Trade Promotion for a Digital World

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TRADE PROMOTION FOR A DIGITAL WORLD

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Nearly all economies around the world have established dedicated organizations, Trade Promotion Organizations (TPOs), to help firms venture into and expand in foreign markets.

These agencies primarily provide firms with services that address lack or incompleteness of commercial information:

1. Capacity building
2. Specialized information
3. Onsite marketing events
4. Business agendas
5. Special programs

Source: Based on Lederman, Olarreaga, and Payton (2010).
The Traditional Trade Promotion Model
How It Has Evolved, What Is, and What Were Its Results

These services have been effective in increasing and diversifying firms’ exports.

Source: Volpe Martincus and Carballo (2010).
## The Digital Transformation
### What Is and How It Affects Trade

**New digital technologies:**
1. High-speed broadband
2. Artificial intelligence
3. Internet of Things
4. Cloud computing
5. Blockchain
6. 3D printing
7. Advanced robotics

**New digital technologies can affect trade:**
1. the type of goods that economies trade
2. the volumes and values traded
3. the trade modalities: digitally-enabled and digitally-transmitted
4. the set of goods that economies specialize in producing

**The channels are multiple:**
1. trade costs: information and transaction costs
   a. transport and logistic costs
   b. regulatory costs
2. production costs (comparative advantage/task costs)
Online Trade Platforms
Rise and Trade Effects

Online trade platforms

- The number of online trade platforms and the volume and value they channel have increased significantly in recent years.

- Global e-commerce platforms accounted for 14 percent of total global retail sales in 2018 (UNCTAD, 2020).

Source: Based on OECD (2021).
Online Trade Platforms
Rise and Trade Effects

- The Covid-19 pandemic has reinforced these phenomena.
- Firms substantially expanded the use of digital platforms.

Source: Apedo-Amah et al. (2020).
Online trade platforms reduce information and search costs (and transaction costs), thereby helping firms increase and diversify their exports in terms of products and buyers.

Source: Carballo, Rodriguez Chatruc, Salas Santa, and Volpe Martincus (2022).
Trade Promotion for a Digital World
Leverage New Technologies for Design and Targeting

Machine Learning (ML) can be used to make TPOs’ targeting and promotional activities more evidence-based and more effective in a more uncertain global context.

- TPOs typically have access to a wealth of micro, firm-level data, which can be expanded through inter-institutional collaborations with relevant public entities in the economy.

- This allows TPOs to implement a quantitative intelligence approach (QIA) to improve promotion strategies in an international environment characterized by increased uncertainty.

- ML can be applied on these data to:
  - predict the probability of individual domestic firms starting to export (quantitative exporter test)
  - predict the probability of a foreign firm buying from a domestic exporter and hence identify the best trade partner matches to maximize the sales' probability— (quantitative marketing events and business agenda)

- The IDB is supporting economies in Latin America and the Caribbean (LAC) to introduce this data-driven trade promotion (and investment promotion) strategies.
TPOs/IPAs are increasingly using innovative digital tools to perform their functions, including reaching out to firms and promote exports.

Source: IDB (2022, forthcoming) – Survey of 50 IPAs, worldwide.
TPOs/IPAs are increasingly using innovative digital tools to perform their functions, including reaching out to firms and promote exports.

### Digital tools for general organization

<table>
<thead>
<tr>
<th>Tool</th>
<th>Use it due to COVID-19</th>
<th>Currently using it</th>
<th>Planning to use</th>
<th>Not using or planning to</th>
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<td>Data Exchange Tools</td>
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</tbody>
</table>

Source: IDB (2022, forthcoming) – Survey of 50 IPAs, worldwide.
Trade Promotion for a Digital World
Leverage New Technologies for Promoting Trade

TPOs are implementing programs to help their firms penetrate and expand in online trade platforms.

- TPOs are increasingly providing dedicated services including through their overseas offices and partnering with digital marketplaces such as Amazon, Alibaba, and eBay to foster their firms’ cross-border e-commerce.

**Chile: e-Exporta (2020)**
- 170 assisted firms
- 18 international digital marketplaces
- 11 destination markets

**Colombia: Colombia a un clic (2019-2021)**
- 450 firms with open accounts in 90 digital marketplaces worldwide
- 210 firms already sold in these platforms

**Peru: Programa de comercio electrónico (2018)**
1. Focus on food products, clothing and decorative products, manufactures, and services
2. ~220 assisted firms.
Leverage New Technologies for Evaluation (and Dynamic Adaptation)

Automated evaluations based on experimental designs can be used to assess the effectiveness of trade promotion activities.

- Relatively few TPOs carry out systematic impact evaluations based on econometric methods.

- These evaluations can be automatized using a tool programmed in open software (e.g., R), thus overcoming financial and human resource limitations.

- Experimental designs can be used when the QIA and digital tools are used.

- The IDB is supporting LAC economies to carry out automated evaluations of data-driven trade promotion (and investment promotion) strategies.
Beyond Trade Promotion
Sustainability and Cross-Program Coordination

Mainstream sustainability and gender equality in TPOs’ promotion approaches and metrics.

- Gender and online platforms: Female-owned firms are more predominant in ConnectAmericas than in the economy as a whole/exporters.

Intensify interinstitutional collaboration and strengthen program coordination with other relevant policy areas (facilitation, investment, linkages, innovation) in designing and implementing TPOs services to explicitly factor in the interdependence between policies.

When applying these recommendations, balance consistency over time, flexibility, and adaptability with changing contextual, policy, and business conditions.
THANK YOU

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