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**Parallel event**

**BUSINESS SECTOR ROUND TABLE**

**CONVERTING LDC EXPORT OPPORTUNITIES INTO BUSINESS:  
A STRATEGIC RESPONSE**

Summary prepared by the Conference secretariat

1. The Business Sector Round Table, held on 16 May 2001, was organized by the International Trade Centre (ITC). It centred on the positive theme of identifying ways to enhance the role of exports in a development and poverty reduction strategy. More than 50 per cent of the participants were from the LDC private sector. The Round Table was an effort to identify appropriate policies from success stories at both the firm and the national level so that other firms and other countries can replicate them.

**Products and markets for LDC exports: opportunities and success stories**

2. In discussing the opportunities and success stories in exports from LDCs, it was emphasized that, although global trends appear negative, there is reason for optimism. For example, in spite of the long-term decrease in the share of LDCs' non-petroleum exports in world trade, there

have been significant increases in the export of manufactures for some countries. For LDCs as a whole, including oil producers, exports cover up to 80 per cent of imports. Intra-regional trade in Africa is also increasing, especially in SADC. Also, several LDCs derive more than half of their export earnings from services. In spite of the generally low competitiveness of LDCs, there are a large number of cases of highly competitive industries, built up by successful entrepreneurs.

3. A framework for identifying opportunities was developed which profiled five themes: (i) moving up the value chain; (ii) niche marketing; (iii) converting comparative into competitive advantage; (iv) the services revolution; and (v) overcoming technical and structural barriers. The key factor in identifying market opportunities and converting them into business is the vision and entrepreneurial drive of individual exporters. What the framework allows policy makers and businesses to do is to take a strategic approach that helps them identify target markets and ways to build strong and sustainable market positions.

4. Several sectors were identified as presenting potentially high export opportunities. Those sectors include cotton and cotton fabric, tourism and other services, fish industry, coffee, wood and wooden products, oil seeds, vegetables, fruits, nuts, spices, cut flowers and medicinal plants. Other areas of interest include leather products, handicrafts, back office services, and software.

5. While each business succeeds for unique reasons, there are common factors that contribute to their success. Many businesses have little to do with the past focus on selling commodities. They deal with niche products for niche markets, moving up the value chain through processing and design, responding to the ever-rising demand from consumers for higher quality standards, entering brand new markets like services, or shortening the distribution chain to capture a greater share of the value. Examples of this include niche marketing of: organic fruits and vegetables from Guinea for the European market; paprika powder from Zambia for the North American market; hot-sauce exports from Malawi to South Africa; essential oils from Haiti for the growing global cosmetics industry; garments from Mozambique for the South African market; fresh-cut flowers from Ethiopia for the German and French markets; gourmet fish dinners from Mauritania for sophisticated world markets; culturally sensitive tourism services from Bhutan to visitors from all over the world; and Internet video streaming software technology from Nepal for North American customers.

6. The presentation of success stories by entrepreneurs from LDCs highlighted the following as critical factors for building such competitive advantage:

- Increasing the range of products and identifying market demands;
- Putting the emphasis on the quality of the product, and exercising strong control on the trackability of products, especially on the quality of food-products;
- Introducing the use of new technologies;
- Promoting involvement and loyalty of staff, as well as integration into the life of the local community;

- Building cooperation with suppliers, providing them with necessary inputs, training, and access to better technologies;
- Pursuing integration with clients, in order to obtain necessary pre-financing, technologies or packaging;
- Reducing the number of middlemen.

7. Conditions that contribute positively to the overall business-operating framework included:

- Political stability and security;
- A favourable legal framework,
- Foreign technical assistance.

8. The success stories are all the more remarkable in that they often happened in adverse conditions. The panelists identified the following bottlenecks:

- Lack of necessary capital to finance investments;
- Lack of information on possible opportunities in terms of external assistance, markets, technologies, and market access conditions;
- Barriers to entry, such as technical barriers to trade;
- Lack of necessary infrastructures in terms of transport, telecommunications, etc.;
- Weak national administrations.

### **Creating an enabling environment for export competitiveness in LDCs**

9. Export success depends critically on an enabling environment across the micro- meso- and macro-levels. In spite of highlighted success stories and the new market opportunities that have been created, there are still many constraints facing export entrepreneurs in LDCs. Three principal cornerstones for an effective enabling environment for fostering rapid development of competitive export firms in LDCs are required to overcome them:

- An effective macro-policy framework, including macroeconomic stability and stable and competitive exchange rate regimes, positive trade policy and market access conditions;
- An effective infrastructure of trade support services that encompass both “hard” infrastructures like roads, airports, telecommunications, electrical power, or water resources and “soft” infrastructures like trade finance services, trade information and trade promotion services, export quality management services, trade facilitation services and investment promotion services;
- An effective entrepreneurship and investment climate in the export business sector.

10. LDCs have limited financial, human and institutional resources. They therefore need to focus their efforts and prioritize their actions if they are to succeed. This could include targeting

key sectors for export development, but not necessarily “picking winners”. It is better to identify sectors where there are already clear winners and focus efforts and priorities to allow current winning businesses, as well as new ones, to expand, grow, and multiply rapidly in those sectors. The sectors should also include labour-intensive and rural-based activities, since the vast majority of the poor live in rural areas. Policies should also be implemented to ensure that exports raise the value added created by the poor and hence raise their income. This can be done in a number of ways. For example, production can be shifted from subsistence farming to non-traditional export crops that fetch far better prices on the market.

11. Countries have made great strides in improving the macro environment for business. Taxes that used to discourage exports have been reduced, if not eliminated altogether. Inflation has been brought under control, and overvalued exchange rates are mostly gone. So investment returns are becoming more predictable and exports made easier. Investment frameworks have become much more understanding of the needs of businesses and exporters. However, more remains to be done, including often on the legal and good governance front. Enforcement of the rule of law, including enforcement of contracts and elimination of corruption, often remain problem areas for business.

12. Export success at the firm level may not always translate into a reduction of poverty. In order for that to happen, a country must have a vision as to how trade policy fits into coherent development and poverty reduction.

13. One international effort to achieve this involves the Integrated Framework for Trade-Related Assistance. Through this programme trade policies will be mainstreamed into poverty reduction strategies. However, in order for these policies to be effective, trade must be seen in relation to other priorities, such as education, health and governance. Trade should not be overemphasized, but it should not be ignored.

14. If trade is going to have a substantial impact on poverty reduction, trade development strategies must be mainstreamed through national development agendas, particularly poverty reduction strategy papers. There is a need for poverty reduction strategies to encompass trade and for trade development strategies to prioritize sectors that will impact poverty. Successful examples include Zambia, where 30,000 contract farmers are producing paprika, Haiti, where 27,000 families are growing vetiver (an ingredient for essential oil), and Nepal, where there are hundreds of home carpet and pashmina weavers.

15. The enabling environment should also focus on firm-level initiatives that are vitally important for export success. The Round Table discussed three such issues: management of export quality, trade finance and business partnering. In the area of product quality, LDC exporters must strive to meet not only the market requirements for their products, but also the technical requirements to access these markets. However, even if appropriate markets have been targeted and a product development plan is established, many LDC exporters have a difficult

time accessing trade finance to ensure that their products finally enter the market. Another problem is that in many cases LDC exporters require a business partner in the importing country. However, due to their small size, it is difficult for them to incur the expense of identifying appropriate partners.

16. The overriding theme of the Round Table was that exports can play an important role in poverty reduction. However, in order for this to be an effective strategy there must be strong private and public sector linkages.

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