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EXPORT PROMOTION - MARKETING OF PRODUCTS OF DEVELOPING COUNTRIES

Communication from Switzerland

The paper set out below has been received from Switzerland in response to an invitation by Committee III to governments for the supply of information on this subject (see paragraph 40 of L/2080 and GATT/AIR/449).

The Swiss Government has made enquiries from certain Swiss traders' associations as to the reasons for the relatively low level of imports of manufactures from developing countries and the prospects for expanding such imports. The results of this survey are similar to those of a survey carried out by the Swedish authorities (document COM.III/122).

The following conclusions are drawn from the replies obtained:

1. Commercial technique

Apart from difficulties due to the distances which generally lie between exporters in developing countries and European purchasers, the latter are to some extent prejudiced against dealing directly with those exporters. In addition, the latter do not always evince the commercial training and code of conduct which, in Europe, are essential factors in deciding one commercial undertaking to have business dealings with another. On the side of the importers, there is a certain lack of confidence in the ability of exporters to offer the necessary guarantees for honouring undertakings which may involve considerable sums. Consequently many firms which import products from developing countries prefer to purchase them from large importing firms established in the European ports to which the goods are shipped, for example, London, Amsterdam, etc., or, if possible, from European-based firms with branch offices in the exporting countries. Since most products can be obtained in a number of countries, the European merchant prefers to deal with known suppliers rather than experiment with others.

2. Quality of products

The goods supplied are stated often to be of uneven quality. As regards tinned goods, for example, not all countries are equipped so as to be able to

offer an exportable product which complies with food standards in importing countries. The tanning of hides and skins from tropical countries is often unsatisfactory unless carried out by experienced firms. As regards machine tools (which are also included in one of the lists of Committee III), a firm specialized in this branch states that there are only a few among the most advanced of the developing countries which produce machine tools and, in most cases, such production is under licence for well-known firms. The quality is average, and even acceptable, as compared with standards of the industrial countries. Their prices are generally below the cost of a European machine of similar quality. Sales in Switzerland are hampered not by custom duties, which are moderate and their reduction would practically not result in any increased outlets for these products, but by the fact that manufacturers in less-developed countries do not give adequate assurances regarding post-sales servicing and rapid delivery of spare parts. Apart from supplying local markets, therefore, the machine tool industry of developing countries ought to concentrate on seeking outlets in other neighbouring developing countries. There would be sales opportunities in industrial countries in the case of undertakings which are controlled by European firms and operating under licence, if the main company made its own sales network available and was responsible for post-sales servicing.

3. Presentation and packaging of products

If one looks at displays in shop windows and at commercial fairs in the advanced countries, one has to admit that presentation and packaging are of essential importance. This aspect is frequently neglected by manufacturers and exporters in countries which are newcomers to the export trade. Furthermore, the packaging industry has developed considerably in recent decades, particularly in the more advanced countries. This is perhaps an additional handicap for exporters of manufactures in developing countries which, unlike the more developed countries, do not usually have many undertakings specialized in this important field. Nevertheless, firms intending to embark on exports should give serious attention to this question.

4. Terms of payment

Swiss importers in the leather sector have pointed out that most developing countries require payment against presentation of a letter of credit and refuse to consent to payment after receipt and verification by the purchaser, as is customary in Europe and North America.

This method of payment complicates matters and even makes it impossible for the purchaser to obtain his rights in the case of any dispute regarding the quality of the merchandise. In European trade an arbitration system is usually applied in such cases.

The arbitration clause most frequently inserted in contracts concluded between Swiss firms and foreign firms is that drawn up by the International Chamber of Commerce in Paris, which reads as follows:

"All disputes arising in connexion with the present contract shall be finally settled under the Rules of Conciliation and Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with the Rules."

This clause may be supplemented, if the parties so desire, by certain provisions regarding, for example, the place of arbitration, the number of arbitrators, the national law applicable to the contract and, in the case of certain countries, the investment of the arbitrators with the powers of "amiable compositeurs".

The ICC Arbitration Rules and Court of Arbitration determine the period within which a finding must be given. Any delaying action by either party is thus precluded.

Account must be taken of the fact that the large number of so-called developing countries includes some which are at a relatively advanced stage, while others are still at the initial stage of industrialization. Accordingly, the term "developing countries" comprises many shades of meaning. The above remarks therefore refer only to certain producing industries and certain countries and cannot therefore be generalized. Nevertheless, they indicate the obstacles which at present seem to stand in the way of any substantial extension of exports from these countries to markets in the more advanced countries.

5. Conclusions

One positive impression that emerges from the survey is the fact that Swiss importers are well disposed towards products from developing countries provided that their quality corresponds to that specified in the contract, that delivery dates are respected and that an atmosphere of confidence can thus be created between the supplier and the purchaser.

It also transpires from the survey that quality, presentation and personal relations are far more important in export promotion than the elimination of tariff barriers or other trade policy measures, at least so far as Switzerland is concerned.

The following suggestions have been made in order to remedy this state of affairs which must and can be improved:

- (a) thorough study of the market into which one wants to introduce a given product;

- (b) diplomatic and consular offices should be able to perform adequate commercial activities, if necessary in co-operation with the competent services of the governments to which they are accredited;
- (c) sending of trade missions by developing countries to industrial countries;
- (d) exhibitions and sales of products, for example, in large department stores in Switzerland (as has already been done by some countries);
- (e) sending of qualified personnel from industrial countries to instruct local personnel dealing with exports of products of key industries;
- (f) organization of courses on export techniques in industrial countries for persons concerned with export problems in developing countries;
- (g) creation by all possible means of close contacts and personal relations between suppliers and purchasers;
- (h) stimulation of trade relations with other neighbouring countries in the process of development.