

22 July 1994

ENGLISH ONLY

TRADE AND DEVELOPMENT BOARD
Ad Hoc Working Group on Expansion of
Trading Opportunities for
Developing Countries
Third session
Geneva, 28 February 1994
Agenda item 3(b)

Country presentation submitted by the United Kingdom*

* The attached country presentation is circulated in the form and language in which it was received.

TD/B/WG.4/Misc.32
GE.94-53014

UNCTAD AD HOC WORKING GROUP ON EXPANSION OF TRADING OPPORTUNITIES

Third Session: 28 February - 4 March 1994

UK Presentation

Introduction

1. This presentation will look at some of the UK's activities to promote the growth of trade with, and investment in, developing countries. The presentation will not attempt to deal with questions of market access and other issues of multilateral negotiation but will describe initiatives and programmes at the microeconomic level.

2. It is important, however, to set such activities in perspective. The key factors in trade and investment growth are multilateral liberalisation and the design and implementation of government policy to promote stability and private sector development. Acceptance of the principles of an open economy and compliance with international obligations will ensure a global market place in which all countries can plan for prosperity. The UK will continue to work through bilateral and multilateral channels, notably European Union commitments in the GATT, on GSP and in agreements such as the Lome Convention, to further these objectives.

3. The UK recognises that to develop trade, it is essential both to open markets and provide co-operation to ensure that partners in developing countries are in a position to trade. We attach importance to fostering growth in the private sector through human resource development, support for investment and fostering business networks. Much of this has to be directed at the small and medium sized firms sector because it is there that the greatest possibilities for unlocking entrepreneurial talent and generating employment lie. Meeting the global environmental challenge demands much closer co-operation on the development of cleaner and safer technologies, and the UK has established a framework in which this can be taken forward. The UK also recognises that it is not enough to put schemes of assistance into place but that business must be fully informed of opportunities. Raising awareness of trading arrangements and sources of advice and assistance needs to be more fully addressed internationally and in this context we fully support the aims of the UNCTAD Trade Points initiative.

4. Foreign direct investment has a major role to play in developing trading relationships. Domestic investment may be larger in volume but foreign investment can offer access to new technologies, management skills and export markets. While the decision on where a company should invest is a commercial matter, government has a role in providing a framework through agreements on investment promotion and protection and through the use of aid instruments to facilitate investment in sound projects in markets perceived as difficult.

5. A key perception in the UK's approach is that of establishing

a partnership between the public and private sectors to plan and implement programmes of trade and investment co-operation. Governments can provide frameworks but cannot tell entrepreneurs how to run their businesses. The involvement of private sector representatives can yield real dynamism and avoid inappropriate and wasteful decisions.

Promoting Trade

6. In 1993 about 29% of the UK's imports from outside the European Union came from developing countries (including the newly industrialised Asian countries). Imports from Eastern Europe and the Asian NICs grew significantly over 1992; imports from Latin America recorded a small growth and those from sub-Saharan Africa remained fairly static. While the Department of Trade and Industry (DTI) does not have a role in promoting imports, the policies and strategies pursued by DTI recognise the need to improve the conditions for two-way trade. The UK is committed to work for open markets and strengthened trade disciplines which will benefit all trading countries. The DTI's new overseas trade strategy has brought with it increased possibilities for fostering economic development in developing countries through trade and investment. The example of the Indo-British Partnership is described below; additional staff resources have also been allocated to an initiative focusing specifically on developing UK business partnerships at the SME level with the African, Caribbean and Pacific countries.

7. In 1973 the British Government set up the Developing Countries Trade Agency (now known simply as DeCTA) as a trade promotion office to assist developing countries to develop or increase exports, principally to the UK. In addition to providing information and promotional assistance to developing countries, DeCTA has also undertaken export development projects and export management training programmes with funds provided by the ODA and other agencies. Since 1991 DeCTA has been part of the corporate structure of the Crown Agents group.

8. DeCTA provides the following core services:

- An up-to-date database of UK importers;
- An up-to-date series of notes on market sectors in the UK;
- Advice to developing country trade officials and organisations and to individual exporters from developing countries;
- Advice to the British Government on trade promotion issues in respect of developing countries;
- Identification of areas and funding for projects for export development, trade promotion and export management training;
- Consultancy within the field of export development, promotion and training to clients at financially viable rates.

9. DeCTA tries to incorporate various developmental aims into its work including the economic involvement of different sectors

of the population, respect for the environment, development of human resources and diversification of production towards value-added manufactures.

Promoting Investment

10. The UK has a strong commitment to encouraging flows of foreign direct investment (FDI) and has demonstrated this by its open and liberal policies towards inward and outward flows of investment. This has been a significant feature in our position as a major overseas investor and recipient of FDI. These types of policies are acknowledged to be the most effective means for the UK (and other developed countries) to encourage FDI, but for their part developing countries need to introduce corresponding non-discriminatory policies to attract FDI.

11. The UK's aim is to encourage the widest possible adoption of liberal FDI policies as a means of stimulating economic activity worldwide for the benefit of all countries. Work towards this end is continuing in organisations such as the EU, GATT, OECD, World Bank and UNCTAD. Here the UK places particular emphasis on the role of governments in providing frameworks where investor confidence - the most important ingredient for FDI - can develop, and on the principle that investment decisions should be made on a sound commercial basis free from features which distort the market.

12. In addition the UK has a number of other initiatives to promote FDI including a programme of bilateral investment promotion and protection agreements (currently there are some 60 of these IPPAs, with more in the pipeline) with countries in various stages of development, the aim of which is to underpin investor confidence. The UK is also playing an important part in promoting the adoption and implementation of effective intellectual property rights as a further incentive to FDI.

13. The UK's official finance institution for bilateral development is the Commonwealth Development Corporation (CDC) which provides long-term loans and risk capital for a wide variety of investment projects in sectors including, amongst others, all aspects of agriculture, minerals, industry, financial services, communications and tourism. By the end of 1992 the CDC had US \$2.5 billion invested in 316 projects in 48 countries. Studies have shown that the financial involvement of the CDC in projects in the private sector has had a very important catalytic effect in attracting other investment.

14. The CDC operates mainly, but not exclusively, in Commonwealth countries. The CDC is committed to promoting private-sector investment in the developing world with the emphasis strongly on the least developed countries. Its target is to secure at least eighty per cent of all its new investments in private sector projects. The CDC recognises that as well as backing large undertakings there is a vital need to support small and medium sized enterprises, and involvement in the financial intermediary sector has become an increasingly important part of the CDC's business. With other investors and development institutions the CDC has set up venture capital funds in Zimbabwe, Ghana and

Tanzania.

Encouraging Private Sector Development in Developing Countries

15. Governments have a vital role to play in creating and preserving the right environment for private sector development, for example by providing basic public, social and economic services and by removing administrative and legal restraints on the setting up and operation of enterprises.

16. As part of its assistance programme the UK's Overseas Development Administration (ODA) provides:

- Assistance to governments to help create an enabling environment for the private sector and to promote capital market development. Examples of project objectives include investment policy revision, strengthening of investment promotion, revisions to the legal/regulatory framework, establishing market supervision authorities, tax reforms, financial sector institutional reforms;
- Direct aid for small-scale enterprises including on-lending schemes, credit auctions and credit guarantee schemes;
- Pilot schemes for direct training and manpower assistance to private sector professional/business associations or consultancy services for transfer of technology or know-how in business practice, law, financial management, marketing, quality control and so on.

17. Recent examples of ODA's activity in this area are the export development programme in India and the British Aid to Small Enterprise programme (BASE) in Kenya. In India assistance has been provided primarily to small and medium-sized enterprises in key sectors who are entering export markets for the first time or seeking a significant breakthrough with new products or into new markets (where the need is for product improvement, preparation for market entry or initial support with delivering first orders). Advisory services have been provided by UK consultants on production processes, quality control and marketing, and assistance has been given to Indian consultants to replicate these services. The transfer of know-how on product development and market development may be particularly appropriate in countries making the transition to market economies.

18. The BASE programme in Kenya is directed towards the goal of increasing employment and opportunities for income generation through the development of small and microenterprises. Its purpose is to strengthen institutions which can assist such enterprises and to encourage growth by enhancing the financial and advisory assistance provided by those institutions. The programme has three major components: i) support for Government of Kenya policy to improve the enabling environment for small enterprises; ii) improved mechanisms to provide funds on a sustainable basis for formal and informal enterprises in both urban and rural areas; and iii) assistance to the informal sector for business and technical training and technology development.

Technology Co-operation and the Environment

19. Recognising the needs of developing countries for improved access to environmental technologies, Prime Minister John Major first announced the Technology Partnership Initiative at the Earth Summit in June 1992. The Initiative was formally launched at the Global Technology Partnership Conference in Birmingham in 1993 and aims to encourage transfer of technology and know-how to rapidly industrialising countries on commercial terms. It will run for three years.

20. The Initiative has five main elements:

- A guide to UK sources of environmental technology which lists over 400 British companies which can offer technology or expertise (free to non-UK participants);
- Focused bulletins on solutions to industrial environmental problems in developing countries;
- Information on best environmental practice;
- Assistance to UK companies to provide hands-on training to key business people from developing countries;
- A technology co-operation network designed to maximise the flow of information about environmental problems and solutions, including feedback from developing country businesses about local needs and difficulties.

21. More than 40 developing countries fall within the scope of the Initiative, and a network of business organisations in these countries and the UK has been formed to take co-operation forward. Close working relationships are also being established with international organisations in the field, such as UNEP, the IEA and OECD.

The Indo-British Partnership initiative: an example of public-private sector collaboration to promote trade and investment

22. The Indo-British Partnership initiative (IBP) was launched during the visit to India of Prime Minister John Major in January 1993. The Prime Minister was accompanied by seventeen senior British businessmen who took part in high level business discussions and met a wide range of Indian ministers (including the Prime Minister), officials and businessmen. Both Indian and British participants in these talks became convinced that something should be done to maximise the opportunities for further trade and investment between the UK and India. The result was the Indo-British Partnership initiative.

23. The IBP is private sector led, bringing together businessmen of the two countries; in the UK, under the leadership of Mr Robert Evans, Chairman of British Gas and in India by Dr J J Irani, Managing Director of TISCO. The initiative has the full support of both the Indian and British Prime Ministers and ministers and senior officials from both sides have remained

closely involved. The campaign has sought to promote trade and investment through inward and outward missions, seminars and literature. Sectoral sub-groups have been formed. Multiplier organisations like the Confederation of Indian Industry and trade associations and chambers of commerce in the UK have also been closely involved. About 10,000 companies in the UK have now received information on the IBP and the momentum was maintained with a report to both Prime Ministers in March 1994. An ambitious programme of events for the second year of the IBP has been planned.

24. Although Britain and India have special links which provide the context for the IBP and give it a particular character, central to its success have been elements which could be replicated elsewhere: its reciprocity (the promotion of two-way trade and investment), the partnership between the public and private sector, high-level political endorsement and the personal involvement of senior businessmen.

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