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AN INTERIM REPORT ON THE STUDY OF EXPORT EXPANSION SYSTEMS

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PREFACE

This interim report on the study of export promotion in various countries (AID Contract # AID/csd-787) is based on a synthesis of data obtained at the documents and desk level by the project staff (identified throughout as the 991 staff) of the International Marketing Institute of Cambridge, Massachusetts. The observations are, of course, tentative. These, and the conclusions drawn from them, will be firmed up by staff visits to pre-selected countries.

The primary purpose of the report is to anticipate the results of the total study and to suggest their application to the export program of the less developed countries (hereafter, LDC's). The focus of the report is on the effective elements in successful export promotion systems, with some indication of the categories of countries for which they are best suited. At this point in the study, common denominators are beginning to appear, forming guidelines to effective export promotion policies and roughing out those to be avoided. A tangential objective of the 991 study is to recommend extensions of this basic probe into the intricate machinery of export systems in the form of collateral studies needed to close informational gaps. Some of these will be touched upon in this report.

The secondary purpose of this report is to describe the staff's investigative procedures.

In sum, the report drafts the horizontal measures of the study by selecting countries and the vertical dimensions by developing the key factors which add or detract from the export position of nations in world markets.

PRESENT SITUATION

Today export promotion is a high priority topic in most business and government circles around the world Tired of artificial supports for their economies, such as aid, the LDC's have been looking more and more towards export trade as a solution to their internal economic and political problems. These problems are exaggerated by the simultaneous needs to build infrastructure, to industrialize, to raise employment, to create new processes and products, all of which create a squeeze on limited cash and foreign exchange reserves.

Success in acquiring larger foreign exchange income via the export route is not a matter of size, stage of economic development, trade sophistication or wealth. To point this up, the United Kingdom, the world's number three exporter, has been harried in recent years by imbalance in its trade while miniscule Taiwan, through a coordinated drive, has been picking up a larger share of world markets and achieving trade surpluses.

Exporting patterns differ radically from country to country In some, the public sector assumes the major role, ordinarily through state trading companies and commodity boards. In others, private manufacturers and producers reach export markets through various conduits To illustrate: large national manufacturers maintain their own export departments, while the foreign based subsidiary units of the large international companies tend to operate within regional and especially common market boundaries. The medium and small size national companies, in most part, concentrate on smaller segments of the domestic market Their export exposure is usually limited, by using some indirect method. As still another model, trading companies of traditional foreign ownership, are the funnel for the export product of many of the LDC's

Continental or regional differences also show up. In Africa, the heavy concentration of exports remains dominated by the "old line trading companies". This is partly so because most former colonies remain tightly linked in their trade interchange to their former mother country. In order to break these patterns and broaden their export opportunities in non-traditional markets, the African countries are now creating new marketing boards and export companies, owned by African nationals. In the Middle East, oil is the trade alchemist: its generally automatic markets and export value cushion the pressure for export promotion in diversified lines. On the other hand, in the Far East, some marketing boards are set up for promotional purposes, but are not given much authority or leeway. In their other marketing functions, they are usually under government control or influence, particularly in the traditional commodity sectors. South American marketing boards are usually of a type which works principally to stabilize domestic markets and to keep them in step with world markets "by trading alongside other enterprises." Frequently Latin American export channels have been modeled after either the European and American systems, but their composition is gradually altering because of LAFTA and CACM influences.

Government support services run the gamut from investigating for market information, making contacts and introductions, publishing export news magazines, holding seminars, advising and counseling business men. Some idea of the range of agencies or institutions used by different governments in their export marketing complex is developed in Exhibit 1.

Despite the official enthusiasm of their governments toward exporting (Exhibit 2), the universal attitide of businessmen themselves is best described as cautious, particularly in the small or medium-sized firms. They usually cannot visualize themselves selling in overseas markets which seem

Exhibit 1

TYPES OF GOVERNMENT EXPORT AGENCIES

Latin America

Argentina	X	X	X	-	
Bolivia	-		-	-	
Brazil	-	X	X	X	
Chile	-	X	X	-	
Colombia	X	X	X	X	X
Costa Rica	-	-	-	-	
Dominican Republic	-		-	-	
Ecuador	X	X	X	X	X
El Salvador	X	-	-	-	
Guatemala	X	-	X	-	X
Honduras	-	-	-	-	X
Jamaica	-	-	-	-	X
Mexico	X	X	X	X	
Nicaragua	-	-	-	-	
Panama	-	-	-	-	X
Peru	X	-	-	-	
Uruguay	X	X	X	-	
Venezuela	X	X	X	-	
Trinidad	-	-	X	-	

A. Active commercial corps; trade commissioners/deputies

B. Foreign trade promotion department/board

C. Fairs and shows department

D. Permanent exhibits abroad

E. Government controlled commodity boards

Exhibit 2

ATTITUDES OF COUNTRIES TOWARD EXPORT PROMOTION

African Countries

	A	B	C	D	E
Algeria - traditional French market is declining					
Cameroun					
Central African Republic					
Chad - nothing to export					
Congo (Leo) - no problem selling, many back orders					
Ethiopia - exports part of modernization campaign		X			
Gabon - no problem selling minerals			X		
Ghana - political and domestic pressures to export			X		
Guinea - attempting to diversify markets					X
Ivory Coast - most producers organized into syndicates	X				
Kenya - worried about loss of East African markets		X			
Liberia - no problem selling minerals	X				
Libya - not interested because 98% exports are oil					
Malagasy - very active, vanilla campaign successful				X	
Mali					X
Morocco government concentrating on internal development	X				
Nigeria - interested but not doing too much			X		
Niger - probably no because has nothing to export					X
Senegal - 90% exports are peanuts, high degree French control		X			
Sierra Leone - apparently successful trade drive			X		
Somalia					
South Africa - very successful, highly organized		X			
Sudan - interested but so far not doing too much			X		
Tanzania - stresses barter agreements, rivalry with Kenya				X	
Tunisia - most exporting through state trading companies		X			
Uganda - steps to raise African exporting participation	X				
Zambia - 90% exports are copper, ready market				X	

A. Most interested - well organized

B. Fair to strong interest

C. Not known - no measure

D Interest just developing

E. No government interest - all private

strange and complex. To overcome this parochial attitude, there are many programs now designed to increase the effectiveness of current exporting groups and to encourage non-exporters to sell overseas.

The scope and direction of the current programs are often influenced by special political and economic situations of the individual LDC's. To illustrate: the Peruvian and Lebanese governments are abstaining from export promotion, for fear of encroaching on the rights of private business. On the other hand, the governments of the UAR and Guinea, have assumed de facto control of all export transactions in order to retain foreign exchange earnings. The Iranian and Moroccan governments, concentrating on internal development, are doing almost nothing to promote exports, whereas Colombia is emphasizing export expansion during the next five years.

A number of programs have been, or are being, mounted at the international level to generate export guidelines for developing countries by supranational, philanthropic, educational and economic assistance organizations.

Among current programs: Eighty-five experts of the FAO marketing branch are collecting export statistics, setting up marketing centers, and developing on-the-job training programs in a global drive to promote agricultural exports. FAO is one of the outstanding marketing-oriented groups in the world.

UNCTAD is studying ways and means to build earning power through exports, and is preparing to set up an international training and assistance center to act as a clearing house for export aid and trade data.

The Danish Board of Technical Cooperation, in collaboration with the United Nations, is sponsoring a "UN Group Training Program in Trade Promotion". Thirty UN sponsored participants have been enrolled.

The General Agreement on Tariffs and Trade (GATT) maintains an International Trade Center, which offers trade information and trade advisory services

to LDC's, including non-members of GATT. GATT has also made extensive studies on trade flows and aid in various countries including Kenya, Uganda and Nigeria.

The Ford Foundation recently underwrote an intensive study of India's export position. The Foundation is also considering sponsoring an expansion of GATT operations to triple its size.

The Pan-American Union has conducted studies of the export promotion conditions in eighteen Latin American countries and is proposing to sponsor on-the-spot training seminars.

The Agency for International Development (AID) has financed training programs for Taiwan exporters and is encouraging many government officials in other countries to participate in export programs.

The Governments of the United States, United Kingdom, Ireland, Australia, Germany, Italy, among others, conduct on-the-job training in their export bureaus for export officials from developing nations.

The International Labour Organisation (ILO) is considering the establishment of "pilot" export centers in several developing countries. Similar centers will be set up in other areas if the pilot program is successful.

Many of the current export programs, at national and international levels, need to be overhauled. They give every indication of generating friction rather than motion. The lack of a solid informational base on which to build an adequate promotional program structured to the realities of the export world continues to be the major soft spot. Consequently, the information offered is either too little, too late, or out-of-date; quite often it turns out to be a nostrum rather than a cure. Academic bias or pet theories blunt interest and sometimes so distort export procedures that the potential exporter or government official is overwhelmed by the export mystique. Also, the syllabus may oversell, and subsequent, more modest and methodical plans tend to die by default. Some

quite effective export training programs do exist, but these are marked by their scarcity.

A critical point is that if these programs continue to fall short of generating export action, the LDC's, alone or in concert, will demand other and less palatable forms of economic support to correct their basic imbalance. Of course, larger exports in themselves do not automatically assure cutbacks in aid requests. However, the pent-up pressure in the LDC's should diminish according to the success of corrective and effective export programs.

THE EXPORT PROMOTION FRAMEWORK

Against the background of the present situation, the 991 staff has noted a series of critical elements which appear to be the hypothetical denominators within forward-moving export promotion programs at this point in the study. The order in which they are presented is not intended to indicate their importance, nor can they be understood in isolation. In different arrangements their interaction will vary. The effort has been to identify the institutional sector into which they fall, and to indicate the developmental stage, the initiation, the financing, and the operation. Within this framework, the strong, weak and unique point of the hypothetical denominators are delineated from which guidelines are derived.

A. SUPRA-NATIONAL EXPORT COORDINATION CENTER

The Guideline: Supra-national and international efforts to build export informational centers should be along collaborative lines and linked with LDC information stations to eliminate costly overlaps and to speed data flow.

	Supra-national International	Government	Mixed Institutions Quasi-Governmental	Private
Initiation	Supra-national			
Financing	Supra-national			
Operation	Supra-national		Quasi-Governmental	Private

The Instances: GATT has set up an export promotional assistance program. UNCTAD is doing the same; and both are setting up centers in the same town. Both are competing with each other, wasting human and money resources that otherwise could advance the LDC's. In a parallel excess, ILO is drafting plans to set up export promotion centers following a Korea pilot program. Korea already has its own structure in KOTRA, a quite successful model.

And, more along private lines, is the planned information complex at New York World Trade Center. An important point is that these activities parallel the informational development in each of the leading trade countries. Nevertheless, only driblets of useful information are finding their way to the LDC's.

A coordinating body could quickly and cheaply transmit key information on commodity trends, marketing patterns, international developments

and the like, supplementing but not superseding the export prerogatives of the individual LDC. Ideally, this body would be the central fount of world trade information by publicizing key studies by national and international organizations. It could also provide concrete aid to governments in the form of technical and marketing assistance, training facilities, and the like. UNCTAD, which has been a trade catalyst for the LDC's, should lend its full support to this independent coordinating body.

B. THE EXPORT TRADE AUTHORITY

The Guideline: The Minister of Commerce or the government official responsible for international trade, given a policy rank equal to his peers within government, is apt to be a more effective export administrator.

	Supra-national International	Government	Mixed Institutions Quasi-Governmental	Private
Initiation		Government		
Financing		Government		
Operation		Government		

Even though he carries a cabinet level rank, the commerce minister may be excluded from, or have little voice in, government decisions which affect his interests and personnel. This situation is obviously difficult to correct because of administrative rivalries and budgetary limitations. Sometimes the solution may be to create a new post or body. In the case of new LDC's, there may be less resistance to this approach.

The Instances: Ireland's Minister for Industry and Commerce sets the basic policies and appoints the members of the Export Board, a state sponsored and financed body. Within this policy control, the board enjoys full autonomy and recruits its own staff. It advises exporters, potential exporters, and the government on every phase of exporting and its general development. The board is charged with the promotion of exports and the execution of the government's long-range export development program, a design intended to represent the best interests of Ireland in world trade.

Iran, because of traditional red tape and bureaucracy in government, has organized a separate and autonomous agency outside the normal government hierarchy to develop and implement industrialization plans. The Plan Organization has worked well considering that it is not coordinated or linked with other government bodies. The prime complaint is that those groups continued to operate independently and often duplicate or disturb the operations of the Plan Organization

Perhaps a necessary addition is, therefore, the institution of some central coordinating body such as Taiwan's Foreign Exchange and Trade Commission (FETC). The chairman of the FETC is also chairman of the governing board; here the heads of all relevant government ministries and bodies are charter members. This group makes all policy, settles all issues, and attempts to coordinate its members activities.

Few countries, however, seem to think that international trade is sufficiently important to warrant such treatment. Even Israel, which is obviously concerned with its export program, has decided to retain the government international trade group under the control of its commerce minister. This not necessarily an incorrect approach, and it may be the

only viable one. Nonetheless, coordinating and upgrading the export program and those involved with it are useful evidence of the importance of exporting to both private and government sectors.

C. EXPORT DRIVE LEADERSHIP

The Guideline: Export expansion efforts require the public approval of government and the organized, active and continuing public support of officials concerned with foreign trade.

	Supra-national International	Government	Mixed Institutions Quasi-Government	Private
Initiation	[illegible]	Government		
Financing	[illegible]	Government		
Operation	[illegible]	Government	Quasi-Governmental	Private

Realistically; even the best organized and most competent export promotion programs require formal support and publicity. In developing nations, government's open support is necessary to reduce inhibitions among companies with export potential. Government support of export activities may take many forms, but whatever their nature, the central purpose is to inspire an active response from the business community, possibly less by appealing to patriotism, and more by indicating the money and psychic profits that can be earned through exports. The atmosphere of importance and urgency, while difficult to engender and not alone sufficient for export success, may well be a necessary one.

The Instances: In Iran, several promotional efforts which were needed and established later died as a result of the lack of acceptance and publicity. One plan whereby 50% of any overseas advertising would be paid by the government failed to attract any response.

Numerous, and sometimes expensive attempts continue to miss the goal in the United States. The typical Chinese or Israeli businessman will tell you quickly if his company is a successful exporter. Israeli firms often include export results in their advertisements.

D. MINIMUM GOVERNMENT SUPPORTS

The Guideline: At the least, the government must create a framework favorable to export promotion.

	Supra-national	Government	Mixed Institutions Quasi-Governmental	Private
Initiation		Government		
Financing		Government		
Operation		Government		

At a minimum, government should provide a legal and regulatory framework which allows maximum maneuverability to exporters. Governmental influences may be exerted in many ways and means modified by the political and economic structure of the country. One of the principal methods is the gathering of overseas trade information, since this is much too complex and costly for the private sector to undertake.

An assortment of export incentives, too, are needed for maximizing overseas sales. Among these, simplification of export procedures is

paramount; so, in fact, are any and every softening or removal of regulatory and legislative disincentives. Lowering such obstacles is not always an easy process, since other pressures and realities conflict with those of the export sector.

Other export inhibitors, in greater or lesser degree, are: strict control of foreign earnings; manipulated currency rates designed to discourage imports or exports; heavy taxes and special imports; and export controls preserving domestic supplies or imposed to satisfy political or personal motives. The exporter encounters enough difficulties as it is, filling out the right documents, packing correctly, booking cargo space, and all the routine needed to get goods to markets overseas.

The Instances: The nearly legendary bureaucracy in Iran has, in effect, restricted exporting to a few old line trading companies and exporters of traditional products who are familiar with or who are eased through the regulatory maze.

For countries that go the opposite way, the more prevalent types of incentives are given in some detail in Exhibit 3.

E. PRESENT EXPORT BASE

The Guideline: Export promotion programs in their opening phase should explore thoroughly the existing products and the existing institutions before investing in costly experiments in new institutions and new products.

Exhibit III

TYPES OF EXPORT INCENTIVES USED

Near East Countries

	A	B	C	D	E
Afghanistan					
Iran					
Iraq					
Israel					
Jordan		X		-	-
Kuwait	X	X	-	-	-
Lebanon			-		-
Saudi Arabia	X	X	X	X	-
Syria	-			-	-
United Arab Republic	X	X	X		-
Yemen	X	X	X	-	-
	-	-	X	-	-

A. Drawback systems

B. Tax and tariff concessions, export subsidies

C. Import privileges/allowances, free currency exchange

D. Export credit/insurance systems

E. Recent monetary devaluation

	Supra-national International	Government	Mixed Institutions Quasi-Governmental	Private
Initiation		Government	one or both if existing	Private
Financing		Government	one or both if existing	Private
Operation		Government	one or both if existing	Private

Short-term improvement of the present export base by itself cannot solve deep rooted trade problems but can provide the breathing period to accummulate more of a capital base and more export marketing know-how for large future programs.

Short-term changes such as quality control, product refinement, package improvements, and trade fair participation can be used to increase the flow of traditional exports into new and old overseas markets. The advantages of such an approach lie in the fact that little additional skills and capital are required. The results are likely to be more certain, since existing channels are used and less start-up time is required. Meanwhile, possibilities for domestic products untested in world markets can be analyzed for the intermediate term exports. The object is the gradual shift from raw material exports to exports of semi-processed or finished goods.

Chambers of commerce are one channel which can be utilized to effect short-term changes. Even though they may not now be interested in export promotion, they often represent the only existing communications link between government and commercial/industrial groups in various cities. Acting as capillaries for informational and promotional channels, they can play an important role in the dissemination of trade leads and assistance.

The Instances: United Fruit applied the Chiquita Banana trademark along with better quality control on banana exports from Central American countries in order to achieve a higher market share and price.

The Malagasy Republic faced declining vanilla exports because of U.S. synthetics. U.S. importers sought relief in a Food and Drug regulation requiring all artificial vanilla to be so labeled. A campaign was mounted to promote pure vanilla products, including a cookbook and distribution of vanilla extracts and beans to housewives. Major ice cream companies were also encouraged to publicize their use of only pure Madagascar vanilla in their products. One U.S. importer says that so far in 1965, vanilla imports are up sharply.

Nicaragua, a major marketer of bagged coffee, phased its export promotion in two stages, first pushing bean sales, followed up by soluble coffee promotion.

Iraq has begun three projects to market dates as cattle feed, a syrup, and an alcohol base. The aim is to cut down storage and deterioration problems. Similar programs are underway in many areas.

Existing marketing channels can also be utilized in the expansion of exports. Although there has been considerable opposition to the United Kingdom's piggyback scheme (this encourages large, established exporting companies to make their international trade facilities available to small, non-competitive, potential exporters), a version of this scheme is used widely and successfully in West Germany. Here large manufacturers make their export channels and ancillary services available to their clients--a procedure based on mutual interest.

F. COMPUTERIZED DIRECTORY OF EXPORTERS

The Guideline: Fast transmission of export opportunities is a competitive "must" today. Matching trade leads with national export suppliers is now possible through use of simple and inexpensive data processing machinery.

	Supra-national International	Government	Mixed Institutions Quasi-Governmental	Private
Initiation	International			
Financing	International			
Operation		Government	Quasi-Governmental	

One of the main problems of export promotion programs is need for rapid adjustment to changes in products, supply sources, and markets. To accommodate these changes and additions on a day-by-day basis and to keep the total export community informed, the simple computer can cut the time and expense of trade linkage.

The Instances: The South African Trade Organization (SAFTO) has installed a computer which within minutes provides lists of South African exporters in response to any outside query. It also performs other analytical export services.

G. COMMERCIALIZED ATTACHÉS

The Guideline: If government commercial personnel are to contribute in any effective measure to the expansion of national exports, they must be

trained along business lines, and the critical contribution of their work must be recognized.

	Supra-national International	Government	Mixed Institutions Quasi-Governmental	Private
Initiation		Government		
Financing		Government		
Operation		Government		

Commercial attaches (or counterpart titles anywhere) lack status on embassy staffs and are a target of criticism in business and government quarters as "second class diplomats." Seldom trained for export commerce and usually shifted haphazardly from political to trade posts around the world, they spend the greater part of time fretting over the "invisible exports," tourists' passports and visas. Their uneasy position needs to be fortified by training programs, by more staff, and by more solid recognition within the diplomatic family.

The Instances: The importance of training commercial counselors, giving them more status, and allowing them to stay in one place long enough to do a good job is underscored by the recent experience of the 991 staff. During an interview trip to New York, one staff member spoke with the Consul of Guatemala, who has occupied his post for over twenty years and appeared to be rendering very significant assistance to his country's exporters. He has begun to publish a magazine, NFG (NEWS FROM GUATEMALA), which provides trade leads to U.S. importers.

On the same trip to New York, the staff member interviewed the Consul of Chile. This man knew practically nothing about his country's exporters, their problems, or products. During the interview, he asked the staff member, a complete stranger, if he would be able to give the consul any advice or information which could be passed on to the Chilean exporters who had written to his office.

H. GOVERNMENT QUALITY CONTROLS

The Guideline: The establishment of quality controls under government sponsorship or direction will assist export growth.

	Supra-national International	Government	Mixed Institutions Quasi-Governmental	Private
Initiation	International			
Financing		Government		
Operation		Government	Quasi-Governmental	

Quality control is a key factor in a nation's exporting posture. Export promotion can sell a basically inferior product, but markets can be lost when high quality exports become available. Uncertain or poor quality is one of the factors frequently cited by buyers as hindering sales. But where governments have initiated quality control, export industry volumes have climbed.

The Instances: Madagascar checks every bag of coffee before exit.

Lebanon's Fruit Office inspects all fruit leaving the country.

Israel, South Africa, Japan, and almost all the other successful countries have imposed rigid quality control on numbers of their export products.

The Cement Marketing Board in Iraq has consistently refused the requests of its suppliers to adulterate its cement exports with lead, and it tries to control Iraqi overseas agents as well. Consequently, Iraqi cement is highly regarded in the markets.

Conversely, countries which do not enforce or do not have quality control requirements tend to have a poor exporting reputation. This is particularly true when they concentrate on agricultural and raw material exports.

Despite government efforts, Tanganyika hides and skins are questioned in their quality. Here the problem is that the Arab merchants still supply bundles of ungraded skins which are bought sight unseen by the large trading companies for resale.

I. EXPORT CREDIT INSURANCE SYSTEMS

The Guideline: Export credit insurance systems are a vital assistance, since exporters under this cover can afford to offer competitive terms. The key sponsor for the LDC's must be a supra-national financing agency because of contingent liability in size and currency.

	Supra-national International	Government	Mixed-Institutions Quasi-Governmental	Private
Initiation	Supra-national			
Financing	Supra-national			
Operation			Quasi-Governmental	

While some private and quasi-government export credit insurance systems do exist, national governments ordinarily provide the backing. But for most LDC's, lack of skilled personnel and currency resources preclude offering this type of necessary support. Still, export expansion is unlikely to generate much enthusiasm, especially in small-scale businessmen, unless overseas risks are minimized through insurance. Long -term or very expensive credit are other hindrances, since the exporter is thereby forced to freeze progressively larger amounts of his working capital, which strain his business operations.

J. THE MIXED EXPORT AGENCY

The Guideline: Public and private interests can be strongly coordinated and centralized by means of a mixed export institution.

	Supra-national International	Government	Mixed Institutions Quasi-Governmental	Private
Initiation		Government		Private
Financing		Government		Private
Operation			Mixed Institutions	

A centralizing export agency acting for the government and all or most private sector associations spearheads the export drive. In this type agency, cost and service redundancy tend to diminish. In this tandem technique, government provides a favorable fiscal and regulatory framework to help the entire export community. It usually obtains most of the primary information through overseas government (also sometimes business) personnel and, to paraphrase, runs interference. The coordinating or export promotion institution handles the sometimes complex as well as the pragmatic needs of exporters.

The Instances: Exporting complexes of this nature are already in operation in some of the successful exporting nations: SAFTO in South Africa, JETRO in Japan, KOTRA in Korea.

The South African Trade Organization, SAFTO, is both an information and publicity organ for South African businessmen and exporters. Its consultative committee is comprised of representatives from important organizations, including the South African Federated Chamber of Industries. Working directly with the Export Trade Promotion Division of the Department of Commerce and Industries, SAFTO is able to influence the planning and implement policies favorable to South African exports. Among its range of services, SAFTO:

- represents exporters in their complaints about transit difficulties to the appropriate transit or port authorities
- provides up-to-date and comprehensive trade information on any area of the world through its trade intelligence system
- compiles and speedily transmits through direct channels general and specific leads, commodity trend projections, and other pertinent subjects

- uses a computer to quickly match buyer inquiries to exporter members
- directly promotes hard-sell trade drives which it organizes for various producer/processor groups, such as the South African Rock Lobster Company
- introduces its members to foreign agents
- arranges visits to South Africa by overseas buyers and others interested in South African trade
- provides direct assistance on the mechanics of exports to individual members by helping with documentation
- advises on transportation, legal problems, tax concessions, refunds on duties, customer credit standings, and other business problems
- arranges exporting consortia to fill large international orders beyond the capabilities of single manufacturers
- negotiates piggyback (consolidation) agreements between existing exporters and non-competitive potential exporters
- undertakes in-depth market investigations on specific problems for individual exporters.

Japan's JETRO is similar in scope though more tightly linked to the government.

The Korean Traders Association, KOTRA, is developing along the same lines but has yet to reach full effectiveness.

Whether or not developing countries could be expected to find the resources to organize such a refined group is uncertain. Certainly, SAFTO's twenty-five-man staff is not large, but even this small number could be pared in less diversified economies, particularly if established companies would lend their personnel or assist in the training of new people.

The exact structure, of course, varies with the individual situation: SAFTO is privately operated though mostly government financed, whereas

Yugoslavia's Council for Economic Relations with Foreign Countries is their "private" businessman's version of an export instrumentality.

In any case, this type of organization should:

- be given sufficient span of control to be able to coordinate or influence activities in both sectors
- be the largest and best publicized national export promotion group within and without its own country
- organize and sponsor participation in international trade fairs and exhibitions
- promote special events in department stores abroad, probably in much the same manner that the Israel Company for Fairs and Exhibitions, Ltd., coordinates all Israeli participation.

K. GROUP EXPORT MARKETING

The Guideline: Where small producers use a group approach to export marketing, they have a better chance to promote their products than suppliers whose distributive units are unorganized.

	Supra-national International	Government	Mixed Institutions Quasi-Governmental	Private
Initiation		Government		
Financing		Government		Private
Operation		Government		Private

A major hindrance to export expansion is that most small-size businesses, producers, or artisans do not produce individually marketable quantities, nor do they have the resources to risk in overseas marketing. By increasing saleable quantities through any of a broad spectrum of

coordinating arrangements: cooperatives, syndicates, marketing boards, consortia, and the like. These advantages arise:

- Joint actions and pooled resources provide funds which can be used for promotion, market research, and dissemination of trade information among members.
- Group-imposed quality controls
- Ability to influence the government to create an environment advantageous to exporting.

The Instances: Forceful cooperative organizations of small farmers and manufacturers are found in many developed countries, such as Sweden and Switzerland.

The Israeli sale of citrus fruits to Canada is illustrative of a successful joint marketing system. Before 1964, various Israeli companies were selling to Canada without coordinated pricing, shipping, or grading. As a result, the market became unstable. Recently, however, a joint delegation, representing several companies, agreed to market all citurs exports under one brand name, "Jaffa," and to set a uniform price. Israel plans to use this successful joint marketing agreement as a model for similar exports to Europe.

In South Africa all growers belong to the Decidious Fruit Board (SADFB), which is the sole exporter of fruit. It controls quality, buys fruit for export, determines prices, and delivers for shipment to the Perishable Products Exports Control Board. The two boards work in concert to ensure the high reputation of South African fruit at home and abroad.

The Ivory Coast, another successful exporter of fresh and preserved fruit, sells through COBAFRUIT, a cooperative of most fruit growers.

Countries which do not use a cooperative approach to exporting often experience difficulties. In a news item dated October 7, 1965, Spain's Ministry of Commerce described the Spanish citrus exporting situation as "anarchic" because of the activities of 550 separate citrus exporters. The Minister hinted at the possible nationalization of citurs exports to improve Spain's competitive position in the current E.E.C. "citrus war." He further stated that the single citrus marketing agency system used by Morocco, Algeria, and Israel, respectively, contributed to their individual exporting success and their improved ability to deal with Common Market tariff barriers.

The solution is much the same to the problem of the cottage industry groups of small-scale producers or artisans.

The Instances: Italy's National Handicrafts and Small Industries Agency (ENAPI) assists artisans by providing marketing information and channeling production into areas where foreign demands are strongest. For instance, foreign interest in copper handicrafts is declining while pewter articles are growing more popular. ENAPI is encouraging artisans accrodingly and directly promotes Italian handicrafts in permanent exhibition halls, both in Italy and abroad. Exhibition centers in Munich, Zurich, Paris, and Montreal have already been established. Comparable promotion would obviously lie beyond the means of small producers/artisans.

The Tunisian Handicrafts Office operates along the same lines. It improves standards and promotes handicrafts through "Tunisia Houses" located in various cities around the world, including New York.

L. EXPORT MARKETING "PROS"

The Guideline: Developing countries should utilize the services of "pros" to promote their exports, especially in developed areas.

	Supra-national International	Government	Mixed Institutions Quasi-Governmental	Private
Initiation				Private
Financing				Private
Operation				Private

With professional marketing guidance, LDC's can employ more sophisticated promotional approaches to the urban and suburban consumer in the U.S., U.K., and other Western markets. The "pros" can be operating locally in the LDC's as export promoters or in the overseas markets as import promoters.

The Instances: Nigeria is an example of a country which is using the services of American advertising agencies to promote its exports. A Nigerian timber company hired an advertising agency to create an effective brochure on hardwoods.

Zanzibar used an American public relations firm to promote its cloves.

Many times countries use "pros" only as a result of persuasive efforts by importers from developed countries who want to "jazz up" their own businesses. Madagascar is an example. A large New York spice importer spent several years trying to persuade the Madagascar vanilla authorities to invest the equivalent of several tons of vanilla in a promotional effort. They reluctantly agreed to support a pure-vanilla campaign.

However, this only occurred when the large U.S. market was seriously threatened by the inroads of artificial vanilla. The importer together with the Flavoring Extract Manufacturers Association, the Vanilla Bean Association of America (importers), and the Vanilla Growers of Madagascar cooperated in the effort. As a group, they hired public relations counsel. By late 1964, their campaign paid off when the U.S. Food and Drug Administration issued a regulation requiring the identification on labels of artificial vanilla. Current indicators point to a sizeable increase in U.S. vanilla imports this year.

M. EXPORT EDUCATION PROGRAMS

The Guideline: Teaching programs which are fully developed around the day-by-day marketing problems that confront the new and more experienced exporters are more useful than those which approach the subject academically by economic theory.

	Supra-national International	Government	Mixed Institutions Quasi-Governmental	Private
Initiation	International			
Financing	International	Government		
Operation			Quasi-Governmental	Private

The Instances: The frequent complaint against export education programs is that they are too academic and abstract and fall short of business realities. A case in point is the "UN Group Training Program in Trade Promotion" of the United Nations and the Danish Board of Technical Cooperation

now being held in Copenhagen. Even a glance at the schedule of topics shows this to be heavily slanted to the broad issues of international trade, not the specifics of export promotion.

Similarly, the Yugoslavian Institute for Foreign Trade apparently teaches subjects that are too general to be of significant assistance to businessmen.

In contrast, Taiwan's China Productivity and Trade Center is conducting a series of export marketing seminars of very specific assistance to exporters. In this, an appropriate product and market are selected for each participant. The course's "Marketing Plan for Exports" guides the participant through the concrete aspects of statistical measures, product analysis, geographical strategy, determining the market situation, locating customer and distribution channels, transport and physical handling, pricing and quality control, promotion and advertising, contacting buyers, and company organization or re-organization for exporting.

Moreover, among others, the Taiwan and the Israeli governments both conduct useful training programs for the export promotion personnel of their own and other governments. The aim is to coordinate and publicize the range of available services. Here and in many areas, the US/AID missions are another excellent source of local assistance and information.

THE CASE STUDY: COLOMBIA

I. Present Situation

The economic health of Colombia and the standard of living aims of its people are most directly and deeply tied to the size and direction of foreign trade. And to a related extent, the strength of its currency is also involved.

That the economic well being of Colombia is in jeopardy is directly reflected by that downtrend that shows up in:

BALANCE OF TRADE: COLOMBIA
(in millions of dollars)

Year	'58	'59	'60	'61	'62	'63	First Six Months '64	First Six Months '65
Colombia Imports	425	440	544	582	549	506	236	179
Colombia Exports	517	532	536	460	486	446	220	230
Trade Balance	+92	+92	-8	-122	-63	-60		

During 1965, massive efforts have been made to check and, if possible, to reverse the deficit trade curve through extremely rigorous import controls. There are, of course, the typical and unhappy repercussions on domestically based industries that rely on imports for raw materials. The side effect here can be a pinch on export movements of this group. Still another index of economic weakness is the recent escalation of the free dollar rate of the Colombian peso:

EXCHANGE RATE: COLOMBIA (pesos per dollar)

January	February	March	April	May	June
13.20	15.20	14.10	16.00	17.25	19.95

To a substantial extent the variance shown by these figures is a measure of the economic leverage, good and bad, wielded by Colombia's number one export, coffee. Within this economic context, Colombia's planners have been

urging changes in the export mix, and properly so, in projecting future export goals. Total export targets are being moved up to U.S. $843 million by 1970; this compares with $446 million levels in 1963. The key product projections are:

EXPORT CONTENT: COLOMBIA
(U.S. dollars)

	'64	'70
Agricultural products	$ 74 million	$163
Manufactured products	55.6	96
Petroleum	127.5	167
Minerals	0	5

The coffee content of exports is expected to diminish from a 70% share (1963) to slightly less than 50% by 1970, though the export values of this product are anticipated to increase a modest 6.5%. This contrasts with a 20% gain in export projections of other products.

These advances are based on expected increases in production and in world demand, reinforced by better export marketing practices. To reach these ambitious goals, a large scale export promotion program must be mounted. Of course, the immediate group to provide for is the existing sector of industries for their individual and collective exportability quotient.

II. Present Role of the Colombian Government in Export Promotion

The Colombian government has provided some of the desired incentives for export promotion. In offering its incentives, the over-all government attitude seems to be one of strong export encouragement to all producers but with major emphasis on the export of non-traditional goods.

While all foreign exchange earnings must be shunted to the Banco de la Republica, the government tried an incentive experiment early this year of

departing from its pegged p. 10-1 (dollar) rate by offering exporters the free market price at or near p. 17 for each dollar. This "shock" incentive had one unanticipated and unhappy result, at least in one sector: by midyear 1965, so much cotton was exported that U.S. $8 million of cotton had to be subsequently imported to rebuild stocks to cover domestic demand. By July, the authorities cut back to a "surrender" base price of p. 13.5-$1. Colombian exporters now complain about this present reduced exchange pay-out. Some producers say that it is too low. Another complaint is that export and exchange laws, rules, and regulations can be changed very quickly and significantly by fiat.

The Vallejo Plan: A Drawback Incentive

The Vallejo Plan, which is essentially a drawback system, assures exporters that imported components and raw materials which are ingredients of re-exports are virtually free of import duties. The purpose is to help Colombian manufacturer/exporters who use a sizeable import content keep their prices competitively aligned in world markets. By the middle of 1965, more than one hundred companies had signed up.

Other Incentives

Steps are being taken to reduce the export paper work. However, importers are still harried by the necessity of filling out at least thirty separate documents. Other exporter benefits outlined to the staff include: tax exemption for exporters of non-traditional items except for a 6% excise tax; special import privileges beyond drawbacks to exporters; a system of credits financed by the Banco de la Republica to encourage the production and marketing of non-traditional exports.

The Colombian government has passed some export encouragement laws, which are more aptly described as passive or permissive types of promotion. Economic plans call for a mammoth increase in exports of almost U.S. $400 million in five years. This government version of an export promotion structure is obviously too small a base on which to impose such a crushing developmental load. Within this framework, consider that the "Superintendencia de Comercio Exterior," created by a 1963 statute, to concern itself with export promotion, has a total staff of only two.

In essence the Colombian government is not prepared to offer any active assistance to exporters. As a vignette illustrating this point, one interviewee in our study stated that most or all trade inquiries were turned over regularly to one of the private sector associations. Along the same lines, the Colombian Consulate in New York stated that it does no export promotion work, nor does it offer any assistance to Colombian exporters. And from still another source:

> "Colombian embassies and consulates are passive in trade promotion, nor are there plans to move them into the promotional foreground. At least it would be useful to appoint to diplomatic positions men with experience in economics or business. Glaring by its omission, is any policy to encourage and appoint to diplomatic posts men with economics training and/or empirical business or export backgrounds."

The Colombian government's role so far has obviously fallen short of its mark and lacks substance and direction. A re-orientation and re-appraisal of both the export machinery and its course and speed are no longer optional but urgent.

III. Colombia's Private Sector and Export Promotion

Colombia has no private institution of the type dedicated to export promotion on a formal and sustained basis. However, one of several national organizations seems to assume this task as the need and demand for such assistance grows. Illustrative of this is FENALCO, Federacion Nacional de Comerciantes, which has an export development department staffed by six people working full time on offering a range of export services. Another possible model is ANDI, Asociacion Nacional de Industriales, which is moving towards organizing an export service department. Some export interest, too, has been shown by the nation-wide Private Development Company, which encompasses a host of the smaller companies in its membership. More recently, ESCOLSA, Exportadora Colombiana, S.A., has spearheaded a program to form a "Colombian Exporter's Association." The title describes the intent, but areas of function are presently obscure. Similar efforts, sometimes fragmented, sometimes cohesive, have been sound, but because of inept implementation have remained a fiction instead of a fact, or have diminished to the vanishing point under the stern pressures of business realities. As an example: Compania Colombiana de Comercio Exterior, organized in 1963, attempted to do too many things without the proper foundations. Earlier this year it landed in the Bankruptcy Court.

Colombia's export manufactures are scattered across the industrial sector with the do-it-yourself dogma much in evidence here as it is in many Latin American industry and trade points. Distributive funnels, such as the old-line trading companies spotted throughout the African and Asian zones, are the exception rather than the marketing rule. Perhaps ESCOLSA, much in the Colombian foreground as export market agents and managers, is the index of things to come. At any rate, other marketing combines and syndicates, the

C. A. Exportedoma Pan Americana and the New York based National Federation of Coffee Growers, are in the Colombian export scheme.

Colombia's export stance is wobbly not because of too many props but too few. The FENALCO's model seems to be one of the more solid export contributors. But more realistic planning, more service, more resources have to be marshalled and committed if Colombia is to meet its target of a sustained $80 million annual boost during each of the next five years, and especially in non-traditional exports.

IV. Some Observations

In developing an export promotion system in the Colombian private sector, a major question is: Who will emerge from among the several national organizations to assume primary responsibility for the program? The sensitive point here is not so much the ability to get promises of cooperation and so, hopefully, performance but to devise a cohesive system of inducements. These should be strong and broad enough to motivate a sustained export drive.

A high priority problem is the development of appropriate export institutions. The Colombian government has still to play a substantial role to which it is not presently attuned. If none of the private national organizations emerge as the export promotion leader, it may then be advisable that the Colombian Export Association, which is in formation, should be structured along the lines of JETRO or SAFTO as a quasi-government organization for this purpose.

A vital first stage is the assignment of key export promotion functions to interested organizations. The three major implementations are:

1. Creating export supplies
2. Developing export sales
3. Abolishing obstacles to exporting.

A substantial contribution along the lines of such forward planning is now being made by A.I.D.'s industry offices in Colombia

The Export Promotion Institutions

The Colombian models of export institutions identified during the interim period are:

Government

Superintendencia de Comercio Exterior - the foreign trade promotion office presently staffed by two people

Private Business Associations

National Federation of Traders - Here five and a half people are occupied with export activities.

ANDI - Asociacion Nacional de Industriales - has no staff asigned to export promotion

Private Development Committee - has no staff asigned to export promotion

Export Association - is only now in formation

Chamber of Commerce

Colombian-American Chamber of Commerce

Professional Organizations

Exportadora Colombiana, S.A.

Service Groups

Banco de la Republica - Central Bank

Banco Ganadero del Magdalena

Banco de Colombia

Banco Comercial Antiagueno

Commodity Groups

INA - National Supply Institute

Coffee Growers of Colombia

CHARACTERISTICS OF A MODEL INSTITUTION

The essential characteristics of successful export expansion institutions have evolved from the preceding review of guidelines. The list outlined below will be expanded in number and detail in the final report of the 991 project:

a. Flexibility: to represent the exporters' viewpoint to business associations, government, transportation, and handling organizations. They should have contacts in, or entrée to, various sectors of government and business.

b. Independence: to reflect export interests from a group and co-equal viewpoint. They should be independent of conflicting influences from other sectors of political and economic life. Preferably, they should have their own budget and internal accountability.

c. Efficiency: to expedite the evaluation of product and market movements. Computers and data processing machinery hasten the referral of requests, trade leads, and service opportunities funnelled through the institution by cooperating business associations, Chambers of Commerce, professional clubs, and the like. Delays not only lose time but business as well. It should keep full and up-dated exporter lists.

d. Professionalism: to encourage and build high levels of professional conduct and competence. It should centralize complaints against performance and also encourage a code of ethics and high educational standards. And it should promote the development of a body of export knowledge by means of forums, seminars, and other educational methods.

e. Creativity: to initiate opportunities for new products, new producers, and new markets. Among other activities, it should encourage the domestic licensing of foreign brand goods and the building up of technical knowledge through the establishment of laboratories and institutions. Within this framework, they can monitor quality and standards.

f. Coordinational Ability: to pull together the many agencies and supporting services into a cohesive, integrated program. The caveat here is: "Joint responsibility is often the responsibility of no one."

g. Opportunism: to tap any and all sectors for the purpose of broadening interest in exporting in all walks of public and private life.

The following are some negative criteria for institutional programming:

- Slow response
- Failure to follow-up
- Failure to keep interested firms notified
- Failure to make clear what assistance is or is not available
- Taking credit away from others
- Charging fees for services which other groups donate
- Getting involved in professional jealousies, in the politics of personal empires, or in collusive practices

THE STUDY PROSPECTUS

The Methodology

The 991 staff scanned the pertinent indices of 120 countries to create a sound selection base for the study in depth of the export promotion systems of 40 countries, within the categorical limits of the AID contract. Basic economic, political, and social data were scrutinized for the positive and negative signals within existing export systems. In the countries reviewed the plus criteria included solid infra-structure development, favorable world markets for the major products, political stability, a commercial tradition. Minus criteria encompassed overdependence on exports of raw and semi-processed agricultural and other materials, inadequate internal and external transport facilities, a recurrent lack of commercial and technical skills. Criteria detail is posted in Exhibit 4.

Against the background of each country's characteristics, the marketing channels and supporting institutions were examined to establish functional criteria as these relate to exports. These criteria form another important coordinate in fixing the value of existing systems and also in pointing out where more effective supports are needed.

To classify the countries according to the development of their export promotion programs, the following four categories, derived from the project contract, were used with the insertion of a fifth and neutral division (see below) to accommodate those countries where data or descriptions of export systems were too vague to be used. The new classification order is:

A. Countries having established export structures and programs

B. Countries having recently established, not well-organized structures

(Continued on page 51)

Exhibit 4

MALAGASY REPUBLIC

		World Rank
Population (in millions)	5.9	62/119
Arable Land (2.4% of total)		74/103
PL-480 (millions of US dollars)	6.	84/97
FCIA	C	

Balance of Trade (millions of US dollars)

	1960	1963
Imports	111	127.
Exports	74	82.
Balance	-36.	-45.

Major Trading Partner - France (millions US dollars)

	1960	%	1963	%	% Change
Imports	78.	70	94.	74.	+4.
Exports	41.	55.	42.	52.	-3.

Membership: GATT, Coffee, IMF, WB, IDA, IFC,
Associate Member of Common Market

Exhibit 4

MALAGASY REPUBLIC

PLUS FACTORS

1. The Malagasy Republic has a relatively well developed agricultural sector. An efficient extension service is continuing to raise standards and steps are being taken to balance production through boards such as the Coffee Stabilization Board.
2. Almost all producers belong to cooperatives which are grouped into syndicates. The latter handle most exporting. The following are a few of the syndicates: Syndicat des Rizier et Producteurs de Riz; Syndicat des Exploitants Forestiers et Agriculteurs Malgaches; Syndicat des Producteurs de Sisal du sud de Madagascar, etc. Manufacturers are also organized into syndicates or societies.
3. Departments within the ministries are responsible for quality control of respective products. For instance, the vanilla department within the Ministry of Agriculture is in charge of vanilla inspection and checks all shipments.
4. The Malagasy Republic is a relatively successful exporting nation. Rice exports rose from 1600 tons in 1951 to 27,488 tons in 1963. Luxury rice exports are scheduled to double in four to five years. Malagasy is the number one vanilla producer, and has no problem finding markets for vanilla. This is partly the result of a vanilla promotion campaign launched in conjunction with several major United States vanilla importers. The 'pure vanilla' theme was emphasized in advertising and other promotional material.
5. The government is stressing the expansion of light industry and processing plants rather than emphasizing heavy industries.
6. Associate membership in the Common Market has provided an outlet for many goods. However, the Malagasy Republic is attempting to diversify her markets and to decrease her dependence on France.

MINUS FACTORS

1. Internal transportation is poor because of mountainous terrain and shallow rivers. Ocean port improvement has been very slow.
2. Although the Malagasy Republic has many different minerals, there are no large deposits except for graphite (number one world producer). World demand for the latter will probably diminish due to technological innovations.
3. Madagascar has a rapidly growing population with more than half of the people under the age of fifteen.
4. The demographic distribution is uneven with most of the population living along the coasts.

Exhibit 5

AID CONTRACT CLASSIFICATION - EXPORT PROMOTION DEVELOPMENT

Latin America

	A	B	C	D	E
Argentina	X				
Bolivia				X	
Brazil	X				
Chile				X	
Colombia		X			
Costa Rica				X	
Dominican Republic				X	
Ecuador		X			
El Salvador				X	
Guatemala				X	
Honduras				X	
Mexico	X				
Nicaragua				X	
Panama				X	
Paraguay				X	
Peru				X	
Uruguay		X			
Venezuela		X			

A. Countries having established sturctures and programs

B. Countries having recently established, not well-organized structures

C. Not known

D. Countries having traditional exports but no systematic promotion structure

E. Countries having rudimentary or no export program

Exhibit 5

AID CONTRACT CLASSIFICATION - EXPORT PROMOTION DEVELOPMENT

Near East Countries

	A	B	C	D	E
Afghanistan				X	
Iran				X	
Iraq				X	
Israel	X				
Jordan			X		
Kuwait - oil only so far					X
Lebanon	X				
Saudi Arabia - interested in organizing a program					X
Syria[1]			X		
United Arab Republic	X				
Yemen					X

[1]Have not yet interviewed Syrians.

A. Countries having established structures and programs

B. Countries having recently established, not well-organized structures

C. Not known

D. Countries having traditional exports but no systematic promotion structure

E. Countries having rudimentary or no export program

Exhibit 5

AID CONTRACT CLASSIFICATION - EXPORT PROMOTION DEVELOPMENT

Far East Countries	A	B	C	D	E
Australia	X				
Burma			X		
Ceylon			X		
China (Taiwan)		X			
India		X			
Japan - world leader in export efforts	X				
Korea		X			
Malaysia			X		
Nepal				X	
New Zealand		X			
Pakistan		X			
Philippines		X			
Thailand		X			

A. Countries having established structure and programs

B. Countries having recently established, not well-organized structures

C. Not known

D. Countries having traditional exports but no systematic promotion structure

E. Countries having rudimentary or no export program

Exhibit 5

AID CONTRACT CLASSIFICATION - EXPORT PROMOTION DEVELOPMENT

African Countries					
Algeria		X			
Cameroon				X	
Central African Republic			X		
Chad			X		
Congo (Leo)				X	
Ethiopia		X			
Gabon				X	
Ghana		X			
Guinea				X	
Ivory Coast				X	
Kenya		X			
Liberia				X	
Libya				X	
Malagasy Republic		X			
Mali			X		
Morocco				X	
Nigeria		X			
Niger			X		
Senegal				X	
Sierra Leone		X			
Somalia				X	
South Africa	X				
Sudan		X			
Tanzania		X			
Tunisia	X				
Uganda		X			
Zambia				X	

A. Countries having established export structures and programs

B. Countries having recently established, not well-organized structures

C. Not known

D. Countries having traditional exports but no systematic promotion structure

E. Countries having rudimentary or no export program

Exhibit 5

AID CONTRACT CLASSIFICATION - EXPORT PROMOTION DEVELOPMENT

European Countries	A	B	C	D	E
Austria	X				
Belgium	X				
Cyprus		X			
Denmark	X				
Finland	X				
Germany, West	X				
Greece		X			
Iceland	X				
Ireland	X				
Italy	X				
Luxembourg			X		
Netherlands	X				
Norway	X				
Poland			X		
Portugal	X				
Spain	X				
Sweden	X				
Switzerland	X				
Turkey		X			
United Kingdom	X				
Yugoslavia	X				

A. Countries having established export structures and programs

B. Countries having recently established, not well-organized structures

C. Not known

D. Countries having traditional exports but no systematic promotion structure

E. Countries having rudimentary or no export program

C. Not known

D. Countries having traditional exports but no systematic promotion structure

E. Countries having rudimentary or no export program.

The Sources

The 991 staff has drawn on the facilities of these major informational sources:

The BLUTRADE Export Expansion Library section and Information Bank of Country Data of the International Marketing Institute

The Widener, Middle Eastern Studies, Littauer, International Legal Studies, and Baker Libraries of Harvard University

The African Studies Library of Boston University

United Nations Library

International Monetary Fund

Library of Congress

Middle Eastern Institute

School of Advanced International Studies of Johns Hopkins University

Department of Commerce: Current Economic Reporting Program of the Department of State (CERP) listings

Department of State: Foreign Service Dispatches and Airgrams

Agency for International Development: Country Desks and Office of Program Coordination

Department of Defense

Embassies and Consulates

Pan American Union

The New York World's Fair

Information acquired through interviews was found to be a useful method of filling in data gaps, especially in poorly documented regions such as Africa.

This inquiry method also revealed the businessman's judgment about soft and firm areas of export promotion programs in his country. In one case an interviewee brought out the unwritten point that one exporting cartel had no real interest in promotion because of the desire to protect markets and maintain high prices.

The 991 staff systematically interviewed the IMI Class of 1965 during the Marketing Seminar. The following are a cross section of interviewees: the Director-President of Companhia Brasileira de Alimentos (COBAL), the Director of the Colombian Federacion Nacional de Comerciantes, the Executive Vice President of the Korean Traders Association (KOTRA), a Regional Marketing Officer of the Ghana Marketing Board, the Assistant Counselor of the Export Promotion Section of the Turkish Ministry of Commerce, the Director General of the Iraqi Cement Marketing Bureau, Director of Foreign Exchange and Trade Commission of Taiwan.

Contacted by mail questionnaire were IMI alumni, who now form a nucleus of five hundred well-informed, marketing-oriented men scattered in public and private sectors. The 991 staff is now receiving replies from this group.

Interviews have also been conducted with commercial attaches, trade officers, U.S. government agents, United Nations personnel, and other knowledgeable officials in New York and Washington. These interviews were amplified by the inspection of almost all international pavilions at the New York World's Fair for the express purpose of closely viewing exhibit promotion methods of both LDC's and developed countries.

The Proposed In-Depth Country Studies

The 991 staff has made these preliminary choices of the following forty countries based on its studies to date:

Latin America	Africa	Near East	Far East	Europe
Argentina	Ethiopia	Iraq	India	Denmark
Brazil	Ghana	Israel	Korea	Ireland
Colombia	Ivory Coast	Jordan	Malaysia	Yugoslavia
Ecuador	Malagasy Republic	Morocco	Philippines	Netherlands
Guatemala	Kenya	Turkey	Thailand	Sweden
Jamaica	Nigeria	U.A.R.	Japan	W. Germany
Mexico	South Africa	Tunisia	Pakistan	
Peru	Sierra Leone	Lebanon	Ceylon	
Uruguay	Uganda			

The selections have been governed by the opportunities for export expansion, geographic distribution, and the requirements of the Contract, AID/csd-787, page 3, Section A 3. Actual selection of the final group of countries to be studied will be made and approved by the Office of Program Coordination, Regional Organizations Division (PC/RO).

The Study Projection

The second phase of the 991 Project will be both an analytical and an auditing process developed along the following lines:

1. The templates pertaining to the selected countries will be checked and revised in the light of experience of the first half of the study; those pertaining to the other countries will be suspended.

2. The vital points of information which are missing will be noted for further in- or out-of-country research.

3. A further search is planned of public and private sources in the U.S.

4. A tentative schedule of projected visits is indicated below, subject to confirmation by AID:

South America:	Nov. 1 - Dec. 15
Near East:	Nov. 15 - Jan. 1
Africa:	Jan. 1 - Feb. 15
Far East:	Jan. 1 - Feb. 15

5. During and following these overseas visits, the home-based staff will assimilate incoming information.

6. Advance rough-outs of individual country reports will be reviewed by AID field officers in a study audit made by a senior 991 staff member. The tentative schedule: March 10 - April 20.

7. Submission of final report: May 30, 1966.

FOR FURTHER STUDY

Trading companies exert a powerful influence on the export of manufactured goods in Africa and Asia. A study should be made to identify their patterns in order to determine the effects of this influence and to suggest how trading companies can be made to better serve national interests.

Other study areas to be scanned:

. The U.S. Department of Commerce proposal to form a U.S. Trading Company with branches in developing nations: to re-appraise.

. International Syndicates: to determine the extent of their control over the world movements in various commodities and the result on national-based foreign trading interests. For instance, the international diamond trade is controlled by one group which fixes prices, controls distribution, and manages supplies. This group has considerable influence over the export success of many of the emergent African states, such as Sierra Leone. Here diamond exports accounted for nearly 65% of total export values.

. Barter and Balanced-Account Agreements: to evaluate obvious and covert repercussions on normal trade flows and foreign currency reserves.

. Ethnic Characteristics: to determine if these engender export oriented trading communities in different areas of the world. The Chinese, Israeli, and Indian expatriate traders are cases in point.

. Free Trade Zones: to examine whether these can be a motivator in building re-exports, including the use of indigenous materials.

. Transportation Facilities: to decide whether rates and/or national schedules throttle the export movement from LDC areas.

. Devaluation: to determine its direct, side, and long-range effects when used as a tool for export expansion.

. Internal Market Systems: to analyze the connection between the sophistication of the local distributive system and its effects on export marketing.

. Investments Programs: to appraise these in the light of what industries the LDC's want as opposed to those which they need for internal and export viability.

INVESTMENTS IN EXPORT EXPANSION

The staff has been alert to investment possibilities and opportunities for A.I.D. or other groups interested in the development of commerce as a substitute for aid.

A. It may be useful to begin export expansion investment analysis by considering the desirability of expanding the productive capacity of currently successful export items, such as the proposed doubling of Kenyan orange groves under SUNKIST supervision.

B. Likewise, it may be useful to consider the modernization of present transport facilities for export. The detrimental effect of the decrepit condition of Egyption transport on U.A.R. exports is well known. The inefficiency of world-wide handling and transport is a major obstacle to developing country export expansion.

C. A small investment in relatively unsophisticated machinery would be adequate to set up a card-sort or computor control system of the producing units of the developing world.

D. As a generality, the developing nations have no permanent trade centers in the leading developed country markets. It may be feasible to set up such centers under UN or some collective sponsorship. Training facilities should be included at the centers, both maintained by an international fund.

APPENDIX

Interview with Mr. Michael Bache, former U.S. Commercial Attache, Ivory Coast 9/26/65, as reported by Eugenia Barton, Export Resources Assistant, Project 991.

I. Government Promotion

A. Coffee and cocoa stabilization funds

1. The government sets price and pays for transport. In some cases, it directly negotiates contracts with foreign governments and companies, such as General Foods. These large deals account for 30 or 40% of the exports. Private Ivoirienne companies negotiate contracts for the remainder.

2. Coffee reaches overseas markets the following way:

a. Small-scale African farmers produce coffee and cocoa.

b. Trucking companies (mostly African owned which belong to the African Truckers Association) pick up produce and leave certificates confirming the farmers' location and quantity.

c. Trucking companies show the certificates to the Stabilization Fund Office which pays them for transportation.

d. Trucking companies deliver produce to the exporter who arranges the overseas sale.

e. The overseas buyer pays the exporter who reimburses the farmer (he didn't say whether this is done through the Caisse). If the world price is higher than the price set by the Caisse (the figure is reached by a complicated calculation involving processing, delivery costs, etc.), the exporter must pay the difference to the Caisse. If the price is lower, the Caisse reimburses the exporter.

3. The exporter almost acts in the capacity of a Government agent; however, he does make a profit or else he wouldn't stay in the business.

Companie Francaise de la Cote d'Ivoire (CFGI) is one of the biggest trading companies.

4. Agents do almost all the overseas promotion. However, the Caisse does set up exhibits under the supervision of the Bureau of the Foreign Service.

B. Direction Commerce Exterieur

1. Sets up exhibits.

2. Issues licenses.

II. Quasi-Government Promotion

A. Chamber of Commerce is the official liaison between the Government and private business and is a part of the Chamber of Commerce and industry. Its services include:

1. 100 p. monthly bulletin.

2. The Secretary General has a staff which gives out information.

B. Syndicates are private trade associations supported by members. The Chairman of each syndicate has an office in the Chamber of Commerce building. The syndicates find markets for their members and sometimes use consultants. For instance, a European association is doing market research for I. C. Wood Producers.

1. Wood exporters syndicate. Mr. Bache asked that the following point remain confidential and only be made available to A.I.D. Several years ago, he suggested to the head of the wood exporters syndicate the possibility of using a promotional brochure comparable to the one created for the Nigerian wood industry by an American advertising agency. The French-Ivoirienne director said the syndicate was not really interested because it wanted to continue selling small and high priced quantities in the protected French market.

2. Cobafruit. This syndicate deals mostly with pineapples and bananas. All fruit is sold through this Co-op vehicle which does the actual negotiating and finding of buyers. At one time, France bought most I.C. fruit under a large quota. She is now buying less. In addition, I.C. banana planters no longer have a monopoly in Italy. The growers are doing very little to promote sales because they prefer to keep prices high. Marketing arrangements in France have been a main factor in this attitude. Mr. Bache, who spoke in confidence at this point stated that the possible entry of an American plantation may change this situation by promoting competition.

Interview with Mr. Peter Hammerstrom, Attaché, Embassy of Sweden, Washington, D. C., September, 1965, as Reported by Miss Carole Samworth, Export Resources Assistant, Project 991.

I. Trade Promotion Activities of Embassy's Commercial Section

The Embassy can be said to aid exporters only indirectly. The Embassy's commercial duties are of a general nature, especially dealing with trade policy and tariffs. It works closely with the General Export Association.

II. Swedish Export Development

Necessity is the greatest incentive to successful exporting. Almost one third of the GNP is exported (note: one-fifth is correct figure). Sweden has long experience in trade and is rich in resources. The exporting companies have their own export divisions and great skill in trade. Mr. Hammerstrom feels it is easy for a small manufacturer in Sweden to enter the export market. The Attaché does not think that Sweden assists developing nations in trade and promotion techniques.

III. Institutions

1. Board of Trade/Kommerskollegium, government, tariff commission of the Ministry of Commerce, represents Sweden in international tariff negotiations.
2. Swed-Expo, private, trade fair. Hammerstrom does not consider it important.
3. General Export Association of Sweden; private, co-operates extensively with the Foreign Office, Ministry of Commerce. The GEAS is the "spider in the middle of the web". Every exporter of importance is a member (about 2,000). It issues publications, promotes trade with exporting firms, arranges exhibits abroad, conducts ad hoc trade missions abroad. These trips are

planned well in advance with contacts arranged. GEAS is the most important channel of information for the export trade. With government funds GEAS plans official Swedish representation in trade fairs (note: neither government nor GEAS responsible for Swedish Pavilion, New York World's Fair). Government channels trade promotion activities through GEAS. Often one-half funds are government, one-half are private, but terms differ with each fair. The GEAS conducts elaborate seminars for exporters in Sweden. THE EXPORT SCHOOL is held once or twice a year in business centers at hotels or universities. The instruction is advanced and high level. The lecturers are well-known, well-paid experts (may also be foreigners).

4. Swedish Chamber of Commerce in the United States, private, offices in New York and San Francisco, limited government financial assistance, semi-official representation abroad. The SC of CUS carries out the most elaborate trade promotion of Swedish products in the United States, finds American buyers, enlists Americans as members of the SC of CUS and supplies them with information, arranges United States contacts for Swedish businessmen, supplies every kind of trade information.

5. Commercial Sections, Foreign Service; government, has consulate generals in principal cities (in United States: San Francisco, Houston, and Minneapolis). Their trade promotion is passive. They receive inquiries which are passed on to the SC of CUS. Their work is with trade agreements, customs problems, and official representation (for example, lobbying in United States Congress when tariffs are under consideration). They do as little as possible of the detailed, particular commercial work.

6. Trade Commissioners in United States.. They are stationed in Chicago and Los Angeles. Their work is the same sort as that of the SC of CUS but on a more limited scale. They do field work, making market surveys, finding new contacts.

7. Svensk Exportkredit, mainly for trade with less developed countries (note: Swedish commercial banks are very active in this field)

8. Central Statistical Bureau. Foreign trade publications available by subscription:
   Yearly (statistical abstracts)
   Monthly (bulletin of foreign trade)
   Quarterly (three-months compendium)
   Monthly (flyer, statistics by country)

9. National Institute of Economic Research, probably does not promote trade except as it contributes to general knowledge.

10. Swedish Information Service, government, will give trade information but does not promote trade.

Note: For information on the various private agricultural marketing associations, we are referred to the Agricultural Attache.

Visit to the Danish Pavilion, New York World's Fair, September 2, 1965 as Reported by Carole Samworth, Export Resources Assistant, Project 991

I. Description and Nature of Exhibit (See also IV., Interview)

The quality of the Danish Pavilion and its exhibits is very high. Surrounding the pavilion are an outdoor restaurant and a children's "Tivoli" playground. The building houses the displays, a gift shop, a food shop, and two restaurants.

At the entrance a wall gives a profile of Denmark (basic geographic and demographic information), listing its memberships in UN, NATO, EFTA, and OEEC. Inside there are photographs of the king and of Danes receiving social security benefits (free hospitalization) and a "better life for Greenland" photographic display. There are many photographs of scenes of Denmark and Danish life oriented to tourist promotion.

Beyond these limited cultural and political presentations, the greatest amount of space and effort is devoted to Danish products and industries. Indeed, one's impression of the pavilion is that it is entirely commercial.

II. Trade Promotion Aspects

The products displayed are of the highest quality and design and are most skillfully displayed. The emphasis is on products for the home, i.e. porcelain, silver, and especially agricultural products and furniture, in the production of which Denmark has traditionally excelled. It is noteworthy that only one machine manufacturer is represented, the Rex-Rotary Corporation A/S, manufacturer of business machines.

Agricultural products are promoted through the many displays, through three brochures (two from the Danish Agricultural Marketing Board and one series of

four flyers from the Danish Cheese Export Board), through the Food Shop, where they may be purchased and where "export" food gift packages may be ordered at reasonable prices, (See "Gift Parcels" brochure and note the unfortunate omission of prices and order address), and through the two restaurants and outside cafe, serving exclusively Danish foods and drinks. Both restaurants are very good.

III. Exhibitors (all successful exporters)

Bing & Grøndahl Porcelain Factory, Copenhagen: figurine exhibit

Danish Handcraft Guild, 30 Kongens Nytorv, Copenhagen K: table silver exhibits

Danish Agricultural Marketing Board: food displays (See "Table Talk" and "Gift Parcels")

Royal Porcelain Manufactory, Copenhagen: figurines, dishes, other porcelain items

Kastrup Glasvaerk A/S: household glassware

Louis Poulsen & Company; manufactures of PH lamps

George Jensen, Copenhagen and New York: silver displays

Salesco: the distributing company of five Danish furniture manufacturers for joint sale of the furniture designs of Hans J. Wegner, outstanding Danish designer

Rex-Rotary Corporation A/S, 6 Esplanaden, Copenhagen: business machines display

Other: wooden toy displays
five displays of dinner tables, all with Danish appointments and food displays
additional food displays, including Danish seafood, ham, liquors, and cheeses

IV. Interview

Mr. Leif Wium, Director and Manager
Denmark Pavilion
New York World's Fair
Flushing, New York 11380

Sponsorship: Pavilion has no government funds. It is privately supported by Danish funds from the Meat Associations, Cheese Associations, and the Breweries, all of which are members of the Agricultural Marketing Board. However, the Danish government has permitted the Pavilion Corporation to receive the proceeds from a special run of the State Lottery. The pavilion has had some incidental cooperation from the Danish Consulate, but it has not been significant.

Changes in Pavilion: There have been few changes in the past two years. Some products have been removed from vertical displays which have been replaced by set dinner tables, thus giving a less crowded effect even though fewer items can be displayed. The food shop is new this season and replaces a display area.

Trade Promotion: Note that the foods to be purchased are packaged under "Danish" label which is not a trade name. It is a neutral label of the member industries of the Danish Agricultural Marketing Board and is for the general promotion of Danish products. There have been no inquiries from wholesale or quantity buyers. The exhibitors are already well established exporters, who are not seeking new outlets but increased consumption of Danish products.

Mr. Wium does not agree with the popular opinion that only souvenir and cheap items can be successfully sold at this fair. The Danish Pavilion has no junk but only good quality items, some inexpensive and others expensive. His experience has been that the visitors are prepared to purchase goods if they have appeal.

The administration of the restaurants and shops of the pavilion are under the administration of the Pavilion Corporation.

Exporting: Mr. Wium does not think it is difficult for a small Danish manufacturer to export his products. The government does not hinder him. Most promotion is private. Mr. Wium thinks exporting is easy; but the product must be better, different, or cheaper. One of these characteristics is sufficient for the product to find its place in the export market. The exporter's task is then to find the market and make known his product's availability.