

# Geographic Economic Windows

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## In November 1984

- ▶ Representatives from 19 “open” Chinese cities attended an “investment symposium” in Hong Kong to meet foreign businesses and encourage them to enter the China market
- ▶ No clear rules and regulations
- ▶ Few guidelines
- ▶ No or very limited experience in international business or in the industries they were interested in
- ▶ BUT they had enthusiasm and commitment – and humility
- ▶ More than 1,100 foreign businessmen from 23 countries attended – *me too!*

## What are geographic economic windows?\*

- ▶ The obvious first place to consider as
  - The preferred “eye” through which to view a complex market
  - the almost natural path into one or more markets
  - a natural meeting place; convenient
  - a safe business haven
  
- ▶ Also known as
  - an economic bridge to .....
  - a springboard to .....
  - a stepping stone to .....

[\* – my description for this geographic concept]

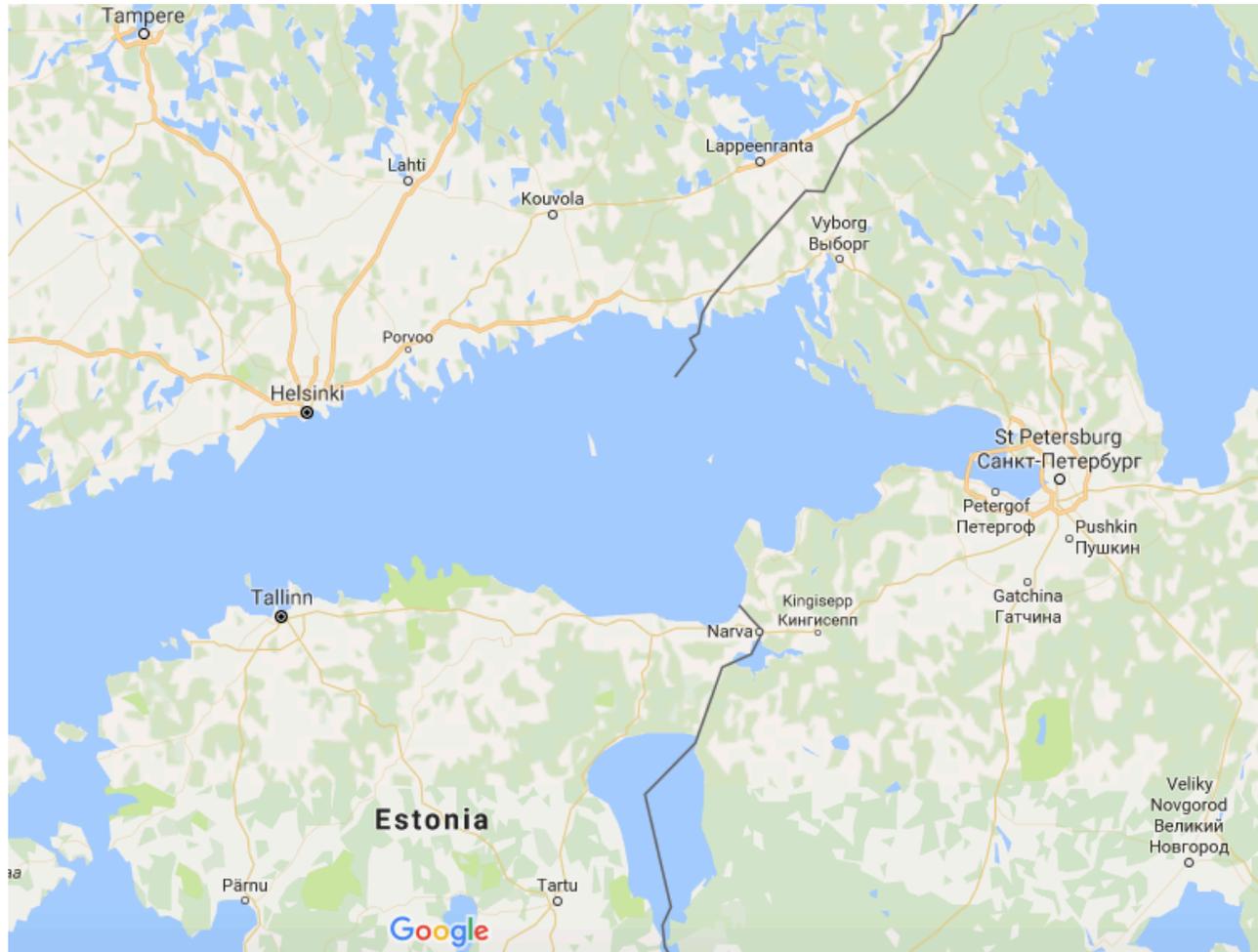
# Examples of geographic economic windows

- ▶ Hong Kong
- ▶ Macau
- ▶ Finland
- ▶ South Africa
- ▶ Any others?
- ▶ Historically?

# Hong Kong and Macau



# Finland



# South Africa



## Hong Kong as a window to China

- ▶ Long historical ties
  - Administered by U.K. from end of the first Opium War (1842) until 1997
- ▶ 8<sup>th</sup> largest trading economy
- ▶ Mature, international banking sector
- ▶ Significant maritime industry / cluster
- ▶ Maintains its capitalist economic system and its legal system for at least fifty years
- ▶ Maintained its monetary policies and low tax base
- ▶ Strong China bridge based on its economic strength

## Hong Kong as a window to China

- ▶ Adapted as China's economic reforms progressed
  - Fundraising centre for China
- ▶ Hong Kong's economy shifted from industrial-based and manufacturing to service-based
- ▶ Hong Kong's trade, construction, banking and finance sectors grew and became components of a new economy
- ▶ Existing manufacturing focuses on necessary activities for re-export
- ▶ A complimentary economic relationship was formed
- ▶ CEPA free-trade agreement

## Hong Kong dependency on China

- ▶ Dependent on China for food, water and raw materials
- ▶ Asian Financial Crisis, 1997/8
- ▶ Global slowdown, 2001
- ▶ SARS threat, 2002/3
- ▶ Hong Kong went into recession with a rise in unemployment
- ▶ Declines in output and prices
- ▶ BUT, China did not fare as badly regionally
- ▶ Leading to closer ties to the then more prosperous mainland
- ▶ Recovery since 2003

## Macau as a window to China

- ▶ Long historical ties
  - Administered by Portugal from mid-16<sup>th</sup> century until 1999
- ▶ First and last European colony in Asia
  - Language and cultural link to Lusophone countries
    - 10 CPLC nations – 7 African – 270+ million people
- ▶ Maintains its capitalist economic system and its legal system for at least fifty years
- ▶ Liberalised economy and introduced competition
  - Telecom and gambling opened – 2000/1
- ▶ Strong tourism industry
- ▶ Gambling important source of revenue
- ▶ Strong China bridge based on its economic strength

## Finland as a window to Russia

- ▶ Long historical ties
- ▶ Most significant trading partner since the collapse of the Soviet Union
- ▶ Mutual business relations benefit both companies and people on both sides of the border
- ▶ Many international companies have taken advantage of Finland's strategic location and know-how and established their Russian-Baltic hubs in Finland

## Finland as a window to Russia

- ▶ High direct investment in Russia
  - Highest in Europe in relation to population
- ▶ Approximately 30% of Russian imports transit through Finland
- ▶ Finnish corridor is reliable, safe and effective
- ▶ St. Petersburg is a good, close starting point for entering Russian market from Finland, prior to expanding further into Russia

## Select Indicators

	Hong Kong	Finland	RSA
Cultural	Y	Y	N
Exchange control	N	N	Y
Legal system	X	X	X
Transparency Index	15	3	64
Logistics	9	15	20
Ease of Doing Business	4	13	74
BEE	N	N	Y
Language	Y	Y	N

## “Important” Indicators

	Hong Kong	Finland	RSA
Great to visit/sights	Y		Y
Great operating base	Y		Y
World class professionals	Y	Y	Y
Airline Hub	Y		Y
International flights	Y		Y
Local flights	Y		Y
Strategic port	Y	Y	Y
Intermodal	Y		Y

## As the target market goes, so goes the “window”?

- ▶ The target market’s focus is primarily its own economy, so growth can be in opposite directions
- ▶ Finland
  - Trade between Russia and Finland contracted nearly a third in 2015
  - Which is a further plummet from prior years
    - Russian economic downturn
    - Low oil prices
    - Weak Russian Ruble
    - Financing problems

## So, what are the success factors?

- ▶ An ability to adapt
- ▶ Highly professional services
- ▶ International banking system
- ▶ Free capital flows (no exchange control)
- ▶ Solid performance in indices
  - Logistics Performance Index
  - Ease of Doing Business
  - Transparency Index
- ▶ Highly efficient intermodal systems
- ▶ Safe, reliable corridors
- ▶ Complementary economic relationships formed

## What does this tell you?

- ▶ Economic windows can become dependent on the larger market
- ▶ The economy of a “window” can be changed by the larger market
- ▶ The larger market may be able to support and bail out the “window”
- ▶ “Windows” are close to sound entry points to the larger market



## Let's discuss South Africa

- ▶ How does South Africa compare to the other “windows” we have outlined?
- ▶ How reliant is South Africa on its larger market, the rest of Africa?
- ▶ How is South Africa's economy linked to the rest of Africa?
- ▶ How do corruption and crime affect South Africa as a “window”?
- ▶ What about South Africa's downgrade?
- ▶ What does South Africa need to do to be a successful “window”?

# Can South Africa become and remain a successful window to Africa?

- ▶ What do you think?
- ▶ What would you advise an international client?
- ▶ What does South Africa have to offer the world?
- ▶ What can YOU offer South Africa?

# Discussion

- ▶ Any Questions?
- ▶ Discussion

