

# Summary of the report from the Committee of inquiry into the export promotion activities of the Swedish Trade Council

## **Introduction**

In October 1999, the Swedish Government appointed a one-person Committee of inquiry to study the Trade Council's export promotion activities. Mrs Annika Åhnberg, Vice President of DeLaval Holding AB, was appointed to conduct the inquiry. The Committee's report (SOU 2000:102) was handed over to Mr Leif Pagrotsky, Minister of Trade, in November 2000.

The inquiry comprises a review of the Governmentfinanced export promotion activities of the Swedish Trade Council and focuses mainly on the so called Basic Government Assignment, i.e. the yearly assignment predominantly consisting of information and counselling activities.

The Trade Council was formed in 1972 following a decision by Parliament through an agreement between the two principals the Government and the Swedish Export Association, who acts as the industry's representative. The Trade Council is the central export promotion body of the Government. The latest official assessment of the Council's activities was carried out in 1991.

### *Terms of reference*

In accordance with its terms of reference, the review comprised the Trade Council's organisation in Sweden and abroad and the Council's relations with the Foreign Service and other organisations. One issue for the Committee was to assess whether the Basic Government Assignment corresponds to macroeconomic policy objectives and the needs of companies in different parts of the country. Another twenty issues were specified in the terms of reference as being worthy of special attention. The Committee was also asked to analyse problems that may arise from the fact that the

Trade Council receives income from the Government as well as from companies through the sale of services. The terms of reference indicate that small and medium-size enterprises should be given special attention.

Although not specified in the terms of reference, the Committee concluded that it should state its opinion regarding the fact that the Trade Council has no associate or corporate legal status. The Committee has also assessed which rules should apply in respect of procurement.

#### *The work of the Committee*

The Committee held meetings with organisations and central and regional bodies engaged in export promotion activities and business development as well as with companies. Upon request, a number of organisations submitted their observations and comments to the Committee. Contacts were especially extensive with the Trade Council, the Foreign Service and the Swedish Export Association. The Committee visited different parts of Sweden and also made visits to Bangkok, Berlin, Cairo, Copenhagen, Dublin, Helsinki, London, Tokyo, Chicago, Los Angeles, New York and Washington. Four surveys were carried out. The most comprehensive, a telephone survey of companies, was conducted in order to receive comments from a representative selection of export companies in different parts of the country. The Committee also collected information about the official export promotion system of some 15 countries.

### **Conclusions and proposals of the Committee**

#### *The Government should support both export and import promotion*

The impact of foreign trade on Sweden's economy and welfare is considerable and has grown over the past few years. Export promotion plays an important role in safeguarding the potential of the Swedish economy. From a macroeconomic policy perspective, it is still advisable for the Government to allocate means for export promotion. Changes in the surrounding world have not altered the need in this regard. The Committee also believes that import promotion should be supported for the same reasons.

*Co-operation with industry is valuable and should be upheld*

The Committee considers the active involvement of industry in the Government financed export promotion to be of great value. Co-operation between the Government and industry should be upheld. The combination of official authority and industrial competence provides the best foundation for carrying out efficient export promotion activities. It is important that the industry principal is representative of industry at large.

*A corporate legal status has advantages*

The Trade Council's lack of associate or corporate legal status creates complications. It makes the role of the Council in relation to other private and official organisations unclear. Increased clarity can be achieved if both principals agree to give the Trade Council associate or corporate legal status. The Committee believes that corporate legal status provides greater clarity. The Committee proposes that the principals initiate negotiations aimed at transforming the Trade Council into a corporation. It is essential to maintain the ability of the Trade Council to carry out tasks involving the exercise of authority. Also, the official status of trade commissioners must not be jeopardised.

*Combining tasks increases efficiency but may harm competition*

According to law, the Trade Council exercises authority. It is also a commercial player. The double role of the Council risks giving rise to issues concerning competition, a fact that should be given constant attention and analysed and weighed against advantages that result from the interaction of the Council's two roles. Providing export information is an essential part of the Basic Government Assignment. The Committee believes that the quality of this work improves considerably as a result of commercial interaction. The Committee, therefore, believes that export promotion would not, at this stage, benefit from a separation between the tasks laid out in the Basic Government Assignment and the purely commercial activities undertaken by the Council. However, the Government should counter problems by promoting competition in the field of export promotion.

*Competition should be promoted through competitive bidding for certain assignments*

Government financed assignments in areas where other organisations than the Trade Council possess special competence should normally be subject to competitive bidding. The bidding process should be handled by an organisation with competence in this area. If possible, larger assignments should be divided up into smaller ones, or sub-consultants should be used. Competition should also be promoted by granting competitors access to the strategic infrastructure of the Trade Council, for example by offering to display company links on the Trade Council's home page. Moreover, both the Trade Council and its principals should be attentive to the opinions and experiences of competitors as to which additional measures should be adopted.

*The Trade Council should be under the authority of the Ministry for Foreign Affairs*

Considering the fact that market competence is gained from actual experience in foreign markets, it is only natural that the Trade Council is under the authority of the Ministry for Foreign Affairs. It is also important that contacts with and co-operation between the Trade Council and the Ministry for Foreign Affairs with the Ministry of Industry and other business development agencies be intensified.

*The Trade Council should maintain its right to instruct export promotion activities abroad - on certain terms*

The Trade Council's legal right to instruct embassies and consulates abroad on issues concerning export promotion should be maintained, provided that the Council allocates enough means to exercise this right over all foreign service representations. Furthermore, the planning process of the export promotion activities of the Trade Council should be better co-ordinated with that of the Ministry for Foreign Affairs.

*Increased knowledge is required of each other's areas of work*

In order for overall export promotion to function properly the Committee believes that it would be valuable if Trade Council staff members acquire better knowledge of the public administration in general and of the Ministry for Foreign Affairs in particular. Before taking up duty, newly employed staff and trade commissioners should be offered a more thorough introduction than has been the case so far. Competence in the field of export promotion within the Ministry for Foreign Affairs should be maintained and reinforced. Export promotion competence in the Ministry for Foreign Affairs should be considered a valued career-enhancing feature. It should be possible for employees within the Ministry for Foreign Affairs to undertake work practice in the Trade Council and vice versa.

*Favourable general orientation of export promotion activities*

The terms of reference include an assessment of the general orientation of the Trade Council's activities and of the Basic Government Assignment, and an analysis of whether they correspond to macroeconomic policy objectives and the needs of companies in various parts of the country. The objectives, as well as the needs, are difficult to measure. They have not been clearly defined in the Basic Government Assignment. Since the effects of the Trade Council's activities are difficult to assess, the Committee has chosen to measure the quality of the services by surveying how satisfied the companies are with the Trade Council's services. The survey commissioned by the Committee shows that companies are in general satisfied with the services. The differences in satisfaction between companies in different parts of Sweden are negligent. The Committee notes that smaller companies are somewhat less satisfied than bigger ones. More should be done for small companies, for example by arranging low-cost alternatives in connection with visits of official delegations and of providing some form of support for exhibitions.

The increase of the Trade Council's commercial activities over the past few years has improved the possibilities for the Trade Council to effectively promote Swedish exports. A negative effect of this development has been the increased difficulties for the

Trade Council to exercise its tasks of public authority that have been stipulated by law.

*The monitoring of the Basic Government Assignment should be improved by formulating measurable goals*

In its yearly remit to the Trade Council, the government should state clear and measurable goals for the activities and indicate what geographical areas and issues should be given priority. The authoritative assignments that the Trade Council undertakes should be specified. The demands for reporting back should be defined by including information on how Government allocations have been apportioned between countries and offices abroad, as well as the resources needed for carrying out the assignment. The Basic Government Assignment should be presented separately in the annual report of the Trade Council. The Trade Council should be requested to regularly make long-term assessments of strategic export markets within the framework of the Basic Government Assignment. The task in the yearly remit to the Trade Council to report how the activities contribute to economic growth and increased competitiveness should not be the sole responsibility of the Trade Council but, primarily, of an independent party.

*The Trade Council should be given an advisory role but no co-ordinating role*

The Committee considers that other organisations that carry out export promotion activities financed by the Government should consult with the Trade Council about these activities. The Government should instruct Government agencies about this. The Committee believes that the Trade Council should not act as a coordinator in any other instance than this.

*The activities of Sida (Swedish International Development Co-operation Agency) and Swedfund (Swedfund International AB) should be followed up*

The opportunities for exports that the activities of Sida and Swedfund create should be utilised in more advantageous ways. The Trade Council should continuously keep itself informed about

the activities of these organisations. Where appropriate, the Trade Council should present proposals for activities that are valuable for export promotion as well as for furthering development co-operation. The yearly remit to the Trade Council should specify this.

*Varied experience of export centres*

The co-operation within export centres has not functioned in accordance with the original idea, considering that they should serve as "one stop shops" for the export efforts of enterprises. Instead, they have often functioned as an internal form of co-operation between the organisations involved. In some locations, the centres have provided valuable regional forums where export-promoting organisations have been better able to co-operate. Consultation on a regional level is essential and should continue. The Committee, however, questions the need to allocate special resources for this in addition to those already decided. A careful evaluation should be made before new funds are allocated.

*The activities of the Trade Council in Sweden are changing*

The activities of the Trade Council in Sweden should focus on areas where the Trade Council has special competence. Currently, these activities are undergoing changes to better suit this focus. The new activities should be evaluated after two to three years. In this context, the forms of co-operation between the activities of the Trade Council and the new national business development agency (that will start its operations on 1 January 2001) should be considered.

*Trade Council surpluses should be used for export promotion activities*

When surpluses arise, these should be used for export promotion activities. The principals should decide on the use of these funds. It is important to be prepared for unforeseen events and the present situation in respect of this could be improved.

*The allocation for the Basic Government Assignment should not be decreased*

Although direct comparisons are difficult to make, the information gathered by the Committee indicates that allocations for the Trade Council are lower than allocations to similar organisations in certain comparable countries. It is therefore of the utmost importance that the budget allocation for the Basic Government Assignment not be decreased.

*The board needs representatives from small and medium-sized companies, the Ministry for Foreign Affairs and business development*

Small and medium-sized companies should be better represented on the board. There should also be a representative with knowledge of general business development. The present system, with a co-opted board member from the Ministry for Foreign Affairs, should be abolished. Instead, the Ministry should have a regular member on the board. A time limit should be set for the period that representatives sit on the board and board members appointed by the Government should be given better instructions than currently is the case.

*Import promotion should be supported*

The Committee considers that the Government should increase the support for import promotion. This should be financed from existent Government funds for business development. The most appropriate is that import promotion activities are handled by organisations that are established and already engaged in such activities. The Trade Council should, however, be instructed to also handle incoming inquiries about imports. In addition, it is important that there is a close co-operation between the Trade Council and the organisations engaged in import promotion.

*The support for providing export information should be long term*

It is important that there is a long-term, stable system for providing advanced export information to enterprises. For this reason the undertaking of the Basic Government Assignment should not be



open for competitive bidding but should be allocated to the Trade Council. The activities should be carried out in close co-operation with the Foreign Service.

*Optimise the benefits of exports*

The activities of the Trade Council should focus on areas where there is a lack of private alternatives and aim at stimulating such alternatives instead of competing with them. Although the maintenance of industrial competence is a basic requirement for the Trade Council, the activities should primarily focus on optimising the benefits of exports as opposed to maximising the level of income.