



**Asia-Pacific
Economic Cooperation**

2022/CTI/WKSP2/004

Session 4b

Trade Promotion for a Digital World

Submitted by: Inter-American Development Bank



**Workshop on New-Normal Model of Trade
Promotion in the Post Pandemic Era
4 March 2022**

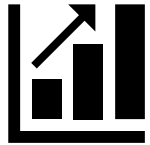
TRADE PROMOTION FOR A DIGITAL WORLD

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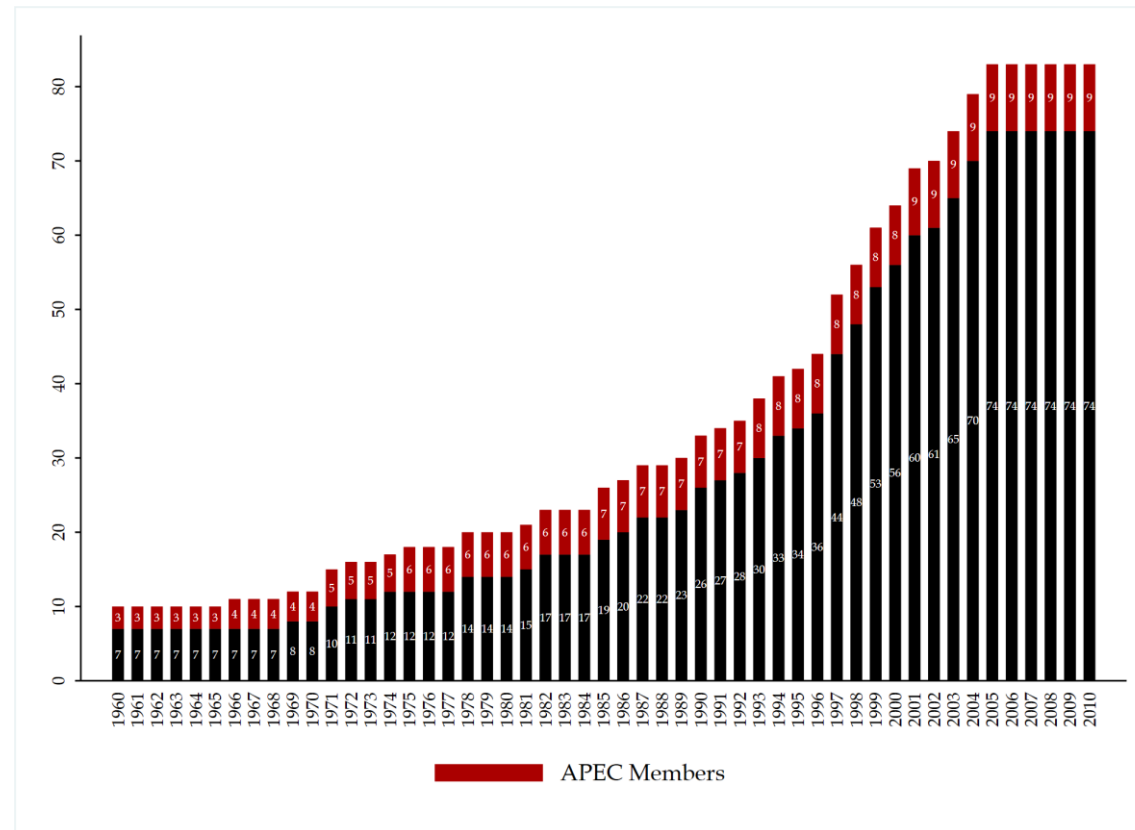


The Traditional Trade Promotion Model

How It Has Evolved, What Is, and What Were Its Results



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



Source: Based on [Lederman, Olarreaga, and Payton \(2010\)](#).



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

The Traditional Trade Promotion Model

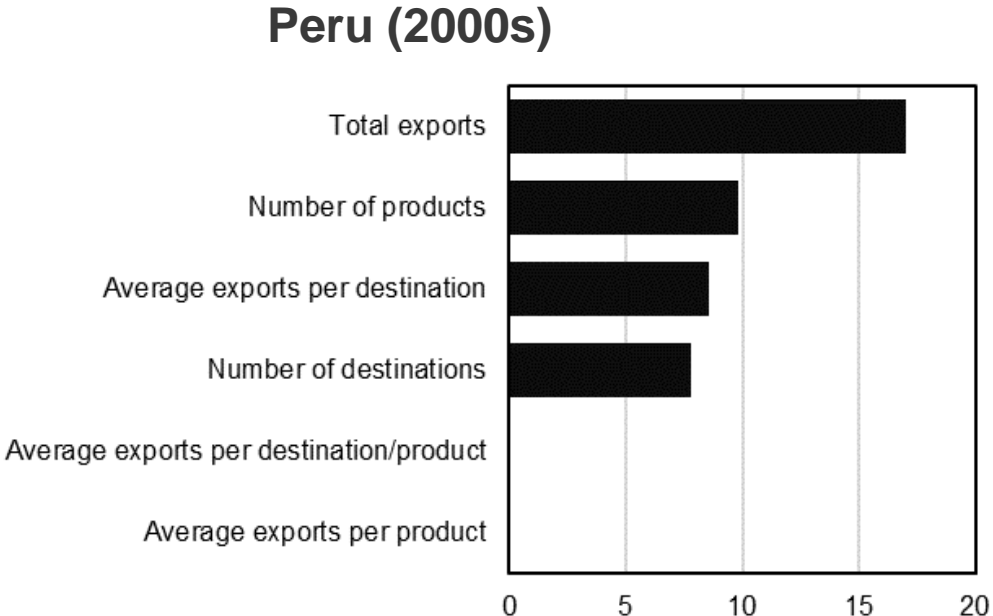
How It Has Evolved, What Is, and What Were Its Results



These services has been **effective** in increasing and diversifying firms' exports.



Source: Volpe Martincus and Carballo (2010).



Source: Volpe Martincus and Carballo (2008).

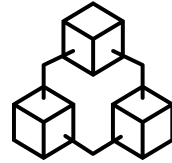
The Digital Transformation

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**:

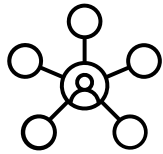
1. the type of goods that economies trade
2. the volumes and values traded
3. the trade modalities: digitally-enabled and digitally-transmitted
4. the set of goods that economies specialize in producing



The channels are multiple:

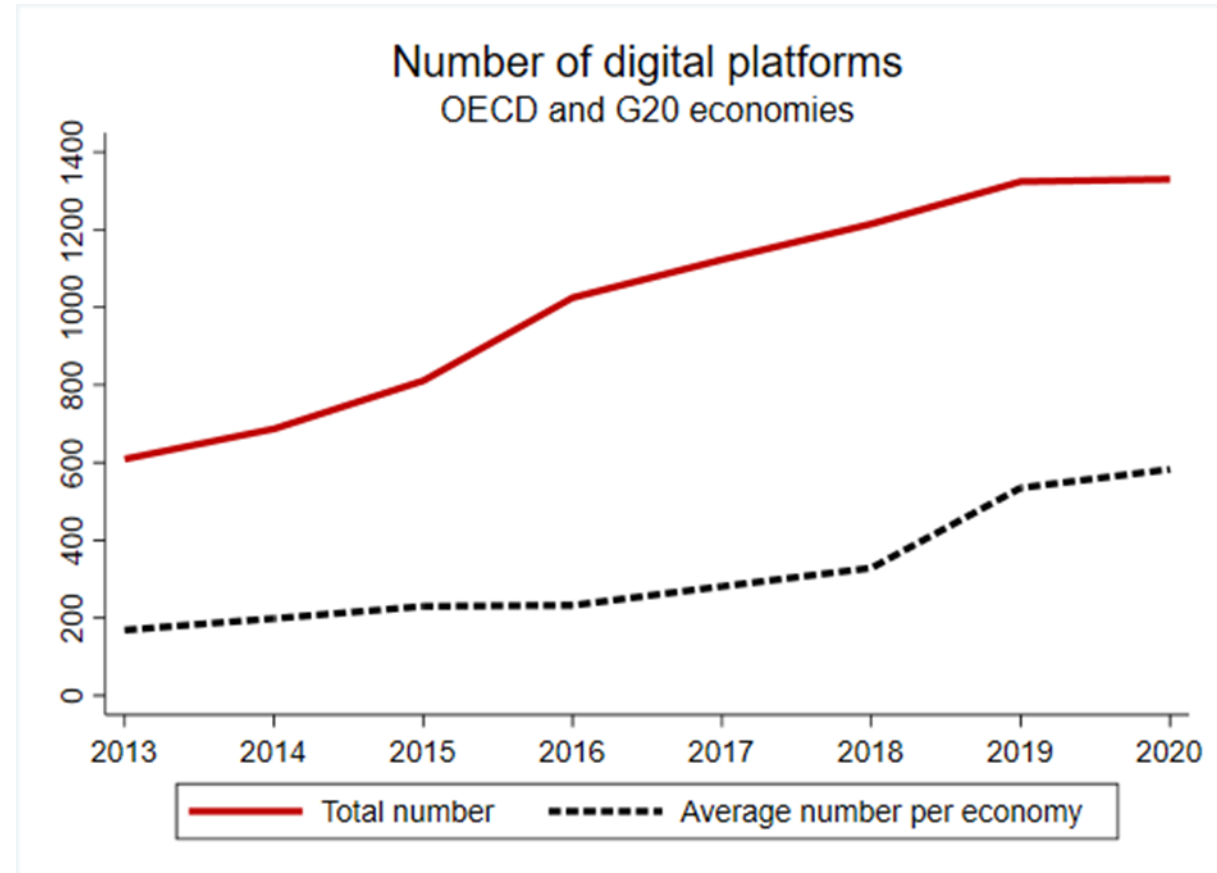
1. trade costs:
 - a. **information and transaction costs**
 - b. transport and logistic costs
 - c. regulatory costs
2. production costs (comparative advantage/task costs)

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).

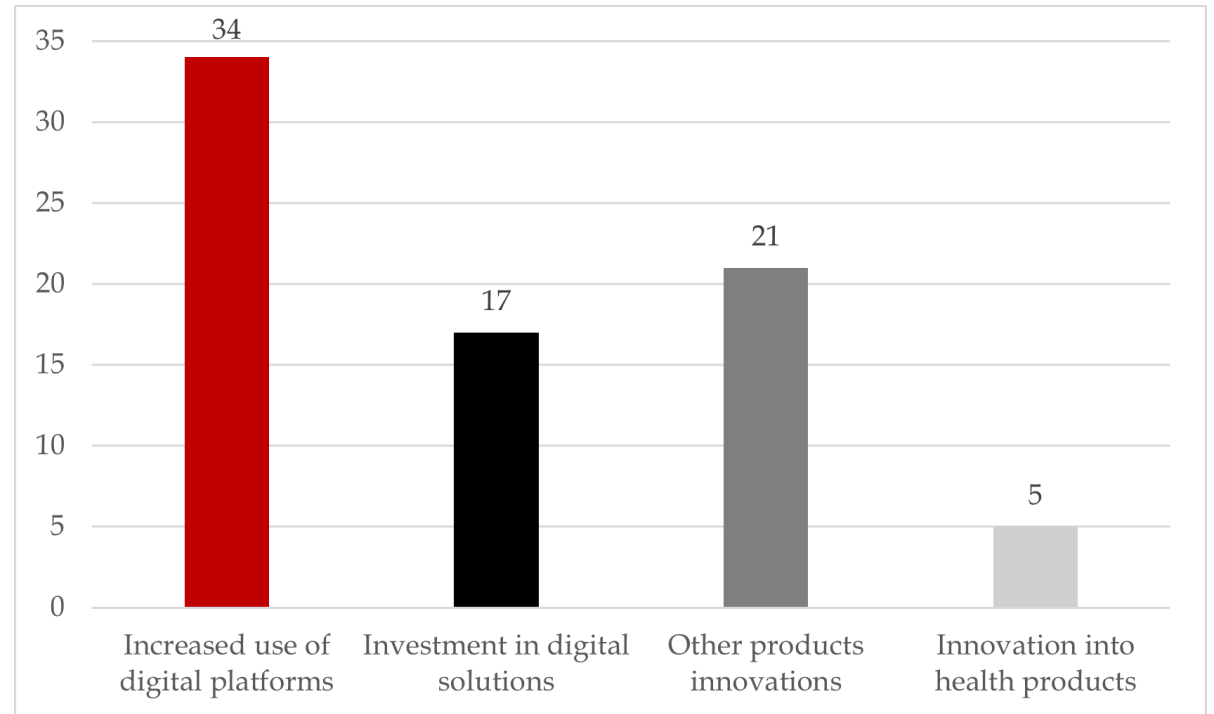


Source: Based on [OECD \(2021\)](#).

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 Rise and Trade Effects

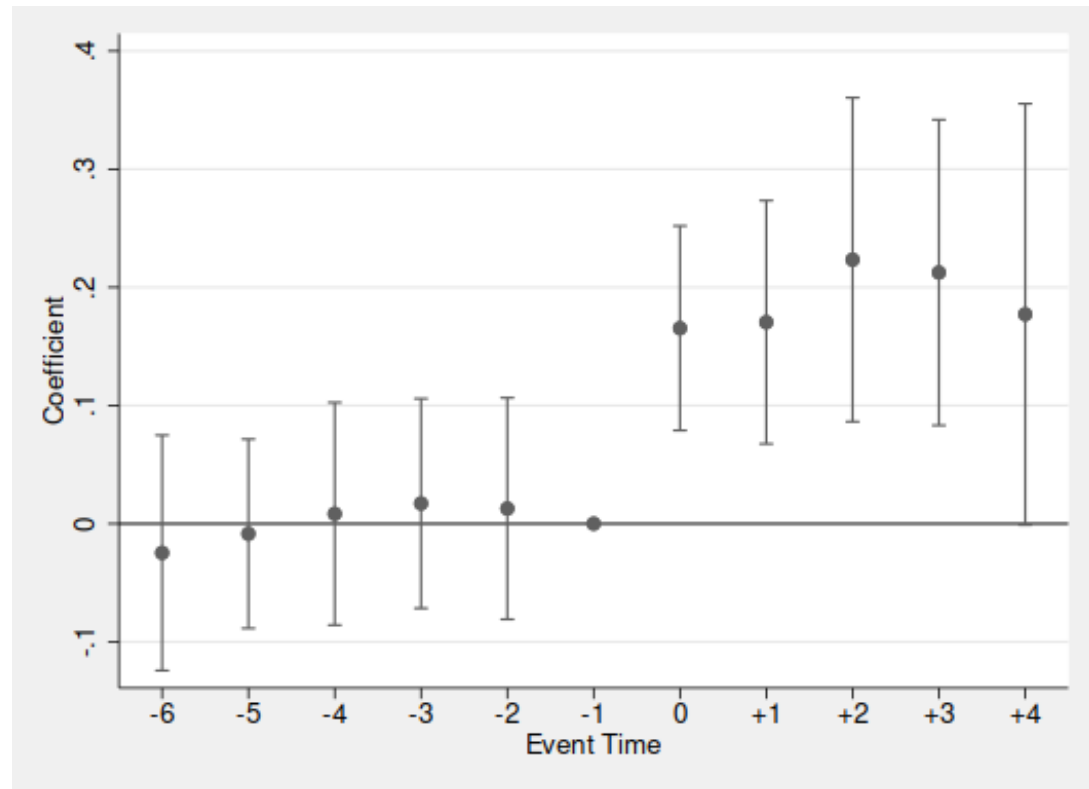


Online trade platforms reduce **information and search costs** (and transaction costs), thereby helping firms increase and diversify their exports in terms of products and buyers.



ConnectAmericas

Peru (2010s)



Source: [Carballo, Rodriguez Chatruc, Salas Santa, and Volpe Martincus \(2022\)](#).

Trade Promotion for a Digital World

Leverage New Technologies for Design and Targeting

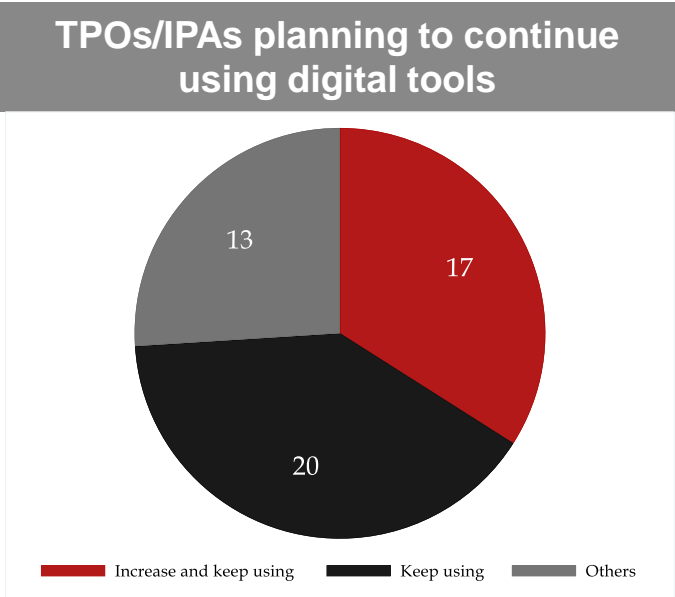
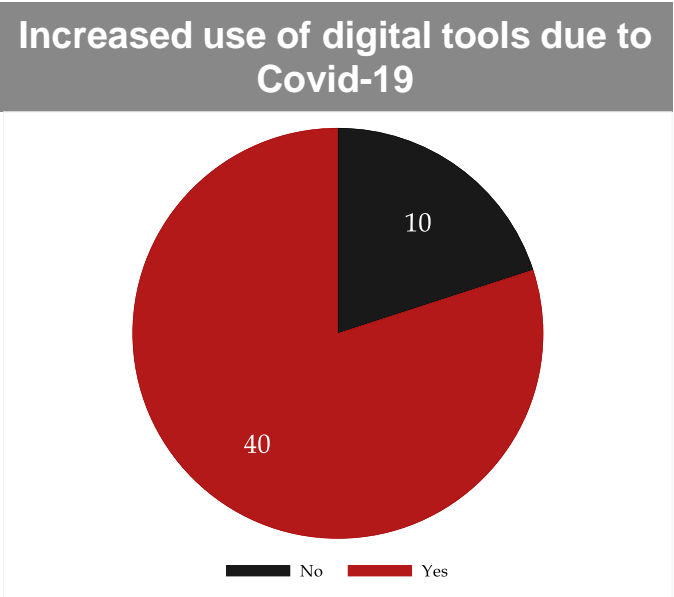
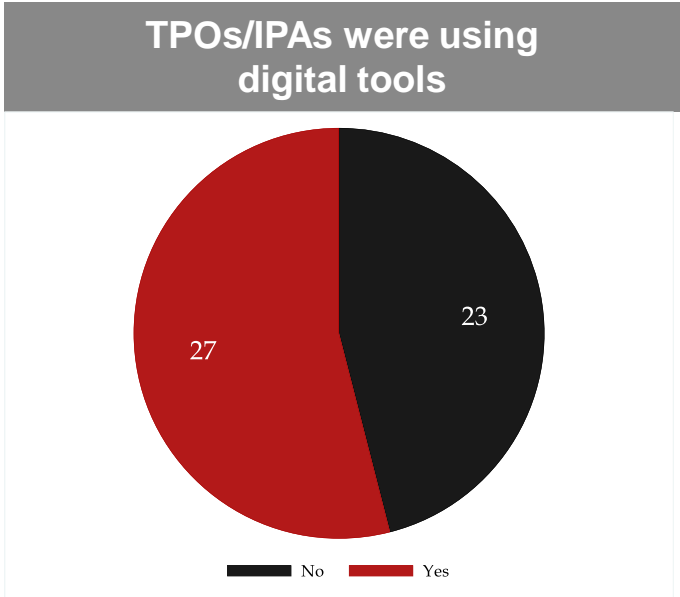
Machine Learning (ML) can be used to make TPOs' targeting and promotional activities more evidence-based and more effective in a more uncertain global context.

- 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.

Trade Promotion for a Digital World

Leverage New Technologies for Promoting Trade

TPOs/IPAs are increasingly using innovative digital tools to perform their functions, including reaching out to firms and promote exports.

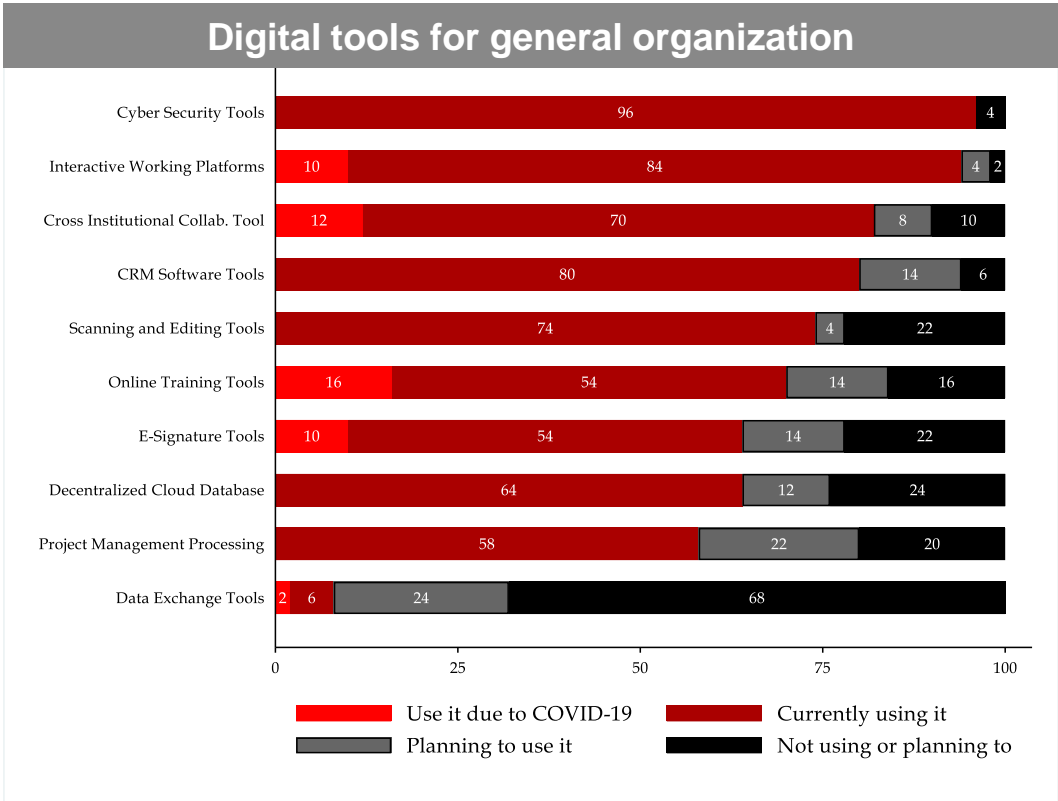


Source: IDB (2022, forthcoming) – Survey of 50 IPAs, worldwide.

Trade Promotion for a Digital World

Leverage New Technologies for Promoting Trade

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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.

Trade Promotion for a Digital World

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.

Opciones Iniciales

Indicadores

Gráficos Descriptivos

Paleta de Colores

Descargar

Generar el reporte

BPR Informe Dinámico Jeronimo Carballo - Christian Volpe Martincus

Introducción Análisis Descriptivo Impacto de la Asistencia Apéndice - DID Apéndice - Heterogeneidades

- Los resultados de la estimación de diferencia en diferencias muestran un efecto significativo para los siguientes indicadores desempeños:
 - Número de Destinos
 - Exportaciones Promedio por Destino
- Considerando los efectos heterogeneos potenciales por tipo de producto se observa que la asistencia tiene un efecto positivo en:
 - número de destinos de bienes
- El placebo indica que no hay diferencias previas significativas entre firmas asistidas y no asistidas para las siguientes variables: caracter(0)
- Mientras que el placebo indica que habia diferencias significativas entre las firmas

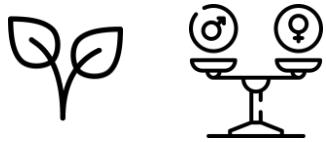
Gráfico 1

Gráfico 2: Efectos heterogeneos por tipo de producto

Gráfico 3: Efectos heterogeneos por tipo de destino

Beyond Trade Promotion

Sustainability and Cross-Program Coordination

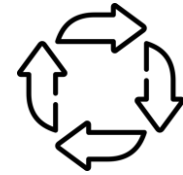


Mainstream sustainability and gender equality in TPOs' promotion approaches and metrics.

- 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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