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Economic Development Department
REPUBLIC OF SOUTH AFRICA



Economic Development Department Small Business Knowledge Network e-bulletin

Supporting Small Business Development through Cross Border Trade

Business analysts have suggested that the key to unlocking the economic potential of Africa lies in easing cross border flows of people, goods, capital and services. Regional economic integration and intra-African trade are touted as conduits through which countries and businesses can enhance their economies of scale and skills for the benefit of sustainable economic development. For South Africa deeper regional integration could help develop local capacity towards export-led growth for small and medium sized enterprises.

With a burgeoning middle class and rising income levels Africa has seen emerging opportunities for cross border trade in basic manufactures such as metal and plastic products that are costly to import from the global market. This unrealized potential is evidenced by the fact that a significant amount of cross border trade does take place between African countries, but it is restricted to informal channels and is not measured in official statistics. The World Bank's **South Africa Economic Update : Focus on Export Competitiveness** report released in February 2014 argues that while trading in products that are technologically sophisticated and highly capital-intensive has positive implications for competitiveness, it also means that the dominant export companies are failing to tap into South Africa's large pool of low-skilled labour, thus failing to create enough jobs to make the export sector a major direct contributor to employment growth and poverty reduction. The report suggests that to help ignite export growth there is need for greater competition among firms in South Africa and deeper regional integration in goods and services.

In recent months, there has been an ever increasing South African business presence in the regional market as African growth strategies are seen to be yielding mostly positive results. This expansion into the rest of the continent is a positive indication for South African business operations as it opens up new nontraditional opportunities for South African exports and investors to satisfy regional demands for retail, telecommunications and financial sector services.

Provinces within national boundaries are also poised to benefit from cross border trade flows and increased regional interaction. The cities of Nelspruit in the Mpumalanga region of South Africa and the Mozambican capital Maputo are examples of cross border cities whose character have been dramatically transformed by their connections with their neighbors. The Maputo Development Corridor (MDC) has acted as a conduit in facilitating cross border trade flows and has created a dynamic set of social processes induced by government downstream opportunities for small, medium and micro enterprises (SMMEs).

Moving forward, what is needed to shift more SMMEs into cross border trade and benefits associated with regional export value chains is to intensify cross border policy dialogues to build an understanding of local cross border trade dynamics. This would ultimately require the discussion to focus more on non tariff barriers such as limited market information and lack of trade facilitation that limits the capacity of South Africans and Africans in general to formally move, invest in, and trade goods and services across their borders.

If you are interested in participating in the EDD Small Business Network, please contact Leslie Nyagah on LNyagah@economic.go.za . If you would like to engage on issues concerning small business development please contact Brian Zondo on BZondo@economic.gov.za