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attempted in the case of commodities which do not deteriorate when kept in stock for a long period. Even more difficult is agreement on export and/or production quotas which are needed if supplies are elastic in the long run, for stabilising high prices. All these problems become the more thorny, the less the commodity in question shows homogeneity.

Uncertainty of Success

But even if worldwide concentration of supplies could be engineered, it does not do to overrate the possibility of increasing export earnings in this manner. On principle, this is only conceivable in cases in which direct and cross-reference price elasticity towards price rises of a given commodity remains very low and technological chances for substitution are remote. In all other cases, price rises will induce deformations of the de-

mand curve, which means lower exports, which again might cause the original price increase effect to fade away in the end.

Similar reservations must be placed on the expectations of producer countries, which believe that rationalisation gains created by the measures under discussion would largely benefit the producers. The profit distribution pattern which seems to dominate the notions of producer countries, is a highly simplified one which remains valid only under special conditions, which are not those of real, practical life. How potential profits may be distributed depends in detail on empirical conditions and on the path along which rationalisation is approached. In conclusion: recommendations of a general character can hardly be formulated, because of the differences between individual commodities and between the measures for their improvement.

Investments in Education for Trade

by Edmund Köhn, Berlin

In spite of its importance for the economy, trade in developing countries has been falling short of the attention it deserves in discussions about development policies. It is all the more necessary, therefore, henceforth to make the very existence, and the increasing use, of trade consulting services part and parcel of development strategy.

Trade in LDCs is bound to grow incessantly. Factors that have been leading to downright trade expansion in the industrial countries ever since the middle of the last century are either already apparent in the LDCs or at least make themselves noticeable there as forces of future influence. For instance, no government will in the long run be able to prevent the increasing urbanisation or the trend towards town-consumers' habits encroaching upon folks in small townships and even villages. A higher level of education, and the resulting progressive division of labour together with improved means of communication and wider sources of information available through media of all kinds, lead to a continuously dwindling degree of self-sufficiency. This, in turn, entails bigger tasks for trade within the national economy¹.

Importance of Internal Trade

There are also other reasons for looking upon a well-functioning trade not only as desirable especially for the LDCs but also as a sheer necessity. After all, higher agricultural production depends on relevant marketing facilities for the goods

additionally provided. The same applies to the newly-to-be-established industrial units meant to contribute lastingly to the economic development².

It is largely due to lack of reliable data about internal trade in LDCs that trade as a whole, and particularly domestic trade, has, important though it is, in comparison with other branches of the economy, so far been grossly neglected in deliberations about possibilities for the solution of development problems. In addition there have been basic attitudes and approaches stemming from various influences, that make the experts in donor countries as well as official quarters in the LDCs devote little attention only to matters concerning internal trade; it seems ultimately as though one was to rely on marketing to organise itself as sort of matter-of-course in as far as it would not be taken over by existing enterprises and organisations without additional effort.³

¹ See Robert Nieschlag, *Binnenhandel und Binnenhandelspolitik* (Internal Trade and Internal Trade Policy), Berlin, 1972, p. 33.

² See Werner Kalnzbauer, *Der Handel in Tansania* (Trade in Tansania), Berlin-Heidelberg-New York, 1968, pp. 1.

³ See Awul Ali-Ali and Horst Geschka, *Der Binnenhandel in Entwicklungsländern* (The Domestic Trade in LDCs), in: *WIRTSCHAFTSDIENST*, Vol. 10, 1967, pp. 529.

It also springs to mind that publications in donor countries on the subject of trade in LDCs do not go beyond the fringe of conventional trade catalogues. Kainzbauer for example mentions in detail

- ☐ bridging of distances,
- ☐ regrouping of quantities,
- ☐ merchandise regrouping,
- ☐ adjusting of time factors,
- ☐ extension of credits,
- ☐ the functions of contracts, information and consultation.

It is possible to prove without doubt that those functions have been observed by trade enterprises in the LDCs. One is therefore right, in this context, to recognize certain multifarious pointers for possible auxiliary aid measures. The often essential extension of credits by the wholesale and retail trades to their customers makes at least an elementary knowledge of book-keeping a precondition lest bankruptcy of the respective trade establishments be the inevitable consequence. Also, the timely ordering of goods to replenish the range calls for a proven handling of stocks.

When, however, it comes to the considering what measures and means are best suited to make trade in LDCs a more effectful tool for the development of the entire economy, it will become evident that the role of trade, depicted on principle as a passive one in familiar functional catalogues, is to be questioned.

Contrary to the primary and secondary sectors of the economy, the trade, in economical-scientific systematization, appears in the tertiary sphere as organ for the distribution of goods. This, then, ranks trade establishments as mediator between producers and consumers — the verdict on its "productive" performance having changed with the course of time.

In the industrial and highly developed economies the conviction has meanwhile come to the fore that, in the long run, trade cannot be "circumnavigated" and that, to the contrary, trade needs intensified initiatives for making it a more effectful instrument of the economically necessary distribution. Not so, however, in LDCs where trade is still very often seen as "unproductive" and really superfluous or even parasitical.

Supply-orientated Trader

It is obviously not recognized that trade in LDCs can promote the primary and secondary sectors of the economy even more directly than for instance in Europe⁴. This extends far beyond the mere information of producers about the market struc-

ture at any given time and on market trends noticed.

Experiences in LDCs have in fact shown that traders, particularly wholesalers, are directly ordering from the domestic small-scale industry. It is necessary to assess the differences, in this aspect, and compared with industrial nations, appropriately and with exactitude. In the industrial countries the trader finds himself — as far as the procurement is concerned — confronted with an excess supply of goods; as a rule the goods of his choice are available in any desired quantity and without undue delivery delay. In the LDCs, however, the trader senses in his marketing area additional selling prospects for a product not hitherto part of his range. Contrary to conditions in the industrial countries he must consequently look for a supplier himself. For this, a glimpse at the pages of a specialised telephone directory or collected catalogues and price-lists only rarely suffices. Unless the trader should intend to take up the production on his own accord, he will have to contact the producer direct. He will draw the producers' attention to the perceived market-supply gap and encourage him to take up, or enlarge, the production of certain goods. The initiative to further, or stimulate, fields of production or manufacture originates from the trader. He it is who injects the impulse and also often takes the entire production risk upon himself. In the same context there is the frequently existing vertical integration which has already become common practice with many wholesalers in LDCs.

In order to make this briefly outlined function of the trade clearly understood, we have categorized these wholesalers in the LDCs as being actively supply-orientated. The reason being that, contrary to the wide-spread thesis of primary, secondary and tertiary sectors of the economy developing in the LDCs in just this sequence, the very activities of traders referred to above lead to vital impulses for the development of the primary and secondary sectors coming specially from the services sector of the economy.

Aid for the Trade

From this realisation logical consequences in respect of intensified aid and support for the domestic trade in LDCs are deducible. There are three distinct basic possibilities for the furthering of trade controlled by locals:

- ☐ aid by means, or in connection with material investments (e. g. credits for the obtaining of deep-freezers, letting of rooms in public trade-promotion centres at favourable conditions);

⁴ See A. Coskun Samil, Wholesaling in an Economy of Scarcity: Turkey, in: *Journal of Marketing*, Vol. 28, July 1964, pp. 55–58.

□ aid by means of, or linked to, non-material investments likely to be without exception – investments in the educational field (e. g. the organising and carrying-through of courses at public institutions, the offering of regular consulting services;

□ administrative measures for protection against a stronger competition or for the strengthening of the position in any given market (e.g. tax exemption of small enterprises, prohibiting the competition by foreign trading companies in rural districts).

Considerations of investments in the shape of material values appear to be relatively uncomplicated. We shall, for this reason, refrain here from going deeper into this aspect and also omit the subject of administrative measures.

The problem of educational investments in the internal trade of LDCs and a prognostication of their effect on trade activities, however, is more complex. But particularly in view of what has been said earlier about the function of inducing production within the primary and secondary sectors, it would appear that the question of non-material investments in the trade, so largely neglected up to very recently, now moves increasingly into the centre of discussions on development policy. After all, all LDCs shield at least selected branches of their economies by the taking of protectionist measures, and this seems quite legitimate in any case as long as every country in the world makes use of this weapon.

Types of Educational Investments

Educational investments would seem to be the most important and most effective instrument for the advancement of trade's efficiency in LDCs. They promise a productive effect⁵ and are thus economically sensible as long as their costs are justifiable in relation to the results. So far no investigations into these inter-relations have been reported. But they will have to be undertaken if promising criteria of development aid are to remain unexploited no longer.

The following objects of educational investments are conceivable: secondary schools, apprentices in the wholesale and retail trades, adults already employed in trade or being re-schooled. Suitable institutions engaged in educational investments in the trade sector are: schools, trading companies, cooperatives, public consulting services. Bodies making educational investments are: governments, private companies, cooperatives, trade unions, churches, foundations, chambers of commerce, the consumers of educational investments, mostly in the shape of responsibility for indirect costs. The financial resources might be provided from domestic as well as foreign sources.

It is furthermore necessary to distinguish between educational investments made just once and others running continuously. Once only educational investments are for instance teachings in schools which regularly terminate at the pupil's leaving the school, as well as proffered courses of various duration. Their effects and results are only very rarely gone into thoroughly. It is however easy to arrive at a figure of their costs. All those educational investments fall into the category of repeated or continuous ones that, as far as the time factor is concerned, reach beyond the control of the effects of previously made educational investments and are orientated on the results of the evaluation. Among such kinds of investments fall consulting services and performances of co-operatives regularly keeping a watchful eye on their members and advising them. No doubt, the latter are the more important investments in the sense of development policy.

Future Necessity of Consulting

In the foregoing we have characterized the actively supply-orientated trader and tried to show in which manner and ways he may be able to induce economic growth in the primary as well as the secondary sector. It follows from this that this type of trader is to be given preference as an object of educational investments. A further conclusion is that repeated or continuous educational investments will have the highest degree of effectivity also in this case. Therefore, the demand for a qualified and regular consulting service for actively supply-orientated traders in LDCs must be clearly stressed.

In many countries it is usual to exercise internal consultation in retail trade establishments⁶. LDCs have taken up this idea⁷, although it has to be added in this context that their consulting services are offered not only to retailers but to all prospective domestic enterprises.

For the industrial countries, the so-called donor countries, the necessity obviously arises to incorporate the existence and promotion of consulting services for the trade and allied professions into the entire conception of development strategies. In individual cases this has already happened. But this is not sufficient. Gradually commercial and trader's development aid has to be performed in the same manner as in the past agricultural and industrial development aid has been forthcoming.

⁵ See Hasso von Recum, *Aspekte der Bildungsökonomie* (Aspects of Educational Economics), Neuwied a. Rh. – Berlin, 1969, p. 39.

⁶ See E. Leihner, *Ergebnisse und Erfahrungen aus der Betriebsberatung im Einzelhandel* (Results and Experiences from Unit Consulting in Retail Trade), in: *Internationales Gewerbe-archiv*, 10th year, No. 3/1963, pp. 98.

⁷ For instance in Kenya, Uganda, Ghana, Ethiopia, New Guinea.