

FOREIGN TRADE REPRESENTATION – NO LONGER AN ECONOMIC DIPLOMACY

1.0 Malaysia in the Global Scene

Malaysia has become increasingly integrated into the global economy in terms of trade and investment :

- Share of exports to the GDP increased from 77.7% in 1996 to 107.9% in 2005.
- 19th most globalized country in 2005 (A.T. Kearney's globalization index)
- Top 20 trading nation in the world: 19th largest exporter and 24th largest importer of merchandise in 2005
- Malaysian companies are in the global supply chain of MNCs and international corporations producing high value-added products and quality services
- There are now more than 5,000 foreign based companies operating in Malaysia

2.0 Malaysia Export Challenges

Challenges in enhancing Malaysia' position in international trade includes:

- Enhancing exports of growth areas
- Proliferation of FTAs
- Increasing competitive pressures in all markets
- Managing trade impediments
- Compliance to mandatory standards

- Enhancing the efficiency of the domestic trading environment and logistics support
- Exploiting opportunities in outsourcing
- Integrating Malaysian companies into the global supply chains

3. Economic Diplomacy

According to DiploFoundation, Economic diplomacy is defined as an active and interconnected factor, where the lines of division between functional areas are blurred, and each sector influences the other. Besides foreign trade, it includes external investments, financial flows, aid, bilateral and multilateral economic negotiations and technology exchanges, which all ‘brand’ countries and contribute to image-building.

The Work Programme under the economic diplomacy for Commercial Attaches or Directors, among others, includes:

- to assist visiting businessmen to find their way around,
- to facilitate the various Chambers of Commerce and Business Associations present,
- to reply to specific queries and generally provide background information that will enable them to assess the local market and contact the right people.
- to provide up-to-date knowledge of markets, how they are structured and who operates them;
- to keep a close watch on the calling for tenders as well as a keen eye for promotional opportunities.

- to understand the host government's legislation and approach to commercial relations; and
- to deal with enquiries from local businessmen other than concentrating on their own country's interests

The title deliberated means that foreign trade representatives have to go beyond diplomacy. In a globalized and interconnected world, the roles of foreign trade representation have evolved into a private enterprise mindset of formulating cohesive and integrated strategies for managing the competitive forces, identifying real-time information, seizing the moment of truth, optimizing economic gains, enhancing service deliveries, as well as adopting efficient resources and effective operation system. They have become the eyes and the ears of the business community in the marketplace and critically conceived as strategic and important partners for connecting to business opportunities including assessment of business risks.

The traditional Work Programme for Trade Commissioners (TCs) has been fine-tuned with more emphasis on devising specific plan of actions, scanning windows of opportunity, benchmarking performance and measuring outcomes of activity. The focus is to create and capture value to stakeholders. The underlying critical milestones are clear positioning of the country, its products and services as well as suppliers capability, and service differentiation to clients; ability to generate success stories, develop strong networking and market intelligence capabilities; utilization of best systems and technology; availability of funding and competent or versatile work force.

4.0 MATRADE: Your Link to Malaysia Exporters

Established in March 1993, MATRADE is the national trade promotion agency of Malaysia primarily responsible in assisting Malaysian exporters to develop and expand their export markets. Assisted by a global network of 31 overseas offices, it provides a wide range of services to Malaysian exporters and foreign importers encompassing trade information, trade promotion, trade matching and export development programmes.

The IMP3 which spans a period of 15 years (2006-2020) is preparing Malaysia towards achieving global competitiveness while pursuing to become a fully developed nation by 2020. During this period, the targeted GDP growth is 6.3% which among others led by expansion in trade.

During the Plan period, the trade targets for achieving this growth are:

- 3-folds increase in merchandise trade from RM967.8 in 2005 to RM2.8 trillion
- Merchandise exports increase by 2.7 times to RM1.4 trillion
- Merchandise imports expand by 3.1 times to RM1.3 trillion.
- Services contribution to total exports increase from 12.4% in 2005 to 19.5%
- Contribution by Malaysian-owned companies to total exports increase from 28% in 2005 to 40%
- Continuing to strengthen and expand exports to ASEAN, the USA and the EU

The expectations on MATRADE (and TCs) will even be higher to help achieve the ambitious targets on exports of goods and services. The services sector has been identified as a new and potential growth sector. Henceforth, its role is increasingly becoming significant in raising Malaysia's export profile to greater heights in the international market.

The issues and challenges of MATRADE in the trade promotion initiatives:

- The relevancy of a TPO against potential substitutes;
- Developing and collating reliable and up to date business databases and market information;
- Correct matching of contacts and genuine investors;
- Identifying export potentials in the market;
- The need for greater focus and efforts in high-growth markets;
- The need to diversify export markets to include new and emerging markets;
- To widen export markets to include countries or areas where MATRADE currently does not have offices;
- To maximize returns on promotional spending by leveraging on local private sector expertise who are well-versed in local languages, trade rules, networking and culture;
- To have greater market coverage while at the same time minimizing operational cost as compared to the full-fledge offices;
- To face mounting competition from competitors such as Singapore, Hong Kong, Australia, South Korea and Taiwan

whose TPOs maintain wider overseas representation either through full-fledge offices or representative offices.

5.0 Trade Commissioner Work Programme

The Annual Work Programme of MATRADE Trade Commissioner is not only a monitoring instrument which contains guidelines or checklists of tasks and activities to be implemented during the year but a plan of action taking cognizant of the following aspects:

- (i) Strategies and goals of the country's economic plans: 9th Malaysia Plan (2006-2010) and Third Industrial Masterplan (2006-2020)
- (ii) Medium Term Export Promotion Strategy (2005-2007)
- (iii) Feedback from related Ministries and agencies, local industry, associations and companies
- (iv) Development of international trade in policy and strategy, global economic scenario and competitor's activity
- (v) Workloads of the Post and expectation of Head Office. TCs with less promotion activities are required to undertake more of the other activities, i.e. market reports, marketing intelligence, media relations, etc.

MATRADE Trade Commissioners are evaluated under a review exercise conducted twice a year on the implementation of their respective Annual Work Programme based on the targets set in terms of quality and quantity. Some key performance indicators used are:

- (i) Number of trade enquiries serviced
- (ii) Number of new importers or useful contacts established
- (iii) Number of speaking engagements and briefings
- (iv) Number of participants joined in the trade promotion activities undertaken
- (v) Correct matching between potential buyers and suppliers
- (vi) Identify and secure project and trade leads that are not available in the public domain
- (vii) Evaluation form of participants
- (viii) Outcome of Follow-up actions – trade enquires and leads
- (ix) Sales or negotiation prospects directly contributed
- (x) Success stories
- (xi) Positive Word of Mouth, referrals or testimony by clients
- (xii) Timely submission of weekly reports, market reports, trade promotion reports, Annual report, financial reports and information inputs.
- (xiii) Evaluation on reports by Headquarters: follow the standard format and must be timely, relevant and concise
- (xiv) Budget: variance between estimate and actual expenditure in operation and promotion. Actual expenditure need to achieve more than 90% of the budget proposed
- (xv) Client Complaints Registry

Some ideas of this Work Programme can be seen in **Annex 1**.

Some Performance Indicators of MATRADE based in Santiago, Chile

- (i) Buying missions

- Recorded actual/realised sales or other positive outcome
 - Minimum 90% participants overall satisfied with the business matching
 - Budget spent: variance +/-10%
- (ii) Specialised marketing or General missions or TIMs
- Recorded actual/realised sales or other positive outcome
 - Minimum 90% participants overall satisfied with the business matching
 - Budget spent: variance +/-10%
- (iii) Trade promotional visits:
- Number of business contacts established
 - Budget spent: variance +/-10%
- (iv) Trade fairs:
- Recorded actual/realised sales or other positive outcome
 - Minimum 90% participants overall satisfied
 - Budget spent: variance +/-10%
- (v) Number of trade enquiries that resulted in realised sales (follow-up after 3 months):
- 10% from the average 450 trade enquiries received a year by the office.
- (vi) Establish direct contacts with 50 potential importers of which 20 are new importers
- (vii) 6 product market studies (product selected based on market potential and number of trade enquiries received by this office), 4 articles on specific market opportunities by products and/or country
- (viii) 24 relevant market alerts highlighting new developments in the markets, changes in policy, market opportunities, competitors activities, etc
- (ix) Number of successful Malaysian companies through MATRADE Santiago's assistance and business leads:

- 12 per year
- (x) Seminars or breakfast talks
- Minimum 90% participants turn up based on registration forms
 - Minimum 90% seminar participants overall satisfied

Other Monitoring Instruments:

- (i) Auditing Exercise by internal auditors– every 3 years
- (ii) Client survey form or feedback form posted in the website

It is noteworthy to mention that there is a strong display of team spirit between MATRADE officers overseas, both home-based and locally recruited staff, and those in Headquarters. Thus, it is essential to continue working together as a team to ensure effective implementation of its programmes.

6.0 Trainings for Trade Commissioners

- Pre-Posting Training Course (2 weeks)
- On-job Training
- Trade Commissioner Conference – every 3 years

7.0 Other MATRADE Promotion Initiatives

During the course of time, several business models and approaches were adopted by MATRADE for the benefits of seizing trade leads and market opportunities, optimizing market access, minimizing barriers to trade, and enhancing trade contacts and outreach programmes. These include:

(i) Hosting of World Class Events

Malaysia has been positioned as an excellent venue facility for hosting international conventions and exhibitions. In light of this, MATRADE is responsible to assist in the promotion efforts including organizing value-added activities such as buying missions and identifying specific speakers. Among the events implemented in Malaysia are:

- NAM Business Summit in February 2003
- OIC Business Summit in October 2003
- Automechanica Exhibition in April 2005
- EABEX Business Summit in November 2005
- MIFF and EFE March 2006
- MIHAS in May 2005 & 2006

For this year, the promotional events are:

- MIHAS in May 2007
- InTrade Malaysia (formerly known as EABEX) in November 2007

A case in point, MIHAS and InTrade Malaysia have become the ownership of MATRADE being the lead organizer.

(ii) Trade Distribution Centres

The establishment of trade distribution centres overseas in strategic locations which managed by MATRADE. Currently, this set-up is in Dubai, Rotterdam, Hong Kong, Johannesburg and Miami. The center undertakes promotion activities based on product clusters rather than a permanent showcase of products

and services. Its facilities include floor space for a permanent exhibition, special events and individual company promotions, product launches and demonstrations, a resource library that offers information on Malaysian products and services, and conference and seminar rooms.

(ii) Malaysian Business Councils or Bi-National Chamber Abroad

The entity is a non-profit business organization that formed voluntarily by the Malaysian commercial and industrial institutions and enterprises as well as Malaysian individuals in the country concerned. Its primary roles are information, network and representation. It serves as a platform for Malaysian companies and professionals to establish presence in potential markets. There are more than 10 such Chambers where MATRADE assumes the role of an advisor or Patron.

(iii) Appointment of MATRADE Trade Representative Overseas

Representatives appointed by MATRADE at selected locations overseas. The potential candidate is envisaged as an influential person having a genuine business operating from a permanent office and able to project a good image of MATRADE and the country. Terms of appointment are under a contract. The functions of the representative, among others, include the following:

- to assist in developing marketing initiatives;
- to actively seeking out trade opportunities and identifying export potentials;

- to provide advice and support on MATRADE promotional activities;
- to undertake public relations activities and help counter any adverse publicity related to Malaysia's exports;
- to assist and undertake special assignments as and when requested by MATRADE.

(iv) Friends of Malaysian Database

In view of leveraging on their knowledge and experiences in the local business scenes and to help fellow Malaysians establish and make inroads into the export market, MATRADE overseas offices have been identifying, collating and furnishing information on Malaysian companies overseas.

8.0 Conclusion

The basis of an economic diplomacy in trade representations do exists but has been refined to be more result oriented and performance driven. This would imply greater market intelligence work, going to the ground to get more operational information and contacts, networking with the business world, etc. Diplomacy is still relevant when dealing with Government authorities to some extend only.

The current emphasis is on the usefulness of trade information; satisfaction of clients; effectiveness of trade promotion activities and market development programmes; efficiency of human capital and systems; and the impact of promotion strategies formulated in terms of cost and benefit ratio. The instruments used beyond

economic diplomacy can serve as useful performance indicators in determining the significance of MATRADE in promoting Malaysia's exports to the world.

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To further enhance the effectiveness of MATRADE's services, the following should be noted in the implementation of the TC Work Programmes for 2007:

i) Trade Fairs

TCs should ensure that the design of the Malaysian Pavilion are in line with efforts to further enhance the image of Malaysia as a modern and sophisticated supplier of well-designed and good quality manufactured products and services. Emphasis should be on branding of Malaysian's product and services. Capitalize on the presence of high quality and innovative products in the National Pavilion to achieve this goal. To add value to the participation in international trade fairs, TCs are required to pre-arrange business meetings for the Malaysian participants.

TCs are also required to promote Malaysia's participation in international trade fairs in markets neighboring your areas of coverage. For example, TCs in Europe should invite businessmen in markets under your coverage to visit the Malaysian Pavilion in any trade fairs in Europe and to assist the relevant TCs with the pre-arranged business matching.

Post-exhibition, TCs should report to the media in Malaysia on the outcome of the participation. The objectives are to create greater awareness of the activities undertaken by MATRADE, to encourage more Malaysian companies to explore the international market and for them to make full use of the services of MATRADE. TCs should liaise with the Corporate Communication Unit in HQ on this matter.

ii) Promotion of Major Trade Exhibitions in Malaysia

Promotion of major trade exhibitions in Malaysia need to be intensified. TCs should invite participation of exhibitors as well as visitors to these exhibitions. The promotion can be

done through relevant industry and trade associations and through approaching prospective participants individually. Among the major fairs that should be promoted are:-

- Malaysia International Halal Showcase, 9-13 May 2007(MIHAS).
- INTrade Malaysia, 12-15 November 2007

ii) Specialised and General Marketing Missions (SMM/GMM)

TCs should note that these are NOT EXPLORATORY missions. TCs should do a thorough preparation in terms of assessing the market, identifying specific potentials and creating a database of relevant importers. The objective of the SMMs and the GMMs are to realise the prospects identified. SMMs and GMMs should not be organised until TCs have done the ground work.

iii) Incoming Buying Missions (IBM)

IBMs organized had produced very encouraging results and therefore MATRADE need intensify efforts on this. This programme will be continued and improved, particularly aspect of matching buyers with the relevant potential suppliers. This will entail more accurate and more complete information on buyers needs and objectives and in the selection of buyers for IBMs sponsored by MATRADE,

For 2007, the major buying mission that will be organised will coincide with the following trade events:

- MIHAS
- InTrade Malaysia

[Note: A specific targets for sending IBMs have been set].

iv) Situational Reports (SITREPs)

The Ministry of International Trade and Industry of Malaysia requires representatives overseas to provide situational reports on countries under their coverage. These reports provided updates on major developments in the overseas

markets that have direct or indirect impact on Malaysia's economic and trade interests. They can also cover developments related to the WTO such as positions take by other countries on specific issues that can affect Malaysia. These SITREPs will be tabled at the weekly Post-Cabinet meeting chaired by the Minister

v) Product Market Studies(PMS)/Market Alerts (MA)

TCs should ensure that their reports are informative and of high quality. These reports should contain information that can be used by the business community. For instance information on changes in rules and regulations, new market opportunities and competitors activities, programmes and incentives.

Information from newspapers and other secondary sources should be verified and TCs should understand the content and implications of the report before submitting to HQ. When necessary, TCs should send the reports or alerts directly to the relevant associations and obtain their feedback.

More frequent reports are expected from post that do not have many scheduled programmes. They should intensify their networking to gain more information about the market and consequently to enhance the awareness of Malaysian exporters about the opportunities available.

vi) Networking

TCs are expected to enhance their networking with key people in the business community, Trade and Industry Associations and the Government. This should include speaking engagements and briefings. These activities should be reflected in the weekly reports.