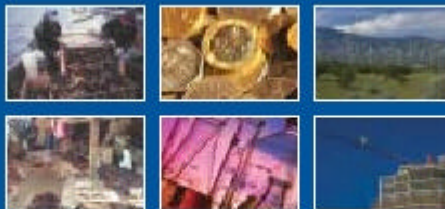




## **TIPS FOCUS ON DATA SERIES - SEPTEMBER 2003**

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### **South Arica - Finland Trade Part 2: Identifying Export Potential**



TRADE AND INDUSTRIAL POLICY STRATEGIES

## **Focus on Data: South Africa-Finland Trade Part 2: Identifying Export Potential**

Of concern to domestic policy makers is that trade between Finland and South Africa is very much biased in favour of the former country. Set against this backdrop, Trade and Investment South Africa (TISA) of the South African Department of Trade and Industry (DTI), together with the Finnish Embassy in South Africa, the Finnish South African Trade Guild and Nordea Bank, commissioned Trade and Industrial Policy Strategies (TIPS) to investigate trade and investment relations between South Africa and Finland. The objective of the study was to: 1) identify commodities and groups of commodities that could begin to reverse this bias, and 2) evaluate what reasonable growth rates of trade between the two countries can be expected in order to close South Africa's gap in trade with Finland. Indeed, the completed document is an analysis of industrial structure and bilateral trade and tariffs between the two countries.

In a three part publication we extract key findings out of the Finland-South Africa trade report, particularly relating to recent and potential South Africa-Finland trade patterns. More formally, Part 1 reviews the structure of bilateral trade between South Africa and Finland, Part 2 identifies sectors at the HS4 and HS6 level that exhibit strong export potential for South Africa into the Finnish market, and Part 3 considers barriers to trade for South African products in Finland.

### **1. Introduction**

An important consideration for South African policy makers is the position of South African exports to Finland in the Finnish market. For this purpose, we need to combine information on bilateral trade between the two countries, specifically South African exports to Finland, with Finland's imports of these commodities from the rest of the world. In order to do so, we make use of the International Trade Centre's South Africa Trade Map, a global trade database at the HS6 commodity level, which offers bilateral trade flows between any pair of countries in the world. Being a global trade database also means that we have to settle for a globally recognised value measure; trade flows are expressed in terms of US dollars. As a result of South Africa's recent devaluation, growth rates over the 1996 to 2000 period may appear somewhat different to what was presented in Part 1 of this series on SA-Finland trade (see <http://www.tips.org.za/research/Focus/>).

### **2. South African Exports in the Finnish Market**

#### **2.1 General**

We begin with a broad perspective of South Africa's exports to Finland at the HS2 commodity level. To this end, we show the 10 most important commodities exported to Finland, Finland's imports of these commodities, as well as South Africa's exports of these commodities to the rest of the world, in Table 1 below.

Table 1: South African exports to Finland and the rest of the world and Finland's imports from the rest of the world (1996-2000, US '000, current values)

HS2	HS Description	South Africa's exports to Finland		Finland's imports from world			South Africa's exports to world		
		Value 2000 in US\$ thousand	Annual growth in value between 1996-2000, %	Value 2000 in US\$ thousand	Annual growth in value between 1996-2000, %	Market share in world imports %	Value 2000 in US\$ thousand	Annual growth in value between 1996-2000, %	Market share in world exports %
		1	2	3	4	5	6	7	8
	All products	24,947	3	33,886,384	2	0.5	26,075,312	2	0.4
1	47 Pulp of wood, fibrous cellulosic material, waste etc	12,682	5	95,232	8	0.4	493,200	6	2.2
2	22 Beverages, spirits and vinegar	2,287	30	170,664	4	0.5	375,652	-3	1.1
3	84 Nuclear reactors, boilers, machinery, etc	1,903	14	4,560,638	-1	0.5	1,701,126	7	0.2
4	90 Optical, photo, technical, medical, etc apparatus	1,862	73	850,817	1	0.4	139,301	1	0.1
5	72 Iron and steel	1,264		949,577	-2	0.7	2,692,746	7	2.2
6	54 Manmade filaments	1,261	34	74,745	-7	0.2	85,333	-2	0.3
7	40 Rubber and articles thereof	891	210	294,669	-2	0.5	193,473	9	0.3
8	12 Oil seed, oleag fruits, grain, seed, fruit, etc, nes	496	24	66,845	-9	0.3	48,350	0	0.3
9	85 Electrical, electronic equipment	410	46	6,837,916	11	0.7	649,532	10	0.1
10	20 Vegetable, fruit, nut, etc food preparations	297	-33	111,798	-4	0.6	219,738	-6	1.1

Source: ITC calculations based on COMTRADE statistics

It can be seen that *HS47: Wood pulp* (row 1) is the most important commodity exported by South Africa to Finland. Exports in this product have been growing at 5% per annum over the five years reviewed (in current US\$ prices, period ending 2000). Finland's imports of this product, however, have been growing at 8%, so it would appear that there remains some room to improve in this market. Indeed, South African exporters are seen to be lagging in a growing market. Total South African exports in this commodity have, however, also been growing at a fairly low rate, as is shown in column 7 of the table. It may therefore be the case that there are supply constraints in the production chain of this product that do not only affect exports to Finland, especially as growth in world trade of this product was around 4% (not shown here). We will go into more detail about this commodity in Section 2.2.

A different story emerges in the case of *HS22: Beverages* (row 2), the second most important product exported by South Africa to Finland. Here the growth rate is very high, at around 30% per annum over the period of observation, much higher than the growth rate of the total import market in Finland. This suggests that South African exporters have been successful in penetrating what appears to be a growing market, against the backdrop of a global market in which they have seen declining exports. This commodity group is reconsidered in Section 4.3.

The group of *HS84: Machinery* (row 3) has seen robust growth in exports to Finland, but imports have been declining. South African exporters must have been successful in finding niche markets here. Similarly, the broad group *HS90: Optical etc* (row 4) has seen spectacular growth to Finland, where the import market has been virtually stagnant. A more detailed discussion of these commodity lines follows in Section 4.4.

## 2.2 HS47: Wood Pulp

First, we turn to detail commodity group *HS47: Wood pulp*. Of this group, Table 2 shows that there is only one HS6 commodity line exported by South Africa to Finland, i.e., *HS470200: Chemical wood pulp, dissolving grades*.

Table 2: South African exports to Finland and the rest of the world and Finland's imports from the rest of the world in product group *HS47: Pulp of wood, fibrous cellulosic material, waste etc* (1996-2000, US '000, current values)

	South Africa's exports to Finland			Finland's imports from world		South Africa's exports to world	
	Value 2000 in US\$ thousand	Annual growth in value between 1996-2000, %	Share in South Africa's exports, %	Value 2000 in US\$ thousand	Annual growth in value between 1996-2000, %	Value 2000 in US\$ thousand	Annual growth in value between 1996-2000, %
470100 Mechanical wood pulp	0		0	5,544	49	127	
470200 Chemical wood pulp, dissolving grades	12,682	5	4	37,137	-2	360,778	8
470321 Chemical wood pulp,soda or sulphate,coniferous,semi-bl or bleached,nes	0		0	7,882	17	2,820	70
470329 Chemical wood pulp,soda/sulphate,non-coniferous,semi-bl/bleachd,nes	0		0	30,101	45	119,480	8
470429 Chemical wood pulp,sulphite,nonconiferous,semi-bl or bleached,nes	0		0	2,262	165	198	
470500 Semi-chemical wood pulp	0		0	159	-53	16	
470692 Chemical pulps of other fibrous material: o/t cotton linters)	0		0	363	-8	298	88
470693 Semi-chemical pulps of other fibrous material: o/t cotton linters)	0		0	680	288	581	
470710 Waste and scrap of unbleached kraft or corrugated paper and board	0		0	877	-16	18	-51
470720 Waste and scrap of paper/paperboard made of bl chem pulp,not colrd,nes	0		0	3,045	2	65	
470730 Waste and scrap of paper/paperboard made mainly of mechanical pulp,nes	0		0	482	-24	55	10
470790 Waste&scrap of paper or paperboard,nes: includg unsorted waste&scrap)	0		0	953	-18	726	-7

Source: ITC calculations based on COMTRADE statistics

It is clear that the Finnish market in *HS470200: Chemical wood pulp, dissolving grades* is declining, while other markets such as *HS470329: Chemical wood pulp, soda/sulphate,non-coniferous,semi-bl/bleachd, nes* have been rapidly expanding. Against this backdrop it makes sense to explore export potential in this latter market. Table 3 shows which countries are the main suppliers to Finland for both commodities.

While competition in the existing market is fairly limited, the number of suppliers in the faster growing market segment is much higher, with most of the imports coming from Portugal, Spain and Brazil. This suggests that this market may involve a different product altogether, although South Africa is, according to Table 2, exporting it to the rest of the world.

Table 3: List of supplying countries for selected *HS47: Wood Pulp Product* commodities imported by Finland in 2000

Exporters	Imported value 2000 in US\$ thousand	Share in Finland's imports, %	Import trend in value between 1996-2000, % p.a.	Import trend in quantity between 1996-2000, % p.a.	Ranking of partner countries in world exports	Share of partner countries in world exports, %	Total export growth in value of partner countries between 1996-2000, % p.a.
<b>Product : 470200 Chemical wood pulp, dissolving grades</b>							
World	37,137	100	-2				-2
Sweden	18,887	51	2		9	1	-30
South Africa	13,034	35	2		1	27	8
Canada	4,838	13	-16		3	12	3
Norway	371	1	-15		5	8	-3
<b>Product : 470329 Chemical wood pulp,soda/sulphate,non-coniferous,semi-bl/bleachd,nes</b>							
World	30,101	100	45	43			7
Portugal	20,254	67			5	7	3
Spain	4,192	14	7	6	6	6	9
Brazil	2,810	9			1	23	13
Sweden	739	2			20	0	-45
Canada	635	2			2	14	7
Indonesia	498	2			4	11	10
Austria	134	0			24	0	188
Germany	131	0			18	0	-10
Russia	32	0			11	3	0
Japan	11	0			13	1	18

Source: ITC calculations based on COMTRADE statistics

### 2.3 HS22: Beverages

In the case of beverages, there are a number of commodity lines exported to Finland by South Africa. Of these, the most impressive item is *HS22041: Wine*, which has been growing at about 40% in current US\$ prices, while the market in Finland is growing at a rate of 12%. It can also be seen that South Africa currently only captures about 3% of the market (2089/67,775) and that it sells only 1% of its exports in the product to Finland. Total South Africa exports have been growing at around 8% per annum over the 1996 to 2000 period.

Table 4: South African exports to Finland and the rest of the world and Finland's imports from the rest of the world in product group *HS22: Beverages, spirits and vinegar* (1996-2000, US '000, current values)

	South Africa's exports to Finland			Finland's imports from world		South Africa's exports to world	
	Value 2000 in US\$ thousand	Annual growth in value between 1996-2000, %	Share in South Africa's exports, %	Value 2000 in US\$ thousand	Annual growth in value between 1996-2000, %	Value 2000 in US\$ thousand	Annual growth in value between 1996-2000, %
220110 Mineral&aerated waters not cntg sugar or sweeteng matter nor flavoured	0		0	313	44	1,048	-10
220210 Waters incl mineral&aeratd,containg sugar o sweeteng matter o flavourd	0		0	3,066	17	35,180	4
220290 Non-acloholic beverages nes,excludg fruit/veg juices of headg No 20.09	0		0	5,434	9	1,263	1
220300 Beer made from malt	0		0	6,019	-8	15,066	-22
220410 Grape wines, sparkling	47	52	1	8,491	11	4,223	2
220421 Grape wines nes,incl fort&grape must,unfermtd by add alc in ctnr<>	2,089	39	1	67,775	12	210,520	8
220429 Grape wines nes,incl fort&grape must,unfermtd by add alc,in ctnr > 2l	42	-31	0	5,966	-14	28,363	-5
220510 Vermouth&oth grape wines flav w plants o arom subst in ctnr < 1 2>	0		0	1,243	0	18	17
220600 Fermented beverages nes: for example, cider, perry, mead, etc)	13	27	0	8,075	10	3,348	38
220710 Udenaturd ethyl alcohol of an alcohol strgth by vol of 80% vol/higher	0		0	3,005	-22	43,730	23
220720 Ethyl alcohol and other spirits, denatured, of any strength	0		0	298	27	9,130	-51
220820 Spirits obtained by distilling grape wine or grape marc	14	-15	0	21,839	0	3,156	3
220830 Whiskies	0		0	16,164	4	3,872	-11
220840 Rum and tafia	0		0	3,182	6	238	6
220850 Gin and geneva	0		0	2,637	9	1,576	10
220890 Udenatrd ethyl alc <80% alc cont by vol&spirit,liqueur&spirit bev nes	82		1	16,514	1	14,138	26
220900 Vinegar and substitutes for vinegar obtained from acetic acid	0		0	636	6	284	-1

Source: ITC calculations based on COMTRADE statistics

South Africa's main competitors in the Finnish wine market are shown in Table 5. Although not entirely consistent with the previous table, it can be seen that Spain and France are the

main exporters of wine to Finland, but that their products are considerably more expensive, as observed in column 3. While price may be an important factor in this market, the market may alternatively be segmented – a higher end and a lower end – with South African wine competing in the latter group. Here, the main competition appears to be coming from Hungary, Germany and Bulgaria, where the latter has shown a decline in its growth of wine exports to Finland between 1996 and 2000.

Table 5: List of supplying countries for *HS220421: Grape wines* imported by Finland in 2000

Exporters	Imported value 2000 in US\$ thousand	Share in Finland's imports, %	Unit value: US\$/unit	Import trend in value between 1996-2000, % p.a.	Import trend in quantity between 1996-2000, % p.a.	Ranking of partner countries in world exports	Share of partner countries in world exports, %	Total export growth in value of partner countries between 1996-2000, % p.a.
	1	2	3	4	5	6	7	8
Spain	17,164	25	2,394	22	32	4	8	2
France	13,602	20	2,670	12	23	1	35	3
Chile	9,776	14	2,041	23	29	5	5	20
Italy	8,605	13	2,176	9	13	2	18	5
Germany	3,594	5	1,915	3	6	8	3	-8
US of America	3,176	5	2,383	-8	11	6	5	18
South Africa	2,649	4	1,433	49	83	9	2	8
Australia	2,012	3	2,878	-1	3	3	9	22
Portugal	1,905	3	3,088	5	9	7	5	0
Hungary	1,103	2	1,925	14	16	17	1	-3
Bulgaria	1,034	2	1,639	-2	6	18	1	-16
Argentina	1,033	2	2,740	40	42	11	1	25

Source: ITC calculations based on COMTRADE statistics

Returning to Table 4, *HS220820: Spirits obtained by distilling grape wine or grape marc* appears to be a large, albeit stagnant, market in Finland in which South African exports have been declining.

## 2.4 Other Commodities

We noted previously (in Figure 1 in Part 1 of the SA-Finland 'Focus on Data' series at <http://www.tips.org.za/research/Focus/>) that exports of the mineral fuels commodity group exhibited the third largest exports by value on average for the period 1997-2001. However, returning to consider Table 1, which shows exports for the year 2000, this commodity group is no longer reflected. Closer examination of the SARS data, shown in Table 6, reveals that while South African coal exports to Finland have been erratic over the late 1990s, they have completely dried up over the final two years reviewed, i.e. 1999 and 2000.

Table 6: South African exports of coal products to selected destinations (R million, current prices)

HS and description	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Total 27: Mineral fuel, oil etc.; bitumen subst; mineral wax	4,182	5,419	6,971	8,530	10,927	13,021	11,873	13,935	18,626	26,082
Total 2701: Coal; briquettes, ovoids etc. mfr from coal	4,013	5,230	4,580	5,853	6,592	7,146	7,751	8,436	9,188	15,015
EU 27: Mineral fuel, oil etc.; bitumen subst; mineral wax	2,325	2,235	2,591	3,263	4,015	4,276	4,842	5,141	6,095	10,832
EU 2701: Coal; briquettes, ovoids etc. mfr from coal	2,248	2,170	2,455	3,137	3,509	3,990	4,563	4,861	5,768	10,382
Finland 27: Mineral fuel, oil etc.; bitumen subst; mineral wax	4	0	24	0	16	43	9	21	1	0
Finland 2701: Coal; briquettes, ovoids etc. mfr from coal	4	0	24	0	16	43	8	21	0	0

Source: Customs & Excise and own calculation

Interestingly, Finland imports coal from other sources, mainly Poland and Russia, at a much higher unit price than South Africa exports its coal to the rest of the world. This suggests that unless transport costs push up the landed cost price of South African coal, there may be a potential export market for this commodity in Finland, an idea deserving of more rigorous investigation.

Turning back to the main commodities listed in Table 1, the *machinery items* aggregated in HS84 are scattered over a number of HS6 level commodity groups, none of which is larger in value than about US\$600 000 in 2000. Accordingly, further examination of this group may not be worthwhile, at least not at this stage. However, in the case of *HS90: Optical, photo, technical, medical, etc apparatus*, the most important HS6 level commodity exported by South Africa to Finland is *HS900110: Optical fibs, optical fib bundles & cables, oth than those of*

headg 85.44, with exports of US\$1,660 million in 2000. This rather unusual, and certainly non-traditional, South African export currently finds itself in the following markets, as given by Table 7.

Table 7: List of markets for *HS900110: Optical fibs, optical fib bundles&cables* reached by South African exporters in 2000

Importers	Exported value 2000 in US\$ thousand	Share in South Africa's exports, %	Export trend in value between 1996-2000, %, p.a.	Ranking of partner countries in world imports	Share of partner countries in world imports, %	Total import growth in value of partner countries between 1996-2000, %, p.a.
World	10,233	100	25			32
United Kingdom	5,337	52	34	3	9	38
Finland	1,660	16		31	0	-10
United States of America	908	9	444	1	27	55
Netherlands	634	6	369	19	1	1
Australia	521	5		18	1	18

Source: ITC calculations based on COMTRADE statistics

From Table 7 it appears that Finland is one of the most important markets of this export product, but South Africa is by no means the only supplier to Finland, as can be seen in the Table 8 below.

Table 8: List of supplying countries for *HS900110: Optical fibs, optical fib bundles&cables* imported by Finland in 2000

Exporters	Imported value 2000 in US\$ thousand	Share in Finland's imports, %	Import trend in value between 1996-2000, %, p.a.	Import trend in quantity between 1996-2000, %, p.a.	Ranking of partner countries in world exports	Share of partner countries in world exports, %	Total export growth in value of partner countries between 1996-2000, %, p.a.
	1	2	3	4	5	6	7
World	11,406	100	-10	-16			36
Japan	5,017	44	-8	13	2	15	31
United Kingdom	2,857	25	-18	11	6	5	16
United States of America	2,161	19	42	69	1	35	45
Netherlands	655	6	48	35	10	2	4

Source: ITC calculations based on COMTRADE statistics

To end off this discussion on South African exports in the Finnish market we examine the details of *HS54: Manmade filaments*. Essentially, South Africa exports two HS6 level commodities from this group to Finland, as can be seen in the next table.

Table 9: South African exports to Finland and the rest of the world and Finland's imports from the rest of the world in product group *HS54: Manmade filaments* (1996-2000, US '000, current values)

	South Africa's exports to Finland			Finland's imports from world		South Africa's exports to world	
	Value 2000 in US\$ thousand	Annual growth in value between 1996-2000, %	Share in South Africa's exports, %	Value 2000 in US\$ thousand	Annual growth in value between 1996-2000, %	Value 2000 in US\$ thousand	Annual growth in value between 1996-2000, %
540241	900		8	10,911	-8	10,843	-4
540243	0		0	1,222	-25	6,135	-4
540249	0		0	1,105	-20	642	59
540252	0		0	134	26	3,924	-13
540269	0		0	22	-38	319	-2
540410	0		0	10,880	-5	74	-5
540610	0		0	46	-20	11	
540710	361	-1	7	3,605	6	5,079	10

Source: ITC calculations based on COMTRADE statistics

The main exports of the HS6 groups pertain to codes *HS540241* and *HS540710*, but it can be seen that the closely related code *HS540410* also offers potential in terms of size, although all three of these markets have been declining in size in Finland.

### 3. Finland's Imports from the Rest of the World

Having assessed the position of South African export products in Finland, it is also important to investigate competition to existing South African exports in the Finnish market, and to evaluate Finnish imports from the rest of the world that are currently not covered by South Africa exports. The table below focuses on commodity clusters that Finland is importing from the world, but not from South Africa, although they are exported by South Africa to the world. Based on the average annual growth in value of Finnish imports from the world over the period 1996 to 2000, four clusters can be highlighted on the basis of their relatively high growth rates. These are (from greatest): *HS99: Commodities not elsewhere specified* (11%, row 2), *HS75: Nickel and articles thereof* (11%, row 14), *HS44: Wood and articles of wood, wood charcoal* (7%, row 5), and *HS10: Cereal etc* (6%, row 16). Of these four, however, South Africa recorded a positive rate of export growth over the 5-year period for only *HS44: Wood and articles of wood, wood charcoal*. Finnish imports of a few other clusters are also growing, albeit at a slower pace of around 3%. These include, *HS30: Pharmaceutical products*, *HS29: Organic chemicals* and *HS76: Aluminium and articles thereof*. South African exports in these commodity groups are all growing at healthy rates. This suggests the need for further investigation in terms of the potential to increase such exports to Finland. We reconsider some of these commodity groups below.



Table 10: Important Finland imports and South African exports thereof

HS Code	Product label	Finland's imports from world				South Africa's exports to world			
		Value 2000 in US\$ thousand	As a percentage of the value of total RoW imports	Cumulative percentage	Annual growth in value between 1996-2000, %	Market share in world imports %	Value 2000 in US\$ thousand	Annual growth in value between 1996-2000, %	Market share in world exports %
1 26	Ores, slag and ash	852,938	9%		2	2.6	1,088,114	5	4.1
2 99	Commodities not elsewhere specified	776,214	8%	18%	11	0.4	3,314,027	-35	1.9
3 30	Pharmaceutical products	673,643	7%	25%	3	0.7	98,713	13	0.1
4 29	Organic chemicals	639,883	7%	32%	3	0.4	377,635	8	0.3
5 44	Wood and articles of wood, wood	590,090	6%	38%	7	0.8	326,472	12	0.5
6 88	Aircraft, spacecraft, and parts thereof	460,369	5%	43%	0	0.4	308,988	31	0.3
7 48	Paper & paperboard and articles	449,905	5%	48%	-3	0.4	413,528	-1	0.4
8 62	Articles of apparel not knitted	438,086	5%	53%	-1	0.4	100,318	2	0.1
9 61	Articles of apparel, knitted or crochet	340,598	4%	56%	1	0.4	109,201	15	0.1
10 76	Aluminium and articles thereof	320,977	3%	60%	3	0.5	910,442	28	1.4
11 25	Salt, sulphur, earth, stone, plaster, lime	304,972	3%	63%	0	1.5	148,254	-4	0.9
12 32	Tanning, dyeing extracts, tannins,	247,561	3%	66%	-3	0.7	96,570	6	0.3
13 74	Copper and articles thereof	200,767	2%	68%	-9	0.5	197,317	-9	0.5
14 75	Nickel and articles thereof	169,378	2%	70%	11	1.5	98,758	-17	1
15 64	Footwear, gaiters and the like	156,373	2%	72%	-5	0.3	17,318	-9	0
16 10	Cereal, flour, starch, milk preparations	147,211	2%	73%	6	0.9	18,446	-1	0.1
17 33	Essential oils, perfumes, cosmetics	144,104	2%	75%	-8	0.5	73,894	4	0.2
18 70	Glass and glassware	143,470	2%	76%	0	0.5	61,111	4	0.2
19 35	Albuminoids, modified starches, glues	135,434	1%	78%	-1	1.3	10,845	-1	0.1
20 83	Miscellaneous articles of base metal	126,935	1%	79%	0	0.5	26,733	4	0.1
21 34	Soaps, lubricants, waxes, candles	126,278	1%	80%	-2	0.7	62,372	-1	0.4

Source: ITC calculations based on COMTRADE statistics

Finnish imports of *HS44: Wood and articles of wood, wood charcoal* grew at a per annum weighted average of 7%, the second highest overall. Looking at trade of this cluster in more detail, it appears from Table 11 that two commodity clusters at the 6-digit level were mainly responsible for the total value of Finnish imports at the 2-digit level. *HS440399: Logs, non-coniferous nes* and *HS440320: Logs, poles, coniferous nes* contributed 60% to the value of total Finnish imports of *HS44* in 2000. Whereas, in the case of the former of these two product groups, the value of both Finnish imports and South African exports (to the rest of the world but not to Finland) grew on average over the 1996-2000 period, in the case of the latter Finnish imports grew over the period under consideration, but South African total exports is very small and declining, perhaps due to supply constraints.

Table 11: Important Finland imports and South African exports of *HS44: Wood and articles of wood, wood*

HS Code	Product label	Finland's imports from world		South Africa's exports to world	
		Value 2000 in US\$ thousand	Annual growth in value between 1996-2000, %	Value 2000 in US\$ thousand	Annual growth in value between 1996-2000, %
440399	Logs, non-coniferous nes	198,382	5	12,610	22
440320	Logs, poles, coniferous nes	151,436	6	821	-45

Source: ITC calculations based on COMTRADE statistics

Similarly, the total value of Finnish imports of *HS75: Nickel and articles thereof* grew at an average annual rate of 11%, one of the fastest growing commodity clusters under review. Analysing the specific commodity clusters that contributed to the value of total Finnish imports of *HS75* in 2000, it appears from the table below that two commodity clusters dominate this total value. Specifically, *HS750110: Nickel mattes* was responsible for 68% of this total value, and *HS750210: Nickel unwrought, not alloyed* was responsible for a further 29%. However, in the case of the latter, Finland's imports have declined over the period, while for the former there are almost no South African exports.

Table 12: Important Finland imports and South African exports of *HS75: Nickel and articles thereof*

HS Code	Product label	Finland's imports from world		South Africa's exports to world	
		Value 2000 in US\$ thousand	Annual growth in value between 1996-2000, %	Value 2000 in US\$ thousand	Annual growth in value between 1996-2000, %
750110	Nickel mattes	114,559	33	144	
750210	Nickel unwrought, not alloyed	48,911	-4	18,387	-2

Source: ITC calculations based on COMTRADE statistics

The total value of Finnish imports of *HS19: Cereal, flour, starch, milk preparations and products* grew at a less rapid pace than *HS75*, but still at a healthy 6% per annum weighted average over the 1996-2000 period. Within this commodity cluster, four commodity lines at the 6-digit level accounted for most of the total value of imports of *HS19* (see Table 13 below). These include: *HS190590: Communion wafers, empty cachets f pharm use&sim prod&bakers' wares nes*, *HS190410: Prep foods obtained by the swellg o roastg of cereal o cereal products*, *HS190530: Sweet biscuits, waffles and wafers*, and *HS190190: Malt extract&food prep of Ch 19 <50% cocoa&hd 0401 to 0404 < 10% cocoa*. Of these, only *HS190590* and *HS190190* recorded positive average annual growth rates over 1996 to 2000 in terms of both Finnish imports and South African exports. Accordingly, further supply of these commodities into the Finnish market could be beneficial. Regarding the other two commodity groups, the growth rates of Finland's imports have been declining, as have South Africa's exports to the rest of the world.

Table 13: Important Finland imports and South African exports of *HS19: Cereal, flour, starch, milk preparations and products*

HS Code	Product label	Finland's imports from world		South Africa's exports to world	
		Value 2000 in US\$ thousand	Annual growth in value between 1996-2000, %	Value 2000 in US\$ thousand	Annual growth in value between 1996-2000, %
190590	Communion wafers,empty cachets f pharm use&sim prod&bakers' wares nes	46,680	12	1,508	2
190410	Prep foods obtained by the swellg o roastg of cereal o cereal products	27,130	-2	1,920	-2
190530	Sweet biscuits, waffles and wafers	23,151	-2	5,474	-12
190190	Malt extract&food prep of Ch 19 <50% cocoa&hd 0401 to 0404 < 10% cocoa	17,198	16	1,449	13

Source: ITC calculations based on COMTRADE statistics

In Table 14 we see that *HS30: Pharmaceutical products*, which contributes about 1% to total Finnish imports, is dominated by one commodity cluster, *HS300490: Medicaments nes, in dosage*, which in turn contributes approximately 76% towards total import value of the more aggregated 2-digit group. Notably, this contribution grew at an average annual rate of 5% over the period 1996-2000. This implies that South Africa is exporting this commodity at a rapidly increasing rate to the rest of the world, but not to Finland.

Table 14: Important Finland imports and South African exports of *HS30: Pharmaceutical products*

HS Code	Product label	Finland's imports from world		South Africa's exports to world	
		Value 2000 in US\$ thousand	Annual growth in value between 1996-2000, %	Value 2000 in US\$ thousand	Annual growth in value between 1996-2000, %
300490	Medicaments nes, in dosage	491,267	6	54,068	26
300439	Hormones nes, not containing antibiotics, in dosage,o/t contraceptive	30,857	3	4,435	-3

Source: ITC calculations based on COMTRADE statistics

A number of HS6-digit commodity clusters contribute to the total value of Finnish imports of *HS29: Organic chemicals*, as can be seen in Table 15. *HS290250: Styrene* makes up 29% of this import value, while *HS290110: Saturated acyclic hydrocarbons* and *HS290919: Acyclic*

ethers nes; derivatives of acyclic ethers, each contribute 7%. HS294000: Sugars, chemically pure, their ethers, esters and their salts contributes 4%, whilst HS290511: Methanol: methyl alcohol and HS290531: Ethylene glycol: ethanediol each contribute 3%. Of these six clusters, only three are growing in terms of both Finnish imports and South African exports. In the case of HS290250: Styrene, for example, Finnish imports grew at an average annual rate of 20% and South African exports by 18%, over the 5 years reviewed. A similar situation is evident for both HS290919: Acyclic ethers nes; derivatives of acyclic ethers and HS290531: Ethylene glycol: ethanediol. In the case of the former, however, South African exports grew quite substantially at 118%, which suggests that there is potential to increase trade of this cluster with Finland. More generally, the reader is reminded that the values of South African exports are quite low, and hence growth rates observed are off a low base.

Table 15: Important Finland imports and South African exports of *HS29: Organic chemicals*

HS Code	Product label	Finland's imports from world		South Africa's exports to world	
		Value 2000 in US\$ thousand	Annual growth in value between 1996-2000, %	Value 2000 in US\$ thousand	Annual growth in value between 1996-2000, %
290250	Styrene	154,714	20	14	18
290110	Saturated acyclic hydrocarbons	39,393	37	322	-9
290919	Acyclic ethers nes; derivatives of acyclic ethers	36,596	6	130	118
294000	Sugars, chemically pure, their ethers, esters and their salts	23,223	22	78	-1
290511	Methanol: methyl alcohol)	19,037	-6	914	80
290531	Ethylene glycol: ethanediol)	17,932	46	89	21

Source: ITC calculations based on COMTRADE statistics

From Table 15 it is apparent that nine HS6 level commodity clusters contribute 78% to the total value of Finnish imports of *HS76: Aluminium and articles* in 2000. Specifically, these include: *HS760120: Aluminium unwrought, alloyed, HS760612: Plate, sheet or strip, aluminium alloy, rect or sq,exceeding 0.2mm thick, HS760110: Aluminium unwrought, not alloyed, HS761690: Articles of aluminium, nes, for example castings, forgings, etc, HS760711: Foil, aluminium,not backd,rolld but not further workd, not exceedg 0.2mm, HS761290: Container, alum, cap <300L,lined/heat insul/nt,n/ftd w/mech/thermo equip, HS760429: Bars, rods and other profiles, aluminium alloyed, HS760611: Plate, sheet or strip, aluminium, not alloyd,rect or sq, exceedg 0.2mm thk, and HS760200 Waste and scrap, aluminium.* Of these, the total value of trade in only *HS760612: Plate, sheet or strip, aluminium alloy, rect or sq, exceeding 0.2mm thick* grew in terms of both Finnish imports and of South African exports. This suggests another potential area of focus for South African exports to Finland. The other commodities have negative growth rates either of Finnish imports or South African exports to the rest of the world. While the former suggest limited demand, the latter hints at supply constraints.

Table 16: Important Finland imports and South African exports of *HS76: Aluminium and articles*

HS Code	Product label	Finland's imports from world		South Africa's exports to world	
		Value 2000 in US\$ thousand	Annual growth in value between 1996-2000, %	Value 2000 in US\$ thousand	Annual growth in value between 1996-2000, %
760120	Aluminium unwrought, alloyed	48,382	17	37,806	
760612	Plate, sheet or strip, aluminium alloy, rect or sq, exceeding 0.2mm thick	44,131	14	85,209	53
760110	Aluminium unwrought, not alloyed	30,804	-1	687,383	
761690	Articles of aluminium, nes, for example castings, forgings, etc	25,219	1	2,444	0
760711	Foil, aluminium, not backd, rolld but not further workd, not exceedg 0.2mm	23,858	5	9,015	-5
761290	Container, alum, cap <300L, lined/heat insul/nt, n/ftd w/mech/thermo equip	21,226	-7	2,554	23
760429	Bars, rods and other profiles, aluminium alloyed	19,077	13	5,324	-25
760611	Plate, sheet or strip, aluminium, not alloyd, rect or sq, exceedg 0.2mm thk	18,750	-4	750	37
760200	Waste and scrap, aluminium	17,927	-8	26,809	15

Source: ITC calculations based on COMTRADE statistics

Four 6-digit commodity clusters contributed 83% to the total value of Finnish imports of *HS03: Fish, crustaceans, molluscs, aquatic invertebrates nes* in 2000. In Table 17, it can be seen that this included: *HS30420: Fish fillets frozen*, *HS30410: Fish fillets and other fish meat, minced or not, fresh or chilled*, *HS30613: Shrimps and prawns, frozen, in shell or not, including boiled in shell*, and *HS30329: Salmonidae, nes, frozen, excluding heading No 03.04, livers and roes*. Of these, only *HS30410: Fish fillets and other fish meat, minced or not, fresh or chilled* grew, on average, in value terms over the period 1996-2000 with regards to both Finnish imports and South African exports thereof. This suggests that there is potential to market this product in Finland.

Table 17: Important Finland imports and South African exports of *HS03: Fish, crustaceans, mollusks, aquatic invertebrates nes*

HS Code	Product label	Finland's imports from world		South Africa's exports to world	
		Value 2000 in US\$ thousand	Annual growth in value between 1996-2000, %	Value 2000 in US\$ thousand	Annual growth in value between 1996-2000, %
30420	Fish fillets frozen	12,383	-6	66,592	16
30410	Fish fillets and other fish meat, minced or not, fresh or chilled	3,475	22	107	35
30613	Shrimps and prawns, frozen, in shell or not, including boiled in shell	2,293	1	1,351	-9
30329	Salmonidae, nes, frozen, excluding heading No 03.04, livers and roes	2,080	0	152	-39

Source: ITC calculations based on COMTRADE statistics

#### 4. Concluding Remarks

To begin, we identified the three most important HS2 commodity groups exported by South Africa to Finland as *HS47: Wood pulp*, *HS22: Beverages*, and *HS84: Machinery*. In terms of paper products, the main export item to Finland is *chemical woodpulp* and, in particular, *HS470200: Chemical wood pulp, dissolving grades*. The data also reveal that this is a declining market in Finland but that the market of a closely related product group (*HS470329: Chemical wood pulp, soda/sulphate, non-coniferous, semi-bl/bleachd, nes*) is growing rapidly and South Africa, although exporting this product to the rest of the world, is not exporting it to Finland.

In the case of exports of beverages, the main item is *HS22041: wine*, which has been growing at about 40% in current US\$ prices, while the market in Finland is growing at a rate of 12%. It was shown that South Africa currently only captures about 3% of the market and that it sells only 1% of its exports of this product to Finland, although South Africa's total exports have been growing at around 8% per annum over the last five years. This suggests that better marketing may benefit the position of wine in the Finnish market. The other commodity in this group that Finland imports in large value is *HS220820: Spirits obtained by distilling grape wine or grape marc*. Essentially, this refers to brandy, which appears to be part of a large, albeit stagnant, market in Finland in which South African exports have been declining.

The product group that still offers the third largest exports in terms of value on average over the last five years is *mineral products*, and *coal* in particular. However, over the last two years reviewed exports collapsed completely. While there is a considerable market for *coal* in Finland, competing export countries have a main advantage in transportation distance, which may outweigh the fact that South African coal is about 50% cheaper in terms of unit price.

Finally, another current export to Finland that caught our attention was *HS900110: Optical fibs, optical fib bundles & cables, oth than those of headg 85.44*, with exports of US\$1,660 million in 2000. This is a rather unusual and non-traditional South African export, and Finland appears to be one of the most important markets of this product, although South Africa is by no means the only supplier to Finland.

What is perhaps more important than investigating competition to existing South African exports to Finland is an evaluation of Finnish imports from the rest of the world that are currently not covered by South Africa exports to this market. Based on the average annual

growth in value of Finnish imports from the rest of the world over the period 1996-2000, four clusters were highlighted.

- *HS44: Wood and articles of wood, wood charcoal*
- *HS30: Pharmaceutical products*
- *HS29: Organic chemicals*
- *HS76: Aluminium and articles thereof*

Of these four, however, only one recorded a positive rate of export growth from South Africa over the period, namely *HS44: Wood and articles of wood, wood charcoal*. The remaining clusters are also growing, albeit at a slower pace of 3%. This suggests the need for further investigation in terms of the potential to increase such exports to Finland. A number of detailed commodities were identified including:

- *HS440399: Logs, non-coniferous nes*
- *HS440320 Logs, poles, coniferous nes* (although South African exports are currently very small)
- *HS750110: Nickel mattes* (currently almost no South African exports)
- *HS750210: Nickel unwrought, not alloyed* (high value but Finnish imports have declined)
- *HS19: Cereal, flour, starch, milk preparations and products* (including a number of detailed products)
- *HS300490: Medicaments nes, in dosage* (South Africa is exporting this commodity at a rapidly increasing rate, but not to Finland)
- *HS29: Organic chemicals* (including a number of detailed products)
- *HS76: Aluminium and articles* (including a number of detailed products)
- *HS30410: Fish fillets and other fish meat, minced or not, fresh or chilled* (grew on average in value terms over the period 1996-2000 with regards to both Finnish imports, as well as South African exports thereof)