South-South Trade Promotion of Agro-Food SMEs and Linkages with Global Value Chains: The case of South-East Asia and Western Africa

by

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SOUTH-SOUTH TRADE PROMOTION OF AGRO-FOOD SMEs AND LINKAGES WITH GLOBAL VALUE CHAINS: THE CASE OF SOUTHEAST ASIA AND WESTERN AFRICA

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1. 4 POLICY RESEARCH OBJECTIVES:
   (1) Identification of SE Asia / W. African agro-food SME capacities and problems in accessing domestic market and external trade
   (2) Comparison of international cooperation strategies promoting SME development and trade expansion in the two regions
   (3) South-South trade: Agro-food SME trade development perspectives between SE Asia / W. Africa
   (4) Linkages with Agro-food Global Value Chains

POLICY RESEARCH MOTIVATIONS

- Beyond North/South and North/North Globalization: Inclusion/Excl. of LDCs(Africa) + Which «South» beyond emerging economies
- South-South Cooperation: Political agenda of UN Group of 77, Attempts/Failures of regionalization among developing countries
- OECD Driven Globalization+ Rise of Asian Emerging Economies: OECD aid for trade + New dynamics of value chains from/ via Asia = New regionalism = DCs/LDCs/LDCs
- Asian and Non-Asian Public-Private Development Partnership: Initiatives for Africa (G8/NPAPAD, Japan/TICAD, China, India, Taiwan, South Korea, Malaysia/Singapore,...)
- Why Agro-food SMEs? Role of small scale sector & informal economy (A. Sen) + Rediscovery of SMEs and agriculture/post-farming as a major development engine (Asian agro-based and non-agro-based experiences for African non-industrialized LDCs?)

POLICY RESEARCH RESULTS

- PROMISING POTENTIALS OF SOME AGRO-FOOD SME SECTORS IN MEKONG REGION/SE. ASIA & W. AFRICA
- WEAK COHERENCE IN SME TRADE PROMOTION SPONSORED BY INTERNATIONAL COOPERATION
- SME TRADE BETWEEN SE. ASIA / W. AFRICA: EMERGING FLOWS & POSSIBILITIES OF FUTURE DEVELOPMENT
- EXISTING AND NEW LINKAGES WITH AGRO-FOOD GLOBAL VALUE CHAINS

(1) SME SECTORS, ACTORS, CAPACITIES

Sectors: (Mekong Region): cereals/rice, tropical fruits (fresh/canned), post-farming technologies
(W.Africa): tropical fruits/fresh/dry), cashew nut, shea butter, sesame, shorgum, organic/bio processing technologies

Actors: (Mekong Region): 15 000 post-farming SMEs/1000 LEs/TNCs
(W.Africa): dispersed MicroEs /// TNCs-global value chains

EXISTING CAPACITIES
- High localization of Microeco/MSE/SME « markets » (Supply driven
  = Fragmentation of production/poor quality/marketing & transport dispersion/respect of conditioning, norms and standards
- Weak infra-domestic, national and external value chains of production
  = Problems of market access (Identification of real demand)
- Financial problems: new machinery, packaging, import-export credit

(2) Coherence of international cooperation: Supply or demand driven SME trade promotion strategies?

- Bilateral /multilateral cooperation: Private sector devpt & internationalization
  = Promotion of public supportive services for SME trade promotion
    ex.: by ITC-Geneva
  = Promotion of private supportive services/BDS for SME trade promotion
    ex.: by WBk/IFC
- Non-governmental cooperation: Local devpt /public-private partnerships/value chains:
  = Promotion of supportive services to MSEs by international and national NGOs
    ex.: by Oxfam
  = Promotion of MSEs/SMEs by public-private partnerships
    ex.: by Nestlé / GTZ, Metro / GTZ
  = by Taiwanese ODA/GTZ

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3. SME Trade between SE. Asia & W. Africa: Existing Flows and Future Perspectives

Existing flows:
- Mekong Region/SE. Asia to W. Africa:
  - Cereals/rice, rice post-farming technology
- Western Africa to Mekong Region/SE. Asia:
  - Cashew nut, sesame, cotton (even bio)

Incubation & development of new export potentials:
- From Mekong Region/SE. Asia to W. Africa: Canned fruit processing, cereal processing, cashew nut shelling (intermediate technologies)
- Also from W. Africa to Mekong Region: Bio/organic tropical fruits (fresh, juice or dried) and related technology, shelled or semi-transformed cashew nut, shea butter (cosmetics), shorgum

4. Linkages with Agro Global Value Chains

- Case study of the cashew nut sector:
  - Linkages with three main world importers: Brazil, India, Vietnam (shelling?)
  - Processing of high added value acids used domestically and for exports
  - Final consumption by leading TNCs in fine chemical and pharmacetics
- Case study of the shea butter sector:
  - Linkages with main OECD cosmetic TNCs: Nivea, L’Occitane, L’Oreal
  - Emerging linkages with Asian TNCs: Olicm (India), Olicim (S’pre/Malaysia)
- Case study of the fruit processing sector:
  - Linkages in the organic fruit juice processing sector: Unilever, Nestlé, Metro
  - Linkages in the bio fresh or dry fruit processing sector: European/Japanese trading houses and supermarket chains (also present in Southeast Asia)
- Case study of the rice technology processing sector:
  - Linkages with European and Thai/Vietnamese rice flour processing providers
- Case study of the shorgo processing sector:
  - Linkages with Taiwanese medical alcohol industry exporting in Asia and beyond

5. Policy Recommendations

- Main objective: Facilitating SE. Asian/W. African SME trade & technology cooperation (combined) with priority focus on agro-food sectors and products with high global value chain potentials
  - Not trade promotion alone (OECD aid for trade, UNCTAD/ITC)
  - Trade matching (role of OECD donors, regional banks, and Western/Asian TNCs in providing access to South-South Exim credit)
  - South-South transfer of appropriate/low cost tech & know how

- Possible actors and instruments at global/inter levels:
  - OECD dept agencies supporting South-South cooperation and intra-inter regional trade and economic cooperation schemes
  - New Asian donor agencies (China, India, Korea, Taiwan, … and even Thailand/Vietnam!) to bridge Asian/African economies
  - Emerging Afro-Asian public-private partnerships involving OECD/Asian TNCs, LEs and various networks of local SMEs and MSEs (existing and newly emerging value chains in agro-inputs for sectors like agro-food, agro-processing equipment, cosmetics, pharma, fine chemicals, solar/alternative energies, …)

- Possible bilaterals, triangulates, and multilaterals: OECD Donor Countries, Technical Ministries, Chambers of Commerce, Regional/Inter-regional Cooperation Schemes (IM-Ex Promotion)