

# IS LATIN AMERICA HEADING THE RIGHT WAY?

## Peru: Diversification or Deepening?



Trade promotion assistance help firms increase their exports primarily through their diversification, which implies dealing with more severe information problems.

# IS LATIN AMERICA HEADING THE RIGHT WAY?

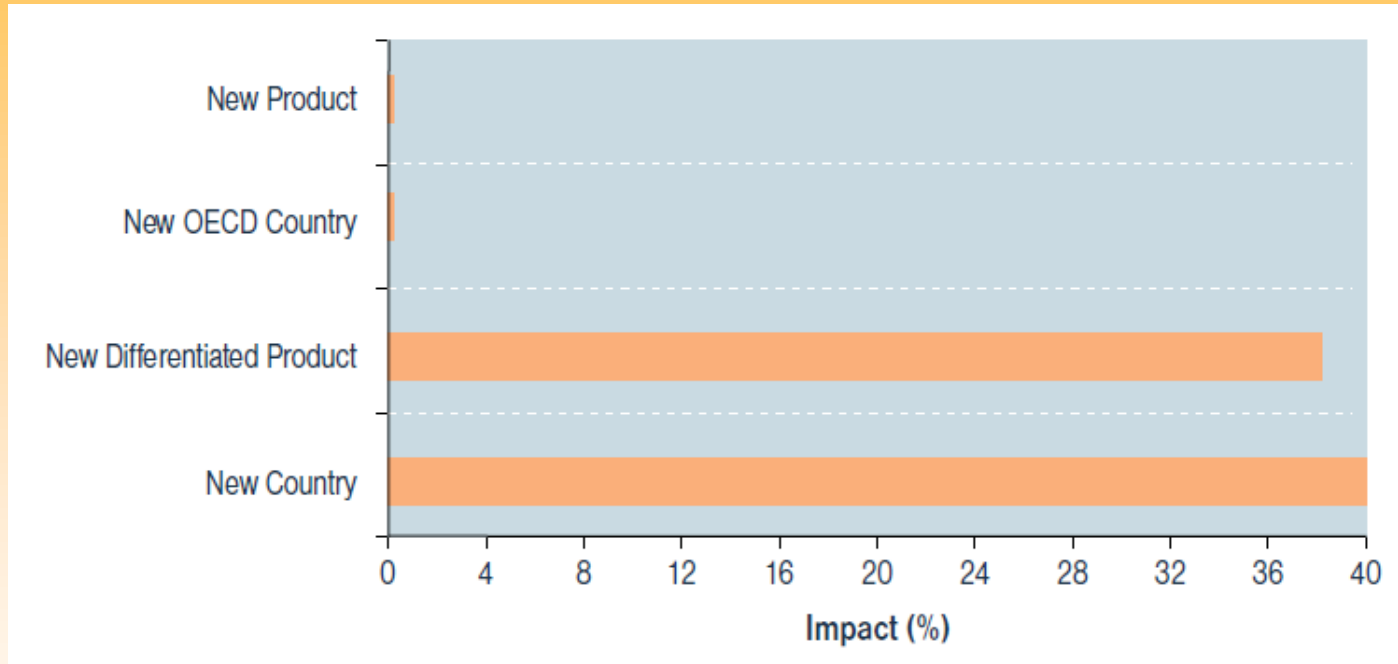
## Costa Rica: What Kind of Exports Does Export Promotion Promote?



Trade promotion favored increased exports of more differentiated goods, whose trade faces greater information problems.

# IS LATIN AMERICA HEADING THE RIGHT WAY?

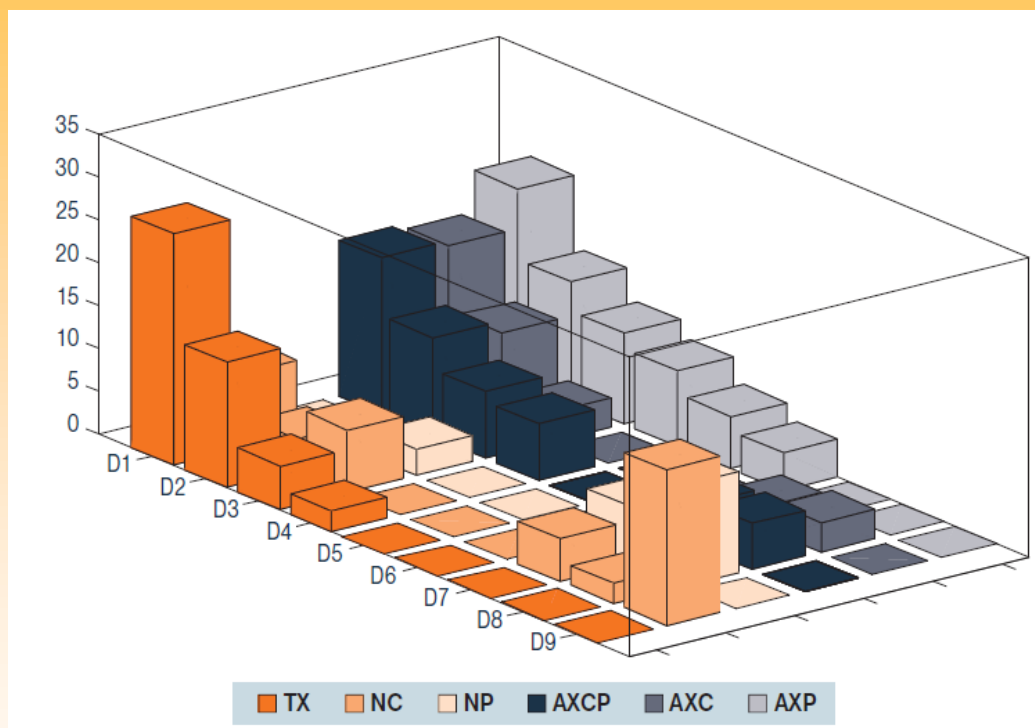
## Uruguay: Does Export Promotion Help Firm Enter New Markets?



Yes, export support seems to have been effective in helping firms penetrate (some) new destination countries and introduce new differentiated products.

# IS LATIN AMERICA HEADING THE RIGHT WAY?

## Chile: What Are the Distributional Effects of Export Promotion (I)?

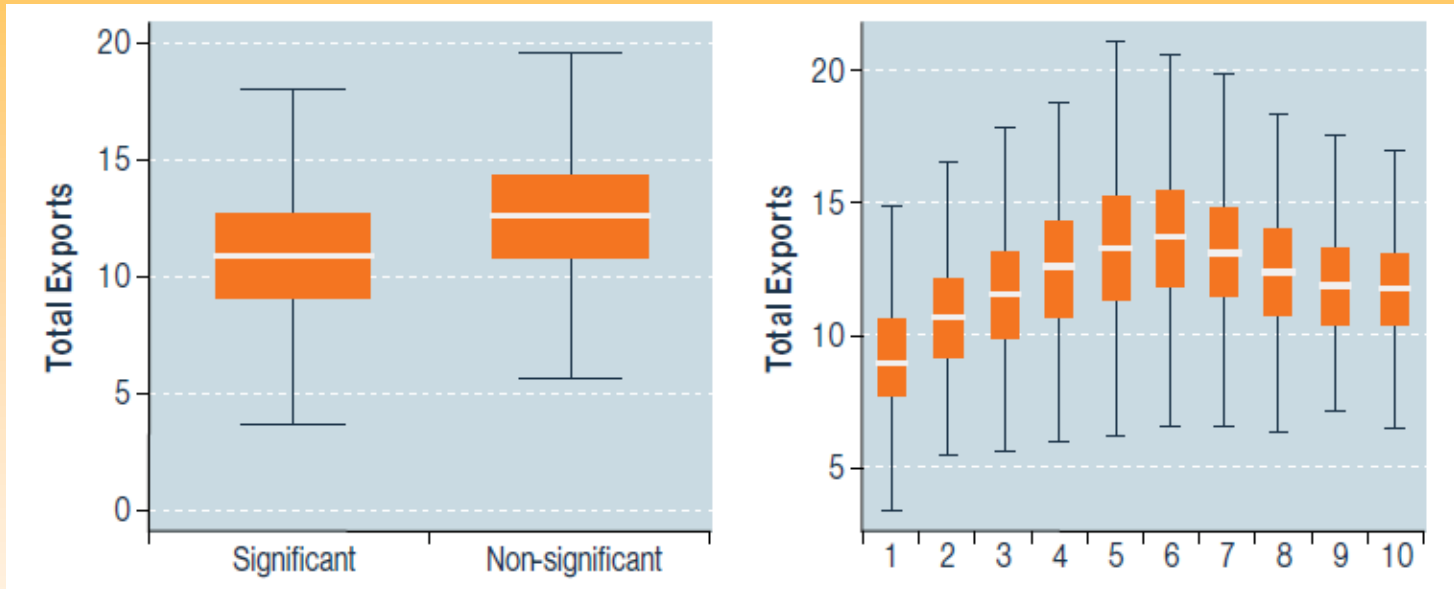


Trade promotion assistance by PROCHILE has had a significant impact on the lower tail of the distribution of export growth rates.

Significant effects were observed in both tails of the distribution of the growth rate of the number of countries and number of products. In terms of levels...

# IS LATIN AMERICA HEADING THE RIGHT WAY?

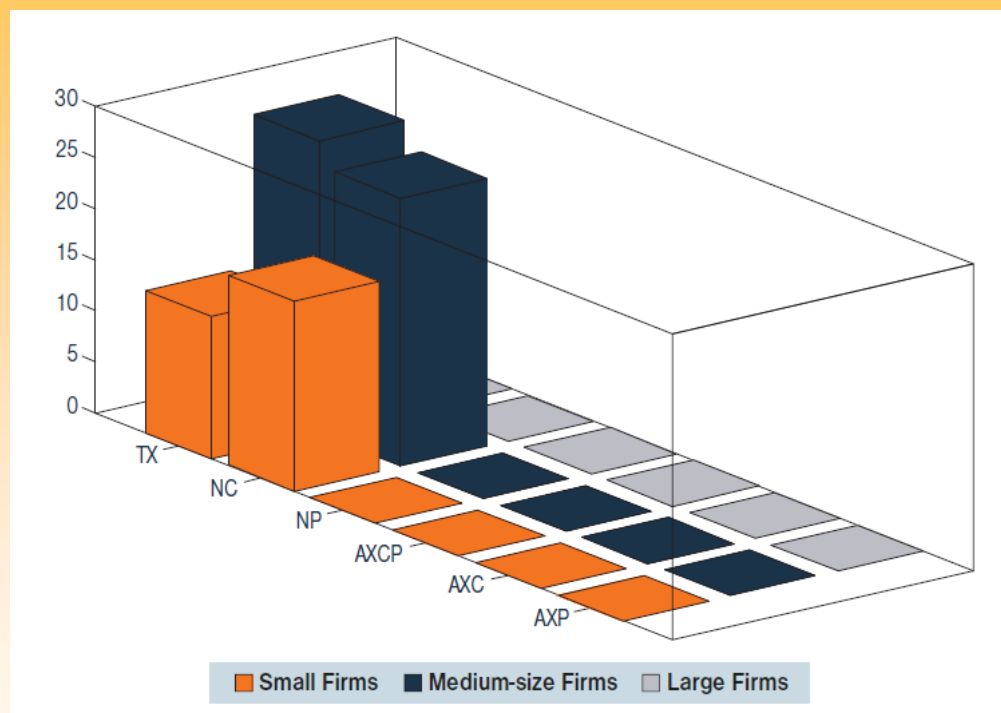
## Chile: What Are the Distributional Effects of Export Promotion (I)?



Effects are greater for smaller and less experienced companies—as defined in terms of their past export levels—, which are those that face the greatest challenges in overcoming informational barriers.

# IS LATIN AMERICA HEADING THE RIGHT WAY?

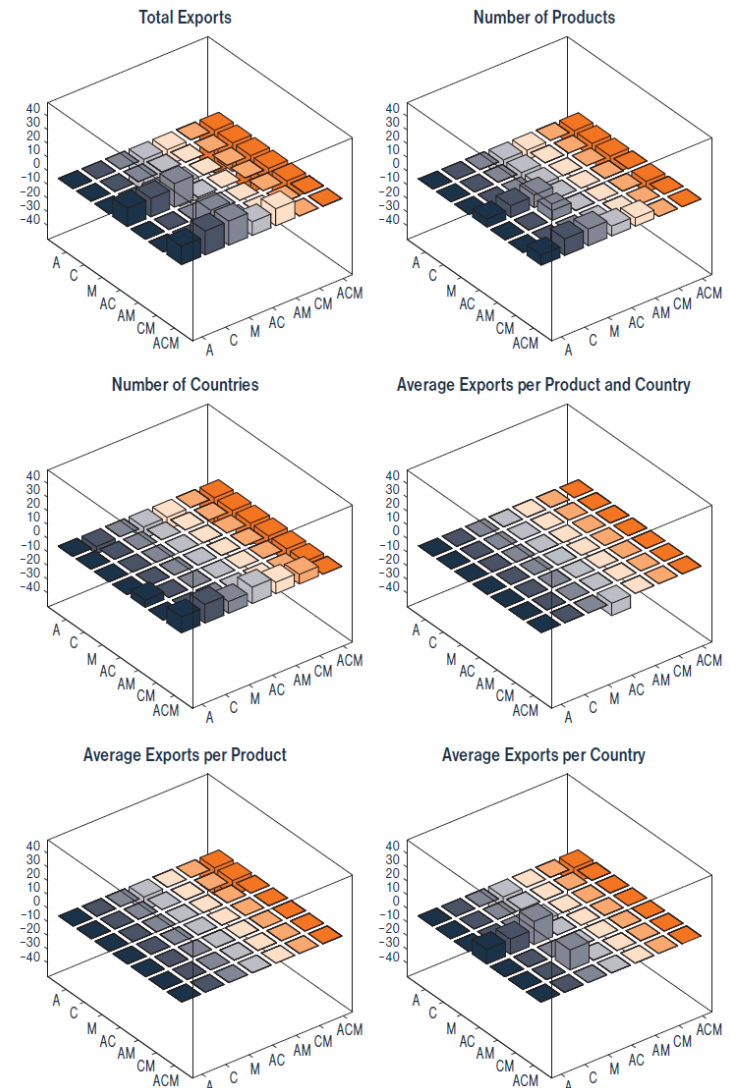
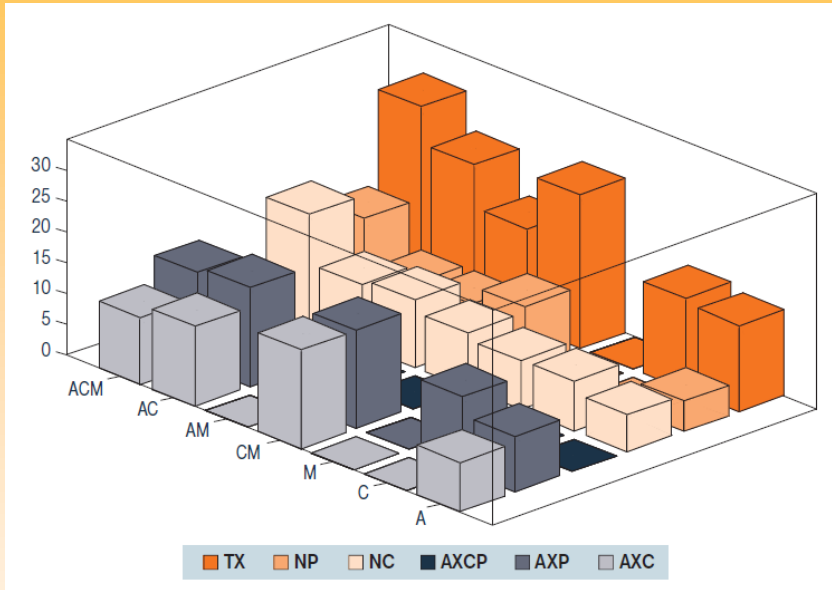
## Argentina: What are the Distributional Effects of Export Promotion (II)?



Effects are larger for 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.

# IS LATIN AMERICA HEADING THE RIGHT WAY?

## Colombia: Which Export Promotion Programs are Most Effective?



# IS LATIN AMERICA HEADING THE RIGHT WAY?

## **Colombia: Which Export Promotion Programs are Most Effective?**

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).

# IS LATIN AMERICA HEADING THE RIGHT WAY?

## Recapitulating

Current impact evaluation practices of LAC TPOs are flawed with methodological problems.

Over our sample period, the typical strategy would on average overestimate their contributions 5.9 times for PROMPEX (PROMPERU) 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.

The outputs of these evaluations are not adequate for guiding the TPO strategies and activities and specifically the allocation of their scarce resources across them.

TPOs should carry out periodic evaluations as an indispensable component of their efforts to meet the changing needs of their client firms.

The previous case studies are a first contribution in this regard.

# IS LATIN AMERICA HEADING THE RIGHT WAY?

## Recapitulating

The size of the effects of trade support programs on firms' export performance is related to the severity of the information problems involved in the specific trading operation and/or faced by the firms carrying out this operation.

In particular, trade support effects are predictably larger:

- on the extensive margin of firms' exports (increase of number of destinations or the number of goods exported);
- to the degree to which products traded are more differentiated;
- for relatively small firms with limited previous involvement in international markets;
- when services are bundled providing support throughout the export process (as opposed to individual actions).

# IS LATIN AMERICA HEADING THE RIGHT WAY?

## Recapitulating

Do previous findings imply that larger companies seeking to expand their exports of reference-priced goods in their current destination markets should not be supported?

Not necessarily.

These firms might generate positive external reputational effects that benefit trading initiatives of other firms. These and other indirect effects have not been not explicitly considered in our evaluations. But ideally they should.

**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.**

# ITINERARY

- **Traveling in the Unknown Dimension: Information Barriers and Export Promotion**
- **Meeting the Map Makers: An Institutional Portrait of Export Promotion Organizations**
- **To Be or Not to Be Abroad: Do Foreign Missions Make a Difference?**
- **Is Latin America Heading the Right Way?**
- **Reaching the Final Destination: Making the Most of Export Promotion**

# REACHING THE FINAL DESTINATION

## What To Do Next?

The adequacy of the design of trade promotion actions and the robustness of their evaluations depend on the ability to access detailed information on firms.

Access of TPOs to relevant data held by other public agencies (and private organizations), including national bureaus of statistics, as well as collaboration to generate new relevant data should be improved.

The availability of richer and consistent databases would make it possible to go beyond the analysis of the effects of trade promotion actions on exports to include their impact on other measures of firm performance such as productivity.

# REACHING THE FINAL DESTINATION

## What To Do Next?

Databases including lists of beneficiaries of different public support programs would allow for determining how to improve their coordination, for carrying out more reliable evaluations, and for assessing synergies among assistance initiatives.

Insights into these potential interdependencies would be a valuable input for designing policy instruments and establishing their components and sequencing.

**Social experiments** can generate further and, under certain conditions, more robust insights into the effects of trade assistance, and therefore appear as the natural next strategy to pursue.