

Information

COOPERATION-DEVELOPMENT

PROMOTION OF TRADE AND MARKETING OF ACP PRODUCTS

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Promotion of trade and marketing of ACP products

The Lomé Convention, an agreement linking the Nine Member States of the European Community with 52 African, Caribbean and Pacific States (ACP), is probably the largest and most comprehensive of all agreements linking industrialised and developing countries. It provides for cooperation between 258 million Europeans and over 300 million ACP nationals, nearly half the developing world.

The Lomé Convention is essentially an international economic cooperation agreement, which offers a wide range of facilities to the ACP States. The trade cooperation section of the agreement offers free access into the Community market for nearly all ACP products.

The financial aid package is geared specifically to the development needs of the ACP. A substantial part of the aid is in the form of grants, so the ACP do not have to worry about problems of debt servicing - an important point for many developing countries.

The stabilisation of export earnings scheme is one of the new and exciting aspects of this agreement. It compensates the ACP for losses in earnings from 19 groups of products when falls in earnings are due to price fluctuations or natural catastrophes.

The industrial cooperation section of the agreement seeks to encourage the setting up of new industries in the ACP. A special Centre for Industrial Development has been established in Brussels to act as a contact between EEC and ACP industrialists who would not normally have the opportunity of meeting.

So the Lomé Convention, seen as a whole offers a wide range of possibilities to the ACP to increase their trade with Europe and also develop their own economies.

A great deal has already been written about the major provisions of the Convention, but so far little has been said about the trade promotion side of the agreement and this is the subject of this paper.

There is little point in providing free access for ACP products unless it is followed by measures to promote the marketing and sale of the products they export. Some of the more developed members of the ACP Group are in a position to take immediate advantage of the trade provisions of the Convention. Others can benefit from assistance in terms of analysing the market for their products.

The Lomé Convention makes specific provision for the promotion and development of ACP exports. It is only in this way that the ACP can derive the maximum benefit from trade and industrial cooperation with the Community.

The legal basis for trade promotion activities.

The legal basis for the promotion of trade and marketing of ACP products lies in Article 13 of the Convention. This states that the trade promotion activities shall include:

- a) improving the structure and working methods of organisations, departments or firms contributing to the development of the foreign trade of ACP States, or setting up such organisations, departments or firms;
- b) basic training or advanced vocational training of staff in trade promotion;
- c) participation of the ACP States in fairs, exhibitions, specialised international shows and the organisation of trade events;
- d) improving cooperation between economic operators in the Member States and the ACP States and establishing links to promote such cooperation;
- e) carrying out and making use of market research and marketing studies;
- f) producing and distributing trade information in various forms with the Community and the ACP States with a view to developing trade."

So the Lomé Convention is quite specific on the types of activities which can be carried out to the benefit of the ACP. The ACP can request aid from the European Development Fund to finance various kinds of marketing and sales promotion.

In 1975/76 the European Commission and each ACP State drew up provisional ("indicative") aid programmes to provide the basis for allocating the aid provisions of the agreement. In some cases the ACP put forward specific requests for aid to finance trade promotion activities. Other states have not made immediate use of the provisions in this field. As a result there have been a considerable number of contacts between the Commission and individual ACP States on the question of trade promotion.

Why trade promotion?

The European Community is still one of the main outlets for ACP exports and so it is exceedingly important for them to maintain and develop this market.

The European Community is increasingly opening its market to imports of products from other third countries, in line with the general trend of the GATT signatories to try to liberalise trade. The opening up of the EEC market inevitably means that the ACP are facing increasing competition from other Third World producers, producing the same or similar products.

The ACP are facing great competition in particular for their major exports, notably coffee, wood, groundnut oil, bananas, preserved fruit and fish and all processed agricultural products.

The provisions of the Lomé Convention applied to ACP exports (tariff preferences, no quantitative restrictions, rules of origin, special treatment for certain products similar to or competitive with European products, non reciprocity in trade) are unlikely in isolation to bring about appreciable or steady increases in their exports to the Community. Hence the vital need to help promote ACP exports on the Community markets.

While there is a great need to promote traditional exports, a great deal can still be done to interest the European consumer in other ACP products and so promote the development of trade. Similarly as the ACP industrialise they will produce new goods for which they will have to find a market - again a field in which trade promotion activities can play a vital role.

It is by increasing trade that the ACP can reap larger export receipts and so develop and diversify their agricultural and industrial production and consequently increase the standard of living of their nationals.

While great care is given to the siting of new industries or new plantations in terms of investment costs, methods of financing and personnel requirements, equal attention is sometimes not given to the marketing of new products. In the competitive world it is often difficult to sell new surpluses or new products and these difficulties should not be underestimated.

As the ACP States industrialise there will be a change in the structure of exports and so marketing and sales promotion will become increasingly important.

What type of action?

The activities which the Community will help the ACP to carry out, will clearly vary according to the needs of the country. The European Commission has identified a number of activities which lie within the provisions of the Lomé Convention.

A. Improving the structure and working methods of organisations dealing with trade promotion.

Both marketing organisations and the governments of the ACP States can approach the EEC for assistance.

In relation to marketing organisations, experts could be sent out to examine the existing structure and propose changes to improve the operation and efficiency of the organisations. Studies could also be carried out into certain aspects of the operation with a view to improving the working methods and reducing costs.

Such requests can be put forward by marketing organisations through the governments of the ACP States. The term marketing organisations covers, for instance, marketing boards, stabilisation funds, specialised development companies, regional authorities and so forth. These must not be entirely private establishments but should be state owned companies, mixed investment companies or public bodies involved in the marketing process like for instance foreign trade departments, customs authorities, national shipping companies, foreign trade centres etc.

The governments of the ACP States, and if the latter agree, regional economic organisations, may request finance to carry out studies relating to :

- 1) the setting up of organisations, departments or firms which would be concerned with marketing or the promotion of foreign trade.
- 2) the setting up of permanent trade representations (marketing offices) abroad to provide a direct link between the ACP States and its markets, Such offices would work closely with the ACP exporters groups or organisations responsible for promoting sales.

3) active participation of the ACP States in international trade centres and other organisations both in the EEC Member States and other major industrialised countries. These provide the opportunity of developing the interest of the consumer and distributors in ACP products, as well as in tourism.

What does all this mean in practice? For instance, in the case of Jamaica, the EEC is providing assistance for the setting up of a national Export Trading House which would develop the export potential by helping small and medium sized manufacturers. This Export Trading House will fill a gap in the export and marketing operations of public and private organisations in Jamaica and channel the efforts of small and medium sized manufacturers of specific and selected product categories into a planned programme of export trading and development. So this is a practical example of what trade promotion activities can mean.

B. Training of staff in foreign trade and trade promotion.

The EEC also finances courses for staff involved in foreign trade and trade promotion. The courses are short and aim at providing practical training. The European Commission has listed five different types of training facilities which are provided:

- vocational training of staff employed in marketing departments, boards and companies. It would also involve training in the use of economic and statistical data, market surveys, structure of local and world prices for export products, information on sales conditions on foreign markets and information on the marketing of products. The participants learn about the quality of their products, their packaging, terms of payment etc, in other words all the practical side of marketing.
- training and re-training of staff involved in developing foreign trade and promoting sales. Training of this nature is provided by technical assistants in the organisations themselves.
- training of salesmen and market research workers who are attached to export organisations or to the ACP States trade representations in the major importing countries.
- training of staff to act as members of temporary trade missions abroad.

- training of staff to man ACP stands at international trade fairs and shows.

In practical terms the EEC has agreed to finance vocational training courses in the Ivory Coast for the commercial staff of the Ivory Coast firms and of the Ivory Coast Foreign Trade Centre. This involves organising seminars in the Ivory Coast and courses in firms in Europe for Ivory Coast nationals.

For the seminars in the Ivory Coast two experts who are specialists in the field of European export firms will discuss the following problems : marketing and international relations, use of statistics, product plans, cost calculations, case studies, publicity and the media. The courses in Europe will cover a three year period and are aimed specifically at the staff of the Ivory Coast Foreign Trade Centre.

In Kenya, the EEC will finance the provision of a Marketing Training Adviser for a period of three years. It will also supply equipment and materials for marketing training. These are just two examples of the type of assistance the EEC is giving the ACP in this field.

C. Participation of ACP States in fairs, exhibitions, international shows and trade events.

The Community has for several years assisted developing countries in their participation in fairs, exhibitions, specialised international shows and in the organisation of trade events. This programme will be continued for the ACP States, who have indicated that they found this type of assistance to be valuable. The ACP can also ask for technical assistance to set up their own international trade events.

In this respect the EEC gave assistance to Nigeria in the organisation of the First International Trade Fair.

Similarly the Ivory Coast will continue to receive assistance in the organisation of the International Textile and Clothing Fair in Abidjan in 1979 and 1980.

The EEC also provided assistance to Sudan in the organisation of the First Khartoum Trade Fair. Similarly the Community is providing assistance to the ACP to enable them to take part in trade fairs in Europe.

D. Improving cooperation between commercial groups in the ACP and in the European Community.

One of the ways of improving trade relations between the ACP and EEC is to facilitate contacts between importers, wholesalers and distributors on both sides. These are the people actually dealing with the every day side of trade. By enabling both parties to understand one another's problems and facilitate cooperation, a great deal can be done to improve trade relations. This approach has already been tried in a number of sectors, notably fruit and vegetables, tropical wood, crafts and tourism and has proved successful.

E. Market research and marketing studies.

The Community can provide assistance in carrying out market research and marketing studies geared to sounding out trade circles to see if they are receptive to buying a new product and examining the best way of advertising to achieve an increase in sales.

1) In terms of the foreign market, the Commission has identified three types of studies:

- market surveys which analyze factors affecting the sales of a product on a given market. This involves looking at the size of the market and assessing the receptivity of the consumer to the product. Analysis can also be made of prices and the nature of competition.

- marketing studies which aim at showing the producer how to get himself established in a market or to increase his share of a market. This involves studying the sales side of the operation, selecting the type of distribution needed, working out the advertising side and assessing the optimum selling price etc.

- research into the development and promotion of new products which have not yet been produced on an industrial scale.

2) On the domestic market, economic surveys can be carried out into rationalising and lowering the cost of marketing products. An assessment can also be made of the storage, transport and packaging costs and ways can be sought into improving the distribution of goods within the country.

3) On the regional level, studies can be carried out aimed at encouraging inter African trade and indeed trade between the ACP regions.

Once these studies are done the EEC can also provide technical and financial assistance to enable them to be brought into effect.

This type of trade promotion assistance seems to have caught the interest of quite a number of ACP States. For example, the EEC will finance six market studies and three marketing tests for Ivory Coast products.

In Botswana, studies will be carried out to assess possibilities in the tourist sector. In the case of Tonga, a study will be carried out to assess the possibility of marketing export products in the Pacific. These are just some of the examples of activities being financed by the Community in the ACP States.

F. Producing and distributing trade information in the EEC and ACP with a view to developing trade.

The European Commission has also identified a number of ways in which trade information could be released both in the Community and in the ACP States with a view to developing trade :

- the Community could give assistance to the organisation of trade missions abroad. These would be temporary sales missions, composed of representatives of the promotion and export sectors. The Community could cover the costs of organising such missions and covering travelling expenses.

- schemes to make the producers more aware of opportunities offered by trade promotion. Trade promotion schemes are after all geared to benefit the agricultural producers, craftsmen, export agencies and so forth. One of the problems in setting up trade promotion schemes is that these groups are often badly informed about the opportunities open to them in this field. The Community could also offer assistance in providing this type of information.

- again in the information field, the Community could prepare publications of special interest to the foreign trade of the ACP States. Assistance could also cover the production of films and brochures on export products.

Again there has been quite a considerable response to activities in this field. The EEC will finance a number of Jamaican promotion missions. In 1977 the EEC helped finance an intra-Caricom mission, a mission to West Germany, the Netherlands, Denmark and France. Further missions in 1978-1980 are planned for Latin America, Central America, Caricom, USA and Canada.

The Jamaican authorities are also receiving assistance for the preparation, printing and distribution of colour brochures and advertising materials in several languages. These will be distributed to buyers in selected markets throughout the world.

Between 1977-80, the Jamaicans will receive EEC assistance for single product promotions. These will cover the following products - garments, furniture, processed and fresh foods, cigars, liquors and rum, jewellery, perfums and cosmetics.

In the case of the Ivory Coast the EEC will finance nine trade missions in the ACP States and six trade missions in the industrialised countries over the next three years. Kenya is also taking advantage of this type of assistance.

G. Pre-financing exports.

Small and medium sized firms in the ACP States have frequently complained of difficulty in pre-financing export orders. The Community is prepared to arrange for this problem to be studied with industry and banking circles to find ways of resolving the difficulties.

Conclusion.

The Lomé Convention provides for a wide range of measures to be undertaken to help the ACP market their goods and also carry out trade promotion activities. These opportunities together with the major trade and financial cooperation sections of the agreement can help towards increasing the sales performance of the ACP on the major industrial markets of the world.