

# Meeting the Competitiveness Challenge

## Future Roles for TPOs\*

J. Denis Belisle

Executive Director, ITC

In a tribulent business environment, the imminence of commercial opportunity will be matched only by the intensity of competition. Buyers' positions will continue to strengthen and exporters' capability to compete will increasingly determine their success. Trade promotion organizations in developing and transition economies need to refocus on competitiveness to help their exporters succeed in the new trade environment.

The world of business has changed drastically in recent years, and there is every indication that it will continue to change. Forceful factors are affecting markets.

- \* The Doha round of trade negotiations is under way. These will result in greater trade liberalization, in the emergence of a new commercial dynamic and in an inevitable shift in established trading patterns.
- \* The international marketplace will be increasingly influenced by information and communication technology. Markets will become more specialized, more sophisticated, more efficient and ultimately more demanding.

### Total Competitive Response

In this context, business winners need to offer best quality, lowest price, fastest delivery and greatest flexibility. What are the implications for developing and transition economies' trade promotion organizations (TPOs)? They will have to adopt a total competitive response, addressing -

- § "border in" issues of export capacity and competency development within the local business community;
- § "border" issues, such as systematic bottlenecks in trade facilitation that increase transaction costs; and
- § "border out" issues of market development and promotion, which have been the traditional preserve of the TPO.

This wider, competitiveness-based approach to trade development must replace the market-based focus that many TPOs continue to pursue. TPOs that do not take this approach will have very little impact on future export performance and, in short, are likely to fail. The changing times set another challenge to the TPOs of the developing world: to ensure that export performance makes a significant contribution to overall economic development and, specifically, to poverty alleviation.

### Complementary Objectives

Competitiveness and development objectives

are compatible. Together, they ensure long-term, sustained improvement in export performance, but their compatibility is not automatic. Another challenge now confronting national trade promotion organizations is how to make them complementary. What does this mean for TPO managers?

- \* **First, they must be comprehensive in their approach.** A competitiveness-based export development approach requires that trade support be available to the business community at all critical points of the export value chain. Support must be available to enable the exporter to produce, market and deliver more competitively. Support must also be available to the new entrepreneur, to the aspiring entrepreneur and to the export-oriented non-governmental organization.
- \* **Second, they must specialize.** General services do not contribute much to competitiveness. Specialized services do.
- \* **The spectrum of services that is needed to sustain export competitiveness at the national level and the investment that specialization implies are beyond the capabilities of a single trade support organization.** A multiple-agency approach to export development is required, so, **third**, they must build a national trade support network.
- \* **Fourth, they must strengthen the network through partnerships, both in-country and abroad.** TPO managers must reinforce the network by implementing joint programmes with other specialized trade support organizations, ideally focusing on a specific need within the export community.
- \* **Finally, they must keep on top of this turbulent business environment by being prepared to adapt.** TPOs must benchmark their performance, measure results and adjust when the impact is less than planned.

It is daunting assortment of tasks. ITC has been engaged for a few years in adjusting its own operations to the challenges of the new business environment and has learned some lessons in the process. TPO managers can draw from this experience.

### Four Suggestions for TPOs

- \* **Every network needs a catalyst and a coordinator.** The national TPO is best qualified to undertake both roles and should take the lead to -
  - identify the elements of a competitiveness-based approach to export development;
  - determine the areas where trade can

best contribute to overall economic development; and

- create a national trade support network that involves public-private sector partnerships. The network should be based on specialization and address all aspects of the export value chain.
- § **Establish a unifying vision for all members of the network.** Initiate the preparation of a national export development strategy that is not a wish list, but is based on a realistic assessment of medium-term export opportunities, of the constraints to achieving competitive advantage and of the strengths and resource limitations of key members of the national trade support network. Develop the strategy with the full participation of other network members. Ensure that it has a development dimension and that it receives ongoing political endorsement.
- § **Position yourselves at the centre of the network.** Become the first point of contact for the individual exporter. Focus on providing three specialized services: commercial intelligence, export counseling and a hands-on referral service to other specialized members of the network.
- § **Look to ITC as a full partner,** which can be of considerable assistance through its strategic and competitiveness support tools. The Trade Maps, WorldTr@deNet and E-Trade Bridge programmes are all designed to reinforce the activities of TPOs.

### Expand networks

Other multilateral development organizations, such as the World Bank and regional development banks, can assist in this process of repositioning TPOs. ITC urges them to include TPOs in their efforts to mainstream trade into national economic development. By the late 1980s, some development agencies had become highly critical of the performance of many developing country TPOs, some of which were indeed not competent, while others were. Since that time, many more have become competent and efficient. Today, TPOs are prime national players in ensuring that trade is an effective engine for development. They are legitimate and valuable partners.

ITC will continue to be the friend and partner

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of TPOs. It also looks forward to other international agencies joining in this partnership to ensure that TPOs realize their full potential in these turbulent years. Not making them full members of the team for development through trade would be a mistake.

### Trade as a Tool for Development

How can developing countries benefit more from the multilateral trading system?

ITC firmly believes in trade as a tool for development. In order for developing countries and transition economies to increase their participation in global trade, the need to focus on three export prerequisites: market access, marketable goods and services to export and export skills.

A great deal is being said about globalization and what developing countries and transition economies should do to participate more fully in the world economy. But what specifically needs to be done? In my view, there are three prerequisites to enable developing countries to fully participate in the world economy. They are:

- \* Market access;
- \* Goods and services to export; and
- \* Export skills

### Changing scene

Market access is negotiated between countries. In the past it has often been difficult for developing country suppliers to obtain access to markets in industrialized countries, which have tended to favour their own country's suppliers. This is changing. Recent initiatives by the European Union, the United States and the Fourth World Trade Organization (WTO) Ministerial Conference in Doha, Qatar in November are providing new impetus to substantially increase market access for developing countries in areas where they can best compete.

The second requirement is having marketable goods and services to export. These result from creativity, innovation, technology and capital investment which are critical elements for success.

Creativity exists in abundance in developing countries. Indeed, time and time again, these countries have found highly innovative and imaginative ways to tackle situations that are dealt with more traditionally by industrialized societies. Putting this capital of imagination and creativity to work for

export is something developing countries need to do more systematically.

The cost of access to technology, particularly new information technology (IT) is falling all the time. Last year, the Executive Forum organized by ITC in Montreux, Switzerland, focused on "Export Development in the Digital Economy". It gave plenty of examples of developing country exporters who have entered world markets through the creative use of information technology.

### The key: Good ideas

Capital is equally important. Even in these difficult times, it is interesting to see how much capital from around the world is being directed at seeking out good ideas, large numbers of which will be found in developing countries.

I believe this is a trend that will both continue and strengthen in coming years. There was a time when big firms, or big fish (for the sake of illustration) used to eat small fish; nowadays fast fish are found in both North and South. Fast fish are the result of creativity, innovation, technology and capital.

In my view, this is where developing countries have a unique opportunity to win a greater share of the global economy. ITC can help these countries improve their responsiveness to new demands by assisting with identifying new markets, pointing to opportunities to adapt and di-

versify products and by focusing entrepreneurs' attention on the export potential of the services sector, which is one of the fastest-growing areas of world trade. This will be further enhanced by the use of appropriate information technologies. As a result of improved telecommunications coverage, it is foreseen that increasingly many call centres, back office services, information services, as well as data-entry and processing functions will be located in developing countries.

**The Private sector must "buy in" to the national export strategy**

### Export skills

The third requirement for countries to be able to succeed in export markets is possessing both export skills and the ability to deliver export products and services. These are just as important as market access, since on its own, market access makes little difference. Despite the market privileges they have been granted for years, the poor performance of African, Caribbean and Pacific countries in European markets brutally reminds us that gaining market access alone is not sufficient.

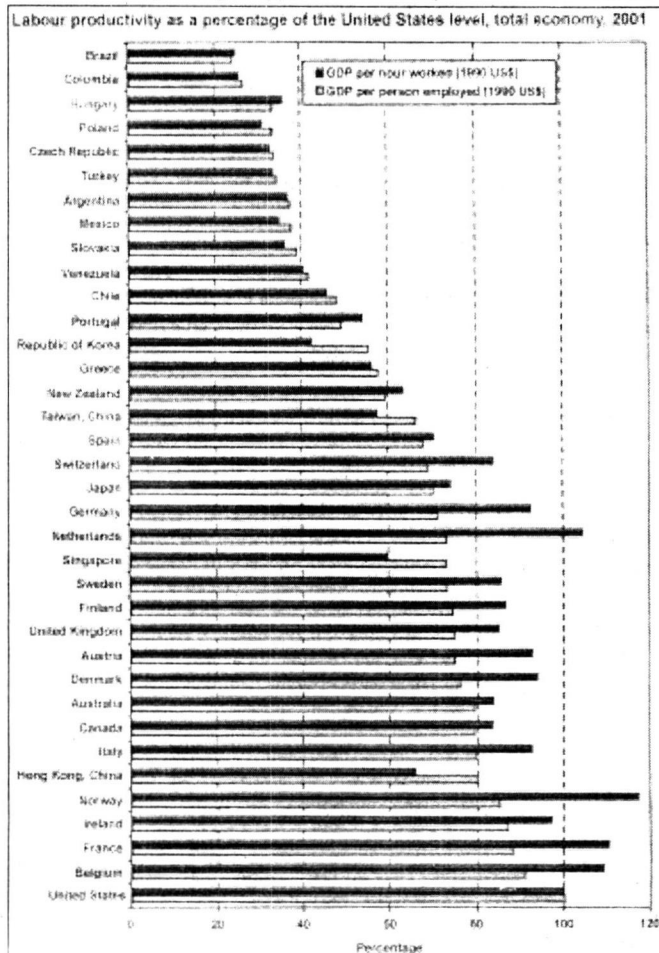
### Strengthening links

Trade development also involves more than just export promotion. Evidence suggests that in successful economies, trade support extends to attention to exporters' supply chain

operations and issues, which usually takes the form of dialogue with supply support institutions.

Export capability is only as strong as the weakest link in the chain. This may seem to be a logical assumption, but few developing country enterprises give it much attention until their first supply or delivery crisis arises.

All contributors to the export supply process share the responsibility for good export performance and dependable delivery. Each exporter effectively acts as an ambassador to the outside world for the country's industry and products. Poor performance or misleading actions will affect the reputation of all suppliers in the country, making it much harder to win the next export deal. Increasingly, buyers set quality and other standards, the effects of which extend upward to an exporters' suppliers and across to associated trade



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access and exportable goods and services, the next focus needs to be on export delivery skills. During almost forty years of hard work with developing country exporters, ITC has learned a number of lessons about things to do and things to avoid. We have incorporated these experiences into a series of products, or "tools for trade".

ITC's tools for trade help entrepreneurs improve their export skills by helping them identify goods and services for export; by providing assistance with selecting niche markets; and by guiding the international marketing effort.

We do this by providing training in all aspects of exports, including trade financing, quality standards, packaging, trade laws, marketing, international supply chain management, using new information and communications technologies and by providing improved strategies to promote export services successfully.

#### **Involve the private sector**

One of the key elements for success is the existence of a solid national export strategy. Furthermore, to make this trade strategy effective, the private sector must be drawn in and totally involved and committed to the overall process. This requires more than mere consultation; the private sector must be a full participant in every step of the process. In other words, it must "buy in" and feel jointly responsible for the success or failure of the strategy. The public sector can-

not do it alone. There must be a real and effective partnership between the public and private sectors in this process. This does not happen easily in any country. Mistrust between public and private-sector institutions is frequently found throughout the world. This mistrust has to give way to understanding, trust and genuine collaboration.

Effective collaboration between the private and public sectors will avoid the occurrence of unnecessary obstacles to trade and inefficiencies in export processes. The examples of other nations show that all successful exporting countries have developed intense public-private teamwork and strong information-sharing networks covering the entire export supply chain from marketing to fulfillment.

Finally, while it is clear that export skills can certainly be acquired, they do not just materialize without effort. Determination to succeed and perseverance are essential. Export is a game and, like any other game, no one can become a champion without practising intensely. Trying, failing and trying again is part of the game. Part-time players never become champions, but those who take the game seriously and play it hard and long enough, do become champions. ITC will always be pleased to help future champions to the maximum of its ability.

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services such as packaging, insurance, warehousing and transportation.

Domestic suppliers of services and materials must be involved in information-sharing and learning processes. In this area, since we cover both the export promotion and supply chain operations aspects of international trade, ITC is uniquely placed to help enterprises and trade support institutions in developing countries and transition economies.

#### **ITC's Tools for Trade**

Following on from the importance of market