018

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Thank you



EU Green Deal: Making Europe climate neutral by 2050

What do we know about the EGD?

- Many changes to regulations and markets
- Still work in progress



Bigger Picture

- Society (consumers and businesses) is environmentally conscious
- Concerns about packaging, labelling, use of chemicals and pollution
- Demand for use of clean energy

Opportunities for MSMEs

- Related to products and processes
- Certification (food - organic, fair trade),
- energy consumption,
- packaging (marketing opportunity)



Note

We continue to trade under the SADC-EU EPA (Review under way)

Carbon Border Adjustment Mechanism

EU measures to prevent the risk of carbon leakage and support the EU's increased ambition on climate mitigation, in a WTO compatible manner

Farm to Fork Strategy

Vision: to change the way Europeans value food sustainability, environmental issues and their health

Circular Economy Action Plan (CEAP)

Establishing a strong and coherent product policy framework to make sustainable products, services, and business models the norm and transform consumption patterns so no waste is produced in the first place

EU Green Deal: Making Europe climate neutral by 2050

Why is the EGD important?

The 'new normal' is here to stay...

This includes consumer demand for alternative environmentally friendly products

- voting with their wallets
- leading policy-making space

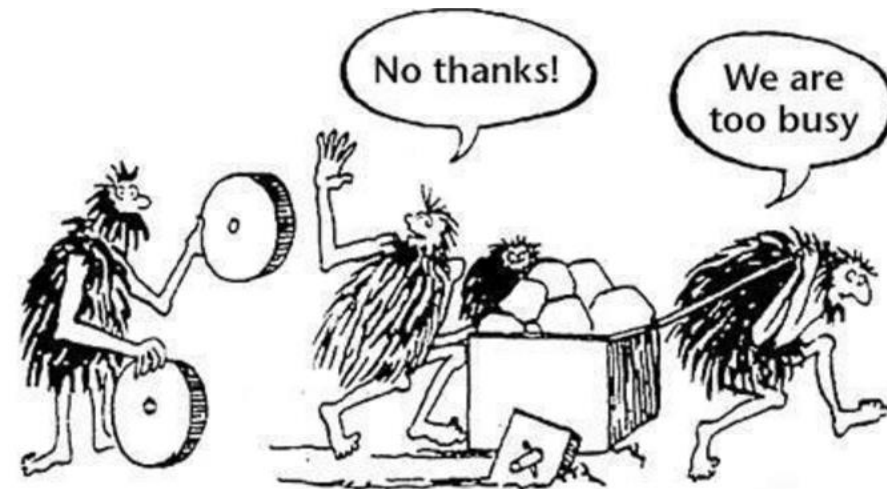
All companies (not only exporters) need to start adjusting to function in this 'new normal'
NOT only related to 'COVID'...

Why is it important for IPAs to be aware of the EGD?

IPAs are change facilitators in the export and investment world...

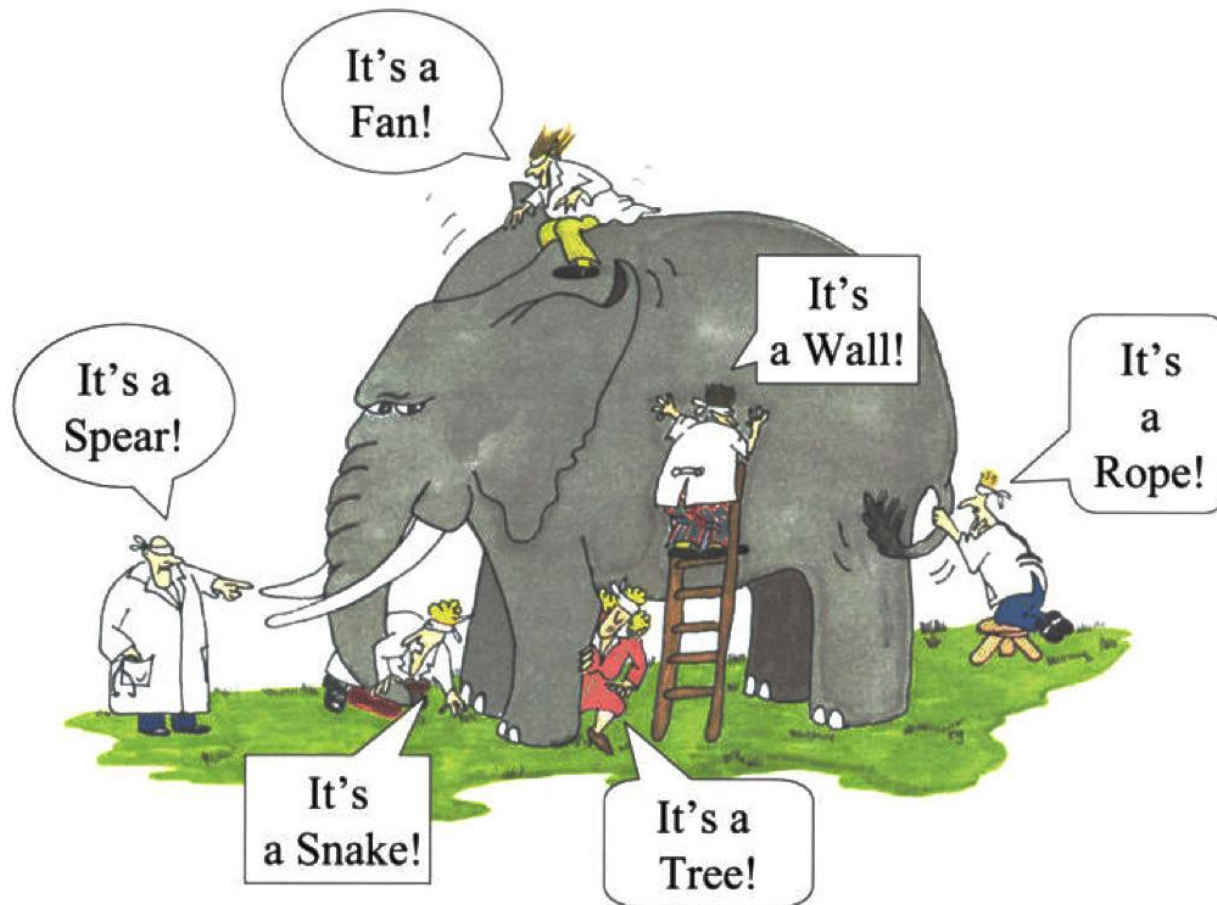
In change lies opportunity...

Everybody wants growth, but nobody wants to change



EU Green Deal: Making Europe climate neutral by 2050

What do we know about the EGD?





Existing exports Implications?

- **CBAM focus is on ‘primary’ production activities**

- **No direct pressure to existing exports in the short- to medium term**

Direct comparison of the particular traded products associated with these focus sectors shows that, at least in the initial stages, the EDG and CBAM developments will not place direct pressure on such products.

- **Future developments uncertain – could impact existing exports**

Some products associated with the current (and those that are in development) South African Industrial Master Plans are potentially *directly* (Steel and Iron) and *indirectly* (e.g. aluminium-related products in the Automotive, Renewable energy and other sectors) affected, through possible future refinements and expansion of the EGD and CBAM focus.

CBAM	Industrial Master Plans								
	Automotive	CTLF	Forestry	Furniture	Iron & Steel	Poultry	Renewable Energy	Sugar	Not allocated
Aluminium	-	-	-	-	-	-	-	-	17
Cement	-	-	-	-	-	-	-	-	2
Electricity	-	-	-	-	-	-	-	-	1
Fertilisers	-	-	-	-	-	-	-	-	5
Iron and steel	-	-	-	-	83	-	-	-	-
Not allocated	123	358	183	16	208	22	82	15	4093

Source: Trade Research Advisory

- **Current opportunities for expanding existing exports into the EU do exist**

Opportunity remains for expanded exports into the EU from South Africa.

In addition to the existing traded products, this analysis also identified further opportunities associated with “environmental goods” products - also those related to the South African Industrial Master Plans.

Technology Risks

Getting prepared

Monitor your changing environment: Monitor new and changing technologies, for your business and key clients and suppliers. If you are represented by an export council or industry body, lobby them to step-up **monitoring capacity**. Regulations usually lag technologies – monitoring regulatory processes is important. How will regulations impact your technologies and business model?

Monitor local standards: Adoption of new technologies will likely be accompanied by new or updated standards in the EU and other global markets. Local standards organizations will need assistance from industry to identify these changes. Is your industry well represented in SABS technical committees? Stay connected with representatives on any new tech developments. Inform government officials and standards providers of new testing capacity required, or when tests are only available at expensive overseas labs.

Consider digital-readiness

Modern green technologies typically rely on **digital systems** to integrate into productive processes – so even if you're not rolling out a sustainable technology, be sure any changes are digital-ready.

Important given the rollout of **sustainable tech**