FOUNDATIONS OF A NEW EXPORT DRIVE

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## Foundations of a New Export Drive

The best way of approaching the future is to make the most of the knowledge you have accumulated in the past. That is the strategy I recommend for Barbados' approach to exporting. Our acquired knowledge must be applied to new problems; the exports which have served the country until now are no longer sufficient to guarantee our preferred lifestyles. In order to restore healthy export growth we must find new products and services, and new ways of producing them, making use of acquired skills, market information, technologies and organisation. This suggests that the new products will resemble the old. They may be familiar products in new guise, or old products produced with more cost effective and quality conscious techniques.

It has sometimes happened that a newcomer makes a big breakthrough in competition with established firms, but examples of this are hard to find. We should not depend on quick success in activities where we now have to learn the ropes. To lay the foundation for a new export drive the question to ask is: what products and services, of those we already produce, may we contrive to sell at internationally competitive prices? And what new products and services embody resources and skills that we already possess, which may enable us to steal a march on the competition?

I suggest what might be termed a 'corporatist' strategy for the nation, a term which I explain in the next section. The following section offers reflections on the way forward in tourism, manufacturing and agriculture. The third section argues that government must 'pick winners'. Section four discusses the role of financial institutions.

1. A 'Corporatist' Strategy

Recently I read Professor Clive Thomas' account of the diversification strategy of the British firm Tate and Lyle, in his book on the future of sugar. The company remained faithful to its central interest - the manufacture of sugar - moving into related fields such as food processing and distribution. It explored new production techniques for sugar, and alternative uses for cane and other by-products of the firm's operations. The company used its knowledge of sugar production and trade to find new avenues of profit. I believe that investigation would show this to be the typical strategy for corporate diversification.

I suggest a similar approach for the nation. I fear that those who counsel that activities we know are doomed and that we should abandon them as soon as we can are pointing the road to failure. Instead we must determine to overcome the known problems to selling our goods outside the region. The defeatists who claim this cannot be done are not likely to be of much help to us, in new activities or old. We should begin by looking at all possible means of achieving international competitiveness, even ones which we may wish to reject. We shoud search out in greatest detail information on the ways that our competition achieves results that we do not now come close to matching. We must devise strategems to get more out of less input, of materials, services, energy, knowledge and manpower.

The corporatist approach secures Barbados' performance in the areas where the country has established a reputation. It organises production, marketing and research in these areas so as to gain the greatest market penetration and the highest level of profit compatible with a strong market presence. It uses these activities as the basis for launching selectively into new fields.

The activities in which we already have a name include middle income tourism from North America, sugar, and, much less convincingly, clothing manufacture and the assembly of electronic components. New activities which have a claim for priority attention include upmarket and specialised tourism, new uses for cane, Lisbon yam, black belly sheep, Barbados cherries, specialised furniture and selected areas of publishing. They are all items whose merits have been debated before; each one has its problems. They qualify ahead of other contenders because the seeds are already sown from which Barbados can make a distinct name for itself, once we have overcome the difficulties.

2. Making the Foundations Secure

In the tourism sector we know what is to be done; we must find ways of doing it successfully. We must have better quality control. The visitor must be guaranteed the product he paid for, services and amenities must be kept up to scratch at all times, and services must not be excellent today and sloppy tomorrow. Tourism needs to be supported by efficient basic services - security of person and property, air and seaport services, transport and public utilities. Marketing must be made effective. Professionalism in the delivery of all tourism services is a powerful marketing tool. We must be selective in our marketing thrust and we must look for direct returns to our marketing expenditures. Tourism enterprises share with other domestic firms the problem of inadequate capital and reserves to cope with economic swings and cycles, a defect that must be put right.

Intel's withdrawal from Barbados and the loss of the Trinidad market has demoralised the manufacturing sector. Sadly, this leaves us with shaky foundations in manufacturing, and we will have spend time in restoring the manufacturing base. Firms in the clothing sector appear to need refinancing, revised incentives, and oversight by financial institutions which can monitor individual firms' performance, discriminating among them on the basis of their organisation and prospects. Refinance will offer the possibility for eligible firms to restructure their balance sheets. Incentives should make it more profitable to export than to supply the local market. Financial institutions should offer credit only to firms with sound organisation and good prospects, and should monitor performance and apply early correctives. Furniture manufacturers need to put their house in order if they are to have a chance of success. Some boast fine workmanship, but too often fail to supply the items you need, to the agreed specifications, in the quantities ordered and at the time promised. In the food processing sector I see a confident future only for those who can make small scale profitable. Food processors will need to concentrate on quality, variety and specialised lines, producing in small quantities salable on the domestic and regional markets.

I can never understand why some people argue for less sugar production and more food crops when the country can produce more sugar and more of everything else. Intelligent crop rotation, the rehabilitation of idle land, careful husbandry and the use of the newly developed techniques will surely yield us a considerable increase in all agricultural output.

On sugar let me pose a few questions for your reflection. The more sugar we sell - even at a loss - the more foreign exchange we earn. If the country needs the foreign exchange it may wish to cover the loss, unless there are known ways of earning even more foreign exchange for the same subsidy. With our present agricultural resources, what combination of sugar and other agriculture yields the greatest net foreign exchange benefit? Are we presently earning as much as we can from the sale of the by-products of sugar? How closely have we investigated our marketing strategies for sugar, rum and molasses? How may Barbados make best use of the expertise we have accumulated in the sugar industry?

In non-sugar agriculture we must investigate why no headway has been made in the last 20 years in the production of food crops, livestock (except poultry), fish and agricultural exports. Until we have answered this question we are in danger of prescribing before diagnosis, and the patient is unlikely to recover from its present decline.

The foundations of the new export drive will be a tourism sector which is less vulnerable to business cycles, efficient production of clothing and furniture, food processing in small firms, a revival of the sugar industry and expansion of food production. They will be the platform from which new ventures may be launched.

3. Government Must Pick Winners

Government may wish to provide stimulus to the private sector in the search for new avenues for export. Government does not have resources of expertise, organisation, management or finance to pursue all the possibilities. A choice must therefore be made about the industries and activities that will be supported. Private sector initiatives in other areas will not be discouraged, but they should not expect much official assistance.

My selection for priority attention by government, its financial agencies and its promotional bodies are as follows:

(a) Upmarket and specialised tourism. This is already a targetted area. I am arguing for an intensive programme that focusses on the combination of services that will be required to appeal to this market: quality hotels and services, restaurants of distinction, the Durants golf course, the development of uncompromising standards of service.

(b) New markets for sugar, new uses for cane. Barbados should establish a first rate intelligence service to apprise sugar producers of developments in the industry, and to supply detailed, knowledgable analysis as a basis for attempting new products and markets.

(c) In non-sugar agriculture the focus should be on products with which Barbados is already associated - Lisbon yam, black belly sheep and Barbados cherries. A well-focussed, sustained, strongly led effort is needed to resolve problems of production and marketing.

(d) Furniture. We will need to revive the Barbadian tradition of expert joiners, carpenters and cabinet makers to produce for highly selective export markets. We should gear up for a long uphill struggle to attain the very highest standards of excellence, widely diffused within the industry.

(e) Publishing is an expanding industry which should suit Barbados' relatively expensive labour force, provided the quality of labour reflects its price. It can require highly demanding skills, and extensive use of computerised techniques. Our first priority is to get to know the industry inside out. We must ensure that our educational system provides us an advantage in this field, with continuing excellence in the basics, and action to make up deficiencies in computerisation of education and foreign language proficiency.

4. Discrimination is Necessary

Financial institutions, both private and government, must discriminate among their clients on the basis of performance and prospects. In the interests of effiency there must be a mechanism to separate the good performers from the inadequate. The financial lever is a useful means of weeding out nonperformers. To do the job financial institutions need to improve the quality of credit administration. They must be able to make a confident assessment of the viability of proposals, to monitor performance knowledgably, and to apply correctives when it is still early enough to put firms on the right path. Private sector financial institutions need a wider range of skills than their credit departments now muster. Government financial institutions need a clear sense of mission, management skills to match the job they are mandated to do, and sufficient operational independence.

5. A Daunting Task

With agriculture and manufacturing still to resolve their difficulties, resilient export growth seems elusive. Faint hearts are taking the counsel of despair. Others, in desperation, succumb to the blandishments of the many false prophets, trumpeting this or that novel 'solution' to the export impasse. In truth there are no solutions that do not involve a long hard slog in the trenches, and none that is assured of success. It is the will to succeed that will prevail. We ought to have that will. The development that has been wrought in Barbados over the past 20 years is worth the fight that is needed to preserve and enhance it. Particularly as there is little doubt that we have the capacity to do what must be done.

We might be encouraged by reflecting on authoritative opinions about the economic prospects for Japan and Germany in the early post-war period. For decades the Japanese despaired of regaining a place among the world's industrial leaders. The Marshall Plan was not charity; it was born of the conviction that Western Europe was on the verge of irreversible collapse.

The nations and individuals whose success we admire are the ones who have determined to overcome the most stubborn and daunting challenges. It is up to us to secure Barbadians' current living standards in a fiercely competitive world. To do that, we must take up the export challenge. We should not be found wanting.

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