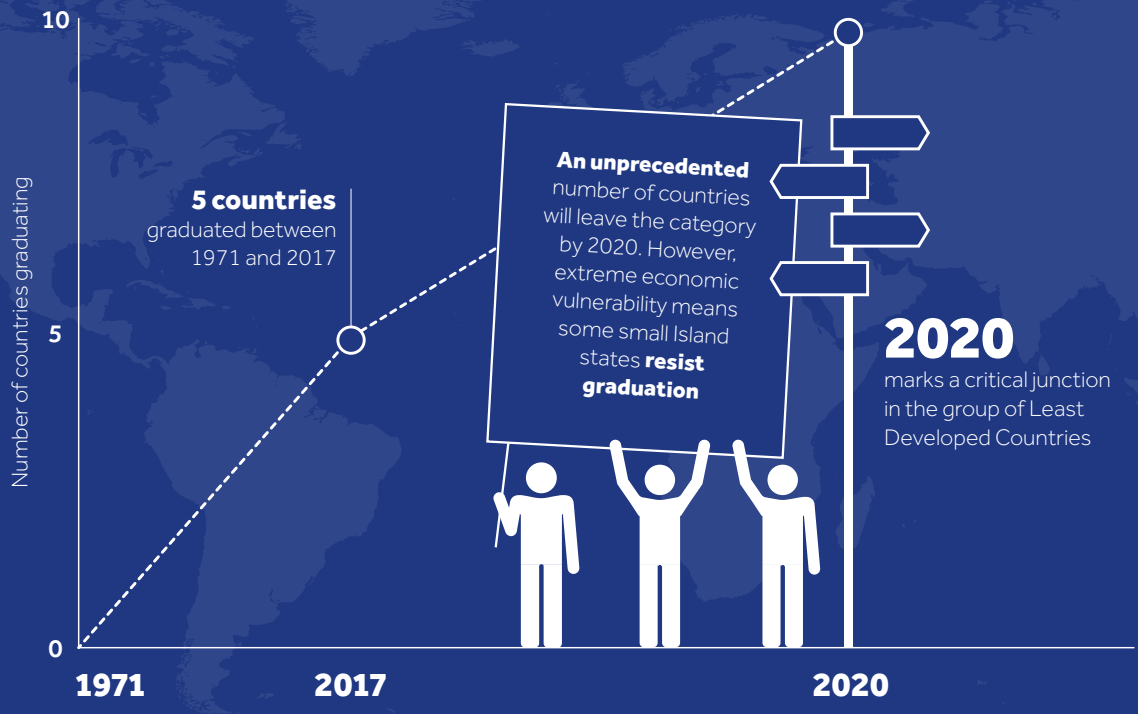
A Guide to Graduating from Least Developed Country Status

The Trade in Global Value Chains Perspective

Jodie Keane



The Commonwealth

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The Trade in Global Value Chains Perspective

By Jodie Keane

The Commonwealth

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Preface

The Commonwealth is an association of 53 independent countries, comprising large and small, developed and developing, landlocked and island economies. As the main intergovernmental body of the association, the Commonwealth Secretariat works with member governments to deliver on priorities agreed by Commonwealth Heads of Government and promotes international consensus building. It provides technical assistance and advisory services to members, helping governments achieve sustainable, inclusive and equitable development. The Secretariat's work programme encompasses areas such as democracy, rule of law, human rights, governance, and social and economic development.

The Secretariat has consistently advocated on behalf of its least developed country (LDC) member states for improvements in international support measures. An unprecedented number of LDCs are expected to reach graduation thresholds, established by the United Nations Committee for Development Policy (CDP), by 2021. Currently, 14 out of the 53 members of the Commonwealth are classified as LDCs. Between 2021 and 2024, this number is likely to reduce to 11, as Bangladesh, the Solomon Islands and Vanuatu are expected to move out of this category in view of their recent progress in areas of the criteria for determining LDC classification and their acceptance of the recommendations of the CDP. For other Commonwealth LDCs, such as Kiribati and Tuvalu, the graduation process remains contentious because of extreme vulnerability to climate change and other environmental shocks.

In anticipation of LDC status graduation, there is a need for more focused impact assessments. Through a Kickstarter assignment funded by the UK, the Commonwealth Secretariat has developed a new approach to better assess the potential costs and benefits arising from transitioning from LDC status. This requires a better understanding of how LDCs are positioned within global value chains (GVCs). In view of the fragmented nature of trade and the relative positions of countries within GVCs, the competitiveness challenges arising from the loss of preferential market access must be better identified and targeted. This guide provides a conceptual framework and tools to guide more refined trade-related impact assessments that take more account of the private sector perspective. We hope that this guide can be easily applied to better assist policy-makers, as well as development partners, in supporting the forthcoming LDC graduation process, including adapting to the competitiveness challenges arising from graduation and enhancing trade-related performance, which is so vital for export diversification and the achievement of sustainable development.

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Acronyms and Abbreviations

CDP	Committee ttfor Development Policy
CMT	Cut, make and trim
EBA	Everything but Arms
EPZ	Export processing zone
FDI	Foreign Direct Investment
GATT	General Agreement on Trade and Tariffs
GMAC	Garment Manufacturers of Cambodia
GSP	Generalised System of Preferences
GVC	Global value chain
LDC	Least developed country
MFA	Multifibre Agreement
MFN	Most-favoured nation
NIC	Newly industrialised country
OEM	Original equipment manufacturing
ODM	Original design manufacturing
SDT	Special and differential treatment
SOE	State-owned enterprise
WTO	World Trade Organization

Overview

The international community has recognised the structural changes in the way trade, production and marketing are organised within complex production networks and global value chains (GVCs). However, the GVC perspective has not been utilised to explore the implications of graduation from least developed country (LDC) status. The influence of trade preferences for development remains underexplored within the GVC literature. Only recently has the influence of trade policy regimes been discussed in terms of their influence on value chain outcomes and upgrading strategies. This guide to the process develops a conceptual framework and identifies research methods and tools, which, if applied, could assist policy-makers in adapting to the loss of tariff rents induced by graduation. It does this through the integration of GVC analysis with trade economists' conventional approaches towards tariff preference erosion.

Objectives

To equip policy-makers within the Ministry of Trade, Industry and Enterprise with the tools necessary to anticipate the potential for trade shifts to arise because of graduation from LDC status.

To provide access to research methods to analyse the trade-related effects of tariff preference loss. This includes worked-through examples of the economic analysis of tariff preference removal.

To provide examples of how to integrate private sector consultations and survey methods so as to understand the perspectives of lead firms and buyers.

Finally, to suggest avenues for further research and follow-up with international development partners in view of the transition process.

Organisation

After a general introduction (**Chapter 1**), this guide is organised as follows:

Chapter 2: introduces the building blocks of GVC analysis.

Chapter 3: describes the quantitative analysis used by trade economists to explore the effects of tariff preference loss.

Chapter 4: applies the quantitative research method.

Chapter 5: provides examples of how to validate the findings derived in Chapter 4, with consideration of the private sector perspective.

Chapter 1

Introduction

While, in recent decades, the international community has recognised the structural changes in the way trade, production and marketing are organised – with production spread between firms in several countries organised into complex production networks and global value chains (GVCs) (WTO 2017) – only recently has the influence of trade policy regimes on value chain outcomes and upgrading strategies been analysed (Curran and Nadvi 2015). This includes measures applied at the border such as tariffs, as well as other product specifications such as rules of origin. This absence of critical analysis is surprising, since the success of export-orientated growth by emerging Asian countries achieved during the second half of the twentieth century was underpinned by shifting patterns of production and forms of trade preference (Keane 2013).

The implications for least developed countries (LDCs) of the rise of the Asian newly industrialised countries (NICs) as intermediaries within a triangular mode of manufacturing has only recently begun to be explored within the GVC literature. Essentially, the Multifibre Agreement (MFA) conferred a form of locational advantage on countries not party s to the agreement; this subsequently brought developing countries (notably in Asia) into production networks. The end result has been the creation of triangular trade arrangements between the USA, Europe, the Asian NICs and less developed Asian economies, as well as producers in Latin America, the Caribbean and sub-Saharan Africa.

The multilateral trading system rests on the principle of non-discrimination, as described by Hoekman et al. (2009). Notions of managed trade and 'constrained upgrading' and thus the strategic rationales underpinning trade policy began to be articulated as the MFA with its distributed system of quotas was replaced by the Agreement on Textiles and Clothing, under the auspices of the World Trade Organization (WTO) (Pickles et al. 2015). The General Agreement on Trade and Tariffs (GATT) allowed for exemptions from the most-favoured nation (MFN) rule in the case of reciprocal preferential trade agreements and the granting of unilateral (non-reciprocal) preferences to developing countries (Hoekman et al. 2009).

As quantitative trade restrictions have been removed in developed country markets, the end result is increased consolidation at the firm and country levels. Buyers have modified their strategies, making them more focused on lead time management, production flexibility, and product quality and delivery – and less focused on (tariff) rent capture (see Curran and Nadvi 2015). An economic rent is defined as the difference between the

price at which an output can be sold and its production costs, including normal returns. Essentially, when governments levy tariffs they drive a wedge between sale prices and create an economic rent over and above that which may be derived by the producer. Because of the profit maximisation behaviour of economic agents and the role of economic rents as conveyed by tariffs, when they are removed firms must offset economic losses elsewhere. Globally, these shifts have been expressed through a decline in unit prices and increased pressure in the sector, as geographies of global sourcing have become more complex and multilayered (Pickles et al. 2015).

The 1979 Enabling Clause (formally titled 'Differential and more favourable treatment, reciprocity and fuller participation of developing countries') agreed as part of the Tokyo Round of the GATT gave permanent legal cover for the Generalised System of Preferences (GSP). It also included references to 'graduation', thereby indicating that special and differential treatment (SDT) policies were to be phased out as recipient countries reached a certain level of economic development. However, criteria for SDT eligibility and for graduation remained undefined within the multilateral trading systems, and, as described by Hoekman et al. (2009), the major concern expressed by developing countries has been that SDT provisions are best-endeavour commitments and not enforceable through the dispute-settlement mechanism of the WTO; eligibility and graduation criteria, as well as product coverage and type of preference, are left to donor countries to determine unilaterally.

It is fair to say that the influence of trade preferences for development, which have conveyed important incentives for the integration of LDCs into global production networks and are a key type of international support measure, remains underexplored within the GVC literature. In view of the unprecedented number of countries anticipated to graduate from the LDC category in the coming years – mainly on the grounds of income – this guide seeks to redress this shortcoming. While by 2018 only five countries had graduated from LDC status since 1971, this situation is expected to change dramatically in subsequent years.

Over time, particular segments of the GVC and stages of production have become increasingly concentrated, which has served to consolidate the position of firms within particular stages and tiers of production. Developments in trade policy, including making trade more socially and environmentally responsible, have also begun to influence the institutional context of production (Pickles et al. 2015). In view of these trends, this handbook presents a conceptual framework and identifies research methods and tools, which, if applied, could assist policy-makers in adapting to the loss of tariff rents induced by graduation.

It does this through integrating conventional analysis of preference erosion with GVC analysis. This is because the modern export sector

is characterised by tightly co-ordinated production networks linked to end markets, highly organised within tiers of suppliers differentiated by their functions, spread geographically, including across sectors where the trade preference rent conveyed to LDCs is high, such as within the textiles and clothing, high value agriculture and processed fisheries GVCs.

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Chapter 2

The Global Value Chain Approach

The GVC literature that emerged in the 1990s was motivated by the need to better understand how producers engage with the process of globalisation and the resultant implications for the development of production capacity and capabilities. A number of value chain studies across sectors, including agriculture and light manufacturing, acknowledged and discussed changes in global production and methods of co-ordination, and explored what this means for firms and labourers.[1]

The literature continues to develop, both conceptually (e.g. by recognising global production networks) and empirically (e.g. by employing more robust research methods). The building blocks generally remain the same, consisting of an understanding of the appropriation of rents within a given chain, which indicates economic power, and the governance structures that help to secure them. The methodology tends to take a more vertical approach towards tracing the relationships between producers and buyers.

2.1 Methodology

There are a range of research methods to measure participation in GVCs. These have different research objectives. They require different types of data and information, and vary in terms of their demand for complexity. Overall, the generation of GVC-related case studies is considered to be both the most complex and the most accurate approach to the measurement of GVC participation. In comparison, the collection of data related to trade in intermediate goods, such as parts and components, is quite straightforward.

In recent years, the use of trade in value added – net exports – has become a proxy for measuring participation in GVCs. However, the analysis of trade in value added captures predominantly vertically fragmented trade. For these reasons, this handbook advocates the use of a type of causal chain analysis that identifies buyers, sellers and the intermediate actors that link the two as the preferred approach to GVC analysis, because it can be applied across sectors: from light manufacturing to commodity-driven value chains.

2.1.1 Identifying GVCs: case-study analysis

Essentially, the GVC approach requires us to consider the market structures in which trade occurs and market dynamics. The approach focuses on the dynamics of inter-firm linkages and international industrial organisation,

as opposed to considering the production and export of goods in isolation from these structures.

The building blocks

Within the context of LDC graduation, the economic rents under consideration are the tariff rents, that is, the difference between MFN rates, applied to all trade partners, and the preferential rate conferred on LDC producers. However, prior to this approximation (which requires trade data analysis) it is important to understand how value added accrues and is distributed along actors within the value chain. This requires:

- identifying actors within the value chain that benefit from the tariff rent.

In order to derive this:

- unit costs can be proxied for producers and production costs analysed alongside sales data;
- this approach can proxy the potential economic margin (or profit).

This approach can derive a proxy for value added derived at each sequential stage of production. However, its drawback is that detailed information on sale prices must be obtained. This is not always possible when products are transported and sold overseas. Nonetheless, even beginning this process of mapping out the actors involved, identifying lead firms and buyers, and understanding production costs and sales prices can assist in identifying the drivers of the value chain.

Value chain drivers

Value chain drivers typically capture the largest share of value added. Therefore, the identification of value chain drivers through the approximation of value added and its distribution across actors within a given value chain is a good start in GVC analysis. However, in addition to shares of value added, Gibbon and Ponte (2005) presented lead firms in selected value chains with their market shares. They did this because the term 'lead firms' refers not only to firms that have the largest market share (in comparison with other firms in the same functional position), but also to the fact that, as a group, lead firms control certain functions that allow them to dictate the terms of participation to other actors in different functional positions in the value chain.

This means that approximating the market share of different actors within the value chain also becomes necessary, for example as follows: Firm A accounts for the largest value of production, and derives the largest margin based on estimates of production costs and sales price; it also accounts for 20 per cent of retail sales, based on the information derived from purchases made by Buyer B. Obviously, this approach could become complicated as

corporate strategies begin to be deciphered, as explained in more detail in the following subsection.

Market shares, buyers and structure

An understanding of how firms compete leads to a greater focus on specific product attributes. Kaplinsky and Morris (2001) described how dominant firms, and those with the market edge, gain economic control through the development of intangible competencies such as research and development (R&D), design, branding and marketing, which are characterised by high barriers to entry and which command high returns. In the case of particular retailers, these factors may include the development of a strategic end-market share on the basis of economies of scale, marketing and product differentiation.[2]

What all of this information suggests is that market share analysis should be supplemented with information on the major buyers in order to get an understanding of the GVC in which producers operate. Information on firm size and firm ownership structures, including shares of Foreign Direct Investment (FDI),[3] should be used to supplement market share analysis in order to provide further insights into the determinants of competitiveness and the nature of relationships between firms. Although obtaining such information can be challenging because detailed firm-level surveys are not always available, beginning to qualitatively map out the different actors within the value chain and considering their relationships can be instructive.

Notes

1 For such studies, see Cramer (1999), Daviron (2002), Dolan et al. (1999), Dolan and Humphreys (2000), Gereffi (1999), Kaplinsky and Kaplan (1998), Navdi and Thoburn (2004) and Ponte (2002).

2 Other factors also noted by Gibbon and Ponte (2005) include political connections, and/or locking in on new locational advantages that arise from geopolitical changes. Although these are discussed with particular reference to sub-Saharan Africa, they are factors that are arguably relevant to most countries and regions.

3 However, there are constraints as to data availability and the mandate of the United Nations Industrial Development Organization (UNIDO), although secondary data sources such as World Development Indicators (WDIs) could be drawn on.

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Chapter 3

Assessing Trade Policy Changes Induced by Graduation

As discussed by Keane and te Velde (2011) there are few studies that specifically look at the potential effects arising from graduation from preferential trade regimes. Instead, most of the literature focuses on changes in preferential tariffs and resultant trade effects. Given this, te Velde and Keane (2011) and Stevens et al. (2011) developed an analytical framework that recognises how firms set their pricing in a given market and consider the actions of other exporters, as well as how a firm's market share, in turn, influences its price-setting policy. This is because the potential for trade shifts to arise as a response to price changes depends on the price elasticities of demand and firms' market shares.

The magnitude of the costs and benefits for exporters affected depends on the responsiveness (elasticity) of export supply and import demand to price changes, as well as on the degree of substitution between preferential and non-preferential suppliers. A product has unit (or unitary) price elasticity if the price change results in a commensurate change in quantity, e.g. a 10 per cent increase in price results in a 10 per cent reduction in demand. If the reduction in the quantity demanded is less than the price decline, the product exhibits a more inelastic demand curve.

Because the methodology developed focused specifically on the potential for trade-related effects to arise from country and product graduation from the EU's GSP, which introduced a number of changes in 2014 and were assessed in detail by Stevens et al. (2013), it is possible to adapt this methodology to analyse the potential for trade shifts to arise as a result of graduation from LDC status.

The data required are mostly trade data. A crucial part of the analysis is understanding the difference – in percentage points – between the MFN tariff rate and the tariff rate applied to LDCs. This major part of the quantitative analysis is a key element within the trade economist's toolkit. Box 3.1 describes the basis of the analysis of preference erosion, adapted from Hoekman et al. (2009). Box 3.2 describes why the focus on the removal of preferences within the European market is justified.

Box 3.1 Basic analytics of preferences[1]

"The simplest measure of the value of preference programs for an exporter is the difference between the applied tariffs facing a country and the MFN tariffs that would apply to the country's exports without

(*continued*)

(*continued*)

a preferential agreement. The less close the varieties are as substitutes, the smaller the reduction in demand will be for the non-LDC supplier following the implementation of preferences for the LDC (Hoekman et al. 2009)." The converse would also apply in the case of a removal of a trade preference for LDCs.

According to Hoekman et al. (2009), thee case of horizontal demand curves seems quite appropriate for situations in which small countries are supplying relatively homogeneous products to much larger economies, as in the case of LDCs supplying raw agricultural products to the EU or United States. Therefore, they further note, that in practice, a crude measure of the value of preferences, defined as the product of the preference margin and the quantity exported, provides an upper limit on the potential losses from preference erosion.

However, if buyers or intermediaries in the importing country have market power, they, rather than the exporter, may absorb the cost of the tariff increase (in part because often importers and intermediaries are able to capture large shares of tariff rents).[2] It is precisely for this reason that a GVC perspective has been adopted for the purposes of this handbook.

As Hoekman et al. (2009) described in some detail, the challenges of undertaking an empirical analysis of the effects of trade preferences include:

- the specific impact of preferences as opposed to other factors;
- the observed growth rate of exports from recipients to the preference-granting countries, without controlling for other factors;
- sensitivities regarding trade elasticities;
- and, finally, the use of gravity regressions in which preference status is captured by a dummy variable.

They note that to the extent that exceptions in preferential regime are often defined at a highly disaggregated product level, the absence of elasticity estimates at this level of disaggregation – as well as the difficulty of finding the right controls to include in regressions – adds to the controversy surrounding available studies. These data and methodological problems help explain why the policy-oriented literature has tended to rely heavily on descriptive indicators. Four indicators are particularly common:

- Preference margins – the difference between MFN tariffs and preferential tariffs for products

- Potential coverage – the ratio between products covered by a scheme and the dutiable imports originating in beneficiary countries
- Utilization – the ratio between imports that actually receive preferential treatment and those that are in principle covered (a measure of how effectively beneficiaries are able to use preferences)
- Utility – the ratio of the value of imports that receive preferences to all dutiable imports from that exporter (the lower this ratio, the less generous the preference scheme)

A note of caution is emphasised by Hoekman et al. (2009), since focusing on these variables alone only provides a partial perspective of the economic value of a preferential regime. They describe that in order to get a more precise estimate of the value of preferences, one has to take into account: the extent to which others have preferential access; the costs of compliance in terms of documentation (for example, in proving conformity with rules of origin); the economic costs of sourcing inputs from more expensive sources to comply with origin requirements; the various limitations and constraints embodied in preferential schemes; and the distribution of related rents.

Source: adapted from Hoekman et al. 2009

Box 3.2 Why the focus on the EU?

"The EU GSP program is the most inclusive of its preference schemes for developing countries. However, graduation measures are taken when the country becomes more competitive, with all countries classified as high income by the World Bank losing eligibility. Furthermore, the rules of origin tend to be restrictive, with no cumulation among participants…. The EU (reflecting the magnitude of the preference margins offered, the extensive scope of preferences given and the EU's importance as a destination market for many preference-dependent countries) stands out as the largest provider of preferences and the one where preference erosion is likely to be the most serious problem in the case of MFN liberalization. Although preferences have been instrumental in promoting some developing countries' export diversification into textiles and clothing, the track record of unilateral preferential systems as mechanisms to promote integration of developing economies into the world economy has been mixed at best. In part, this mixed record is because rules of origin and other forms of conditionality remain a major constraint on further expansion in some regimes. More fundamentally, however, it reflects supply capacity constraints in many beneficiary countries."

Source: Hoekman et al. 2009

Strategies related to the loss of trade-related international support measures

Policy-makers must confront competitiveness challenges should the available evidence suggest that these may arise because of the loss of tariff preferences. Some of the strategies that could be adopted are outlined below.

Extension of the transition period: in order to anticipate and adapt to the trade-related effects of preference loss, an extension of the transition period could be sought. This may provide greater flexibility, for example to ensure workers are retrained, and could lead to productivity gains that counteract any adverse effects related to increased competition.

Legal assistance for transition from the EU's EBA regime to GSP+: the loss of tariff preference could be mitigated through seeking to obtain a different trade regime. For example, the EU's GSP offers an additional preference (in some cases, comparable to the EBA) for countries that adhere to particular social and environmental objectives. Legal support may be available upon request from development partners, including the Commonwealth Secretariat.

Transitional arrangement for services waiver: given that the LDC services waiver is a newly available mechanism and has barely been utilised by the next wave of graduates, a particular transitional arrangement may be beneficial.

More targeted aid for trade support: in order to improve the effectiveness of Aid for Trade disbursements, the findings from the application of this guide could be utilised to more effectively advocate support for trade-related adjustment. The buyer's survey (see Annex) could reveal alternative ways in which competitiveness could be harnessed. These could include investments in infrastructure so as to further reduce trade costs in view of heightened competition after graduation.

Notes

1 This is adapted from Hoekman et al. 2009.
2 Olarreaga and Özden (2005) find that on average exporters received around one-third of the tariff rent, with poorer and smaller countries tending to obtain lower shares.

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Chapter 4

The Research Approach

In the following section, the methodology to analyse the potential for trade-related effects to arise because of graduation from LDC status is described. The data required are:

- trade data disaggregated at the lowest level into major end markets (mirror data are preferable), over at least a three-year average (representing the yearly average based on at least a three-year period);
- trade data, as above, for competitors whose market share within the preference-driven end market is more than 5 per cent;
- tariff information for major competitors and the percentage point difference pre- and post graduation, e.g. between MFN, GSP and LDC rates (other GSP rates could also be explored, if LDCs seek to pursue this avenue post graduation).

4.1 Methodology

When a country graduates from LDC status it faces an increase in tariffs. While there are a number of ways to broadly examine the trade effect of a tariff change, the approach adopted in this handbook is as follows:

- Step one: follow a standard import demand model, where imports depend on relative prices and the budget available, assuming a unit price elasticity (a 10 per cent tariff and price change will lead to a 10 per cent change in import volumes and export receipts);
- Step two: as above, but estimate how competitors within the market may increase their market share.

If we assume the price elasticity of demand to be unit elastic and equal to 1, this means that any increase in price because of changes in graduation thresholds that increase tariffs results in an equal reduction in the quantity demanded (assuming unitary price elasticity). This constitutes the first step towards estimating the potential trade effects of graduation from LDC status.

The second step in estimating the trade effects of graduation assumes that there are competitors in all products. This means that it is possible to calculate the potential increase in demand for goods exported by the non-graduates, namely through estimating by how much other competitor countries might increase their exports, taking the place of the graduated country proportional to their market share (assuming a constant unit cross price elasticity of demand).

4.1.1 Step one

The simplest way to estimate the trade effects of the removal or granting of a given preference typically includes analysing the resultant differences in relative prices: the unit price received by a preference recipient for a particular product relative to that received by MFN exporters, as a result of eligibility for a given preferential regime (Equation 4.1):[1]

$$P_k^i = P_k^w(1 + m_k^i) \quad \text{or} \quad m_k^i = \frac{P_k^i}{P_k^w} - 1 \tag{4.1}$$

where P_k^i is the unit price received by exporter i for product k, and P_k^w is the world (or MFN) unit price for k. This static approach implicitly assumes that markets are perfectly competitive and there is no product differentiation within each category k. The equation can be expressed as the difference between the MFN tariff and the preferential rate received by a given beneficiary in a particular market through dropping the product-specific parameter k (Equation 4.2), or as a margin, given by Equation 4.3:

$$P_i = P^w(1 + T_{MFN} - T_i) \tag{4.2}$$

$$m_i = T_{MFN} - T_i \tag{4.3}$$

where T_{MFN} is the *ad valorem* MFN tariff for a particular product and Ti is the export-weighted average preferential tariff faced by exporter i in a given market. The percentage change in the value of exports as a result of a change in the export price is given by:

$$\frac{\Delta X}{X} = \frac{X_2 - X_1}{X_1} = \frac{\Delta P}{P} + \varepsilon \frac{\Delta P}{P}\left[\frac{\Delta P}{P} + 1\right] \tag{4.4}$$

where X is the value of exports and ε is equal to: $(\Delta Q/Q)/(\Delta P/P)$. Implicit in the approach is that the loss of export revenues is larger than the percentage reduction in the preference margin (i.e. the larger the original margin, the larger the elasticity of export supply). This formula can be adapted in line with changes in preferential regimes, such as graduation thresholds, which result in some exporters facing a higher tariff than others, in order to calculate the resultant effect on export revenues as follows:

$$\frac{\Delta X}{X} = \mu_i \frac{m_i}{1 + m_i} + \varepsilon_i \left[\mu_i \frac{m_i}{1 + m_i}\right]\left(\mu_i \frac{m_i}{1 + m_i} + 1\right) \tag{4.4a}$$

where $\mu_i = \Delta m_i / m_i$ indicates the percentage change in the given preference margin of country i. The first component of Equation 4.4a calculates the difference in unit values as a result of the change in preference margin, and

the latter component gives the impact on export revenues of the response of (export) volumes to a given price change.

Essentially, Equation 4.4a calculates the cross elasticity of demand. This is the percentage change in quantity for a given change in price. It implies that the loss of export revenue is larger than the percentage reduction in the preference margin (i.e. the larger the original margin, the larger the elasticity of export supply). However, it is unable to shed much light on what extent other non-graduates may benefit through a substitution effect, which would also depend on their export supply elasticity.

4.1.2 Step two

Obviously, the export supply capacity of exporters will vary. More competitive producers will tend to have lower average unit prices, which means that any change in tariffs will lead to different percentage reductions in exporters' margins because of these characteristics. To try to account for these aspects, this second step in the analysis takes account of the trade performances of competitors.

The second step in estimating the trade effects of changes in graduation thresholds assumes that the reduction in imports from the graduates will be compensated for by increases in imports from other sources, based on their market share. There are competitors in all products. We thus calculate the resultant potential increase in demand for goods exported by non-graduates. We do this using a market share approach to estimate how other countries might increase their exports, proportionally (we assume a constant unit cross elasticity of demand of 1). Where there is more than one graduate for a given product, we assume that all graduated countries lose market share towards the non-graduates.

4.2 Country example: step one – how might demand respond to the price increase?

Table 4.1 presents a worked through example of such an analysis in the EU market. This analysis should focus on top competitors. These can be defined as significant exporters to the EU market: those that constitute 5 per cent or more of the total imports from extra-regional partners (in value terms). The graduating country is highlighted. The hypothetical tariff rate faced is 0 per cent. However, upon graduation, the rate will increase to 12 per cent *ad valorem*.

The product analysed is frozen shrimp, at the eight-digit level. Because GVC trade has become so fragmented in recent years, the lowest level of disaggregation should be used for the analysis in order to obtain the most accurate results.

Table 4.1 Estimating the potential for a trade shift

Main competitors (i.e. 5% plus share of total from extra)	Tariff		Average value (US$ million)	Share	3-year average unit value (US$/kg)	% of graduate's unit value
	Current	GSP				
All suppliers			1,452.2		4.9	91.3%
Ecuador	3.6%		290.7	20.0%	4.2	78.6%
Graduate	**0.0%**	**12%**	155.4	10.7%	5.7	105.7%
India	4.2%		152.4	10.5%	4.9	91.6%
Thailand	4.2%		128.8	8.9%	4.7	87.8%
Cambodia	0		119.3	8.2%	5.3	97.5%
Vietnam	12%		115.1	7.9%	5.4	100.0%
Madagascar	0		74.3	5.1%	8.4	155.4%
China	12%		28.4	2.0%	4.9	91.8%
Graduate	155.4	12.0%	−18.65			

Assuming that the price elasticity of demand is equal to 1, this means that any increase in price because of changes in graduation thresholds that increase tariffs results in an equal reduction in the quantity demanded (assuming unitary price elasticity).

The responsiveness of demand to the price increase induced by the 12 per cent increase in tariffs is calculated as follows:

=SUM (−1*155.4*12).

This results in a potential decline in demand of approximately US$19 million (US$18.65 million). However, this is derived from an assumed price responsiveness of demand. Changing the elasticity will obviously derive less of an effect. Nonetheless, the objective of this exercise is to alert policy-makers to the potential for a trade shift. In the following subsections, the competitiveness effects potentially induced by graduation are explored further, through the use of the market share approach.

Country example: step two – how might competitors' supplies increase?

This example refers to Ecuador, which is listed in the top row of Table 4.1. As can be seen from Table 4.1, Ecuador has a 20 per cent market share of the product being analysed: it accounts for 20 per cent of all EU imports of this product (frozen shrimp). It can also be seen that Ecuador exports a far larger value of this product than the hypothetical LDC graduate.

In order to estimate how the reduction of imports into the EU market from the LDC graduate might be distributed among other major players, we assume that the reduction is made up by imports from other sources,

Table 4.2 Taking account of market shares

Main competitors (i.e. 5% plus share of total from extra)	Tariff		Average value (US$ million)	Share	3-year average unit value 2008–10 (US$/kg)	% of graduate's unit value
	Current	GSP				
All suppliers			1,452.2		4.9	91.3%
Ecuador	3.6%		290.7	20.0 %	4.2	78.6%
Graduate	**0.0%**	**12%**	155.4	10.7 %	5.7	105.7%
Ecuador	**0.224**	4.181				

based on their market share. We thus calculate the resultant potential increase in demand for goods exported by non-graduates. We do this using a market share approach to estimate how other countries might increase their exports, proportionally (we assume a constant unit cross elasticity of demand of 1).

As a result of graduation from LDC status, the difference in tariffs faced between the graduate and Ecuador is 8.4 percentage points. We assume that the loss in competitiveness because of the tariff increase experienced by the LDC graduate is evenly distributed among competitors based on their market share. This means that we first:

- Subtract 20 per cent (market share of Ecuador) from (**1**–10.7 per cent (market share of the graduate)).

This gives us the figure of **0.224.** This figure is derived from the loss of market share by the graduate, because of the reduction in demand induced by the tariff rent loss, which is then made up by Ecuador.

We then distribute the estimated loss of US$18.65 million resulting from reduced demand (as obtained in Step 1) from the graduate to Ecuador, based on the market share approach. This means that demand for Ecuador's exports increase. The following steps are undertaken:

- multiply –US$18.65 million by 0.224
- the result is US$4.20 million.

This is the anticipated potential for imports from Ecuador to increase of the specific product analysed. Ecuador's exports are expected to increase by US$4.2 million because of the loss in competitiveness induced by graduation and loss of the tariff rent.

4.3 Points to remember

The advantage of this approach is its simplicity, and the information gained in this way already provides more detailed information than computable

general equilibrium (CGE) modelling studies, which may not cover the detail of product and country pairs. A potential drawback, however, is that the formula assumes constant import price elasticities, that is, that if the price of a given product declines all producers will adapt to this reduction in the same way, regardless of the different ways in which the goods have been produced.

This means that the approach is unable to account for circumstances in which a small increase in prices and the resultant trade effects could prompt the closure of an industry in one country, or for situations in which the structure of production within a country may afford a greater degree of flexibility to absorb price increases. Moreover, the approach assumes that the goods exported are homogeneous, rather than differentiated. It is precisely for these reasons that this information must be supplemented with an in-country assessment and consultation with actors in the sector.

The literature on empirical estimates of trade elasticities, as opposed to those derived using econometrics, suggests that the magnitude of these estimates can vary widely and in some cases the signs reported (positive or negative) can be contrary to theory.[2] These sorts of results can throw doubt on the whole procedure, although reliable estimates of export and import demand elasticities are required to determine quantity and price changes for products affected by changes in preferential trade regimes. For example, the findings of Goldstein and Khan (1978), who treated export demand and export supply elasticities separately, were challenged by Riedel (1988), who found high price elasticities and insignificant income elasticities, with market share and export growth being determined mainly by supply-side factors.

Broda et al. (2006) found that larger countries face less elastic export supply curves, which indicates that, on average, they have more market power than smaller countries, and that the higher a country's share in world imports in a particular product, the smaller the export supply elasticity it tends to face. Therefore, it is argued that an alternative approach to the analysis of trade elasticities from economically small countries is to invert the demand function and instead to consider the export supply function.[3] Such approaches could indeed be pursued, as soon as sensitive products have been identified.

The research approach advocated in this handbook is relatively straightforward and intuitive, and the data required are accessible. Therefore, it provides a good first step towards the identification and analysis of potential trade-related effects induced through graduation from LDC status. The potential trade effects that may arise from changes in graduation thresholds are transmitted via three pathways:

1. price effects arising from an increase in the price of goods caused by graduation, which increases tariffs;

2. this results in the potential substitution between exports from graduates and non-graduates;
3. dependent on market share elasticities and therefore the extent of price sensitivity.

However, a mixed methodology that also integrates the buyer's perspective must supplement this type of analysis in order to fully understand the value chain structure. Moreover, researchers must pay careful attention to the specific role of compound duties and changes in other rules, such as rules of origin, as a result of movement out of the LDC trade regime.

Notes

1 The following was adapted from Alexandraki and Lankes (2004).
2 For example, Blonigen and Wilson (1999) used a varying coefficient model and found variations of elasticities among sectors due to some home bias and the presence of foreign-owned affiliates.
3 Imbs and Mejean (2010) estimated both export and import elasticities using a constant elasticity of substitution (CES) demand system. The price elasticity of imports was used to estimate the degree of competition between domestic and foreign producers in the face of an adjustment in demand; the export elasticity was calculated as the response of trade quantities to an exogenous shift in relative prices. These authors argued that the aggregate effect of these is a trade elasticity that derives from the supply side of an economy, i.e. regardless of whether or not firms then decide to enter a given market.

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Chapter 5

Integrating the Global Value Chain Perspective

The value chain approach towards the analysis of changes in preferential trade regimes and the effects on trade tends to emphasise how the governance structures within which producers trade influences the extent of transmission, for example whether upstream producers, at the node of production, experience a decline in prices for a given product, or whether retailers downstream are able to absorb price effects into their margins.

The approach is therefore able to inform us about the characteristics of the related value chain within which producers trade. This includes:

- how exports from non-graduated countries actually compete with exports from LDC graduates in particular countries and sectors of interest (e.g. in terms of price or quality);
- the associated governance structures of the value chain within which producers trade (producer or buyer driven), i.e. the type of firms involved (small-scale or multinational firms);
- linkages with other sectors (backwards and forwards).

The objective of the descriptive analysis is to identify how a trade shock, such as the removal of trade preferences, may be transmitted to producers, and the likely degree of absorption within existing structures of production. A key perspective that must be considered is therefore that of the buyers.

5.1 The buyer's perspective

Different buyers have different objectives, in line with their own corporate strategies. In view of this, a distinction is often made between price-driven versus quality-driven value chains (see Schmitz and Knorringa 2001). Because opportunities for producers to upgrade within price-driven value chains may be fewer when there is a high concentration of buyers (Table 5.1), there might be more potential to downgrade because of the loss of a tariff preference. In comparison, a high number of opportunities to upgrade may be more amenable within quality-driven value chains, even if buyer concentration is high and gains are potentially uneven among suppliers. This may mean that the trade preference confers less competitive advantage in a quality-driven value chain than in a price-driven value chain.

Table 5.1 Type of value chain and posited opportunities to upgrade

Market segment	Buyer concentration	
	High	**Low**
Price-driven value chain	Probability of upgrading: low Gains: uneven	Probability of upgrading: low Gains: even
Quality-driven value chain	Probability of upgrading: high Gains: uneven	Probability of upgrading: high Gains: even

Source: Schmitz and Knorringa 2001.

A specific example of the differences in opportunities to upgrade that may arise because of the structure of the GVC and the influence of buyers' corporate strategies is clearly demonstrated through a comparison between the USA and the EU in relation to sourcing strategies in the textiles and clothing value chain. The main buyers from the EU and US markets differ in the size of their orders, which has implications for the kinds of services leveraged from suppliers.

Generally, US buyers tend to be more prescriptive, including dictating manufacturers' choices of fabrics (see Roberts and Thoburn 2003). Orders from the USA are often large and price is often the most important criterion. In such cases, where price is the main determining factor, there may be few opportunities to upgrade. This contrasts with the demands of EU buyers. Orders from buyers located in the EU are often more varied, with different standards for quality, fashion-related criteria and lead time.

What these two contrasting examples serve to highlight is how buyers can either be promotors of upgrading, or exploiters of low-cost labour or natural resources. The contribution of buyers to determining opportunities to upgrade will vary in line with producers' capabilities; buyer support is often crucial for entering a new market, but diminishes over time. At this point, the focus of buyers shifts from supporting intra-firm to inter-firm upgrading; some buyers subsequently help advanced producers improve the management of their supply chains.[1]

When quality matters, the logical postulate is that buyers will invest more in producers' capabilities. This may entail a shift from intra-firm to inter-firm upgrading (e.g. through linkage development). Inter-firm relations in quality- (not price-)driven value chains may be more conducive to mutual learning and improvements in production. However, an important and crucial aspect in all of this relates to the ability of local producers and managers to learn from buyers.[2]

This approach has obvious implications for policy-makers seeking to understand how graduation from LDC status and the resultant loss of international support measures, such as tariff preferences, may affect their

lead firms' positions within preference-driven GVCs. The most obvious questions that arise are:

- Does the tariff preference matter to buyers?; and
- If so, why?
- Can the cost advantage conveyed be offset through other incentives or investments?

Obviously, within price-driven GVCs, any increase in costs could have detrimental effects. Because more competitive producers will tend to have lower average unit prices than others, any change in tariffs will lead to differences in the percentage reductions in exporters' margins because of these characteristics. While the data may be suggestive of a cost of adjustment, this may be absorbed (as well as offset) in different ways, including by buyers. Hence, the buyer's perspective must be considered. In the following sections, some specific research tools to explore this aspect are introduced.

5.2 Survey instruments

Given that the market structure of most GVCs is dominated by a few dominant players, obtaining the buyer's perspective does not translate into a comprehensive firm-level survey. Instead, contract manufacturing, farming and fishing are typically undertaken for a limited number of global buyers. In order to understand how the GVC may be affected by the removal of tariff preferences, it is crucial to understand the buyer's perspective in relation to country and producer capabilities. This approach is crucial to enabling policy-makers to make informed decisions regarding transition arrangements.

This means identifying multinational firms' sourcing strategies and undertaking a short survey to better understand how they consider country capabilities. An example of the type of questionnaire that could be utilised in order to obtain the buyer's perspective on country capabilities is included in the **annex**. This questionnaire is structured in such a way as to obtain information on sourcing strategies and the opinion of the buyer on country capabilities.

The questions are grouped into the following thematic areas:

- **The buyer's strategy**: why does the buyer source from firms based in your country?
- **Producers' capabilities**: what are your producers' relative strengths, and weaknesses?
- **Producers' relative capabilities**: how do your producers fare with those from other competitors?

The overall objective of the buyer's survey, which could be complemented by similar surveys for lead firms operating within a country, is to clearly ascertain sourcing strategies and producers' capabilities. In order to clearly ascertain producers' relative capabilities, buyers sourcing from multiple countries (including the competitors identified from the quantitative analysis described in Chapter 4) could be selected.

Often such a research approach reveals that countries do not always compete in the same market segment and that the market is far more differentiated than previously thought. A semi-structured interview process can help to delineate the evolution of production networks and the relative position of countries within these, while avoiding commercial sensitivities regarding buyers' sourcing strategies.

Obtaining the buyer's perspective is not easy. However, through the causal chain analysis and line of enquiry developed in this guide, there are various ways in which strong contacts with lead firms could be developed so as to obtain the necessary trust for highly sensitive commercial information to be conveyed.

Development partners could be approached to provide assistance in this process. Given that donors now recognise the need for support for LDCs as they begin their transition process (notably in the case of Samoa, which has continued to receive Aid for Trade support post LDC graduation), there may be a greater appetite for closer collaboration between public and private sectors.

5.3 Assessing country capabilities

The typical challenges of upgrading within GVCs may be intensified because of the increase in trade costs, which may arise because of the removal of tariff rents. These challenges must be anticipated by policy-makers. In order to adapt, firms may need specific assistance to acquire new capabilities and explore new markets. This requires investments in equipment, organisational arrangements and people. It is therefore important that country capabilities are assessed.

Producers are integrated into the value chain based on their capabilities. These relate not only to labour costs, but also increasingly to other aspects of production, including logistics and supply chain management, compliance issues and the avoidance of reputational risks.[4] It is recognised that comparative costs create incentives to unbundle stages of production. In comparison, co-location or agglomeration effects may create forces that can bind some parts of a process together. As a result, the position of some countries within particular segments of GVCs may become more, rather than less, consolidated over time.

Because production is co-ordinated by decentralised, globally dispersed production networks co-ordinated by lead firms that control value added

Table 5.2 Country capabilities in the textiles and clothing value chain

Functional capabilities	Country examples	Description of activities	Firm ownership and size	Employed
Cut, make and trim (CMT) (assembly) **Supplier tier**: marginal supplier 1st tier	Cambodia	This is a form of subcontracting in which garment sewing plants are provided with imported inputs for assembly, most commonly in export processing zones (EPZs). CMT, or CM (cut and make), is a system whereby a manufacturer produces garments by cutting fabric provided by the customer and sewing the cut fabric into garments for delivery to the customer in accordance with their specifications. In general, companies operating on a CMT basis do not become involved in the design of the garment, just the manufacture.	FDI: 90%; local: ~7%	352,000
	Vietnam		FDI: 45%; state-owned enterprise (SOE): 10%	2 million
Package contractor (original equipment manufacturing (OEM)) sourcing **Supplier tier**: preferred supplier 2nd tier	Bangladesh	OEM is a business model that focuses on the manufacturing process. The contractor is capable of sourcing and financing piece goods (fabric) and trim, and providing all production services, finishing and packaging for delivery to the retail outlet. In the clothing industry, OEM companies typically manufacture according to customer specifications and design, in many cases using raw materials specified by the customer. Free-on-board (FOB) is a common term used in industry to describe this type of contract manufacturer. However, it is technically an international trade term in which, for the price quoted, goods are delivered on board a ship or to another carrier at no cost to the buyer.	Domestic FDI outside EPZs, FDI within EPZs	3 million
	Indonesia		Foreign and local firms	1 million
Package contractor (OEM) sourcing **Supplier tier**: niche supplier	Sri Lanka		Foreign and local firms	270,000
	Mexico		Foreign and local firms	750,000

(*Continued*)

Table 5.2 (*Continued*)

Functional capabilities	Country examples	Description of activities	Firm ownership and size	Employed
Full package provider (original design manufacturing (ODM)) **Supplier tier**: strategic supplier	Turkey	This is a business model that focuses on design rather than on branding or manufacturing. A full-package garment supplier carries out all steps involved in the production of a finished garment, including design, fabric purchasing, cutting, sewing, trimming, packaging and distribution. Typically, a full-package supplier will organise and co-ordinate the design of the product; the approval of samples; the selection, purchasing and production of materials; the completion of production; and, in some cases, the delivery of the finished product to the final customer.	Many small and medium-sized firms	n/a
	India		Local dominates; foreign firms must be a joint venture; small firm size	35 million
	China		FDI: 45%; SOE: ~2%	30 million

Source: Adapted from Gereffi and Frederick 2010.

activities, firm-level ownership structures and investment destined for particular market segments should be analysed carefully. It is important to distinguish between functional capabilities, in order to ascertain how lead firms within a country are positioned.

An example of such an assessment within the textiles and clothing industry is presented in Table 5.2. A similar type of analysis would apply to, for example, the fisheries sector, the horticultural sector and high-value and 'heavy' industries such as the automotive sector. A detailed overview of each of these sectors, the lead firm drivers and buyers are summarised by Keane and Baimbill-Johnson (2017).

To conclude, the deployment of mixed research methods becomes necessary so as to understand the nature of intra- and inter-firm relations and the sectoral dynamics of contemporary GVC engagement.[5] The causal chain analysis advocated in this guide leads to a focus on tariff-dependent exports, modes of production, and the strengths and weaknesses of producers alongside the buyer's perspective. It requires an understanding of average unit costs, values and the role of the tariff preference conferred on LDC producers. The potential for trade shifts to arise must be approximated. Subsequently, potential measures to offset any adverse effects on trade competitiveness must be identified.

Notes

1 This action is increasingly being undertaken with the support of donors.
2 Schmitz and Knorringa (2001) concluded that producer countries differ substantially in terms of their 'willingness to learn from foreigners' and differences in these aptitudes can help explain producers' relative competitiveness.
3 According to media reports, the least compliant factory on Better Factory Cambodia's list, Best Tan Garment Ltd in Meanchey district, was found to produce clothes for Spanish brand Pull&Bear, owned by Inditex (Henderson and Sovuthy 2014).
4 This view was expressed by several key informants as 'where the market is heading'.
5 For example, UNCTAD (2013) supplemented its TiVA (Trade in Value Added) data analysis with qualitative analyses, tracing company ownership structures so as to derive an estimation of 30% of contemporary global trade occurring within the boundaries of one firm.

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Annex

Comparator Questionnaire for Multinational Firms

Questionnaire for Buyers: Textiles and Clothing, Country A and Country B

Name of company: _____

Organisation type: _____

Country HQ/parent company: _____

Position: _____

Location: _____

Date: _____

1. Which countries are your most important suppliers and what percentage do they account for (latest year)?

a) _____ _____ % of imports

b) _____ _____ % of imports

c) _____ _____ % of imports

d) _____ _____ % of imports

e) _____ _____ % of imports

2. If not listed above, how do Countries A and B feature within the above list of major suppliers?

Bangladesh: _____ % of imports

Cambodia: _____ % of imports

3. If sourcing from Country A, how does it feature compared with your other main suppliers in terms of: Scale from 1 (worse) to 5 (better)

1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5

a. volume

b. variety

c. range

d. price

e. reliability

f. adherence to B2B standards/certification

g. other: _____

4. If sourcing from Country B, how does it feature compared with your other main suppliers in terms of: Scale from 1 (worse) to 5 (better)

1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5

a. volume

b. variety

c. range

d. price

e. reliability

f. adherence to B2B standards/certification

g. other: _____

5. What is your role in relation to sourcing from Country A/B?

Country A: _____

Country B: _____

6. When did sourcing from Country A/B begin? (year)

Country A: _____

Country B: _____

7. What is the main product and % of orders, sourced from Country A and Country B respectively?

Country A: main product: _____ % orders: _____

Country B: main product: _____ % orders: _____

8. Are textiles or any inputs supplied to producers? (Delete as appropriate)

Country A: No/Yes

Country B: No/Yes

9. If yes to Q8, where are these inputs sourced from?

For Country A: sourced from: _____

For Country B:, sourced from: _____

10. If no to Q8, has responsibility for sourcing been devolved to the garment producer?

Bangladesh: No/Yes

Cambodia: No/Yes:

11. Overall, what are your main motivations in terms of sourcing from:

Country A		**Country B**	
Cost of production:	Yes/no	Cost of production:	Yes/no
– Cost of labour:	Yes/no	– Cost of labour:	Yes/no
– Ease of doing business:	Yes/no	– Ease of doing business:	Yes/no
– Other infrastructure	Yes/no	– Other infrastructure	Yes/no
Adherence to B2B standards	Yes/no	Adherence to B2B standards	Yes/no
Other certification	Yes/no	Other certification	Yes/no
Government support:	Yes/no	Government support:	Yes/no
Skilled labour force:	Yes/no	Skilled labour force:	Yes/no
Other:		Other:	

12. Do you own factories in either country (if so, please name), or have any other investments within either country?

Country A: No/Yes: _____

Country B: No/Yes: _____

13. What is the nature of the contractual relations (e.g. verbal, written contract) with suppliers in Country A?

Verbal:	yes/no
Written:	yes/no
Other:	
If verbal, how frequently are volumes/prices agreed?	
Monthly:	yes/no
Annual:	yes/no
Other:	

If written: since when has a written agreement been in place?	
What time period is covered:	
Monthly:	yes/no
Annual:	yes/no
Are there any other conditions (e.g. price, variety, exclusivity):	

14. What is the nature of the contractual relations (e.g. verbal, written contract) with suppliers in Country B?

Verbal:	yes/no
Written:	yes/no
Other:	
If verbal, how frequently are volumes/prices agreed?	
Monthly:	yes/no
Annual:	yes/no
Other:	
If written: since when has a written agreement been in place?	
What time period is covered:	
Monthly:	yes/no
Annual:	yes/no
Are there any other conditions (e.g. price, variety, exclusivity):	

15. Have there been any major changes in the nature of contractual relations with Country A or B over recent years, and if so what?

Country A: _____

Country B: _____

16. In the future, how might the products sourced from Bangladesh/ Cambodia change (e.g. increase or decrease in volume/variety/range), and why?

Country A: _____

Country B: _____

17. How would you rank Country A in terms of the following indicators? Scale from 1 (weak) to 5 (strong) – please delete as appropriate

1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5

a. regular and reliable product quality

b. price

c. response time

d. punctual delivery

e. changes with orders

f. responding to new demands

g. other

18. How would you rank Country B in terms of the following indicators? Scale from 1 (weak) to 5 (strong) – please delete as appropriate

1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5

a. regular and reliable product quality

b. price

c. response time

d. punctual delivery

e. changes with orders

f. responding to new demands

g. other

19. In what aspects does Country A need to improve most in the coming five years? (Please circle)

a. reliability

b. response time

c. quality

d. changes to orders

e. responding to new demands

f. other: _____

20. In what aspects does Country B need to improve most in the coming five years? (Please circle)

a. reliability

b. response time

c. quality

d. changes to orders

e. responding to new demands

f. other: _____

21. Do you interact with any business associations and where are they based?

Country A:

Nature of interaction: _____

Name/location of association: _____

Country B:

Nature of interaction: _____

Name/location of association: _____

22. Have you provided any assistance to suppliers in Country A in relation to the following? Please circle as appropriate

a. achieving reliable quality, what/how: _____

b. upgrading technology, what/how: _____

c. speeding up response, what/how: _____

d. punctual delivery, what/how: _____

e. Training for workers, what/how: _____

f. Training for managers, what/how: _____

g. other – please note _____

23. Have you provided any assistance to suppliers in Country B in relation to the following? Please circle as appropriate

a. achieving reliable quality, what/how: _____

b. upgrading technology, what/how: _____

c. speeding up response, what/how: _____

d. punctual delivery, what/how: _____

e. Training for workers, what/how: _____

f. Training for managers, what/how: _____

g. other – please note _____

24. What major changes, if any, do you envisage regarding your business strategy in the next five years?

_____

25. Do you have any other additional comments in relation to any of the aforementioned questions and responses?

_____

Thank you for your time. All responses will remain anonymous.