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INTRODUCTION

1. The Ad hoc Working Group on the Expansion of Trading Opportunities for Developing Countries was established:

"to analyse prospects for, and examine ways of, expanding the trade opportunities of developing countries for the diversification and growth of their supply capability and for the enlargement and improvement of their export market opportunities"

2. At its meeting on 14 December 1992 the Group reviewed Document TD/B/WG.4/2 -Note by the UNCTAD Secretariat - which identified a number of important issues for consideration by the Group. Among these were possible measures that might be taken by individual developing countries to facilitate and support an expansion of their countrys' foreign trade and enhance their export opportunities.

3. While all the issues referred to in the document are inter-related this paper discusses those involved in defining and implementing national trade promotion and export development strategies. It has been prepared at the request of the UNCTAD secretariat to facilitate discussion on these particular issues.

EXECUTIVE SUMMARY

4. Within national structural adjustment and economic reform programmes many countries are making determined efforts to expand their foreign trade. It is recognised that the sector has a major contribution to make towards achieving national social and economic development objectives, including in employment creation, rural development, technology transfer etc.

5. An effective export promotion and marketing programme is central to any national export - oriented policy. ITC undertakes research on national trade development strategies and programmes in many developing, and developed countries, where the foreign trade sector has made a significant contribution to economic development. This research clearly shows that these countries have a number of features in common. They are:

1. Long-term National Export Development Policies and Strategies agreed between the Government and business community, providing incentives for export production;
2. Continuity in agreed trade development policies and strategies;
3. Cooperation between Government and export sectors based on agreed policy and institutional framework;
4. Encouragement of investment and working finance for export development purposes, especially for term loans, pre-and post-shipment financing, and effective export credit guarantee and insurance mechanisms;
5. Efficient trade support services available to the exporting, and potential exporting, community;
6. Ready access by exporters to materials, whether domestic or imported, at world market prices for export production.
7. Investment in infrastructure (both human and physical);

6. This paper describes actions that developing countries can take to promote an expansion of their foreign trade. It is presented in 3 chapters, and is concerned with priority areas essential for the design and implementation of national trade promotion and export marketing policies strategies and programmes, particularly:

1. Strengthening the Institutional Infrastructure for Trade Promotion and Export Development.
2. Expanding Export Product and Market Development.
3. The role of Information Technology in Improving Trading Opportunities of Developing Countries.

Chapter 1

THE INSTITUTIONAL INFRASTRUCTURE FOR TRADE PROMOTION AND EXPORT DEVELOPMENT

7. The development of a successful national foreign trade programme is a complex process, involving a series of closely interrelated components, including macro-economic and sectoral policies, financial systems, technology, skilled personnel, physical infrastructure, etc. Exports are the end results of coordinated policies and actions in which the government and the private sector cooperate, within the framework of carefully planned and designed export development strategies and programmes. This chapter describes a number of the key trade services and facilities which developing countries, including least developed countries, need to introduce or strengthen to support a national trade promotion and marketing programme. Information on Import Promotion Offices in certain developed countries is also provided.

I. STRATEGIES AND PROGRAMMES FOR TRADE DEVELOPMENT

8. Developing countries embarking on structural adjustment programmes and associated policy reforms have been endeavouring to improve their balance of payments positions, as a key element in the adjustment process. An ITC study covering representative countries in Asia, Africa and Latin America in 1990, and other research, demonstrated however that, despite significant macro-economic policy reforms, the export growth targets have remained largely elusive.

9. While trade liberalisation measures may remove some of the constraints at the macro level, these do not necessarily result in a pattern of resource allocation favourable to export-oriented production and trade. Though structural adjustment programmes may lack a long-term policy frame designed to accelerate export growth, several key constraints at the sectoral and micro levels also inhibit investors and entrepreneurs from taking advantage of the reformed macro environment.

10. Among the key impediments identified in the ITC research are the lack of political commitment to support export efforts as a national priority; an unfavourable incentive structure; limited access to export finance, especially for new and small or medium sized exporters; inadequate physical infrastructure for export operations; weak trade promotion institutions and business sector associations; a critical shortage of skilled managers and trained workers; and non-availability of essential trade support services on product and market information and development, export packaging, quality management, costing and pricing techniques, business negotiations and contracts, trade documentation and market promotion etc.; as well as limited access to key imported inputs of the quality and cost required for export production.

11. ITC's research has identified the following factors as among the main constraints which must be addressed for successful implementation of national export development and promotion programmes:

1. Inadequacy of, and frequent changes in, the policy frame-work for foreign trade,

which constrain the exporters' capacity to programme their efforts to reach foreign markets within a medium-term perspective.

2. The relative weakness and positioning of national authorities with responsibility for foreign trade matters, as compared with other branches of the development administration;
3. The lack of effective coordination mechanisms among the various institutions concerned with foreign trade development;
4. The apathy often shown by trade service institutions such as commercial banks on their contribution to the national export promotion and trade development programme;
5. The inability of producers/exporters to penetrate foreign markets, due to lack of knowledge of the technical aspects involved, and/or of the foreign market potential;
6. Export promotion and development organizations which:
 - Have a relatively weak status in the national trade policy and export strategy making process;
 - Lack of operational autonomy;
 - Have inadequate human resources;
 - Have inadequate funding for their operations;
 - Have remote sector involvement;
 - Have limited involvement with the business community.

12. Given the depth and diversity of the problems, which vary by country, individual countries can only hope to realize national export goals through a systematic analysis of the trade development potential, followed by well designed comprehensive and integrated export development strategies and programmes. At the policy level such goals need to be perceived as an integral component of other priority national concerns such as employment generation and poverty alleviation, especially in rural areas, and for disadvantaged groups of the population. A close partnership between government and the business sector is essential in defining problems, remedies and goals and ensuring that these are realized. Particular attention must also be paid to investment for export production including joint ventures, and enhancing institutional capability and national self reliance in providing trade related support services to the export community.

II. EXPORT TRADE FINANCE

13. In developing countries, the banks - whether central, commercial or developmental - have a strategic role to play in national trade development programmes. In view of the highly competitive international market, it is essential for banks to provide financial support and related non-financial services to export enterprises to enable them to compete effectively in the world market. The cost of credit is a significant element in the total cost of exported products and thus needs to be kept low. Apart from this, availability and access to credit are important factors in facilitating timely production and shipment of export goods.

14. The traditional conservatism of bankers in applying strict banking criteria regarding eligibility, security, liquidity and profitability often discourage the emerging small and medium exporters of non-traditional products. Special export financing schemes for both pre-and-post shipment credit and term loans, designed to overcome this problem need to be established in developing countries. This would enable potential exporters, who cannot meet the stringent financial terms and conditions imposed by banks, particularly with respect to collateral security, to access essential export credit and non-financial services.

15. ITC experience shows that high cost and lack of access to export trade finance, in both pre-shipment and post shipment stages, have seriously impeded exporters' efforts to offer competitive financial terms to foreign buyers. There appears to be insufficient awareness within national banking communities of various special schemes that could be introduced in order to remove these bottlenecks, without undermining the normal security criteria applied by the banks. Experience also shows that apart from the purely banking functions, banks in many developing countries provide little information and advice to assist exporters in making the best use of the available credit, and to minimise the risks of losses through procedural mistakes and defaults.

16. The specific national measures should include re-orientation of the banking sector to be more positive towards export activity, including establishment of special financing schemes such as export credit guarantee and insurance schemes and external trade support services such as financial counselling of entrepreneurs, provision of advice on shipping documents, customs regulations, exchange regulations in target markets, etc., designed to assist the exporters and avoid potential loss; and establishment of financial arrangements for non-performing export-oriented enterprises, some of which could be made viable again through rehabilitation.

III. COSTING AND PRICING

17. At the national level export objectives include generation of foreign exchange earnings and, at the enterprise level, higher profits and a more economic scale of operations. If exporting enterprises are to be financially viable, they must closely control their costs, combined with a flexible pricing strategy. While prices are determined by the forces of world demand and supply, over which individual enterprises have little control but must monitor closely, they could improve profitability by reducing costs of manufacture, administration and marketing.

18. The tasks of cost reduction are complex and continuous. Developing country exporters need to be made aware of the vital role of cost reduction in exports and the need for the services of trained accountants and management consultants. Unfortunately, there is an acute shortage of these professionals in many developing countries.

19. Successful exporters use flexible pricing techniques with which most developing country exporters are not familiar. A variety of techniques are used, including marginal cost pricing, product line pricing, pricing on the basis of product life cycle, market penetration pricing, promotional pricing and discounts on volume sales. Pricing strategy also takes into account available information on world-wide trends in demand and supplies, new technological developments, competition, consumer preferences and market segmentation. Many developing country exporters remain at a particular disadvantage with their inability

to employ these techniques because of a serious lack of access to the essential information and relevant counselling and training facilities.

20. Developing countries may find that many potentially exportable products cannot be marketed because of their high costs in relation to world market prices. Costs may be high because of high overhead expenses, wastage of raw materials, inadequately trained workers, obsolete and inadequately maintained equipment, under-utilised plant capacity, weak supervision and labour management, unnecessarily large inventories, inefficient financial management and materials procurement of poor quality and high cost. As the export market often demands much higher standards of product quality and acceptability, enterprises breaking into the export market need to also undertake some degree of product development and adaptation, and market promotion activities with a whole new range of costs to be taken into account.

21. National initiatives and measures are required in two distinct but complementary areas:

(a) in the costing and pricing field per se, institutional capabilities (training and consulting) in cost and management accounting need to be reinforced; entrepreneurs and exporters should be able to receive detailed information on prices of similar products from foreign competitors; accounting procedures and financial reporting need to be standardized to permit comparative analysis, and better evaluation of financial performance; and

(b) in areas where government intervention can help in reducing production and related costs such as in physical infrastructure facilities, power and communications, taxes on imported equipment and materials for export production as well as in setting-up incentive schemes helping exporters in reducing costs of production to internationally competitive levels.

IV. COMMERCIAL REPRESENTATION ABROAD

22. For the purpose of achieving rapid export-led economic growth, it is important to deploy as many promotional tools as possible. Commercial representation services can be effective trade promotion tools for pursuing export expansion and diversification programmes in external markets., and seeking sources of low-cost imports. Commercial representatives are usually a cadre of government officers assigned to the foreign service of a country to carry out specific trade promotion functions outside their home country. Their role includes seeking new and expanded market opportunities for exports, identifying cost-saving import sources, promoting foreign investment, joint-ventures, technology transfers and tourism, participating in trade negotiations and carrying out ad hoc and programmed trade-related assignments for the business sector and the government in their country(ies) of assignment.

23. Because of budgetary and foreign exchange constraints, many governments now assign regular diplomatic staff to trade promotion and other commercial representation tasks for which they were not previously trained. In these cases priority must be given to developing skills and techniques to maintain the capacity of the service. It must also ensure the capability of the personnel to undertake specific tasks in assigned foreign posts and create a home-based technical capacity to provide regular support to the operations of the

foreign-based staff. This entails the creation of channels and systems for regular communication and consultation with enterprises in the business sector, manufacturers' and trade associations, trade promotion organizations and relevant government agencies, and for accessing trade information and other trade support services. It must also provide guidelines for effective management and supervision of the service as well as proper integration with other related agencies.

24. In other cases, resources permitting, an optimum CR service will be provided through the establishment of a career structure based in the Ministry of Trade or other institution. In all instances the success of a CR Service will be directly proportional to the degree of recognition commitment and support which it receives from both the Government and business community with whom it must maintain a close and productive relationship.

25. National measures designed to strengthen trade representation services to enable them to effectively play a trade development role should include (i) an adequate career structure for a highly professional cadre of officials under the Ministry of Trade or other government agency concerned with trade; (ii) government commitment, recognition and support to the service through financial resources, training facilities and other incentives, and (iii) establishment of effective operational mechanisms between the service and the business sector to facilitate interaction and mutual support for the development of trade and investment.

V. TRADE SUPPORT SERVICES OF CHAMBERS OF COMMERCE AND OTHER BUSINESS ASSOCIATIONS

26. In the wake of economic reform and trade liberalization measures the role and importance of the private sector in foreign trade has vastly increased in most developing countries. As the roles of the government and the public enterprises decline, especially in developing and conducting external trade, the business community is being called upon to develop its own collective institutional capacity for an increasing role and responsibility in this area. In particular, small and medium enterprises planning to enter the export market are in need of essential information, advice and guidance from institutions that understand the problems and requirements of the highly competitive world of international business and can respond to their needs in a timely, practical and cost-effective manner.

27. Chambers of commerce and other business sector associations are uniquely placed to play a key supportive role in expanding and diversifying the trade of developing countries by providing services on trade information, trade facilitation; trade fairs and exhibitions, business missions, legal problems of international trade; certification of quality and origins; business incentives at home and trade regulations abroad; foreign investment and joint ventures as well as through enquiry-reply services and training programmes.

28. Most developing country chambers and business associations are, however, constrained by an inadequate appreciation of their promotional and supportive role and potential in the newly emerging international trade environment, and a critical shortage of personnel and financial resources to establish and operate the required services. The business community, on the other hand, would not be willing to contribute financially unless it could be assured of the availability of the expected services. The institutions thus face a "vicious circle" of small budgets, few services, and consequently, poor prospects for

additional income to establish more and better services.

29. In order to break out of this dilemma, chambers and associations need to be supported by initial business development grants, and an increased membership by the business community which should bring in higher revenues. In addition, these institutions could introduce a number of income-generating services on the basis of an analysis of the priority needs of the business community. They should enhance their capacity to identify and monitor emerging business opportunities and the assistance needs of the business community, and to meet these needs through provision of information advice and guidance on a continuing and cost-effective basis.

VI. EXPORT QUALITY MANAGEMENT

30. Appropriate product quality is a basic requirement of successful international trade. Export product quality is defined in accordance with buyers/consumers needs and preferences, within their economic possibilities, as may be established in internationally acceptable standards, specifications and grades. Additionally, products entering international trade must not be damaging to the environment or be harmful to human health and safety. In light of these considerations many countries are imposing restrictions on the importation of products unless they meet minimum levels of health safety and environmental protection requirements as established in technical laws or regulations issued by competent authorities at national regional or international levels. Consequently, compliance with health, safety and environmental standards and regulations has become a sine-qua-non for products entering world trade.

31. The above elements may become a serious impediment to the export development efforts of the developing countries when exporters are not sufficiently aware of their existence and are not technically equipped to comply with those requirements. The quality requirements which refer to products (including materials, parts, components and packaging) as well as processes and systems, usually take the form of standards, specifications, technical regulations, commercial contracts' clauses, inspection, testing, certification and labelling requirements. The growing demand for third party certification, for example, is related to the need of producing documentary evidence of a product's, process' or system's compliance with those standards and regulations.

32. Exporters/manufacturers particularly, of small and medium scale, from developing countries usually suffer from an absence of timely information on target markets quality requirements and applicable technical regulations which are constantly changing, particularly in the major importing and developed countries. In other cases, they do not have the appropriate processing equipment, technology and/or raw materials which are needed to achieve the required quality specifications with the necessary support of well established and recognized national standards, quality assurance, testing, inspection, certification and accreditation systems.

33. In consequence, exporters from developing countries are too often faced with costly shipment rejects or repairs, quality down grading and its corresponding price penalties, heavy payments on account of quality guarantees, disputes with importers, loss of market shares, loss of image etc. This latter result is particularly damaging as it is extremely time consuming and expensive to reverse it in the conscience of consumers who will be, in any

case, offered other choices from other more competitors.

34. The main objectives of national activities in this field should be two-fold: to ensure, first, that the exporters of developing countries are fully aware of such requirements (both compulsory and voluntary requirements) and second, that they are technically equipped to comply with these requirements in a cost effective manner.

35. Experience shows that successful export quality assurance cases in developing countries are usually observable in those situations in which:

- manufacturers have well established quality management systems;
- up-to-date information is available on specifications, standards, technical regulations and other quality requirements in the importing countries;
- technical support is available in the areas of standardization, metrology, calibration, testing, inspection, certification and overall quality control and quality management services including training facilities;
- there exist for certain products, for example fresh fruits and vegetables, specific export inspection and certification services providing competent, impartial and internationally recognised documented evidence that any given lot exported complies with the importers quality requirements (standards, specifications) and with the technical regulations applicable in the country of destination (health, safety and environmental requirements).

36. Possible national measures by developing countries that might enhance their export opportunities should necessarily include those related to the export quality management area, as mentioned above. This would require integration at national level of the various sectors concerned (trade, industry, agricultural, technology, health, environmental safety, foreign relations, among others), probably under the leadership of the trade promotion and development sector. Consequently, coordination should also be achieved at international level to attract, in the most efficient manner, the collaboration of the most appropriate and concerned international agencies.

VII. EXPORT PACKAGING

37. The basic functions of packaging are to protect the product during transport, preserve its special features and qualities, and meet the needs and tastes of the consumer, always in compliance with the packaging and labelling, laws and regulations in the export market. The requirements of export markets are normally more demanding than in the domestic market: the transport chain is much longer, involving more handling; the laws and regulations are often more stringent and new legislation is continually being enacted on health, safety and environmental issues; quality requirements are steadily improving and there is growing sophistication in consumer preferences. Export packaging, including its visual impact on the consumer, is thus an essential element in successful marketing strategies. Failure to meet these needs can likely result in rejection of export shipments, non-acceptance by foreign distributors and damaged image among final consumers.

38. Experience shows that relatively few developing country exporters are fully aware of these crucial differences between packaging for the home market and for export. Although many developing countries depend mainly on export of commodities requiring relatively simple and traditional bulk transport packaging, important changes have already been taking place in replacing traditional packaging as well as in handling facilities and container transportation. However, the real growth prospects and potential value adding opportunities lie in the area of non-traditional export products where packaging of the right quality, design and attractiveness is indispensable. Both the developing country exporters and then packaging manufacturers therefore face a critical challenge.

39. Exporters, manufacturers and packers in developing countries are constrained by non-availability of recent dependable information on importing countries' packaging and labelling regulations and difficulties in interpretation of, and compliance with them, lack of knowledge of consumer needs and tastes, and high costs of export packaging materials. Relatively few developing countries have yet established specialised packaging research, advisory and training centres and a packaging manufacturing industry large enough to be able to produce packaging material of export specifications at competitive costs. Developing countries also lack graphic design experts and printing facilities for export packaging. Even when obtaining packaging material from abroad, a lack of knowledge of the specifications required, alternative sources of supply and of prices, frequently result in poor quality and high costs of export packaging, especially for new and small-scale exporters.

40. Developing countries need to establish a range of local capabilities in the export packaging field, including:

- Objective packaging information sources, acting as counterparts for data inputs from ITC and other concerned agencies. These facilities, normally comprising a library and computerised database, should disseminate information on commercial, technical and regulatory aspects of export packaging.
- Training facilities for packaging production and related technologies such as printing, normally provided through existing technical education institutions, and for structural and graphic design of packaging.
- Central, neutral, packaging laboratory and testing facilities, to provide objective inspection and evaluation of packaging materials and export packaging for packaging producers and users and for exporters of packaged products.

VIII. EXPORTS OF SMALL- AND MEDIUM-SIZED ENTERPRISES (SMEs)

41. Small- and medium-sized enterprises (SMEs) play an important socio-economic role in most economies. This is particularly so in developing countries where, more often than not, they are the engines of growth. Besides their significant contribution to developing country domestic production and employment (varying from 80% to 90%), their potential to contribute to exports is immense. The direct share of SMEs in a typical developing country's exports is estimated to be about 30% to 45%. In addition to this, they also make a substantial indirect contribution. Yet, only a small percentage of SMEs, estimated to be about 5%, actually participates in export activity. National efforts for improving trade

opportunities for SMEs should, therefore, be directed both at improving the performance of those already exporting and at enabling more and more SMEs to enter into the global market place. Experience has shown that creating new trade opportunities and exploiting existing ones call for a truly national effort, involving the government and the private sector; institutions and individual entrepreneurs. Improvements have to be effected in the export environment and the support infrastructure and capabilities have to be enhanced at institutional and company levels.

42. Most developing countries have some form of a special policy framework in favour of SMEs. This framework should contain a greater bias in favour of export activity. The accompanying fiscal policies should make exports more attractive and profitable than mere domestic sales. Further, in order to enable small businesses to really take advantage of the policies, greater attention needs to be paid to translating them into comprehensive schemes, with simple procedures and tangible incentives. In the absence of these, the policies remain mere declarations of intent.

43. Support agencies and institutions entrusted with SME export development should increase their awareness and appreciation of some of the basic features of the sector, which possesses the advantage of flexibility and adaptability, inventiveness and innovation. At the same time, it suffers, in general, from structural handicaps arising from size, scale of operations, management style and limitations on ability and capacity to absorb, retain and put to use specialised inputs. Most developing country SMEs are run by one or two individuals, who may be first generation entrepreneurs coming from a rural, agrarian or trading background. They have limitations in terms of resources and time and usually function in a fairly high risk environment, often with a preference for activities with short operating cycles. SMEs, therefore, not only have to be motivated and organised for export activity, but their interest has to be sustained over a reasonable period to achieve tangible and lasting results. They have to be trained to appreciate factors such as quality management and packaging and the importance of human resource development.

44. National organisations which lend support and extend assistance to exporting SMEs have to address two broad areas: capability enhancement and trade facilitation. The former involves scouting for, identifying and developing entrepreneurial ability and enhancing capabilities to meet requirements for international business activity. This can be done through regularly conducted entrepreneurship development programmes and specialised training in various aspects of export business management. These programmes should, besides laying a foundation for running an export activity, give a broad treatment to issues such as costing and pricing, profitability calculations, inventory control, product development, marketing management, export finance, quality management, packaging and other related areas. Often such programmes tend to become over- sophisticated and run the risk of losing relevance. They have to be carefully designed to suit the requirements of the participants and match their ability to absorb, retain and use the information. Help can be given to private institutions for developing training programmes and modules suited to local conditions.

45. The latter calls for the provision of technical and other support in the form of services and inputs. Basically, an exporting SME has three broad categories of requirements: production related, marketing related and finance related. While information on the three areas is abundantly available, it is the surfeit of it which is often the problem

for an SME whose needs are naturally restricted to the narrow range of its own activities and scale of operations. Further, what makes the SMEs needs special and difficult to cater to is that all these needs have to be met at the same time as part of a single package and preferably through one or two agencies. Often a semi-governmental agency or the chamber of commerce is assigned the task of assisting and guiding SMEs in their export effort, though their preoccupation may be with large businesses and SMEs might receive inadequate attention. While many developing countries have one-stop or single window mechanisms for giving approvals etc. to the SME sector, there is often no such mechanism for delivering technical assistance. Encouraging the formation and strengthening of specialised SME development agencies (SMEDAs) for delivering comprehensive technical assistance packages to the sector has worked successfully in a number of countries. The growth of a new brand of consultancy agencies in developing countries needs to be encouraged. These agencies, in the private sector should be non-sophisticated and capable of providing a broad spectrum of advice and guidance to meet the totality of requirements of an exporting SME.

46. As for the enterprises themselves, direct assistance can be channelled to tackle specific problems like designing and implementing business development plans, searching for and acquiring new technology and business cooperation partners, improving production processes and product quality and range, penetrating new markets and nurturing existing ones, introducing total quality management systems, improving export packaging etc. This is particularly so in Central and Eastern Europe, when the dismantling of central planning in favour of market orientation has seen the emergence of a private sector consisting essentially of small and medium enterprises. Their orderly development in export capability can be ensured by training them in market orientation and international business practices and facilitating their access to technology, finance and markets.

47. Micro enterprises and rural or artisanal enterprises and those in the informal sector often suffer due to inability to market their products abroad. They can be assisted by organising export consortia or through the services of a suitably designed export development company. The experience of setting up export production villages has been very successful in some countries and with suitable local adaptations, this could be tried out in more locations.

IX. EXPORT PROJECT DEVELOPMENT AND FINANCING

48. The main objectives of developing countries in expanding their exports are to obtain foreign exchange, create employment and attain higher levels of economic and social development. The existing production base still being very small to satisfy local demand in most low income and least developed countries, additional or new productive capacity is needed to expand exports. However to develop and create new export capabilities, developing countries face a shortage of skilled and experienced professionals in the identification, formulation, appraisal and financing of new export projects. This deficiency has resulted in, among others:

- A scarcity of well identified and potentially viable export project ideas or feasibility studies to be presented to potential investors as realistic and profitable bankable projects, with the danger that inadequately prepared pre-investment studies, once implemented, may lead to misallocation of scarce resources, investment cost over

runs and high rates of project mortality;

- The adoption of a very restrictive credit policy by the financial institutions in many developing countries extending term-loans based on a very large collateral (two to three times the value of the loan) as well as personal guarantee: this prevents many viable export projects from being implemented. Financial institutions lacking the analytical expertise on how to assess an export project on its own merits often continue to adhere to the traditional approach of high collateral;
- Cases when studies prepared by interested equipment suppliers ignore serious problems likely to be encountered by the export project: inexperienced national counterparts may not have the technical knowledge to detect the pitfalls.
- Viable projects not implemented due to the lack of knowledge in regard to the (a) means of financing, (b) sources of financing, (c) the optimal capital structure to minimize the cost of capital within an acceptable financial risk level, or (d) in ensuring the liquidity of the project throughout its life through a careful analysis of its expected cash flow.

49. As these deficiencies constitute a serious impediment to the promotion and implementation of new projects and the development of exports, national measures for investment promotion have to be strengthened in many developing countries: through the reinforcement of their own institutional capabilities in the identification, formulation, appraisal and financing of export projects and in providing the necessary information on potential products, competitors, financial means, etc.: the elaboration of an investment code clearly informing potential local and foreign investors of the terms and conditions as well as the incentives offered, and the setting-up of attractive promotional schemes such as tax rebates, export processing zones, etc. for new export projects in association with foreign partners.

X. JOINT EXPORT VENTURES

50. Formation of strategic alliances in the form of equity and non-equity joint ventures is a route frequently explored by companies for developing and strengthening their international business activities. Such joint export ventures and business cooperation arrangements, which cover not merely those involving direct investments, but also include alliances of a non-equity nature aimed at cooperation in manufacturing, technology transfer, marketing, leasing, sub-contracting etc. increase the participation of the private sector in export business and result in trade creation. They are important business tools for companies both in developing and developed countries.

51. While large companies have relatively little difficulty in assessing their joint venture needs and succeed in finding partners on their own, the small and medium sized enterprises (SMEs) on both sides not only lack information on the possibilities but often do not possess the knowledge, resources and internal skills to undertake the task on their own. As a result, many international business opportunities are lost by default.

52. Developing country enterprises with good prospects for entering into long-term business cooperation arrangements and which are capable of absorbing and utilising new

technology, processes and practices have to be assisted in passing beyond the need stage. They face many impediments viz. difficulties in planning for and preparing viable and technically sound proposals, lack of techniques of prospection for partners, lack of skills for appraising matching attributes, assessing technology requirements, understanding the contractual aspects and in conducting negotiations. In most developing countries, the institutional support for this purpose, if at all available, is either weak or inadequate. Very often agencies entrusted with the task of promoting such cooperation are unable to perform their functions effectively and end up serving merely as channels for effecting exchange of basic information of exploratory nature.

53. Besides introducing policies favouring such business cooperation activities and disseminating them to relevant quarters, national efforts should concentrate on developing focal points for assisting individual enterprises in forming joint export ventures. These focal points should be staffed with personnel who themselves have been fully trained in the methodology of promoting such activity. Their interaction with the business community should be fairly intimate and they should be in a position to help identify needs, prepare viable and saleable proposals, undertake preliminary partner search and help bring about the first direct contact between potential partners. This deeper involvement should, however, leave the freedom of the two partners in forming their own final judgements unfettered.

54. These national focal points can also develop and maintain contacts with SME associations in developed countries. The business community in developed countries, particularly the SME sector has, in recent times been showing increasing interest in such joint export ventures, spurred by the changing global economic scene, the transformation towards market orientation of many erstwhile centrally planned economies and the quickening pace of privatisation around the world. The tremendous progress made in recent years in communications technology has made the process of going global easier and less expensive. The developed country SMEs are now looking for strategic alliances for export activity with the emerging private sector in developing countries. However, they still find it difficult to locate suitable and reliable opportunities without having to invest large resources in prospection efforts. They also lack the wherewithal to evaluate country legislations and to assess the technical, financial and managerial standing of developing country enterprises. The national focal points can play a big role in drawing their attention towards possibilities in their countries for locating and reaching international business partners for collaborative action based on mutuality of benefits.

55. Bilateral and multilateral assistance for the promotion of joint ventures can also be more easily channelled through such national focal points, which can act as effective filters in the process.

XI. TRADE FAIRS AND COMMERCIAL PUBLICITY

56. Once suitable products and markets have been identified, developing country exporters need to bring them to the attention of prospective importers and consumers abroad in an effective manner. This entails a whole series of activities. They would need to participate in trade fairs and exhibitions, publish and distribute publicity brochures, advertise in the television and the press, undertake special sales promotion, etc. As exporters in many developing countries are not aware of the critical importance of such

product and market promotion activities for securing business, and as many lack the necessary technical knowledge and financial resources, they may tend to neglect them and thus miss potential business abroad. These activities, on the other hand, are expensive to undertake and may not produce results unless skilfully planned and managed.

57. There is an acute shortage, in many developing countries, of dependable and experienced institutions or experts in this area to assist exporters. Even in countries where government grants are made to help exporters promote their products abroad, the management and follow-up of the activities are not well planned and directed towards the target audience, consequently with little business resulting from the efforts. ITC's experience demonstrates the need for the government and the private sector to approach these activities in a more systematic and cost effective manner.

58. The execution of effective trade promotion communications requires planning, management and a variety of practical skills and financial resources. While a large part of these requirements can be the direct responsibility of individual enterprises, the quality and effectiveness of a country's communications efforts, including the building up of a national "image" or reputation in international markets, depends also on the existence of adequate supporting services such as printing, advertising and efficient trade fairs and exhibitions organizing agencies; all of which largely depend on measures adopted at the national level.

XII. HUMAN RESOURCE DEVELOPMENT FOR TRADE PROMOTION¹

59. Human resource development (HRD) is vital for any integrated approach to export development and promotion. Improved knowledge, skills and attitudes of staff in export enterprises and trade service organizations in trade promotion and marketing are the basis for design of sector and enterprise strategies.

60. In many developing countries, the process of building up these human resources has neither gone far nor deep enough. Among the major constraints on the impact of HRD efforts are:

- Lack of sufficient clarity about what is really wanted from HRD institutions, whether formal or informal, in the sector; this has its cause a basic problem in identifying systematically and continuously priority skills which have to be developed in export and import enterprises and support organizations.
- The frequent absence of operational links between HRD institutions and their clients (enterprises and support organizations); this can result in often theoretical or out-of-touch training courses.
- The financial fragility of many HRD institutions resulting in lack of initiatives by management, and a serious problem of departure of experienced staff to better paid and more developmental jobs.

¹ The Trade and Development Board recently considered the issue of "The Development of Human Resources for Trade", at its thirty-ninth session, Second Part, agenda item 2. See TD/B/39(2)/14 and the Agreed Conclusions and Recommendations.

- The attitude of many executives and company owners that "the government" should make all the efforts for HRD; enterprises must take an active role analytically, financially, motivationally and strategically in a national HRD programme in the foreign trade sector.

61. What can be done to reduce or to remove these constraints ? The essential changes, which have to take place at national level, include:

- A serious audit of capacities for existing and future HRD needs. This exercise must be undertaken jointly by all the interested parties (government, HRD institutions and enterprises) and at a senior enough level for the findings to result in any needed policy changes.
- Redefinition of the role of HRD organizations, the upgrading of the design, delivery and measurement of HRD activities and the recycling of HRD specialists, or recruitment of specialist staff.
- A change of approach on the part of the business community towards HRD, and a recognition and acceptance of the essential role they must play: for example, the business community could set up financial foundations for HRD institutions, train their staff in the practice of business, recruit them for consultancy work; offer their own experience to improve HRD efforts; accept interns for periods of training in their companies etc. Although it is clearly up to HRD institutions to forge links with business as well, some initiatives by business enterprises to demonstrate an acceptance of joint responsibility for the development of capacities, would go a long way to improve performance. Lastly, senior executives in enterprises concerned with foreign trade need to set a personal example of the value they place on HRD. This example must, however, be accompanied by a positive change in the overall environment for expansion of foreign trade efforts in the country.

62. To build and expand national HRD capacities, the following main activities are essential:

- strengthening of in-career training capacities of local institutions, including both HRD institutions and business associations involved in training. In addition to training trainers, this approach also covers other essential requisites, including the management of training functions, support components (like audio-visuals, documentation, etc.), and linkages with the business community;
- training of trainers at local and regional training institutions in international business topics, design of training programmes, use of training methods and development of training materials;
- building-up advisory and consultancy skills at local and regional training institutions/business associations to reinforce the impact of training services;
- strengthening the capabilities for applied research and development of national training institutions/networks;

- development of training materials including cases, exercises and guidelines and preparation of training package for use by trainers and trainees: the introduction of different methods of learning ,e.g. open learning programmes.
- development of tools for the training needs analysis, training capacity audits;
- selective direct training of managers and foreign trade officials, in collaboration with local institutions, to equip them with specific skills and knowledge relating to international business strategies and operational management.

XIII. IMPORTED MATERIALS FOR EXPORT-ORIENTED PRODUCTION

63. Virtually every exported product depends on imports, either directly or indirectly. It may, for example, require certain imported raw materials components or intermediate goods either not available locally or in adequate quantity or quality. It may depend for its manufacture on imported machinery and spare parts, or on imported fuel, or on electricity generated by imported equipment. Packaging, storing, handling and transporting the exported product may also involve imported equipment and supplies. The share of these imported inputs in the value of an export product will, of course, vary from product to product and from country to country. Even where this share is small, however, the availability of the imported component is likely to be essential to export success. The degree of effectiveness in the supply management of these imported inputs can often mean the difference between making the finished product competitive or not in the international marketplace: imported inputs have a determining effect on the cost, quality and availability of the exported product.

64. Developing countries can adopt strategies aimed at optimising the contribution of imports to making exports competitive. Some of the issues to be considered are:

- achieving an adequate balance between promoting the use of local inputs and allowing access to imported inputs for export production;
- establishing mechanisms within the import regime for priority to imports of inputs for export production (e.g. duty drawback and temporary admission systems), and ensuring that the mechanisms not only exist on paper but are utilised;
- providing freer access to imports in general, in the case of countries deciding to adopt liberalized trade systems and/or embark on structural adjustment programmes;
- assisting enterprises to manage their imports as effectively as possible, particularly in the case of imports of inputs required for exports;

65. Governments have a responsibility towards exporting enterprises to ensure that the import regime functions as rationally as possible and that the basic services required for importing and exporting work properly. The import regime must be uncomplicated, speedy, clear, stable, transparent and flexible, to promote good import management. Once this has been achieved, the import manager takes over to ensure that the necessary equipment, raw materials, supplies and other inputs are available as required for export production.

66. Amongst the many ways in which import managers can optimize the cost-quality relationship of imported inputs are:

- improved knowledge of alternative sources of supply and of international supply market conditions;
- improved specifications, use of international standards and application of recognized quality certification schemes for imported inputs;
- better planning and scheduling of imports, to reduce capital costs of inventory, stockouts and other disruptions;
- improved negotiating skills and development of more productive relationships with overseas suppliers;
- better management of the import logistics process, including international and local transportation, warehousing and handling, to improve throughput and reduce damage and other losses.

67. Governments and other trade service institutions such as chambers of commerce can help enterprises by providing them with technical assistance and training in the above areas. They can also help small and medium-size enterprises to group their imports to achieve economies of scale and improve their bargaining position with overseas suppliers. Grouping of imports is difficult when importers are competing with each other to sell in the local market. However, when their finished products must compete with those of other suppliers in the international marketplace, joint importing of inputs makes a lot of sense.

68. Joint procurement could also be attained in practice by channelling imports through commercial enterprises, whether private or public. In countries where the role of state trading enterprises is being reviewed, one option for them might be to shift from monopoly imports of consumer goods to importing inputs and exporting finished goods for small manufacturers in a fully competitive environment. In this way, the procurement and marketing skills of such enterprises could be put to good use.

69. In conclusion, imports are more important to exports than most people generally perceive. Imported inputs make an essential contribution to price competitiveness, quality and availability of export products, and to their capacity to adapt to the demands of international markets. Imports also indirectly influence exports through their overall impact on the economy. Determining the role imports should play in export development is an important component of a country's export strategy.

70. In order to enable imports to make a solid contribution to export expansion, developing countries should generally provide unhindered access to imported inputs required for producing and marketing export products competitively. They should also ensure that systems set up to facilitate imports for exports do function as efficiently and effectively as possible, and particularly avoid excessive and counterproductive controls. There is much work to be done to improve import management of production inputs at the enterprise level, and to help importing firms organize themselves more efficiently to achieve economies of scale.

XIV. INCREASED EXPORT ACTIVITY BY LEAST DEVELOPED COUNTRIES

71. Most of least developed countries (LDCs) have small domestic markets that cannot easily sustain increased production on a large scale; however, within structural adjustment and economic reform programmes, many of these countries seek to expand their export earnings. Unless, however, supply constraints can be alleviated and supply capacity build up to take advantage of market opportunities abroad, activities oriented to access markets per se will not result in any significant expansion of exports.

72. In the short-term, specific export development initiatives that could be undertaken by LDCs include:

- (i) improvements in quality of natural resource based exportable products, including commodities;
- (ii) increased export marketing of non-traditional products particularly in neighbouring countries (South-South trade);
- (iii) strengthening of institutional infrastructure including support services for trade development;
- (iv) improvements in import operations and import management; and
- (v) human resource development.

73. In the longer term, the priority should be to broaden the production base for exports, this includes:

- (i) investment in the development of new products for export;
- (ii) the promotion of joint ventures involving in particular subcontracting and buy back arrangements;
- (iii) export production and product and market development assistance which would include improvements in commodity and other natural resource based products, increased production and improvements in manufactured exports and the promotion of joint ventures;
- (iv) improving the institutional infrastructure for trade development, including support services;
- (v) liberalization of import operations procedures and strengthening of import management;
- (vi) human resource development for trade promotion.

74. However, in many countries, this will involve changes in the structure of production and the laws (rules and regulations) on production. For their trade development the LDCs should focus on the objectives mentioned above. These have been grouped into four main

areas:

A. Export production and market development

1. Improvements in commodity trade

75. As indicated earlier, the crux of the export development problem in most LDCs is the weakness of their production base. The base which already exists and other agricultural products which needs to be further developed and promoted in most of the countries is based on commodities, minerals, fishery and/or forestry products. The vulnerability of many LDCs becomes greater because of their dependence on a few primary products. High priority should, therefore, be given to the broadening of the agricultural and/or natural resource production base.

2. Increased production and improvements in manufactured exports

76. While broadening the agricultural and other natural resource base will facilitate export diversification to some extent, long-term objective has to be diversification through the development of the manufacturing sector and for some LDCs the development of export services such as tourism and transit trade. In most LDCs, primary commodity exports will continue to remain a dominant factor in export trade, but the importance of the manufacturing sector in creating employment opportunities and also of increasing export earnings through adding value along with other benefits needs to be recognized.

3. Promotion of export-oriented joint ventures and investment

77. Given that there have been substantial changes in macro-economic policy in several LDCs over the last few years, which include clearly defined investment codes, the investment climate has become favourable for both local and foreign entrepreneurs.

B. Institutional infrastructure and export support services

78. To compete effectively abroad, and avoid the increasing threat of marginalization in international markets, LDCs will need to significantly improve their planning for, and development of, both medium- and long-term foreign trade development strategies and trade support services to exporters. Thus a continued strong government commitment to earn additional foreign exchange through a systematic programme of trade development and promotion is essential; supported by a positive operational environment for entrepreneurs and adequate resource allocation to the sector.

C. Import operations and import management

79. Developing countries in general, and LDCs in particular, need to have easy access to market information concerning imports, such as sources of supply, supply conditions, commercial practices and prices. At present, most of the LDCs depend on second-hand sources of information such as reports from press agencies, brokers and commodity exchanges, and have neither the knowledge nor the financial resources to acquire the latest and most reliable information.

D. Human resource development

80. There is an acute shortage of trained personnel to manage export trade development and promotion programmes, as well as for import operations and import management.

XV. IMPORT PROMOTION OFFICES IN DEVELOPED COUNTRIES

81. A number of developed countries have established national Import Promotion Offices (IPO) to provide marketing assistance to developing country exporters, and trade development institutions seeking to expand exports to their respective markets. The ITC publication IMPORT PROMOTION OFFICES provides detailed information on these Offices, and on the many export support services they provide to developing countries. While the range of services available may vary between Offices each provides market information, details of national import regulations and procedures, and assistance in introducing products in the market, including publishing offers and requests for agents etc. Several Offices provide display space and assist developing countries in organising special trade fairs and exhibitions and marketing missions to their markets. A special feature in many Offices is assistance to trade representatives on post in their countries.

82. Each year ITC organises a meeting of IPO's to facilitate the exchange of experiences between them and to ensure a close coordination in their respective work programmes with ITC. The following Import Promotion Offices were represented at the October 1992 meeting in ITC: Australia, Austria, Canada, Denmark, Finland, France, Germany, Hungary, Italy, Norway, Romania, Sweden, Switzerland and the United Kingdom.

Chapter 2 EXPORT DEVELOPMENT AT ENTERPRISE LEVEL

83. A systematic, well planned and sustained approach is required for the successful penetration of international markets. This calls for the identification of export opportunities through trade intelligence and market research, developing and adapting exportable products and services, training in all aspects of export marketing as well as applying active marketing and promotional measures to exploit the identified export opportunities. This chapter describes the activities that countries should undertake to plan, introduce or strengthen export development programmes for products at enterprise level.

I. PRODUCT AND MARKET DEVELOPMENT AND PROMOTION

84. For export market development to be successful, sufficient quantities of the goods which are in demand must be available for sale. In other words, export development must be market led. In many developing countries, the lack of exportable products is a greater constraint on exporting than the absence of sales openings, of marketing strategies or of marketing expertise. This is especially so in least developed countries, where production is usually concentrated on a few primary commodities, and the volume of output of manufactured products is often below a commercially viable level. In a number of other developing countries, only a small portion of total exports consists of non-traditional items, as investment in the past tended to be more concentrated on import-substitution rather than export-oriented projects. Considerable potential therefore exists in many developing countries for expanding the export base, either by enlarging the capacity of enterprises currently serving only the domestic market, or setting up entirely new export production units.

85. Many developing countries, however, lack experience in launching export-oriented production operations and still need to concentrate on improving their product and market development efforts in order to strengthen the competitive position of their export of existing products and commodities. Exporters and trade promotion officials in their efforts to guide the private sector in developing countries often face difficulties in identifying new sales openings abroad, either because they lack appropriate means to monitor changes in distant markets or are inexperienced in market research techniques. Designing a market strategy to follow up sales leads may also pose problems, because of unfamiliarity with the characteristics of foreign markets or limited expertise in export marketing methods. Adapting products to consumer tastes may be another constraint. Export development often requires re-tooling and improved production methods.

86. This calls for the provision of a comprehensive package of trade development support provided to enterprises in developing countries by public and private sector organizations; enhancement of skills in the assessment of export supply and market potential and the promotion of such a potential as well as the capacity to utilize optimally natural resources and to obtain higher revenues from exports; the strengthening of export enterprises to formulate and implement export marketing strategies and to establish and manage efficient chains for distribution for their internationally traded goods.

87. In the above-mentioned field the following types of product and market development

activities as a support from the export development institutions, usually with a strong enterprise level business development component could be considered:

- Identification of export potential and of export opportunities. Review of supply and demand situations for selected products providing information on market requirements, distribution channels, import regulations and trade contacts, advice on product adaptation and development, quality enhancement needs, import regulations, etc.
- Dissemination seminars on the findings and recommendations of the surveys to Government and trade and industry specialists.
- Training of nationals, especially in the business community, on export development and international marketing with emphasis on on-the-job and in-company training.
- Development of strategies for market entry, provision of assistance, at the level of producers and exporters, in specialized areas to achieve the required product adaptation according to the buyers' needs, including quality improvement, market expansion and diversification.

88. The problem and approaches to technical cooperation for manufactured products and consultancy services differ considerably from those of commodities and traditional export products. The two scenarios are set out in more detail below:

II. MANUFACTURED PRODUCTS AND CONSULTANCY SERVICES

89. Since the mid 1980's increased efforts have been made to provide technical assistance in product and export market development directly to individual enterprises with emphasis on the small and medium-sized ones. These enterprises are being assisted in overcoming the initial problems when starting up exports and in expanding them to new markets and for new products. The support to entrepreneurs consists in providing collaborating enterprises with continuous support in critical areas over a 3-4 year period until such time that the enterprise has reached a level of self sustainability in their exports. The support provided is multidisciplinary covering all stages of an export industry, i.e. development and adaptation of production and products to market requirements, grading, packaging, quality control, improvement of the transportation chain, improvement of the flow of market information, establishment of market contacts and direct marketing support in the form of marketing missions and promotion through trade fair participation, organization of trade shows and related PR and advertising, market orientation tours, organization of buyer/seller meets, etc.

90. The rationale is to add value to the exportable manufactured products/services and also to upgrade the necessary skills and marketing tools to exploit export opportunities in specific identified target markets. Working together with enterprises in developing and implementing export markets strategies, This has resulted in significant impact in many sectors which otherwise might not have progressed on their own. The experience gained clearly shows that SMEs, especially newcomers to exporting; require guidance in all aspects of the export market development chain. Apart from purely "technical" aspects of export marketing the perhaps most essential message that must be put across is that of planning and strategy development. The long-term nature of export market development efforts,

together with the risks assumed, necessitates a planned approach to exporting. To reduce uncertainty and risks, an exporter must set objectives, analyze strategic alternatives, formulate action plans, allocate resources, set timetables and monitor performance. Without such a structured approach, an enterprise cannot sustain exporting on a profitable basis.

91. An important increase has taken place in the market for technical consultancy services, particularly environmental engineering, computer services software development and highly labour-intensive services. The most important need in this field is achieving the export marketing skills, which are generally deficient in even the most developed economies. Enterprises must try to obtain advice on promotion of such exports, the type of strategy to be developed, incentive schemes, and be open for collaborating with other enterprises in their export efforts.

92. Valuable feedback has been received on the pre-requisites for successful export operations at enterprise level through numerous dissemination events where the experience of participating enterprises have been shared with the industry sector concerned in a given developing country. A surprisingly large amount of this feedback refers to rather basic factors that need to be considered when entering the export scene (such as identification of sources of information, target market selection and segmentation, identifying importers/business partners, selection of distribution channels, publicity and trade fair participation, etc.).

93. In parallel to work at enterprise level it is essential to constantly monitor developments in the world trade; on sectoral basis, in order to identify new opportunities that developing countries with "a requisite resource base" (raw materials, human resource, technology and financing) can exploit. This calls for continuous concentration of scarce resources to those sectors which, offer the best potential to any given beneficiary country.

94. In order to achieve better performance, expanded activities and coverage at sectoral level with enterprises, support services are required in many functional areas from governmental and non governmental institutions such as, trade promotion bodies, trade and industry associations, Chambers of Commerce, etc. An upgrading of the services of these bodies is partially achieved through their active involvement in the enterprise projects and specially designed R & D and training programmes.

III. COMMODITIES

95. The commodity prices continue to be depressed and a number of developing countries, in particular LDCs and small commodity exporting countries are highly dependant on commodity exports and require support to improve their export performance. This is also valid in many bigger commodity exporting countries, in particular in those where the marketing system is being liberalized. There is a serious lack of expertise in marketing, product and market development, promotion and trade information and intelligence in the commodity exporting developing countries, in particular, the least developed and smaller developing countries.

96. Consequently, this gap in trade promotion expertise has caused millions of dollars in lost revenue for exporting countries. Activities should be designed to fill this gap, particularly where technical cooperation in trade promotion gives a high return to

participating countries and enterprises. The key word in commodity exports is improving export performance.

97. In trade promotion technical cooperation activities in commodities are designed for technology transfer in product and market development, trade intelligence and information and human resource development. In carrying out these activities the importance of improving the transparency in commodity trading by a better, clearer and unbiased flow of relevant information to developing country traders, and of upgrading the skills in export marketing at enterprise level should be stressed. Human resource development activities in these fields should aim at developing and implementing coherent, multi-year, and phased programmes for well-identified target audiences, thereby gradually upgrading the skills of individuals in all aspects of commodity development and trading, with a sizeable component in in-company training.

98. Such actions have the potential to improve substantially the economic and social benefits to the commodity sectors. This may be expressed through a few examples:

- It is possible for commodity boards and individual enterprises to improve the quality and consistency of products as well as the quality of their export operations, thus obtaining higher prices than would otherwise have been the case. Human resource development programmes in quality assessment, grading, cup-tasting and liquoring for coffee have given good results.
- A more professional approach to export marketing at enterprise level would improve confidence among buyers, and would provide access to new markets and enlarge the customer base, thus making exporters less vulnerable to commercial risks and currency fluctuations, and provide the base for obtaining a premium for their commodities.
- Trained export operators can avoid costly mistakes in contract formulation and execution, documentation, shipping and other logistic operations and financing.
- A better understanding of the commodity futures markets - and their impact on the physical trade - will help exporters undertake hedging operations when appropriate, thereby limiting their risk exposure, while staying out of purely speculative, high risk transactions.
- A better dialogue between the commodity producers, processors, traders and the support services such as financial institutions, warehousing and transportation companies, etc., may lead to progress in critical areas for the effectiveness of the commodity export industry, such as access to credits, supply of necessary agricultural implements, improve logistics, thereby contributing to better economic results.
- In many countries, the removal, or streamlining, of bureaucratic procedures or other disincentives can make a valuable contribution to the performance of the commodity sector.
- Assistance in identification of diversification options will help countries to broaden their export base and thereby increase and stabilize export earnings.

99. Technical cooperation activities in these important areas mostly do not require investments in infrastructure, or depend on the successful conclusions of international commodity agreements. Motivation and the building of better professional skills among export sector operators and the availability of up-to-date and reliable market information are the ingredients for success, and quantifiable progress can be achieved within the framework of fairly modest budgets.

100. It is in accordance with this philosophy that a technical cooperation programme in trade promotion of commodities could be built up, attempting to provide the necessary transfer of knowledge to the processing and export enterprises and commodity boards at origin, thus enabling the commodity sectors to perform more efficiently and obtain better economic results. It should be noted that an improvement in the commodity performance might in some cases even help to reactivate a local industry.

IV. GENERIC PROMOTION

101. An important consideration in the expansion of trade in commodities, is to carry out promotional activities to stimulate demand. Considerable scope exist for international cooperation in the formulation and implementation of joint promotion schemes for commodities, in support of brand and national promotional activities. The following important observations can be made in connection with multinational generic promotion of commodities:

- For most of the commodities, there is a definite need for undertaking actions to stimulate demand.
- Promotional strategies have to be fully integrated with production and market strategies, and vice versa. No amount of promotion will overcome the disadvantage of an inferior product.
- Multinational generic promotion to support brand, national or other promotional activities is in many cases a low cost and effective way of stimulating demand for a commodity.
- The planning and implementation of generic promotion must be done in close collaboration with the trade and industry in the target markets.
- There is no standard format for promoting the demand for a commodity. The promotion programme has to be designed specifically for the commodity and, in most cases, for the specific target market, although many elements of a generic promotion campaign can be common in different target markets.
- International Commodity Bodies (ICBs) can play an important role in drawing the attention of their members to the options existing for generic promotion of their particular commodity and in the preparation of project proposals.
- The ICBs also have an important role to play in identifying potential financing sources and in negotiating agreements on generic promotion actions with the trade and industry in exporting and consuming countries.

- Funds for generic promotion tend to be very limited. It is therefore of the utmost importance to identify low cost activities which give high returns. Public relations activities and the preparation of press kits and other PR material, passing the message to the consumers on health, environment and other aspects of common interest and concern to consumers could be one option for undertaking generic promotion.

Chapter 3

THE ROLE OF INFORMATION TECHNOLOGY IN IMPROVING TRADING OPPORTUNITIES OF THE DEVELOPING COUNTRIES²

102. As trade information is the basis for decision-making in trade promotion and marketing, the mechanisms of data collection, processing and dissemination have to be effectively organized so as to meet the complex requirements of the business communities in a rapidly changing world trade environment.

103. Advances in information processing and communication technologies are opening new prospects to developing countries for access to a wide range of trade information sources at reasonable cost. Through a minimal investment and intensive staff training, an information service (public or private sector) can take full advantage of these developments, and play an effective role in relay of information from the source to the users.

104. A synergy of efforts has to be developed at the national, regional and international levels to establish networks of information exchange based on common standards and effective data communication systems.

I. IMPORTANCE OF TIMELY TRADE INFORMATION

105. In many developing countries the lack of effective trade information services is a major handicap in the efforts to expand export, and rationalize import, trade.

106. Up-to-date trade information is required on the supply and demand situation both in the home country and in target export and supply markets. This includes basic economic and trade data and information such as main economic indicators, export/import and production statistics, trade regulations, tariff and non-tariff measures, contact data (trade organizations, trade partners, information sources, etc.), specialized information on commercial and technical quality requirements and standards, packaging, transport, distribution channels related to specific products, and trade intelligence on specific conditions influencing particular trade opportunities.

107. The speed of information transmission is particularly crucial to permit exporting enterprises to:

- adapt to continuous changes in market access conditions in traditional markets, newly emerging national and regional markets, and economies in transition (e.g. trade control measures, technical standards, trade legislation, trade agreements, increasing environmental and consumer protection considerations, quality requirements, etc.);
- adjust to current market prices, information on which is particularly critical in decision-making;
- take advantage of market opportunities in traditional and new markets; and

² Issues relating to information technology are being discussed at the Ad Hoc Working Group on Trade Efficiency of the Trade and Development Board, at its second session (15-19 November 1993).

- take advantage of business opportunities offered by new potential trade partners.

108. Trade information facilitates decision-making and operations in international trade. The information must meet the requirements of end-users, i.e. the exporting enterprises and the national trade service institutions. Trade information services can be relevant and useful when they provide relevant accurate up-to-date and reliable information, requiring efficient collection and processing of data and its rapid and selective dissemination to end-users. As the collection and analysis of data on foreign markets is expensive there should be frequent consultations with end-users on the usefulness of the information and the appropriateness of communication and dissemination channels.

II. NECESSARY INVESTMENTS AND STAFF TRAINING

109. The systematic and efficient collection of a wide range of information on foreign markets and suppliers requires an important investment, Both in staff resources and finance. In a number of countries, such as Brazil, Chile, Hong Kong, Republic of Korea, Singapore and Thailand, where trade promotion and trade information services have been efficiently developed, such investments have produced positive results and led to a dynamic export performance.

110. High speed reliable data communication services are available in an increasing number of developing countries which can, therefore, access more easily to international on-line data bases and exchange information by electronic mail within regional and interregional networks (e.g. the rapid development of the INTERNET network available free of charge for training and research institutions). Compact disk technology (CD-ROMs), incorporating more and more image and voice (CD/I) also offer good prospects to developing countries which can obtain through this media large data bases for local consultation, notably on company profiles, trade statistics, trade regulations and technical standards. The development of multimedia technologies will open new prospects, notably the preparation of visual materials (e.g. electronic catalogues, trade opportunities with product images). Trade operations and information will be increasingly combined through integrated systems of electronic data interchange (EDI) aimed at facilitating trade procedures.

111. The development of effective trade information services in the developing countries, in particular, the least developed and low-income countries making use of advanced information technology for data processing and data exchange through participation in regional and interregional networks is hampered, among other factors by the need to improve:

- the infrastructure and environment, including packet switching systems for rapid data communication; power supply, telephone and mail services; storage and maintenance equipment and facilities for information materials and equipment;
- human resources capable of performing trade information activities, in particular, where the use of technologically advanced working methods and tools are concerned, such as searching on-line data bases, use of EDP and telecommunications for data processing and dissemination and participation in networking environments at the national, regional and interregional levels;

- financial resources to cover initial investments and operational costs (office and documentation collections and equipment; hardware; software (text processing, data base management, video disk archiving systems, E-mail, Electronic Bulletin Boards, etc.); information products, including CD-ROMs, videos, access to on-line data bases, etc.).

112. While hardware, software and telecommunication services tend to become accessible to developing countries at reasonable cost, incorrect decisions or inadequate operations can be counterproductive and costly if such tools are not handled by qualified staff or are not adequate for the type of information to be processed or services to be developed.

III. MAIN AREAS OF TECHNICAL COOPERATION

113. ITC experience, through R&D and technical cooperation in the development or improvement of trade information services and pilot network systems using EDP techniques and telecommunications in various countries and on a regional level in information technology stresses the importance of:

- the application by countries of international standards in order to ensure compatibility and data interchangeability;
- creating a capacity in countries, in cooperation with the private sector, for carrying out data collection, processing and dissemination, and to establish networks for information exchange with partner organizations to establish self-sustained trade information services, fully integrated with trade promotion and product and market development activities;
- establishing linkages with regional/interregional information networks in order to improve synergy and effectiveness in the mechanisms of data collection processing and dissemination.

114. ITC and UNCTAD are actively co-operating in this area, by assisting developing countries in the creation of Trade Points as part of UNCTAD's Trade Efficiency Initiative.

ANNEX
THE INTERNATIONAL TRADE CENTRE UNCTAD/GATT

The International Trade Centre UNCTAD/GATT (ITC) is the focal point in the United Nations system for technical cooperation in trade promotion and export development. ITC was created by the General Agreement on Tariffs and Trade (GATT) in 1964 and since 1968 has been operated jointly by GATT and the UN, the latter acting through the United Nations Conference on Trade and Development (UNCTAD). As an executing agency of the United Nations Development Programme (UNDP), ITC is responsible for implementing UNDP-financed projects in developing countries related to trade promotion and export development.

MAIN PROGRAMME AREAS

ITC works with developing countries to set up effective national trade promotion and export development programmes, to assist in expanding their exports and improving their import operations. This includes:

- Developing a framework for co-operation in trade promotion and export development between the government and business sectors, including strengthening the organizational structure, strategies and programmes of trade promotion and export development institutions, chambers of commerce and other business organizations; establishing or strengthening essential trade services in areas such as export packaging, export quality management, export finance, export project development, costing and pricing, legal aspects of foreign trade, trade promotion communications, national commercial representation abroad, export-oriented joint ventures, and trade promotion for small and medium-size enterprises.
- Finding market opportunities for export products, both traditional and non-traditional and including commodities; designing and implementing export marketing strategies; adapting and developing new products for export; improving the physical distribution of exports and imports; and promoting exports of technical consultancy services.
- Improving import operations and techniques to optimize scarce foreign exchange resources through effective import management methods; efficient procurement and materials management practices; and import market information.
- Training government officials, business executives and instructors in export and import techniques; strengthening training institutions; and conducting research and development on foreign trade training tools and methodologies.

TRADE PROMOTION AND EXPORT DEVELOPMENT PROGRAMMES
AND PROJECTS

ITC's technical cooperation programmes and projects are carried out in all developing regions, at the national, subregional, regional and interregional levels. They are undertaken at the request of governments of the countries concerned. Projects are managed from ITC headquarters in Geneva and are implemented by ITC technical staff and consultants who work in close liaison with national trade promotion and trade development officials and export executives. A project may have a duration from a few weeks to several years, depending on the number and range of technical co-operation activities involved.

National projects often take the form of a broad-based integrated range of activities, which may include a package of services to expand the country's exports and/or improve its import operations. Some national projects cover only one type of activity. Subregional, regional and interregional projects may also include either one or a combination of ITC services, depending on the trade development requirements of the group of countries concerned. In 1992 ITC implemented close to 300 technical co-operation projects at the interregional, regional and country levels.

All of ITC's technical cooperation programmes and projects are systematically monitored and evaluated to ensure that the objectives initially agreed to between the government(s) and ITC are being achieved.

ITC's technical cooperation projects are coordinated with a number of other organizations inside and outside the UN system. ITC maintains close liaison with UNCTAD and GATT for specific technical cooperation activities, in addition to its more formal links with these two organizations for its overall technical cooperation programme. ITC's export market development activities are coordinated, whenever relevant, with the work of the Food and Agriculture Organization of the UN (FAO) and the United Nations Industrial Development Organization (UNIDO).

Close contacts are maintained with UNDP, which provides financing for an important part of ITC's projects with developing countries and whose Resident Representatives serve as ITC's official representatives in their countries of assignment. ITC's cooperation with the World Bank has been growing in recent years.

ITC also works with other UN specialized agencies, the UN regional commissions, regional development banks, intergovernmental bodies outside the UN system, nongovernmental organizations and numerous trade-related organisations and institutions. In particular it has developed a close association with import promotion offices that have been set up in various industrialized countries to promote exports from developing countries into their respective national markets.

SOURCES OF FUNDING

Financing for ITC's technical cooperation activities in developing countries comes from UNDP, other international organizations and voluntary contributions from individual developed and developing countries. Voluntary contributions consist of either trust funds for projects in other countries or funds-in-trust provided for projects in their own country.

ITC's headquarters activities are financed through its regular budget, which is contributed in equal parts by the United Nations and GATT. This covers general research on trade promotion and export development, part of which results in published studies, and market information and statistical services, as well as the overall administration of the organization. The total resources available to ITC in 1992 amounted to US\$58million.

POLICY MAKING ORGANS

ITC's legal status is that of a "joint subsidiary organ" of GATT and the United Nations, the latter acting through UNCTAD. The broad policy guidelines for ITC's technical cooperation work are determined by the GATT Council and the Trade and Development Board of UNCTAD. Recommendations on ITC's future work programme are made to these two organs by ITC's annual intergovernmental meeting, the Joint Advisory Group on the International Trade Centre UNCTAD/GATT (JAG).

The JAG also reviews ITC's proposals for its Medium Term Plan, which provides a general framework for ITC's activities over a six-year period and forms part of the overall UN Medium-Term Plan. Representatives of member states of GATT and UNCTAD attend

the JAG meeting.

SECRETARIAT

ITC's secretariat in Geneva, Switzerland, is headed by an Executive Director. The staff at Headquarters, who number approximately 250 are specialized in a wide variety of trade promotion and export development subjects. Approximately 600 experts are assigned to ITC projects in developing countries each year.