

ODYSSEY IN INTERNATIONAL MARKETS*

*An Assessment of the Effectiveness of Export Promotion
in Latin America and the Caribbean*

**Christian Volpe Martincus
Inter-American Development Bank**

**8th Trade Promotion Organization Network World Conference
Mexico City, October 14, 2010**

*** The views and opinions expressed are strictly those of the presenter and should not be attributed to the Inter-American Development Bank, its Executive Directors or its member countries.**

ITINERARY

- **Traveling in the Unknown Dimension: Information Barriers and Export Promotion**
- **Meeting the Map Makers: An Institutional Portrait of Export Promotion Organizations**
- **To Be or Not to Be Abroad: Do Foreign Missions Make a Difference?**
- **Is Latin America Heading the Right Way?**
- **Reaching the Final Destination: Making the Most of Export Promotion**

TRAVELING IN THE UNKNOWN DIMENSION

Companies embarking on export projects often must travel along unknown routes.

Lack of information is still is one of the most relevant export barriers, both in terms of frequency of occurrence and degree of severity, and severely handicaps companies seeking to operate in international markets.

This holds specially true for firms from developing countries involved in trading differentiated goods and the experience goods.

TRAVELING IN THE UNKNOWN DIMENSION

Companies traveling in the unknown dimension of foreign trade may require the assistance of a publically provided (or financed) Global Positioning System (GPS). This is the service that trade promotion organizations (TPOs) provide.

In this area, public interventions might be – and have been – economically justified as a way to correct market failures, primarily information externalities.

There is a potential for free riding on the successful searches of firms for foreign buyers, which may result in underinvestment in exporting activities.

In short, lack of information may negatively affect trade, and thereby productivity and economic growth.

TRAVELING IN THE UNKNOWN DIMENSION

By providing information on foreign markets and disseminating information on domestic products, TPOs help overcome information barriers and may contribute to expand and diversify exports.

Given that export promotion is costly, and the resources used might be better employed elsewhere, one wonders whether is this actually the case.

How well do TPOs perform their task?

TRAVELING IN THE UNKNOWN DIMENSION

The simple answer is: we do not know. Existing evidence is partial and inconclusive.

TRAVELING IN THE UNKNOWN DIMENSION

Odyssey in International Markets aimed at determining the impact of trade promotion on exports.

To what extent trade promotion is effective is likely to depend on the relevant macroeconomic and sectoral policies; the institutional architecture; and the kinds of promotion activities and specific instruments used.

Our report therefore first makes a comprehensive analysis of TPOs in some three dozen countries and regions.

Second, it provides robust evaluations, using state-of-the-art econometrics and original datasets, of the impacts of trade promotion on export outcomes of countries and firms.

TRAVELING IN THE UNKNOWN DIMENSION

Based on the findings of this study, it appears that export promotion...

ITINERARY

- **Traveling in the Unknown Dimension: Information Barriers and Export Promotion**
- **Meeting the Map Makers: An Institutional Portrait of Export Promotion Organizations**
- **To Be or Not to Be Abroad: Do Foreign Missions Make a Difference?**
- **Is Latin America Heading the Right Way?**
- **Reaching the Final Destination: Making the Most of Export Promotion**

MEETING THE MAP MAKERS

We conducted an extensive survey of several TPOs between the end of 2007 and early 2009.

Our sample primarily includes major countries' organizations that operate nationwide, along with a few subnational entities.

Organizations surveyed are from most countries in Latin America and the Caribbean (LAC), and also countries in Europe, Asia, and Oceania.

MEETING THE MAP MAKERS

Country /Region	Organization	
Australia	Australian Trade Commission	AUSTRADE
Denmark	Trade Council of Denmark	TCD
Finland	FINPRO	FINPRO
France	Ubifrance	UBIFRANCE
Ireland	Enterprise Ireland	EI
Israel	Israel Export and International Cooperation Institute	IEICI
Italy	National Institute for Foreign Trade	ICE
Japan	Japan External Trade Organization	JETRO
Korea	Korea Trade and Investment Promotion Agency	KOTRA
Netherlands	Agency for International Business and Cooperation	EVD
New Zealand	New Zealand Trade and Enterprise	NZTE
Philippines	Bureau of Export Trade Promotion	BETP
Spain	Institute of Foreign Trade	ICEX
Catalonia⁽¹⁾	Consortium for the Trade Promotion of Catalonia	COPCA
Singapore	International Enterprise Singapore	IES
Thailand	Department of Export Promotion	DEPT
United Kingdom	United Kingdom Trade and Investment	UKTI
Argentina	EXPORTAR Foundation	EXPORTAR
Cordoba	PROCORDOBA	PROCORDOBA
Mendoza	PROMENDOZA	PROMENDOZA
Bolivia⁽²⁾	Center for the Promotion of Bolivia	CEPROBOL
Brazil	Brazilian Agency for the Promotion of Exports and Investments	APEX
Chile	Direction of Export Promotion	PROCHILE
Colombia	PROEXPORT	PROEXPORT
Costa Rica	Costa Rican Promoter of Foreign Trade	PROCOMER
Ecuador	Corporation for the Promotion of Exports and Investments	CORPEI
El Salvador	El Salvador Exports	EXPORTA
Guatemala	Department of Trade Promotion	DPC/ME
Honduras	Foundation for Investment and Export Development	FIDE
Jamaica	Jamaica Trade and Investment	JTI
Mexico	PROMEXICO Investment and Trade	PROMEXICO
Panama⁽³⁾	National Direction of Export Promotion	DNPE/VICOMEX
Paraguay	Network of Investments and Exports	REDIEX
Peru	Commission for the Promotion of Peru for Exports and Tourism	PROMPERU
Uruguay	Institute for the Promotion of Investments and Exports of Goods and Services	URUGUAY XXI

MEETING THE MAP MAKERS

		Country/Region	Organization	Budget (million USD)		Number of Employees			
Country/ Region	Organization	Argentina	EXPORTAR	4.5		95		Profile (%)	
		Cordoba	PROCORDOBA	1.7		31		Former	
		Mendoza	PROMENDOZA	0.7		30		Business	Trade
Argentina	EXPORTAR	Bolivia	CEPROBOL	0.2		22		Executives	Experience
Cordoba	PROCORDOBA	Brazil	APEX	120.0		214		11.8	0.0
		Chile	PROCHILE	33.0		384			
Mendoza	PROMENDOZA	Colombia	PROEXPORT	55.0		281		51.6	12.9
Bolivia	CEPROBOL	Costa Rica	PROCOMER	11.8		149		20.0	0.0
Brazil ¹	APEX	Ecuador ¹	CORPEI	6.8		91		54.5	9.1
Chile ²	PROCHILE	El Salvador ²	EXPORTA	2.0		50		46.7	N/A
		Guatemala ³	DPC/ME	0.4		7			
		Honduras ⁴	FIDE	0.9		28			
Colombia ³	PROEXPORT	Jamaica	JTI	6.7		98		N/A	N/A
Costa Rica	PROCOMER	Mexico ⁵	PROMEXICO	97.0		401		N/A	N/A
		Panama ⁶	DNPE/VICOMEX	1.8		52			
Ecuador ⁴	CORPEI	Paraguay	REDIEX	1.4		60		53.7	0.0
Uruguay	URUGUAY XXI	Peru ⁷	PROMPERU	29.0		313		0.0	2.2
		Thailand	DEPT	6	6/76 provinces	61	44		
		United Kingdom ¹⁰	UKTI	11	9/9 regions	160	98		

MEETING THE MAP MAKERS

Some Findings

➤ **Presence in the home country and abroad**

Most LAC TPOs have a much more limited presence abroad than their counterparts in developed countries. Among LAC countries, this presence is heterogeneous.

Given the differences between arrangements, the nature of the representation abroad (direct vs. indirect through diplomatic missions) is likely to matter.

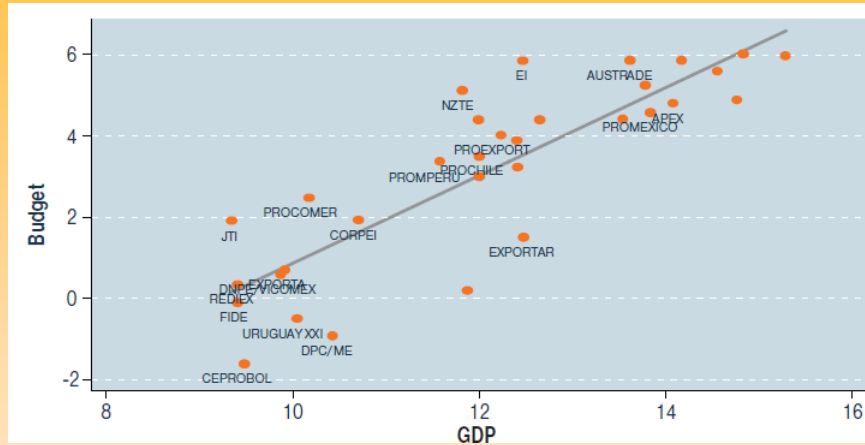
➤ **Impact evaluation practices**

Quantitative evaluation of the effects of export promotion activities is far from rigorous—and in many entities is simply nonexistent—and hence cannot produce reliable impact estimates.

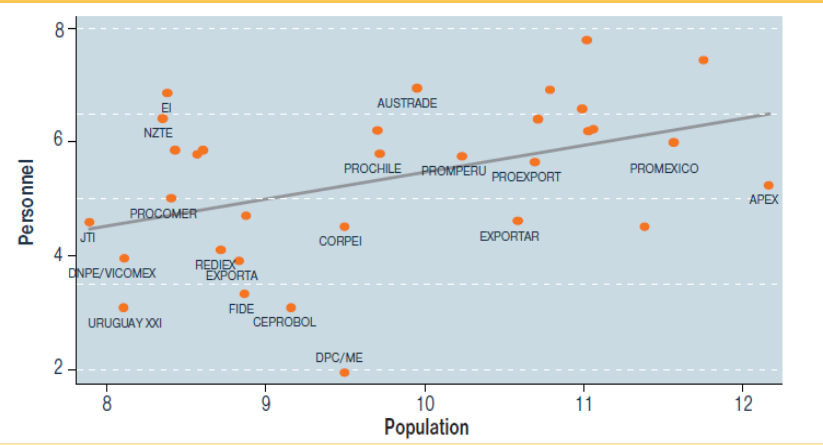
Nevertheless, results of these assessments are used as the basis for important policy decisions.

MEETING THE MAP MAKERS

Budget/GDP



Personnel/Population



- The modal organizational configuration involves a leading separate public sector entity, but designs actually differ depending on the specific institutional contexts.
- There is a trend toward integrating promotion activities (export, investment, business development, and in a few cases, tourism) in single organizations.
- Most TPOs formally hire their personnel through public competition, although specific procedures differ in practice. Several TPOs from developed countries apply remuneration policies that include the possibility of bonuses based on performance, but this is the exception in LAC.