

## **Official trade promotion organization – a cornerstone of an efficient ecosystem for trade**

### **Objective**

The objective of this white paper is to highlight the importance of setting up foreign offices of India's official trade promotion organization. Presently, India Trade Promotion Organisation (ITPO) is the official trade promotion body of India. However, it does not have representative office in any foreign country. On the other hand, countries such as Japan, China, Taiwan, and South Korea have set up offices of their trade promotion organizations in foreign countries to promote foreign direct investment and exports.

### **Role of Trade Promotion Organisation**

Trade Promotion Organization facilitates local companies access global markets through programmes such as buyer-seller meet, trade shows, exchanging trade missions and offering physical infrastructure for conducting trade events. Trade Promotion Organisations also engage in knowledge-based activities such as conducting market surveys, sectoral studies, seminars and conferences to create awareness on market potential in foreign countries. In some countries Trade Promotion Organisations provide customized fee-based services such as export counseling, identifying clients in foreign markets, conducting courses on international trade etc. In most countries, Trade Promotion Organisations function under the aegis of the Ministry of Commerce of the national government. Therefore, Trade Promotion Organisations also administer export promotion schemes of their respective government such as providing export subsidies, quality certification programmes, capacity building etc.

### **Why India Needs**

India can expand its export potential by creating an efficient ecosystem of trade promotion. An ecosystem of trade promotion involves various stakeholders such as government, trade finance institutions, official trade promotion agency, logistics service providers, industry bodies and exporters. Out of these stakeholders, official trade promotion agency plays a pivotal role in generating valuable market insights, business leads and other intelligence required to discover new export opportunities. Several studies have concluded that official trade promotion agencies can promote exports better than diplomatic missions.

India must consider setting up foreign representative offices of its official trade promotion organization. Foreign representative office of the official trade promotion agencies have contributed significantly in the export-led growth of Taiwan, South Korea, and China. South Korea has set up representative office of its official TPO KOTRA in 123 countries. Similarly, Taiwan's official TPO Taiwan External Trade Development Council (TAITRA) has 60 foreign branch offices worldwide.

Official TPOs in Chile, Colombia, Costa Rica and other countries have actively encouraged exports from their country through an efficient Customer Relationship Management (CRM) approach. Under this approach, these TPOs offer training services to improve the competitiveness of local exporters and encourage them to participate in trade promotion events. After providing all required training and facilitation services to exporters, these TPOs assess the result by tracking the yearly sales performance of these exporters.

Even developed countries such as the UK, Canada, France and the Netherlands have set up representative offices of their official trade promotion organization in various countries. The following table provides the list of countries with maximum number of foreign representative offices of their official trade promotion organization. (See Appendix for country-wise list of TPOs across the world)

| <b>Trade Promotion Organisations in Developed Countries</b>          |  |   |
|--|--|---|
| <b>Country</b>   | <b>Name of the Official Trade Promotion Organisation</b> | <b>Number of Foreign Representative Offices</b> |
| United Kingdom   | UK Trade and Investment (UKTI)                           | 227   |
| Canada   | Canadian Trade Commissioner Service (TCS)                | 161   |
| Austria  | Advantage Austria  | 115   |
| Netherlands  | Netherlands Enterprise Agency (RVO.NL)                   | 110   |
| Spain  | ICEX Spain Trade and Investment (ICEX)                   | 97  |
| Australia  | Australian Trade Commission (AUSTRADE)                   | 81  |
| France   | Business France  | 80  |
| <b>Source: TPO Directory -2015, International Trade Centre (ITC)</b> |  |   |

| <b>Trade Promotion Organisations in Developing Countries</b>         |  |   |
|--|--|---|
| <b>Country</b>   | <b>Name of the Official Trade Promotion Organisation</b>             | <b>Number of Foreign Representative Offices</b> |
| Republic of Korea  | Korea Trade - Investment Promotion Agency (KOTRA)                    | 123   |
| Malaysia   | Malaysia External Trade Development Corporation (MATRADE)            | 44  |
| Philippines  | Export Marketing Bureau (EMB)  | 28  |
| People's Republic of China   | China Council for the Promotion of International Trade (CCPIT)       | 17  |
| Myanmar  | Department of Trade Promotion, Ministry of Commerce                  | 10  |
| United Arab Emirates   | Dubai Exports  | 10  |
| Ecuador  | Institute for the Promotion of Exports and Investments (Pro Ecuador) | 31  |
| Chile  | Export Promotion Directorate (ProChile)                              | 53  |
| <b>Source: TPO Directory -2015, International Trade Centre (ITC)</b> |  |   |

| Existing Trade Promotion Ecosystem in India |  |
|---|--|
| Trade Promotion Organisations               | There are at least 37 official trade promotion organizations in India, including export promotion councils, commodity boards and export development authorities. However, they do not have offices in foreign countries. Besides these, there are various national and regional industry chambers. |
| Government Policy                           | Government of India announces Foreign Trade Policy (FTP) once in 5 years. There are at least 15 export promotion schemes under the FTP.  |
| Financial Institutions                      | Export Import Bank of India offers various credit instruments for exporters. ECGC offers credit risk insurance and related services for exports.   |
| <b>Source: India Trade Portal</b>           |  |

Every year, Indian exporters ship their goods to more than 230 destinations, including small city states and islands territories. India has more than five crore micro, small and medium enterprises across services and manufacturing sector. However, only a few of them are involved in export of goods and services. These MSMEs, despite having the potential to cater to foreign demand, have not entered into the international market. The key obstacles for their entry into global trade are lack of awareness about potential market for their products and services and insufficient access to trade finance. Many entrepreneurs in India are unaware of the market potential for their goods and services abroad because of the missing link in the flow of trade intelligence. This missing link has to be addressed by setting up an official Trade Promotion Organization (TPO) or a Trade and Investment Support Institution (TISI) which will have representative offices in foreign countries.

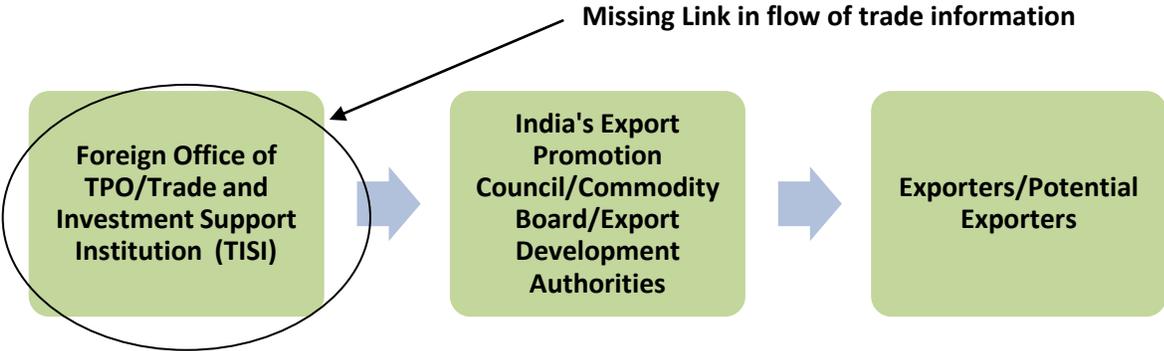
| 5 reasons why Government of India must open representative offices of India's Trade Promotion Organization (TPO) in foreign countries   |
|---|
| 1. <b>Improving India's share in world exports:</b> India's share in world merchandise exports is hardly 1.3% even as India contributes 3% to world GDP. There is tremendous potential to enhance India's exports by establishing a wide network of TPOs across the world.  |
| 2. <b>Diversification of exports:</b> Currently, India's exports market is largely concentrated in European Union, USA and a few other countries. Such a concentration may adversely affect Indian exports when there is downtrend in demand in these markets. We need to diversify the export market for our goods by setting up representative offices of TPO in hitherto unexplored countries.   |
| 3. <b>Source of Policy Inputs:</b> Before announcing Foreign Trade Policy, Government of India must review demand potential for India's goods and services in foreign countries. Government of India must also review the tariff and non-tariff barriers for Indian goods in foreign countries. Foreign Representative office of Indian TPO can provide this information, which can be a valuable input for India's Foreign Trade Policy. |
| 4. <b>Identifying business partners for Indian companies:</b> Indian companies seek business partners such as technology service providers, raw material suppliers, dealers, franchisees and others in foreign countries. Representative offices of India's trade promotion agency in foreign countries can help Indian companies identify appropriate partners in these countries.   |
| 5. <b>Attract Foreign Direct Investment:</b> Representative offices of India's trade promotion agency in  |

foreign countries can promote India as an attractive business destination in the host country. This will create awareness about business opportunities in India among foreign investors and thus attract foreign direct investment into the country.

The foreign offices of TPO or TISI will identify demand for Indian goods and services in foreign countries, understand the import regulatory framework in these countries and pass on this information to relevant export promotion councils (EPCs), commodity boards and export development authorities in India. These authorities will in turn disseminate this information to exporters or potential exporters by organising workshops, interactive meeting and other trade promotion events.

There are around 37 export promotion councils, including commodity boards and export development authorities in India. Some of them are Apparel Export Promotion Council, Basic Chemicals, Pharmaceuticals & Cosmetics PC (CHEMEXCIL), Carpet Export Promotion Council, Cashew Export Promotion Council of India, The Cotton Textiles Export Promotion Council, Council for Leather Exports, Coconut Development Board. By setting up strong communication mechanism between the foreign office of TPO and local EPCs, we can receive real time information about demand patterns and regulatory changes in foreign markets for our goods and services.

### Missing Link in the flow of global trade intelligence in India

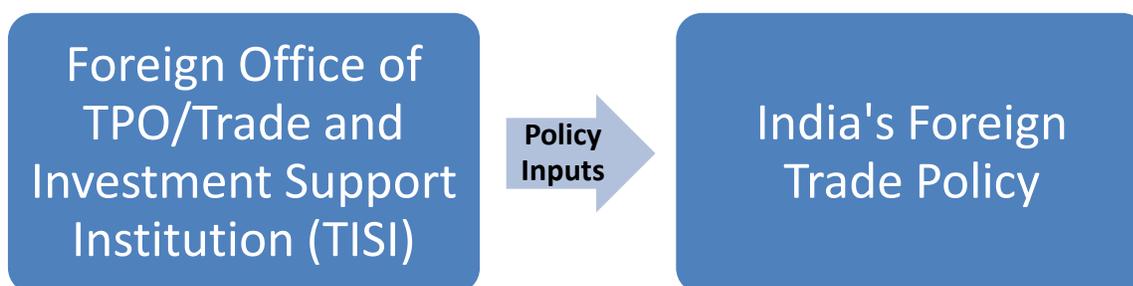


### Inputs to Foreign Trade Policy

Today, India's trade promotion ecosystem consists of 37 trade promotion organizations, Government of India's quinquennial Foreign Trade Policy and financial institutions such as EXIM Bank, ECGC etc. Government of India must set up foreign representative offices of TPOs or TISI to receive information on

potential demand for Indian goods and services in foreign markets. These foreign representative offices must also offer real time information on tariff and non-tariff barriers for India's goods and services in foreign countries. This information can be a useful input in the foreign trade policy of India.

## Foreign office of TPO can offer inputs to India's Foreign Trade Policy



### Focus Activities of Foreign office of TPO -

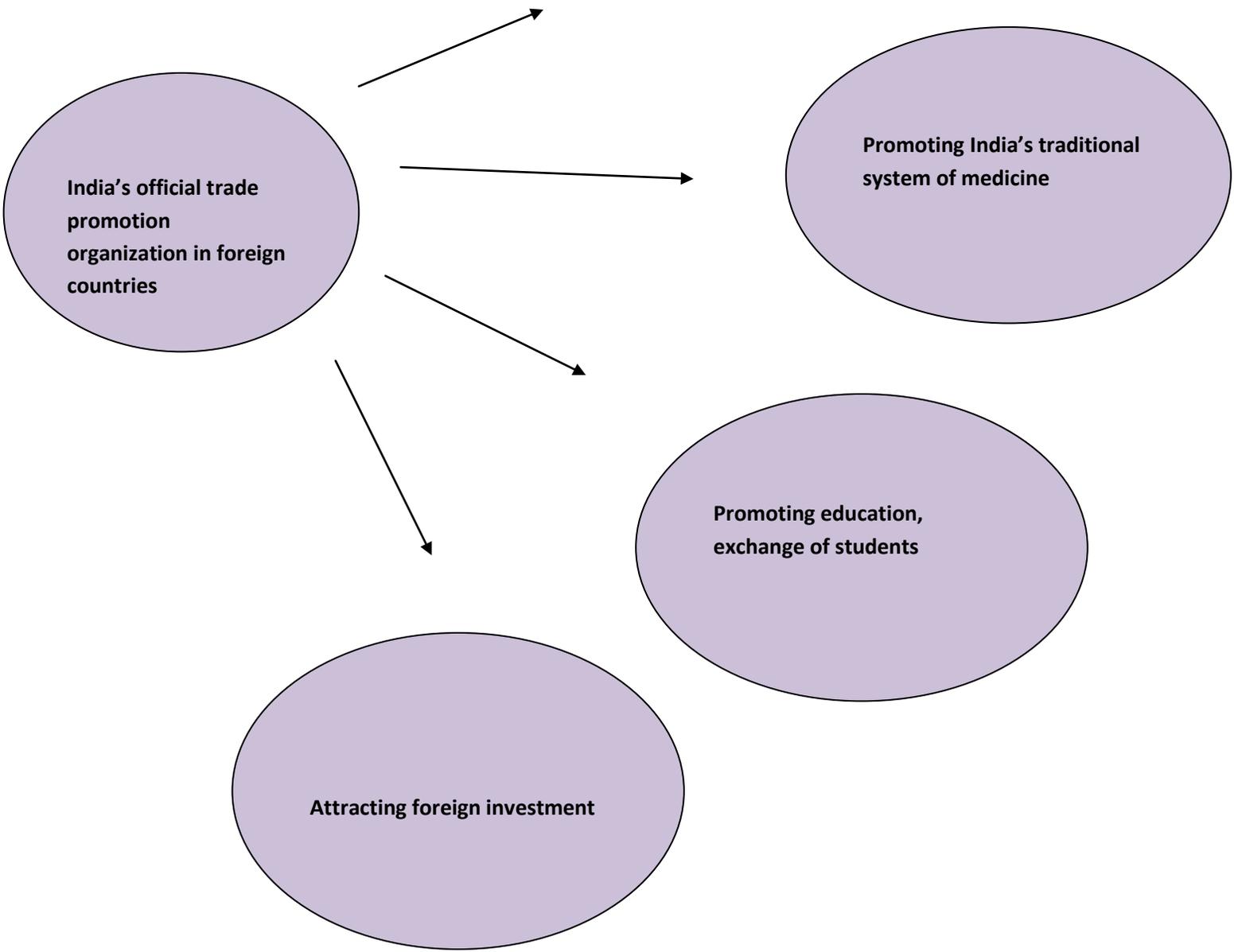
Foreign office of TPO can play an important role in identifying potential demand for India's goods and services abroad. Apart from identifying demand, the foreign office can also prepare market entry strategy for potential exporters in India. Following are the broad focus areas of foreign office of TPO -

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|---|
| Conducting promotional events for India's goods and services in foreign countries |
| Analysing potential demand for India's goods in foreign countries                 |
| Formulating market entry strategies for India's potential exporters               |
| Training and Advisory services  |
| Assisting India's potential exporters with contact detail of importers abroad     |

### Focus sectors

Foreign office of Indian TPO can also promote other sectors of India such as tourism, healthcare, education, infrastructure services etc.





**India's official trade  
promotion  
organization in foreign  
countries**

**Promoting India's traditional  
system of medicine**

**Promoting education,  
exchange of students**

**Attracting foreign investment**

## Three-stage function of foreign representative office of TPOs/TISI

### Network and Study

- Setting up offices in foreign countries will provide opportunity to network with importers, government agencies and trade regulatory bodies in these countries. This will help the official trade promotion organisation understand demand patterns for various goods and services in foreign countries. It will also help the organisation understand the regulatory framework governing imports in these countries.

- Opportunity to meet:**

- Corporate buyers, consumers and government procurement agencies

- Logistics service providers, trade financing institutions, quality standards authority and other import regulatory organisations

### Strategies

- After identifying demand and potential buyers in foreign countries, the official trade promotion organisation must disseminate this information among export promotion councils, commodity boards and industry bodies in India.

- At this stage, the official trade promotion organisation must help potential Indian exporters in the market entry strategy in the target country, strategy for pricing, labelling, branding and other activities, strategy to face potential competition from foreign countries and so on.

### Services

- In the first two stages, the official trade promotion organisation identifies potential demand in foreign countries and helps Indian exporters in market entry strategies.

- In the third stage, the official trade promotion organisation must help exporters access essential services for export. These services include availing export credit, logistics and shipping services, among others.

### Proposed Model for TPO

Government of India must set up an official trade promotion organization with head office in India and representative offices in foreign countries where India has diplomatic missions. The official trade

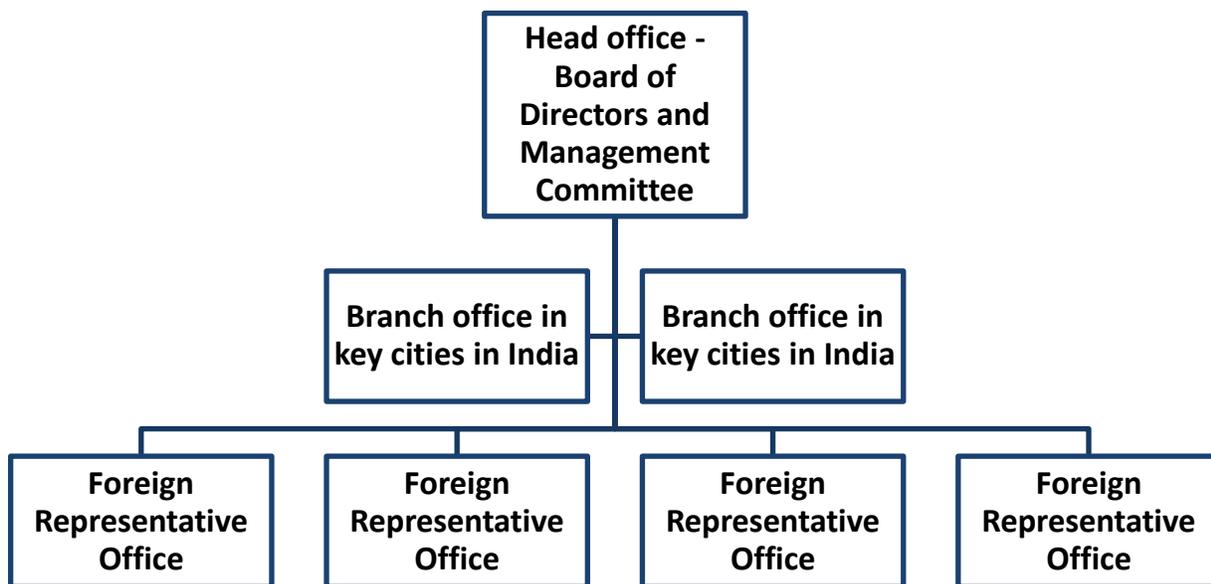
promotion organization can also have branch offices in key cities of India to connect local exporters with its foreign representative offices.

Such a trade promotion organization must be an independent agency with full functional autonomy. The trade promotion organization must be governed by Board of Directors with equal representation from government and industry. Government of India must allocate funds to meet the operational expenditure of the head office and representative offices in foreign countries. While the organization may retain its functional autonomy, it must be accountable to Parliament since it is funded from the government corpus. The organization can also offer fee-based services such as training and market-entry planning, field trips etc. to cover a part of its operational expenditure.

The head office of the TPO must have a management committee that will decide on allocation of funds to different foreign representative offices and monitor their performance.

The foreign representative office must be manned by an Indian with adequate knowledge on international trade and citizen of the respective country who has sound local trade intelligence.

### Proposed Organisational Model for TPO



## Country Case Studies

### ProChile

- In the beginning, the South American country of Chile was dependent on only one commodity for export, namely copper.
- ProChile is the official trade promotion organisation of this country and it has 53 foreign representative offices. It identified 10 competitive sectors such as wine, fish, fruits, vegetables, lumber and software and promoted exports of these commodities.
- Such a sectoral approach helped the country diversify its export basket and today the country has established its name in the global market for the above commodities.
- The country has also registered record growth in exports among its neighbouring countries in Latin America

### Austrade

- Austrade is the official trade promotion agency of Australia and it has representative office in 81 countries. It offers free booklets and e-newsletters to create awareness about the benefits of exports among first-time exporters.
- Austrade conducts export-readiness programmes and prepares market-entry strategies for companies under the guidance of expert counsellors. The organisation conducts fee-based services customised to the requirements of individual exporters.
- These services have been well received by exporters. Under the guidance of expert counsellors, Australian companies have been able to increase their export volume and generate more employment opportunities.

# Trade Commissioner Services (TCS), Canada

- Trade Commissioner Service (TCS) is the official trade promotion body of Canada under the Department of Foreign Affairs, Trade and Development (DFATD). TCS has foreign representative offices in 161 countries across the world.
  - TCS offers a web-based free service known as Virtual Trade Commissioner. Under this service, Canadian companies can register themselves in their online network by creating a personalised webpage, which is protected by a password. Through this webpage, TCS offers up-to-date market reports, sector-specific news, trade events, business contacts and other trade intelligence. Registered companies can also seek assistance from trade commissioners posted in different countries for personalised services.
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## Monitoring and Evaluation

Foreign representative offices of TPOs play an important role in promoting national exports. In order to assess the effectiveness of these TPOs, government must conduct monitoring and performance evaluation on a periodic basis. Such an exercise will help policymakers understand whether the amount invested on the foreign representative offices of TPOs have led to beneficial results, in terms of increasing exports. This will enable policymakers to take corrective actions to improve the performance of these foreign representative offices of TPOs.

These offices must be evaluated on criteria such as the number of exporters they have assisted in a year, the number of business leads generated by them and the resultant growth in export volumes for the exporters. Foreign representative offices can also be evaluated based on the number of networking events they have organized in a year and the response these events generated among potential exporters.

The United Kingdom Trade and Investment Board (UKTI), which is the official TPO in the UK, conducts periodic surveys to monitor the quality of service offered by it to exporters and its impact on their sales. UKTI has hired an independent market research organization to conduct telephonic surveys with exporters. Through this survey, UKTI aims to understand whether exporters have improved their global competitiveness, whether they have received more foreign customers or business partners, whether they have gained relevant intelligence on their foreign competitors and their market share etc.

Surveys must also be conducted with select sample of exporters on how the foreign representative offices have benefitted them in terms of finding new technology service providers, investors, suppliers and other business partners from foreign countries.

## Appendix:

| Country-wise Trade Promotion Organisations in Developed Countries |  |   |  |
|---|--|---|--|
| Sr. No  | Country  | Name of the Agency                                | Number of Foreign Representative Offices |
| 1   | United Kingdom of Great Britain and Northern Ireland | UK Trade and Investment (UKTI)                    | 227                                      |
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| 5   | Netherlands  | Netherlands Enterprise Agency (RVO.NL)            | 110                                      |
| 6   | Spain  | ICEX Spain Trade and Investment (ICEX)            | 97                                       |
| 7   | Australia  | Australian Trade Commission (AUSTRADE)            | 81                                       |

|  |                            |  |   |
|--|----------------------------|--|---|
| 8  | France                     | Business France  | 80  |
| 9  | Italy                      | Italian Trade Agency (ITA)   | 78  |
| 10   | Denmark                    | Ministry of Foreign Affairs of Denmark - The Trade Council           | 73  |
| 11   | Finland                    | Finpro   | 64  |
| 12   | Chile                      | Export Promotion Directorate   | 53  |
| 13   | Sweden                     | Business Sweden - The Swedish Trade & Invest Council                 | 50  |
| 14   | Germany                    | Germany Trade & Invest   | 49  |
| 15   | Mexico                     | ProMéxico  | 48  |
| 16   | Portugal                   | AICEP Portugal Global (AICEP)  | 46  |
| 17   | Malaysia                   | Malaysia External Trade Development Corporation (MATRADE)            | 44  |
| 18   | New Zealand                | New Zealand Trade & Enterprise (NZTE)                                | 38  |
| 19   | Norway                     | Innovation Norway  | 35  |
| 20   | Ecuador                    | Institute for the Promotion of Exports and Investments (Pro Ecuador) | 31  |
| 21   | Philippines                | Export Marketing Bureau (EMB)  | 28  |
| 22   | Colombia                   | PROCOLOMBIA  | 26  |
| 23   | Switzerland                | Switzerland Global Enterprise (S-GE)                                 | 21  |
| 24   | People's Republic of China | China Council for the Promotion of International Trade (CCPIT)       | 17  |
| 25   | Latvia                     | Investment and Development Agency of Latvia (LIAA)                   | 17  |
| 26   | Cyprus                     | Ministry of Energy, Commerce, Industry and Tourism (MECIT)           | 11  |
| 27   | Myanmar                    | Department of Trade Promotion, Ministry of Commerce                  | 10  |
| 28   | United Arab Emirates       | Dubai Exports  | 10  |
| 29   | Tunisia                    | Export Promotion Centre (CEPEX)                                      | 9   |
| 30   | Brazil                     | Brazilian Trade and Investment Promotion Agency                      | 9   |
| 31   | Estonia                    | Enterprise Estonia   | 9   |
| 32   | Azerbaijan                 | Azerbaijan Export and Investment Promotion Foundation (AZPROMO)      | 6   |
| 33   | Bahrain                    | Bahrain Economic Development Board (EDB)                             | 6   |
| <b>Sr. No</b>  | <b>Country</b>             | <b>Name of the Agency</b>  | <b>Number of Foreign Representative Offices</b> |
| 34   | Samoa                      | Trade Division, Ministry of Foreign Affairs and Trade (MFAT)         | 6   |
| 35   | Mauritius                  | Enterprise Mauritius   | 3   |
| 36   | Nigeria                    | Nigerian Export Promotion Council                                    | 2   |
| <b>Source: TPO Directory -2015, International Trade Centre (ITC)</b> |                            |  |   |