

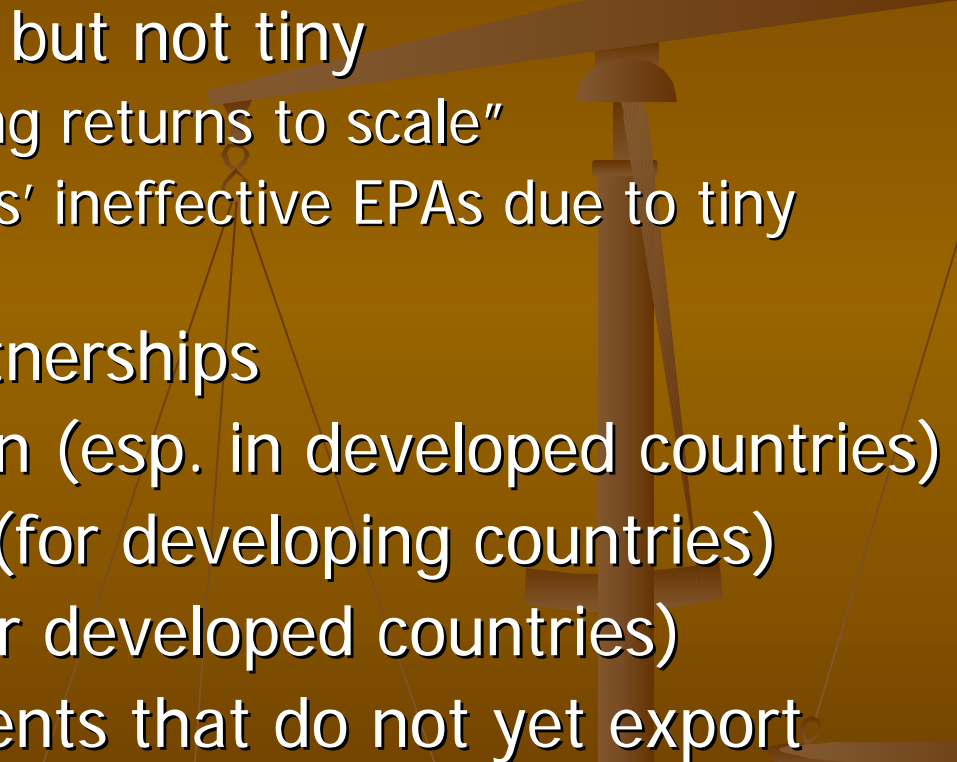


Export Promotion: What Works and What Doesn't

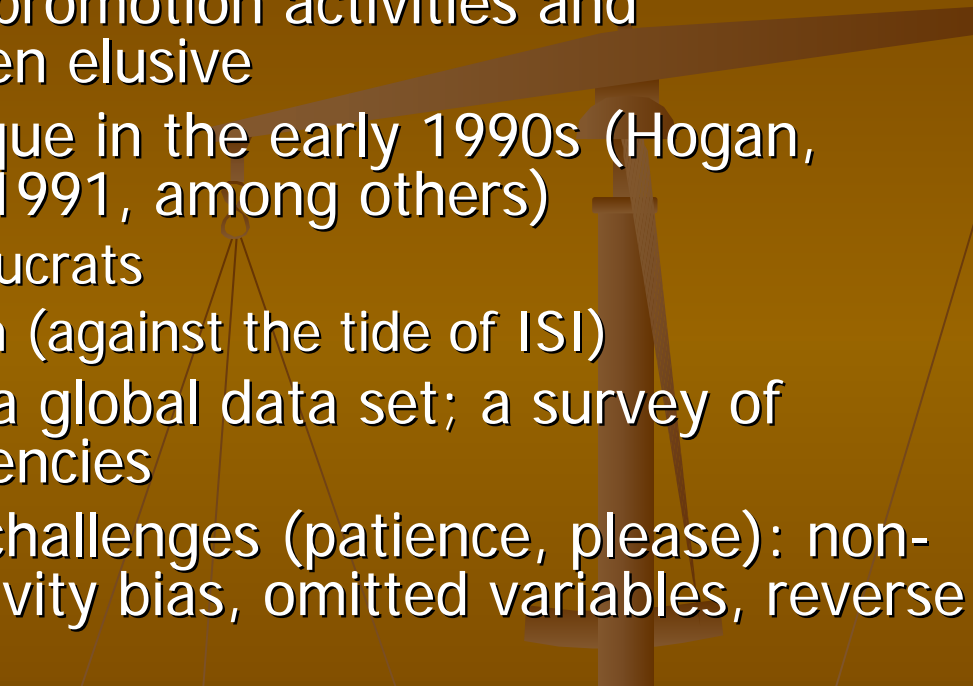
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World Bank
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An Empirical Evaluation of Export Promotion Agencies – Six Findings

1. Small is beautiful, but not tiny
 - a) Severe “decreasing returns to scale”
 - b) But poor countries’ ineffective EPAs due to tiny budgets
 2. Public-private partnerships
 3. Prevent duplication (esp. in developed countries)
 4. Onshore services (for developing countries)
 5. Offices abroad (for developed countries)
 6. Focus on large clients that do not yet export
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The World Bank and EPAs: From Critique to Empirics

- Evaluation of export promotion activities and organizations has been elusive
 - The World Bank critique in the early 1990s (Hogan, Keesing, and Singer 1991, among others)
 - Unresponsive bureaucrats
 - Swimming upstream (against the tide of ISI)
 - This study based on a global data set; a survey of Export Promotion Agencies
 - Numerous technical challenges (patience, please): non-responses and selectivity bias, omitted variables, reverse causality
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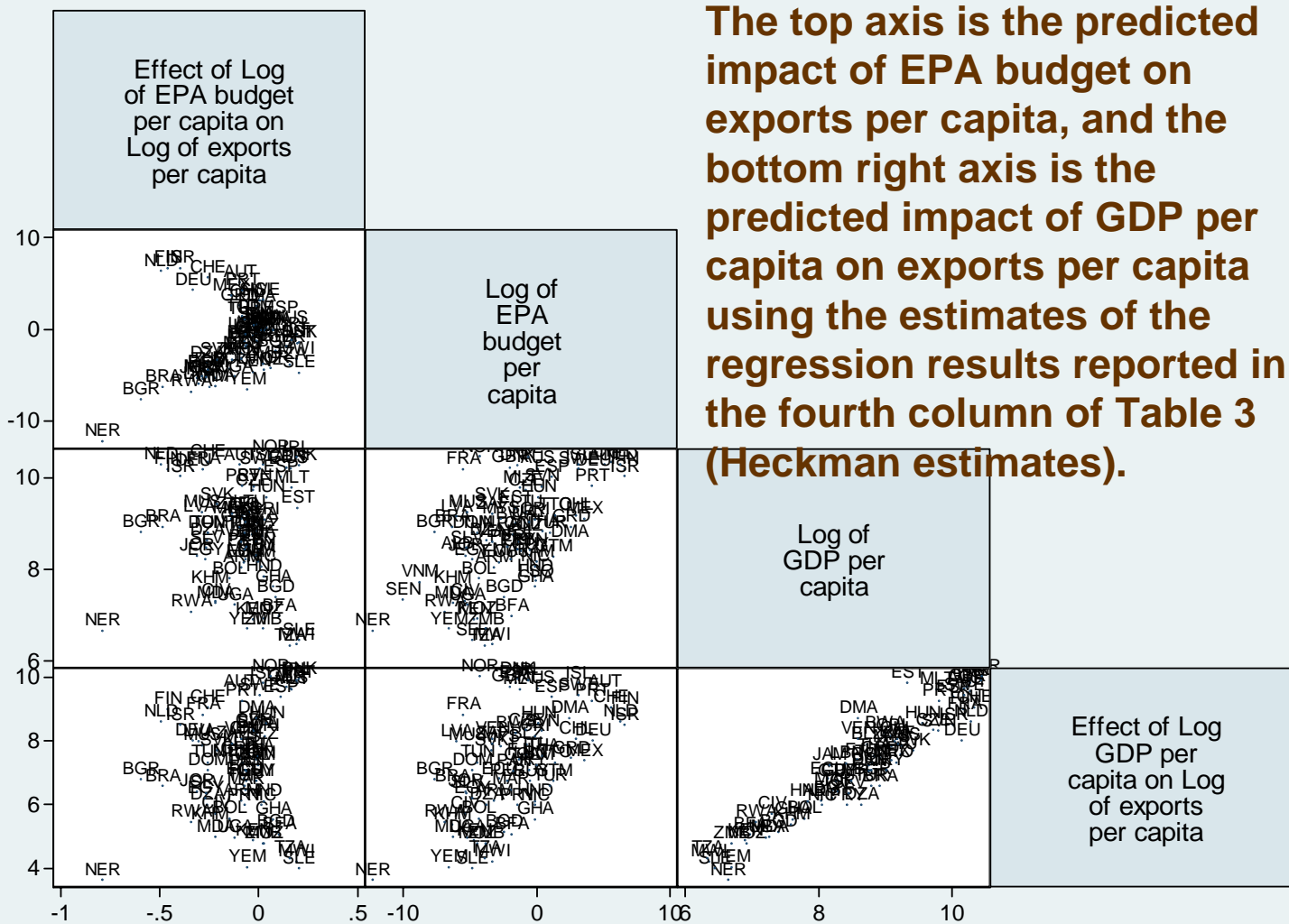
More Evidence on the Potential Role of EPAs – Satisfying the Immense New Markets, China & India

Table 1. Trade Demand and Supply Elasticities of GDP for LAC-China Trade – Non-Fuel Merchandise Trade Data

	OLS		Poisson		Negative Binomial	
	Estimated Coefficient	P-Value	Estimated Coefficient	P-Value	Estimated Coefficient	P-Value
Andean Countries						
Own supply	0.51	0.00	0.28	0.14	0.38	0.19
<i>China demand</i>	3.40	0.00	3.01	0.00	4.42	0.00
Caribbean Countries						
Own supply	0.15	0.19	-0.11	0.52	-0.81	0.24
<i>China demand</i>	3.32	0.00	3.04	0.00	4.49	0.00
Central America						
Own supply	-0.03	0.89	-0.97	0.01	-2.10	0.00
<i>China demand</i>	3.20	0.00	2.95	0.00	4.25	0.00
Southern Cone						
Own supply	0.28	0.01	-0.03	0.70	-0.09	0.58
<i>China demand</i>	3.59	0.00	3.19	0.00	4.69	0.00
Observations	21480		21480		21480	

Source: Lederman, Olarreaga, and Soloaga (forthcoming)

Predicted Marginal Returns – Small Is Beautiful, but not Tiny



Summary



- Small is Beautiful (but not tiny!)
 - Different activities have different (average) effects
 - No evidence of import restrictions impairing export growth
 - Foreign trade barriers matter
 - Evidence of untapped markets
- ... A New Era for Export Promotion Agencies