

EXPORT PROMOTION POLICY, PREREQUISITE OF AN EFFICIENT NATIONAL FOREIGN TRADE STRATEGY

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Abstract

The importance of international trade is widely recognized not only by the business sector, but also by governments. Governments all over the world have reviewed and streamlined their foreign trade strategies during the last decades. Nearly all countries have adopted special export promotion and development programmes. These programmes have focused on providing more efficient trade support services in areas such as trade information, financing, logistics, customs procedures and communications. Trade Promotion Organizations (TPOs) have a broad mandate to provide or coordinate trade support services in the above mentioned area.

Keywords: *foreign trade strategy, export promotion*

Introduction

In the context of globalization and increased competitiveness in the world market in general, and in Central and Eastern European countries, in particular, structural adjustment programmes and trade policy reforms are preconditions for economic growth and healthy trade performance. However, macroeconomic initiatives need to be complemented and supported at the microeconomic and operational level, in order to ensure a dynamic, outward-oriented and competitive business sector. Firstly, there is a need to improve the export supply response through institutional strengthening and enterprise-oriented assistance in areas such as product development and adaptation, trade finance, export quality management, export packaging, and better management of imported inputs. Secondly, efforts towards market expansion and diversification must be intensified, for example through the strengthening of business information networks.

Performance in international trade has become a synonym with international competitiveness for countries, regions and firms, alike. The successful conclusion of the Uruguay Round and the World Trade Organization setting up have reinforced the multilateral trading system and have intensified the level of competition in international markets. World trade has consistently outperformed GDP growth and is projected to expand twice as fast as world output in the following decade. In many ways, international trade has become the fast lane to economic growth and restructuring.

The importance of international trade is widely recognized not only by the business sector, but also by governments. Governments all over the world have reviewed and streamlined their trade policies during the last decades. Significantly, efforts have gone beyond the commercial policy framework. Nearly all countries have adopted special trade promotion and development programmes. These programmes have focused on providing more efficient trade support services in areas such as trade information, financing, logistics, customs procedures and communications.

A recent survey issued by the International Trade Centre UNCTAD/WTO estimated that the budgets for public trade promotion programmes, alone, amount to an average order of magnitude of 0.1% of national exports per year. This is equivalent to global expenditure on trade promotion of some US\$ 10 billion for 2010. If one includes the budgets of non-commercial trade support services

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by non-governmental institutions such as chambers of commerce and industry associations, the amount would be significantly larger.

In spite of this considerable resource endowment of trade promotion programmes, these programmes need to be selective in terms of products, functions and/or markets. An equal distribution of trade promotion resources over all products, functions and markets would obviously not make sense, as resources would be spread too thinly to reach anywhere a critical mass.

Strategic Guidelines in Export Promotion Activity

Trade Promotion Organizations (TPOs) have a broad mandate to provide or coordinate trade support services in the above mentioned area.

A Trade Promotion Organization (TPO) is defined by the International Trade Centre UNCTAD/WTO from Geneva like a private or public institution with the main task to facilitate entry into foreign markets for a collective group of exporters and manufacturers of the home country. Governmental TPOs are those bodies set up by government as part of its infra-structure in order to facilitate foreign trade in general, but exports more in particular.

To the question “Why is necessary a TPO?” the answer is:

- To increase foreign exchange earnings.
- To reduce dependence upon a limited number of markets.
- To decrease trade deficits.
- To provide employment.

In practice, trade promotion activities are a function of several entities in any country. There is usually one central governmental export promotion body to provide the policy framework and mechanism for co-ordination and consultation among the various sectors or organizations involved in foreign trade. Such TPOs can be specialized in a few key functions or perform a broad range of services. The type and extent of their activities depend on the resources available to them, such as the experience of the organization, the quality of its work force, its network of linkages and financial resources. The TPO's ability to identify changing conditions and requirements of its primary clients – the exporters - and then adapt trade promotion services accordingly is more important than the variety of services offered. Typical TPO activities may be classified into four general categories:

- Identification of products and markets.
- Promotional activities abroad.
- Trade information services.
- Specialized support services.

Identification of products and markets. Most countries focus on strategies for export development and promotion, given the importance of national goals and their limited resources. A TPO has a significant role in laying the groundwork for an export promotion programme. The TPO can give invaluable assistance by doing the necessary studies to identify what products to promote and decide which markets offer the greatest opportunity for export growth. Moreover, the TPO could participate in designing and developing marketing strategies for specific sectors and products, incorporating into these strategies all recommended measures and actions for achieving export targets.

There are three steps in the methodology for product identification:

- Prepare the product-market framework.
- Determine export potential of local industries and make a pre-selection.
- Make a survey of the export supply.

Product-market framework. A useful and practical approach is to adopt the product-market framework for an export promotion programme. As the term suggests, each programme concentrates on a specific product or group of products. Activities are directed mainly at helping the specific sector or a selected group of companies to gain entry into certain markets. The product-market

framework means allocating resources to focused activities for maximum impact designed to achieve export targets. Three features of this approach are:

Products are identified for the purpose of designing a marketing strategy for a specific sector, including all necessary action and support activities that help generate or increase exports.

A programme based on the product-market framework can address specific concerns of the sector; particularly obstacles to export growth, and provide the basis for coordinated or co-operative actions, including joint export promotion and marketing activities.

The programme can help individual companies to develop their own marketing strategies and programmes and to identify specific areas where support or assistance is required.

Planning and implementing a programme with a product market framework could be done by a central export coordinating body, although institutions and organizations from both the public and private sectors might also participate.

The significant role of the TPO is to lay the groundwork in preparing the programme and to do the necessary studies to identify the products to be promoted in identified markets.

In many cases, a country do not have a clear idea of what products to promote in international markets. This leads to haphazard trade promotion efforts, often as a reaction to inquiries made by foreign buyers, with uncoordinated, ineffective export assistance. Identifying priority export products is necessary to maximize the impact of all activities and efforts aimed at achieving national export targets.

Selection of product sectors. Initial selection and determination of export supply capability are the first steps in the identification of export products. Identified products have to be matched with the results of corresponding market selection and identification activities in order to fully determine export potential. Product identification is a process of successive selection until the most promising products emerge. The process begins with preliminary research into national economic development. Policies and programmes set the priorities for product sectors and statistics on production, domestic consumption, exports need to be analyzed in order to determine the availability of an export supply.

A list of products should be made that could be matched with the demand potential in major importing countries. The initial analysis could be the basis for deleting certain products from this list. Then, the following types of products should be identified in order to give them priority ranking:

Products for which local raw materials are available and for which development could lead to high value added downstream activities.

Products that are produced predominantly by local companies.

Products subject to few restrictions, giving access to foreign markets.

Products that can make possible contributions to foreign exchange earnings.

Labor-intensive exportable products that will help alleviate employment problems.

The determination of the products to concentrate on for export has to be discussed at a governmental inter-agency level or committee. A TPO, together with ministries and agencies involved in industrial policy, foreign investment and economic planning and representatives from the private sector should sit on this committee to map out current and future export plans which will form the basis of the policies and programmes for priority product sectors.

Export readiness survey. After making a broad selection of export products, the next important step towards product identification is determining who are existing and potential exporters. This is done with an export readiness survey with the following objectives:

To identify and select exporters/manufacturers who could most effectively use trade promotion assistance and support, so that they could be successful lead participants in the drive for specific export markets.

To identify and select the most promising products in terms of sales and production capability in order to estimate the amount of production that can be exported in the short and medium term.

To identify the constraints companies face in exporting, and/or in increasing exports of the selected products.

To identify the type of assistance packages that will help companies become major exporters by increasing their sales and production capability in the short and medium term.

The suggested approach is to identify potential export companies, and then identify promising products. This approach is based on a strong belief that in the early stages of export promotion, the most able companies (rather than those most in need of assistance) can give the needed push for national exports.

These companies can be used as vehicles to generate export business growth and to support and reinforce this growth with suitable assistance programmes or services. This does not mean that a TPO should ignore the less able companies, which should also be assisted once the more able firms have secured a foothold in overseas markets.

The first step in this approach is to develop a list of potential export companies. Possible sources of information include the customs department, the central bank, other government agencies and trade/industry associations. The second step is to narrow down the list by using the information obtained from research and looking at the following criteria:

- Unique or strong products.
- Production capacity.
- Strong export capability.
- Financial capability.
- Management capability.
- Staff capability.
- Management motivation.

The third step is to use questionnaires and make visits to the selected companies in order to obtain more detailed data. It is important to prepare adequately for the site visits to the companies and the questionnaire. The staff assigned to do this fieldwork should be competent product/industry specialists. Their knowledge about the product/industry and their interviewing skills will be critical in gaining the confidence of the companies' respondents and gathering accurate information.

Promotional activities abroad. The main thrust of the export promotion and marketing efforts is to attract the attention of targeted markets abroad and to project the desired image for the country as a source of products. Trade promotion activities abroad are thus crucial functions for most TPOs. The availability of resources and international commercial representation will determine the extent of a TPO's activities abroad. The TPO can provide an invaluable service to exporters by intensifying its promotional efforts in selected foreign countries. Activities related to trade fairs, sellers missions, inviting foreign buyers to visit local manufacturing plants and facilitating subcontracting arrangements are some examples of a TPO's efforts. A TPO's overseas network of commercial representatives will play an important role in the planning and implementation of the overseas marketing programme. By being "on the ground," commercial representatives will be able to supplement information on characteristics of markets; competitors and market access issues. Such information is important when deciding how to enter these overseas markets.

Trade information services. The quality of business decisions depends on pertinent, reliable and timely information. Exporters need to stay current in their awareness and understanding of market developments and trade opportunities in order to maintain their positions or establish edges over their competition. A TPO should pay close attention to the trade information needs of exporters and have appropriate mechanisms for acquiring such information systematically and disseminating it in a timely way. Moreover, a TPO provides basic and useful support to the export community if it can facilitate contacts between foreign buyers and exporters.

Specialized support services. Specialized export services aim at providing exporters with skills in various foreign trade techniques, thus helping them to become more competitive in the international market. Training, advisory services and facilitation services, plus other forms of technical assistance, may be provided concerning export procedures and documentation, export

financing, packaging, costing, pricing and legal procedures. The range of assistance and services can be as wide and as varied as manufacturers and exporters may require. Of course, the TPO should focus on services for which it has the expertise and resources. Two different approaches may be considered:

- The "integrated approach", in which several special services and overall advice to client companies are provided by a group of trained staff; or
- The "specialist approach", in which such services are offered by a specific group of specialists.

Organizational requirements for TPOs

Certain basic conditions must be present for a trade promotion organization (TPO) to be effective, no matter what form the organization takes. Studies on experiences of TPOs show that the following conditions should be present:

- The organization's main role and field of action should be clearly defined commensurate with the authority, resources, and autonomy granted to the TPO. The definition will have an important influence on the structure of the organization.
- The organization should have a legal position within the overall governmental structure to provide it with the means and required authority to implement its task. There should be a close and logical relationship between the position and authority it is granted and the responsibilities it is assigned.
- The organization's corporate purpose should be clearly stated in order to minimize or avoid any confusion about its aims and any duties unrelated to its main objectives.
- Adequate human and financial resources must be available. The technical nature of the TPO means that it should also be given the necessary freedom to manage its staff adequately, despite limits resulting from civil service regulations and practices.
- The TPO must have support from the export community. Otherwise, it would be impossible for the TPO to start appropriate promotional and development activities.

All of the conditions listed are important, but the most relevant one is the TPO's autonomy to carry out its programme. Autonomy also implies that adequate funding is available and that the TPO is free to plan and manage its promotional programme and has enough access to be represented abroad and to request the services of specialists.

From a legal point of view, TPOs in countries around the world have a number of different forms. About one third of all trade promotion bodies have been formed as sections or departments of a ministry. These lack autonomy, because they are subject to various limitations. Within the public sector of various countries, a little more than 10 per cent of TPOs do not belong to any particular ministry. They may enjoy much more autonomy, but in many instances they are expected to perform functions that are not involved in export promotion. There are also a small number of private sector TPOs, which are usually part of a chamber of commerce or an exporter association. One explanation for this small number is that there is a lack of adequate financing by the private sector for creating and supporting such promotional bodies.

The three forms of TPOs described above account for about 50 per cent of the total number of TPOs worldwide. The rest are so-called autonomous organizations, which are essentially public sector institutions that are financed entirely by the government.

In almost all cases the government provides financing through budgetary allocations or levies and duties. Such TPOs are treated as independent bodies. However, in actual practice, they might not always have the operational autonomy necessary and end up being restricted due to inadequate financing or unnecessary interference from the parent ministries.

Like most public sector institutions, almost all of the autonomous organizations are linked to a ministry. More than half are linked to the Ministry of Trade and/or Industry, while the rest are linked to a Ministry of Foreign Trade, Foreign Affairs, Economy or Finance.

Conclusions

In keeping with the experience of the EU countries in field of specific practices and techniques aiming to foster their international economic relationship, foreign trade promotion activity has to represent for Romania, one of the most important components of the national economy development strategy. This activity has to be developed in accordance with the provisions of the international agreements in which Romania is a signatory part, as well as with the international market rules and procedures. Within this framework, the promotion of the Romanian companies dealing with foreign trade activity by an adequate conceived system of governmental and non governmental TPOs is acquiring new dimensions, having to become one of the main pillars of the XXI century economic development of the country. This problem has to be taken into consideration by the Romanian governmental and non-governmental bodies, taking in view that each economic operator acting in the field of foreign trade should take big efforts in order to penetrate and maintain its position on a very competitive international market.

Actually, in Romania the approach of the above-mentioned problems is carried out by Romanian Trade Promotion Center, established at a governmental level, and a lot of institutions and organizations with responsibilities in the field like Romanian Chamber of Commerce and Industry, ROMEXPO, EXIMBANK, National Association of Exporters and Importers from Romania, professional and employers' associations, in supporting the activity of Romanian exporting companies.

Based on the EU countries experience in foreign trade promotion activity, as well as on a detailed analyze of local conditions, there is possible to identify some key elements for the success of a trade promotion system in Romania:

- There must be a clear definition of the responsibilities and functions of all institutions dealing with foreign trade, especially with regard to their role in policy making and the implementation of promotional activities. Whatever the responsibilities allocated to the TPO might be, it must be granted adequate authority that will enable it to carry them out.

- The TPO must have the necessary autonomy to carry out its programmes. This autonomy can be achieved within different schemes of supervision and control by higher authorities, but unnecessary interference should be avoided.

- They should provide a wide range of services as well as carry out activities intended to improve the export climate. The TPO cannot lose its perspective of being an institution to the service of the business community, and consequently should avoid a tendency to become an organization to the exclusive service of the government. It is essential that the TPO have the clear support of the export community and this community's confidence in its technical skills.

- The TPO must be responsible for the planning, implementation and management of certain basic activities such as market research, trade information services and a range of specific promotional and assistance actions. The services provided by the TPO must be relevant to the exporters, and their definition should be based on a clear identification of the exporters' needs.

- In contrast with that, the TPO must not be given the responsibility for administering or implementing functions especially control related ones, for which it is not adequately equipped, or which can be better administered and carried out by other institutions. Clear coordination mechanisms must be established among the various institutions in order to avoid operational difficulties and conflicts of interest.

- The TPO must have access to the services and facilities offered by the overseas representation system.

- TPO should be able to engage the services of specialized staff because of the nature of the services to be provided. Mechanisms should be established in order to guarantee continuity in the employment of qualified staff.

- The TPO cannot forget that in many instances the business sector must be pushed towards involvement with export activities, and consequently the entity should use its resources to lead the sector towards that end.

- In order to raise the volume of exports substantially, the TPO should focus on the future, i.e. on developing export trends, and not limit itself to the promotion of current products.

The above mentioned factors have to be taken into consideration by the Romanian decision makers in drawing up a national export strategy in the new national and international framework, after the Romania's accession within the European Union.

We are speaking about "a national export strategy" on purpose. We are not referring to a national trade policy. That means that Romanian governmental and non governmental bodies have to focus on the process by which our country will arrive at effective national strategies to support exports and competitiveness of the business sector. While traditional trade promotion services remain relevant, they are no longer sufficient to promote exports and competitiveness. Trade information, missions, exhibitions, generic publicity and commercial representation abroad are not enough to generate export success. National export strategy that confines him to these operational programmes is, in our view, unlikely to meet the challenges that Romania has now to face.

Being aware of both the importance of the promotion activity in attaining the strategically objective of growing efficient exports and the fact that the high costs implied by the export promotion activities could be prohibitive for many Romanian exporting companies, especially for SMEs, the governmental decisions makers together with the Romanian business community, have to take a lot of measures looking for redressing this situation.

A trade promotion strategy designed and implemented in isolation from other economic and commercial initiatives in Romania is unlikely to succeed. Creating a national export strategy is by definition a national issue involving all relevant players, having to be treated as a national, interdisciplinary and multi-sectoral imperative. A solid national export strategy has to include the effective participation of the ministries of economy, finance and industry as well as experienced exporters.

For a national export strategy to be effective, strong linkages with other economic and developmental strategy initiatives are required. Strategy makers must look beyond existing export capacity and work towards ensuring that new export capacities are generated.

Promoting export-oriented foreign direct investment must go in tandem with promoting exports in the international market place.

Developing higher value-added export performance must be directly supported through, for example, developing strong backward linkages in industry and forward linkages in agriculture. Romanian strategy makers must look at "on-shore" domestic production issues, as well as "off-shore" market development issues when developing their future responses.

For a strategy to work, the private sector — perhaps the key player in implementing export strategy — has to be fully involved and committed to the overall process. The private sector has to "buy in" and feel responsible for the success or failure of the strategy. There must be a real and effective partnership between the public and private business sector.

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