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UNITED STATES AID MISSION TO ARGENTINA

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FINAL REPORT

by Leon Bernaloff  
Regional Export Development Assistance Advisor  
for South America

President Nixon has reiterated in his recent message to the Congress the importance attached by the U.S. Government in helping Latin American countries to increase their exports.

In mid 1970 an Export Development Division was formed within AID/W PPC under the direction of Mr. Amicus Host. Export projects are being successfully implemented in Asia and Africa. In December, 1970, a separate unit was formed within IA/DR directed by Mr. Stanley I. Grand, to handle export development activities in Latin America.

Dr. Daniel Szabo's Explanatory Note on the U.S. proposals for increased cooperation in the field of export development (CIES/CECON/90) was received with great interest and expectations by the LA officials. The U.S. Delegations at the CECON meetings in March, 1971, in Punta del Este and in Bogota, in February, 1972, reiterated the offer of U.S. bi-lateral assistance in export development. On this occasion, several countries presented their export assistance requirements (CIES/CECON-EXIRO/26).

In May, 1972, AID/W established the office of the Regional Export Development Advisor for South America, (REDA). Upon the request of the U.S. Embassy, the REDA's office was located in Buenos Aires as a counter-part to the RTDC activities devoted to offering U.S. products.

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I accepted this important assignment anticipating the fullest support from AID/W in developing and implementing export projects in South American countries, in accordance with the respective country requirements and the USAID Missions' objectives.

On May 19th., 1972, AIDTO Circular 709 was addressed to all Latin American Missions, from which I quote the following:

"In further implementation of President Nixon's initiative of fostering "expanded export development activities in Latin America, the Office of the "Regional Export Development Advisor for South America (REA) has been "established. The Office is headed by Leon Bernaloff, under the general "direction of the senior A.I.D. Officer at post.

"The REA will be available to all Missions in South America for consultation "and advice in connection with the formulation and implementation of export "development programs. Missions requiring the services of the REA should "communicate directly with him and should be prepared to fund travel and "per diem only. Under certain circumstances the REA may be self-funded.

"The REA will utilize the USDC Regional Trade Development Center (RTDC) "as one of the tools to assist Missions in South America to expand their "export development activities."

The PROP prepared by LA/OR presented in an excellent form the general motivation for this project in stressing the importance and urgent need for export assistance to LDC. However, the heavy emphasis on the relationship with the RTDC was unrealistic and unworkable, due partly to the lack of adequate information with regard to the actual conditions prevailing in the field.

The RTDC activities and facilities are not intended or adequate for training of LA participants. As a matter of fact, during its 14 months of existence, the RTDC was unable to accommodate even one trainee. It was also impossible

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to organize an exhibition of Paraguayan or Uruguayan products, since the Center was sold out during most of this time, and the only available months of January or February, 1973, during the summer vacation season, were unacceptable to exhibitors.

This became clear to me upon my arrival, May, 1972, and I called the attention of the LA/DR to this situation.

Consequently, the AIDTO Circular 709 of May 19th., 1972, mentioned that "the REA will utilize the USDA RTDC as one of the tools to assist Missions "in South America to expand their export development activities."

The Mission in Argentina, in several messages to AID/W, A-79, July 24th., 1972; 5922, September 22nd., 1972; A-125, November 8th., 1972, stressed the necessity to revise the original PROP to reflect the realities of the local situation with regard to the RTDC and that the REA should be given funds to develop his program in South America, indicating an estimated yearly budget for that purpose which was not approved. The Mission requested to authorize REA's TDY to Washington to discuss his program, which was not granted.

Despite of all the messages and personal discussions with those in charge of this project during their visits to Buenos Aires, the reply from LA/DR, airgram 19, August 16th., 1972, stressed again the concept of concentrating REA's activities by using the RTDC as an "operational model".

The repeated requests for budgetary support for proposed regional activities, as outlined in the PROP and the PIO/T were ignored. Consequently, REA's activities were concentrated on consultations within the AFU countries and a highly successful Regional Seminar for Commercial Attachées, organized in Buenos Aires, without funds, with the participation of 34 high level officials from 9 Latin American countries. ]

Another stumbling block was the insistence of LA/DR to have the Missions fund REA's travel expenses. On July 7th., 1972, I mailed a memorandum to LA/DR outlining the status of the project in which I indicated the following:

Travel: Not all USAID Missions attach the same degree of priority to export assistance. I am under the impression that by waiting for all the Missions to take the necessary action and to agree to fund my transportation and travel expenses we may be wasting precious time.

Although sufficient funds for REA's transportation were included in his contract, there was an 8 months delay in authorizing the use of these funds for the first and only short trip to Peru, Ecuador, and Brazil.

During this trip, extensive contacts were made with the official and private sectors in each country and several interesting requests for assistance were formulated. These are described in my report dated February 12th., 1973.

Attached a summary of requests for export assistance.

Recently, AID/W decided to discontinue the Regional Export Development Assistance Project, as of June 30th., 1973. AID/W expressed the opinion that USAID Missions, interested in export promotion, should fund their own projects, advising that one of the considerations in taking this decision is the limited amount of regional funds.

However, this opinion did not take into consideration the fact that, at the present time, none of the USAID Missions in South America have an export advisor on their staff, and that to initiate and to develop export projects it is necessary for them to have outside assistance, which a regional advisor can easily provide.

The approach and planning of this project failed to consider the broad overall aspects of export development assistance which includes many phases of activities of interest to Latin American countries. There was a reluctance to recognize realities by insisting on unworkable conditions, as stated in the PROP related to the RTDC, which, at the most, would have only a rather limited effect within the overall REA's scope of work.

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The non-implementation of the U.S. offer and promises of bi-lateral technical assistance does not enhance the U.S. image in Latin America, since foreign trade expansion is one of the main issues receiving high priority in Latin American economic policy.

As the matter stands now, export development assistance is being abandoned in South America by AID/W, LA/DR.

Suggestions.

Latin American countries assign the highest priority to export development and are interested in assistance.

The requests for assistance vary from institution building and training to specific technical projects, depending on the degree and availability of the country's own organizational resources.

Taking into consideration my lifelong executive experience in international trade and the last 12 years dedicated to advisory services in export assistance to 10 countries, including the United Nations assignment as the Regional Advisor to the Central American Common Market, I take the liberty in suggesting the following:

1. The offers and promises made by the U.S. to LA to provide bi-lateral export development assistance should be implemented.
2. Since the many phases of export promotion and development are of a highly technical nature, assistance programs and projects should be entrusted only to experienced export specialists, in the field as well as at headquarters
3. Since, at the present time, none of the USAID Missions in South America have an export advisor, it is rather unlikely to expect that the Missions would start export projects without external assistance.

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On the other hand, it is also unlikely that the Missions would be inclined to engage an export advisor without having some tangible projects to work on. Therefore, the most practical and economic way is to have a regional advisor work with the Missions to generate and evaluate assistance requests from the official and private sectors. This would be helpful in determining the Missions' interest and decision in proceeding with export programs.

4. My recent short trip, intended to establish contacts and discuss assistance possibilities, generated a number of interesting requests illustrating and confirming the practical approach suggested in the preceding paragraph.

The Missions in Argentina, Paraguay, Uruguay, Brazil, Peru, and Ecuador are interested in the assistance provided by REA.

5. To start even a modest consulting program, it would be necessary to allocate about \$ 60,000.— per year for regional seminars and short-term specialists, and about \$ 10,000.— for transportation in addition to the experts' salary related costs.

I believe that this important project of export assistance to South America should be considered from an overall point of view, as a Regional Program combined with national projects.

Funding for the REA should be provided from regional sources with individual USAID Missions providing funds for major project implementation.

6. International agencies in this field work mostly with government institutions. I feel that in addition to government entities, the U.S. assistance should be extended to strengthen the export ability of the private business community in each country. I have noticed the requests in each country for training seminars in export technique, marketing, fairs and exhibitions, promotions, trade missions, etc.

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7. With regard to assistance strategy from the U.S. point of view, I believe that for products that are of no interest to the U.S., special assistance should be provided to diversify exports of such products to other countries, where marketing conditions are often easier and more remunerative than in the highly competitive U.S. market. This may result in reducing the pressure for U.S. tariff and non-tariff trade concessions.

8. Government officials and the private business community will greatly appreciate export assistance in accordance with their requirements. This assistance will prove the U.S. cooperation and support in this important sector.

9. American companies established in Latin America expressed their appreciation and interest in U.S. export assistance. They can point out to this mutually beneficial "two-way street" trade concept when dealing with government officials with regard to their import requirements from the United States.

10. South American countries depend entirely on exports for foreign exchange income. The balance of invisible exports, such as shipping, insurance and tourism is mostly negative.

To be able to increase sales of U.S. products to South America, to obtain the payment of U.S. government and private loans and interest, to enable U.S. companies to repatriate their profits, royalties and investments, it is necessary to provide our export development assistance on a continuing and well planned basis.

Agency for International Development  
UNITED STATES AID MISSION TO ARGENTINA  
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BUENOS AIRES - ARGENTINA



Leon Bernaloff  
February 12th., 1973

SUMMARY OF THE REQUESTS FOR EXPORT ASSISTANCE  
DURING TRIP JANUARY 23 TO FEBRUARY 9, 1973.

PERU.

Banco Industrial del Perú.

This is a Government bank. The creation of an Export Promotion Fund was recently approved and will be located at the bank. Funds to be provided by the Government.

The Director of the Foreign Trade Department, Mr. Leonardo Pérez Saco, and the General Manager, Mr. Alonso Polar, requested us to provide urgently assistance in establishing this new Department, including training in applying loan criteria and technique, since they have no previous experience in this matter. The purpose is to provide low interest working capital loans to their own customers as well as through the private bank system.

Ministry of Industry and Commerce.

Dr. Claudio Herzka, Director General of Commerce indicated the following assistance requirements:

- a) Market research for the sale of Peruvian products within the Andean Group;
- b) Seminar for Commercial Attachées, preferably to be held in Lima, June/July. Could be organized as a regional seminar for the Andean Group.
- c) Will prepare other projects for consideration.

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Sociedad Nacional de Industrias.

Comité de Exportadores, Mr. Abel A. Laberthe, Secretary General:

- a) Interested in organizing an export school.  
Expected attendance of about 50 participants.
- b) Help in organizing Trade Missions to  
Venezuela, Ecuador, Caribbean Islands;
- c) Help to organize their commercial library,  
and to establish an up-to-date trade  
information service.

Junta del Acuerdo de Cartagena. (Andean Group).

A comprehensive Trade Promotion Project was prepared, as per attached copy, and will be submitted to the Commission for approval. They are interested in assistance, which will be formulated after the project will have been approved. It seems that they are negotiating with ITC, but there is certainly enough work for more than one agency.

ECUADOR.

ICEI. Instituto de Comercio Exterior e Integración.

President: Mr. Francisco Rosales Ramos. Director Export Department:  
Mr. Vicente Tamariz. Interested in the following assistance:

- a) Seminar for Commercial Attachés. This could be included within the seminar in Lima, if implemented;
- b) ICEI wants to send Trade Missions to Peru, Chile and Bolivia. They have Commercial Attachés in each of these countries, but without experience in organizing the contacts for Trade Missions. The President requested technical assistance to work with their respective Attachés and help them in their task.
- c) c.1. Identification of exportable products;  
c.2. Preliminary market study in the U.S.A.;  
c.3. Trade Missions with prepared contacts in the U.S.A.

BRAZIL

Rio de Janeiro.

The National Confederation of Commerce.

Dr. Carlos Tavares de Oliveira, General Secretary:

- a) To organize seminars explaining the advantage and technique of shipments by containers;
- b) To help organize a quality control system for export products at the Standards Institute.

BRASILIA.

Ministry of Industry and Commerce.

- a) Would like to request a shoe production and styling technician, with marketing background in the U.S.A., and Japan to work at the Instituto Brasileiro de Couros, Calçados e Afines, in Porto Alegre;
- b) Chocolate and candy production and marketing specialist;
- c) To undertake a market research project in the U.S.A. for specific furniture items, such as, for example: combined wood and leather articles.

Ministry of Foreign Affairs.

Minister Paulo Tarso Flecha de Lima is the head of the Brazilian Export Promotion Program. Mr. Gerald Goldstein, Economic Counselor, U.S. Embassy, set up the appointment and participated at the meeting.

The following possibilities for export assistance were indicated by Mr. Flecha de Lima:

- a) To help organize a commercial intelligence service within the Ministry;
- b) To organize courses or seminars on direct promotion technique;
- c) The AID export assistance in the North-East, SUDENE, was interrupted upon the Government request because the counterparts were not ready to receive such assistance. It may be resumed at some later date.

SAO PAULO.

Federation of Commerce of the State of Sao Paulo formulated the following requests:

- a) Marketing seminar for high level executives. They would like to have 5 days of intensive full time courses, preferably in a secluded place, outside Sao Paulo, with an attendance limited to 15/20 participants;
- b) Transportation. courses: methods, calculation, and technique of shipping, including containers;
- c) Fairs and Exhibitions: seminar. It is interesting to note that during 1973, Brazil is scheduled to participate in 52 exhibitions. The Itamaraty has 8 contractors handling these exhibitions. These contractors feel that they need to improve their methods;
- d) Export training at mid - management level to include all phases of export technique;
- e) Export school with comprehensive 2 - year curriculum.

COLOMBIA.

We met recently, in Buenos Aires, Mr. Alfonso Gómez Zuleta, Director of PROEXPO, who told us that he is interested in export assistance and will submit several projects.

Handicraft Fair (Artesania).

In practically all of South America the rural population is engaged in the manufacture of handicrafts as a means of increasing their meager income.

The exhibition and sales of these items in the U.S.A. would not compete with U.S.A. products. It would have a social and economic impact on a large segment of the IA poorer population.

We ventilated this idea, and received a favourable reply from various organizations during our trip. We believe that Argentina, Paraguay, Peru, Colombia, Ecuador, and possibly Brazil would be interested to participate. We think that Dallas, Texas, or New Orleans may be the indicated locations. New Orleans or Dallas may provide logistic support at a nominal charge to attract visitors and tourists.

If AID/W agrees with this idea, we could start consulting in a formal way. The export organization in each country should prepare their exhibition material, and pay for shipping and other expenses.

Action.

We refer to AID/W telegram 226958 dated December 18th., 1972, indicating that AID/W may consider to support REA export development projects out of regional funds. We will greatly appreciate AID/W reaction and comments.