



KEYNOTE ADDRESSES

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TRADE AND DEVELOPMENT CHALLENGES FROM A REGIONAL PERSPECTIVE

Speaker:

- Mr. Christian VOLPE, Senior Economist, IDB (Inter-American Development Bank)

Mr. Volpe has published a book on the effectiveness of TPO services in Latin America and the Caribbean. His research is based on surveys, conducted between 2002 and 2009, of companies having benefited from those services, among other tools (*Odyssey in International Markets – An Assessment of the Effectives of Export Promotion in Latin America and the Caribbean*).

'TPOs are traveling in the unknown dimension,' Mr. Volpe told participants. 'Despite progress in communications technologies, lack of information severely handicaps companies seeking to operate in international markets.'

Lack of information is a serious barrier to exports. This is particularly true for firms from developing countries involved in trading differentiated goods and services. In this context, TPOs must provide a 'GPS service' – much like the Global Positioning System that provides reliable, real-time location information in all weather conditions.

'The simple answer is that we do not know enough,' he said.

For those TPOs that have overcome the information barrier, the next hurdle is gauging how well they perform their roles. 'Export promotion is costly and this is just one use of public sector funding, particularly in times of scarce resources,' Mr. Volpe said. 'To ascertain that these resources are being well invested, it must first be determined whether the policy initiatives they finance have an impact on those variables they are supposed to affect - exports.'

Making this determination is the objective of Mr. Volpe's book. It is the second IDB publication aimed at identifying obstacles to Latin American and Caribbean countries more effectively integrating the world economy and designing policies to reduce these obstacles. The book analyzes TPOs in three dozen countries and regions and evaluates the impact of policies on the export outcomes of countries and firms.

He pointed out that strategies currently used by TPOs seem 'too rudimentary' to cope with the challenges imposed by robust impact evaluations. The common practice is to use non-supported firms as a control group in terms of measuring exports, but this is not always reliable due to external factors such as currency exchange and the global financial crisis, among others.

'In general, with impact evaluation practices there is no reliable estimate from which organizations can take informed decisions,' Mr. Volpe noted.

Access to customs data gives information about the performance of firms that have been assisted. Client satisfaction surveys are mostly qualitative. Volpe reported differentials in terms of export performance, studying firms that have been assisted versus the ones that have not been assisted. Does export promotion help open entirely new markets? The answer is 'yes'.

For Chile and Argentina, the TPO's impact when it provided support to SMEs was greater than when it provided support to large companies. In Colombia, ad-hoc services that provide comprehensive support to enterprises from 'a to z' were clearly more effective than isolated actions or services, thus reinforcing the importance of comprehensive support to enterprises.

A major finding is that the return on export promotion is 'highly variable' across the continent, due to variables such as the structure of TPOs from the region and the TPO presence abroad – especially their size and number of representative offices. In addition, opening a TPO office rather than embedding services within a diplomatic mission has more impact in terms of export diversification and the number of closed sales.

Should a TPO have offices abroad? The answer is that TPOs do not necessarily need offices abroad, but delivering specialized services is important. Foreign TPO offices are five times more effective. The products are complex and the information more so. A TPO's foreign office is much more effective because it has specialized staff. Another solution is to strengthen the trade competencies of diplomatic missions and give diplomatic staff career incentives if they do a good job.