

Session 3.A. FOREIGN TRADE REPRESENTATION : NO LONGER ECONOMIC DIPLOMACY ?



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Bases of the Chilean Commercial Policy

- **Political and social stability**
- **Stable macroeconomic policies**
- **National consensus on commercial economic and political strategy**

Commercial opening and Free Trade Agreement Negotiation

- **Narrow the collaboration between the public and private sector.**
- **Transparent and non discriminatory rules, without subsidies and distortions.**
- **The State must facilitate trade: Simplification of customs and taxes etc., that reduce the transaction costs associated to foreign trade.**
- **The role of ProChile**

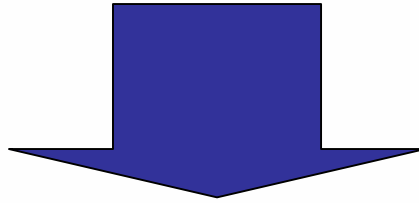
Chilean Missions Overseas

- Chile has 174 overseas missions, 65 embassies and 109 consulates :
- Infrastructure and resources available in objectives of trade and international business.
- Advantages given by FTAs : Opening new markets

PROCHILE

- ProChile is the Chilean Trade Promotion Agency within de Ministry of Foreign Affairs. It was created in 1974, with an independent fiscal budget.

Our Mission



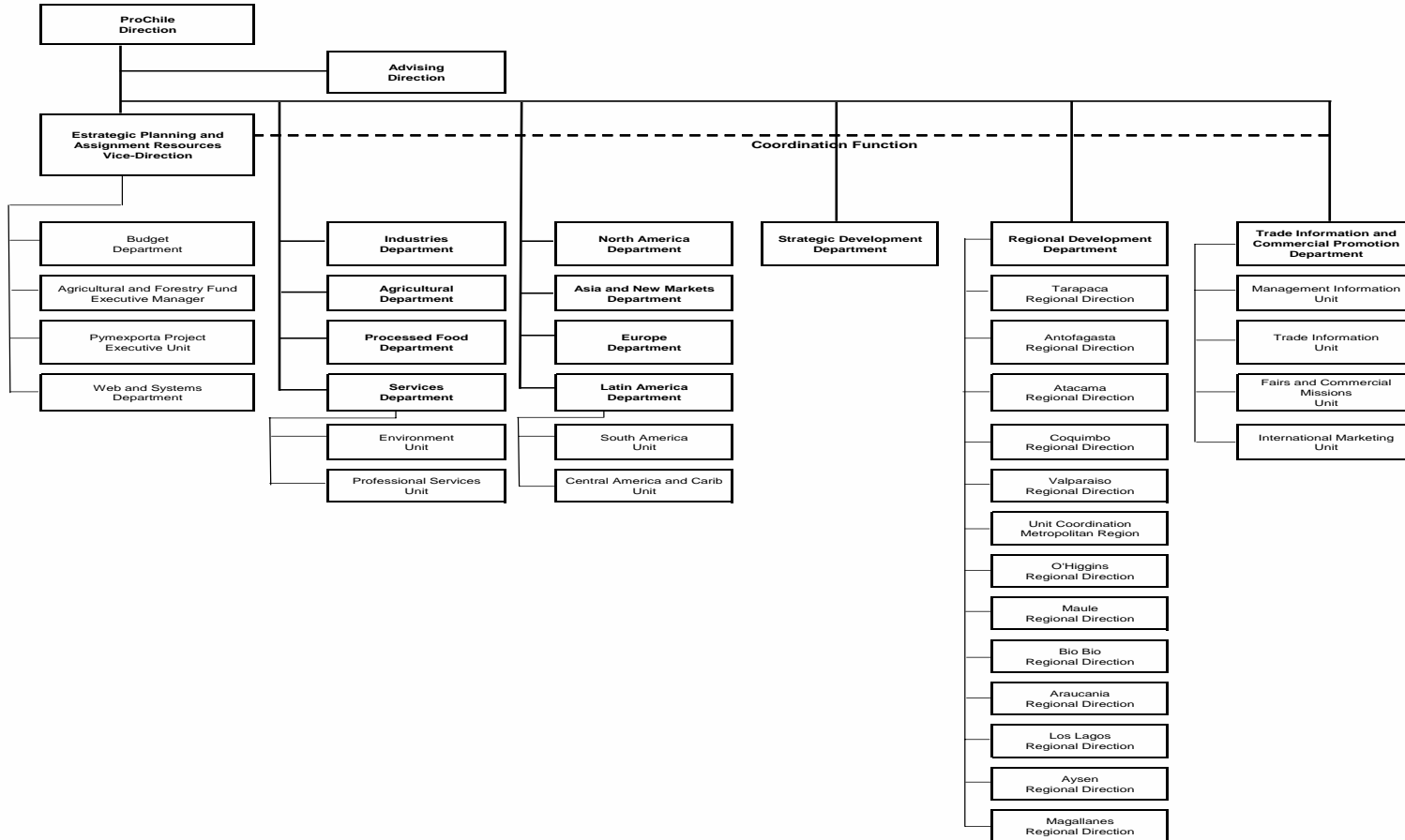
To promote and increase of exports by:

- Increase in value and number of traded goods and services
- Growth in the number of exporting businesses, especially SMEs
- Diversification of external markets

Markets and Sectors

- **Specialized Professional staff, to broaden and diversify range of exports to a greater number of markets.**
- In charge of guiding and supporting the company's decisions and actions towards internationalization.
- Act as an element of connection between international demand and exportable offer.
- **Support the business person in the development of commercial strategies for undertaking the best actions in external markets.**

ProChile Organization Chart



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ProChile's External Network

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58 ProChile Offices in 34 countries

- 40 Commercial Offices (includes Agricultural Offices abroad)
- 18 commercial representations or "Antennae"
 - They gather and provide front-line information (market intelligence, opportunities, threats, and trends)
 - Vehicle that joins exportable products with the opportunities detected abroad.
 - Consulates: Pilot Program for export support and promotion



ProChile's External Network

Role of Commercial Directors abroad :

- Commercial assistance to exporters and importers.
- Detection of commercial opportunities
- To spread and promote Trade and Investment
- Market Intelligence: Research, and market profiles
- Scheduling activities and information about commercial management
- Advertise the range of Chilean products and services for export with tariffs advantages provided by Trade Agreements
- Provide support and steps to resolve access barriers against goods and services in external markets
- To organize events to showcase exportable offer, investment opportunities and promote the country's brand.

This allows for...

- **Counting with a network of contacts**
- **Market knowledge**
- **Promoting the country abroad**
- **Promoting strategic alliances between Chilean and foreign companies**
- **Support of Chilean foreign investment**
(US\$ 31billion in Argentina, Brazil, Peru, Colombia, Venezuela, and other Latin American countries)

ProChile: Pilot Program for Commercial Consulates

- **Objective:** To collaborate with ProChile's mission, that is to increase and diversify Chilean exports around the world
- **Basic Premise:** The consulate must tend to act proactively.
- **What does this mean?** To detect and inform of potential opportunities for Chilean products and services. Support organization of events.
- **Instrument:** Allocation of resources and elaborating work plans and priority products in the market.

Examples...

With the support of our commercial representatives:

- Support and organize Showrooms and wine tastings
- Support the organization of some international fairs.

Work Programs

- Joint effort between ProChile, the Consulates and Embassies, directly and through Commercial Offices and representations.

- This work must be undertaken from predefined goals:
 - **Work plans**
 - **Resources**
 - **Management Control System**

- Examples:
 - **Work with commercial representations**
 - **Pilot Program- Consulates**
 - **Incorporation of consulates in Argentina**

Potential Strengths

- Consistency between Foreign and Trade Policy
- Save financial and human resources, optimization of the use of diplomatic and consular missions for economic and commercial purposes.
- Provide diplomatic credentials for staff members.(Dubai and Ho Chi Minh cases)
- The private sector values “openness” and support of economic diplomacy for their formal proceedings in external markets

Potential Weaknesses...

- In some cases, a certain duplicity may arise between functional and operative mandates. This is less likely when economic-commercial authorities (negotiations and commercial promotion) are inserted in the hierarchy of the Ministry of Foreign Affairs.
- Difficulty differentiating political-diplomatic objectives from commercial ones. Particularly, in the allocation of resources.
- Priorities and actions, based on the diplomatic mission Chief's agenda.
- Selection of Commercial Directors under different criteria: Competition, direct appointment, destination of foreign service staff in commercial tasks.

Effects...

- Markets are often selected on non technical or non commercial criteria.
- Private sector: Pressure to have coverage in the whole world.
- Difficulty to incorporate all criteria in one single model
- Some commercial offices remain in place despite poor results and low cost-effectiveness.

Strengthening Actions

- Work according to strategic action plans and priorities for each market.
- Include management controls systems with objective and quantifiable indicators.
- Increasingly involve the Embassies and Consulates in commercial tasks, with resources and, if possible, management control
- Permanent training. Courses in external trade to be required for promotion in diplomatic career.

Strengthening Actions

- Strategic Map of the External Network
- Evaluation indicators based on “increase of exports” compared against a control group
- Evaluation of quality of service (towards exporters and importers)
- Must the private sector be incorporated in this evaluation process?
- Highlight the performance of the best Commercial Office abroad in the view of the private sector

Market Prioritization Model

Objectives:

- Determine commercial strategies in each market. Priorities, products and exportable services.
- Determine which “type of commercial office” must exist in each market
- Establish commercial offices with broader country coverage
- To more efficiently guide export promotion actions
- Provides resources through a vision of market growth and management results
- Focalize actions and progressively liberate resources in consolidated export sectors

Methodology

Quantitative criteria employed:

a) Indicators of export-performance

- Non traditional exports
- Includes indicators of: exports values, number of products, number of exporting businesses, intensity in manufactured products, accumulated growth percentage.

• **b) International markets indicators**

- Includes indicators of: GDP/GDP per capita growth, import amounts, degree of external openness, existence of barriers and restrictions, existence of trade agreements with Chile.

Challenges ...

- To establish incentives for cooperation between ProChile, Embassies, Consulates, Commercial Offices and commercial representations is essential.
- Starting from predefined goals, **step by step**, establish in Embassies and consulates:
 - **Work Plans**
 - **Resource allocations, and**
 - **Management Control**



Chile

All Ways Surprising

Muchas Gracias

