A Comparative Study of Export and Investment Promotion in Chile, Malaysia, South Korea and Indonesia

Indonesia Trade Assistance Project

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ACRONYMS

ASC	Advisory Service Centre (Malaysia)
BKPM	Investment Coordinating Board (Indonesia)
BLU	Public Services Agency (Indonesia)
CINDE	Costa Rican Coalition for Development Initiatives
CORFO	Corporation for Production Development (Chile)
DIRECON	Directorate General of International Economic Relations (Chile)
FDI	Foreign Direct Investment
IETC	Indonesia Export Training Center
ITAP	Indonesia Trade Assistance Project
ITT	International Telephone and Telegraph
IT	Information Technology
JETRO	Japanese External Trade Research Organization
JICA	Japan International Cooperation Agency
KADIN	Indonesian Chamber of Commerce and Industry
KOTRA	Korea Trade-Investment Promotion Agency
KPK	Corruption Eradication Commission (Indonesia)
MATRADE	Malaysia External Trade Development Corporation
MIDA	Malaysian Industrial Development Authority
MITI	Ministry of International Trade & Industry (Malaysia)
NAFED	National Agency for Export Development (Indonesia)
NPC	National Productivity Centre (Malaysia)
ODEPLAN	Ministry of Planning (Chile), now called MIDEPLAN
PEPI	National Committee on Export Promotion & Investment (Indonesia)
PICU	Project Implementation Coordinating Unit (Malaysia)
SME	Small and Medium Sized Enterprise
SMIDEC	Small & Medium Industries Development Corporation (Malaysia)
SOFOFA	Society for Manufacturing Development (Chile)
TREDA	Trade Research and Development Agency (Indonesia)
UMNO	United Malay National Organization
USAID	United States Agency for International Development
VAT	Value Added Tax

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I. INTRODUCTION

This report provides a comparative evaluation of export and investment promotion programs and activities undertaken by the governments of Chile, Malaysia, and South Korea with those pursued in Indonesia. The report is intended to provide the Government of Indonesia with advice and insight on implementing effective policies and procedures in support in these important areas of concern. One objective of this technical assistance is to support effective interagency coordination within the Government of Indonesia on export and investment policies. While the Ministry of Trade is the lead agency for policy development and implementation in most aspects of export promotion, certain related policy development entails coordination with other ministries and agencies. Moreover, the Ministry of Trade serves as chair of the National Committee on Export Promotion and Investment (PEPI), an inter-ministerial organization responsible for coordinating development of policies to support export and investment promotion.

The three case-study countries addressed in this report were selected because Malaysia and South Korea are key trading partners for Indonesia and because Chile has been the most successful developing country in the Western Hemisphere to consistently capture large inflows of foreign direct investment (FDI) while managing to both diversify and expand its export base. Each country section provides an initial overview of investment and export promotion activities carried out by relevant national institutions. An additional section is included for Chile describing the activities of a private foundation that has been instrumental in providing intellectual and financial support to the transformation of the Chilean economy that has taken place over the past four decades.

A more detailed explanation of the types of services offered by the particular entities responsible for investment and/or export promotion in each country is provided, followed by a discussion of private sector perceptions of the success and shortcomings of the export and investment promotion activities in each country. The report then discusses the level of coordination between export and investment promotion activities in all four countries. It also examines the level of communication and coordination between those entities responsible for export and/or investment promotion and other government ministries and agencies.

The report's final section provides a synopsis of the major findings in terms of Indonesia's investment and export promotion activities and incorporates recommendations for consideration by the Government of Indonesia that are intended to enhance the effectiveness of Indonesia's export and investment promotion activities and procedures.

This report builds on extensive field research conducted in Malaysia between November 19-23, 2007, in Chile between December 12-21, 2007, in South Korea between July 13-17, 2009, and in Indonesia between July 21 and August 6, 2009. This report also utilizes the findings of two previous reports prepared by consultants working for ITAP: *Enhancing Coordination between Indonesian Trade Promotion Centers, Commercial Attachés and the Ministry of Trade* (July 2007) and *Improving Export, Investment and Market Information: A Gap Assessment of the Ministry of Trade* (December 2008).

A large number of individuals from both the private and public sectors were interviewed in each country. Numerous books, reports (including a 2008 study prepared by the Japan

International Cooperation Agency on proposals for reforming NAFED), articles, and websites were also consulted in order to compose this report.

II. CHILE

Institutions

Chile has never had a public sector export promotion agency or a private sector entity that is strictly devoted to attracting either inbound FDI or assisting domestic firms to engage in overseas investment. Instead, Chile has traditionally relied on market forces to determine where inbound investment flows would be directed. This approach was based on the assumption that if the government provided an attractive local business environment, investors would engage in market activities wherein they enjoyed a comparative advantage, particularly in exploitation of mineral wealth and agro-industry.

The primary function of the Foreign Investment Committee created under the country's Foreign Investment Statute (Decree Law 600 of 1974 as amended) was to approve foreign investment projects seeking guarantees provided to foreigners who took the option of registering their investment, including a fixed corporate tax rate and access to sufficient hard currency to repatriate the initial investment capital and any profits.[1] Minimal inbound investment promotion activities were entrusted to the national economic development corporation called CORFO (*Corporación de Fomento de la Producción)*.

CORFO was created in 1939 as an autonomous government agency governed by a Board of Directors that was intended to make policy decisions without interference from the executive or legislative branches. The majority of the Board of Directors represents various ministries, although two must come from the private sector and are chosen by the President of the Republic for proven business acumen.

Since its founding, CORFO had traditionally been the central planning body that oversaw state-led industrial development under the import-substitution economic policies that were prevalent in Chile until the military overthrow of President Salvador Allende in 1973. With the wholesale adoption of market-oriented economic policies by the Pinochet dictatorship, CORFO's *raison d'etre* changed. The agency was charged with responsibility for privatization of formerly state-owned enterprises and tasked with promoting Chile's receptivity to FDI. During the period of military rule, CORFO also offered subsidized credit to favored companies and provided special incentives for investing in the under-populated extreme northern and southern regions of the country. CORFO's only overseas office at this time was in New York City; it spearheaded the campaign in the United States to increase business awareness of Chile's liberal economic and investment climate by printing a monthly newsletter, sponsoring conferences, and serving as a resource center.

With the restoration of democracy in 1990, CORFO was given the task of actively seeking out non-traditional investment. However, the effort to promote FDI in non-traditional service sectors of the economy did not bring results until the adoption of CORFO's High Technology

[1]The Foreign Investment Committee is made up of the Ministers of Economy, Finance, Foreign Relations, Planning and the head of the President of the Central Bank. The heads of other ministries may be invited when the investment touches upon a matter directly under their jurisdiction. For the past decade, the Committee has moved away from a strictly administrative function to one that also involves disseminating general information on the regulatory environment for investing in Chile, whether or not an entity avails itself of the guarantees if registered pursuant to Decree Law 600.

Investment Promotion Program in 2000. Nonetheless, even absent a significant budget, a network of international offices or a professional staff with meaningful private sector experience, CORFO managed to increase its ability to gain information about prospective foreign investors for purposes of targeting those who might have the most interest in coming to Chile.

CORFO's success in market information gathering was accomplished by developing a transnational strategic network of companies, universities and individuals that could facilitate the promotion of non-traditional FDI.[2] In particular, CORFO established an internship program with internationally oriented business schools in the United States, hired outside consultants who once worked for highly successful public or private sector investment promotion agencies in other countries, established contact with foreign trade associations, and temporarily opened a representative office in California's Silicon Valley.

CORFO today has a total of 556 employees working in 15 offices throughout Chile. CORFO also maintains three representative offices in the United States and one in New Zealand, Italy, Spain, and Sweden. Its budget for 2009 was approximately US$ 2.4 billion. Although CORFO is allocated some money from the national budget, its operations are primarily self-sustaining through its own investment activities.

Despite never having had a dedicated investment promotion agency or offering major tax incentives (other than reductions in import duties), Chile's track record in attracting FDI has been for decades the envy of other Latin American countries. In the early 1990's, for example, Chile (with about 14 million inhabitants at the time) was able to attract as much FDI as Brazil (which then had about 160 million people) even though the Chilean economy is smaller than that of the city of São Paulo. Despite the current global economic crisis, Chile remains one of the three top destinations for FDI in Latin America and the Caribbean (the other two countries are Brazil and Colombia). In 2008, Chile's Foreign Investment Committee reports that the country received approximately US$12 billion in FDI.

The key to Chile's success has been a stable political system, sound economic policies, a healthy financial services sector, a transparent business environment (including customs administration), streamlined foreign investment laws and regulations, a simplified tax system, strong respect for the rule of law, a sufficiently educated workforce, a highly reliable and inexpensive telecommunications infrastructure, good transportation infrastructure, and duty-free access to regional markets. As a result of CORFO's High Technology Investment Promotion Program, Chile has also been able to attract foreign investment in non-traditional activities, such as technical support, call centers that service Spanish-speaking clients whether in Latin America or the United States, back offices that centralize a company's

[2] Roy C. Nelson, "Transnational Strategic Networks and Policymaking in Chile: CORFO's High Technology Investment Promotion Program", 49 *Latin American Politics and Society* (Summer 2007), at 162. A government agency—or a private agency collaborating with a government—that develops an extensive transnational strategic network can identify global business trends and beneficial prospective foreign investors, assimilate this information and exploit this knowledge in developing an effective investment promotion strategy. *Ibid.*

regional accounting, payroll, and billing functions, as well as development of software for the markets in the region.

ProChile was created as an independent government agency in November 1974, shortly after General Augusto Pinochet took power. Given the country's desperate economic situation at the time, the private sector lobbied the new government to establish an entity to promote non-traditional exports. ProChile's management was initially overseen by the heads of four ministries: Economic Coordination; Economy, Development and Reconstruction; Finance; and Foreign Relations. In addition, ProChile had a board of directors that included representatives from ODEPLAN (the old Ministry of Planning, now called MIDEPLAN), the Central Bank, CORFO, the Confederation of Production and Commerce (the umbrella organization for all the trade associations and chambers of commerce in Chile), the National Agriculture Society (SNA), the Society for Manufacturing Development or SOFOFA, CONUPIA (the National Confederation of Micro, Small and Medium Sized Industrial, Service and Handicraft Providers), and the National Mining Society.

ProChile's principal objectives were to:

1) Study all aspects of foreign markets;
2) Disseminate information on foreign market opportunities;
3) Provide assistance needed to comply with export related procedures and regulations;
4) Train and utilize specialized export promotion teams;
5) Actively promote within the country and internationally the development and expansion of networks providing assistance to exporters;
6) Promote the creation of export oriented cooperation organizations;
7) Provide orientation on policies to make export oriented credit programs more effective; and
8) Coordinate the functions, duties and jurisdiction of different government branches so as to enhance the promotion, diversification and expansion of Chilean exports.

In establishing ProChile, the Chilean government evaluated as models the already established export promotion entities in Colombia, Mexico, Japan and the USA. At the time ProChile was created, it had four divisions: 1) Foreign Promotion; 2) Internal Promotion; 3) Information; and, 4) Fairs and Expositions. The agency's formal name is the Directorate of Export Promotion. Since 1979, the agency has been under the jurisdiction of the Directorate General of International Economic Relations (DIRECON) of the Ministry of Foreign Relations and it is housed in the Ministry's headquarters in Santiago.

DIRECON was created in order to unify all government agencies involved in expanding foreign trade and enhancing access to foreign markets (including those entities involved in negotiating multilateral and regional trade agreements as well as implementing regional economic integration projects). The rationale for this arrangement is that structuring all these related agencies under one ministry, better coordination can be achieved for the Chilean government's efforts to improve the country's position in the international economy.

In 1975, a committee made up of private sector associations and representatives from the Central Bank, Ministry of Economy, Ministry of Foreign Relations, the Ministry of Agriculture, the Internal Revenue System and the National Customs Service was formed to resolve domestic administrative barriers and bottlenecks to exporting. An estimated 77 percent of the problems identified by this committee were resolved within a year. Actions taken included simplifying export procedures and facilitating VAT rebates and duty drawback.

In 1976, ProChile was authorized by the Ministry of Finance to fund the posting of its own commercial attaches at Chilean embassies abroad. These attaches were assigned three primary functions:

1) collect up-to-date information on legal and administrative measures affecting imports into the country of posting;
2) promote Chilean products in the country of posting; to gather and report information on possible competitors, prices, volumes, designs, packaging, etc. in those markets; to provide potential Chilean exporters with local market intelligence; and
3) provide all the logistical support required by trade missions visiting from Chile as well as ensuring that Chilean firms were able to effectively participate in international trade fairs and exhibitions held in the country of posting.

ProChile also established several regional offices throughout the country and began publishing a magazine for Chilean firms on foreign trade as well as compiling a directory on Chilean products available for export. In 1977, a Manual for Exporters was issued that included all the relevant domestic norms with which companies producing goods for export must comply. In 1979, the agency started a TV, newspaper and magazine campaign to encourage Chilean firms to export and developed video presentations on Chilean exports to distribute in foreign markets.

In the early 1980’s, ProChile began a concerted three-year program to identify and then facilitate exportation of products from all the regional departments (provinces) of the country by providing targeted private sector firms and individuals with useful export- related information. At the same time, ProChile created the first data bank in Latin America for quickly accessing trade related data and information.

In the mid-1980’s, ProChile, in conjunction with ODEPLAN, CORFO and the Committee on Foreign Investment began a campaign to attract export-oriented FDI, whether in the form of joint ventures, mergers and acquisitions of Chilean firms by foreign companies, technology transfer agreements or the establishment of outsourcing arrangements. During this period, ProChile established sector-specific export committees designed to bring together all the exporters of identical or similar type products, regardless of size, in order to exchange information, receive assistance from ProChile (particularly in terms of overcoming domestic and foreign bottlenecks to exporting), and facilitate group efforts to adequately supply foreign markets. Some twenty sector-specific committees were formed that grouped 360 firms, 70 percent of which had never exported before.

During the mid-1980’s, ProChile also worked closely with CORFO, the Fundación Chile (see discussion below), the Agricultural Protection Service (SAG) and the National Fisheries

Service to develop new, non-traditional products for exports (such as the Fresh Atlantic Salmon initiative) that required compliance with demanding foreign phyto-sanitary and sanitary requirements and other technical norms. A public-private sector Export Promotion Council with representatives from SOFOFA, ProChile, and the Director of DIRECON at the Ministry of Foreign Relations was established to develop, review and approve projects designed to improve the quality of Chilean exports and ensure compliance with technical norms and volume demands. During this period, ProChile also began sponsoring annual meetings between its commercial attaches posted abroad with private sector firms in Chile to exchange information on foreign market opportunities and to provide realistic assessments of the ability of Chilean firms to meet foreign market requirements.

Chile obtained approval from the United States Food and Drug Administration to export certain shellfish to that country as well as approval from the Japanese government to export specialized grapes. ProChile also embarked on a major campaign to promote Chilean wines, primarily using trade fairs for this objective. In 1987, ProChile established an exhibition hall of Chile's exports on the grounds of the international airport in Santiago (since closed) to inspire other Chilean firms to export.

In 1974, copper represented 76 percent of Chile's foreign exports, but by 2004, that share had dropped to 40 percent. In addition, the basket of Chilean exports had increased from 200 products to some 5,238 items by 2004 and exports were responsible for nearly a third of Chile's total Gross Domestic Product (GDP).

By the early 1990's, having successfully sensitized Chilean firms about opportunities in foreign markets and assisted many to take the steps required for export, ProChile changed its strategy to focus on:

1) increasing the value-added components of Chilean exports;
2) diversifying Chile's export basket (including services) and export markets (especially with respect to Asia-Pacific, China, Saudi Arabia, Turkey, and Central America);
3) increasing the amount of profit that went to the Chilean producer from the final sale of exported products, primarily by reducing the number of middlemen and associated costs;
4) linking Chilean producers with international chains of production; and
5) converting Chilean export-oriented firms into multinational or international firms.

This new strategy required ProChile to provide detailed market intelligence and funding to improve quality and compliance with international norms and quality expectations. At the same time ProChile embarked on a campaign to promote the concept of "Chile" as a brand.

In the mid-1990's, ProChile established an experimental warehouse in Russia where Chilean firms could store their goods in-country until purchased by Russian buyers. In recent years, ProChile has made a concerted effort to expand the export of services, particularly those offered by its universities for purposes of research and development and the education of foreigners. There has also been a concerted effort to assist the tourism sector to more effectively reach a wider range of foreign visitors.

ProChile initially opened five foreign offices, increasing to 50 currently operating throughout the world. Some of these offices serve an entire region with the director is in residence in one country, but such regional offices are connected to workstations housed in embassies or consulates in the other countries. This networking allows for rapid information exchange and responses to inquiries. One such regional office for Central America has a director based in Costa Rica and serving five other Central American countries.

In its first year in existence, ProChile participated in 15 international events. That number has now grown to more than a 1000 a year. ProChile started working with 50 companies in 1974; by 1999, the number had increased to over 2,200 firms. ProChile also has offices in all 12 regional departments (provinces) of the country.

ProChile has signed some 30 cooperation and technical assistance agreements with other entities around the world that also provide export promotion assistance to their respective nationals. For example, ProChile was instrumental in setting up the Paraguayan export promotion agency, ProParaguay, in the 1990's.

Fundación Chile

The Fundación Chile was started in 1976 with a contribution of US$25 million from the Chilean government and another US$25 million from International Telephone and Telegraph (ITT).[3] The goal of the Fundación is to encourage the growth of the Chilean economy through human capital development and the deployment of new technology.

Fundación Chile plays an important research and development role in Chile. It has developed important links with private sector companies, research centers and universities around the world. Its primary strategy is to identify an opportunity where it can add value through the incorporation of innovative technologies or processes. It will then seek out strategic partners and create a company, if necessary, to market the innovation and disseminate it widely (usually through invitations to other firms to observe how it works in practice).

Although the Fundación Chile has never had a formal legal relationship with CORFO or ProChile, it has collaborated with both agencies on projects of mutual interest. For example, the Fundación was instrumental in establishing the Fresh Atlantic Salmon industry and the extensive backward linkages it spawned (including local producers of floating cages, nutrients, fish nets, and packing material). Despite the fact that Chile is a Pacific nation, the Fundación provided research money to investigate whether salmon from the north Atlantic could be farmed in the lakes and fjords of southern Chile. Having determined that the industry was economically viable, the Fundación created a company that served as a catalyst for other Chilean entrepreneurs to establish themselves in this sector. ProChile then searched for markets abroad and put the Chilean producers in contact with foreign distributors and retailers.[4] Assistance was provided to Chilean salmon exporters to negotiate competitive air cargo rates from LAN Chile (an international Chilean airline) on the basis of mutual gains. The airline was interested in filling otherwise empty containers going north to the U.S. that

[3] The ITT contribution was funded from money paid by the Chilean military government in lieu of reparations claimed by the company for nationalization of its assets by the government of Salvador Allende.
[4] Interestingly, Chilean salmon exporters to the U.S. benefited from a successful anti-dumping action filed in that country against Norwegian producers in the 1980s.

were primarily used, at that time, to transport goods going south from the U.S. to Latin America.

Just as with the salmon industry, ProChile has assisted companies in other sectors that the Fundación Chile has helped to create in order to find and consolidate foreign markets. Over the past 20 years, the Fundación has created some 60 companies producing goods and services which are now exported to different parts of the world. An example of the range of exports involved includes shellfish, wooden furniture parts and pieces, gourmet goat cheese, canola oil, and certification services. Recently, ProChile hired the Fundación as a consultant to work with very small peasant farmers to produce export products (*e.g.,* marmalades).

Types of Services Offered and Modes of Delivery

CORFO

Since the early 1990's, CORFO ceased to provide loans directly to small and medium-sized enterprises (SMEs). Instead, it works with associations or a group of SMEs to design a project to increase their production capacity. CORFO then secures capital from multilateral lending institutions, such as the World Bank or Inter-American Development Bank, which it then extends to private banks so that they make loans at reduced interest rates to the association or group of SMEs on the basis of market criteria. These private banks and financial intermediaries assume the full risk of repayment. Furthermore, there is a requirement that the association or group of SMEs also co-finance up to 50 percent of the costs associated with a given project's implementation or provide up to 30 percent of working capital. To independently evaluate the effectiveness of any program that secures credit in this fashion, CORFO implemented a system of verification using outside consultants such as academic institutions.

In 2006, CORFO expanded its investment promotion effort to include the promotion of investment that could upgrade the competitiveness of Chile's traditional economic clusters based on natural resources (*e.g.,* mining, wine, fruit, and salmon) through the incorporation of new technologies as well as through the promotion of investment in renewable and non-conventional energy. This broader effort was consolidated with both the High Technology Investment Promotion Program launched in 2000 and another existing program that seeks to attract investment that will increase the local value-added input in chains of production in the less-developed regions of Chile.

CORFO offers individuals or firms investing more than US$500,000 in projects that incorporate "high technology," up to US$ 30,000 for implementation of a work plan, up to 40 percent (not exceed US$1 million) of the first five year's rent, or up to 40 percent (not exceed US$2 million) for the purchase of land, construction of a plant, and/or purchase of machinery or equipment. In addition, CORFO will pay up to 25 percent (not to exceed US$5,000 per year) of the salary of an employee who is provided training to work in a technical support or call center as well as a centralized back office for handling a firm's regional accounting, payroll and billing functions. In the case of an employee trained to develop software, CORFO will pay up to 50 percent (not to exceed US$25,000) of that employee's annual salary. CORFO will pay for up to 50 percent (not to exceed US$100,000) of the cost incurred for any one-time training program that provides employees with highly specialized skills. In the case of renewable or non-conventional energy technologies used to generate electricity in which investment must exceed US$400,000, CORFO will pay up to 50 percent of the advanced-stage engineering studies.

For investors interested in investing in the less-developed regions of Chile, CORFO can provide assistance in obtaining government approvals and permits as well identifying potential partners and suppliers. For this type of investment, CORFO will pay up to 50 percent of any feasibility study when it consists of a proposed new investment in excess of US$400,000 (or US$250,000 if it is an expansion of an existing investment). In the case of those regions furthest away from the more developed central zone of the country, CORFO will finance up to 60 percent of the study's cost; the proposed investment can be for as little as US$50,000. CORFO will also pay up to 50 percent (not exceed US$210,000) of the costs incurred in the purchase of land, construction of a plant, and/or purchase of machinery or equipment.

Detailed information on how to apply for CORFO's investment promotion grants, the documentation required, application forms, etc., is found in Spanish on CORFO's primary website. Information on CORFO's investment promotion grants is also available in English through CORFO's "InvestChile" website.

ProChile

ProChile provides several forms of training and information resources to Chilean exporters. The agency offers market and product analyses for almost every country to which Chilean companies export. This information can be accessed through ProChile's website. A basic course in exporting is offered through its inter-active website.

ProChile also offers regular fee-based training sessions on how to export at locations throughout the country. The main office in Santiago provides more frequent workshops on how to use the Internet effectively to research trade leads and other relevant trade information. An agency library in the Santiago provides access to subscription-only data bases for a small fee which can also be accessed through work stations set up in each of Chile's 12 regional departmental (provincial) capitals. A special telephone hotline provides specialized one-on-one assistance to exporters.

ProChile offers direct financial assistance to exporters only through matching grant schemes. These matching grants are awarded to groups of private sector firms and/or trade associations in order to fund export promotion projects, including overseas advertising campaigns and match-making opportunities with potential foreign buyers. Matching grants can be used to pay fees to ProChile's overseas offices to prepare highly specialized market studies; related services can be purchased from these offices to search for and make contact with potential buyers, distributors, retailers and agents. ProChile will conduct necessary due diligence checks. Once an introduction is made, ProChile works to ensure that penetration of the product becomes permanent and then attempts to consolidate that market.

The amount of a qualified matching grant will depend on the size of the firms or importance of the trade association, the number of times these entities have received financial assistance in the past, the type of products or services being offered (*i.e.,* something the Chilean government is actively interested in promoting), and the foreign market being targeted. In most cases, the private sector counterparts will be expected to contribute at least 50 percent of the project's total costs. Any export promotion activity co-funded by ProChile that involves traveling abroad includes a requirement that the beneficiaries report their experiences at a workshop upon return.

The monies allocated for projects under the matching grant scheme come from pre-established funds that are replenished annually from the Chilean national budget based on the achievement of pre-determined benchmarks. Matching grants are awarded by the Export Promotion Council that includes representatives from ProChile and relevant trade associations.

ProChile will usually rent the space or booths for Chilean firms to exhibit their wares at international trade fairs, but the private firms must normally pay gain admission to such fairs, including costs incurred in shipping any samples or exhibits as well as registration fees.

In recent years, ProChile has sponsored special thematic events in different cities around the globe that feature buffets showcasing different foodstuffs made in Chile. Wine-tasting events are also sponsored by ProChile and the two types of events are often combined for a full gastronomic experience. The Chilean producers are provided space at the same venue to facilitate direct dealing with potential buyers. ProChile normally pre-selects the invitees to these special themed events (*i.e.*, supermarket chains, fruit and vegetable distributors, restaurant or chain eatery operators, major hotels, etc.) in an effort to ensure that the attendees are serious prospective buyers or are from the local commercial press. ProChile will rent the venue, ensure that it is well-decorated (including with the branded Chilean slogan “Chile: All Ways Surprising”), and arranges the general logistics for the event. Private sector firms from Chile are normally expected to pay their travel-related costs, ship their own samples back and forth, and also pay a registration fee to ProChile. In 2007, ProChile began sponsoring “Chile Week” at restaurants in luxury hotels in key cities throughout the world, supplying a chef (if necessary) and all the necessary inputs needed to make dishes using Chilean ingredients.

In 1995, the Chilean government created the Fund to Promote Agro-Industrial Exports. The Fund receives money from the Ministry of Agriculture but is administered by ProChile (in recognition of its export expertise). The goal of the Fund, which currently has US$8 million, is to promote the expansion and diversification of agro-industrial exports, and to convert domestically oriented firms into ones with an international focus. The Fund is attributed with improving access of Chilean kiwis and a wide range of grape varieties to the Japanese market as well as increasing exports into the U.S. market of fruits native to Chile that are generally unknown abroad (including the Chilean papaya and the chirimoya). The Fund also co-finances technical assistance so that Chilean producers can meet stringent foreign quality standards and overcome supply constraints. Partial funding is proved for advertising campaigns in targeted foreign markets. Matching grants using Fund monies are awarded by the Committee to Promote Agro-Industrial Exports that is composed of public and private sector members.

The Program for the Internationalization of Peasant Agriculture, which is supported with monies from the Fund to Promote Agro-Industrial Exports, is trying to bring very small or subsistence farmers up to a level where they can, either on their own or in cooperation with other producers (including as suppliers to bigger producers), successfully export their products. In order to prevent the bulk of the profits going to "middlemen," ProChile is insisting that all aspects in related transactions be transparent and that there is an equitable distribution of the profits. Very small or subsistence farmers are defined by law as those with less than 12 hectares under production. Production must be limited to the farmer and his family and they have total assets of less than US$140,000.

The Program only targets producers that have products determined to have export potential and who have some existing minimal financial capabilities (*i.e.*, a bank account, business accounting records, etc. although they do not need to be incorporated). If necessary, the program assists selected firms in obtaining financing (*e.g.*, from the State Bank at less than market interest rates or from CORFO to upgrade their technology) or legal assistance (*i.e.*, for purposes of incorporation, to form a new trade association, or comply with legal norms), and in improving their marketing and packaging capabilities.

All assistance provided under the Program is based on a co-financing principal although ProChile will usually pay a generous 80 to 90 percent of out-of-pocket expenses to qualified firms or individuals and may even pay up to 100 percent of transportation costs for participating in international trade fairs. The percentage of ProChile funding decreases in proportion to a firm's size and/or its prior business experience. The Program is currently focused are trying to ensure that very small producers can meet projected volume demands. Once volume targets are achieved, ProChile actively seeks and develops niche markets for the products.

In conjunction with the Chamber of Commerce of Santiago, ProChile recently launched PyMEXPORTA, a program that will pay up to 50 percent or a maximum of US$7,500 of the costs incurred by an SME for the services of specialized consultants to advise on how to overcome non-tariff barriers that may arise from compliance with technical norms and regulations; to make necessary adjustments to products required by specific market demands in terms of appearance, packaging, tastes, etc; and to develop or maximize use of logistic, distribution and marketing channels (including buyer evaluations). In order to qualify for this assistance, companies must have already had a minimum of US$10,000 in annual export sales at any time during the previous three years. In general, while ProChile will work with SMEs through PyMEXPORTA to find sustainable niche markets abroad for their products, it has no interest in promoting products or services that have no long-term viability.

Private Sector Perceptions

CORFO

CORFO's professional staff is selected based on merit and not on political considerations; consequently, the agency's decisions and actions are relatively free of political influence. A serious drawback is that staff members generally have little prior private sector business experience. This weakness is only partly mitigated by the fact that several members of the CORFO Board of Directors have relevant private sector experience.

Programs often produce meager results or experience unnecessary trial and error before they achieve success. Consequently, use of independent, external consultants to evaluate programs is a positive counterweight.

The lack of an extensive network of overseas offices is criticized by some in the private sector, although others counter that this is not as important given that CORFO supports a multi-lingual, visually attractive, user-friendly, and very informative website with many relevant links.

ProChile

In the view of private sector supporters, ProChile has been very successful in grouping Chilean agro-industrial producers by sector in order to overcome supply constraints and fulfill foreign quality requirements. ProChile encourages sector specific grouping by prioritizing its matching grant assistance to projects that cover an entire sector or commodity, not specific companies. One of the factors that facilitated this grouping of major producers of a sector together in Chile was the role of foreign firms that invested in the Chilean agro-industrial sector beginning in the 1980's and were already accustomed to this type of cooperative effort.

One explanation for the positive private sector comments concerning the effectiveness of the programs funded by the matching grant schemes is a perception that ProChile views the private sector as a strategic partner in planning and implementing programs. There is a feeling that ProChile operates in this fashion because it recognizes that it is not able to understand all aspects of a particular sector or the precise needs of private sector firms and trade associations that operate in that sector. Most private sector commentators also feel that ProChile's foreign offices provide logistical support and general market intelligence useful to Chilean companies.

ProChile is criticized by some in the private sector for having a bias in favor of the agricultural and agro-industrial sector while ignoring the manufacturing sector. ProChile's managers may have a disincentive to promote manufactured rather agricultural goods because of current internal incentive plans that base salary increases on annual percentage increases in exports achieved by assisted firms. Chilean-manufactured goods generally face intense international competition, a fact that may result in years required to achieve concrete results in foreign market penetration and growth. By contrast, Chile already has an international reputation as a reliable supplier of excellent wines, fruits, and other foodstuffs and the export of agricultural goods is comparatively more successful.

A major shortcoming of ProChile noted by many commentators is the lack of secure funding with its budgets limited to whatever is provided by the national treasury. Particularly problematic is the fact that ProChile does not receive its budget and cannot disburse funds until well into the second trimester of the calendar year (which is past the harvest season for the entire agricultural sector). Whatever money is not spent by the end of the year has to be returned to the treasury and cannot be used for future programs. These factors constrain the agency's ability to effectively budget and expend available financial resources on a timely, sustained basis.

Coordination between CORFO and ProChile

While CORFO and ProChile have a good record of coordinating their programs with respect to export promotion (with CORFO generally responsible for securing access to credit), some duplication by CORFO exists in areas that technically fall within the jurisdiction of ProChile. For example, CORFO will pay up to 60 percent of the costs incurred in carrying out foreign market research to develop new products or services that are deemed to be cutting edge and desirable for export. Although this funding may be for proposals put forward by a group of firms or a trade association (thereby meeting an important requirement of ProChile schemes), the CORFO program is also available to individual firms.

Communication and Cooperation with Other Government Ministries and Agencies

In 2000, CORFO involved a wide range of organizations in its efforts to develop the High Technology Investment Program, including the National Commission for Science and Technology (CONICYT) which financed a CORFO program of “technological internships” for young Chilean engineers at companies in the United States. Working in collaboration with CORFO, Fundación Chile supported projects to develop new technological applications in a number of industries and the Foreign Investment Committee helped to organize investment promotion conferences and seminars for prospective investors in the high technology sector.

The Foreign Investment Committee has been given a more pro-active role in recent years in helping to promote foreign investment in Chile (including the sponsorship of seminars and conferences as well as the publications of regular reports on the Chilean business climate and investment opportunities). Given its makeup, the Committee provides another mechanism for facilitating coordination among different ministries and government agencies in terms of the country’s investment promotion activities as it includes the Ministers of Economy, Finance, Foreign Relations, Planning, and the President of the Central Bank.

In 1990, the newly restored democratic government instituted the General Secretariat Ministry of the Presidency. It is the Chilean government’s highest advisory body and is empowered to facilitate and coordinate the development and implementation of policies as well as the legislative agenda of the Government by:

- Advising the President of the Republic and the Ministers of State on policy, legal and administrative matters and on those affecting the executive branch’s relations with the National Congress, the political parties, and social organizations.
- Ensuring that there is an effective coordination of the general program of the executive branch;
- Participating in the drafting of the legislative agenda and follow up to ensure that the procedures for legislative proposals are met; and,
- Carrying out studies and analyses required for decision making.

This overarching ministry has a Division on Inter-Ministerial Coordination that is in charge of coordinating and following up on presidential initiatives as a part of formulating and monitoring of the executive branch’s work agenda. It also provides analysis to ensure that all the government’s policy and legislative initiatives are coherent. In addition, it participates in the creation and coordination of inter-ministerial working groups. The Division also provides technical assistance in formulating the annual budget.

This interagency framework supports coordination between the trade promotion and development agencies and the various line ministries that have jurisdiction over segment of the overall economy. Because this coordination takes place at the level of the Presidency, it is able to patrol jurisdictional conflicts and enforce overall policy priorities, thus contributing to the minimization of confusion for companies engaged in exports and for foreign investors in the country's economy.

III. MALAYSIA

Institutions

Malaysia's remarkable expansion in non-traditional exports has its origins in the early 1970's when the government attracted foreign multinationals to set up operations for electronics and electrical assembly activities in export enclaves known locally as Free Industrial Zones. In order to attract this type of export-oriented FDI, the government created the Malaysia Investment Development Authority or MIDA in 1967.

MIDA falls under the jurisdiction of the Ministry of International Trade and Industry (MITI) and is headquartered in Kuala Lumpur and is charged with promotion and coordination of industrial development in the country. The statutorily mandated functions of MIDA are as follows:

1) Undertake activities related to the promotion of manufacturing and services sectors (excluding utilities and the financial sector) within and outside of Malaysia;
2) Undertake or cause to be undertaken research and planning on matters related to industrial development and its related services and restructuring;
3) Advise the government on the granting of manufacturing licenses, incentives, expatriate posts and any other facilities related to the promotion, development, and coordination of industries;
4) Advise the government on measures for the promotion of industries and their related services, including the imposition or alteration of, and exemption from customs and other duties, and import and export licensing;
5) Facilitate and assist the activities of Federal and state institutions engaged in, or connected with industrial development and its related services;
6) Provide consultancy services, including training and technical assistance;
7) Undertake any activity that promotes cooperation with other countries in line with the objectives of the Government of Malaysia with respect to industries and their related services;
8) Assist Malaysian companies in seeking technology and investment opportunities abroad;
9) Report annually to the Minister of International Trade and Industry on the progress and problems of industrialization and its related services in Malaysia and make recommendations on the manner in which such problems may be dealt with;
10) Carry out other functions consistent with this Act as the Minister of International Trade and Industry may in writing authorize; and
11) Generally do all such matters incidental to or consequential upon the exercise of its powers or the performance of its functions under the Federal Industrial Development Authority Act of 1965 (as amended).

Over time, MIDA has sought to attract investment not only from foreign investors but Malaysian-owned companies as well. In 2002, the agency began assisting Malaysian firms to invest abroad. MIDA has also expanded its scope to attract investment by companies offering services that support manufacturing (*e.g.,* transportation logistics providers).

In recent years, direct investment in Malaysia has predominately been earmarked for the manufacturing sector and related service sectors. The electrical and electronics industry has attracted the largest share of investment and it is the largest contributor to output, domestic sales, exports and employment in the manufacturing sector (although the services sector employs the largest number of Malaysians). A majority of investment projects represent new investment, are export-oriented, and are made by Malaysian-owned companies.

Although MIDA is primarily an investment promotion agency, it also plays a regulatory function as it is responsible for granting or denying manufacturing licenses for new manufacturing projects. These licenses are automatically granted except in instances that involve sectors deemed to be “sensitive” or that require an environmental impact assessment study. MIDA is also authorized to grant or deny applications seeking tax incentives[5] and waivers from the payment of import duties.

MIDA has branch offices in each Malaysian state, as well as 19 overseas offices in Australia, Asia, Europe, and the United States. MIDA has approximately 575 employees, with about 80 percent working at its Kuala Lumpur headquarters and 28 employees assigned to its state offices. The ratio of professional to support staff is roughly even, albeit in favor of support staff. The majority of the staff members employed in MIDA’s overseas offices is comprised of nationals of the host country.

The CEO’s of major private sector corporations and the presidents of the major chambers of commerce in Malaysia dominate MIDA’s 14-member Board of Directors. MIDA’s management team is made up of 24 members who are responsible for various divisions (including specific productive sectors such as IT, the electronics industry, and agro-based industries). The majority of the management team members had long and successful careers in the private sector.

MIDA has an internal review process that is used to make promotion decisions and grant awards for excellence in service. MIDA also regularly conducts in-house training programs and sends personnel for outside training to enhance the knowledge skills and competency of its staff.

MIDA frequently organizes meetings with the boards of directors of the foreign chambers of commerce based in Malaysia to update them on MIDA initiatives and also obtain feedback on the issues and challenges their membership face in Malaysia in order to resolve bottlenecks that may prevent them from reinvesting in the country or that may constitute constraints on new investment from their country. MIDA regularly hosts foreign journalists from the foreign and national media to familiarize them with the organization and its programs. MIDA supervises a “Friends of Malaysia” project that works with distinguished foreign personalities who have served in the country to assist in promoting Malaysia as a destination for FDI.

[5] These incentives may include a five-year to ten-year partial or full exemption from the payment of corporate income tax, depending on the amount of capital invested, the activity and/or the location of the investment in question.

MATRADE was created in 1993 and, like MIDA, is under the jurisdiction of MITI. Its mission is "to develop and promote Malaysia's exports" to the world. Its legally mandated objectives are:

1) To promote, assist and develop Malaysia's external trade with particular emphasis on the export of manufactured and semi-manufactured products and services;
2) To formulate and implement export marketing strategies and trade promotion activities to promote Malaysia's exports;
3) To undertake commercial intelligence and market research and create a comprehensive database of information for the improvement and development of Malaysia's trade;
4) To organize training programs to improve the international marketing skills of Malaysian exporters;
5) To enhance and protect Malaysia's international trade interests abroad; and
6) To promote, facilitate and assist in services related to trade.

MATRADE began in 1993 with less than 100 employees. Its focus was limited to participating in international fairs and leading trade missions abroad. Grants or financial assistance was not provided to Malaysian exporters to participate in these overseas fairs or trade missions. The agency relied heavily on the Malaysian embassies and consulates to collect and disseminate information. Today, however, MATRADE has a total of 518 employees and 39 foreign offices on six continents. Each office is headed by a Trade Commissioner who enjoys ambassadorial status.

Until recently, MATRADE had no additional offices in Malaysia other than its headquarters in Kuala Lumpur. In 2008, five offices were opened around the country although these are fewer in number than MIDA's domestic offices that are located in each state capital. MATRADE moved into new headquarters in February 2007. The building includes a massive, multi-floored exhibition hall and houses a number of other agencies that fall under the umbrella of MITI. MATRADE's exhibition center features Malaysia's export offerings as well as a library and resource center.

MATRADE's is governed by a Board of Directors that is constituted of more private than public sector representatives (this is also true of MIDA). MATRADE's management team holds annual discussions with the major chambers of industry and commerce in Malaysia as it formulates programs for the following year. MATRADE is funded through a steady revenue stream generated by collection of royalty payments on natural gas and oil production. In recent years, MATRADE's annual budget has dramatically increased.

Although its primary function is to assist Malaysian exporters of services and manufactured goods, MATRADE does collaborate with the Ministry of Agriculture and Agro-based Industries as well as the Ministry of Plantation Industries and Commodities with respect to trade promotional activities, particularly in terms of overseas trade missions. In the early 1990's, MATRADE successfully assisted banana growers to penetrate the Japanese market.

Types of Services Offered and Modes of Delivery

MIDA

MIDA operates a Business Investment Center at its downtown Kuala Lumpur's headquarters that provides useful and authoritative information on investment, trade, financing, productivity and services specifically pertaining to Malaysia's manufacturing and related services sectors. Counselors are also available for one-on-one meetings to answer questions and to resolve or refer problems.

MIDA's promotional activities are intended to attract both new FDI as well as encourage existing investors to undertake expansion and diversification of their current in-country activities. MIDA provides:

- overseas investment missions to Asia, Europe, and North America that include organizing seminars on business opportunities in Malaysia and inviting Malaysian firms for testimonial purposes and for facilitation of possible joint-venture opportunities;
- targeted meetings with potential investors in the high technology, high value-added and knowledge-based industries (related follow-up visits are arranged to firms that express an interest in investing in Malaysia);
- advertisements in the international and domestic media: and
- participation in trade exhibitions both at home and abroad.

MIDA currently has a campaign to promote the services sector, including the establishment of regional operations, and to provide support services for the manufacturing sector, including research and development activities, integrated logistics, integrated market support, and integrated central utility facilities.

MIDA has established a web-based Enterprise Connect or E-Connect facility to encourage matchmaking among foreign and Malaysian companies. Interested companies register and can then conduct searches for business partners. A total of 230 Malaysian companies and 224 foreign firms registered during E-Connect's first full year of operation in 2005.

In order to promote investment in Malaysia by domestic firms, MIDA conducts investment seminars that are often focused on a specific industry and are usually held in conjunction with other Malaysian government agencies, such as the Small and Medium Industries Development Corporation (SMIDEC), as well as industry associations, such as the Federation of Malaysian Manufacturers. MIDA will also organize meetings with the board of directors of local chambers of commerce and trade associations to alert them to activities of interest and to solicit their input. MIDA also participates in local exhibitions.

As part of its assistance to Malaysian firms interested in investing overseas, MIDA organizes cross-border investment seminars that examine business opportunities in targeted countries (mostly ASEAN countries); maintains contact with foreign investment promotion agencies; maintains a database on investment policies, incentives and procedures in targeted countries; and undertakes studies to identify investment opportunities in targeted countries.

In 1988, the Malaysian government created the Advisory Service Centre (ASC) within MIDA that provides assistance to investors in obtaining;

- approvals, permits, and certifications issued by the Department of Occupational Safety and Health;
- approvals and licenses issued by the Department of the Environment;
- approvals and licenses issued by the Royal Customs Department; and
- approvals from the relevant utility providers for the supply of electricity, water and telecommunications services.

Representatives from all these Federal government agencies (as well as Treasury, the Department of Labor and the Immigration Department) and the relevant utilities are stationed at the ASC in MIDA's Kuala Lumpur office. MIDA also fast-tracks approval of routine manufacturing licenses that are not deemed "sensitive" within seven working days after a proper application is submitted. A similar fast-track process exists for import duty exemptions on raw materials, components, machinery and equipment. Applications for manufacturing licenses, import duty waivers and tax incentives are found on MIDA's website; completed forms can be filed electronically through this website.

In 2001, the Project Implementation Coordinating Unit (PICU) was established within MIDA to provide assistance in resolving problems faced by new and existing investors in implementing and operating manufacturing and related service sector projects. The PICU currently has 22 officers (including 10 stationed in its offices throughout Malaysia) to assist investors in the implementation of their projects. Examples of problems addressed by PICU officers include:

- delays in getting approval of building plans, certificates of fitness for occupation and business licenses;
- delays in the provision of infrastructure and utility facilities (including electricity and gas pipelines);
- problems arising from conversion of land from agricultural to industrial use; and
- issuance of land titles.

MATRADE

MATRADE's headquarters in Kuala Lumpur houses a large library and resource center that provides access to 14 databases, including a number that are provided on a "subscription only" basis; a small fee is charged for using these data bases. MATRADE provides general foreign market intelligence reports, most of which can be accessed through its website. MATRADE's interactive website provides information in Japanese and English (but, interestingly, not in Malay) about its services and programs, upcoming trade promotional events, and directories. The site also links to foreign trade-related entities. The website provides detailed information on a wide array of tax incentive schemes designed to encourage exports. The website is complemented by dozens of attractive and professional looking directories, brochures, and pamphlets in English and Malay that describe MATRADE programs and application forms, offer general information on how to export, and feature calendars of upcoming national and international trade fairs and missions.

MATRADE sponsors frequent half-day or full-day programs and seminars, primarily in Kuala Lumpur, that either are free or charge low fees. The participants in these events discuss topics such as foreign market updates and import procedures, international technical and environmental standards, trade financing, IT, and branding. MATRADE also provides a Help Desk that can be accessed by telephone or in person and that provides foreign market information to Malaysia-based exporters and that links foreign buyers with Malaysian producers and service providers.

MATRADE offers a matching grant scheme for market development that includes co-funding for attendance at international fairs by paying up to half an exporter's costs for transport and accommodation, outlays for booth rentals, and shipment of samples to a fair. This grant program can also be used to fund participation in overseas trade missions, conferences, in-store promotions, domestic export training, and to pay costs for printing promotional materials, establishing an overseas office, and conducting in-depth foreign market research.

MATRADE has a matching grant program to assist companies in branding their product and that have the capacity to make a required long-term commitment. Grants that are 100 percent reimbursable are available to export-ready SMEs – or 50 percent in the case of companies that do not qualify as SMEs – for the purpose of developing and promoting a given brand. Another matching grant program, called the Professional Services Export Fund, is designed to assist Malaysian providers to offer their services in foreign markets. MATRADE will pay up to 50 percent of the costs incurred in preparing a bid for design, design-build, design-build-operate, design-build-operate-maintain or for negotiated projects. The grant will also cover up to 100 percent of the costs incurred in undertaking pre-feasibility and feasibility studies required by foreign governments and their agencies, international funding institutions, or pertinent global institutions.

MATRADE has a special matching grant program for woman-owned and Malay-owned SMEs to attend international trade fairs and participate in overseas missions. In the case of woman-owned enterprises, MATRADE will pay up to 50 percent of the out-of-pocket costs for two individuals from the firm to participate (in contrast with the usual practice of co-funding the participation of only one individual). In the case of Malay-owned firms, the matching grant may vary from 50 percent to as much as 100 percent of the out-of-pocket expenses.

MATRADE organizes Incoming Buying Missions for which it will pay airfares to Malaysia and local accommodations for potential buyers, in whole or in part, depending on their perceived seriousness. The agency will also arrange local appointments and provide transportation to visit outlets and factories.

Whereas ProChile actively works with SMEs and provides technical and financial assistance to enhance their capabilities to export, MATRADE only works with SMEs considered to be “export ready”. An exception is made for SMEs that are either owned by women or by Malays. As a general rule, however, SMEs must work through one of a number of specialized agencies to receive the type of technical and financial assistance required to reach the readiness level at which MATRADE provides funding.

The most important of the specialized agencies providing assistance to SMEs is the Small & Medium Industries Development Corporation (SMIDEC) that also falls under the jurisdiction of MITI. It is housed in the same building as MATRADE and has additional branch offices throughout Malaysia. SMIDEC offers 11 different types of matching grants that may cover as much as 50 percent of out-of-pocket costs associated with various business-related activities, such as startup, enhanced product packaging, certification in quality management, product and process improvement, development and promotion of Halal food products, and compliance international food safety standards.

SMIDEC also provides subsidized loans for factory relocation, IT adoption, startup capital to acquire assets as well as working capital financing. Although SMIDEC does not offer assistance of a technical or professional nature (*e.g.*, starting up a corporation, obtaining licenses and permits, etc.) to SMEs, it does have an SME Experts Advisory Panel that conduct an audit of capabilities and then may provide advice to businesses on issues related to improving management and accounting skills, utilizing new technology, and marketing. While SMIDEC is focused on enhancing the capabilities of manufacturers and service providers, it does provide some assistance to SMEs involved in agro-industrial and agricultural production on a limited, case-by-case basis.[6]

The National Productivity Centre (NPC) is yet another agency that falls under the jurisdiction of MITI. It is also headquartered in the MATRADE building and has branch offices throughout the country. Founded in 1962, the NPC is designed to enhance the productivity and competitiveness of Malaysian firms and their employees. The NPC sponsors various capacity building programs that target SMEs for which it charges modest fees.

The SME Bank was created in 2004 to promote the creation and expansion of Malaysia’s micro, small, and medium-sized enterprises. Wholly-owned by the National Development Bank, the agency works with strategic partners such as SMIDEC. It provides loans for start-ups in all sectors and industries (including agro-based activities) and professional services. The loans may be used for establishing a franchise, for expanding businesses providing goods and services to larger entities, and for facilitating the expansion of manufacturing and service-oriented businesses to enable them to export.

[6] The Ministry of Agriculture and Agro-Based Industries has primary responsibility for assisting agricultural SMEs through its own programs.

Private Sector Perceptions

MIDA

Private sector perceptions of MIDA are very positive, particularly in comparison with those of MATRADE. MIDA is praised for the fact that most of its staff members have business backgrounds and strong links with the local business community. As one commentator put it, MIDA is staffed with highly qualified technicians who "receive public sector salaries, but have private sector passions" for their jobs. MIDA is perceived as being managed as if it were a private firm. Staff retention and promotion is based on ability to produce results.

The agency aggressively promotes foreign investment in Malaysia. MIDA's success is in attracting FDI is often attributed to the fact that it has focused primarily on one key mission – attracting foreign manufacturers to set up factories in the special free trade zones. Its initial agenda was narrow and therefore, easier to achieve than the other trade promotion agencies. MIDA also enjoys a reputation for transparency and competence as it has never been implicated in any scandals in involving financial improprieties or misuse of public funds.

MATRADE

MATRADE gets positive feedback from the private sector in terms of the general information it provides on foreign markets although some think it could do a better job in pinpointing distribution networks and identifying potential buyers in foreign countries. MATRADE's workshops and seminars on trade-related matters also get high marks. MATRADE is generally lauded for the information it provides on Malaysia's export offer to potential buyers overseas.

One concrete suggestion is that MATRADE should make better use of the country's foreign embassies and consulates as well as the global network of World Trade Centers to rent space and set up "Malaysia Exports" centers. Such a facility would include a work station with computer access to websites that illustrate the full array of Malaysian products and that provide direct links to the country's exporters. Another suggestion is that MATRADE should consider renting warehouse space in foreign countries where SMEs can store inventory and quickly ship products to local customers as needed.

MATRADE's matching grant program for firms to attend foreign trade shows or participate in trade missions is generally deemed to be effective. On the other hand, the eligibility requirements for accessing MATRADE's Services Export Fund are considered excessive and even contradictory. This criticism helps explain the reputed 90 percent rejection rate of applications.

MATRADE has numerous private sector critics, however. Many criticize the fact that the professional staff at MATRADE below the managerial level is predominantly young with little relevant experience. This lack of experience is seen as impeding the agency's ability to respond to even basic needs. For example, requests to MATRADE for specialized information are often passed from one person to another without satisfactory responses being provided, in part because staff members do not understand the nature of the information required or have knowledge of sources from which it may be obtained.

Some in the private sector complain about unnecessary duplication of efforts by MIDA and MATRADE, beginning with the separate offices sometimes maintained in the same foreign city. These critics generally assert that MATRADE's functions could be subsumed into MIDA in view of the main focus of Malaysia's investment promotion efforts being directed primarily at attracting export-oriented FDI.

Perhaps the most pointed criticism leveled at MATRADE is that it is one of numerous agencies created by the Malaysian government to provide patronage jobs for various political parties. As evidence of this situation, MATRADE is widely regarded as being the fiefdom of one of the major parties dominated by one Malaysia's ethnic minorities. The result of this situation is said to be an agency staffed by few people with any real expertise in foreign markets and international trade. Perhaps not surprisingly, this situation is thought to result in MATRADE having little accountability and lacking concrete methodology for measuring efficiency and productivity of employees.

MATRADE provides no statistics on actual sales broken down by individual firms that have received some type of assistance. Instead it only publishes cumulative data on sales reported to have resulted from a trade show or mission it has sponsored. However, the actual transactions reported as sales may only be memoranda of understanding and not binding contracts that result in concrete business deals.

MATRADE publicizes the number of exhibitors that received assistance to participate in an international fair or overseas trade mission. However, these numbers may be deceptive as some of firms that receive such assistance are state companies required to send an exhibit to a fair or a representative on a mission whether or not the participation is an appropriate business activity. Private sector critics suggest that a more effective way to measure the real success of MATRADE's assistance would be to evaluate the benefits gained by private companies and whether any of these firms have participated in more than one or more fairs or missions. Private sector companies that derive little or no business after participating in a few fairs or missions are unlikely to repeat the experience

Coordination between MIDA and MATRADE

MATRADE is an outgrowth of the export promotion wing of MITI. The fact that MIDA and MATRADE both fall under MITI facilitates communication and coordination between the two agencies. An example of this coordination is their joint sponsorship of overseas trade and investment missions.

Despite the fact that MIDA and MATRADE both report to the same Ministry, however, does not mean relations between the two are harmonious or seamless. MIDA and MATRADE often have offices in the same foreign city, but refuse to share facilities (with MATRADE representatives usually housed in a Malaysian consulate or embassy). Aside from the possibility that this represents a failure to optimize resources, this fragmentation of overseas promotion activities encourages situations where the agencies work at cross purposes and potentially undermine other initiatives undertake in the target market.

Communication and Cooperation with Other Government Ministries and Agencies

As a result of the ASC program, MIDA works closely with the Immigration Department, the Royal Malaysian Customs Bureau, the Department of Environment at the Ministry of Science, Technology and the Environment, and the Department of Labor to ensure that concerns of investors receive immediate attention if bottlenecks should appear. In addition, MIDA attempts to avoid bottlenecks by coordinating with these government entities regarding applications for approval and other matters under purview of all relevant ministries and departments

MIDA has general oversight functions for investment promotion activities conducted at the individual state level. MIDA has a close working relationship with these state agencies, both in terms of providing them with technical assistance when requested and maintaining open communication channels so that the agency personnel are fully aware of what the states are doing in terms of investment promotion. The presence of officers stationed in all the state capitals of Malaysia under the PICU program is intended to facilitate overcoming bottlenecks foreign investors may experience at the local and state government levels.

There are at least two different mechanisms for coordination and consultation within the Government of Malaysia. Coordination at the Federal executive level rests with the Cabinet of Ministers. An Inter-Agency Planning Group also exists that meets on a regular basis and is made up of representatives from the state governments as well as the ministries and government agencies at the Federal level whose presence is required because of the particular type of policy being formulated. The Inter-Agency Planning Group will also meet to devise strategies for implementation of a policy that has been approved by Parliament. Despite the existence of the Inter-Agency Planning Group, critics assert that the Federal ministries do not communicate effectively and often duplicate work.

IV. SOUTH KOREA

Institutions

Until the East Asian economic meltdown of 1997, the South Korean government tried to control inward FDI. Successive administrations in Seoul showed a marked preference for foreign capital to enter the Korean economy in the form of commercial loans rather than as direct investment. This tendency began to shift in the early 1990's following implementation of the *segyehwa* (*i.e*., globalization) policies of the Kim Young-sam administration and Korea's joining the Organization of Economic Cooperation and Development in 1996. The shift became particularly evident following the East Asian financial sector crisis when the Kim Dae-jung government actively encouraged FDI as a more stable alternative to foreign bank loans and the portfolio investment favored by his predecessor. During this time period, the Korea Trade Promotion Agency was renamed the Korea Trade-Investment Promotion Agency (KOTRA) and the government launched the Korea Investment Service Center within KOTRA, subsequently renamed "Invest Korea" in 2003.

Up until the 1990's, Korean trade policy was very much centered on a state-directed, export-led growth model that heavily protected the home market from outside competition. Following the move to greater democracy that began in 1987, the Kim Young-sam administration dismantled the country's industrial policy, which had been tarnished by its association with the authoritarian, interventionist regimes of the past, and abolished the Economic Planning Board.[7]

Effective opening up of the Korean home market to greater competition from imports, however, would have to wait until completion of the 1994 Uruguay Round that created the World Trade Organization. The obligations Korea assumed under the Uruguay Round also forced changes to the country's investment regime that indirectly led to higher imports, including the elimination of stringent local content requirements and mandatory export performance requirements.

The model for KOTRA when it was created in 1962 was the Japanese External Trade Research Organization (JETRO). Ironically, JETRO formally became an investment promotion agency in 2003, following KOTRA's lead.[8] KOTRA is a not-for-profit agency that historically fell under the jurisdiction of the Ministry of Commerce, Industry, and Energy, acting in concert with the Ministry of Finance and Economy. In 2008, newly elected President Lee Myung-Bak created a new super ministry called the Ministry of Knowledge Economy into which was folded not only the Ministry of Commerce, Industry, and Energy, but also Information and Communication, as well as Science and Technology.

KOTRA is now under the supervision of the new Ministry of Knowledge Economy. In addition, the Invest Korea section of KOTRA also responds to the mandates of the Foreign Investment Committee which is Korea's main investment policy-making body and is

[7] J.Cherry, *Foreign Direct Investment in Post-crisis Korea* (2007), at 43-4.
[8] Originally established in 1958 to promote Japanese exports abroad, JETRO's core focus in the 21st century has shifted towards promoting foreign direct investment into Japan and helping small to medium size Japanese firms to maximize their global export potential. In conjunction with the new focus on investment promotion, in 2003 JETRO was reorganized as an incorporated administrative agency.

composed of 12 ministers and 16 provincial governors and city mayors. The head of Invest Korea sits on a subcommittee of the Foreign Investment Committee. In addition to developing overall policy goals, the Foreign Investment Committee makes determinations as to which areas of the economy are off limits for foreign investment because of national security concerns or in order to protect the health and welfare of Korean citizens.

From the time of its founding, KOTRA focused on export promotion. Within a decade, the agency was also assisting Korean conglomerates, called *chaebols*, to invest in foreign countries. The decision to include investment promotion in KOTRA's scope was based on a philosophical idea that export and investment promotion activities are complementary and often can occur at the same time (*e.g.,* export-oriented FDI). Furthermore, KOTRA already had an extensive network of overseas offices and enjoyed some four decades of international experience; thus, the agency was deemed appropriate to assume overseas investment promotion activities.

KOTRA is led by a President appointed by the President of Korea. The President of KOTRA chairs a Board of Directors with a 12 other members who are appointed by the Ministry of Knowledge and Economy. There are no mandates as to selection of the directors on the Board although they must have a proven record of managerial experience and can only hold another remunerated position upon being granted a waiver. The President of KOTRA is authorized to appoint advisory committees as deemed necessary.

KOTRA is divided into five operational sections: 1) Planning and Coordination; 2) Strategic Marketing; 3) Overseas Business; 4) Trade Information; and, 5) Invest Korea. Each of these sections is, in turn, broken down into divisions and then teams.

KOTRA is a not-for-profit agency that is authorized by statute to provide the following services:

1) Research, pioneering of new markets, gathering information about overseas markets to promote national trade and foreign investment, and diffusing the benefits thereof, through the national economy;
2) Promote overseas public relations on behalf of domestic industry, products and the Korean foreign investment environment;
3) Act as an intermediary in trade transactions, investment cooperation and industrial technology transactions between domestic and foreign firms;
4) Sponsor, participate in, and serve as an intermediary in, trade and investment expositions and exhibitions
5) Engage in export or import activities as may be prescribed by the Minister of Commerce, Industry and Energy;
6) Induce foreign investment into Korea and support of overseas investment by domestic firms;
7) Other services incidental to those of Paragraph 1 through Paragraph 6 of Article 31 of the Statute of the Korea Trade Investment Promotion Agency, such as the management of facilities, education and training of experts; and,
8) Other services mandated to the Agency by other laws.

KOTRA does not have direct enforcement powers and can only make recommendations for regulatory and policy changes to the Government of Korea through the Ministry of Knowledge Economy and in the case of investment, additionally through the Office of the Investment Ombudsman (who is a member of the Presidential Regulatory Reform Committee under the direct control of the Prime Minister and who attends the monthly meetings of the National Competitiveness Council that are also attended by the President of Korea).

KOTRA's budget for 2009 was approximately US$165.4 million and represents an increase from the year before. In fact, KOTRA's budget reflects a long term trend of annual increases. KOTRA is funded from contributions by the central as well as provincial governments (although there are no mandatory contributions levied on chambers of commerce or trade associations).

KOTRA has approximately 1300 full time employees. Up to 410 work in KOTRA's headquarters located in Seoul and the rest work in the 98 Korea Business Centers located throughout the globe. While all of these overseas centers have export promotion specialists, 40 of them also have individuals working on investment promotion-related activities.

The majority of the employees working in KOTRA's overseas offices are foreign nationals. Fulltime employees of KOTRA who are Koreans are civil servants and must take a highly competitive exam to qualify for employment at the agency (only one percent of applicants are accepted). They are also required to have some foreign language proficiency.

Those employees who pass the exam work at headquarters in Seoul for three years and are then sent abroad to work for another three years before rotating back home. Home office and overseas office work assignments typically have no correlation with the result is that KOTRA is full of generalists. Whatever sector specialization or private sector experience exists is provided by top-level managers or through specially hired outside consultants. There is a lot of institutional memory, however, as turnover is low. Salaries tend to be competitive with the private sector, particularly when someone is fielded overseas.

In 2001, KOTRA adopted an internal system for annual performance evaluations of fulltime employees that utilizes the Balanced Scorecard methodology. The results are tabulated by an in-house Performance Evaluation Team that uses criteria found in KOTRA's own employee assessment manual and looks at an employee's 1) individual performance; 2) contributions to meeting growth targets; 3) contribution to meeting increases in revenue; and, 4) individual professional development. These evaluations influence salary increases and promotions and provide strong performance incentives to employees. In order to encourage productivity within KOTRA, internal competitions between teams or divisions are held, using the same evaluation criteria that are applied to individual employees.

One of the ways by which the Korean government judges the success of KOTRA as an institution is the total volume of export sales that are generated as well as the total value of individual investments in a given year. The latter has been particularly problematic from a management and performance perspective, given the increasing number of small investors making investments of under US$10million in Korea. In determining the success of its export promotion programs, including assistance provided to firms so they can participate in overseas exhibitions and trade fairs and match-making initiatives, KOTRA tallies the actual contracts that have been executed as a result of its activities.

Types of Services Offered and Modes of Delivery

KOTRA provides two types of market analysis reports. One is of a general nature that discusses trends in a particular market and provides useful contact information; reports of this type are posted on KOTRA's website. The second type is customized for a specific firm and among other things, will identify potential buyers. KOTRA prepares the customized analyses for a fee that averages around US$300, usually taking between 15 days to a month to prepare. KOTRA also operates a trade information library at its headquarters in Seoul where exporters or investors can conduct their own research.

As part of its export promotion activities, KOTRA will normally pay up to half of the overhead costs incurred for a participant to attend an international trade show (including costs for shipping samples, exhibition fees, display installation, etc). The exact amount can be higher or lower, depending on the size of the company and the importance of trade fair. Airfare and accommodation costs are usually the responsibility of the participating company or individual. KOTRA also supports participation of Korean firms in domestic trade shows.

In an effort to promote SME-produced exports, KOTRA will work with provincial and municipal authorities and local trade associations to send SME participants on foreign trade missions or an overseas business trips. The amount KOTRA will financially contribute for such overseas trips depends on the companies involved, the particular foreign market, etc. Furthermore, KOTRA's support may include allowing SMEs to use an overseas Korea Business Center as a branch office for up to one year as well as offering them marketing, legal, and accounting services.

KOTRA also sponsors conferences and seminars in Korea that provide information on foreign market trends or developments; an event fee is charged, usually under US$100. KOTRA normally collaborates with local or sector-specific trade associations to put on these programs, but usually not with the national chambers of commerce. The KOTRA Academy sponsors one or two day courses on various topics of interest to private sector participants, such as exporters, as well as public officials from provinces attempting to attract foreign investors. KOTRA will also host foreign delegations for training programs that may last for weeks or months. Most such courses cost about US$400 to US$500.

KOTRA has a program to bring potential foreign buyers to Korea for match-making events. Normally, the agency pays the cost of two nights of hotel accommodation; the foreign buyer must pay other incurred costs. Because Korea is a prime international manufacturing center, most buyers know they are practically assured of making useful contacts. On the other hand, KOTRA has been known to pay the full cost of foreign buyers if there is a potential to facilitate a major sale that will have a major impact on the Korean economy.

KOTRA also has an E-trade or cyber business center that allows foreign buyers targeted by the overseas Korea Business Centers to link up with Korean exporters through video conferencing over the Internet. Some 40 business "meetings" have been facilitated since the program began in 2008.

KOTRA has contracted third-party logistics providers to provide warehouse facilities to Korean exporters for temporarily storage of their goods. These arrangements are available in some 20 important commercial locations around the globe, including Shanghai, Rotterdam, Brussels, Toronto, and Chicago.

KOTRA's user-friendly website is in Chinese, Japanese, Korean and English. It provides general information related to the investment climate and regulatory framework in Korea as well as information on services offered by Invest Korea to assist foreign investors. These services cover the initial inquiry phase to "after care" services (assistance on post-investment issues). The English version of the website also offers foreign buyers information on products made in Korea broken down by sector categories, trade leads and company information (including direct links to vendor catalogs). The website also provides information on upcoming exhibitions in Korea and links to the Directory of Korean businesses.

The Invest Korea section of KOTRA provides general investment promotion material on Korea, including detailed information on opportunities at the provincial level, foreign economic zones, legal rules for investing in Korea (including registration requirements), etc. This information is provided both on the website and in printed literature that is available in Korean, English, Chinese, and Japanese. Invest Korea also organizes overseas missions and sponsors conferences in Korea on investment opportunities (including an annual Investors Forum held in the country). The agency invites representatives from the foreign chambers of commerce operating in Korea and satisfied foreign investors to serve as speakers at such events. Invest Korea produces a bimonthly, English language publication with feature stories of interest to foreign investors, including updates on grievances filed with the Office of Investment Ombudsman (note discussion below).

Korean firms wishing to invest abroad can receive free general investment information by telephone from KOTRA's Overseas Investment Call Center. KOTRA also provides Korean firms with more specialized outbound investment consulting services (including feasibility studies and advice on investment procedures as well as legal, tax and accounting issues). This type of information may cost anywhere from US$3,000 to US$20,000.

The Invest Korea section provides provincial or local governments with consulting services that may be needed to develop programs intended to attract inbound FDI. A fee that averages US$25,000 is charged for this service. For inbound foreign investors, Invest Korea can assign a project manager to offer services customized to the client's needs, including executing administrative services as a proxy and arranging meetings with relevant government agencies, organizations and potential investment partners in Korea.

In October 2006, Invest Korea opened a new building adjacent to KOTRA headquarters that provides foreign investors wishing to establish a foothold in Korea with furnished office space and conference rooms. Housed on the second floor of this Invest Korea Plaza is an Investor Support Center that provides relocation support to foreign investors and their families, including providing information about housing, education, medical care options, and assistance on visa issues. Officials from the National Tax Services, the Customs Service, the Ministry of Justice and Immigration are on-site to provide immediate assistance as may be required.

The Invest Korea section also offers a rather unique “after care” service for foreign companies that focuses on resolving bottlenecks they may experience once they have made their initial entry into Korea. In 2007, KOTRA won an award for this service from the World Association of Investment Promotion Agencies. This service is best exemplified by the Office of the Investment Ombudsman, created in 1999, in which an official appointed by the President liaises with other ministries and branches of government to resolve problems encountered by foreign investors in Korea.

Since 1999, some 3,600 grievances have been filed with the Ombudsman. This office is complemented by seven so-called “home-doctors,” affiliated with the Office of Investment Ombudsman, who provide assistance to individual firms or investors when they encounter difficulties in complying with such matters as tax and labor obligations, immigration laws, business registration requirements, customs clearance, construction, and enforcement of intellectual property rights.

In an effort to improve its services in terms of investment, KOTRA has an Invest Korea Advisory Council that meets twice a year and is made up of the heads of some 20 to 30 private sector firms operating in Korea, the presidents of the foreign chambers of commerce, and a select group of professionals. The Advisory Council provides input on the climate for foreign investment in Korea and suggests recommendations for reform.

Private Sector Perceptions

Larger companies in Korea feel that they no longer need the export promotion services provided by KOTRA in view of their many years of export experience. These firms, for the most part, have developed in-house capabilities that are thought to be superior and more targeted to meeting their particular needs. In terms of export promotion, KOTRA is seen as an entity that exists to primarily assist SMEs.[9] This perception is heightened by the fact that most of the firms attending KOTRA-sponsored seminars and courses today tend to be SMEs. The Korea International Trade Association (KITA), whose membership is made up of large Korean exporters, has its own overseas centers in seven important commercial cities to assist their clients to identify potential buyers and investment partners, conduct business, hold meetings, etc.

The general consensus from the private sector is that the quality of export assistance provided by KOTRA today is good and is reasonably priced. The professionalism of KOTRA personnel is also lauded. Historically, however, KOTRA was deemed to be less effective than the Hong Kong Trade Development Council (created in 1966) and Taiwan’s China External Trade Development Council (started in 1970). This may have been because Korean exports in

[9]Historically, Korea has had an extensive record of assisting SMEs even when government policy favored large domestic conglomerates or *chaebols* to lead the country’s industrialization drive and export-led economic growth. For example, Korea reserved the production of some 1200 products for SMEs, gave tax incentives to large companies to subcontract aspects of products to SMEs, and subsidized related credit (S. Lall, “Selective Policies for Export Promotion: Lessons from the Asian Tigers” in G.K. Helleiner, Non-traditional Export Promotion in Africa (2002) at 38). In addition, SMEs were exempt from paying certain taxes, received tax deductions for a certain percentage of their investments in laboratory and inspection equipment and for the whole of their expenses for technical consultancy, and received management training. *Id.* at 49-50.

the past were either handled by giant trading companies that brought from smaller firms or by the large Korean conglomerates or *chaebols*.[10]

Despite nearly a decade of involvement in investment promotion, KOTRA appears to retain a strong export promotion orientation. For example, the type of investors KOTRA favors are those that can create synergies with Korean firms (*e.g.,* introduce capital, new technology and management skills) so as to enhance their global competitiveness or investor that can overcome supply constraints by providing Korean firms with needed inputs from within the country. There appears to be a bias in favor of foreign companies that complement Korean firms over green field investment that will directly compete with established Korean enterprises. In part, this reflects continuing suspicion by many Koreans that foreign companies are motivated to buy existing Korean firms or to drive them out of business so as to drain the country of its wealth and resources.[11]

The most serious private sector complaints about KOTRA come primarily from foreign firms operating within Korea. These firms often complain that KOTRA has no power to change or correct bottlenecks that the firms confront when doing business in the country. Instead, KOTRA is limited to making recommendations that can take months, if not years, for other government agencies or branches of government to resolve or implement. This ineffectiveness is attributed to a "disconnect" between what the executive branch espouses as national policy and what the bureaucracy actually enforces or implements. Some observers attribute this "disconnect" to a lack of effective coordination among government ministries and agencies, often resulting from the factionalism that has historically characterized Korean politics and that now manifests itself between government entities staffed by civil servants with substantial international exposure and those staffed with personnel who may have more parochial perceptions.[12]

Another common complaint by foreign investors in Korea relates to the duplication of regulations among different ministries and to the ambiguity of Korean regulations (particularly in the tax area) that provide lower level bureaucrats with the ability to make arbitrary decisions or interpret them in their own manner. This ambiguity also leads to situations where a response to a specific question can change depending upon the particular individual who answers it and his or her mood that day. This situation is generally thought to exist because of a lack of adequate supervisory or coordinating mechanisms within the Korean government. Others attribute it to the high turnover in senior ministry officials who may leave after as little as a few months in their post. Whatever the correct explanation, the result is an environment where policies are constantly being reinterpreted by new officials

[10] *Id.* at 38-9.

[11] Koreans have traditionally had a xenophobic suspicion of foreign economic domination that is based on the country's forcible annexation into the Japanese empire between 1910 and 1945. *See, e.g.,* J. Cherry, *Ibid*, at 19. Prior to the 1990's, many Koreans feared the domination of the national economy by foreign-invested firms and consequent erosion of Korea's economic sovereignty and autonomy. Many expressed concerns that the introduction of foreign capital might obstruct economic growth by hindering autonomous development. *Id,* at 24.

[12] Some observers suggest that the "disconnect" explanation is a myth, asserting that the executive branch will advocate or adopt policies to satisfy foreign demands in the expectation that full implementation will be thwarted by the legislative branch or lower level bureaucrats. Such a strategy would allow the executive branch to appear responsive to its foreign critics while claiming that efforts were undermined by the National Assembly or because of the devolution of power away from a strong, centralized presidency.

eager to stamp their own perspective on decisions and/or lower level bureaucrats who feel emboldened to thwart implementation of policy directives which they disagree because their supervisor may soon leave.

Although lauded by many foreign investors operating in Korea, the fact an Office of Investment Ombudsman is still necessary a decade after its initial creation indicates that the environment for foreign investors in Korea remains difficult despite the best intentions of KOTRA and other elements in the Korean government. Nonetheless, the record of resolution of grievances by this Office has gradually improved from a low of about a quarter of filed cases in its early years to a reported 90 percent resolution in 2008. At the same time, the number of grievances filed with the Office of the Investment Ombudsman has declined from 475 filed in 2002 to 353 grievances filed in 2008.

President Lee Myung-Bak ran on a platform advocating an increase in FDI. In his inaugural address in February 2008, the President acknowledged the disconnection between policies formulated by the upper echelons of the executive branch and implementation by the lower level bureaucracy, particularly in regards to enforcement of related laws and regulations. In response, he pledged to make policy coordination among different ministries and government agencies more efficient. In order to facilitate this, he ordered the immediate creation of a National Competitiveness Council that meets once a month and that he usually attends. On the agenda for discussion at the first meeting of the Council was an examination of bottlenecks to foreign investment and how they might best be addressed.

Coordination between the Invest Korea and the Export Promotion Sections within KOTRA

The fact that investment and export promotion are housed within the same government agency in Korea helps to ensure that both sections of KOTRA coordinate their efforts and do not work at cross purposes or engage in wasteful, repetitive activities. Even so, KOTRA acknowledges that the overseas Korea Business Centers could improve the referring of inquiries on potential mergers and acquisitions in Korea to Invest Korea as well as making potential merger and acquisition targets in Korea better known to foreign investors or buyers by networking with overseas financial firms.

Communication and Cooperation with Other Government Ministries and Agencies

For a number of years following the inclusion of investment promotion within KOTRA's portfolio, the private sector raised complaints about the lack of cooperation between key government agencies including KOTRA, the Ministry of Commerce, Industry, and Energy, as well as the Ministry of Finance and the Economy and about the absence of channels for regular dialogue between KOTRA and high-level government officials. This lack of communication and coordination undermined the original idea that the Korea Investment Services Center housed within KOTRA would serve as a "one-stop" shop designed to provide all the assistance that might be required by new investors, including the registration of a business, making the necessary filings with the tax authorities, and acquiring work visas.

Whether the new National Competitiveness Council, which includes as a member the head of the Office of the Investment Ombudsman, can serve as a means of facilitating coordination of government policies that favor FDI among all ministries and other government agencies remains to be determined. The decision to create one super ministry (*i.e.,* Knowledge Economy) in 2008 is another attempt to promote greater coordination in those matters that once were divided among three ministries (*i.e.,* energy, industry, science, telecommunication, technology, and trade) and to, thereby, improve trade and investment promotion.

Coordination of policies affecting in-bound foreign investment between the national, provincial, and municipal levels is facilitated by the fact that representatives of the national, provincial and municipal governments are included in the Foreign Investment Committee. Despite this mechanism, however, KOTRA acknowledges that strengthening of its capabilities to redress bottlenecks at the local government level is needed, particularly in terms of environmental laws, construction codes, and land use planning issues. On the other hand, since both national and provincial governments provide funding for KOTRA, there is a strong incentive for them to coordinate investment and export promotion activities at both the national and provincial levels.

V. INDONESIA

Institutions

Government-sponsored investment promotion activities in Indonesia at the national level are the responsibility of the Investment Coordinating Board (BKPM). BKPM is a free-standing government agency that is overseen by and answers directly to the President of the Republic. BKPM was created in 1973 with the express purpose of overseeing enforcement of the laws and regulations affecting both foreign and domestic investment, including the issuance of investment permits. At the time, Indonesian policy was generally hostile to FDI and the Government controlled major parts of the industrial sector. As the Government's posture toward FDI has changed over intervening years, BKPM's activities have undergone evolution.

BKPM is led by a Chairman although it has no Board of Directors. A Secretary General oversees internal administrative matters. The agency is divided into six departments:

- Planning (steering investment to sectors that can add value to existing natural resources or primary commodities);
- 2) Investment Development Climate (deregulation, etc.);
- 3) Promotion (overseas missions, etc.);
- 4) Investment Operations (international cooperation, etc.);
- 5) Licensing (investment approvals); and
- 6) Supervision and Control (assistance to investors in overcoming bottlenecks at the national and regional levels).

BKPM's only office in Indonesia is its headquarters in Jakarta. Six representative offices are maintained in Amsterdam, London, Los Angeles, Singapore, Taipei, and Tokyo. These offices are independent of Indonesia's embassies and consulates, but their employees answer to the Ministry of Foreign Affairs.

BKPM has about 700 employees. Approximately 260 of them are deemed professionals or managers while the remaining 440 or so are support staff. The foreign offices are currently staffed by one Indonesian civil servant and two local staff members. All BKPM employees are civil servants who must take a qualifying exam that is exclusive to the agency. Those wishing to be posted in BKPM's foreign offices must take a special course at the Ministry of Foreign Affairs once they are accepted and deemed qualified to serve overseas. BKPM has internal training programs to improve the skills of its employees. The agency management encourages employees to apply for scholarships to study at foreign universities.

BKPM's budget for 2009 was 350 billion rupiahs (US$35 million) of which 150 billion rupiahs (US$15 million) were earmarked for investment promotion activities. BKPM's budget has remained stagnant in recent years.
Article 28 of Law No. 25 of 2007 (Law of Investment of the Republic of Indonesia) states that the responsibilities and functions of the BKPM are:

a) To carry out the duties and the coordination for the implementation of any policy in the investment sector;To study and recommend policy in investment service;
b) To specify the norms, standards, and procedures for the implementation of investment activity and service;
c) To develop investment opportunity and potential in the regions by empowering companies;
d) To make the Indonesian investment map;
e) To promote investment;
f) To develop the business sector through investment by, *inter alia*, increasing partnerships, increasing competitiveness, creating healthy business competition, and by providing all the information required for investment activities;
g) To help solve problems of various obstacles and giving consultation on any problems faced by investors in making their investment;
h) To coordinate domestic investors in making investment outside Indonesian territory; and,
i) To coordinate and implement the One-Stop Integrated Service.

The concept behind "One-Stop Integrated Service" is that a foreign investor can file its investment application at the same time that BKPM receives and processes the investor's requests and applications for tax filings, import licenses, residency visas, etc. on behalf of other ministries and government agencies at the national level. The "One-Stop Integrated Service" will require other Indonesian government entities to either transfer their legal authority to review and grant licenses and authorizations to BKPM or have their representatives housed at BKPM to perform these functions.[13]

The actual implementing regulations that will bring the One-Stop Integrated Service into force were only issued in late June 2009; the national, provincial, regency and municipal governments have another two years to make their respective One-Stop windows fully operational. In the specific case of BKPM, the implementing regulations to establish the precise procedures for carrying out the agency's One Stop Integrated Services have not yet been issued.

At the present time, BKPM's primary function is to accept applications for both foreign and domestic investment and ensure that a given application does not fall within one of the areas

[13] While implementation issues relative to One-Stop Integrated Services could not be fully assessed when this report was written, Indonesia's well-documented challenges in coordination among governmental entities at all levels raise concerns as to whether this concept will ultimately be feasible. In addition, the administrative authority and skills necessary to expedite licenses and permits in a wide range of required permissions and to resolve related problems and obstacles may be generally lacking, particularly on the part of civil servants in sub-national government units. Any effort to streamline the handling of such matters will face challenges flowing for the devolution of authority to sub-national units and from the inevitable reduction of current revenue streams flowing to these units due to eliminated, consolidated or reduced license and administrative fees. In addition, review and issuance of applications or permits in areas involving public health or safety – where a given agency's personnel may have not the skills needed to make such determinations – may result in substantial complications for an applicant.

where private investment is prohibited, where foreign investment is restricted to Indonesian nationals, or where the sector is reserved for Indonesian SMEs.[14] If BKPM deems that an application is in order, it will then issue an initial investment approval. Once all the required permits and licenses have been obtained, BKPM will then issue a permanent operating permit to the applicant investor.

As a result of Law 22 that came into force in 2001, greater autonomy was granted to governments at the provincial, regency and municipal levels and investment approvals can be carried out by government units at these levels. [15] The Law grants approval authority to regencies and municipalities over foreign investment projects that fall exclusively within their jurisdiction. When a particular investment encompasses more than one regency or municipality within a province, then oversight falls within the exclusive domain of the provincial government.

BKPM has exclusive jurisdiction only if an investment project covers more than one province or is in a sensitive sector (for example, nuclear energy). BKPM is allowed by law to coordinate the activities of provincial, regency or municipal investment agencies throughout the country and provide them with, among other things, logistical support when potential overseas investors visit Indonesia or when these local agencies are planning overseas missions.[16] At the same time, the local investment agencies are supposed to provide BKPM with information on investment opportunities within their jurisdictions so as to allow BKPM to centralize this data and facilitate its dissemination to potential investors.

The national government will grant fiscal incentives to foreign investors, depending upon factors such as the number of new jobs created, if the investment is in a sector deemed a priority area for development by the national government (*i.e.*, infrastructure, energy, or food production), if the investment will lead to the transfer of new technology or purchase of locally made capitals goods, if the investment contributes to the development of marginalized regions of the country, or if investment preserves the environment. These incentives may include a reduction of the corporate income tax rate for a certain period of time, waiver of import duties and VAT on capital goods or raw materials, accelerated depreciation and amortization of certain assets, and reduced property taxes.

The Ministry of Finance currently has the exclusive authority to grant these national-level incentives once BKPM has made an initial determination of "eligibility" and has officially forwarded the application to the Ministry. To date, the Ministry has ceded to BKPM the right to grant foreign investors reductions in the full payment of import duties on imported capital

[14]Article 15(d) of Law No. 25 of 2007 (Law of Investment of the Republic of Indonesia) states that every investor is required to make a report on investment activity and to submit it to the Investment Coordinating Board.
[15]*See, e.g.,* Article 30(2) to Law No. 25 of 2007 (Law of Investment of the Republic of Indonesia): "Regional governments are to organize investment affairs under their authority, except for those organized by the [national] Government." For its part, Article 30(6) of the Law of Investment states that "Regencies/cities are to organize investment in their respective regions."
[16]Article 27 of Law No. 25 of 2007 (Law of Investment of the Republic of Indonesia) states in relevant part that: (1) Government is to coordinate investment policy among government agencies, between government agencies and the Central Bank (Bank Indonesia), between Government and regional government, and among the regional governments; (2) Coordination for the implementation of investment set forth in paragraph (1) above shall be done by the Investment Coordinating Board.

goods and inputs. In addition, provinces, regencies and municipalities can also offer investors comparatively minor tax incentives (*e.g.*, exemption from payment of the motor vehicle tax).

NAFED, the National Agency for Export Development, is the principal Indonesian government entity responsible for export promotion. NAFED was established in 1971 to act as a special service agency. The Chief Executive Officer is the Minister of Trade and the agency's administration is headed by a Chairman. NAFED has no Board of Directors. NAFED's budget has been steadily increasing and in 2009, was approximately 220 billion rupiahs (US$22 million).

In addition to its main office at the Ministry of Trade in Jakarta, NAFED operates 19 international trade promotion offices outside the country.[17] A new office in China is scheduled to be open before the end of 2009. These are stand-alone offices not housed in Indonesia's embassies and consulates (except for the one in Los Angeles); these are independent of BKPM's representative offices in those locations where there is an overlap (*i.e.*, Los Angeles and Taipei). The international trade offices are usually staffed by two Indonesians and two to three locally hired individuals.

NAFED has a total of about 380 employees (approximately 80 are posted to the international trade offices). About 68 of its employees are manager-level employees while the remaining are support staff. Employees are all civil servants who are not required to pass any special examinations for employment in the Ministry of Trade and any of its agencies, including NAFED. However, candidates for staff positions in the international trade promotion centers must take a special exam to attain such employment. If applicants pass this exam, they must then take a three-month course offered by the Ministry of Foreign Affairs and pass an interview with the Minister of Trade.

NAFED is provided a small budget to provide in-house training for its employees; it also contracts outside courses in order to improve staff skills. Because of the freeze on hiring between 1998 and 2006, NAFED is top heavy with older workers close to retirement and has young employees who generally have insufficient knowledge of economics, international trade policy, export development and promotion, and understanding of foreign market conditions. Persons wishing to work in the international trade promotion centers may apply from any ministry as these positions are not limited to NAFED staff; consequently, their preparation and training for such jobs in not controlled by NAFED or the Ministry of Trade. The human resources office at NAFED conducts internal employee evaluations that are required for promotions up to the echelon 2 in the civil service.

NAFED is legally mandated to carry out the following functions:

1) To prepare the formulation of ministerial policy in the field of national export development;

[17]Under the 2001 legislation which re-activated them, the International Trade Promotion Centers are legally mandated to: 1) market Indonesian exports in foreign countries; 2) provide information on foreign markets for Indonesian exporters; 3) promote business contacts between Indonesian businesspeople and foreign entrepreneurs; 4) facilitate Indonesian entrepreneurs to market their products; 5) improve the overall export promotion activities of the Indonesian government; and, 6) enhance the international market penetration of Indonesian goods and services.

2) To implement this policy in accordance with applicable laws and regulations;
3) To formulate the standards, norms, guidelines, criteria, and procedures in the field of national export development;
4) To provide the technical guidance and evaluation in the field of nationalexport development; and,
5) To implement the administration affairs of the agency.

NAFED is divided into six sections:

1) Secretariat (with oversight over two administrative divisions and two substantive divisions, including Program and Cooperation Arrangements as well as Exhibition Evaluation and Reporting);
2) Center for Export Information Services (with oversight over three divisions: data collection and processing; database and information network; and information and publication services);
3) Center for Export Development in America and Europe;
4) Center for Export Development in Asia, Australia, and New Zealand;
5) Center for Export Development in Africa and the Middle East; and,
6) Indonesia Export Training Center.

The Center for Export Information Services is the core unit for collecting and disseminating foreign market information. The nineteen International Trade Promotion Centers report to and assist this center.

The Commercial Attaches posted to Indonesia's embassies also provide information to NAFED with respect to the foreign market information to be disseminated to Indonesian exporters. These commercial attaches, however, do not report directly to the Center for Export Information; all communications from them go through the General Secretariat of the Ministry of Trade.

The Centers for Export Development focus are divided into three Divisions: 1) Industrial Products; 2) Craft Products; and, 3) Agriculture Products.

The Division of Exhibition, Evaluation and Reports of the NAFED Secretariat evaluates the effectiveness of programs and services as well as the competence and productivity of employees.

Types of Services Offered and Modes of Delivery

BKPM

BKPM does not operate a business information center where potential investors may find information on investment-related matters, such as the rules for investing in Indonesia, the country's investment climate or potential investment opportunities can seek assistance. Since 2007, but on an irregular basis, BKPM has published *Invest*, a magazine with investment-related articles. On request, BKPM's Promotion Department will assemble a promotion kit that consists of six booklets in English:

- *Criteria and Requirements for the Determination and List of Business Fields Closed and Open with Conditions to Investment* (Law No. 76 of 2007);
- *Doing Business* (published in 2008)*;*
- *Government Regulation on Investment Facilities* (Law No. 1 of 2007);
- *Investment Opportunities* (published in 2008); 5) *Law of Investment of the Republic of Indonesia* (Law No. 25 of 2007); and
- *Profile of Indonesia* (published in 2008).

BKPM maintains a website with basic information on Indonesia's investment climate in English and Bahasa Indonesia. However, the website format has repetitive headings and is consequently confusing to navigate. It contains limited information on concrete investment opportunities in the country (for example, under "Local Partners," contact information for only 12 potential joint venture partners is provided and no indication is given as to whether the data is current). Some of the links to other websites don't function or are not directly related to investing in Indonesia (*e.g.,* investment promotion organizations in other countries, the IMF, the International Red Cross, etc.).

The BKPM website provides contact information for the investment promotion boards in 32 of Indonesia's 33 provinces. However, related content on the website needs additional development and better organization. Links are provided to the websites of a few of the provincial investment promotion agencies, but some of these links do not function and some provide no information in any language other than Bahasa Indonesia. One of those links that does provide relevant information is the website of the Central Java Investment Board, but quality of the text and the information should be improved; for example, the site provides a simple list of potential investment opportunities, contact information for "clusters" without explanation of what the term means, and an indirect and vague reference to investment "incentives," etc. A link is provided to BKPM's representative office in Japan. The link is found under the heading for "BKPM Network" which includes contact information for provincial investment promotion agencies and which contains information about BKPM in Japanese. However, unless a Japanese-speaking potential investor searches through all the headings and links contained on the website, this resource would be difficult to find.

Nonetheless, BKPM does have plans to make more sophisticated use of information technology. A new web-based E-service is due to be implemented within the next three years (following extensive training for employees at its Jakarta office and all the employees of provincial, regency and municipal trade promotion agencies) that will allow investors to obtain information regarding investment in Indonesia and will allow investors to file online applications for all required permits and licenses at any level of government.

BKPM's investment promotion activities consist primarily of sponsoring attendance at international and domestic exhibitions, in-country seminars, facilitating one-on-one meetings in Indonesia for potential foreign investors, and targeting foreign companies for visits by BKPM officials to promote Indonesia. The agency does not charge for any of the investment promotion services it provides.

BKPM employs personnel charged with gauging foreign market trends, providing assistance, obtaining input from provincial trade promotion agencies, and designing promotion kits and advertising. BKPM provides transportation services, will pay for accommodations, and offers use of its offices to foreign investors who can potentially make significant investments in the country. There is currently no methodology in place for measuring the success of specific investment promotion activities or services provided.

In 2008, BKPM participated in 11 international exhibitions and 10 domestic exhibitions. During 2009, BKPM officials were scheduled to participate in or lead delegations to international investment conferences in Singapore, Australia, China, France, Germany, and India. There is no record of any overseas investment promotion trips planned for 2009 and there were none in 2008. BKPM does sponsor in-country investment promotion events, such as the Indonesia International Investment and Trade Expo to be held in Jakarta in October 2009.

NAFED

NAFED has no customer service center; however, it provides exhibition floor space and operates a library and resource center in the Ministry of Trade’s headquarters as well as a small library at the Indonesia Export Training Center (IETC) in the Grogol neighborhood of Jakarta.

NAFED’s website lists upcoming overseas and domestic trade fairs as well as overseas trade missions. The website provides access to reports about exporting opportunities in a few sectors or select foreign markets, but these reports are largely out of date. Indonesian products that are potentially exportable products are listed with accompanying information, including photographs. The website also provides access to a database of names and contact information of past exporters and what they have exported as well as names and contact information of past foreign buyers and what they have imported from Indonesia.

A website is maintained by NAFED that offers a virtual catalog of exportable products made in Indonesia and lists suppliers with contact information that can be broken down by product categories and province. In 2008, NAFED published a monthly bulletin called *Export Indonesia* in English that focused on a different export sector in each issue with contact information on suppliers in Indonesia.

Established in 1990, IETC offers courses for current and potential exporters at its Jakarta location as well as distance-learning courses in other cities throughout Indonesia. IETC’s primary customer base is SMEs, although about a quarter of those enrolling in its courses every year are university students. Employees from government agencies (including NAFED employees), state-owned enterprises, business association members, and employees of large companies also enroll in the Center’s course.

IETC's 135 courses enroll an average of 2,500 to 3,000 individuals per year. The courses are divided into seven categories:

1) international trade (export procedures, export-import managements skills, WTO, etc.);
2) product development (packaging and design, quality, etc.);
3) export financing;
4) distributor selection;
5) export promotion (I.T., E-commerce, exhibiting at international trade shows, etc.);
6) export marketing strategy; and
7) quality and competition management (ISO 9001, etc.).

The average cost of a course is about 500,000 rupiah (US$50) although courses lasting more than a day can cost up to 1 million rupiah (U$100). IETC also offers intensive courses of two-month duration on international trade that cost 4 million rupiah (US$400).

These fees provide a revenue stream that, along with 60 dormitory rooms rented out to enrollees, compose a third of IETC's budget of 18 billion rupiah (US$1.8 million). The rest of the budget comes from the Government although IETC also receives donor funds, particularly from the Japanese government which sponsors a Japanese language class and provided funding to build the IETC training facility in Jakarta.

IETC has 12 full time trainers as well as part-time trainers drawn from other government agencies (*e.g.*, customs) and the private sector (*e.g.*, banks, customs brokers, etc.). IETC uses its distance learning facilities to obtain input on its courses from foreign experts.

IETC has an internal evaluation system based on evaluations submitted by enrollees at the end of a course. Independent third-party assessments are conducted through an annual survey. IETC points to the fact that it turns away potential enrollees as an indicator that its offerings are relevant to the private sector and offer value for the money invested through course fees.

Housed in the IETC are four testing laboratories for wood, rattan, rubber, textiles and food products. The laboratories primarily test the quality of products to ensure they meet basic consumer safety standards. A branch of Bureau Veritas is located at the IETC to issue an internationally recognized quality control certificate.

Until 2006, the IETC maintained four export training and promotion centers in Medan, Surabaya, Benjarmasin and Makassar that were created as a result of funding provided by the Japan International Cooperation Agency (JICA). These centers were primarily focused on assisting SMEs to improve export-related skills. Since 2006, IETC has primarily provided long distance training courses outside Jakarta and works with provincial and regency trade promotion agencies to host trainers teaching these courses.

Many of the provincial units have adopted similar course modules as those developed by IETC. However, concerns have been raised about the performance of some trainers providing these courses in regional locations. Accordingly, IETC feels a need to improve and expand its course offerings in the regions outside Jakarta, but is hampered by national budget constraints and inconsistent or inadequate funding from foreign aid agencies.

Apart from the programs of the IETC, NAFED's only other program targeting SMEs consists in scouting local trade fairs to identify firms or individuals that have export potential and facilitating their participation in the Trade Expo that NAFED sponsors in Jakarta every year. NAFED will pay the lodging and provide a lump sum *per diem* allowance to individuals associated with the selected SMEs to facilitate their participation in the Trade Expo.

NAFED's current export promotion activities are primarily limited to putting on the annual Trade Expo, facilitating participation in international exhibitions by Indonesian producers, and sponsoring overseas trade missions. NAFED has no program to cover costs incurred by potential foreign buyers who visit Indonesia seeking suppliers. However, a Buyer Reception Desk is maintained at Jakarta's international airport that will facilitate clearance through immigration and customs as well as meetings with potential Indonesian suppliers (including provision of interpreters).

In 2008, NAFED had a presence at 17 international trade fairs and sponsored four overseas missions. NAFED does not pay for out-of-pocket expenses incurred by any Indonesian individual or firm participating in these international exhibition or overseas trade mission. NAFED will pay the cost for a display stand at an international trade fair. Participants are expected to pay for their own transportation, accommodations, shipping of samples, and registration fees.

NAFED-sponsored participants in these events are chosen by a Selection Committee made up of NAFED employees. One criterion used to make selections is that the company or individual has not participated in more than three trade fairs or overseas mission sponsored by NAFED. The Selection Committee also visits domestic trade fairs to scout for potential candidates for participation in overseas trade missions and international exhibitions. The Committee also seeks recommendations from export promotion agencies at the provincial level.

Export promotion activities are not exclusively provided by NAFED. Other ministries (*i.e.*, Ministry of Agriculture, Ministry of Maritime Affairs and Fisheries, Ministry of Industry, and the Ministry for Cooperatives and Small and Medium Enterprises) conduct their own programs, including provision of matchmaking services and financial assistance for individuals and firms to participate in overseas trade fairs. NAFED's role in the export promotion activities conducted by the other ministries is limited to providing information on foreign trade fairs or basic overseas market information.

The Ministry of Agriculture has a web-based facility to encourage the sale of Indonesian agricultural products to foreign buyers. In addition, the Ministry's Directorate General for Processing and Marketing of Agricultural Products conducts pilot sale promotions at overseas supermarkets and invites potential overseas buyers to Indonesia to visit farms. The Ministry of Maritime Affairs and Fisheries operates showrooms for Indonesian fish products in Japan, the Netherlands and the United States. The Ministry for Cooperatives and Small and Medium Enterprises exhibits exportable products made by SMEs at its premises in Jakarta and works with private sector operators in Bulgaria and Saudi Arabia to conduct marketing and sales promotion of Indonesian products.

Private Sector Perceptions

KADIN

The Indonesian Chamber of Commerce and Industry (KADIN) is establishing a dedicated Business Support Desk (BSD) to focus on trade and investment promotion. The intention is not to duplicate services that BKPM or NAFED currently provide, but to fill voids or to complement and work with both agencies to enhance the types of services they currently provide. KADIN has signed a Memorandum of Understanding with BKPM and plans to do so with NAFED that will establish respective roles.

KADIN has targeted matchmaking between Indonesian suppliers and foreign buyers as well as between foreign investors and potential Indonesian joint venture partners as an area on which to focus attention. The leadership of KADIN also believes that the organization can centralize information affecting exporters and investors that is currently handled on a piece-meal basis by different government entities at the national, provincial, regency and municipal levels. KADIN wants to create a One-Stop Shop for information and assistance on legal issues related to exporting or investing.

KADIN has an extensive network of chambers at the provincial level (although it acknowledges that the linkages with its provincial branches have been weak in the past). KADIN’s leadership also believes that the organization can assume the task of creating a country brand for Indonesia. In order to support that effort, KADIN has proposed establishing a Joint Promotion Board that would include members of the private sector and representatives of BKPM, NAFED and the Ministry of Tourism to promote exports, investment and tourism in Indonesia. The proposed Board would be funded by both public and private sector contributions.

BKPM

While BKPM has budget and mandate to engage in investment promotion services, such activities are almost non-existent. BKPM’s website provides little information for potential investors. Its representative offices overseas appear to have little engagement in investment promotion.

BKPM is criticized by some in the private sector as being an impediment to FDI investment, not a facilitator. BKPM’s investment approval process is considered unduly cumbersome due to its having established arbitrary criteria not contained in statutes as to minimum cash transfers that must form part of a foreign investment. Critics point out that the investment approval process cannot be done by mail (or electronically) but must be done in person, requiring multiple trips to BKPM headquarters. On a positive note, some in the private sector praise senior executives at BKPM for their willingness to assist foreign investors in overcoming bottlenecks created by other government entities at the national, provincial, regency and municipal levels.

A widely perceived weakness of BKPM is the absence of any formal mechanism to facilitate contact and feedback with the private sector. Consultations with foreign and domestic chambers of commerce are carried out on an *ad hoc* basis. Inclusion in overseas missions sponsored by BKPM is thought by some critics to be politically motivated (particularly when funding is provided by foreign donor money).

NAFED

The IETC receives generally positive reviews from the private sector and is regarded as NAFED's most successful unit. A possible explanation for this perception is that the IETC receives continual feedback from users of its services. In addition, the Center utilizes an independent body to monitor and evaluate the needs of its customer base and to determine if its course offerings meet those needs.

Some observers point to a need for more management-related courses to train exporters in procedures, compliance practices, contracting, etc. in order to build capabilities necessary for success in international markets and in dealing with foreign partners. The Center supplements its in-house trainers with outside experts, often drawn from the private sector, and it sometimes utilizes videoconference services through which to provide programs delivered by foreign experts.

NAFED does not partner with the private sector to develop activities tied to achieving tangible results. In recent years, it has consulted an *ad hoc* basis with KADIN in planning overseas missions, but this has generally been related to NAFED efforts to recruit participants. A repeated complaint from private sector stakeholders is that participants in overseas trade missions do not receive sufficient preparation; moreover, there appears to be little confidence in the background information provided by NAFED in the context of these missions. The international trade fairs in which NAFED participates are usually held in mature markets; in such markets, meaningful increases in export opportunities are unlikely.

Coordination between the BKPM and NAFED

The National Committee on Export Promotion and Investment (Timnas PEPI) is a senior-level, interagency policy coordination team chaired by the President. It was established in 2003 and revitalized in 2005. PEPI is charged with formulating policies for improving exports and investments, deciding on actions needed to increase exports and investments, and evaluating strategic issues related to export and investment promotion.

PEPI is composed of four committees: 1) Policy; 2) Investment Incentives; 3) Trade Promotion; and 4) Supervision. Each committee is chaired by a minister and is composed of echelon 1-level officials from that ministry, representatives of relevant agencies (for example, BKPM) and some members from outside the government.

The committees are primarily intended to address issues that cannot be handled effectively at a lower level or elsewhere within the government. Committee 1 (Policy), chaired by the Minister of Trade, is generally viewed to be the most active and is currently working on a number of issues related to export and investment policy, including trade facilitation. BKPM has worked through PEPI to reduce the number of sectors from which foreign investors are excluded or face restrictions.

PEPI must rely on other ministries and agencies for resources; it does not have its own budget and is faced with episodic staffing gaps. These factors considerably inhibit its ability to carry out its mandate. Moreover, PEPI is not an autonomous body; it is able to only work on issues assigned to it by the President. To date, PEPI has not been assigned work that consists of genuine policy formulation. Instead, the staff has been limited to working on technical matters (for example, drafting regulations for the Investment Law of 2007).

Communication and Cooperation with Other Government Ministries and Agencies

The Deputy Minister for Industry and Trade Affairs at the Coordinating Ministry for Economic Affairs is tasked with coordinating the activities of BKPM and four ministries: Tourism and Culture, Industry, Trade, and Cooperatives and Small and Medium Enterprises. Once the annual Economic Development Plan has been issued by the Ministry's Planning Department, the Deputy Minister meets with the heads of the four ministries and the BKPM to discuss the government's overarching policy priorities and to seek their input as to how to best implement those policies. When relevant, the Deputy Minister will also include other ministries, for example, Women's Empowerment or Youth & Sport.

The ministries, along with the BKPM, determine what agency will assume the lead and which agencies will play supporting roles in such tasks as drafting new regulations, preparing language for a presidential decree, or devising and taking the primary role for oversight of implementation of a specific program. Once this is done, the Deputy Minister will then devise a formal plan of action and seek to obtain the budgetary support needed to carry out the tasks assumed by each ministry and the BKPM. Every three months, the Deputy Minister holds follow-up meetings to determine what progress has been made and to identify any bottlenecks that need to be resolved within the national government.

The primary goal of the meetings conducted under the auspices of the Deputy Minister is to progress implementation of policies already adopted at the presidential level and to settle related budget resources, not to provide full consultation with all stakeholders. However, since other ministries with their own export promotion programs (*i.e.*, Agriculture, as well as Maritime Affairs and Fisheries) are not usually included in this process, this mechanism would seem inadequate to achieve full coordination of Indonesia's export promotion activities. The same potential inadequacy holds true for coordination of investment promotion activities in view of fact that the Ministry of Finance, which is responsible for approving tax incentives granted to foreign investors, is not part of this coordinating group of four ministries and BKPM.

Despite the provisions of Article 27 of the Law No. 25 of 2007 (Law of Investment of the Republic of Indonesia), BKPM is not able to fulfill its mandate to coordinate investment policy outside of the national level. Exchange of information and coordination between BKPM and the regional and provincial governments is episodic. Budgetary and human resources on the part of the sub-national governments as well as BKPM are constrained. However, the recently created Association of Provincial Investment Promotion Agencies (AIMPAP) represents an incipient public-private partnership that could provide a framework for improved capacity in provincial investment promotion agencies. AIMPAP has the goal of improving the professionalism and quality of the work performance of these sub-national level agencies. It also has the objective of becoming an investment promotion information center.

No formal mechanisms exist for coordinating the export promotion activities of the national government and the sub-national governments. Limited coordination does take place when NAFED informs regional organizations about upcoming international exhibitions and overseas trade missions and requests recommendations for participants. NAFED also works with the provincial organizations to support its database on Indonesian suppliers and to co-sponsor seminars and conferences with them. However, there appears to be no regular communication mechanism to ensure that shared data is constantly or consistently revised and updated. Under current conditions, IETC’s coordination with provincial, regency and municipal trade promotion agencies appears to be NAFED’s most consistent engagement with non-national level counterparts.

In 2005, a planning and coordination program, known as the “10+10+3 Program,” was undertaken to promote ten products that already have a successful export track record, ten products identified as having export growth potential, and three services (*i.e.*, IT, creative design and export labor) that the government of Indonesia wishes to promote as exports over a four-year period. The Ministry of Trade led the planning process, in coordination with other related ministries, state-owned enterprises, financial institutions and KADIN. NAFED was assigned the primary responsibility for implementing this Program. However, no independent assessment is available to verify whether the products and services identified as having export growth potential have a sufficiently competitive advantage to succeed in attracting serious levels of international sales.

VI. CONCLUSIONS AND RECOMMENDATIONS

Investment Promotion

With respect to promotion of trade-related investment, the Government of Indonesia should develop a clear vision of the types of foreign investment the country needs to attract and then devise a strategy that will accomplish that vision. This task should be addressed at the highest levels of economic policymaking within the Government and not delegated to the line agencies or to BKPM as they lack staff resources necessary to address adequately such a mandate.

Once the investment promotion vision has been developed, the implementation strategy could be constructed on the basis of experiences drawn from the three case studies presented in this paper. Of the three countries, Chile is the most straightforward model. However, elements that can be drawn from the Malaysian and Korean models appear have applicability to Indonesia’s needs as well.

A major positive aspect of the Chilean model has been the elimination of all mandatory investment registration requirements and a significant reduction of those sectors in which foreign investment is materially restricted. In addition, due consideration should be given to Chile’s overall policy emphasis on creating a transparent and efficient business climate that minimizes bureaucratic interference rather than creating government agencies tasked to promote investment.

The Government should separate the regulatory functions of BKPM over investment registration from those related to investment promotion. These roles are inherently in conflict as the agency encourages investors to enter and participate in the Indonesian market while, at the same time, imposing and enforcing regulations on their entry and market behavior. Combining these functions provides ample scope for discriminatory treatment that may be beneficial to favored investors and disadvantageous to potential competitors. Consequently, BKPM’s current oversight of the enforcement of laws and regulations affecting both foreign and domestic investment, including the issuance of investment permits, should be carried out through an institution that does not also have responsibility for investment promotion.

The Office of Investment Ombudsman in Korea provides an interesting example of an alternative role for BKPM to resolve or eliminate bottlenecks to investment created by other ministries and government agencies at the national and sub-national levels. Unlike the Office of Investment Ombudsman in Korea, however, such a mandate to BKPM should be paired with independent enforcement authority to reduce or eliminate bureaucratic “red tape” such as the issuance of permits now required of investment-related undertakings.

Elimination of duplicative or overlapping requirements should be a priority. For example, as part of company registration requirements, the Ministry of Justice requires that the paid-in capital for a new company formed by foreign investors be evidenced by its deposit in a bank in Indonesia at the time of the company’s formation. Every subsequent change in the company’s capital requires an additional approval from the Ministry of Justice. Consequently, information collected by the Ministry of Justice can be used to meet statistical requirements and satisfy compliance reporting relative to international money laundering agreements.[18]

In line with Chile's experience, streamlining bureaucratic procedures at the national level can eliminate or reduce the need to establish a complicated, multi-level One Stop Integrated Service. Implementation of One Stop Shops could then be primarily carried out at the regency, provincial or municipal level where such a service can assist investors by facilitating land use permits and in obtaining the host of required local authorizations and licenses.

Any agency charged with investment promotion should be directly answerable to the President of the Republic (as is true of BKPM). Such an agency should have a legal structure that would permit it to have a Board of Directors (for example, a not-for-profit corporation. A majority of Board members should have relevant and proven competence, drawn in large measure from the private sector, as is true of MIDA in Malaysia.

Under current institutional arrangements in Indonesia, no formal mechanism exists through which the views and advice of the private sector on investment promotion are incorporated into policymaking. Creation of such an arrangement would signal that the Government places high priority on both domestic and foreign investment and that private sector views and concerns will be taken into account at the highest levels. While an organization with a free-standing board (such as Chile's CORFO) could be created, an alternative would be an Advisory Council with significant private sector representation that meets regularly with relevant Ministers and, when appropriate, the President.

As the MIDA example illustrates, an investment promotion agency should be able to hire individuals from outside the civil service who have extensive business experience and should be given authority to pay them a competitive compensation package. As an alternative to exemption from civil service compensation requirements, such an agency should have the ability to hire independent consultants from the private sector without limitations. An example of a current deficiency that could be addressed by such consultants is the absence of regular, independent assessments of BKPM's activities, performance and achievements.

An investment promotion agency should also be legally constituted so that it could create and retain revenue streams from service fees in the manner that KOTRA charges Korean firms wishing to invest abroad and charges provincial and municipal governments for advice on devising strategies to attract foreign and domestic investors. The agency should also be able to charge fees for services provided through a business outreach center in much the same manner that Korea's KOTRA provides services; for example, the provision of office space to foreign companies wishing to establish an in-country presence.

Any institutional arrangement for investment promotion should be structured in a way that enables the Government to better coordinate both investment promotion and export promotion activities (particularly if the decision is made to encourage export-oriented FDI) and to pool related resources when and where appropriate. For example, where BKPM and NAFED have overseas offices in the same city, collocation would facilitate improved

[18]Another option that is utilized in developing countries that have no mandatory approval or registration requirements for foreign direct investment is a report filed with the country's central bank.

coordination of activities and services. In addition, overseas missions to such locations could be combined when appropriate and provided better support.

An initial and major focus of an investment promotion agency should be to provide services to already existing investors as well as to potential investors. The agency should provide one-on-one assistance in guiding such investors through regulatory procedures (that ideally would be streamlined) at the national, provincial, regency and municipal levels as may be needed. It should also provide the type of "after-care" services provided by KOTRA's Invest Korea section. The agency should also be given responsibility and authority to coordinate investment promotion activities carried out by sub-national governmental units.

In regard to overseas representation, the Chilean example underscores that an elaborate network of foreign offices is not necessary to attract FDI successfully. A similar result can be achieved by creating a transnational strategic network of companies, universities, and individuals through which global business trends and prospective foreign investors can be identified. Agency staff can then assimilate this information and exploit this knowledge in order to develop and improve an investment promotion strategy that targets sectors and companies most likely to invest in Indonesia. A major responsibility of an investment promotion agency in such a context would be to supervise and adequately support the collection of market information from such a network and oversee the development of appropriate strategies and investor services based on that information.

As CORFO did in Chile, an Indonesian investment promotion agency could establish an internship program with internationally-oriented business schools in countries where investment can potentially be obtained. The agency should be able to hire consultants in those countries who have previously worked for successful public or private sector investment promotion agencies and have them assist in devising a strategy for successfully targeting FDI from such markets. The ideal would also be for the new agency to also have the authority to hire staff from outside the civil service, whose work would be supplemented by independent consultants, to support the agency's full range of professional requirements.

Export Promotion

In order to better support export promotion, the current legal structure of NAFED should be revised. The agency could be established as a BLU and governed by a Board of Directors with significant representation from the private sector. However, if export promotion remains a lead responsibility of the Ministry of Trade, then an Advisory Board with private sector membership representing key export sectors should be created to provide advice and guidance to the Minister and NAFED's leadership in designing programs and services to meet the needs of Indonesia's actual and potential exporters.

Under current institutional arrangements, there is no formal mechanism for regularly incorporating private sector input into the designing of programs to diversify and increase exports. This deficiency is compounded by the fact that NAFED's employees are all civil servants without practical business experience. Furthermore, there are no monitoring mechanisms in place that can provide independent assessment of whether NAFED's activities are actually producing positive results. This lack extends to evaluation of the international export promotion centers to determine if they contribute materially to increasing Indonesian exports into the countries where they are located.

Due to insufficient budget resources, NAFED is unable to provide the type of financial assistance that export promotion agencies routinely offer to actual or potential exporters. Unlike its counterparts in Chile, Malaysia and South Korea, NAFED is unable to pay any portion of out-of-pocket expenses incurred by Indonesians participating in an overseas trade mission or an international exhibition. This situation inevitably means that many smaller firms are excluded from participating in these activities.
IETC's experience with service provision (as well as that of ProChile and KOTRA) demonstrates that provision of quality foreign market analyses can create an alternative revenue stream for an export promotion agency, thereby reducing dependency on generally inadequate resources available through the national budget. If a sufficiently robust independent revenue stream could thus be created, NAFED would be well-placed to become institutionally capable of meeting its mission in ways comparable to its counterparts in trading partner nations. In fact, the fees now collected by IETC for its courses and related dormitory charges constitute an independent revenue stream to NAFED that should be further developed and maximized.

NAFED faces significant personnel constraints that cannot be ameliorated or eliminated through traditional civil service practices. NAFED should also be able to employ staff with practical business experience from outside the civil service. If such employment is not practicable, then independent consultants should be hired (just as IETC hires external trainers).

As is the case with KOTRA, NAFED should select staff for international trade promotion centers from individuals rotated within the agency and not drawn from other ministries. The use intra-agency rotations would promote two goals: staff retention through the possibility of financially and professional attractive foreign postings and deepening of staff knowledge and skills through intense exposure to foreign markets. However, successful staffing through such an arrangement will require a concerted effort to enhance the current skill levels of NAFED employees.

In order to improve the provision of current services and to support expansion of export promotion activities, NAFED staff members require better skills in the use of telecommunication services, particularly those that are Internet-based. The new MOT building now has network facilities adequate to support use of such information services. However, this capacity needs to be matched by compatible IT equipment, particularly workstations, in each Indonesian embassy and consulate abroad. That capacity should be used not only by office staff, but be made available to potential buyers, investors, and even tourists in order to provide rapid access up-to-date information.

Integral to better use of IT capabilities is the need for NAFED, working through the MOT Data Center, to create and support a well-designed and user-friendly website that provides a wide range of relevant and up-to-date information and links. Such a resource can, in many instances, be more effective than publications, particularly when those are not kept up-to-date. Moreover, an information-rich, interactive website can substitute for or augment the work of an overseas office or in-country business service center, particularly if such facilities are not staffed with well-trained, well-informed individuals. A properly designed and maintained website should provide easily accessible contact information on potential buyers in foreign markets and on foreign market trends, distribution networks, foreign import trade associations and trade-related data. It can also be a major component in a successful country branding initiative.

The Government should centralize the oversight of export promotion activities by all ministries in order to reduce duplication and confusion. NAFED or a successor organization should be given similar authority to oversee coordination of export promotion activities carried out by provincial, regency and municipal governments. However, such oversight does not imply that only the national-level agency would be authorized to carry out export promotion activities. Ideally, any trade promotion activities carried out by any other ministry or government unit should also be coordinated through and co-sponsored by the national export promotion agency.

Institutional coordination of this sort can facilitate the creation of uniform rules and procedures with respect to the selection criteria for individuals or firms participating in overseas trade missions or international exhibitions as well as in the granting of matching funds or other subsidies for participation. The selection process should be carried out by a committee of both public and private sector representatives. In addition, all of the agency's export promotion activities should be designed with meaningful private sector input in order to maximize return on public money expended for such activities.

Appendix 1: Comparative Matrix of Investment Promotion Activities

	Chile	Indonesia	Malaysia	South Korea
Legal Mandate	N/A	1) To carry out the duties and coordination for the implementation of any policy in the investment sector; 2) To study and recommend policy in investment services; 3) To specify the norms, standards and procedures for the implementation of investment activity and services; 4) To develop investment opportunity and potential in the regions by empowering companies; 5) To create the Indonesian investment map; 6) To promote investment; 7) To develop the business sector through investment by increasing partnerships, increasing competitiveness, creating healthy business competition and by providing all the information required for investment activities; 8) To help solve problems of various obstacles and give consultation on any problems faced by investors in making their investment; 9) To coordinate domestic investors in making investment outside Indonesian territory; and 10) To coordinate and implement the One-Stop Integrated Service.	1) Undertake activities related to promotion of manufacturing and service sectors (excluding utilities and financial sector) within and outside of Malaysia; 2) Undertake research and planning related to industrial development and related services and restructuring; 3) Advise gov't on granting of manufacturing licenses, incentives, expatriate posts and other facilities related to the promotion, development, and coordination of industries; 4) Advise gov't on measures for promotion of industries and related services, including the imposition, alteration, and exemption from customs and other duties and export-import licensing; 5) Facilitate and assist activities of federal and state institutions engaged in or connected with industrial development and related services; 6) Provide consultancy services including training and technical assistance; 7) Undertake activities that promote cooperation with other countries in line with objectives of the Gov't of Malaysia with respect to industries and related services; 8) Assist Malaysian companies to seek technology and investment opportunities abroad; 9) Report annually to MITI on progress and problems of industrialization and related services in Malaysia and make recommendations on dealing with such problems; 10) Carry out other functions consistent with this Act as MITI may in writing authorize; and	1) Research, pioneer new markets, gather information on overseas markets to promote national trade and foreign investment, and diffuse their benefits to the national economy; 2) Promote overseas public relations on behalf of domestic industry, products and Korean foreign investment environment; 3) Act as intermediary in trade transactions, investment cooperation and industrial technology transactions between domestic and foreign firms; 4) Sponsor, participate in and serve as an intermediary in trade and investment expositions and exhibitions; 5) Engage in export or import activities as may be prescribed by the Minister of Commerce, Industry & Energy; 6) Induce foreign investment into Korea and support of overseas investment by domestic firms; 7) Provide other services… such as the management of facilities and the education and training of experts; and 8) Provide other services mandated to the Agency by other laws.

	Chile	Indonesia	Malaysia	South Korea
			11) Generally do all such matters allowed incidental to or consequential upon the exercise of its powers or the performance of its functions under the Federal Industrial Development Authority Act of 1965 (as amended).	
Institutional Framework	No dedicated investment promotion agency; CORFO is the national development agency, an independent government agency that answers directly to the President of the Republic.	Stand-alone agency answerable directly to the President of the Republic.	Government agency under the jurisdiction of the Ministry of International Trade & Industry.	Invest Korea. Separate division within the not-for-profit Korea Trade and Investment Promotion Agency (KOTRA) under the jurisdiction of the Ministry of Knowledge Economy.
Regulatory Function(s)	No.	Yes. At present, BKPM grants initial investment approvals and subsequent permanent operating permit.	Yes. Grants applications for manufacturing licenses, tax incentives and import tariff waivers.	No.
Outbound Investment	No	Yes.	Yes	Yes.
Annual Budget	US$2.4 million (2009)	US$35 million (2009)	US$21 million (2005)	US$250 million (2009)
Board of Directors	Yes.	No.	Yes.	Yes.
Composition of Board	Public sector majority; two members from private sector.	N/A.	Majority from private sector	From public and private sectors; selected for proven managerial experience.
Advisory Board	No.	No.	No. But frequent meetings with trade association heads.	Yes.
Expenditures		Export Promotion: US$15 million (2009)	Salaries: US$9.7 million (2005)	
Source of Funding	Self-funded; limited public funding.	Public funding	Public funding.	Public funding; some self- funding from service fees.
Number of Professional Staff	556 (Total Employees).	Approximately 260.	Approximately 275.	Approximately 1000 (total employees).
Private Sector Experience of Professional Staff	No. Civil Servants	No. Civil Servants.	Yes. Majority are recruited after careers in the private sector.	No. Civil Servants.
Number of Support Staff	556 (Total Employees)	Approximately 440.	Approximately 300	Approximately 1000 (Total Employees)

	Chile	Indonesia	Malaysia	South Korea
Number of In-Country Offices	15	1	11	1
Number of Foreign Offices	7	6	19	Investment specialists housed in 40 of 98 Korea Business Centers
Number of Foreign Office Professiona l Staff	7	6	Approximately 30	Approximately 700 (Total Employees)
Special Qualificatio ns Required for Employmen t	No	Yes. Must pass civil service exam that is unique to BKPM.	Preference for previous work experience in the private sector or university business degree.	Yes. Highly selective exam exclusive to agency; foreign language proficiency required.
Number of Foreign Office Support Staff	0	12		Approximately 700 (total employees).
Local Nationals in Foreign Offices	0	12	Approximately 50	Approximately 400.
Ability to Hire Non-Civil Servants	Yes. As consultants.	No.	Yes.	Yes. As consultants.
Evaluation of Staff Performanc e	Yes (Internal).	Yes (Internal).	Yes (Internal).	Yes. Internal (based on Balanced Scorecard Methodology).
Staff Training	Yes	Yes.	Yes.	Yes.
Information Center	No	No	Yes.	Yes.
Library/Re-source Center	Yes	No.	Yes.	Yes.
Website Content	Detailed description of investment climate and opportunities in targeted countries; incentive grant programs in Spanish and English	Poorly-designed website with little information on investment opportunities	Detailed description of investment climate and opportunities and on incentive programs in Bahasa Malaysian, Chinese, Japanese and English.	Detailed description of investment climate, regulations and services offered by Invest Korea in Chinese, Japanese, Korean and English. E-matchmaking services.
Electronic Submission of Documents	Yes.	No.	Yes. Applications for licenses, tax incentives, and import duty waivers.	No.
Publication	Yes. But preference	Yes. Investment Kit	Yes. Extensive and varied in	Yes. Extensive and

	Chile	Indonesia	Malaysia	South Korea
s	for using website.	(contains basic legislation and socio-economic data).	a number of different languages.	varied in a number of different languages. Bi-monthly *Invest Korea* magazine.
Services Provided	Grants and credit at preferential interest rates	*Ad hoc* assistance in resolving bureaucratic bottlenecks.	One-on-one inbound investment counseling.	Inbound and outbound personalized investment counseling. Matchmaking. Furnished office space and conference rooms in Seoul for new foreign investors.
Modes of Delivery	Investment incentive grants for hiring, training, feasibility studies and development of new products; use of high technology, services; job creation in lesser-developed regions. Preferential lending to groups of SMEs.	Accepts applications for both foreign and domestic investment to ensure that proposed investment is not in restricted areas; and issuance of initial investment approval. Once all the required permits and licenses have been obtained from the other relevant government entities, issuance of permanent operating permit.	Business Investment Center provides counselors, electronic matchmaking, investment seminars, studies on overseas investment climate, and databases of market information for targeted countries.	Specialized reports on outbound investment. Office space rental. Family relocation support. Online E-consultation.
One-Stop Shop	No	No.	Yes. Representatives from national ministries, gov't agencies and utility companies on staff at MIDA to process applications for permits and licenses, answer questions and resolve problems.	Officials from the National Tax Services, the Customs Service, the Ministry of Justice and Immigration are housed at KOTRA headquarters to provide immediate assistance.
Fees for Services	Requirement of matching funds from recipient	No.	No.	Yes. Fees for specialized consulting services.
Target Firms	Yes	No.	Yes.	Yes.
Priority Sectors for FDI	Yes. High technology	Yes. Infrastructure, energy, and food security.	Yes. Export-oriented manufacturing and support services (logistics, etc.)	Yes. FDI that will support Korean firms becoming more globally competitive.
Overseas Missions	Rare.	Rare.	Yes.	Yes.
Internationa l Exhibitions	Rare.	Yes.	Yes.	Rare.
After Care Services	No.	Yes. On an *ad hoc* basis.	Yes. Project Implementation Coordinating Unit.	Yes. Office of the Investment Ombudsman. One-on-one investment "home doctors".
Monitoring and Evaluation	Yes. Independent audits by third parties	No.	Yes. Internal.	Yes. Internal, but annual budget based on meeting or exceeding

	Chile	Indonesia	Malaysia	South Korea
Activities				investment targets.
Advertising	Yes. In international business-oriented media and newspapers.	Yes. TV spots on CNN.	Yes. Print media and TV spots, both international and domestic.	Yes. International media.
Private Sector Input on Programs	Yes.	No.	Yes, but *ad hoc*.	Yes. Through advisory council and *ad hoc* meetings
Public-Private Partnerships	Yes. Product development and marketing.	No. Potentially with KADIN on client services.	Yes. Marketing.	No.
Intra-Ministerial Coordination	Various formal mechanisms and self-initiated.	Partially through PEPI and the Coordinating Ministry on Economic Affairs.	Cabinet of Ministers; Inter-Agency Planning Group.	National Competitiveness Council chaired by President of the Republic.
Coordination with Local Governments	No. Tradition of national government responsibility	Yes, but very weak.	Yes. Formal arrangement with state investment promotion agencies.	Yes. Through Foreign Investment Committee.
Country Branding	Yes. "Chile: All Ways Surprising"	Yes. "Indonesia: Celebrating 100 Years of National Awakening"	Yes. "Malaysia: Truly Asia"	No.

Appendix 2: Comparative Matrix of Export Promotion Activities

	Chile	Indonesia	Malaysia	South Korea
Legal Mandate	1) Disseminate information on foreign market opportunities; 2) Provide assistance needed to comply with export related procedures and regulations; 3) Train and utilize specialized export promotion teams; 4) Actively promote within the country and internationally the development and expansion of networks providing assistance to exporters; 5) Promote the creation of export-oriented cooperation organizations; 6) Provide orientation on policies to make export-oriented credit programs more effective; and, 7) Coordinate the functions, duties and jurisdiction of different government branches so as to enhance the promotion, diversification and expansion of Chilean exports.	1) To prepare the formulation of ministerial policy in the field of national export development; 2) To implement the policy in the field of national export development in accordance with applicable laws and regulations; 3) To formulate the standards, norms, guidelines, criteria, and procedures in the field of national export development; 4) To provide the technical guidance and evaluation in the field of national export development; and 5) To implement the administrative affairs of the Agency [*i.e.,* NAFED].	1) Promote, assist and develop Malaysia's external trade with particular emphasis on export of services and manufactured and semi-manufactured products; 2) Formulate and implement export marketing strategies and trade promotion activities to promote exports; 3) Undertake commercial intelligence and market research and create a comprehensive database of information for the improvement and development of Malaysia's trade; 4) Organize training programs to improve the international marketing skills of Malaysian exporters; 5) Enhance and protect Malaysia's int'l trade interests abroad; and 6) Promote, facilitate and assist trade-related services.	1) Research pioneering of new markets, gather information on overseas markets to promote national trade and foreign investment and diffuse their benefits to national economy; 2) Promote overseas public relations on behalf of domestic industry, products and Korean foreign investment environment; 3) Act as intermediary in trade transactions, investment cooperation and industrial technology transactions between domestic and foreign firms; 4) Sponsor, participate in and serve as an intermediary in trade and investment expositions and exhibitions; 5) Engage in export or import activities as may be prescribed by the Minister of Commerce, Industry and Energy; 6) Induce foreign investment into Korea and support of overseas investment by domestic firms; 7) Other services incidental to those of Paragraphs 1-6, Art. 31 of enabling statute, such as the management of facilities, education and training of experts; and 8) Other services mandated to the Agency by other laws.
Additional Legal Mandates	In 1976, the Ministry of Finance authorized ProChile to fund its own attaches at Chilean			

	Chile	Indonesia	Malaysia	South Korea
	embassies, charged with 3 functions: 1) Collect up-to-date info. on legal and administrative measures affecting imports; 2) Promote Chilean products and send back info. on possible competitors; prices; volumes; designs; packaging, etc. in those markets, providing Chilean exporters with local market intelligence; and 3) Provide all logistical support required by visiting trade missions and ensure that Chilean firms effectively participate in int'l trade fairs.			
Institutional Framework	ProChile's formal name is the Directorate of Export Promotion and falls under the jurisdiction of the Directorate General of International Economic Relations (DIRECON) of the Ministry of Foreign Relations. DIRECON unifies all government agencies involved in expanding foreign trade and enhancing foreign market access (including trade negotiations). ProChile has 6 sections: 1) Internal administration; 2) Departments of Industry, Agro-Industry, Processed Foodstuffs, Services and Sub-departments of Environment, Professional Services; 3) Departments of North America, Asia and New Markets, Europe, Latin America and Sub-departments of South America, Caribbean and	NAFED falls under the jurisdiction of the Ministry of Trade. NAFED is headed by a Chairman and is divided into six sections: 1) The Secretariat (which, in turn, has oversight over two purely administrative divisions and two substantive divisions, including Program and Cooperation Arrangements as well as Exhibition Evaluation and Reporting); 2) Center for Export Information Services (with oversight over three divisions: data collection and processing; database and information network; information and publication services); 3) Center for Export Development in America and Europe; 4) the Center for Export Development in Asia, Australia, and New	MATRADE falls under jurisdiction of MITI. The Chief Executive is supported by two deputies. The Deputy for Promotion oversees: 1) Africa/Asia Division; 2) Americas/Europe Division; 3) Products and Services Promotion Division; and 4) Overseas Trade Commissioners (34). The Deputy for Development and Management Services oversees: 1) Planning and Strategy; 2) Export Facilitation; 3) IT and 4) Management Services.	KOTRA is a not-for-profit agency under the jurisdiction of the Ministry of Knowledge Economy created in 2008. The Invest Korea section of KOTRA also responds to the mandates of the Foreign Investment Committee. KOTRA is divided into five operational sections: 1) Planning and Coordination; 2) Strategic Marketing; 3) Overseas Business; 4) Trade Information; and 5) Invest Korea. Each of these sections is, in turn, broken down into divisions and then into teams. The Office of the Investment Ombudsman is also under KOTRA's jurisdiction.

	Chile	Indonesia	Malaysia	South Korea
	Central America; 4) Department of Strategic Development; 5) Department of Regional Development; and 6) Departments of Trade Information and Promotion and Sub-departments of Information, Exporter Assistance, Fairs, Int'l Marketing	Zealand; 5) Center for Export Development in Africa and the Middle East; and 6) the Indonesia Export Training Center.		
Board of Directors	No. Board was abolished in 1979	No.	Yes.	Yes.
Composition of Board	N/A	N/A	Majority of members are from the private sector.	Require proven track record of managerial acumen. Some from private sector.
Advisory Council	All Pro-Chile programs are designed with private sector input. Private sector representatives sit on Selection Committees.	No.	No. *Ad hoc* consultations with private sector.	No.
Annual Budget	US$ 34 million (2008). Decreasing in recent years.	US$ 22 million (2009). Decreasing in recent years.	US$ 44 million (2007). Increasing substantially in recent years.	US$ 250 million (2009)
Expenditures	N/A	N/A	US$ 5.3 million for salaries (2007)	N/A
Source of Funding	Primarily public funds; some from service fees.	Public funds.	Primarily public funds; some from service fees.	Public funding; some from service fees.
Number of Professional Staff	164 (116 in Santiago; 48 in 12 Regional Offices).	68	257 (2007).	1000 (total employees; not broken down by profession)
Private Sector Experience of Managers/ Professional Staff	In-country staffers are sector specialists (e.g., agronomy) or foreign market specialists with overseas exposure. Professional staff must have export experience.	None.	Two-thirds of professional staff have tertiary degrees. Industry sector specialists are engineers. Only some executive officers have private sector experience.	Majority are from Civil Service. However, KOTRA is allowed to hire external consultants, many of whom are foreigners and/or have extensive prior business experience.
Number of Support Staff	44 (22 in Santiago; 22 in 12 Regional Offices).	312	150 (2007)	1000 (total employees)
Number of In-Country Offices	13	1	6	1
Number of Foreign Offices	50 (independent or attached to embassies), including business	19 (independent, only Los Angeles attached to	39 offices (independent or attached to embassies). Headed by	98

	Chile	Indonesia	Malaysia	South Korea
	center in Shanghai.	consulate).	Trade Commissioner with ambassadorial status.	
Foreign Warehouses	1 experimental facility in Russia	0	0	20 (KOTRA contracts warehouse facilities from third parties for Korean exporters in 20 major commercial centers throughout the world.)
Number of Foreign Office Professional Staff	135 (majority are foreign nationals).	40	50 (2007)	310
Number of Foreign Office Support Staff	24 (mostly foreign nationals)	40	111 (2007)	400
External Networks and Relationships **(primarily Public-Private Partnerships)**	Fundación Chile (not-for-profit engaged in human capital development, incorporation of new technology, and R&D in new products/services); Chamber of Commerce of Santiago (assists SMEs to access FTA partner markets); Inter-American Development Bank; EU (link SMEs); INDAP (agricultural cooperative extension and micro-credit agency); administers monies from Ministry of Agriculture disbursed under matching grant schemes targeting agro-industrial sector.	IETC has in the past or currently receives funding from JICA and aid agencies from Canada, the Netherlands, Switzerland, and USAID. *Ad hoc* cooperation with KADIN in planning and finding participants for overseas trade missions and international exhibits.	Joint overseas missions with Ministry of Agriculture, Agro-Based Industries, Ministry of Plantation Industries and Commodities and Traditional Commodity Market Boards; Federation of Malaysian Manufacturers and Association of Plastic Manufacturers (co-sponsor trade missions, provide feedback on MATRADE programs and services, co- publish sector specific directories, and conduct factory audits to help determine winners of MATRADE export excellence, best brand annual awards).	KOTRA collaborates with local or sector-specific trade associations to hold conferences and seminars throughout Korea on foreign market trends or developments.
Library/ Resource Centre	Yes. Access to databanks (including subscription only) for small fee. 12 regional offices have databank access.	Yes. At NAFED headquarters and IETC.	Yes. Access to 14 databases (including some on subscription-only basis). Small fee for subscription- only databanks.	Yes.
Website Content	Offers detailed info in Spanish on latest trade statistics, export assistance programs, forms for matching grant proposals and electronic submissions. Chilean Exporters Directory: links to 1,700 trade related web sites. Market and sector-specific intelligence	Lists of upcoming overseas and domestic trade fairs and overseas trade missions. Some out-of-date reports about exporting opportunities in a few sectors or a handful of foreign markets. List of potentially exportable products from Indonesia (including photos).	Provides information in Japanese or English (but not Malay) about services and programs, upcoming trade promotional events, product and service directories, general overseas market analyses, and links to some foreign trade-related organizations.	Provides information in Chinese, Japanese, Korean, and English on products made in Korea broken down by sector categories, trade leads, and company information (including direct links to catalogs). There are also lists of upcoming exhibitions in Korea and links to the

	Chile	Indonesia	Malaysia	South Korea
	reports for US$40. Foreign Tariffs Compendium for US$6. Lists of country-specific potential business partners for US$8. Website @ http://www.chileinfo.com provides info in English and Spanish on Chile's export offers, national trade fairs, and links to firm catalogs.	Database of names and contact information of past exporters and past foreign buyers with contact information and lists of products imported. Separate website with virtual catalog of exportable products and supplier contacts.	Also has detailed info on tax incentive schemes to encourage exports. Links to dozens of directories, on-line application forms, general info on exporting, and calendars of upcoming national and int'l trade fairs and overseas missions.	Directory of Korean Businesses. Extensive, up-to-date reports on general market information, including market trends and useful contact information.
Publications	Once provided large number of publications; now replaced by e-publications available through website.	Monthly bulletin *Export Indonesia* in English featuring one export product per issue. No issues after 2008.	Wide variety of publications in English and Malay covering exporter assistance programs, Malaysian products and services directories (including CD-ROM), national and international conventions and exhibitions, and country-specific market requirements, etc.	Wide variety of publications, mostly in Korean.
Services Provided	1) general market intelligence analyses (including technical norms, quality and environmental standards); 2) matching grant program to improve quality and compliance with international norms and quality expectations; 3) matching grant program for innovative export promotion activities; 4) provision of booths or space at int'l fairs and special thematic events; 5) matching grant program for small and subsistence farmers to attend int'l fairs and special thematic events; 6) foreign offices provided fee-based specialized studies on market opportunities for specific products	1) Sponsorship of overseas trade missions; 2) provision of stands at international exhibitions; 3) Annual Trade Expo in Jakarta; 4) Buyers Reception Desk (facilitate meetings between foreign buyers and potential Indonesian suppliers); 5) IETC courses to improve exporting-related skills; and 6) seminars and workshops on exporting (quality and market entry strategy).	1) general market intelligence studies; 2) matching grant program for market development to assist export-ready SMEs to attend int'l trade shows, missions and conferences; participate in overseas in-store promotions; take domestic export training; obtain print promotional materials; create overseas offices and conduct export market research; 3) matching grant program to assist companies to develop and promote a brand internationally; 4) matching grant program called the Professional Services Export (PSE) Fund to assist Malaysian providers to offer their services in foreign	

	Chile	Indonesia	Malaysia	South Korea
	(including info. on import regulations, standards, market prices, make contact) and conduct due diligence on potential buyers, distributors, etc.; 7) PyMEXPORTA for SME's; 8) FONOEXPERT hotline provides specialized hands on export assistance.		markets; 5) matching grant program to assist female and Malay-owned SMEs to enter into export markets; 6) twice monthly e-newsletter; 7) weekly report of e-trade leads; and 8) in-person or by telephone Help Desk (including info. on sourcing Malaysian products and services, overseas market info.).	
Modes of Delivery	Mixed private-public sector Export Promotion Council and Committee to Promote Agro-Industrial Exports approve matching grants for private-sector initiated proposals representing groups of firms and/or trade associations. Matching grants can be used for a variety of export promotion activities, including foreign advertising campaigns, improvement of product quality, compliance with technical norms, and eliminating supply constraints. As a general rule, ProChile pays only half of project costs. In the case of international fairs and special thematic events, ProChile will normally only pay booth/space rental fees. More generous levels of co-financing may be offered to very small and subsistence farmers.	1) NAFED provides free stands at international exhibitions; provides travel package (airfare, accommodations, transfers, etc.) to participants in overseas trade missions and international exhibitions. 2) IETC offers 135 courses in Jakarta, often at subsidized fees for SMEs; provides low-cost accommodations in IETC dormitory. 3) NAFED will pay accommodations and lump sum payment to selected SMEs to attend annual Trade Expo in Jakarta.	1) Market development matching grant program pays up to half of out-of-pocket costs for participants in overseas trade fairs (including transport, accommodation costs, registration, booth rental rents, and sample shipping); reimbursement of costs for promotional materials, setting up overseas offices and export market research are subject to caps. 2) Matching grant program for developing and promoting brands internationally; includes a 100% reimbursable grant for SMEs and 50% for non-SMEs (subject to cap). 3) PSE Fund matching grant pays Malaysian service providers up to 50% of costs to prepare bids; conditional grants of up to 50% of costs to prepare and submit bids for design, design-build, design-build-operate, or design-build-operate-maintain, or negotiated projects; or up to 100% of costs incurred for pre-feasibility and feasibility studies for foreign governments, int'l	1) KOTRA provides 2 types of market analysis reports: general reports posted on website; customized reports for a specific firm (identifies potential buyers); 2) KOTRA will pay 50% of a participant's overhead costs to attend international or domestic trade shows (including costs for shipping samples, exhibition fees, installation costs, etc.); 3) SMEs are allowed to use overseas Korea Business Centers as a branch office for up to one year and are offered marketing, legal, and accounting services; 4) Conferences and seminars on foreign market trends or developments; 5) KOTRA Academy sponsors export-related courses; 6) Program to recruit potential foreign buyers for match-making events; 7) E-trade/cyber-business center provided to facilitate matchmaking; and 8) Overseas warehouse

	Chile	Indonesia	Malaysia	South Korea
			funding institutions or global institutions. 4) Matching grant program to assist female and Malay-owned SMEs to export can pay up to 50% (or more in case of Malay majority firms) of all costs for 2 attendees to overseas trade fairs and missions.	facilities made available.
Financial Responsibility of Recipient	Int'l fairs or special themed events: pay own transportation, accommodation, registration fee and shipping costs (more generous allowances for subsistence farmers); co-funding up to 50% for other promotional events; must share experiences at ProChile workshops.	All out-of-pocket expenses. Only exception is for accommodations and lump sum payment to selected SMEs to attend NAFED's annual Trade Expo in Jakarta.	Int'l fairs, overseas trade missions, foreign conventions: pay at most half of transportation and accommodation.	1) Customized market analysis reports cost US$ 300.00; 2) Pay at least 50% of costs to participate in int'l trade show (including shipping, exhibition fees, installation costs); may be more depending on company size and the particular trade fair. Airfare and accommodation costs are responsibility of participant (unless SME); 3) Seminars and conferences average US$100; 4) 1/2- day KOTRA Academy courses cost US$400 to US$500; and 5) Foreign buyers invited to Korea must normally pay all costs except hotel charges.
Targeted Clients for Services	Services are primarily agro-industrial sector (all companies); less so for manufacturing sector.	IETC courses are targeted for SMEs.	Export-ready manufacturers (processed foods; construction material; electronics; furniture); service providers; female and Malay-owned SME's	SMEs. Overseas Korea Business Centers also target potential foreign buyers of Korean goods and put them in contact with potential Korean suppliers.
Number of Clients Serviced	Approximately 6,000 firms and individuals (exceeding pre-set targets for the year).	Approximately 2,500-3,000 individuals enroll in IETC courses per year.	3,189 Malaysian firms participated in MATRADE trade promotion activities in 2005 (12,050 business meetings).	
Int'l Trade	Infrequent	4	24 (2005)	

	Chile	**Indonesia**	**Malaysia**	**South Korea**
Missions				
Int'l Trade Fairs	50 (eligible for 2008)	17	54 (2005)	
Exhibition and Convention Space	None	Yes. Small exhibition space at MOT headquarters.	Yes. 23,000 square meters on multiple floors at headquarters.	Yes. Small exhibition space at headquarters.
Sample Product Displays	No.	Yes. At Ministry of Trade	Whole floor of product displays at headquarters; Product Exhibition Centers in Dubai, Hong Kong, Rotterdam, Johannesburg and KL Int'l Airport	Displays of Korean products at headquarters.
Matchmaking with Foreign Buyers	Matching grants to bring potential foreign buyers to meet with trade associations or whole sectors in Chile or for them to go abroad. Applied for by trade associations or firms representing a sector.	Buyers Reception Desk (facilitates meetings between foreign buyers and potential suppliers).	Organize incoming buying missions (12 in 2005). Pays, in whole or part, airfares to Malaysia and local accommodation costs for potential buyers depending on perceived seriousness. Arranges appointments and provides transportation to outlets and factories for buyers recruited by overseas offices (742 in 2005).	KOTRA has an E-trade or cyber business center that allows foreign buyers targeted by the overseas Korea Business Centers to link up with Korean exporters through videoconferencing via the Internet.
Inter-Action with Private Sector	Sector-specific export committees designed to bring together all the exporters of identical or similar type products, regardless of size, in order to exchange information and receive assistance from ProChile. 20 sector-specific committees formed in 1980s grouping 360 firms, 70% of which had not previousl exported. Annual meetings between commercial attaches and sector specific committees for realistic assessment on meeting foreign supply demands.	Very limited and *ad hoc;* focused on finding participants for upcoming overseas trade missions and international exhibitions.	Federation of Malaysian Manufacturers (FMM) and Association of Plastic Manufacturers co-sponsor trade missions with MATRADE, provide biannual feedback on MATRADE products and services, and participate in selection for annual MATRADE Exporter Awards.	Co-sponsors seminars and conferences with local trade associations. Works with local trade associations to identify SMEs as participants in overseas trade missions and international exhibitions.
Trade Facilitation	Regularly scheduled ProChile sector-specific export committee meetings identify domestic and foreign	No.	No established or formal mechanism; done on a*d hoc* basis.	Yes.

	Chile	Indonesia	Malaysia	South Korea
	bottlenecks.			
Supply Constraints	Agro-industrial matching grants only given to entire sector or trade associations that include SMEs. ProChile sector-specific export committees facilitate efforts to adequately supply foreign market demands.	No.	No.	Yes. A goal of KOTRA's Invest Korea section is to identify foreign companies that can be enticed to invest in Korea to facilitate the supply of inputs needed by Korean companies and thereby enhance competitiveness.
Quality Control	Agro-industrial matching grant program proposed by sector to enhance compliance with int'l quality standards. ProChile sector- specific export committees focus on quality needs.	Housed in the IETC are four testing laboratories for wood and rattan, rubber, textiles and food products. Bureau Veritas branch issues internationally recognized quality control certificate.	General training programs.	Yes.
Training Programs	Export training workshops held throughout country. Trade and ICT training held in Santiago. Human capacity training is primary responsibility of CORFO (with branches throughout country).	IETC offers approximately 135 courses per year for current and potential exporters; held in Jakarta. Distance-learning courses in other Indonesian cities. Courses address: 1) international trade; 2) product development; 3) export financing; 4) distributor selection; 5) export promotion; 6) export marketing strategy; and, 7) quality and competition management. There is also an intensive 2-month course on international trade.	Seminars and workshops in KL on foreign market updates, import procedures, int'l technical and environmental standards, trade financing, IT and branding, etc. Occasional trade briefings and advisory business consultation sessions in other parts of the country. Will send Malaysian firms for overseas training. NPC under MITI with branches throughout Malaysia provides productivity and competitiveness training.	KOTRA Academy offers conferences on export related matters.
Staff Training	Internal training courses on management and trade topics. Since 2000, many departments have also received training on complying with ISO 9001 certification	Infrequent internal training.	164 courses and training sessions carried out in 2005; designed to improve staff skills in management, int'l negotiations, export promotion policies, ICT, marketing, communication, and auditing.	Frequent in-house and external training.
Monitoring and Evaluation System for Effectiveness of Employee	Annual budget based on: 1) percentage of budget assigned to targeted	The Division of Exhibition, Evaluation and Reports of the NAFED Secretariat responsible for in-house	Remuneration for directors and management is fixed as are increments (although receipt of increment is	KOTRA uses internal system to evaluate the performance of fulltime employees on an annual basis; utilizes the

	Chile	Indonesia	Malaysia	South Korea
Performance and Activities	agricultural sectors actually spent; 2) number of private sector firms implementing approved promotion projects; 3) percentage of budget assigned to internationalization of peasant farmers actually spent; and 4) number of companies receiving assistance that actually exported that year (pre-set annual targets). Management salary increases also based on meeting these criteria.	evaluation of effectiveness of programs and services as well as competence and productivity of employees.	based on vague performance targets). An Audit Committee of Board analyzes effectiveness of MATRADE internal quality control systems (but is primarily focused on financial accountability rather than performance of managers against benchmarks).	Balanced Scorecard methodology. Evaluations influence salary increases and promotions. To encourage productivity, internal competitions take place between teams or divisions using same evaluation criteria that are applied to individual employees. KOTRA budget is based on measured success in increasing volume of export sales generated through its trade promotion activities (*i.e.,* executed contracts).
SME Assistance	PyMEXPORTA (with IADB funding and assistance of Cámara de Comercio de Santiago) will pay up to 50% (maximum of US$7,500) of costs for consultants to advise SMEs on compliance; foreign non-tariff barriers; adjustment of products to satisfy foreign market demands; and maximizing use of logistic, distribution and marketing channels. Program for the Internationalization of Peasant Farmers pays from 80 to 90% of out-of-pocket expenses and 100% of transportation costs to attend int'l fares and special thematic events; assistance on packaging; quality upgrading; and marketing. Linked arrangements with major producers require transparency and equitable share of profits. CORFO partially pays cost of acquiring new technology to make SMEs export-ready. Mentoring program links overseas Chilean	The primary customers of IETC courses are SMEs. NAFED will pay cost of accommodations and lump sum payment to selected SMEs to attend annual Trade Expo in Jakarta.	MATRADE generally does not assist SMEs (except female or Malay-owned) until deemed to be export-ready by SMIDEC. SMIDEC provides 11 matching grant and subsidized loan programs to improve SME skills, efficiency and productivity, acquire new technology and machinery, and develop new product lines and markets. SMIDEC has offices throughout Malaysia. SME Bank created in 2004 provides loans to facilitate expansion of exports by manufacturing and service-oriented SMEs.	Courses offered by the KOTRA Academy are directed to SMEs. In an effort to promote exports by SMEs, KOTRA works with provincial and municipal authorities and local trade associations to send SMEs on foreign trade missions or an overseas business trips. KOTRA's contribution depends on the company, specific foreign market, etc. KOTRA allows SMEs to use overseas Korea Business Centers as branch office for up to one year and offers them marketing, legal and accounting services while there.

	Chile	Indonesia	Malaysia	South Korea
	businessmen in biotech and ITC with Chilean SMEs.			
Regional Development	Program to identify and facilitate exportation of products from all the regional departments of the country.	No.	No.	No.
Non-Traditional Export Assistance	Yes. Assistance provided in conjunction with CORFO, Fundación Chile and other government agencies, particularly to assist with fulfilling stringent foreign SPS and technical norms.	No.	Yes. Manufacturing and Services.	No.
Export of Services	Yes. Education and Tourism.	Yes. Under the 10+10+3 Program, IT industry, creative design services and export labor.	Yes. Education, construction, healthcare, IT and franchising.	Yes.
Export Oriented Foreign Direct Investment	In the 1980s, ProChile, in conjunction with other agencies, promoted export-oriented FDI through joint ventures, mergers and acquisitions, technology transfer agreements, and outsourcing relationships.	No.	Such activity falls under the jurisdiction of MIDA.	Yes. KOTRA's Invest Korea targets foreign investment that will create synergies with Korean firms (*e.g.,* introduce capital, new technology and management skills) so as to enhance their global competitiveness or to reduce supply constraints by providing Korean firms with inputs from inside country.
Country Branding	Yes. "Chile: All Ways Surprising"	Yes. "Indonesia: Celebrating 100 Years of National Awakening"	Yes. "Malaysia: Truly Asia"	No.