

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**

TO BE OR NOT TO BE ABROAD

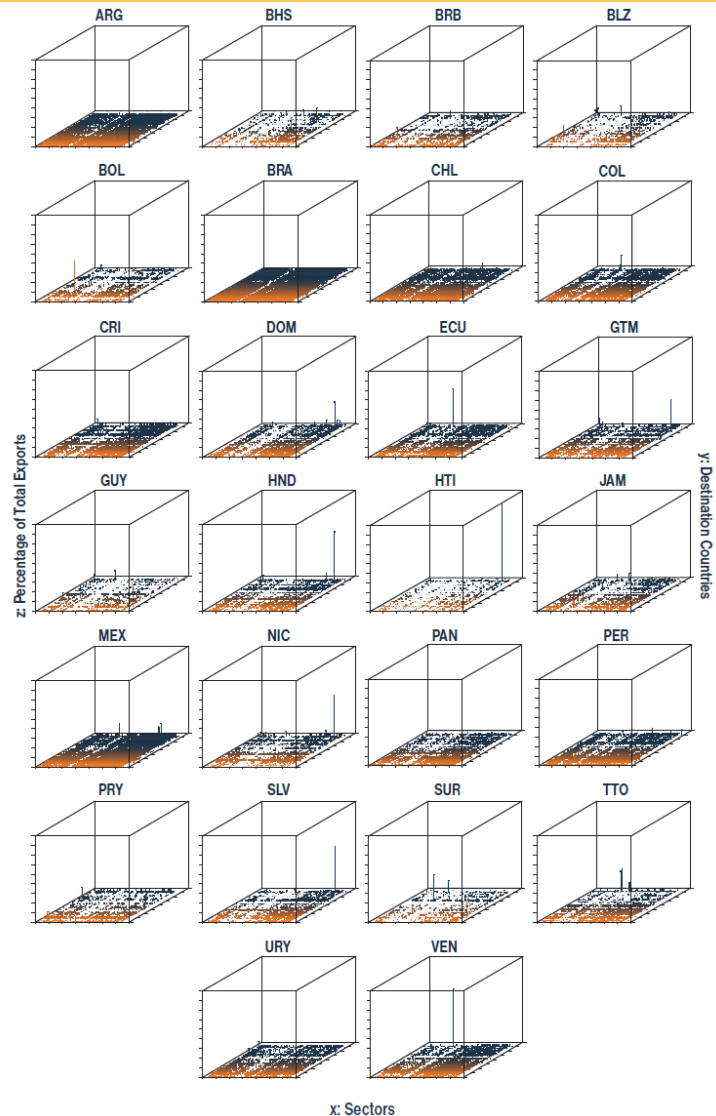
There are substantial differences among LAC countries in terms of trade performance, both overall and across sectors and destination markets.

Exports of some countries range across many sectors and destination markets.

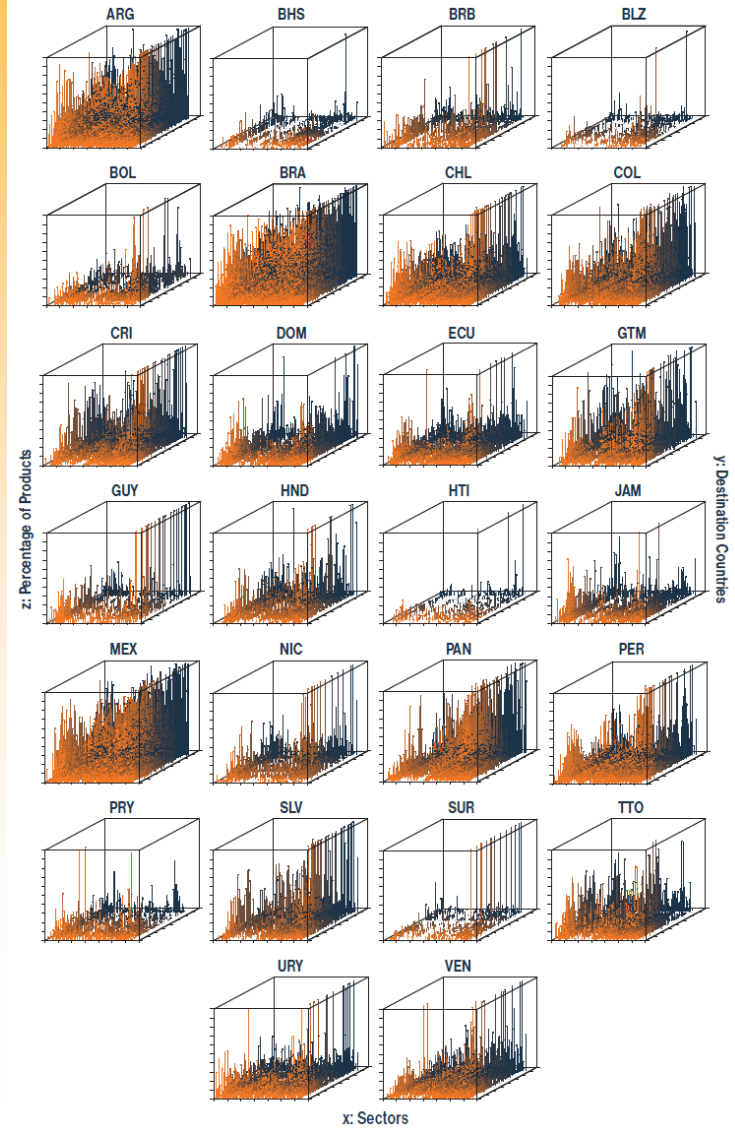
Foreign sales for other countries are relatively concentrated in a few sectors, and even in specific importing nations.

TO BE OR NOT TO BE ABROAD

Distribution of Exports LAC (2007)



Distribution of Number of Products LAC (2007)



TO BE OR NOT TO BE ABROAD

The direct presence abroad of LAC TPOs is also highly asymmetric.

Those entities without foreign offices must rely on diplomatic missions to assist exporters onsite.

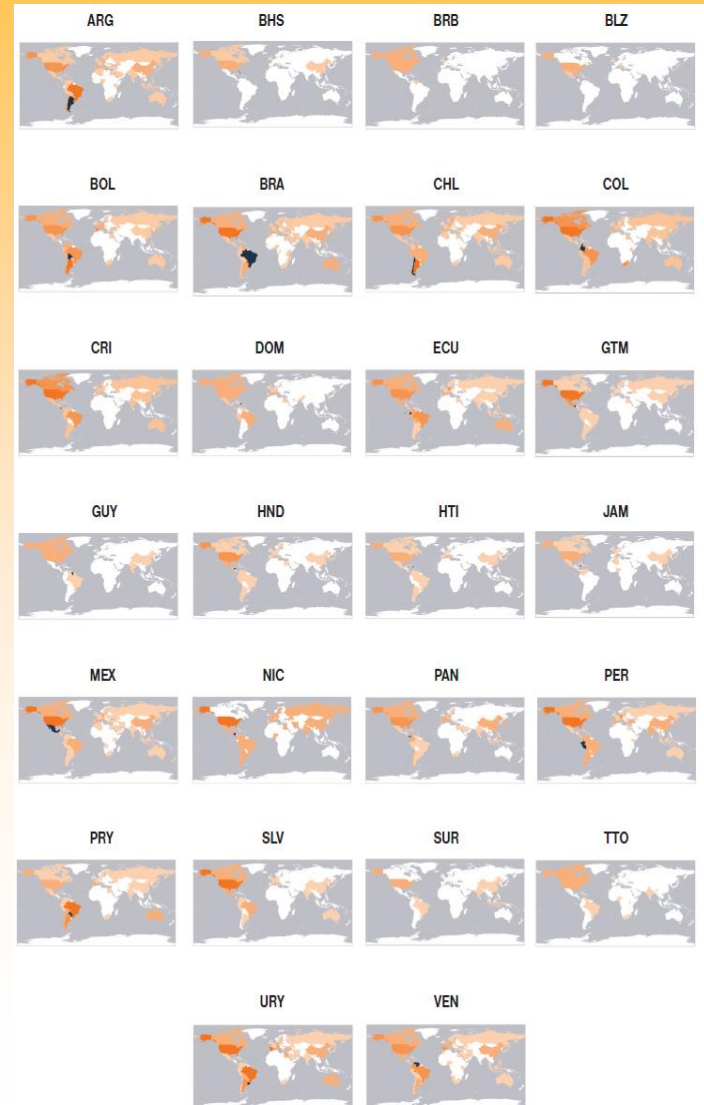
The size and density of missions' networks differ greatly across countries as well.

TO BE OR NOT TO BE ABROAD

TPO Offices LAC



Embassies and Consulates LAC

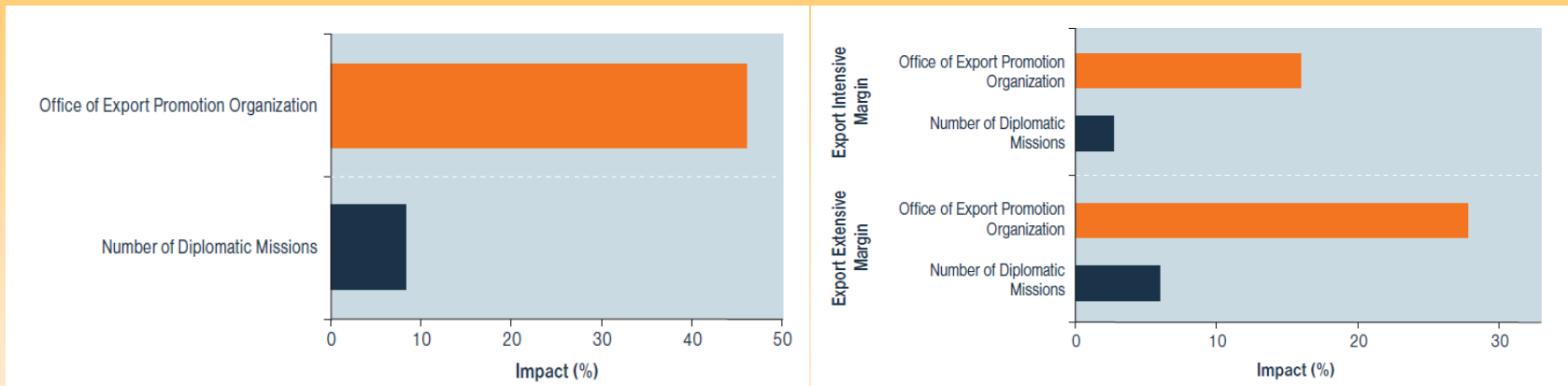


TO BE OR NOT TO BE ABROAD



TO BE OR NOT TO BE ABROAD

Opening an office of a TPO has a substantially larger impact on total bilateral exports than enlisting the services of an additional diplomatic mission (5.5 times larger).

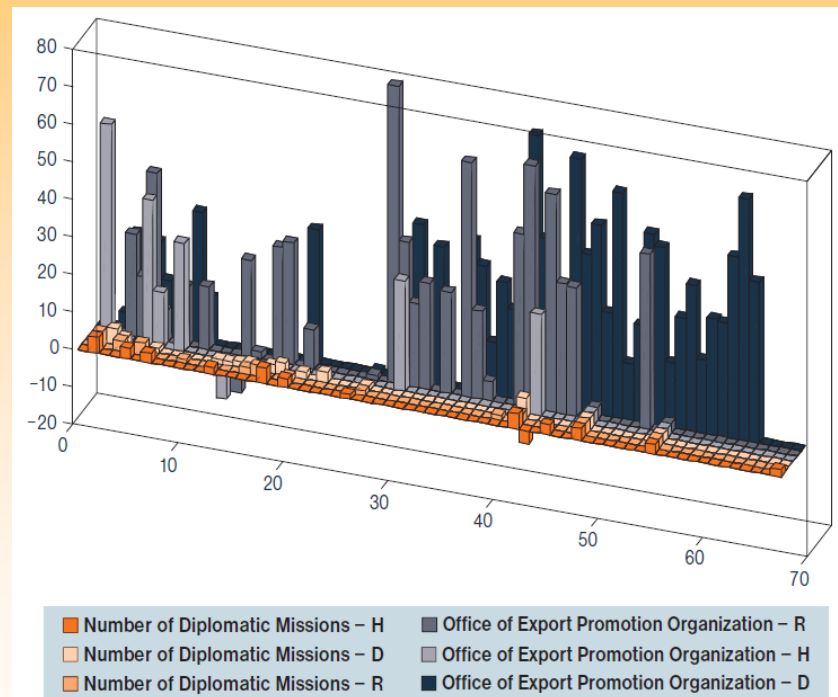


Foreign offices of TPOs and diplomatic missions help expand bilateral exports along the extensive margin (i.e., through deepening), but particularly along the extensive margin (i.e., through diversification), where information problems are more serious.

The impact of TPOs is consistently greater than the effect of diplomatic missions across both export margins, but the difference is clearly greater on diversification.

TO BE OR NOT TO BE ABROAD

TPOs seem to be more effective than diplomatic missions in increasing the extensive margin of exports of differentiated goods (e.g., machinery, shoes), whose trade faces higher information barriers.



Diplomatic foreign missions seem to contribute more to the expansion of the extensive margin of homogeneous goods (e.g., maize, wheat, copper).

TO BE OR NOT TO BE ABROAD

Why these results?

TPOs

Specialized entities, staffed with personnel experienced in international marketing who are tasked with helping exporting firms do business abroad, and frequently managed according to private sector practices.

Diplomatic Missions

- Do not always have a commercial section or personnel with the expertise needed to carry out the specialized function of export promotion.
- Officials have competing tasks.
- Mechanisms for coordinating TPOs and foreign diplomatic missions are informal, weak, or even nonexistent.
- Officials formally responsible for export promotion usually lack career incentives for performing the required activities.

TO BE OR NOT TO BE ABROAD

What Do These Results Imply?

Organizational architecture matters for the effectiveness of export promotion.

In particular, the way trade promotion is organized abroad plays a role in explaining impact on export outcomes. Having specialized export promoting services abroad is important to increase export diversification.

However, TPOs do not necessarily have to open their own offices abroad.

The same result could be achieved by strengthening trade competencies in diplomatic missions, increasing incentives of officials tasked with export promotion, and improving articulation with TPOs. This requires addressing major institutional challenges.

If, as expected, the costs of these alternative strategies differ, then their implied benefit/cost relationships should be computed and compared.

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IS LATIN AMERICA HEADING THE RIGHT WAY?

Standard Assessment Strategies: Self-Diagnostics

LAC TPOs generally rely on client satisfaction surveys and calculations based on firm-level customs data to assess the effects of their actions.

The problem: Strategies currently used by TPOs seem to be too rudimentary to cope with the challenges imposed by robust impact evaluations.

The reasons:

- The usefulness of qualitative indications from surveys is doubtful because evaluations based on non-objective data may be more easily biased.
- Individual case studies may suffer from being non-representative (low response rate).
- Direct imputation of customs data are likely to overestimate the impact of export promotion support.

IS LATIN AMERICA HEADING THE RIGHT WAY?

Overcoming the Limitations of Standard Assessment Strategies

Assessing the impact of public programs is essentially a **counterfactual analysis**.

Causal inference about the effect of these programs requires determining how participants would have performed if they had not participated.

The problem: This other outcome is counterfactual and unobservable, and must be recovered from the data available.

The solution: The common practice is to use non-supported firms as a control group.

However, there may be systematic differences between supported and non-supported firms that may explain export performance, which must be accounted for to avoid biased estimates.

IS LATIN AMERICA HEADING THE RIGHT WAY?

Overcoming the Limitations of Standard Assessment Strategies

The study uses methods proposed in the **impact evaluation literature** to control for firms' differing characteristics and to construct the correct counterfactual (which, as usual, have limitations that should be considered when interpreting their results).

We assess the direct impact of trade promotion programs on several firm-level export performance indicators using:

- highly disaggregated firm-level export data covering virtually the entire population of exporters of 6 LA countries—Peru, Costa Rica, Uruguay, Chile, Argentina, and Colombia—for 4 to 8 years over the period 2000–2007;
- lists of assisted firms in each year of the respective periods; and
- additional control variables (e.g., employment).