

Odyssey in International Markets

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

Christian Volpe Martincus

*Special Report on
Integration and Trade*
SUMMARY



Inter-American Development Bank

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The report summarized here would not have been possible without the valuable collaboration of several colleagues and the indispensable information provided by officials with export promotion organizations and other international trade entities. Many thanks go to all of them. The views and opinions expressed in the document are those of the author and should not be attributed to the Inter-American Development Bank, its executive directors, or its member countries.

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>> Prologue

Despite progress in communication technologies, lack of information still imposes severe handicaps on firms seeking to operate in international markets. As a result, companies embarking on an export project often find themselves traveling along unknown routes. Furthermore, the investments that they must make to gather the information required to trade with foreign markets may yield reduced returns to them because third parties may derive benefits from this same information. As a consequence, the value of these investments may be low from a social point of view. In short, lack of information may negatively affect trade, and thereby productivity and economic growth. For these reasons, 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 precisely the service that export promotion organizations provide. But, there is little evidence on how well these organizations perform this task. Moreover, export promotion is costly, and the resources it requires might be better employed elsewhere. In order to ascertain that these resources are, in fact, being well invested, it must be first determined whether the policy initiatives they finance have an impact on those variables that they are supposed to affect—in this case, exports. Making this determination is the aim of this report. *Odyssey in International Markets* begins by making a comprehensive analysis of export promotion organizations in some three dozen countries and regions. Second, it provides robust evaluations, using state-of-the-art econometrics and original datasets, of the impacts that policies have had on export outcomes of countries and firms. Based on the findings of this report, it appears that export promotion seems to

have been effective in facilitating export expansion, especially along the extensive margin (diversification). At the same time, the report points to areas where further research would produce deeper insights into its relative merits.

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>> Traveling in the Unknown

Dimension: Information Barriers and Export Promotion

It is well known from the literature that low levels of openness and lack of diversification can be potentially costly in terms of economic growth.

Three main reasons can be identified. First, high export specialization implies high sensitivity to sector-specific shocks and thus to high volatility of export revenues, which affects the import capability of the country and results in underinvestment when investors are risk averse, as well as of growth rates. In general, countries with more volatile business cycles generally exhibit lower growth rates over the long term. Second, assuming a preference for variety, less diversity in exports generally implies lower export levels. Third, a high concentration of exports in a more limited range of products constrains productivity growth since it does not encourage either more efficiency in using inputs or the increased knowledge acquired through exporting.

Equally well known is the fact that Latin American and Caribbean countries have traditionally lagged in level and degree of diversification of their exports, mainly specializing in natural resources and primary products. Just to mention two examples: coffee represented on average more than 60 percent of Colombia's total exports in the period 1905–1986, and petroleum has accounted for more than 80 percent of Venezuela's total exports in recent years.

Nevertheless, trade outcomes have improved in recent years. At least three-fourths of Latin American and Caribbean countries have

increased their level of openness, the relative importance of exports in their economies, the number of destination countries, the diversity of products they ship abroad, their overall level of export diversification, and the number of differentiated products they sell in foreign markets (see Figure 1).

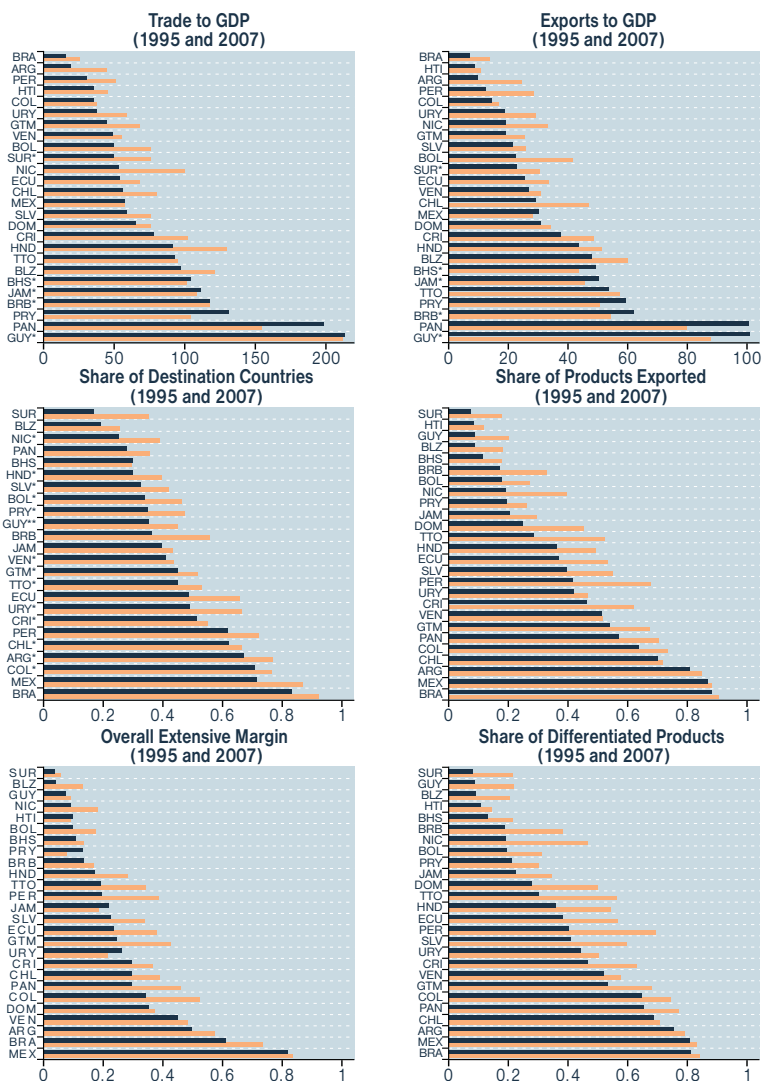
Despite these general improvements, levels of trade and degrees of country and product export diversification for a number of Latin American and Caribbean economies still remain clearly below what would be expected from the size of their economies and levels of development (see Figure 2). Furthermore, their exports demonstrate a low ability to survive in international markets (see Figure 3).

Several factors can contribute to explain this below-expectations trade performance. In this regard, trade costs, such as tariff impediments and transport costs, are natural candidates. Is that all? The answer to this question is clearly no. Other more subtle, less studied barriers can present similar deterrents to trade. This is the case with lack of information, which appears to be one of the most relevant export barriers, both in terms of frequency of occurrence and degree of severity.

Firms seeking to operate beyond national boundaries must learn the formal export process at home, the different ways of shipping merchandise and their associated costs, the potential foreign markets and their demand profile, the conditions for entering these markets, channels available to market and raise awareness of their products, and, in addition, they must find specific business partners.

Information problems can become an important entry barrier in export markets, especially in the case of differentiated goods (products that are heterogeneous in both characteristics and quality) and the experience goods (products whose quality is learned from consumption after purchase). This issue is especially relevant for firms from developing countries. Due to national reputational effects, their products are more likely to be perceived as technologically less advanced and of poorer quality than those of companies from developed countries, particularly by consumers in the these countries' markets. This would be particularly true when consumers attach informational value to quantity and accordingly interpret their typical low market shares as a signal of low quality.

FIGURE 1 ■ Latin American and Caribbean Countries' Trade Outcomes over Time

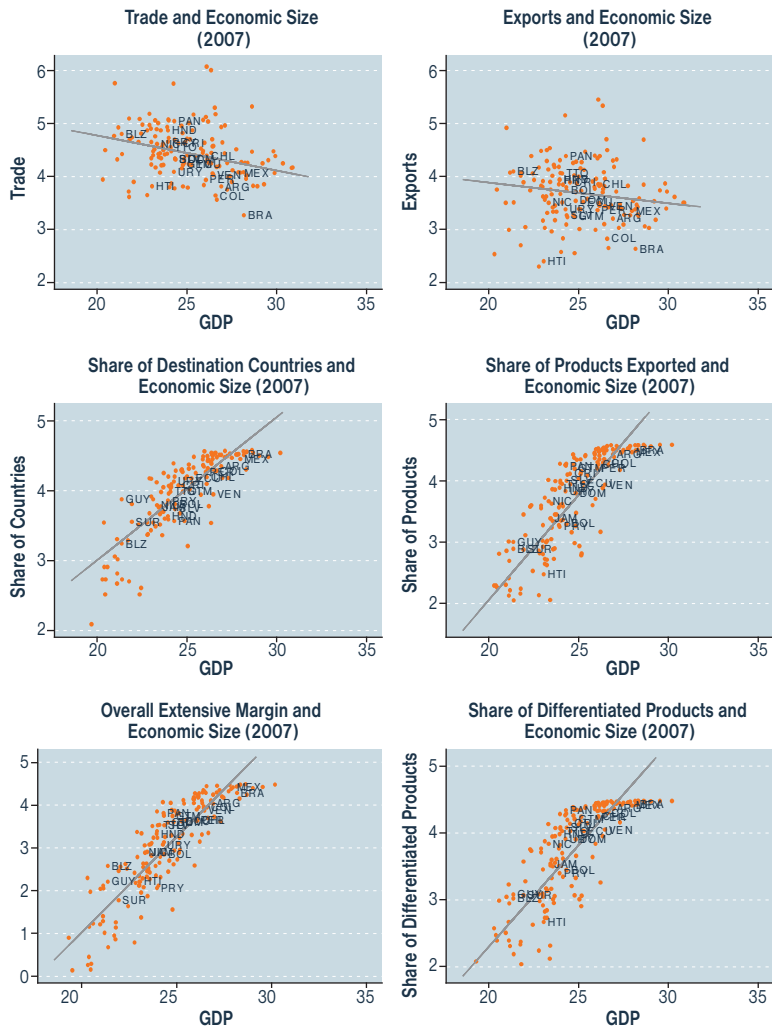


Source: Our calculations based on data from World Development Indicators and COMTRADE.

Trade to GDP: percentage share of exports plus imports in GDP. Exports to GDP: percentage share of exports in GDP. Share of destination countries: ratio of the number of destinations to which countries export to the total number of destinations (227 in 1995 and 237 in 2007). Share of products exported: ratio of the number of products exported by the countries to the total number of products as determined according to the six-digit HS (Harmonized System) classification, version 1988/1992 (5,018 products). Overall extensive margin: extensive margin (diversification) indicator proposed by Hummels and Klenow (2005). Share of differentiated products: share of differentiated products exported in the total number of products exported. Differentiated products are identified using the liberal version of the classification developed by Rauch (1999).*

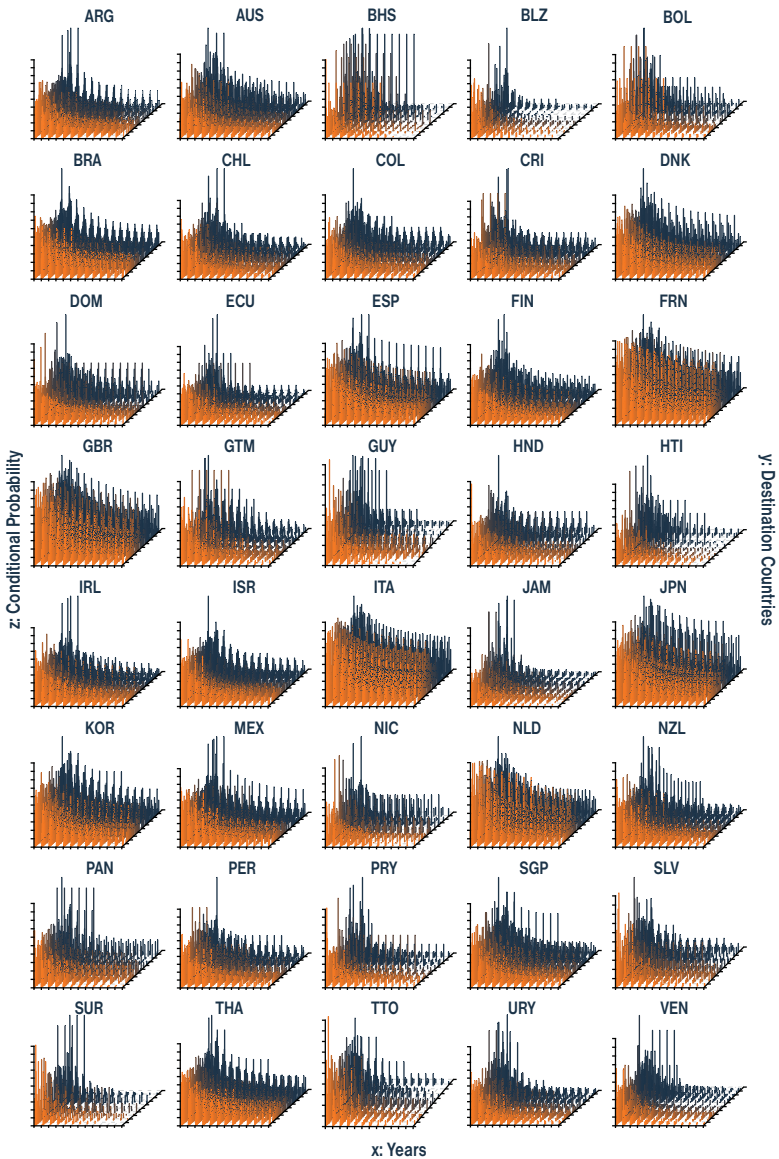
* Hummels, D. y Klenow, P., 2005. "The variety and quality of a nation's exports." *American Economic Review*, 95, 3. Rauch, J., 1999. "Networks versus markets in international trade." *Journal of International Economics*, 48, 3.

FIGURE 2 ■ Latin American and Caribbean Countries' Trade Outcomes Relative to Their Economic Size



Source: Our calculations based on data from World Development Indicators and COMTRADE. Trade to GDP: percentage share of exports plus imports in GDP. Exports to GDP: percentage share of exports in GDP. Share of destination countries: ratio of the number of destinations to which countries export to the total number of destinations (237 in 2007). Share of exported products: ratio of the number of products exported by the countries to the total number of products as determined according to the six-digit HS classification, version 1988/1992 (5,018 products). Overall extensive margin: extensive margin (diversification) indicator proposed by Hummels and Klenow (2005). Share of differentiated products: share of differentiated products exported in the total number of products exported. Differentiated products are identified using the liberal version of the classification developed by Rauch (1999). All variables are expressed in natural logarithm and contrasted with the natural logarithm of countries' GDP as a proxy for their economic size. The straight line shows the relationship between these variables as obtained from a robust regression to account for the presence of outliers.

FIGURE 3 ■ Survival in International Markets, Selected Countries (1995–2007)



Source: Our calculations based on data from COMTRADE.

The figures present the export survival rate, i.e., the (conditional) probability that a trade flow remains positive (z-axis) for a given number of years (x-axis) for each selected exporting country and in each destination market (y-axis) across six-digit HS products, as obtained using the Kaplan-Meier estimator. A higher bar indicates a larger proportion of products registering positive exports to a given importing country after a given number of years.

In this area, public interventions might be—and have been—economically justified as a way to correct market failures, primarily information externalities.¹ More precisely, there is a potential for free riding on the successful searches of firms for foreign buyers. These searches and the associated transactions reveal information that may be used by other firms, that might eventually follow the pioneering firms without incurring the latter's costs. As a result, the followers obtain important benefits from the first movers' initial investments and devalue the potential benefits from their searches. Private returns from these exporting activities would accordingly be lower than the corresponding social returns, and investment in their development would then be sub-optimally low.

We should note, however, that the existence of a case for public intervention does not in itself mean that intervention is necessarily warranted. Intervention would be advisable only if it would improve social welfare, that is, if potential social benefits exceed corresponding social costs.²

Virtually all countries around the world, including those in Latin American and Caribbean, have addressed information barriers by implementing export promotion policies, in most cases by establishing specialized organizations. A priori, by providing information on foreign markets and disseminating information on domestic products, trade promotion organizations help overcome these barriers. In so doing, they would increase the likelihood that a particular good becomes exported and/or a particular country becomes trading partner, thus contributing to expand and diversify exports. But is this actually the case? The answer is unclear because existing evidence regarding the impact of their activities is very limited and inconclusive. Since export promotion is costly and is just one of the possible alternative applications of scarce—and for the most part public—resources, an evaluation of the effectiveness of the programs administered by the responsible entities becomes necessary. This report precisely aims to fill this gap, presenting evidence that can be used to formulate useful policy recommendations for these organizations.

¹ Other kinds of market failures, such as the existence of information asymmetry on the quality of products or the presence of externalities associated with managerial practices and training activities, might also potentially justify public intervention.

² Determining to what extent this is actually the case would require a separate study.

Among other things, the effectiveness of export promotion will depend on the countries' relevant macroeconomic and sectoral policies; the institutional attributes of the export promotion organizations themselves (e.g., reporting schemes, norms that govern the selection and promotion of personnel, network of external offices, etc.) and their incentives structures; and the specific kinds of promotion activities performed and instruments applied. The study takes the first set of factors—macroeconomic and sectoral policies—as contextual conditioning elements to be controlled for, and then goes on to take a detailed look at the institutional attributes and the impacts of the programs and instruments. As such, Chapter 2 describes the entities tasked with export promotion in terms of their legal status, budget, profile of personnel, modalities of presence abroad, and impact evaluation mechanisms. This description is based primarily on the results of an extensive survey of export promotion organizations in over 35 countries and regions.

Several interesting facts emerge from this analysis, two of which can be rigorously examined with data. The first is that, while some export promotion organizations operate abroad through dedicated networks of foreign offices, others must rely on diplomats at embassies and consulates to provide onsite support to exporters. These two substantially different modes of operation can be expected to produce different results in the level and diversification of countries' exports. Chapter 3 explores these potentially varying impacts through analysis of product-level trade data and a new bilateral dataset on foreign missions.

The second fact to emerge is that most entities that attempt to assess the effectiveness of their programs use procedures that are flawed by serious methodological issues. Chapter 4 therefore takes a first step towards providing strategies to improve these evaluation practices, in this way creating the opportunity for better informed policy decisions. The chapter reports on the results of assessments of the direct impact of export promotion programs managed by organizations of several Latin American countries on alternative measures of firms' export performance. These assessments are based on state-of-the-art econometric methods applied to firm-level export data. Finally, Chapter 5 identifies areas where further research would improve our understanding of the effects of export promotion.

>> Meeting the Map Makers: An Institutional Portrait of Export Promotion Organizations 2

Virtually all Latin American and Caribbean countries have implemented export promotion policies. These policies are not new; in many countries in the region they date back at least four decades. Yet, unlike their predecessors in the 1960s and 1970s, which made heavy use of direct fiscal and credit instruments, current policies emphasize support to companies for overcoming informational barriers. Most institutional arrangements in this area have been developed quite recently, including the establishment of new foreign trade ministries and the creation of new export promotion organizations. These developments have resulted in the introduction of varied and innovative organizational designs that continue to be modified in response to current development strategies.

In order to identify the patterns of organizational models adopted by countries to implement export promotion policies, we gathered information through an extensive survey of relevant Latin American and Caribbean organizations conducted between the end of 2007 and early 2009. We also paid careful attention to the experience of several countries outside of the region by surveying entities from Europe, Asia, and Oceania (see Table 1).¹ The survey included questions on when the entities were created;

¹ Our sample primarily includes major countries' organizations that operate nationwide. A few sub-national entities have been considered to assess the existence of organizational diffusion, i.e., whether the designs of these entities replicate (or deviate) from those of national counterparts.

their missions and legal status; management and composition of the board (if it exists); budget, financing, personnel, and recruiting mechanisms; presence in the home country and abroad; targeting and specific services provided to exporters; and effectiveness assessment practices. This detailed primary information, combined with limited secondary information available, made it possible to present a consistent institutional portrait of export promotion organizations.

While it is not advisable to make direct, unconditional comparisons of raw figures among countries in different regions, the diversity of institutional and organizational experiences in our sample allows for a conditional benchmarking exercise. Thus, when required by the dimension being examined, we generally look first at the trade promotion organizations of more developed countries outside of Latin America and the Caribbean, and then focus on those from the region. This enables us to explore whether and how organizational models vary across the world and establish relative similarities and differences.

Establishment of the Organizations: The year of creation refers to the year in which the current export promotion organization was established. In many cases, a prior organization had carried out a similar function. Examples are the Finnish Export Association (1919) and the Finnish Foreign Trade Association (1938) in Finland; British Trade International (BTI) (1999) and preceding initiatives (since 1978) in the United Kingdom; and APEX-SEBRAE (1997) in Brazil.

Some current export promotion organizations emerged as the result of the merger of pre-existing organizations. This is the case with UBIFRANCE (former CFCE and UBIFRANCE), NZTE (Trade New Zealand and Industry New Zealand), and PROMPERU (PROMPEX and PERU TOURISM).² In other countries, similar changes took place, although without the formal creation of a new organization. For example, KOTRA and AUSTRADE assumed investment promotion responsibilities in 1995

² This is also the case with Germany Trade and Investment (GTAI), whose founding in 2009 resulted from the merger of the Federal Agency for Foreign Trade (BFAI) and Invest in Germany.

and 2007, respectively. Colombia's PROEXPORT was assigned responsibility for investment promotion when it merged with COINVERTIR and that for tourism promotion in 2004. Clearly, intense organizational reforms have recently taken place in this field.

The Organizations' Missions and Areas of Activity: Most organizations surveyed are responsible for both export and investment promotion. Among developed countries, organizations exclusively focused on export promotion operate in Finland, France, Italy, Netherlands, and Spain; and in the region, in Argentina, Chile, Costa Rica, Ecuador, El Salvador, and Guatemala.

In a few cases, notably EI and NZTE, the mission of the organizations clearly extends beyond fostering cross-border economic activities to encompass the design and implementation of programs to spur business development in general. This creates an integrated support chain for companies—especially SMEs—that aims to increase their overall competitiveness and thereby facilitate their access to, and consolidation in, international markets. This is also the idea behind the establishment of ACCIO and the incipient collaboration agreement between PROCHILE and the Chilean Economic Development Agency (CORFO).

In Latin America and the Caribbean, there are cases in which export promotion has also been combined with tourism promotion within the same organizational structure, although these two areas operationally remain quite separate. This is the case with PROEXPORT and PROMPERU.

Legal Status and Reporting: Export promotion organizations can be legally separate entities, public, mixed public and private, and in a few cases private (e.g., IECI and FIDE) or departments within public ministries or secretariats (TCD, BETP, DEPT, UKTI, PROCHILE, DPC/ME, and DNPE/VICOMEX). In general, these organizations must prepare periodic reports, usually on an annual basis, containing information on activities undertaken and, in many cases, their estimated outcomes. These reports are submitted to the ministry or secretary responsible for this policy area, the board of directors (if any), and the public. The degree of detail of these reports varies substantially from country to country.

In addition, most organizations must also submit finance and administrative reports explaining how they utilized allocated resources and the respective procedures followed. Typically, public organizations or those that rely on public funding must present this documentation to the general accounting office and also to the general comptroller's office. Information is often presented in two separate reports, with only the one regarding activities readily available to the general public. However, in a few cases, both sets of documentation are well integrated into a unified public report (AUSTRADE, EI, NZTE, and UKTI).

Head of the Organization and Composition of the Board: The heads of public or mixed organizations can be general directors, general or executive managers, or presidents. They are generally appointed by the government, most frequently through the responsible ministry. Sometimes the country's president directly designates these officials. This is primarily the case in countries in the region (Colombia, Mexico, Paraguay, and Uruguay). The holder of this position can also be selected through public competition (IES, COPCA, UKTI, CORPEI, FIDE, and JTI) (see Tables 2 and 3).

The professional background of recent managers includes experience in the public sector (e.g., AUSTRADE, UBIFRANCE, KOTRA, ICEX, EXPORTAR, PROCHILE, JTI, and REDIEX), the private sector (e.g., FINPRO, IECI, JETRO, NZTE, CORPEI, and PROMEXICO), and in both sectors (e.g., COPCA, EXPORTA, and FIDE). The prior experience of managers who have previously worked for the public sector varies widely. For example, while the president of PROEXPORT until 2009 had previously headed the entity's trade promotion office in Brazil, the head of JTI had previously worked for HEART Trust-NTA, a statutory organization of the Ministry of Education, Youth, and Culture. The managers of EI and PROCOMER had reached their positions after working for their countries' investment promotion organizations IDA and CINDE, whereas the president of APEX had headed the Brazilian Agency for Industrial Development.

When present, the boards of directors of these organizations may have from three to six members (ICE, EVD, PROEXPORT, and URUGUAY XXI) to more than 20 members (UBIFRANCE, JETRO,

ICEX, COPCA, and EXPORTAR). Organizations in Latin America and the Caribbean on average have few members than those in countries outside of the region (9.3 and 13.6, respectively), but dispersion is similar (the coefficients of variation are 0.8 and 0.7, respectively).

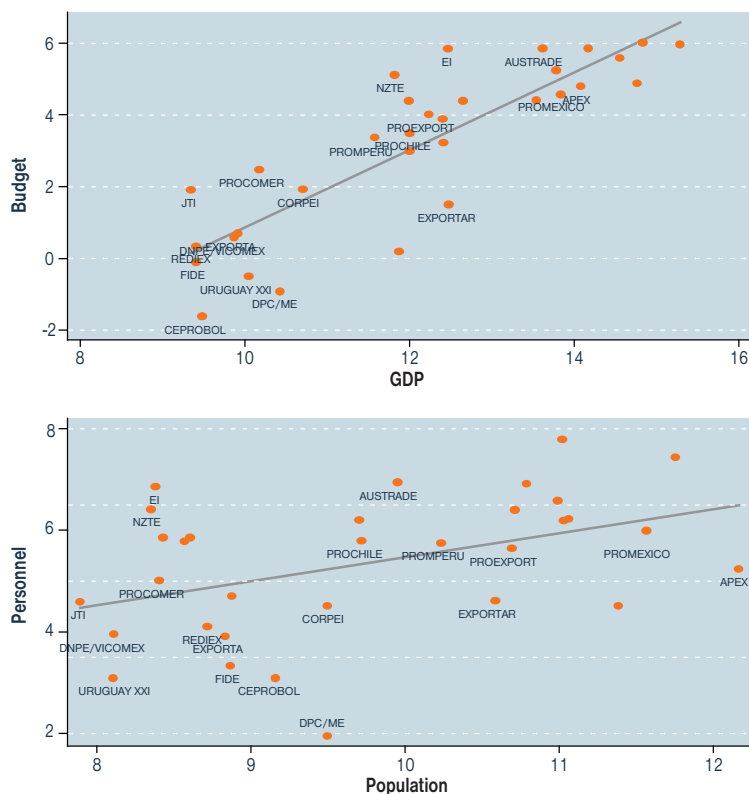
With few exceptions, the composition of the boards is mixed, including representatives of both the public and private sectors. In general, among these entities, the private sector holds a majority of seats, ranging from 30 percent (CEPROBOL) to 84.6 percent (REDIEX) for entities in Latin America and the Caribbean, and from 30 percent (UKTI) to 90 percent (EI) for counterparts in other countries. In the region, representatives from this sector are typically authorities of national sectoral chambers or business associations, for example, the Chambers of Exporters of the Argentine Republic (CERA) in EXPORTAR, the National Association of Exporters and Importers (ANIERM) in PROMEXICO, the National Society of Industries (SNI) in PROMPERU, and the National Chamber of Commerce and Services (CNCS) in URUGUAY XXI. The same holds for ICEX. In other organizations, staff members of individual companies directly represent the private sector (e.g., FINPRO, NZTE, EI, and JTI).

Budget and Personnel: The level of resources available to export promotion organizations is heterogeneous. In developed countries, annual budgets easily exceed US\$100 million, even topping US\$300 million in some cases (AUSTRADE, EI, ICE, JETRO, ICEX, and UKTI). In general, their employees number more than 300. Some organizations have 1,000 or more employees (e.g., AUSTRADE, JETRO, KOTRA, and UKTI).

In Latin America and the Caribbean, only two organizations have annual budgets close to or exceeding US\$100 million (PROMEXICO and APEX, respectively) and 11 out of 16 spend less than US\$20 million annually to carry out promotional activities. Only three entities in the region have more than 300 employees (PROCHILE, PROMEXICO, and PROMPERU).³

³ The number of PROMPERU's employees corresponds to the sum of the personnel under all programs (Administration, Tourism, and Exports). Specifically, the Directorate of Export Promotion has 84 employees.

FIGURE 4 ■ Size of Export Promotion Organizations Relative to Countries' GDP and Population (2007-2009)



Source: Our calculations based on data from the export promotion organizations and World Development Indicators. All variables are expressed in natural logarithms.

Once the countries' GDP and population are accounted for, it is possible to identify organizations that have endowments at or above what would be expected in terms of their country's size (e.g., PROCOMER, PROCHILE, and PROEXPORT) and others whose size in terms of both financial and human resources is clearly below what would be expected (e.g., EXPORTAR and URUGUAY XXI).

Even after accounting for countries' size, it is far from easy to establish rigorously how the level of resources available to organizations affects their ability to influence export performance. The factors that make it

difficult to draw solid conclusions in this regard include the heterogeneity of the institutional frameworks in which these entities operate and the varying degrees of horizontal and vertical organizational fragmentation, and even differences in accounting rules.

Sources and Application of Resources: Export promotion organizations receive the largest portion of their resources from the public sector, either directly through (an item of) the budget or as specific revenues. Nonetheless, entities in countries outside of the region generally generate their own resources by charging for services, primarily in the form of consulting activities (e.g., TCD and COPCA). Some entities such as IEICI, JETRO, and FINPRO receive funding through membership fees paid by companies.⁴

Organizations in Latin America and the Caribbean can be broadly classified into two groups depending on how they allocate their resources among different export promotion activities. One group focuses on organizing and coordinating the participation of firms in international marketing events such as missions and fairs (e.g., EXPORTAR, PROCORDOBA, and PROMPERU). Members of the second group concentrate on other trade assistance activities such as training, provision of specific commercial information, and specialized consulting (e.g., PROCHILE, PROEXPORT, and EXPORTA).

Personnel and Remuneration Policies: Export promotion organizations usually recruit their employees through public competitions that they arrange, (sometimes) advertise, and then carry out. In a few cases, a portion of the personnel is selected by other public organizations (e.g., APEX and REDIEX), by consulting companies (e.g., EXPORTAR and APEX), or directly hired (e.g., PROMEXICO and DNPE/VICOMEX) (see Tables 4 and 5).

In several entities from countries outside of the region, remuneration for staff consists of a fixed wage plus a variable component based on

⁴ AUSTRIAN TRADE, as a unit of the Austrian Economic Chamber (WKO), also receives income through membership fees, as well as by selling services.

individual performance (e.g., EI, IES, NZTE, KOTRA, and COPCA). The picture is substantially different in the region. With only a few exceptions (CORPEI and particularly PROEXPORT), most organizations pay fixed wages without specific bonuses tied to performance.

All entities in the region have employees with master's degrees. In some cases, these highly qualified employees make up or exceed 25 percent of the overall staff (CORPEI, FIDE, JTI, DNPE/VICOMEX, and REDIEX). Employees in some organizations have Ph.D.s (PROMENDOZA, APEX, EXPORTA, PROMEXICO, REDIEX, and PROMPERU). These entities also tend to hire individuals with previous trade experience (e.g., PROCORDOBA, CEPROBOL, PROCOMER, DPC/ME, PROMEXICO, and PROMPERU) and former business executives (e.g., PROCORDOBA, EXPORTA, JTI, and PROMPERU).

Presence in the Home Country and Abroad: Many organizations in developed countries have several regional offices that cover a large number of subnational administrative divisions as well as many offices abroad (see Table 6).

In Latin America and the Caribbean, on the other hand, many entities have only one office in their countries, which is their headquarters, and, except for a few cases (e.g., PROCHILE, PROCOMER, PROEXPORT, and PROMEXICO), they have a very limited presence abroad (see Table 7). In particular, some organizations lack foreign missions entirely (e.g., EXPORTAR, CEPROBOL, DNPE/VICOMEX, REDIEX, PROMPERU, and URUGUAY XXI). These latter organizations must rely on the support of diplomatic personnel at embassies and consulates in assisting exporting companies. As we shall discuss later, the level of this support generally depends on subjective personal relationships, not on an adequate assignment of institutional responsibilities. Furthermore, the lack of trade expertise, time, and sometimes resources limits the level of assistance these diplomats can provide. Even though embassy officials engage in export promotion, it is frequently a part time activity that they must balance with other responsibilities. Hence, the existence of missions abroad could be expected to affect the impact of the organizations' promotion efforts on their countries' trade performance.

Firms Receiving Assistance and Targeting: Interactions between export promotion organizations and firms are generally bidirectional. Companies receiving assistance fall into all size segments (small, medium, and large) and are located across the whole spectrum of export experience (non-exporters, potential exporters as defined according to some evaluation of firms' export capabilities, exporters with limited experience, and experienced exporters). Nevertheless, organizations generally give priority to small and medium-size companies,—frequently through specifically designed programs—. Moreover, virtually all entities perform some kind of geographical and/or sectoral targeting, although to different actual degrees.

Service to Exporters: Export promotion organizations offer exporters multiple services including training for inexperienced exporters on export procedures, marketing, and business negotiations; producing and disseminating analyses on country and product market trends; providing specific information on trade opportunities abroad as well as specialized counseling and technical assistance on taking advantage of these opportunities; coordinating and supporting (and in some cases co-financing) firms' participation in international trade missions and trade shows, and arranging meetings with potential foreign buyers; organizing these kinds of trade events; and sponsoring the creation of consortia of exporters.

Most export promotion organizations, particularly those in the region, offer a similar basic portfolio of services. However, there are differences in the delivery process, the scale and scope of the activities, overall available funding, and conditions under which the respective assistance services are rendered, including whether they are articulated with each other. For instance, programs such as UKTI's "Passport to Export" and PROEXPORT's "Expopyme" and "Plan Exportadores" bundle different activities to guide firms throughout the whole export development process.

Assessment of Effectiveness: Organizational performance is usually assessed using activity (input) and outcome (output) indicators. Input indicators are generally well developed and typically consist of the number of firms using (each of) the services provided by the organization and the number of

export support actions undertaken. Virtually all entities use one of these quantitative assessment measures or both. This is not surprising given that—as mentioned above—most organizations must submit periodic reports on their activities. Some organizations also utilize input indicators that capture other aspects of their performance, such as quality and/or conditions of service delivery. Such indicators include share of market intelligence report services, which have been peer reviewed for relevance by marketing managers (NZTE); time to respond to service requests (COPCA); time needed to approve a new export project (APEX); and percentage of users using electronic systems (PROCIMER).

In contrast, output indicators are, on average, less developed in terms of their design and implementation, particularly in Latin America and the Caribbean. Most entities assess the effects of their actions merely by measuring client satisfaction. Many also base output evaluations on the value of exports achieved by supported firms or on the change in their value. In the latter case, the organizations in the region follow one of two main procedures. In the first, those with access to export firm-level data from customs sum up (the change of) exports by supported companies and interpret the resulting value as additional exports generated by their promotional activities and their contribution to the countries' exports. In the second, those without access to firm-level data from customs rely on the data they gather through questionnaires sent to firms participating in the activities they organize, typically missions and fairs. As we shall see below, all of these measurement strategies are flawed by serious methodological problems, making it impossible for them to generate reliable impact indicators. Nonetheless, such assessments are the basis for decisions on budgetary allocations, redefining strategies, redistributing resources among units and programs, evaluating employees, and/or removing managers.⁵

Recapitulating: Our survey on organizational aspects of export promotion policymaking allows us to draw some general conclusions.

⁵ Even though providing a proper foundation for all decisions listed above is clearly beyond the scope of this report, it can be considered a first contribution in this regard for some of them, such as those concerning strategy and promotion programs.

- The modal organizational configuration involves a leading separate public sector entity.⁶ However, organizational designs actually differ in practice depending on the specific institutional context in which they had been created and operate and thus vary from country to country. This clearly makes it difficult to quantitatively assess the role of organizational factors in shaping the effectiveness of the entities in question.
- There is a trend toward integrating promotion activities (export, investment, and also business development and tourism in a few cases) in single organizations. This trend, which is slightly more pronounced outside of the region, is likely to contribute to cross-fertilization among different programs and enhanced coordination by reducing fragmentation, but at the same time creates challenges regarding specialization. There are alternative strategies for achieving coordination, such as the cross-membership of officials of relevant entities in their respective boards (e.g., a representative from TEKES, the Finnish Funding Agency for Technology and Innovation, is a member of the board of FINPRO).
- In absolute terms, the size of the entities in the region as proxied by the financial and human resources available to them is substantially smaller than that of counterparts in more developed countries. Correcting for country size, some organizations in the region emerge as relatively well endowed (e.g., PROEXPORT, PROCHILE, and PROCOMER). Establishing the true relationship between organizations' budgets and countries' export performances is, however, challenging, as this would require properly addressing multiple conditioning factors.
- In most cases, the head of the organization is appointed by the government for a fixed term either through, or on the basis of a proposal made by, the minister charged with overseeing the entity. In a few cases, notably in countries in the region, the manager is named

⁶ In countries that are federal (e.g., Argentina) or highly decentralized (e.g., Spain) autonomous export promotion organizations operate at the regional level, thus generating a decentralized public model.

directly by the country's president. Less common appointment procedures include designation through public contests based on merit. Most organizations formally hire their personnel through public competition, although specific procedures differ in practice. Furthermore, whereas several entities from countries outside of Latin America and the Caribbean apply remuneration policies that include the possibility of bonuses based on performance, this is the exception in the region. The way in which these factors affect organizational effectiveness has not yet been sufficiently investigated. Additional specific research on these issues, probably in the form of comprehensive case studies, is therefore needed.

- Most export promotion organizations in Latin American and Caribbean countries have a much more limited presence abroad than their counterparts in developed countries. Further, even among countries in the region, 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 in terms of impacts on the level and diversification of exports.
- Finally, quantitative evaluation of the effects of export promotion activities is far from rigorous—and in many entities is simply non-existent—and henceforth cannot produce reliable impact estimates. Nevertheless, results of these assessments are used as the basis for important policy decisions.

Table 1 ■ Sample of Organizations

Country/ Region	Organization		Year of Creation
Rest of the World			
Australia	Australian Trade Commission	AUSTRADE	1985
Denmark	Trade Council of Denmark	TCD	2000
Finland	FINPRO	FINPRO	1999
France	Ubifrance	UBIFRANCE	2004
Ireland	Enterprise Ireland	EI	1998
Israel	Israel Export and International Cooperation Institute	IEICI	1958
Italy	National Institute for Foreign Trade	ICE	1926
Japan	Japan External Trade Organization	JETRO	2003
Korea	Korea Trade and Investment Promotion Agency	KOTRA	1962
Netherlands	Agency for International Business and Cooperation	EVD	1937
New Zealand	New Zealand Trade and Enterprise	NZTE	2003
Philippines	Bureau of Export Trade Promotion	BETP	1987
Spain	Institute of Foreign Trade	ICEX	1982
Catalonia ¹	Consortium for the Trade Promotion of Catalonia	COPCA	1987
Singapore	International Enterprise Singapore	IES	2002
Thailand	Department of Export Promotion	DEPT	1977
United Kingdom	United Kingdom Trade and Investment	UKTI	2003
Latin America and the Caribbean			
Argentina	EXPORTAR Foundation	EXPORTAR	1993
Cordoba	PROCORDOBA	PROCORDOBA	1998
Mendoza	PROMENDOZA	PROMENDOZA	2003
Bolivia ²	Center for the Promotion of Bolivia	CEPROBOL	1998
Brazil	Brazilian Agency for the Promotion of Exports and Investments	APEX	2003
Chile	Direction of Export Promotion	PROCHILE	1974
Colombia	PROEXPORT	PROEXPORT	1992
Costa Rica	Costa Rican Promoter of Foreign Trade	PROCOMER	1996
Ecuador	Corporation for the Promotion of Exports and Investments	CORPEI	1997
El Salvador	El Salvador Exports	EXPORTA	2004
Guatemala	Department of Trade Promotion	DPC/ME	2000

Continued on next page

Table 1 ■ Sample of Organizations (*continued*)

Country/ Region	Organization		Year of Creation
Honduras	Foundation for Investment and Export Development	FIDE	1984
Jamaica	Jamaica Trade and Investment	JTI	1990
Mexico	PROMEXICO Investment and Trade	PROMEXICO	2007
Panama ³	National Direction of Export Promotion	DNPE/VICOMEX	1998
Paraguay	Network of Investments and Exports	REDIEX	2004
Peru	Commission for the Promotion of Peru for Exports and Tourism	PROMPERU	2007
Uruguay	Institute for the Promotion of Investments and Exports of Goods and Services	URUGUAY XXI	1996

¹ As of March 14 2008, COPCA was merged with the Center for Innovation and Business Development (CIDEM) into ACC10.

² As of October, 2008, a new trade promotion organization was created in Bolivia, Bolivia Promotes, out of the former CEPROBOL.

³ The year of creation reported in the table corresponds to that of the Vice-Ministry of Foreign Trade (VICOMEX).

Table 2 ■ Head of the Organization and Composition of the Board in Other Regions' Organizations

Country/ Region	Organization	Appointment	Head of the Organization	Tenure	Number	Board		
						Sectoral Composition (%)		
						Public	Private	Others
Australia	AUSTRADE	Appointed by the government/ minister of trade.		Fixed term appointment	0	N/A		
Denmark	TCD	Appointed by the government/ Ministry of Foreign Affairs.		Fixed term appointment	11	0.0	100.0	0.0
Finland	FINPRO	Appointed by the Board of Directors of the organization.		Indefinite appointment	8	37.5	62.5	0.0
France ¹	UBIFRANCE	Appointed by government/Ministry of Finance.		Indefinite appointment	28	21.4	17.9	60.7
Ireland	EI	Public competition.		Fixed term appointment	10	10.0	90.0	0.0
Israel	IEICI	Appointed by the government/Ministry of Industry, Trade and Labor.		Fixed term appointment	13	30.0	70.0	0.0
Italy ²	ICE	Appointed by the government/ president of the Council of Ministers based on a proposal by the Ministry of Economic Development.		Fixed term appointment	5	20.0	80.0	0.0
Japan	JETRO	Appointed by the government/ Ministry of the Economy, Trade and Industry.		Fixed term appointment	22	48.0	52.0	0.0
Korea	KOTRA	Appointed by the government/ Ministry of Knowledge and the Economy.		Fixed term appointment	5	100.0	0.0	0.0
Netherlands	EVD	Appointed by the government/ Ministry of Economic Affairs.		Indefinite appointment	4	100.0	0.0	0.0
New Zealand ³	NZTE	Appointed by the Board of Directors of the organization.		Fixed term appointment	8	25.0	75.0	0.0

Continued on next page

Table 2 ■ Head of the Organization and Composition of the Board in Other Regions' Organizations *(continued)*

Country/ Region	Organization	Appointment	Head of the Organization	Tenure	Board			
					Number	Public	Private	Others
Philippines	BETP	Appointed by the government/ president of the republic.		Indefinite appointment	0		N/A	
Spain	IOEX	Appointed by the government/Ministry of Industry, Tourism, and Trade, and State Secretariat of Tourism and Trade.		Indefinite appointment	34	73.5	26.5	0.0
Catalonia	COPCA	Public competition/Appointed by the General Committee.		Indefinite appointment	21	28.6	71.4	0.0
Singapore	IES	Appointed by the government/Ministry of Trade and Industry.		Indefinite appointment	11	36.4	63.6	0.0
Thailand	DEPT	Appointed by the government/Ministry of Trade.		Fixed term appointment	0		N/A	
United Kingdom ⁴	UKTI	Public competition.		Fixed term appointment	10	70.0	30.0	0.0

¹ The percentage share that corresponds to the public sector includes representatives from the regions (presidents of regional councils). The category "Others" includes five "qualified personalities" and 10 personnel representatives.

² Figures correspond to the Board of Administration and include the president of ICE among its members.

³ There are two special advisors to the Board of Directors: the secretary of the Ministry of Foreign Affairs and Trade and the chief executive of the Ministry of Economic Development.

⁴ The board includes seven members of the Executive Team who are civil servants and three non-executive members who are private sector representatives.

Table 3 ■ Head of the Organization and Composition of the Board in Latin American and Caribbean Organizations

Country/ Region	Organization	Appointment	Head of the Organization	Tenure	Board			
					Number	Sectoral Composition (%)		
						Public	Private	Others
Argentina	EXPORTAR	Appointed by the Board of Directors of the organization, but approval is required from the Ministry of Foreign Relations, International Trade and Worship.		Fixed term appointment	28	32.1	67.9	0.0
Cordoba	PROCORDOBA	Nominated by the government and selected through a referendum of the assembly of shareholders. President is usually from the Industrial Union of Cordoba and the vice president from the Chamber of Foreign Commerce.		Fixed term appointment	13	38.5	61.5	0.0
Mendoza ¹	PROMENDOZA	Appointed by the government/Ministry of the Economy.		Fixed term appointment	8	25.0	75.0	0.0
Bolivia	CEPROBOL	Public competition.		Fixed term appointment	11	70.0	30.0	0.0
Brazil	APEX	Appointed by the government/Ministry of Development Industry and Foreign Trade.		Fixed term appointment	7	57.1	42.9	0.0
Chile	PROCHILE	Appointed by the government/Ministry of Foreign Relations.		Fixed term appointment	0		N/A	
Colombia ²	PROEXPORT	Appointed by the government/president of the republic.		Indefinite appointment	6	33.3	33.3	33.4
Costa Rica	PROCOMER	Appointed by the Board of Directors of the organization.		Indefinite appointment	9	44.4	55.6	0.0
Ecuador ³	CORPEI	Public competition.		Fixed term appointment	13	38.5	61.5	0.0
El Salvador	EXPORTA	Appointed by the government/president of the National Commission for the Promotion of Exports and Investments (CONADEI).		Indefinite appointment	0		N/A	

Continued on next page

Table 3 ■ Head of the Organization and Composition of the Board in Latin American and Caribbean Organizations *(continued)*

Country/ Region	Organization	Appointment	Head of the Organization	Tenure	Number	Board		
						Sectoral Composition (%)		
						Public	Private	Others
Guatemala	DPC/ME	Appointed by the government/Ministry of the Economy.		Fixed term appointment	0	N/A		
Honduras	FIDE	Public competition.		Indefinite appointment	12	0.0	100.0	0.0
Jamaica	JTI	Public competition.		Fixed term appointment	14	21.4	78.6	0.0
Mexico	PROMEXICO	Appointed by the government/president of the republic.		Indefinite appointment	9	66.7	33.3	0.0
Panama	DNPE/VICOMEX	Appointed by the government/minister of trade and industries.		Indefinite appointment	0	N/A		
Paraguay	REDIEX	Appointed by the government/president of the republic.		Indefinite appointment	13	15.4	84.6	0.0
Peru	PROMPERU	Appointed by the government/Ministry of Foreign Trade and Tourism.		Indefinite appointment	18	44.4	55.6	0.0
Uruguay	URUGUAY XXI	Appointed by the government/president of the republic.		Indefinite appointment	6	50.0	50.0	0.0

¹ The number of members reported in the table corresponds to those of both directive bodies, the Administration Board and the Executive Committee. Each of these bodies has four members: one representative from the public sector (Ministry of Production) and three representatives from the private sector.

² "Others" correspond to two individuals designated by the president of the republic.

³ The number of members reported in the table corresponds to the so-called "Institutional Members." In addition, there are "Statutory Members" who represent the sectoral units of exporters, i.e., groups of firms exporting a product that accounts for no less than 2 percent of the country's private (non-petroleum) exports as weighted moving averages over the last three years. These delegates have voice but not voting rights.

Table 4 ■ Selection of Personnel and Remuneration Policy in Other Regions' Organizations

Country/ Region	Organization	Selection of Personnel	Remuneration Policy
Australia	AUSTRADE	Public competition by the organization.	Fixed wage, with the exception of performance bonuses for employees who have been with the organization more than 12 months and have performed exceptionally.
Denmark	TCD	Public competition by the organization.	Fixed wage plus target based bonus, typically 10-20 percent.
Finland	FINPRO	Public competition by the organization	Fixed wage.
France	UBIFRANCE	Internal and public competition by the organization.	Fixed wage.
Ireland	EI	Public competition by the organization.	Fixed wage plus bonus variable based on performance.
Israel	IEICI	Public competition by the organization.	Fixed wage.
Italy	ICE	Public competition by the organization.	Fixed wage. For employees working within Italy, there may be a bonus based on performance usually larger than the monthly wage.
Japan	JETRO	Public competition by the organization.	Fixed wage plus a variable component depending on additional work and performance.
Korea	KOTRA	Public competition by the organization.	Fixed wage (75 percent) plus a variable component (25 percent) based on performance.
Netherlands	EVD	Public competition by the organization.	Fixed wage.
New Zealand ¹	NZTE	Public competition by the organization.	Fixed wage plus a component based on performance.
Philippines ²	BETP	Public competition by the Department of Trade and Industry.	Fixed wage.
Spain	ICEX	Public competition by the organization.	Fixed wage plus a bonus based on performance as subjectively estimated by the direct supervisors.
Catalonia ³	COPCA	Public Competition by the organization.	Fixed wage plus a variable component based on qualitative and, for those who have turnover objectives to meet, quantitative performance

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Table 4 ■ Selection of Personnel and Remuneration Policy in Other Regions' Organizations *(continued)*

Country/ Region	Organization	Selection of Personnel	Remuneration Policy
Singapore	IES	Public Competition by the organization.	Fixed wage plus a variable component based on performance.
Thailand ⁴	DEPT	Public competition by the organization, public competition by other governmental organization, and other procedures.	Fixed wage.
United Kingdom	UKTI	Internal and public competition by the Foreign and Commonwealth Office (FCO) and the Department of Business, Innovation, and Skills (BIS), formerly the Department of Business, Enterprise, and Regulatory Reform (BERR).	Fixed wage for majority of staff. Bonuses based on performance are only paid to senior staff.

¹ In defining wages, remuneration bands are used for each position based on market rates for similar skills and experiences.

² Participation in this competition is conditional on having passed the Civil Service Exam administered by the Civil Service Commission.

³ Turnover comes from value of consultancy projects signed with private firms in support of their internationalization.

⁴ Public competition by the organization (75 percent), public competition by other governmental organization (20 percent), and others such as exchange or transfer (5 percent).

Table 5 ■ Selection of Personnel and Remuneration Policy in Latin American and Caribbean Organizations

Country/Region	Organization	Selection of Personnel	Remuneration Policy
Argentina	EXPORTAR	Internal and public competition by the organization; and selection outsourced to private consulting companies.	Fixed wage.
Cordoba	PROCORDOBA	Public competition by the organization.	Fixed wage.
Mendoza	PROMENDOZA	Public competition by the organization.	Fixed wage.
Bolivia	CEPROBOL	Public competition by the organization.	Fixed wage.
Brazil ¹	APEX	Public competition by the organization, public competition by other governmental organization, and selection outsourced to private consulting companies.	Fixed wage.
Chile	PROCHILE	Public competition by the organization.	Fixed wage plus a common bonus (2 to 3 percent).
Colombia	PROEXPORT	Internal and public competition by the organization.	Fixed wage plus a variable component based on performance as assessed through the CRMS (up to 25 percent).
Costa Rica	PROCOMER	Public competition by the organization.	Fixed wage.
Ecuador	CORPEI	Internal and public competition by the organization as well as direct hiring.	Fixed wage plus a variable component based on performance depending on the functional area (up to 20 percent).
El Salvador	EXPORTA	Public competition by the organization.	Fixed wage.
Guatemala	DPC/ME	Public competition by the organization.	Fixed wage.
Honduras	FIDE	Public competition by the organization.	Fixed wage.
Jamaica	JTI	Public competition by the organization.	Fixed wage.
Mexico ²	PROMEXICO	Direct hiring.	Fixed wage.
Panama	DNPE/VICOMEX	Direct hiring.	Fixed wage.

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Table 5 ■ Selection of Personnel and Remuneration Policy in Latin American and Caribbean Organizations *(continued)*

Country/Region	Organization	Selection of Personnel	Remuneration Policy
Paraguay ³	REDIEX	Public competition by the organization and commissioning of other public organizations.	Fixed wage.
Peru	PROMPERU	Public competition by the organization.	Fixed wage.
Uruguay	URUGUAY XXI	Public competition by the organization.	Fixed wage.

¹ Public competition by the organization (71 percent), public competition by other governmental organization (8.5 percent), and selection outsourced to private consulting companies (20.5 percent).

² Direct hiring has been used as the main procedure to fill positions to allow for the organization to start operating. The organization plans to implement public competition from now on.

³ Public competition by the organization (90 percent) and commissioning of other public organizations (10 percent).

Table 6 ■ Presence in the Home Country and Abroad of Other Regions' Organizations

Country/Region	Organization	Offices in the Home Country		Offices Abroad	
		Total Number	Region Coverage	Total Number	Country Coverage
Australia ¹	AUSTRADE	18	8/6 states and 2 mainland territories	117	63
Denmark	TCD	6	5/5 regions	83	63
Finland	FINPRO	8	4/6 provinces	57	40
France ²	UBIFRANCE	6	6/22 metropolitan and 4 overseas regions	15	8
Ireland	EI	10	10/26 counties	31	25
Israel ³	IEICI	1	1/6 districts	0	0
Italy ⁴	ICE	17	17/20 regions	117	87
Japan	JETRO	38	38/47 prefectures	73	54
Korea ⁵	KOTRA	1	1/9 provinces and 7 metropolitan cities	94	68
Netherlands ⁶	EVD	1	1/12 provinces	20	11
New Zealand	NZTE	10	9/16 regions and one territory	37	30
Philippines ⁷	BETP	1	1/80 provinces	0	0
Spain ⁸	ICEX	31	18/17 autonomous communities and 2 autonomous cities	98	77
Catalonia ⁹	COPCA	3	3/4 provinces	38	31

Continued on next page

Table 6 ■ Presence in the Home Country and Abroad of Other Regions' Organizations *(continued)*

Country/Region	Organization	Offices in the Home Country		Offices Abroad	
		Total Number	Region Coverage	Total Number	Country Coverage
Singapore	IES	1	1/1 city-state	35	21
Thailand	DEPT	6	6/76 provinces	61	44
United Kingdom ¹⁰	UKTI	11	9/9 regions	160	98

¹ AUSTRADE also operates within Australia through a national network of 50 export assistance offices called TradeStart. These offices have been established through partnerships between AUSTRADE and local private and public sector organizations (i.e., local business associations and governments, respectively).

² UBIFRANCE has 15 integrated economic missions in eight countries (Canada, Germany, Italy, Spain, United Arab Emirates, Turkey, United Kingdom, and the United States). By 2010, almost 50 trade missions would become UBIFRANCE representations abroad. If this plan materializes, this organization would then have 64 offices in 44 countries. Counting all diplomatic offices, UBIFRANCE would have a presence in 150 countries.

³ IEICI does not have offices abroad. However, this organization can set goals for commercial attaches and can evaluate their activities.

⁴ Regional offices are staffed with 156 employees while offices abroad have a total of 123 employees.

⁵ KOTRA has recently closed its regional offices within the country. This organization has a network of 94 Korea Trade Centers (KTCs) coordinated by eight regional offices as follows: Moscow for the CIS countries (six KTCs); Frankfurt for Europe (22 KTCs); Dubai for the Middle-East and Africa (15 KTCs); Shanghai for China (nine KTCs); Singapore for Asia and Oceania (17 KTCs); Tokyo for Japan (four KTCs); New York for North America (10 KTCs); and Mexico City for Latin America (11 KTCs).

⁶ EVD directly operates 20 Netherlands Business Support Offices (NBSOs) in 11 countries. In addition, 28 embassies and general consulates in 24 countries provide the same services as the NBSOs. Overall all these foreign missions give EVD 48 access points in 35 countries.

⁷ The BETP has only one office in Manila, the capital of the country, and does not have representations abroad. However, the Regional Operations Development Group (RODG) of the Department of Trade and Industry (DTI) manages 16 regional offices and 83 provincial offices, and the Foreign Trade Service Corps, which is another agency of the International Trade Group (ITG) of the DTI, manages 32 trade and investment promotion offices in 23 countries.

⁸ The network of offices abroad is shared between ICEX and the State Secretary of Trade of the Ministry of Industry, Tourism, and Trade. Twenty-two of these 98 offices employ ICEX staff.

⁹ In addition, there are 13 representations staffed with personnel who are non-employees of COPCA, but are expected to provide support when requested.

¹⁰ On international trade UKTI has management responsibility for its own staff and programs in the English regions and operates as the regional development agencies' (RDA) international trade arm. UKTI works in partnership with the RDAs on strategy and priorities through a nationally-agreed dual key framework and jointly signed-off delivery plans at the regional level. International Trade Directors (ITDs) are responsible for UKTI activities in the nine UK regions. They are based, with their small regional core teams, within each RDA, but work directly for UKTI. The ITD in all cases is responsible for strategic relationships, not just with the RDA but also with other regional stakeholders, partners, and the business community. On inward investment, RDAs act in partnership with UKTI with funding via the RDA Single Pot. RDA inward investment staff work with UKTI's sales and investor development teams in UKTI's Business Group and UKTI overseas teams on the combined UK inward investment effort. The RDAs have direct presence in some key overseas markets, where they collaborate with the UKTI inward investment overseas teams in British Diplomatic Missions. UKTI is not an employer in its own right. Operations abroad are thus mostly conducted by civil service staff employed by the Foreign and Commonwealth Office (FCO).

Table 7 ■ Presence in the Home Country and Abroad of Latin American and Caribbean Organizations

Country/ Region	Organization	Offices in the Home Country		Offices Abroad	
		Total Number	Region Coverage	Total Number	Country Coverage
Argentina ¹	EXPORTAR	1	1/23 provinces and an autonomous city	0	0
Cordoba	PROCORDOBA	1	1/26 departments	0	0
Mendoza	PROMENDOZA	4	4/18 departments	2	2
Bolivia	CEPROBOL	1	1/9 departments	0	0
Brazil ²	APEX	1	1/26 states and a federal district	5	5
Chile	PROCHILE	15	15/15 regions	50	39
Colombia ³	PROEXPORT	8	8/32 departments and a federal district	15	15
Costa Rica ⁴	PROCOMER	6	6/7 provinces	14	10
Ecuador ⁵	CORPEI	3	3/24 provinces	3	3
El Salvador ⁶	EXPORTA	1	1/14 departments	1	1
Guatemala	DPC/ME	1	1/22 departments	3	3
Honduras	FIDE	2	2/18 departments	1	1
Jamaica	JTI	2	2/14 parishes	1	1
Mexico ⁷	PROMEXICO	32	32/31 states and a federal district	34	21
Panama ⁸	DNPE/VICOMEX	10	9/11 provinces and a territory (<i>comarca</i>)	0	0
Paraguay ⁹	REDIEX	1	1/17 departments	0	0
Peru ¹⁰	PROMPERU	6	6/25 regions and a province	0	0
Uruguay	URUGUAY XXI	1	1/19 departments	0	0

¹ While EXPORTAR does not have regional offices besides its headquarters in Buenos Aires, there are 63 access points to its services established in partnership or through agreements with, and hosted by, provincial or municipal governments and business associations throughout the 24 regions.

² APEX has only one office in Brasilia. However, this organization has established access points to its services in partnership with the National Confederation of Industries (CNI) and the states' federations of industries. These offices are located in buildings of the federations and are not staffed with APEX employees. Currently, there are five such offices in Ceara, Minas Gerais, Parana, Rio Grande do Sul, and Santa Catarina. Five additional ones were planned to be opened in 2009. These offices will be located in Amazonas, Goias, Mato Grosso do Sul, Pernambuco, and Sao Paulo.

³ In addition, a joint initiative between PROEXPORT, the Ministry of Trade, Industry, and Tourism, and BANCOLDEX operates a network 22 centers of information and advice on foreign trade (Zeikys) covering 19 departments.

⁴ In addition, PROCOMER manages five one stop shop offices for foreign trade in five provinces.

Continued on next page

Table 7 ■ Presence in the Home Country and Abroad of Latin American and Caribbean Organizations *(continued)*

⁵ In addition, 11 offices were administered within the framework of an inter-organizational agreement between CORPEI and the Ministry of Foreign Relations, Trade, and Integration (MRECI). These offices are located in 10 countries: Buenos Aires (Argentina), Toronto (Canada), Berlin (Germany), Guatemala City (Guatemala), New Delhi (India), Milan and Rome (Italy), Mexico City (Mexico), Lima (Peru), Madrid (Spain), and London (United Kingdom). Together with the MRECI, CORPEI was planning to establish 14 additional foreign offices staffed with technical personnel in the following cities: Sao Paulo (Brazil), Santiago de Chile (Chile), Shanghai and Canton (China), Paris (France), Hamburg (Germany), Teheran (Iran), Tokyo (Japan), Moscow (Russia), Stockholm (Sweden), Pretoria (South Africa), Los Angeles and New York (United States), and Caracas (Venezuela).

⁶ EXPORTA has plans to open additional offices in China, Colombia, Dominican Republic, France (or Spain), Japan, Mexico, Panama, and the United States.

⁷ In addition, PROMEXICO has six regional representations.

⁸ These offices correspond to the Ministry of Trade and Industries (MICI) and henceforth to the Vice-Ministry of Foreign Trade (VICOMEX). In addition, the DPNE manages seven one stop shop offices for foreign trade in seven provinces.

⁹ REDIEX uses the regional offices of the Ministry of Industry and Trade (MIT) to advertise activities and receive support requests.

¹⁰ In addition, PROMPERU has 10 regional information centers covering 10 regions.

>> To Be or Not to Be Abroad: Do Foreign Missions Make a Difference?

3

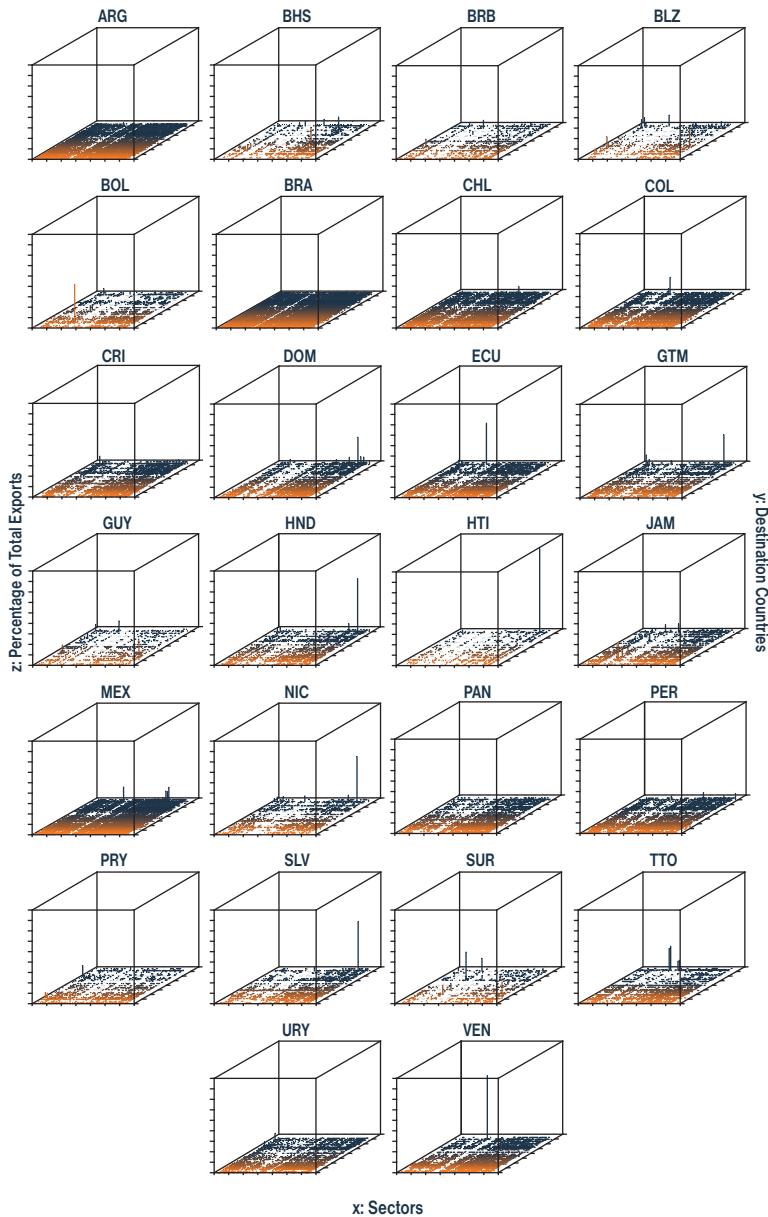
There are substantial differences among Latin American and Caribbean countries in terms of trade performance, both overall and across sectors and destination markets. While exports of some countries range across many sectors and destination markets, foreign sales for other countries are relatively concentrated in a few sectors, and even in specific importing nations (see Figures 5 and 6).

The direct presence abroad of export promotion organizations of Latin American and Caribbean countries is also highly asymmetric (see Figure 7). Specifically, those entities without foreign offices must rely on diplomatic missions to assist exporters abroad, and the size and density of missions' networks differ greatly across countries as well (see Figure 8).¹

Is there a link between these countries' trade patterns and the location patterns of these foreign missions? Do representations abroad help explain countries' trade performance? One might assume that they do. By providing information on foreign markets and disseminating information on domestic products, these representations would help overcome information-driven trade barriers and, as a result, increase and diversify

¹ Through an agreement between Venezuela's BANCOEX (Bank for Foreign Trade), the Ministry of Foreign Relations and the former Ministry of Production and Trade (now Ministry of Trade), the commercial sections of the embassies in Argentina, Brazil, Colombia, Ecuador, Germany, Mexico, Panama, Peru, Spain, and Trinidad and Tobago constitute a network of foreign offices tasked with export promotion.

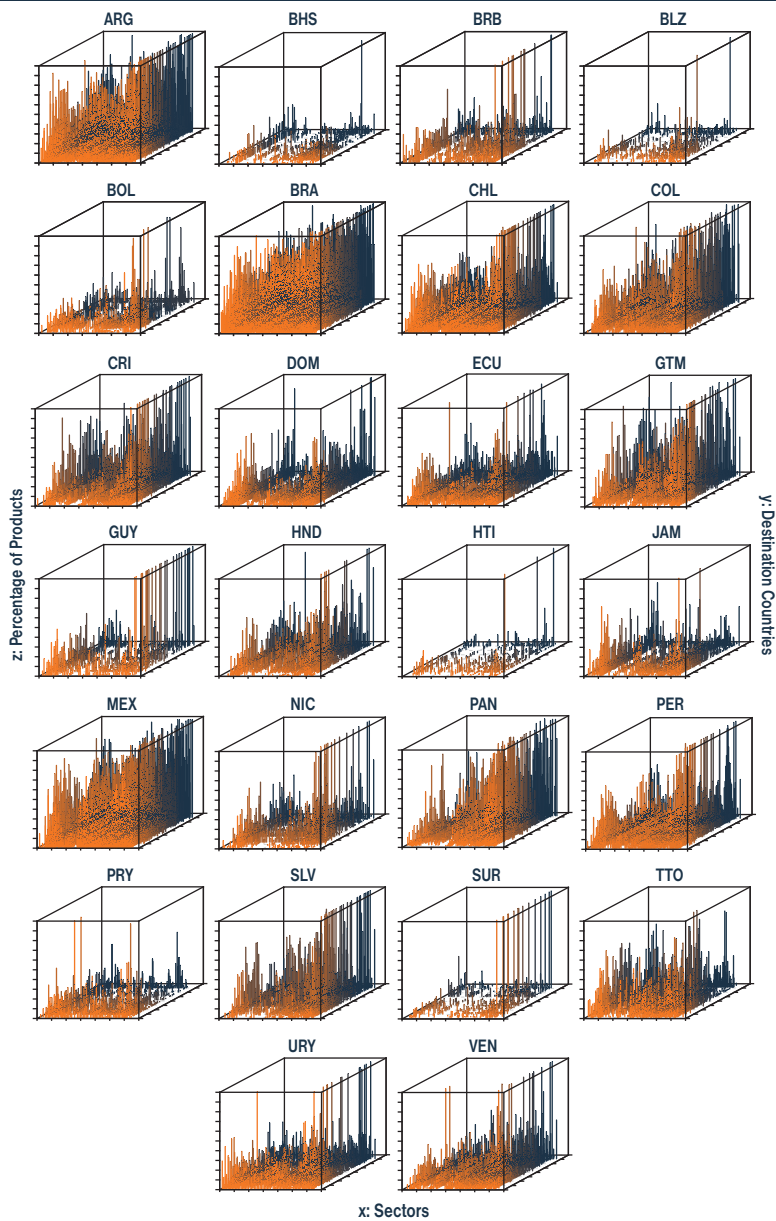
FIGURE 5 ■ Latin American and Caribbean Countries: Share of Country-Specific Sectoral Exports in Total Exports (2007)



Source: Our calculations based on data from COMTRADE.

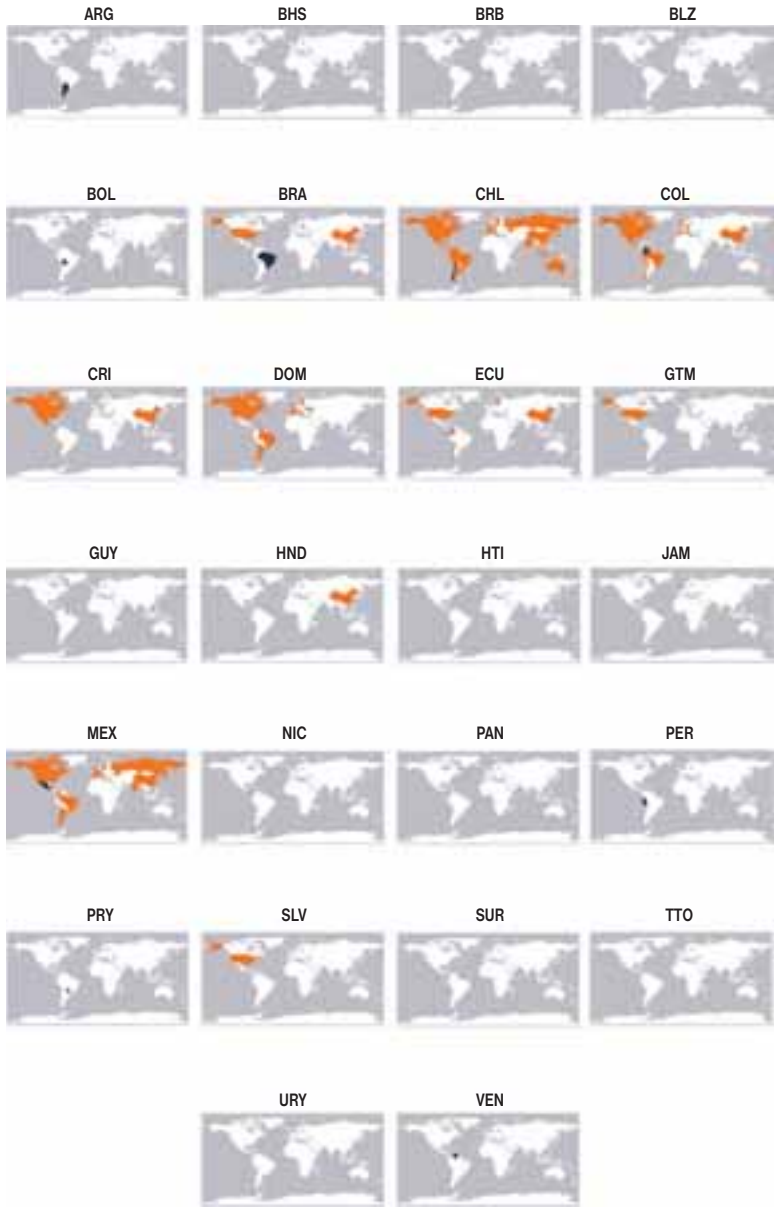
The figures show the percentage share of exports (z-axis) in each two-digit SITC (Standard International Trade Classification) sector (x-axis) to each destination country (y-axis) in each Latin American and Caribbean country's total exports.

FIGURE 6 ■ Latin American and Caribbean Countries: Share of Products Exported over Sectors and Destination Countries (2007)



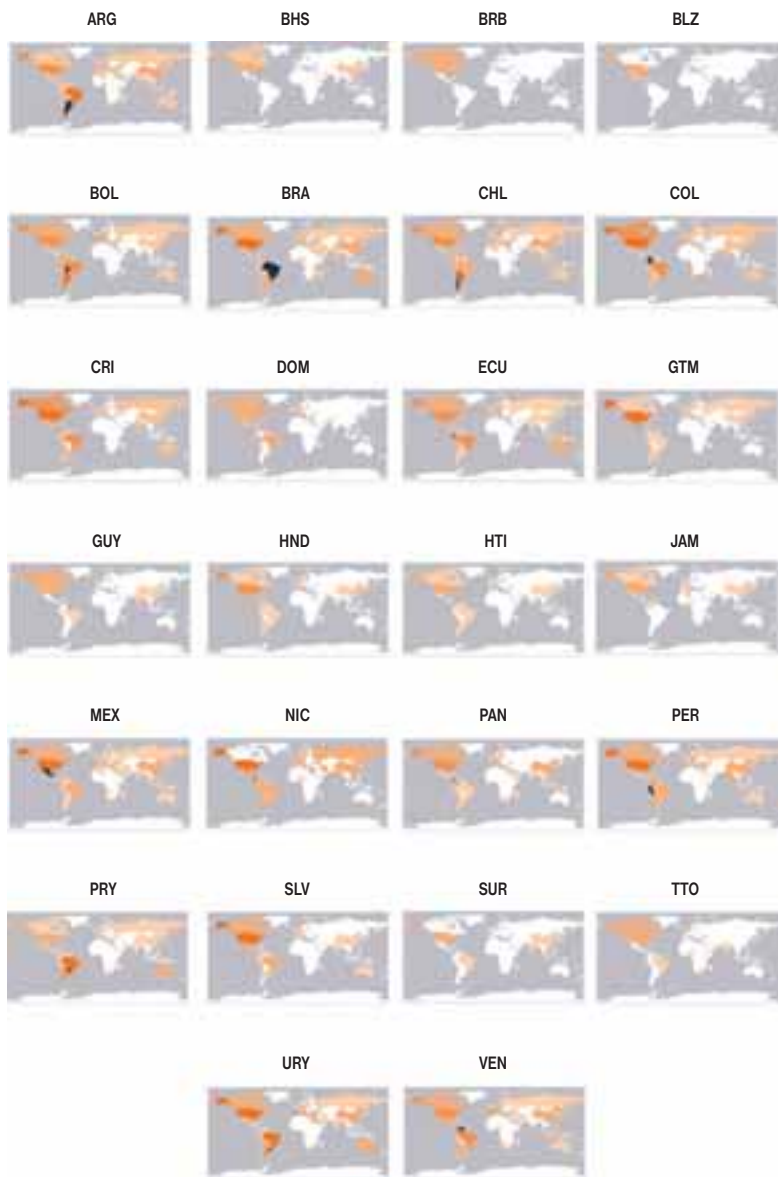
Source: Our calculations based on data from COMTRADE.
The figures show the percentage share of six-digit HS goods exported (z-axis) by each Latin American and Caribbean country in each two-digit SITC sector (x-axis) to each destination country (y-axis).

FIGURE 7 ■ Latin American and Caribbean Countries: Offices of Export Promotion Organizations Abroad



Source: Our calculations based on data from countries' export promotion organizations.

FIGURE 8 ■ Latin American and Caribbean Countries:
Embassies and Consulates Abroad



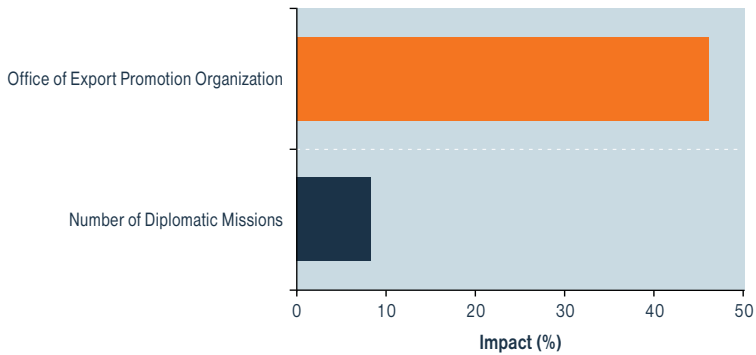
Source: Our calculations based on data from countries' ministries of foreign affairs.
The darker the color, the larger the number of diplomatic offices. Segments considered are: 1, 2–5, 6–9, and more than 10. In the cases of Guatemala, Honduras, Haiti, Nicaragua, and Paraguay, mainland China has been colored as a location of diplomatic foreign missions. These missions are actually located in Taiwan.

exports. Further, do offices of export promotion organizations and diplomatic missions have the same effect on the level and diversification of Latin American and Caribbean countries' foreign sales? In order to answer this question, we performed a statistical analysis based on the gravity model of international trade. In particular, we assessed the impact of both offices and diplomatic representations on bilateral total exports, total number of products exported, and number of products exported by sector (overall and distinguishing among goods according to their degree of differentiation). In doing this, we controlled for the influence of other relevant factors that affect bilateral trade, such as distance, existence of trade agreements, and exporter- and importer-specific factors that vary over time.

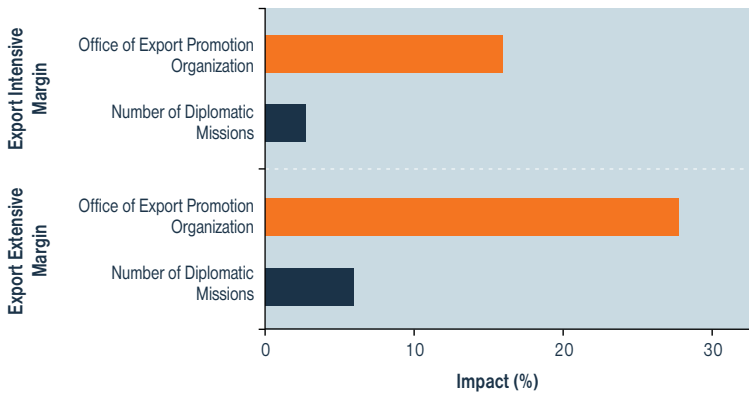
Our estimates indicate that opening an office of an export promotion organization in an importer country has a substantially larger impact on total bilateral exports than enlisting the services of an additional diplomatic mission. In fact, setting up a local branch of the entity formally tasked with export promotion is associated with an increase in exports 5.5 times larger than adding a new diplomatic representation (see Figure 9).² Estimation results also suggest that foreign offices of export promotion organizations and diplomatic missions help expand bilateral exports along both the intensive margin (average exports per product) and the extensive margin (number of products exported). In both cases, the effect is larger on the extensive margin than on the intensive margin. Thus, as expected, these entities have a more pronounced influence precisely on those export activities that must overcome more serious information problems, namely, the introduction of new export goods. Furthermore, while the estimated impact of export promotion organizations is consistently greater than the effect produced by diplomatic representations across both export margins, the difference between them is clearly greater along the extensive margin (see Figure 10).

In particular, trade promotion organizations have a positive effect on the export extensive margin for a larger number of sectors than do diplomatic foreign missions (47 sectors vs. 12 sectors) (see Figure 11).

² Hereafter, in all cases, an effect is reported as statistically different from zero if it is significant at the 10 percent level or less.

FIGURE 9 ■ Impact of Foreign Missions on Countries' Total Bilateral Exports

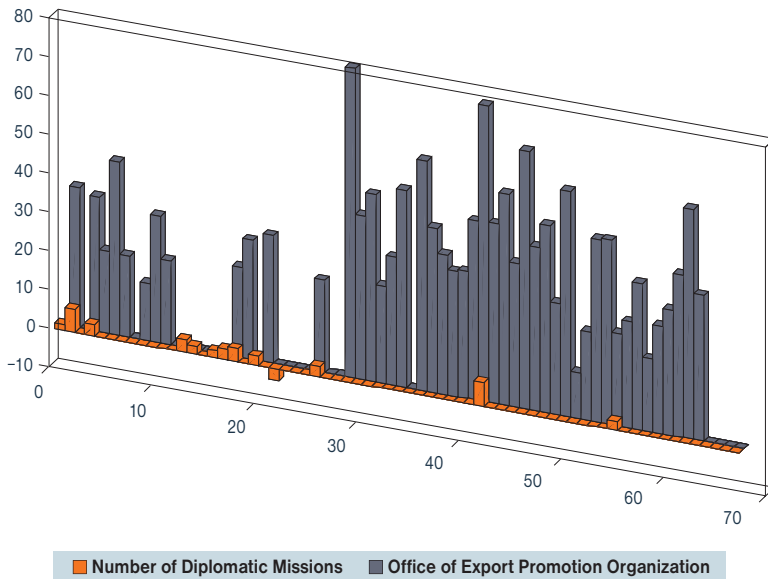
Source: Our calculations based on data primarily from COMTRADE and IDB/INT.
Sample period is 2000–2007.

FIGURE 10 ■ Impact of Foreign Missions on Countries' Intensive and Extensive Margins of Bilateral Exports

Source: Our calculations based on data primarily from COMTRADE and IDB/INT.
Sample period is 2000–2007.

As noted above, information problems grow more serious with greater differentiation of the goods traded. Specifically, these problems are more acute for differentiated products (e.g., telecommunication equipments and shoes) than for homogeneous products (e.g., maize, wheat, copper) or for reference-priced goods (e.g., synthetic fibers and fertilizers).

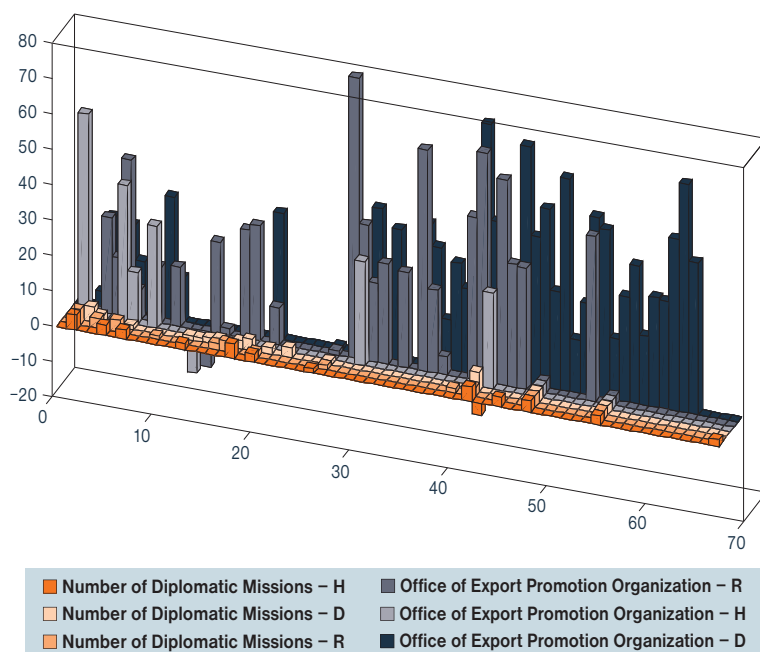
FIGURE 11 ■ Impact of Foreign Missions on Countries' Extensive Margins of Bilateral Sectoral Exports



Source: Our calculations based on data primarily from COMTRADE and IDB/INT. This figure presents the distribution of the effects of both the existence of an office of the export promotion organization and the number of diplomatic representations of the exporter country in the importer country on the number of six-digit HS products exported across sectors (i.e., two-digit SITC Revision 2). Statistically insignificant effects are reported as zero. Sample period is 2000–2007.

In the first case the multidimensional characteristics of the goods prevent prices from fully performing their signaling role, while in the latter cases commodities are either exchanged in organized markets, so prices are readily known and suffice for trade decisions, or benchmark prices can be obtained from specialized publications, respectively. Hence, in their role as mechanisms to reduce the cost of information, foreign missions are likely to have heterogeneous effects depending on the products being traded. In fact, when distinguishing among goods with varying degrees of differentiation, we find that export promotion organizations seem to be more effective than diplomatic foreign missions in increasing the extensive margin of exports of differentiated goods, whereas the latter seem to contribute more to the expansion of that of homogeneous goods (see Figure 12).

FIGURE 12 ■ Impact of Foreign Missions on Countries' Extensive Margins of Bilateral Sectoral Exports across Categories of Goods



Source: Our calculations based on data primarily from COMTRADE and IDB/INT.

This figure presents the distribution of the effects of both the existence of an office of the export promotion organization and the number of diplomatic representations of the exporter country in the importer country on the number of six-digit HS products exported across sectors (i.e., two-digit SITC Revision 2), distinguishing across categories of goods as identified in (the liberal version of) the classification proposed by Rauch (1999): homogeneous goods (H), reference-priced goods (R), and differentiated goods (D). Statistically insignificant effects are reported as zero. Sample period is 2000–2007.

Offices of export promotion organizations have positive effects on the number of products traded in sectors such as power generating machinery and equipment; machinery specialized for particular industries; metalworking machinery; electrical machinery, apparatus, and appliances; telecommunications and sound recording apparatus; road vehicles; articles of apparel and clothing accessories; photographic apparatus; optical goods, and watches; and professional, scientific, and controlling instruments.

These results appear reasonable. Export promotion organizations are specialized entities, staffed with personnel experienced in international marketing who are tasked with helping exporting firms do business abroad. In many cases, these organizations are managed according to

private sector practices. Thus, it comes as no surprise that these organizations appear more successful in resolving the specific information problems involved in, and thereby facilitating exports of, differentiated goods, thus helping Latin American and Caribbean countries effectively diversify their exports away from homogeneous commodities.

Embassies or consulates do not always have a commercial section or personnel with the expertise needed to carry out the highly specialized function of export promotion. Further, officials at diplomatic representations are usually responsible for a variety of tasks, only one of which is supporting companies in their export activities. Moreover, mechanisms for coordinating export promotion organizations and foreign diplomatic missions that are supposed to help them in assisting trading firms tend to be informal and weak, or even nonexistent. For instance, with only a few exceptions, these former organizations do not participate in the selection of the commercial attachés or in their evaluation. Moreover, diplomatic officials formally responsible for export promotion usually lack career incentives for performing the required activities. Diplomatic foreign missions can therefore be expected to stimulate larger exports of homogeneous products, whose trade faces less serious informational impediments, and which accordingly have less need for specific skills, resources, and time.

These results highlight the importance of having specialized export promoting services abroad to increase export diversification. However, it should be stressed that export promotion organizations do not necessarily have to open their own offices abroad. The same result could potentially be achieved by properly strengthening trade competencies in diplomatic representations, increasing incentives of the officials tasked with export promotion, and improving the articulation of these representations with their countries' export promotion organizations. Of course, making these moves would require 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 to assess their relative merits. More generally, this criterion should be used not only to guide the allocation of resources across different organizational arrangements of the presence abroad, but also between this presence and other promotion modalities (e.g., reverse missions or even outsourcing of specific activities).

>> Are Latin America and the Caribbean Heading the Right Way? An Assessment of the Effectiveness of Export Promotion Activities

4

Standard Assessment Strategies: Latin American and Caribbean export promotion organizations generally rely on client satisfaction surveys and calculations based on firm-level customs data to assess the effects of their actions. Surveys primarily provide these organizations with qualitative indications on how they are doing. But the usefulness of this information is doubtful because evaluations based on non-objective data may be more easily biased. Furthermore, these studies are generally carried out by professional evaluators who work on commission and risk losing future clients if they provoke strong criticism.

In some cases, these surveys ask the managers of firms about the volume of incremental sales associated with the assistance received from the organization. These quantitative measures of the effects of their activities also have several weaknesses. First, it could be presumed that the managers would exaggerate the size of the payoff because that would increase chances that the program would continue. Second, individual case studies may suffer from being non-representative (specifically, the response rate tend to be relatively low). Third, managers may not necessarily provide an accurate estimate of payoffs from a certain export promotion activity because they must address counterfactual questions.

Organizations in the region with access to comprehensive firm-level customs data carry out a direct imputation. Here, these entities directly take the sum of the values of exports or compute the change in this value for the firms that they have assisted, attributing the export outcomes of these firms—and the resulting expansion of national exports as well—as their contributions. These figures are likely to overestimate the impact of export promotion support as it is implicitly assumed that these foreign sales or the increment in these sales would not have taken place without this support. This is evidently a very questionable assumption. In short, it is extremely challenging to perform evaluations that can produce reliable impact estimates. Strategies currently used by export promotion organizations seem to be too rudimentary to cope with these challenges.

Overcoming the Limitations of Standard Assessment Strategies: Assessing the impact of public programs is essentially a counterfactual analysis in which causal inference about the effect of these programs requires determining how participants would have performed if they had not participated. The fundamental problem of impact evaluation is that, while ex-ante, each of the potential levels of exports is latent and could be observed, ex-post, only exports corresponding to participation or non-participation are observed. The other outcome is counterfactual and unobservable by definition, as is the difference between a firm's exports if it uses the services provided by the export promotion organization relative to what its exports would be in the absence of these services. As a consequence, the counterfactual outcome must somehow be recovered from the data available. If we are interested in the average effect of assistance on firms' total exports, the mean exports of those firms that have not been assisted by the export promotion organization could be used for comparison. Note, however, that there may be systematic differences between supported and non-supported firms that are potentially correlated with export performance. Failure to properly account for these differences would clearly produce biased estimated impacts.

Alternative non-experimental methods have been proposed in the literature to control for firms' differing characteristics and thereby to construct the correct sample counterpart for the missing information on

the outcomes had the firms not received services. Two of these methods are difference-in-differences and matching difference-in-differences.¹

The background technical studies on which this report is based have used the methods mentioned above as well as some variants of these methods to assess the direct impact of trade promotion programs on several firm-level export performance indicators, such as total exports, number of destination countries, number of products exported, average exports per country, average exports per product, and average exports per country and product.² These evaluations used firm-level export data from six Latin American countries: Peru, Costa Rica, Uruguay, Chile, Argentina, and Colombia. For each country, the dataset consists of two main databases. The first database has highly disaggregated export data at the firm level for four to eight years (depending on the country) over the period 2000–2007 from the national customs agencies. Data are reported annually at the firm-product-country level. These datasets cover the whole population of exporters, including supported firms. Second, export promotion organizations in these countries provided us with a list of the firms they have assisted in each year of the respective periods. Finally, for some countries, additional data has been gathered on exporters, such as employment, location, and sale segments, which allowed us to explicitly control for the influence of these factors.

Admittedly, evaluations based on these methods will certainly allow for substantial improvements in the accuracy of the estimates of

¹ The difference-in-differences estimator is a measure of the difference between the before and after change in exports for assisted firms and the corresponding change for non-assisted firms. The latter change serves as an estimate of the true counterfactual, i.e., the export results that the firms in the supported group would have achieved if they had not received trade promotion support, which makes it possible to identify temporal variations in outcomes that are not due to having received assistance. Therefore, by comparing the aforementioned changes, the difference-in-differences estimator permits controlling for observed and unobserved time-invariant firm characteristics as well as time-varying factors common to both assisted and control firms that might be correlated with participation in export promotion programs and export outcomes. The matching difference-in-difference estimator compares the before and after change in exports of assisted firms with that of matched non-assisted firms in terms of observable characteristics. In this way, imbalances in the distribution of covariates between both groups are accounted for and time-invariant effects are eliminated.

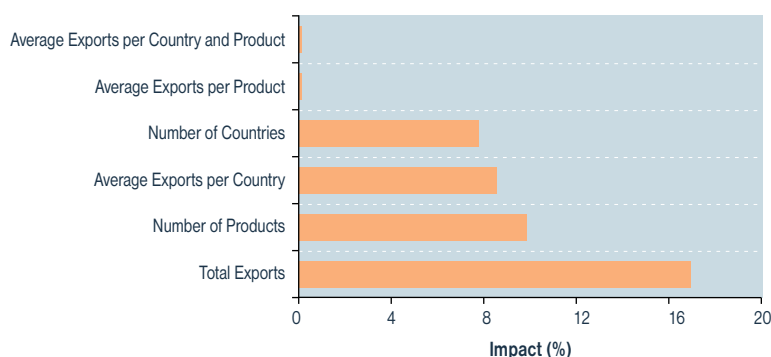
² We do not evaluate export support from a social welfare point of view.

impacts of export promotion programs, but they are unlikely to be entirely free from problems. These problems might be related to the existence of unobserved time-variant firm-specific factors that might simultaneously explain participation in trade promotion programs and export outcomes, the occurrence of information spillovers, and the effects of other public policies that support private sector business activities.

Diversification or Deepening? Firms encounter different informational obstacles depending on whether they are attempting to increase their number of destination countries or the set of products they sell abroad (diversification), or if they are seeking to expand exports of goods they have already been trading and/or to countries that are already among their destination markets (deepening). The effects of export promotion programs can therefore vary according firms' export activities. We focus on the case of PROMPEX (currently PROMPERU) to shed light on this issue. Our research aimed at providing an answer to the following question: Have trade promotion actions carried out by PROMPEX/PROMPERU resulted in "new exports" or "more of the same exports", i.e., have these actions help diversify exports in terms of destinations and products or have they just favored additional foreign sales of already traded goods in/or to markets already served?

Estimates suggest that participation in activities performed by PROMPEX/PROMPERU has been associated with an increased rate of growth of firms' total exports, number of destination countries, and number of products exported (see Figure 13). Specifically, the rate of growth of exports was 17 percent higher for firms assisted by PROMPEX, while that of the number of countries and the number of products were 7.8 percent and 9.9 percent higher, respectively. Given a sample average annual growth rate of the number of products of 36.5 percent, the latter result implies that supported companies would have had a growth rate 3.6 percentage points higher than non-supported companies. On the other hand, the impact on the remaining variables is weaker and evidently less robust.³

³ Export promotion seems to stimulate greater exports per country. This might be explained by the fact that an organization can help obtain business contacts in new regions within

FIGURE 13 ■ Peru: Average Export Assistance Effect on Assisted Firms

Source: Our calculations based on data from PROMPEX (currently PROMPERU) and SUNAT. Statistically insignificant effects are reported as zero. Sample period is 2001–2005.

Hence, export promotion assistance by PROMPEX/PROMPERU has helped Peruvian firms expand their exports. In particular, trade promotion actions aimed at reducing information barriers have had a stronger impact on the expansion of the number of destination countries and the number of products exported, which is precisely where these barriers are more severe, than on the increase of foreign sales of goods already traded or to markets already served.

What Kind of Exports Does Export Promotion Promote? As mentioned above, the degree of incompleteness of information can vary according to the nature of the goods traded. Hence, the effects of export promotion support may potentially depend on the products that firms export. We explore whether this is the case by examining the experience of Costa Rica. In doing so, we address the question: Have export promotion actions carried out by PROCOMER had different effects depending on the degree of differentiation of the products traded by Costa Rican companies?

countries that are already among firms' destination markets. However, this latter result is not as robust as the previous ones and does not survive all control exercises.

FIGURE 14 ■ Costa Rica: Average Export Assistance Effect on Assisted Firms by Type of Products



Source: Our calculations based on data from PROCOMER and CCSS.
Statistically insignificant effects are reported as zero. Sample period is 2001–2006.

Results from the impact evaluation exercises indicate that firms already exporting only differentiated goods that participated in promotion activities organized by PROCOMER had higher rates of growth of exports and number of destination countries than did firms that were not assisted (see Figure 14). The rate of growth of exports was on average 15.3 percent higher for firms assisted by PROCOMER, while that of the number of countries was 8.5 percent higher.⁴ In contrast, assistance by PROCOMER does not seem to have translated into higher export growth either on the intensive or on the extensive margin for firms that only exported reference-priced or homogeneous products.⁵

Information problems faced when trading differentiated products are greater than those arising when trading more homogeneous goods. This is particularly true when firms seek to expand their set of export destina-

⁴ Nonetheless, trade promotion actions do not seem to have affected the probability of starting exports of differentiated goods.

⁵ Effects on outcomes of firms that exported alternative combinations of the different types of goods are not significant.

tions. Thus, the effects of trade promotion actions can be expected to be greater for export operations along the country extensive margin involving differentiated goods. This is precisely what we found in Costa Rica.

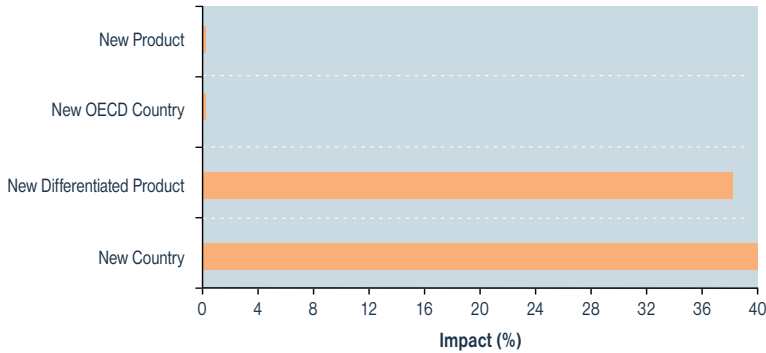
Does Export Promotion Help Firms Enter New Markets? So far we have seen how export promotion affected the number of destination countries and the number of products exported in general and for specific groups with different degree of differentiation. However, we have not strictly evaluated the direct impact of export promotion programs on the likelihood that a firm will add an entirely new destination country or introduce a completely new export product to its business activities.⁶ We do so by considering the case of Uruguay and answering the following question: Has URUGUAY XXI's export promotion assistance enabled Uruguayan firms to reach new destinations or introduce new products?

Estimates suggest that support has had a significant impact on the probability of adding a new country—40 percent higher for firms supported by URUGUAY XXI (see Figure 15). Nevertheless, export support does not seem to have helped firms enter a new OECD country. In fact, positive significant effects are only observed in the case of entering Latin American and Caribbean countries. On the other hand, export promotion assistance does not appear to have had any impact on the probability that a firm would add new products in general. Positive effects have been limited to differentiated goods, where, as discussed above, information barriers to trade are higher. In this case, the assistance effect on assisted firms was 38.2 percentage points, i.e., the probability of introducing these goods was 38.2 percent higher for firms participating in trade promotion programs.

In short, URUGUAY XXI's support for export activities seems to have been effective in helping Uruguayan firms penetrate new destination countries, especially Latin American and Caribbean markets, and introduce new differentiated products.

⁶ Note that this is not necessarily the same as an overall increase in the number of markets in which firms operate, since such an increase might just as well result from simultaneously adding several markets and dropping others, potentially including some that could have been served in the past.

FIGURE 15 ■ Uruguay: Export Assistance Effect on the Probability of Entering New Country and Product Markets

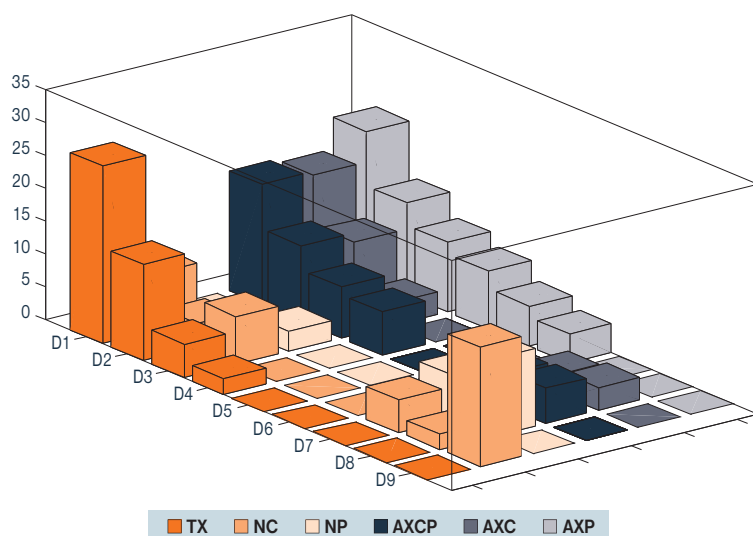


Source: Our calculations based on data from URUGUAY XXI.
Statistically insignificant effects are reported as zero. Sample period is 2000–2007.

What Are the Distributional Effects of Export Promotion? The relative importance of information-related obstacles faced when operating in foreign markets is different for firms of different sizes and different degrees of export involvement. Public programs aimed at addressing such information problems can therefore be expected to have varying effects for different groups of companies. We next discuss the evidence for these effects based on the experiences of Chile and Argentina. In particular, we answer the following question: Which firms have benefited most from export promotion support provided by PROCHILE and EXPORTAR?

According to the results of our analysis, trade promotion assistance by PROCHILE has had a significant impact on the lower tail of the distribution of export growth rates, i.e., in the first to fourth deciles (see Figure 16). The impact was the strongest in the lowest decile, and it monotonically decreased from the second to the fourth deciles. Moreover, significant effects were observed in both tails of the distribution (first to third and seventh to ninth deciles) of the growth rate of the number of countries. Furthermore, while the average assistance effect on the number of products was virtually zero, significant positive impacts were identified in specific parts of the relevant distribution. As with the case of the number of countries, these impacts were concentrated in the lower

FIGURE 16 ■ Chile: Export Assistance Effect on Assisted Firms by Export Outcome Deciles



Source: Our calculations based on data from PROCHILE.

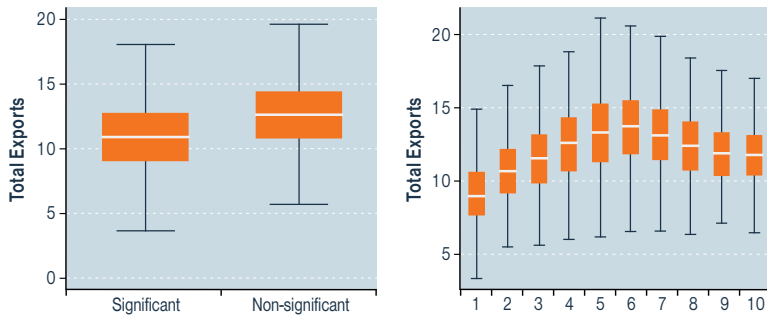
TX: total exports; NC: number of countries; NP: number of products; AXCP: average exports per country and product; AX: average exports per country; AXP: average exports per product. Deciles are defined in terms of growth rates of these variables. Statistically insignificant effects are reported as zero. Sample period is 2002–2006.

and upper ends of the distribution (second to third and seventh to eighth deciles).

In order to exactly identify which kinds of firms were benefiting from these programs, we looked at the previous export levels of the different groups of firms. The distribution of exports for the set of firms with significant impacts is below that for the set of firms with no significant impacts (see Figure 17, left). More interestingly, the distribution of exports for the (two) group (groups) of firms where the strongest effects were detected is clearly located below that for the groups of firms where weaker or no significant effects were registered (see Figure 17, right). This clearly indicates that smaller exporters benefited proportionally more from trade promotion activities than did larger exporters.

Hence, benefits from export promotion programs managed by PROCHILE seem to have been greater for smaller, relatively inexperienced

FIGURE 17 ■ Chile: Distribution of Exports over Significance Groups and Deciles Defined in Terms of Export Growth



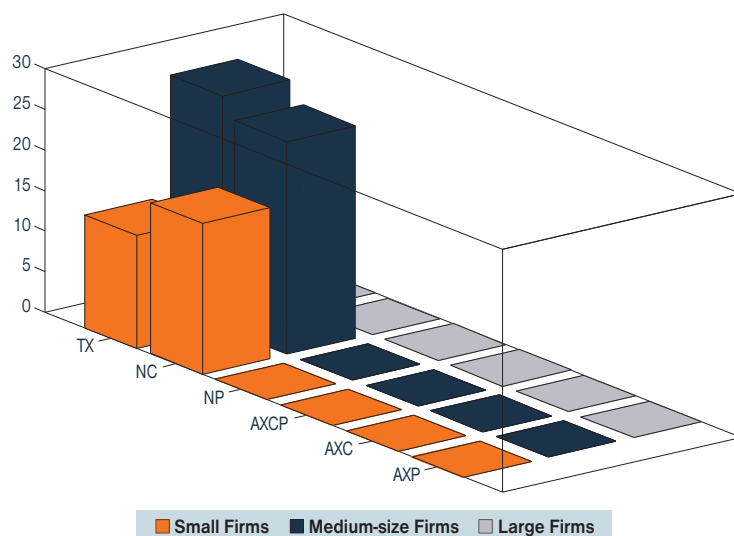
Source: Our calculations based on data from PROCHILE.

firms as measured by their (lagged) total exports, i.e., those companies that face the greatest challenges in overcoming informational barriers. These companies lack the scale and resources to perform information gathering activities (e.g., through market studies) and to assume the fixed costs associated with the penetration of new foreign markets (e.g., those incurred in the establishment of an export department).

In the case of Argentina, results consistently suggest that the positive effects of export promotion programs administered by EXPORTAR on total exports and number of destination countries are stronger for small and medium-size firms, as defined in terms of number of employees. Based on the estimated impacts of the first assistance, for small firms that participated in these programs, growth rates of exports and number of destination markets were 13.9 percent and 18.5 percent higher, respectively, than for comparable non-participating counterparts. For medium-size participating firms, these growth rates were 28.7 percent and 26.4 percent higher, respectively, relative to similar non-assisted peers (see Figure 18).⁷ As regards large firms, no significant impacts on exports were generally observed. Due to their inherent characteristics and their antecedents

⁷ In principle, firms can be assisted several times over years. Results shown in the figure correspond to the effects of the services received by the firms the first year they were supported.

FIGURE 18 ■ Argentina: Average Export Assistance Effect on Assisted Firms by Size Categories



Source: Our calculations based on data from UMCE-SICP, EXPORTAR, and AFIP.

TX: total exports; NC: number of countries; NP: number of products; AXCP: average exports per country and product; AXC: average exports per country; AXP: average exports per product. Small firms: 1–50 employees; medium-size firms: 51–200 employees; large firms: more than 200 employees. Effects correspond to first-time assistance. Statistically insignificant effects are reported as zero. Sample period is 2002–2006.

in international markets, these firms could improve their performance without the support of the organization.

In conclusion, the evidence from Argentina indicates that trade promotion activities carried out by EXPORTAR have favored improved export performance, particularly of small and medium-size companies—as defined in terms of their number of employees—which are precisely those for which information problems pose greater obstacles to trade.

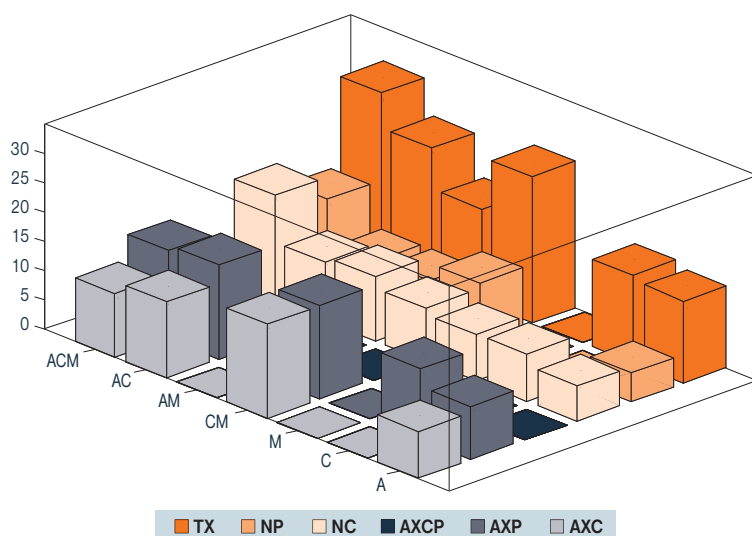
Which Export Promotion Programs Are Most Effective? Export promotion policies consist of a variety of programs. Although all programs share the common aim of improving the export performance of firms, they may differ significantly in terms of effectiveness. This can be explained by differences in the degree of correspondence between companies' specific needs and

the specific support provided by the organization and the relative intensity of synergistic effects linked to the combination of services. Gauging the relative effectiveness of these programs is extremely important for assessing whether trade promotion activities are well targeted—in the sense that firms that use a certain service perform better than if they had used another service—or whether some services are consistently better than others. This information can be valuable for guiding the allocation of public funds devoted to trade promotion in order to maximize their impact and thereby improve existing policies. The case study on Colombia has examined these program-specific effects by answering the following question: What is the relative effectiveness of the different promotion programs of PROEXPORT?

Our assessment reveals that a combination of the three basic services provided by the organization—counseling, missions and fairs, and trade agenda—systematically performed better. These bundled services seem to have been associated with better export outcomes primarily in terms of total exports and number of destination countries, compared to both non-assistance and each of the individual services (see Figures 19 and 20). More specifically, firms combining these three services have had significantly higher export growth along the country and product extensive margins than if they had used each of these services separately. For these firms, the growth rate of exports was on average 17.7 percent higher, growth in number of countries was 11.7 percent higher, and growth in number of products was 11 percent higher. Further, these firms exhibit a higher growth in the number of destination countries (on average, 9.4 percent higher) when compared to a scenario where they had used alternative combinations of two of these three services. On the other hand, trade promotion programs, either individually or bundled, do not appear to have had significant impacts on average exports per country, average exports per product, and average exports per country and product. This is clearly consistent with findings for other countries.

To sum up, export promotion organizations provide firms with different services to reduce information problems that may have different effects on firms' export performance. An examination of the different promotion programs carried out by Colombia's PROEXPORT reveals

FIGURE 19 ■ Colombia: Average Effect of Export Assistance Programs on Assisted Firms Relative to Non-Assistance



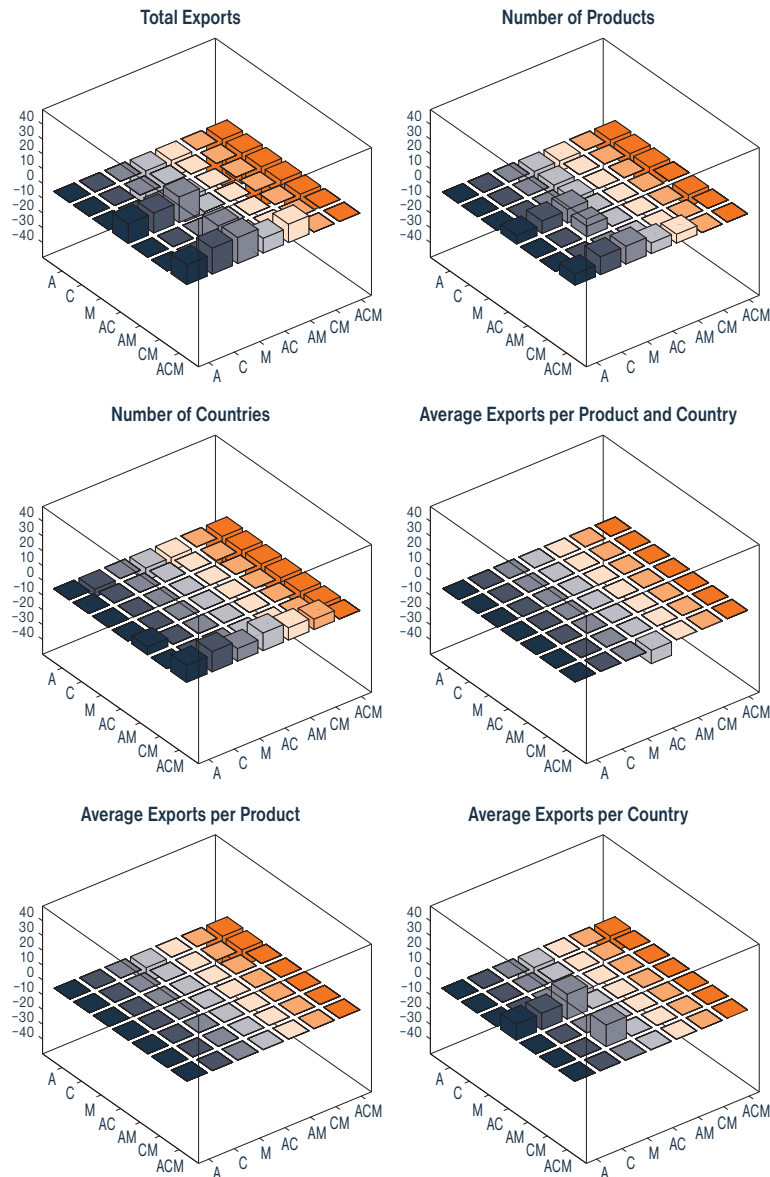
Source: Our calculations based on data from PROEXPORT.

The figure reports the effect of each export promotion program relative to non-participation. C: counseling services; A: trade agenda services; M: trade fair, shows, and mission services; TX: total exports; NP: number of products; NC: number of countries; AXCP: average exports per country and product; AXC: average exports per country; AXP: average exports per product. Statistically insignificant effects are reported as zero. Sample period is 2003–2006.

that bundled services combining counseling, trade agenda, and trade missions and fairs, which provide exporters with comprehensive support throughout the process of starting export businesses and building up buyer-seller relationships with foreign partners, are more effective than isolated assistance actions, e.g., trade missions and fairs alone.

Recapitulating: Current impact evaluation practices of Latin American and Caribbean export promotion organizations are flawed with methodological problems. These evaluations are likely to largely misrepresent the real contribution these organizations make to the companies' export growth and thereby to that of the countries. In fact, our estimates indicate that, over the sample period, the latter strategy would on average overestimate these contributions 5.9 times for PROMPEX (currently PROMPERU);

FIGURE 20 ■ Colombia: Average Effect of Export Assistance Programs on Assisted Firms Relative to Each Other



Source: Our calculations based on data from PROEXPORT.
The figure reports the effect of each export promotion program relative to each other. C: counseling services; A: trade agenda services; M: trade fair, shows, and mission services. Statistically insignificant effects are reported as zero. Sample period is 2003–2006.

9.4 times for PROCOMER; 7.3 times for URUGUAY XXI; 14.3 times for PROCHILE; 5.2 times for EXPORTAR; and 3.7 times for PROEXPORT. Hence, the outputs of these evaluations are not adequate for guiding the strategies and activities of these organizations and specifically the allocation of their generally scarce resources across these activities to maximize their influence on their countries' export development.

The organizations should carry out periodic evaluations as an indispensable component of their efforts to meet the changing needs of their client firms. The case studies presented above are a first contribution in this regard. In these studies, we have applied econometric methods already employed in other public policy fields on highly disaggregated firm-level export and trade support data to analyze the impact of trade promotion programs managed by relevant entities in several Latin American and Caribbean countries on various dimensions of firms' export performance. From this in-depth analysis at least four general conclusions can be made as follows:

- Trade assistance effects are predictably greater on the extensive margin of firms' exports, i.e., when firms attempt to increase the number of destination countries and/or expand the set of goods exported and, specifically, when they seek to enter an entirely new country or product market.⁸
- Export promotion actions are more likely to generate larger export gains to the degree to which products traded are more differentiated, because information barriers are more important in these cases.
- Due to the greater limitations they face in accessing relevant export information, relatively small firms with limited previous involvement in international markets can be expected to benefit more from export assistance.

⁸ A simple portfolio argument suggests that, if covariance of firm sales across countries is not perfect, then spreading these sales over a larger number of countries will be associated with more stable total sales. This can be expected to result in less likelihood of business failure and of abandoning international markets. The final outcome may be increased firm survival.

- Bundled support services provided throughout the export process—from the initiation of the commercial contacts to the establishment of the business relationships—seem to be more effective in enhancing firms' export perspectives than individual actions.

Do the previous findings necessarily imply that larger companies seeking to expand their exports of reference-priced goods in their current destination markets should not be supported? Not necessarily. For instance, these firms might generate positive external reputational effects that benefit trading initiatives of other firms. We should recall that these and other indirect effects are not explicitly considered in our evaluations. But ideally they should be taken into account for computing cost-effectiveness ratios. These facts should therefore be interpreted as general criteria that, along with others to be developed through further research and after factoring in implied relative costs, could be used in designing trade support programs to maximize their impact.

>> Reaching the Final Destination: Making the Most of Export Promotion

5

The adequacy of the design of export promotion activities and the robustness of the evaluations of their effectiveness depend on the ability to access detailed information on the firms.¹ Unfortunately, gathering such information is extremely difficult, even for the export promotion organizations themselves, in some cases because these are private entities from a legal point of view. Access of these organizations to relevant data held by other public agencies, including national bureaus of statistics, as well as collaboration to generate new relevant data should be improved—all under conditions that ensure strict confidentiality. In this regard, strengthened cooperation between public and private entities would be desirable. The availability of richer and consistent databases would make it possible to go beyond the analysis of the effects of trade promotion actions on the primary variable of interest, exports, to include their impact on other measures of firm performance such as productivity.²

¹ We should recall herein that the results presented in the report are based on non-experimental methods. Social experiments can generate further and, under certain conditions, more robust insights into the effects of trade assistance, and therefore appear as the natural alternative strategy to pursue.

² Although still disputed in the empirical literature, exporting and expanding exports along the country- and product-extensive margins may generate positive externalities (i.e., learning-by-exporting effects), thereby resulting in increased productivity. In this way, trade support may potentially end up boosting firms' productivity.

It is worth keeping in mind that export promotion policies are just one subset of public policy instruments that may affect countries' success in international trade. Strictly conceived, they reduce information and trade costs, thus enabling existing firms to enter international markets as well as helping current exporters diversify their external sales of the goods they already produce in different markets. Other specific public policies, some of which are becoming increasingly interconnected with export promotion in developed countries, would also predictably have impacts on countries' international trade. For example, support for establishing new companies may result in new firms producing new goods, and therefore in product diversification and potentially export diversification (when properly combined with trade promotion).

Provided that the aforementioned databases would include lists of beneficiaries of different public support programs (e.g., export promotion and innovation promotion), it would be possible not only to determine how to improve coordination under the prevailing conditions, but also to carry out reliable evaluations that take into consideration the existence of other assistance initiatives in which companies participate and assess complementarities and synergies among them. Insights into these potential interdependencies would be a valuable input for designing policy instruments and establishing their components and sequencing. More generally, these data on different public assistance initiatives would allow for evaluations of their relative merits in terms of a common metric and would help policymakers better allocate resources.

INTEGRATION AND TRADE

This IDB report is an invaluable contribution to assess the effectiveness of export promotion in the LAC region, including the challenging subject of institutional performance. It will help export promotion officials better understand differences among institutional and policy options, more clearly define export priorities, and provide the basis for more effective support to the private sector for maximizing the region's trade potential.

Patricia Francis, Executive Director, International Trade Center

Odyssey in International Markets is a must reading for economic policymakers in Latin America and the Caribbean. The study presents a unique comparative analysis of organizational schemes and incentive structures of agencies tasked with export promotion and, for the first time, provides a rigorous assessment of the effectiveness of several of these entities' activities. Its findings constitute a valuable input to improve the quality of government decision making on export promotion policies.

Luis Guillermo Plata Páez, Former Colombian Minister of Trade, Industry, and Tourism

The importance of informational barriers to international trade has been increasingly well documented. What to do about them is much less well understood. This book makes a strong case that government intervention through export promotion organizations is a justified and effective remedy in many Latin American countries, and shows how the operation of these organizations can be improved. It should be read by practitioners and scholars alike.

James E. Rauch, Professor of Economics, University of California, San Diego, and National Bureau of Economic Research

Export promotion programs can increase the chances of success for small and young companies in developing countries by providing them with support throughout the process of discovering new foreign markets. Our experience in selling natural health and food products abroad has been entirely consistent with the findings reported in this lucidly written and meticulously researched study.

Damián Silva, Managing Director, Peruvian Nature