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March 22, 1972

Attached is a copy of statement on the Export Development Assistance Program of A.I.D. delivered by Amicus Most, Director of Export Development Assistance, at Dr. Hannah's Executive Staff Luncheon on February 17, 1972.

Additional copies or information may be obtained from

Export Development Assistance/PPC
Room 5953 NS
Telephone: Ext. 29746

A.I.D.
Reference Center
Room 1656 NS

For Information Apply:
Export Development Assistance Office
Office for Program & Policy Coordination
Agency for International Development
Washington, D.C. 20523
Telephone: (202) 632-9746

Assistance and Services Available to Developing Countries'
Export Programs

U.S. Assistance

The U.S. Government can offer technical assistance in almost every area listed in the program attached. This assistance can take the form of both long and short term advisors, survey teams, and specific technical assistance in problem and product areas. This assistance is available directly from the U.S. Government sources, such as A.I.D., Departments of Agriculture and Commerce, Ex-Im Bank and from the large private sector in the U.S. that can be mobilized by A.I.D. The specifics of how this assistance can be granted must wait until detailed programs are worked out in each country and situation.

A. General Strategy

1. Survey of requirements for country export program and strategy.

Assistance Available

Small survey team consisting of one to three experts for short term (one to two months) to analyze and make recommendations for a full program.

2. Specific Problem Areas

a. Economic assessment of export growth potential and input required to achieve same. (This would in part be determined by selected product potential and incentive measures to be adopted.)

b. Incentive measures that may be required in fields of:

1. Exchange rate adjustments
2. Tariff policies
3. Removal of tax barriers
4. Other incentive measures such as linkage systems, foreign exchange, allocations, drawback, bonded warehousing, free zones, etc. (Export taxes, direct taxes, import taxes on materials or parts, or supplies.)

Assistance Available

Economists and experts for short term advice available from both U.S. Government and private sector sources.

3. Financial Measures

- a. Short term trader credit availability (letters of credit, orders, inventories, bills of lading, etc.)
- b. Pre-export financing.
- c. Priorities and special term financing for machinery, equipment, land, building, facility expansion for export agriculture and industry.
- d. Export insurance.
- e. Special measures to encourage foreign investment by self-exporting industries.
- f. Removal of procedural barriers and unnecessary paper work in customs, financial travel, activities, licensing, etc.

Assistance Available

Short term experts from the U.S. financial community and U.S. Government sources in developing programs for items a, b, c, and e. Short term experts from Export-Import Bank and/or U.S. insurance industries for item d.

Item f would come within the scope of the general advisor expert and for assistance from U.S. Customs Department.

B. National Organization for Export

Establishing the best form of central organization that will involve and activate the government agencies, financial and technical institutions, and the entire production and trading community in both the decision-making process and the implementation of a national export development program.

1. Development of trade association.
2. Internal propaganda methods to create the necessary "export atmosphere" and enthusiasm.
3. A specific home organization to give individual exporters "service" assistance.
4. Establishment of Export Inspection Organization.

Assistance Available

A full time advisor would undertake the general activities in this area. Special short term advisors from Department of Commerce and from U.S. advertising and public relations firms are available for items 2 and 3.

C. Product Research, Analysis and Development

1. Analysis of existing comparative advantages and establishment of criteria for product selection.

2. General Market/Product Surveys, as well as specific analysis on individual factories and items with special attention to quality, design, packaging, labeling, etc.

a. Market research in market countries of specific items from LDC country available for export.

Assistance Available

Highly trained specialists for short term surveys available from U.S. merchandising community. Assistance from U.S. Department of Commerce and World Trade Center on general market surveys available. (A.I.D. is participating as a joint sponsor with UNIDO and the World Trade Center in a product analysis seminar that will take place in New York in the near future.)

b. Technical assistance to specific producing units.

Assistance Available

Long and short term specialists from U.S. industry. Specific assistance to individual companies from IESC.

c. Establishment or strengthening of local product analysis and quality control laboratories.

Assistance Available

Assistance available from U.S. universities and U.S. private testing laboratories.

d. Establishment of uniform standards.

Assistance Available

From U.S. Department of Commerce, Bureau of Standards.

3. Cost Control

Assistance Available

Assistance from U.S. accounting firms.

D. Export Promotion and Market Research

1. Developing overseas export promotion organization.

2. Specific activities:

- a. Advertising public relations, displays, both in home office and overseas.
- b. Trade fairs.
- c. Arrangements for visiting teams and individual visitors to and from home country and host country.
- d. Market contacts and communication.
- e. Market research.
- f. Collecting trade, custom policy and sanitary requirements information.

Assistance Available

Specialized experts from U.S. private companies available for item a. U.S. Department of Commerce and A.I.D. and U.S. Chamber of Commerce and other private organizations can make arrangements and furnish assistance to items b, c, d, e, and f.

3. Buyer-seller relations including education, arbitration or other dispute settlement procedures.

Assistance Available

Experts from American Arbitration Association.

E. Training

1. Utilizing training facilities in U.S., Europe, etc.

Assistance Available

Training facilities at World Trade Institute (World Trade Center, New York), International Marketing Institute, Cambridge, Mass., U.S. Universities, can be utilized.

2. Establishing local training centers.

Assistance Available

Experts from U.S. Universities available.

F. Coordination with other bilateral and international organizations

Arranging to cooperate and coordinate with such organizations as ITC, UNIDO, FAO, CIPE, etc. A.I.D. has made specific arrangements for coordinating its efforts with ITC (International Trade Center), and UNIDO. Similar arrangements could be made with other international organizations.

EXPORT DEVELOPMENT ASSISTANCE PROGRAM/AID
Presented by Amicus Most
Director of Export Development Assistance
at Dr. Hannah's Executive Staff Luncheon - February 17, 1972

[Note: This is prepared text, minor changes were made during presentation.]

Dr. Hannah, Ladies and Gentlemen -- may I first express my deep appreciation for the opportunity of explaining our program to you.

Before this audience and with the limited time available to me it is certainly unnecessary to elaborate on the reasons why we should engage in a program of export development assistance to the less developed countries. Suffice to repeat the point which has become universally accepted that trade is much more important to the developing countries than aid both in terms of volume and because trade receipts are available for use in most cases without condition or restriction. It is also clear that economic growth rate bears a direct relationship to export growth rate. In a study of 43 less developed countries, 1960-69, the following figures bear out this point:

<u>Gross National Product and Exports</u>			
<u>43 Less Developed Countries, 1960-69</u>			
<u>GNP Growth Rate</u>	<u>Number of Countries</u>	<u>Mean GNP Growth Rate</u>	<u>Mean Export Growth Rate</u>
0 - 4.0	10	3.2	3.5
4.1 - 6.0	19	5.1	6.9
More than 6.0	14	9.6	17.8

Parenthetically the above fact is the basis for the whole philosophy of this program. Our program is not one of simple trade development or promotion but is an integral part of the program of development growth.

In line with the above U.S. Government policy has increasingly given emphasis to trade development in its foreign aid program.

The Latin America Bureau in connection with discussions on trade has developed a complete program of assistance to export development which Dan Szabo officially presented to the Latin American countries in a well rounded statement of strategy and program. The necessity for this activity is, of course, not limited to Latin America.

Evidence which I have insufficient time to elaborate upon is clear that worldwide interest has now developed in export development activities. National and international organization programs, and activities throughout the world demonstrate this fact. While international trade is as old as history itself, it is only in comparatively recent years that developing countries have come to think in terms of national strategy, plan method and processes for increasing trade.

Basic Principles

While it is obvious that a program of export development is conditioned in any country by its history, economics, geography, natural resources, traditions, and political factors, an examination of successful programs clearly demonstrates that general patterns and principles have emerged which may be applicable in whole or in part to other developing countries and can provide guidelines for activities.

A general program, in much over simplified terms, would include the following actions within any country desiring such a program:

(1) Economic study of the export potential and the resources required to develop same and the sources of these resources.

(2) The development of incentive measures and removal of disincentives which will result in motivating the private and producing sector to engage in this activity and create the necessary "export atmosphere."

In connection with incentives it is important to note that these measures will vary from country to country and may include finance programs, removal of tax barriers, export insurance, drawback, international promotion, market research, training, technical assistance -- and a whole series of support activities such as internal information, quality, design, standardization, cost control, export inspection, free trade zones, machinery to settle disputes, etc., etc. Incentive measures must be properly designed otherwise they can be counterproductive, develop inefficient industries, become a burden on the balance of the economy, and defeat the very objectives of increasing exports.

This topic can be the subject of an entire discussion and the time available does not permit this. For those of you interested I have here a book put out by the U.N. entitled "Incentives for Industrial Exports" which clearly indicates that every country in the world has developed some form of export incentives.

(3) Important to any program is to find some way of mobilizing, activating, and uniting the entire economic community of both government and private sector.

(4) A major portion of any program is that of product analysis and development. It is not sufficient to have general information or a general list of products. Market potential must be related to specific products from specific factories and farms. A producer might be interested in knowing that there is a market for example for tables in the U.S. but he also want to know whether the table he is producing qualifies for that market.

The main point is that an overall program should be developed. This is not to state that a blueprint can be prepared in advance or that a program must follow in a specified order. Programs must be viable, applied to country conditions, and be developed by the local government and private sector. Outsiders can contribute with guidance and advice, but cannot by themselves develop programs for other countries.

Export Programs

It is my firm belief that this entire activity can best be performed in the developing countries by creating governmental and private sector institutions and training personnel that can carry on this program, and that assistance can best be given by ourselves through developing the private sector institutions at home which can tap the vast resources of skills available in the U.S. Our ultimate goal is to get out of this business and eventually remain as "brokers" between the private institutions at home and the institutions in the host countries.

To this purpose at the time of the establishment of this office, we announced (AIDTO Circ. A-1321, 6/13/70) an action program at home and overseas. At home it included:

(1) Mobilizing and developing private sector institutions in the U.S. including the merchandising, commercial, and financial community.

(2) Developing educational and training institutions which can train key personnel from developing countries as well as American advisors to such programs.

(3) To seek out personnel and consultants and experts who can assist and respond to requests for advisors.

(4) Coordinate our activities with other U.S. Governmental and Quasi-Governmental agencies who have skills in this field.

(5) Channel and coordinate activities and maintain liaison with the international organizations and foundations involved in this activity.

(6) Develop assistance and guidelines in tourism or other "invisible" exports where they can play a significant role.

In the field our mandate included:

(1) Assistance to those countries where it is desired and desirable to develop permanent institutions and local organizations, programs, and strategies for developing export activities.

(2) Where requested, supply short term and long term advisors and experts.

(3) Assist with market information, trade missions and all types of promotional activities.

(4) Product analysis and product development activities.

(5) Training programs at home and abroad.

(6) Assist in bringing in foreign investors who can participate in sub-assembly and component as well as finished product production for export.

Activities to Date

In the year and a half that we have been in existence, we have been guided by our original mandate. On the home front we have carried on many activities not all of which can be detailed. We are continuously answering specific requests for information, assisting visitors from developing countries who wish to make contacts here or in our private sector, locating experts for other organizations and governments, advising and preparing position papers in connection with and for use by our representatives at counsels of the international export organizations, etc. Specific activities include the following:

(1) We developed with the World Trade Institute of the World Trade Center in New York two courses of eight weeks and five weeks each which were a combination of practical and theoretical training directed towards middle-level developing country government and private sector personnel. Thirty-six trainees from 22 countries attended the first course of which we sponsored 26 and UNIDO 10. The second course was attended by 26 trainees of which we sponsored 22. The courses included such methods as visits behind the scenes at Macy's, the coffee exchange, the Bronx Terminal Food Market, Bankers Trust Company, a day at the U.S. Department of Commerce and a day at the Department of Agriculture, visits to promotion centers, packers, etc. A number of A.I.D. staff members including Ernie Stern and myself gave lectures. These courses will be repeated.

We are assisting a New York Graduate School of Business to combine a short term and Master's Degree program which will train the trainers. If realized, it will work with universities and centers in the developing countries to exchange pupils, professors, etc., with the objective of assisting in creating and improving training centers in many parts of the world.

We have given lectures and participated in seminars at universities, trade associations, and at the International Marketing Institute at Cambridge, Massachusetts.

Publications

The next two issues of Development Digest will include a series of coordinated and programmed articles which can form a manual on the process of export development. This will be put into a book or pamphlet for distribution. We have distributed throughout the world several hundred copies of the ARA Regional offer of Export Assistance to the L.A. countries, the U.N. book on Incentives and PPC pamphlet on "Trade and Development." Several thousand copies of my book Korean "Export Expansion" have been distributed by ourselves, the U.N. and others. It has been translated into Vietnamese and quoted from in a number of articles.

Private Institutions

We have conferred with the objective of making arrangements for cooperation with such organizations as International Executive Services Corp., Young Presidents Organization, OPIC, Commerce and Industry Association of New York, etc. We are carrying on discussions with top leaders of the American Retail and Department Store Chains hopefully to institutionalize the advice and expertise that they have available. On an individual basis in programs in Korea and Central America we have drawn heavily on this community for assistance. Their buyers have an expertise in narrow product areas that cannot be surpassed. For example, J. C. Penney employs 800 buyers, R. H. Macy 600. They have buying offices all over the world and understand both markets and production. In the past they have furnished at no cost to us, other than travel expenses, a great many experts who have made surveys in specific products. With our assistance Macy has recently completed a survey by four buyers in India for UNIDO. The stores have supplied lecturers to our training courses, assisted in seminars, and hosted visiting teams and in other ways supplied invaluable and irreplaceable help.

Sears, Roebuck Company have furnished expert market and product analysis in furniture and in confectionary products. We secured the services of the principal buyer of fresh fruit and vegetables from Grand Union Stores who made a survey of these products in Central America and who pin-pointed specific items and problems for export of these products.

We hope in the future to organize the food and furniture industries for the same purpose as we are attempting to organize the consumer goods merchants.

We are presently assisting one of the major department store chains who are considering developing a Latin American Promotion Week.

With the assistance of the U.S. Department of Commerce and U.S. Department of Agriculture and the United Fruit Company, a two-thirds self-financed team of 18 meat producers from the six countries of Central America was sent to visit 11 countries in Europe to study the meat market there.

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Free assistance has also been given in problems of finance by Manufacturers Hanover Trust Company, in transportation by Pan Am. and Consolidated Caribbean Transport Company, and many others.

International Organizations

The two major organizations in the U.N. family engaged in export development activities are the International Trade Center in Geneva and UNIDO. The ITC develops programs in market research, training, promotion, etc., but may not involve itself in product or supply development. UNIDO is engaged in the latter. These two organizations plus FAO are the three U.N. organizations involved in this field of activity. In line with our program of working with the international organizations, we wish to encourage them as much as possible and have them participate in the areas in which they can and are willing to furnish the necessary expertise.

We have entered into an agreement on behalf of A.I.D. with UNIDO and ITC which provides for a specific method of cooperation and interchange of information. This agreement could be significant. It would coordinate their activity with ours and yet not tie our hands where bilateral assistance is requested. Incidentally, this agreement might form the basis for an offer by us to the UNCTAD III up-coming conference in Santiago.

In addition, we are at present assisting in financing and participating actively in a joint program with UNIDO in New York and the World Trade Center for a two-week product analysis seminar to be held at the World Trade Center late this summer. It will seek to bring products and producers from 10 or 12 countries from the three continents who will exhibit their products. The products will not be those that are ready for sale, but rather those that show promise and possibilities. Brought to the seminar will be experts from the American buying and technical communities who will analyze on a face-to-face basis the exhibited products. This will be followed up by a technical assistance program in the field, to be sponsored by UNIDO.

The Latin American Bureau is working with the OAS organizations of CIPE and CICOM in assisting them in coordinating programs that they are developing in Latin America.

We will also seek coordination with other bilateral programs.

U.S. Agencies Coordination

We have arranged liaison with the U.S. Departments of Commerce and Agriculture for assistance with the specific skills available to them. They have been very helpful.

Obviously, my office with its small staff clearly cannot implement its programs. Within A.I.D. they should be and are implemented through

the regional offices. While sometimes I have difficulty in convincing our own skeptics, on the whole the regions have been actively cooperating and participating in the programs.

My impression has been that there is insufficient knowledge at many levels within A.I.D. both in Washington and at the Missions, of the nature and importance of this program and the services that our office can render. For example, at the time when we brought to Washington the 36 trainees who were attending the export training courses at the World Trade Institute and who were all fairly high level government officials, I informed every desk officer offering to make arrangements for them to meet with the trainees from their countries. Only one desk responded.

The USIA has sent out a joint airgram with A.I.D. to all the countries from which trainees came, suggesting programs with them upon their return. The message asked for information about these activities and to date we have received only two messages indicating that this program was put into effect.

Country Programs

In the field activities were carried on as follows: At Mission request in the last year and one half I have visited the following countries for from several days to several weeks at each:

Africa

Uganda
Nigeria
Morocco (2 weeks) twice
Ghana (3 weeks) twice
Ethiopia
Kenya
Tunis
Zaire

Latin America

Brazil (4 weeks)
Ecuador
Colombia
Venezuela
Paraguay
Honduras

We are now in the process of recruiting advisors and experts for short term and long term positions for specific projects in Uganda, Ghana and Morocco. In Ethiopia we have been asked for assistance by the ECA Trade Development Center.

In Latin America there are full time advisors in Honduras, Guatemala, Panama, Costa Rica, Paraguay and Uruguay. In Buenos Aires the Department of Commerce is establishing a U.S. Trade Promotion Center. In a unique program of coordination the L.A. Bureau is assigning a full time resident advisor who will assist in developing export from the southern South American region.

In addition to the above there are existing or recently completed programs in Colombia and the Dominican Republic. ROCAP has developed a major program which we are financing with a \$30 million loan to CAEET.

At the invitation of the Venezuelan Government I spent a week there, and made certain suggestions some of which I understand are now being carried out.

I feel confident that as a result of the initiative taken by the Latin American Bureau a number of other programs will be developed in the near future.

While there were previously active programs in Asia, we have not as yet developed any new programs, but I will shortly begin discussions with the desks and the regional offices to determine in which countries we can be of assistance.

The Vietnam Bureau has specifically asked us for help.

Future Activity

We plan to continue to develop the activities both at home and in the field along the lines which we have described above. Our office can give advice and back up services, but the implementation of the programs should be carried out in the future as in the past, through the regional offices and under their general guidance.

Because export development is an all-inclusive program it requires a variety of skills involving many fields of activities. This program requires participation of many divisions within A.I.D. as well as other governmental agencies. Economics, programming, engineering, industry, agriculture, training, education, finance, investments, promotion, liaison with the private sector are some of the activities that may be included in programs of activity.

Methodology

Because of the unique nature of this activity I think it might be wise at this point to touch on the problem of the method of developing programs in the field. As with all programs, export development cannot be an imposed program. The first necessity of any program is that a country desires to have such a program. However, the fact that a country desires a program does not necessarily mean and in fact in most instances does not mean, that they know specifically what such a program should consist of and what they want. It is not similar to, for example, a cement factory or a specific crop development program. It often does not reflect itself in specific requests for help. Desire for help is something that

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is expressed in a general way and by an understanding of the forces at work within a country. It is not difficult to get the "feel" of this desire.

The local directors, and consultants of these programs from the developed countries, often lack training and understanding of all the elements of a program. They select the more obvious and known concepts rather than develop complete strategies. Advisors from the developed countries are skillful in promotion activities but often do not have an understanding of the development process.

In addition the elements of a program such as I have described above cannot always be boiled down to item by item suggestions for help. Experience has shown that these programs are best developed where there are full time advisors who themselves understand a program and who by a process of education, discussion and meetings with all elements in a country can develop the knowledge of a program to the point where the government and private sector themselves create such a program. The work of Leon Baspaloff in Paraguay, Henry Fuchs in Honduras, John Shoaf in Guatemala, Stanley Ehrlich in Colombia, Lu Rudell in India, myself in Korea and Central America, are examples of where programs were developed in this manner.

The cost of this program is comparatively small. We do not favor large consulting staffs and lengthy surveys. On the contrary -- we have recommended against a five-year program with large staffs in two instances. The initial program should not be for more than one year and possibly extended for two years. At the end of that time if the program has not taken root then it is not worth continuing. The objective is to have the local countries develop their own programs with help they may want from others. Most of the program consists of technical advice. Follow up or project development related to export development is generally part of our overall A.I.D. programs or that of other international or national organizations with specific emphasis on export industry or agriculture.

Here distributed to all of you is a schedule of the various types of assistance and services that A.I.D. can offer through our office. I would urge that all desks and regions be alerted to call upon us for help. We can brief and outline our methods and ideas to personnel going into the field. We have a file of available personnel and contractors which we will gladly supply in response to any requests for help. We have been called upon by some offices to review PROPs and we shall be glad to continue to do this. We can supply all the forms of help shown in the schedule, including training, contacts with the market, trade missions, and many other facets of promotion. In product analysis we can bring in the specialists from the U.S. merchant community, technical assistance, financial experts, and many other aspects of help.

Mr. Linstad and I are available for visits to countries and for assistance to the regions and desks. We are at your service.

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