

WORLD EXPORT DEVELOPMENT FORUM 2007
Bringing Down the Barriers –
Creating a Dynamic Export Development Agenda

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Finding a Place in Today's Global Value Chains

Breakout Series 1: Building Supply-Side Capacities

Stephanie Barrientos, Institute of Development Studies, University of Sussex, United Kingdom
Fiorina Mugione, Chief, Enterprise Development and Capacity Building Section, UNCTAD
Owen Skae, Senior Adviser – Export Strategy Design and Management, ITC
Moderator: Martin Watson, Representative for Global Economic Issues, Quaker UN Office,
Switzerland

This breakout session focused primarily on how to help small and medium-sized enterprises (SMEs) tap into national and global value chains. The discussion also included the role of ethical and fair trade in that process.

Owen Skae, Senior Adviser on Export Strategy Design and Management at ITC, opened the session by defining some of the issues. Even so-called traditional markets no longer operate the way they used to, he said. “The goalposts are being moved fast.”

Nevertheless, the goal of moving toward the production of more value-added products remains essentially the same. “The definition is to transform raw materials into products that meet the needs of customers,” Skae said. “There are two aspects: transformation and business services. Neither works without the other.”

How SMEs grow

Research shows that SMEs grow when they are able to link to global value chains. “The issue we grapple with is how to make that happen,” Skae said. “There are a huge number of suppliers who battle amongst themselves. Most SMEs are second and third level suppliers. There is sometimes a lack of skills. And there are barriers to entry.”

At the same time, SMEs are told that they must innovate, be creative and find new markets. “They are often glibly told that, but then not told how to get there.”

To help SMEs through the process, Skae suggested recognizing the different kinds of SMEs and their unique needs.

- “Micro enterprises are moving from survival to growth, and they serve local markets. They need support in enterprise development,” he said.
- “Small companies are missing some parts. They have the potential to integrate into national chains, maybe through SME clusters.
- Medium-sized firms have the potential to join national and international value chains. They need help in developing partnerships.”

A second step would be to “focus on efficiency and make appropriate interventions.”

Finally, public-private partnerships are essential, including for tasks like mapping value chains, improving infrastructure, and addressing tax and exchange rate issues.

SME operations are often more complex than people assume. “They use multipurpose technologies in creative ways, they themselves outsource and they have strong cooperative relationships both upstream and downstream,” said Skae.

Competitiveness programmes

Fiorina Mugione, Chief of UNCTAD's Enterprise Development and Capacity Building Section, reported on how institutions like UNCTAD can work with SMEs to bring them into the global value chain.

She began by outlining a competitiveness programme in Colombia that has been in place since 1992. One key element of that effort has been a public-private partnership to map the value chains. "Mapping means to identify markets and participants, and then the participants according to function," she said.

Mugione also identified factors that can help SMEs succeed:

- a good business environment
- a competitiveness strategy
- specific linkage policies, notably to transnational corporations
- a targeted programme to encourage foreign direct investment, and
- programmes to encourage partnerships.

She also called for programmes to encourage entrepreneurship.

The invisible issue

Stephanie Barrientos of the Institute of Development Studies at the University of Sussex in the UK, spoke of what she called "the invisible issue at this conference – gender." She also discussed fair and ethical trade.

She began by noting that the analysis of value chains in developing countries tends to be weakest at each end of the consumer-retailer-exporter-producer-worker continuum, adding that women are increasingly important actors in both spheres. As female employment grows, women in both the developed and the developing world are participating more actively as consumers. "They are not just interested in price but also in wider issues," she pointed out. Women are also well represented in the workforce that produces garments, handicrafts, agricultural products, and other products.

Ethical and fair trade so far remains a niche, accounting for just 1-3% of sales in the United Kingdom. However, it is growing by 40-50% a year with "a massive increase" in the number and types of products.

Ethical markets require standards that some in developing countries might perceive as an extra burden. "Some might see this as a threat," said Barrientos. "But others might see it as an opportunity if they can find new niche markets and support to acquire greater participation in the value chain."