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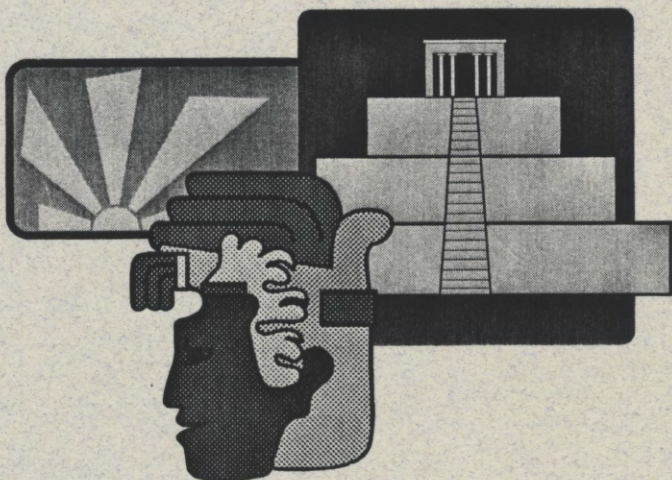
Agricultural Commodity Promotion Policies and Programs in the Global Agri-Food System

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Commodity Promotions: A Global View

Ron Ward

Commodity promotion is but a small part of the total worldwide efforts we define commonly as promotions. Our ability to disseminate information to the most remote corners of the globe has made incredible leaps, possibly even greater than the ability to deliver on the goods promoted. We see an increasing range of both public and private activity in the promotion of many goods, sometimes through public/private cooperation and joint efforts. Given that most trade represents private transactions, why then do governments and international organizations become involved in the promotion of certain goods? One cannot begin to understand the logic of cooperation without dealing with the general and specific aspects of commodity markets, the supporting infrastructure, and the governing framework within which exchange and trade takes place. Entry into many markets is more feasible now in contrast to the "cold war" period. Consumers see and demand various products extending beyond traditional cultural norms. Both the ability to send and receive information has exploded, even among the more impoverished consumers. There is an integral link between the exchange of information (e.g., promotions) and the exchange of goods. Likewise, for most commodities and goods, alternatives exist and suppliers must increasingly compete for the consumer's dollar be it in domestic or international markets.

Given this general setting, the purpose of the following discussion is to provide a broad global perspective on promotions with an emphasis given to the public role of generic promotions. In the following sections, three areas of emphasis are to be considered. First, general insight into what drives public involvement in promotions will be explored. Second, a perspective on promotions in both the public and private sectors will be set forth. And finally, case studies of two internationally traded commodities will be discussed in the context of global promotion, specifically, the Food and Agriculture Organization's (FAO) activities in promoting tea and citrus.

Generally, when discussing commodity promotions beyond country borders, one must deal with trade policies, trade promotions, and export promotions. *Trade policies* concern government negotiations, trade agreements, and fiscal, monetary, and social policies that influence levels of trade, market access, and terms of trade. That is, trade policies generally set the parameters within which exchange transactions can take place. They do not necessarily connect buyers and sellers, but facilitate the linkage. *Trade promotions* encompass government and intergovernmental measures to increase the value or volume of world trade, to enhance market access by lifting restrictions, lowering tariffs, and reducing discriminatory trade practices. In contrast, one generally thinks of *export promotions* as policies and operations in the public and private sectors designed to explicitly enhance the exports of a country, region, or sector. (Hibbert, 1990 pp. 1-120). That is, export promotions (in contrast to trade promotions) should be viewed as very direct efforts to influence the demand for specific products or goods. Generally, the private sector plays a less direct role in trade policy and trade promotions with much of the private influence being exercised through lobbying and representation during trade negotiations. The private sectors of most capitalistic systems are the major players in export promotion in terms of investment in demand enhancement efforts. However, one can turn to almost any market and find some level of government involvement in export promotion. The obvious question is why?

Export promotions are designed to influence the direction of trade flows. Consumers are exposed to new information and preferences are changed. Such preference changes are not without their social cost, however. Consumers may be encouraged to purchase value-added products such as "Coca Cola" or a television set when such products may not necessarily be the best allocation of limited incomes among poorer populations. In other cases, export promotions may have a direct impact on public health (both positive and negative) such as the use of "baby formula" in some parts of the developing world or the encouragement of "smoking" by the tobacco industries (Baudot, pp. 327-339).

Given the growing demand on natural resources for production and the increasing ability to influence consumers through the media, another dimension to global promotions must be related to *humanitarian and environmental promotions*. Unlikely export promotions, which convey information about goods and services, *humanitarian and environmental promotions* entail policies and operations in the public and (private) sectors designed to enhance consciousness and bring about global action directed to particular social and environmental problems within and beyond political boundaries. An obvious example would be the international promotion of food safety and good nutrition. Another could be the promotion of good conservation practices.

Driving Issues Leading to Promotions

If we think of promotions on a global basis as those efforts designed to change preferences, perceptions, and behavior relating to consumption, then one can immediately identify several issues that help the reader understand why both the public and private sectors become involved in promotions. While the list may be more extensive than suggested here, there are at least seven major issues that directly lead to promotion-type activities whether by private firms or through public sectors.

- * *Export enhancement* - Firms strive to enter new markets and to increase their competitiveness among existing markets. Governments participate in order to increase export earnings and balances of trade.
- * *Economic development* - Governments in developing countries are trying to provide the support base needed to encourage exports among their industries in order to generate public revenues essential for long-term economic growth and development.
- * *Health and nutrition* - Economic development cannot be achieved without a healthy population. Health and nutrition are tied directly to

consumption practices that can be influenced negatively or positively through promotions. Food consumption, good hygiene, and health are interlocked, and the need to deal with serious problems is often linked to the ability to communicate with consumers via public and private promotion efforts.

- * *Education* - Consumption choices in all markets need to be based on rational evaluations where consumers have the ability to make decisions in the context of factual information about products, cultural norms, understanding of alternatives, and economic value. Promotions can both inform potential consumers about product attributes and counter misinformation when it exists. Probably the best example is educating consumers about the risks of tobacco consumption and/or the possible benefits of consuming tea. Certain types of promotions--particularly by governments--may help less educated populations sort through the ramifications of consuming higher-value products that are not always the most rational choice based on income.
- * *Food security and human rights* - Maintaining a secure food supply is basic to all economies. In some cases this is achieved through trade and in others through self-sufficiency. Sometimes we see conflicts between food security, human rights, and political agendas. Promotions play a major role in bridging the gap between food security on the one hand and political issues on the other. A good example would be the conflicts between the U.S. and Iraq in terms of political issues versus human rights and food issues relating to Iraq's population. Clearly, both governments have used the instrument of promotion to espouse their own positions.
- * *Equity, opportunity, and stability* - Having a well-fed population with the opportunity for upward mobility is key to economic stability. Mobility can be facilitated through promotions where entry and exit barriers are minimized. Likewise, the ability to deliver information can be the catalyst

for technology development, particularly when those investing in the technology development know that the end-point users can be easily informed about the products.

- * *Environmental protection* - Food production and demands on environmental resources have taken on a global dimension, particularly demand for water and the need for conservation. Just like the promotion of consumption goods, public promotion of environmental stewardship is essential to long-term protection of natural resources.

These seven areas identify why promotion efforts evolve and who is likely to underwrite the activities. Clearly, the willingness to fund promotional programs is closely tied to emphasis on one or more of the reasons identified above. In some circumstances there is a direct link between selling and nonprice promotion, such as export enhancement. Under these circumstances, private industries are more likely to fund and implement most of the promotions. Other issues such as health and nutrition, education, etc. are broader in scope and sometimes a step removed from direct sales. Hence, promotions may be more in the public interest, making support through public activities more likely.

Who conducts promotions? Generally, those supporting promotion activities fall within one or more of three groups: private companies and organizations, public organizations and governments, and special interest groups. *Private organizations* include domestic firms, multinational firms, joint ventures across firms, collective groups such as cartels, trade associations, and commodity boards. Most generic promotions funded by industries are under some type of commodity board arrangement which is funded through a mandatory checkoff or assessment per unit or unit value of production. *Public organizations* include state governments, national governments (countries), international agreements, and international organizations. They differ from private funds because public funds underwrite activities and the focus of the message may be broader than usually offered by specific commodity boards and private firms. *Special interest groups*

usually include environmental organizations, health groups, human rights advocates, and political and military interests. Among these groups, promotions simply provide a tool for changing consciousness and bringing about both financial and political support for the issues being addressed. This generally involves the selling of ideas rather than goods in the traditional sense whereas private and public sectors may focus more heavily on selling specific goods.

Why Do Governments Become Involved in Promotions?

Direct government involvement in promotion activity varies considerably across countries and continents. Hibbert (1990, p. 76) suggests that direct government participation in promotions can be directly tied to *economic logic*, *political objectives*, and *cultural differences* across countries. He notes that political and cultural factors along with related conflicts and loyalties found in all human organizations may be so pervasive that compromise of economic logic occurs. Public investment in promotions must be understood within the broader context of the cultural and political setting of each country. Two countries may have similar economic reasons to promote foreign market development, yet one country depends heavily on public institutions to do the promotions while another turns to the private sector. As Hibbert implies, when searching for the reasons why governments involve themselves in generic promotion, one must view the broader historical setting and cultural mind set of the population along with economic conditions and opportunities. Later we will see examples where similar countries' reliance on public promotions are profoundly different.

While the intensity and emphasis of promotion activities differ for each country, some of the more common government promotion activities include: market research; advertising, trade fairs and missions; representatives abroad; loans and grants; legislation and procedural regulations; training and education; and information and publicity. The adoption of one or more of these promotion tools directly by a governments can first be tied to where the country stands in the developed or developing world. In the developing world, export promotions are

viewed as an instrument for economic development. Promotions serve as an instrument for competitiveness among developed nations. Governments are more likely to become involved in promotions when there is a lack of private goals for export expansion among domestic industries and when existing trade promotion services are ineffective. Incentives for firms to export may be enhanced through public promotions (Hibbert, pp. 87-89). Likewise, government promotions may provide the logical linkage to achieve other goals. For example, government promotion of export potential and economic investment in the Balkans may be the most important factor contributing to the long term political goal of stability in that region.

It is impossible to completely generalize why countries choose to use public institutions for generic promotion. Nevertheless, in Figure 1 several specific factors have been identified that can specifically lead to governments, public (organizations not necessarily funded through taxes) institutions, and international organizations becoming directly involved in the promotion of goods and ideas. Governments may become involved in the promotion of non-market goods and public goods in areas that private firms might avoid making the investment necessary to promote a certain product or idea. For example, government promotion of water conservation or standardization in food labeling may be beneficial to all, but may not be funded by private industries. There may be economies of scale from national promotions that individual firms cannot realize. This may be particularly true when dealing with developing economies. Similarly, promotion of one sector may bring about export growth in other sectors in the longer run.

One can see government involvement increasing because of new opportunities (or evolving problems) resulting from historical events and unusual circumstances. For example, recent concerns with "mad cow" disease in the United Kingdom beef industry were so massive that the government's role to assure importers of the safety of U.K. beef became imperative. In this example, the government's role was to promote safe beef and to bring the right political pressure

to safeguard markets for U.K. beef in the face of unprecedented concerns about the meat's safety. This is a classic case of government intervention through promotion in conjunction with other political and economic tools. Historical events such as the political changes in the Soviet Bloc raise new opportunities for trade. Yet the risk is not fully understood and public investment may be required to initially penetrate the markets in any sizable way.

- *Non-market goods
- *Political positions
- *Economies to scale
- *Historical context and events
- *External economics
- *Fairness to society
- *Countervailing powers
- *Alternative to direct subsidies
- *Industry trading practice
- *Unusual circumstances
- *Equal opportunity for exporters

Figure 1: Reasons for government involvement in promotions

Governments invest in promotions when the benefits accrue to the public and not just to specific sectors. Export growth generally benefits the total economy and therefore its citizens, too. There is a sense of fairness when public funds are used to cover the cost of programs that generate gains to the total country. This argument is precisely why the U.S. supplements many agricultural industries in their export promotions. Expected gains not only benefit the sectors doing the promotion, but also the total economy in the long run. Such government programs can provide the supplemental funds necessary to increase competitiveness and to counter other countries' aggressive promotion activities. For some sectors, government demand enhancement efforts may be an alternative to direct subsidies. Increasing demand for all producers via government promotions may be a much

fairer and simpler way to assist industries than the direct payments historically used in many countries (including the U.S.). Obviously, the comparison depends on the impact on demand due to promotions.

In viewing the list presented in Figure 1, government promotions arise from the need to support domestic industries, thus creating opportunities for development and competitiveness. They occur because of broader political agendas ranging from humanitarian to environmental concerns. Government promotion of a range of goods is consistent with achieving world order and security. Information is the "lifeblood" of trade and development--supplemental government support of international promotions is consistent with providing factual information about areas such as nutrition, health, diets, market intelligence, economic opportunities, trade barriers, and unfair trade practices. Public awareness is often the most potent factor leading to economic change, especially in democratic systems. Government promotion of ideas, supporting of market intelligence, and supplementing international efforts of industries are all ways to keep the public more informed while garnishing support for specific political and governmental goals. Probably the best example of this would be the debate over NAFTA during the 90s. The broader political goal was to reduce trade barriers in order to assist economic development and trade between neighboring countries. Yet to achieve this overriding objective, information about NAFTA's total impact was needed. Each industry viewed the policy changes from the perspective of their own economic welfare. It was the role of the government to provide a broader picture and promotional analysis was a significant political factor influencing the discussions. While this is not the place for a NAFTA debate, the role of promotions at both the public and private levels was most apparent during those negotiation periods.

While the events and circumstances outlined in Figure 1 apply to all countries, the approach adopted by governments must always be viewed from the context of the cultural and political objectives noted earlier by Hibbert. One simply cannot explain why governments become active participants in the promotion of

goods without having a broader understanding of the cultural and political characteristics of the country being studied.

Promotions and Global Corporations

Even though government involvement in international promotion is increasing, it is relatively small in comparison to the billions of dollars spent by corporations. Many corporations enter markets and invest in promotions when expectations for stability are reasonable, the potential for expansion exists, and when there is potential for high profit (Barnet and Muller, 1974). A global view of promotions would be incomplete without including a perspective on the promotional role of multinational corporations. Governments set trade rules and usually provide assistance through promotions and market support but in contrast, corporations infuse capital and technology into the marketplace.

However, Barnet and Muller argue that corporations also change *marketplace ideology* through advertising and promotions. They define marketplace ideology as the power to determine how people live through advertising and promotions, creating a psychological dependence in which one's self-esteem is determined by what one buys. There is little debate that multinational corporations have been major contributors to economic development with their infusions of capital and technology. Similarly, there is little debate about the fact that some of these same corporations have changed the consumption habits of much of the world's population, sometimes to the benefit of native societies and sometimes not. Dietary habits have been changed, sometimes improving health conditions and other times taking advantage of the limited understanding of nutrition.

Barnet and Muller argue that many of these global corporations have changed the economic welfare of poorer societies by suggesting that social status is tied to what one consumes (Barnet and Muller, p. 176). For example, the consumption of expensive soft drinks or branded products in a poor community may not be the best choice, but promotions have generated certain consumption

patterns. They cite the poor boy riding his donkey to the market while drinking a "Coca Cola" and eating "Ritz Crackers" as a case in point. Buying convenience products in lieu of staple goods is another example. Or buying a television set instead of a refrigerator also illustrates the point. More recent cases of U.S. tobacco firms' foreign promotion of smoking will continue to be controversial, especially among U.S. citizens.

Passing judgement on the social responsibility of multinational corporations is clearly beyond the objectives and scope of this paper. Yet when viewing promotions from a global perspective, one simply cannot ignore the profound impact corporate promotions of their products have had on world consumption--some good and some bad. The negative effects may simply be an uncontrollable part of the broader benefits achieved when large corporations bring about important advances to the marketplace. It also helps explain in some circumstances why governments have become direct participants in the promotion process, especially when dealing with public health, nutrition, and welfare. Government education about the health risk from smoking is a good case to counter the corporate efforts to promote tobacco consumption.

Selected Cases of Government Promotions

Government promotion activities can be found among most countries having export programs. Hibbert (p. 269-278) identified 153 different international trade promotion organizations with mostly public funding. Milner (pp. 163-302, 1990) provided insight into some of these organizations through case studies in export promotions by Korea, Indonesia, India, Latin America, the Caribbean, sub-Saharan Africa, and the Mediterranean Basin. Several European cases are detailed by Seringhaus and Rosson (1991). Cavusgil and Czinkota (1990) addressed public promotions in the U.S. and then provided insight into international promotions in Australia, Canada, the United Kingdom, Norway, and the Republic of China. Baudot (1989) set forth a user's guide to rules and regulations related to the international advertising and promotion of goods within many of these countries.

Jackson (1994) provided an excellent reference for understanding the world trading system within which promotions take place. This reference does not deal with promotion explicitly but defines the institutional structure supporting and facilitating all aspects of international trade and development.

Selected EEU Public Trade Promotion Organizations

Given the extensive number of public promotion cases, one can best learn from turning to a few specific examples. Drawing from Seringhaus and Rosson's (1991) discussion of several European countries' trade promotion organizations, considerable insight can be gained. For example, Seringhaus and Rosson identified six European countries' programs to point out the substantial differences found within economic systems having some commonality in culture and history.

The United Kingdom, Belgium, France, Spain, and Italy have extensive public promotion programs to support their export market development while Germany has almost no government specialization in promotions. As shown in Figure 2, the relative levels of public support differ among these cases (Camino, 1991). As a rule, public promotion support is under 0.1 percent of the total export value of each country's trade for these European countries. These promotions are for all goods and not just commodities. Data limitations prevent categorizing the support across agricultural sectors.

Camino (1991) provided some perspective into the types of promotion activities found within these European countries. Two pie charts in Figure 3 illustrate the allocation of public promotion funds for the United Kingdom and Spain. In both countries, trade fairs account for nearly 30 percent of the total public promotion effort. Spain's data are somewhat more aggregated with another 30 percent going to direct assistance and 30 percent to sector planning, with the remaining amount going to education and information. The chart for the U.K. is for the British Overseas Trade Board and reflects more detail. Even so, the categories are similar in showing the importance of trade fairs, market intelligence,

information collection, and direct assistance.

The British case is of particular interest in that one can gain direct insight into the organization on the Internet. Detailed activities, events, and organizational structure can be downloaded on a real time basis. Access to the Internet is part of the information evolution noted earlier. Using the Internet provides unprecedented access and unique opportunities unthinkable only a few years ago. Eventually, one can expect all of these public promotion institutions to be accessible through the Internet.

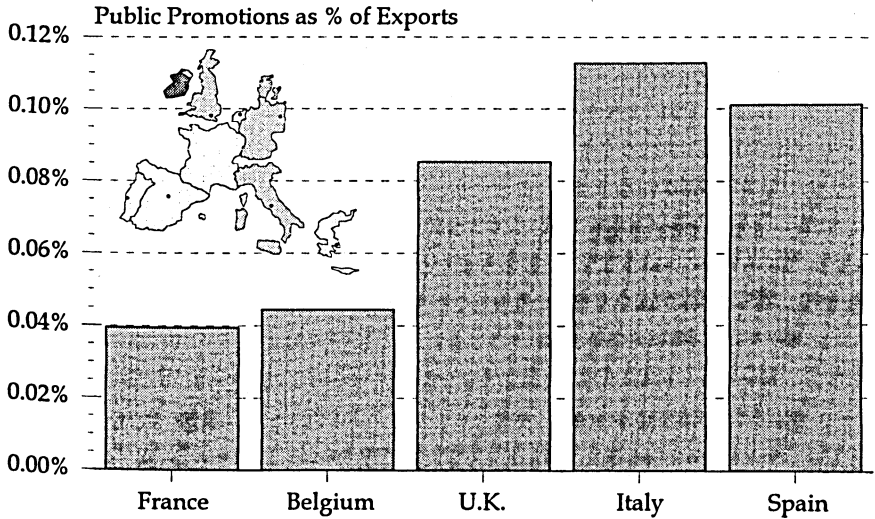


Figure 2. Relative public promotion expenditures by selected European countries (Serlinghaus and Rosson, 1991).

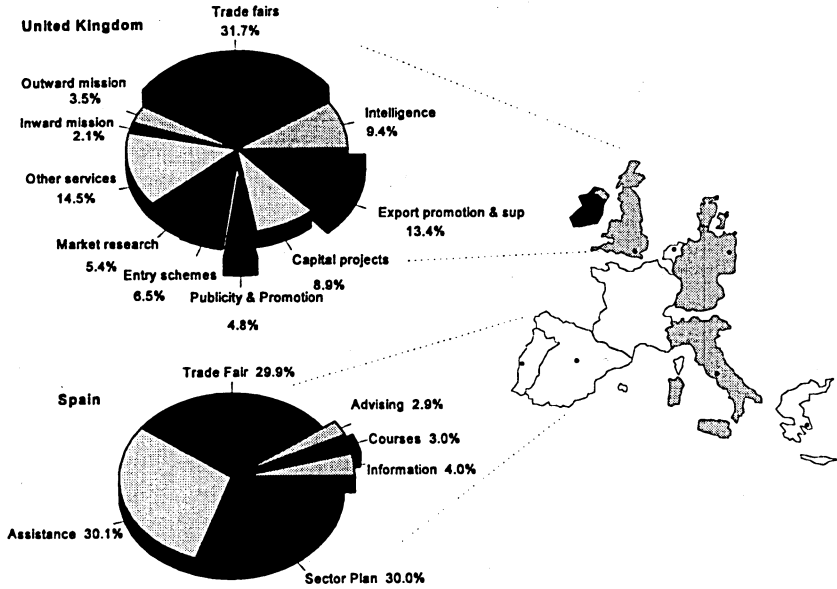


Figure 3. Allocation of public promotion funds for Spain and U.K. (Camino, 1991).

Relative Public/Private Coordination

Since our focus is on global promotion and not on any single program, it is useful to put the array of public promotions into relative terms. Again, this is impossible to do just for agricultural commodity programs. Cavusgil and Czinkota (p. 141, 1990) ranked several promotion programs by expressing each country's program in terms of funding source (public or private) and the degree of coordination between the government, banks, and private enterprises. What the

analysis showed was the considerable difference among countries. Using Figure 4, Italy, for example, shows strong reliance on public promotions but very little coordination with the private sector. Interestingly, in a separate study by Sbrana and Tangheroni (p. 156, 1991), the authors concluded that their results pointed to a meager role by both private and public institutions in providing export services for Italian firms. However, they did show that participation in trade fairs was the most important information source for the firms.

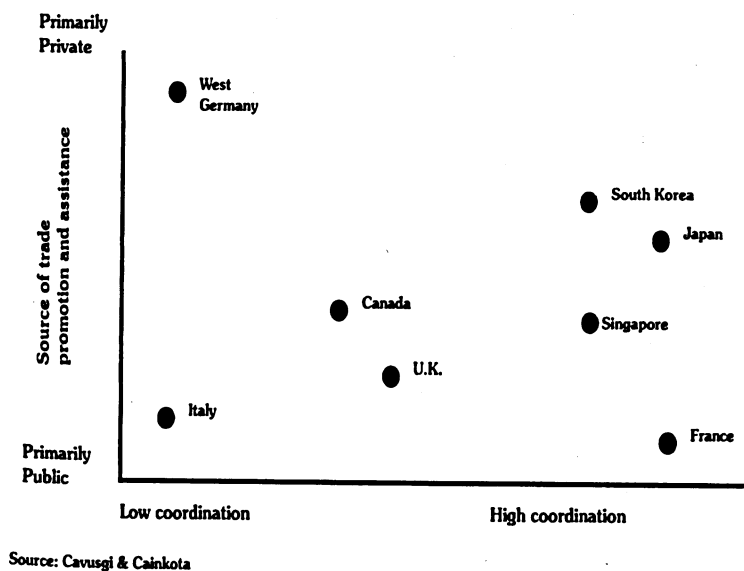


Figure 4. Relative private/public promotion emphasis by major countries.

In contrast, France showed high reliance on public promotion funds and indicated a strong level of government/enterprise coordination. However, Germany relies almost exclusively on private promotion funds and shows little coordination between the government and private organizations. Japan, South Korea, and Singapore reveal high coordination while drawing from both public and private promotion funds. Canada and the United Kingdom are someplace in the middle, as is likely the case for the U.S., although the U.S. is not included in Cavusgil and Czinkota's graph. The authors concluded that trade promotion using similar methods (coordination and/or funding sources) produces widely different results. Many organizations with different names perform the same types of functions across countries. Yet there are unique dimensions found within each country's promotional structure. For example, France provides interest-free loans for innovative market research overseas and for technical product development. If the programs fail, then the loan becomes non-payable up to a pre-specified maximum level (Cavusgil and Czinkota, p.140). Similar approaches do not always produce similar results. Much of the differences in coordination illustrated with this figure can again be tied back to inherent cultural and political differences found across the countries analyzed. Figure 4 as developed by Cavusgil and Czinkota provides a unique insight into promotions when viewed from a global perspective.

Commonalities in Public Promotions

Generally, trade promotion across all of the public organizations can be grouped into market intelligence and information, production, packing and distribution support, marketing support, and financial support/guarantees. Most public efforts are directed to small and medium-sized enterprises with the major focus on marketing support, finance, and guarantees. Across most countries, trade fairs seem to be a major promotional vehicle. No standardized methods for evaluating the efforts exist and the overall evaluations of public promotions are generally weak (Cavusgil and Czinkota, p. 146).

International Agency Promotion--the FAO Case

Up until now, the discussion has been limited to public promotions at the country level. That is, the public funding is from within political borders. Generic promotions at an international level such as promotion by the Food and Agricultural Organization (FAO) are rare. However, two recent examples of generic promotion within the FAO structure are worthy of review. The FAO is an arm of the United Nations and is funded through the parent organization. Its global objectives include alleviating poverty and hunger, product development, improving nutrition, pursuit of food security, and environmental protection. Most FAO efforts directed to these objectives have been through education and production assistance among developing countries. Historically, agency funds have not been used to directly promote the consumption of specific products or goods via advertising or complementary means (FAO, 1996).

While the FAO deals with hundreds of commodities and goods, issues about the long term economic viability of the world black tea and citrus industries have been raised by intergovernmental groups within the FAO membership structure. Concerns over long-term projections about the demand for both tea and citrus stimulated interest in considering generic promotion programs by the FAO as an alternative to historical activities within these two sectors. Many view production technology as quite developed in both industries, hence any additional efficiency gains on the supply side would be quite marginal. Several common factors can be identified that would lead to an international agency such as the FAO to become directly involved in the promotion of tea and citrus. Before detailing the specifics of each program, these factors are worth noting:

- * Much of the world's tea and, to a lesser extent, citrus are produced within developing countries where producers are less advanced. They often do not have the resources or *skills necessary to organize* and fund their own advertising and promotion campaigns.

- * Long-term projections point to *increasing economic problems* for both commodities. Real prices and needed trade revenues are expected to decline without substantial changes in the demand for black tea and citrus.
- * Both commodities have *product attributes consistent* with the health and nutrition goals of the FAO.
- * Each commodity has common attributes among producers of that product in which a worldwide promotion effort would benefit all producers. That is, any stimulant to *demand would benefit producers* throughout the world and not just one or more producing regions. If this is the case, then promotions by one country essentially subsidize others. Some producing countries become free-riders. Thus, some form of generic promotion cutting across all producers can reduce the free-rider problem. This is similar to arguments producers make within one country and leads to the types of commodity checkoff programs found within the U.S. system.
- * The FAO already *has the organizational structure*, experienced staff, and network across commodity groups necessary to organize generic promotional campaigns. Given the organization's experience with data management, this institution may be the best for collecting and viewing data without having a vested interest in certain outcomes. It provides a neutral forum for dealing with global issues.

Philosophically, the FAO's involvement in generic advertising represents a reorientation to the demand side of the problem. Whether or not this organization should be directly overseeing generic programs is an important question and must be based on the merits of the arguments above. In order to illustrate the programs in more detail, the tea and citrus proposals will be dealt with separately. At this writing, the tea program is already in its second year of activity and the citrus programs are still in the proposal stage.

FAO Case #1: Global Promotion of Black Tea

For some time, discussion with the Intergovernmental Group on Tea focused on the long term economic problems with the tea market. Weak demand in world markets for tea over the last decade has lead to tea selling at or below cost of production. Many past efforts have been on production efficiency, and many believe that the marginal gains from additional efficiency efforts are minimal. This suggests that enhancing demand may be a more beneficial avenue to improve the long term economic outlook for tea (Chang, 1996). Preliminary research further suggests that there may be considerable health benefits from the consumption of tea. Given the generic nature of tea and its potential health attributes, developing a generic promotion program centering around the health benefits provides a means of enhancing demand. The issue then is how to design, fund, and implement equitable programs for generically promoting the expected positive attributes of tea. Clearly, part of the effort must be to establish that tea has the expected health benefits.

Ultimately, the Intergovernmental Group on Tea's objective was to raise the price of tea for the direct benefit of growers and to generate hard currency for developing country economies. Two objectives were outlined: (a) provide scientific data on the health effects of black tea consumption; and (b) demonstrate the cost effectiveness of a health-based generic promotional campaign.

Figure 5 provides an overview of the tea program as adopted and implemented in 1995. The FAO's Intergovernmental Group on Tea is responsible for overseeing the programs and the Project Executing Agency is responsible for implementation. The program is designed to provide support for studying the health attributes of black tea and to design promotional programs for communicating tea's attributes to potential consuming markets. Specific health attributes to be studied are noted in this figure. Studies of green tea suggest that many common attributes are likely found in black tea. These health studies extend over four years, starting in 1995. Simultaneously, promotional campaigns are to

be developed around a registered trademark for tea and its expected health attributes and is to extend over the same four-year period.

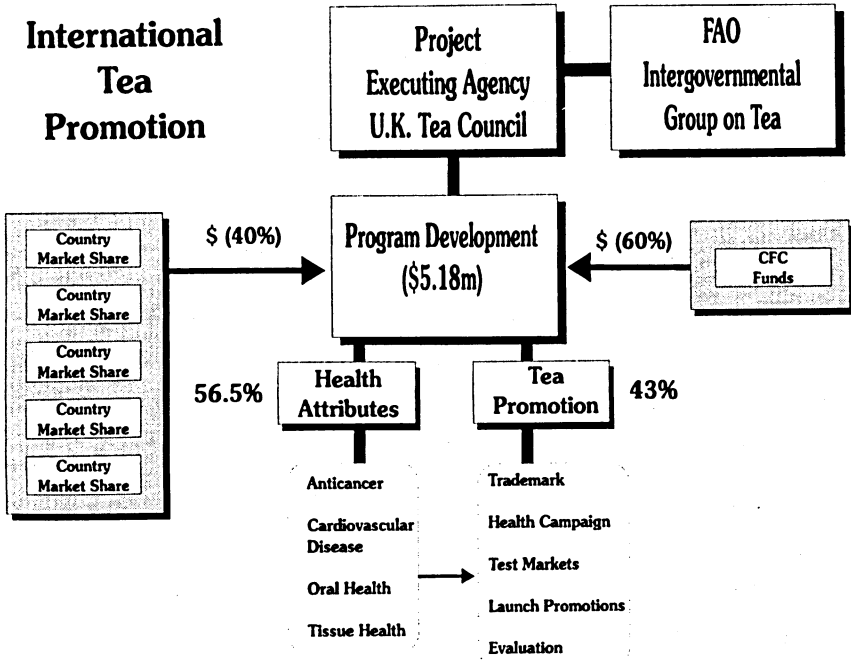


Figure 5. FAO's program for the international promotion of black tea (Chang, 1996).

Several countries in the Intergovernmental Group on Tea have agreed to fund approximately 40 percent of the cost or around \$2 million. FAO Common Funds for Commodities account for the other 60 percent. Approximately 56 percent of the funds go to support the scientific research and 44 percent to support direct promotion activities. While these numbers represent the public cost of the promotional effort, it is expected that the registered trademark will be incorporated in other branded promotions benefiting particular brands and/or countries. These

operations are intended to demonstrate the affordability of a worldwide generic promotional campaign which has previously been assumed to involve massive investments. The infusion of funds into the research component should increase the ability of investigators to raise additional support from traditional sources (Chang, p. 34).

FAO Case #2: Global Promotion of Citrus

Many of the arguments for an international citrus program parallel those given for tea. A share of citrus is produced in developing countries and the international prices for citrus have fluctuated considerably over the last decade. In contrast, however, citrus production is dominated by the U.S. and Brazil, together accounting for nearly 40 percent of the world supply. It is a commodity with common attributes and is clearly recognized for its nutritional benefits. Given the importance of citrus to many countries and the historical concerns about long-term growth in demand, the FAO's Intergovernmental Group on Citrus raised concerns about what actions could be taken on a global scale. A product of several meetings lead to a draft proposal for generic promotion of citrus with some of the characteristics developed for the tea program (Seidl, 1995).

Figure 6 provides a summary of the citrus proposal still under review. The FAO's Intergovernmental Group on Citrus is the oversight organization from which a structure to implement a global generic citrus promotion initiative would follow. Under the citrus proposal, all funds would be dedicated to promotion and related market supporting activities. This is in contrast to the health component in the tea program. An initial support of around \$15 million is proposed. Stage one would entail a truly generic promotion of citrus in selected markets with this stage accounting for about 83 percent of the \$15 million. A common message and campaign would be adopted and used in selected test markets. All producing countries would be asked to contribute to the program with each country's contribution to be proportional to its share of world production. In this first stage,

80 percent of the program would be funded from industry contributions. Clearly, in this stage, the industry members are being asked to carry most of the load. Recall that in the tea program, initially the industry carried only 40 percent of the program costs, which is one-third of that for citrus.

Stage two is designed to encourage private or country promotion. Brand promoters or countries will be eligible for advertising rebates from the FAO if they do their own promotion using certain adopted guidelines. At this point, firms or countries may receive up to a 50 percent rebate when they are actively promoting their own goods. This stage would account for around 17 percent of the total program support. Fundamentally, stage two builds on the premise that there is a complementary relationship between generic and brand advertising (Seidl, p. 18; Forker and Ward, 1993).

Clearly, the proposal represents a joint venture between member countries and the FAO's citrus committee. In stage one, the contributions stand at 80/20 with 80 percent coming from the members whereas in the second stage, the ratio is 50/50. Overall, the FAO's contribution through the use of Common Funds for Commodities would be 28.5 percent or approximately \$5 million. Operation manuals would be developed and campaigns in selected markets would be funded as described in Figure 6. Overall, the initiative is intended to provide a unique internationally cooperative basis from which to develop selected new markets for citrus. A networking system would evolve that could be beneficial to later market entry efforts.

Common Problems with Cooperation

While the details for specific programs such as the ones illustrated by citrus and tea must be addressed, there are several general issues relating to organizations such as the FAO becoming involved in generic promotion programs. The first obvious question must relate to why the FAO should become involved in generic promotions at any level. From a logical standpoint, there is little difference

in supporting assistance to achieve efficiency on the production side and supporting efforts to enhance the demand for the products being produced. Given the growth in world trade and abilities to communicate, all avenues for market development should at least be considered. At issue then is whether such efforts on the demand side of the equation can be effective. Given that one accepts this expanded role for the FAO, several practical issues become apparent. Which commodities should be promoted and how are the choices made? How does one design programs to achieve cooperation among the various countries and agribusiness industries being considered? Cooperation implies financial support or funding so what mechanisms are used to decide the level of Common Fund for Commodities support compared

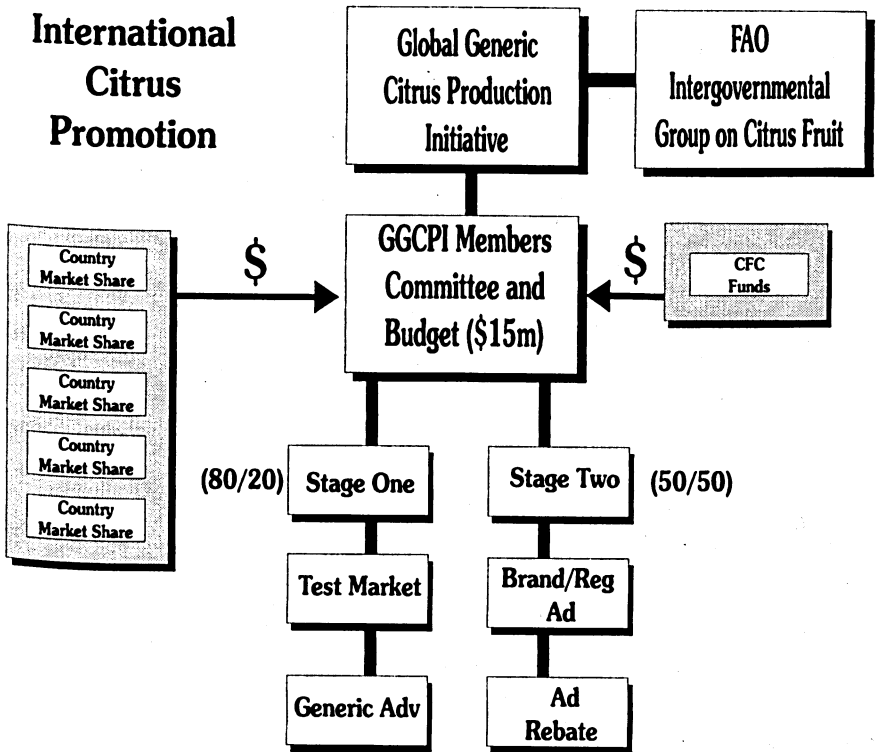


Figure 6. FAO's program for the international promotion of citrus (Siedel, 1995).

with private funding? Given that a program is adopted in concept, then designing promotion programs that are equitable to all members becomes a major challenge. Since participation is voluntary, industries' willingness to participate represents some vote of confidence in the concept, as in the case for black tea. Finally, the administrative structure with the authority to carrying out planned programs is essential, including the ability to evaluate the impact of these programs over time.

Conclusions

Government promotions of products, services, and ideas are an integral part of the international linkage between markets. While private advertising and promotions dwarf government efforts in terms of expenditures, it is clear from the hundreds of governmental organizations dedicated to international promotions that public efforts are viewed as essential. Public support for promotions is usually intended to be a facilitator in support of private transactions. Most government promotion efforts provide market intelligence and a clearinghouse for information. Trade fairs are a major promotional instrument used by a large number of countries. Within similar political and economic structures, one finds considerable differences in the use of public funds to support trade promotions. Part of this difference relates back to cultural characteristics and political agendas among countries. Also, public investments are closely tied to private efforts. In some developing countries, the public effort provides the primary promotional tool. However, in developed countries such as the U.S., some public funds are used to create leverage with private efforts where industries and firms can compete for supplemental public promotional funds. The level of public/private coordination differs considerably across markets, as was illustrated in Figure 4.

Given the growing international exchange of goods, the increased ability to communicate across political borders, and the rapidly changing political systems in the last decade, it is of no surprise that more governments have become involved in the promotion of their countries' goods. Economic competitiveness is closely

tied to market information and the ability to influence consumers. Promotion is a vital instrument in this process and the future will likely see an even greater presence of government-supported promotional efforts, especially with the recent trade negotiations to remove barriers to trade.

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