

# EXPORT VIABILITY ASSESSMENT

Category	Criteria	Comments
Supply	Maturity of industry and ease of capacity expansion	Consider 1) whether domestic demand is satisfied, 2) obstacles to expand export capacity, and 3) required capital investments (specific numbers are not needed)
	Volatility of Zambian production	To understand stability of supply
	Adjacent production capabilities	Existing infrastructure that can be leveraged e.g. Emeralds mines near copper mines could result in cost synergies
	Job creation potential	Labour intensive industries have a higher job creation potential. Explore whether an industry has labour that can be shifted towards exporting
Competitiveness	Revealed Comparative Advantage (RCA) calculation	$RCA = (E_{ij} / E_{it}) / (E_{nj} / E_{nt})^{18}$ . A comparative advantage is "revealed" if $RCA > 1$ . If $RCA < 1$ , the country has a comparative disadvantage in the commodity or industry <sup>19</sup>
	Transportation accessibility	Factors include geographic location, roads, ports, trains, planes. Also consider time to market—how sensitive is the market for the product, i.e. for fruits it matters; cars it does not
	Final production cost vs. competitors	Compare final production cost to that of other countries (includes labour, raw materials, processing costs, energy, and transportation). The cost is the final cost of the item on the international market
	Productivity	To be measured by sales/employee or output/employee
Demand	U.S. demand	To assess revenue potential, consider how much the U.S. is importing. Are industry forecasts positive or negative on future U.S. imports?
	Volatility of U.S. demand	To understand stability of demand in the U.S.

<sup>18</sup>  $E_i$ =exports,  $i$ =country,  $n$ =set of countries,  $j$ =commodity,  $t$ =set of commodities. RCA is the proportion of a country's exports that are of the commodity under consideration ( $E_{ij} / E_{it}$ ) divided by the proportion of world exports that are of that commodity ( $E_{nj} / E_{nt}$ ).

<sup>19</sup> Wits.worldbank.org. (2016). *Trade Indicators*. Retrieved 15 December 2015, from [http://wits.worldbank.org/wits/wits/witshelp/Content/Utilities/e1.trade\\_indicators.htm](http://wits.worldbank.org/wits/wits/witshelp/Content/Utilities/e1.trade_indicators.htm)

Category	Criteria	Assessment
Supply	Maturity of industry and ease of capacity expansion	
	Volatility of Zambian production	
	Adjacent production capabilities	
	Job creation potential	
Competitiveness	Revealed Comparative Advantage (RCA) calculation	
	Transportation accessibility	
	Final production cost vs. competitors	
	Productivity	
Demand	U.S. demand	
	Volatility of U.S. demand	
	Quality or regulation gaps	

### Assessment Key

Assessment	Definition
	On par with or superior to alternatives
	Within relative bounds of alternatives
	Lagging behind alternatives
	Not applicable or relevant

The criteria within the framework are categorised into supply, competitiveness, and demand. These categories are essential elements of the export viability of an industry: to build a stable *supply*, an industry must be capable of capital expansion and securing financing; to *compete* in the global market, an industry must maintain sound productivity and reduce the cost of suppliers and production; to warrant the investment to bolster an industry, there must be *demand* in the U.S. market.

The evaluation for each criterion is assessed on a grading scheme of green, yellow, and red:

- Green means that there are greater positive aspects for the criterion compared to other products or global competing countries;
- Yellow means that Zambia is at a less advantageous position relative to alternatives;
- Red means that Zambia is not competitive regarding the criterion against alternatives; and
- Greyed means that criterion is not applicable or relevant to the product or industry.

#### How to conduct the assessment:

1. The first step is to identify main competing countries and research the global market landscape.
2. Gather necessary data or information via databases such as United Nation's Food and Agriculture Organisation database and Zambia's Central Statistics Office for trade volumes.
3. Compare Zambia's conditions to competitors. It is important to note industry nuance as some industries, such as copper, can only sustain a few dominating global players, whereas others, such as plastic or sugar, tend to have many players sharing the market. The colour coding should be based on expert opinions and so could be subjective. For instance, if Zambia is on par with dominant competing countries, then the criterion would be green; if Zambia is within the relative bounds of competing countries, the criterion would be yellow; and if Zambia is behind most competing countries, the criterion would be red. A criterion may also be irrelevant or not applicable to the particular industry or product.
4. After the assessment, one could use the results as a guide to develop action plans and address critical gaps.