



## **Export–promotion and export diversification policies**

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# PART 1. Expert Opinion (IAMO, Halle, May 2016)

- A designated national body for export promotion with a clear mandate, responsibilities and the budget
- Inter-governmental coordination (Ministries of Agriculture, Economy, Trade with export/investment promotion agencies, customs and SPS authorities)
- Engage private sector, active initiative groups: F.ex. Chambers of Commerce, producer groups to be involved in developing trade promotion activities, provide expertise to guide public sector actions (establish public-private dialogue)
- Systematic approach with prioritization of products and markets
- A strategy focused on value addition and/or niche markets (organic, traditional products), GIs
- Developing quality policies/systems to encourage competing based on quality
- Build a positive country image/brand
- Transparency in government spending, evaluation of effectiveness of the export promotion programs
- Avoid governments export restrains (export restrictions and regulatory environment)

# Expert Opinion

- Support to promotional activities (e.g. participation in fairs) by the private sector
- Agro-food trade attache/representatives to be strengthened and expanded
- Trade facilitation and simplification of imports/exports procedures
- Improving SPS systems and implementing international standards are essential for accessing markets
- Investments into trade infrastructure / logistics / transport
- Analyze the experience with creation of Export Promotion Funds
- Encourage and facilitate cooperation among producers
- Education and human resource development for production and marketing in export sectors
- Dedicate more financial resources to agricultural and market research to develop the technological base and strategic vision for the sector (including export orientation), analysis of foreign markets, provide access to market information

## PART 2. Summary : promotion policy, policy instruments

- ▶ Promotion is one of elements in the marketing of food produced (policies vary from rural development or sector programs to no direct public support available Australia, New Zealand, Tajikistan, Armenia..)
- ▶ Export promotion assistance in general terms is “providing standardized and customized market information and guidance on exporting and export marketing and second, more comprehensive programs ranging from helping firms research specific foreign market visits – individual or with trade missions – trade fairs to actual market entry.” (Seringhaus, 1985)
- ▶ Motivation for public support? Varies from country to country (problems on external markets, overproduction on internal market, changes in consumer trends, etc). Evidence: the assistance such as credits, grants and insurance, may increase likelihood of profitability and reduce risks for exporters (Crick and Czinkota, 1995). For each \$1 of export promotion estimated a \$40 increase in exports for the median export promotion agency (Lederman, Payton, Olarreaga)
- ▶ The export promotion instruments range from export service programs such as seminars for potential exporters, export counseling, how-to-export handbooks, export financing, market development programs such as dissemination of sales leads to local firms, participation in trade shows, preparation of market analysis and export newsletters). The system that operates in the private sector more appreciated (Seringhouse, Botschen, 2011).

# Summary : promotion policy, benefits (based on studies)

General observations from studies mentioned in presentation:

The economic importance (income and jobs in agrifood sector). Support to promotion and information can pay off in increased export, VC employment, domestic sales values. Recommended to focus on priority sectors, regions).

May induce efforts to cooperate. When there is relatively low scale of individual production, support schemes may lead to the generation of economics of scale through cooperation.

Induces innovative changes along export-driven value chains.

Health prospective (especially, for internal promotion). Support to specific promotion and information activities on increased consumption of fruits, or milk among school children or eating local food which is original to specific territory benefits importers and domestic producers.

# Country studies are diverse and more experience to come...

- ▶ Poland (special funds established, role of associations, national and EU funds available to support promotion)
- ▶ Estonia (role of association-driven initiatives, development of programs based on sectorial comparative advantage)
- ▶ Serbia (lessons learnt from established national agency, increasing role of associations, promotional activities matching needs of sector players)
- ▶ Chile (government vision, diverse institutional and national funding support, diverse programs, choice of many sectors where competitive, side-effect on domestic consumer market)
- ▶ Brazil (government vision, diverse institutional support and national funding support, choice of few sectors, diverse intelligence)
- ▶ Austria (consumer market driven, strong marketing function to assess consumer needs, strong analytical capacity, focus on high quality products)
- ▶ Moldova food promotion strategy is under development, internal capacities of the stakeholders built, Kyrgyzstan – export promotion strategy endorsed and on-going experience with One Window. Russia and Ukraine have developed new initiatives...

# Part 3. Looking forward: where impact assessment is useful

- ▶ Impact assessment as part of policy cycle helps to update programs matching needs. At least once in 3 years evaluation recommended (Coudounaris, 2012).
- ▶ Saudi Arabia (regulatory bodies could assist in increasing management propensity to export through providing better industry information, seminars, educational opportunities for managers and direct management assistance to influence perceptions of risk related to export activities , Yousif Abdullah Alrashidi,2013)
- ▶ Denmark (important – targeted export assistance, increasing assistance on program awareness. Internet should be used to increase awareness and use of export assistance programs, facilitate market intelligence sharing, Morten Rusk and Somasundaram Ramanathan, 2003).
- ▶ Canada. Using greater number of government programs influences the achievement of export objectives and export expansion strategies, and enhances export marketing competencies. Important - segmenting firms by level of export involvement, clear goal, picture of benefits of export promotion programs. Sporadic and active firms gain most from promotional programs. June Francis and Colleen Collins-Dodd, 2004)

# Impact assessment continued

- ▶ USA. USDA funded project designed to analyze the trade logistics transaction costs impeding trade and production integration by small and/or rural firms in South Carolina, and to identify implementable public/private interventions for ameliorating these costs. Firms with more than 20 employees appear to be take advantage of export opportunities. The managerial objective of these firms is to become big enough to make exporting a viable strategic consideration (export programs diversification needed). For the firms under 20 in size that are interested to export, policy focus should be on building cooperative associations that can combine resources to distribute the fixed costs of exporting. For policy makers, the focus on micro firms should be on fostering domestic growth, rather than on exporting. Government resources are best used to minimize the fixed costs facing small and micro exporters (John D. Mittelstaedt and al., 2001 How Big is Big Enough? Firm Size as a Barrier to Exporting in South Carolina's Manufacturing Sector)
- ▶ Cyprus. 42 programs evaluated. 3 criteria of exporting capability defined: awareness, usefulness, adoption. Found significant: financial (duty drawback, export insurance, export credit for producer/importer, letters/publications for travelers), marketing (trade missions,fairs,shows, catalogues), education (seminars, training, export counseling, publications on exports), and market targeting (completely arranged foreign trips to explore markets and foreign buyer invitation programs), assistance to locate foreign distributors. Programs are more efficient if target managers, not firms. Product, market targeting is important (Coudounaris, 2012). TABLE



<b>Duty drawback 3.17</b>
Export insurance 2.35
<b>Banking service which guarantees payment by qualified customers 2.22</b>
Bureaucracy reforms 1.11
<b>Credit assistance to the exporters' foreign Buyers 1.78</b>
<b>Letters of introductions for travellers 2.11</b>
Providing warehousing 1.15
<b>Letters of credit for travellers 1.85</b>
Transport incentives 1.11
<b>Export seminars and conferences 2.93</b>
<b>Export/business counselling 2.37</b>
<b>Workshops 2.09</b>
<b>Various publications on exports 3.07</b>
<b>Export training programmes 2.50</b>
<b>Foreign buyer invitation programme 2.00</b>
<b>Completely arranged foreign trips for exploration of market potential 2.80</b>
<b>Handling of export documentation requirements 2.28</b>
Handling shipping requirements 1.80
<b>Assistance in publicising products in overseas market 1.59</b>
<b>Matching your product(s) with foreign buyers 1.63</b>
<b>Inward trade missions 2.22</b>
<b>Outward trade missions 2.63</b>
<b>Trade fairs/shows/exhibitions 3.26</b>
<b>Catalogue show/direct mail campaign 2.98</b>
<b>Advertising 1.59</b>
<b>Assistance in locating overseas agents or distributors 1.91</b>
<b>Programme for advancement of industrial technology 2.13</b>
Motivational programme 1.39
Participation in international market research 1.39

# Knowing and growing the exporter community (Australian Trade Commission):

## To target with initiatives based on export capability

Levels of Export Capability and Related Initiatives	Capability Level	Initiatives
Raising awareness		Initiatives are intended to raise awareness of the benefits of exporting and to provide a general understanding of exporting as a means of promoting non-intenders into intenders.
Building export-readiness		Initiatives provide learning opportunities for intenders to acquire the knowledge and skills necessary to become new exporters.
Selecting target markets		Initiatives mainly help intenders identify and understand specific foreign markets/ sectors where their products or services have good prospects so they can become new exporters. They also help experienced exporters move into new markets.
Identifying sales opportunities		Initiatives inform intenders, new exporters, and experienced exporters about qualified clients and their needs, expose products to buyers, and match exporters with potential buyers.
Closing export deals		These initiatives help intenders become new exporters and experienced exporters to expand their markets, by helping them interact with prospective buyers, present offers, and complete export contracts. This category also includes follow-up services after the deal.

## To target programs based on export capability, visual graph

**Figure 1-1**  
*The Road to SME Export Success*





As exports are recognized to be driver for new sectorial growth and innovative changes, the promotional activities become part of REU countries strategic and programming documents.

The study of the regional experiences on programs or best practices for the inter-institutional coordination, the evaluation of the impact (re usefulness/awareness/adoption) expected to be on the agenda next 3-5 years.

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**Thank you!**