

TECHNICAL REPORT

Best Practices in Export Promotion



NATHAN
ASSOCIATES INC.

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SUBMITTED TO
USAID El Salvador/EGE

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Nathan Associates Inc.
EXPRO Project

UNDER CONTRACT NO.
PCE-I-00-98-00016, Task Order 833

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This report was made possible through support provided by the United States Agency for International Development under the terms of Contract No. PCE-I-00-9800016. The opinions expressed herein are those of the author and do not necessarily reflect the views of the United States Agency for International Development.

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1. Introduction

Started in August 2003, this report provides the results of research and analysis commissioned as part of the development of Agencia de Promoción de Exportaciones (APE), an export promotion agency to be created in El Salvador. The project sponsor, EXPRO, a USAID-funded export development initiative managed by Nathan Associates Inc., conducted exhaustive analysis of El Salvador's strengths, weaknesses, opportunities, and challenges to arrive at a set of target sectors, products, and markets. The next step was to consider which export promotion techniques could be expected to work in El Salvador. The present study evaluates the export promotion programs of five countries—two in developed countries and three in Latin America—identifies best practices in export promotion, and recommends practices suitable to El Salvador, especially for small and medium-sized enterprises (SMEs). The El Salvador Ministry of Economy has determined that SMEs constitute 99.8 percent of all Salvadoran business, contribute 86 percent of the GDP, and employ 73 percent of the labor force. While a focus on SMEs at first seemed to require that the study team select a sub-set of export promotion practices, at least in the developed countries studied, the team early on discovered that all of the selected export promotion agencies were devoted almost entirely to SMEs.

Terms of Reference

The project's scope of work set out three objectives: (1) document and analyze best export promotion practices in five countries, including three Latin American countries, and identify the most cost-effective approaches appropriate for El Salvadoran export promotion; (2) conduct a one-day workshop for El Salvadoran export promotion entities collaborating with EXPRO to discuss international best practices and how these could be adapted to meet Salvadoran requirements; and (3) help identify the institutional strengthening needs of Salvadoran export promotion institutions, especially TradePoint, APE, and FOEX. Project deliverables include this report, which contains a "profile and critical assessment of each of the five competitor programs" and "strategic recommendations for El Salvador based on best practices," and a presentation of study results in person in San Salvador. The Scope of Work

also required that recommendations address 19 “scope questions.” All of these have been systematically answered herein.

Methodology

RESEARCH

We determined that Chile, Colombia, Costa Rica, Australia, and Canada would provide the best cross-section of Latin American and developed-country export development programs. We then systematically analyzed the export promotion efforts of these five countries. Our research methodology included the following activities:

1. Creating profiles of each country’s programs based on published program descriptions available in print and on the Internet.
2. Examining trade promotion materials, including print, websites, and interactive CDs.
3. Interviewing officials of national trade promotion programs to fill gaps in program profiles and to obtain information concerning experience with each type of program and opinions about best practices. In Canada, which has a “virtual trade agency” of more than 20 government departments, we conducted separate interviews with the leading departments. In four countries, we conducted interviews in person and by telephone. Researchers were assigned to each target market on the basis of previous experience with those agencies programs. In Australia, where an on-the-ground researcher was not available, we interviewed officials based at headquarters and in the United States by email and telephone.
4. Interviewing private-sector players, including exporters, business associations, and export consultants, to discern any significant differences of opinion about best practices between public and private observers.
5. Systematically analyzing the findings of primary and secondary research to identify best practices.
6. Assessing each best practice in the context of El Salvador’s export strengths and weaknesses to arrive at a set of recommended practices.

ANALYTICAL FRAMEWORK

A recent study commissioned by the Government of Australia examined how seven developed countries are helping SMEs enter export markets and maximizing the gains of such export activities. The study examined impediments to stronger export performance by SMEs and identified challenges that trade promotion organizations face in assisting the next

generation of exporters (“new exporters”). For one thing, new exporters are less concentrated in traditional export sectors, more diversified, and more dependent on knowledge sharing.

Knowing and Growing the Exporter Community, published by the Australian Trade Commission (Austrade), classifies exporters and potential exporters into five categories: *non-intender*, *intender*, *accidental exporter*, *born global exporter*, *regular exporter*. It then evaluates alternative export promotion assistance initiatives by their ability to overcome obstacles facing each type of exporter. This analytical framework focuses on the obstacles confronting each type of potential client and the tools that are appropriate for assisting each type. It was, however, created in a developed country, with a different exporter mix. For example, Austrade’s report concludes that 50 percent of new exporters are accidental exporters, who fall into exporting because their clients expand abroad and ask them, as suppliers, to follow suit and export. Born global exporters, which are start-ups created with exporting in mind, make up another 25 percent of Australian new exporters. Only one-quarter of new exporters are classified as successful intenders.

While accidental and born global exporters may emerge in El Salvador as the country develops economically, they will not be a priority during development of the new export promotion agency. For this reason, we adjusted the Australian model to treat all new exporters as if they had common needs. Variations can be accommodated by designing flexible new exporter programs. Our four categories of potential client are shown in Table 1-1. With this framework in mind, we organize discussion of best practices according to the role of the program in advancing clients from one level of export capability to the next. Levels of capability and related initiatives are presented in Table 1-2. Figure 1-1 illustrates the relationships between clients’ export phase and support for advancement to the next phase.

Table 1-1
Four Categories of Potential Clients for Export Promotion

Category	Description
Non-Intender	Not interested in exporting, usually because risks and costs are perceived as too high.
Intender	Not exporting but interested.
New Exporter	Have completed at least one export sale, but have not yet consolidated a regular export market. Include <i>successful intenders</i> , <i>accidental exporters</i> , and <i>born global exporters</i> .
Experienced Exporter	Enterprises with established export markets (includes former <i>new exporters</i>).

Table 1-2
Levels of Export Capability and Related Initiatives

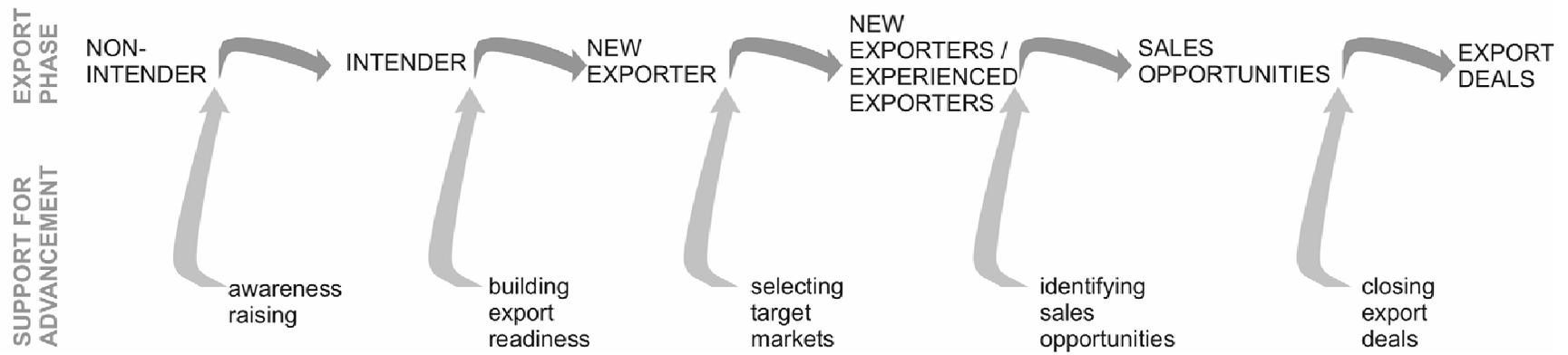
Capability Level	Initiatives
Raising awareness	Initiatives are intended to raise awareness of the benefits of exporting and to provide a general understanding of exporting as a means of promoting <i>non-intenders</i> into <i>intenders</i> .
Building export-readiness	Initiatives provide learning opportunities for <i>intenders</i> to acquire the knowledge and skills necessary to become <i>new exporters</i> .
Selecting target markets	Initiatives mainly help <i>intenders</i> identify and understand specific foreign markets/sectors where their products or services have good prospects so they can become <i>new exporters</i> . They also help <i>experienced exporters</i> move into new markets.
Identifying sales opportunities	Initiatives inform <i>intenders</i> , <i>new exporters</i> , and <i>experienced exporters</i> about qualified clients and their needs, expose products to buyers, and match exporters with potential buyers.
Closing export deals	These initiatives help <i>intenders</i> become <i>new exporters</i> and <i>experienced exporters</i> to expand their markets, by helping them interact with prospective buyers, present offers, and complete export contracts. This category also includes follow-up services after the deal.

The first two types of initiative are usually delivered at home, the second two involve activities at home and abroad, and the final type is usually delivered in-market.

Report Organization

Chapter 2 puts the recommended export promotion practices into context by discussing the export challenges facing El Salvador. Chapters 3-7 cover each of the five countries selected for study. Each chapter describes the country's organization of trade promotion, trade promotion delivery vehicles, and method for evaluating various export promotion practices. Vehicles for trade promotion are classified by objective (e.g., awareness raising, building export-readiness, selecting target markets, identifying sales opportunities, closing export deals). Because each country approaches export promotion on the basis of distinct needs and institutional environments, treatment within each chapter differs slightly to reflect different approaches and unique practices. Chapter 8, which can be read independently of the five preceding chapters, summarizes study findings on best practices that are applicable to El Salvador. Best practices are described for each trade promotion objective, as well for agency governance and operational management, with recommendations presented at the end of each section.

Figure 1-1
The Road to SME Export Success



2. El Salvador's Export Challenge

Any initiative to develop an export promotion agency for El Salvador must take into account the country's strengths and weaknesses in international markets. Promotion programs must take advantage of strengths and help Salvadoran companies overcome weaknesses. They must also target products that have good prospects in key export regions and sectors. Our assessment of best practices was guided by analyses prepared as part of the first EXPRO El Salvador Work Plan (July 2003–July 2004): an analysis of Salvadoran strengths, weaknesses, opportunities, and threats (SWOT), and a list of priority markets and products derived from the SWOT analysis. Both are summarized in this chapter.

Salvadoran Competitiveness Factors

The following SWOT analysis pertains to the expansion of exports during the EXPRO project period.

COMPETITIVE STRENGTHS

At the center of Mesoamerica (Southern Mexico and Central America), and within easy reach of the United States, El Salvador has good soils and favorable climactic conditions for the production of a wide range of tropical crops. The country's financial system is well-developed and stable, supported by the country's adoption of the U.S. dollar as its official currency. Salvadoran workers, artisans, entrepreneurs and executives, academics, and professionals are well-known for their hard work and initiative; and approximately 2 million Salvadorans reside in the United States, constituting a ready market for traditional Salvadoran products. In addition, El Salvador has a relatively well developed communications and transportation infrastructure. The minimum 10 daily non-stop flights from El Salvador to cities in the United States facilitate exports of perishable horticulture and other high-value products; and when the port at La Union is completed, El Salvador will have easy access to high-quality maritime service to Caribbean/Atlantic and Pacific destinations. The country's telecommunications have been privatized and modernized, with high-quality, low-cost international service.

COMPETITIVE WEAKNESSES

Salvadoran businesses have relatively little experience exporting goods other than traditional primary commodity exports, such as coffee and *maquila*; have limited knowledge and understanding of the characteristics and cultural idiosyncrasies of consumers in the United States, Europe, and other mass markets; cannot meet the volume requirements of many potential mass market customers; lack the resources and know-how to establish and support their own product brands; and continue to be reluctant to collaborate among themselves, or to cede control over family businesses through mergers and acquisitions. Salvadoran MSMEs in particular have very limited access to state-of-the-art technologies.

In addition, financing for exporters is not widely available or suitable. Many firms, especially among MSMEs, are highly indebted and therefore lack access to additional credit from the banking system. Medium- and long-term (MLT) resources for financing modernization or expansion with acceptable terms are inadequate; equity capital for MSMEs, or effective guaranty mechanisms to facilitate access to MLT credit, is not available; pre-export working capital finance is difficult to obtain; MSMEs cannot get export credit financing to support sales efforts and have difficulty accessing factoring and other related services to facilitate collections; and international monetary transfers by the Salvadoran banking system are expensive and slow.

COMPETITIVE OPPORTUNITIES

El Salvador not only participates in a number of bilateral free trade agreements in Latin America, including agreements with other Central American nations, Mexico, Chile, the Dominican Republic, and Panama, but is also negotiating the US-CAFTA and will be a party to the FTAA. El Salvador has many opportunities to establish export “beachheads” through sales to the Salvadoran community in the United States. And, given its location and existing capabilities, the country can achieve decisive economies of scale and establish itself as a leading regional center for the provision of professional services, financial services, transportation services, and warehousing, distribution, and logistical services.

COMPETITIVE THREATS

When quota restrictions on apparel exports from China, India, and other Asian nations are eliminated on January 1, 2005, El Salvador could lose up to half of its apparel exports, with potentially devastating consequences for balance-of-payments and employment. The ability of Salvadoran exporters to tap into niche markets in the United States could be affected by changes in U.S. immigration policies and/or the changing demographics of Salvadorans in the United States. Such changes could also reduce the volume of annual remittances to El Salvador. Any internal political instability would discourage investment and the growth of

new exports; and should dollar-denominated production costs rise faster than productivity rates Salvadoran export competitiveness will be seriously eroded.

Recommended Focus

To maintain its international competitiveness, El Salvador must strive to increase productivity throughout its economy and especially in exporting sectors. Achieving productivity goals will require new investment in exporting industries and technology acquisition. This, in turn, will require attracting foreign investment and improving the availability of MLT credit.

Export promotion should concentrate on products and industries where medium-term competitiveness can be established and sustained, and where markets with significant growth potential can be identified. Given its inability to resort to competitive currency devaluations, El Salvador must emphasize production and export of products having high value and significant domestic value-added (i.e., products that are highly differentiated and that embody significant intellectual content). As opportunities permit, Salvadoran exporters should seek to ascend the international value-added chain by marketing and distributing branded products within targeted export markets. And, within the Mesoamerican region, El Salvador should fully exploit opportunities to consolidate and expand its leadership as a regional financial, communications, transportation, and services hub.

On the basis of this analysis of El Salvador's competitiveness, we propose that the product and market priorities presented in Table 2-1 guide the allocation of promotional resources during the first year of APE's operations.

Table 2-1
Recommended Product and Market Priorities

Sector/Subsector	Product
Agricultural and food products	<ul style="list-style-type: none"> • Fresh and processed fruits and vegetables • Juices and other preparations of tropical fruits • “Ethnic” and other “specialty” food products • Environmentally- and/or socially-certified and labeled products • Certified seeds and other genetic material • High-value ornamental plants
Manufactures, handicrafts, commercial and fine art	<ul style="list-style-type: none"> • Design-sensitive houseware, decorative, and gift products • Upscale, design-sensitive handicrafts • Upscale, high-quality furniture • Paintings and sculpture; art reproductions; books and other printed material; popular music
Services	<ul style="list-style-type: none"> • Tourism, including business and conventions, cultural, adventure, eco/agro, Central American package tours passing through the Salvadoran air transport hub • Software development, IT, call centers • Marketing, warehousing and distribution for the Mesoamerican market • Regional headquarters for international companies operating in Central America • Higher education and professional training • Medical, dental and other professional services for Central America • Microfinance; remittances-backed credit instruments
Market Priorities	
<ul style="list-style-type: none"> • Salvadorans outside of El Salvador • Other Hispanic and ethnic communities in the United States and Canada • Central America and Southern Mexico • The Dominican Republic • The English-speaking Caribbean, especially Jamaica, Barbados, Trinidad & Tobago • Europe, especially Spain (Madrid) and Germany (Frankfurt) 	<ul style="list-style-type: none"> • The United States and Canada more broadly, in particular: <ul style="list-style-type: none"> • East Coast – Miami, Atlanta, Washington DC, New York, Boston, Montreal • West Coast – Los Angeles, San Francisco • Southwest – Houston, New Orleans • Midwest – Chicago, Toronto • Japan and Taiwan

3. Chile

Overview

ORIENTATION

Chile's export promotion program has traditionally targeted sectors. The country's export mix consists largely of commodities, especially consumer commodities for which branding can be very effective (e.g., seafood, fresh produce, processed foods, wines beverages). Recently, the government has placed increasing emphasis on export diversification, and it has negotiated several trade agreements with the world's largest trading partners. Export promotion, therefore, has shifted focus to non-traditional products and SMEs have become the focus of government incentives. Chile has also developed a substantial export-readiness program that includes face-to-face counseling and other customized services.

CO-FINANCING POLICY

Chile provides a number of co-financing arrangements for exporters. It has long subsidized the execution of company export plans on a case-by-case basis through an annual Export Grant competition. It has also provided 50 percent co-funding for company participation in foreign trade shows. Funding shortages beginning in 2001 necessitated greater sectoral emphasis. Thus, at present only agribusiness companies can apply for individual grants; other businesses must unite with businesses in their industry to apply for funding on a sectoral basis. Chile still provides 50 percent co-funding for trade shows, but it has sharply restricted eligible expenses to include only participation in a country pavilion and related logistical expenses.

PRIMARY AGENCY

The Chilean Trade Commission (ProChile) is the country's export promotion agency. It is one of three divisions of Dirección General De Relaciones Económicas Internacionales (Direcon),

within the Ministry of Foreign Affairs. Direcon's objective is to consolidate and expand Chile's international trade through partnerships and agreements that advance Chilean interests. Direcon has negotiated many agreements with Chile's trading partners, including the free trade agreement with the United States, the Political and Economic Partnership Agreement with the European Union, free trade agreements with Mexico and Canada, and economic cooperation agreements with Mercosur, Bolivia, Colombia, and Peru.

RESOURCES

ProChile has 14 offices in Chile and 59 trade offices or trade representative offices in 38 countries. Some are located with diplomatic missions and others are freestanding commercial offices. Chile's largest presence is in Latin America (16 countries), Europe (13), Asia (8) and the Australasian region (5). It has three offices in the United States and two in Canada. ProChile also has a small presence in the Middle East and Africa. Direcon's budget is about US\$30 million annually, of which \$11 million is allocated to ProChile's domestic operations. The cost of foreign offices, including salaries is covered separately by Direcon and that budget is not publicly available. In addition, sector associations receive independent funding for export promotion, which is usually executed in partnership with ProChile. ProChile has 244 employees of which 141 are assigned to foreign offices.

Organization of Export Promotion

ProChile's mission is to "support and advance Chilean business interests in the global marketplace by assisting in the development of the export process." The agency is responsible for establishing international business relationships, and for providing market research, international trade data, and sales leads for the export industry. It emphasizes promotion of non-traditional products.

STRUCTURE

ProChile has four operating divisions. The Sectoral Division manages the delivery of export promotion products and services to each exporting sector. It has about 40 employees. The International Division manages the operation of the trade offices abroad. It has about 160 employees, of which approximately 140 work outside of Chile. The Marketing Division manages all marketing activities, including trade missions and trade shows. It has nearly 30 employees. The Information and Technology Division manages systems for providing information to clients, including websites and training modules. It has about 15 employees.

The Sectoral Division's seven separate business units and product managers, one for each key sector, respond to requests for information from exporters or potential exporters about

demands for Chile's products and services in foreign markets. The product managers also respond to requests from ProChile's foreign staff for information about Chilean products, and they collaborate with qualified companies in their responses.

The International Division builds relationships with business associations, companies, and government agencies in foreign countries. Staff in foreign offices also conduct market research, collect information about local interest in Chilean products and services, and promote Chilean capabilities. They attend local events and export-related activities. Offices that are not part of diplomatic missions collaborate with embassy and consulate staff to extend their contacts and intelligence-gathering capabilities.

The entry-level qualification for employment by ProChile is a university degree in commerce or industrial engineering, along with some work experience. To reach an intermediate or senior position at home or abroad, employees are expected to have diplomatic degree and several years of experience at ProChile or Direcon in Santiago. ProChile's administrative staff is provided by Direcon, where ProChile shares its headquarters facilities and resources.

OBJECTIVES AND PRIORITIES

ProChile establishes priorities through a combination of market analysis and collaboration with industry associations. The governing policy is to give priority to markets with the most potential for export growth, especially those where free trade agreements are in effect. The most important markets are North America and the EU. Priority sectors are those with the best match of capabilities with the demands of those markets.

Second-level priorities are determined through consultations with industry associations. These consultations build understanding of each sector's business needs and priorities, thereby focusing export promotion and service delivery. The agency collaborates with these industry associations, many of which have their own promotion budgets and receive co-funding through ProChile. The principal associations are those representing companies that produce fruit, wine and spirits, farmed salmon and trout, tourism, software, and dried and processed fruit. ProChile also maintains relationships with the Chambers of Commerce of larger municipalities.

Asoex, the industry association representing 85 percent of Chile's fruit exporters, exemplifies the relationship between ProChile and sector organizations. Asoex has an annual export promotion budget of about US\$5 million, of which \$2 million comes from ProChile's co-financing fund. With assistance from ProChile, Asoex was able to set up an office in the United States, opening new opportunities for export of previously unknown Chilean fruits. Wines of Chile, an international marketing association representing 90 percent of all wine exporters, has an annual export promotion budget of about US\$6 million of which \$2 million

comes from ProChile. With this assistance, Wines of Chile set up a European office in the UK in early 2000.

ProChile is striving to increase the private sector's role in establishing priorities. Its new Private-Public Council includes representatives of government and business who are being asked to share their ideas on increasing Chile's exports (e.g., new co-financing schemes, innovative ideas for entering new markets, more cost-effective financial and trading mechanisms, training programs, ways of accessing new technologies). The Council includes representatives from several sector and industry associations and professional bodies. The government members represent all ministries with a stake in economic and industrial development. The Council meets monthly and works in conjunction with sectoral committees, with secretariat services provided by ProChile.

RESEARCH RESOURCES

ProChile uses a number of international data sources for research, including the Economist Intelligence Unit. The online databases it uses vary from country to country, since market research is carried out largely by foreign offices. The agency contracts some detailed market research to external consultants in target markets.

Country managers return to Chile each year for fact-finding, networking, and training. Each country or regional manager (in countries with more than one office) is expected to share information on the successes and failure of various promotion initiatives with managers throughout the organization. Country managers do this more frequently on a regional basis in areas where they face similar challenges, such as in North America and in the EU.

OTHER GOVERNMENT DEPARTMENTS

The only agency with permanent capacity for export promotion, ProChile works with a number of government entities to coordinate export development initiatives with broader objectives. Key organizations include the Chilean Agency of Training and Employment Science, the Chilean Customs Office, the Institute of Agro-pecuarian Development, and the Foreign Investment Committee. ProChile has collaborated with some of these agencies to facilitate support for exporters. For example, the Customs Office has implemented reforms and trained its workers to improve customs processing and to make the system more transparent.

Export Promotion Delivery Vehicles

RAISING AWARENESS

In addition to a website targeting international audiences, ProChile has an internal site for exporters; www.prochile.cl. This site is in Spanish and provides an integrated interface for services to exporters, along with a calendar of events, news, and a variety of studies and reports. The site includes a guide to exporting, *Exportar Paso a Paso*, which describes the exporting process in three stages: the decision to export, the exporting process, and incentives for exporters. ProChile also operates a telephone export service that provides general information on exported products and services and their destinations.

Successful trade promotion efforts are recognized on an ad hoc basis by posting success stories on the internal website, and by placing stories in magazines published by industry associations. Sometimes this draws the attention of mainstream media. Some industry associations also give out export awards at their annual conventions, but there are high-profile national export awards.

BUILDING EXPORT-READINESS

To improve the export skills of smaller existing exporters, and to encourage new SME exporters, ProChile developed the *Internalization Plan* in 2001. One component, *Interpac*, is designed for SMEs in the agricultural sector; the other, *Interpyme*, is designed for SMEs in industrial sectors. A component for the service sector is being developed.

These programs provide Chilean companies with systematic training in exporting issues faced by SMEs. They include training modules on production capabilities, market research, logistics, marketing plans, banking, international law, searching for partners, and the export process. *Interpyme* and *Interpac* are operated by a team of private sector consultants hired by ProChile and participants are provided with individualized one-on-one counseling as part of the program. Participants complete one module at a time, and when they have completed the full program, they become eligible for ProChile co-financing programs, provided that they have promising export plans. These programs take about one year to complete. ProChile covers up to 90 percent of the cost, provided that participants have an exportable product for which there is international demand and that they use labor-intensive production methods.

ProChile operates another exporter training program in association with the Santiago Chamber of Commerce. It is oriented toward developing market research skills and accessing global business opportunities. The agency also sponsors some courses delivered by other training institutes including the Santiago Chamber of Commerce, *Asexma-Chile*, and *Universidad Miguel de Cervantes*.

SELECTING TARGET MARKETS

ProChile creates country guide handbooks covering most of Chile's major trade partners. These handbooks provide economic and social data and profiles of consumer spending, tastes, purchase patterns, and other relevant information. Some foreign offices publish handbooks on local market contacts that provide more detail about the country's import requirements. Both types of handbook are sold at cost.

ProChile's trade offices abroad also carry out studies of specific sectors in a target country or on broad product or service categories of interest to Chilean industries. Some of these reports are available at ProChile's website. Others are available without charge by requesting them directly from the trade office abroad. These reports are available only to registered Chilean exporters.

Industry associations, government agencies, and some individual exporters can purchase market intelligence and market research reports published by private consultants, such as the Economist Intelligence Unit and other commercial market research firms. ProChile uses its buying power to negotiate special prices for these publications, which are re-sold at cost to the requesting association, agency, or exporter for their exclusive use.

Business associations and exporters can also make formal requests for in-depth studies on specific topics. If ProChile does not have such a report and is not prepared to create one, it will provide advice about cost-effective private sources of this information.

IDENTIFYING SALES OPPORTUNITIES

ProChile encourages Chilean exporters, associations of exporters, and potential exporters to submit promising export plans to an annual competition for export grants. The plan must outline how the venture will accomplish market exploration, penetration, and consolidation for Chilean goods or services in foreign markets. It must include a timetable of activities, details on key players, and clear explanations of how, where, and why financial, human, and strategic resources will be applied. Proposals are accepted in August and September. (ProChile sets its annual export promotion budget at the end of October).

Applications are selected based on their export potential. The company must have a competitive product with clear market demand abroad. Officials for ProChile's foreign offices are consulted as part of the selection process. Successful applicants receive co-financing of up to 50 percent of the total amount to be spent on the venture, either abroad or locally. The funds may be used only for promotional or marketing activities defined in the export plan.

In 2001, a shortage of funds forced ProChile to adjust its priorities. Conditions for co-financing for both individual exporters and their associations were revised to emphasize agribusiness (mainly wine, fish and fresh fruits), and the U.S. and European markets. Individual exporters

who meet those criteria are eligible for co-financing. Other companies must work through an industry association or cooperative to obtain co-funding. Non-agricultural SMEs can also qualify by completing training under the Interpyme initiative.

Under this new policy companies in the same industry are expected to work together to reach their intended markets at a lower cost. Moreover, ProChile expects these companies to seek funding through other governmental agencies, banks, and private sector organizations, by developing cost-effective projects and applying for funds. The principal governmental funding agencies used by Chilean exporters are Corfo, Indap, Sercotec, Fosis, and BancoEstado.

Corfo is in charge of the development, promotion, and control of domestic production of goods and services, and it plays an important role in developing foreign markets. Corfo is responsible for all Chilean companies, but it puts special emphasis on SMEs. It provides co-financing support, production, and financing assistance through a variety of programs. They include clean production programs, ISO 9000 and 14000 certification programs, international market intelligence programs, refinancing programs, and many others. These programs are operated under the supervision of Corfo by private institutions representing the major industries known as Agentes Operadores Corfo (Corfo Operative Agents). They administer co-financing arrangements and allocate funds based on the individual needs of companies. By successfully using these programs to improve their production capabilities and export potential, companies can improve their acceptability for further assistance from ProChile.

ProChile has also cut back on financial assistance to individual companies for participation in trade shows. Co-financing of up to 50 percent is now provided only through industry associations and eligible expenses are restricted to the operation of a national pavilion. Participants must pay for their own transportation and accommodation.

Branding

ProChile's country branding, like that of all other agencies studied, is linked to trade shows and is sector oriented. Chile revised its country branding strategy in 2001 to re-orient activities under two broad strategies: *Imagen País*, country image, and *Enfoque Sectoral*, sectoral approach. All government-assisted promotions of Chilean exports must combine the name Chile with the sector brand. To implement this strategy some export industries have joined forces to create a multi-industry branding approach. For example, the associations of fresh fruits, fresh salmon, and wine launched the brand *Flavors of Chile*. ProChile supervises, coordinates, and co-finances all of these promotional efforts. Companies and associations involved in trade shows and other export initiatives are expected to ensure that their exhibits, literature, and other materials comply with this global branding strategy.

Opportunity Matching

ProChile publishes an Export Directory that includes profiles of Chilean exporters, including contact information, destinations of exports, and products. The directory is sold at cost in hard copy and CD format. ProChile also maintains a separate website targeting external audiences in English and Spanish (www.chileinfo.com). It has a searchable database of exporters by product or company name, details of upcoming trade shows and events, and information about Chile's exporting sectors. It includes an interface to an electronic marketplace that claims to match foreign buyers with Chilean sellers. Still being developed, this system contains only a few offers or quotations. Chile's external site stands out from most of others in that it provides a good overview of the country's "product channels" in addition to more targeted company search tools.

Videoconferencing

Chile has a unique videoconferencing system, driven largely by its distance from key markets. Some of ProChile's offices in Chile and the larger trade offices abroad are equipped with videoconferencing technology. Potential buyers are invited to the foreign offices to participate in virtual meetings with qualified Chilean exporters. Chilean companies that participate in the Interpyme or Interpac training programs or that are receiving co-funding for export plans enjoy preferred access to this system.

CLOSING EXPORT DEALS

Many ProChile trade offices abroad distribute promotional materials of Chilean exporters when they meet with prospective buyers. They will also request samples, catalogs, and brochures from the Chilean company when they recognize an opportunity. ProChile staff located in diplomatic missions are restricted in their ability to act as representatives of Chilean companies.

ProChile will recommend private or public organizations to assist with certification under foreign product standards, but does not provide direct assistance. Corfo operates a certification scheme through its network of Operating Agencies, and exporters may apply for co-financing to obtain technical assistance from accredited consulting companies. ProChile office managers abroad have diplomatic status and ready access to assistance if regulations are believed to contravene bilateral or multilateral trade agreements.

Assessment of Export Promotion Practices

All marketing initiatives abroad are carried out with explicit performance expectations. The product manager for the sector covered sends a client satisfaction questionnaire to every participant after each event, such as a trade fair or commercial mission. Results are compared

with expectations, and this information is used to guide decision-making for future events, as well as resource allocations.

Officials of ProChile and major sectoral export promotion associations say that the most effective promotion methods are participation in sector-focused incoming and outgoing trade missions, participation in sectoral trade shows, and business meetings at ProChile's offices abroad. This experience tends to be sector-specific, however. Many of Chile's most important consumer exports are consumables and presenting the product directly to the buyer for taste testing is an important sales technique. This is especially so for wine, fruit, salmon, and other branded food products.

The success of these promotion techniques is not as good for non-consumable goods, such as furniture and software. Meetings and live presentations at buyer's offices are considered important in those sectors. In-market assistance from ProChile's foreign offices, including introductions to contacts and business intelligence, are therefore cited as the most effective tools for those business-to-business industries.

ProChile officials see their biggest strengths as extensive experience, testing of new ideas, excellent professional staff, strong international networks of business contacts and alliances, and support from leading export industry associations. Support from other government agencies has also strengthened ProChile's capabilities.

ProChile has identified certain weaknesses, which it is now addressing. They include the lack of a well-defined long-term mission that would transcend changes of presidential regimes, the lack of a stable budget that would allow it to undertake long-term export promotion initiatives, and the lack of an aggressive domestic campaign to present the benefits of the recent trade agreements with the United States and European Union to the Chilean people. Another problem is the lack of coordination in putting pressure on some export industries to improve their communication tools and adhere to ProChile promotional strategies, including the use of logos.

Private sector exporters agree generally with the assessment of officials about the most effective techniques. They are less enthusiastic about the mandatory national branding strategy. Some sectors have not implemented this strategy because they are not convinced of the value of organizing complex initiatives within the sector to build a consensus around a brand concept.

4. Costa Rica

Overview

ORIENTATION

About three-quarters of Costa Rican exporting companies are SMEs, which are defined as companies with fewer than 100 employees and less than US\$1 million in annual revenue. For this reason, assistance is highly focused on SMEs. Local Chambers and industry associations are also increasing the amount of consulting, information, and training that they allocate to SMEs. As in Chile, the Government of Costa Rica has recently shifted from helping individual companies to helping sectors. It advocates a Promotion Alliance concept whereby companies from the same sector join forces to promote products, combine production volume, or purchase common raw materials. It encourages the establishment of export promotion consortia (Consortios de Promoción) to bring together companies from the same sector to develop strategies and consolidate markets to reduce overall promotion costs.

CO-FINANCING POLICY

Costa Rica offers the most generous subsidies of any of the countries studied, covering about 70 percent of the costs of trade missions and fairs and 100 percent of the cost of an annual incoming buyers mission. At the same time it is very selective in qualifying companies for participation in these events, and offers training and other export-readiness programs to those that do not qualify.

PRIMARY AGENCY

The Foreign Trade Corporation of Costa Rica (Procomer) is the official entity in charge of Costa Rica's export promotion effort. Created in October 1996 through the merger of the Centro para la Promoción de las Exportaciones (Cenpro) and the Corporación de Zonas

Francas, Procomer is a semi-private agency, loosely under the control of the Ministry for External Trade (Comex). Procomer is managed by a Board of Directors headed by the Minister for External Trade who appoints the other members, including prominent private sector representatives. Procomer receives its financing from free trade zone taxation, which gives it an independent source of income not influenced by the spending swings associated with the presidential election cycle. This is considered key to long-run planning. Procomer is a respected institution, free of the corruption and nepotism that characterize some government departments, and to which appointments are considered prestigious.

RESOURCES

Procomer has 120 employees, including 16 in 7 overseas commercial offices. Well under 100 employees are actually engaged in export promotion because Procomer's responsibilities include managing exporter registration, processing export permits, compiling official export statistics, and collecting taxes in free trade zones. These activities fall outside the scope of trade promotion in all of the other countries studied. Procomer's foreign offices are located in Mexico, the United States, Canada, Puerto Rico, Trinidad and Tobago, Chile, and the Dominican Republic. Foreign offices gather market intelligence, conduct market research, and support the activities of visiting exporters. As independent offices, separate from the embassy and consulate network, ProComer offices exercise an incomparable level of representation of exporters, actively promoting specific companies abroad, though stopping short of negotiating prices or closing deals.

Organization of Export Promotion

Procomer's mission is to promote the successful entry of the country's key industries into the export sector. It provides a range of services to exporters, including programs for training, consulting, market analysis, branding, and promotion. Its objectives include promoting diversification of Costa Rica's exports, increasing the proportion of high value-added products in the export mix, and streamlining the export bureaucracy. The agency strives to operate like a private sector organization.

STRUCTURE

With a General Manager who reports to the Board of Directors, Procomer has six divisions: Commercial Intelligence, International Marketing, Development and Service, Financial Administration, Single Window, and Operations and Control.

The International Markets division is responsible for all international promotion activities. It is divided into two sections: Sectoral Promotion and foreign Commercial Offices, each with 16

employees. The export promotion officers in San Jose are each assigned to one or two sectors. They develop annual work plans for their sectors, which are reviewed and approved by sectoral committees, while overall planning is guided by the division manager. During the negotiation of the FTA with Canada during 2001, the focus was entirely on Canada for all sectors. The focus has shifted to the U.S. marketplace as the Central American Free Trade Agreement treaty nears completion.

Each of the seven overseas offices is supervised by an office manager who reports to the Director of Commercial Offices in San Jose. One or two trade officers support each manager. These commercial trade offices respond to requests for market intelligence from headquarters, and look for export opportunities. They support the activities of visiting Costa Rican exporters, and they develop research and planning programs on behalf of individual exporters—typically SMEs. Each office is responsible for carrying out annual work plans. Procomer's international activities are concentrated in countries that have an office established. To reach other markets, Procomer finances attendance at trade shows in Europe and Asia. It provides local services throughout Central America by contracting with private consultants.

The Commercial Intelligence Division includes a manager and five officers who conduct market studies and gather market intelligence, mainly for markets covered by free trade agreements. That division also publishes *enlance*, the Procomer monthly magazine.

The Single Window Division handles all export processes and paperwork for Costa Rica. Every exporter must register with Procomer, which uses this information to produce official export data. Procomer's mission includes streamlining the export process, which includes registration and export permits; exporters can now handle these transactions through the Single Window website. There are Single Window offices in San Jose, and small branch offices at the sea, road, and air ports of entry.

The Development and Service Division maintains Procomer's office and IT infrastructure and monitors the operation of the country's free trade zones. It collects local taxes in the zones that to finance Procomer's operations.

OBJECTIVES AND PRIORITIES

Objectives and priorities are established through market analysis and exporter capability assessments conducted by officials, as well as collaboration with sector groups. Procomer officials select priority sectors on the basis of SWOT analysis and market research on countries with which Costa Rica has FTAs. Analysis is based partly on the findings of a number of public and private institutions that monitor the country's trade activities. They include Incae University, Fundación para el Desarrollo Sostenible en América Latina (FUNDES), and industry associations. Officials prepare annual work plans for each sector, and sectoral

committees review and approve them. These committees also provide information about companies that could benefit from Procomer services. Export promotion officials regularly interact with exporters in all key sectors to assess their export potential.

Observers say that in the past coordination between Procomer and the private sector was lacking. In response, the agency established a new approach to sector consultation in 2000. It set up a series of public-private sectoral committees, including representatives of industry associations and exporters. These committees develop and propose strategies for their sectors, for Procomer to incorporate into annual work plans. These strategies focus on developing programs that will help member companies develop international competitiveness. The sectoral committees also provide feedback on the success of export promotion initiatives. In shifting to a sectoral approach, Procomer has placed more emphasis on training and promotion activities for SMEs.

Some sector business associations have the capacity to develop their own export promotion initiatives. Some of them do this in collaboration with Procomer, but some act independently. These initiatives focus mainly on training, business management, and the development of new exporters, especially SMEs. Associations are also involved in improving competitiveness and developing commercial promotion tools, and they participate in international trade shows and organize trade missions. Industry associations most active in export promotion are the Costa Rican Chamber of Industries, the Costa Rican Chamber of Exporters (Cadexco), and the Costa Rican Chamber of Commerce. Cadexco is the Costa Rican partner chosen to deliver training programs assisted by the Center for the Promotion of Imports from Developing Countries – CBI/Holland, an agency of the Ministry of Foreign Affairs of the Netherlands.

RESEARCH RESOURCES

Procomer uses a number of databases, purchased from international providers such as INTERDATA, or obtained through relationships with industry associations. These databases are used mainly to identify potential business contacts in Latin America and North America. For the European market, Procomer makes regular use of CBI/Holland's databases and market research reports.

According to Procomer officials, the most useful databases are those that have been built internally over time, with data obtained from country visits, trade shows, and business meetings. These databases have been a very effective source of information about demand for Costa Rican products in key target markets. They provide such details as demand volume, competitors, and product characteristics. The business association databases are also fairly sophisticated. The CICR Eurocenter, for example, has a database covering the European market that provides both long-term and dynamic information.

OTHER GOVERNMENT DEPARTMENTS

Procomer is the only government agency with capacity for developing trade promotion strategies, and other government entities interact with Procomer to act on opportunities that they discover. Observers say that channels of communication and interaction among these entities are not clearly defined, and that some inter-agency efforts are not very effective.

The Consejo Nacional de la Producción (CNP) has an office in Miami that promotes Costa Rican agriculture exports to the North American market and provides market intelligence, import follow-up support, and buyer identification services. The Ministry of External Relations and Culture coordinates business and tourist promotion and develops initiatives to attract foreign investment to the country. This is done through the Dirección de Promoción, using diplomatic relationships and networking.

La Cancillería is responsible for the operation of Costa Rican embassies and diplomatic missions. It channels requests for information and trade leads received by its foreign posts to Procomer or to Costa Rican industry associations.

Procomer has no formal relationships with the Ministry of Economy, Industry and Commerce. Observers say that the two organizations do not work well together and that MEIC is protective of its turf.

Export Promotion Delivery Vehicles

RAISING AWARENESS

With support of the International Trade Center of the United Nations, Procomer prepared a guide with answers to the 100 most common questions asked by companies that are considering exporting for the first time. Available in digital and printed versions, the guide can be downloaded from the Procomer website.

Procomer publishes Costa Rica's official export statistics on a monthly and annual basis. These documents can be purchased from Procomer's Trade Information Center in San Jose. Emerging trends and trade opportunities are highlighted in periodicals published by the Chambers and in Procomer's monthly magazine *enlace*.

Cadexco provides a showcase for exporters during its annual Day of the Exporter. This year marked the 14th year of the event, which receives wide support from local media with news coverage and a speech from Costa Rica's President. Companies who wish to receive awards send details of their export performance to the Chamber, which appoints a panel to decide which companies deserve awards and prizes. These awards are quite prestigious. In addition

to a grand prize, winners are selected in several categories, including agro-industry, Central America, ecological, industrial, services, and SME.

BUILDING EXPORT-READINESS

Procomer and Cadexco both provide training, counseling, and other services to help companies, especially SMEs, become export-ready. Procomer's Creating Exporters program is offered on a sector-by-sector basis with modules developed with the help of industry associations in each sector. Cadexco's Propyme (ProSME) program is focused on SMEs. In both cases, modules usually last eight hours, with one session each month. Programs are longer or shorter where needs differ. Some modules are licensed by foreign training agencies, such as Canada's Forum for International Trade Training. The modules cover strategic export planning, international marketing, market research, product adaptation, branding, financial administration, forms of payment, export logistics, and the negotiation process.

ABC Exporter

Cadexco has developed a training package called ABC Exporter for companies interested in entering the European market. This was developed with the assistance of CBI/Holland, whose export promotion experts have worked closely with Cadexco to develop and deliver the program. The training leads to participation in a European trade show. CBI/Holland is now offering sector-specific export training packages in electronic components, novel handicrafts, stationery, timber products, and young pot plant materials.

Creating Exporters

Procomer's policy is that it is not cost-effective to provide specialized market entry training to companies that are not fully prepared. In its Creating Exporters program participating companies carry out an export audit using a tool developed by CBI/Holland. Companies that are not export-ready are directed to other forms of assistance, including seminars, reading materials, and export counseling. Companies that successfully complete the export audit are able to assess their own management, production, and human resource requirements for exporting. The audit helps prospective exporters assess their competitiveness after export costs, such as freight, taxes, and distributor mark-ups are included in prices. At the end of this program, the company develops an export marketing plan, with defined dates, to determine when it will be ready to export. A Procomer International Marketing official guides the conduct of each audit. An online self-diagnosis tool is also available on the Procomer website.

SELECTING TARGET MARKETS

The Procomer website includes overviews of countries in which it maintains offices. Overviews consist of a country profile, services available in the country, trade statistics, entry

requirements, and summary of export-related regulations. Procomer provides a separate information service on Canada, with which Costa Rica has had a free trade agreement for several years (www.accesocanada.com).

Procomer conducts market studies for individual SMEs in sectors that have the potential to export to key markets. Three study types are offered: market access, product potential, and export product promotion. The companies contract for studies that are provided for their exclusive use. This means that they can contain market intelligence as well as market information. The studies are usually delivered within one month, and are created by overseas Office Directors. Companies pay a nominal fee for this work, typically about US\$100 for a basic study. Because of the size of the subsidy involved, Procomer provides this service only to companies that it believes are in a position to act on the information. Observers say that these studies are relatively superficial and are of interest only to smaller companies because larger firms usually require more depth.

Officials at the seven overseas offices monitor the local market to identify opportunities for Costa Rican products. When an opportunity is detected, the Director passes the lead to the head office in Costa Rica, where the Promotion Officer relays information to qualified exporters. Office Directors also prepare general market information and news items for posting in country-specific sections of the Procomer website.

IDENTIFYING SALES OPPORTUNITIES

Outgoing Trade Missions

Procomer provides a complete co-financed trade mission package that includes a market study, a business agenda, and logistics coordination in the target market. Trade missions are organized on a sector basis. To participate, a company must be judged by officials to have the productive capacity to fill initial orders. Participating companies must also send representatives to planning meetings. Procomer covers 70 percent of the cost of the mission, and companies cover the balance, as well as their own travel and accommodation expenses. Procomer staff plan, organize, and execute the trade mission. An International Marketing official at headquarters invites potential buyers and partners in the target country, providing company profiles and product samples, establishing the agenda, and coordinating logistics including hotel reservations. The Office Director in the host country promotes the event, identifying and confirming participants and coordinating local logistics, including transportation and hotel arrangements. Foreign office staff also prepare a market study and business agenda, which are submitted to headquarters for review.

Incoming Trade Missions

Procomer organizes a subsidized annual Buyers Mission, hosting international buyers interested in purchasing Costa Rican products. Office Directors abroad identify and qualify participants from each country. Company buyer profiles are sent to headquarters in San Jose, where officials identify matches in the local market using company databases and personal visits. To participate, a Costa Rican company must have an exportable product and an interest in exporting to North and Central America, the Caribbean, or Chile. Procomer covers nearly all costs, including airfares and accommodations of visiting buyers. Once the group of exporters is confirmed, the officials prepare meeting agenda. They are sent to the Country Directors, who confirm the interests of buyers and accompany them to Costa Rica. Procomer also arranges seminars and a gala dinner as part of the mission to help solidify contacts.

EuroCenter

Coordinated by CICR, the Costa Rican Chamber of Industries, EuroCenter develops marketing strategies, builds links between Costa Rican companies in the European marketplace, and provides incentives for companies to attend international trade shows and business roundtables. CICR staff interact closely with Procomer to coordinate these efforts with the country's broader export promotion programs.

Trade Shows

Procomer has determined that measurable results from trade shows rarely justify the costs of preparing and staging elaborate country pavilions outside of Costa Rica. It has therefore begun to reduce its participation in shows. When it does participate, Procomer assumes about 70 percent of related costs (e.g., rental space, stand construction, shipping of samples and promotional materials). Participating companies pay the other 30 percent plus their own transportation and accommodation costs. A Procomer official signs up companies, coordinates show organization, prepares a country pavilion, and registers each participating company in the show guide. In countries where Procomer has a Country Director, responsibilities are shared. Potential buyers are invited to the show by direct mail.

Industry associations stick mainly to local fairs and events because they lack the resources to launch costly overseas ventures. The CICR hosts the biannual Expo Industrial Fair of Costa Rica. The Costa Rican Chamber of Commerce is currently supporting the annual International Trade and Investment Exposition Costa Rica – FICOR.

Procomer sends its own foreign staff to numerous international trade shows to gather intelligence. Headquarters officials invite companies to provide product samples, which are then forwarded to officials at the foreign country office, who participate in the trade show on behalf of sellers, and evaluate the sales potential of the product. At the end of the show, the official relays information about potential buyers and recommendations for follow up actions to Costa Rica.

Procomer's brand promotion focuses on priority sectors, usually in association with trade missions and shows. Brand promotion is generally part of direct mail and advertising intended to draw participation in these events, but officials also try to attract media attention. Such promotion usually targets an entire sector, but specific companies may also be targeted. For example, the Coffee Growers Institute of Costa Rica promotes the coffee sector on an international scale, while the high technology sector has been promoted by direct targeting of Intel, Abbott Laboratories, and Bridgestone, among others. Because these companies would locate in Costa Rica for exporting purposes, promoting FDI and promoting exports in this sector are closely linked.

Opportunity Matching

When the foreign office detects a sales opportunity, Procomer officials may informally introduce buyer and seller. Officials in San Jose access company databases to follow up on leads generated by Office Directors, and if they identify a qualified exporter, they contact them directly to pass on the contact information. The Office Director provides contact information in the other direction.

Procomer's website, www.marketplacecostarica.com, provides an overview of the country's export offer, organized by sector, but it does not provide sector capability overviews as Chile and some others do. Users can search by product or company name, and can access profiles of each company. An exporter guide is available in hard copy and CD. Cadexco also offers a "Business Gateway" to member companies from its web site, www.cadexco.or.cr. Other Chambers have developed materials on CD, with assistance from Procomer. They provide sectoral data concerning the production and export capacity of member companies.

As part of the government's program for supporting SMEs, the Ministry of Economy, Industry and Trade is assembling an inventory of products and services offered by Costa Rican companies to improve the quality of the export offer presented in Procomer export promotion products.

CLOSING EXPORT DEALS

Procomer will not act on behalf of an exporter in a commercial matter, and expects company representatives to conclude export deals in person. Officials say that they cannot maintain the intimate knowledge of every company that is required to act on their behalf. Through "accompanied meetings" (acompañamientos), Procomer officials do provide liaison and coordination during the business development phase. This service includes development of business agenda with potential buyers, who have been screened for interest and suitability, in a select market. In these cases, the Procomer official effectively becomes a representative of the company and may provide advance marketing to convince the importer to meet with the Costa Rican exporter. Nevertheless, Procomer insists that business deals be closed directly by

the exporter during the visit. Procomer headquarters in San Jose may participate in this process by coordinating the agenda for multicountry visits. Office Directors also facilitate interactions between buyers and sellers during in-market trade missions and shows because sales are often concluded at these events.

In monitoring export-related regulations, foreign offices provide information directly to individual exporters concerning product, packaging, and labeling standards. They do not intervene to arrange for product testing or certification. Cases in which local regulations or standards are believed to violate multilateral or bilateral trade agreements are referred to Comex officials for resolution through the diplomatic process.

Assessment of Export Promotion Practices

Procomer evaluates the success of its activities according to a variety of criteria. In the case of trade missions and trade shows, it measures effectiveness based on the number of business contacts established, assuming that 35 percent of all contacts will eventually lead to business deals. Cost-effectiveness is also considered when evaluating promotional practices. In its annual budgeting process, Procomer allocates resources to activities that it expects to yield the best results in the least amount of time and at the lowest cost.

Trade promotion officials in Costa Rica say that the most effective practices are the following:

- Customized market studies.
- Export skills training, counseling, and other assistance that helps SMEs become export-ready.
- Market intelligence gathered by foreign offices focused on priority sectors to interpret market signals, assess competition, and identify opportunities for doing business that can be shared among companies in the sector.
- Concentration of export promotion resources on the most promising regional markets for Costa Rican products, especially those where FTAs are in effect.
- Grouping companies from the same sector to develop common strategies, achieve economies of scale, and increase cost-effectiveness.

On the basis of cost-effectiveness, the accompanied meeting program is highly regarded because resource investment is low. If participants are carefully screened this program has the potential to be very effective in finding buyers and closing sales. Buyers missions have been very successful in generating sales leads, but are relatively expensive and depend on carefully qualifying buyers.

Private sector observers agree that these programs are effective, but note significant differences between sectors. Exporters in some sectors consider it important to have a strong

presence in the target market by way of permanent showrooms and local staff. Exporters in other sectors are more cost-conscious and favor programs where cost for the participant is minimal (e.g., the annual buyers mission).

Costa Rican trade promotion officials say the most effective approach to helping SMEs is to address export-readiness on an integrated basis by coordinating training, counseling, market research, and export promotion. Any program for assisting SMEs should also address financing, they say, because the costs of becoming export ready will be wasted if the company still cannot export because of a lack of capital. They add that SMEs should be directed first to nearby markets where language, cultural identity logistics, and pricing work more in their favor. This enables them to gain export experience close to home before taking on the risks of venturing further.

5. Colombia

Overview

ORIENTATION

Colombia's trade promotion efforts have been re-targeted over the last decade in response to economic liberalization that began in the early 1990s. Traditionally, exports were concentrated in a small number of commodities, including coffee, bananas, flowers, and oil. Each of these sectors was provided with its own resources for promoting exports and the national export promotion agency was responsible for both export promotion and financing. With the opening of the economy, the government recognized the need to diversify the export mix. In 1991, the government created a new agency focused exclusively on export promotion. The agency was given a mandate to promote non-traditional exports, including clothing, sugar, graphics/printing, cotton, and plastics. A recent fund shortage has caused another shift in policy. At present, traditional and non-traditional agribusiness is being emphasized at the expense of the industrial sector.

CO-FINANCING POLICY

Like some other Latin American countries, Colombia is tightening conditions for co-financing. First, only companies in core agribusiness sectors are eligible for individual co-financing for trade missions, trade shows, and similar events. Other exporters are supported only at the sector level. Second, access to co-financed trade promotion vehicles is being integrated with broad training programs. Colombia offers two such programs, one for new exporters and one for companies with some export experience. In both cases companies that complete the training get preferred access to co-financing.

PRIMARY AGENCY

Proexport, Colombia's export promotion agency is configured as a corporation but is effectively under the control of the Ministry of International Trade (Comex), which falls under

the umbrella of the Ministry of Commerce, Industry and Tourism. Proexport is formally a subsidiary of the country's leading international trade bank, but since Comex owns 89 percent of the controlling entity's shares, Proexport is effectively part of Colombia's massive bureaucracy.

RESOURCES

Proexport has approximately 190 employees, including 110 at headquarters in Bogotá; 20 in regional offices in Medellín, Barranquilla, Bucaramanga, and Cali; and about 60 in commercial offices abroad. The Miami office is the largest, with about 18 staff, and Toronto has 5 staff. The foreign offices usually have budgets to hire local consultants to conduct sector market studies. The researchers often visit Colombia to review export offerings and assess exporter capabilities. The overall budget is not known, but the Miami office is believed to have a budget of about US\$2 million.

Organization of Export Promotion

Before 1990, Colombia's principal export agency was Proexpo. It promoted exports and provided export financing. With the advent of the new economic policy of *apertura* (opening), Proexpo was dissolved and three new entities were created. Bancoldex S.A. was incorporated in 1991 as a private entity organized principally as an export credit bank linked to the Comex. Fiducoldex is an affiliate of Bancoldex, and linked to Comex, with 89 percent of its capital held by Bancoldex, 8 percent by the 9 associations that represent Colombia's non-traditional exports, and 3 percent by the five most important industry chambers in Colombia. Proexport Colombia was created in November 1991 as a trust of anonymous proprietorship to be the principal export promotion agency. Its focus is non-traditional exports. Traditional exports such as coffee, bananas, flowers, and oil do not receive substantial attention from Proexport, partly because some of these products already enjoy well-established government-funded promotion programs. Fiducoldex administers Proexport's assets and resources.

STRUCTURE

Proexport is managed by a President/General Manager who reports to a Board of Advisors. Organized by sector, headquarters has directors for agro-industry, manufacturing, and clothing, and services and entertainment. Three other directors oversee foreign posts, regional Colombian offices, and promotions (SME programs). Separate departments for market intelligence, international cooperation agreements, and national productivity and competitiveness are each run by a director.

Headquarters staff are usually recruited from within the bureaucracy, and are not usually highly qualified international trade specialists. The foreign offices are run by Colombian directors and staffed with locally hired individuals with sector experience. Observers say that while some directors are patronage appointments and do not necessarily have training in export promotion, most are qualified to serve as international representatives.

OBJECTIVES AND PRIORITIES

Comex has launched several high-level initiatives to shape export promotion. Regional Consultative Committees for International Trade play a definitive role in the development of export promotion initiatives in their regions. They include representatives from individual exporters, industry associations, universities and related institutions, and state and municipal government departments. Through these committees, Colombia has updated its long-range national export plan with considerable regional input. Plan Estratégico Exportador Regional (PEER) identifies needs and strategies for each region, and rolls regional plans into one national plan. Proexport plays a strong role in this process.

A number of industry associations operate their own export promotion programs. Principal players include the Association of Colombian Flower Exporters, the National Federation of Coffee Growers, the Footwear and Leather Exporters Association, and the Clothing and Apparel Association. Each has been able to acquire independent financing from either the Colombian government, or from international financial institutions such as Inter-American Development Bank and the World Bank. Except for the coffee growers association, these associations have collaborated to varying degrees with Proexport and sometimes hire Proexport to execute programs that they have designed themselves.

Proexport undertook a study a few years ago to thoroughly understand Colombia's export offerings. The study found that roughly 80 percent of the country's dollar value of non-traditional exports came from 250 companies out of approximately 5,000 exporters. About 1,400 medium-sized companies with annual sales above \$250,000 per year generated another 10 percent of exports. About 3,200 small companies were responsible for the remaining 10 percent. Proexport's Expopymes export readiness program for SMEs was developed as a result of a thorough needs assessment that followed this study.

Information about the strengths and weaknesses of different sectors has been drawn mainly from Proexport's direct experience in assisting sector organizations with export promotion. In collaborating with the sector associations Proexport remains informed about how sectors are performing at any given time. Proexport does not promote its services directly to industry sectors, but it does respond to requests for help.

RESEARCH RESOURCES

Foreign offices subscribe to local databases focused on in-market buyer information. The Miami office, for example, subscribes to OneSource, a large commercial database on the U.S. market. But they also rely heavily on databases maintained by industry sector associations. These are generally membership directories, with data relating to the capabilities of each company. This is the principal source of exporter information used for opportunity matching. Staff also maintain their own local databases, built over time.

Market studies are the responsibility of the Market Intelligence Department in Bogotá. Studies published by other countries' export promotion programs are as secondary sources. In-market consultants are hired to conduct multisector studies, through which databases of buyers are also created, using both secondary and primary research.

OTHER GOVERNMENT DEPARTMENTS

Periodically, the government allocates export funding to ministries other than Comex. For example, the Ministry of Agriculture currently has a budget to promote exports for its sector. Because it has no dedicated export promotion resources, it is expected to outsource some of this work to Proexport, which will execute a trade promotion program according to the Ministry's requirements. Thus, while it does not have exclusive authority for export promotion, Proexport is the principal source of promotion expertise and contributes to the design and execution of nearly all export promotion programs. Though it does not necessarily initiate programs, it does play a lead role in executing them. There is some overlap between Comex and Proexport because Comex provides small, targeted programs such as online business plan diagnostic tools, seminars, and training.

Export Promotion Delivery Vehicles

RAISING AWARENESS

Proexport's main website, www.proexport.com.co, has separate interfaces for beginning exporters and for regular exporters. Both present stories about exporting, a calendar of events, and downloadable exporting guides. The site includes a general overview of the exporting process and a list of government assistance programs.

Since 1996, Proexport has sponsored an annual *Semana Exportador* (Exporter's Week) in several major cities. Proexport rents a hotel or small convention center in each city and presents displays for each country where Proexport has an office. Agency personnel from around the world use this opportunity to build relationships with exporters, to provide

information, and to promote agency services. Some portions of these events are open to the public.

The National Association of International Trade (ANALDEX) operates an award program (www.analdex.org) for excellence in export management and export success. Awards are given in categories for companies at different stages of development.

BUILDING EXPORT-READINESS

Proexport offers two programs to develop export skills. *Expopymes* focuses on SMEs; *Zeiky* aims to build an “exporting culture” in Colombia.

Expopymes

The Expopymes (ExpoSME) program provides training, customized consulting, and export preparation to individual SMEs so they can position their products in international markets. The program seeks to promote new product development, new productive processes, and better management practices. It was launched under an agreement between several institutions involved in international trade, including the Ministry of International Trade, Proexport, ACOPI (an association of SMEs), Bancoldex, a variety of industry associations, and universities.

This six-month program has three phases. In the first 30 days, companies receive training and counseling to help them assess their export potential. The cost of this phase is absorbed entirely by Proexport. If they complete the first phase successfully, companies move on to a Change Management Program: 45 days of market intelligence gathering, followed by 45 days developing an Export Plan. Sector specialists and consultants help companies prepare plans. Proexport covers half of the cost of this phase and conducts a follow-up evaluation of each case. In the third phase, participants move on to matchmaking based on MacroRueda, an incoming buyers program (discussed below). This exposes SMEs to international buyers in Colombia before they face the challenge of finding customers abroad.

To ensure national coverage, Proexport works with the major universities and other educational entities across the country to deliver the program. Proexport sponsors counselors throughout the program, including professionals designated by universities who have experience or training in international trade. In addition, Proexport arranges for a “coordinator” to manage each case, with the company choosing from among three candidates. The counselor could be a business executive, a professional with exporting knowledge, or a student in the final semester of international trade or similar studies.

Companies that complete the program receive a diploma accredited by the delivering university. If they elect to implement their export plan, they gain preferred access to the

Proexport support system, which includes a export promotion tools such as trade missions, trade shows, logistics support, and a variety of assessment services.

Zeiky

The Entrepreneur's Center for International Trade (Zeiky) was created under an agreement between Proexport, the Ministry of International Trade, and Bancoldex. The program's objective is to drive the creation of an export culture and promote Colombia's export offerings. Zeiky offers personalized service through toll-free lines, an Internet café, a library, and business workshops.

Officials of Proexport, Bancoldex, and the Ministry of International Trade respond to enquiries directed to the Zeiky call center, which routes the caller to the official most qualified to answer questions about exporting. The Internet café, operated in collaboration with Terra Networks, offers the services of trade specialists who help participants find information over the Internet and who show them the online resources available to them. Traditional and digital library services are available at the Zeiky library in Bogotá, with inter-library functionality among the regional Zeiky offices.

To help companies learn about international trade, Zeiky offers workshops in Bogotá and at its eight regional offices. A cycle of 12 workshops covers one topic each day (e.g., market research, export financing, packaging, logistics). The fee for each workshop (US\$5) covers the cost of a CD containing course material. Not as intensive as Expopyme's workshops, these are intended to build awareness.

CBI/Holland offers some of its export promotion training programs in Colombia, in partnership with Proexport and Analdex, but these activities have reportedly been scaled back because of security concerns.

SELECTING TARGET MARKETS

Each foreign office develops a country guide for its host country, and information is available for a large number of countries on the Proexport website. These guides provide an overview of export opportunities, market access, and travel, and links to sources of additional information.

Intlexport, a Proexport department in Bogotá, collects market data to identify and validate export opportunities in foreign markets, usually those where Proexport has an office. Sectors are chosen in collaboration with in-market trade officials who are in a position to judge which sectors offer the most realistic opportunities.

Market and trade statistics are analyzed to see what other countries are exporting to that market, and what products have been successful. Researchers also look for Colombian success stories. Secondary information is collected via Internet and various free-access databases. Local in-market consultants are often hired to conduct sector studies sometimes based on primary information and local knowledge. In some cases sector consultants are hired to provide insight into a particular sector. A current Intelelexport initiative, sponsored by the InterAmerican Development Bank, is hiring consulting teams worldwide to conduct multisector studies that will expand Proexport's information base. Market research and intelligence is distributed online through the Intelelexport section of the Proexport website. The site is password-protected and is accessible only by registered Colombian exporters.

IDENTIFYING SALES OPPORTUNITIES

One of Proexport's most ambitious initiatives is Programa Exportadores, a three-year program that takes companies through the entire process of developing an export marketing strategy and business plan. Companies receive training and counseling, participate in trade shows and missions, and receive annual "accounts" of approximately \$10,000 to develop and implement their plan. In operation for four years, this program is now generating export sales according to officials. Because the program has a predictable number of participants for trade missions, foreign offices can prepare for them well in advance.

To qualify for this program, companies must have experience in exporting, or at least some predetermined level of export capability. Companies with products that have good prospects in a market where Proexport has offices are preferred. (Proexport's Market Intelligence Division assesses prospects.) Product and packaging quality are also assessed, and companies are expected to have a manager dedicated to internationalizing the company. Companies come from two principal sources. A Proexport study identified roughly 1,500 companies that have some degree of export experience or capability. Successful graduates of the Expopymes program are also given opportunities to participate. Observers say that political considerations sometimes make it difficult for Proexport to refuse unqualified companies because the business community believes that government is there to respond to its demands.

Outgoing Trade Missions

Proexport pays part of the cost for companies participating in trade missions. A group of companies must first establish a team to carry out the mission and prepare a proposal to Proexport that documents their qualifications as exporters who can deliver what they sell. Proexport will determine the feasibility of the mission and usually refuse only if there clearly is no opportunity to export. Proexport will organize the mission, but pays only for the cost of airline tickets.

Incoming Buyers Missions

Since 1997 Proexport has been organizing two incoming buyers' events each year called MacroRueda. These large matchmaking forums—one for North America (United States and Canada) and one for Central America—take place in Cartagena. Using databases of current and past business contacts and other databases, the Proexport offices in Miami and Toronto send out thousands of invitations to potential buyers of Colombian products, who can register online. Throughout the process, Colombian suppliers are matched with potential buyers, and through an Internet-based tool, buyers accept or decline potential “appointments.” The day before the event, buyers simply print off their appointments sheet and take it with them to the event to meet the suppliers.

For selected incoming buyers, Proexport pays part of the cost of airline tickets and the cost of hotel accommodations, food, and tourist activity in Cartagena. In selecting buyers to sponsor, Proexport verifies the amount of buying potential in dollars, considers the types of products in which the buyers are interested, and the buyer's sales volume and current buying relationships. The main criterion, however, is usually the potential for export revenue. For example, it is hoped that U.S. buyers have a potential for at least \$1 million per year. The business expected from buyers from Canada is less, and less still from Central America.

A typical MacroRueda produces between US\$50 million and \$60 million in sales in the first year after the event. Proexport budgets for the event on a full cost recovery basis. The budget is approximately US\$500,000 per event. This is fully recovered by fees levied for sponsorships and by charging Colombian suppliers to attend. Proexport usually pays for hotel, registration, and organized tourism activities (much of which is provided by sponsors) while buyers pay for all or a portion of their airfare.

Trade Shows

Proexport shares half the costs for trade show booths and air travel, but companies must pay for accommodations. Proexport participates in sector-based trade shows every year. The foreign offices choose which sectors to promote, based on demand and competitiveness. Certain shows may already be included in the Programa Exportadores, in which case interest is built in. Some offices send out bulk emails and direct mail to attract buyers to the show. Proexport rents a booth, featuring its name and logo, which is large enough to accommodate participating companies. The maximum that Proexport can allocate to any one company is US \$10,000–\$20,000 per year depending on the company's export activity level.

Proexport does not engage in any significant country branding; sector branding is left to the companies or to sector associations, usually in association with trade shows. This is partly because many Colombian manufacturers act as “maquilas” for private U.S. brands, such as Wal-Mart and Costco. It is a point of irritation among some Colombians that the now-famous

Juan Valdez® trademark is not a Colombian invention. It was created by a New York advertising agency that distributes Colombian coffee in North America and Europe.

Opportunity Matching

Foreign offices use printed booklets to provide an overview of the export offering of the country and of individual sectors, but exporter information delivered over the Proexport website is considered more effective (www.proexport.com.co). The English version of the site is not as rich in content as the Spanish version, but observers believe that the agency has made good progress in its use of the Internet. The site includes a searchable directory of Colombian exporters, but not a sectoral overview as in some other countries. Unlike some other countries' agencies that maintain separate internal and external export websites, Colombia's asks users to select from one of six user profiles, and the site presents relevant information for each type, one of which is "foreign importer." As in other countries, the company database is considered more useful for trade officials engaged in opportunity matching than for foreign buyers.

CLOSING DEALS

Visit support is offered by foreign offices as needed. Officials do not engage in marketing activities on behalf of Colombian exporters, but they will arrange visit agenda and make appointments for individual companies. Colombian companies can contact foreign offices directly and Proexport staff usually respond to the company's needs. Only when the company clearly has no opportunity to export are they refused. Proexport does not charge a fee for appointments, and does not promote this service, as it seen as less cost-effective than group promotion activities. Some country managers believe that exporting companies should be charged a fee for additional services, such as accompanied visits to key buyers.

Proexport provides information on product standards and other regulations in the target country, but does not directly support testing or accreditation. If there is a particular problem with obtaining approval for certificates or other documentation, some offices, like the one in Miami, will retain a trade lawyer or customs broker on behalf of the exporter. Broader market access issues are handled by the Proexport office in Washington D.C.

Assessment of Export Promotion Practices

Satisfaction surveys are sent out directly from Bogotá, and sometimes from certain foreign offices. Officials say that these surveys are actually more intent on learning export sales results than measuring satisfaction. In general, headquarters officials tend to rate all of their programs highly, saying that the product mix is constantly adjusted to keep it optimal. Officials in foreign offices, further from home politics, are more critical of programs and

procedures. Proexport has hired consultants to conduct evaluations, but observers say that it is very hard to evaluate the effectiveness of a semi-private, semi-government organization. One recent benchmark study of export promotion programs carried out with WTO funding ranked Colombia third in Latin America, but copies of this report are not publicly available.

Agency officials measure the effectiveness of individual programs by the increase in participating companies' exports. Objectives are defined in advance, and export sales are monitored over time. Follow-up reports are generated every six or twelve months, and foreign office officials remain in contact with buyers to understand how much business was generated. Foreign offices are also given sales quotas that are tracked over time to show return on investment.

Many of those interviewed say that it is very difficult to evaluate any one program component because they are all interdependent. When asked to name the most effective techniques, headquarters and field staff gave different answers. Headquarters staff see export-readiness, market intelligence, and sector capability analysis as critical; field staff give higher ratings to trade missions and trade shows. Both, however, rate incoming buyers' missions and matchmaking programs highly. Officials say that trade show participation drives participation in buyer's missions, which in turn drives individual appointments with buyers in the target market. They see appointments with buyers as the main purpose of the trade promotion system. This philosophy explains Colombia's heavy emphasis on matching technology, which builds detailed meeting agenda, before buyers are offered subsidized trips to the two annual MacroRueda buyers' missions in Cartagena.

From a cost-effectiveness perspective, officials prefer programs that yield reasonably fast results. They say that the MacroRueda missions yield the biggest return on investment, over a two-to-three year horizon. Export-readiness and export skill development programs provide little near-term return on investment, but are vital for long-term results.

Private sector players complain about the bureaucracy involved in accessing Proexport programs, which they attribute to its position as part of the Ministry of International Trade. They see MacroRueda as the most successful program because it generates some immediate results at low cost to the exporter. They see large, sector-based promotion campaigns at trade shows in markets where Colombia has trade offices, complemented with vigorous follow up, as the next most effective practice.

6. Australia

Overview

ORIENTATION

Australia's export promotion efforts are shaped partly by the fact that the country has only about 25,000 exporters, just 4 percent of all businesses. This compares with 15 percent in Canada and much higher proportions for European countries. Most exports are handled by very large enterprises and Australia is far from its principal trading partners. In April 2002, the Commonwealth, state, and territory governments agreed on a goal of doubling the number of exporters by 2006. The federal government backed up this commitment with budgetary measures, including increasing the number of regional TradeStart offices by 50 percent and doubling the minimum grant available under the country's principal export promotion co-funding scheme. This effort is strongly focused on new exporters, especially SMEs.

CO-FINANCING POLICY

Australia's export promotion system is unique among the countries studied in that it distinguishes between two types services: free and fee-based. The philosophy that drives the effort is that the principal justification for government assistance is to correct the information asymmetry between SMEs and larger firms. Therefore services that help "intenders" and "new exporters" build export-readiness, select target markets, and obtain initial market information are free. Customized services that help companies understand and enter new export markets are billed on a full cost-recovery basis, with professional time billed at more than US \$130 per hour.

Financial assistance is provided through export market development grants (EMDG), a co-funding system that is structured to cover a wide range of costs. This eliminates the need to integrate subsidies into specialized programs, such as trade missions and trade shows. In

2001-2002, about US\$98 million was distributed to 3,078 companies, an average of about US\$32,000 per company. Funding for this program was increased in 2002.

PRIMARY AGENCY

The Australian Trade Commission (Austrade) is the federal agency responsible for optimizing the success of Australians in exporting and international business. The organization has a specific mandate: "to reduce the time, cost and risk associated with selecting, entering and developing foreign markets." Austrade is managed by a Board of Directors that is accountable to parliament through the Department of Foreign Affairs and Trade (DFAT), and it is located in Australian embassies and consulates around the world.

RESOURCES

Austrade has more than 1,000 employees, of which just over 500 are assigned to 94 offices in 60 countries. In addition to direct delivery of services through 15 national offices, it funds two regional programs delivered in partnership with private and public organizations across the country. Austrade's operating revenue in 2002 was US\$148 million, of which US \$21.5 million was from sales to clients, with the balance coming from government. Additional funding of more than US\$100 million is allocated to the EMDG program, which operates under its own legislation. Another \$15 million over four years has been provided for a training program delivered by regional partner agencies. Not all of these resources are allocated to trade promotion since Austrade also promotes direct foreign investment and provides consular services in some locations.

Organization of Export Promotion

STRUCTURE

The Austrade Board of Directors has 12 members with high-level representation from both business and government. The current Chairman has an extensive business background and the government is represented by the Secretaries of the Department Foreign Affairs and Trade, and the Department of Industry, Tourism and Resources. A Managing Director, also a member of the Board, oversees the operation of the agency through seven executive general managers. One manages Australian and Pacific Island operations, another is responsible for corporate services, and the remaining five are based offshore.

A semi-independent agency, Austrade has a recruiting program that stresses business knowledge. Most export promotion staff are recruited from the private sector and have

advanced degrees and experience in either consulting or specific industries. Austrade's compensation scheme offers performance bonuses.

The Australian Operations Division focuses on exporter development, international business services, and trade promotion. Trade promotion includes providing assistance to Australian exporters to participate in foreign trade shows, and arranging appointments with visiting trade commissioners. Market research and intelligence and provision of in-market support to Australian exporters are mainly the responsibility of offshore offices. There is, however an Industry Specialist Group in Australia that focuses on "globally oriented industries" like tourism and environmental products and services. Regional trade commissioners throughout Australia provide local support.

Offshore resources are allocated to markets with the best sales prospects for Australian products. Because some priority sector markets do not have embassies or consulates, Austrade provides consular services at its offices. The offices are located strategically to focus on key sectors that are customers for Australian exports; the number of offices is not proportional to the size of the trade relationship. For example, there are 7 offices in the US and 6 in Japan, even though Australia's exports to Japan are much larger than all of the 35 countries in the Americas combined. The number of staff allocated to each region, however, does mirror the size of the trade relationship. There are only 88 staff in the Americas, compared with 188 in North East Asia, 113 in Europe, and 103 in South East Asia. There is only one office in Africa. Trade professionals in foreign offices are a mixture of Australians and locally hired sector experts.

OBJECTIVES AND PRIORITIES

Austrade's more advanced services, including market research and intelligence, are funded on a fee-for-service basis, so client demand drives objectives and priorities for those product lines. Export-readiness and export preparation programs are delivered through a large number of private and public partner agencies. Priorities, therefore, are largely established through consultations with these partners.

Many of the partner organizations operate regionally. For example, regional partners, including state governments and private organizations, deliver TradeStart, an export-readiness training program. The Australian Institutes of Export for New South Wales and Victoria/Tasmania, private non-profit organizations representing exporters, deliver TradeStart. The Institutes cooperate with state and federal departments and agencies in promoting international trade. Their activities include export awareness programs, export training, and recognition programs for Australian export achievers (e.g., the Australian Export Heroes awards).

RESEARCH RESOURCES

Austrade's market research activities are spread throughout the organization. The agency therefore uses a wide variety of databases and other Internet resources that vary from country to country. Austrade officials say they use U.S. Department of Commerce reports and a variety of free trade-related sites as well as subscription-based databases, including the Gail Group and Marketplace company databases. They maintain a list of useful sites, partly by subscribing to *Really Useful Sites for International Trade Professionals*, published by the Federation of International Trade Associations (FITA) (<http://www.fita.org>.) FITA maintains an online index of more than 7,000 international trade web resources, including subscription databases.

OTHER GOVERNMENT AGENCIES

Austrade is active in the government-wide Market Development Group, which coordinates all federal government trade-related activities; maintains a relationship with AusIndustry, a business-support agency in the Department of Industry, Tourism and Resources, to promote direct foreign investment in Australia; and collaborates with state and territory governments, each of which has an economic development entity that provides some export promotion assistance, focused mainly on SMEs. Examples include the New South Wales Export Adviser Program, the Queensland Mentoring for Growth program, the South Australia Export Assistance Program, the Tasmania Export Marketing Assistance Scheme, and the Victoria First Step Exporter and Going Global programs.

Export Promotion Delivery Vehicles

RAISING AWARENESS

Austrade is expected to raise public awareness of the benefits of overseas trade and of federal government export assistance programs, and to build a positive international image for Australia. Austrade's most important awareness-raising program is Exporting for the Future. Its education component is delivered through secondary schools as training and learning resources for teachers; and its events and promotions component carried out 160 events in Australia last year. Austrade's booklet, *Helping Take Your Business to the World*, is used to raise the awareness of Australia's export services and to promote the Austrade brand. It is available for download in PDF form at the Austrade website (www.austrade.com), which provides a gateway to a wide variety of other information for first-time exporters. The monthly newsletter, *Export Update*, is also available on the website. It contains news of upcoming trade events, success stories, and information about services available to exporters.

In conjunction with the Australian Chamber of Commerce, Austrade administers the Australian Export Awards. The awards include the Austrade International Awards, as well as sponsored awards, such as the DHL Exporter of the Year. The agency also maintains an Export Awards Hall of Fame.

BUILDING EXPORT-READINESS

Austrade's has two linked export-readiness programs, TradeStart and Export Access. Companies that become export ready can move on to begin market entry activities under the guidance of export counselors. This includes counseling through the process of visiting the target market (at company expense) and following up to determine next steps.

TradeStart/Export Access is a regionally delivered program that provides training to SMEs and provides links to Austrade's global network. It is designed and funded by Austrade, and developed and delivered by regional partners, through more than 30 TradeStart offices as well as a variety of outreach agencies. Partners include state and territory governments and private sector organizations (e.g., the Australian Interactive Media Industry Association, the Australian Wine Export Council, the Center for Innovation, Business and Manufacturing, regional development boards).

The *Are you ready to export?* section of Austrade's website provides an export-readiness checklist as well as information on capabilities that a company must develop before beginning to export. Companies can also fill out a detailed assessment questionnaire, the Export Capability Tool, in about 15 minutes and receive an automated assessment. The potential exporter is then offered an opportunity to be contacted by an Austrade export counselor.

SELECTING TARGET MARKETS

Market information and advice is provided to Australian enterprises through 15 Austrade offices and more than 30 TradeStart offices. These offices are the gateway to Austrade's global network. First-time exporters receive free information about the "general market conditions and economic dynamics" of individual markets. A wide variety of country guides and sector market reports are available from the Austrade website. Though general, they provide a good introduction either to a country market or to a global sector.

When they are ready to move into offshore markets, companies are provided with "detailed research, industry analysis and business-matching services" as well as market entry assistance. "Tailored solutions" can be had for a professional fee of about US\$130 per hour (plus GST). First-time customers get a lower rate for the first 10 hours. The boundary between free and fee-based services is not clear here. Initial consultations are free and when customized work becomes necessary Austrade officials begin providing clients with cost quotations. These fees are eligible for co-funding under the EMDG program. Companies can

also register for free international economic and trade briefing reports provided by the Economic Analytical Unit of the DFAT.

IDENTIFYING SALES OPPORTUNITIES

Co-financing through export market development grants (EMDG) provides assistance for SME export development activities in general, with exporters selecting the specific vehicles. This is similar to Canada's approach, but contrasts with co-funding arrangements in the Latin American countries studied, which subsidize specific activities.

The EMDG program provides grants of up to 50 percent of eligible export promotion expenditures over a threshold of AU\$15,000 (about US\$10,400). The minimum grant is about US\$3,500. A company can receive eight grants plus three more for each new foreign market entered, but the grant may be reduced under an export performance test that is applied starting with the third grant. This is a reimbursement program, and companies do not need to be pre-approved. They apply for the grant at the end of their fiscal year for money spent during the year. Any company with income of less than AU\$50 million (US\$35 million) can apply, provided that its products have at least 50 percent Australian content or meet certain other criteria.

The program covers seven categories of export promotion expense:

- Export market representatives and consultants
- Marketing visits
- Overseas buyer visits to Australia
- Communications
- Free samples
- Trade shows, seminars and in-market promotions
- Promotional literature and advertising.

A few categories have spending limits. For example, first class airfare is not covered and daily hotel and meal allowances are limited to approximately US\$140 per day. Otherwise, companies are free to allocate resources as they see fit.

Since funding is capped, and expenses are not pre-approved, expenses are reimbursed using a "split-payment" system. Companies entitled to a grant of more than AU\$60,000 (US\$41,500) receive that amount as an initial payment upon submission of an application at the end of its fiscal year. Once all participating companies have received their initial payment, the size of the second payment is calculated on the basis of remaining funds available. In 2001–2002, 72 percent of recipients received all of their entitlement, while 28 percent received the initial payment plus about three-quarters of their remaining entitlement.

Austrade uses a sophisticated Risk Profiling Model that results in on-site audits in nearly 60 percent of cases, but more than 80 percent of claims are paid out within eight weeks. Most

grants go to individual companies, but some are allocated to industry associations and joint ventures formed by groups of SMEs. In 2000-2001, 60 percent of grant recipients employed 20 people or fewer and only 10 percent had more than 100 employees. Austrade uses direct mail promotion aimed at business associations to promote the program, and it uses telemarketing aimed at previous recipients who did not apply for assistance in the following year.

Australia has adopted a policy of using the EMDGs as its principal export promotion assistance scheme. It increased funding and lowered eligibility thresholds in 2002, after winding up its former International Trade Enhancement Scheme and Innovative Agricultural Marketing Program.

Opportunity Matching

Another component of Austrade's services designed to connect exporters with foreign buyers is an online directory of exporters on its website. Users can search by product or they can access overviews of key Australian sectors. The agency uses a single website for foreign buyers and local exporters. There is also a database of market opportunities. There is no formal matching service, but trade commissioners provide matching on an ad hoc basis, with information shared mainly among their paying clientele.

Trade Shows

Austrade does not provide financial assistance for participation in trade missions, trade shows, or incoming buyers missions, but does offer trade show services for a fee. It maintains a short-list of best exhibitions around the world, and it stages country pavilions at key trade shows. These pavilions are coordinated on a global basis by the Trade Promotion group within the Australian Operations division. The package of services includes consulting to assist the exporter in selecting an appropriate exhibition, understanding in-market business practices, preparing an exhibit, and arranging follow-up appointments. These services are eligible for co-funding under the EMDG program.

Austrade engages in country promotion almost entirely in association with trade shows. Country branding is limited to national pavilions at major trade shows in key target markets. Sector promotion is also usually related to trade shows with advertising in trade publications to attract buyers in targeted sectors. These activities can be co-financed through the EMDG program through industry associations or joint ventures of several companies in a sector.

CLOSING EXPORT DEALS

Services provided abroad are virtually unlimited since all but the most basic services are fee-based. Because overseas staff are trade commissioners and part of diplomatic missions, they may not act as company marketing representatives. They will, however, provide a wide range of support services, customized for the needs of individual customers. These services include

introductions to qualified buyers, market intelligence, and assistance with product launches. They are eligible for co-funding under the EMDG program.

Assessment of Export Promotion Practices

Austrade uses the most systematic performance assessment techniques of any of the agencies studied. Each of the agency's three trade-related "outcomes" (awareness raising, export services, and export finance assistance) is subdivided and assigned a target against which results are measured annually. Some measures are related to the volume of activity, while others are purely results-oriented and based on survey data. For example, under awareness-raising the number of events is counted, but so are the number of positive media mentions, and the proportion of survey respondents indicating "unprompted awareness of Austrade," as well as broader measures of community awareness. Similarly, export services are rated according to both the volume of activities and their export impact, in terms of the number of clients and the dollar volume. Export impacts are also systematically assessed on a sector-by-sector basis, and all of this information is used to shape export promotion efforts.

Client satisfaction is assessed through the Performance Measurement Annual Client Survey, which includes satisfaction ratings and a measurement of the export impacts of Austrade's services. In 2002, Austrade commissioned A.C. Nielsen to conduct a client satisfaction survey based on a random sample of 500 clients. Data from both surveys is used to develop staff training. Austrade's other services, which include investment promotion and consular services, are rated in a similar way.

An Austrade headquarters official said that linking export-readiness training with individual coaching for first-time exporters is the most effective component of the domestic program. The official added that export market selection advice, which is integrated into the training provided under the TradeStart/Export Access program, is considered extremely valuable. The strategy of preparing new exporters through free services and then linking them to customized fee-based services, starting with an initial 10-hour partially subsidized consultation, has proven very effective because it creates a bridge from general export training and information services to company-specific market entry strategies. Another official added that because TradeStart/Export Access carefully selects target markets first-time exporters have much more success. The value of this service consistently shows up in satisfaction surveys as a "greatly appreciated" service by clients.

The EMDG program is also regarded as very successful, both in raw performance and cost-effectiveness. Austrade approved grants to 3,078 companies totaling US\$98 million in 2001–2002, with an average grant of about US\$32,000. Given the threshold of more than US\$10,000 and a co-financing factor of 50 percent, this implies average spending on export promotion by these companies of about US\$75,000. The value of exports generated by

recipients was estimated at more than \$5 billion, creating an estimated 60,000 jobs. The client satisfaction rating was 88 percent.

Another Austrade official, based in the United States, said that the EMDG program has been very successful in increasing the number of regular exporters because of an element of the program known as the New Market Provisions. This provision allows exporters who have already received the maximum of eight grants (over as many years), to apply for up to three more grants in each new market when it expands its exporting scope.

Opportunity matching systems that provide export promotion officials with information about exporter capabilities and generate a reverse flow of information about market opportunities are seen as critical to the success of other program elements even though they may not generate a lot of immediate sales on their own. Registering with the Austrade exporter database and accessing the related opportunities database provides an extremely cost-effective way for Australian companies to establish an in-market presence that will alert them of opportunities that may come up.

7. Canada

Overview

ORIENTATION

Trade promotion in Canada is greatly influenced by the country's unusual trade patterns. Export activity is highly concentrated as a result of the tight integration of the Canadian and U.S. economies, as well as continental integration under the North American Free Trade Agreement (NAFTA). About 82 percent of Canada's exports are destined for the United States and trade between the two countries amounts to about US\$1.5 billion per day. Much of this trade consists of intercompany transfers and other flows between multi-national enterprises (MNEs). Overall, 4.2 percent of exporters account for 84 percent of the value of exports. SMEs that export less than \$1 million annually represent the bulk of the exporter population, which totals about 38,000. For these reasons, Canada's export promotion efforts are oriented to SMEs.

CO-FINANCING POLICY

The government has determined that the principal obstacles to SME exports are a lack of export capabilities within firms, a lack of market information, and an inability to effectively manage risk. Export promotion therefore focuses on the provision of information, training, market intelligence, and expert counseling. Most export-readiness assistance and in-market assistance is provided free of charge. Financial subsidies for direct promotion are limited, with only a few direct subsidies for specific export promotion activities carried out by individual companies. A co-financing scheme for general export development in individual companies is repayable based on exporting success. A non-repayable grant program targets sectoral export associations.

PRIMARY AGENCY

Canada does not have a single export promotion agency, but rather a “virtual trade agency” called Team Canada. This is a joint effort of more than 20 federal departments and 13 regional networks encompassing the provincial and territorial governments and the private sector. The Department of Foreign Affairs and International Trade (DFAIT) is the lead department for Team Canada, but domestic operations are managed largely by Industry Canada.

RESOURCES

Trade services are provided at 135 trade commissioner offices around the world and at business service centers across Canada. Since the export promotion effort is dispersed, the scale of the effort is difficult to measure. DFAIT’s 2003-2004 Report on Plans and Priorities (RPP) includes about US\$204 million for international business development. Industry Canada’s support for Team Canada is drawn from a wide base, including full-time and part-time staff allocations, but with no formal budget. The 2003-2004 Industry Canada RPP estimates that the strategic objective for trade has about US\$25 million allocated to it. The contributions of the more than 20 other federal departments have not been officially quantified.

Organization of Export Promotion

STRUCTURE

The Team Canada concept was introduced in 1995 to coordinate the export promotion efforts of all government departments in Canada. DFAIT is the lead department.

DFAIT

Within the new structure, DFAIT’s Trade Commissioner Service (TCS) took on a specialized role, identifying and assessing emerging markets, improving Canadian access to those markets, and providing market intelligence and support. Under the new business model developed to meet these challenges the new Market Research Center took on market information responsibilities, preparing country guides and market profiles. (This work had been handled previously by local consultants at foreign posts.) Trade commissioners at foreign posts began collecting business intelligence and helping Canadian exporters use it. Under the new model, trade commissioners were directed to spend more time outside the office building networks of contacts and following up to gather market intelligence. Teams of commissioners were also expected to develop methods for sharing contacts and intelligence-gathering results.

Industry Canada

At the time that Team Canada was created, Industry Canada had an extensive network of business service centers (BSC) throughout Canada. Every province and territory has 13 centers, and service is further extended through 380 regional access partners. These centers provide a wide range of support services, including some export assistance, and this was so even before Team Canada formed. As part of the launch of Team Canada, new international trade centers were co-located with all but one of the BSCs. They are operated jointly between the two departments, with DFAIT providing seconded trade commissioners to staff offices in Industry Canada's facilities. These centers are the principal vehicle for delivering all types of assistance for Canadian business, and they focus largely on SMEs.

Within Team Canada, Industry Canada was also charged with organizing sectoral export promotion activities. It operates sector networks known as Trade Team Canada Sectors (TTCs). These are partnerships between the federal and provincial governments, along with exporting companies and industry associations. At present 13 sector groups are active; two are led by Agriculture and Agri-Food Canada and the Department of Canadian Heritage. Industry Canada and the other departments organize trade missions for these sectors jointly with DFAIT, led by the federal and provincial ministers responsible for each sector.

The Industry Canada portfolio includes a number of arms-length agencies that are also Team Canada partners: Statistics Canada, the Business Development Bank of Canada, and several regional development agencies.

Regional Trade Networks

Another component of Team Canada consists of 12 regional trade networks located in every province and in two of the three territories. They are the primary interface for the inclusion of provincial, territorial, and municipal governments as well as the principal private sector consultative forums. They provide access to local and regional services that parallel many of the services available at the federal level through Team Canada partners. For example, they provide access to training resources provided by industry associations as well as municipal and provincial governments.

Internet Access

Most of Team Canada's services are accessible over the Internet, some using very sophisticated technologies. Canada has the second-highest cable TV penetration in the world, so low-cost broadband Internet connectivity is available to virtually every potential exporter, making the use of advanced web techniques feasible. An Internet portal, www.exportsource.ca, provides a single interface to all information assets throughout the nationwide system.

Trade Commissioner Service

Within this complex network, DFAIT's Trade Commissioner Service is the key source of export promotion expertise, because many of Industry Canada's trade services are provided with seconded DFAIT staff. About 500 trade commissioners are posted at headquarters in Ottawa, at international trade centers in Canada, and at 135 of Canada's 164 missions in 114 countries. This approach is unusual among the countries studied because it does not concentrate resources in sector hubs. For example, the Canadian Trade Commissioner service has staff in nearly every country in Africa, whereas Austrade is present only in South Africa.

The TCS recruits trade commissioners through public competitions. Most recruited commissioners are new university graduates, fluent in French and English, with degrees in commerce, economics, or international trade as well as other languages. They receive extensive training as part of a Foreign Service career and through numerous internal professional development initiatives. Where the size of foreign missions permit, commissioners are assigned sectors, but because they rotate regularly through domestic and foreign assignments they tend not to acquire sector expertise, as is expected in some other agencies. Locally engaged staff provide sector contacts in larger missions.

Trade commissioners at foreign posts remain abreast of sectoral developments in Canada by returning to Canada two or three times each year and participating in DFAIT's outreach program. They network with exporters in their assigned sectors and they participate in events at the international trade centers. They also have access to the International Business Opportunity Center, an internal resource operated by DFAIT and Industry Canada. The center provides trade commissioners with sector expertise and assists with opportunity matching.

Trade commissioners and other trade professionals assigned to departmental headquarters are organized into area "desks" that oversee foreign trade promotion efforts in assigned regions and to international trade centers across Canada. The Market Research Center in Ottawa creates country/sector profiles, gathering information from a wide range of online databases and hiring consultants in target countries. It has a staff of 18, including eight senior international market analysts who prepare market reports and market briefs, and four other analysts who prepare country sector profiles. In some cases sector profiles are contracted out to consultants. Foreign posts do not conduct market research, but they review all reports for accuracy before they are published.

OTHER FEDERAL DEPARTMENTS

Several other federal departments contribute sector expertise, and in some cases run their own export assistance programs. The most important of these are the Agri-Food Trade Service operated by Agriculture and Agri-Food Canada; CHMC International, operated by Canada Mortgage and Housing Corporation; and Trade Routes, operated by the Department of

Canadian Heritage. Human Resources Development Canada provides funding for Forum for International Trade Training (FITT), a business-led organization that provides introductory export workshops as well as a full program leading to a certificate in international trade.

OBJECTIVES AND PRIORITIES

TCS officials say that they do not formally target particular markets, except to the extent that they may be influenced by Industry Canada's export strategies. For the most part, resources are allocated to sectors and products where TCS clients are active, and officials in each country develop a periodic trade action plan based on client needs. Officials note that as a result, the effort is not proportionate to export volumes. Many of Canada's exports are commodities for which trade promotion has only a minor role, and a substantial proportion is predetermined by intercorporate transfers by MNEs. As a result, TCS services are mostly taken up by SMEs, and their requests drive the allocation of resources.

At the sector level, Trade Team Canada Sectors (TTCS) establish trade promotion priorities. Each group is made up of federal and provincial government experts and representatives of sector associations and companies. About half of all TTCS members are from the private sector. Each team has designated first-tier and second-tier priority markets. Each has a private sector co-chair, and benefits from the participation of DFAIT posts in priority markets. Relevant provincial government agencies also participate.

Export Promotion Delivery Vehicles

Partly because the overall effort is heavily information-based, much of it aimed at *non-intenders* and *intenders*, Canada's delivery systems make great use of the Internet. Most of the information and training publications referred to herein are available in print and as a downloadable file, but some services are available only by Internet.

RAISING AWARENESS

Team Canada's site, www.exportsource.ca, includes numerous resources for companies interested in becoming exporters. The most important is *Roadmap to Exporting*, a 24-page booklet that provides a complete guide to all export promotion services, organized according to the stage of the company's involvement.

DFAIT's free newsletter, *CanadExport*, is published two times each month in print and electronic formats. Users can subscribe to receive the newsletter by regular mail or by email, or they can visit the Team Canada website and download current and past issues. The newsletter contains a wide variety of stories focused largely on exporting success stories, current and upcoming trade events, and the use of export assistance resources.

DFAIT's annual Canada Export Awards (www.infoexport.gc.ca/awards-prix/) raise awareness of exporting as a profitable business activity. Companies can apply or be nominated for awards. At the annual trade conference of the Canadian Manufacturers and Exporters, the country's principal business association, 25 finalists are chosen and winners are selected in 12 categories to receive awards. Winners enjoy media coverage and increased customer credibility, and their profiles are distributed to Canadian trade missions around the world. Winners can use the Canada Export Awards logo in their promotional material for three years.

BUILDING EXPORT-READINESS

The concept of export-readiness drives the design, planning, and operations of Team Canada. Companies that are not export ready are discouraged from approaching the TCS abroad, and are directed to Industry Canada's national network of business service centers and international trade centers. They give companies access to the full range of federal, regional, and local export-readiness resources.

Industry Canada offers numerous self-assessment tools and self-help handbooks. Key resources include *Export Diagnostic*, an interactive online self-assessment tool (exportdiagnostic.ca). Registered users can create a series of export scenarios, which they can save and revise as they develop an export plan. *Take a World View* (exportsource.ca/worldview) is a similar tool for the service sector. A companion self-help guide, *Step-by-Step Guide to Exporting*, is available online and in print. This 60-page book covers the entire process from identifying opportunities, to developing and executing an export plan.

Team Canada also provides an online market entry preparation tool, *Interactive Export Planner* (exportsource.ca/iep) that takes users through the process of creating an export plan. Users can store plans online and revise them later. *Speaking Globally: An Exporter's Guide to Effective Presentations* is a guide to presenting products and services to foreign customers.

Developing Market Entry Strategies

Two programs help companies develop and execute market entry strategies for specific markets. DFAIT's *ExportUSA* program (dfait.gc.ca/can-am/export) provides seminars in Canada combined with visits or mini-trade missions to the United States. The program has three versions: introductory seminar, introductory seminar plus visit to a consulate in the United States, or advanced seminar plus mini-trade mission to the United States.

The second program, *New Exporters to Overseas* (NEXOS), organizes seven-day missions to Europe. These are organized on a regional basis, through Industry Canada's business service centers. At least six companies must participate, and they are encouraged to work through an industry association or chamber of commerce. The program provides full-day briefings in

three selected countries, along with onsite visits to local firms. The ExportUSA and NEXOs programs are partly funded by the government, which pays for organizing each program and for meeting rooms, speakers, training materials, and logistics. Participating companies pay for their own travel and accommodation.

Specialized Export Training

In addition to workshops and seminars organized by the international trade centers, more specialized training is provided by the Forum for International Trade Training (FITT). This industry-led organization funded by Human Resources Development Canada, offers skills development on three levels. First, it offers three-hour *Going Global* workshops online and at locations across Canada. Second, it offers a series of eight courses known as *FITTskills* that are accredited with the International Association of Trade Training Organizations (IATTO). Third, participants who complete all eight courses receive a FITT diploma accredited by IATTO, which entitles the graduate to use the Certified International Trade Professional (C.I.T.P.) designation. The eight courses cover entrepreneurship, marketing, finance, logistics, market entry and distribution, research, law, and trade management.

The classroom version of *FITTskills* is delivered through approximately 35 educational partners across Canada, mainly community colleges. The program is also delivered via a distance learning system to a limited number of registered participants. FITT also offers individually tailored international trade training for companies, as well as a customized version of *FITTskills* for the service sector.

SELECTING TARGET MARKETS

Team Canada offers many country guides and country/sector reports mostly published by DFAIT's Market Research Center in Ottawa, some of them written by private consultants. These are available for download in PDF form through an interface that gives the user the option of country or sector orientation (www.infoexport.gc.ca). Users must be Canadians and they must register for service. The Department's goal for 2003-2004 is to have 700 current market reports online, including updates of previous reports.

The Market Research Center uses a wide variety of online resources, including many international information sources, to prepare these reports. They obtain local market information mainly through private consultants. Until several years ago, such reports were contracted to local consultants by the foreign posts. This system was changed as part of the re-engineering of the TCS in the late 1990s, which shifted the emphasis of foreign posts to collecting market intelligence, and assigned market information functions to headquarters in Ottawa. Market profiles are focused on identifying opportunities, key players, and end users, as well as regulatory and cultural obstacles. Country guides and business guides cover such topics as bidding on government contracts or selling services in specific target markets.

IDENTIFYING SALES OPPORTUNITIES

Program for Export Market Development

Export promotion efforts of individual SMEs and industry associations are co-funded through the Program for Export Market Development (PEMD). This program is similar to one in Australia that provides broad-based support instead of subsidizing activities like trade shows. Like the Australian scheme, PEMD reimburses eligible expenses when receipts are provided.

Assistance for companies is limited to firms with annual sales between C\$250,000 and \$10 million (US\$190,000 and \$7.5 million, respectively). Assistance is in the form of repayable co-financing of up to 50 percent of costs for approved export development activities. Companies that have developed one-year international marketing plans are eligible for the Market Development Strategies component. They can obtain funding for market visits, incoming buyers missions, trade show participation, product testing for market certification, legal fees, transportation costs for offshore trainees, and various other costs. The annual contribution from PEMD is a minimum of about US\$3800 and a maximum of \$38,000. The contribution is repayable based on 4 percent of incremental sales in the target market over four years.

Companies with little exporting experience are eligible for the New-to-Exporting component of PEMD. They can get assistance to help develop an international marketing strategy. The maximum contribution is about US\$5700 and can be used for either a market identification visit or participation in an international trade show. The contribution is repayable based on 4 percent of export sales in the target market over two years.

The PEMD Capital Budgets Bidding component is aimed at manufacturing, engineering, construction, architecture, and management consulting firms. Companies competing in international tenders for major capital projects worth more than about US\$750,000 are eligible. They can get between about US\$3800 and \$38,000 in 50 percent co-funding annually to pay for the preparation of bids or proposals. The contribution is repayable in full if there is “contractual success” in the target market within three years. The government is overhauling PEMD to make assistance more available to smaller companies that are new to exporting.

PEMD also provides assistance to trade associations on a cost-shared basis. This reflects the government’s policy that public subsidies should promote sectors rather than companies. To qualify, trade associations must represent their sector on a national basis, and the proposed activities must involve generic export promotion, improved market access, or the provision of market information and intelligence. Contributions are non-repayable based on a flexible formula and an assessment of the proposed activities. Annual contributions are between US\$15,000 and \$75,000.

Trade Missions

Team Canada supports market entry through a layered program of trade missions. At the highest level, *Team Canada Trade Missions* are led by the Prime Minister and the Minister of International Trade, with participation from provincial Premiers. These are national efforts designed to develop country-to-country business relationships. They present multisector export offers in three or four of the most important markets in a region. Companies are invited to participate based on their potential for new business development and their activity in one of several business sectors that are featured on a mission. *Canada Trade Missions* follow the same model, but are led by the Minister of International Trade and are focused on individual sectors. These missions are organized by the Trade Team Canada Sectors (TTCS).

The government has an explicit policy that its role is facilitation, not leadership or physical staging of trade missions and shows. It expects industry associations to organize business support for outgoing missions. Logistical services are contracted to private companies in the target market, and the fees are divided among participating companies. The government pays for the costs of its own participants, who provide expert advice and facilitate contacts in the target country. This reflects Team Canada's view that successful missions require solid commitments from exporters.

Trade Shows

TCS officials consider trade shows effective export promotion tools only for companies that are well prepared. They encourage sectoral trade associations to coordinate the efforts of multiple companies in their sectors. This view reflects the fact that Canada faces a serious identity problem in many markets. Foreign buyers and industry associations interviewed by DFAIT consultants have consistently revealed that they are unaware that certain products in their markets are Canadian. This is especially so for high-technology products, which they perceive to be of U.S. origin. Officials believe that one solution is for Canadian sectors to present a larger common image at trade events. Team Canada's *Successful International Trade Show Marketing* is available from business service centers and can be downloaded in PDF format (exportsource.ca/tradeshows).

The Team Canada Brand Canada program, operated by DFAIT and Industry Canada, is almost entirely associated with trade shows. Team Canada provides the hardware for country pavilions at sector trade shows, but companies or industry associations cover the costs. These expenses are eligible for co-funding under the PEMD program. There is no national brand advertising, although some sector groups fund small advertising programs in advance of trade shows, usually through trade publications. Foreign posts in some countries also conduct limited country brand advertising when they find that Canada's image is poorly perceived. Canada faces a unique problem compared with the other countries studied in that its integration with the United States makes it difficult to project a distinct image abroad.

Virtual Trade Commissioner

The Virtual Trade Commissioner (VTC) was launched in November 2002. Canadian companies that register are provided with a personal password-protected VTC web page that contains market information and business leads. The page is continuously updated with personalized market information, including market reports, business news, events and business leads related to the user's product or industry. Companies can use this interface to request services from a trade commissioner assigned to their sector in a target market. The interface identifies the relevant trade commissioners and includes a tool for registering for events. To register, a company must be Canadian-owned or be a foreign subsidiary of a Canadian company, and it must offer products or services with at least 50 percent Canadian content. The company must also register with the Canadian Capabilities Database because this is a two-way system that links Canadian companies with trade commissioners around the world. A TCS official said that the next phase of the VTC is going to be a "back office" client relationship management system to replace the current client tracking system.

CLOSING EXPORT SALES

TCS offers six core in-market services: market information, key contacts, visit information, local company information, face-to-face briefings, market access troubleshooting. This assistance is provided to Canadian exporters subject to specific guidelines. A principal rule is that a trade commissioner must offer only services that he or she is prepared to provide to any Canadian company that asks for it, regardless of company size. Trade commissioners may not act as a marketing representative for Canadian companies. They will make appointments with key contacts but will not otherwise act for the Canadian company except to ensure that international treaties are respected. The trade commissioners make introductions and will accompany company representatives to meetings, but they will not act on their behalf when they are not present. An official said that Canada rigorously respects the provisions of the Vienna Convention, which prohibits the use of embassies to operate businesses.

Team Canada does not provide direct technical assistance for product standard compliance in target markets. It refers companies to the Standards Council of Canada, which assists Canadian companies in having their products accredited abroad. While companies are expected to pay for accreditation services directly, co-financing is available under the PEMD program.

Opportunity Matching

Canada's international trade opportunity matching system is based on three separate databases. The Canadian Company Capabilities Database maintained by Industry Canada is a searchable database covering more than 50,000 businesses. DFAIT's World Information Network for Exports (WIN Exports) database is focused on companies that are experienced exporters or that have developed the capacity to export. Trade commissioners at foreign posts

use both of these databases on an ad-hoc basis and in response to requests for service on the VTC service. DFAIT also offers a free automated opportunity matching service called e-Leads through international business opportunities centers (www.e-leads.ca). Leads are based on company profiles provided during e-Leads registration.

Foreign buyers can access information about Canadian capabilities from the Doing Business With Canada cluster, which is part of the “Non-Canadians Gateway” on the main Canada website (www.gc.ca). Buying from Canada is one of five elements of the DBC cluster, which also includes Investing in Canada, Establishing a Business in Canada, Selling to Canada and Partnering in Science and Technology. A key goal of this vehicle is to refer foreign buyers and investors to Canadian trade commissioners in their home countries.

Assessment of Export Promotion Practices

Team Canada evaluates program effectiveness almost entirely on the basis of client satisfaction, as measured through systematic annual surveys. The most recent survey indicated a 79 percent approval rating. Although client surveys involving free services tend to be positively biased, Canada’s export promotion programs are considered successful by current and former officials, as well as by private sector users. The main criticism from the private sector is that like the government itself, the export promotion program tends to be managed by polling rather than by rigorous internal assessment. The TCS conducts a client survey every two years, and in the intervening years it conducts an employee survey. Officials say that they have learned a lot about the relative success of different types of export promotion and have “re-engineered” the export promotion system a number of times. The current mix of services, they say, reflects careful assessment and re-allocation of resources and therefore it is considered effective as a package.

Trade commissioners say that business intelligence is now their most important product provided outside Canada. They say that trade fairs are successful only when they have a strong sector focus and build the image of Canada as a source of world-class products and services in that sector.

Officials say that financial assistance to individual companies, as provided through PEMD for market entry, “works for some companies” but does not have a consistent track record, especially in weaker sectors. For this reason Team Canada recently beefed up its financial support for trade associations and it encourages companies to tackle foreign markets in groups.

Officials also stress that Canada’s biggest weakness is getting companies export-ready, and that information and training products distributed within Canada have been reasonably successful in improving the exporting abilities. They point to numerous success stories, but do

not have quantitative assessments to back up this conclusion. Nonetheless, it is clear that by separating clients into those that are or are not export-ready, the efficiency of service delivery is greatly improved, especially at foreign posts.

Private sector exporters confirm that the most valuable services provided by the TCS are business intelligence and contacts. As one client put it

The type of information that is most useful is who should I talk to, to get certain things done in a given market, and what are the immediate opportunities where my company can sell its products or services. This is what is considered real intelligence. The background material such as market studies and reports become supporting material once the company knows that qualified opportunities exist. This material serves as a calling card for the trade commissioner. It establishes credentials.

One of the conclusions of the 2002 TCS client survey was that while clients like the emphasis on intelligence and contacts, they perceived that the quality of intelligence was not as good as it could be. In response the TCS mounted another “re-engineering” effort, known as *New Approach@Work* (NA@W). This initiative is renewing focus on value-added services and more effective use of electronic tools to deliver information to both staff and clients. The initiative also encompasses a series of training and professional development modules to be disseminated worldwide. These modules cover subjects such as proactive market intelligence gathering, investment, excellence criteria, sectoral training, risk analysis, and international financing. The TCS is also acting to ensure that the Department’s Intranet is used more effectively to disseminate information on best practices for trade commissioners. The Intranet will also be used more intensively to provide trade commissioners with access to virtual learning materials, e-bulletins, an e-newsletter, information on sources of financing, science and technology partnerships, and IBOC services.

Other priorities for the current fiscal year include improving the timely delivery of value-added information to clients, especially through the InfoExport and VTC websites. The Department will also increase its contributions to the Brand Canada initiative and launch an international advertising strategy.

8. Recommended Practices for El Salvador

Agency Organization and Decision-Making

GUIDING PRINCIPLES

In an environment of fiscal prudence, most export promotion professionals agree that success comes from a tailored and targeted approach. *Tailored* means assessing the needs of each client individually. *Targeted* means focusing resources on sectors and companies most likely to succeed and on markets where they are most likely to prosper. Most of the agencies studied use detailed market analysis as part of their targeting effort. Some (Australia, Chile, Colombia) have conducted detailed surveys and needs analyses to better understand their exporters and their needs. Others (Canada, Costa Rica) rely more on client feedback and consultations with industry at the sector level.

An emerging best practice is a formal Customer Relationship Management (CRM) System to track export results, to assess client satisfaction and lessons learned, and to obtain constructive criticism. Australia does this as a natural component of its fee-based services system. Canada is upgrading its current client tracking system with a sophisticated new Virtual Trade Commissioner (VTC) system, which incorporates CRM. The Latin American countries are moving in this direction through the use of individual case management to guide companies through the continuum from export readiness to market research to contacting buyers. Figure 8-1 presents a model CRM system.

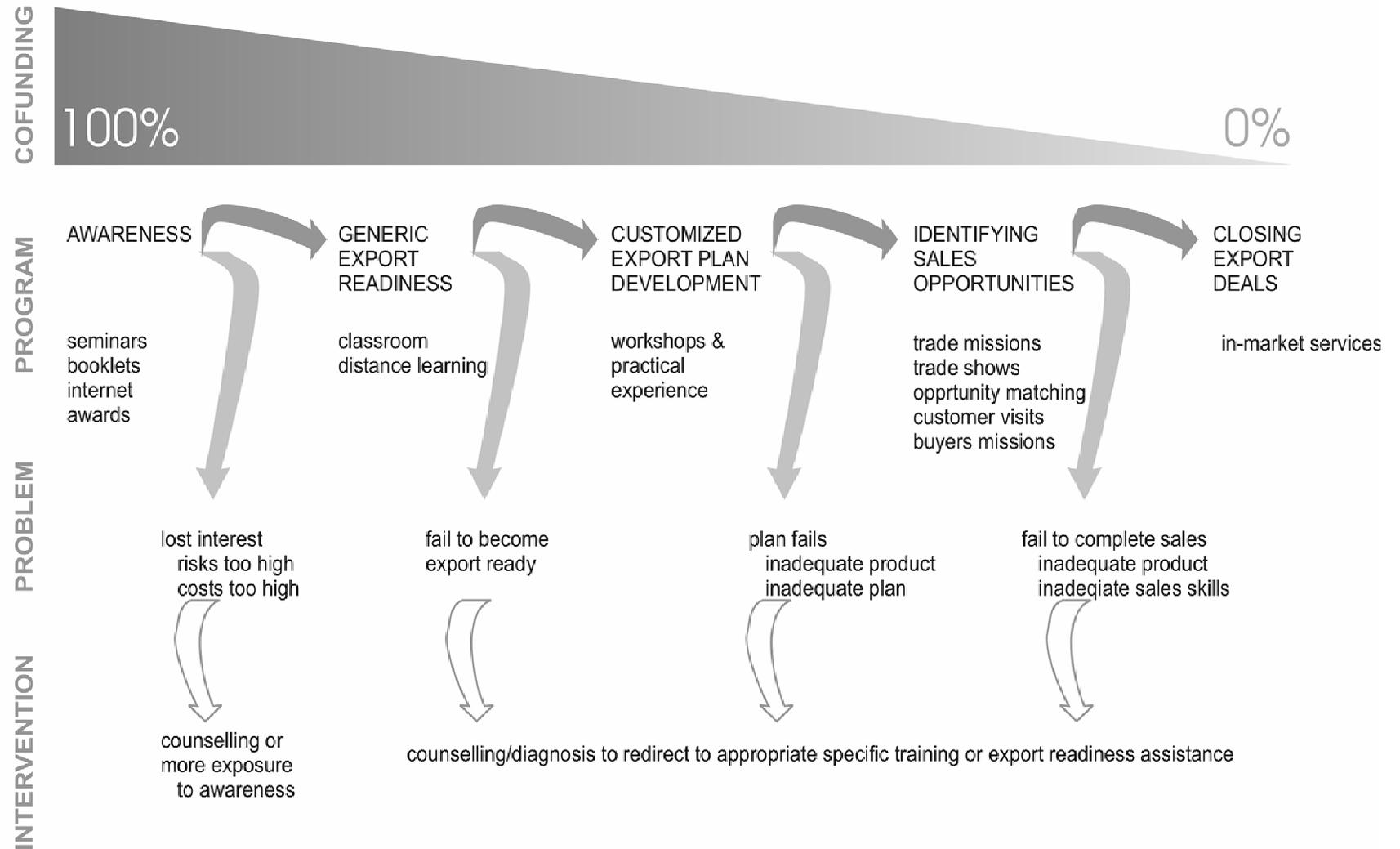
GOVERNANCE AND ORGANIZATION

All five export promotion programs studied have uniquely structured organizations. There are no recognized best practices because each agency operates in a different environment. There are, however, two essential elements: governance and operational management.

Figure 8-2
Client Relationship Management

CLIENT RELATIONSHIP MANAGEMENT

Use case management, counselling and preferred access to co-funding to marshal companies through the system
 Identify reasons for drop-out or failure and re-direct participants to more appropriate programs.



The best governance system depends mainly on where the agency is situated in the national bureaucracy. Trade commissioners in Canada and Australia are part of the diplomatic corps and operate from diplomatic posts. Canada's system is controlled by the Ottawa DFAIT bureaucracy. Australia's is run by a private-public board of directors. Chile's trade officials have diplomatic status but many of them are located in separate commercial offices where they have more freedom to conduct commercial operations. Costa Rica has a semi-private trade promotion agency with a statutory independent source of income from taxes in the free trade zones. It is run by a mostly private board of directors. Colombia's agency is managed by a corporation that is controlled by the country's export bank with minority ownership by industry associations.

Operational management systems also vary across all five programs, again without consensus on best practices. The domestic operations of some agencies are organized on a functional basis, with market research and intelligence separate from international promotion. In some cases (Costa Rica, Colombia) foreign staff are managed as part of the International Promotion division that includes staff inside and outside the country. In others, foreign offices report to a single director at home (Chile) or to regional directors (Canada). Only Australia posts regional directors abroad. The most common model is for foreign offices to be located in key sectoral markets and to focus on gathering market intelligence and providing in-market assistance to exporters, while home offices conduct systematic market research and provide training, counseling, and market information to exporters and prospective exporters. Another common approach is to assign office managers from the home country but to hire local staff who have experience in targeted sectors.

STAFFING

There is no recognized best practice for staffing. Canada recruits and organizes its trade promotion as part of the diplomatic corps. Australia has a highly professional staff, largely recruited from the private sector. The Latin American countries staff through the civil service system, although some (Colombia and probably others) make patronage appointments for foreign posts. The most successful agencies seem to be those that emphasize private sector experience, either as exporters or as consultants, in their recruiting. The best agencies hire their home country professional staff from a pool of university graduates with training in commerce and international trade.

Among the countries studied, Costa Rica's Procomer offers the most applicable model for El Salvador. The professional staff includes both Costa Ricans and foreigners. Because Procomer cannot afford to pay the high salaries demanded by experienced sector experts, many staff are recruited directly from universities. Many have MBAs, law degrees, or other advanced degrees, and are young and highly motivated. Others come from marketing or trade backgrounds with local private sector exporters. Very few come from public service. All speak English and Spanish and some speak Portuguese and French.

Former Procomer employees say that even though salaries are low, professional staff members tend to stay for about five years because they are motivated and because these positions are prestigious and offer extensive contact with the business community. Procomer pays professional staff about US\$1,000 per month, compared to \$2,000–\$3000 in large domestic firms, so they eventually leave. Observers say that former staff members provide the agency with a valuable network of contacts.

CONSULTATION AND PRIORITY SETTING

Sector/Market Priorities

The best practice for sector/market priority setting involves a combination of market analysis and stakeholder consultation. In most countries priority sectors are those with a promising market for the country's products, based on a combination of market size and access and the competitiveness of the industry. Agency officials usually make this determination based on detailed market analysis and exporter capability studies. All of the countries studied have some form of stakeholder consultation and there is a strong consensus that this should be done on a sectoral basis, so that key sectors are chosen first, with target markets then selected for each sector.

Officials usually select core sectors based on technical analysis and then work with sector associations to select tools and priority exporters. In non-core sectors no country denies service to exporters entirely, but exporters are required to organize themselves and to develop a credible sector-wide promotion plan before asking the government for assistance. Even in Canada, which sets priorities based almost entirely on client demand, sector demands take priority over those of individual companies. There is a consensus that the key criterion should be the company's (or the sector's) prospects for achieving significant exports. For example, Colombia's practice is to target agribusiness sectors but not to deny credible applications for assistance in other sectors provided that they are presented on a sector basis.

Client Satisfaction

All of the agencies studied have some system for assessing client satisfaction, even if it is only informal, and they use this information to guide changes in program design. Most agencies (Canada, Colombia, Australia, Chile) use formal surveys. Most officials will acknowledge off the record that their surveys are positively biased because they offer a mostly-free service (except for Australia's fee-based services). Sector-level consultations via industry associations are generally regarded as a more effective way to identify user needs because representatives are not usually seeking funding for themselves. Nonetheless, Canada's client survey has been used to change the shape of the overall export promotion effort. For example, the most recent survey led to a formal professional development and skills upgrading program for staff.

SME PROGRAMS

All of the agencies are focused on SMEs, providing nearly all of their services to those companies, but for different reasons. Some (Colombia, Costa Rica, Chile) focus on SMEs because they comprise the majority of exporting enterprises, while large MNEs account for the bulk of export volume. Others (Australia) focus on SMEs because they are under-represented in the exporter mix, and they are seen as the next generation of new exporters who offer the best hope for increasing overall exports. Another reason (Canada, Australia) is that SMEs are seen to suffer from “information asymmetry” and reducing the costs and risks of their entry into foreign markets is considered to be in the national interest.

For program design purposes, it is useful to distinguish between client types. The adaptation of the Australian SME categorization approach (Chapter 1) provides a useful classification scheme for El Salvador: *non-intenders*, *intenders*, *new exporters* and *experienced exporters*. Sharper distinctions among different types of new exporters could be introduced when the program is more fully developed.

The consensus among agencies is that SMEs should not be offered traditional export training piecemeal, but should be marshaled through an organized system that encourages them to advance from one level of export preparation to the next. Some kind of case management or mentoring is needed to link training, counseling, co-financing, and other assistance into one continuous process. That way new exporters can move smoothly from export-readiness preparation, to selecting export markets, to finding potential buyers, to promotion. The best Latin American programs handle this through individual case-management, integrating training with practical experience in market entry. This process generally needs some incentive to make it work, such as preferred access to co-funded programs provided to graduates as in Chile’s Interpyme and Interpac programs. The developed country programs are more likely to use formal CRM systems and/or aggressive promotion of agency services, such as the direct mail and telemarketing used to promote Austrade’s export market development grants.

DIFFERENCES AMONG PUBLIC AND PRIVATE PRIORITIES

The opinions of officials and exporters about best practices were compared, with no useful conclusion. Nearly all officials believe that all of their efforts are effective and they point to customer satisfaction with their (free) services as proof. Most of those interviewed had opinions about the most effective practices that contributed to program successes, and this information has been used to develop the list of best practices presented in this report. But none of these officials would advocate abandoning any existing program. Most agencies say that their mix of practices and allocation of resources is constantly adjusted in response to systematic evaluations (Australia, Colombia, Chile) or in response to client feedback (Canada) or by gauging success by measuring program activity levels (Costa Rica). By definition, therefore, creators see their programs as always nearly optimal. Private sector exporters,

having been the recipients of free services, are reluctant to criticize trade promotion efforts and they usually say they are successful. The principal difference between public and private observers is that bureaucrats like to control the money, and private sector players would like less agency control over their grants, and they tend to criticize the level of bureaucracy. This was a particular criticism in Colombia. In general, private sector players prefer programs where the government bears all or most of the cost, while agency officials like programs that are highly conditioned to exporter readiness and other measures of performance.

FINANCING AND CLIENT SATISFACTION

There is a consensus among trade promotion agencies that it is appropriate for government to provide free services to SMEs without export experience because of information asymmetry and because they offer the best prospects for increased exports in most countries. There is also general agreement that export-readiness programs should be publicly financed for a second reason: they ultimately improve the cost-effectiveness of other trade promotion efforts by focusing them on companies that are positioned to succeed. On the other hand, for companies that are export-ready, a willingness to commit resources is seen as a critical success factor, so progressively conditioned co-funding is considered the best approach. Although it is not common practice (only in Australia) officials in some other countries tend to agree that fees should be charged for individualized in-market services provided to companies that have begun exporting. In some cases, political factors prevent them from implementing user-pay systems.

RECOMMENDATIONS

Governance and Organization

1. There is no best practice for governance and operational management that could work in every country, but the structures and systems used in Costa Rica provide the most relevant model for El Salvador.
2. The agency should be a semi-autonomous entity with clear goals and long-term funding, and it should be run by a Board of Directors with predominantly private sector representation. It should be protected from political pressure in establishing priorities and it should have sufficient control of its resources to be held accountable for achieving results.
3. As in Australia, the Managing Director should be a member of the Board, to maintain two-way links between policy-setting and operational decision making.

Staffing

4. As in Chile, home staff should be organized along functional lines, with sector specialization and a separate market research unit. As in Costa Rica, headquarters recruiting should strive for a middle-level of experience, blending highly-motivated recent graduates with seasoned export professionals
5. Foreign offices should be managed by one Salvadoran and the rest of the staff should be hired locally. In North America and Europe, staff should be sector specialists and, to increase flexibility and control costs, they could be full-time or part-time consultants. Foreign staff in Latin America and Asian markets should be well-connected generalists.
6. All Salvadoran professional staff should hold university degrees in commerce, economics, or international trade.
7. Staff in foreign offices should return home regularly to network with the exporter community. Foreign professional staff should also regularly visit sector-specific exporters in El Salvador that they represent in their target market. Exporter events such as Colombia's Exporter's Week, could be scaled down for El Salvador, and as in Canada, foreign professional staff could present seminars and workshops to sector groups.
8. As in Canada and Australia there should be a formal staff development program to ensure that knowledge and skills are constantly updated and shared among team members. This can be done through internal workshops and external courses.

Consultation and Priority-Setting

9. Priority sectors should include only brandable products and not commodities because no amount of promotion will influence the sale of goods whose demand is dictated solely by price. Priority sectors should be selected on the basis of market research that identifies the best sectors at home and the best regional markets abroad. Close consultation with sector organizations should identify needs and determine which companies can benefit most from government assistance.
10. Non-core sectors should not be supported unless groups of companies initiate a sector-based export development plan with reasonable prospects for success. Those cases should be provided with co-funding on an ad hoc basis.
11. Foreign offices should be located near the center of activity for core sectors where Salvadoran products have the best chance of success. They should be situated regionally, not nationally, with more than one office in some countries with multiple core sectors and one office covering a multi-country region where there is low sector concentration.
12. Client satisfaction should be assessed by in-depth interactions with clients that focus on results achieved and not by surveys because superficial satisfaction assessments for subsidized products are positively biased.

SME Programs

13. Service packages should be designed to meet the unique needs of different client types, with a strong focus on SMEs. A survey should be conducted to define the potential client base in terms of the size and location of each client type (non-intender, intender, new exporter, experienced exporter) and to guide a needs analyses for each client type. A database of experienced exporters could also provide a resource for recruiting mentors.
14. Individual client relationships should be systematically managed using some form of case management (CRM approach) to customize services, to track and measure their movement through the export preparation and execution process, to ensure the effective use of resources, to help SMEs to develop over time, and to maintain momentum.
15. Programs should be linked to provide natural progression from awareness-raising to export-readiness preparation, to developing and executing practical export plans. Incentives should be provided for advancement from one level to the next to reduce the dropout rate and maintain momentum.

Finance

16. Export-readiness programs and exporter preparation programs should be provided at no charge, with co-payments gradually introduced as the company begins to enter export markets. Individualized in-market services provided to companies that have begun exporting should be paid for at commercial rates, perhaps with discount for new exporters, as in Australia.

Raising Awareness

INFORMATION ABOUT EXPORTING

All countries provide prospective exporters with general information about exporting, usually in the form of printed booklets and online information. The best of these focus on demonstrating the size of the export market, calling attention to success stories, and highlighting examples of export opportunities.

SUCCESS RECOGNITION

All of the countries studied have some form of exporter awards. In some cases (Canada) the award comes from the government, in some cases from a trade organization (Colombia), and in some cases both (Australia). In Costa Rica, the country's export association presents awards, but public endorsement comes via a speech from the President of the country during the annual "Day of the Exporter." The best award programs get high attention from the media and are considered prestigious. Awards are a very cost-effective way of publicizing trade

opportunities. The winners get publicity, recognition, and usually the right to use the award logo in their advertising and promotion for a defined period.

BRAND PROMOTION

Most countries do not emphasize brand promotion. In every country studied, branding was focused on country pavilions at trade shows. None promote the brands of companies, most promote sector brands, but only in low-key ways, generally in association with upcoming trade missions and shows (direct mail, local advertising, media attention). Only Canada has a specific country-brand promotion scheme, mainly to overcome the country's image among U.S. buyers as a frozen wasteland. Some Canadian foreign posts have used print and radio advertising in countries where particular image problems are perceived. Direct mail, and increasingly direct e-mail, is the only standard sector promotion practice, although some countries place low-key in-market advertising in trade magazines to attract buyers to trade shows. This is inexpensive and most agencies see it as worth doing, but none mentioned it as a particularly effective practice.

RECOMMENDATIONS

1. An information booklet for prospective exporters should be created. The booklet should outline the steps involved in getting export-ready and beginning to export, with contact information for all relevant government programs whether delivered by the export promotion agency or not. *Canada's Roadmap to Exporting* (22 pages) provides a good example that could be scaled down.
2. Downloadable PDF versions of all printed publications should be placed on an internal website, distinct from the site targeted at foreigners. Chile's internal site is a good example (www.prochile.cl).
3. An awards program should be established to recognize successful export ventures. There should be categories that recognize every stage of development and different types of companies.
4. A high-profile awards ceremony should be used to build recognition for winners, and awards should be presented by senior officials to maximize media attention.
5. Sector brand promotion could follow development of relationships with sector organizations, but the first priority should be country branding for use in national pavilions at trade shows. This branding should involve creation of a logo, which should be used consistently on all trade promotion materials including internal and external export websites. Nation branding of exporters will help renew global perceptions of El Salvador.

Building Export-Readiness

All of the countries studied have substantial export-readiness training programs. The consensus in the developing countries is that these programs are most effective when they are integrated with other forms of support, once companies have become export ready. The programs in Colombia, Costa Rica, and Chile all lead to creation of a practical export plan and pre-qualify graduates for subsequent assistance programs. Canada and Australia, on the other hand, provide mostly basic workshops and self-help tools, and rely on external training institutions to provide export training. In Canada's case, this is provided by a government-supported, industry-led export training agency that grants professional certification.

RECOMMENDATIONS

1. An export-readiness training program focused on SMEs should be developed and delivered in workshops throughout the country. The programs offered in Colombia, Costa Rica, and Chile, which involve incentives for progression of learners from basic export-readiness to development of a practical export plan, could be scaled down for El Salvador.
2. If they can be made available cost-effectively, private-sector mentors are the best way to motivate Intenders to progress through the system, and they can be integrated into the case management or client relationship management system.

Exploring Target Markets

All of the agencies studied provide market research and intelligence to their clients. Most believe that this is a specialized function that should be carried out or at least coordinated at headquarters, leaving foreign trade officers free to gather intelligence and provide in-market support to exporters. Canada, Chile, Costa Rica, and Colombia have market research departments at headquarters. Australia assigns this to the regions, but their market research reports (except for very general information) are prepared at professional prices for individual companies and integrate market research and market intelligence.

These market research agencies make extensive use of the Internet to access free information sources as well as commercial databases. There is no best practice for the use of internationally available databases and other resources to conduct research and gather intelligence. Some countries use expensive industry-specific databases focused on a single market (Colombia-Miami) and others use free Internet resources almost exclusively (Costa Rica). The large databases mentioned by agency officials included Interdata, Onesource, the Gail Group, and Marketplace. Several export promotion officials said that they made use of market research published by other countries. Some mentioned the Country Commercial Guides and Industry Sector Analysis reports that are available online from the U.S.

Department of Commerce. For Europe, some mentioned the free online market reports available from CBI/Holland. Some researchers pointed to the *Really Useful Sites for International Trade Professionals*, published by the Federation of International Trade Associations (FITA), as an excellent source of reference.

RECOMMENDATIONS

1. An internal professional market research department should be established and based in El Salvador. It should be provided with modern IT resources, including subscriptions to databases that are relevant to the priority sectors.
2. A list of Internet sites and databases that are relevant to each priority sector should be maintained for each sector, and updated constantly on the basis of staff experience. Initially, this list could be drawn from the FITA list, and then customized on the basis of experience in the research unit.
3. A staff Intranet, accessible by all of the agency's staff at home and abroad, should be created to share information, including contacts, market intelligence, Internet links, and best practices.

Identifying Sales Opportunities

The term "matching grant" is not used by any of the agencies studied. All of them offer some kind of co-funding for export promotion, but their practices vary widely. In some programs, co-funding contributions from government apply to specific activities, such as trade missions or trade shows. But there is a growing practice that ties co-funding to the overall export effort, leaving the exporter free to allocate funds to any approved activity. This establishes a tighter link between funding and results because the funding is linked to a comprehensive export plan and because exporters do not choose a particular vehicle simply because it is subsidized. Increasingly, agencies are asking companies to form sector groups and to seek group funding, since this is seen as cost-effective.

Chile, for example, holds an annual competition for export grants that can be used to fund any element of the export plan. Funding is up to 50 percent of total costs, but individual exporters must be in core sectors to qualify. Otherwise, they can apply as part of a sector group. Costa Rica provides up to 70 percent of the cost of trade missions for sector groups, excluding travel and accommodation. Similarly, it pays 70 percent of the cost of trade show exhibits but only as part of a country pavilion. Colombia handles trade mission subsidies by assessing applications from groups of companies. It will pay for half of trade show costs (excluding travel and accommodation), but only as part of a country pavilion. Costa Rica and Colombia have recently tightened conditions for this co-funding to free up trade show and trade mission spaces for companies that are participating in integrated training programs

leading to a practical export plan. Australia and Canada provide export development grants on a co-funded basis that are tied to fully developed export plans rather than specific activities. Canada's grants are repayable based on the success of the export plan.

None of the agencies studied does any significant advertising on behalf of constituents. The usual practice is to invite potential customers to trade missions and trade shows by direct mail or e-mail. Some agencies try to get media coverage of incoming visits and a few place advertising in trade magazines before trade shows. None mentioned this as an effective practice, and most devoted little budget to these activities.

OUTGOING TRADE MISSIONS

In general, outgoing trade missions are seen as effective only if they are organized on a highly focused sectoral basis, piggybacking on a sector-specific trade show and followed immediately by a program of visits to potential clients. Country missions such as Team Canada Missions are regarded as political, and while they may serve national interests, they are not effective trade promotion tools. An increasingly popular practice is to co-fund trade missions on a sectoral basis provided that a group of companies first organizes and plans the trip to demonstrate a sector-level commitment.

INCOMING TRADE MISSIONS

Incoming trade missions are not seen as very effective in the developed countries. Canada and Australia facilitate them as required on a sectoral basis, but they do not operate systematic programs of incoming missions. The general co-funding programs in Canada and Australia will cover the cost of bringing individual buyers to visit the exporter's facilities, and this is seen as more effectively targeted than general buyers missions.

Incoming trade missions are, however, seen as very useful in the Latin American countries, where prospective exporters are less likely to be able to afford foreign travel. Incoming missions also help international buyers to overcome generally negative perceptions of Latin American industry and business practices. Colombia, in particular, hosts two large incoming missions each year, one targeted at North America and one at Central America. Colombia subsidizes the expenses of incoming buyers based on a relatively sophisticated Internet-based matching system, where buyers are qualified according to the value of exports that can be expected as a result of the trip. Colombian officials and exporters view these programs as providing the best return on investment of any of their export promotion programs. Incoming missions are most effective when buyers come from sectors where there is concentrated buying power. In some sectors the purchasing power is too dispersed to get value from subsidizing visits by relatively small groups of buyers.

TRADE SHOWS

The consensus is that trade shows can be effective if done on a sector-wide basis and are a good vehicle for country or sector branding through country pavilions. The Latin American countries provide limited co-funding for trade shows, provided that the exporter has reasonable prospects. But all agencies are beginning to cut back on funds for individual companies in favor of either taking these expenses out of general co-funding programs (Chile, Canada, Australia) or forcing companies to form sector groups (Colombia, Chile). An exception is national pavilions at trade shows, which receive some government assistance in all countries, although not necessarily cash grants. Most countries target their limited country/brand promotion around trade shows.

OPPORTUNITY MATCHING

All of the agencies studied have some vehicle for conveying details of exporter qualifications to foreign buyers. All of them do this to some extent over the Internet and most also provide printed booklets or CDs at their offshore offices. The differences among approaches are mostly related to the level of detail. All countries have some sort of searchable exporter database, but the most effective programs are those that present sector capabilities, because buyers are usually more interested in the country's capabilities than in finding specific exporters when they do this kind of general search. Chile, for example, has a heavily sectoral presentation both in print and online. Most officials interviewed believed that the exporter databases were more effective as a tool to guide matchmaking by agency officials rather than as a resource to buyers, but if they are organized on a sectoral basis, they can help build the country's image as having certain sectoral strengths.

RECOMMENDATIONS

1. A co-funding program should be implemented to provide financial assistance for individual companies to develop export strategies and plans. Chile's annual competition for generalized co-funding provides an example of how this can be done on a fixed budget by awarding grants only to companies with the most promising plans. Costa Rica's ABC Exporter program illustrates another approach: integrating export promotion funding into training programs. Co-funding should also be available to sector associations.
2. Co-funding should be linked to the execution of a comprehensive export plan and should not influence exporters to use particular vehicles like trade missions and trade shows. A Government contribution of at least 50 percent of eligible expenses would make such a system comparable to other Latin American programs.
3. Subsidized incoming buyers missions should be considered, but only in sectors where there is a good match between buyers' needs and the capabilities of individual suppliers

and where visiting buyers control substantial purchasing power. As in Colombia, matching should be done before the event, so that buyers have agendas to meet carefully selected El Salvadoran producers.

4. Any co-funding for outgoing trade missions should be limited to sector-based efforts and should be organized to piggyback vertical trade shows. Qualified buyers in developed country markets will not take time to meet with unknown Salvadoran exporters unless they can meet with other vendors at the same time.
5. As in Australia and Canada, co-funding payments should be paid out as reimbursements of funds already spent by the exporter. An efficient payment system should be created to provide predictable timing for the payment of grants.
6. The government should not send politicians on trade missions. With few exceptions, most industry leaders dislike having their time wasted at protocol-type events. Moreover, most voters do not think sending their president abroad for photo opportunities is a good use of funds. Missions should be led by senior business association officials with solid knowledge of the sector.
7. A sector-oriented booklet that provides an overview of the country's export offerings and principal strengths should be created for presentation to visitors to foreign offices and foreign buyers.
8. The website aimed at foreign buyers (www.elsalvadortrade.com.sv) should be managed by the export promotion agency, and should be expanded to include a description of the country's capabilities that highlights key sectors rather than the HS code approach used currently.

Closing Export Deals

All of the agencies studied provide some support for accompanied visits, which are regarded as one of the most effective ways of supporting individual companies. Access is generally limited to qualified companies that have a credible export offer. Canada formally limits this access to companies that have been assessed as export-ready at home. Other countries do the same thing less formally, although most will respond directly to communications from exporters at home. Trade officials at foreign posts believe that in addition to facilitating contacts and matchmaking before a country visit, trade official should attend business meetings because doing so boosts credibility and gives the official access to another source of business intelligence. Although only Australia charges fees for these services, many officials in other countries believe that fees should be charged for customized in-market services that benefit a single company.

Only Costa Rica gives officials the latitude to act as a marketing representative for companies, for example by providing product samples and brochures, when company representatives are

not present. But even Costa Rica will not close a deal without a company representative present. All of the others limit the freedom of staff to represent companies as a matter of policy, even where they operate from commercial offices and not diplomatic missions. The consensus is that while accompanied meetings are effective, trade promotion officials do not have the inside company knowledge to be effective representatives, and should serve only as a facilitators.

Most agencies see trading companies as useful mainly for selling commodities or for getting into micro-markets where the buyers are too dispersed to visit individually. For example, Miami-based trading companies sell throughout the Caribbean. All of the agencies studied limit their activities in this area to preparing lists of qualified trading companies in each sector/commodity, and none of them recommend individual companies.

The disadvantage of trading companies is that they wield enormous negotiating power when dealing with small and medium sized exporters. When a significant number of small producers can compete in export markets, it is preferable for them to join forces in a cooperative structure and export collectively. This is particularly effective for small producers of commodities. The best example is that of the National Federation of Coffee Growers of Colombia, a cooperative of 500,000 growers that operates its own export promotion entity and benefits from the globally recognized “Juan Valdez” Colombian coffee brand campaign, which is managed by an international ad agency in New York.

None of the countries has any substantial program to assist exporters in obtaining certification in product or labeling standards. All foreign offices provide information about in-market regulations, and will recommend testing laboratories at home or in-market but do not get involved in accreditation. Where these regulations are believed to be contrary to multilateral or bilateral trade agreements, all agencies will process complaints either directly or through their country’s diplomatic missions.

RECOMMENDATIONS

1. In countries/sectors where potential trade activity warrants a local office, they should be separate from diplomatic missions to preserve the ability to conduct marketing activities on behalf of El Salvadoran companies.
2. Foreign office staff should focus on gathering intelligence and building a network of contacts by attending trade events and seminars in the priority sectors and by arranging meetings with key contacts.
3. Foreign staff members should provide introductions and logistical assistance to visiting exporters and should accompany qualified sellers to business meetings. Fees should be charged for in-market services provided to individual companies to discourage unproductive use of scarce resources.

4. While it is not common practice, the agency should follow Costa Rica's example (and some Chile offices) of using foreign representatives to provide brochures, catalogs, and product samples to prospective buyers, and if resources permit, to attend trade shows on behalf of select exporters for a fee.
5. The agency should prepare lists of qualified trading companies for key commodities and sectors and make it available to exporters, but it should not make commercial recommendations.
6. In the few commodity product areas where El Salvador has established global competitiveness through a group of small producer/exporters, these producers should be encouraged to combine their resources, perhaps with matching funds from APE, to brand their product and promote it in export markets, thereby sidestepping the high-margin intermediary trading companies.

Following-Up the First Sale

Most export promotion programs focus on preparing exporters to enter a new market and execute their first sale. From then on, exporters tend to be abandoned. Without further prodding and guidance, many fail to adequately follow-up their first sale in a new market and eventually pull out after making costly mistakes.

Spending money to help successful first-time exporters consolidate their position in a market makes sense from a return-on-investment perspective. If the program guides these exporters through a first year or longer learning curve, the assistance will achieve much higher exports, (and all the benefits they bring) than similar resources spent on training another unprepared producer.

Why do government export programs defy such financial logic? Low-to-mid income countries like Chile, Colombia, and Costa Rica, which operate under prudent fiscal constraints, generally measure their export success by the number of companies exporting, rather than the volume that they export. It is politically difficult to justify the continued assistance of a successful exporter in a market that he has already conquered with a first sale. In-market export promotion officials will help troubleshoot export shipments that face non-tariff barriers, such as labeling and logistical bottlenecks, but do not allocate significant resources to expanding the sales of the exporter in the new market.

Canada's massively state-funded export promotion efforts include resources to help with troubleshooting the political and operational difficulties of getting pre-sold product into the export market. Their embassy and consulate-based trade staff are trained and ready to help get products through customs, comply with labeling, and other market access problems. But staff availability varies waxes and wanes as trade missions and first-time exporter assistance takes precedence. Team Canada's new Virtual Trade Commissioner service is designed in

part to improve ongoing service to exporters by establishing a client relationship management system that increases the efficiency of maintaining continuous contact with clients by trade commissioners located in Canada and at foreign missions.

Australia's "user-pay" system is the only system flexible enough to fully accommodate the exporters' follow-up needs. At graduated stages of exporter development, all services provided by Austrade in-market are charged to exporters at market rates (up to US\$150 per hour). At these prices, Austrade is making a reasonable profit and happy to take on additional work. Most exporters, cognizant of the high returns from such follow-up, rarely complain about paying consultancy fees for a full range of in-market services ranging from troubleshooting access issues to locating additional customers and distributors.

Although the other programs studied have yet to adopt Australia's aggressive user-pay structure, all agree (at least off the record) that fees should be charged for follow-up services. Several programs claim to be studying this alternative. They also agree that follow-up services are necessary to help consolidate market presence after the first export sale is made.

Another frustration voiced by a number of export bureaucrats was that they cannot openly recommend key providers of ongoing export-support services. When exporters ask for help in choosing customs brokers, lawyers, distributors, bonded warehouses, and other service providers, agency officials are required to provide a list of alternative providers. Most exporters and agency officials agree that the ability to provide an assessment of alternative services and to make recommendations would substantially increase the value of these services to exporters.

RECOMMENDATIONS

1. El Salvador should integrate follow-up services for successful exporters into its in-market service mix but charge a fee to exporters on a full cost-recovery basis for these services.
2. Staff providing follow-up services should have the freedom to recommend the best service providers available in the market under the condition that an objective method is used to identify best-in-class service providers and that management controls preclude favoritism.
3. Given the unpredictable volume of demand for follow-up services, a flexible structure should be conceived in each market that relies on outsourced local consultants rather than salaried employees.