Towards a Global Programme on Market Access: Opportunities and Options

Report prepared for IFAD[1]

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Summary

Access to markets is increasingly seen as an essential element in providing a route out of poverty, but the nature of those markets is changing. Small producers face new difficulties, for example in meeting high standards, but also see new initiatives, for example in fair trade companies. This report surveys what small producers must now do to achieve effective and sustainable access to markets, and how different private and public organisations can contribute to this.

Market structures for an increasing number of commodities and services require differentiated products and understanding of how markets work, not simply competitive products and prices. A producer must become aware of the possibility of a market and then must understand what it requires in terms of quality and standards. It must develop a long term relationship with buyers. All this means that the producing company or group itself must be well organised and able to act effectively. It must also have access to the inputs including investment and infrastructure, and must understand and meet the legal trading requirements. Market access initiatives on their own cannot help those who do not meet these pre-conditions.

Both private and public initiatives can help producers meet some of these needs, but they have different advantages and act under different circumstances. Direct foreign investment can provide all the basic marketing and production functions. Investors also have the experience to meet transport needs and to encourage governments to adapt or remove barriers to trade. Subcontracting by large private buyers provides the same information and marketing advantages as investment, but more limited access to production, finance, and technology inputs, and probably less assistance on policy. Developing country producers themselves can develop many of the same production advantages and linkages, but need to find ways of meeting the needs for information about markets.

Alternative trading companies can be considered as variations of the local company and external buyer models, with some additional objectives (most notably emphasis on how a good or service is produced and the need for more than a commercial relationship between producers and consumers). In terms of the needs identified here, they provide similar services to buyers, but sometimes with more emphasis on creating sustainable local firms.

Official agencies offer more limited types of assistance, but unlike private firms they can be targeted explicitly at small producers or traders, or at particular sectors like agriculture. Countries' own governments have less knowledge of foreign markets than companies or agencies based in importing countries, but can offer greater continuity and develop awareness of other information sources. Aid programmes are now starting to offer some programmes which link production to marketing and awareness assistance, and the traditional providers of agricultural research are also starting to look at the links to markets. IFAD has moved from concentration on agricultural assistance to looking also at markets, and it has the advantage over export and import promotion agencies that it can help producers to develop local and regional markets as well as exports. One of the important changes in the structure of markets has been the increasing sophistication and rising quality standards of markets within developing countries, so that assistance is more needed at that level.

Although the private and local government initiatives offer the only explicitly long term, and therefore sustainable, assistance, both have potential disadvantages (lack of direct interest in promoting local

firms or lack of information and funds, for example). A combination of the other types of assistance may therefore offer an alternative. If external advice or assistance can build up local services, public and private, for producers, this may help provide sustainable production. Advice which covers the whole transition from local sales through national to export is an important role for an agency like IFAD which has existing good knowledge of producers.

The wide range of needs and levels of development of suppliers in developing countries and the different conditions in different products and markets mean that a range of types of assistance is necessary; it is not possible to define worldwide priorities, and setting priorities will require examination of each situation. The framework suggested here could provide a tool for doing this. This could be tested and improved by commissioning detailed country studies which would indicate which types of initiative had worked in which circumstances. There is also a need to create a network which could bring together existing studies and existing information on the ground of the effects of investment and trade on poverty and of the effects of commercial and public sector initiatives to increase market access.

Market access as an instrument of development

The process of globalisation has created both challenges and opportunities for small rural producers in developing countries. However, our understanding of the links between trade, trade policies and rural poverty is still limited. The opening of markets and the fall in transaction costs alone do not automatically lead to a reduction in rural poverty. Despite the lowering of trade barriers, many small producers still find it difficult to access international markets, notwithstanding the comparative advantage they may have in the production of certain types of commodities. A co-ordinated effort is required at the economic policy-making and institutional levels to allow small producers to benefit from trade globalisation.

The need is perhaps becoming more important and donors are becoming more aware of it because of two trends. Other, traditional ways of providing such assistance, by means of import controls or export subsidies (or by preferences into developed countries) are becoming less effective because of reductions in tariffs and new constraints on trade policies. Probably more important: both donors and developing countries have shifted to a development strategy that emphasises the role of trade in development, so that intervention to promote this seems more effective than in traditional areas like social or economic infrastructure.

The purpose of this report is to identify ways of increasing the access by small rural producers in developing countries to markets, with the objective of reducing poverty.[2] There is strong evidence that those who are not integrated into markets are among the poorest. It is necessary to ask about each initiative first how and how well it works in improving market access and second how this does or can be made to have an impact on poverty. This report will concentrate on the market access question, using existing knowledge to indicate the possible effects on poverty.[3]

It is increasingly recognised that the important step in market access for producers in developing countries may be to any non-traditional markets, not necessarily to foreign markets. Similarly, the analysis of how trade influences development has moved from focusing on manufactures to all non-traditional exports. Increased integration into national markets, particularly new types (for example urban, where imports compete) may require similar efforts and have similar effects to increased exports. There is increased globalisation of standards and information, not simply increased flows of goods: the growing share of supermarkets in food sales in Latin America *(Development Policy Review* 2002), a trend which is just starting in Africa, means that even for small farmers the national market is becoming more like the international. Once they sell beyond local markets, they face the same high standards and concentration of buyers.

A variety of market initiatives can help small producers into new markets. But, as this report will attempt to identify, each initiative depends on particular conditions and circumstances. The corollary is that some producers will not meet those conditions; for these, market access initiatives will not be a feasible tool for reducing poverty.

Initiatives which assist producers in developing countries at the point of market access can act on choice of product, the technology of production, the organisation of the producer, marketing, the organisation of national and international markets, transport, finance, and other infrastructure for trade, and government policy towards all of these. Any action should take account of this complex structure, and recognise when different initiatives may be complementary or inconsistent. In this paper, we will first try to define more closely the nature of efficient production and marketing, and the ways in which households obtain livelihoods. This report will start by defining the elements that constitute market access more carefully, and then describe the requirements that producers (particularly small ones) face at each stage of entering markets. It will then look at different ways of organising markets, and analyse how each of these can help producers to meet some or all of the requirements. It is clear that acting on only one element of the process is likely to be unsuccessful, so the last sections will look at how the interventions are complementary or can be brought together. This will allow us to draw conclusions about what policies can be effective in promoting market access and suggest appropriate elements of an IFAD initiative.

Two different views of markets and developments can underlie treating market access as a development question: that it *will* or that it *can* be a way of developing a country or reducing poverty. It could be assumed that any increase in selling will increase incomes and as this can be used for developmental or poverty reducing aims, it is sufficient to show that the potential has been created. But there may be structural obstacles to how income effects are transmitted or policy obstacles to redistribution to the poor. Therefore, we must also consider what type of market access or what form of assistance is likely to promote development directly. There is a third view found in much of the 'fair trade' literature, and also in some initiatives derived from the aid tradition, that increased access to markets normally will not benefit development, and that it *has to be modified,* by policy or other intervention, to correct the normal negative consequences. This is not the assumption behind this project, but as the initiatives stemming from this approach can increase market access, they will be included here.

A second distinction, particularly when looking at external markets, is between those who see the task of bringing producers or products to markets as a finite one and those who see an external input as a permanent need for any exporter. The differences in what different initiatives do are more complicated than this: an agency may think that its own role should be temporary, but that finding more permanent links is part of creating access. The conclusions will consider both temporary and permanent interventions.

The interest of IFAD and other official agencies in this question stems from a belief (or a fear) that normal private sector incentives and action will not be sufficient to provide the necessary market access opportunities. There is a clear economic argument that there are one-off costs of entry into any market (or into any new type of production). If there are no external benefits to the new production, then if these costs cannot be recouped from production, there is no reason to help a producer to meet them. But if the costs are (perhaps wrongly) perceived as high because of uncertainty and if the uncertainty can be reduced by intervention, or if there are external effects, directly on poverty or on development through external economies (from technology, or experience or from fostering a cluster of activities), then there are arguments for public intervention. If an agency has particular objectives, such as promotion of particular types of firms (for example, small or medium sized) or particular types of production (a preference for agriculture), these can also provide arguments.

There is also a long tradition of public sector provision of information and of initial assistance where the value of the outcome of an investment appears too uncertain to attract private investment. A developing country, with a higher proportion of new production and new exports in its output needs a high input of such assistance to compete equally. But it has limited public resources (and, often, limited local capacity) to provide the type of targeted assistance which developed country governments (national and local) offer for new production and new exports. Here, there is a case for external assistance to even the competition.

What do we mean by market access?

To move into new production and new markets a potential producer must become aware of the possibility: that there is a new product or market, and that he has at least some of the characteristics necessary to enter the market. He must also be aware of the need to change products, to improve them and adapt, because markets and therefore market access are not static. He must be able to produce the product: this means access to technical capacity, labour, investment and working capital as well as to the necessary inputs. At the marketing stage, a seller needs information about the market: tastes, standards, how products are sold, or access to support services which offer these. A seller needs efficient communication links and then transport links, and benefits from low deliberate barriers (such as tariffs or other trade restrictions) and unintentional barriers (inefficient administration). International trading is often (and national trading, sometimes), particularly for small producers, an activity that is done by different companies from those involved in production And, on the import side, for small buyers, importing is done by agents. Therefore it is important that initiatives to tackle problems in marketing are introduced at the appropriate link in the path from production to final consumption.

Trading arrangements, whether within country or across borders, are normally continuing relationships: suppliers and customers may not have a permanent formal link, but (except in a declining number of commodities where auctions are still held), repeated contracts are common. Therefore the elements of a relationship, including reliability and eventually trust, must be considered. Sometimes these are secured through ‘internalisation’: a vertically integrated company handles all stages from production to final sale. Where this does not occur, or when such an arrangement is terminated, a long-term relationship must be created and sustained by other means.

Some of the new emphasis on market access stems from changes in the nature of markets. The share of standard commodities in markets has fallen, with growing differentiation, through intrinsic characteristics, branding, and standards. A differentiated market is a continually changing one, not one of static ‘niches’. There have also been changes within developing countries: the elimination or weakening of commodity boards which handled market access and supervised production and privatisation of some manufacturing production. These reforms left products which had been successfully exported in the past, but where the new managers lacked expertise.[4]

Changes have also occurred in developed countries. Supermarkets now want to control the chain from producer to consumer (Dearden et al. 2002). Dolan, Humphrey attribute this change partly to higher standards and partly to the supermarkets’ strategies of product differentiation (p. 11). Differentiation can be real (a change in the nature of an output) or perceived (traceable and identifiable products offer a guarantee of quality and standards). In flowers, for example, marketing in Europe has shifted from being based on wholesale auctions and small-scale retailers to a major role for supermarkets (see Box 1). Market structure has needed to respond to concern about quality and other consumption standards. In the UK, retailers are required to show ‘due diligence’ on checking the standard of food at all stages of production (Dearden et al. 2002 paragraph 3.6). If there is a direct relationship between the final seller and the producer, whether through supermarket direct purchasing or a fully integrated company, such standards can be monitored. But if the initiative and perhaps training to meet the standard are coming from the buyer, the buyer will earn the premium.

This role of large buyers explains another reason for increasing concern about the nature of market access: while small buyers have been replaced by large, sellers are smaller.[5] The public sector boards have been replaced by smaller sellers. There has been a shift in the balance of market power.

On the other hand, the growing differentiation increases the power of sellers. As they move away from offering a perfectly competitive commodity, they could claim a price premium. The question is at what stage of the chain the value from differentiation rests. Large or experienced producers may be better able to identify the new possibilities for differentiated marketing and to meet the standards (both technical and of reliability and a continuing relationship) required.

A more recent change has been the development of external standards, for product and process of production. If these become seen by buyers as an adequate substitute for direct contact with the producers, the current structure of relationships could change, but the importance of differentiation and reliability suggest that any return to the old auction, arms length, system is unlikely (Dolan, Humphrey 2001, p. 20-1).

A shift to a more important direct role for buyers can be analysed in terms of ‘value chain analysis’. This tends to assume that it is associated with an emergence of buyer power and a concentration of ‘value’ at the higher ends of production, i.e. in developed countries. As the discussion above indicates, these are possible consequences, but not necessary, and some of the discussion of some fair trade examples below will suggest that the result can be different if the developing country producers can use the market power which differentiation gives them. Like the traditional retailers, the new fair trade companies are looking for differentiated high quality products (because they have little hope of commanding a fair trade premium for standard goods). If producers can offer differentiation and at the same time demonstrate high standards through the new external certification agencies, without a direct link to a buyer, this could raise their market power: it would be a transferable, not a buyer-specific, asset.

The corollary of the increase in the importance of differentiated, fixed standard, quality products is a rapidly falling market share for traditional undifferentiated products. Combined with the growing role of information (including about hygiene and safety standards) and of foreign investors in bringing awareness of international standards to food and other rural producers even in the Least Developed Countries, this means that some possible strategies no longer exist. Continuing to produce in the traditional ways faces a falling market. The market strategy of gradually moving up a ‘staircase’ of increasing differentiation and standards (or in the traditional trade formulation: produce first for the locality, then for the capital, then for the region, finally for developed countries) is less viable because both within countries and among them the spread down of high standards has effectively removed some steps; producers need to 'jump' up to the higher standards. This change also increases concern about market access.

Poverty and markets

Recent analysis of poor people in developing countries in terms of their 'livelihoods' has brought into prominence the fact that many depend on more than one activity (as defined in economic terms). They may produce some subsistence crop for their own consumption, produce and sell a marketable crop, work as labourers for other farmers, and work in non-agricultural activities, either local or through migration. These other activities could be in providing infrastructure, agricultural processing, services, or manufactures. An increase in their gains from markets could come through any of these or a combination, and any increase in one must take into account the effects on the others. Non-farm rural activities are expected to be increasingly important (Quijandría et al. 2001, p. 118). Richards et al. 2002 quotes an FAO study that suggests that 'three quarters of "rural poverty reduction" in Latin America has been due to migration'.

The choice by an individual or family among activities will be partly governed by relative returns, but also by concerns about over-concentration on a single, risky, activity (so that it is correct to talk about a 'portfolio' of income, with the same implications for a diversification strategy as in traditional capital analysis). They may want to produce enough food for their own subsistence, but deliberately choose not to produce a surplus of this crop if it is subject to large fluctuations in price or supply (or to imports as food aid). This strategy puts upper and lower limits on changes in livelihood.

There is still some risk that donors do not take the full range of opportunities available to rural poor into account (Zoomers, 1999, p. 9), although they have now started at least to see the possible role of encouraging the non-farm rural economy (Richards et al. 2002). This should influence both the assessment of current levels of poverty and design of programmes: new sources of income need not be in local agricultural production, and limited demand for labour in current food production may not mean that labour is not being used elsewhere. New initiatives which fit the seasonal and locational needs of partial dependence on agriculture (rural non-farm enterprises, often in services; seasonal migration) may be appropriate. Analysis of rural poverty now recognises that in some circumstances 'migration and economic diversification will be necessary in order to establish a better balance between the population and natural resources in fragile areas' (Quijandría et al. 2001, p. 105) so that efforts to improve their position must take into account both immediate needs and a potential sequence of structural changes. On the other hand, changes that appear to damage a sector. may have a less serious effect on the people in that sector.[6]

The stages of 'market access'

The stages of market access identified in the last section can be summarised (see first column of Table 1). Identifying these draws on both the type of general obstacle to production analysed in macroeconomic studies of development and the more business orientated identification of companies' needs from surveys of traders (see Appendix for some suggested lists).

This list does not attempt to identify all the problems of operating in a developing country or of developing new agricultural production (excluding, for example, such problems as poor land quality or unequal distribution of resources, cf Richards et al. 2002). As stated in the introduction, 'market access' is not intended to be the complete answer to stimulating development.[7]

The focus of this report is intended to be on small rural producers, so the discussion will concentrate on them. However, most is applicable to other producers, and the section above on livelihoods suggests that any policy should also consider alternative sizes and locations of production (large urban firms employ poor farmers). One important alternative product which is often associated with agricultural production and rural areas is tourism. Many of the conditions for entry and obstacles are the same as (or obvious variants of) those for production of goods (see www.propoortourism.org.uk).

Awareness of possibility of exporting

Something must stimulate the producer to look beyond his normal activity or market: this could be through his own efforts (or through some stimulus such as a movement of people or improvement in communications) but it could also be through external efforts.

Familiarity with buyers

The first need here is the understanding that people's demands and tastes can differ, so that there is a need to understand buyers, not simply to provide what the producer would want to have. For a new producer, it also means appreciation of the nature of the competition, from existing suppliers and other new ones, as that sets a minimum standard of supply (Dearden, et al. 2002, paragraph 18). Suppliers must understand the possibly very different nature of how a product is, however, being sold in the market (the nature of supermarkets or small specialist shops). This obstacle is reduced by the increased presence of 'developed' country pattern shopping in developing countries.

There is a continuing need for information on what the market wants and also for a more analytic type of information, what it can be persuaded to try. This requires regular access (for fashion-related products, two-monthly to six-monthly; for all, at least annually) to close contacts with the market, whether through internal or external initiatives. The need for information means that it is sometimes better for a new trader to deal with an experienced importer, but this may imply a large one, with greater market power. A smaller importer may be willing to offer more flexible contracts and assistance, but will have less experience and perhaps less opportunity to market a series of new products.

While companies in all countries need direct means of obtaining product and company specific information, there is a difference in access to more general information about markets and market trends. In developed countries and in the more advanced developing countries, there are extensive networks of business and commercial organisations, as well as the communications facilities to spread general information.

Familiarity with standards, including health and safety

Standards encompasses technical standards that save production costs, safety and health standards (both of the product and of how a good is produced or a service is performed), and now increasingly new types of social standard (including both labour standards for all sizes of employer and the complex of labour and empowerment standards in 'fair' trade) and environmental standards (including types of agricultural production). Some are legally required, in an exporter country, in the importing country, or by international rule. Some are effectively required, because failure to conform to a technical standard makes a product unusable (one of the oldest: common standards for screws so that they are interchangeable). Some are 'required' to meet particular markets, where consumers have a strong preference. Some are closer to being elements of marketing differentiation. And, of course, some are illegally imposed, leading to extra costs of meeting them and of trying to dispute them.

Official standards are being newly imposed and existing standards are being raised to meet both increasing knowledge about health and safety risks and increasing aversion to risk. The former applies to all countries; the second is in part general, but in part related to income. Greater ease of communication means greater awareness of both the feasibility of high standards and the consequences of low standards. Lower risk, like any other benefit is a 'good' that has a cost; as incomes rise, people can choose to give more emphasis to lower risk, without sacrificing other consumption. Food sellers in the UK, for example, must comply with a new (1999) Food Standards Act, and demonstrate that their products have complied at every stage with acts governing hygiene and temperature of storage (so that production in developing country suppliers are effectively governed by these acts), while the labelling rules mean that 'traceability' is now essential. Private standards are also becoming more important (see Box 2).

The income-related standards pose particular problems for developing countries exporting to developed countries and for producers turning to more affluent or informed consumers in their own country. They impose an additional 'difference' between producer and consumer in tastes (making understanding the market more difficult). They raise costs (on all production or by requiring different types of production to different markets). And developed countries have sometimes imposed the higher standards by legal means, removing abruptly, rather than over a period of transition, the possibility of continuing to produce at the lower standard for poorer or less quality conscious consumers. The need to harmonise standards across the member countries has been an additional process raising standards in the EU: not only do producers now have to meet higher standards to export to the countries whose standards have been harmonised 'up', but there has been a tendency to raise standards not merely to the highest, but even beyond, to minimise any perceived increase in risk from harmonisation (for example the standards for aflotoxins and for pesticide residuals).

Monitoring external standards requires an external structure, in contrast to those imposed and enforced by buyers. Particularly for 'production standards', where there is no visible evidence from the product (organic production, labour or environmental standards), there is therefore an additional cost of obtaining external certification that the standard has been met. Setting up the institutions to provide the internationally recognised certifications requires some fixed costs, so the cost will be particularly high if production is small, either because a country is small or for a new producer building up capacity, so partly a continuing cost and partly one of establishment.

Access to equipment and other inputs

A producer moving into a new product may require equipment and materials that are not already available and in use in his country. Even if it is only simple sewing machines for garment processing or equipment for food processing, there will be additional costs of information, and (if he remains small and not part of a large sector) permanent costs of either importing or producing small quantities.[8] Agriculture may be an exception, as some equipment can be transferred from existing products.

Access to investment capital

To purchase any equipment will need funding. Neither the surplus from other production nor the normal amount available for replacing capital in other production is likely to be adequate for an initial investment. This normally means that either a collective effort or an external source is needed. Agriculture may again be an exception because of the possibility of marginal changes, based on existing production.

Although such capital is normally assumed to be the responsibility of the private sector, in practice in developed countries there is frequently support for new companies, particularly in areas of a country which a government is trying to support (information was obtained about the type of information, financial credits and low cost premises available to a new factory in a region of the UK). As developing country governments do not have the resources to provide this, and as donors apply more rigorous standards about the boundaries between public and private action than they do in their home countries, this is a greater difficulty for developing country producers than for developed.

Access to working capital

Any production has some lag between initial production or planting and sale, and both the labour and the purchase of inputs must be funded during this. For highly seasonal or fluctuating types of production (ranging from agriculture to tourism), the capital needed may be a high proportion of revenue. Any expansion of sales increases capital needs. It may be necessary to move from informal systems, where the funding available or the conditions attached to it may be unpredictable and variable, to formal financial systems. Developing countries often lack strong banking systems, particularly with a presence in rural areas.

Access to appropriate labour

A shift to a new type of activity (to processing from farming or to services, for example) may create a demand for new types of labour. This should not be exaggerated. The nature of rural livelihoods means that a 'farmer' may also be already an 'urban worker' or a 'service provider'. But a shift to higher standards may require greater skill in any type of labour. If the shift is gradual, this may be met by training. If there is a shorter transition, because a very different market is sought or because standards are raised abruptly, it will be more difficult to do this without external intervention.

Technology

New types of production require at least adaptation of existing technology. As with labour, the greater the step, the greater the possibility of a significant need for external inputs here.

Organisation and orientation of firm

This is a need stressed during this project in the discussion of how exporters succeed and also in the literature on business organisation. It is, however, one which is not always obvious in conventional economic analysis of demand and supply for 'products'. The ability to see the various steps that are identified here and to find ways of taking them requires institutions that can perform and react regularly. As advice to producers and sellers of fairly traded foods points out, 'Every business needs a plan. Without a plan everything is done on an ad hoc basis. One small detail overlooked or ignored can lead to difficulties at a later stage... [The plan] focuses attention on key areas.' (NRI Guide 2002). Several buyers of developing country products commented on the need for the producing company or group of producers itself to be organised to deal with buyers. The buyers could take on some of the responsibilities for marketing and meeting standards mentioned above, but not all. In a sector which was not organised (NRI 2002 cites fishing in Kenya), meeting standards is much more difficult. Absence or inadequacy of business services in developing countries may suggest that production and marketing companies are more likely to need to be integrated.

Legal regimes

A particular problem for agricultural production is the question of the rules governing land tenure. If there are small holdings or forms of communal tenure that make consolidation of holdings or use of holdings as collateral for loans difficult, this will restrict the types of production and the access to capital.[9] A new example of the importance of legal regimes is the difficulty of using small plots to get access to the possibility of allocating land to environmental services.

Transport and communications, local

Poor countries, and especially the regions where poor people live, do not have the resources to provide good infrastructure. The facilities which are provided will have evolved to meet existing (or former) needs. The dispersed nature of agriculture and rural areas further increases the need for and cost of communications and transport. A new product or a new market may require new services (different types of transport or refrigerated storage facilities, for example) in new locations. The poor facilities impose a continuing extra cost on production, and the need to establish new ones, a 'barrier to entry' into new production.

Poor communications will make all the information needs identified here more difficult and/or more costly to meet. High transactions costs have been repeatedly (e.g. Bonaglia, Fukasaku 2002, p. 84) cited as a particularly serious obstacle in Africa. This is partly because of poverty, but partly because it has the highest proportion of land-locked countries, raising both physical and administrative costs of transport and communications. A third of the Least Developed Countries (a UN classification based on poverty plus weak production and export competence) are land-locked.

Transport and communications, international

There are technical, scale and policy obstacles here. As with local transport, poor or inappropriate infrastructure (banana boats for countries wanting to produce new products, for example) adds to costs, permanently and especially at early stages. Air or sea transport involves some fixed minimum scales: the size of a plane or ship, combined with the preference, for reasons of both operating efficiency and regulations in the home countries, for regular services, and in the case of fresh products, frequent services (flowers cannot be stored until a plane load is ready). Services such as air and sea transport are themselves 'products' which countries may protect and regulate: both developing and developed countries restrict use of foreign transport or raise its costs through taxes. This can be particularly serious for small or land-locked or island group producers who otherwise might be able to combine with those in a neighbouring country to produce an efficient size of cargo. These constraints hit exports of services, as well as of goods: tourists also require fixed scale and regular transport, and countries' regulation of air passenger services often forbids planes from a third country from taking passengers from one country to a second. (Some regional arrangements, such as the EU for developed countries and COMESA, in south and eastern Africa allow this.)

Tariffs and non-tariff barriers

Agriculture remains the most controlled area of international trade. There are significant tariffs and quotas on temperate crops which compete with those of developed countries. Any new initiative must take these into account (or indicate how countries could negotiate for changes). For non-competing products (e.g. tropical beverages, fruits, etc.), there may be no or low tariffs on the basic production, but higher tariffs on processed forms. For trade among developing countries, there may be tariffs on products or stages of production that may compete with the importer's own production. Across these standard MIFN tariffs[10] there are two further networks of tariffs: reduced or 0 tariffs among members of regional groups (often overlapping in Africa or Latin America) and reduced or 0 tariffs, sometimes on a limited level of production (tariff quotas) on exports to specific developed countries. The agricultural protection in developed countries can result in surpluses which are exported, at subsidised prices. These reduce the potential return for developing countries of switching to competing production and also greatly increase the uncertainty of such a strategy, because the exports are variable in size and direction.

These arrangements prevent, or lower the returns to, certain strategies (diversification into controlled products, moving into processing, moving into new markets), but they also reduce the returns to all trade by increasing the cost. A producer must look at all the possible tariffs or other barriers that could apply (identify how his product is classified and any relevant regions or preferences). If he uses a regional or preferential tariff, he will need documentation to prove that his product meets the conditions. This may bias against moving into processing. While a basic crop may have little difficulty in meeting the rule that it comes from a particular country, once it is processed, and may have acquired other inputs (adding sugar to processed fruit, for example), it will have more difficulty in meeting the certification rules, and may find itself facing additional barriers (sugar is subject to particularly complex quota arrangements in both the US and EU markets).

The use of trade barriers by developed countries not only has these direct effects, but suggests that a strategy of moving towards more trade is undesirable (if the arguments against dependence on food imports by the developed countries are believed) and that trade is highly sensitive to policy, so not an obvious choice to make on economic criteria.

Other trading conditions

If a country's policy raises its exchange rate above a market-determined level or if macroeconomic policies (or lack of them) lead to large changes in exchange rates, these raise the costs of trading: both directly (uncompetitive prices) and indirectly (obtaining information on and reacting to changes). A country receiving major aid inflows is likely to have a raised exchange rate.

In countries where trade is still low or considered a risk, there may also be extensive administrative requirements combined with poor administrative capacity of customs services (cf IFAT Ghana 2002 p. 33 for a vivid description of the problems of temporary import in western Africa). These impose a continuing disadvantage on producers.

Which problems matter, for how long?

The importance of some of the problems identified here (tariff barriers, poor transport) will depend on the particular circumstances of a country (or even a region or product within it). There is no single order of priorities. Policy must be specific to a country and time. Some (the cost of equipment, needs for working capital) will depend on the nature of the product or service, and there will be a choice: to find ways of meeting the cost or to choose a different activity. While new agricultural production, for example, has some advantages in terms of low initial costs, it has disadvantages such as high demand for working capital, high transport and communications costs, and vulnerability to trade barriers and changes in standards.

Some depend on the stage which the country, or a group within it, has reached: the initial identification of possibilities, the costs of entry, the organisation of the enterprise, whether complementary activities and services have developed. Some are ones any particular producer will face only once, some will be faced for each new product or new market, but some are 'permanent', for example the higher costs of doing business as a small producer and the difficulties and needs for information created by trading with 'different' consumers: whether they are more urban or higher income people within a country or those outside the country. The differences mean that it is not possible to say that some of these are always 'more important', or priorities. On the other hand, it is important that ways of dealing with future costs are known to be planned, or the expected later costs will reduce the expected return from new activities. And it is important to recognise that some of the costs are permanent, and therefore need permanent intervention. High tariffs or low quotas, for example, may not matter immediately for a producer who is only beginning to identify the possibility for a local market, but if he expects them to remain, he will perceive a permanent limit on his scale of production. In the next section, therefore, it is important to distinguish long-term, interventions which adapt to changing needs from one-off actions.

For some of the obstacles to markets, particularly the ones to international trade: of policy, of information, and of costs, there may be a permanent role for some external agency whether public, private, or alternative trader, to provide information and services which cannot be provided at national level. For others, more directly related to production and local infrastructure, there may be a permanent need for something at the national level; some require government action, others could be private. Some are areas where producers in developing countries, in particular new, poor producers, may be at a disadvantage: for example they lack access to services which themselves require time to emerge, suggesting a possible role for external support to their governments.

Different ways of providing market access: advantages and disadvantages

This section will discuss how different market structures and official interventions contribute to helping new producers meet the requirements for market access. Table 1 indicates some of the ways in which each of these helps at each stage of market access. It cannot include all potential effects. We will also, however, consider the role of producers in the developing country, and how they can take their own initiatives. While external efforts can provide assistance, they may not all or always be present. It is important to know how far direct action by a company can take their place.

Direct foreign investment and ownership

Direct ownership of a local producer by a foreign company occurs only if the foreign company has identified a market, whether a retail market or one within the company in the case of outward processing of part of its production. In either case, it will already have ways of keeping in contact with the market and changes in it, whether of tastes or standards. Companies will choose investment if the advantages of direct control of production (because of technology demands or reliability of supply, for example) exceed the costs of ownership. This is uncommon, and indeed decreasing, in agriculture or in the types of clothing and other textile production which are often a first stage of production for developing countries. In coffee production in Kenya, for example, there has been a partial transition from foreign ownership to reliance on local producers, and the remaining owners are pessimistic about the future of plantations. One disadvantage of ownership in widely scattered production like agriculture is the high administrative overheads. Where companies are able to obtain the same control of production through independent farmers or cooperatives, they prefer this.

Foreign ownership also suffers, for many new producers, from the reputation and experience of foreign investment in areas like mining as well as in plantation agriculture where there was little local participation or power. In some sectors, investment in manufacturing processing, for example, however, foreign investment has been a major driver of access to foreign markets with strong effects on increasing incomes in some countries, notably in south east Asia and Latin America. This can have significant effects on poverty. (Table 2 summarises how the different initiatives can affect poverty.) The old style, plantation and mining companies, are increasingly finding it desirable to subject their operations to general environmental and social standards (for example *Financial Times 2* December 2002 on Chiquita).

As Table 1 summarises, foreign investment can provide all the basic marketing and production functions. Investors also have experience (and scale) to meet transport needs. In addition, the experience of such companies with other markets leads them to try to alter government policies that add to the cost of trading (unlike a local company, they know that there are alternative ways of administering standards or customs, for example), and their size gives them a significant possibility of successful lobbying, in both host and home countries.

An alternative form, of companies from developing countries investing in developed countries (thus obtaining direct access to external markets and to market information) is emerging in some of the larger developing countries, notably India and Brazil. As the Brazilian examples include fruit juice production, this is another way of rural people gaining access to markets.

Large direct private buyers

The traditional major sector where these dominated was clothing and household textiles. There, the pattern of large companies (retailers or clothing producers) in developed countries providing regular orders, market information, and advice (often mandatory) on technology and means of production to companies in developing countries, without taking the responsibilities of ownership, has been well established since the 1970s. This had significant effects on rural poverty through providing new jobs for workers, many of whom migrated to centres of production, and many of whom were women. In the 1980s and 1990s, as discussed above, a similar pattern was adopted by large buyers of horticultural products. In the case of clothing, the model was derived from the relationship which textile and clothing companies and retailers had traditionally had within developed countries, where some integrated companies had coexisted with those specialising at one end or the other. In agriculture, the shift was not from local purchases to imports, but, for both local and imports, from *ad hoc* purchases of products as undifferentiated commodities to differentiation and control.

There are many variants in both investment and buying. (Some depend on legal requirements in the exporting country.) In spite of the state-organised marketing of cocoa in Ghana, a major UK chocolate company had a very direct relationship with farmers until the 1970s which provided many of the same guarantees of quality and process that ownership would. This is a type of relationship that is also often used in tourism (hotels or tour company branches have various forms of management or franchise arrangements with an international company) (see Box 3).

As indicated above, the emergence of external standards may be weakening one of the conditions for this model (the need for a known company to guarantee quality is premised on the absence of any agreed general standards), but this has not yet altered the model. The local companies had to be (or be capable of being made to be, with the advice which buyers were willing to provide) themselves strong and reliable enough to make commitments on product quality (and increasingly also on processes of production). This is, therefore, a model that needs some initial conditions in the selling country. While (as Dolan, Humphrey 2001, p. 7, suggest), these are not 'networks' because large buyers and smaller sellers are unequal, the need to have a credible partner puts some limit on the inequality, suggesting that the alternative formulation, of a hierarchical value chain, is also inappropriate. If a company is dependent on only one foreign buyer, it is effectively subject to its controls and initiatives. If it uses its experience from an initial contract to find other buyers, the relationship changes.

Buyers (Table 1) provide the same information and marketing advantages as traditional private investors, and partial access to their production and technology advantages. They do not provide the direct production inputs, but do offer technical advice and some training. On finance the evidence is that they do not normally provide special credit terms to their regular suppliers. Where they are experienced traders and large companies, they may have the same motivation and bargaining power to try to obtain changes in policy to favour trade, but they will have less direct contact at local level with policy, so their policy interventions may be less effective. The horticulture companies are less experienced in policy-lobbying than the clothing and textile.

Foreign buyers and investors need not have any direct interest in looking for poverty effects from their activities, but the nature of food and clothing production where this system is prevalent does increase the demand for the labour of poor people (Table 2). Where there are official or industry standards on the nature of production, there may be additional effects, but it is necessary to analyse in any case whether improving the standards of those employed will have an effect on employment (if the standards increase the cost of labour, they could reduce employment) and judge the trade-offs. They normally offer fixed price contracts, reducing the risks of fluctuating prices (found in both traditional auctions and direct selling).

Initiatives by developing country producers

This is in a sense the 'base case' of what is done in the absence of external private or public sector intervention, and it is often very successful. In Guatemala (Wadsworth 2002) production and export of snow peas was developed by local producers, led by a foreign entrepreneur (providing the market knowledge). There are other similar cases for the agricultural commodities which were never standard commodities (much analysis of exports in Latin America in the 1980s, for example, turned away from seeing manufactures as the solution to looking for private initiatives in 'non-traditional' exports, which became virtually an official classification). Obtaining information both about trading in general ('awareness') and then about specific market requirements has become much easier and cheaper with new communications, and there are extensive examples of small firms (including service providers like guesthouses or tour companies) using internet resources for obtaining information about demand (weather information to determine agricultural conditions in other potential supplying countries was an example cited by a producer in Zambia), about policy changes, and for marketing and for direct selling of their products. (See Bonaglia, Fukasaku 2002, pp. 77-78 for an example from a leather producer in Ethiopia.) Subcontracting from a local trading company to many individual farmers as well as to cooperatives is found among agricultural producers. Some cases could be classified as either contracts by a foreign buyer or initiatives by a local seller (paprika in Zambia, for example, where a local entrepreneur sought foreign buyers, or within the alternative trade sector, the emergence of a cocoa cooperative), where there were initiatives and responsiveness on both sides. Which one is emphasised in analysis can depend on preconceptions about the role (dominance) of foreign buyers.

One of the traditional barriers to entry by small traders to international markets has been the difficulty and expense of making cross-border payments. The growing use of credit cards (between pairs of companies as well as between final consumers and companies) and the simplification or elimination of foreign exchange controls have made possible obtaining these services, including enforcement of payment, in a standard form and at a lower cost.

Although lack of commercial consultancies has been considered a disadvantage for producers in developing countries (WTO, OECD, 1997, p. 11), this is becoming less true. In even the poorest countries, local consultancies on trade are emerging, to spread the costs of information and of dealing with administrative requirements among a range of potential small producers and exporters, and private financial services are developing. The Guatemalan experience (Wadsworth 2002) stresses the dependence of the producers on other companies, a parallel growth in intermediaries and exporters'. There are producer and exporter associations which provide some exchange of information of the type found in developed countries in many middle-income countries, although these are, of course, least likely to be important in countries where there are still very few producers. The exception is in agriculture where farmers' organisations may be well established (cf Zoomers 1999, p. 81, on their role in Bolivia).

What small companies cannot normally offer or obtain from their trading partners is long term, regular relationships, unless the partner is a large company with a regular demand. This raises the cost of marketing, and means that they could benefit from some form of guarantee or certificate of quality (for the company, not for the product). They have fewer of the elements needed for market access than companies with foreign ownership or partners (Table 1) but reduce poverty through both income and empowerment effects (Table 2).

Alternative trading companies

Motivations given for establishing fair trade enterprises may be based on a distrust or distaste for commercial trade. This is the view, that markets do not normally reduce poverty, but if restructured, they can do so. This influences the nature of the alternative patterns suggested and it may affect how alternative trade can be linked into the rest of the economy.This is sometimes a view that ordinary, purely market driven, trade is corrupt. This can be perceived at micro or macro level. Some argue that lenders or buyers 'cheat' producers by false weights or underpaying (e.g. www.divinechocolate.com, Shared Interest 2002). Any system, however, can have corruption, and any system (including fair trade ones) needs monitoring and checks, so this is not a sufficient reason for seeking a different type of trade, unless, as is implicitly assumed, those who trade in ordinary trade are more corrupt than 'fair' traders. At macro level, 'The rationale [for Fair Trade] was in part a political reaction to theories of free trade, capitalism, and the power of the Trans-national Corporation (TNC) which would lead to the poor and marginalized being exploited or excluded.' 'Traditional business models were fundamentally flawed and…the only way to make them fairer was to set up a parallel (or alternative) trading model' (Redfern, Snedker 2002 pp. 1, 5). Even if they do not assume that commercial trade is corrupt or systematically unfair, some fair trade supporters consider it inadequate because it does not develop a relationship of concern about conditions and the nature of production between seller and buyer. Such assumptions can lead to distrust of any relationship to commercial trade, and a desire to restrict trade as far as possible to other fair traders ('It is the Africa Regions Position that most of the trade generated should be delivered within the IFAT movement' IFAT, Africa 2002, p. 3). This greatly reduces the potential income of any fair trade enterprise because such companies are still a very small proportion of the market.

There are commonalities, but no standard model for alternative trading companies. The definition accepted by the federations of organisations (Fairtrade Labelling Organizations, International Federation for Alternative Trade, Network of European World shops, and the European Fair Trade Association) is constructed in terms of being 'alternative', of general objectives: 'sustainable development for excluded and disadvantaged producers', and three general methods: 'by providing better trading conditions, by awareness raising and by campaigning' (www.traidcraft.co.uklfs_fine.html).

There are possible conflicts between poverty and the other concerns of fair or ethical trading movements: the environment, food safety and inputs to production; labour conditions; the broader social conditions surrounding production. Companies need to recognise the conflicts and establish priorities and ways of making choices among them, and the way in which these choices are made is itself an indication of where power in the companies lies.

The alternative trading organisations add a different approach to marketing: they want buyers to be informed and concerned about the nature of production, not only about the quality and other characteristics of the product (perhaps only secondarily about the product). While they believe that such consumer interest already exists, and is growing, they also see it as their responsibility to change the market by strengthening it. This interest is regarded as desirable in itself by the fair trade supporters. It could also lead to an increase in demand for fair traded goods, or it could lead to a demand for other types of public or NGO assistance to poor people in developing countries. If fair traded goods offer a higher return to producers, either of these effects could mean that increased concern made a contribution to poverty, but neither of these has been demonstrated. If such interest is important and growing, there may be no conflict here between this objective and increasing income to producers (and thereby reducing poverty), but concentrating on a particular part of the market, defined by the nature of its beliefs, rather than simply by its demand for a product, is potentially a limit.[11] There is also a risk that, because this approach is shared by those who want to differentiate their products by other characteristics (organic, environmentally friendly, labour standards), fair trade production will either suffer from others' attempts to define a market advantage or incur increased costs because they will need to meet some of the other standards as well. Fair trade products have much higher shares in speciality ranges (for example ground and roasted coffee, rather than instant) and they are normally more expensive, so that they are competing within the quality section of the market. This means that they need to acquire a reputation for quality, as well as good process. The fair trade associations and at least some of the companies also take a direct role in lobbying for aid and trade policy changes. For those who distrust trade, this lobbying may be constrained, and it may be difficult to work with commercial traders for general pro-trade changes in government policy.

OXFAM in 1964 was the first example of a European organisation engaging in what is now called fair trade (Redfern, Snedker 2002 p. *5).* There had been earlier examples through churches, and some of the current organisations, like Traidcraft, retain a religious element (which, again, may restrict their potential market). After a period when companies tried to deal with too many products and suppliers (see Redfern, Snedker 2002), there has been a consolidation.

In practice, fair trade has been confined to agricultural or 'handicraft' production and, in services, to finance and tourism. In goods, the Fair Trade logo has only been defined for coffee, tea, cocoa, honey, bananas, mangoes, orange juice, and sugar. Some of the foods initiatives are discussed in more detail below. Handicrafts, apparently defined as small scale manufacturing, as they need not be traditional products for their origin, have not fitted into a defined quality market, as foods have, and have not made the same links to commercial markets. They provide income, but not significant access to normal markets.

There have been some initiatives (notably in southern Africa) at designing tourism projects deliberately to use 'marginalised' and poor people and also to encourage commercial tourism providers to follow 'pro-poor' standards. The development of these is still preliminary. As in goods, poverty objectives are joined by environmental and social ones in many of the initiatives, creating potential conflicts. Finance, identified as an important constraint on market access, has attracted some alternative trade initiatives (see Box 4).

As well as their own direct activities, some companies have links with NGOs who will act to provide non-commercial assistance. Traidcraft, established in 1979 as a trading company, in the 1980s established Traidcraft Exchange to build capacity, using income from its trading (Bird, Snedker 2002). Others are able to mobilise NGO assistance (for example to develop a company's production to export standard) through regular relationships. Day Chocolate has NGOs on its Board, and works with them on campaigning.

The alternative trade concept emerged in developed countries. That and the emphasis on building links between producers in developing and consumers in developed countries led to an assumption that they should be involved in international trade. Some are now, however, seeing that the objectives for developing countries, of bringing marginalised producers into markets and reducing poverty, need not involve trade. Traidcraft, for example, is using Traidcraft Exchange to develop producers for any markets, and the East African market has been identified as the relevant area for both agricultural research by ICRISAT and trade policy for alternative traders in the region (Mbise 2000).

Companies involved in fair trade emphasise the importance of building an effective producing and trading organisation. Marketing must use normal marketing skills, not only (sometimes not at all) appeals to concern about poverty. They emphasise their responsibilities and objectives as trading companies (Traidcraft is considering becoming a dividend-paying public company Bird, Snedker 2002 p. 4).

Some fair trade initiatives depend on existing organisations; others start from potential traders in developed countries identifying possible producers in developing countries. Traidcraft specifically looked for 'marginalised' producers, not for companies that were already active and taking initiatives. Tropical Wholefoods also built up farmer groups (NRI Guide 2002), but its new strategy is to develop new products and extend the use of its existing supplies. Other fair trade companies also see looking for new products, related in retail terms to their existing range, as a strategy. This suggests two different types of approach, temporary and permanent: seeking to develop and then maintain a viable fair trade company or trying to develop the conditions for one, and then moving on to new production.

The origins and present structure of the linked chocolate companies, Kuapa Kokoo and Day Chocolate (see box) depend on the existence of both a strong organisation in the exporting country, which now supervises buying, quality control, and technical assistance for its members, and the experience and the access to markets of the company in the UK. They also depended, as any business establishment does, on particular circumstances: a reform on the supply side coinciding with a search for suppliers on the demand side, and the skills of the individuals on both sides. Excluding the fair trade element, it is similar to the linking between producers and sellers of either the external buyer or the developing country enterprise 'models' already discussed; in this case the larger company (as well as the one 'investing' in the other) is the developing country producer (see Boxes 5, 6).

For markets which don't have a world price, most notably in fair trade 'handicrafts', it is much harder to estimate the extra income provided by fair trade. But Hopkins (2000) in a study of Oxfam's trading activities demonstrates that fair trade is perceived to have other advantages by its suppliers, as well as higher prices: higher income and more opportunities for female workers, better financial terms, more appropriate timing of the work, more technological advice, training, including greater confidence, and some access to other markets by offering an example of sellable exports. Some firms had, however, remained very dependent on sales to alternative trade organisations. One explanation suggested was that Oxfam 'intervenes directly in almost all aspects of the fair trade chain...this whole range of intervention was virtue, and a necessity, three or four decades ago, at the beginning of the fair trade movement. However it might now have become a constraint, as it makes it more difficult to complete with mainstream buyers (that have typically adopted more flexible and specialised forms of participation).' (Hopkins 2000 p. 43).

The questions of whether normal trade is good, but improveable, or inherently bad, and of the relative importance of increasing sales and increasing concern also affects the way in which 'fair trade' by non-fair trade companies is treated. While fair trade companies are accepted into the organisations on the basis of their general approach, companies which can demonstrate that particular products or activities comply with agreed standards can use a Fair Trade logo. It is defined for particular products (with particular characteristics for each: the Fairtrade Foundation points out that those appropriate for farmers who sell their products, as in coffee, may not be for tea growers working on estates, www.fairtrade.org.uk/standards.htm, Redfern, Snedker 2002, p. 27). Such companies must assume that 'concern' exists (so the label adds value to their product), but they do not seek to increase it. If increasing consumer concern matters, there could be a conflict between increasing the gains from increasing supplies to the current market for fair trade and using dedicated companies to increase demand in the future. If commercial companies can claim also be trading fairly, this cannot be consistent with an assumption that normal trade is fundamentally unfair (see also Redfern, Snedker 2002, on fair trade and ethical trade certification), so that there is a conflict within the system.

Alternative trading companies can be considered as variants of the local company and external buyer models, with some additional objectives added, which may prove to be either constraints on poverty reduction or additional contributions to it. In some circumstances, however, they have elements of the foreign investor role: Traidcraft, for example, claims to have an 'influencing' role across all its activities (Bird, Snedker 2002 p. 12). This is more a characteristic of ownership than of the relationship between buyers and sellers (although in long term relations this dividing line is difficult to draw). Interestingly, in discussing the shift from exclusive focus on exports to encouraging the most appropriate market, Traidcraft apparently expects a leadership role ('TX will look for the right market for each given context' Bird, Snedker 2002 p. 3), and OXFAM trading may have failed partly because it attempted to intervene too much (see above). In contrast, in chocolate, where there is a more contractual relationship, Kuapa Kokoo could emerge as an independent cocoa seller (suggested by World Bank Ghana 2002). It can be as difficult to define where market power and decisions on new initiatives lie in the fair trade companies, in spite of their concern about the problem, as in commercial importer-supplier relations. There is, of course, a range of balances, depending only partly on ownership.

In many ways, fair trade companies have the same relationships and impacts as private buyers (Table 1), with some additional input into production and organisation. Their poverty impact (Table 2) may be increased if there is an additional effect through lobbying on aid. Fair trade companies' reliance on their own reputation as the guarantee that standards are met may be cheaper for small producers (external standards, as discussed above, are costly for small producers), but weakens the market power of the producers; they do not have a certificate and reputations that they can use in other markets.

Export promotion agencies (and other local government policy)

Export promotion agencies exist in various forms in most developed countries, and were encouraged in developing countries in the 1960s and 1970s. Then, in spite of the excellent performance of some countries which depended heavily on them (e.g. Mauritius, with MEDIA), they were criticised as ineffective (e.g. Keesing, Singer 1990). The problem is that such criticisms, while perhaps valid for the agencies studied, did not indicate what the alternative could be.[12]

Not surprisingly, more careful study indicates that the agencies were variable in quality. It is important to define what they can be expected to do. They can act as an information point, not directly on the market conditions and standards in a potential importer, but on the sources of information and assistance that exist. They are more likely, therefore, to be useful as a first stop, for a new exporter, than as a continuing resource. They also provide a point of contact for potential importers, with the better ones offering introductions to potential suppliers and at least an implicit guarantee that companies introduced are reliable. They offer less than direct actors (Table 1), but can be important for their indirect effects (Tables 2 and 3) because of their potential impact on those who are effective.

It is not surprising that new agencies facing inexperienced exporters produce dissatisfaction and complaints on both sides, and that the best examples are from middle income countries, with some experience in exporting. They have to establish the channels to obtain information, and learn the skill of consultancy. And by the time an agency is competent, most existing exporters will not need it, while new users have less voice. If the services which a ‘good’ agency provides cannot be provided by an inexperienced, probably under-resourced one, they most be provided by donors (the alternative public sector) or by private investors or buyers (increasing the dependency of local producers on these). In the absence of these, local firms must bear the costs of providing the services for themselves. None of these is satisfactory, so even weak agencies have a role. Even where agencies fail, they may create awareness of the type of services that ought to be provided, and substitutes may emerge.[13]

While Latin American examples suggest that responsive agencies, providing services, not picking winners, work best, Asian examples of government intervention indicate that a more active role is possible. There, and in Mauritius, the interventions were not only through the export promotion agency, but through broad cooperation between private sector leaders and the government. This can exclude small and medium sized producers (except in a small economy like Mauritius). There is also the risk that if government interest shifts from rural to urban development, then support will be targeted there. For this reason, in the long run, a spread of private and public agencies provides more security of advice.

Other types of services which governments can provide in a way to benefit traders could include most types of government activity. Setting up a new company, moving into new activities, and crossing international borders are all actions which are subject to government regulation, and the efficiency with which this is administered is a major benefit (or cost) for companies. Governments which consider trade and encouraging new production priorities put resources into this (Malaysia and Singapore provide obvious examples, as well as Mauritius), while those which distrust trade or large countries for which trade is relatively less important are less helpful. As with the demand for private services, it is the initial period when there are few exporters, with little political strength to ask for policy change, but the strongest need for good services, when the difficulties will arise (see Box 7 for a Mexican example).[14]

Import promotion agencies

During the 1960s and 1970s, at the same time as developing countries established export promotion agencies, some donors and international agencies established agencies specifically to promote trade from developing countries: GATT established the International Trade Centre in 1964 (now also related to UNCTAD), and the most important single donor agency, the CBI in the Netherlands dates from 1971. These had similar roles to the export promotion agencies, and like them, were not intended to provide production assistance. They therefore deal with companies which are already established. (They also, of course, do not directly assist companies trying to sell to their home markets.)[15]

The CBI remains the standard by which other programmes are judged by exporters who have used it, and the one with which all companies and countries interested in export promotion are familiar. Its mandate is specifically to deal with what it defines as ‘export ready’ firms, those which are aware of the possibility, which have reasonable production systems, but which need specific market knowledge and the ability to adapt to it. It provides both basic information, on the official and marketing requirements to sell a particular product or service, and specific seasonal information on fashion or other trends. It is able to help small companies. The general information on its web site (www.cbi.nl) gives extensive background information on markets and on legal requirements such as health and labour standards. It sees its role specifically as helping at the point of entry into a market. For future market information, it arranges contacts with potential buyers, both directly and through trade fairs. It tries to work with a set of firms from particular industries and a limited list of countries at any one time, so that it is not always available for a particular firm or sector. It sees its purpose as advice to companies in how to plan and operate in a way that they will achieve a 'firm and lasting position on the EU market'. It is very much dealing with developing companies, not just individual exports. It takes the 'export ready' dividing line seriously, both rejecting firms that are not able to make a serious attempt at identifying their export potential and withdrawing after a maximum of three years. But it can refer not-yet-ready companies to other parts of the Netherlands aid programme if this is appropriate. Companies in the alternative trade sector also use the CBI. Although most of its activities are directed at companies, it does include export agency officials (and also Alternative Trade promotion officials) in its training programmes, and had a limited programme to target individual countries (for short periods).

Other individual country agencies have provided various parts of these services. (All support services as well as goods). Some take a longer view of their assistance and deal with an industry, rather than in individual firm. The UK agency, DECTA, had some country programmes in Ghana and India which attempted to do this, but was generally a responsive service providing particular services or introductions for firms, not a multi-year programme. Although its information and introduction services were considered useful by exporters and importers surveyed (Page 1994), these were less useful than the wider services provided by the other agencies. (See Box 8 for other import promotion agencies.)

These agencies are doing some things a developed country export agency might do (information, targeted training, subsidies to visit buyers) and some which a private consultancy might be able to do for a larger, better established company. In that sense, they are replacing missing local inputs, but the limitations on what they can do (only export advice, limited sectors, etc.) would not apply to a private consultancy. Their close contacts with importers mean that they can offer both general and specific information on the nature of markets' requirements.

As external agencies, these potentially have more credibility in introducing an exporter to an importer as a reliable supplier (in terms of process and product) (Table 1 compares them). And by concentrating their efforts on a limited range of countries or sectors, they can minimise their disadvantage of having less knowledge of the exporting country than a local agency would have. Like the export agencies, their impact on poverty is indirect.

Aid programmes

As well as the direct assistance to exports provided by the agencies described above, and by targeted aid initiatives, there has in very recent years been a revival of interest within general aid programmes in providing help for trade and production. In the 1960s and 1970s, both direct intervention and infrastructure to assist private companies were common among multilateral and bilateral agencies, but then there was a period when both were greatly reduced. Trade and development analysis concentrated on general measures, of 'good' macroeconomic policy and broadly based trade liberalisation. Especially since the 1980s, donors have opposed and avoided direct intervention in private sector production in manufactures and services.[16] Research and extension services to agriculture, and assistance in agricultural support like irrigation, have continued, although on a reduced level, presumably because of the same biases towards agriculture that drive developed countries' trade policies. (Combined with the support to private companies within developed countries, noted above, this has meant a double bias against developing country non-agricultural production and trade.) Support for infrastructure remained less 'fashionable' among donors in the 1990s (for examples, see Zoomers, 1999, p. 74, and DFID 2002), with the growing focus on measures with direct effects on poverty, but this may now be changing.

One UK programme to provide public sector support through investment was investment by the CDC which provided finance to new companies with the intention of selling them as they became viable. This was able to support smaller companies than the joint ventures under the JFC; the programme is being reviewed, and there is now a requirement for a normal commercial return on investment. DFID has two new programmes for African exporters which are intended to look at many of the stages of market access analysed here. Both look at trade as a means of attaining specified goals: poverty reduction (the Africa Trade and Poverty Programme, ATPP – see Box 9) and environmental benefit (a joint programme with UNCTAD), administered by FIELD).

The World Bank has revived interest in helping commodity exporters. It is concentrating on trying to mitigate the problem of price fluctuations, rather than following the private sector trend towards finding ways to alter the nature of markets, through differentiation and new relationships between suppliers and sellers. It has established some schemes to manage the risk of price fluctuations through forward market instruments in a range of developing countries (www.itf-commrisk.org). It has found difficulties because of the lack of liquid instruments for some commodities in world markets and because local policies such as exchange controls can militate against use of market instruments (World Bank, Vietnam 2002, for example; other commodities are also reported on). As the Task Force has decided that a simple instrument is needed, it will need to have a simple price definition.

While targeting aid programmes at only part of the range of market access obstacles (as indicated in Table 1) would be acceptable if there were satisfactory other instruments for the others, there have been failures to ensure a coherent policy. As well as the shifts from encouraging production to macro-economic intervention to poverty-focused intervention to policy-process intervention, there has been little more than lip-service to ensuring coherence between efforts to promote trade and production in developing countries and trade policies in the developed countries (as discussed in the section on tariffs). (EC 2002 supports coherence, but more in the sense of adapting development policy to fit trade policy, than the reverse.)

Targeted technical research

As access to suitable technology is a necessary condition for any marketing, and as agriculture often requires national adaptation of international techniques, the extensive international network of agricultural research can be considered an input into market access. By focusing on what is for many countries their principal source of exports, it can provide a major effect on development. It is, however, only recently that the organisations have looked specifically for export markets in developing new crops, and that they have considered the interaction between new production and policy (for example a workshop in 2002 on Poverty Reduction through Transforming Small Holder Systems from Subsistence to Market Oriented). ICRISAT (Nairobi) is trying to tie its research on new leguminous products to developing capacity in the East African countries to look at trade prospects, in the region and beyond it. It has already been working with a US NGO involved in identifying potential buyers and bringing them to producers (Jones et al. 2002 p. 6-7). They are also seeking cooperation on meeting standards, for example on aflotoxins. This is a supply-driven approach, but could be used by local producers as the basis of market seeking.

Agricultural research agencies have come to these initiatives in part from the recognition that one reason that farmers may not adopt the new technology which they develop is poor market returns. This has been more important as a constraint on the adoption of agricultural research in Africa because in the years of the ‘revolutions’ in agriculture in Asia and Latin America, there was support for farmers to introduce the new technology. In Africa, because of fewer resources and changes in development models, this has been lacking, and adoption has been slower (Wiggins at seminar, 29 November 2002). If the public sector is no longer providing support, marketing becomes a constraint.[17] These agencies can act on the marketing and technology aspects of market access (Table 1), with direct effects on rural poverty (Table 2).

Agencies promoting small production

Within aid programmes, many donors consider supporting SMEs an effective way of reducing poverty, and there is some assistance to companies to trade under this heading. But for some official agencies this is a priority. Support specifically for ‘small’ producers assumes that the nature of the producer is an essential determinant of the effects of production, particularly its effects on poverty. (There are, therefore, some similarities to alternative trading companies.) The support by official agencies is normally to improve the outcome, i.e. based on the second assumption identified in the first section of this report, that trade can reduce poverty, but that there are ways in which the effects can be improved or increased; although some support for small producers may be based on the third view, that they would otherwise be disadvantaged by commercial relationships.

IFAD’s strategic objectives cite ‘strengthening the capacity of the rural poor’, ‘improving equitable access to productive natural resources and technology’, and ‘increasing access to financial assets and markets’ (IFAD 2002 PROMER). It identified a new gap in provision for small rural producers following the cutbacks in government support services through structural adjustment. Its assistance is designed to strengthen agriculture and agricultural organisations. Its advantage over export and import agencies is that it targets not only trade, but production for the local market: ‘the availability of new opportunities on world markets… should not obscure the fact that the principal strength of the rural economy continues to be supply of cash and food crops to domestic and subregional markets’. It includes non-agricultural rural activities and other areas like adult education, as tools for this. (Quijandrfa et al. 2001 pp. 62, 88, 104), and considers provision of financial services an essential part of support. Unlike the Mexican programme mentioned under government initiatives, however, which sees the advantages of small scale producers in new, small scale, products, IFAD emphasises 'the comparative advantages of small-scale agriculture…with respect to the supply of traditional products' (Quijandrfa et al. 2001 p. 104). IFAD also supports RUTA (Regional Unit for Technical Assistance) to coordinate agencies in Central America working on rural development.

Market access has become increasingly important in its activities. If we compare its completed projects with those on going in 2002 (Hopkins 29 November 2002), the share related to marketing increased from 57% to 73%. These figures are much higher than those for the share of marketing in IFAD's activities in Central America, where programmes in the 1980s and 1990s ranged from 1 to 14% (IFAD, Experiencias 2002, p. 3). Programmes there in the 1990s did all include marketing in their training element. There was poor success in marketing outcomes. The problems identified included, as well as initial characteristics (location, illiteracy) many of the range of market access characteristics identified here (quality, demand, lack of market information, lack of infrastructure, and poor business organisation) (see Appendix). The problems of poor use of the information available may stem from the lack of experience of organisations originating in support for production, but trying to move into marketing. The conclusions, that strong producers are needed, that they must learn to identify where the markets are, and that producers must learn to deal with the traditional intermediaries, not replace them (IFAD Experiencias 2002, p. 29) suggest that they are now following a strategy of encouraging links into markets.

PROMER (Rural Microenterprise Support Programme in Latin America and the Caribbean) is designed to reduce poverty and implement IFAD's priorities entirely on the basis of small scale producers and 'microentrepreneurs', although analysis of livelihoods suggests that this may not be a useful way of classifying the poor. Marketing is in fifth place in its list of priorities, following training, information, assistance, and organisation, and most of its initial activities were in training, technical assistance and information (PROMER, Qué es PROMER? n.d.), but it has *de facto* become increasingly important. Some of the problems facing small enterprises are the same as those identified here for market access (see Appendix), but the first, size and geographical dispersion, is one specific to them.

These initiatives' impact comes mainly through their effect on other activities (Tables 1, 3).

Complementarities and differences among market structures

For all the producers and for the agencies directed at exports and imports, the goal is trade and/or production. There may be (most of them would argue that there normally are) important effects from trade and production on poverty and development, but these are not guiding the choice of strategies. For the aid agencies, for the poverty-focused agricultural research, and for those promoting alternative trade, in contrast, it is poverty (or other development objectives) which is the goal. Trade and production are considered to be effective instruments to reduce poverty, and assistance to them is supported for that reason.

Where there are barriers specifically to 'entry' (e.g. awareness of exports), not to maintaining and developing a commercial relationship, there is a role for one-off measures. Where there are permanent requirements, a 'sustainable' solution must supply these (e.g. market information).

Official support for the first is common. If affordable, the second may also include official support. But it is necessary to consider whether there is a non-economic case for providing continuing support for an otherwise not commercially sustainable production or export, and also whether such support, whether from local government, donor government, or NGOs, is feasible and likely.

The last column of Table 1 indicates that there are various public and private instruments to meet most needs (and probably underestimates their number). Those where the number is lowest are investment and infrastructure, suggesting that these are the most under-provided.

The cases that are demonstrably sustainable (that meet almost all needs) are the traditional purely private sector ones (foreign investment and local companies). Of these, foreign investment is declining, but the conditions for local companies are improving because of new technology. The large private buyer model works only in particular conditions: a desire for standards, not being met by public standards, in the buying company; companies strong enough to work with buyers, but not strong enough to survive without permanent relationships, in the developing country. There is less long-term evidence for the alternative trade model, but where these are not in need of subsidy from parent agencies, they can also be considered 'sustainable' models. These also require, or must create, strong local collaborators.

The point that is emphasised in every discussion (and every presentation to this project) is the importance of effective organisations in the producing country as a pre-condition for any successful enterprise (for history and analysis, Bosc et al. 2001). The studies of the conditions necessary for the World Bank price insurance tools also suggest that viable producer organisations must exist which are able to use the new tools (for example World Bank Vietnam 2002, World Bank Mexico 2002 and World Bank Ghana 2002, which proposed using Kuapa Kokoo). Some fair trade companies also stress this, including Day Chocolate and Body Shop. The Kerala programme identified the importance of strengthening the links among producers. Organisation is necessary to bridge the conflict between the need for size in trading (and often in obtaining finance and access to other services, as well as in lobbying for policy changes) and the concern to promote small enterprises.

Traidcraft sees a potential conflict of aims for alternative trade promoters between a commitment to helping marginalised producers and a wish to continue to work with those which it has successfully brought into trading (and therefore which are no longer marginalised). It is now encouraging the development of 'exit strategies' (Bird, Snedker 2002 p. 4). Other companies have not done this, but have continued to work with existing suppliers. That these suppliers should be capable of selling to other buyers is a test of whether they have a sustainable activity (OXFAM abandoned its direct participation in fair trade because it was not achieving this; see also Redfern, Snedker 2002 p. 37, Hopkins 2000) and should perhaps be a test of the success of the fair trade initiative. For some, there is a transition through companies friendly to, but not directly part, of the fair trade movement (Body Shop and the Co-op in the UK, for example); the move may be assisted by 'alternative trade' finance (Shared Interest). The objective should be for the developing country supplier to become a normal commercial company (perhaps with an implicit or explicit fair trade logo), a completed example of the integration into the market economy that is the objective of those who see fair trade as a way of improving outcomes. Those for whom the fair trade objectives are more important than running a commercial company need to move on, the Traidcraft strategy. Such a commitment to building an independent developing country company is not found in the private buyers who can accept a long-term dependence by their suppliers. Suppliers to private buyers may be able to achieve the same result, but may need additional, external, assistance.

Local government action is potentially permanent, even if its form may change. Donor interventions are temporary and are uncertain because they depend on the priority given to market access promotion relative to other donor or international agency objectives (the UK's closure of its import agency is an obvious example).

The general policy framework must therefore be to identify ways of strengthening the sustainable interventions, including promoting complementarities (Table 3). It may also be useful to look at whether other commodities, which are still largely dealt with through traditional auctions (coffee, tea) are likely to move towards a more normal market model, and what would be necessary to create sustainable developing country exporters of these.

If external advice or assistance can build up local government services for local producers at an early stage, when both sides are too inexperienced and perhaps too little convinced of the importance of trade, this may help break a bottleneck. In Ghana, for example, where the successful cocoa company was identified, at much the same time, the mid-1990s, the export agency thought that while it had needed foreign advice in the past, it was now able to find information and consultants on its own (Page 1994). Similarly, external services to replace or supplement both export agencies and the type of industrial consultancies which exists once there is a significant producing sector which demands it, may fill an initial gap.

Any such external provision of advice needs to be designed to provide a transition to local services, public or private. This is in contrast to the view that building institutions such as export promotion agencies was a mistake (cited in WTO, OECD, 1997 p. 6, and there rejected in favour of putting 'more emphasis again on human resource development and organisational development of local TPOs', p 11). Import promotion agencies can provide some of these services, including building up local agencies, but they do not fully solve the problem of accessing all markets, local as well as trade, and those which are tied to a particular donor may not, by intention or by experience, be effective in helping to access other markets. They are therefore a useful, but not sustainable, service. Further, their limited mandate, to deal with firms that are already 'ready' to trade, even if this has some fuzzy edges in terms of training and advice on production, does limit their scope. For countries with a preponderance of even newer producers, who are not ready, they can offer only limited assistance. On the other hand, the programmes which are well coordinated with other types of assistance (CBI in principle, USAID in particular cases, ITC increasingly) do have the potential to deal with the other obstacles to exporting as well as those at the point of marketing.

Provision of advice, analogous to that by export promotion and import agencies, for producers trying to move into more sophisticated national markets, is weak, and, because there are no import promotion agencies in developing countries, access to the regional markets remains a gap. Both markets have been identified as important, and as increasingly difficult (because of the narrowing gap between developing and developed country standards and competitiveness).

An important distinction between the export and import promotion agencies (except in their sectoral or country promotion activities) and investors or buyers is that they respond to requests by (potential) traders. In contrast, investors and buyers look for possible suppliers. The latter may therefore provide an accelerated path to market access to companies which are not yet themselves aware or 'export ready'. The existence of such agencies, however, provides an earlier path for market information for local firms seeking trade, especially when private consultancies are not yet available.

The fair trade companies have developed their own substitutes for the import promotion companies (although they also use these). Fair trade companies sometimes intervene directly to give technical or business management assistance to their suppliers; in some cases, they use NGOs for this, considering that their own competence is more in marketing and product development than in business development. This is analogous to the use of trading or business consultants by producer organisations, and confirms the need to have a package in order to have organisations able to intervene at any of the stages of market access. Most of the examples of this have seen a developed country fair trade company calling on a developed country NGO to advise, or one international agency on another. A more sustainable model would be to develop such consultancy services in the developing country. Traidcraft has initiated examples of this, on both general business consultancy and design consultancy.

Other forms of official assistance have not in general been well coordinated with market access initiatives, and there is a risk that they identify problems and solutions that are different from those emerging in markets. The World Bank initiative assumes that producers must or should remain in commodities which are sensitive to world price movements, and therefore helps them deal with these, not move into the more differentiated types of production or marketing which the earlier discussion identified (see Box 10).

Agencies specifically trying to help the rural poor start from the 'middle' of the list of elements of market access suggested in this paper, with training, information, and technical assistance, and have only come to emphasise the importance of marketing in recent years. Those involved in alternative trade have a wide range of objectives: for producers: not only production and poverty reduction, but social, health, and environmental, and for consumers: creating a concern for how production is done and in some cases creating a demand for additional (non commercial) action to promote the organisers' aims.

As long as agriculture remains a major product locally and in trade for many poor people in poor countries, the role of agricultural research agencies will be an important element in poverty reduction. If they can coordinate their research and findings with initiatives to promote markets, this may provide effective support for local producers trying to take their own initiatives into markets. It could also be used to provide support for products of interest to major buyers, of course, but ICRISAT's emphasis has been on small producers. It is one of the agencies with some distrust of trade (Jones et al. 2002 p. 10), but a willingness to use it when it can be directed towards reducing poverty directly through helping smallholders.

One related lesson that emerges from the stress on the importance of organisations and on companies' 'readiness' to trade is that initiatives should not be artificially confined to 'new' producers or ‘new’ exports. While some efforts must go to bring in ‘marginalised’ and poor producers, sustainable patterns depend on sustaining producers who are no longer as poor.

Possible initiatives by IFAD

Given the wide range of needs and levels of development of suppliers in developing countries, and in each country, sometimes in each sector, it is clear that a range of types of assistance is necessary. These can be grouped or separated. Scott (2002) argues that much of what the fair trade movement does is reproducing what is brought together within a multinational firm: production, finance, technology, marketing. Some in alternative trade would argue that they emerged to replace the multiple functions performed by marketing boards for major commodities in developing countries. Even commercial firms which are not fully integrated multinationals frequently supply expertise to smaller suppliers (the pattern of buyer support in clothing and horticulture, for example), so that there is much in common between normal commercial relations and the development done by fair trade firms and between the investment and buyer models. In business relations, where continuity is a necessary and desirable component, it is easy to accept that organisations will have a variety of relations for each other. In external assistance and intervention, however, it is tempting to ask what each organisation does best, and try to set appropriate tasks. While there are certainly limits to what organisations are competent to do it is important to note how tasks and objectives must be mixed, and adapted, as development occurs. Even where organisations seem to have very limited remits (CBI’s insistence on ‘export readiness’, some fair trade buyers’ insistence that organisations be ready to deal with them), this works only if they have ways of bringing in other assistance (the rest of the Netherlands aid programme; a range of NGOs). Comprehensiveness and coordination are both useful.

Table 1 shows how each of the various activities performs some of the functions that are needed for market access. Whether the business model that emerges is basically commercial or fair trade, or one of the mixtures may depend:

? partly on the stage of development (fair trade companies are willing to help create the organised and ‘ready’ business partners that commercial buyers may seek; even the fair trade companies in Asia are seeing different problems from those in Africa because they have gone further in production and organisation),
? partly on the product (fair trade organisations are mainly in the food and simple manufactures areas where subcontracting has been common),
? partly on the evolution of general patterns (the decline of integrated companies has led to the emergence of markets based on commercial buyers, developing country firms, and fair trade buyers).

The decline in the most integrated model, investment, suggests that its apparent merits, that it does everything, are offset by organisational difficulties and costs.

What pattern will emerge will also depend on the particular collection of product and country and firm specific characteristics are present. Geographical dispersion creates different pressures from concentration of populations. Wadsworth 2002 attributes the success of a basically private sector developing country initiative in Guatemala not only to the private sector's initiatives but to a private sector organisation (which in turn derived from a 'failed' government export promotion attempt) and to general government support for exports.

Table 3 summarises some of the ways in which the different approaches described here can improve the effectiveness of each other, indicating the importance of complementarities among them. Some are as yet difficult to demonstrate, such as the effect of fair trade companies on increasing (as opposed to exploiting) concern for development (interpreted here as a potential effect on aid). Some have been recognised by the organisations, which are working together in a variety of relationships, for example the collaboration between Tropical Wholefoods and DFID to produce a guide for new producers (NRI Guide 2002), and the collaboration of a consultant who had helped to develop the Kuapa Kokoo-Day Chocolate link with a World Bank scheme that may use the Ghana organisation. Zoomers (1999, p. 81) suggests a combination of NGO concern for poverty with commercial organisations' skills. As suggested above, detailed country studies could indicate how they can work together effectively.

The needs where there seem to be most gaps in provision include investment, infrastructure, assistance to suppliers to become independent, potentially assistance in markets moving to buyer-supplier relationships, and assistance to develop local support services (private and public), especially to move into local, not export markets. This agenda could be checked and made more specific by country studies. These could indicate which types of initiative are most effective, in which circumstances. A blank version of the Table 1 framework could allow consultation of local observers to determine which 'cells' had significant content, and how these effects differ.

IFAD, as an agency promoting agricultural production, needs to work with agencies and/or companies that can provide the link between the production on which it can advise and the sales and markets which will have a direct effect on poverty. If it is to be able to advise on an appropriate mix of markets for the mixed production that any rural community is likely to have (agriculture, other rural output, and migration), then it needs to work with official or unofficial agencies that can help it to identify and understand external demand. These could be either commercial or alternative trade buyers. (For more advanced production an import promotion agency would be possible, but this is not the type of production where IFAD begins its engagement.) A buyer might be able to provide a path (increased production of one product, shifts to another) that could give the investment funds needed to establish a sustainable system.

This is easier, but more risky (and probably lower return) in agriculture. It would need cooperation from the national government (to provide the institutional and infrastructure support). The external partner might be able to help obtain cooperation from a donor agency to provide external support, in trade policy and aid. Adding a partner like ICRISAT could provide a production initiative based on national innovation, rather than imported ideas or technology, and thus strengthen the market power of the local producers and bring forward their independence of either commercial or alternative buyers. The need for good producer organisations as a basis for any private intervention suggests important roles for IFAD. It also offers the advantage of assistance in local and regional markets.

At the same time, we need to research into the interactions and the direct and indirect effects on poverty, including enabling effects. At the broadest, any increase in income flowing into a developing country could be used to support any of the parts of market access. This is why there must be caution about any constraint on activities, such as those imposed by alternative objectives like small farmers, fair trade, environment, or other process variables. A specific example of influence is how the security as well as the income created by any reliable relationship may be used to develop another product. This may come from high market prices (coffee prices provided an assured income to Central American farmers on which to diversify in the past; the Kuapa Kokoo trust fund has been used for this). It is important to remember that livelihoods are based on multiple sources of income.

There has been a failure to bring together studies of investment effects and trade effects; commercial and alternative trade effects; and government policy (national and donor) effects on the incomes of producers. In particular, studies of alternative trade are only just beginning, with many still coming from within it, not external evaluations. Now that there is a better understanding and some possible frameworks for the relationship between elements of income and economic activity on the one hand and poverty and livelihoods on the other, it may be possible to attempt a more comprehensive analysis of the links from each type of intervention.

Some evidence on this could come from the proposed case studies. These should, however, be supplemented by a network of researchers in these areas, perhaps organised around a specific set of products (because of the importance of special characteristics), but with some inputs from outside that speciality. The distrust of some alternative trade people for the motives behind commercial trade could prevent them from joining or participating effectively, but the discussion of fair trade showed that some are now interested in greater links to commercial trade. For any network to be successful, it would have to be administered by a secretariat that would actively request and distribute input regularly. Reports on experiences or analyses of one type of effect could be circulated with questions targeted at those from the others.

The two initiatives suggested here, case studies of some specific countries, and what works in them, and a network to exchange experiences across a broader group could bring together the knowledge which already exists about specific aspects of market access for small producers and then start to add to it.

Table 1 How different initiatives affect the necessary conditions for market access

	Integrated foreign investment (long-term)	Large direct private buyers (probably long-term)	Developing country producers (long-term)	Alternative trade companies (some long-term)	Export promotion agencies (and local government, in general) (usually long-term)	Import promotion agencies (temporary)	Aid programmes (temporary)	Targeted technical research (temporary)	Agencies promoting alternative trade (temporary)	Number of possible contributors
Awareness,	Yes	Yes	Yes	Yes	Possibly	No, awareness is a pre-condition	No, and still absence of trade in PRSPs	Possibly	Yes	7
Knowing buyers including perception that others can be diff	Yes	Yes	Difficult without external contact	Yes	Difficult because also in selling country	Yes, sometimes	No	No, start from product	Possible	5
Knowing tastes	Yes	Yes	Difficult	Possible, but also want to change tastes	Difficult	Yes	No	Sometimes	Possible	5-6
Knowing and understanding standards	Yes	Yes	Possible	yes	possible	yes	Possible	Yes	possible	9
Production Equipment	Has information and equipment	Has information	Must find	sometimes	No	No	No: offer less than government provides in home country	No	No	4
Investment capital	Yes	No	Must find, now easier	sometimes	no	no	No (except special schemes, but these are for large companies: IFC, CDC	No	No	3

Working capital	Yes	Not normally, but depends on credit terms	Must find, can use those already working off-farm	Specialised agencies	No	No	No	No	No	3
Labour	possibly training	possibly training	Must find	Yes, training	No	No	No, except general support for education, training	No	No	4
Technology	Yes	Yes	Must find	yes	Possibly information	No	In agriculture, traditional extension work	Some research initiatives now	yes	8
Organisation of firm	Yes	No	Must do	Yes	No	Possibly advice	No	No	No	4
Legal: eg land tenure	No	No	No	Some: finance can be used to help leaseholders	Other government, yes	No	Advice, conditionality	No	Advice	4
Quality and Reliability	Yes	Yes	No	Yes	Perhaps	Yes	No	Perhaps	No	6
Transport and communications, local	Can offer substitutes	No	No	No	Government can	No	Yes	No	No	3
International transport	Yes, in part	Yes, in part	No	Sometimes	Yes, in part	No	Yes	No	No	3-4
Tariffs, NTBs	Advice and lobbying	Advice and lobbying	No	Starting	Political intervention	Advice	Yes	No	NO	5+
Other trading conditions	Advice and some bypassing	Advice	No	Advice	Yes	Advice	Advice and conditionality	No	No	6
Number of Contributions	15	10	8	13+	9	7	7+	4+	5	

Table 2 Direct and Indirect Effects on Poverty

	Integrated foreign investment	Large direct private buyers	Developing country producers	Export promotion agencies (and local government, in general)	Import promotion agencies	Aid programmes	Targeted technological research	Agencies promoting alternative trade	Alternative trade
Reducing poverty	Employment, direct and through suppliers	Stable income from purchasing; Indirect employment	Employment; market power	Indirect on employment and increasing market power	Indirect on employment and increasing market power	Direct through poverty programmes; indirect through any effects on companies and employment	Increases opportunities and potential returns for farmers	Indirect on employment, possibly on aid	Employment, standard of living, market power, may increase aid

Table 3 Interaction among initiatives

Effects of (column heading) on (row heading)	Integrated foreign investment	Large direct private buyers	Developing country producers	Export promotion agencies (and local government, in general)	Import promotion agencies	Aid programmes	Targeted technological research	Agencies promoting alternative trade	Alternative trade
Integrated foreign investment				Encourages through identifying partners	Encourages through identifying partners	Can provide direct support or indirect through infrastructure or policy advice to governments	Can provide profitable opportunities, but agriculture is not currently attractive to investors		
Large direct private buyers			Provide scope for private buyers	Encourages through identifying partners, and giving partners information	Encourages through identifying partners, and giving partners information	Can provide direct support or indirect through infrastructure or policy advice to governments	Can provide profitable opportunities, but not targeted at them		
Developing country producer	Can build capacity in its employees and suppliers to become independent firms, but not committed to this	Identify and improve local suppliers, not committed to making independent		Provides direct assistance at early stage of marketing; identifies partners	Provides direct assistance to enter specific markets; identifies partners	Could support, but normally doesn't except agriculture	Provides profitable opportunities; trying to build joint initiatives		Identify and improve local suppliers. Build capacity in suppliers to become independent firms. Some are committed to this

Export promotion agencies (and local government, in general	Lobby for improvements (using experience of other regimes)	Lobby for improvements (using experience of other regimes)			Replaces or supplements; can build capacity through training (or through example)	Can build capacity			
Import promotion agencies						Part of aid programme, not always co-ordinated			
Aid programmes					Can identify supply side needs where aid is appropriate				May increase interest in and commitment to development
Targeted technological research						Supports international agencies			
agencies promoting alternative trade						Can support			
Alternative trade			Provide scope for these but not normally the target	Provides direct assistance at early stage of marketing; identifies partners	Provides direct assistance to enter specific markets; identifies partners	Supports indirect through support for NGOs and developed country initiatives	could provide profitable opportunities	Provides support, training and information; provides	

Box 1 Changes in the flower market

In the 1960s, 'wholesale markets traded 90% of fresh horticultural produce in the UK (Dolan, Humphrey 2001). Now *50%* of cut flower sales in the UK are direct; 75% of Kenyan flower exports to the UK are to individual companies, not to auction. For fruit and vegetables, supermarkets in the UK now control *75%* of sales, up from 44% in 1992, (Dolan, Humphrey 2002 p. 11). They dealt first with importers (bypassing the auctions and wholesale markets) and then directly with Kenyan producers.

Box 2 Horticultural standards

For horticultural production, for example, there is now a Euro-Retailer Working Group which sets standards for food safety and pesticides, and also production and labour standards (Dearden et al. 2002 box 3B). For the food market in the UK, standards have been developed by both trade associations and NGOs, for the products and the processes of production, and also for how to monitor these. Although these are not legally binding, they are a significant force because the setters include the major retailers and because following them protects sellers from the risk of being perceived to have fallen below an acceptable standard by inadvertence. General standards also protect each supermarket from being faced by higher costs of compliance than its competitors (Dolan, Humphrey 2001, p. 19).

Box 3 Examples of sub-contracting

Dolan, Humphrey 2001 provide a study of the 'networks of Kenya-based producer-exporters, medium sized UK importers and large UK retailers' (p. 2); other prominent examples include direct relationships of chocolate producers (both private and alternative trade) to growers. In both clothing and horticulture cases, the UK companies were marketing their sub-contracted products on the basis that they were differentiated in quality form other supplies, implicitly arguing that there was a need for such a guarantee of quality because other undifferentiated products existed and were less desirable, and that the retailer had the competence and reliability to give this quality. To do this, they had to develop strong control of their suppliers, but most did not have the experience or interest to do this through direct ownership. They therefore looked for (and helped to create) companies and groups that could work with them. Some of these, in turn, buy from smaller producers.

Box 4 Alternative finance

Shared Interest, for example, focuses explicitly on the problem of working capital, of providing finance against orders to fund the period of production and shipping. It does this for both fair trade and commercial orders (it is available to all members of IFAT, Humphrey 2000, p. 30), so that it is helping some producer groups to make a transition to commercial trade, where the payment terms are normally less favourable. In India, the Kerala Horticulture Development Programme (Agriculture and India Survey 2000), established 1993, has provided a combination of finance with technical advice and marketing opportunities. It has explicitly tried to increase cooperation among farmers, making groups a condition for obtaining finance and advice. The finance is important in this case because it is available to leaseholders, so it is offering an easing of land tenure constraints There are also a few examples of organisations helping to develop business consultancy services.

Box 5 Kuapa Kokoo and the Day Chocolate Company

Following the restructuring of cocoa in Ghana in 1993 which allowed private companies and cooperatives to participate, a farmers' organisation acquired a buyer's licence. It worked with a Fair Trade organisation, Twin Trading, which was looking for a suitable partner to reproduce its existing activities with fair trade coffee. Its aims included increasing the market power of producers relative to buyers and of individual farmers within the organisation through new forms of organisation. In 1998, Twin Trading and Kuapa Kokoo established a company in the UK, Day Chocolate, in which they share ownership. This takes some of the cocoa produced by Kuapa Kokoo (and exported through a trading company) and, after subcontracting the processing sells the chocolate through normal retailers (not fair trade retailers, although it does have a preference for dealing with the Co-op Society) (www.divinechocolate.com). Day Chocolate includes on its board, as well as Kuapa Kokoo, Twin Trade, one NGO which has invested in the company (Christian Aid) and one which has contributed funding to it (Comic Relief) and a company with a fair trade commitment (Body Shop).

The producers receive a guaranteed price (a minimum level, which is normally well above the world price, with a guaranteed minimum differential above the market price when this approaches the minimum level). Ronchi (2002 p. 24) estimates that this added US $ 1.6 million to Kuapa Kokoo's revenues in the eight years 1993-2001. In the early years, the differential was about 25% on the market price; this fell to under 10% when prices rose in the late 1990s, and rose to more than 100% when prices fell in 2000 (calculated from Ronchi 2002 p. 23)[11]. The cocoa is sold at the market price, and the extra funds are treated separately. Only about 25% goes directly to farmers. The rest is spent through a Trust Fund on investment in the trading and production companies in Ghana and on community projects, including education, health, water, and mills for alternative income (Ronchi 2002 p. 25).

The objective of the farmers' cooperative (a federation of village groups) is to increase income (broadly defined to include education and ability to make choices, so a definition consistent with poverty reduction analysis). It is not particularly directed at small farmers, and is now a large scale producer, at about 40,000 tonnes, exploiting economies of scale in its production. The instruments are partly the direct and collective income flows, but also rules on how decisions are made and encouragement of good education, health, and access to basic services. The results suggest that income on this definition has been achieved, with most of the direct impact through community projects. There will be a long term impact on income through company development (based on Ronchi 2002, pp. 17, 36-37). Because the guaranteed price has not changed during the period, there has been no perceived increase in sales income, but this has been higher than it would have been at the market price.

The objective of the chocolate company is specifically to sell the product through normal retail outlets, increasing awareness among previously non-committed consumers of the fair trade objectives (as well as providing sufficient income to pay the guaranteed price). It is sold in supermarkets and local shops, but this is supported by initiatives to mobilise consumers to demand its sale and to encourage them (including children) to inform themselves about the Kuapa Kokoo company and Ghana in general. Marketing it through conventional outlets could be a way of achieving an objective of increasing the total share of fairly traded goods, by making them the 'normal' type of product (in 2002 it secured a shift of one chain entirely to using fairly traded cocoa for its own chocolate products) and thus demonstrating that it can be a sustainable model of market access and poverty reduction. The intermediate objective, of increasing the sales has certainly been achieved.

Box 6 Other estimates of poverty effects

A study of an ethical trade initiative in Uganda found an increase in income, but no system for monitoring social impact (Malins, Nelson, 2003). Cafédirect, founded in 1991 by a combination of NGOs and fair trading companies (www.cafedirect.co.uk) operates similarly for fair traded coffee, offering a premium on the world coffee price. Because of the sharp decline in coffee prices, this stood at just under 100% for arabica and almost 200% for robusta in November 2002. For tea, added to Cafédirect in 1998, the premium is about 25% (Cafédirect 2002).

Box 7 Mexican promotion of non-traditional agricultural products

Mexico has a programme for non-traditional agricultural products (Ramirez 2001) which looks for 'higher value small-farm' products. It thus tries to identify products which are particularly suitable for small farmers, rather than assisting small farmers to operate in sectors dominated by large producers and buyers. It starts from the existing farming structure. The government programme provides both market information and links to potential buyers. It meets the problem of reliability where there are no repeated or large contracts with a guarantee of quality and provenance through a Seal of quality. It encourages production also for the home market.

Box 8 Other import promotion agencies

WTO OECD 1997 cites the example of the German Protrade (within GTZ) assisting a shoe company for 10 years (p.9, pp.42-4.). Protrade was founded in 1989 and specialised in fewer sectors than the CBI in its individual company work. It also had broader programmes of assistance in some countries, designed to build the capacity of local government and private agencies (e.g. in Bangladesh, Malawi, Zambia).

Denmark has a small agency providing individual country help (WTO OECD 1997 p. 39), and Canada established a Trade Facilitation Office as part of CDA in 1980 (Canada TFOC 2002, WTO OECD 1997 p. 28), 'in response to a request from UNCTAD', so as part of the move to establish complementary export and import promotion agencies.

The US has not has a dedicated agency, but USAID had had programmes of country assistance which have had similar functions. In Ghana in the mid 1990s it provided a coordinated programme, using both export promotion (mainly concentrated on the US market, but also to other countries) and other types of aid, including assistance to transport infrastructure and credit facilities for investment and exporting. In the late 1990s, it supported small holder horticultural producers in Kenya (Bonaglia, Fukasaku 2002, p 72). In the last two years, since the introduction of the Africa Growth and Opportunity Act, which gives special preferences to some African countries which meet certain conditions, it has had an extensive programme of both briefing about the preferences and assistance to firms to meet the conditions (to meet the rules of origin for the preferences, they may need to adjust their production and are likely to need clearer record keeping and certification). This is not done by other countries offering preferences.

In 2002, DFIID helped to finance advice on producing and exporting prepared by an NGO and a company (NRI 2002), which provides a useful supplement to the type of advice from the CBI or ITC because it is written from the point of view of a company which has used it, not from outside. The type of information, on markets, marketing practices, and trends, plus legal requirements and practical advice on setting up activities is similar to the product reports done by the agencies.

The multilateral agency, the ITC, works with other development agencies to provide a package of support, covering production and adaptation of countries' macroeconomic policies and laws, as well as trade support, so that it is increasingly working with countries on their trade and development needs as a whole. Its own function is of information and training to exporters and to officials of export promotion agencies. Like the CBI, it starts by defining and identifying export readiness in a firm. It also provides both general economic analysis of trade and competitiveness and data about trade flows and market shares, and information on current market and price information, as well as the basic information provided by the CBI. These can be on either commercial training terms or free, depending on the client. It also helps companies develop the internal procedures and structures to ensure quality (WTO 1997

Box 9 ATTP

The ATPP programme is intended to build national capacity to analyse the potential poverty reduction effects from trade and then identify the policies and actions which could maximise these, both national policies and international policies where the country can have an influence through negotiation. It thus focuses on the final elements of the obstacles (Table 1). There may also be some impact on policy from traditional aid programmes: information and pressure on local governments to adopt favourable policies (including developing financial institutions) and to improve efficiency, lowering costs to producers.

Box 10 Commodities or markets

There are two very different strategies suggested by those who see a growing role for small agricultural producers: that they can produce traditional products more efficiently (evidence comes from the divesting of large scale plantations in East Africa or the strategy of IFAD in Latin America; the assumption behind the World Bank's initiatives on commodity prices) or that they can produce small scale new or newly differentiated products more efficiently (horticulture in Africa, most alternative trade initiatives). There is likely to be a continuing major role for bulk commodities and their producers. For the major commodities, differentiated products, including fair trade, are still a small proportion (estimates vary; coffee is probably the most important, with both quality and production differences increasingly seen as important, but still little more than 1% of the UK market; at its highest, around 3% in the Swiss and Netherlands markets), but the share is growing rapidly for coffee and cocoa, for example, and the share of non-traditional commodities is also rising. As supermarkets extend their interest in selling differentiated and traceable products to commodities, the total share will rise. Bulk commodities may not offer the most promising areas for small producers because of the price risks, the low growth of demand, and the cost of being marginalised from growing markets. The Mexican initiative looking for high-value, specialised products, in contrast, tries to build on both the advantages of small producers and the trend in markets towards more differentiation and higher returns to specialisation.

Appendix: Obstacles to trade

WTO*, OECD: Survey of DAC members' Co-operation for Capacity Development in Trade 1997,* p.1.

'Trade development...requires a combination of macroeconomic and trade policy reforms, infrastructure and institutional development, human resource and enterprise development geared to the goal of achieving competitiveness and a sustainable export drive in new areas'.

IFAT*: Conference Report, Africa Regional Conference, 28th April to 4th May 2002, Aburi, Ghana,* pp.22-23.

1. Not knowing how to find buyers
2. And not knowing the buyers, who they are
3. Ignorance of positioning yourself in the Market
4. Adaptation of products to suit market
5. Information on markets
6. Inadequate production systems
7. Financing
8. Competition amongst each other rather than co-operation
9. Quality standards have no systematic
10. Organizational structures are weak
11. Resistance to changes
12. Design and inappropriate technology
13. Infrastructure in the country

1. Financing for orders
2. Insufficient market information: opportunities and relevance for your products
3. Product design development limitations
4. Ignorance of the type of markets they work in (high, low)
5. Financial constraints to visit the market, to do appropriate Marketing
6. Not knowing your client – whom are we dealing with

1. Lack of information and Market Research: product demand & market trends;
2. Poor marketing image/branding of your products
3. Access to pre-financing
4. Confidence about your products
5. Communication infrastructure
6. Communication system: time lag, loss of info and content
7. Quality control & ignorance about competition
8. Inefficiency in production
9. Cultural perception of crafts as a social activity, not full time employment
10. Value of art versus mass production/commercialization
11. Lack of capacity to fulfill orders
12. Grades of market?

13. Different models of Markets: Mass markets of niche markets –
14. Market is small and with high product value (price) or large with low product value.

Humphrey, Liz (2000) ***Traidcraft Policy Unit Report Series No. 1 (April 2000)*****, p. 20.**

? Tensions between trade and social development
? Market preparation
? Achieving international standards
? Market links
? Credit, technology and infrastructure
? International trade policy
? Consumer marketing

Stages faced by ***buyer of fair traded products*** *(presented 29 November 2002)*

product quality
costing and pricing
logistics
planning and forecasting
the role of supporting organizations
the importance of understanding the market

Traidcraft*'s conditions for success*

Identifying opportunities
Getting the business right
Getting the product right
Making the link with the market
Staying in the market.

IFAD marketing constraints in Central America *(**IFAD** (2002) Experiencia de Comercialización en los Proyectos del FIDA en Centroamérica (Febrero de 2002*) p. 19).

Low quality, post-harvest losses
Remote location, poor roads
High costs of production
Falls in demand and/or prices
Illiteracy

Absence or incorrect use of market information
Poor market studies
Mistakes in the design of infrastructure
Difficulties in identifying the best types of marketing
Poor management and negotiating skills on the part of producer organisations
Conflict between organisations' commercial and social roles
Lack of skilled business services
Problems with government agencies

PROMER 'Main obstacles affecting market linkages for small-scale rural producers', presented 29 November 2002.

1. Small and geographically disperse supply and very small number of intermediate buyers
2. Product quality below market standards
3. Marketing strategy not based on product differentiation
4. Production plans not linked to market trends
5. Insufficient skills on business administration

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Presentations, 29 November 2002

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Sudha Singh	Commonwealth Business Council
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Terms of Reference

TOWARDS A GLOBAL PROGRAMME ON MARKET ACCESS: OPPORTUNITIES AND OPTIONS

Terms of Reference

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Contract dates: Retain contract from 15 September 2002 to 22 January 2003.

Coordination: Raul Hopkins, Regional Economist,
Latin America and the Caribbean Division, IFAD

Background

1. The process of globalisation has created both challenges and opportunities for small rural producers in developing countries. However, our understanding of the links between trade, trade policies and rural poverty is still limited. The opening of markets and the fall in transaction costs alone do not automatically lead to a reduction in rural poverty. Despite the lowering of trade barriers, many small producers still find it difficult to access international markets, notwithstanding the comparative advantage they may have in the production of certain types of commodities. A co-ordinated effort is required at the economic policy-making and institutional levels to allow small producers to benefit from trade globalisation.

2. Recent literature has given particular emphasis to the analysis of the *consequences of trade on development* (e.g. (i) the relationship between trade and growth; (ii) trade and income distribution; and how (i) and (ii) relate to poverty). Less attention has been given to processes and policies at the micro and macro level that could enhance the successful participation of poor producers in markets (local, regional and particularly international). There is a need to integrate the knowledge derived from the field of marketing with the knowledge accumulated by international economics (and trade in particular).

3. A starting point for this assignment would be the analysis of initiatives that support producers in their attempt to expand their access to international markets. This would draw on the experience of the private sector, alternative trade organisations and the discussions on market access that are taking place in the regional meetings of the International Federation for Alternative Trade (IFAT)18, and other fair trade networks. The assignment would give special attention to the experience of IFAD in promoting trade (e.g.: the activities of PROMER and RUTA), as well as the innovative efforts that are currently being undertaken (or have been taken in the past) by other organisations in developing countries to expand their market access.

Purpose

4. The purpose of this assignment would be to explore the main options and opportunities open to IFAD and other international development organisations that could make the process of globalisation work for the rural poor. Emphasis would be given to the theme of market access, which is of great concern for producers in developing countries.

5. A hypothesis that motivates the assignment is that there are a number of *complementarities and externalities* between the participants in various activities related to international trade that are not fully exploited. It would examine the possibility of taking advantage of them.

6. The specific aims of the assignment would be to:

a. Define the main obstacles producers face in accessing international markets, as stated in: (i) the recent literature; (ii) meetings of producers' associations; (iii) trade negotiations of developing countries; and (iv) recent events on the subject. Emphasis would be given to agriculture-related commodities and handicrafts. An attempt would be made to *prioritise* these obstacles.

b. Discuss how best to overcome these obstacles. Define, in this context, the main opportunities open to small producers with the process of globalisation and what they imply in relation to economic policy-making and institutional development at the macro and micro level.

c. Outline a set of options to increase the market access of developing countries. An effort would be made to *categorise* and *rank* these options, taking into account what is being done by some of the leading institutions in this area.

d. Consider the possibility of a *global partnership* on the subject, making use of the existing comparative advantages and complementarities among a set of international development organisations. Initially this could involve:

? The International Federation for Alternative Trade (IFAT);
? The International Fund for Agricultural Development (IFAD), and
? The Overseas Development Institute (ODI).

This list could be expanded in a second stage to include other organisations and institutions from developing countries. The possibility of a *pilot project* involving a set of innovative experiences would also be considered.

7. The emphasis of the assignment would be on the development of *new* ideas that could then shape a proposal to be presented jointly to a number of donors. We would also expect to be innovative in terms of methodology, involving a process of formal and informal consultations with key stakeholders and a creative use of information technologies.

8. The Consultant will perform any other task related to this assignment that the Director of the Division and/or the Regional Economist may deem necessary.

Methodology

9. The methodology would consist of a combination of instruments, including informal interviews, group discussions, and review of secondary sources. The possibility of one or two informal workshops on the subject would be explored (one could deal with the micro economic aspects of trade; and the second on key aspects at the macro level such as: sanitary and phytosanitary regulations, subsidies and countervailing measures; and issues in agricultural trade negotiations at the WTO).

10. The possibility of using the livelihood analysis and trade and poverty frameworks will be considered, as well as an early involvement of organisations in developing countries. A more detailed discussion of the methodology would take place on 23 August 2002 in London.

Notes

1 This report was discussed at two workshops (November 2002, February 2003). I am very grateful for the comments of all the participants. I would also like to thank Raul Hopkins for his advice and suggestions throughout the project. None of these is responsible for the views expressed here.
2 IFAD (2003) Promoting Market Access for the Rural Poor notes that ‘Markets are of fundamental importance in the livelihood strategy of most rural households’.
3 The question of how trade affects development or poverty has been extensively analysed. For a survey see Page, 2001
4 This need emerged in Eastern Europe as well: there were products, but not the marketing ability at firm level, and the shift in markets towards the rest of the world meant an even heavier demand on marketing because of the need to seek and adapt to new markets.
5 In Kenya, the expansion in horticultural exports to the UK in the 1980s came from small firms, so that there was a shift from a preponderance of medium and large scale firms to small holders (Dolan, Humphrey 2001, p. 9).
6 Discussion identified an example where liberalisation of food trade led to imports of Costa Rican oranges displacing Nicaraguan production, but the workers in Costa Rica were Nicaraguan migrants.
7 We exclude some found in the Appendix because they are specific to particular activities or because they assume tensions between trade and social development.
8 Bonaglia, Fukasaku 2002, p.63, cite the example of inputs of high quality leather in Ethiopia: unlike cattle and leather products, processing leather is a high technology industry.
9 Dearden et al. 2002 paragraphs 26, 30, on the difficulties of introducing new horticultural products in Ethiopia.
10 Most Favoured Nation: the formula used by the WTO for standard tariffs applied among its members, originally to distinguish them from those on non-members.
11 Ronchi (2002) fails to recognise this conflict, stating both that ‘the basic premise of Fairtrade’ is ‘use of the market to provide assistance and support to producers in the South’ and that there are ‘two distinct groups of stakeholders: consumers and producers’, and that it is therefore necessary to look also at the impact on consumers including ‘awareness raising’ (p. 9).
12 The studies suggested that support for production, ‘supply side measures’, was better than support for marketing. The argument in this paper is that the stages of market access are complementary, not competing.
13 Wadsworth (2002) notes that Guatemala established an export promotion agency in 1978, which failed in 1980, but then non-traditional exporters set up their own group. This has survived and is successful. In Ghana, ex-employees of the exports agency moved into exporting companies.
14 The 1950s development debate about whether a Big Bang is necessary because of economic interdependence among sectors or whether uneven development was possible, using imports to replace missing sectors, can be applied to analysis of the network of public and private services needed to trade.
15 They are now sometimes seen as replacements for poorly performing export agencies (e.g. WTO OECD 1997 p. 8), but the timing of their establishment and the fact that the arguments against export agencies were used as a reason for disbanding the UK agency (DECTA) in 1994 suggest that this is not correct. In the 1990s the idea of providing free support for firms was being questioned. WTO OECD 1997 p. 11 suggests that it has ‘risks of distortions of competition and rent-seeking’, so that there should be cost sharing by firms and more stress on support for trade related services, rather than directly to firms. It seems more probable that the import promotion agencies which survive carried on in spite of the rejection of export promotion (because most were slightly removed from normal aid debate and managerially apart from aid agencies).
16 ‘The efforts to trigger the emergence of a new “private sector” presence in cocoa marketing [in Ghana following the Structural Adjustment Programme of 1993] did not see farmers as potential “entrepreneurial” planers in the chain.’ (Pauline Tiffen on www.divinechocolate.com)
17 ‘The fact that farmers do not always adopt seemingly attractive agricultural technologies can in many cases be attributed to there being no financial incentive or support structure for them to do so. Neither ICRISAT [International Crop Research Institute of the Semi-Arid Tropics] nor its NARES [national agricultural research and extension systems] partners have comparative advantage in markets or business development, but they can catalyse the development of partnerships to create the necessary incentives, thereby stimulating demand for new technologies.’ Jones et al. 2002 p. 6.
18 Ghana, May 2002; and Cuba, July 2002. The next meeting will be in Indonesia in September 2002.