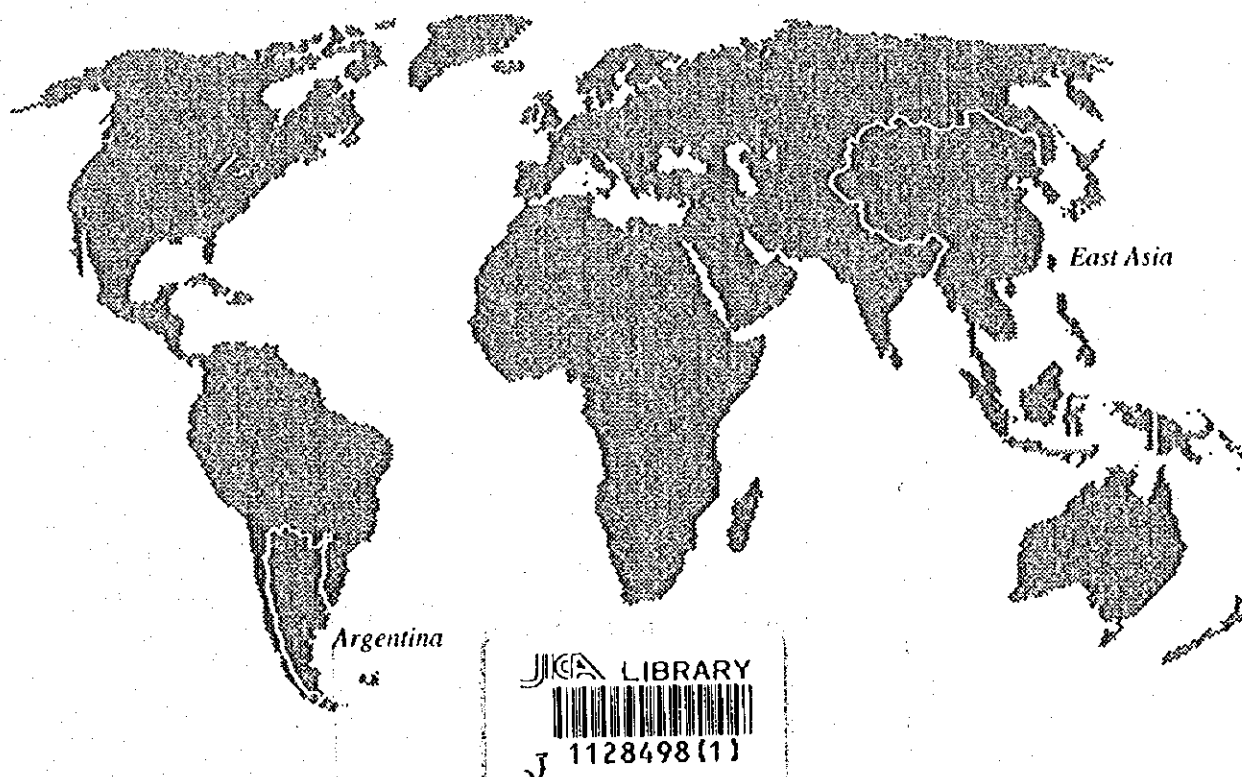


Secretariat of Trade and Investment
Ministry of Economy and Public Works and Services
The Argentine Republic

Japan International
Cooperation Agency

TOWARD A GREATER INTERDEPENDENCE BETWEEN ARGENTINA AND EAST ASIA: A NEW OPPORTUNITY FOR THE ARGENTINE ECONOMY

Final Report



Vol. 4 Strengthening Institutional Support for the Expansion of Export to and the Promotion of Direct Investment from East Asia

Study on Economic Development of
the Argentine Republic (The Second Study)

June 1996

International Development Center of Japan

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Country	Currency	Average Exchange Rate		
Argentina	Argentine Peso	¥1	=	US\$1.00
Australia	Australian Dollar	A\$10	=	US\$7.45
Belgium	Belgium Franc	BF.100	=	US\$3.39
Brazil	Real	R\$1	=	US\$1.03
Canada	Canadian Dollar	C\$10	=	US\$7.36
Chile	Chilean Peso	Ch\$1,000	=	US\$2.38
Hong Kong	Hong Kong Dollar	HK\$10	=	US\$1.29
Indonesia	Rupiah	Rp.10,000	=	US\$4.31
Italy	Lira	Lit.10,000	=	US\$6.26
Japan	Yen	¥100	=	US\$0.97
Korea	Won	W.1,000	=	US\$1.29
Malaysia	Ringgit	RM.10	=	US\$3.90
Mexico	Mexican Peso	N\$10	=	US\$1.33
Singapore	Singapore Dollar	S\$10	=	US\$7.09
South Africa	Rando	R.10	=	US\$2.73

Above exchange rate figures were calculated from the actual purchases of the currencies made by the Study Team members during the visits to those countries concerned in the period between June 1995 through March 1996.



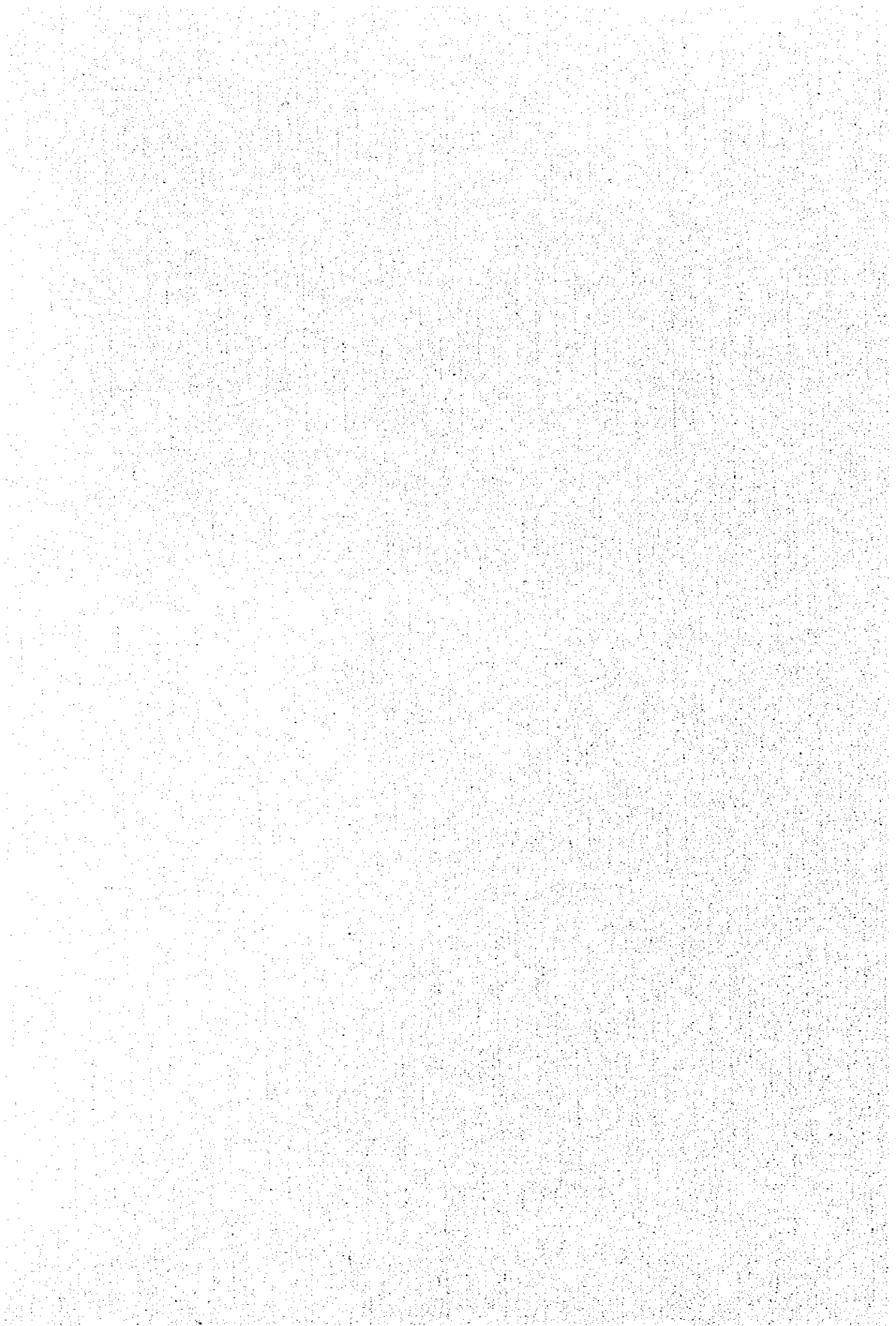
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Summary and Recommendations



Summary and Recommendations

1. Existing Institutional Support for Export in Argentina and the Need for Promotion Toward East Asia

Export to East Asia calls for explicit support from the government. Argentina has already gained access to European markets through its historical, cultural, and geographical proximity to Europe. In addition, Argentina has been successful in penetrating the North American and MERCOSUR markets. However, it has delayed penetrating into the East Asian market partly due to its remoteness and partly due to the lack of explicit government support for export to a distant location such as East Asia.

The present regime, however, clearly intends to provide institutional support to the private effort toward export expansion. This institutional support will amplify the impact of other major export efforts of the government, such as market access diversification, trade liberalization, and encouragement to improve productivity. With special reference to expanding export to East Asia, the institutional support will have two major aspects: The East-Asia-focused integration of activities for expanding export of certain product groups, and the strengthening of trade promotion organizations (TPOs).

In the Argentine Government, The Secretariat of International Trade Relations, Ministry of Foreign Affairs, International Trade and Cult (MRECIyC) and The Undersecretariat of Foreign Trade, Secretariat of Trade and Investment (SCI), Ministry of Economy and Public Works and Services (MEOySP) are the institutions responsible for export promotion. The Undersecretariat of Investment, SCI, MEOySP is the institution responsible for investment promotion. These institutions are intended to be complementary.

The Argentine government has recently developed and managed a variety of export promotion programs and services, such as PROCAR, PROMEX and PROMSA. In addition to these institutions and programs and services, the Argentine government created, in 1993, Fundacion Exportar (FE) as a trade promotion organization under MRECIyC, and Fundacion Invertir (FI) under MEOySP. These two organizations are intended to be complementary. In 1994, a Coordination Unit (UCPFE) was created between MRECIyC and MEOySP. This unit coordinates various export promotion programs, such as those mentioned above. Recent actions important to the activation of this coordinating function are the launching of a cost-sharing grant scheme for SMEs (Enterprises Assistance Program) and institutional strengthening of UCPFE, FE and other

export-related public agencies. These actions are being supervised by the Program Administrative Unit (UAP) of MEOySP, with assistance from the World Bank.

In 1992, The National Committee for Asia and the Pacific (CONAPAC) was created as a joint organization of public and private sectors under the initiative of MRECIyC to promote the Argentina's participation in multilateral cooperation forums dealing with the Asia-Pacific region. CONAPAC is presided by Minister of Foreign Affairs, International Trade and Worship and members include representatives of government, business and academia. In particular, the intension of having business representatives is to allow the consideration of business initiatives that promote bilateral commercial relations. Although CONAPAC has no specific programs nor services dedicated exclusively to promote exports at present, it could be an instrument of support for activities of FE in future.

The Study Team believes that these existing export programs and services represent a good base to initiate an export drive focused on East Asia. What is needed now is full utilization and reinforcement of these programs and services. The Study Team has reviewed the selected experiences of trade promotion organizations (TPOs) in East Asia and the Pacific as a reference for Argentina. In this context, this study on Issue I reviews the present roles and activities of the TPOs of East Asian and Pacific economies.

2. Major Functions of TPOs in East Asian and Pacific Economies

Targeted Marketing Intelligence Strategy - TAMIS

TAMIS has been adopted by a number of East Asia and Pacific economies as a useful method of opening up new markets and consolidating various export promotion programs toward target markets. Conceptually, it can be divided into (1) country and regional TAMIS and (2) sector TAMIS.

(1) Country and regional TAMIS -- Canada has had a TAMIS for seven sectors targeted at the Japanese market for several years. The strategy has been published in the form of a small booklet which contains essential information such as access plans, main business contact points, and information sources, all of which assist in teaching the preliminary procedures of export to Japan and calculating the necessary costs to be incurred by this export. Creating the booklet required an intensive exchange of information between governments, provinces, and industries and the resident offices of their TPOs in Japan.

In Australia (AUSTRADE), they divide the world markets into seven blocks representing America, Europe, East Asia, Japan/Korea, South East Asia, South Pacific, and specified markets, and they prepare Country and Regional TAMIS and Sector TAMIS for each block. Each of the 27 domestic AUSTRADE offices has an organization called the "Business Unit." This unit supports AUSTRADE's export promotional activities under close cooperation with the overseas offices of AUSTRADE. Personnel and financial resources are distributed according to the TAMIS, with a large share allotted to East Asia, Japan/Korea and Southeast Asia.

(2) Sector TAMIS -- A marketing intelligence strategy is sometimes planned and implemented for a target group of products in a target group of industries. An example of this strategy is the Marketing Intelligence Division of Chile. It operates based on the intensive exchange of information and views with industries, and financial plans supported by both public and private sources. Another example is the Australian Meat and Livestock Corporation, which, in cooperation with AUSTRADE, is helping private initiatives for beef export and business promotion in Japan.

Impression of the country

We cannot neglect the importance of the general impression of the supplying country when formulating export strategies, as it exerts a strong influence on the decisions made by consumers. Regarding processed meat, the impression of the country itself as being reliable and clean is as important as the impression of the supplier from the country. PROCHILE recently created an International Marketing Department in order to conduct a "Good Image of Chile" campaign.

Exposure of inquiries

There are two varying methods of inquiry exposure. One is to maximize exposure of inquiries from overseas; the other is for TPO, after examining the content of the inquiries, to introduce the potential suppliers chosen out of a suppliers list prepared by TPO itself. This variation provides information on the capability of domestic suppliers, as well as additional information such as export finance schemes and foreign market information, obtained through contacts with domestic suppliers. The first variation is employed in Japan, Singapore and Hong Kong, where there are abundant suppliers, while the second variation is employed in Australia and adopted by AUSTRADE.

Development of an information network

Today almost all TPOs have information networks utilizing computers, and frequently exchange information with their domestic and overseas offices via E-mail. The major networks are "Australian Export Database-AED" of Australia, "Trade-Links" of

Hong Kong and "Global-Links" of Singapore. These networks offer effective quick access to and inquiries on market information about East Asian economies.

One Stop Unit

This is a special window of TPOs to meet inquiries on investments, and is presently available in Hong Kong, Korea, Singapore, and Australia. All manner of necessary information on investments to and from overseas can be accessed through this window, making it an important initial contact point for foreign investors. In AUSTRADE, the window is open at the Australian Embassy in Tokyo. Japanese investors can obtain free information on the procurement of materials, and the labor and real estate market regarding the industries given priority for investment by the Australian government.

3. Institutional Aspects of TPOs in East Asian and Pacific Economies

TPOs' export and investment promotion functions

Many TPOs promote both export and investment. This is because market information and investment information are made available, in many cases, through the same channel, and because FDIs are often indispensable to export; in particular, SMEs export and export through direct investment by importers. In Korea, the SME Development Corporation is in charge of promoting foreign investments as it contributes to strengthening SME's technology and capital. This function was recently integrated into KOTRA. In Australia, AUSTRADE, a TPO, is also responsible for administering Investment Australia, an official program to promote FDI.

TPOs and diplomatic channels

In the cases of Canada, Singapore (TDB), and Chile (PROCHILE), TPOs promote export and investment as a part of the regular functions of the embassy. In Australia (AUSTRADE) and Hong Kong (HKTDC), TPOs carry out their activities apart from the regular functions of the embassy. In Japan (JETRO) and Korea (KOTRA), TPOs are semi-governmental organizations independent of diplomatic channels. All of these TPOs, except Canada's, have or will have abbreviated names (acronyms) by which they are known.

TPOs' field offices, Japan

AUSTRADE has offices in six cities; Tokyo, Osaka, Nagoya, Fukuoka, Sendai, and Sapporo. The number of staff members totals 55, and among them local Japanese members account for 34. Offices outside of Tokyo are located in the consulates, and the General Consul or Consuls are engaged with the Trade Commissioners of AUSTRADE. The offices in Tokyo and Osaka are specifically called "Business Centers" as they execute

overall managing functions, and are close to the representatives of state governments, chambers of commerce, and tourism promotion organizations. The number of staff members in the Canadian Embassy and Consulate in Japan, with consulates in Osaka, Nagoya, and Fukuoka included, totals 160, and those in charge of trade number 30. In regard to Chile, the staff of PROCHILE in Japan numbers 6, comprised of 2 Chileans and 4 Japanese.

Budget and fund issues

TPOs' budget and funds are based primarily upon appropriations from governments. However, some TPOs are endeavoring to create profits themselves by offering valuable information for sale in compliance with the burden-sharing principle of beneficiaries. These TPOs are found in Hong Kong, Singapore and Chile, which utilize the profits for their activities. The efficiency-cost ratio is an important means of communicating to people the appropriateness of the spending. For this purpose, AUSTRADE also announces the ratio of the cost of the TPO's activities to the money earned by exports for each of the export promotion schemes. The ratio was 1:31 in 1993/94.

Export promotion by State Government

Canada's British Columbia, on the Pacific Coast, promotes exports through B.C. Trade, which is independent from the Canadian Federal Government. B.C. Trade was established in 1989 to promote British Columbia's trade and investment. It has a staff of 150, and all of its budget is provided by the provincial government. B.C. Trade cooperated with the Canadian Federal Government in drawing up Canada's "Action Plan for Japan." As part of this, B.C. Trade's Canada Comfort Direct (CCD) campaign is targeted at Japanese consumers who would purchase products directly from Canadian manufacturers. A similar TPO can be found in Canada's Province of Ontario. This would seem to imply that local level TPOs often confront strong technical and financial constraints. For this reason, numerous countries take a top-down approach to export promotion at the local level. In Australia, for example, AUSTRADE has offices in each state through which it maintains close contact with local enterprises. Similarly, Korea's KOTRA has offices in each province, and in Japan, JETRO has offices in 36 of Japan's 48 prefectures.

4. The Export Finance, Insurance and Guarantee System of East Asian and Pacific Economies

Export Finance System

Two types of export financing systems have been noted. The first type is a short- and medium-term finance scheme by TPOs and SME-supporting agencies targeted at SME exporters. This system provides subsidized loans at low interest rates.

The second type is "Direct Credit Facilities," which includes loans generally of medium and long term, credit lines, and note purchases from governmental financial institutions such as export-import banks, industrial development banks, and financial corporations like EDC of Canada and EFIC of Australia. This second type of system is applied to exporters, importers and banking institutions.

In Japan and other East Asian countries, governmental financial institutions facilitate finance for trade and investment independent of export insurance. EDC of Canada and EFIC of Australia, however, provide export finance, insurance and guarantee services under a single entity.

Export Insurance System

This system is operated by state enterprises or private institutions, supervised by the government, with the supervisors varying from one country to another. In East Asian countries and Chile, this task belongs to the Ministry of Finance or the Ministry of Economy. In Australia, AUSTRADE-EFIC manages export and investment promotion, export finance, insurance, and guarantee systems under the supervision of the Ministry of Industry Science and Technology. In Canada, the Ministry of Foreign Affairs and International Trade (DFAIT) manages export and investment promotion, while EDC manages export finance, insurance, and guarantee as a package under the supervision of DFAIT.

As for political risk insurance, government supervision and approval are indispensable, due to the magnitude of risks to the country and the need to evaluate such risks. However, its administration tends to be privatized throughout the world.

Commercial risk insurance is supervised by state enterprises or private institutions. Government agencies, state enterprises, and private institutions often gather at Berne Union and exchange information on country risks. Eight countries in this study, excepting Chile and Brazil, are all registered members. From Latin America, only the two countries of Argentina and Mexico are members.

Export Guarantee System

East Asian government institutions, including SME-supporting promotion, facilitate the guarantee in consideration of the importance of the export promotion of SMEs. Canada, Australia, and Chile have developed guarantee systems for priority sectors such as non-traditional goods, new technologies, utilization of natural resources, and regional development. In these countries the government institutions and enterprises guarantee against private banks for financing the working capital and project funds required by SME exporters.

5. Basic Strategy and Final Target

Keeping in mind our review of ongoing trade promotion activities in Argentina and the reference economies in East Asia and the Pacific, we recommend the TAMIS for East Asian markets to the Argentine government as a basic strategy for expanding export to East Asian countries. This would also assist in strengthening the existing institutions' abilities to coordinate and fully utilize various programs promoting export and investment. The primary beneficiary of the strategy would be the SMEs exporters. A step-by-step approach should be taken to strengthen the institutions concerned.

5.1 TAMIS for East Asian Market as Basic Strategy

A. The reason and grounds for recommendation

The East Asian market is located far from Argentina. This is a substantial handicap, which is compounded by past historical and cultural remoteness. Therefore, Argentina should establish a new TAMIS targeting the East Asian market. A target approach to the export market will eventually improve the competitiveness and productivity of corresponding industries.

B. Recommendations

For the country and regional TAMIS, the basic premise is to declare that the penetration into East Asian markets is a national policy, which contributes to the formation of a national consensus, as done in Australia, Canada, Chile, and Brazil. For the sector TAMIS, the target sector of the Asian market will be agricultural, fishery, and other resource-processing products. We have prepared a table entitled "A Basis for Argentina's TAMIS (Country and Industry)" at the end of this section. Close cooperation between the central government, local governments, and private sectors is a crucial factor in the successful implementation of the TAMIS.

5.2 Integrated Development of Export and Investment Function as Final Target

A. The reasons and grounds for recommendation

At present, Argentina's TPO comprises two Secretariats as governmental institutions and two separate organizations. As for the Secretariats, one is The Secretariat of International Economic Relations, MRECIyC which has Undersecretariat of International Trade Relations, and the other is The Secretariat of Trade and Investment (SCI), MEOySP which is composed of The Undersecretariat of Foreign Trade and The Undersecretariat of Investment. As for separate organizations, one is Fundacion Exportar (FE) with support from 13 private organizations (SMEs), and the other is Fundacion Invertir (FI) with support from large-scale private enterprises. These institutions and organizations are intended to complement each other, because export promotion and investment promotion often share common sources of information, and because FDIs are often effective means of expanding export, particularly for SMEs and food processing industries.

B. Recommendations

At present, UCPFE is working towards coordinating government offices concerning export and investment promotion. UCPFE should also work in close cooperation with FE and FI to strengthen their organization and functions. In particular, cooperation between FE and private associations, such as Camara de Exportadores and Camara de Comercio is necessary to strengthen SMEs' export and investment promotion. Given the free and open economic policy to be maintained, the government is required to provide institutional support, especially for SMEs, of their export targeted at East Asian markets. Large enterprises should also extend their cooperation, through paying the charges for the TPO's information and consultation service fees, to strengthen the SMEs' functions of export and investment promotion.

6. Measures to be Taken and Institutional Systems to be Established

We prepared a chart showing "Argentina's TAMIS: Measures and Institutional Systems to be Incorporated." The chart is shown on the last page of this section. This strategy is composed of ten main policy items. The numbers on items 1 through 10 on the chart do not necessarily indicate the recommendation priority. This chart basically shows a policy sequence and their elements' mutual relationship in view of the goal of the strategy. Items 1 through 5 in the upper part of the chart are a set of measures to be taken, and items 6 through 10 in the lower part are a set of institutional systems to be established. The items are briefly explained below.

Measures to be Taken

(1) Building up an integrated information system

A. The reason and grounds for recommendation

Currently, government offices, departments, and organizations have their own information systems concerning export and investment promotion. UCPFE recently began coordinating and integrating these information systems with financial support from the World Bank.

B. Recommendations

When building up an integrated information system, with special reference to the East Asian market, the following information systems of the East Asian and Pacific TPOs are a good reference.

AED (Australian Export Data Base); AUSTRADE (Australia)

TX-LINK: TDC (Hong Kong)

GLOBAL LINK. STDB (Singapore)

In particular, AUSTRADE's AED could be very useful for Argentina. This system was built for quick access to information, especially regarding the market, in close connection and cooperation with sector-wise private enterprises ("Business Units"). Also, the experience of TDC and STDB with selling information services could be useful in learning methods of securing funds.

(2) Strengthening representation abroad

(2-1) Utilization of embassies and consulates

A. The reason and grounds for recommendation

There is a shortage of Argentine commercial attachés in the East Asian market in terms of both number and experience. While many TPOs of other countries maintain offices with a considerable number of staff members (including Japanese), the Argentine Embassy has no more than three commercial attachés.

B. Recommendation

It is recommended that the number of commercial attachés be increased, and that some of the commercial attachés be experienced in the export business. Backup services offered by headquarters are also essential to ensure good results; for instance, dispatching experts who are knowledgeable in specific goods or industries, such as fresh meat.

(2-2) Setting TPO's regional offices

A. The reason and the grounds for recommendation

At present, FE has regional offices (so -called "Promotion Center") in European, North American and MERCOSUR markets. Although all Argentine Embassies and Consulates in the East Asian Market are active in export and investment promotion, there is no FE's regional office at all in such markets. It is encouraging to know that Argentine Government decided to establish first regional office (FE's Promotion Center) in the East Asian market within the consulate in Hong Kong and also there is a project to open a consulate in Osaka, Japan and Shanghai, China.

B. Recommendations

The following are recommended locations for regional offices in East Asia, in the order of preference:

- | | |
|------------------------|--|
| 1. Hong Kong: | Gateway to China, Taiwan and Korea
Information, logistics and financial center |
| 2. Singapore: | Gateway to Southeast Asian countries
Information, logistics and financial center |
| 3. Tokyo and/or Osaka: | Promotion center for Japanese market
Information, logistics and financial center |
| 4. Shanghai: | Promotion center for Chinese market
Information, logistic and financial Center in near future |

Argentina should establish 3 to 4 regional offices within a short period, in view of the return of Hong Kong to China in 1997.

(2-3) Overcoming local language barriers

A. The reason and grounds for recommendation

Since the Japanese, Chinese, Korean, and Taiwanese markets in East Asia are not English-speaking markets, the need to overcome local language barriers is unavoidable. However, it is difficult for people to master a local foreign language in a short time.

B. Recommendations

As a model case, the following measures are recommended for the Japanese market:

- (a) Enter into a contract with a Japanese expert (a person and/or consultant company) who is highly knowledgeable about the Argentine business situation and the Japanese/East Asian market;
- (b) Employ Japanese people with trade experience in the Argentine Embassy in Tokyo and/or TPO's regional offices to be established in Japan.

(3) Awards for valuable export contributions

A. The reason and grounds for recommendation

In the era of strong export promotion, some East Asian TPOs, such as JETRO and KOTRA, participated in award ceremonies during which companies were given awards in public for their successes in the exporting business. Today, AUSTRADE is following suit and getting good results. These award ceremonies also awaken public attention.

B. Recommendations

As one of the functions of FE, Argentina should adopt a similar measure at the initial stage of promoting export to the East Asian market. AUSTRADE's example is a good reference.

(4) Strategy of an impressive Argentina

A. The reason and grounds for recommendation

The total image of the supplier country exerts strong influence on the consumers' decision making. Maintaining the image of being reliable and clean is a key to exporting fresh and processed foods. For example, the Australian Meat and Live-Stock Corporation, in cooperation with AUSTRADE, succeeded in penetrating the Japanese fresh meat market with the brand name "AUSSIE MEAT." PROCHILE's new International Marketing Department was created to generate a campaign to sell the "Good Image of Chile." The Chilean Fruit and Vegetable Exporters Trade Association is promoting the export of kiwi fruits with a character mascot of a penguin (an image of the South Pole). Canada has also launched a campaign for the country's clean image to promote the export of mineral water and other processed food products.

B. Recommendations

Argentina should also create a campaign to promote the "Good and Unique Impression of Argentina," developing appropriate brand names and/or characters representing Argentina, especially for private suppliers and exporters of fresh and processed foods. For example, Japanese consumers tend to prefer "natural and healthy

foods" without contamination by agricultural additives, chemical fertilizers, etc. Since Argentina is in a position to produce such agricultural products, possessing vast fertile land, a campaign promoting this natural and healthy impression is recommended.

(5) Public education and publications for export promotion

A. The reason and grounds for recommendation

It is widely recognized that exports are the basis for enhancing national welfare and living standards. This information should be included in the curricula of primary and secondary level education. East Asian economies in particular, except China, do not benefit from natural resources and therefore promote the export of industrial goods and services under a national slogan of "Export or Die by Starvation." Even Australia and Canada, with rich natural resources, created a national consensus of "Strengthening Exports for the Asian Market After the European and North American market" more than 10 years ago. They predicted the rapid economic growth and expansion in this region and now show good results.

B. Recommendation

The Argentine government should adopt a similar policy to that of Australia and Canada, although it will take a longer time.

Institutional system to be established

(6) Creating a promotion scheme

A. The reason and grounds for recommendation

UCPFE is presently working towards coordinating export promotion schemes under different governmental offices, departments, and organizations. So far no specific scheme exists to promote export.

B. Recommendations

In accordance with the TAMIS for East Asia, Argentina should establish export promotion schemes in terms of specific goods and industries, such as agricultural and fishery goods, agro-industries, and other resource-processing products for the East Asian market. However, in creating these schemes, it is necessary to avoid any conflict with WTO regulations. For this reason, the examples of Australia, Canada and Chile are useful.

AUSTRADE (Australia)	Export Market Development Grants (EMDG), International Trade Enhancement Scheme (ITES) International Agricultural Marketing Program (IAMP) Asia Business Links (ABL) Asia Pacific Fellowship Program (APF) Asian Infrastructure Consortia Program (AICP)
DFAIT (Canada)	Canada's Action Plan for Japan Canada Comfort Direct (CCD)
PROCHILE (Chile)	Export of fresh grapes and kiwi
FUNDACION CHILE (Chile)	Export of salmon

These schemes are also relevant to strengthening export by SMEs in Argentina.

They are mainly composed of export financing and grants for specific products. We believe that these schemes, if introduced, would be within the scope of the "Non-sectoral Approach" policy of Argentine government, because these schemes set their targets in terms of market and product, but not in terms of industry.

(7) Upgrading TPO's function

(7-1) Upgrading TPO's function by sector and by country/region

A. The reason and grounds for recommendation

We observed a tendency towards integrating and upgrading TPOs' functions in East Asian and Pacific economies. The functions include foreign inquiries, business consulting, information on foreign markets, and trade fairs. These functions have increasingly been integrated and targeted according to countries/regions and sectors.

As Argentina's TPO "Fundacion Exportar (FE)" was established only 2 years ago, further integration and upgrading of FE's functions are necessary.

B. Recommendations

Argentina should create a TAMIS for the East Asian market in order to expand to East Asian countries, and use the TAMIS to strengthen and upgrade FE's functions.

(7-2) Establishment of budget and evaluation systems for TPO

A. The reason and grounds for recommendation

Although it is premature to apply an evaluation system to the existing FE and FI, it is essential for strengthening the organization and functions of both FE and FI.

B. Recommendations

A TPO's budget is primarily based upon appropriations from the government. However, in order to increase its efficiency, the TPO should have a "cost and benefit" viewpoint and adopt the following measures: Perform a self-evaluation as private enterprises do, such as AUSTRADE and PROCHILE; Entrust the evaluation to an independent consulting firm, as AUSTRADE does.

The TPO should endeavor to make a profit by offering export promotion schemes and information services for sale, based upon the principle of beneficiary burden-sharing. For that purpose, AUSTRADE's example is useful.

(7-3) Securing funds

A. The reason and grounds for recommendation

All of the measures specified above require funds. However, since Argentina is now under a tight fiscal policy, it is difficult to secure sufficient funds. Large enterprises are cooperating with FI, but their contributions are mainly in the form of personnel and in-kind offerings. The government is relying on financial support from international financial organizations; however, such support is not enough to cover the required funds. UCPFC is endeavoring to acquire further financial support for its work from the World Bank and IDB.

B. Recommendations

The fund resources should be diversified as follows: Continue and expand securing structural adjustment loans and direct loans from international financial organizations such as the World Bank and IDB, as UCPFE is doing.

Secure untied official or semi-official loans for a specific project such as modernization and/or new plant or facilities installation which will expand the scope of exportable goods. Also, study the possibility of securing co-financing with the World Bank /IDB and bilateral lending institutions.

A foreign official guarantee facility to private financial institutions for their untied loans is another effective measure.

Make a profit by offering export promotion schemes and information services for sale through the principle of beneficiary burden-sharing. In particular, pursue contributions from large enterprises.

(8) Establishing a supporting system

A. The reason and grounds for recommendation

Argentine SME exporters lack sufficient human and financial resources and face difficulties in obtaining the necessary export information. The export competitiveness of Argentine SMEs is generally behind that of Brazil. UCPFE is planning a program to strengthen the export capabilities of SMEs.

B. Recommendations

Nearly 80% of the users and beneficiaries of East Asian and Pacific TPOs are SME exporters. Giving initial funds to SME exporters to develop market researches, advertise in the East Asian market, and prepare new investments in production lines are effective incentives for expanding export.

(9) Promotion of investment, especially from Japan

A. The reason and grounds for recommendation

At present, FI's main function is "top sales promotion," dependent upon the cooperation of large enterprises. Strengthening its own function is necessary.

B. Recommendations

Strengthening cooperation with FE and overseas commercial attaches and integrating information systems is recommended. Preparing investment information in detail, at least to the level of Asian economies, is also recommended. In order to attract Japanese investments, preparing an information kit in Japanese, containing investment environment information, loans, and procedures, is necessary.

It is also advisable to employ or make contact with Japanese investment experts. If they are fully aware of and well-informed about Argentine business circumstances, their advice will be valuable. The investment information prepared by PROCHILE is also instructive. The projects created by Fundacion Chile for developing new products in a

company after conducting overseas market research (just prior to commercialization) are attractive incentives for foreign investors.

Recently, FI and the Okita Foundation signed an agreement with the Japan International Development Organization (JAIDO) to promote joint projects to increase Japanese direct investments and the transfer of technology to Argentina, and a common fund was established to be used for a feasibility study. This movement should be regarded as a model for the joint efforts of public and private sectors of both countries.

(10) Strengthening export finance, insurance and guarantee systems

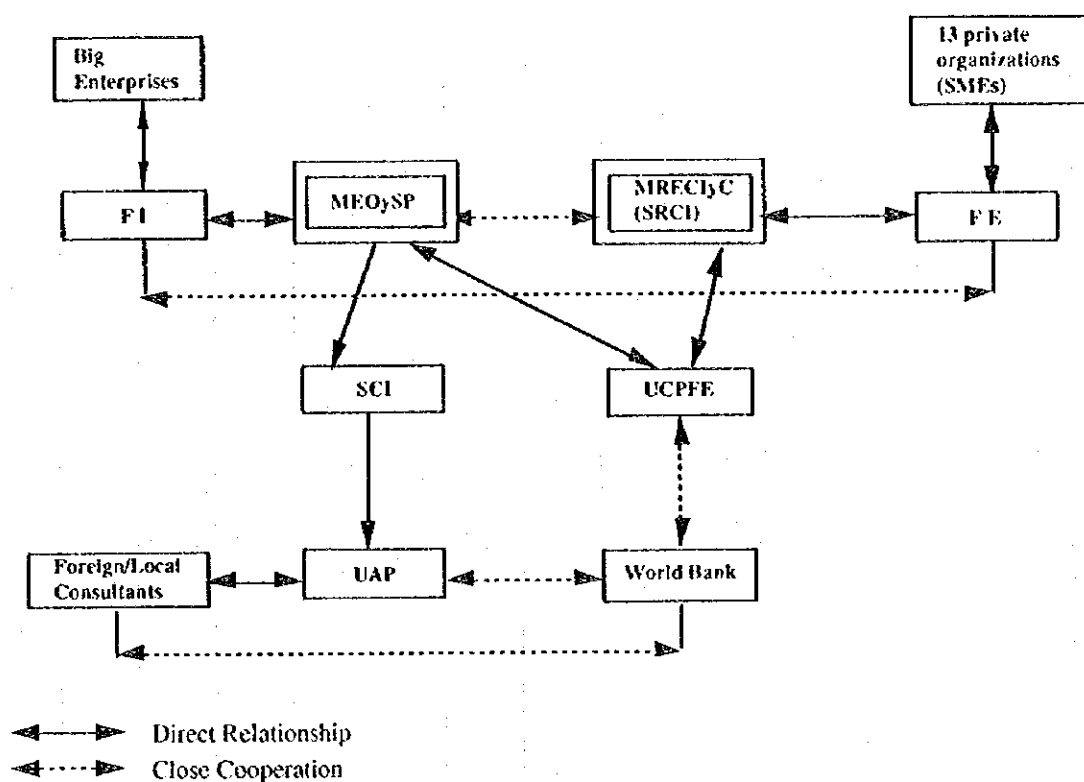
A. The reason and grounds for recommendation

Argentina, Brazil, and Chile do not have sufficient export finance, insurance and guarantee systems. In Argentina, the insurance system is far advanced compared to Brazil and Chile. However, Brazil and Chile are currently endeavoring to strengthen their insurance and guarantee system in consideration of the export promotion of SMEs. In these countries, the importance of strengthening the system is a common consensus for promoting export. However, since this requires a huge amount of funds, strengthening the system is difficult. Concerning the export finance system in Argentina, the functions of BICE are limited to the administration of multi-sector loans obtained from international financing organizations. BICE is thus not in a position to manage and operate direct loans to end-users.

B. Recommendations

Since securing necessary funds is a crucial element, measures must be taken, in line with the availability of funds, to strengthening the system. Strengthening and enlarging the function of BICE's export finances, in accordance with the availability of funds, is recommended. As a final target, though it may take more time, Argentina should establish an organization like EDC (Canada) and EFIC (Australia), which administrate and operate export finance, insurance, and guarantee systems in a package under the singular supervision and responsibility of the ministry concerned. EDC and EFIC are basically self-reliant administrations, financed mainly by loan interest, fees earned, and insurance premium fees.

Argentina's TPO



Note: Institutions concerned in MEOySP and MRECIyC

MEOySP

Secretariat of Trade and Investment (SCI)

- Undersecretariat of Foreign Trade

- Undersecretariat of Investment

MRECIyC

Secretariat of Economic Trade Relations (SRCI)

- Undersecretariat of International Trade Relations

A Basis for Argentina's TAMIS (Country and Industry)

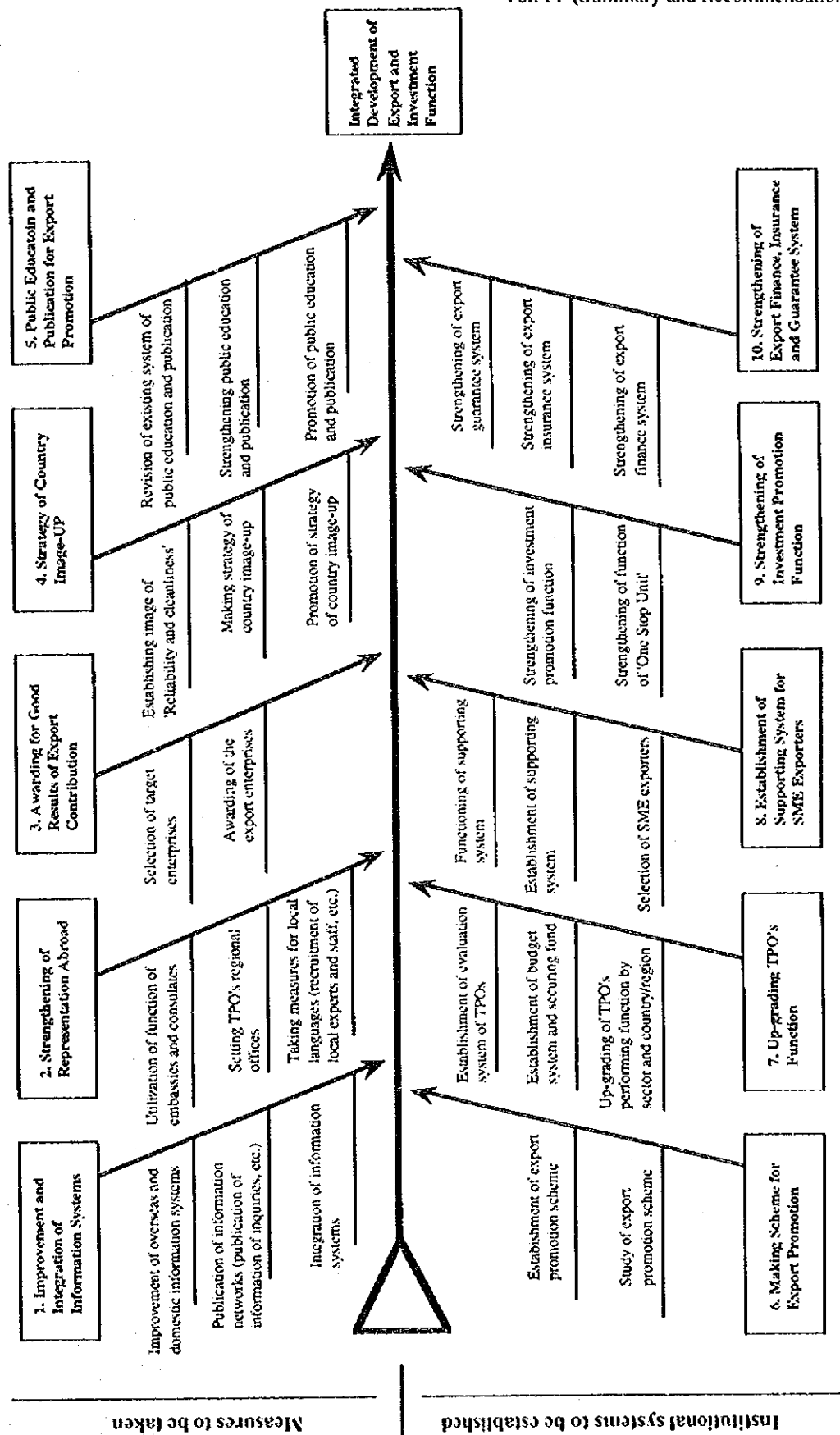
Argentine Export Goods and Products	JPN	KOR	CHN	IDN	THA	HKG	SPO	MAL
1. Resource-based products								
(1) Foodstuffs								
Beef including bovine animals	Δ	Δ	Δ	Δ	Δ	○	Δ	○
Other meat (meat of horse, mutton, chicken etc)	◎	Δ				◎		
Fish and shellfish	◎	◎	◎			○		
Dairy products (milk, butter, cheese, etc)	Δ		Δ			Δ	Δ	
Fresh fruits and fruit juice	○	Δ					○	
Wine and grape must					Δ			
Vegetables, vegetable oil and fats							◎	◎
Others (sugar, tobacco, alcohol, beer malt, beverage, confectionery, honey, pasta, etc)	○		Δ		Δ		○	
Wheat	Δ	Δ	◎	◎	Δ			Δ
Maize	◎	Δ						○
Sorghum	◎		Δ	Δ				
Soybean, soybean oil and soybean cake	◎	○	◎	◎				◎
Animal (compound) feed	Δ		Δ	Δ				
(2) Raw materials								
Leather (tanned leather, hide & skin, shoes and other leather products)	○	◎	○	○	◎	◎	○	
Wool	○		○			○		
Cotton			○			◎		
Pulp and wood chips or particles	○			◎	Δ		○	
(3) Mineral fuels								
Petroleum and diesel fuel			◎			◎	○	○
Copper	Δ		Δ				○	
Others (gold etc)							○	
(4) Manufactured goods								
Seamless pipe			◎	○			○	○
Flat-rolled iron and steel products			◎	Δ	◎			○
Aluminum ingot and alloy	◎			Δ				
Chemical and plastics		○				○		○
Textile fibers		○						
2. Assembly products								
Food processing machine			Δ	Δ	Δ	Δ	Δ	○
Office machine	○		Δ			○	Δ	Δ
Vehicles and transport equipment			○				Δ	○

Note: JPN: Japan, KOR: Korea, CHN: China, IDN: Indonesia, THA: Thailand, HKG: Hong Kong, SPO: Singapore, MAL: Malaysia.

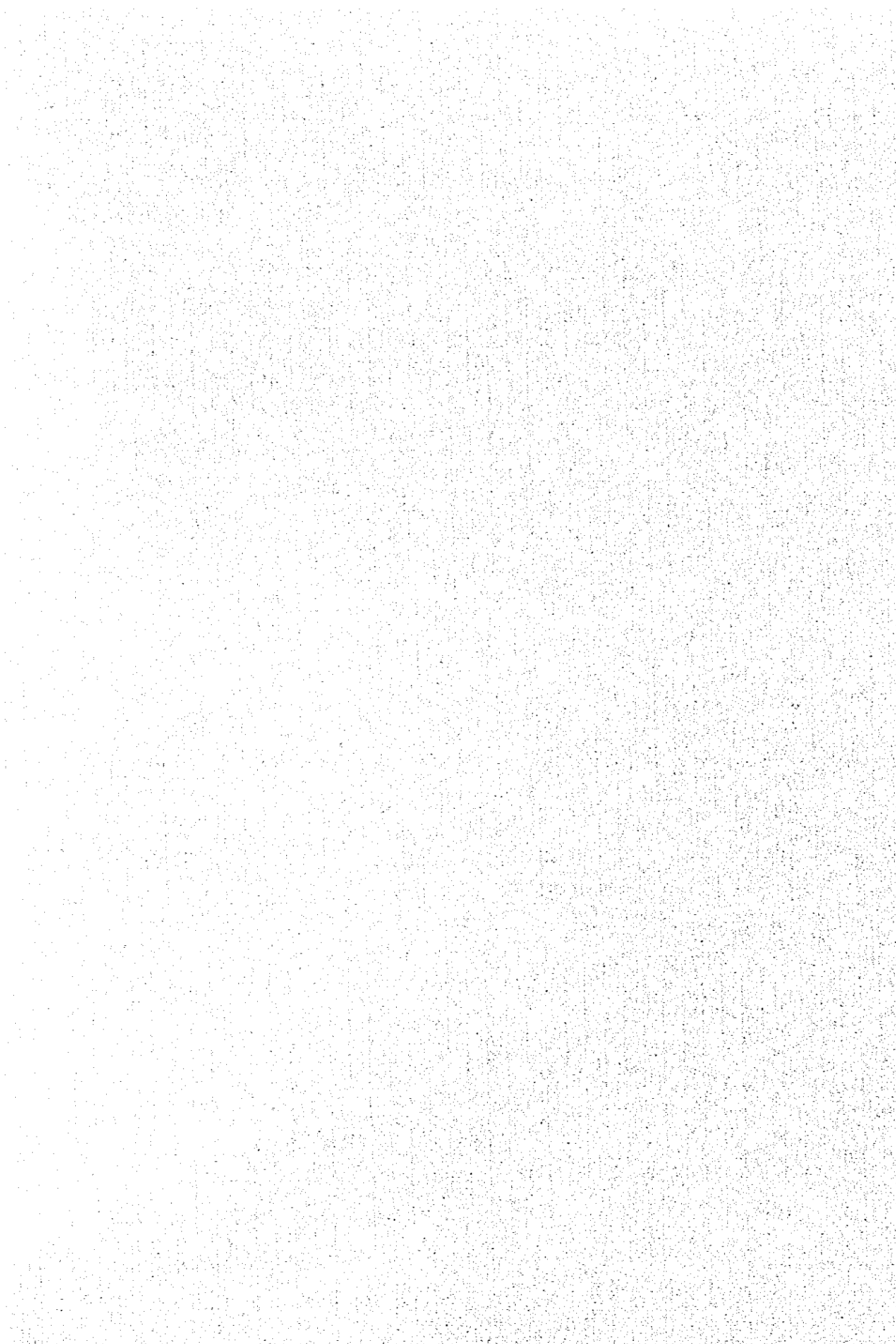
- ◎ Argentine export goods and products in 1993 or 1994 (Export amount over US\$10 million per year)
○ Argentine export goods and products in 1993 or 1994 (Export amount under US\$10 million per year)
Δ Argentine exportable goods and products in future. (Not yet penetrated into the market due to the reasons of sanitary problem, less competitiveness in price, quality, productivity, etc.)

 Economies and industries surrounded by bold lines are recommended with priority for Argentina's TAMIS.

Argentina's Targeted Market Intelligence Strategy: Measures and Institutional Systems to be Incorporated



Introduction



Introduction

The export to East Asia calls for an explicit support of the government. Argentina has already gained a good access to the European markets through its historical, cultural and geographical proximities to Europe. In addition, Argentina has been successful in penetrating into the North American and Mercosur markets. However, it has delayed in penetrating into the East Asian market partly due to its remoteness and partly due to the lack of the explicit government support for the export to a remote place like East Asia.

The present regime, however, clearly intends to provide the institutional support to the private effort in export expansion. This institutional support has been expected to amplify the impact of other major efforts of the government for export, such as market access diversification, trade liberalization and the encouragement of productivity improvement. With special reference to the export expansion to East Asia, the institutional support is supposed to have two major aspects; (1) the East-Asia-focused integration of the activities for expanding export of certain product groups and (2) the strengthening of trade promotion organizations (TPOs).

In the Argentine Government, The Secretariat of International Trade Relations, Ministry of Foreign Affairs, International Trade and Cult (MRECIyC) and The Undersecretariat of Foreign Trade, Secretariat of Trade and Investment (SCI), Ministry of Economy and Public Works and Services (MEOySP) are the institutions responsible for export promotion. The Undersecretariat of Investment, SCI, MEOySP is the institution responsible for investment promotion. These institutions are intended to be complementary.

Meanwhile, the Argentine government has developed and managed a variety of export promotion programs and services such as PROCAR, PROMEX and PROMESA. On top of these programs and services, the Argentine government created, in 1993, Fundacion Exportar (FE) as a trade promotion organization under the Ministry of Foreign Affairs, International Trade and Cult (MRECIyC), and Fundacion Invertir (FI) under the Ministry of Economy and Public Works and Services (MEOySP). These two organizations are supposed to be complementary. In 1994, a Coordination Unit (UCPFE) was created between the MRECIyC and the MEOySP. This unit is to coordinate various export promotion programs as mentioned above. Recent important actions to activate this coordinating function is the launching of (1) cost sharing grant scheme for SMEs (Enterprises Assistance Program) and (2) institutional strengthening of UCPFE, FE and other export-related public agencies. These actions are being supervised

by Program Administrative Unit (UAP) of MEOySP, with the assistance from the World Bank.

In 1992, The National Committee for Asia and the Pacific (CONAPAC) was created as a joint organization of public and private sectors under the initiative of MRECIyC to promote the Argentina's participation in multilateral cooperation forums dealing with the Asia-Pacific region. CONAPAC is presided by Minister of Foreign Affairs, International Trade and Worship and members include representatives of government, business and academia. In particular, the intension of having business representatives is to allow the consideration of business initiatives that promote bilateral commercial relations. Although CONAPAC has no specific programs nor services dedicated exclusively to promote exports at present, it could be an instrument of support for activities of FE in future.

The Study Team believes that these existing programs and services for export are a good base to envisage an export drive focused on East Asia. What is needed is full utilization and reinforcement of these programs and services. It is in this context that the Study Team has reviewed the selected experiences of trade promotion organizations (TPOs) in the East Asia and Pacific as a reference for Argentina.

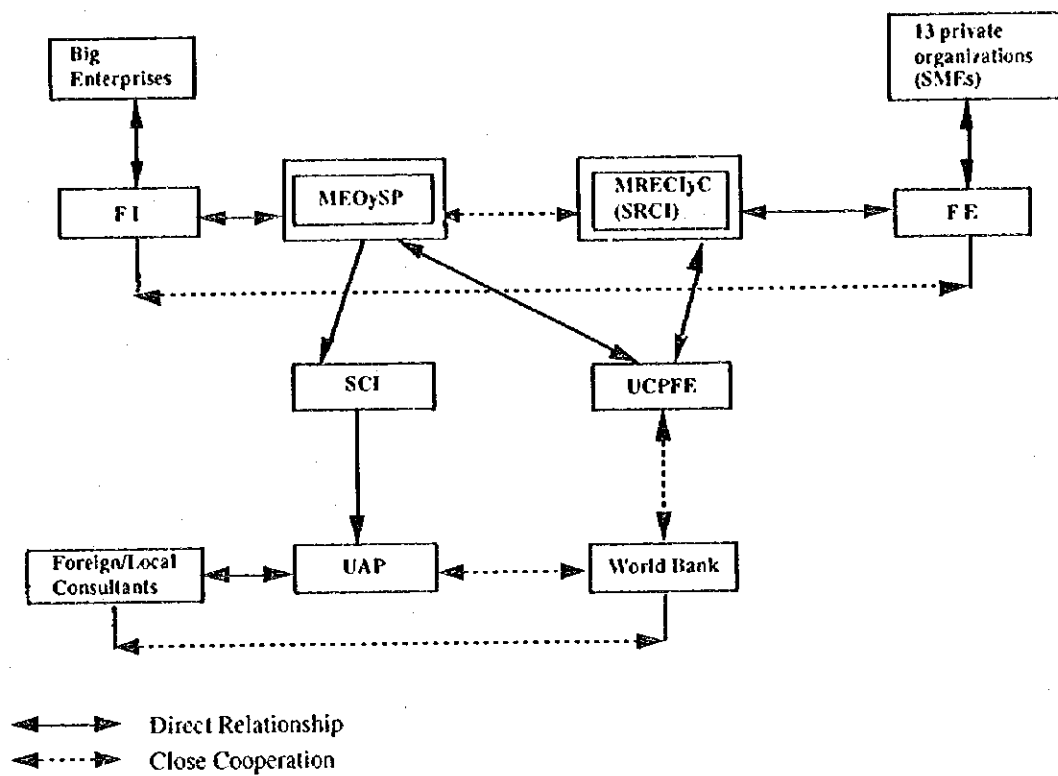
It is understood that the effects the Argentine government expects from this study will have two aspects: one is to let Argentine enterprises catch up with competitors in a short period, by raising export competitiveness of target products in East Asian markets. These enterprises include big enterprises (including small enterprises in the same group) which already have experiences of exports to the markets, and small and medium enterprises which have potentiality of exports. This will contribute to the improvement of balance of payments of the country.

The second effect is to maintain sustainable economic development of the economy in long term. This will require strengthening of TPOs' functions and activities to enhance export capabilities of small and medium enterprises.

Under such circumstances, this study has reviewed present situations and characteristics of the roles, functions, strategies and activities of TPOs of East Asian and Pacific countries and examined their relevance to Argentina.

We prepared a rough figure in order to grasp easily the relationship among the ministries, governmental units, public/private organizations and private enterprises concerned, although it hardly covers the exact relationship.

Argentina's TPO

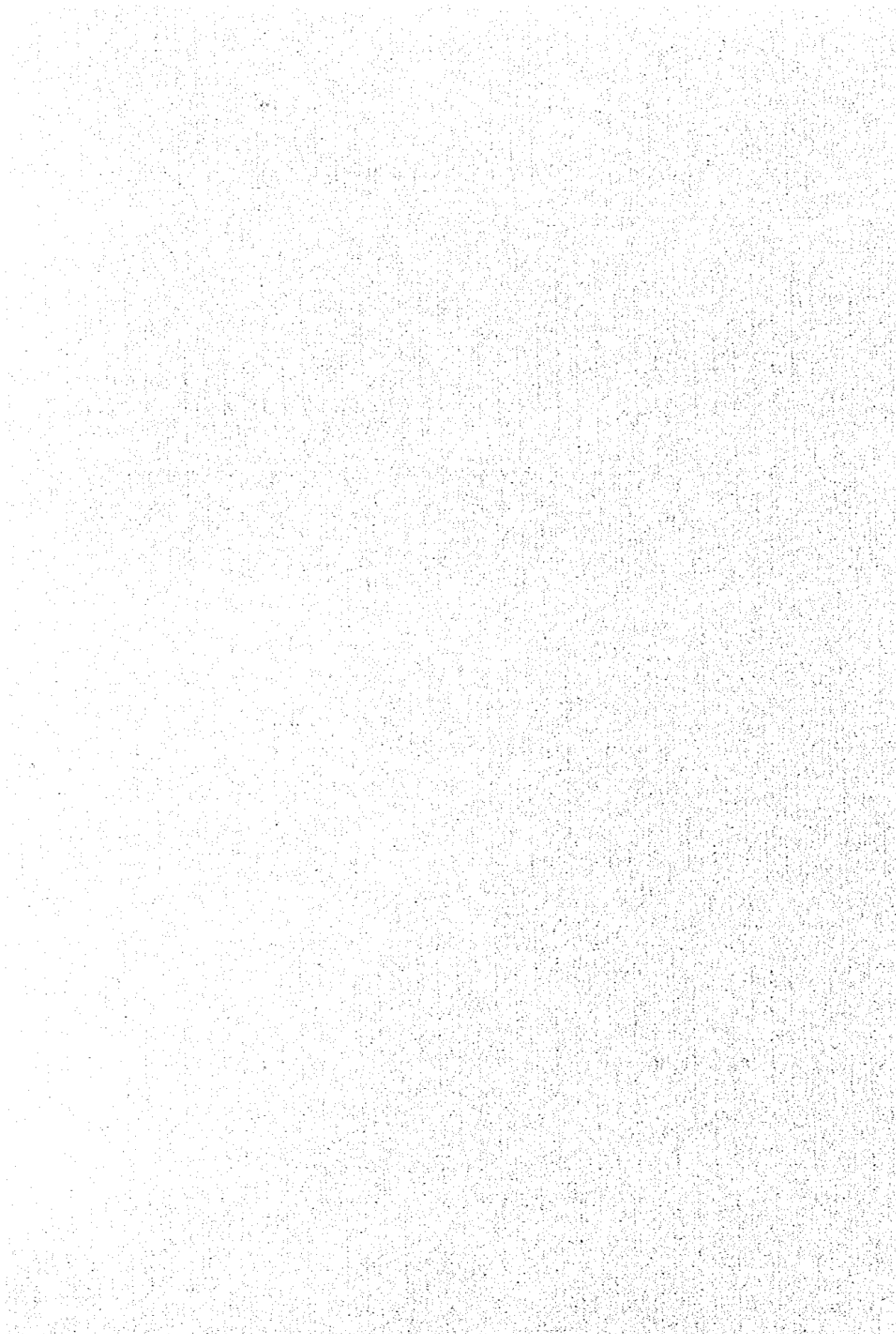


Note: Institutions concerned in MEOySP and MRECIyC

MEOySP
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 Secretariat of Economic Trade Relations (SRCI)
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Chapter 1
Roles and Functions of TOPs in
East Asian and Pacific Countries



1.1 Trade and Investment Promotion Policies of East Asian and Pacific Countries and the Role of TPOs

Overview

Firstly, the characteristic of export and investment promotion policies in East Asian and Pacific Countries including Japan is that they are always considered as a component part of total trade and industrial policies of each country and not an independent one. Secondly, the export oriented policies are not just a rush for promoting export but always having interests to nurture export competitiveness in fostering domestic industries. Import and export substitutions are the processes of continuity and both processes produce efficiency.

In any country, the change from import substitution to an export oriented process is not so smooth. In addition to obtaining efficiency and cost reduction, (1) It is necessary to improve such production systems as quality control, delivery timing and so on to realize export sales in comparison with selling in the domestic market; (2) It is required to select and specialize in the most competitive items for mass production in exporting instead of small production of a wider variety of items for the domestic market; (3) It is also necessary to change marketing concepts of firms into a global perspective, and these continuing efforts will strengthen their overseas competitiveness.

The TPOs of East Asian and Pacific countries have played an important role effectively to back up the exporting efforts of each country. The principal roles of TPOs are to support exporting efforts of small and medium sized firms which are inferior in forming overseas information networks. This role will be strengthened by the enactment of the newly established WTO agreements. Although the new rules of WTO give a grace period of 8 years to developing countries for granting export subsidies, the general trend is to get rid of them. The newly named "Green Subsidies" used for R&D, local development and environment are not targeted of compensation custom duties. The TPOs will be asked to adjust to these new international agreements.

The roles of TPOs in each country have changed in tandem with the structure change of industry in each country. The export promotion organization of Japan, JETRO(Japan External Trade Organization) which has impacted especially on East Asian countries, has changed its roles of export promotion, as a result of the rapid and big expansion of Japanese exports, into import promotion in the 1970s. This is not comparable to the other nations.

The roles of the TPOs in Korea, Taiwan, Hong Kong and Singapore have been enlarged and developed. They have always built up new schemes of export promotion, especially in an effective information servicing. While, the ASEAN countries have introduced very positive attitude towards foreign investment in the 1980s and realized export promotion mainly led by foreign capitals. In parallel with these developments, through Japanese cooperation, the enhancement of technical level in the specific industries, the establishment of institutions for fostering technicians and nurturing supporting industries, they are making big strides in developing their own export industries.

In Canada and Australia, they have developed TAMIS (Targeted Marketing Intelligence Strategy) in promoting export policies in the 1990s.

Japan

In Japan, as it was keenly recognized the importance of nurturing exporting industries in the 1950s, such export promotion measures were taken as favorable financing for export, tax incentives for export, establishing export promotion organizations and so on. By the rules of the prohibition of export subsidies of GATT, direct export subsidies and tax incentives for export were abolished in the 1960s. In the 1970s, as the surplus in the current account increased, most of the favorable financing system for exports were also suspended.

While in the first half of the 1950s, many export promotion organizations and systems were established and introduced by the Government such as the export insurance system, Export and Import Bank of Japan, Japan External Organization (JETRO), Supreme Trade Conference, Certification of Export Contribution Firms and so on.

Although these organizations and institutions seemed to be very helpful for preparing an environment for export growth in the latter half of the 1950s, it is difficult to quantify the effect of export promotion. Many of them are still active today, but in the 1970s, the objectives and functions of these organizations and institutions changed to emphasize the internationalization of Japanese enterprises in adding the functions of promoting overseas investments, natural resource development and import promotion.

Asian NICs

The East Asian NICs (Korea, Taiwan, Singapore, Hong Kong), not endowed with enough natural resources, started industrialization in light industries taking advantage of abundant and well qualified labor forces. In the 1960s, Korea and Taiwan deployed actively the policy of export oriented industrialization. They followed the Japanese model of targeted industrial policy for fostering export industries through active government interventions. Eventually, they have succeeded in expanding exports of manufactured products in the period of international trade expansion before the oil crises.

Both countries had such similar characteristics as having strong export orientation due to limited domestic markets and industrial policies being very important to counter geopolitical threats. Consequently, states led development regimes have been constructed based on the "Authoritarian Development System," among which export promotion has been conceived as an engine of economic developments. In Korea, the Export Promotion Board has been periodically chaired by the President of the Republic to discuss and evaluate export promotion activities.

With regard to export promotion, it is noteworthy to see that many schemes developed and deployed by Japan have been selected by these two countries. They have also established such export promotion organizations as KOTRA (Korea Trade Promotion Corporation) in 1962, and CETRA (China External Trade Development Council) in 1970, and followed JETRO in many aspects. As mentioned before, although JETRO has transformed drastically its functions since the 1970s, both organizations have continuously strengthened the export promotion functions. In August, 1995, KOTRA has changed its name (Korea Trade Investment Promotion Agency) by absorbing the investment promotion functions which had been part of the Small and Medium Industry Promotion Corp. The overseas networks of KOTRA have been expanded rapidly and they have played an important role in helping the overseas expansion of Korean firms.

Although Hong Kong is traditionally seen as a *laize-fair* economy, the export promotion organization of HKTDC (Hong Kong Trade Development Council) was established in 1966 and its activities have been very positive. Simultaneously, STDB (Singapore Trade Development Board, established in 1983) has performed export promotion functions. In both countries, as the rapid development of knowledge intensive industries, the information servicing of export businesses has also utilized computer networks. Recently, as both countries have developed so much in distribution and the other servicing functions for the neighboring countries, many foreign exhibitors with the intention of expanding to the adjacent countries are now showing interests to participate

to the trade fairs held in both countries. Other than the public sponsored fairs, private organized fairs also increased in these countries. The investment promotion functions are performed actively by the Hong Kong Government Industry Department, and the Economic Development Board of Singapore. The "One Stop Unit System" in the promotion of foreign investment in both countries is well praised by users for its easy access and the efficiency of its information services.

These countries have come to be called Asian NICs for being successful in export oriented industrialization policy in which export and investment promotion organizations have played an important role and they have deepened their functions and deployed new schemes to cope with new demands required by change in the global economy.

ASEAN countries

In comparison with the NICs, the ASEAN countries (hereinafter, referred to Thailand, Malaysia, Indonesia and Philippines) are blessed with natural resources and energy, they promoted an import substitution industrialization policy based on the export of primary products.

From the latter half of the 1970s to the first half of the 1980s, they faced the limitations of their import substitution policy. Accordingly, in the middle of the 1980s, the ASEAN countries introduced an export oriented industrialization policy based on the economic success of Asian NICs. In the ASEAN countries, the preliminary import substitution policies have not nurtured enough exporting firms. Therefore, the essential parts of export oriented industrialization policy have relied on encouraging foreign investment. Foreign investment policy has focused on the alleviation of restrictions on foreign participation, the simplification of approval procedures, the reduction and alleviation of taxes and custom duties, the development and preparation of bonded processing zones, export processing zones and industrial parks. ASEAN nations have promoted foreign investment activities within and outside their countries. Within their countries, the above mentioned policies were established and the investment information services were expanded. And in the investors' countries especially Japan, investment information was actively distributed to potential investors.

The overvaluation of the Japanese yen since the Plaza Agreement in 1985 accelerated investment in ASEAN countries where foreign investment policy has been liberalized more than to the Asian NICs where the labor demand has increased so much that the wage level has been raised. As a result of increased foreign investments, since the latter half of 1980s, exports have become very active from the foreign firms. The

foreign reserves accumulated through exports have not been used solely for consumption purposes, but also have been directed to investments, and here again acted to increase exports. Now, the good cycle of production increases through exports and investments has begun.

Japanese cooperation projects for ASEAN

The increase of exports from ASEAN countries has been realized due to the exporting efforts made by foreign firms more than the results of efforts made by export promotion organizations and related export promotion policies executed by ASEAN nations. In addition, we can not neglect the fact ASEAN export promotions have been enforced by a variety of schemes sponsored by the Japanese. From 1982, JETRO started the "Asian Cooperation Project," in which a targeting method has been utilized for selecting potential exporting goods and industries, to which experts have been dispatched, feasibility studies have been performed, missions received, business negotiations arranged, participation in trade fairs in Japan and so on. Since 1987, the cooperation schemes have been further fulfilled in the "New Aid Plan=New Asian Industries Development Plan", in which trade, investment and development aid have been jointly combined to foster exporting industries, for building related infrastructure, and nurturing personnel in each ASEAN nation.

Yet the export promotion policies of ASEAN nations are still at a preliminary stage. Exporting firms are reflecting the characteristic of the industrial structure in which the ones are principally exporting traditional primary products and the others are doing inter-firm trade by foreign firms. At the same time, in the process of recent rapid economic development, the processing industries of primary products, the supporting industries in automobile, electric and electronic machinery industries, and other various industries have been rapidly grown up. In the newly developed industries, there are many opportunities for small and medium sized enterprises to participate and the rapid and efficient nurturing of them are now very urgent matters. Most of the cooperation schemes are prepared at the request of local government and business circles.

TPO of Australia and Canada

Since 1991, AUSTRADE has done an amazing job to strengthen its activities in the Asian markets including the Japanese market.

The underlying strategy of AUSTRADE originated in the new industrial policy of Prime Minister, Hawke who declared in 1993 the birth of "The Competitive Australia."

In this new policy, Australia also intended to realize economic benefits by applying the export and investment promotion policies carried out by Asian NICs.

The trade policy, nurturing policies for each industrial sector, export supporting policies and market strategies carried out by the Department of Foreign Affairs and Trade of Australia are clearly written in the bulletin of "Australian Trade and Investment Development" published annually. It is prepared by the participation of relative government agencies, business circles, labor unions, Trade Policy Council and AUSTRADE. The 1994 version deals with the new bilateral and multilateral economic relationships forming under the new climate of international economic activity, especially under the new WTO regime. It also outlines a strategy for Australia's 30 principal 30 markets and shows the Government's back up schemes for Australian firms for strengthening their international competitiveness. As the recent government white paper on "Working Nation" stressed, the exporting capacity of the SMEs should be strengthened, the new policy of doubling the amount of the working capital facility available for SMEs including manufacturing and service industries was also identified in the Bulletin.

Canada's export promotion policy was articulated in the "Pacific Strategy for 2000" which was published by the Government on December, 1989, in which it was recommended that economic relationships should be strengthened with Pacific Rim Asian countries, especially Japan. Accordingly, since 1993, the exporting strategy has been prepared in the "Action Plan for Japan." In the process of preparing this Plan, the Federal Government (Japan Bureau of Foreign Affairs), the provincial governments, the related business circles, JETRO in Canada, the Commercial attaches of Canadian Embassy in Japan cooperated with each other. We put the name of "Targeted Marketing Intelligence Strategy (TAMIS)" to this kind of marketing access strategy.

1.2 Major Function of TPOs

1.2.1 Promotion of Export; Export Related Basic Information Servicing (ERBIS)

The main functions of export and investment promotion institutions of East Asian and Pacific nations are to provide efficiently the information necessary for export related enterprises (manufacturing firms for export and trading firms) in securing and strengthening export competitiveness. It might be unnecessary to stress that the export competitiveness should principally be strengthened by efforts performed at the micro level of firms. At the same time, it is also important to provide support for export related firms of small and medium size who can not maintain overseas networks with ERBIS in an efficient manner and at a cheaper cost.

We can divide the ERBIS function into 4 principal categories as follow; a) Overseas Market Information, b) Overseas Inquiry Information, c) Investment Related Information, d) Trade Fair Information. In reality, these functions are not categorized in a clear fashion but are provided in jointly and simultaneously.

Now, we will analyze how TPOs in East Asian and Pacific nations are providing ERBIS to firms with the goal of penetrating markets efficiently and providing them strategic information.

(1) Overseas market information

Soon after World War II, the "Overseas Market Research Organization" was established in Japan to eliminate the "blind trading era" and market research came to be a basis for JETRO of today. This reflects the reality that overseas market research is a basic function for export promotion.

To collect market information on a specific country where the economy is always changing is a difficult task. It is also an important for the supplier of the information to know how to compensate the costs incurred in the gathering of information taking into consideration the covering area, servicing vehicle and frequency. The information service should always take into account the interests of users, otherwise they will look elsewhere for assistance.

The form (or media) for supplying information was traditionally the periodical publications of the organization. In Singapore and Hong Kong, general information is

now sold on CD-ROM and by on-line services to PCs, it is now more common to sell information through E-mail. The most important thing is to distinguish between the two functions of improving the information media and the contents of the information itself. We need to explore what information is needed by users

Strategic market information targeted to a specific industry and product is often more valuable for exporters. As it is more expensive to collect industry and product specific information, most of reports are provided at a charge. When it is difficult for an individual company to bear the cost, the business associations concerned will share the cost, often assisted by an appropriation from the national budget. Through research, TPOs obtain substantial hints on market penetration strategy and prepare concrete marketing strategies in collaboration with business circles. As the basic information necessary to prepare "TAMIS" is obtainable through this process, very often public institutions execute a study in full cooperation with business circles. In the case of Canada, the Overseas Market Information necessary to execute TAMIS is that which covers wide areas of market magnitude in the industrial sectors concerned, principal competitors, relative business associations, associations of importers, principal trade fairs, Government support, etc. As much of the information is basic, it is gathered through the daily work of the Commercial attaches in the Embassy. In the TAMIS, a variety of basic information is rearranged to suit specific marketing intelligence objectives.

Most TPOs ask overseas representatives to report periodically on local markets and publish these reports in the organization's publications. Although this requires much energy for overseas representatives, when information is not available for the countries concerned. However, even general information is valuable to domestic firms and the existence of overseas representations is very important. If SMEs try to maintain overseas networks to obtain the same information, they must burden themselves with huge costs. The "invisible" savings to SMEs are substantial. In addition, the network of information (including human contacts) obtainable through the existence of overseas representatives is limitless. Several other services supplied through these representatives (including business inquiries) should also be reevaluated.

(2) Trade inquiry information

This information is essential to starting business contacts. When and how overseas trade inquiries come about, there are usually two cases. The first case is when overseas buyers have an intention to import, the other case is to arouse the trading interests from the sellers side. Accordingly, the inquiry services of TPOs range from

just channeling trade inquiries received from overseas to domestic firms and also actively providing export inquiries from domestic firms to overseas buyers to accomplish exports. The former case is commonly observed when there are so many exporting firms within a country that the inquiries are openly publicized to be accessed freely by interested firms. In the case of Hong Kong, Singapore and Korea, the inquiries are soled in the CD-ROMs. The latter case is seen in Australia where exporting SMEs are stimulated. AUSTRADE is striving to sell trade inquiries offered from domestic exporters to interested firms in overseas markets. The staff of AUSTRADE in Japan is exploring market opportunities relying on their market research and their language ability. When SMEs wish to export to a market, they need to conduct market research and improve their goods. Related schemes are also introduced to domestic firms for nurturing exports.

The information sources of overseas inquiry are abundant. When they are interpreted in a wider sense, advertising articles which are printed in foreign magazines are also a source of trade inquiries. We can make many business contacts through these media. Therefore, among trade inquiry services for domestic firms, we can include the provision of overseas business magazines in a TPO library.

(3) Trade fair information

TPOs provide information on trade fairs held in overseas countries. To provide information on what kind of fairs, and when and in what scale they are to be held is a very valuable information for domestic potential exhibitors. At the same time, it is important to provide information appropriately on the fairs sponsored or organized by the TPOs themselves.

We can consider the holding and organization of these fairs as a part of TPO's trade inquiry promotions for stirring up inquiries through actual goods. The execution of TAMIS, market penetration strategies through trade fairs is an important function of TPOs.

1.2.2 Promotion of FDI

With regard to foreign direct investments, we can distinguish between 2 cases. The first case is to invite foreign investments to the domestic market and the second case is to promote investments in overseas markets. The first case is to make up for the lack of domestic savings and also to promote domestic economic development through introducing foreign techniques. Accordingly, these foreign investments are often

regarded as a part of industrial development policies. The investment promotion functions should reflect, therefore, the domestic industrial level. On the other hand, overseas investments are often developed as a final stage of export activities and as natural resources development investments for the purpose of importing natural resources. For that reason, overseas investments are often operated by bigger firms. The information services are basically to provide overseas market information for big firms. Naturally, when the SMEs are active in investing in overseas markets, the provision of information must also take into account these facts. JETRO has been more active in promoting investment in overseas markets, utilizing overseas networks to provide information on foreign markets.

When we promote foreign investments in the domestic market, we need to stress the positive aspects of the investment environment. The ASEAN countries and Asian NICs have long been promoting foreign investment in their domestic markets. For these purposes, separate organizations other than export promotion organizations have been formed. In the case of AUSTRADE, one organization functioned both ways. In any case, the crucial function of inviting foreign investment is to provide foreign investors the necessary information efficiently. The "One Stop Unit" is an example of investment services in East Asian and Pacific nations. Since all Asian TPOs have effective schemes to promote FDI, the international competition to attract FDI is very severe.

1.2.3 Looking for Effective Organization

Public or Private Servicing?

Most of the information mentioned above is provided by TPOs in the East Asian and Pacific countries or by the public sector mainly funded by the government. Is it possible to provide these services through the private sector? When should the private sector perform these functions in stead of the public sector? If they can offer basic business services, they might be required to coordinate effectively the existing functions that are now played by overseas embassies and consuls.

The functions of the TPOs of East Asian and Pacific countries for promoting exports and investment performed as a public service have continuously expanded and deepened in both quantity and quality. However, we can not prove objectively how and to what extent the TPOs have played a role in the economic and trade performance of each country.

In relation to this, it is interesting to examine the export promotion activities of such industrialized countries as the U.S.A. and the European nations from the latter half of the 1980s. The U.S.A. has promulgated the "National Export Strategy" for the past consecutive 3 years. This strategic report is compiled by "Trade Promotion Coordinating Committee(TPCC)" annually to present to the United States Congress. To meet foreign competition, the National Export Strategy covers 6 agendas as follows. (1)Principal markets and sectors, in which the "Big Emerging Markets" and the 3 sectors (environmental techniques, service sectors, information techniques) are targeted; (2)To support exports, the Advocacy Center was created incorporating the relative government agencies and other organizations in a network with coordinated functions; (3) Trade promotional financing schemes were introduced and strengthened; (4) Export regulations abolished; (5) Improved access to trade related information, for which overseas embassies are required to prepare a "Country Commercial Guide" on an annual basis; (6) Export promotion for SMEs, in which Export Assistance Center was created for serving SMEs as a in "one-stop shop."

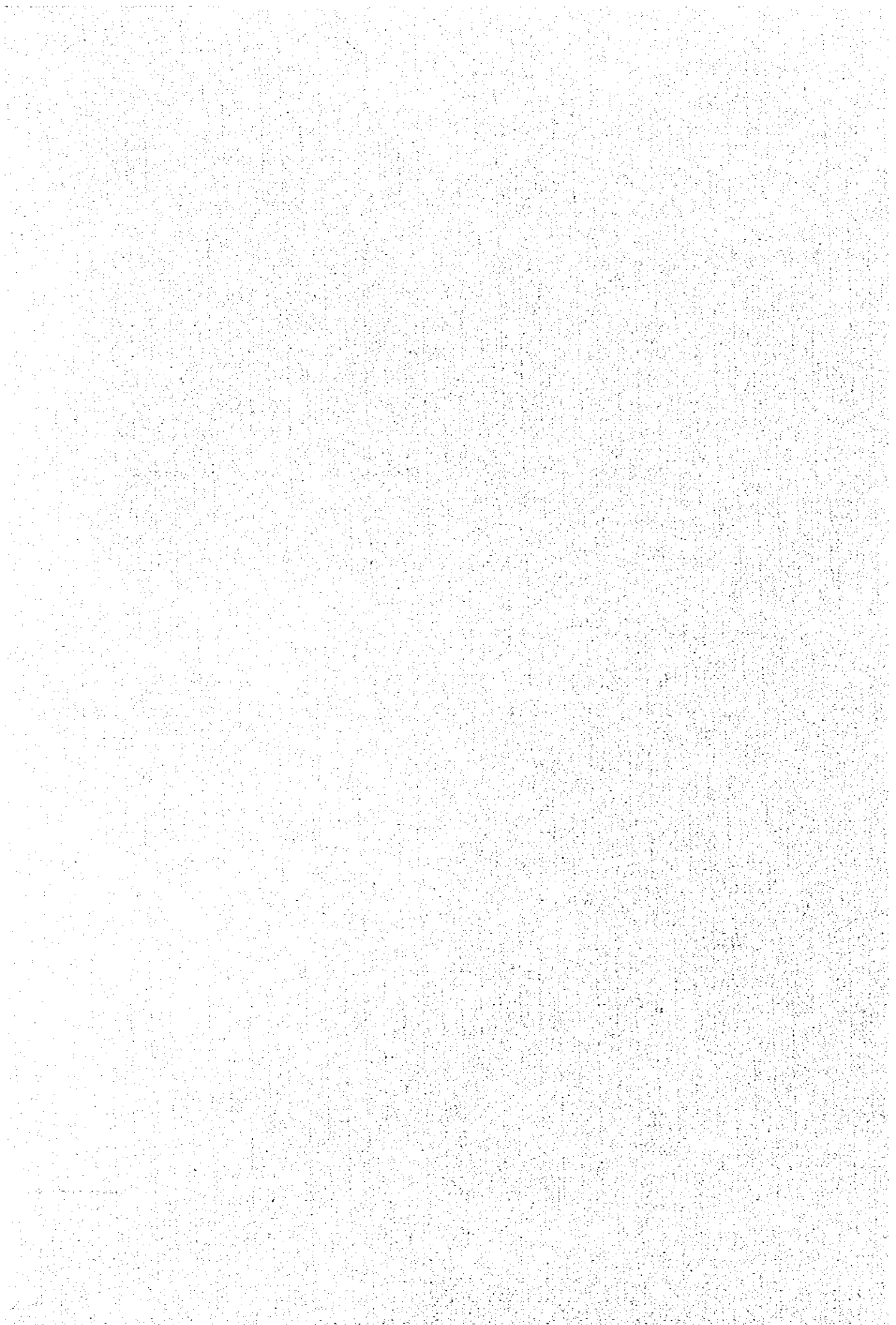
Although the above mentioned efforts seem to have introduced new backing up schemes, the principal aim was restructuring and reinforcing the existing institutions and organizations. If such institutions and organizations are not available, we have no other choice but to create them.

Successful TPOs

In relation to this topic, a report prepared by Paul Hogan seems to be suggestive. ("Some Institutional Aspects of Export Promotion in Developing Countries" EDI Seminar Series, "The Role of Supporting Services in Expanding Manufactured Exports in Developing Countries" by Economic Development Institute of the World Bank, Copyright 1991.) After examining the results of activities during the last 25 years of TPOs in over 60 countries, he concluded that the overall trade position of most developing countries has worsened and very few self-sustaining and effective institutions have been created (see Hogan p.44). With regard to the general low level of effectiveness of TPOs, he quotes four reasons mentioned in a study made by Keesing (1988) in a World Bank paper; (1) the legacy of import substitution policies; (2) the lack of attention to supply problems at the firm level; (3) the lack of donor leverage and donor acceptance of low impact; and (4) an ineffective service-delivery mechanism. Hogan himself believes that five more reasons bear directly on the relative failure of trade promotion institutions in developing countries; (1) poor positioning; (2) inadequate human resources; (3) lack of sustained intervention; (4) weakness in design and process; (5) bad advice and advisers (see Hogan p. 45).

In his report, Hogan concludes after studying both developed and developing country TPOs that no universally applicable model exists. However, all successful trade promotion organizations appear to have a number of factors in common. These are: (1) autonomy- in operations; (2) confidence - from government and exporters; (3) relevant services - keyed to real needs; (4) overseas representation - in the country's major markets; (5) staff - experienced and trained for the job; (6) sufficient finance - to do the job well. Although his observations are very suggestive in considering how to restructure and organize new institutions, space is limited in this paper to introduce them in detail. Suffice to mention, that many of his findings are seemingly overlapping with this report's suggestions and recommendations.

Chapter 2
Characteristics and Activities of TPOs in
East Asian and Pacific Countries



2.1 Summarized Basic Characteristics of TPOs

2.1.1 General

TPOs originally mean those organizations whose main activities are to promote exports only, however, here in this Chapter they are composed of the following three categories:

- (1) Category I includes organizations to promote export mainly, but also includes those to promote investment.
- (2) Category II includes organizations to promote investment only.
- (3) Category III includes organizations to promote Export Finance, Insurance and Guarantee.

The following is the list of TPOs by Category and by Country.

Category I: Mainly for Export Promotion

- 1) Australia - Australian Trade Commission (AUSTRADE)
- 2) Canada - Department of Foreign Affairs and International Trade (DFAIT)
British Columbia Trade Development Corporation (B.C. Trade)
- 3) Hong Kong - Hong Kong Trade Development Council (HKTDC)
- 4) Korea - Korea Trade Investment Promotion Agency (KOTRA)
- 5) Malaysia - Malaysia External Trade Development Corporation (MATRADE)
- 6) Singapore - Singapore Trade Development Board (STDB)
- 7) Chile - Bureau of International Economic Affairs, Ministry of Foreign Affairs (PROCHILE)
- 8) Brazil - Departamento Tecnico de Intercambio Comercial (DTIC)
- 9) Japan - Japan External Trade Organization (JETRO)
- 10) Argentina - Secretaria de Relaciones Comerciales Internacionales (SRCI)
Secretaria de Comercio e Inversiones (SCI)
Fundacion Exportar

Category II: for Investment Promotion

- 1) Australia -
- 2) Canada - Industry Canada (IC)
Investment and Technology Bureau (TID-DFAIT)
- 3) Hong Kong - Hong Kong Government's Industry Department
- 4) Korea - Small and Medium Industry Promotion Corporation (SMIPIC)
- 5) Malaysia - Malaysian Industrial Development Agency (MIDA)

- 6) Singapore - Economic Development Board (EDB)
- 7) Chile - Foreign Investment Committee
Fundacion Chile
- 8) Argentina - Secretaria de Comercio e Inverciones (SCI)
Fundacion Invertir

Category III: for Export Finance, Insurance and Guarantee

- 1) Australia - Export Finance and Insurance Corporation (EFIC)
- 2) Canada - Export Development Corporation (EDC)
- 3) Hong Kong - Hong Kong Export Credit Insurance Corporation (HKEC)
- 4) Korea - Korea Export Insurance Corporation (KEIC)
Export-Import Bank of Korea (Eximbank)
- 5) Malaysia - Malaysian Export Credit Insurance Berhad (MECIB)
- 6) Singapore - Export Credit Insurance Corporation of Singapore Ltd. (ECICS)
- 7) Chile - Corporacion de Fomento de la Produccion (CORFO)
- 8) Argentina - Banco de Inversion y Comercio Exterior S. A. (BICE)
Banco de la Nacion Argentina (BNA)
- 9) Japan - Export-Import Insurance Division, Ministry of International Trade and Industry (EID/MITI)
Export-Import Bank of Japan (EXIM)

2.1.2 Basic Characteristics of TPOs

Tables 2.1.1 and 2.1.2 show the schemes and activities of TPO's of 10 countries in East Asian, Pacific and South American countries including Argentina, and their institutional aspects are as follows:

Legal forms:

TPOs of 8 countries (except Canada and Brazil) have their specific names in order to make up their own image. However, almost all TPOs are governmental bodies, institutions and semi-governmental organizations, and their functions and activities are more or less supervised by the Ministries concerned.

TPOs and diplomatic channel:

In the cases of Canada (DFAIT), Singapore (STDB) and Chile (PROCHILE), the staff of TPOs are engaged in promoting export and investment as a part of ordinary functions of Embassy as a diplomatic channel. In case of Australia (AUSTRADE) and Hong Kong (HKTDC), the staff of TPOs are performing activities, apart from ordinary functions of Embassy. And in the case of Japan (JETRO) and Korea (KOTRA), these are semi-governmental organizations independent from the diplomatic channels.

TPO's export and investment promotion functions:

TPO's export promotion function are targeted to promote contacts with foreign enterprises, and to strengthen exchange of goods, technologies and capital. This function of TPO will also contribute to promote capital investments and joint ventures with foreign enterprises. This explains the reason why many TPOs have two functions (export and investment promotion functions) within one organization. In Korea, SME Development Corporation has been in charge of promoting foreign investment as it contributes strengthening of SMEs' technology and capital but quite recently this function is to be integrated into KOTRA. In Singapore and Malaysia, EDB and MIDA are in charge of investment promotion only (apart from STDB and MATRADE which are in charge of trade promotion), however, STDB/EDB in Singapore and MATRADE/MIDA in Malaysia are supervised by the same Ministry (MITI). In the case of Malaysia, there is little coordination between MIDA and MATRADE, but this is rather an exceptional case.

The organizations for export finance, insurance and guarantee:

In the case of Japan and other East Asian countries, governmental financial institutions facilitate finance for trade and investment, independently from export insurance. On the other hand, in the case of EDC of Canada and EFIC of Australia, they have all functions of facilitating export finance, insurance and guarantee.

Table IV-2-1-1 Summarized Basic Characteristics of TPOs (Categories I, II & III)

ASIA

COUNTRY	EXPORT PROMOTION	INVESTMENT PROMOTION	EXPORT FINANCE/INSURANCE/GUARANTEE
Japan	<p>JETRO</p> <p>Government-related non-profit organization under supervision of MITI.</p> <p>Has a network of 33 offices in Japan as well as 80 overseas offices located in 58 countries and one region.</p> <p>Actual major functions are:</p> <ul style="list-style-type: none"> - Expanding Japan's import - Fostering industrial cooperation with developed nations - Supporting export infrastructure in developing nations 	<p>JETRO</p> <ul style="list-style-type: none"> - Supports foreign direct investment to and from Japan - Operates 16 Centers for Industrial and Technological Cooperation (CITEC) in North America, Europe and Oceania - The Business Partnership Program focusing on promotion of harmonious relationships between industries in Japan and their overseas counterpart 	<p>EXIM and EID/MITI</p> <p>EXIM</p> <p>Government financial institution under supervision of Ministry of Finance</p> <p>Function of finance for export, import and overseas investment and untied loan</p> <p>Function of guarantees for bank-to-bank loans and buyers credit that cannot be covered by EID (including guarantees for loans other than export credits given by EXIM)</p> <p>EID/MITI</p> <p>Organization belongs to MITI</p> <p>Function of export insurance and guarantee</p> <p>Insurance covers repayment of exporters, importers, overseas investment and untied loans</p> <p>Guarantee for the banks who purchases a documentary export bill and insured export full insurance</p> <p>KEIC and Exim Bank</p>
Korea	<p>KOTRA</p> <p>Semi-Governmental Organization</p> <p>Same scheme of JETRO, but its export scheme is now bigger</p> <p>Has a network (Korea Trade Centers) of 82 overseas offices located in 65 countries</p> <p>Has a concept of Korea Merchandise Centers (KMCs)</p> <p>Strategic Marketing Initiative (SMI) Program for the support of SME exporter</p>	<p>SMIPC</p> <p>Non-profit autonomous organization</p> <p>Center for Foreign Investment Services (CFIS)</p> <p>Center for Overseas Investment Service (COIS)</p> <p>Introduction of foreign technologies</p> <p>KOTRA covers investment promotion as of Aug. 1995 (in cooperation with SMIPC)</p> <p>Scheduled to set up Investment Promotion Centers at Korea Trade Centers Overseas</p>	<p>Exim Bank</p> <p>Government financial institution under supervision of Ministry of Finance</p> <p>Function of export and import finance</p> <p>KEIC</p> <p>Learned from MITI, but has developed unique schemes as follows:</p> <ul style="list-style-type: none"> - Export credit guaranteeing system - Export insurance system of agri and fishery products - Market development insurance - Strengthening ties with Brazil - KEIC is a member of BERNE Union

Hong Kong	HKTDCC Statutory body Has a network of 49 overseas offices located in 30 countries Experiences in free economic system Atmosphere of developing new products Improving information system (TDC Links) Gateway to China (60 % of trade is for China), serving as a bridge between China and the rest of the world	Hong Kong Government Industry Department Has various schemes such as: One Stop Unit Industrial Estates Corp (invitation of high-tech industries) Product Development New Technology Applied Research Funding The Hong Kong Special Administrative Region (HKSAR) will be established in July 1997 EDB: National investment promotion agency under supervision of MITI Top Management is very active, and has his own philosophy Has developed industrial parks (domestic and overseas), placing priority on regional development Has various programs such as: Manufacturing (EDM M2000) International Business Hub (EDB IBH2000) Local Enterprise Development (EDB L2000) Regionalization (EDB R2000)	HKEC Government organization Function of export insurance and guarantee Main clients are European countries Member of BERNE Union Export financing is provided by commercial banks and other financial institution in Hong Kong
Singapore	STDB: under supervision of MITI National trade promotion agency belongs to MITI Has a network of 29 overseas offices Developed information system (Global Link) Gateway and Function of Hub for ASEAN (40% of trade is for ASEAN)	EDB: National investment promotion agency under supervision of MITI Top Management is very active, and has his own philosophy Has developed industrial parks (domestic and overseas), placing priority on regional development Has various programs such as: Manufacturing (EDM M2000) International Business Hub (EDB IBH2000) Local Enterprise Development (EDB L2000) Regionalization (EDB R2000)	ECICS Credit Insurance Ltd. Member of private ECICS Group (composing of 17 companies as holding, insurance, investment, guarantee, venture, information technology, etc.) Member of BERNE Union One more JV companies with French CORFACE ECICS does not provide financing Financing options such as factoring, leasing and hire purchase facilities are available from a sister company, International Factors (Singapore) Ltd.
Malaysia	MATRADE External trade promotion agency Has a network of 23 overseas offices in 20 countries Executing agencies of events for enhancing national prestige Cooperation of JETRO in software and information system Has little coordination with MIDA	MIDA Government's principal agency for the promotion and cooperation of industrial development belongs to MITI Has a network of 13 state offices and 15 overseas offices Developing R & D Regional development of eastern Malay peninsula South-South Cooperation Program Has little coordination with MATRADE	MECIB Belongs to MOF and under supervision of Industrial Bank Supporting small and medium enterprises with emphasis on insurance function 2 staff in charge of country risks Member of BERNE Union Exim bank will be established soon (becoming independent from Industrial Bank) Member of BERNE Union

PACIFIC

COUNTRY	EXPORT PROMOTION	INVESTMENT PROMOTION	EXPORT FINANCE/INSURANCE/GUARANTEE
Australia	<p>AUSTRADE</p> <p>Federal Governmental Agency</p> <p>Allying with Department of Foreign Affairs and Trade</p> <p>Under responsibility of Minister for Trade</p> <p>Targeting Asian market as National Policy and well organized by each regional (country-wise) market</p> <p>Evaluating performance, utilizing cost-benefit analysis</p> <p>EMG, ITES, IAMP are the main schemes for promotion of export (mainly export financing scheme)</p> <p>Japanese Post staff are fluent in Japanese</p> <p>Close ties with private sector (Business Unit)</p> <p>Information systems (AMOS and AED)</p>	<p>AUSTRADE</p> <p>Allying with Department of Industry, Science and Technology</p> <p>Under responsibility of Minister for Trade</p> <p>Investment Promotion Program (IPP)</p> <p>Coordinating with the activities of State Government</p> <p>4 State Governments have their offices in Australian Business Center in Tokyo)</p>	<p>EFIC</p> <p>Under responsibility of Minister for Trade</p> <p>Official export credit agency belongs to AUSTARDE</p> <p>Function of financing, insurance, and guarantee</p> <p>Member of BERNE Union and OECD</p>
Canada	<p>DFAIT: Department of Foreign Affairs and International Trade</p> <p>Government takes initiative and have close connection with private sector</p> <p>Strategically targeting Japan next to US (Canada's Action Plan for Japan, Japanese experts are recruited etc.)</p> <p>Information system (WIN)</p> <p>British Colombia State is very active in its promotion (e.g., BC Trade)</p>	<p>2 key federal departments, DFAIT (Investment and Technology Bureau=TID) and Industry Canada (IC) share responsibility for investment and technology development</p>	<p>EDC</p> <p>Crown Corporation under the control of DFAIT</p> <p>Function of financing, insurance and guarantee</p> <p>Member of BERNE Union and OECD</p>

SOUTH AMERICA

COUNTRY	EXPORT PROMOTION	INVESTMENT PROMOTION	EXPORT FINANCE/INSURANCE/GUARANTEE
Chile	<p>PROCHILE: The export promotion Department belongs to the Ministry of Foreign Affairs</p> <p>Has a network of 13 local offices and 35 overseas offices. Placing emphasis on the export of non-traditional goods. Strengthening Market Intelligence Unit and set up Country-Image-Up strategy</p> <p>Embassy personnel in Japan speaks fluent Japanese (used to be the staff of JETRO in Chile)</p> <p>Information system: Connected with world-wide INTERNET in Sept. 1995</p>	<p>Foreign Investment Committee</p> <p>An autonomous public entity responsible for investment promotion. Acting on behalf of Chilean State as the interlocutor before all Chilean public and private institution including PROCHILE.</p> <p>Under supervision of Committee of Ministries presided by Minister of the Economy.</p> <p>FUNDACION CHILE</p> <p>A private institution with objective to do R&D mainly in forestry, fishery and agroindustry</p> <p>Joint venture of Chilean Government and ITT-Chile</p> <p>A Japanese company has succeeded in the production of salmon in collaboration with this organization</p> <p>(No specific organization exists)</p>	<p>CORFO</p> <p>Under the control of Ministry of Economy</p> <p>Function of export financing, only</p> <p>Studying to expand insurance and guarantee system, only a part of which is functioning</p>
Brazil	<p>DTIC</p> <p>Department of the Ministry of Industry, Commerce and Tourism</p> <p>External promotional responsibilities are carried out mainly by ITAMARATY</p> <p>SEBRAE</p> <p>Private and non-profit organization in Sao Paulo but it's activities cover whole country</p> <p>Support micro/small enterprises focusing on information, education, marketing etc.</p> <p>Funds obtained from 0.3% of social charge (Annual budget in Sao Paulo RS 40 million)</p>	<p>(No specific organization exists)</p>	<p>Function of export financing by:</p> <p>Banco do Brazil, BANESPA (Sao Paulo State Bank) and Federal Saving Bank</p> <p>Less function of export insurance and guarantee system</p> <p>(No specific organization exists)</p>
Argentina	<p>SRCI</p> <p>Secretariat of International Economic Relations belongs to the Ministry of Foreign Affairs, International Trade and Worship (MRECIyC)</p> <p>SCI</p> <p>Secretariat of Trade and Investment belongs to the Ministry of Economy and Public Works and Services (MEOySP)</p> <p>FUNDACION EXPORTAR</p> <p>Public and private mixed organization with the initiative of MRECIyC supported by 13 private organizations</p> <p>Executive committee composed of MRECIyC, MEOySP and representative of 11 private organizations</p>	<p>SCI</p> <p>Secretariat of Trade and Investment belongs to the Ministry of Economy and Public Works and Services (MEOySP)</p> <p>FUNDACION INVERTIR</p> <p>Private entity founded by the initiative of MEOySP and supported by big enterprises</p> <p>Executive committee composed of MEOySP, MRECIyC and the representative of 16 big enterprises</p>	<p>BICE and BNA: under the control of MOE</p> <p>Function of export financing (Administration of 2 Step-Loan)</p> <p>CASC: Private Organization</p> <p>Function of administration and operation of export insurance under the supervision of BICE</p> <p>Member of BERNE Union</p> <p>Less function of guarantee system</p>

Table IV-2-1-2 Basic Data of TPOs of Category 1

(1) Legal Forms of TPOs

Countries	TPO	Year	Type of organization
Australia	AUSTRADE	1986	Federal Government agency allying with the Department of Foreign Affairs and Trade
Canada	DFAIT	1894	Department of Foreign Affairs and International Trade
Hong Kong	HKTDC	1966	Independent institution in the public sector
Korea	KOTRA	1962	Independent organization in the public sector
Malaysia	MATRADE	1993	Body corporate established by Act of Parliament
Singapore	STDB	1983	Autonomous institution attached to the Ministry of Trade and Industry
Brazil	DTIC	1990	Department of the Ministry of Industry, Commerce and Tourism
Chile	PROCHILE	1974	Department of the Ministry of Foreign Affairs

Sources: Table IV-2-2-1 ~ IV-2-2-7, IV-2-2-9

(2) Areas of Action (a): Policy Formulation

Degree of participation	Policy recommendations			Policy formulation			Design of export strategy			National development plan			Design of trade programs			Design of export incentives		
	None	Partial	Full	None	Partial	Full	None	Partial	Full	None	Partial	Full	None	Partial	Full	None	Partial	Full
Australia		x			x				x		x			x				x
Canada			x			x			x		x			x				x
Hong Kong			x			x			x		x			x			x	
Korea		x			x			x			x			x			x	
Malaysia		x			x			x			x			x			x	
Singapore			x			x			x		x			x			x	
Brazil			x			x			x		x			x			x	
Chile		x			x				x		x			x			x	

Sources: Table IV-2-2-1 ~ IV-2-2-7, IV-2-2-9

(3) Areas of Action (b): Implementation of Promotional Activities

Degree of participation	Administration of incentives			Granting of direct credit			Export credit insurance			Export development activities			International trade negotiations			Investment promotion		
	None	Partial	Full	None	Partial	Full	None	Partial	Full	None	Partial	Full	None	Partial	Full	None	Partial	Full
Australia			x			x			x			x			x			x
Canada		x				x			x			x			x			x
Hong Kong	x				x			x			x			x			x	
Korea	x				x			x			x			x			x	
Malaysia	x				x			x			x			x			x	
Singapore			x			x			x			x			x			x
Brazil		x				x			x			x			x			x
Chile			x			x			x			x			x			x

Sources: Table IV-2-2-1 ~ IV-2-2-7, IV-2-2-9

(4) Governing Bodies

Countries	TPO	Type of governing bodies	Members from	
			Public sector	Private sector
Australia	AUSTRADE	Board of Directors	3	9
Canada	DFAIT	None		
Hong Kong	HKTDC	Council	2	17
Korea	KOTRA	Board of Directors	2	4
Malaysia	MATRADE	Board of Directors		
Singapore	STDB	Board of Directors	5	6
Brazil	DTIC	None		
Chile	PROCHILE	None		

Sources: Table IV-2-2-1 ~ IV-2-2-7, IV-2-2-9

(5) Composition of the Staff

Countries	TPO	Professional staff	Other staff	Total no. of staff	Number of decentralized offices
Australia	AUSTRADE			1156	13
Canada	DFAIT	250	100	350	14
Hong Kong	HKIDC			560	4
Korea	KOIRA	634	145	779	12
Malaysia	MATRADE	42	66	108	None
Singapore	SIDB	63	327	390	None
Brazil	DTIC				None
Chile	PROCHILE	58	18	76	13

Sources: Table IV-2-2-1 ~ IV-2-2-7, IV-2-2-9

(6) Commercial Representation Abroad

Countries/ areas	TPO	Number of offices abroad	Direct from TPO			
			Depen- dency	Pay- ment	Communi- cations	Work instruc.
Australia	AUSTRADE	67	x	x	x	x
Canada	DFAIT	127	x	x	x	x
Hong Kong	HKIDC	35	x	x	x	x
Korea	KOIRA	81	x	x	x	x
Malaysia	MATRADE	21	x	x	x	x
Singapore	SIDB	30	x	x	x	x
Chile	PROCHILE	35	x	x	x	x

Sources: Table IV-2-2-1 ~ IV-2-2-7

(7) Sources of Financing

Countries	TPO	National budget	Contributions	Charges	Other sources	Levy on imports	Levy on exports
Australia	AUSTRADE	94%		6%			
Canada	DFAIT	100%					
Hong Kong	HKIDC			48%		41%	11%
Korea	KOIRA	81%	7%	12%			
Malaysia	MATRADE				100%		
Singapore	SIDB			52%	48%		
Brazil	DTIC	100%					
Chile	PROCHILE	100%					

Sources: Table IV-2-2-1 ~ IV-2-2-7, IV-2-2-9

2.2 Schemes and Activities of TPOs

2.2.1 Australia

Australian Trade Commission (AUSTRADE)

Table IV-2-2-1 Australian Trade Commission (AUSTRADE)

Address:	Northbourne Avenue and Barry Drive, Canberra City, Australia		
Year established:	1986		
LEGAL FORM			
Federal Government agency allying with the Department of Foreign Affairs and Trade			
GLOBAL RESPONSIBILITIES			
Promotional responsibilities shared with departments and authorities representing individual States and the formulation of recommendations to achieve an increase in trade.			
AREAS OF ACTION			
	Degree of participation		
	None	Partial	Full
1. Policy recommendations		x	
2. Policy formulation		x	
3. Formulation of export development strategy			x
4. Formulation of national development plan		x	
5. Formulation of foreign trade programs		x	
6. Export incentives: planning and formulation			x
7. Export incentives: administration			x
8. Granting of direct credit for export		x	
9. Export credit insurance			x
10. Export development activities			x
11. International trade negotiations	x		
12. National and/or foreign investment promotion		x	
13. Control of national and/or foreign investment	x		
14. Coordination		x	
GOVERNING BODY			
Board of Directors			
Number of members:	3 from the public sector; 9 from the private sector		
INTERNAL ORGANIZATION			
Executive positions:	Managing Director		
Departments:	Strategic Development; Operations; Corporate Affairs; 5 Departments for 5 regions		
Total number of staff:	1156		
Number of decentralized offices within the country:	13		
REPRESENTATION ABROAD			
Number of offices:	67		
SOURCES OF FUNDING in 1993/94			
	% share of the budget		
National budget	90%		
charges for services (miscellaneous)	10%		
ANNUAL BUDGET			
1993/94 A\$428 million (Government 388, operation results 40)			
1994/95 A\$426 million (Government only)			
1995/96 A\$421 million (Government only)			

(Note: Items 8 and 9 are operated by Export Finance and Insurance Corporation (EFIC) which is an official credit agency under the control of AUSTRADE.)
(Sources: The original chart is from International Trade Center UNCTAD/GATT, *Profiles of Trade Promotion Organization*, Third Edition, Geneva 1994, and updated by the IDCJ study team.)

a. Purpose and Organization

Purpose: Australian Trade Commission (AUSTRADE) was established in 1986 as Federal Government Agency allying with Department of Foreign Affairs and Trade (DFAT) of Federal Government which helps Australian companies successfully export their products and services overseas. AUSTRADE also is responsible for administering Investment Australia, Australia's office program to promote FDI allying with Department of Industry, Science and Technology (DIST). (For Basic Data of AUSTRADE, see Table IV-2-2-1)

Organization: AUSTRADE maintains a global network of more than 70 branch offices in some 60 countries. All the branch offices have on-line access to the computer data bank through "Australian Export Data Base (AED)" system in Australia. In 1993/94 AUSTRADE had 1.2 million contacts with clients in Australia and overseas. Of these about 920,000 (80%) were trade related between established, high-potential exporters in a variety of Australian industries and significant opportunities in overseas markets.

The Business Units are an essential part of AUSTRADE's global network, which the details are described below.

b. Activities

<Export cycle>

AUSTRADE's "Export Cycle" helps Australian companies through 5 ways of developing export access which are described below:

1) Export up-to-date

Information services to update exporters and assist them to prepare for action.

These include:

- Counseling and advice on export planning
- Exporter education
- Overseas import requirements
- Seminars, workshops and videos
- Publications
- Exporters newsletters

2) Market opportunity

Services which identify track and facilitate the capture of market opportunities by Australian exporters. These include:

- Overseas trade information
- Trade intelligence reports
- Consortium facilitation
- Development bank projects
- Investment facilitation
- Tender and investment opportunities

3) Market research

Market research and advisory services which identify and analyze overseas markets and assist exporters to formulate their export strategies. These include:

- Research to assess market potential for product
- Research to determine market conditions
- Research to identify potential market representatives and market contacts
- Information to help exporters understand market and maximize opportunities
- Regular monitoring of product's performance and market conditions

4) In-market support

Services and advice which directly support the efforts of Australian exporters in overseas markets. These include:

- Trade displays, exhibitions and seminar management
- Visitor briefings
- Itineraries and appointment schedules
- Interpreting and translation

5) Financial support

Grants and loans for qualified exporters. These include:

- Export Market Development Grants (EMDG)
- International Trade Enhancement Schemes (ITES)
- Innovative Agriculture Marketing Program (IAMP)
- Special supporting program for exporting to Asia

<Major export promotion scheme>

Major export promotion scheme of AUSTRADE are Financial support described in 5) above, which include three Grants and Loans Programs and Special Assistance Programs for exporting to Asia.

1. Grant and Loans Programs

(1) Export Market Development Grants (EMDG)

(1-1) The EMDG is a non-discretionary scheme under which companies can obtain a grant of up to \$250,000 a year to offset marketing costs incurred while entering and/or developing export markets. To be eligible, companies must be generating less than \$25 million in export revenue and have incurred at least \$30,000 in costs in the year of claim. The vast majority of successful grant recipients are small to medium-sized companies, 70% having fewer than 25 employees. Special arrangements exist for first-time claimants, companies entering into joint ventures, or consortiums and trading houses. Further details are described in Appendix 1.

(1-2) Results in 1993/94: Under legislation enacted in December 1993, claimants in their first three years with the scheme are now also able to lodge two half-year claims in the one year.

In 1993/94, EMDG worth \$195 million were paid to 3,277 claimants, representing an increase of 31% in the number of claimants over the year. Close to 50% of all grants paid were to firms providing services and to those promoting industrial property rights such as patents, trademarks, copyrights, know-how and licensing.

Export earnings generated by EMDG recipients amounted to \$5.2 billion over the year, an increase of 39% on the previous year and an representing a ratio of exports to grants of 25 : 1.

More than half of EMDG claimants were actively seeking to develop markets in Asia, while a third were seeking to expand their business within South East Asia. Around 70% of companies receiving grants under the scheme had 25% or fewer staff, turnover of less than \$5 million and exports of less than \$1 million.

(1-3) Key findings of the review of the EMDG Scheme realized in 1993/94:

- It is achieving its objective of encouraging firms to seek out and develop export markets.
- EMDG recipients actually increase their spending on export marketing by more than the value of the grant, compared to firms that do not claim EMDG. This results in more exports.
- Every \$1 granted under the scheme generates \$15 to \$25 worth of exports and 42% is returned in tax (before taking account of multipliers). The amount of

additional export revenue generated depends on their industry and the number of years they have spent in the scheme.

In considering the reviews' findings, the government has:

- extended the EMDG Scheme for further five years;
- committed \$230 million to the scheme for 1994/95, rising to \$290 million in 1997/98;
- proposed to extend the scheme to include single service operators in the tourism industry;
- agreed to consider a review of those services both eligible and ineligible for the scheme; and
- proposed a cap of \$250,000 on the total value of grants paid to companies within a group.

(2) The International Trade Enhancement Scheme (ITES)

(2-1) The ITES provides low interest loans or advances (discretionary scheme) -- the latter requiring repayment in the forms of royalties on export sales -- to companies with the potential for substantial expansion and development in export markets. The scheme addresses a problem faced by many developing exporters -- that of obtaining the medium and long-term financing necessary for the swift exploitation of substantial opportunities in overseas markets. AUSTRADE will fund up to 50% of the project expenditure to a maximum of \$5 million. Funds are usually provided as a concessional loan repayable with interest or, in some cases, as an advance requiring royalty payments. Under ITES, firms can receive three-year, low-cost funding with deferred repayment terms over six years. Further details are described in Appendix II.

(2-2) Results in 1993/94: In 1993/94, Austrade added 27 exporters to the list of companies it is helping to boost their positions in export markets while the majority of firms receiving ITES assistance were building their presence in Asian markets, a substantial number were penetrating further into North American and European markets.

\$47 million was committed under the scheme during the year. The value of net foreign earnings generated was \$188 million.

Following the evaluation of ITES, the federal government in its white paper, *Working Nation* extended the scheme for a further four years, committing \$50 million a year, composed of fresh government funds plus repayments.

(3) Innovative Agricultural Marketing Program (IAMP)

(3-1) The IAMP provides financial assistance to producers, processors, manufacturers and marketers in the Australian agricultural, forestry and fishing industries who have innovative projects with sound potential. AUSTRADE will fund up to 50% of the project budget to a maximum of \$300,000 in any financial year for up to three years. Further details are described in Appendix III.

(3-2) Results in 1993/94: During 1993/94, \$7.5 million was made available under IAMP to fund 21 projects. Export sales made with the program's assistance came to \$70 million over the year.

2. Special Assistance Program for Exporting to Asia

(1) Asia-Pacific Fellowship Program (APF)

The APF provides exporters with the opportunity to place staff in key Asian markets to study language and to gain business experience. Management Fellowships provide 50% financial support for 6-12 month placements.

Graduate Fellowships provide 75% financial support for 12 month placements.

Eligible markets are the People's Republic of China, Indonesia, Japan, Republic of Korea, Malaysia, Taiwan, Thailand, and Vietnam. Applications seeking placement in other Asian markets, India, the Middle Eastern the Russian Far East will also be considered.

The average Fellowship is \$65,000. 40 Fellowships are available each year.

(2) Asian Business Links (ABL)

Strong business and personal relationships are critical in achieving business success in Asia. the ABL offers exporters the opportunity to train or familiarize Asian business contacts with products or services in Australia. The program can reimburse up to 50% of the costs of bringing key business contacts to Australia for 2 weeks to 6 months training visit.

The ABL supports around 200 visits per year. Applications are assessed by an industry-based panel approximately every 8 weeks.

(3) Asian Infrastructure Consortia Program (AICP)

AICP provides interest free loans of between \$250,000 to \$750,000. Its principle aim is to encourage the formation of consortia to pursue large infrastructure projects in Asia. Loans are repayable in full if the project is won. If the project is lost, up to 85% of the loan is forgiven.

c. Working with industry

AUSTRADE strongly believes that efforts to bring investment to Australia and sell more goods and services to the world can be maximized if the many parties involved in export and investment work together. As Australia's export and investment promotion agency, AUSTRADE liaises and interacts with a vast number of private sector firms, service providers and organizations, governments and associated agencies.

<Business Units (BDUs)>

AUSTRADE's Business Units provide vital linkages between established, high-potential exporters in a variety of Australian industries and significant opportunities in overseas markets. The Business Units are an essential part of AUSTRADE's global network.

Business Units are established in AUSTRADE offices around Australia, with locations selected to provide maximum possible access to specific industries. Their aim is to provide structured, strategic services to companies or groups of companies in industries such as processed food and beverage, marine, automotive and aviation, to help internationalize their operations.

AUSTRADE's Business Units clients have the resources and commitment to build and sustain a competitive presence in world markets. The Business Units, working with AUSTRADE's international Posts, help them to identify and capture significant export or project opportunities.

Business Units rely on effective networking through industry contacts in Australia and overseas, information sharing and pooled effort, to add value to the operations of companies and consortiums with which they work.

At June 1994, there were 27 Business Units, each focused on a high-potential export industry. Each unit is staffed by industry specialists who offer clients expertise in specialist industry areas such as product development, manufacturing and marketing.

AUSTRADE's Business Units:

(New South Wales)	(Victoria)
- Automotive	- Agriproducts
- Aviation	- Consumer
- Building materials	- Dairy
- Cereals	- Health
- Construction	- Information technology (Section)
- Energy	- Rural projects
- Environment	- Telecommunications
- Information technology (Section)	(Queensland)
- Mining	- Horticulture
- Projects	- Sugar technology
- Railways	- Tropical agriculture
(Australian Capital Territory)	(South Australia)
- Defense	- Beverages
- Education services	(Western Australia)
- Leisure and entertainment	- Marine
- Vocational training	

<Target industry sectors/markets>

A summary of the target industry sector/markets which sets out the priorities between the Posts and BDUs is shown in the following table. Where resources spent in these sectors do not exceed 0.5 persons or \$100,000 they are included under network support in the respective budgets.

Target Industry Sectors/Markets -- Summary Joint BDU/Post Resource Allocation by Region

Region Product/Industry Sector	Americas	East Asia	Europe	Japan/ Korea	South East Asia	South Pacific	Special Markets
1 Aerospace	xx	x			xx		
2 Automotive	xxx	x	xxx	xxx			
3 Building materials		xxxx	x	xxxx	xxxxx		xxx
4 Communications	xx	xxxx	x	x	xxxxx		xxx
5 Defense	xx	x	x		xxxxx		
6 Energy systems		xx			xxxxx		xx
7 Environmental industries		xx	xxx	x	xxx		x
8 Information technology	xx	x	xxx	xxx	xxx		
9 Infrastructure & construction		xxxx	x	xx	xxxxx	xx	xx
10 Investment	xxxx	xxx	xxxxx	xxxx	x	x	
11 Marine	xxx	xx	xxx	xxx	xx		xx
12 Mining systems	xx	x	x		xxx		xxxxx
13 Processed food & beverages			x				xx
-Beverages		x	xxxx	xx			
-Cereals & confectionery		xxx		xxx	xx		
-Dairy products		xxx		xxx	xxxx		
-Meat and horticulture	x	xx		xxxx	xxxxx		x
-Seafood	x	x	xx	xx			
14 Professional services							
-Education & training		xx	xxxx	x	xxx		xx
-Entertainment/ Sport/ Arts	xxxx		x	xx	x		
-Health services & medical			x	xxx	xxxxx		
15 Railways		xx			xx		x
16 Rural development systems	x	xx	x	xxx	x		x
17 Sugar systems	x	x			x		xxxx
18 Textiles raw materials	x	xx	xx	x			

Priority Code:

x 1.00 - 1.99 person years
 xx 2.00 - 2.99 person years
 xxx 3.00 - 3.99 person years
 xxxx 4.00 - 4.99 person years
 xxxxx 5.00+ person years

d. AUSTRADE's performance

<Export impact>

AUSTRADE measures and reports on its performance using a set of Key Performance Indicators. The way in which it meets its goals is measured and, where appropriate, verified by independent research. Performance is measured in terms of:

- the value of export assisted by AUSTRADE
- the amount of new foreign investment into Australia that AUSTRADE assisted
- the number of trade inquiries handled by AUSTRADE's network
- client satisfaction as measured by independent research
- Revenue earned and co-funding attracted.

1) Value of exports

AUSTRADE's impact on export sales in 1993/94 was evaluated in a study conducted by a consultant, AGB McNair, among exporters using AUSTRADE's services, which resulted in out of A\$4.8 billion total value of export, AUSTRADE impacts are:

- "We could not have made the sale without AUSTRADE" ----- A\$647 million
- "AUSTRADE is a key factor in our success:-----A\$1,018 billion
- AUSTRADE was a positive factor" ----- A\$3.18 billion

The 1993/94 total of A\$4.8 billion of export sales is 14.2% higher than that for the last financial year.

2) Foreign investment

In partnership with the Department of Industry, Science and Technology (DIST), AUSTRADE is responsible for administering *Investment Australia*, official program to promote foreign direct investment.

88 projects were under negotiation in 1993/94. These projects extended across many industries, involved potential investments of some \$8.1 billion and had the potential to create 5,200 jobs. Out of A\$465 million of the total amount of new investment in Australia, AUSTRADE impacts are:

- Lead role ----- A\$163 million
- Substantial role ----- A\$94 million
- Minor role ----- A\$208 million

3) Trade inquiries

AGB McNair research found that AUSTRADE had 1.2 million contacts with clients in Australia and overseas in the year to June 1994. Of these about 920,000 (80%) were trade related.

They include telephone, facsimile and mail inquiries and personal contact between AUSTRADE people and clients. A large majority of these were inquiries from new and potential exporters.

The volume of contacts recorded was four times that of 1992/93, due in part to improved methods of data collection -- part of the continued fine tuning of AUSTRADE's performance measurement. For the first time, the research sample included all telephone contacts as well as inquiries channeled through AUSTRADE's Export Hotline.

4) Client satisfaction

Client satisfaction with AUSTRADE's services was also surveyed by AGB McNair. The results of survey in 1993/94 shows:

How would you rate AUSTRADE overall (in 1993/94)?

- Extremely good or very good-----	49%
- Good-----	31%
- Neutral-----	14%
- Poor-----	4%
- Very poor to extremely poor-----	2%

5) Revenue earned and co-funding

AUSTRADE earned \$4.52 million from its business services to Australian exporters in 1993/94. These services included market research, market contact and in-country exporter support activities. Fees from negotiated agreements also contributed to AUSTRADE earnings. Companies and individuals paid AUSTRADE \$857,000 for activities relating to its Export Update program, such as seminars, information from AUSTRADE's export-related databases and publications.

Participants in AUSTRADE-organized trade fairs and displays contributed \$4.94 million to joint activities with a further \$9.30 million provided by other agencies for AUSTRADE to undertake activities on their behalf. Several Commonwealth, State government and private sector agencies joined forces with AUSTRADE last year, providing \$850,000 to help fund the *Intelligent Exports and the Silent Revolution in Exports* study. In 1993/94 the Department of the Treasury advanced \$5.2 million to

AUSTRADE to undertake the Investment Promotion Program throughout its global network. AUSTRADE also supports immigration programs in overseas markets, and was refunded \$3.3 million for the administrative assistance provided in 1993/94.

<Evaluation on the effectiveness of Grant/Loans>

Each year AUSTRADE makes evaluation on the effectiveness of all the Grant/Loans applied to every project, using the methodology of econometrics. The cost is principally total amount of government expenditure (or appropriation) of the Grant/Loans, and the benefit is calculated as the total amount of exports earned by every recipient through the projects. The result of Cost/Benefit analysis in 1993/94 was around 1 to 10. The achieved exports through total Grant/Loans were 10 times larger than the government's cost (or appropriation).

e. Australian Export Awards

The organizers and the sponsors of the 1995 Australian Export Awards are the organizations at the forefront of assisting and developing Australia's export potential. all share a commitment to the importance of recognizing and rewarding excellence in export performance.

The 1995 Australian Export Awards are co-organized by AUSTRADE and the Australian Chamber of commerce and Industry, in association with *Business Review Weekly* and Qantas Freight and supported by the Best Practice Program and the Australian Institute of Export.

DHL Worldwide Express sponsors the DHL Australian Exporter of the Year. The category sponsors -- the Export Finance and Insurance Corporation, Commonwealth Bank of Australia, AusIndustry and Telstra -- each support one of the awards categories.

The Australian Export Award winners will be announced at a presentation ceremony in Sydney at the Darling Harbor Convention Centre on November 28.

Categories are:

- DHL Australian Exporter of the Year Award, which will go to a company chosen from the six category winners below.
 - 1) AusIndustry New Exporter Award:
for outstanding export achievement by an organization that has been exporting manufactured goods or services for three years or less.
 - 2) Mineral Products Award:
for outstanding achievement by an organization exporting mineral products.

- 3) **AUSTRADE Agricultural Products Award:**
for outstanding achievement by an organization exporting agricultural products.
- 4) **Commonwealth Bank Small to Medium Manufacturers Award:**
for outstanding achievement by a manufacturer with total annual sales of \$20 million or less.
- 5) **EFIC Large Manufacturers Award:**
for outstanding export achievement by a manufacturer with total annual sales of more than \$20 million.
- 6) **Telstra Services Award:**
for outstanding achievement in a recognized Australian service industry. The achievement must be quantifiable with specific, verifiable export earning.

What award winners get in 1995: Winners of the 1995 Australian Exports Awards receive a prize package that is valued at \$42,000. The package includes an individual crafted crystal trophy worth \$2,000, Qantas flights to the value of \$10,000, DHL international freight to the value of \$5,000, Australian Institute of Export scholarships for an "Export Procedures" course valued at \$1,000, a Best Practice Program \$5,000 cash prize, plus complimentary membership of two ACCI International business Councils to the value of \$2,000.

It also includes free promotion and publicity on national television and throughout the Asia-Pacific region on Australian Television (formerly ATVI) and in BRWQ, worth more than \$15,000 and media consultancy to take advantage of the award media opportunities, valued at more than \$2,000.

Appendix I: Outline of EMDG

INTRODUCTION: The EMDG aims to encourage Australian exporters to seek out and develop overseas markets for goods, services, industrial property rights and know-how, which are substantially of Australian origin. The Scheme provides financial incentives in the form of taxable cash grants, based on amounts spent on certain export marketing and sales promotional activities.

ELIGIBILITY: Any Australian resident -- company, partnership or individual -- may apply for grants, if they incur eligible expenditure in seeking out or developing overseas for goods, specified services, industrial property rights or know-how, that they export or supply.

MINIMUM QUALIFYING EXPENDITURE: Exporters must have a minimum eligible expenditure of \$30,000 to be eligible to claim. Grants are paid only on assessed eligible expenditure over \$15,000, to maximum grant of \$250,000. First-time applicants can elect to accumulate eligible expenditure over two successive grant years: in this case, a grant will be paid on eligible expenditure over \$30,000.

ACTIVITIES COVERED:

1) **GOODS:** The general requirement is that goods must have an Australian content of at least 50-% of the f.o.b. value, and must be manufactured, produced, processed or assembled in this country. Goods produced outside Australia may also be eligible if generally at least 75% of the value of parts and materials are of Australian origin.

2) **SERVICES OVERSEAS:** Certain types of services supplied outside Australia qualify under the Scheme. These are:

- for overseas-based development projects
- for exploration, processing, mining or processing of mineral overseas
- advisory services in the cultivation of land, etc.
- technical services in transport
- computer maintenance
- management consultancy
- leasing and hiring of Australian goods
- education
- health care
- legal services

- repair, maintenance
- protection of the environment
- services related to the processing of agricultural products overseas
- recruitment of Australian labor for projects outside Australia

3) SERVICES WITHIN AUSTRALIA:

- value-added industrial services performed in Australia on foreign-owned equipment brought to Australia and re-exported on completion of work
- education services, etc.

4) INDUSTRIAL PROPERTY RIGHTS AND KNOW-HOW: These must be substantially the result of research or work performed in Australia

5) TOURISM SERVICES: This must include the supply to overseas residents of at least three of the following for an all inclusive price

6) ELIGIBLE EXPENDITURE: To receive a grant, exporter must have incurred the expenditure principally to create or increase export sales of eligible goods, services, industrial property rights or know-how. Examples of types of allowable expenditure:

- overseas market research
- advertising including brochures, pamphlets or similar literature for overseas distribution (advertising in Australia is ineligible)
- overseas trade fairs, exhibitions or the like, etc.

Appendix II: Outline of ITES

INTRODUCTION: ITES is a scheme administered by Austrade which:

- provides financial support of up to \$5 million for the substantial expansion and acceleration of export marketing activities;
- offers low-cost, repayable marketing finance for market entry and expansion projects;
- supports expenditure on overseas marketing activities such as Travel, Promotion, Advertising, Salaries and Office Expenses.

ELIGIBILITY:

- An Australian firm, joint venture, consortium, co-operative, industry association, government department or instrumentality
- An Australian resident or an incorporated entity, or an off-shore operation
- An organization with a proposal that has projected cumulative Net Foreign Exchange (NFE) earnings of more than \$10 million over five years
- An exporter of goods, services or technology

FUNDS are provided as:

- low interest concessional loans with attractive repayment schedules; OR
- in limited cases as advances repayable by way of a royalty.

Funds are paid in advance against agreed project milestones.

1) Loans:

- Six-year contract -- up to 3 years funding
- Three year interest-free
- Interest and principal repaid in years 4, 5 and 6
- Fixed interest rate negotiable but no more than 40% of the Commonwealth Bank Loan Reference Rate (CBRR)
- No repayments due for first 3.5 years

Major benefits:

- Very low effective interest rate (e.g., if the CBRR is 10%, then the average ITES interest rate is 2% p.a. over 6 years)
- Interest rate fixed for the 6-year period
- No cash outflow for 3.5 years
- No establishment fees or administration charges

2) Advances:

- Six-year contract -- up to 3 years funding
- Repayments are made to Austrade in the form of royalties of up to 5% of project sales, but limited to:
 - (a) the royalties on 6 years' sales, OR
 - (b) twice the Austrade advance, whichever occurs first
- Royalties begin from the date of first exports under the project

Major benefits:

- Austrade shares the risk of the activity
- Repayments are linked to the success of the project
- No establishment fees or administration charges

OTHER FUNDING CONDITIONS:

- The maximum funding is limited to 5% of the estimated five years cumulative NFE earnings of the project -- for example, ITES funds of up to \$2 million would be available for a project estimated to generate \$40 million NFE earnings over five years
- Funds can be provided over periods of up to three years
- Exporters are required to match ITES funds on at least a 1:1 basis for loans, or a 2:1 basis for advances requiring royalty repayments
- The type of funding offered is at the sole discretion of Austrade

1) Requirements of the proposal

- An export track record
- financial strength
- A planned approach to export including
 - (a) Market identification
 - (b) Marketing strategy
- Commitment to the project
- Projects having benefits to Australia
- Skilled and experienced management

2) Qualifying marketing expenditure

The provision of ITES funds is flexible but, in general, support is available when the funds are used within the following areas:

- Overseas representative office expenses
- Travel

- Promotional activities such as videos, printed material, trade displays, advertising, samples, translations and product launches
- Salaries of new Australian export marketing staff
- Costs of consultants, whether engaged in Australia or overseas, may qualify depending on the nature of the services provided

3) Costs do not qualify

ITES funds are available to support participants' marketing expenses. The following costs do not qualify for ITES funding:

- Capital
- Interest
- Research and development
- Costs of inventory
- Sales commissions
- Warehousing costs
- Australian domestic travel costs
- Manufacturing
- Feasibility studies

4) EMDG still be claimed provided the EMDG support does not relate to the ITES project.

5) Austrade may require guarantees or security from related or interested parties for funds made available.

Appendix III: Outline of IAMP

INTRODUCTION: A wide range of Australian businesses can benefit from the IAMP, which provides export market development finance to support agricultural and related export and import replacement projects. IAMP is managed jointly by Austrade and the Department of Primary Industries and Energy (DPIE).

Many companies within Australia's agricultural, forestry and fishing industries have a history of developing new and innovative products which are suitable for world markets.

The IAMP scheme supports such companies, particularly those expanding their markets through new developments in production, marketing, packaging, processing and/or transportation.

Priority is given to value added export projects.

FUNDING PARAMETERS: IAMP can provide companies with up to \$300,000 a year over three years on the following items:

- The applicant must fund at least 50% of the venture,
- the majority of funding is for marketing activities although support is also available for product development and capital equipment,
- royalties are payable on successful projects.

Up to \$20,000 can be provided for market research, business planning or marketing skills development.

ELIGIBILITY: Australian businesses may qualify for support:

- Companies
- Industry associations
- Partnerships
- Sole proprietors
- Government businesses

PROJECT TO BE SUPPORTED: The IAMP program supports projects which center on:

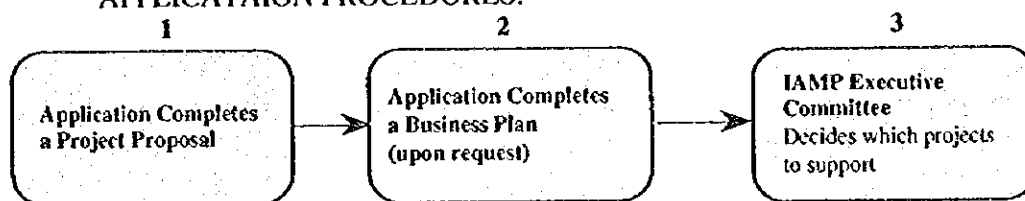
- New agricultural, forestry or fishery products, including those new in concept, nature, or application.

- New processes, systems or techniques as applied to existing products.
- Development of market intelligence systems and services to increase exports.
- New elements in production, processing, manufacturing, packaging, storage or transportation.
- New products which have direct or indirect linkages to agricultural, forestry or fishery products and which have direct export potential, for example, agricultural machinery, processing or manufacturing equipment and agricultural services, including consultancies.
- Innovating Marketing Strategies.

QUALIFYING EXPENDITURE: IAMP can provide a flexible package of support with most funding being for:

- Salaries of key new staff dedicated to the project
- Travel
- Promotion, e.g., videos, brochures, advertising, free samples, trade displays
- Overseas representation
- Capital equipment

APPLICATION PROCEDURES:



REQUIREMENTS OF A PROPOSAL: A successful application for IAMP funding should demonstrate innovation in areas such as product design, processing, marketing or after-sales service.

Considerable importance is attached to the applicant's capacity to sustain innovation into the future.

A successful proposal will have shown the following elements:

- The applicant's export track record or capability
- The financial strength of the applicant
- A demonstration that substantial sales are likely by the third year
- Proof of management skills
- A planned approach to
(a) market identification

- (b) developing market strategies
- A strong commitment to the project
- A demonstration of innovation
- Proof of substantial Australian content in the product
- Benefits to Australia from the project

FUNDING: IAMP funds are usually provided to approved applicants in a series of installments determined by Austrade in consultation with applicants.

Participant's obligations include the expenditure of funds consistent with the agreed budget and the provision of progress reports every six months.

ROYALTIES: Royalties of up to 5% are payable over five years at six-monthly intervals. Royalties paid by participants are re-used in the development of IAMP projects.

IAMP funds provided for equipment acquisition will be in the form of an interest free loan.

2.2.2 Canada

Department of Foreign Affairs and International Trade (DFAIT)

Table IV-2-2-2 Department of Foreign Affairs and International Trade (DFAIT)

Address:	125 Sussex Drive, Ottawa, Canada
Year established:	1894
LEGAL FORM	
Department of Foreign Affairs and International Trade - DFAIT	
GLOBAL RESPONSIBILITEIS	
Responsible for export promotion of all products as well as investment and technology development	
AREAS OF ACTION	
	Degree of participation
	None Partial Full
1. Policy recommendations	
2. Policy formulation	
3. Formulation of export development strategy	
4. Formulation of national development plan	x
5. Formulation of foreign trade programs	
6. Export incentives: planning and formulation	
7. Export incentives: administration	x
8. Granting of direct credit for export	
9. Export credit insurance	
10. Export development activities	
11. International trade negotiations	
12. National and/or foreign investment promotion	x
13. Control of national and/or foreign investment	x
14. Coordination	
GOVERNING BODY	
None	
INTERNAL ORGANIZATION	
Executive positions:	Minister for International Trade
Departments:	Functional Branches; Central Staff; Geographic Branches
Total number of staff:	350 (incl. 250 Professionals)
Number of decentralized offices within the country:	14
REPRESENTATION ABROAD	
Number of offices:	127
SOURCES OF FUNDING	
National budget	% share of the budget
	100%
ANNUAL BUDGET	
1989, Can\$400 million	

(Note: Items 8 and 9 are operated by Export Development Corporation which is a Crown Corporation under the control of DFAIT. Items 12 and 13 are shared by Industry Canada (IC) which also belongs to Federal Government)

[Sources: The original chart is from International Trade Center UNCTAD/GATT, *Profiles of Trade Promotion Organization*, Third Edition, Geneva 1994, and updated by the IDCJ study team.]

a. Purpose and organization

Purpose: Department of Foreign Affairs and International Trade (DFAIT) was established in 1894 as a Department of Federal Government responsible for export promotion as well as investment and technology development. (For Basic Data of DFAIT, see Table IV-2-2-2)

Organization: The DFAIT maintains a global network of 127 offices located in Canadian embassies and consulates abroad and International Trade Centres (ITCs) located across Canada.

Services provided, in Canada, by DFAIT include basic export and trade-related advice, investment and technology development counseling; including publications, market studies and information on government assistance programs. To support its activities abroad, DFAIT has five geographic branches, each focused on a specific area of the world: Africa and the Middle East, Asia-Pacific, Europe, Latin America and the Caribbean, and the United States. DFAIT also maintains a full range of on-line information services, for Canadian-based companies, through its InfoCentre in Ottawa, including a fax-on-demand information service, and a telephone Hotline Service.

DFAIT also has a network of trade commissioners and commercial officers, in Canada and abroad, to assist Canadian firms and promote trade, investment, technology and strategic alliances. Trade commissioners also liaise with international corporations and routinely assist prospective international investors in initiating and furthering their network of contacts in Canada, including the identification of potential investment and commercial venture partners.

b. Activities for Japanese market

In October 1989, the Government of Canada (DFAIT) issued "The Strategy for Pacific Ocean in 2000", in which the Government clearly indicated for strengthening economic ties with Japan and Asian countries in Pacific Rim.

In May 1993, basing on the above "strategy", DFAIT issued a "Canada's Action Plan for Japan", which was renewed in November 1994. This "Canada's Action Plan" is regarded as a model case of Targeted Marketing Intelligence Strategy (TAMIS) since DFAIT targeted following 7 sectors for Japanese market: building product, fish

products, processed food products, auto parts, aerospace industries, tourism, and information technologies.

This "Action Plan" contains essential information as the market opportunities, the action plan, trade promotion opportunities in 1994 and 1995, the government and business contact points, and information sources, all of which help us to know preliminary procedures of export to Japan and to calculate necessary costs to be incurred for this export. The making of the booklet requires, as a prerequisite, intense exchanges of information among Government, provinces, related industries and their representatives in Japan.

We extract herewith a part of essential descriptions from "Canada's Action Plan for Japan", November 1994 edition, in particular, focusing on the processed food sector and fish sector.

1. Introduction

Canada faces important challenges in our second largest export market. A significant portion of our \$8.5 billion in sales to Japan is made up of raw materials. We must maintain market share in these "traditional" export areas, but real long-term growth lies elsewhere. The soaring yen, domestic deregulation, and increasing consumer sophistication are forcing basic manufacturing out of Japan and boosting the import of value-added goods.

More and more Canadian companies are achieving success in the growth sectors of this economy. This has prompted Canada's business communities to develop a vision for what can be accomplished over time in the Japanese market. Their vision is captured in Canada's Action Plan for Japan. Supported by federal and provincial governments, it articulates a set of private-sector strategies designed to realize Canada's potential in Japan's high-growth sectors.

Canada's Action Plan for Japan has guided this national approach to the Japanese market for the past year and a half. This new edition reflects the results of dozens of seminars across Canada, trade missions both ways, and participation in trade shows, both international and solo. In addition to these time-honored promotional events, participants have developed techniques specifically adapted to the Japanese marketplace. In the building products sector, for instance, we built a demonstration house in Japan, educated builders' purchasing consortia about Canadian building products, and worked

together to change Japanese building standards, all supported by a permanent traveling exhibit in Japan.

The November 1994 edition of the Action Plan features more prominently technology partnerships and acquisition, and investment development initiatives. The Plan's future direction, including the choice of sectors to be included, will be guided by the needs and interests of the participants. Each sector calls for increased awareness and knowledge of the Japanese market, product adaptation to meet Japanese requirements, and activities designed to promote value-added products in Japan. Contracts are listed for each sector. All partners welcome increased participation by new export-ready companies in their activities.

2. Processed Food Products

Japan is the world's largest net importer of agriculture and food products. Agri-food imports exceeded \$40 billion in 1993, increasing slightly from 1992. This reflects the underlying strength of the food and agriculture import sector that continues to grow. Those prepared to make long-term commitments to the marketplace, to adapt products to consumer demands and to produce to stringent quality standards stand to benefit from this dynamic growing market.

(1) Market opportunities

The Japanese economy is recovering and showing signs of renewed strength. This, coupled with market liberalization, will expand opportunities for Canadian exporters. Agri-food imports will continue to grow as consumption rises faster than domestic production. Opportunities for semi-processed and processed foods, in particular, will grow as a result of a number of trends.

Consumers show greater concern over food quality and purity. This is due in part to the increasing presence of imported foods, but it also reflects the increasing health consciousness of an aging population. Food additives and chemical residues, for example, are as much a concern in Japan as elsewhere. Consumers are demanding nutritious, wholesome and natural food products. This trend is particularly important for Canada, which has a clean, pristine image and enjoys a good reputation for the quality and safety of its food products.

The economic down turn reordered consumer priorities. Brand loyalty slowly is giving way to price and quality. Private label products have been introduced to lower

prices. Private labels now make up around 10 per cent of the products handled by large retailers--both supermarkets and department stores. Discount stores, buying co-operatives, and other alternatives are springing up to challenge the established retail distribution system. Discount stores, for example, have gained a 5% share of the market and are increasing in popularity while department store sales sag.

The regional markets of Japan, often neglected by exporters, are evolving and offer significant potential. These markets, many of which have the purchasing power equal to some national economies, are establishing direct business linkages with overseas suppliers. The opening of the new airport in Osaka and regularly scheduled direct flights between Canada and Japan offer new opportunities to access these regional markets.

Trade partners continue to press Japan to open its domestic market. Efforts to reduce tariffs, eliminate non-tariff barriers, and simplify importation procedures and distribution channels are beginning to show results. The markets for beef, dairy products and fruit juices have been early success stories. The Uruguay Round of the GATT negotiations will pave the way for lower tariffs for most products. Major concessions have been achieved for maple syrup, frozen pizza, and a range of fresh and preserved vegetables. Canada continues to work on a bilateral basis to try to resolve those access issues that are of prime concern to Canadian industry.

(2) The Action Plan

To optimize Canadian participation in this growth market, Canada must develop a supply capability that meets the needs of the market. To do this, Canadians need to be aware of what is going on in the market, to adapt products to Japanese tastes and lifestyle, and to promote their products effectively in Japan.

The various trade and industrial development agencies of the federal and provincial governments support the private sector in carrying out comprehensive, integrated plans to improve supply capability and performance in Japan. The Trade Opportunities Committee, a Sub-Committee of the Agriculture, food and Beverage SAGIT (Sectoral Advisory Council on International Trade) advises the ministers of Agriculture and International Trade on the implementation of the Trade Opportunities Strategy.

(3) Building awareness and market knowledge

Examples of awareness building initiatives are:

A number of Canada-Japan organizations regularly meet to discuss the business climate and opportunities in Japan. Seminars on doing business in Japan have been sponsored by JETRO in Ontario. The JETRO Import Specialist has visited a number of small Canadian companies to purchase unique products for introduction in Japan.

Rapid dissemination of market information and market intelligence through automated services is being explored. The Department of Foreign Affairs and International Trade's (DFAIT) trends, a quarterly publication on the agri-food and fisheries market, is available in hard copy or through the automated FaxLink.

In addition, DFAIT has a monograph series of 31 market study reports available under the heading Japanese Market Information Service. These include:

- | | |
|------------------------|---------------------------------|
| 1. meat products | 17. biscuits |
| 2. port cutlets | 18. chocolate |
| 3. sausages (various) | 19. cake (frozen) |
| 4. ham (various) | 20. candy |
| 5. cut vegetables | 21. jams |
| 6. fried potatoes | 22. tomato drink |
| 7. frozen pizza | 23. wine |
| 8. soup (chilled) | 24. whiskey |
| 9. cheese | 25. cola-flavored beverages |
| 10. oven-ready foods | 26. dry beer |
| 11. cooking oil | 27. canned tuna |
| 12. cereals | 28. functional "Healthy" drinks |
| 13. microwave foods | 29. smoked salmon |
| 14. ice cream | 30. dog food |
| 15. spices | 31. lobster (Thermidor, frozen) |
| 16. juice-based drinks | |

A Canadian Exporters' Handbook, prepared for DFAIT, deals with doing business in the Japanese food, beverage and seafood markets was published in September 1993.

(4) Adapting products for the marketplace

(4-1) "Getting Ready to Go Global" (GRTGG), the food and beverage sector campaign of Agriculture and Agri-food Canada, assists industry organizations and alliances in preparing themselves to pursue export opportunities. Immediate goals are to increase the competitiveness of the sector through collaboration in the development of strategies and

follow-up actions, and to advance the level of management capability within the private sector.

(4-2) The Agri-food Industry Market Stratifies (AIMS) encourages and assists industry associations to develop strategic marketing and promotional plans for target countries. AIMS also coordinates the financial assistance needed to carry out the strategies.

(4-3) The Trade Opportunities Strategy (TOS) of Agriculture and Agri-food Canada and the Department of Foreign affairs and International Trade involves a number of initiatives to enhance the export performance of the agri-food and beverage sector.

(4-4) The Japan Science and Technology Fund of the Pacific 2000, supports joint, pre-competitive research that can build alliances and open new avenues.

(5) Promoting products in the marketplace federal initiatives

To take full advantage of the opportunities in the Japanese market, promotions will focus on the food service and retail markets and will support the individual promotions of Canadian exporters.

In 1994, Canadian companies participated in Foodex '94 (March 7-11) and the Spring Solo Food Shows in Osaka (March 14-15) and Fukuoka (March 17), which were held immediately following Foodex '94. Participating companies recorded over \$5 million in sales with numerous enquiries which have since materialized into additional sales and enthusiasm for the show continues. A similar program is planned for Foodex '95 being held March 7-10, 1995.

In order to target potential clients, a program of solo shows, product sampling and seminar events will be available for Canadian companies wishing to participate in more customized events.

To increase awareness by the Japanese hotel, restaurant and institutional trade in the range and quality of Canadian food and beverage products, an integrated, three-part program is planned. Part one of the program provides short-term training for Japanese chefs at Canadian culinary institutions as well as funding for visits to Canadian food and beverage production and processing facilities. Part two offers partial funding for Canadian chefs to participate in Canadian Food Fairs at leading Japanese hotels and restaurants. The third part of the program is a Culinary Cup Competition where experienced Japanese chefs compete against each other in demonstrating their abilities to

develop, prepare and present items from Canadian food. The program provides opportunities to increase the linkages between Canadian food and fish products, other consumer products and tourism--maximizing the benefit of promotional expenditures. And add-on promotion of consumer products linked to a food fair in Osaka resulted in sales of \$60,000 of non-food items.

A Canadian corner has been secured at the import food store named "Stockers" specialty food retail outlet. A wide range of Canadian food products is now available throughout the year at this prime Tokyo location.

(6) Provincial initiatives

The four western provinces co-operatively developed a strategy for Asia-Pacific. Market research, market intelligence and preparation will be the initial focus for the priority sectors in priority Asia-Pacific markets. In Japan the target will be the regional markets.

Until the western alliance is fully operational, Alberta is focusing on strengthening existing alliances with Japanese firms, developing more export-ready companies, providing information and technology services, and encouraging improved communication and co-operation between producers and processors to ensure that the demands of the marketplace can be satisfied. The emphasis is on the private sector taking the lead in trade development activities.

British Columbia is focusing greater attention on Japan's regional markets (especially Fukuoka). The province is working closely with a team of companies to increase their knowledge of the market, to actively pursue regional markets and to encourage other companies to become export-ready.

Ontario is focusing on providing market information and intelligence and assisting export ready companies in developing individual marketing strategies. The province is considering leading a mission to Foodex so companies can become aware of the market demands and opportunities.

The Quebec Ministry of Agriculture, Fisheries and Food is planning a number of initiatives including incoming and outgoing missions and a solo food show in Osaka. It is assisting the Quebec Agri-Food Export Club to continue its highly successful Agri-Food Export Platform Japan.

3. Fish Products

Japan is the world's largest market for imported fish products, absorbing more than one third of total world exports.

(1) Market opportunities

Japanese imports of fisheries products continue to grow, rising from just over 1 million metric tons in 1980 to more than 3.1 million metric tons in 1993. This is largely due to declining Japanese domestic catches owing to smaller resources and reduced access to supplies in international waters.

Consumer tastes are changing with wider exposure to Western-style foods, more working women, and rising incomes. However, the fish products sector is changing more slowly than other parts of the food market, largely as a result of the traditional nature of seafood in the Japanese diet. Consumers are becoming more health conscious, and this has affected sales of some products. For example, more lightly salted salmon is growing in popularity. As well, consumers are looking for convenience. For instance, Pacific herring roe usually requires soaking for up to 48 hours before consumption, whereas Atlantic herring roe can be consumed at once. As a result, Japanese processors are starting to use Pacific roe in flavored products which used to be the domain of East coast roe.

Tastes vary in Japan with regard to fisheries products. Certain regions have historical preferences for certain products. Exporters interested in the various regions of Japan should plan on visiting these areas to learn more about regional preferences. The opening of the new Kansai Airport and the new direct link Toronto-Osaka offer greater facility to penetrate this regional market (roughly the same population as Canada).

The proportion of male marine fishery workers 40 years of age and over has risen from 60.3% in 1988 to 65.7% in 1993. This is affecting both the volume of fish caught and the cost of labor in fish processing firms, and has led to greater Japanese investment in overseas processing facilities. While most of the money has gone to countries such as China, Vietnam, and Thailand where labor costs are low and distances from Japan small, there has also been some investment in Canada. There is potential for more. As well, Canadian exporters with experience in the Japanese market find that their regular importers are inquiring about products processed to a further degree. This is a slow change, and strong relationships between importers and exporters are essential to most agreements.

Canada did very well in the recent GATT negotiations with Japan. On a trade-weighted basis Japan will reduce tariffs by an average of 34% over five years. Duties were reduced or eliminated on 52 of the 54 fish and seafood tariff items traded with Japan with reductions ranging between 28% and 66.7%.

Japan maintain import quotas for mackerel, herring, cod and cod roe, scallops and squid. However, these are increasing and they are not considered a major barrier to Canadian exports.

(2) The Action Plan

The objective of the Action Plan, an integrated effort on the part of the federal and all provincial governments in support of clearly articulated private-sector strategies, is to promote further development of exports to Japan, including the development of value-added fishery products in Canada for the Japanese market. The determining factor in successfully exporting to Japan is building close relations with buyers. Thus, if Canada is to increase its seafood exports to Japan in the short term, especially for more highly processed products, the focus of activities under the action Plan for Japan for the fisheries sector should be on existing exporters. As these relationships develop, the possibilities of investment and technology transfer from Japan also become stronger.

(3) Building awareness and market knowledge

The objectives are to increase Canadian awareness of changes taking place in the Japanese fisheries market and to persuade Canadian firms that there are growing market opportunities in Japan.

Market intelligence: Timely, detailed and sector intelligence is critical. The Canadian Embassy will continue to produce and distribute the Japan Fisheries Market Report (Winter, Spring, Summer, and Fall). In addition the Embassy will undertake a survey of Canada's major competitors' strategies in the Japanese market (Norway, Chile, Russia, U.S.A.). The Embassy also plans to undertake three market reports:

- 1) Analysis of the market for northern shrimp. Shrimp is a growing import and holds good prospects for Canada.
- 2) Analysis of the market for sea urchin. The June 1994 Atlantic sea Urchin Mission to Japan gave participants the chance to learn about both the market and current

processing practices for sea urchin in Japan. The government will organize a follow-up seminar in Atlantic Canada (march 1995) and publish a market report.

- 3) Analysis of the market for seal products. Description of the potential markets for seal products, in particular use of seal oil in pharmaceutical products.

Finally, the Embassy is planning to revamp the above-mentioned *Japan Fisheries Market Report* into a more regular publication, i.e. monthly or bi-monthly, focusing on one species or group of species per issue and adding short comments on the usual range of products. The embassy still plans to do a Year-End Report to cover the previous calendar year.

(4) Adapting products for the marketplace

The Japanese consumer is changing. Quality is still key but price is increasingly important as shown by the number of discount sales in shops and the growth of discount or bargain areas. The time is right and there is interest from the Japanese side to process products in Canada. This is already being done with some products (gift packs for salmon and consumer packs for snow-crab). There is good potential for new value-added products in crab, shrimp, clams, herring roe, etc. The main obstacles are the lack of knowledge by Canadian processors to produce "Japanese style", and the reluctance of Japanese companies to go outside the existing distribution systems. The latter is changing, however, and the time is right for some companies to investigate the possibility of going direct to the consumer.

Joint venture in BC: The BCSMC technology transfer project (funded and coordinated by Agriculture Canada) will allow B.C. salmon exporters/processors to add further value in Canada. This project involves linking Japanese processors with B.C. companies.

Joint venture in Atlantic Canada: The FCC technology transfer project (funded by Agriculture Canada) involves a consortium of 10-15 companies to supply samples of mainly under commercialized Atlantic Canada fish and seafood species. The Hokkaido Federation of Marine Products Processors is now examining and testing all samples. Last fall, key managers of the Hokkaido Federation visited all supplying plants to make a full assessment-not only the products themselves but also supply capability. Follow up activities are under development by the FCC.

The Japan Science and Technology Fund's objective is to facilitate joint research in technologies considered important to the competitiveness of Canadian industry could

include a set of well-planned, pre-commercial activities which organizations could carry out to advance the competitiveness of the fish and seafood industry. The type of activity and the lead organization involved will depend on requests.

(5) Promoting products in the marketplace

(5-1) Canadian company participation in the 1995 Tokyo International Seafood Show (June 13-15). The 1995 Tokyo International Seafood Show will be the third annual version of this show. Participants include exporters, importers, processors, processing equipment manufacturers, etc. Visitors in 1994 numbered more than 13,000, up 27% from the inaugural year, and 223 companies from 21 countries participated. Five percent of the total visitors were from 30 countries other than Japan (mainly Southeast Asia) and stand space was up 40% in 1994 versus 1993. All of the major fish and fish product exporters to this market including Canada, Australia, Norway, India, the U.S.A., Chile, and the U.K. had national stands.

(5-2) Solo Seafood Shows:

A) Following the Tokyo Show: Based on the 1994 success of the Fukuoka solo seafood show and the strong interest expressed by Canadian participants to repeat the event, there will be a solo seafood event in Fukuoka on June 20, 1995. Canadian participants to the Tokyo Show will be invited to participate in the Fukuoka show. To go ahead with this activity, a minimum of 6 companies would have to confirm their participation.

Additional promotional activities will be organized in Osaka including a seminar co-sponsored with the Osaka Wholesale Fish Market.

B) *Ad hoc* Solo Shows: Events could include activities in Tokyo, Osaka, Nagoya, and Fukuoka. These solo events would be organized on the basis of number of Canadian participants, their objectives, strategy and needs. Format of these solo events will be developed closely with participants.

Chef Seminars in Osaka: It is essential to undertake in 1995-96 seafood promotional activities in this important regional market. With the opening of the new Kansai airport and the new direct link between Canada and Osaka, the Canadian seafood industry needs to continue its promotional efforts in the Kansai market. The Canadian Consulate General has organized Chef Seminars in the Kansai region using seafood since 1993. Lobster was promoted in 1993 and Pacific salmon in 1994. Snow crab will be used in 1995.

Chef Seminars in Nagoya and Fukuoka: Events similar to those in Osaka will be held in these two regional markets.

CHEA: The Canadian Hokkigai Exporters' Association promotional campaign (1993-1995). More activities may be considered for 1995-96. FANDO and ACOA are now reviewing CHEA's application for an extended program.

(5-3) Incoming chefs' mission to Atlantic Canada: Building on the success of the 1993 and 1994 missions, this would expand to include certain non-seafood food and beverage products. Three chefs and one journalist would visit eastern Canada (New Brunswick and Newfoundland) for one week to 10 days during which they would be briefed on the fish, food and beverage industry in the different provinces; have hands-on experience cooking the products to which they are introduced in both western-style and Japanese-style dishes, working with senior chefs from the region; visit processing plants; meet a variety of exporters to discuss specific products and their uses; and fish for a local product which is exported to Japan; etc. Recognizing the importance of regional market, renowned chefs from Fukuoka, Osaka and Nagoya will be joined by a national food journalist. The schedule would include one free day, but would otherwise have them on the move during their entire visit and would be organized on the ground by the provincial governments involved. Not less important is the exposure obtained through the newspapers and magazines that participate in these missions.

(5-4) Generic fisheries promotion:

- 1) With the new Fisheries Agency guidelines on labeling, which include naming the country of origin, producing Canadian stickers for use at the retail level would allow Japanese importers to take advantage of the strong image of Canadian fisheries products in this market by identifying the origin of the product with a Canadian logo or flag. The Embassy has had many requests for this kind of sticker; this would be part of ongoing generic promotion materials for use in 1995-96 and beyond. The Fisheries Agency guidelines are at present only that, guidelines, however trade contacts are quite clear that they will be followed at the retail level. It is not possible to compete with Chile or Norway in salmon promotion, for example, because of the costs involved; however, identifying products as Canadian will only increase sales. At present this lack of identification means that when consumers buy bad salmon they are turned off all salmon. If the salmon were identified, however, they would want to stick to a product that they enjoyed.

- 2) Re-print of the booklet *Canadian Fish Products for the Japanese Market*
Published in 1994 (1,000 copies). Out of print.
- 3) Japanese version of Canada's map presenting main exported species (Developed in 1994 by DFAIT/TOSA for the Spanish, Chinese and French markets).

c. Investment promotion

Two key federal departments, the Department of Foreign Affairs and International Trade (DFAIT) and Industry Canada (IC), share responsibility for investment and technology development in Canada. Supported by other federal departments and agencies, they complement each other through their foreign and domestic activities. In order to facilitate the work of foreign investors, both departments offer a number of investment and technology development programs and services, and work closely with other levels of government and with business intermediaries.

Information on a range of topics are available, including energy costs, industrial profiles, market analyses, federal and provincial industrial incentives, regional centres of advanced technology, technological and R&D infrastructures, and joint ventures and licensing arrangements. Services include: identifying contacts in the public and private sectors, identifying potential investment opportunities and partners and helping identify sources of capital and technology coast to coast.

Industry Canada (IC)

Industry Canada is responsible for Canadian industry and science, tourism, telecommunications, business and consumer framework policy. IC also administers the Investment Canada Act which includes investment review and notification procedures. IC is organized on an industry sector basis, and works directly with Canadian companies and business associations to promote industrial, scientific and technological development, including promoting and facilitating foreign direct investment in those sectors in Canada. It manages a portfolio of programs and provides services in the areas of business intelligence and information, technology and industrial development, and trade and market development. It also maintains a network of regional officers across Canada and works closely with the provinces.

British Columbia Trade Development Corporation (B.C. Trade)

a. Purpose and organization

The British Columbia Trade Development Corporation is a Crown Corporation of the Province of B.C. providing companies with services in market preparation and intelligence, financial assistance and strategic partnering.

B.C. Trade has international representative in Japan, Hong Kong, Malaysia, Singapore, Thailand, Taiwan, United Kingdom, and United States.

b. Activities

1) Identifying new markets

B.C. Trade is a definitive source of current market information and trade intelligence services. It provides exporters with research and analysis on their current markets and help them to develop opportunities in new markets.

B.C. Trade's geographic specialists and international representatives are experts on B.C.'s principal markets and can assist exporters to do the following:

- Select the best markets
- Analyze market opportunities and product competitiveness
- Outline market entry options
- Locate the right distribution channel and representative
- coordinate the logistics of visits and provide other in-market support

2) Getting products to market

B.C. Trade provides hands on assistance to help exporters develop export strategies, enter foreign markets, and sustain a presence in those markets. One of the most effective ways of successfully entering new markets is by working as part of a strategic marketing alliance.

B.C. Trade brings together companies with common market development goals to form marketing alliances. The companies share resources and information, and maximize financial investment when targeting export markets.

B.C. Trade helped establish 16 marketing alliances encompassing 500 companies from a range of industry sectors.

B.C. Trade has industry marketing specialists in:

- Advanced technology
- Agriculture, fisheries and food
- General manufacturing
- Natural resources
- Service industries
- Film industry

3) Overcoming financial hurdles

B.C. Trade's financial services help companies secure the working capital, or investment capital, they need to achieve export sales. The Corporation assists B.C. companies who want to partner with international companies.

The Export Loan Guarantee Program helps companies obtain bank loans in order to fulfill export orders. Companies with purchase order in hand can look to B.C. Trade as a co-signer for up to 85% of a loan to a maximum of \$2.5 million.

The B.C. Export Investment Fund invests expansion capital of bridge loans in B.C. companies. B.C. Trade also has a program that helps companies obtain support from international financial institutions.

Strategic Partnering Service assists companies seeking investment or other relationship with international companies. Partnering is a proven method for small businesses to gain market access, capital, new technology, or special expertise otherwise unavailable to them.

c. Export awards

The B.C. Trade Export Awards honor British Columbia companies that have achieved outstanding export success. Each October, the awards are presented to companies with a demonstrated ability to succeed in the global trading arena.

There are more than 2,000 exporting companies in British Columbia. The award acknowledges the leaders of this community and stands as a symbol of excellence in the world of exporting. The award enhances a company's international reputation, boosts employee moral and attracts new customers.

Selection Criteria: The award is open to all B.C. companies that have been exporting for three or more years, regardless of size or product, providing they have not received this award in the past three years.

The judging is based on criteria such as:

- creative marketing
- growth in export sales
- diversity of markets
- market entry obstacles
- British Columbia content