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Research Article

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Experience in Improving the Mechanism for Financing Export Capacity Building Programs in South Africa

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Abstract

The article reveals the issues of the experience of improving the mechanism for financing export capacity building programs in South Africa, the dynamics of GDP growth in PPP in South Africa, billions of US dollars, the main trading partners of South Africa, the main export commodity items of South Africa, and the list of priority export support programs in South Africa.

Keywords: Improvement; Financing; Experience; Trend; Export; Partners; Mechanism for financing export; Building programs

Introduction

Modern trends in the development of the world economy are characterized by the expansion of economic ties and international cooperation, which contributes to the growing role of export potential as the basis for sustainable development of national economies. In recent decades, the problem of increasing the export potential has become an important factor determining the place of a country in the system of the international division of labor and requires a constant increase in the export potential of each sector and region of the country.

The analysis of the place and role of exporting enterprises in ensuring the sustainable development of industries, regions and national economies as a whole presented in this paragraph demonstrates the need for the active participation of the state, economic ministries, and banking and financial institutions in creating a favorable investment climate and business innovation for them environment that can intensify their work to expand the spectrum and increase the scale of the export of goods or services.

Given that in most emerging market countries, including Uzbekistan, the state is not able to quickly create all the necessary conditions for a sharp increase in the export potential of domestic enterprises, it is trying in every possible way to initiate an inflow for their needs of foreign direct and internal institutional investments investors. However, to solve this complex problem, it is necessary to radically change the attitude of the exporting enterprises themselves to the innovative component of their activities, without which it is impossible to increase the inflow of foreign capital for the needs of increasing their export potential.

Literature Review

A correct understanding of the theoretical foundations of the problem of financing exporting enterprises is facilitated by the study of the works of John Maynard Keynes, an outstanding representative of the classical economic theory, who argued that the free market system lacks an internal mechanism that ensures macroeconomic equilibrium. However, in the context of globalization, modern market economy is becoming an open self-developing system that acquires the capacity for self-regulation, which finds concrete expression in increasing the export potential of individual economic entities. Significant influence on the activation of the processes of increasing the export potential of key enterprises of national economies was provided by the ideas and postulates of the "Concept of Domination" that appeared after the Second World War in France, according to which a business entity playing a key role in ensuring the economic development of a particular region or in providing the basic industry of the national economy with a powerful "Dragging effect" represents a peculiar growth pole that generates the "agglomeration" effect.

The next important theory that justified the need for the state to increase the export potential of the national economy was the theory of regulation, developed in the early 1990s in the works of the French economist Robert Bouaye. The theory of regulation rejects the neoclassical idea that an optimal organization can guarantee a stable economic dynamic once and for all. Further deepening of research into the problems of intensifying the processes of attracting investment for the needs of innovative development of exporting enterprises was facilitated by the neoclassical theory of international capital flow that developed within the framework of the classical theory of international trade. Finally, the postulates of the neoclassical theory of the international capital movement were formulated in the first decades of the twentieth century by E. Heckscher and B. Olin, as well as R. Nurks and K. Iversen. Later, neo-classical theory was replaced by the neo-Keynesian theory of international capital flow, which was based on the principles of macroeconomic analysis. R. Harrod, based on his model of "economic dynamics" proved that the lower the economic growth rate of a country rich in capital, the stronger the tendency to export capital from it [1].

The rapid growth of the export potential of transnational corporations (TNCs) drew attention in the second half of the 20th century to them from the economic theory, which first studied this phenomenon within the framework of the theory of the firm. However, later, independent concepts began to be developed, based primarily on the ideas of American economists S. Heimer on the need for a firm to have advantages over local competitors when making direct investments abroad and R. Coase about the existence of a specific market within a

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large corporation, and also R. Vernon, who in his concept of the life cycle of the product explained the phenomenon of TNCs [2].

Correct understanding of the reasons for the high competitiveness of exporting enterprises was facilitated by the emergence of a model of monopolistic advantages that was developed by S. Heimer and further developed by Ch. P. Kindleberger, R.E. Cavez, G.J. Johnson, R. Lacroix. It is based on the idea that for large corporations maintaining production at a sufficiently profitable level is possible due to the increase in export potential and the conquest of new markets [3]. Another argument in favor of activating the activities of exporting enterprises is the product life cycle model developed by the American R. Vernon on the basis of the growth theory of the firm. In accordance with this model, any new product of the firm goes through five stages of the cycle of its life:

- I stage - Introduction to the market;
- II stage - Sales growth;
- III stage - Their maturity;
- Stage IV - Saturation of the market;
- V stage - A decline in sales.

The increase of export potential can prevent the company from being drawn into the last stage of the life cycle of its products by developing new markets for their sales abroad.

Lessons from Republic of South Africa

Interesting experience of increasing the export potential of the national economy has been accumulated in recent years in the Republic of South Africa, which is the largest state in Africamineral.

Occupying the 25th place in the world in terms of territory and population, this country has unique reserves of natural resources that are in high demand on the world market [4].

- 90% of the world's reserves of platinum group metals
- 80% manganese
- 73% chromium
- 45% vanadium
- 41% of gold and
- to 20% of diamonds.

Thanks to effective support from the state in matters of financial support for capacity building programs for exporting enterprises, in recent years, the Republic of South Africa has:

- The first place in the world for the extraction of platinum,

- The second place in the world for the production of palladium,

- The third place in the world for the production of gold,

- The sixth place in the world for coal mining andthe ninth place in the world for the production of wool.

Effective measures of support from the state of the subjects of the agrarian sector of the economy provided South Africa with a place of honor in the top twenty countries in terms of agricultural output.

The transition to an intensive build-up of export capacity in the Republic of South Africa was launched much later than other BRICS countries. In the mid-1970s, the new leadership of this country, sharply condemning the policy of the retired Minority Government, accelerated the neoliberal reforms against the backdrop of the country's return to world markets.

The peculiarity of economic reforms in this country was that there is a significant degree of combination of state ownership in the basic branches of the national economy with active export activity of private sector enterprises, which created the creation of a number of new transnational corporations. The real accelerators of the export potential of the enterprises of this country were immigrants from the African majority who received political rights and set off on the second "long road" to economic freedom.

Extremely monopolistic capitalism of the period 1960-1990 today gave way to a more diverse structure of ownership of shares that are in the hands of foreign portfolio managers, as well as state pension and investment funds. Many of the leading exporting companies of South Africa regularly conduct IPO and PSO programs in large foreign stock markets, as well as participate in corporate control transactions, receiving up to half of their revenues in the global financial market.

As can be seen from Figures 1 and 2 in the period from 2005 to 2013, GDP in PPP in South Africa increased from 405.8 to 683.1 billion. US, which allowed it to follow the results of 2014, South Africa to take the 28th place among the economies of the world in nominal GDP. At the same time, South Africa ranks 17th in terms of real GDP growth, while Russia ranks 88th.

The fastest growing industry in 2015 was agriculture, whose growth was 5.6%. Public services took the second place, their growth was 3.0%. In the mining and utilities sectors, there was a decline of 1.6% and 0.9%, respectively. The sector of industrial production remained almost at the same level, its growth was only 0.3% [5].

On February 12, 2015, in his address to the nation, President of South Africa J. Zuma stressed that the Government of the country identified 9 strategic priorities for the national economy, designed to increase the export potential of this country (Figure 2).

On February 25, 2015, in the Budget Report to the Parliament of the country, South Africa's Minister of Finance Nhlanhla Nene noted that South Africa will be able to take advantage of cheaper oil this year, but the main export commodities are adversely affected by the global recession.

The index of prices for a particular type of housing, compiled using this method, is determined by the following equation.

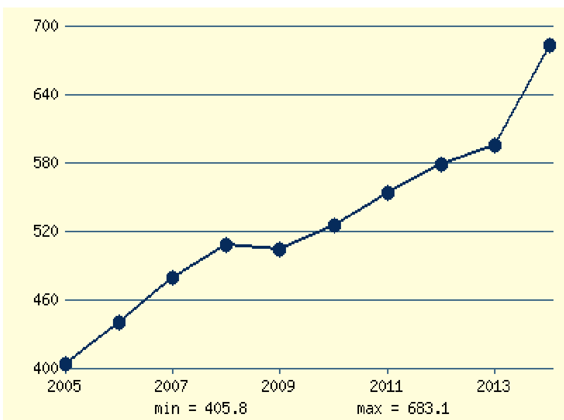

Figure 1: Dynamics of growth in the size of GDP at PPP in South Africa, billion US dollars.

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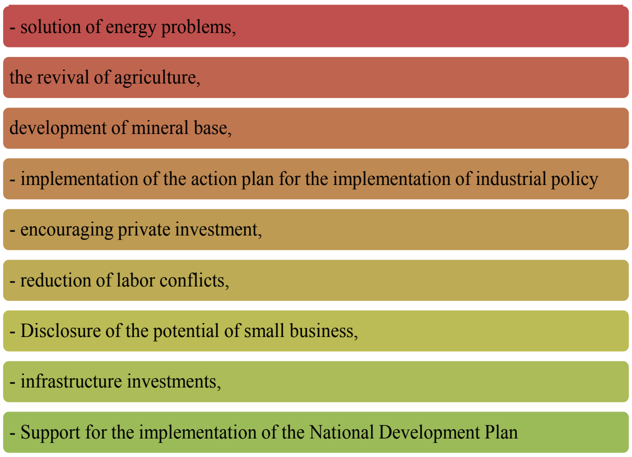

Figure 2: Priority directions of increasing the export potential of South Africa.

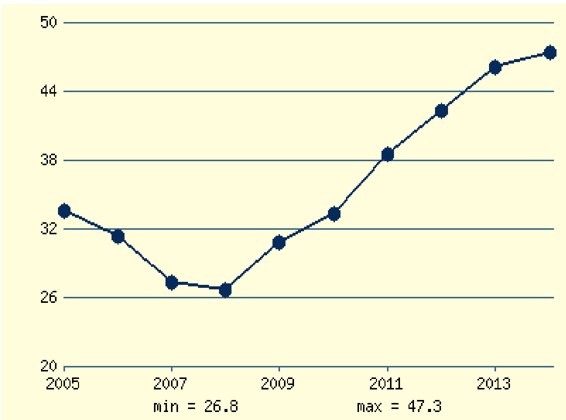

Figure 3: Growth in the volume of exports of companies in South Africa, billion US dollars.

$$\sqrt[n]{\prod_{i=1}^{n} p_i^t}$$

$$I^{0t} = \sqrt[n]{\prod_{i=1}^{n} \frac{p_i^t}{a_i^0}};$$

$$\sqrt[n]{\prod_{i=1}^{n} a_i^0} \qquad (1)$$

Where p_i^t – the selling price of housing i in the period t.

a_i^0 – the estimate of the starting price of housing, made at the time O,

n- the number of housing units in the sample.

The problem of applying the method is the presence of cases of providing false estimates of housing, which leads to significant deviations. the formed indicator. Also, the method ignores the qualitative changes that can occur in a residential building for the period that has elapsed since the assessment.

Strengthening the export potential of South Africa is facilitated by the deepening of trade and investment ties with African countries, as evidenced by an increase of 19% in exports to Africa in 2013 and 11% - in 2014. However, the factors constraining production and investment in the country's economy remain structural problems and issues of competitiveness. As can be seen from Figure 3 for export-oriented sectors of the economy of this country account for no more than 20 percent [6].

Well-coordinated efforts by the state, economic agencies, financial institutions and exporting companies themselves allowed South Africa to increase export potential in a short time, as shown in Figure 3.

Currently, South Africa is the most active political player on the African continent, playing a central role in the South African Customs Union, taking a dominant position in the 15-member South African Development Community, and supporting the formation of the New Partnership for Africa's Development and the transformation of the weakening Organization of African Unity in the African Union [7].

As you can see from Figure 3, among the main consumers of the products of exporting companies of South Africa in recent years are the leading countries of the world, including China, USA, Japan, Germany, England, India, which indicates the high quality of their products or services [8].

Of the five BRICS countries, South Africa has the most continuous experience of dominating the norms of the "free market" and the rule of law, which is important for building up the export potential of these countries and making them a worthy place in the international division of labor [9]. Of particular interest is the assessment of the export potential of the BRICS countries in the World Economic Forum (WEF) Global Competitiveness Report [WEF, 2014], which is based on a combination of quantitative and subjective indicators collected through a survey of business representatives. When considering the parameter "Institutions", this report assigns South Africa 41st place, while Russia is at 121st position. South Africa retains its leading position on such an important indicator as the level of development of the financial market, ranking third in the world. The Gini coefficient of South Africa, equal to 63.1, is one of the highest in the world.

The export capacity of this country was promoted by the program of financial support to export companies operating in the priority sectors of the national economy, developed by the Government of the Republic of South Africa.

At the same time, targeted financial support is provided both to purely South African companies and to companies with foreign participation working in various sectors of industry and services.

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