



# **ENHANCEMENT OF THE BUSINESS ENVIRONMENT IN THE SOUTHERN MEDITERRANEAN**





# How to build successful Export Promotion Strategies ?

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# Export Promotion Strategy : Definition(s)



## Definition 1

- Strategy for economic development that stresses expanding exports. The rationale is to exploit a comparative advantage to seek profitable trade with outside markets.
- Contrasts with “Domestic Marketing”



# Export Promotion Strategy : Definition(s)



## Definition 2

- Public policy measures which enhance exporting activity at national level. Export promotion is a government tool to influence the volume and type of goods & services exported from their areas of jurisdiction, especially where over-valued currency or other handicaps create biases against exports
- Contrasts with “Import Substitution”





# Is Export Promotion always justified ?



- Rationale based on the observation of market failures and the idea of creating positive externalities
- All economic transaction imply transaction costs and risks, in international trade, some transaction costs and risks are significantly higher than in domestic business



# Why promote exports ?



Macro-economic benefits from export promotion include :

- Foreign exchange earnings
- Favourable balance of payments position
- Reduced burden of increased foreign debt
- Increased employment opportunities
- Attraction of foreign direct investment to augment local capital
- Stimulation of efficiency through exposure to foreign competition and technology
- Internal economies of scale to local industries
- Technology and expertise transfer
- Trade linkages with international markets



# Examples : drivers for SME globalisation in Lebanon



## Local Market insufficient

- Limited market, more competitive and open, reduced margins, short product cycle, lower client fidelity
- Lack of scope and depth of local demand to allow investment and economies of scale
- Production costs, sales costs, logistics and infrastructure, Human capital issues

## Export Markets attractive

- Large volumes and networks, different competition structure, higher consumer revenues,

## Positive fallout to SME from exporting

- Required improvement to product, higher range,
- Exposure to innovation (product and management)
- Productivity increase, conformity to standards, «Technology skip», quality leap to meet demand
- Access to partnerships, technology & expertise transfer, FDI & JV opportunity

## Macro-economics drivers

- Trade barriers reduced, exchanges facilitated, support for export



# Barriers to exporting justify Lebanese public support ?



## Competitiveness issues :

- Productions costs, logistics, HR conditions, slow capital investment
- Internal dominant positions and monopolies, weight of tradition
- Infant industries, start-ups & young entrepreneurs, expatriation problem
- Old value-chain structures not adapted, slow product-to-market cycle

## Information & knowledge issues :

- Access to market and export data and to existing export-promotion instruments
- Export-shyness, Management ICT skills, competence in legal & regulatory, poor risk assessment
- R&D, innovation and competition surveillance, late update in technical equipment

## Cost & finance issues :

- Poor access to local & international finance, credit and insurance
- Low capitalisation, low leverage
- Insufficient FDI opportunity, informal JVs and partnerships

## National issues :

- Security and political, uncertainty, stability risk, communitarism
- Exchange rate





# Major Strategic orientations of a NEPS



National Export Promotion Strategy (NEPS), as a component of a country's foreign trade policy, focuses on promoting and developing those products and markets that offer the best opportunities for a country

- Competitiveness-based or market-based ?
- Who chooses which products & which markets ?
- Priority to internal and external barriers to exporting ?
- Where in the export process is assistance most effective ?
- How specific vs. how general should support be ?
- What criteria for selecting export promotion approach ?
- How is impact / value-added measured ?



# Stakeholders and actors of a NEPS



- **Business Actors**

Enterprises, Groups, Federations, Sectorial Representatives, Syndicates, Industrial lobbies, Export Promotion Boards,

- **Civil Society**

CSOs, Labour organisations, Gender / environmental Groups, Lobbies

- **State actors**

Ministries : Trade, Foreign Affairs, Training, Legal Affairs

Specialised Bodies : Guarantee funds, Standards & metrology, Sanitary / phyto-sanitary, laboratories, Business-support Organisations,,

- **International Institutions**

ODA Institutions, Development Banks, Credit rating agencies, Global Trade Organisations, Transport & logistics

- **Financial & Insurance Institutions**

Banks, Trade insurance, Credit guarantee organisations, Factoring Firms,

- **Legal & Judiciary Entities**

WTO, UCTAD, International Chambers of Commerce, Arbitration Bodies,



# Export Promotion : justifying a role for the State



## Economic areas where State intervention is necessary ?

- Poverty alleviation
- Reduction in income inequalities
- Investments in health, education, infrastructure, tech transfer, establishment of R&D capability
- Protection of the environment
- Sustainable development
- Some protection of industries in initial phases
- Support for the private sector

## Main dangers :

- « **Picking winners** » : not a Government competence
- Macro-economic objectives are not always **aligned with micro-economic** ones
- Social strategies may be **conflicting with export-based strategies**



# Proactive Trade Policy : how is Lebanon doing ?



|  |                   | ALG | EGY | ISR | JOR | LEB | MOR  | PA   | TUN |
|--|-------------------|-----|-----|-----|-----|-----|------|------|-----|
| 10.1.1 Export promotion strategy   | 2013              | 1.5 | 4   | 5   | 2.5 | 2   | 5    | 2    | 3.5 |
|  | Change since 2008 | 0   | 0   | 0   | 0   | 0   | +2.5 | +0.5 | 0   |
| 10.1.2 Intra-MED trade agreements  | 2013              | 3   | 5   | 2   | 5   | 3   | 4    | 3    | 4   |
|  | Change since 2008 | +2  | +1  | 0   | +1  | 0   | 0    | 0    | 0   |
| 10.1.3 Providing advice and high value information of the international market | 2013              | 3   | 3   | 4   | 2   | 2   | 3    | 3    | 4   |
| 10.1.4 Export capacity building programmes                                     | 2013              | 2   | 2.5 | 4   | 2.5 | 2.5 | 4    | 2    | 4   |
| Overall weighted average   |                   | 2.3 | 3.7 | 3.9 | 2.9 | 2.3 | 4.1  | 2.4  | 3.8 |

## Results for sub-dimension 10.1: Implementing a proactive trade policy

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# Typology of possible instruments of a NEPS



Government sets the export dimension of the overall economic direction and trade development in terms of appropriate economic instruments and export promotion measures :

- Export subsidies
- Export Processing Zones (EPZs)
- Policies to attract Foreign Direct Investment (FDI)
- Trade Promotion Organizations (TPOs)
- Trade finance provision
- Risk mitigation measures
- Removal of trade barriers and standard compliance
- Improving the investment climate and other complementary policies





# Export Promotion : for who and by whom ?



Collaborative effort between all stakeholders requires :

- Consensus on priorities, operating modes, time-scale, cost-sharing,
- Common definition of means, targets and objectives
- Allocation of tasks and responsibilities
- Agreement on monitoring and supervisory roles

**Main dangers :**

- Excessive number of actions & **dispersion of efforts** leading to low impact
- Poor choice and **coordination of stakeholders**
- **Lack of transparency** (or bias : political/ regional/ sectorial/ social)

# SME Institutional Framework : how is Lebanon doing ?



| Indicators  |                   | AL   | EG   | IS   | JO   | LE   | MO   | PA   | TU   |
|---|-------------------|------|------|------|------|------|------|------|------|
| Existence of a SME definition*                                    | 2013              | Yes  | No   | Yes  | Yes  | No   | Yes  | No   | Yes  |
| 3.1.1. Delegation of responsibility for SME policy                | 2013              | 3.0  | 4.0  | 4.5  | 3.5  | 3.0  | 4.0  | 3.0  | 3.0  |
|   | Change since 2008 | +1.5 | 0.0  | 0.0  | 0.0  | +1.0 | +1.0 | +1.0 | -0.5 |
| 3.1.2. Inter-governmental co-ordination in policy elaboration     | 2013              | 3.0  | 3.5  | 4.5  | 3.0  | 2.5  | 4.5  | 2.5  | 3.0  |
|   | Change since 2008 | 0.0  | 0.0  | 0.0  | 0.0  | +0.5 | +0.5 | 0.0  | 0.0  |
| 3.1.3. SME development strategy                                   | 2013              | 2.0  | 2.5  | 4.0  | 3.0  | 2.5  | 4.0  | 2.0  | 2.5  |
|   | Change since 2008 | 0.0  | -1.5 | +0.5 | +0.5 | 0.0  | +1   | +0.5 | -1.0 |
| 3.1.4. Clear task assignments in policy design and implementation | 2013              | 3.5  | 3.5  | 4.5  | 4.0  | 2.5  | 4.5  | 2.0  | 4.0  |
|   | Change since 2008 | +1.0 | -0.5 | 0.0  | 0.0  | +0.5 | +0.5 | +0.5 | 0.0  |
| Overall weighted average  |                   | 2.8  | 3.3  | 4.4  | 3.3  | 2.6  | 4.3  | 2.4  | 3.1  |

## Results for sub-dimension 3.1: Institutional framework for SME policy

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# Export Promotion : applied to what Economic Level ?



## Levels of action of Export Promotion Strategies

- Individual Level
- Enterprise Level
- Sector / Industry Level
- Regional Level
- Country Level
- Regional (Multi-Country) Level

### Main dangers:

- **Lack of leverage** if action level chosen without understanding of context
- **Poor targeting** based on assumptions and past experience
- Getting stuck in a «**good-money-after-bad**» policy

# Business Support Services : how is Lebanon doing ?



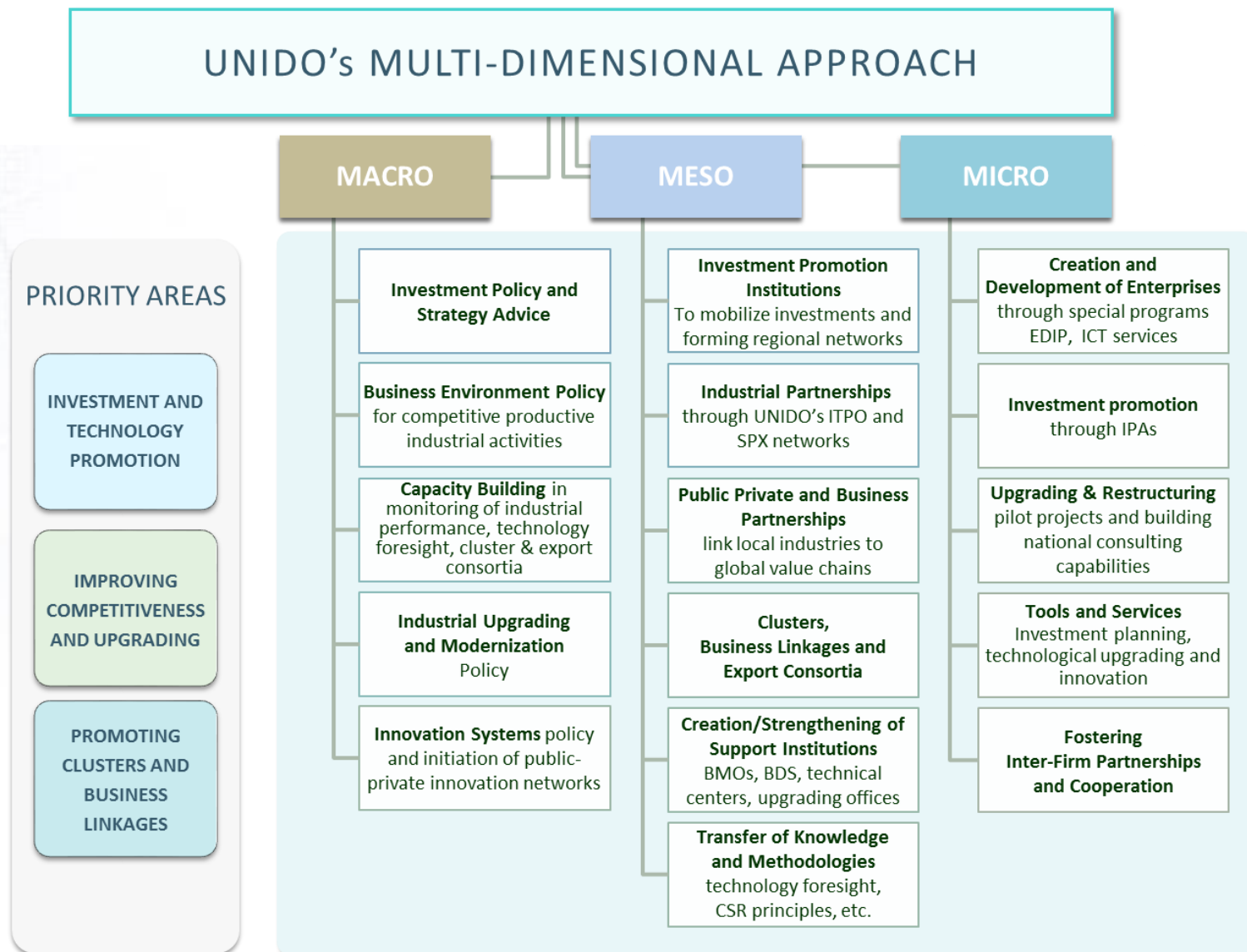
|  |                   | AL   | EG   | IS   | JO   | LE   | MO   | PA   | TU   |
|--|-------------------|------|------|------|------|------|------|------|------|
| 5.1.1. Range of business services                                | 2013              | 2.5  | 4.0  | 5.0  | 4.0  | 3.5  | 4.0  | 2.5  | 3.0  |
|  | Change since 2008 | +0.5 | 0.0  | 0.0  | +0.5 | +0.5 | +1.0 | +0.5 | 0.0  |
| 5.1.2. Availability of information on business service providers | 2013              | 2.0  | 3.0  | 4.0  | 4.0  | 3.5  | 4.0  | 2.0  | 2.5  |
|  | Change since 2008 | +0.5 | -1.0 | -0.5 | +0.5 | +1.5 | +0.5 | +0.5 | -0.5 |
| 5.1.3. Access to business services                               | 2013              | 3.5  | 3.5  | 4.5  | 4.0  | 3.5  | 4.0  | 2.0  | 4.0  |
|  | Change since 2008 | +1.5 | 0.0  | 0.0  | +1.0 | +1.5 | +0.5 | 0.0  | 0.0  |
| 5.1.4. Business establishment support services                   | 2013              | 3.5  | 4.0  | 4.0  | 3.5  | 2.5  | 4.0  | 2.5  | 4.0  |
|  | Change since 2008 | +0.5 | 0.0  | -0.5 | 0.0  | +0.5 | 0.0  | +0.5 | 0.0  |
| 5.1.5. Business incubators                                       | 2013              | 2.5  | 3.0  | 5.0  | 3.0  | 4.0  | 3.5  | 2.0  | 4.0  |
|  | Change since 2008 | +0.5 | -0.5 | 0.0  | +0.5 | +1.0 | +1.0 | 0.0  | 0.0  |
| Overall weighted average   |                   | 2.9  | 3.7  | 4.6  | 3.7  | 3.4  | 3.9  | 2.2  | 3.6  |

## Results for sub-dimension 5.1: **Business Support Services**

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# Export Promotion : what actions to what level ? (UNIDO vision)







# Building a NEPS



Formulation and implementation of a national export strategy requires :

- a mechanism for policy formulation and co-ordination
- active participation and a sense of responsibility by relevant organizations and agencies
- persistent application of regulation and development programmes



# Where does Lebanon stand on the SBA Ranking ?



| No.  | Policy Dimension   | Lebanon Percentile | Average outside Lebanon | Lebanon |
|------|--|--------------------|-------------------------|---------|
| 1    | Entrepreneurship (including for women)                     | 77,21              | 1,9                     | 1,5     |
| 2.1  | Bankruptcy procedures                                      | 96,55              | 2,9                     | 2,8     |
| 2.2  | Second chance  | 102,55             | 2,2                     | 2,3     |
| 3.1  | Institutional framework for SME policy                     | 77,12              | 3,4                     | 2,6     |
| 3.2  | Better legislation and administrative simplification       | 87,50              | 2,6                     | 2,3     |
| 3.3  | Public private consultations                               | 78,36              | 3,8                     | 3,0     |
| 3.4  | Entreprise networks and business associations              | 76,36              | 3,9                     | 3,0     |
| 4.1  | Company registration                                       | 87,50              | 3,3                     | 2,9     |
| 4.2  | Other indicators on registration, notification, compliance | 43,13              | 3,0                     | 1,3     |
| 5.1  | Business support services                                  | 96,75              | 3,5                     | 3,4     |
| 5.2  | Clear and targeted information for enterprises             | 91,86              | 3,2                     | 2,9     |
| 5.3  | Public procurement   | 85,45              | 3,0                     | 2,6     |
| 6.1  | Sources of external finance for SMEs                       | 98,44              | 3,7                     | 3,6     |
| 6.2  | Legal & regulatory framework for external financing        | 96,67              | 3,0                     | 2,9     |
| 6.3  | Financial literacy   | 93,33              | 2,1                     | 2,0     |
| 7    | Euro-Med networks and partnerships                         | 74,87              | 2,7                     | 2,0     |
| 8.1  | Enterprise skills and innovation                           | 80,10              | 2,9                     | 2,3     |
| 8.2  | Policy framework for SMEs innovation                       | 89,15              | 3,0                     | 2,7     |
| 9    | Promoting environmentally sustainable Green Growth         | 102,28             | 3,1                     | 3,2     |
| 10.1 | Implementing a proactive trade policy                      | 69,70              | 3,3                     | 2,3     |
| 10.2 | Simplification of procedures for international trade       | 85,37              | 3,5                     | 3,0     |

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# Core Question is political and cultural



Export Promotion Strategy is both a «Public Service» and a «Public Good»

- There is no duality between «State Intervention» and «Free market» : all economies have some form of Export Promotion Strategy
- Only issue is : «how to dedicate resources to this objective with maximum efficiency & effectiveness »

## Major Lesson learnt :

- Need to **coordinate / integrate all NEPS stakeholders** to ensure needs are prioritised, implementation is flexible and transparent
- The State's role is to listen to all stakeholders and to **act as arbitrator** between special interests and the National interest



# Thank you for your attention

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