Identifying competitive developing countries to satisfy Austria's demand for top imported products

A quantitative study analyzing Austrian Imports and Developing Countries' Export Performance for the Import Information Hub Austria

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EXECUTIVE SUMMARY

When the Austrian Retail Association, *Handelsverband*, decided to implement the Import Information Hub Austria (IHA), Austria's newly created import programme co-financed with the Austrian Development Agency, it accepted the mandate to do so with the aim to build its program upon the necessities identified from the Austrian import demand side. The rationale being, that only then could matchmaking between an exporter from a developing country and an importer from Austria be truly successful: if it was satisfying both parties' incentives. Thus, the study set out to analyse which product groups Austria imported most, and which developing countries are competitive in exporting the same goods and would benefit from a import promotion programme.

The study exclusively focused on developing countries, dividing these in Low and Middle-Income Countries (LMIs) and Least Developed Countries (LDCs). BRICS (Brazil, Russia, India, China, South Africa) were included for completeness in the analysis, but are deliberately not eligible as a partner country given their emerging and advanced status as already powerful actors in the global economy.

The current study gives an insight into the **Austrian Import Market** from the **period of 2010-2015**, analyzing the product groups which have been imported with the highest import values and highest growth in demand over the period. From over 50 identified product groups, **7 key product groups**[1] were **selected** to be analyzed in detail with respect to the export potential of developing countries; the idea being that for those sectors which are highly relevant for Austria to import, it was now the task to identify which developing countries had the export potential to do so, and would benefit from supporting capacity building and matchmaking activities.

For this, a **comprehensive methodology** for both the sector selection and partner country selection was developed, based on some of the concepts from UNIDO/GIZ's EQUIP toolbox for country diagnosis (Enhancing the Quality of Industrial Policies, http://www.equip-project.org/). The methodology included demand side, supply side and market access criteria to select the adequate import sectors. These criteria take into consideration: Austrian demand in values, growth of demand, existing market share of LMIs and LDCs globally of the respective product group and their presence in the EU market. For the analysis of the **export potential** of developing countries, export competitiveness criteria include export values and change in world market shares. Selected countries per sector were categorized in the groups: a) top three competitive exporters, b) developing countries with a high probability of being successful sourcing partners for Austria in the short term and c) developing countries with a high probability of medium to term potential to benefit from import support, the latter two categories determined by whether market entry into Europe or Austria had occurred. Although the most competitive exporters may be most interesting to import from for importers, it is the developing focus which selects countries which would benefit most from a developmental agenda whilst still displaying the necessary competitive advantage to match importer's demand.

Selected sectors and most competitive developing supplier countries: The first sector selected and analyzed, was **articles of apparel**. The analysis revealed that Bangladesh, Vietnam and Cambodia were its most competitive exporters. **Footwear** was spearheaded by Vietnam, Indonesia and Cambodia. **Leather**, included in the analysis given the value chain creation to footwear, was spearheaded by Thailand, Vietnam and Uruguay. For **Cocoa** Cote d'Ivoire dominated this analysis as its most competitive exporter, followed by Ecuador and the Dominican Republic. **Spices** saw Vietnam, Indonesia and Madagascar as its most competitive exporters. **Fruits and nuts** were most strongly supplied

[1] Also called sectors, both terms are used interchangeably

globally by Mexico, Chile and Turkey. **Preserved and processed fruits** also saw strong supply from Chile, Mexico and Turkey, indicating that the value chain was strongly utilized in all three countries.

As the methodology selected LDCs which were competitive but would also benefit from a higher developmental impact, the following countries were selected: for **articles of apparel**, Sri Lanka was considered to have a high probability of being successful sourcing partners for Austria in the short term, whilst Haiti and Honduras occupied the mid-to long term potential. For **footwear**, it was Bangladesh and Myanmar in the short term, and Ethiopia in the mid-long term. For **leather** Ethiopia, Uganda and Pakistan in the short term, none in the long term. For **cocoa**, Uganda and Liberia in the short term, none in the long term. For **spices,** it was Comoros and Sri Lanka in the short term, Nepal in the long term. For **fruits and nuts**, Ecuador, Chile and Costa Rica in the short term, Guinea-Bissau, Afghanistan and Benin in the long term. For **preserved and processed** fruits, the Philippines and Thailand in the short term, Myanmar in the long term.

A total of 30 countries fulfilled either of the categories and were selected for the 7 sectors. Furthermore, and to narrow down the pool of countries and sectors to be selected for the programme, **a set of criteria of selection** were suggested to be applied to determine which two sectors and relevant supplier countries the Import Information Hub Austria could focus its efforts on: supporting a value chain would have preference given the developmental effect this could have; countries which were already supported by other import promotion programs from Europe for a selected sector would not have preference in order not to duplicate efforts; and lastly, LDCs and countries where the sector is very important would have preference over competitive exporters unless this was not feasible in the short term.

One clear sector/country combination identified which could partake in the IHA programme was the **leather-footwear value chain from Ethiopia**: the African country not only showed up as the only country for both product groups, but its national strategy reveals a strong support for the sector. The authors consider exploring the country’s plans for the sector development, export strategy and industry players with a sector expert on site key for the set-up of the program design.

The second sector selected was the fruit value chain. Here several supplier countries could be considered as no such clear case as Ethiopia for the leather-footwear value chain is identified. For the immediate sourcing of fresh fruits Ecuador, Costa Rica and Chile could be considered, as the sector has a very high contribution to their overall exports. Vietnam and Peru would also make sense due to the fact that they are still under-represented in the Austrian market. It is expected that all five countries would greatly benefit from support in upgrading to exporting more processed fruit. With a view to processed fruits, the Philippines and Thailand would benefit greatly from import promotion.

This study thus serves as a basis for the IHA program setup, as it provides a clear and thorough methodology through which potential partner countries and sectors were identifies and selected. The proposed sector and country combination by the authors is at their own discretion and does not reflect the views of the Austrian Development Agency or the *Handelsverband*. The final selection of countries and sector combinations is to be validated by, and accorded with, the Austrian Development Agency’s economic development strategy.

LIST OF ABBREVIATIONS

ADA – Austrian Development Agency

DG Market – Directorate-General (DG) for Internal Market, Industry, Entrepreneurship and SMEs at the European Commission

CAGR – Compound Annual Growth Rate

CLRI – Central Leather Research Institute

CBI – Centre for the Promotion of Imports from developing countries, Netherlands

EAC – East African Community

EQuIP – Enhancing the Quality of Industrial Policies (UNIDO/GIZ - http://www.equip-project.org)

EPO – Export Promotion Office

EU – European Union

EUR – Euros, Currency

Eurostat – European Statistical Office

FDDI – Footwear Design and Development Institute

GAP – Good Agricultural Practice

GIZ – Deutsche Gesellschaft für internationale Zusammenarbeit (German Development Agency)

GLOBAL GAP - Good Agricultural Practice the worldwide standard that assures GAP

GTP II – Growth and Transformation Plan Ethiopia

HV – Austrian Trade Association, österreichischer Handelsverband

ICT –Institute of Chemical Technology

IHA – Import Information Hub Austria

ILO – International Labour Organization

IPO – Import Promotion Office

IPD – Import Promotion Desk Germany

LDCs – Least Developed Countries

LIDI – Leather Industries Development Institute of Ethiopia

LMI – Lower and Middle Income Countries

n.e.s – not elsewhere specified

RCA – Revealed Comparative Advantage

SIPPO – Swiss Import Promotion Programme

SITC – Standard International Trade Classification

SME – Small and Medium Enterprises

TIDI - Ethiopian Textile Industry Development Institute

UN Comtrade – United Nations International Trade Statistics Database

UNIDO – United Nations Industrial Development Organization

USAID – United States Agency for International Development

USD – United States Dollar

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INTRODUCTION

On the 30th June 2016, the Austrian Trade Association (*österreichischer Handelsverband* or HV here onwards) submitted a funding request to the Austrian Development Agency (ADA), to implement the project "Import Information Hub Austria" (Import Austria or IHA here onwards). The ADA approved the IHA as a pilot project for the period from 1 October 2016 to 1 April 2018. An extension of the project runtime is possible and foreseen.

The IHA is directed to fulfill two key objectives. On the one hand, it aims to strengthen the domestic economy by providing information on alternative sources of supply to Austrian importers. On the other hand, it aims at fostering economic development from selected emerging and developing countries, as export-oriented SMEs from these countries are enabled to expand their business activities through capacity building and improved market access to Austria and the EU, thereby nurturing the opportunity for higher income and employment in the home country.

In order to select the adequate import sectors upon which the IHA should focus its efforts and matchmaking activities on, the project office of the IHA has decided to undertake a comprehensive macroeconomic study, the first of its kind in Austria.

The concrete task of this analysis is to provide a comprehensive overview of the Austrian import market, the increase in demand over the last 5 years for specific product groups and provide an analysis of the export potential of developing and emerging markets for these product groups, to assess the potential which the Austrian Import is so far foregoing.

This study, together with a needs assessment carried out with Austrian Importers, will be the cornerstone upon which the IHA will build its forthcoming mandate and scope of activities.

Rationale

Governments around the world are interested in facilitating the participation of SMEs in trade. This is because there is a strong belief that this may raise productivity, helping to stimulate employment and growth, and reduce poverty. – World Trade Report 2016

Developing Countries' struggle with Trade Barriers

Developing countries are particularly prone to face higher trade barriers than developed economies, as exporters from these countries encounter many different sets of barriers to trade: tariffs, non tarrif barriers (such as food safety standards), knowledge and information gaps as well as poorly-equipped export promotion support organizations which cannot support their exporting firms as well as may be needed.

A large part of non-tariff trade barriers are for instance costs that accrue per each shipment, such as filling in customs declarations and other forms, or having the cargo inspected by health and sanitary officials. Thus, exporters will wait to fill a container before sending it off or choosing a slower transport mode to accommodate a large shipment, thereby sacrificing timely delivery of goods to countries with high administrative barriers to importing. These infrequent shipments mean that the supplier only being able to compete for a fraction of consumers in a foreign market (Hornok & Koren, 2015: 110, 111).

In line with the literature, the latest World Trade Report also found that many trade barriers are burdensome for SMEs where they give rise to fixed costs. Non-tariff barriers are particularly arduous for SMEs because they entail fixed costs independent of the size of the exporter. SMEs are thus more sensitive to changes in tariffs than large firms, which may deal with changes in regulation (World Trade Report, 2016:8).

A study analyzing the differences between developing and developed countries in ad valorem terms, suggests that the absolute levels of trade costs are highly significant in ad valorem equivalent terms, ranging from an average of just over 80% for high income countries in manufactures, to over 300% for low income countries in agriculture (Arvis et al, 2016: 451).

Arvis et al (2016) also suggest that the difference between trade costs in manufacturing for low and lower middle-income countries is just over 80%, whereas the difference between the lower middle-income group and the high-income group is around 50%. Again, reflecting that trade costs are generally higher in the developing world than in the developed world, but that the problem is particularly severe for the poorest developing countries. Similarly, trade costs in agriculture are considered to be much higher than in manufacturing, a result that holds across all regions but depends to some degree on the assumption of a common elasticity of substitution for both sectors: it is difficult to disentangle pure differences in trade costs from differences in preferences that lead to greater or lesser tradability of certain commodities, an issue that is of particular importance in agriculture where some products tend to be traded only locally (Arvis et al, 2016: 472-473).

At the same time, the World Trade Report 2016 found that the direct trade participation of SMEs in developing countries is not in line with their importance at the domestic level, as direct exports represent just 7,6 percent, compared to almost double, 14,1 per cent for large manufacturing enterprises, suggesting that the export potential of its SMEs is not represented accordingly (World Trade Report, 2016: 8).

Global Sourcing, Global Challenge

"Exporters and importers around the globe face many administrative barriers. They have to comply with complex regulations, deal with a large amount of paperwork, subject their cargo to frequent inspections, and wait for lengthy customs clearance" – Hornok & Koren 2015

Global sourcing means globalization in two regards: internationalization of purchasing activities and adopting a strategic orientation for all resource management, thus making it its goal to utilize the purchasing potential on a worldwide level. For most companies who source globally, it is a critical pillar of its competitiveness, as it can realize economies of scale, supports a multinational strategy by developing potentials for differentiation and by taking an active influence on quality standards, as well as supporting a regionally limited strategy with respect to a general improvement of input-output relations. (Arnold, 1989: 26)

In times of high competition and cost pressure, diversified supply relationships with producers and exporters from emerging and developing countries (global sourcing) are an increasingly important competitive factor for the Austrian economy, as its economy is outward oriented. However, despite this, domestic importers may underestimate the import potential of less developed countries and do not adequately diversify their procurement sources. It is often difficult to identify suitable and reliable suppliers that provide products in the required quantity and quality. Here, targeted matchmaking can contribute to the better integration of companies from emerging and developing countries into the procurement portfolios of local trading companies. This way, diversification and product quality can be increased as well as long-term supply relationships promoted.

In interviews conducted with a relevant cross-section of Austrian Importers, it was found that the key factors for their purchasing activities from abroad were the trustfulness of the suppler and his ability to adhere to schedules. When asked how sourcing strategies could further be optimized, over 60% indicated the need for better and more information about suppliers, followed by better and more information about prices, and product. Unsurprisingly, as Austria is a landlocked country, 70% stated that their most important import trade route was via land. Most importantly for this study however, was the finding that over 75% of respondents assented that imports from Developing countries will increasingly become more important for their most important products, paired with 75% stating that customer demands upon social responsibility in the products' country of origin were rising. 37% of respondents indicated that non-tariff barriers were more burdensome on their businesses than tariffs. 75% expressed interest in matchmakings during trade fairs, 25% said they were interested in partaking in buyer missions to the respective countries of origin, and 62% expressed their interest in practical exchanges with other purchasers in meetings organized by the Import Information Hub Austria (Lennkh, 2017: 3).

Findings from the inquiry of Austrian importers thus suggest that import facilitation could also benefit the importer from the developed country, as matchmakings with relevant producers from development countries would significantly enhance the importer's purchasing experience. Similarly, as trust toward a exporter is considered as a key issue by over 60% of respondents, this is something that import promotion can very much agilize, as exporters who run through an import promotion program are scrutinized by the program, thus strengthening the commitment on both sides.

Import facilitation as a possible solution

Export: economic development lever

Xuefeng & Yasar studied the export potential of a pool of Chinese firms and found that export expansion is expected to improve firms' productivity if they can adjust successfully to new markets by developing customized products and promotional activities that meet local tastes, by managing their strategies and operations to accommodate business relations/practices and environmental and labor market practices and by adhering to local laws and regulations (Xuefeng, Yasar, 2016: 28,29). Given the lack of knowledge about, and experience needed to accommodate local tastes, business and labor market practices and government regulations in these new markets, these costs can initially be substantial.

However, it is expected that the expansion will eventually yield lower long run average costs and thus higher productivity as a result of economies of scale, economies of scope and the learning curve. Thus, whilst the study finds that many firms enter and exit an export market every year, this indicates that firms can break into export markets, but some are not efficient enough to survive. This is where import promotion comes in: supporting relevant matchmaking.

Export market expansions are necessary for economic development, as diversification can reduce demand fluctuations and result in more stable net foreign income, mitigate risks, improve the terms of trade and augment economic growth. The training of workers and the well strategized managerial and engineering actions that lead to the successful accommodation of the differences across countries can result in lower costs of serving additional destinations and or turning point. Better experienced works can allow firms to mitigate the negative effects of doing business in foreign markets and more successfully maximize the gains of expansion and minimize the associated costs, which can also translate into higher economic performance. They can also effectively exploit the knowledge gained in production, marketing and distribution and research and development across different markets which can lead to cost savings due to economies of scope and scale, these efforts can lead to more effective and persistent export market participation which can then further increase productivity of firms through dynamic gains and thus contribute to sustained economic growth and sustainable development of the countries. (Xuefeng, Yasar, 2016: 39,40)

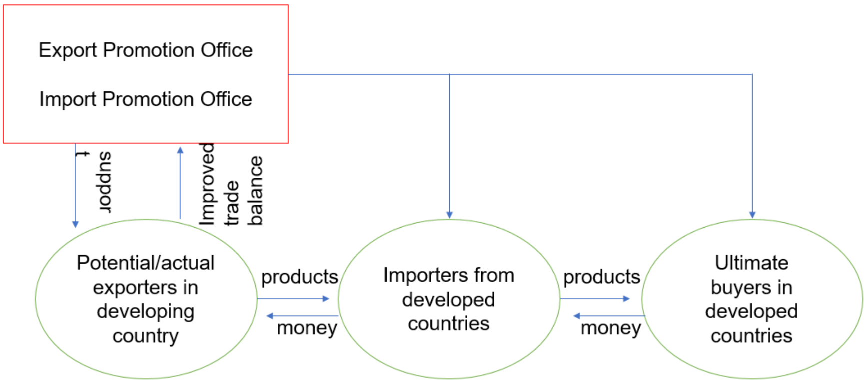
Enabling SMEs: Import facilitation streamlining the development country's export process
International trade has long been dominated by large companies. But due to reduced trade barriers, improved transportation links, information technologies and the emergence of global value chains, many SMEs now have the potential to become successful global traders as well. The World Trade Report 2016 further found that when SMEs are given the opportunity to enter new markets, SMEs tend to be able to respond more swiftly and flexibly than large firms, and can therefore play a key role in the creation of new exports. (World Trade Report, 2016: 7). This is a key consideration for this study, as it fortifies the idea that Exporters from Developing countries – particularly SMEs – need to be enabled to enter new markets, to which they can adapt quickly.

Import Promotion: how it works
Gripsrud & Benito found that the solution to enabling exporters from developing countries could be the joint efforts of export promotion offices in the country of origin as a certain "push factor", and import promotion offices It is generally considered that fostering exports from developing countries may be highly contributory in achieving economic growth in such countries, which in turn has shown to have a positive effect on other dimensions of development, such as job creation and the satisfaction of basic needs, (Gripsrud & Benito, 1995:141) thus suggesting that import promotion goes hand in hand with supporting a development country's economic development agenda.

Exports from developing countries may be increased by well-designed promotion strategies directed towards potential and/or actual importers. An import promotion office may assist in this process by providing various types of support for potential and/or actual importers, at least in the introductory stage of a new product.

For many products, particularly products not usually associated with developing countries, sales will probably be hampered by the country's off – origin effects. Import promotion offices can support developing countries in the relevant target groups, and if necessary, stimulate demand by altering the existing images through awareness raising. Figure 1 displays how an Import Promotion Office can work in practice.

Figure 1: Extended model of export promotion and import promotion to increase exports from developing to developed countries (Gripsrud, 1995: 144)



There are many ways in which an Import Promotion Office may support the exports of developing countries and thereby soften the barriers to trade: the main activity being the organization of match-makings between developing countries' exporters and developed country importers, such as through the organization of buyer missions, study missions, and during trade fairs. The capacity building of developing countries' exporters which can take numerous forms – from seminars for exporters on qualitative aspects of exporting, to focusing on specific product markets, aiming at increasing the quality of the products selected and to adapt them to the standards demanded in the respective country. Similarly, it helps the importer in the search for a product that they may need but have difficulty finding in the necessary quality, through ex-ante communication of the kind of product that is sought after.

Import Information Hub Austria

Together with the Austrian Development Agency, the *Handelsverband* decided to implement the pilot project for an "Austrian Import Information Program" – the Import Information Hub Austria, with a double mission: on one hand, the strengthening of the Austrian economy through the provision of new procurement channels, on the other, the strengthening of export-oriented SMEs from selected emerging and developing countries to enable them to expand their business activities through improved market access to Austria and thereby are provide with the opportunity for higher income and employment in the home country.

The assistance to the Austrian economy is provided by supporting global sourcing activities; in addition to a demand-oriented import evaluation and thus the set-up of the IHA program from a demand driven perspective, Austrian companies are supported in their search for selected procurement markets in newly industrialized and developing countries through an institutionally anchored entry point. The goal is to identify existing procurement strategies of local trading companies in selected sectors and, in the light of changing global and geopolitical events, to identify procurement bottlenecks as well as to make new procurement routes and alternative approaches and concepts transparent taking into account the digital possibilities. By providing information on new, alternative sources of supply, in particular from emerging and developing countries, long-term, small and medium-sized enterprises are to be strengthened. The establishment of an import information hub is also intended to keep Austria's divisions of large companies by increasing know-how development and a new network in procurement at the location Austria.

Export-oriented SMEs from selected emerging and developing countries as well as emerging industrial countries are enabled to expand their business activities through improved market access to Austria through facilitated matchmaking activities. When a business transaction is enabled through the matchmaking between the Austrian Importer and the Developing country's exporter, the aim is that this has a direct effect on the provision for incomes and employment in the developing country. In addition to a demand-oriented demand evaluation by domestic trading companies, the Import Information Hub Austria is to serve as an institutionally anchored communication and information hub for import information. With an aim to select two viable and demanded sectors (product groups) and identify relevant partner countries with high export potential, the IHA can provide its capacity building activities and last mile matchmaking between developing country exporter and Austrian importer. This model can be expanded in the future.

IHA Pilot Phase: October 2016- April 2018
In the pilot phase, the members of the *Handelsverband* are primarily involved. Export-oriented SMEs from emerging and developing countries should be able to expand their business activities through improved market access to Austria and provide for higher income and employment. A crowding-out accusation is countered by focusing only on product segments which are not or at least not sufficiently available on the domestic market.

A key advantage point in this project is the fact that the IHA can, and does, draw from the expertise and networks of already existing import promotion programs such as the IPD (Germany) and SIPPO (Switzerland) with whom partnerships have been formalized. The *Handelsverband* as a project carrier brings together around 100 commercial companies, which generate a turnover of around EUR 20 billion in Austria with around 100,000 employees at more than 8,000 locations. The proximity of the *Handelsverband* with its member organization ensures ownership and integration of the program by its main target group: the Austrian purchasing manager.

Purpose of this study

The objectives of this study are twofold: on one side, it is to help the IHA select the most relevant product groups in terms of those with the highest and/or fastest growing demand, and which are at the same time important product groups for developing countries.

On the other side, the analysis of the export capability of the developing countries for the selected product groups will give valuable developmental insights into the export competitiveness in the given sector. The aim is to select two sectors and the most suitable supplier countries which the IHA can support with capacity building and matchmaking activities with the highest and/or fastest growing demand from importers' side and where the selected developing countries reveal a competitive advantage to export, whilst also signaling higher potential than other competitive LMIs to benefit from an import promotion agenda from a capacity building agenda.

METHODOLOGY

General explanations

The quantitative analysis undertaken in this report is based entirely on data from the UN Comtrade database. The nomenclature used to group the products is the "Standard International Trade Classification, Revision 3 (SITC-Rev.3), commonly used for research purposes. The entire SITC classification can be found here[2]. Revision 3 was preferred over revision 4, in order to be able to make use of UNIDO's technological classification of goods, which at the time of writing was only available for revision 3. This allows to distinguish manufactured from other (mainly primary) goods, and divides manufactured goods into four categories based on the level of technological intensity. The quantitative analysis for this report was carried out at a three-digit level, meaning 260 product groups were taken into consideration.

The study comprises a quantitative analysis of Austrian imports and analysis export performance of countries pertaining to the following country groups:

- Low and middle-income countries (LMIs)
- Least Developed Countries (LDCs)
- BRICS (Brazil, Russia, India, China and South Africa).*
  **Please note these are included in the analysis but not taken in consideration for final selection in order to give room to less economically developed nations*

The classification of countries has been adopted from World Bank's World Integrated Trade Solutions (WITS) software and the complete list can be found in the Annex. The analysis for trade partner selection does not include developed countries, as the mandate of the IHA is to support the ADA development agenda and discover which developing countries' export potential can be supported.

The period of analysis is from 2010 to 2015. At the time of writing data for 2016 is not yet available/reliable for all countries.

Two Step Methodology

In order to identify sector-partner combinations which are expected to have highest impact for both Austrian importers and selected developing country exporters, a two-step approach is required. Firstly, Austrian imports are analysed to identify the most relevant sectors for the country. Following this, developing countries will be analysed to assess their export performance and hence be able to identify the relevant partner countries. The methodology developed was largely informed by the EQuIP toolkit, a set of diagnostic tools developed by UNIDO in collaboration with GIZ to support industrial policy cycles (http://www.equip-project.org). The authors wish to remind the reader that the analysis undertaken below – and hence the findings - are heavily based on trade data. Further research – both desk research as well as through interviews and visits – will be required to validate the final selection made in this paper.

Step 1: Sector Selection

The aim is to identify product groups with a high and fast growing Austrian demand, and which developing countries are able to compete with both globally and in the EU. The following set of criteria has been used, which resulted in the identification of seven potential sectors.

[2] https://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=14&Lg=1

Demand Side Criteria

a) Top 30 product groups Austria imported in terms of value in 2015 as long as growth since 2010 has been positive

OR:

b) Top 30 product groups which have seen the highest growth in demand since 2010 and which have, a demand above 50 million USD in 2015.

Both of the above are based on the 'demand dynamism' analysis of the EQUIP toolbox. They ensure that sectors are selected where Austrian demand is relatively high and that demand is growing (fast). The two are used rather than one, as one focuses more heavily on the value of imports while the other on the growth throughout the years. The criteria below (supply side and market access) are then used on the sectors identified above. These are now somewhat less than 60 in total, as there are a number of sectors which are present in both lists.

Supply Side Criteria

c) The top 10 product groups with the highest world market shares for LMIs (excluding BRICS) and/or LDCs in 2015

This criterion assesses whether generally LMIs (excluding BRICS) have been able to be globally competitive in exporting this product group. If this is the case, then it makes sense for Austria to seek LMI exporters.

Market Access Criteria

d) LMI's (excluding BRICS) EU market share above 20%

It was decided to add a market access criterion in order to ensure developing countries are already able to break into the EU market, which is often more competitive than markets within their region for example.

Table 1: Overview of sector selection criteria

Demand side criteria	Supply side criteria
EITHER: Highest (top 30) AUT demand in values in 2015 as long as growth (since 2010) is positive. **OR: Highest (top 30) growth in demand (since 2010) as long as Demand is above 50 million USD**	**AND: Highest (top 10) sectors with highest world market shares for LMIs (excluding BRICS) and/or LDCs in 2015 ***
Market Access criteria: **AND: LMIs' (excluding BRICS) EU market share above 20 %** to ensure access to the EU market does not generally cause a large constrain for developing countries.	

Seven sectors are thus selected and serve for the further investigation to identify attractive countries to source from.

Step 2: Source Country Selection

The aim here is to identifying suitable exporters of the seven selected sectors from developing countries. Generally, six countries are selected: three LMIs (excluding BRICS) who are the most competitive in the sector and three where the sector has a relatively important role in the economy and who at the same time are performing well globally. While it is important to identify the most competitive countries, particularly as information for (future) importers, the latter three are selected as they a) are likely benefit more from import promotion and b) although not among the top three, they are still globally competitive and would be interesting partners for Austrian importers.

Prerequisite:

- Top 10 LMI exporters of the sector
- Top 5 LDC exporters of the sector (if they are not among top 10)

Export Competitiveness Criteria:

- Top three exporters, where annual growth rates of imports from these countries are above the world average growth (i.e. they are experiencing an increase in world market share)

Development Criteria:

- Top three countries where the importance of the sector in total exports is highest:

  i. as long as exports have a positive growth rate (2010-2015)

  ii. And it has a revealed comparative advantage (RCA)[3] of above unity (i.e. the country has a revealed comparative advantage to export that product)

- Further distinction for country selection:

  iii. Short term potential: if 10 % or more of the country's exports are destined to the EU market in 2015

  iv. Medium to long term potential: if less than 10 % of the country's exports are destined to the EU market in 2015

The idea behind this criterion is to identify whether the country has already been able to break into the EU market, indicating it has been, in general, able to tackle significant barriers to entry. If the share is below 10 % it is either assumed that the country may have difficulties in entering the EU market or that the market is not of great interest. Either way, it would be more difficult/would have a smaller development impact to provide import promotion support to this country in the short run (i.e. 1-3 years).

[3] RCA is calculated by ratio of the share of the product group in total exports of the country to the share of the same product group in total exports of the world. A country is said to have a revealed comparative advantage if the ratio is above unity.

RESULTS

Before inducing the sector and country selection, the authors looked at the Austrian import market to satisfy the assumption that importing from LMIs and LDCs could be beneficiary for both development exporter and the Austrian importer.

The table below illustrates Austrian imports by type of supplying country. While imports from LDCs is still low, the Austrian market has seen a 18.5% annual growth rate from LDCs between 2010 and 2015, higher than for any other country-group. Indeed, most have experienced a shrinking of their exports to Austria. The situation is similar in the EU market, where imports from LDCs are the only ones that have been growing. This illustrates extensive potential for further growth for LDCs in particular. Observing LMIs excluding BRICS nations, we would also see an increase of goods flowing into the Austrian market.

Table 2: Imports to Austria and the EU (2010-2015)

Austrian Market	Imports in 1000 USD		AUT market share		CAGR
	2010	2015	2010	2015	10-'15
WLD	150,592,664	147,935,124			**-0.4%**
EU	109,801,902	102,877,639	72.9%	**69.5%**	**-1.3%**
LMI	23,871,132	22,757,616	15.9%	**15.4%**	**-1.0%**
BRICS	12,267,346	10,746,799	8.1%	**7.3%**	**-2.6%**
LDC	344,081	803,665	0.2%	**0.5%**	**18.5%**
Other	16,919,631	22,299,868	11.2%	**15.1%**	**5.7%**

EU Market	Imports in 1000 USD		EU market share		CAGR
	2010	2015	2010	2015	10-'15
WLD	5,239,956,487	5,105,651,613			**-0.5%**
EU	3,056,149,109	3,038,677,712	58.3%	**59.5%**	**-0.1%**
LMI	1,333,614,954	1,268,023,551	25.5%	**24.8%**	**-1.0%**
BRICS	753,468,932	685,204,890	14.4%	**13.4%**	**-1.9%**
LDC	32,575,159	48,513,842	0.6%	**1.0%**	**8.3%**
Other	850,192,424	798,950,350	16.2%	**15.6%**	**-1.2%**

Source: UN Comtrade

Sector Selection:

Austrian Import Demand Analysis

In order to identify the most relevant product groups for Austrian importers, the first step, as indicated in the methodology section, is to understand which products are demanded and/or have the fastest growing demand. For this reason, Table 3 lists the top 30 imports from Austria, as long as growth between 2010 and 2015 is positive, and Table 4 lists the 30 product groups with the fastest growing Austrian demand, as long as demand was over 50 million USD in 2015. Both tables include all information required for the remaining criteria, that is: LMI and LDC market shares in the world, EU and Austrian markets. Both tables rank the products according to highest LMI (excluding BRICS) world market share, as it forms the second stage of the selection process. On top of selecting those product groups, where LMIs (excluding BRICS) have the highest world market share (among top 10 from either table 3 or 4), the final criteria they need to comply with is that the LMIs (excluding BRICS) have to have a 20 % market share in the EU already, indicating that generally developing countries are capable of selling the products in question to the region.

Table 3: Top 30 Austrian imports (as long as growth is positive) and LMI export performance (2010-2015)

Top 30 Austrian imports with positive growth rates (2010-2015)												
Product Code	Austrian imports in 2015	Import value in 1000 USD	CAGR (2010-2015)	World market Share			EU market share		AUT market share			
				LMI exc. BRICS	LMI	LDC	LMI exc BRICS	LMI	LMI exc BRICS	LMI	LDC	
57	Fruit/nuts, fresh/dried	967,257	3.31%	51%	60%	1.90%	35%	44%	35.67%	41.60%	0.40%	
841	Mens/boys wear, woven	942,529	1.50%	48%	81%	16.59%	46%	70%	38.19%	55.13%	14.10%	
845	Articles of apparel nes	1,959,689	1.61%	40%	82%	12.94%	38%	68%	34.57%	58.35%	14.97%	
782	Goods/service vehicles	1,351,607	5.65%	34%	41%	0.03%	13%	15%	7.73%	8.88%	0.00%	
773	Electrical distrib equip	1,229,360	1.56%	32%	55%	0.21%	30%	40%	17.23%	22.15%	0.01%	
851	Footwear	1,596,853	2.46%	26%	73%	2.13%	26%	56%	30.67%	54.25%	1.83%	
775	Domestic equipment	1,185,416	1.62%	19%	60%	0.01%	13%	43%	8.53%	31.38%	0.00%	
872	Medical/etc instruments	913,490	1.59%	17%	26%	0.01%	9%	14%	6.34%	9.40%	0.00%	
764	Telecomms equipment nes	3,184,379	4.44%	15%	69%	0.10%	14%	49%	9.24%	53.57%	0.01%	
351	Electric current	1,222,981	2.65%	14%	23%	4.37%	7%	8%	0.00%	0.00%	0.00%	
772	Electric circuit equipmt	2,366,223	2.18%	14%	37%	0.03%	11%	24%	7.95%	20.55%	0.00%	
784	Motor veh parts/access	3,997,538	0.92%	13%	23%	0.00%	6%	9%	3.14%	3.79%	0.00%	
778	Electrical equipment nes	2,027,929	2.29%	13%	41%	0.04%	7%	28%	4.01%	26.62%	0.01%	
691	Iron/stl/alum structures	1,138,105	3.34%	12%	40%	0.04%	5%	14%	3.04%	5.24%	0.00%	
713	Internal combust engines	2,681,484	0.43%	11%	19%	0.01%	6%	10%	1.27%	2.98%	0.01%	
716	Rotating electr plant	1,003,854	3.66%	11%	36%	0.08%	5%	19%	8.89%	20.01%	0.00%	
893	Articles nes of plastics	2,104,993	0.64%	11%	38%	0.18%	7%	21%	4.14%	11.67%	0.01%	
743	Fans/filters/gas pumps	1,583,959	1.61%	10%	29%	0.01%	6%	17%	1.35%	5.51%	0.00%	
699	Base metal manufac nes	2,636,546	0.26%	10%	35%	0.14%	6%	22%	2.81%	9.47%	0.00%	
553	Perfume/toilet/cosmetics	848,507	0.26%	9%	17%	0.04%	2%	6%	0.36%	1.50%	0.00%	
781	Passenger cars etc	7,922,963	0.04%	9%	12%	0.00%	5%	7%	3.23%	3.58%	0.00%	
582	Plastic sheets/film/etc	1,295,583	0.75%	9%	21%	0.03%	5%	9%	2.56%	3.93%	0.00%	
874	Measure/control app nes	1,513,735	0.27%	9%	19%	0.03%	6%	13%	3.28%	8.09%	0.01%	
813	Lighting fixtures etc	842,761	5.37%	8%	64%	0.01%	3%	51%	2.14%	34.98%	0.01%	
747	Taps/cocks/valves	890,312	1.05%	8%	26%	0.01%	4%	19%	2.48%	7.70%	0.00%	
723	Civil engineering plant	1,117,031	3.80%	5%	20%	0.14%	3%	8%	4.38%	6.67%	0.83%	
744	Mechanical handling equi	1,027,691	0.93%	5%	23%	0.02%	3%	10%	2.10%	4.54%	0.00%	
748	Mech transmission equmnt	1,010,820	1.22%	5%	20%	0.01%	3%	14%	2.09%	6.49%	0.00%	
728	Special indust machn nes	1,756,357	2.03%	4%	14%	0.02%	3%	9%	2.65%	6.15%	0.01%	
541	Pharmaceut exc medicamnt	5,602,568	7.69%	2%	9%	0.01%	1%	4%	0.28%	1.12%	0.00%	

Source: UN Comtrade

Table 4: 30 fastest growing Austrian imports (as long as import in 2015 is above 50 million USD) and LMI export performance (2010-2015)

Top 30 products with the highest growth in Austrian demand (2010-2015)											
				World market Share			EU market share		AUT market share		
Product Code	Austrian imports in 2015	Import value in 1000 USD	CAGR (2010-2015)	LMI exc. BRICS	LMI	LDC	LMI exc BRICS	LMI	LMI exc BRICS	LMI	LDC
72	Cocoa	120,402	6.76%	70%	72%	1.74%	63%	65%	58.79%	58.84%	1.75%
75	Spices	93,446	8.69%	52%	83%	7.37%	40%	65%	44.63%	57.48%	3.80%
843	Men/boy wear knit/croch	276,162	6.72%	48%	85%	12.84%	41%	69%	41.44%	59.19%	18.46%
287	Base metal ore/conc nes	140,381	24.54%	44%	62%	6.62%	34%	42%	1.56%	6.34%	0.00%
58	Fruit presvd/fruit preps	435,627	6.08%	36%	51%	0.32%	29%	35%	31.05%	34.88%	0.03%
782	Goods/service vehicles	1,351,607	5.65%	34%	41%	0.03%	13%	15%	7.73%	8.88%	0.00%
44	Maize except sweet corn.	217,228	9.65%	33%	52%	1.17%	36%	41%	8.42%	8.51%	0.00%
81	Animal feed ex unml cer.	773,214	9.77%	29%	44%	0.42%	21%	36%	2.93%	6.73%	0.00%
273	Stone/sand/gravel	95,406	9.44%	27%	46%	1.59%	9%	23%	0.83%	2.10%	0.02%
289	Precious metal ore/conc.	113,058	121.01%	27%	40%	2.00%	15%	29%	6.16%	6.42%	0.00%
223	Oil seeds-not soft oil	88,942	7.43%	26%	51%	2.34%	18%	45%	20.35%	51.63%	0.00%
611	Leather	312,727	5.05%	25%	48%	2.39%	21%	36%	61.39%	64.63%	0.09%
685	Lead	96,606	17.65%	21%	30%	1.10%	8%	12%	11.36%	11.49%	0.00%
35	Fish,dried/salted/smoked	58,626	6.34%	19%	30%	2.38%	10%	12%	4.84%	4.91%	0.00%
686	Zinc	243,618	5.09%	19%	27%	0.11%	11%	11%	13.55%	13.93%	0.00%
41	Wheat/meslin	187,724	9.45%	18%	29%	0.06%	17%	19%	2.45%	2.45%	0.00%
579	Plastic waste/scrap	69,446	10.26%	17%	18%	0.88%	5%	6%	2.89%	2.89%	0.01%
672	Primary/prods iron/steel	378,626	9.70%	17%	66%	0.00%	15%	43%	2.34%	6.14%	0.00%
793	Ships/boats/etc	188,660	7.82%	12%	26%	1.25%	11%	17%	0.78%	1.60%	0.00%
831	Trunks and cases	500,359	6.80%	11%	63%	0.74%	9%	55%	7.88%	42.25%	0.39%
724	Textile/leather machinry	146,682	5.98%	8%	34%	0.02%	8%	19%	3.84%	9.79%	0.01%
813	Lighting fixtures etc	842,761	5.37%	8%	64%	0.01%	3%	51%	2.14%	34.98%	0.01%
891	Arms and ammunition	54,230	5.68%	7%	20%	0.46%	5%	12%	2.49%	7.14%	0.00%
683	Nickel	367,472	11.03%	6%	32%	3.11%	6%	22%	0.09%	7.28%	0.08%
718	Power generating equ nes	380,086	7.84%	6%	25%	0.04%	4%	17%	12.49%	17.01%	0.01%
871	Optical instruments nes	113,739	4.65%	4%	23%	0.13%	2%	18%	3.26%	11.30%	0.00%
885	Watches and clocks	506,828	6.20%	3%	24%	0.03%	1%	16%	0.69%	11.70%	0.00%
731	Mach-tools remove mtrial	349,736	6.20%	2%	8%	0.01%	2%	6%	0.45%	6.82%	0.00%
896	Art/collections/antiques	261,705	5.92%	2%	7%	0.17%	1%	4%	0.97%	1.51%	0.07%
541	Pharmaceut exc medicamnt	5,602,568	7.69%	2%	9%	0.01%	1%	4%	0.28%	1.12%	0.00%

Source: UN Comtrade

Based on the three-step criteria, seven sectors were selected to be further studied in this report. Three were taken based on most imported products (Table 3) and four from the fastest growing imports (Table 4), as long as all other criteria were met. The identified sectors are: Articles of apparel, footwear, fruit/nuts (fresh/dried), fruit preserved/fruit preparations, leather, cocoa and spices. According to the UNIDO classification, four of the sectors (Articles of apparel, footwear, preserved/prepared fruit and leather) are considered to be manufactured.

It needs to be noted that the criteria does not limit the selection to the seven product groups only. Seven sectors were selected due to the need to keep within limits for this report. There are indeed, a large number of interesting sectors, either that comply with all the criteria, or just to two, that would be very useful to analyse in the future.

Table 5: LMI & LDC performance of selected sectors (2010-2015)

		AUT Demand		World Market Share		EU Market Share		AUT Market Share	
Code	Austrian imports in 2015	Imports (in 1000 USD)	CAGR ('10-'15)	LMI exc. BRICS	LDC	LMI exc. BRICS	LDC	LMI exc. BRICS	LDC
845	Articles of apparel nes	1,959,689	1.61%	40%	12.944%	38%	17.81%	34.57%	14.97%
851	Footwear	1,596,853	2.46%	26%	2.131%	26%	2.34%	30.67%	1.83%
57	Fruit/nuts, fresh/dried	967,257	3.31%	51%	1.905%	35%	0.40%	35.67%	0.40%
58	Fruit presvd/fruit preps	435,627	6.08%	36%	0.319%	29%	0.16%	31.05%	0.03%
611	Leather	312,727	5.05%	25%	2.386%	21%	1.69%	61.39%	0.09%
72	Cocoa	120,402	6.76%	70%	1.743%	63%	1.87%	58.79%	1.75%
75	Spices	93,446	8.69%	52%	7.374%	40%	6.35%	44.63%	3.80%

Source: UN Comtrade

Articles of apparel and footwear are both very highly demanded by Austrians and the demand continues to grow. An exceptionally large share is already supplied by LDCs in this sector. Nonetheless, relative to the EU and the world market in general, Austria still imports proportionately somewhat less apparel from both LMIs (excl. BRICS) and LDCs, therefore suggesting that increasing the share of imports from these countries should be feasible. The same is true for footwear from LDCs. As both products are manufactured goods, sourcing more of these from developing countries should support their industrialization agenda ensuring their economy would see long-term sustained growth creating jobs and income for the masses.

Demand for leather is lower than the two sectors mentioned above, but the growth of imports has been high since 2010. While Austria already largely imports significantly from LMIs, and more so than proportionately other countries do on average, LDCs are underrepresented. The combination of leather and footwear constitute an interesting value chain.

Fresh/dried fruit and nuts were also among the most demanded products, and their growth is higher than that of apparel and footwear. At the same time, preserved fruit and fruit preparations was selected as one of the fastest growing imports into Austria, therefore illustrating rapid increase in demand. Together, these form another interesting value chain. In both cases the share of LMI (exc. BRICS) in the market is already equal to or slightly higher than that in the EU, but still lower than world average share. Particularly in the processed fruit, LDCs still supply proportionately a lot less to Austria than to the EU and world. In fact, this is the product group, from all seven selected where LDCs how the lowest market share.

Finally, cocoa and spices are included for their fast growth in Austrian demand, where particularly the latter stands out. While LMIs excluding BRICS account for more than half of the Austrian market, it is still somewhat less than in the EU or the world. In spices, particularly LDCs are underrepresented.

Country Selection:

This section analyses source countries for each of the sectors. It assesses the performance of the top ten exporting LMIs for each of the product group according to 2015 values, adding further LDCs to ensure the analysis also includes 5 LDCs. Therefore, the minimum possible number of countries analyzed per sector is 10 (if 5 LDCs already fall under the top 10 LMIs) and the maximum would be 15 (if no LDCs fall under the top 10 LMIs).

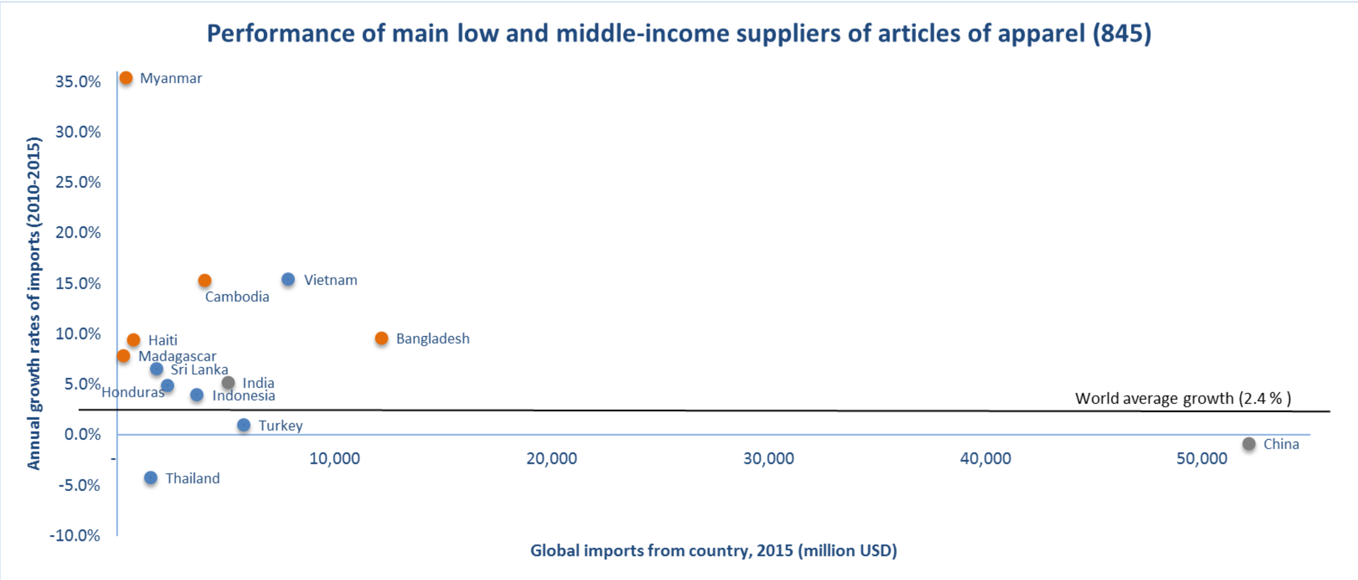
As mentioned in the methodology section, these countries will then be further examined to identify a) three most competitive LMIs and b) three countries, where the sector has the highest importance for the economy and where the country has a revealed comparative advantage to export the product group in question. These are then further disaggregated into whether they already have an EU or Austrian market presence, as an indication of whether it will be feasible for them to export (more) to Austria in the short term or not. The analysis is carried out for each sector individually.

Group: 845 - Articles of Apparel

Subgroups of Group 845:

- 845.1 - Babies' garments and clothing accessories
- 845.2 - Garments made up of fabrics of subgroup 657.1 or headings 657.2, 657.32, 657.33 or 657.34
- 845.3 - Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted
- 845.4 - T-shirts, singlets and other vests, knitted or crocheted
- 845.5 - Brassières, girdles, corsets, braces, suspenders, garters and similar articles, and parts thereof, whether or not knitted or crocheted
- 845.6 - Swimwear
- 845.8 - Other garments, not knitted or crocheted
- 845.9 - Other garments, knitted or crocheted

Figure 2: Performance of developing countries for articles of apparel, product group 845[4]



Source: UN Comtrade

Figure 2 above presents the top ten LMIs exporting articles of apparel in 2015, from which two are LDCs (Bangladesh and Cambodia). Therefore, another three LDCs were added to the analysis, to ensure it

[4] Note: for all graphs: Orange markers represent LDCs, grey represent BRICS and the remaining LMIs are blue.

included a total of five LDCs (in orange). Two of the LMIs happen to be BRIC countries (in grey), and will therefore not be eligible for the final selection.

Global trade in the apparel sector was growing at an annual rate of 2.4 % between 2010 and 2015. Countries with a faster growth rate have been able to increase their world market shares, indicating their high level of global competitiveness. Generally, the most attractive developing countries in this sector are in the far East. Turkey has also grown to become an important global player, though growth recently has been slow.

Table 6: Market shares of developing countries for articles of apparel, product group 845

Articles of apparel nes (845)		World market	EU market		AUT market	Country exports	
		Market share (2015)	Market share (2015)	Share to EU per country (2015)	Market share (2015)	Share in total exports of country (2015)	Revealed comparative advantage (2015)
Increasing market share							
LDC	**Bangladesh**	8.85%	13.93%	67%	11.33%	33.62%	39.03
OtherLMI	**Vietnam**	5.73%	1.76%	13%	1.94%	4.15%	4.69
BRICS	**India**	3.72%	4.06%	46%	2.88%	2.08%	2.41
LDC	**Cambodia**	2.93%	3.14%	46%	2.52%	27.42%	31.81
OtherLMI	**Indonesia**	2.68%	1.02%	16%	1.34%	2.11%	2.45
OtherLMI	**Honduras**	1.68%	0.13%	3%	0.05%	26.77%	31.08
OtherLMI	**Sri Lanka**	1.31%	1.26%	41%	0.57%	16.68%	19.36
LDC	**Haiti**	0.52%	0.02%	2%	0.00%	61.49%	71.40
LDC	**Myanmar**	0.27%	0.24%	38%	0.86%	2.80%	3.22
LDC	**Madagascar**	0.21%	0.34%	71%	0.07%	11.26%	13.09
Decreasing Market share							
BRICS	**China**	37.94%	26.54%	30%	20.89%	2.28%	2.64
OtherLMI	**Turkey**	4.26%	7.95%	79%	6.50%	4.40%	5.10
OtherLMI	**Thailand**	1.12%	0.67%	26%	0.88%	0.68%	0.78

Source: UN Comtrade

All countries mapped in Figure 2 are also listed in Table 6 in order to extend the investigation and be able to identify which of the countries would fall under the group of countries where support in the sector is expected to have a larger developmental impact. The table therefore includes information on the share of the sector in total exports of the supplier country and RCA values (both part of the criteria for development focus). It also provides information on the percentage of the country's exports that are destined to the EU, allowing to make a distinction between those countries that already export 10 % or more to the EU market, meaning they are likely to have less difficulties to export more to the region - and hence support in the short-run has the potential of bringing significant benefits - or countries where less than 10 % reaches the EU - and therefore support would be more relevant for the medium to long-term. Finally, information on the country's world market share, EU market share and Austrian market share are revealed for comparison purposes.

Bangladesh, Vietnam and Cambodia are the three countries identified as the most competitive LMIs when discarding the BRICS. This is because while they are among the countries with the largest exports of apparel in 2015, they are also growing their world market shares further. Figure 2 illustrates that there is still a significant gap between their export values and that of China, however the latter is experiencing a decline in its global exports when compared to 2010 values. The top three competitive LMI exporters have annual growth rates of between 8 % and 15 %, signaling strong international competitiveness. While the majority of Bangladesh' apparel exports are destined to the EU market and almost half of Cambodia's is also, only 13 % of Vietnam's exports reach Europe. Nonetheless, all three countries already have a foot in the Austrian market, creating the assumption that further imports from these countries is likely.

The set of three countries which have been selected for the 'development focus' due to the importance of the sector for their overall exports (and hence economy), are Haiti, Honduras and Sri Lanka (Table 7). These are, following the criteria, still among the most competitive LMI exporters globally (among largest exporters, positive average growth and having an RCA value of above 1). The sector is particularly important for Haiti, where more than 60 % of the country's exports are apparel. Nonetheless, only 2 % is destined to the EU market and no products have arrived in Austria, meaning the EU market is either difficult to enter or less attractive. It is therefore not realistic that importing from Haiti will be feasible in the short term. Honduras has a similar situation regarding the EU and Austrian markets, where its presence is very low. Both these countries therefore fall under the medium to long-term potential category. Sri Lanka, on the other hand, has seen over 40 % of its apparel exports imported by the EU illustrating that it has been able to create trading partners in the region. It also has a presence in Austria, which can be further strengthened, also proven by its increase in world market shares over the five-year period. Sri Lanka was classified as having short-term potential to increase exports of apparel to Austria.

In addition to the countries selected and which are summarized in Table 7, other countries from the list may also prove to be interesting partners. As can be observed from Figure 2, Myanmar is demonstrating an impressive growth of apparel exports of over 35 % annually. Almost 40 % is exported to the EU market and it also already has a share in Austria. Turkey, with its important role globally in this sector cannot go unmentioned. It has built itself a relatively large market share in the EU as well as Austria, although it has most recently not been able to grow its exports to a significant extent, allowing other countries to seem more promising for the future.

Table 7: selected developing countries for product group 845, articles of apparel by category

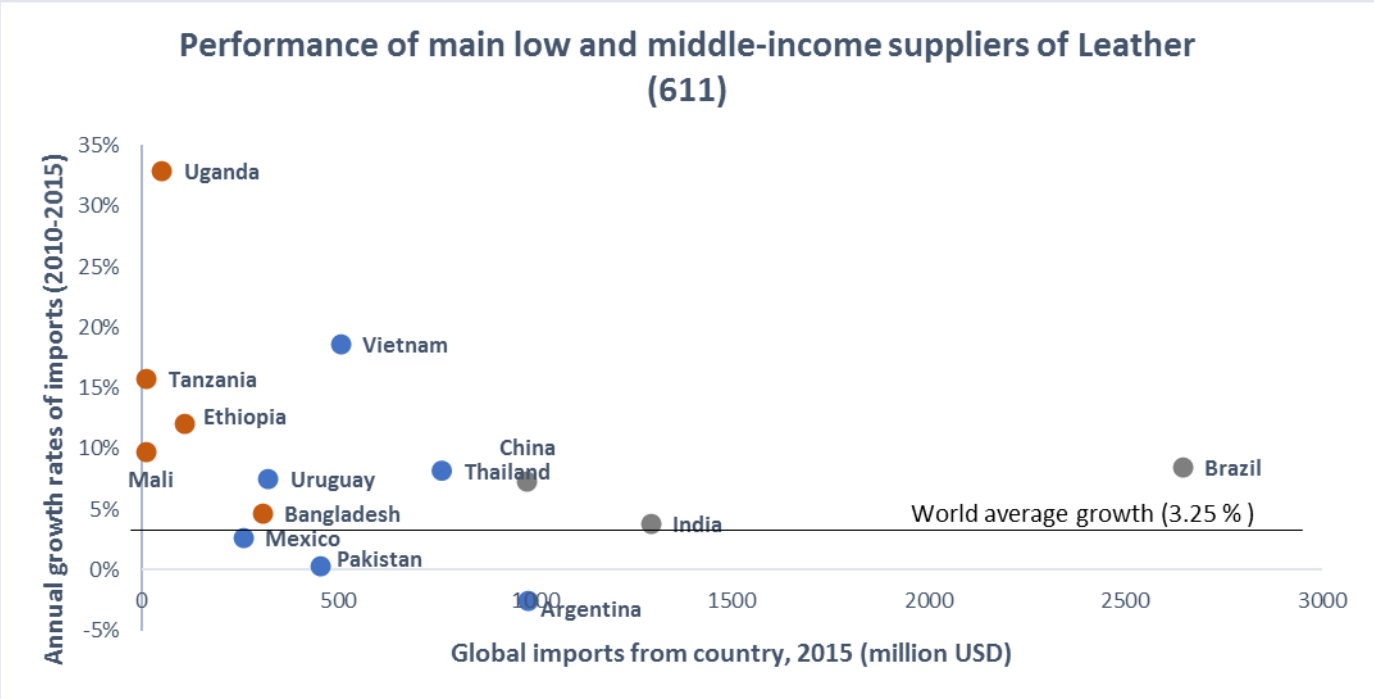
Top 3 competitive exporters	Development focus (top 3 share in total exports of country)	
	Short term potential (Share to EU above 10 %)	Medium/Long term potential (Share to EU below 10 %)
Bangladesh	Sri Lanka	Haiti
Vietnam		Honduras
Cambodia		

Group: 611 – Leather

This Group is divided into the following Subgroups:

- 611.2 - Composition leather with a basis of leather or leather fibre, in slabs, sheets or strip, whether or not in rolls
- 611.3 - Whole bovine skin leather, without hair on, of a unit surface area not exceeding 28 square feet (2.6 m2), except leather of subgroup 611.8
- 611.4 - Other bovine leather and equine leather, without hair on (other than leather of subgroup 611.8)
- 611.5 - Sheep- or lambskin leather, without wool on (other than leather of subgroup 611.8)
- 611.6 - Goat- or kidskin leather, without hair on (other than leather of subgroup 611.8)
- 611.7 - Leather of other animals, without hair on, other than leather of subgroup 611.8
- 611.8 - Leather, specially dressed or finished, n.e.s.

Figure 3: Performance of developing countries for leather, product group 611



Source: UN Comtrade

Trade in leather has been growing faster than in apparel, at 3.25 % annually. Three BRICS countries (Brazil, India and China) have taken the lead role in this sector, with Brazil as the principal player. Nonetheless, Thailand, Vietnam and Uruguay are the LMI's which fulfill the criteria of being the most globally competitive for leather when excluding the BRICS, as, in addition to being among the largest exporters, they have been increasing their global market shares. While Thailand and Uruguay have annual growth rates of roughly 8 % - well above global average though similar to Brazil and China – Vietnam catches one's attention with annual growth of just under 20 %. Should its growth rates remain similar in coming years, its world market share in leather will soon exceed that of Thailand, China and Argentina. Argentina's shrinking exports – though currently still an important global exporter – signals it is slowly losing its competitive edge in leather.

Table 8: Market shares of developing countries for leather, product group 611

Leather (611)		World market	EU market		AUT market	Country exports	
		Market share (2015)	Market share (2015)	Share to EU per country (2015)	Market share (2015)	Share in total exports of country (2015)	Revealed comparative advantage (2015)
Increasing market share							
BRICS	Brazil	11.46%	7.91%	24%	0.85%	1.30%	8.98
BRICS	India	5.61%	3.48%	22%	0.90%	0.53%	3.64
BRICS	China	4.25%	0.91%	7%	0.79%	0.04%	0.30
OtherLMI	Thailand	3.32%	0.90%	9%	0.00%	0.34%	2.33
OtherLMI	Vietnam	2.20%	0.12%	2%	0.15%	0.27%	1.80
OtherLMI	Uruguay	1.39%	1.18%	30%	18.70%	3.48%	24.03
LDC	Bangladesh	1.35%	0.91%	24%	0.07%	0.86%	5.93
LDC	Ethiopia	0.47%	0.25%	18%	0.01%	3.71%	25.65
LDC	Uganda	0.23%	0.16%	24%	0.00%	3.66%	25.34
LDC	Tanzania	0.06%	0.03%	18%	0.00%	0.31%	2.16
LDC	Mali	0.06%	0.12%	70%	0.00%	0.38%	2.60
Decreasing Market share							
OtherLMI	Argentina	4.25%	3.31%	27%	33.83%	1.63%	11.25
OtherLMI	Pakistan	1.97%	1.43%	25%	1.68%	1.89%	13.09
OtherLMI	Mexico	1.13%	0.49%	15%	4.75%	0.06%	0.45

Source: UN Comtrade

Interestingly, Latin American countries have clearly taken over the Austrian market for leather. Uruguay has almost a fifth of the market share and together with Argentina they have over half. Mexico, although to a much lesser extent, also has a role to play. Meanwhile, Vietnam has a minor share and Thailand no presence in the Austrian market. Vietnam's presence is also small in the EU, where countries like Uganda, Ethiopia and Bangladesh have higher market shares.

The three countries for which the leather exports have the highest importance for their economy are Ethiopia, Uganda and Pakistan (in addition to Uruguay), and as all three have a revealed comparative advantage in the sector, they have been identified as those which could experience the highest development potential. The importance of leather for any of these countries is though, still significantly lower than the apparel sector for Haiti, Honduras and Sri Lanka. This, however, is the nature of the sector, as the high RCA for the same countries indicates. The three countries have 18 % or above of their leather exports destined to the EU suggesting there are limited major difficulties to access the market, or these are able to be overcome. Nonetheless, Pakistan is the only of the three that has a market share in Austria. Both Ethiopia and Uganda continue to be very interesting, particularly because of their very high annual growth rates of leather exports of 12 % and 33 % annually between 2010 and 2015. The latter has outperformed all other economies globally in this regard.

Table 9: selected developing countries for product group 611, leather by category

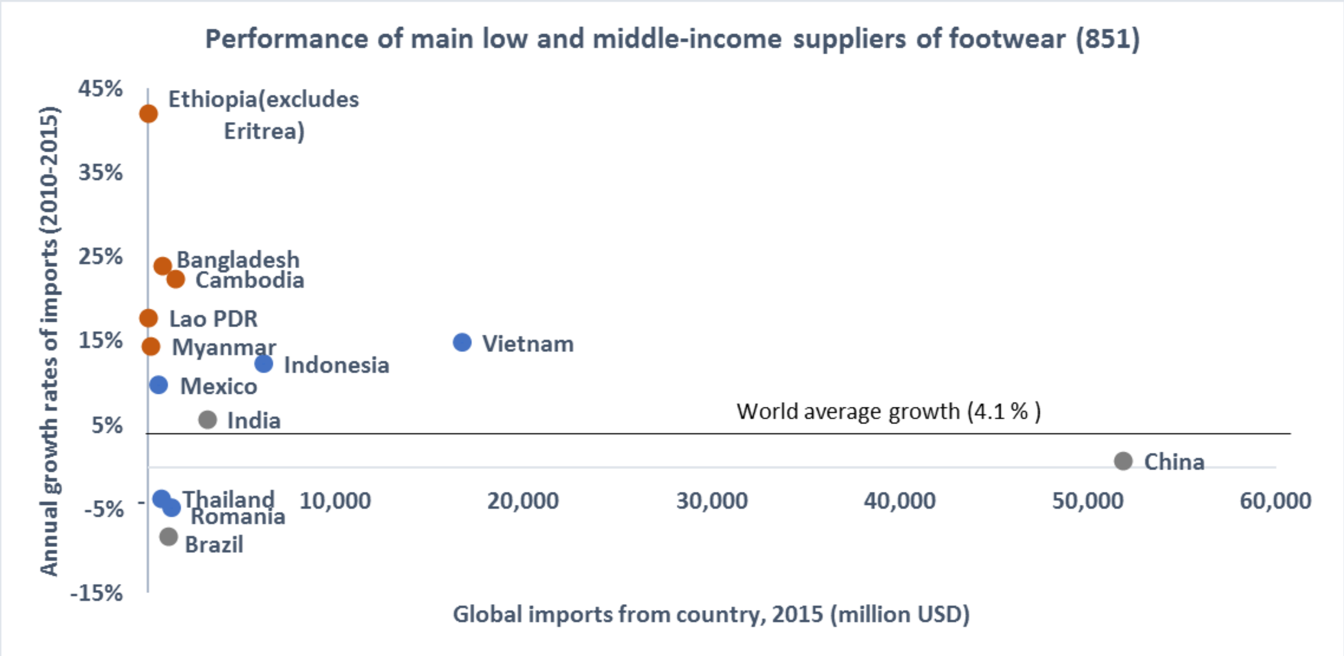
Top 3 competitive exporters	Development focus (top 3 share in total exports of country)	
	Short term potential (Share to EU above 10 %)	Medium/Long term potential (Share to EU below 10 %)
Thailand	Ethiopia	
Vietnam	Uganda	
Uruguay	Pakistan	

Group: 851 – Footwear

This Group is divided into the following Subgroups:

- 851.1 - Footwear incorporating a protective metal toecap, not including sports footwear
- 851.2 - Sports footwear
- 851.3 - Footwear, n.e.s., with outer soles and uppers of rubber or plastics
- 851.4 - Other footwear with uppers of leather or composition leather
- 851.5 - Other footwear, with uppers of textile materials
- 851.7 - Footwear, n.e.s.
- 851.9 - Parts of footwear (including uppers, whether or not attached to soles other than outer soles); removable insoles, heel cushions and similar articles; gaiters, leggings and similar articles, and parts thereof

Figure 4: Performance of developing countries for footwear, product group 851



Source: UN Comtrade

The global footwear sector is dominated by China, though the picture is slowly shifting as other countries are growing at very fast rates. Vietnam, Indonesia and Cambodia are the most competitive in this sector from the eligible countries. While Cambodia, an LDC, has the higher growth rate of the three (roughly 24 %), Vietnam and to a lesser extent Indonesia, with their annual growth of 15 % and 12 % respectively, are narrowing their gap with China. The highest growth worldwide was observed in Ethiopia, where exports have been increasing annually by over 40 %.

Table 10: Market shares of developing countries for footwear, product group 851

Footwear (851)		World market	EU market		AUT market	Country exports	
		Market share (2015)	Market share (2015)	Share to EU per country (2015)	Market share (2015)	Share in total exports of country (2015)	Revealed comparative advantage (2015)
Increasing market share							
OtherLMI	**Vietnam**	13.72%	11.80%	36%	9.22%	8.82%	11.23
OtherLMI	**Indonesia**	5.10%	4.82%	40%	2.87%	3.58%	4.67
BRICS	**India**	2.60%	3.81%	62%	4.55%	1.29%	1.69
LDC	**Cambodia**	1.21%	1.39%	49%	1.12%	10.08%	13.16
LDC	**Bangladesh**	0.68%	0.87%	54%	0.55%	2.29%	2.99
OtherLMI	**Mexico**	0.51%	0.04%	3%	0.03%	0.15%	0.20
LDC	**Myanmar**	0.14%	0.06%	18%	0.14%	1.33%	1.71
LDC	**Ethiopia**	0.03%	0.00%	4%	0.00%	1.29%	1.68
LDC	**Lao PDR**	0.02%	0.01%	19%	0.00%	0.73%	0.90
Decreasing Market share							
BRICS	**China**	42.50%	26.15%	26%	18.80%	2.26%	2.96
OtherLMI	**Romania**	1.07%	1.97%	78%	12.30%	2.27%	2.97
BRICS	**Brazil**	0.93%	0.49%	22%	0.22%	0.56%	0.73
OtherLMI	**Thailand**	0.62%	0.50%	34%	0.40%	0.34%	0.44

Source: UN Comtrade

All of the three countries are exporting significant shares to the EU. They were also all able to enter the Austrian market already, with Vietnam having almost 10 % of the market share.

Out of the 13 countries observed, Vietnam, Cambodia and Indonesia also happen to be the countries where the sector has the highest importance in their total exports. The next three, however, are Bangladesh, Myanmar and Ethiopia, where the sector shares are between 1.3 % and 2.3 % for each. Bangladesh on the other hand, has seen 54% of its footwear exports imported by the EU illustrating that it has been able to create trading partners in the region and Myanmar exports 18 % to the continent. Both therefore fall under 'short-term potential'. Ethiopia, on the other hand, is considered to have 'long-term potential' as it currently only exports 4 % into the EU. This is also in line with their share in the Austrian market, where Bangladesh and Myanmar already have a presence (though modest at 0.55 % and 0.14 % respectively), while Ethiopia has not yet entered the market. The exceptionally high growth rate of Ethiopia in this sector, however, does signal sufficient potential for a significant increase in its market shares in the region. At present Romania has a high market share of Austrian shoe imports, but it's global exports are shrinking at an annual rate of 5 % showing it is struggling to remain competitive.

Table 11: selected developing countries for product group 851, footwear by category

Top 3 competitive exporters	Development focus (top 3 share in total exports of country)	
	Short term potential (Share to EU above 10 %)	Medium/Long term potential (Share to EU below 10 %)
Vietnam	Bangladesh	Ethiopia
Indonesia	Myanmar	

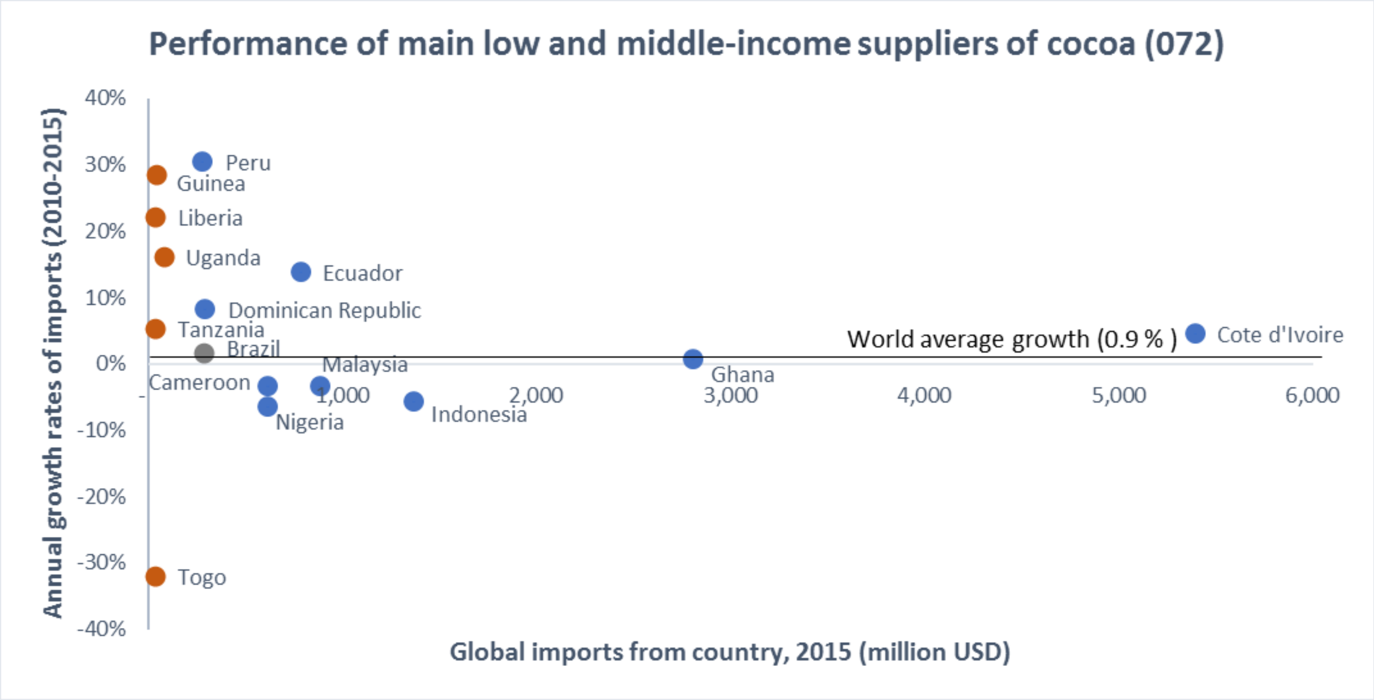
Cambodia		

Group: 072 – Cocoa

This Group is divided into the following Subgroups:

- 072.1 - Cocoa beans, whole or broken, raw or roasted
- 072.2 - Cocoa powder not containing added sugar or other sweetening matter
- 072.3 - Cocoa paste, whether or not defatted
- 072.4 - Cocoa butter, fat and oil
- 072.5 - Cocoa shells, husks, skins and other cocoa waste

Figure 5: Performance of developing countries for cocoa, product group 072



Source: UN Comtrade

Global trade for cocoa was growing very at an annual rate of 0.9 % between 2010 and 2015. The sector is mainly dominated by West African nations, though they export mainly the cocoa beans.

Table 12: Market shares of developing countries for cocoa, product group 072

Cocoa (072)		World market	EU market		AUT market	Country exports	
		Market share (2015)	Market share (2015)	Share to EU per country (2015)	Market share (2015)	Share in total exports of country (2015)	Revealed comparative advantage (2015)
Increasing market share							
OtherLMI	**Cote d'Ivoire**	27.03%	30.28%	63%	4.40%	52.99%	423.53
OtherLMI	**Ecuador**	3.97%	1.73%	25%	0.14%	3.83%	30.63
OtherLMI	**Dominican Republic**	1.48%	1.44%	55%	0.27%	3.39%	27.14
BRICS	**Brazil**	1.46%	0.27%	11%	0.00%	0.14%	1.14
OtherLMI	**Peru**	1.42%	1.80%	72%	0.13%	0.80%	6.45
LDC	**Uganda**	0.41%	0.28%	39%	0.92%	5.62%	44.90
LDC	**Guinea**	0.22%	0.34%	90%	0.00%	2.23%	17.86
LDC	**Tanzania**	0.21%	0.10%	27%	0.77%	0.91%	7.24
LDC	**Liberia**	0.20%	0.35%	100%	0.00%	3.60%	29.05
Decreasing Market share							
OtherLMI	**Ghana**	14.08%	13.04%	52%	49.94%	24.24%	193.75
OtherLMI	**Indonesia**	6.87%	2.00%	16%	0.06%	0.79%	6.29
OtherLMI	**Malaysia**	4.45%	0.59%	8%	0.00%	0.33%	2.61
OtherLMI	**Nigeria**	3.10%	4.92%	90%	1.80%	1.14%	9.09
OtherLMI	**Cameroon**	3.09%	4.29%	78%	0.00%	12.82%	102.44
LDC	**Togo**	0.20%	0.25%	71%	0.00%	2.19%	17.50

Source: UN Comtrade

Ivory Coast, Ghana and Indonesia are frontrunners in the cocoa exports. Nonetheless, the top three most competitive LMI exporters according to the criteria are Ivory Coast (where over half of total exports is in cocoa), Ecuador and the Dominican Republic. While Ivory Coast has the most exports, Ecuador's are growing fastest among the three (14 % vs. 4 % in Ivory Coast and 8 % in the Dominican Republic per annum). The EU is an important destination for all three, with Ivory Coast seeing 63 % of its exports going to the region, the Dominican Republic 55% and Ecuador, somewhat less but by no means insignificant with 25 %. All three countries are already present in the Austrian market.

One country that particularly important to mention is Ghana, on the one hand because it is, after Ivory Coast, the second largest cocoa exporters globally. It was not included among the most competitive, however, due to its slight contraction in global market share. On the other hand, it by far dominates the Austrian market, accounting for 50 % of it. Furthermore, its economy and people heavily rely on cocoa exports, as it contributes to 24% of its overall exports. For this reason, it is one of the three countries selected for the development impact. The other two are Uganda and Liberia with 6 % and 4 % of their exports respectively and very high RCA values. Additionally, 39% of Uganda's cocoa exports enter the EU, and it has a higher market share in Austria than in the EU as a whole, whereas 100% of Liberia's enter the EU with none destined to Austria. Both also have higher growth rates than the most competitive LMIs, at 16 % and 22 % respectively.

Another country to keep an eye on is Peru, which has seen its exports expand by 30 % per year, indicating it is likely to take the Dominican Republic's position as third most competitive LMI in the coming year (if growth rates remain similar). In addition, its market presence in Austria is far below what it has in the EU as a whole, indicating Austria could further explore opportunities with this trading partner.

Table 13: selected developing countries for product group 072, cocoa by category

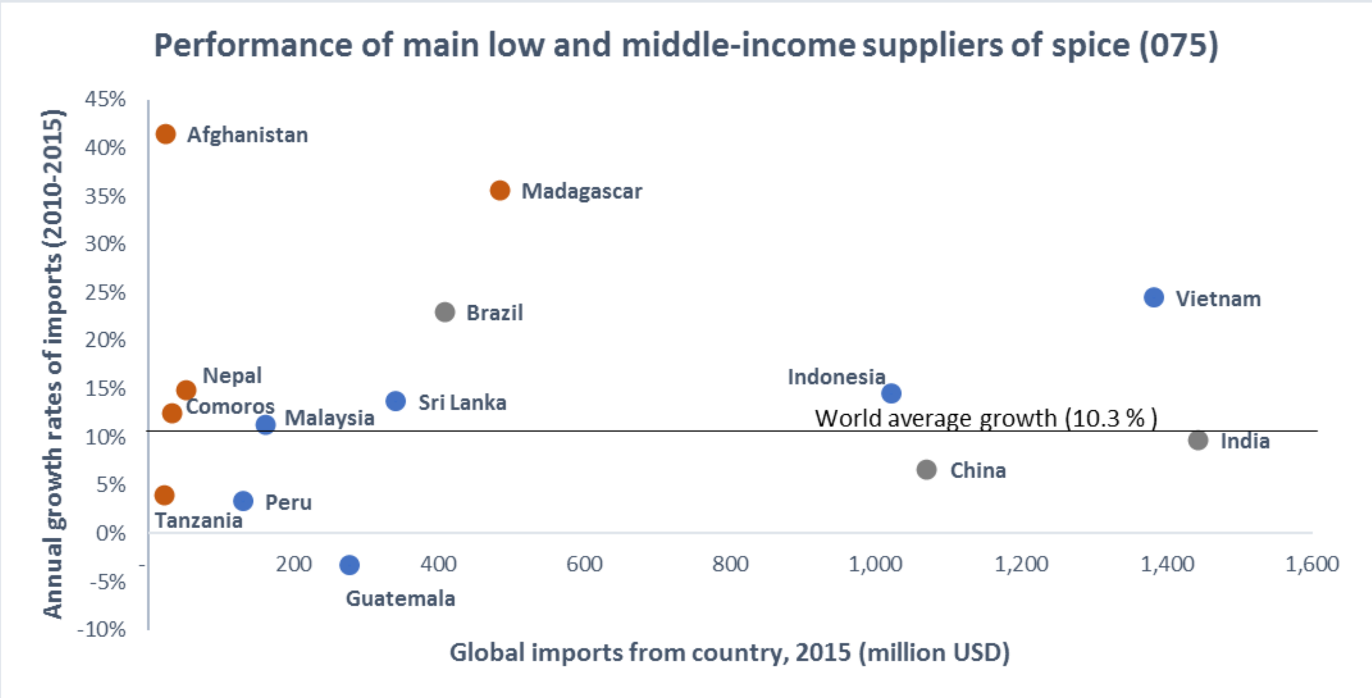
Top 3 competitive exporters	Development focus (top 3 share in total exports of country)	
	Short term potential (Share to EU above 10 %)	Medium/Long term potential (Share to EU below 10 %)
Cote D'Ivoire	Ghana	
Ecuador	Uganda	
Dominican Republic	Liberia	

Group: 075 – Spices

This Group is divided into the following Subgroups:

- 075.1 - Pepper of the genus Piper; fruits of the genus Capsicum or of the genus Pimenta, dried or crushed or ground
- 075.2 - Spices (except pepper and pimento)

Figure 6: Performance of developing countries for spices, product group 075



Spices are globally a very dynamic sector, where demand is growing annually at over 10 %. Vietnam has grown to become an important global player (annually at 24 %), soon overtaking India to become the largest exporter worldwide. Indonesia is the second most competitive economy for this sector (according to our methodology), and would soon overtake China's world market share if trends remain similar. The third most competitive is Madagascar, an LDC, which is seeing its spice exports rising annually by 36 %, only slower than one other country globally – Afghanistan, who is still exporting significantly less.

Table 14: Market shares of developing countries for spices, product group 075

Spices (075)		World market	EU market		AUT market	Country exports	
		Market share (2015)	Market share (2015)	Share to EU per country (2015)	Market share (2015)	Share in total exports of country (2015)	Revealed comparative advantage (2015)
Increasing market share							
OtherLMI	**Vietnam**	14.64%	13.28%	27%	24.17%	0.73%	11.99
OtherLMI	**Indonesia**	10.82%	7.45%	20%	5.86%	0.59%	9.90
LDC	**Madagascar**	5.12%	5.60%	32%	3.45%	19.13%	323.73
BRICS	**Brazil**	4.32%	6.36%	43%	3.67%	0.20%	3.39
OtherLMI	**Sri Lanka**	3.62%	1.54%	13%	1.33%	3.15%	53.25
OtherLMI	**Malaysia**	1.71%	0.37%	6%	0.01%	0.06%	1.00
LDC	**Nepal**	0.57%	0.01%	1%	0.01%	6.60%	110.39
LDC	**Comoros**	0.35%	0.28%	24%	0.02%	62.73%	1,060.35
LDC	**Afghanistan**	0.25%	0.05%	6%	0.01%	2.84%	48.09
Decreasing Market share							
BRICS	**India**	15.28%	8.56%	16%	3.21%	0.59%	9.92
BRICS	**China**	11.33%	9.81%	25%	5.63%	0.05%	0.79
OtherLMI	**Guatemala**	2.94%	0.60%	6%	0.69%	2.67%	45.20
OtherLMI	**Peru**	1.39%	1.06%	22%	0.47%	0.37%	6.34
LDC	**Tanzania**	0.24%	0.04%	5%	0.05%	0.49%	8.27

These three most competitive economies are all exporting over 20 % into the EU. While each country has a certain market share in Austria already as well, Vietnam is catering for almost a quarter of the Austrian demand. At the same time, however, the sector plays a marginal role for both Vietnam and Indonesia (below 1 %). The situation is quite the opposite for Madagascar, where it contributes to almost 20 % of its exports.

The three countries where the sector is most important (apart from Madagascar) are Comoros, Nepal and Sri Lanka, whereby it is by far most crucial for Comoros (forming 60 % of its exports). Out of this, 24 % is destined to the EU market but its role in the Austrian market is negligible at 0.02%, making it interesting to take into consideration.

Meanwhile, almost 7 % of Nepal's exports and 3 % of Sri Lanka's are spices. Sri Lanka has been able to export to the EU and has a solid 1.3 % market share in Austria. In the case of Nepal, with only 1 % accessing the EU, it seems more difficult to increase provision of spices into the Austrian market in the near future.

Table 15: selected developing countries for product group 075, spices by category

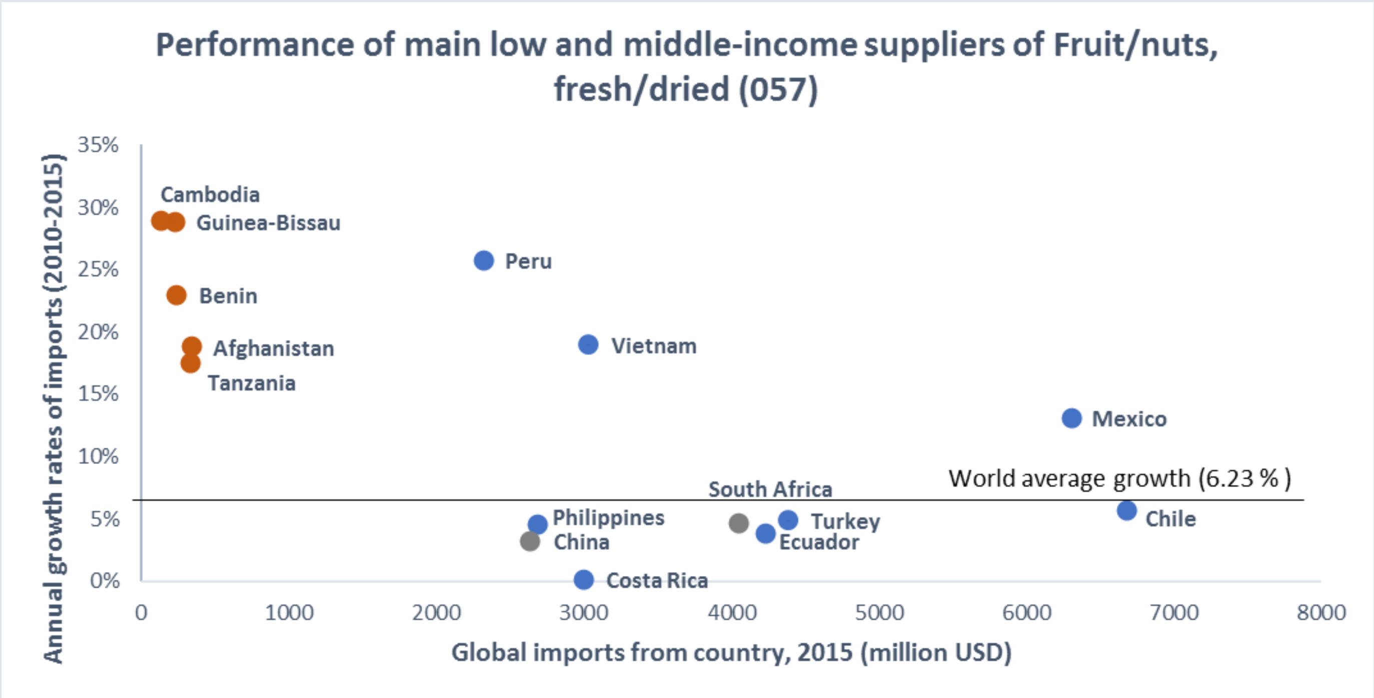
Top 3 competitive exporters	Development focus (top 3 share in total exports of country)	
	Short term potential (Share to EU above 10 %)	Medium/Long term potential (Share to EU below 10 %)
Vietnam	Comoros	Nepal
Indonesia	Sri Lanka	
Madagascar		

Group: 057 – Fruit and nuts (not including oil nuts), fresh or dried

This Group is divided into the following Subgroups:

- 057.1 - Oranges, mandarins, clementines and similar citrus hybrids, fresh or dried
- 057.2 - Other citrus fruit, fresh or dried
- 057.3 - Bananas (including plantains), fresh or dried
- 057.4 - Apples, fresh
- 057.5 - Grapes, fresh or dried
- 057.6 - Figs, fresh or dried
- 057.7 - Edible nuts (excluding nuts chiefly used for the extraction of oil), fresh or dried, whether or not shelled or peeled
- 057.9 - Fruit, fresh or dried, n.e.s.

Figure 7: Performance of developing countries for fruit and nuts (not including oil nuts), fresh or dried, product group 057



Mexico, Vietnam and Peru are the most competitive LMIs in the fresh/dried fruit and nuts sector. In addition to having relatively large exports, their growth rates were well above global average, with Mexico having the lowest of 13 % and Peru the highest of the three with 26 %. Chile, and to a lesser extent turkey and Ecuador are also key global players but they have had slightly below-average growth between 2010 and 2015, not allowing them to qualify as globally ‘competitive’.

Table 16: Market shares of developing countries for fruit and nuts (not including oil nuts), fresh or dried, product group 057

Fruit/nuts, fresh/dried (057)		World market	EU market		AUT market	Country exports	
		Market share (2015)	Market share (2015)	Share to EU per country (2015)	Market share (2015)	Share in total exports of country (2015)	Revealed comparative advantage (2015)
Increasing market share							
OtherLMI	**Mexico**	5.95%	0.64%	4%	0.58%	1.56%	2.35
OtherLMI	**Vietnam**	2.87%	1.46%	21%	1.14%	1.60%	2.35
OtherLMI	**Peru**	2.20%	2.25%	42%	2.17%	6.59%	9.99
LDC	**Afghanistan**	0.32%	0.01%	1%	0.00%	40.69%	61.33
LDC	**Tanzania**	0.32%	0.02%	3%	0.01%	7.23%	10.89
LDC	**Benin**	0.23%	0.02%	4%	0.00%	23.55%	35.49
LDC	**Guinea-Bissau**	0.22%	0.00%	0%	0.00%	82.26%	123.93
LDC	**Cambodia**	0.13%	0.00%	0%	0.00%	0.92%	1.39
Decreasing Market share							
OtherLMI	**Chile**	6.31%	3.35%	22%	3.18%	9.90%	14.97
OtherLMI	**Turkey**	4.14%	5.45%	54%	9.66%	3.30%	4.97
OtherLMI	**Ecuador**	4.00%	2.88%	30%	5.09%	20.48%	30.85
BRICS	**South Africa**	3.82%	4.49%	48%	3.54%	3.66%	5.52
OtherLMI	**Costa Rica**	2.83%	3.81%	55%	3.84%	21.89%	32.98
OtherLMI	**Philippines**	2.53%	0.24%	4%	0.05%	3.50%	5.28
BRICS	**China**	2.49%	0.96%	16%	0.36%	0.12%	0.18

While a large part of Peru's fresh fruit exports are destined to the EU market (42%), and Vietnam had 21 % enter the EU, the continent only accounts for 4 % in Mexico. All three countries already have a foot in the Austrian market, with Peru over 2 % and Mexico with 0.6 % - the least of the three.

Guinea-Bissau, Afghanistan and Benin are the countries with the highest share of fresh fruit and nuts in their total export basket – the first with over 80 %. While these LDCs clearly rely heavily on this sector, none export more than 4 % of their products to the EU, indicating it would be challenging to see a significant impact in the short-term, if supporting these exporters. The authors have decided to add the next three economies, in order to identify any 'short-term potential countries', where development support in the form of trade facilitation in the next few years may have a larger impact. The countries are: Costa Rica, Ecuador and Chile where the share in total exports is still significant (10-22 %). These three Latin American nations, though not LDCs, are already exporting between 22 % to 55 % to the region. However, they are all losing market share somewhat and Ecuador and Costa Rica already have a larger share in the Austrian market than in the EU or world market. For Chile, the share is similar to that of the EU.

Table 17: selected developing countries for product group 057, fruit and nuts (not including oil nuts), fresh or dried by category

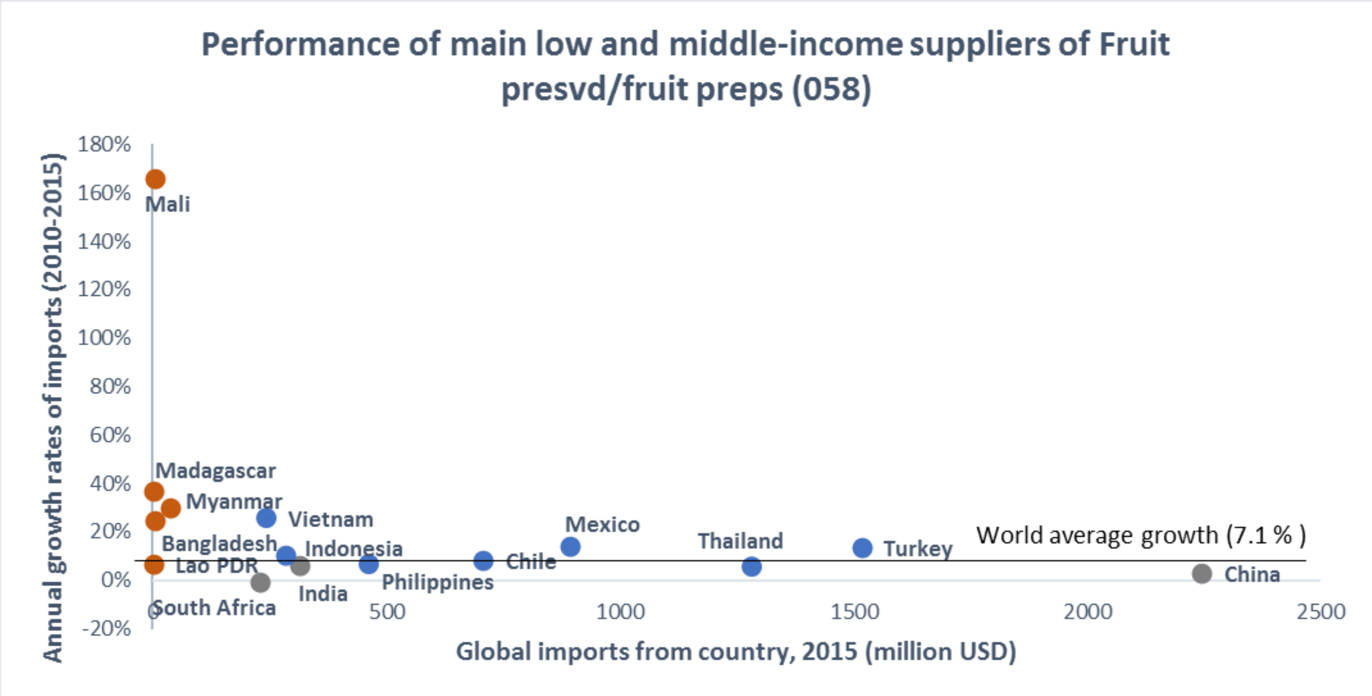
Top 3 competitive exporters	Development focus (top 3 share in total exports of country)	
	Short term potential (Share to EU above 10 %)	Medium/Long term potential (Share to EU below 10 %)
Mexico	Costa Rica	Guinea-Bissau
Vietnam	Ecuador	Afghanistan
Peru	Chile	Benin

Group: 058 – Fruit, preserved, and fruit preparations (excluding fruit juices)

This Group is divided into the following Subgroups:

- 058.1 - Jams, fruit jellies, marmalades, fruit or nut purée and fruit or nut pastes, being cooked preparations, whether or not containing added sugar or other sweetening matter, not including homogenized preparations
- 058.2 - Fruit and nuts, provisionally preserved; peel of citrus fruit or melons
- 058.3 - Fruit and nuts, uncooked or cooked by steaming or boiling in water, frozen, whether or not containing added sugar or other sweetening matter
- 058.9 - Fruit, nuts and other edible parts of plants otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, n.e.s.

Figure 8: Performance of developing countries for Fruit, preserved, and fruit preparations (excluding fruit juices), product group 058



Global trade in the preserved fruits sector was growing slightly faster than that of fresh fruits and nuts, at an annual rate of 7 % between 2010 and 2015. The largest global exporter is China though with a slower than average annual growth. According to the methodology, Turkey is the most competitive country in this sector, followed by Mexico and Chile, expanding by 14 % and 8 %annually and hence gaining world market share over the period. Turkey exports almost all to the EU and already holds 22 % of the Austrian market, while 14 % of Chile's exports goes to the EU and only 6 % of Mexico's. Neither of their market shares in Austria neared 0.5 in 2015 %.

Table 18: Market shares of developing countries for Fruit, preserved, and fruit preparations (excluding fruit juices), product group 058

Fruit presvd/fruit preps (058)		World market	EU market		AUT market	Country exports	
		Market share (2015)	Market share (2015)	Share to EU per country (2015)	Market share (2015)	Share in total exports of country (2015)	Revealed comparative advantage (2015)
Increasing market share							
OtherLMI	**Turkey**	7.26%	14.10%	87%	22.91%	1.14%	8.71
OtherLMI	**Mexico**	4.28%	0.53%	6%	0.09%	0.22%	1.69
OtherLMI	**Chile**	3.39%	1.03%	14%	0.21%	1.05%	8.04
OtherLMI	**Indonesia**	1.36%	0.89%	29%	0.44%	0.16%	1.25
OtherLMI	**Vietnam**	1.17%	0.41%	16%	0.12%	0.13%	0.96
LDC	**Myanmar**	0.18%	0.00%	0%	0.00%	0.29%	2.18
LDC	**Bangladesh**	0.03%	0.00%	6%	0.00%	0.02%	0.13
LDC	**Mali**	0.03%	0.05%	88%	0.01%	0.16%	1.19
LDC	**Madagascar**	0.02%	0.03%	72%	0.00%	0.14%	1.08
Decreasing Market share							
BRICS	**China**	10.74%	2.87%	12%	1.60%	0.10%	0.75
OtherLMI	**Thailand**	6.14%	2.61%	19%	1.07%	0.57%	4.31
OtherLMI	**Philippines**	2.21%	0.97%	20%	0.15%	0.60%	4.61
BRICS	**India**	1.51%	1.33%	39%	0.90%	0.13%	0.98
BRICS	**South Africa**	1.10%	0.78%	32%	1.09%	0.21%	1.58
LDC	**Lao PDR**	0.01%	0.00%	5%	0.00%	0.06%	0.40

According to the methodology Philippines, Thailand and Myanmar prove to be the countries where the development impact of supporting trade in the sector would be highest (after Turkey and Chile, who count also as most competitive, as seen above). Nonetheless, preserved and prepared fruits only account for between 0.3 % to 0.6 % of their total exports, with the Philippines having the highest. While the first two export roughly 20 % to the EU, Myanmar has 0 %.

Mali and Madagascar, the two countries with the highest growth of exports in the sample, are sending a high share (72-88 %) to the EU, although this only makes 0.03-0.05 % of the EU market. As this is still above the market share they have in Austria, and given their (exceptionally) fast growth, they could indeed be interesting countries to search for trading partners in.

Table 19: selected developing countries for product group 058, Fruit, preserved, and fruit preparations (excluding fruit juices) by category

Top 3 competitive exporters	Development focus (top 3 share in total exports of country)	
	Short term potential (Share to EU above 10 %)	Medium/Long term potential (Share to EU below 10 %)
Turkey	Philippines	Myanmar
Mexico	Thailand	
Chile		

SECTOR BY COUNTRY MATRIX AND FINAL RECOMMENDATIONS

To provide an overview of the selected sectors and partner countries identified according to the criteria (competitive exporters, development focus short term and mid/long term), the following matrix was created:

Table 20: Sector- country summary matrix

Sector	**Competitive Exporters**	**Development Focus**	
		Short Term Potential	Medium/Long Term Potential
854 Articles of apparel	Bangladesh Vietnam Cambodia	Sri Lanka	Haiti Honduras
611 Leather	Thailand Vietnam Uruguay	Ethiopia Uganda Pakistan	
851 Footwear	Vietnam Indonesia Cambodia	Bangladesh Myanmar	Ethiopia
072 Cocoa	Cote d'Ivoire Ecuador Dominican Republic	Ghana Uganda Liberia	
075 Spices	Vietnam Indonesia Madagascar	Comoros Sri Lanka	Nepal
057 Fruit and nuts fresh or dried	Mexico Vietnam Peru	Costa Rica Ecuador Chile	Guinea-Bissau Afghanistan Benin
058 Fruit, preserved, and fruit preparations	Turkey Mexico Chile	Philippines Thailand	Myanmar

For the purpose of this study, and the subsequent work to be undertaken by IHA, the authors have developed a further set of criteria to identify two sectors and the most suitable supplier countries to be the first to benefit from IHA's program. The following criteria were used as a guiding tool:

1. Supporting a value chain would have preference given the developmental effect this could have. If a sector, or sector combination (such as leather and footwear) can be identified, this could have preference as the country supported could focus its efforts on upgrading along a value chain, to move away from focusing on exporting raw materials, to exporting processed goods of higher price.
2. Countries from the development focus category would have preference over purely most competitive exporters unless there was a strong case against it. This criterion is suggested as the purpose of import promotion is to support and induce the highest developmental impact where possible, given the country is internationally competitive (i.e. among top LMI exporters and having an increase of market share between 2010 and 2015).
3. Country and sector combinations which import promotion programs of other countries/regions were already strongly supporting would not be selected from onset in order not to duplicate efforts.
   Indonesia for instance is supported by the German, Swiss and Dutch Import Promotion Programmes in numerous sectors. Whilst it is a highly competitive country, supporting it with a fourth import promotion programme may only be marginally beneficial, as its sector foci have already been set and are supported and monitored by three separate entities.
4. Countries which in 2015 have a lower share in the Austrian market than in the EU or world market would have preference. Lower shares indicate that it should be feasible to increase imports from the given country. If the country already has a high market share in Austria, it probably does not require further support. Further increasing very high market shares would also increase dependency from a given country, and therefore make Austrian imports of the good more vulnerable to supply shocks.

Based on these criteria, the authors suggest the IHA to focus on a) the leather- footwear value chain and b) the fresh and processed fruits value chain. The table below are extracted from Table 20 and illustrate the preselected supplier countries.

Table 21: Leather-footwear and fruit value chains, partner country identification

Sector	**Competitive Exporters**	**Development Focus**	
		Short Term Potential	Medium/Long Term Potential
611 Leather	Thailand Vietnam Uruguay	Ethiopia Uganda Pakistan	
851 Footwear	Vietnam Indonesia Cambodia	Bangladesh Myanmar	Ethiopia
057 Fruit and nuts fresh or dried	Mexico Vietnam Peru	Costa Rica Ecuador Chile	Guinea-Bissau Afghanistan Benin
058 Fruit, preserved, and fruit preparations	Turkey Mexico Chile	Philippines Thailand	Myanmar

The sections below explore both value chains in more detail and suggest the most suitable supplier countries for each, using the criteria above for guidance.

Leather - footwear value chain

Austrian Demand & European Market

The European footwear industry is mostly concentrated on high-quality and high-added value segments and niche markets. These include high-end footwear, children's shoes, footwear for specific applications (protective, golf, skiing boots), and bespoke footwear. In recent years, the number of companies and employment in the footwear sector has been declining in the past decades due to manufacturing moving to economies with lower labour costs (European Commission, DG Market, 2017).

The European footwear industry is mostly concentrated in Spain, Italy and Portugal. As it focuses on the high-end segment of the market and only represents around 0.5% of total EU manufacturing, it is a sector which for many years now has faced a trade deficit, as a large part of local demand favours mainstream shoe products which are imported. The main suppliers of footwear to the EU are China (almost 50% of all imports), and Vietnam (14% of the total value of imports).

Footwear is among the most imported products in Austria and it has been increasing annually at a rate of 2.5 % between 2010 and 2015. In 2016 the shoe retailers were estimated to undertake a revenue of over 1.5 bn EUR. Large retailers include Leder & Schuh AG (market leader), Stiefelkönig-Delka, Deichmann, ANWR-Garant, Ring-Schuh and Salamander. In an interview, CEO of Salamander, Klaus Magele said: "Purchasing is the cornerstone of our business' success - we must remain on the pulse to get to know new producers. We are very happy to use the Import Information Hub Austria as an information hub for this."

Development opportunity

The sector is characterized by geographically dispersed production and rapid market-driven changes, providing employment opportunities to millions of workers worldwide especially for young women. Due to the scale and the profile of workers employed, the sector offers great potential to contribute significantly to economic and social development (ILO, 2017).

Value chain integration

The leather value chain and integration in the footwear sector is complex. For the leather value chain, it includes animal husbandry, industrial and assembly processes and branded marketing. One peculiarity of this value chain is its dependence on another value chain, animal production. In other words, its main input relies on animal production rates and the ability to collect and preserve the pelts. Essentially, the leather industry is built on meat production worldwide. Human skills, equipment and chemicals are needed for the production of top quality leather.

In the footwear, leather garments and goods sector, additional attributes are required like high manufacturing skills, design know-how, computer-aided design systems, branding and marketing. Environmental policy instruments with respect to process standards, economic instruments and eco-labelling schemes received more attention in the recent past and although these measures are intended to protect the environment, support trade and reduce unfair competition, they might at first still be a burden to developing countries, because financial and managerial skills are required for successful implementation and monitoring of these standards. Trade barriers still exist in both EU and US. Growth and upgrading are real possibilities for firms in the global leather value chain. China's development from practically zero to the leading footwear supplier to the United States and the EU in 25 years is an example of this (Memedovic, 2008:3).

Selecting and supporting firms with export potential of manufactured leather shoes poses two large developmental opportunities:

Supporting **economic development** through purposeful support of the country's export strategy: selecting "export ready" companies for matchmakings fosters and directly underpins the country's policy coherence for sector development and export strategy. Providing capacity building where needed, such as presentation skills when meeting a potential importer, can often make the difference between an agreement or a rejection. With increased exports which stimulates increased production, the job creation should also be stimulated.

An **opportunity for sustainability**: when potential exporters are selected for the IHA programme, this provides a great opportunity to support the implementation of international labour standards and workplace compliance, as only highly committed and compliant firms will be selected for the program. As partaking in the IHA program will serve as an incentive, it is a way to ensure sustainability standards are respected.

Supplier Country selection for possible IHA support

Following the criteria above, **Ethiopia** would be the selected country for IHA to support in the leather and footwear value chain. Out of all countries analysed for this sector, leather has the highest share in its exports, meaning the sector is more important for Ethiopia than the other economies, and support could have a higher impact. Uganda, however, follows closely in this. Leather is already a priority sector in the country's development strategy, and this can also be noticed in the high growth rate of exports of 12 % on average annually. Furthermore, in 2015 it only had 0.01 % of the Austrian market while it had 0.25 % of the EU market. Relatively speaking, therefore, Austria is under-importing from Ethiopia at the moment, when compared to the region.

Pakistan, the other country identified to have a potential for positive impact through higher trade in this sector is most recently almost unable to increase exports at all, therefore indicating a loss of global competitiveness. In addition, it already has a higher market share in Austria than in the EU.

When looking at the footwear sector we find an impressive annual growth rate in Ethiopia of over 40 % though until recently only 4 % has entered the EU. In general, despite the rapid growth, exports are still low and its market share both in the EU and in Austria is practically non-existent. Nonetheless, with the particularly high growth rate, the well-developing leather sector and the governments active role in boosting the value chain, it seems highly likely that supporting this LDC to import more into Austria would create a win-win situation.

Bangladesh and to a lesser extent Myanmar could also benefit from support, though arguments are slightly weaker. The footwear sector in the former is growing particularly fast as well, at roughly 24 % per annum, and it currently still has a somewhat larger share in the EU market than the Austrian. Myanmar has a growth of 15 % per year, and while its market share in Austria is still very low at 0.14 %, this is more than double as high as the share in the EU market.

Ethiopia's export potential & sector development

Ethiopia is a strong potential case for two reasons: On one side, it reveals a performance of over 40% annual growth rate of exports in the footwear sector and a share of imports to the EU of 4%. The steep annual growth in exports is promising, whilst the low share of exports to the EU reveal that minimum entry into the market has occurred but needs further support to gain stronger foothold.

On the other side, the leather and leather products, textile and garments, among other manufacturing subsectors, were identified as the main priority sectors by the government in its strategy for 2020. The Government has prioritized the growth of the manufacturing sector, as its Growth and Transformation Plan II (2015-202) calls for an accelerated growth of manufacturing sector than the rest of the sectors. Its contribution to GDP is targeted to grow from 4% to 8% by 2020.

Its leather and footwear sector is also a large and growing sector: 72 large and formal enterprises: 33 tanneries, 17 shoe manufactures, 3 gloves makers, and 19 leather and leather goods industries and several hundreds SMEs manufacturing an assortment of footwear, leather goods and garments. Among many other efforts, the Ministry of Industry of Ethiopia created the Leather Industries Development Institute (LIDI) and a number of partnerships with actors in the Indian leather sector to upgrade and ensure the leather value chain has an important positive role on the manufacturing strategy 2020.

It is considered that the government intervention along the value chain encouraged the development of technical capabilities and greater local value addition in both industries in view of the stated desire to produce finished products for export to global markets. To encourage local production of finished leather goods, a 150% tax was levied on exports of wet blue and pickled leather in 2008 with a view to pushing industries further along the value chain. In 2011, this was taken further through an imposition of a 150% levy on the export of crust, which is the output from additional processing of wet blue and pickled leather. As the only export levy applied in Ethiopia, it stimulated foreign investment in the leather industry and led to an increase in the number of tanneries producing finished leather for export markets. This has ensured that Ethiopia secured itself a place on the African and even global manufacturing map and much of the success in its light manufacturing sector can be attributed to the significant progress made in scaling up higher value-added activities in the leather and textile sectors. Ethiopia is considered a strong case for import promotion due to the combination of its export potential and domestic efforts.

Fresh and processed fruit value chain

Austrian Demand & European Market

According to Eurostat, in 2015, the EU imported fruit and vegetables from third countries with a value of about EUR 19.1 billion. Fruit imports were much more significant than vegetables, accounting for 88.4 % of the total. Fresh and dried nuts were the most imported crops (26.2 %) in terms of value, followed by bananas (17.7 %), dates, figs, pineapples and avocados (together 11.5 %), grapes (9.9 %) and citrus fruits (9.1 %) (European Commission, Eurostat, 2017).

According to the analysis undertaken in this report, while fresh fruits and nuts are among the top products imported by Austrians in 2015, Preserved and prepared fruits are among the imports which have experienced the fastest increase between 2010 and 2015 (6 % per annum). In both product groups imports from LMIs is significant (between 31 and 36 %) when excluding the BRICS, and roughly the same share as the average of the EU. Globally, LMIs (excluding BRICS) have a larger share in world market. Demand for fresh fruits and nuts are also growing at 3.3 % per year. It is a trend which is not new, as consumers have gotten used to receiving fresh fruits all year round at supermarkets. It is a norm which is unthinkable to remove from the main Austrian supermarket chains of which the main are REWE, Spar, Hofer, Lidl, who thus have a great interest in searching for competitive prices. But not just supermarket chains are in need of fresh fruits, also the head of purchasing for drinks, including fruit drinks, at the Austrian producer Spitz, Franz Engel said: “we all look for innovations, new things to bring on the market, if the IHA can provide us with this information on new suppliers we are very happy to use the platform”.

Development opportunity

Fruit and vegetables from developing countries enjoy a competitive advantage on account of their lower production costs, which is offset by import duties (agricultural duties) on importation of these products into the European Union. In the case of the major fruit and vegetable varieties, this is achieved by means of an import or entry price system.

Exporters need to coordinate closely with producers, traders and processors to ensure produce is properly documented and compliant with the requirements of strong retailers of international markets. Process related requirements for good agricultural practices means there is a strong need for GLOBAL GAP (good agricultural practices) certification, which can have a number of positive impacts, such as higher yields, profitability, quality produce, increased employment, greater occupational safety and lower environmental impacts.

Value chain integration

This sector is also a stepping stone for the processed foods value chain. As mentioned previously, developing countries generally have a comparative advantage given the lower production costs, as well as the advantage of natural resources, particularly as certain types of fruits grow in certain climates, not experienced in Europe – such as citrus or avocado. As a country’s sector strategy focuses on value addition, such as the upgrading from fresh produce to processed fruits, economic development is aided.

Selecting and supporting firms with export potential in the fruit value chain poses two large developmental opportunities:

Supporting **economic development** through purposeful support of the country’s export strategy: selecting “export ready” companies for matchmakings fosters and directly underpins the country’s policy coherence for sector development and export strategy. Providing capacity building where needed, such as presentation skills when meeting a potential importer, can often make the difference between an agreement or a rejection. With increased exports which stimulates increased production, the job creation should also be stimulated. The economic development support strengthens partnerships and policy coherence among different stakeholders at global, regional and country levels as highly export oriented sector

An **opportunity for sustainability**: when potential exporters are selected for the IHA programme, this provides a great opportunity to support the implementation of international labour standards and workplace compliance, as only highly committed and compliant firms will be selected for the program. As partaking in the IHA program will serve as an incentive, it is a way to ensure sustainability standards are respected.

Supplier Country selection for possible IHA support

Proposing one country only for the subsequent work of IHA is less simple for the fruit and nuts value chain. While some countries rely very heavily on fresh fruits and nuts (e.g. Guinea-Bissau, Benin and Afghanistan), they do not yet export into the EU, creating the assumption that positive impact on export promotion may be very limited in the short term. Such countries can, however, be considered for long-term support. Several other countries where the sector remains important, already have a higher market share in Austria than in the EU or world market.

Nonetheless, when looking particularly at the fresh products, Peru and Vietnam can be interesting countries to source more from as well as support their upgrading efforts by importing more processed fruits. Although both are considered to be among the most competitive LMIs globally for fresh fruit/nuts (creating also the idea that they are desired trading partners), they both have a lower market share in Austria than they do in the EU or the rest of the world. In addition, especially for Peru the fresh/dried fruits and nuts accounts for a significant share of its total exports (6.6 %). While Peru does not feature in the processed fruit analysis - meaning it was not among the largest exporters globally -, Vietnam has had very high growth rates in its exports of these, though at the same time it also here shows lower market shares in Austria than in the EU or rest of the world. Therefore, for both countries, a programme supporting the fruit exports both in raw form and in processed forms could significantly help the economy.

Other countries would also benefit from IHA's support. Ecuador, Chile and Costa Rica, the three countries identified to have larger short-term impact, rely quite heavily on fresh fruits/nuts in their economy. Nonetheless, they already have a relatively high market share in Austria and in the cases of Ecuador and Costa Rica, this market share is higher than in the EU or world. However, supporting in the upgrading of these products into fruit preparations could be of great benefit to them.

For imports of processed fruits, the Philippines and Thailand both make interesting cases. After Turkey and Chile, who are both globally among the most competitive exporters, the sector is more important for Philippines and Thailand than for other countries in the sample. Both countries are increasing their exports at a pace of between 5.4 % and 6.3 % per annum, which is below global average but still a positive development. At the same time, however, the market share they have in Austria is below that of what they have in the EU or world market, signaling that Austria can increase imports from both and that this should have a positive impact on the two Asian economies.

CONCLUSION

This report, examines trade data to suggest developing countries from which Austrian importers could benefit sourcing from. It should be used as a background paper for the upcoming IHA programme supporting both the importers and exporters. The study portrayed that there are several LMIs and LDCs with the export potential to supply and satiate Austria's increasing demand for key product groups. The multi-dimensional approach first identified the product groups most relevant for Austrian importers and then presented the most competitive LMIs and LDCs for each of these. It went on to identify supplier countries which are expected to benefit most from import promotion. After carrying out this analysis, further criteria allowed the authors to suggest two sectors and the most suitable countries where IHA should begin implementing its export promotion support.

The seven sectors key to Austria's demand are Articles of apparel, leather, footwear, cocoa, spices, fresh/dried fruits/nuts and fruits preserved/preparations. For each, three most competitive LMIs (excluding BRICS) were identified, where countries such as Vietnam, Mexico, Indonesia, Bangladesh, and Cambodia appeared for more than one sector. Additionally, three other countries were selected based on the importance of the sector for the country's total exports (and therefore economy).

For the final selection, value chains were preferred to individual product groups, as a way to support developing countries to upgrade towards more processing. For this, two value chains have emerged from the analysis: leather-footwear and the fruit value chain (from raw to processed). The study concludes that Ethiopia would be a suitable and promising country to support for the leather-footwear value chain. It is the country with the highest share of leather in its total exports from the sample, has a double-digit annual growth rate for leather though it currently still has a significantly lower market share in Austria than it does in the EU as a whole. In addition, the Ethiopian government has been prioritizing the upgrading within this value chain, resulting in annual growth rates in the footwear sector of above 40 %, though with still no foot in the Austrian market.

For the fruit value chain several countries could be considered, as none comply fully with all the criteria. For the immediate sourcing of fresh fruits Ecuador, Costa Rica and Chile would be interesting, as the sector has a very high contribution to their overall exports. Vietnam and Peru would also make sense due to the fact that they are still under-represented in the Austrian market. It is also expected that all five countries would greatly benefit from support in upgrading to exporting more processed fruit. Finally both Philippines and Thailand would be interesting countries to increase imports of processed fruits from.

As this analysis is based on trade data only, it is suggested to carry out a feasibility study, both through further qualitative desk research and through interviews with relevant stakeholders in the respective partner country in order to validate the sector-country combinations for the first phase of IHA's programme. The final decision is then to be made in agreement with the Austrian Development Agency, taking into consideration its economic development strategy.

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ANNEX

List of countries by category

Source: WITS world bank database

List of Low and Middle Income Countries

Afghanistan
Angola
Albania
Argentina
Armenia
American Samoa
Antigua and Barbuda
Azerbaijan
Burundi
Benin
Burkina Faso
Bangladesh
Bulgaria
Bosnia and Herzegovina
Belarus
Belize
Bolivia
Brazil
Bhutan
Botswana
Central African Republic
Chile
China
Cote d'Ivoire
Cameroon
Congo, Rep.
Colombia
Comoros
Cape Verde
Costa Rica
Cuba
Djibouti
Dominica
Dominican Republic
Algeria

Ecuador
Egypt, Arab Rep.
Eritrea
Ethiopia(excludes Eritrea)
Fiji
Micronesia, Fed. Sts.
Gabon
Georgia
Ghana
Guinea
Gambia, The
Guinea-Bissau
Grenada
Guatemala
Guyana
Honduras
Haiti
Indonesia
India
Iran, Islamic Rep.
Iraq
Jamaica
Jordan
Kazakhstan
Kenya
Kyrgyz Republic
Cambodia
Kiribati
St. Kitts and Nevis
Lao PDR
Lebanon
Liberia
Libya
St. Lucia
Sri Lanka
Lesotho
Lithuania
Latvia
Morocco
Moldova
Madagascar
Maldives
Mexico
Marshall Islands
Macedonia, FYR

Mali
Myanmar
Mongolia
Mozambique
Mauritania
Mauritius
Malawi
Malaysia
Mayotte
Namibia
Niger
Nigeria
Nicaragua
Nepal
Pakistan
Panama
Peru
Philippines
Palau
Papua New Guinea
Korea, Dem. Rep.
Paraguay
Romania
Russian Federation
Rwanda
Fm Sudan
Senegal
Solomon Islands
Sierra Leone
El Salvador
Somalia
Sao Tome and Principe
Suriname
Swaziland
Seychelles
Syrian Arab Republic
Chad
Togo
Thailand
Tajikistan
Turkmenistan
East Timor
Tonga
Tunisia
Turkey

Tuvalu
Tanzania
Uganda
Ukraine
Uruguay
Uzbekistan
St. Vincent and the Grenadines
Venezuela
Vietnam
Vanuatu
Samoa
Yemen
South Africa
Congo, Dem. Rep.
Zambia
Zimbabwe

List of Least Developed Countries

Afghanistan
Angola
Burundi
Benin
Burkina Faso
Bangladesh
Bhutan
Central African Republic
Comoros
Djibouti
Eritrea
Ethiopia(excludes Eritrea)
Guinea
Gambia, The
Guinea-Bissau
Equatorial Guinea
Haiti
Cambodia
Kiribati
Lao PDR
Liberia
Lesotho
Madagascar

Mali
Myanmar
Mozambique
Mauritania
Malawi
Niger
Nepal
Rwanda
Fm Sudan
Senegal
Solomon Islands
Sierra Leone
Somalia
Sao Tome and Principe
Chad
Togo
East Timor
Tuvalu
Tanzania
Uganda
Vanuatu
Samoa
Yemen
Congo, Dem. Rep.
Zambia