



# **COMPARATIVE REVIEW OF TRADE PROMOTION ORGANISATIONS**

**Phase 2 Report**

**Completed on: 1 February 2021**

**Published on: 25 August 2022**

## Contents

<b>EXECUTIVE SUMMARY</b>	<b>3</b>
Country-specific findings	4
Cross-cutting issues	6
<b>1 INTRODUCTION</b>	<b>8</b>
1.1 Context and objectives	8
1.2 Approach and methodology	9
1.3 Structure of the report	12
<b>2 CANADA</b>	<b>133</b>
2.1 Introduction	133
2.2 Policy and Institutional Context	114
2.3 TPO Institutional Structure	15
2.4 TPO Scope	177
2.5 TPO Strategy	20
2.6 Products and Services	25
2.7 Conclusions	31
<b>3 DENMARK</b>	<b>32</b>
3.1 Introduction	32
3.2 Policy and Institutional Context	33
3.3 TPO Institutional Structure	344
3.4 TPO Scope	399
3.5 TPO Strategy	42
3.6 Products and Services	466
3.7 Conclusion	488
<b>4 FRANCE</b>	<b>50</b>
4.1 Introduction	50
4.2 Policy and Institutional Context	51
4.3 TPO Institutional Structure	52
4.4 TPO Scope	55
4.5 TPO Strategy	55
4.6 Products and Services	57
4.7 Conclusions	59
<b>5 ITALY</b>	<b>60</b>
5.1 Introduction	60

5.2	Policy and Institutional Context	61
5.3	TPO Institutional Structure	62
5.4	TPO Scope	64
5.5	TPO Strategy	65
5.6	Products and Services	67
5.7	Conclusion	68
<b>6</b>	<b>SINGAPORE</b>	<b>70</b>
6.1	Introduction	70
6.2	Policy and Institutional Context	72
6.3	TPO Institutional Structure	73
6.4	TPO Scope	77
6.5	TPO Strategy	80
6.6	Products and Services	81
6.7	Conclusion	89
<b>7</b>	<b>CONCLUSIONS</b>	<b>90</b>
	<b>References</b>	<b>96</b>

**Disclaimer: The contents of this report and the views expressed therein do not necessarily reflect the views of the UK government. The report was prepared by Frontier Economics on the basis of publicly available information, documentation supplied by expert sources, and interviews with individual experts. The report was not circulated for comment to the organisations mentioned in this report, nor the authorities of the countries concerned. Any errors or omissions are the sole responsibility of Frontier Economics.**

## EXECUTIVE SUMMARY

Export promotion activities respond to market failures affecting the entry and conduct of firms in export markets. Approaches to export promotion have evolved significantly over the last five decades, usually in response to developments in the theory and practice of international trade. The last decade in particular has witnessed the emergence of global value chains as a major determinant of patterns of international trade, and a recognition of firm-specific characteristics in determining export performance. The last decade has also seen an increased interest on the part of governments in evaluating the impact of export promotion schemes and demonstrating value for money.

As a result of these trends, export promotion organisations, and export strategies more generally, have undergone substantial reforms. This report presents an in-depth review of export promotion organisations in five countries and assesses lessons of experience that could serve as a guide to the UK as it reconfigures its own export policy.

The countries and institutions reviewed are: Canada – The Trade Commissioner Service; Denmark – the Trade Council; France – Business France; Italy – the Italian Trade Agency; and Singapore – Enterprise Singapore.

### Country-specific findings

#### Canada – The Trade Commissioner Service (TCS)

- The TCS operates within Global Affairs Canada - it includes investment promotion in its remit
- there is a close level of integration between the TCS and the trade policy and negotiation apparatus - this helps align export promotion objectives and trade diplomacy, but a potential drawback is that the TCS tends to be staffed by career civil servants which creates a mixed perception by private sector
- a Global Action Plan (2013) was launched to enhance export promotion
- a key challenge is to diversify trade away from US-dependency and to reduce Canada's reliance on primary exports, by identifying high-growth markets
- initiatives have been developed to identify particular sectors of interest in terms of future growth – for example, clean technology
- core services are provided free of charge - the TCS operates a referral service to qualified third party providers for more specialised services, which will usually charge a fee
- in a bid to strengthen export performance, and integration into value chains, the TCS has deployed initiatives relating to technology and innovation
- the TCS has regional offices in provinces, and provinces have their own trade promotion authorities

#### Denmark – The Trade Council of Denmark

- The Trade Council is under the purview of the Ministry of Foreign Affairs - its remit is limited to export promotion and it does not deal directly with investment promotion, which falls under the remit of Invest in Denmark

- its activities and overall strategic direction reflect government strategy on export promotion developed in 2014
- there are close formal and especially informal linkages with the private sector (networks and cross-over) - this is partly facilitated by Denmark's small size - the linkages have led to an underlying philosophy described as "publicly funded, privately directed"
- a specific initiative, the Global Public Affairs initiative, identifies leading Danish businesses that contribute to the Trade Council's work through payment on a subscription model
- recently, the authorities have explicitly targeted developing countries and emerging markets via a network of Growth Counsellors and a Strategic Sector Cooperation Initiative
- activities under the "joint business promotion" heading are delivered to groups of businesses and follow a co-financing approach - the approach is one possible response to the fact that (i) there are market failures in export promotion related to spillovers that justify public funding, and (ii) some of the returns from such activities are privately appropriable, justifying private participation

### **France – Business France**

- Business France was established through the merger of agencies dealing respectively with export promotion and investment
- The merger was part of a deeper and on-going strategic overhaul of export strategy in response to concerns over France's export performance and poor perceptions by the private sector regarding export promotion
- Business France is subject to an explicit performance contract that specifies key performance indicators (KPIs)
- the performance contract requires cost-recovery and aims for at least 40% of Business France's budget to come from fees for services - bespoke services to the private sector are charged at commercial rates
- historically, the chambers of commerce have played a central role in export promotion and have been held in higher regard by the private sector than state agencies - a partnership agreement has been signed between Business France and the chambers of commerce to coordinate the relationship
- one of the aims of the partnership is to streamline the export promotion pathway, leverage the superior regional reach of the chambers of commerce, and ensure that Business France focuses more explicitly on services that justify public funding because of market failure

### **Italy – The Italian Trade Agency**

- The Italian Trade Agency (ITA, the Italian acronym is "ICE") was established by law in 2011
- its establishment was part of a wide-ranging overhaul of export promotion institutions that included establishing the Board of Institutions for Internationalisation (Cabina de Regia per l'Internazionalizzazione) in 2012
- in 2015, the government launched a cross-government strategy, the 'Extraordinary Plan – Made in Italy', to promote exports
- under the 'Extraordinary Plan – Made in Italy', the authorities have identified key sources of export growth - these include unexploited opportunities in mature markets

(notably North America) and emerging opportunities - of the latter, the authorities have especially targeted China, and identify China's infrastructure and manufacturing expansion as key opportunities for Italian exports, particularly in technology

- based on reported budgetary allocations, machinery, chemicals, energy and environmental goods, consumer goods and agri-food are high priority sectors
- a specific plan, Export Sud, addresses constraints in regions in southern Italy with lower levels of economic development
- chambers of commerce remain an important source of regional export promotion
- given the preponderance of SMEs (small and medium enterprises), and especially very small family owned businesses, export promotion retains a strong SME focus
- a separate initiative, Imprensa 4.0 (Enterprise 4.0), is aimed at stimulating firm-level expansion (particularly in SMEs) by targeting innovation and technological constraints

### **Singapore – Enterprise Singapore**

- Enterprise Singapore is the result of a merger between International Enterprise Singapore (IES), and SPRING, an institution focused on business development
- the merger of export promotion functions with those of business development highlights the importance of dealing with constraints to firm-level efficiencies as a determinant of improved export performance - the interaction between the two is likely to be particularly important in an economy as open to trade as Singapore's
- the remodelling of the export promotion landscape was undertaken pursuant to the work of a cross-departmental taskforce on the future of the Singaporean economy, which highlighted the importance of skills formation and knowledge-based growth
- identifying regional growth opportunities, particularly in infrastructure, has been a key theme - the objective is to position Singapore as a hub for supporting infrastructure investment and development through high-end manufacturing and services
- there is significant cost-recovery from the private sector through fees charged for services - evidence based on past IES annual reports suggests grants accounted for around 50% of revenues
- Enterprise Singapore operates or facilitates a number of financial assistance schemes, including grants, loans, insurance, tax deductions and equity investment facilitation schemes - some of these operate on a co-financing basis (for example, matching contributions by government) while others involve defraying costs or tax liabilities - loan and insurance programmes are provided by authorised third parties, and Enterprise Singapore acts as facilitator

### **Cross-cutting issues**

#### **Strategy and focus**

In terms of export markets, all countries under review have stepped up efforts to tap into emerging markets, especially China. While there has been a trend to identify the emergence of China as a threat to exporters (because of displacement effects in export markets), some of the countries under review have focused on identifying the extent to which international value chains allow exporters to tap into China's expansion. This has notably been the case in Denmark, Italy and Singapore.

The operation of global value chains has helped to determine the types of economic activities and sectors on which trade promotion focus. Specifically, entry into the high-

knowledge, high-value end of these activities is a priority. This explains the focus, observed notably in France, Italy and Singapore, on knowledge-intensive manufacturing and services.

Finally, in terms of activities, there appears to be an increasing realisation of the need to tie-in export promotion activities to broader initiatives that address firm-level factors, notably those affecting productivity. This reflects an abundance of empirical research into the impact of firm-level characteristics as determinants of export performance. Singapore's decision to merge export promotion activities with its business development agency is perhaps the most vivid example of this.

### **Beneficiary focus**

The institutions in the countries under review implement programmes for all types of businesses. But most attach a specific priority to supporting Small and Medium Enterprises (SMEs). The rationale for this is not usually explicitly articulated. In light of recent research into the determinants of export performance (see above) and the role of “superstar” exporters (the empirical observation that a country's exports are dominated by a limited number of firms), it is not clear whether this approach towards SMEs represents a robust option for the future.

### **Service and product offerings**

There is a broad similarity to product and service offerings across the countries and institutions reviewed. The basic offer consists of free market intelligence products (reports, surveys). Tailored advice to clients, as well as networking services, business facilitation services and communication services tend to be fee-paying. Online technologies, and the greater propensity for emerging market governments and businesses to put information on-line, mean that generic information products historically supplied by export promotion agencies are less valuable to exporters. Networking services and business facilitation services are more likely to be valued as they typically involve the transfer of tacit knowledge that would otherwise be more difficult for exporters to acquire.

### **Relationship to the private and commercial sector**

The relationship with the private sector can operate in a number of ways. Representatives of the private sector may be involved in the governance of the institution (Italy, France and Singapore). The private sector itself may be involved in the supply of export promotion services. This is notably the case in France and Italy, via the chambers of commerce. In Canada, the TCS can provide referrals to third party providers who provide specialised services on a fee-paying basis. In Singapore, commercial financial institutions are involved in export financing, with the export promotion agency acting as a facilitator. In Singapore, grant financing can be used to offset some of the costs from engaging a third-party provider of specialist services related to prospecting, market entry and competitive positioning. A co-financing approach is also adopted by Denmark for promotion activities that are not specific to SMEs.



# 1 INTRODUCTION

## 1.1 Context and objectives

The Department for International Trade has retained Frontier Economics to conduct a comparative review of Trade Promotion Organisations (TPOs) in selected countries. The overall purposes of this research are:

- to understand the strategies pursued by TPOs and the activities they undertake
- to analyse the relationship between these strategies and activities, on one hand, to wider trade policy issues
- to derive lessons that may be learned about best practice

The research draws on broader work undertaken by DIT, notably the development of a logic model to understand the relationships between trade promotion activities, on one hand, and outcomes on the other.

The review was structured in two phases. The first phase reviewed trade promotion activities in the countries listed in Table 1 below.

**Table 1 Proposed list of countries for study**

Country	Number of times previously reviewed <sup>(a)</sup>	Latest review year
Australia	3	2017
Canada	2	2017
Denmark	3	2017
Finland	3	2017
France	6	2017
Germany	5	2017
Ireland	1	2017
Italy	1	2017
Japan	5	2017
Netherlands	3	2017
New Zealand	1	2014
Norway	3	2017
Singapore	1	2014
South Korea	1	2017
Spain	1	2017
Sweden	3	2017
Switzerland	0	Not applicable
USA	6	2017

(a) The reviews in question are ones commissioned or produced by UK authorities responsible for Trade Promotion

The Phase 1 report developed a framework for selecting a group of countries for a more intensive, “deep-dive” review. The countries selected pursuant to that framework and in agreement with DIT were: Canada, Denmark, France, Italy and Singapore.

## 1.2 Approach and methodology

Phase 1 of the work was based on an analytical framework that is presented in Table 2.

**Table 2 Analytical framework and thematic clusters**

<b>Cluster questions</b>	<b>Explanation</b>
<b>Economic structure</b>	
- Level of Development	Income per head; classification by World Bank income group
- Structure of the economy	By major divisions (for example, agriculture, mining, manufacturing, services) as defined by the Standard Industrial Classification system
- Structure of trade	Major areas of product specialisation; where possible drawing on indices of revealed comparative advantage (the proportion of a product in a country’s exports divided by the proportion of a product in global exports), Integration into global value chains
<b>Policy and Institutional context</b>	
- Degree of trade liberalisation and removal of anti-export biases	We use average tariff rates reported by the WTO to identify possible anti-export biases
- Framework for private sector activity	We use the World Bank’s Ease of Doing Business Index to measure the quality of the policy framework
- Export diversification strategies	Are there specific sectoral strategies (not necessarily limited to trade) to diversify the structure of exports, or export markets?
- Linkages to wider policy initiatives	Efforts to link trade promotion to measures aimed at alleviating supply-side constraints (for example, skills, infrastructure). Also links to other business support policies such as: <ul style="list-style-type: none"> <li>- Industrial Strategy or equivalent, that is, whole business community not just potential exporters</li> <li>- Regional economic development initiatives</li> <li>- Growth initiatives, for example, for SME</li> <li>- Gender policy linkages</li> </ul>
<b>TPO Institutional Structure</b>	
- Institutional structure of TPO	What type of entity is the TPO, for example, department of a ministry, statutory body, corporate entity?
- Relationship with other governing institutions	Who has oversight of the TPO? How does TPO interact with other governing institutions, for example, ministries for foreign diplomacy (equivalent of UK FCO), aid agencies and official development

Cluster questions	Explanation
	assistance, business departments (equivalent of UK BEIS) and so on?
- Interaction with private sector	Does the private sector participate in TPO governance? Is there cost recovery, and in what proportions?
- How TPO works with or supports trade policy	Does TPO make inputs into wider trade and investment policy initiatives, for example, pre-or post-establishment rules for investment; inputs into trade negotiating positions
TPO Scope	
- Does the TPO purposively target market failures?	Associated with sunk or fixed costs of entry into export markets. These include, for example, informational constraints and knowledge spillovers, and imperfect credit and risk markets
- Are there other barriers to exporting that the TPO targets	In addition to the market failures referred to above. Barriers to export identified in the logic model developed by DIT
- Geographic and product scope	What is the range of export markets targeted, and on what basis?
- Global value chains	Cross-border value chains have been the principal driver of trade growth and represent a vital route to market. How do TPOs help firms integrate into these value chains?
- Investment promotion	Inward investment is associated with cross-border value chains. Do TPOs combine trade promotion with inward promotion, and how?
TPO Strategy	
- TPO budget and resource allocation	Overall TPO budget. Product development and design, innovation, prioritisation and targeting services, resource allocation, strategic focus, support for strategic development and horizon scanning, how TPOs are funded and whether and how much they charge for services.
- TPO Funding	Balance between charging and paid by public funds (government funding); What funding options do they use (membership, charging and so on)
- Description of overall organisation	Number of countries with TPO presence Number of staff overseas Number of staff in Head Office and Nationally
- Beneficiary focus	Does the TPO segment activities between different types of firms (SMEs, Mid-Sized Businesses (MSBs), large firms); degree of subnational or regional focus. Does it support linkages between businesses? How are regional or sub-national objectives addressed?
- Impact evaluation	Does the TPO or government evaluate the impact of strategies, and how? Outcomes, impact, service evaluation, performance, monitoring, management information, data sources
TPO Products	

Cluster questions	Explanation
- What products and services are offered and how are they prioritised	For example, market analysis and strategy, information on compliance requirements, networking opportunities. Information on mode of delivery (digital, person-to-person). Possible segmentation by product group. Where possible data on expenditure by service and product category
- Description of services and products	Type of service category as per the Logic Model prepared by Frontier Economics, relative budget allocated to each function, Government-to-government facilitation
- Product and service delivery mechanism	Utilisation of overseas posts, infrastructure, organisation set-up, processes, resourcing, budgets, governance, partnerships, charging options, membership arrangements, private vs public delivery, outcome or activity-based contracting
- Is there a linkage to export credit or financing	What is the balance between funding support and activity support? Also, are there tax incentives?

The clusters identified in table 1 were addressed in Phase 1 to the extent that information was readily accessible. The purpose of Phase 2 is to develop the information base already gathered for the countries selected for the “deep dive” (except for the first category on economic structure, which was there to provide the background to the TPO’s actual work).

Because the purpose of the Phase 2 report is on expanding the analysis of TPO activities and no longer on selecting countries for the deep dive phase, the report does not present the information on the country context. That information was mainly presented with a view to acting as a filter in phase 1 to help with the selection of appropriate comparators for the UK.

The findings of this report draw on a variety of sources:

- information and data provided by the trade promotion organisations and their governments
- material prepared by private sector bodies, notably chambers of commerce
- secondary sources, including academic research
- interviews with DIT leads and with other actors on the ground

Reference material provided by the trade promotion institutions or their governments was accessed either in the original language and translated by members of the project team, or in the translated versions or summaries provided by the government.<sup>1</sup>

Interviews were conducted with specialists with direct experience of trade promotion activities in the countries of interest.

---

<sup>1</sup> The original language versions were treated as authoritative.

### **1.3 Structure of the report**

The remainder of this report is structured as follows:

- Sections 2-6 consist of the reports for, respectively, Canada, Denmark, France, Italy and Singapore
- Section 7 concludes

## 2 CANADA

### KEY MESSAGES: THE TRADE COMMISSIONER SERVICE (TCS), CANADA

- The TCS operates within Global Affairs Canada - it includes investment promotion in its remit
- there is a close level of integration between the TCS and the trade policy and negotiation apparatus - this helps align export promotion objectives and trade diplomacy but a potential drawback is that the TCS tends to be staffed by career civil servants, which creates a mixed perception by private sector
- a Global Action Plan (2013) was launched to enhance export promotion
- key challenge is to diversify trade away from US-dependency and to reduce the degree of reliance on primary exports, by identifying high-growth markets
- initiatives have been developed to identify particular sectors of interest in terms of future growth – for example, clean technology
- core services are provided free of charge - the TCS operates a referral service to qualified third party providers for more specialised serviced (third parties will usually charge a fee)
- in a bid to strengthen export performance, and integration into value chains, the TCS has deployed initiatives relating to technology and innovation
- the TCS has regional offices in provinces, and provinces have their own trade promotion authorities

### 2.1 Introduction

Canada is a high-income country with a GDP per capita of US\$ 43,088.<sup>2</sup> Its composition of GDP is as follows: Agriculture 2%; Industry 29% (of which manufacturing is 11%); Services 69%.<sup>3</sup> Its merchandise trade is reasonably evenly split between manufactures and primary products, though the former is the single largest category at around 51%.<sup>4</sup> Trade as a percentage of GDP was around 65% in 2016, while the ratio of exports of goods and services to GDP was 31%.<sup>5</sup>

Canada's Trade Promotion Organisation is the Trade Commissioner Service (TCS). The TCS reports to the Minister of International Trade and sits within Global Affairs Canada (GAC), which was formally known as the Department of Foreign Affairs, Trade and Development (DFATD).

<sup>2</sup> PPP, constant 2011 international \$. Source: World Bank World Development Indicators. PPP refers to Purchasing Power Parity exchange rates i.e. rates that equalise prices across a pair of countries. International dollars are the product of this conversion using PPP exchange rates. "Constant 2011" means the exchange rate is calculated on the basis of 2011 price indices to filter out the effects of inflation.

<sup>3</sup> 2013 data. Source: World Bank World Development Indicators

<sup>4</sup> Source: WTO (2017), Trade Profiles, p.70

<sup>5</sup> Source: World Bank World Development Indicators

## 2.2 Policy and Institutional Context

### 2.2.1 Linkages to wider policy initiatives

The Canadian Government is pursuing a trade and investment strategy focused on diversification and inclusive, clean and innovative growth. Diversification, especially in terms of export markets but also sectors, has been identified as a key policy priority. Canada remains heavily dependent on its trade with the US and is seeking to increase its trade with other countries, particularly fast-growing economies of the Asia-Pacific region. With four out of five of Canada's top trading partners being members of the Asia-Pacific Economic Cooperation (APEC), there is a significant focus on helping Canadian business take advantage of the commercial opportunities in the Asia-Pacific region as well as other large emerging markets such as India.<sup>6</sup> The strategy of extending market diversification has also led to the signing of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and the EU-Canada Comprehensive Economic Partnership Agreement.

#### Export diversification

The Global Markets Action Plan, launched by the GAC in 2013, is a strategic plan to support commercial success in trade. It builds on the 2007 Global Commerce Strategy, which focused some of Canada's attention on what were then considered newly emerging markets, and prioritises sectors where Canada has a strong comparative advantage. The Plan identified 22 sectors. These sectors range from oil and gas and mining, to financial services and ICT. GAC also sets priorities for export promotion activity, including "expanding and diversifying commercial relationships with emerging and high-growth markets" and "increasing Canada's economic and political engagement in Asia".<sup>7</sup>

The Plan has four elements: targeting markets that matter; entrenching economic diplomacy; a focused pro-trade and investment plan to open new markets; and enhancing Canada's competitive edge. GAC is currently developing a new trade and investment strategy, which is scheduled for released in 2018.<sup>8</sup>

#### Clean Technology

The International Business Development Strategy (IBDS) for clean technology was announced in the 2017 Budget and is designed to help Canadian companies meet the growing international demand for clean technologies. The government is investing 15 million Canadian Dollars over four years for GAC to develop and implement greater support for the sector. The IBDS will be delivered through the TCS and, as part of the programme, 15 new trade commissioners will be placed across key global hubs: Bogotá, Colombia; Berlin, Germany; Nairobi, Kenya; Singapore; Washington, D.C., US; Abidjan, Côte d'Ivoire; London, United Kingdom; Manila, Philippines.

---

<sup>6</sup> November 2017, speech by Trade Minister: [https://www.canada.ca/en/global-affairs/news/2017/11/canada\\_s\\_plan\\_forashiftingcentreofgravity.html](https://www.canada.ca/en/global-affairs/news/2017/11/canada_s_plan_forashiftingcentreofgravity.html)

<sup>7</sup> WTO (2015), Trade Policy Review, Canada, pp.34-36

<sup>8</sup> Global Affairs Canada, Departmental Plan 2017-18: [http://international.gc.ca/gac-amc/assets/pdfs/publications/plans/dp-pm/dp-pm\\_1718\\_en.pdf](http://international.gc.ca/gac-amc/assets/pdfs/publications/plans/dp-pm/dp-pm_1718_en.pdf)

## 2.3 TPO Institutional Structure

### 2.3.1 Organisation and relationship to other government institutions

As already reported, the TCS operates within Global Affairs Canada (GAC). GAC pursues the following strategic objectives:

- reinforce Canada's relations with the United States and other key bilateral partners to advance Canadian interests, by:
  - collaborating effectively with the United States, including on the economy, trade, security, defence, energy, environment and international institutions
  - developing a comprehensive whole-of-government engagement strategy with China and strategically engaging in the Asia-Pacific region
- contribute to inclusive Canadian and global prosperity through increased and diversified international trade and foreign direct investment by:
  - maintaining and strengthening a rules-based trading environment and reducing barriers to trade
  - increasing and diversifying Canadian exporters, exports and export markets through the promotion of free trade agreements, as well as targeted support for exporters and potential high growth companies
  - developing and leading a progressive trade agenda that will consider issues such as labour, the environment, gender equality, transparency and inclusive economic growth
  - deepening links with traditional trading partners such as the United States, Europe and Japan, and building stronger relationships with emerging markets in Asia, including China and India, and with developing country markets, to increase and diversify trade as well as to attract foreign investment to Canada.

### 2.3.2 Leadership and strategic direction

The TCS comes under the responsibility for the Minister for Trade and, as reported above, the GAC's strategic objectives set the context for the TCS' operations. The TCS has 161 offices in Canada and overseas. Its presence in Canada includes offices in Canadian provinces (see below for information on regional focus).

### 2.3.3 Institutional structure

The TCS has 161 offices spanning 110 countries, including 36 in Europe, and 13 TCS offices across Canada.

As well as the national TPO, there are provincial bodies promoting trade and inward investment at the local level:<sup>9</sup>

- Alberta (Alberta international offices, World Trade Centre Edmonton, Global Business Centre).<sup>10</sup>
- British Columbia (Trade and Invest British Columbia).<sup>11</sup>

---

<sup>9</sup> <https://canadabusiness.ca/growing/exporting-and-importing/exporting/starting-to-export/organizations-that-can-help-you-export/>

<sup>10</sup> <https://investalberta.ca/>; <https://www.edmontonchamber.com/world-trade-centre/>;  
<https://www.calgaryeconomicdevelopment.com/industries/global-development/global-business-centre/>

<sup>11</sup> <https://www.britishcolumbia.ca/>



- Manitoba (Manitoba Trade and Investment, World Trade Centre Winnipeg).<sup>12</sup>
- New Brunswick (Opportunities New Brunswick).<sup>13</sup>
- Nova Scotia (Nova Scotia Business Inc.).<sup>14</sup>
- Ontario (Invest in Ontario).<sup>15</sup>
- Prince Edward Island (Trade Team PEI).<sup>16</sup>
- Quebec (Quebec International).<sup>17</sup>
- Saskatchewan (Saskatchewan Trade and Export Partnership).<sup>18</sup>

These bodies generally aim to promote provincial business growth, attract inward investment, and help local businesses become successful exporters. These provincial initiatives take place alongside the national programmes run by the TCS.

Some provincial bodies focus on specific sectors; for example, Trade and Invest British Columbia has specialists in the Natural Resources, Clean Tech and Green Economy, Technology, and Transportation sectors.<sup>19</sup>

### 2.3.4 Relationship to private sector

DFATD maintains a number of consultative bodies that engage the private sector, which contribute to government policy and specifically to the operations of the TCS. For example, the Small and Medium-Sized Enterprises Advisory Board (SMEAB) consists of 18 private sector leaders from small and medium-sized enterprises (SMEs) and meets biannually.

DFATD also maintains a limited number of sector-orientated consultation bodies that annually bring together government and industry representatives and chairs the Tariff Quota Advisory Committees (TQACs). These serve as consultation bodies to specifically discuss Canada's trade control regime.<sup>20</sup>

Canadian businesses do not have to pay for TCS services.<sup>21</sup> Where the TCS does not offer a service, they instead provide a referral service to local service providers who generally charge a fee.<sup>22</sup> If a qualified third-party provider is unavailable in a particular market, the TCS can provide the following services for a fee:

- detailed market research
- accessing specialised databases
- arranging appointments
- logistical support services
- business support services
- participation in business events
- temporary office or display space

---

<sup>12</sup> <http://www.gov.mb.ca/trade/>; <http://www.wtcwinnipeg.com/en/>

<sup>13</sup> <https://onbcanada.ca/>

<sup>14</sup> <https://www.novascotiabusiness.com/>

<sup>15</sup> <https://www.investinontario.com/>

<sup>16</sup> <https://www.tourismpei.com/contact-trade-team>

<sup>17</sup> <http://www.quebecinternational.ca/business-services/>

<sup>18</sup> <https://www.sasktrade.com/index.php/services.html>

<sup>19</sup> <https://www.britishcolumbia.ca/export/our-services/>

<sup>20</sup> WTO (2015), Trade Policy Review, Canada p.32

<sup>21</sup> <http://tradecommissioner.gc.ca/how-tcs-can-help-comment-sdc-peut-aider.aspx?lang=eng>

<sup>22</sup> <http://tradecommissioner.gc.ca/services-for-partners-services-offerts-partenaires.aspx?lang=eng>

### **2.3.5 Relationship to development cooperation**

The primary nexus between the TCS and development cooperation is via the Integrated Foreign Affairs, Trade and Development Policy, which is managed by GAC.

This umbrella programme is responsible for establishing Canada's integrated foreign policy and international trade and development priorities by drawing upon GAC's expertise at headquarters and its overseas posts.

In relation to international trade, this includes supporting the trade and investment strategy and playing a coordination role through continued engagement federally and with provinces or territories, the private sector and other stakeholders.

### **2.3.6 Relationship to Government-to-Government facilitation**

The TCS does not participate directly in facilitating government-to-government contacts, as this largely falls under the remit of other organisations including GAC. The primary specialised agency in this space is the Canadian Commercial Corporation (CCC), which is a Crown corporation. The Minister of International Trade is accountable to Parliament for its governance and performance.

Through a government-to-government (G2G) approach, the CCC helps Canadian exporters gain access to foreign government procurement markets, particularly in the infrastructure and defence sectors, on a fee-paying basis. It also sources Canadian solutions when approached by foreign government buyers.

The CCC offers commercial advocacy, collaborative project development and foreign contracting expertise to increase the potential success of Canadian bids. Government guarantees are also made available to minimise the financial risk. The organisation works with Canadian businesses of all sizes; the large firms benefit from the advocacy and support the Canadian Government provides, while smaller businesses benefit from the credibility and practical assistance the CCC offers.

In order to qualify for the CCC's services, companies must have been in operation for at least two years and have a proven record in the relevant sector as well as contacts in the target country. They are also required to pass an integrity compliance assessment and a due diligence assessment.

## **2.4 TPO Scope**

### **2.4.1 Targeting market failures**

The TCS does not explicitly refer to market failures but the main products and services (see below) target key areas of market failures in exports, such as informational constraints and missing markets for credit.

### 2.4.2 Targeting other barriers to export

Other barriers to export are largely within the remit of institutions established specifically to deal with them. As observed in a previous section, the CCC deals with facilitation requirements related to government procurement. The authorities also aim to establish a new Advisory Council to supervise the implementation of the Global Markets Action Plan, and specifically to ensure that market access plans for each priority market are kept up to date.<sup>23</sup>

### 2.4.3 Global Value Chains

The TCS aims to help firms participate in global value chains. Its website presents various tools that are focused on value chain issues.

- detailed information about global value chains and various business strategies and options to link into these value chains - the page also contains information about multinational enterprises, their procurement needs and methods, and the business opportunities they might offer.
- there is a specific global value chain guide for SMEs.

The inclusion of inward investment promotion activities in the TCS' remit adds to the organisation's value chain focus.<sup>24</sup>

### 2.4.4 Investment Promotion

Canada is increasing its efforts to attract and increase inward Foreign Direct Investment (FDI). Investment promotion is part of the remit of the TCS and making Canada a top investment destination is a key priority for the government.<sup>25</sup> Trade commissioners in Canada and abroad serve as advocates and provide advice to potential investors in areas such as establishing a business in Canada, the strengths of certain sectors, and the overall Canadian business environment. The investment segment of the TCS website promotes Canada as an investment destination by:

- highlighting sector specific advantages
- providing information about funding opportunities
- providing information about establishing and running a business in Canada
- providing information about the business environment and key advantages of Canada's regions and cities
- advertising events for potential investors
- making publications available for download<sup>26</sup>

In 2016-17, the TCS facilitated 159 investor visits to Canada to pursue specific investment projects and 3,826 potential investors attended TCS investment-specific events.<sup>27</sup>

---

<sup>23</sup> <http://international.gc.ca/global-markets-marches-mondiaux/plan.aspx?lang=eng#4a>

<sup>24</sup> <http://tradedecommissioner.gc.ca/assess-market-potential-evaluation-potentiel-marche.aspx?lang=eng>  
<sup>25</sup> 2016-17 Global Affairs Canada Departmental Results Report p20.

<sup>26</sup> <http://www.international.gc.ca/investors-investisseurs/index.aspx?lang=eng>

<sup>27</sup> [http://www.international.gc.ca/gac-amc/assets/pdfs/publications/plans/dpr-rmr/drr-rrm\\_1617-eng.pdf](http://www.international.gc.ca/gac-amc/assets/pdfs/publications/plans/dpr-rmr/drr-rrm_1617-eng.pdf)

The recently launched 'Invest in Canada' is a new federal organisation dedicated to attracting global investment and simplifying the process for foreign businesses to establish a presence in Canada. 'Invest in Canada' will be led by a CEO and an independent board of advisors and will streamline the services offered by all levels of government and the private sector by providing a single-window service for global investors. The federal government allocated Canadian Dollars 218 million in funding over five years to establish Invest in Canada and increase the capacity of the TCS.<sup>28</sup>

The organisation will focus on attracting investment in sectors aligned with the government's economic growth strategy, in particular in advanced manufacturing, agri-food, clean technology, digital technology, health sciences and bio-sciences, and clean resources.<sup>29</sup> One objective of 'Invest in Canada' is to expand the sources of FDI by tapping into the fast-growing markets of Asia in particular.<sup>30</sup>

### Investment-focused funding programmes

The Invest Canada-Community Initiatives (ICCI) programme provides funding and financial support to communities seeking to improve their capacity to attract, retain, and expand FDI in order to create jobs and growth. Eligible recipients are Canadian communities and non-profit, locally based organizations that are seeking assistance for specific types of activities, for example:

- to offset costs associated with developing marketing tools aimed at foreign investors
- for specific FDI training
- to identify potential investors and or coordinate interactions with them
- to develop and implement multi-year international investment attraction and retention strategies

ICCI distributes over 3 million Canadian Dollars annually among 85-90 communities. Non-repayable contributions range from 3,000 Canadian Dollars to 300,000 Canadian Dollars, and agreements are made for a one-year period. ICCI provides reimbursement of up to 50% of eligible expenses. If an applicant accesses other federal government support, the total federal support cannot exceed 50% of eligible expenses.<sup>31</sup>

The Foreign Trade Zones – Marketing Program (FTZ-MP) is a five-year pilot programme, with a 1 million Canadian Dollars annual budget, designed to provide funding to regional or community organisations in order to promote investment in Canada's Foreign Trade Zones. Non-repayable contributions range from 10,000 Canadian Dollars to Canadian Dollars 150,000 for activities spanning a one-year period. FTZ-MP provides matched funds of up to 50% of eligible expenses. If a recipient accesses other federal government support, the total federal support cannot exceed 50% of eligible expenses.<sup>32</sup>

---

<sup>28</sup> Backgrounder – Invest Canada: <https://www.canada.ca/en/global-affairs/news/2018/03/backgrounder---invest-in-canada.html>

<sup>29</sup> Global Affairs Canada, News Release, March 2018: <https://www.canada.ca/en/global-affairs/news/2018/03/government-of-canada-launches-invest-in-canada-to-attract-global-investment-and-create-jobs.html>

<sup>30</sup> <https://www.budget.gc.ca/aceg-ccce/pdf/foreign-investment-investisseurs-etranagers-eng.pdf>

<sup>31</sup> <http://tradecommissioner.gc.ca/funding-financement/icci-icic/index.aspx?lang=eng>

<sup>32</sup> <http://tradecommissioner.gc.ca/funding-financement/ftz-marketing-program-marketing-zf/149802.aspx?lang=eng>

There are also five basic funding programmes available to all business sectors, offering incentives such as tax credits, lower taxes, direct funding, and financing support.<sup>33</sup>

The promotion of investment overseas by Canadian businesses is not explicitly identified as one of the objectives of the TCS.

## 2.5 TPO Strategy

### 2.5.1 Budgets and Resourcing

Information on budgets for specific activities is not available for Canada.

Some information is available on various international programmes operated by GAC and that are relevant to trade. They are not confined to TCS operations but provide an illustration of resources devoted to matters related to trade promotion.<sup>34</sup>

**Table 3 GAC resources for trade-related activities.**

Year	International commerce		International Business Development (Trade Promotion)		FDI in Canada		International Innovation Science and Technology		Trade Policy, Negotiations Dispute, Settlement and controls	
	Bud- get	Staff	Bud- get	Staff	Bud- get	Staff	Bud- get	Staff	Bud- get	Staff
2011-12	167.5	1,399								
2012-13	160.6	1,285	125,3	1,235	22.5	8	12.8	42	44.6	172
2013-14	156.8	1,219	118,9	1,234	24,2	18	13.70	39	26.31	261
2014-15	170.2	1,241	125,2	1,167	28	28	17.00	46	28.8	252
2015-16	164.4	1,311								
2016-17	193.9	1,338								

Source: GAC

Note: Budgets in millions of Canadian Dollars

### 2.5.2 Beneficiary focus

The TCS states that businesses can benefit from the TCS' services if they, "contribute to Canada's economic growth, have a demonstrated capacity for internationalization and have good potential to add value to the Canadian economy." This requires that the business have a commercial presence in Canada (for example, an office, plant, joint venture, subsidiary or research and development facility). Businesses can demonstrate

<sup>33</sup> WTO (2015): Trade Policy Review, Canada, pp.44-45

<sup>34</sup> Source: Global Affairs Canada Departmental Performance Reports, available at <https://bit.ly/2Gz91xf>

their capacity for internationalisation by showing they have undertaken market research, developed a business plan, and have the necessary human and financial resources.<sup>35</sup>

In 2016 to 17, the TCS facilitated the conclusion of 1,008 commercial agreements, and 101 successful FDI projects. 89.5% of Canadian businesses were satisfied or very satisfied with the TCS' commercial services.<sup>36</sup> A total of 193,902,346 Canadian Dollars was spent and 1,338 workers (FTE) were employed in the International Commerce Programme of GAC in 2016-17, which is delivered primarily by the TCS.<sup>37</sup>

### 2.5.3 Regional focus – subnational trade promotion activities

As well as the national TPO (TCS) there are provincial bodies promoting trade and inward investment at the local level.<sup>38</sup> These bodies generally aim to promote provincial business growth, attract inward investment, and help local businesses become successful exporters. These provincial initiatives take place alongside the national programmes run by the TCS. A summary of the support they provide to exporters and investors is outlined below.

#### Alberta

##### Invest Alberta

A one-stop facility that provides advice, information, contacts and assistance to potential investors across topics including setting up a business, navigating the regulatory environment and accessing industry data.

Trade and Investment Division, Ministry of Economic Development and Trade.<sup>39</sup>

Offers market information and intelligence, introduction services, and in-market support as well as trade statistics.

Network of 12 international offices, responsible for advancing Alberta's advocacy, trade promotion, investment attraction and other interests, such as education and culture, in their respective region:

- Beijing
- Guangzhou
- Hong Kong
- Japan
- Korea
- Mexico
- New Delhi
- Shanghai
- Singapore
- Taiwan
- United Kingdom
- Washington

Export Support Fund (Alberta Export Expansion Package)<sup>40</sup>

---

<sup>35</sup> <http://tradecommissioner.gc.ca/how-tcs-can-help-comment-sdc-peut-aider.aspx?lang=eng>

<sup>36</sup> [http://www.international.gc.ca/gac-amc/assets/pdfs/publications/plans/dpr-rmr/drr-rrm\\_1617-eng.pdf](http://www.international.gc.ca/gac-amc/assets/pdfs/publications/plans/dpr-rmr/drr-rrm_1617-eng.pdf)  
pg. 22

<sup>37</sup> [http://www.international.gc.ca/gac-amc/assets/pdfs/publications/plans/dpr-rmr/drr-rrm\\_1617-eng.pdf](http://www.international.gc.ca/gac-amc/assets/pdfs/publications/plans/dpr-rmr/drr-rrm_1617-eng.pdf)

<sup>38</sup> <https://canadabusiness.ca/growing/exporting-and-importing/exporting/starting-to-export/organizations-that-can-help-you-export/>

<sup>39</sup> <http://economic.alberta.ca/Exporting.asp>

<sup>40</sup> <https://www.alberta.ca/export-support-fund.aspx>

Three programmes aimed at preparing companies for international trade:

1. Export Support Fund reimburses eligible companies up to \$20,000 for costs of exporting to new international markets.
2. Global Buyers and Investors Program helps export-ready companies connect with international buyers by bringing business delegations to the province.
3. Export Readiness Program familiarises companies with the practicalities of exporting and enhances their export readiness. This includes the Export Readiness Micro-Voucher Program, which provides businesses with up to \$10,000 for the development of a targeted international market strategy focused on one country.

### **British Columbia**

Trade and Invest British Columbia<sup>41</sup>

Offers tools for exporters to expand to 'new' markets in Asia, the US and Europe, including export readiness guides, export navigator, business accelerator programme (located in California), and events.

Has trade representatives that assist with making local introductions to potential buyers and investors in the following international locations:

- China (4 offices).
- Japan.
- Korea.
- India (3 offices).
- Europe.
- United States (4 offices).
- South East Asia (3 offices).

Trade and Invest British Columbia has specialists active in the Natural Resources, Clean Tech and Green Economy, Technology, and Transportation sectors.<sup>42</sup>

In the investment segment of the website, the provincial government provides a listing of investment opportunities, a guide to doing business in British Columbia, information about the key sectors and contact details for their international investment specialists.

There is also a 'Major Investments Office', that provides personalised services to support major project proposals.<sup>43</sup>

### **Manitoba**

Manitoba Trade and Investment<sup>44</sup>

Offers a traditional suite of exporter services, including events, market information, consulting services, and links to external partners and tools.

Highlights the province's capabilities in manufacturing, grain-based technologies, agriculture, construction, transport and aerospace.

Invest Manitoba offers information on business migration, regulatory issues, and programmes and incentives such as business tax incentives.

### **New Brunswick**

Opportunities New Brunswick<sup>45</sup>

---

<sup>41</sup> <https://www.britishcolumbia.ca/>

<sup>42</sup> <https://www.britishcolumbia.ca/export/our-services/>

<sup>43</sup> <https://www.britishcolumbia.ca/invest/index/>

<sup>44</sup> <http://www.gov.mb.ca/trade/>

<sup>45</sup> <https://onbcanada.ca/>

Specialises in providing one-on-one counselling and services to export-ready companies and existing exporters. Offers a traditional suite of services including training, market briefings, trade missions and market intelligence.

Appear to have one international office in Europe.

Offers information for potential investors and highlights cyber security and business services as two sub-industries where they have a comparative advantage. Seeks out FDI through a network of business development executives.<sup>46</sup>

### **Nova Scotia**

#### **Nova Scotia Business Inc<sup>47</sup>**

Offers services to companies from new to export through to experienced exporters. Provides a traditional suite of services including training, market briefings, trade missions and market intelligence.

Export Growth Programme contributes up to 50% of eligible costs to a maximum of 15,000 Canadian Dollars to help companies cover the costs of travelling to markets, trade show or conference costs and visits by foreign clients.<sup>48</sup>

Small Business Development Programme supports the acquisition of a private sector consultant to provide professional expertise and improve capacity. The program contributes up to 50% of eligible project costs to a maximum incentive of 15,000 Canadian Dollars.<sup>49</sup>

Offers other specialist programs including Export Logistics Service – China Market, ConnectNS Global Advisors Programme, and the Innovate Rebate Programme.

Has a dedicated investment attraction team with sector specialists, focussing on ICT, Oceans, Financial Services, and Digital Media and other growing sectors.

### **Ontario**

#### **Ontario Investment Office<sup>50</sup>**

Seeks out high-value FDI through a network of business development consultants and offers advice to companies via business advisers located across the province.

Offers a 'Concierge Service' for Ontario-based companies and foreign investors. They are offered tailored insights on taxes, regulations, incentives, and immigration as well as help with building relationships with all levels of government and across supply chains.

Offers pre-qualified premium industrial properties through the 'Investment Ready: Certified Site Program'.

Focuses on key strategic sectors: automotive manufacturing and technology, clean tech and advanced manufacturing, business and financial services, and digital technology and life sciences.

#### **Ontario Export Services<sup>51</sup>**

Offers training programmes, seminars, workshops, trade missions, events, fact sheets, and free export consulting.

Network of trade consultants and representatives in Canadian diplomatic offices in the following countries and cities:

- China: Beijing, Chongqing, Hong Kong, (opening soon) Shanghai

---

<sup>46</sup> <https://www.onbcanada.ca/invest/>

<sup>47</sup> <https://www.novascotiabusiness.com/>

<sup>48</sup> <https://www.novascotiabusiness.com/export/export-growth-program>

<sup>49</sup> <https://www.novascotiabusiness.com/export/small-business-development-program>

<sup>50</sup> <https://www.investinontario.com/>

<sup>51</sup> <https://www.ontario.ca/page/grow-your-business-through-exporting>



- Europe: London, Munich and Paris
- India: Mumbai and New Delhi
- Mexico: Mexico City
- Middle East: Abu Dhabi, Tel Aviv
- South America: Porto Alegre, Santiago, Sao Paulo
- South Korea: Seoul
- Southeast Asia: Singapore
- Japan: Tokyo
- U.S.A.: New York, San Francisco

Magnet Export Business Portal<sup>52</sup> is a web portal that curates and filters export-related content from the Government of Ontario, Global Affairs Canada, BDC, EDC and others. The portal aims to keep Ontario businesses up to date by providing information on export support programmes and sending updates via email.

### Ontario Investment and Trade Centre<sup>53</sup>

Located in Toronto. Offers meeting rooms with audio-visual and video conferencing facilities. These facilities are available to government departments involved in investment and trade, economic development corporations and associations, importers and exporters, and international investors.

## Prince Edward Island

### Trade Team Price Edward Island<sup>54</sup>

Trade Team Prince Edward Island (TTPEI) is a joint agreement between the Province of Prince Edward Island, the Atlantic Canada Opportunities Agency (ACOA), and other departments and agencies, offering export assistance to active and potential exporters. Offers a suite of traditional export support services including training programmes, seminars, workshops, trade missions, events and advisory service.

Export Help! Programme links export-ready Island companies to specialised consultants who assist with market research and planning. Run in partnership with ACOA.<sup>55</sup>

Cluster Development Programme involves a skilled facilitator taking businesses located in the same area through a multi-step export planning process. The Business Cluster Development Program provides a non-repayable contribution of up to 75% (7,500 Canadian Dollars) of maximum allowable costs of \$10,000 to hire a skilled facilitator.<sup>56</sup> Trade Assistance Programme provides funding to help businesses cover the costs of participating in missions and trade shows.<sup>57</sup>

Other initiatives include the Grow Export Programme<sup>58</sup> and the Incoming Buyers Programme.<sup>59</sup>

### Prince Edward Island Government website

Contains a small amount of information for businesses getting ready to export.<sup>60</sup>

---

<sup>52</sup> <https://magnet.today/export-business-portal/>

<sup>53</sup> <https://www.ontario.ca/page/ontario-investment-and-trade-centre>

<sup>54</sup> <http://tradeteampei.com/>

<sup>55</sup> <http://tradeteampei.com/export-help-program/>

<sup>56</sup> <http://tradeteampei.com/programs/cluster-development-program/>

<sup>57</sup> <http://tradeteampei.com/programs/trade-assistance/>

<sup>58</sup> <http://tradeteampei.com/programs/grow-export/>

<sup>59</sup> <http://tradeteampei.com/programs/incoming-buyers-program/>

<sup>60</sup> <https://www.princeedwardisland.ca/en/topic/exporting-pei>

Investment section highlights PEI's key growth sectors, including aerospace, defence and bioscience, and the advantages of investing in PEI.<sup>61</sup>

### Quebec

Quebec International<sup>62</sup>

Assists businesses in the Quebec City metropolitan region develop export strategies and market their products and services. Offers a traditional suite of export support services, including free consulting services.

Offers potential investors a full suite of services including strategic information and assistance and access to a network of targeted contacts.

Focuses on high growth sectors: ICT and electronics life sciences, food processing, insurance and financial services, green and smart building, and value-added materials and transportation equipment.<sup>63</sup>

### Saskatchewan

Saskatchewan Trade and Export Partnership (STEP)<sup>64</sup>

Offers a suite of traditional export support services including training programmes, seminars, workshops, trade missions, events and advisory service.

Market Access Programme (MAP) funding is available for STEP Regular Member companies to help with entering new markets and making return visits (24 months after initial visit) to a new market outside of Saskatchewan.

ThinkSask.ca<sup>65</sup>

Provides information on the benefits of investing in Saskatchewan and contact details for the team of investment experts (sector specific).

## 2.5.4 Evaluation

Van Biesebeck, Yu and Chen (2015) evaluated the impact of the programmes delivered by the TCS on the export performance of Canadian firms. They concluded that TCS programmes "have a consistent and positive impact on Canadian exporter performance, both in terms of the value of exports and the growth of exports". They estimated that exporters accessing TCS services can expect to export, on average, 17.9% more than comparable exporters that do not access these services. They also found that TCS assistance benefits exporters in terms of product and market diversification.<sup>66</sup>

## 2.6 Products and Services

### 2.6.1 Non-financial assistance

The TCS offers a range of services to Canadian firms:

#### Preparing for international markets

The TCS helps new exporters, as well as exporters expanding into new markets, determine if they are internationally competitive, decide on a target market, collect market

---

<sup>61</sup> <https://www.princeedwardisland.ca/en/topic/investing-pei>

<sup>62</sup> <http://www.quebecinternational.ca/business-services/>

<sup>63</sup> <http://www.quebecinternational.ca/key-industries/>

<sup>64</sup> <https://www.sasktrade.com/index.php/services.html>

<sup>65</sup> <https://thinksask.ca/invest>

<sup>66</sup> Van Biesebeck, Yu and Chen (2015) – The impact of trade promotion services on Canadian exporter performance, Canadian Journal of Economics

and industry information, and improve their international business strategy. Firms need to approach their local trade commissioner from the TCS's regional offices to access this service.

### **Assessing market potential**

The TCS offers market intelligence and advice on implementing market strategies.<sup>67</sup> Trade commissioners can provide firms with information about barriers and regulations associated with entering specific regions, information about the competitive landscape, and emerging trends. In terms of implementing marketing strategies, the trade commissioners offer practical advice on business and cultural practices, local representation, accessing global value chains, and upcoming events.

### **Finding qualified contacts**

Through its international network of offices, the TCS can connect firms with relevant contacts in their target export markets, including:

- potential buyers and partners
- professionals in financial and legal institutions
- technology sources
- agents
- manufacturers' representatives
- foreign regulatory authorities
- foreign investment promotion agencies<sup>68</sup>

In addition, trade commissioners can provide introductions to relevant industry associations, federal, provincial or municipal contacts, and chambers of commerce.

### **Resolving business problems**

The TCS offers advice on market access and other business challenges, such as customs clearance issues, which can arise when conducting business abroad. The TCS cannot enter into private disputes or act on the behalf of one of its clients, it can only offer advice.<sup>69</sup>

### **Business Women in International Trade**

The TCS offers a special programme called 'Business Women in International Trade' (BWIT) that provides targeted products and services to help women entrepreneurs internationalise. Its mandate is to link Canadian women entrepreneurs with international business opportunities to help spur their company's growth.

BWIT's support is targeted at "export-ready" and "export-active" (as in those already exporting and with a potential for further expansion) women-owned SMEs<sup>70</sup>. Women can access a range of resources and tools through its dedicated web portal, including publications and detailed information about gaining contracts through supplier diversity initiatives. Clients are also offered advice and referrals as well as access to the BWIT LinkedIn Group and the BWIT Newsletter. A core component of the BWIT programme is

---

<sup>67</sup> <http://tradecommissioner.gc.ca/assess-market-potential-evaluation-potentiel-marche.aspx?lang=eng>

<sup>68</sup> <http://tradecommissioner.gc.ca/exporters-exportateurs/find-qualified-contacts-trouver-contacts-qualifies.aspx?lang=eng>

<sup>69</sup> <http://tradecommissioner.gc.ca/resolve-problems-resoudre-des-problemes.aspx?lang=eng>

<sup>70</sup> Women-owned businesses are at least 51% owned, managed and controlled by one or more women

the women focused trade missions that are run in markets where delegates have unique access to corporations that want to buy specifically from women.<sup>71</sup>

### **Registering trade barriers**

Canadian businesses can register barriers affecting their exports or investments through a dedicated webpage. They then work with the TCS and partner departments to address the barrier. Barriers might include excessive tariffs or labelling and local content requirements that are discriminatory or more burdensome than necessary.

The website has three categories (goods, services, and agriculture and agri-food) under which users can register their barrier. Examples and definitions are provided for clarity. Users are then directed to complete a form detailing the nature of the barrier and its impact on their business. The government advises that some trade barriers will be easier and quicker to address than others and that barriers may not be able to be rectified for reasons outside of their control.<sup>72</sup>

### **Canadian Technology Accelerator**

Canada's Technology Accelerators operate in six major tech hubs worldwide. The programme's core objective is to help small technology companies from ICT, life sciences and cleantech to break into the market. Services include mentoring and advice, office space, access to potential investors, and connections and networking in the technology business community. Eligibility criteria apply.<sup>73</sup>

### **The Canada Tariff Finder**

The Canada Tariff Finder is a joint initiative between the TCS, Business Development Bank of Canada and Export Development Canada. The online tool, which is hosted on a standalone website ([www.tariffinder.ca](http://www.tariffinder.ca)), assists exporters by allowing them to check the tariffs applicable to a specific good in a foreign market, specifically those where Canada has an FTA in place. It also allows users to compare tariffs between export markets.<sup>74 75</sup>

### **Find a Trade Commissioner**

Canadian businesses can use the TCS website to locate a trade commissioner overseas or in their local area. By selecting the region or country of interest and the relevant sector, users can connect with a trade commissioner with the appropriate knowledge and expertise.

### **Other tools and services available on the TCS website**

Country information: organised by region, users can select individual markets from a dropdown menu. Each country page contains a selection of market facts, market reports, sector specific opportunities, visit information and trade events. Contact information for trade commissioners in the market is also provided and relevant LinkedIn groups are listed.<sup>76</sup>

---

<sup>71</sup> <http://tradecommissioner.gc.ca/businesswomen-femmesdaffaires/index.aspx?lang=eng>

<sup>72</sup> [http://www.international.gc.ca/gac-amc/campaign-campagne/trade\\_barriers-barrieres\\_commerciales/index.aspx?lang=eng](http://www.international.gc.ca/gac-amc/campaign-campagne/trade_barriers-barrieres_commerciales/index.aspx?lang=eng)

<sup>73</sup> [http://www.international.gc.ca/trade-commerce/cta-atc/about-a\\_propos.aspx?lang=eng](http://www.international.gc.ca/trade-commerce/cta-atc/about-a_propos.aspx?lang=eng)

<sup>74</sup> 2016-17 Global Affairs Canada Departmental Results Report p21.

<sup>75</sup> <https://www.tariffinder.ca/>

<sup>76</sup> <http://tradecommissioner.gc.ca/country-information-pays.aspx?lang=eng>

Information by sector: users can select their sector from a dropdown list of 23 to access sector-specific advice and information, including sector profiles, market reports and information about upcoming events such as trade shows and seminars. Markets that offer opportunities in this sector are also highlighted.

Knowledge Centre: these pages on the website link to CanadExport, the official magazine of the TCS, as well as webinars organised by the TCS and partner organisations. The webinars cover a range of topics, from how to take advantage of CETA to regulatory changes in key export markets to renewable energy procurement opportunities in Jamaica.<sup>77</sup>

Guides: the TCS offers a number of guides designed to help companies navigate the export process and access opportunities. These include:

- step-by-step guide to exporting: can be downloaded for free once the user has created a 'MY TCS' account, which is necessary in order to access many of the free resources offered by the TCS<sup>78</sup>
- Global Value Chains: contains detailed information about global value chains and various business strategies and options to link into global value chains - the page also contains information about multinational enterprises, their procurement needs and methods, and the business opportunities they might offer
- there is a specific global value chain guide for SMEs<sup>79</sup>
- Exporting to the United States: covers a range of topics and is targeted at companies with some knowledge of exporting - it covers practical information such as 'labelling, marketing and standardisation', packing and shipping, and dealing with US customs<sup>80</sup>
- Spotlight Series: features a number of export-related topics aimed at helping Canadian business improve their international competitiveness and highlight new opportunities for growth - the guides provide insights, tips and resources, topics include social responsibility, international marketing and e-commerce.<sup>81</sup>
- market reports: broken down by industry sector and region or country, this resource either links users back to the "Information by Sector" page of the TCS's website or enables users to identify market reports relevant to specific sectors in specific markets

Events: lists events, including webinars, trade missions and conferences, in Canada and around the world. It has a search tool to help users navigate the content as well as a link to the BWIT 'Missions and Events' page.<sup>82</sup>

---

<sup>77</sup> <http://tradecommissioner.gc.ca/exporters-exportateurs/knowledge-centre-centre-expertise.aspx?lang=eng>

<sup>78</sup> <http://tradecommissioner.gc.ca/exporters-exportateurs/guide-exporting-guide-exportation.aspx?lang=eng>

<sup>79</sup> <http://tradecommissioner.gc.ca/gvc-cvm/gvc-cvm.aspx?lang=eng>

<sup>80</sup> <http://tradecommissioner.gc.ca/exporting-to-united-states-exporter-aux-etats-unis.aspx?lang=eng>

<sup>81</sup> [http://tradecommissioner.gc.ca/exporters-exportateurs/spotlight-pleins\\_feux.aspx?lang=eng](http://tradecommissioner.gc.ca/exporters-exportateurs/spotlight-pleins_feux.aspx?lang=eng)

<sup>82</sup> <http://tradecommissioner.gc.ca/events-evenements.aspx?lang=eng>

Trade Missions: provides information about the benefits of trade missions, what they include, eligibility and funding as well as upcoming trade missions and the link to other events.<sup>83</sup>

Resources: provides links to the following tools and information:

- funding programs: contains information on funding programs, the type of financial assistance provided and how to apply<sup>84</sup>
- Corporate Social Responsibility (CSR): offers information about CSR, the Canadian Government's approach to CSR abroad, and supporting CSR in specific areas<sup>85</sup>
- BWIT: as outlined above.
- Export and Import Controls: highlights information on controlled products and how to obtain the necessary permits and certificates<sup>86</sup>
- US Government Procurement: a "one-stop shop" for the essentials on doing business with the US - includes information about the Buy American Act and provisions, as well as general information on procurement, the different methods in which the U.S. handles acquisitions, solicitations and contracts, and identifying procurement opportunities<sup>87</sup>
- Development and Humanitarian Aid Markets: provides information about major development and humanitarian agencies and how they distribute funds to procure goods, equipment, civil works and services - the page also contains information highlighting how projects are developed and carried out, how development and humanitarian procurement works, where firms can find detailed information about procurement and how they can identify business opportunities<sup>88</sup>
- Trade in Goods – Tariff Information
- Inviting a business to Canada: offers information for Canadian companies who are inviting a foreign business contact to travel to Canada - includes information about visa requirements and the responsibilities of Canadian companies when they invite foreign guests to Canada<sup>89</sup>
- Trade Negotiations and Agreements: provides links to information about Canada's FTAs and other international agreements, as well as tariff information by country<sup>90</sup>
- Trade Statistics: links to the Office of the Chief Economist, where users can access research and analysis, information about Canada's trade and investment performance, and trade and economic statistics<sup>91</sup>

### 2.6.2 Financial assistance

#### Global Opportunities for Associations (GOA)

GOA aims to support associations starting or expanding international business development activities in strategic markets and sectors for the benefit of the wider

---

<sup>83</sup> [https://international.gc.ca/trade-commerce/trade\\_events-evenements\\_commerciaux/trade\\_missions-missions\\_commerciales/index.aspx?lang=eng](https://international.gc.ca/trade-commerce/trade_events-evenements_commerciaux/trade_missions-missions_commerciales/index.aspx?lang=eng)

<sup>84</sup> <http://tradedecommissioner.gc.ca/funding-financement/index.aspx?lang=eng>

<sup>85</sup> <http://www.international.gc.ca/trade-agreements-accords-commerciaux/topics-domaines/other-autre/csr-rse.aspx?lang=eng>

<sup>86</sup> <http://www.international.gc.ca/controls-controles/index.aspx?lang=eng>

<sup>87</sup> <http://tradedecommissioner.gc.ca/sell2usgov-vendreaugouvusa/index.aspx?lang=eng>

<sup>88</sup> <http://tradedecommissioner.gc.ca/development-developpement/index.aspx?lang=eng>

<sup>89</sup> <http://tradedecommissioner.gc.ca/exporters-exportateurs/inviting-foreign-inviter-etranger.aspx?lang=eng>

<sup>90</sup> <http://www.international.gc.ca/trade-agreements-accords-commerciaux/index.aspx?lang=eng>

<sup>91</sup> <http://www.international.gc.ca/economist-economiste/index.aspx?lang=eng>

industry. By sharing the risks and costs of the activities, GOA aims to provide an incentive for associations and their members to be more ambitious in their international growth plans.

GOA supports three types of international business development initiatives:

- direct contacts, such as trade shows, matchmaking, seminars, incoming visits and export training
- marketing tools, such as website development targeting foreign customers and other materials that promote trade opportunities
- research tools, such as market research or the update of a multi-year international business development strategy for an industry<sup>92</sup>

Annual non-repayable contributions range from a minimum of 20,000 Canadian Dollars to a maximum of 250,000 Canadian Dollars, and the funding approvals are made for a one-year period. GOA provides matching funds of up to 50% of eligible expenses.<sup>93</sup>

In June 2017, it was announced the government is providing 3.3 million Canadian Dollars to 34 industry associations for 114 international business development initiatives. Of the FY 2017 to 18 recipients, collectively, associations from the creative industries, education, clean technology, and defence and security received the largest proportion of the funding.

### **Going Global Innovation (GGI)**

The GGI provides matching funds of up to 75% of eligible expenses incurred in pursuing international collaborative research and development opportunities (project driven technology commercialisation efforts not events), up to a maximum of 75,000 Canadian Dollars for any approved project. Eligible beneficiaries are SMEs, universities, and non-government research centres. Eligible expenses may include international and local travel, accommodation, meals, meeting costs, legal fees to support formalized partnerships, and other costs related to international collaboration.<sup>94</sup>

### **The Canadian International Innovation Program (CIIP)**

Delivered in collaboration with the National Research Council of Canada Industrial Research Assistance Program (NRC-IRAP), the CIIP fosters and supports collaborative industrial research and development projects with high potential for commercialisation between Canada and partner countries: Brazil, China, India, Israel, and South Korea.

Three types of industrial research and development projects are eligible under CIIP:

- market expansion
- technology validation
- technology co-development

CIIP is a seed fund, which allows other public and private sector participants to bring expertise and funds to the bilateral relationship. The program is delivered by the National Research Council of Canada Industrial Research Assistance Program (NRC-IRAP) for

---

<sup>92</sup> GAC News Release, June 22: [https://www.canada.ca/en/global-affairs/news/2017/06/international\\_tradeministerannounces33millionfor34industryassoci.html](https://www.canada.ca/en/global-affairs/news/2017/06/international_tradeministerannounces33millionfor34industryassoci.html)

<sup>93</sup> Backgrounder, GOA: [https://www.canada.ca/en/global-affairs/news/2017/06/global\\_opportunitiesforassociations.html](https://www.canada.ca/en/global-affairs/news/2017/06/global_opportunitiesforassociations.html)

<sup>94</sup> <http://tradecommissioner.gc.ca/funding-financement/ggi-vmi/index.aspx?lang=eng>

Brazil, China, India and South Korea, and the Canada-Israel Industrial Research and Development Foundation (CIIRDF) for Israel.<sup>95</sup>

### **CanExport**

The CanExport program is a five-year, 50 million Canadian Dollars Government of Canada program that provides direct financial assistance to SMEs registered in Canada that are seeking to develop new export opportunities and markets, especially high-growth emerging markets.

The program is delivered in partnership with the NRC-IRAP and provides financial support for a wide range of export marketing activities and is open, with few exceptions, to all industry sectors.

The CanExport program reimburses up to 50% of eligible expenses and requires that the applicant match funds on a one-to-one basis. CanExport can offer SMEs a minimum contribution of 10,000 Canadian Dollars and a maximum contribution of 99,999 Canadian Dollars.

## **2.7 Conclusions**

Canada's trade promotion strategy attempts to tackle the twin challenges of diversifying trade away from its largest export market (the USA) and reliance on primary sector exports, and also ensuring that the provinces are integrated into international trade. The first part of the strategy requires that trade promotion be closely aligned with international commercial diplomacy. The positioning of the TCS within GAC helps to promote this integration.

The second aspect depends on the efficacy of regional trade promotion efforts. As observed, trade promotion agencies within the regions offer a range of products and services. The level of coordination with federal activities is unclear, and it is possible that the regions see each other as competitors, particularly on investment.

The overall range of products and services offered by the TCS is relatively broad. Evaluation suggests that programmes have had a positive impact on export performance.

---

<sup>95</sup> <http://tradecommissioner.gc.ca/funding-financement/ciip-pcii/index.aspx?lang=eng>



## 3 DENMARK

### KEY MESSAGES: TRADE COUNCIL OF DENMARK

- The Trade Council is the purview of the Ministry of Foreign Affairs. Its remit is limited to export promotion and it does not deal directly with investment promotion (which falls under the mandate of a separate agency, Invest in Denmark)
- its activities and overall strategic direction reflect government strategy on export promotion developed in 2014
- there are close formal and especially informal linkages with the private sector (networks and cross-over), this is partly facilitated by Denmark's small size - the linkages have led to an underlying philosophy described as "publicly funded, privately directed"
- a specific initiative, the Global Public Affairs initiative, identifies leading Danish businesses that contribute to the Trade Council's work through payment on a subscription model
- recently, the authorities have explicitly targeted developing countries and emerging markets via a network of Growth Counsellors and a Strategic Sector Cooperation Initiative
- activities under the "joint business promotion" heading are delivered to groups of businesses and follow a co-financing approach - the approach is one possible response to the fact that (i) there are market failures in export promotion related to spillovers, that justify public funding and (ii) some of the returns from such activities are privately appropriable, justifying private participation

### 3.1 Introduction

Denmark is a high-income country, with GDP per capita of a little under US\$ 46,000.<sup>96</sup> The composition of its GDP is as follows: Agriculture 0.9%; Industry 23.5% (of which manufacturing 15.3%); Services 75.6%.<sup>97</sup> Its merchandise exports are dominated by manufactures (around 71%), but primary products are also significant, notably agriculture, which accounts for around 20% of exports.<sup>98</sup>

Denmark is highly open to trade, with a trade to GDP ratio of around 101% in 2016, while exports of goods and services amounted to close to 54% in that year.<sup>99</sup> Its external tariff structure is the EU's common external tariff, with a simple MFN average of 5.2% and a trade weighted average of 3% (7.8% in agriculture). The World Bank's Ease of Doing Business Index has ranked it 3<sup>rd</sup> overall, and first in trade across borders.<sup>100</sup>

<sup>96</sup> PPP, constant 2011 international \$. Source: World Bank World Development Indicators. PPP refers to Purchasing Power Parity exchange rates i.e. rates that equalise prices across a pair of countries. International dollars are the product of this conversion using PPP exchange rates. "Constant 2011" means the exchange rate is calculated on the basis of 2011 price indices to filter out the effects of inflation.

<sup>97</sup> Source: World Development Indicators: Structure of Output, 2015

<sup>98</sup> Source: WTO (2017) World Trade Profiles, Denmark

<http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=DK>

<sup>99</sup> World Bank (2017), World Development Indicators

<sup>100</sup> World Bank, Doing Business (<http://www.doingbusiness.org/rankings>)

Trade promotion activities are the responsibility of the Trade Council of Denmark. This body, overseen by the Ministry of Foreign Affairs, provides a variety of services, including export promotion. The Trade Council's current strategic positioning is largely a reflection of the export promotion strategy developed by the authorities in 2014.

### 3.2 Policy and Institutional Context

#### 3.2.1 Linkages to wider policy initiatives

The export promotion strategy was established<sup>101</sup> in response to the Productivity Commission's Interim Report on Competition, Internationalisation and Regulation, published in May 2013.<sup>102</sup> The Productivity Commission identified potential for bolstering Denmark's productivity growth through increased internationalisation, while also pointing to the lack of a comprehensive overview of the Danish state's export promotion programmes and their impact.

The Productivity Commission's report deals with three dimensions to internationalisation: trade in goods and services, foreign direct investment, and movement of labour. Export promotion serves to support the first of these. The report also highlights the role of the other two dimensions in supporting the benefits derived from trade and in enhancing the impacts of export promotion.

The Commission identified competition and internationalisation as two factors that stimulate productivity growth. This reflects their view that as companies are exposed to more competition, the winners will become more productive, whilst the losers will fail, with capital and labour being reallocated to winners.<sup>103</sup> The Commission also commented on the importance of a skilled and mobile labour force, specifically commenting on education policy and foreign labour market policy, and the linkages between these and internationalisation. The Commission recommends an education policy that is geared towards a high-skilled labour force, whilst labour market policy should allow highly skilled foreign labour to work in Denmark.

The Commission also recommends removing import quotas and duties and creating more widespread international standards. This requires working with the EU to encourage freer trade.

In terms of sector focus, the Commission particularly highlighted the service sector as needing to focus on internationalisation. The Commission had two recommendations: firstly, that service industry regulation should be reviewed for simplification in alignment with Denmark's main trading partners; and secondly, that Denmark works within the EU for better implementation of the EU Services Directive. The Commission did not specify a particular sector within services, rather it is a cross-cutting recommendation to improve service trade.

---

<sup>101</sup> <http://um.dk/en/tradecouncil/about/strategy/>

<sup>102</sup> [http://produktivitetskommissionen.dk/media/150140/Analyserapport2\\_revideret.pdf](http://produktivitetskommissionen.dk/media/150140/Analyserapport2_revideret.pdf)

<sup>103</sup> [http://produktivitetskommissionen.dk/media/150140/Analyserapport2\\_revideret.pdf](http://produktivitetskommissionen.dk/media/150140/Analyserapport2_revideret.pdf), p. 76

Within this broader context, the Productivity Commission recommended the introduction of proposals for more efficient organisation and coordination of Danish export promotion efforts. The response was summarised in the export promotion strategy report<sup>104</sup>, which lists nine broad aims for the government and Trade Council to meet. These aims are:

1. Ensure better coherence between all Danish export promotional offers.
2. Strengthen inter-ministerial work for Danish economic interests.
3. Increase the foreign service's contribution to Danish growth and employment.
4. Optimize the Trade Council's interaction with business.
5. Prioritize Denmark's presence in growth and volume markets.
6. Improve interaction between development assistance and export promotion.
7. Facilitate access to finance by businesses.
8. Get more small and medium-sized businesses to export.
9. Strengthen the framework for creating effective and business-oriented export promotion through the development of a public-private partnership, among other things.

### 3.3 TPO Institutional Structure

#### 3.3.1 Organisation and relationship to other government institutions

The government's export promotion strategy<sup>105</sup> focuses on strengthening coordination between five Regional Business Development Centres, for a coordinated internationalisation process for small- and medium-sized enterprises (SMEs).<sup>106</sup> The five Centres focus mainly on helping regional start-ups and SMEs grow to their maximum potential. In practice, this means help for SMEs to enter new markets, and expand the reach of their product in new and existing markets. The Centres focus on "growth, exports and jobs", but they work independently of each other and advice is given based on adviser's specific expertise.

The export promotion strategy not only promotes regional relationships in government, but also encourages relationships with other government ministries.<sup>107</sup> One of the actions to be taken is funding for "strategic sector cooperation", to help different parts of the Danish government to work together on developmental projects and export promotion (this is covered in more detail later in the document).

#### 3.3.2 Leadership and strategic direction

The Board of Directors of the Trade Council is made up of active professionals with international experience, representing a wide range of industries and small and large

---

<sup>104</sup> <http://um.dk/en/tradecouncil/about/strategy//~/media/UM/English-site/Documents/The-Trade-Council/Publications/GovernmentStrategyOnExportPromotionAndEconomicDiplomacy.pdf>

<sup>105</sup> <http://um.dk/en/tradecouncil/about/strategy//~/media/UM/English-site/Documents/The-Trade-Council/Publications/GovernmentStrategyOnExportPromotionAndEconomicDiplomacy.pdf>, p. 11

<sup>106</sup> SMEs are typically defined as firms with: less than 250 employees, a maximum of Danish Krone 375 million in turnover during the previous fiscal year, and not received state aid over €200,000

<sup>107</sup> <http://um.dk/en/tradecouncil/about/strategy//~/media/UM/English-site/Documents/The-Trade-Council/Publications/GovernmentStrategyOnExportPromotionAndEconomicDiplomacy.pdf>, p. 12

companies. The purpose is to ensure close interaction between Danish business and the Trade Council.<sup>108</sup>

The Trade Council has four departments and offices in total<sup>109</sup>:

- Strategy, Policy and Quality – this is the group responsible for coordinating global strategy and resources, as well as being responsible for knowledge sharing
- Export promotion and customer relationships – this office is responsible for direct contact between Danish companies that wish to enlist export promotion services
- Commercial policy and foreign economic analysis – this branch of the Trade Council is responsible for the development and implementation of trade policy, in addition to policy and technical issues when trading, and analysis of foreign economic issues
- Invest in Denmark and innovation – the department for attracting foreign investment and creating innovation centres

Funding for most of the export promotion services is funded through the Ministry of Foreign Affairs. The services are provided by the Trade Council, a subsidiary of the Ministry, and mostly funded through grants for eligible firms. The main criterion for eligibility is that beneficiaries must be Danish firms which have under 250 employees, a maximum of 375 million Danish Krone in turnover during the previous fiscal year and have not received state aid over €200,000. In terms of prices, advisory services tend to cost 955 Danish Krone per hour<sup>110</sup> for all firms, although there may be specific discounts for some firms.

The implementation of initiatives in the export promotion strategy is covered by an inter-ministerial export coordination group. This group, which will replace related forums for information exchange, including the growth market, business promotion coordination groups and the Go Global cooperation<sup>111</sup>, will enable more targeted use of governmental visits and strategic bilateral agreements. Meanwhile, better cooperation and follow-up throughout the Government and in conjunction with Danish companies is expected to contribute to ensuring the full commercial benefits of these efforts.<sup>112</sup> In terms of representation and coordination on strategy, there is therefore a mix of private and public-sector representatives. As mentioned in the previous paragraph, the board of directors includes active professionals in business which guides the strategy of the Trade Council, whilst the export coordination group focuses on effective implementation of strategy.

The implementation of this strategy on export promotion leads to more connection with other areas of government such as Innovation Denmark<sup>113</sup> (under the Ministry of Higher Education and Science), information on export product requirements<sup>114</sup> (under the Ministry of Industry, Business and Financial Affairs), getting an export license<sup>115</sup> (under the Ministry

---

<sup>108</sup> <http://um.dk/da/eksportraadet/om/eksportraadets-arbejde>

<sup>109</sup> <http://um.dk/da/eksportraadet/om/organisation>

<sup>110</sup> <http://udviklingstal.um.dk/da/eksportraadet/om/priser-og-forretningsbetingelser/>

<sup>111</sup> The Go Global cooperation is made up of: The Trade Council, Danida, Denmark's Export Credit Agency (EKF) and the Investment Fund for Developing Countries (IFU).

<sup>112</sup> <http://um.dk/en/tradecouncil/about/strategy/~media/UM/English-site/Documents/The-Trade-Council/Publications/GovernmentStrategyOnExportPromotionAndEconomicDiplomacy.pdf>, p. 15

<sup>113</sup> <http://www.innovationstjek.dk/>

<sup>114</sup> <http://www.indremarkedscenter.dk/>

<sup>115</sup> <http://www.eksportkontrol.dk/>

of Industry, Business and Financial Affairs), and learning languages and cultures<sup>116</sup> (within the Ministry of Foreign Affairs).

In parallel to this, the Danish development fund for developing countries (IFU<sup>117</sup>)<sup>118</sup> provides advisory services, risk capital and co-financing to Danish firms looking to expand to developing countries. The IFU is a government-owned fund, which invests in numerous other funds including the Danish Climate Investment Fund, IFU Investment Partners and the Arab Investment Fund. However, the fund is run like a business, making returns of up to 12%, which are invested into new projects.<sup>119</sup> Other plans made by the government are to increase the number of regional specialist financial advisors, and to coordinate the shared ownership of foreign investment.

Whilst most services are run by the Trade Council, or at least by the government, some are privately-provided. The costs of these may be offset by government grants.<sup>120</sup>

### 3.3.3 Relationship to private sector

The Trade Council works closely with the private sector. To a large extent, this collaboration is explained by long-standing connections and networks between people in the business sector and the Trade Council. Denmark's small size contributes to the creation of such networks.

The overall philosophy guiding the relationship between the private sector and export promotion service provision has historically been that businesses pay for services provided. Payments are in proportion to business size. Under the Global Public Affairs initiative, which targets the Top 50 Danish companies, payments take the form of an annual subscription.

There are currently some export promotion service providers in the private sector in Denmark, with which the Trade Council attempts to align itself to provide coherent advice to business. This is in keeping with the export promotion strategy. The intention of this alignment is to add value by ensuring that the spillover benefits of export are taken into account whenever export promotion services are provided. The concern is that, left to its own devices, the private sector may under-provide export promotion services because it will not fully appropriate the benefits of these spillover effects.

Seomondo<sup>121</sup> is an example of a private enterprise that promotes exports, with its main focus being countries close in geography to Denmark such as the UK, Germany and Norway. They also promote the Trade Council on their website, suggesting some kind of cooperation, although the form this takes is not explicit.

### 3.3.4 Relationship to development cooperation

The Trade Council also works alongside other departments in the Ministry of Foreign Affairs, for example Danida, Denmark's agency for development cooperation. One of the

---

<sup>116</sup> <http://um.dk/da/om-os/umkc/kurser>

<sup>117</sup> Investeringsfonden for Udviklingslande (IFU)

<sup>118</sup> <https://www.ifu.dk/en/frontpage-english/>

<sup>119</sup> <https://www.ifu.dk/en/about-ifu/background/>

<sup>120</sup> <https://www.statens-tilskudspuljer.dk/udenrigsministeriet/the-trade-council>

<sup>121</sup> <https://www.seomondo.dk/eksport>

key gaps identified by the export promotion strategy report<sup>122</sup> is that Denmark lags in its trade with developing countries, especially in emerging markets. Sectors in which Denmark specialises are in high demand in these countries. One of the initiatives is to connect Danish exports to other development objectives in developing countries. The Danish Government launched a new Facility, detailed in the table below, which is available for a selected group of low and middle-income countries with high economic growth during a pilot period of three years 2015 to 17.<sup>123</sup>

Table 4 identifies a list of countries deemed eligible to become partner countries in their specific initiative for developing countries, although it's unclear how these countries have been chosen. 50% of the Trade Council's funds for export promotion will be used to target these emerging markets.<sup>124</sup>

**Table 4 Countries identified by Ministry of Foreign Affairs for Growth Counsellor and SSC**

Eligible partner countries		
Bangladesh	Indonesia	Nigeria
Brazil	Kenya	Pakistan
China	Malaysia	Philippines
Colombia	Mexico	Turkey
Ethiopia	Myanmar	Ukraine
Ghana	South Africa	Vietnam

Source: [http://amg.um.dk/en/technical-guidelines/partnering-with-denmark/~media/amg/Documents/Tools/Guidelines%20for%20Partnering%20with%20Denmark/Guidelines%20for%20myndighedssamarbejde%20SEKTION%201%206%20marts%202015.pdf\\_p.4](http://amg.um.dk/en/technical-guidelines/partnering-with-denmark/~media/amg/Documents/Tools/Guidelines%20for%20Partnering%20with%20Denmark/Guidelines%20for%20myndighedssamarbejde%20SEKTION%201%206%20marts%202015.pdf_p.4)

In order to expand exports in emerging markets, the authorities can draw on two initiatives: the Growth Counsellor network, and Strategic Sector Cooperation (SSC). These are described in Table 5.

<sup>122</sup> <http://um.dk/en/tradecouncil/about/strategy/~media/UM/English-site/Documents/The-Trade-Council/Publications/GovernmentStrategyOnExportPromotionAndEconomicDiplomacy.pdf>, p. 12

<sup>123</sup> <http://amg.um.dk/en/technical-guidelines/partnering-with-denmark/~media/amg/Documents/Tools/Guidelines%20for%20Partnering%20with%20Denmark/Guidelines%20for%20myndighedssamarbejde%20SEKTION%201%206%20marts%202015.pdf> p. 4

<sup>124</sup> <http://um.dk/da/eksportraadet/markeder/vaekststrategier/>

**Table 5 The role of Growth Counsellors and Strategic Sector Cooperation**

<b>Growth Counsellor (Embassy)</b>	<b>SSC (Danish public authority)</b>
Builds up broad networks, opens doors and facilitates contacts	Builds relationships with partner authorities and other relevant stakeholders
Facilitates and supports identification and development of SSC projects	Identifies development challenges together with partners and develops SSC projects
Facilitates and takes part in implementation of SSC projects	Management and administration of the SSC implementation
Facilitates involvement of Danish businesses as integral part of the Danish Embassy through information on contact points and opportunities, matchmaking and so on	Provides expertise for implementation of SSC projects by use of own staff
Develops annual GC work plan	Knowledge and network sharing with Danish businesses
Country progress reporting	Financial management and audits and SSC progress reporting
Coordinates and manages PR and media relations	Input to policy or international cooperation dialogue related to the sector

Source: <http://amg.um.dk/en/technical-guidelines/partnering-with-denmark/~/-/media/amg/Documents/Tools/Guidelines%20for%20Partnering%20with%20Denmark/Guidelines%20for%20myndighedssamarbejde%20SEKTION%201%206%20marts%202015.pdf> p.8

The Growth Counsellor is based at the Danish embassy in the chosen country, and the role is mainly to build networks within the country. In terms of export promotion, the Growth Counsellor is the dedicated source of networks within a potential export country, with emphasis on match-making and facilitation. SSC is a Danish initiative that establishes sectoral partners in the host country. The Growth Counsellor is responsible for developing contacts with these sectoral partners, with a view to preparing the ground for relationships with prospective Danish exporters. The funds are used for short-term, targeted efforts and longer-term sector cooperation projects, as identified by the embassies relative to demand in the country, Danish ministries and Danish business and industry<sup>125</sup>.

Whilst this is one of the Trade Council's priorities as a result of the export promotion strategy, it is an example of a more integrated approach the Trade Council are taking towards promoting exports, working with different areas of government to help promote a 'joined-up' approach to export promotion (see also: innovation, regional growth and human capital).

<sup>125</sup> <http://um.dk/en/tradecouncil/about/strategy/~/-/media/UM/English-site/Documents/The-Trade-Council/Publications/GovernmentStrategyOnExportPromotionAndEconomicDiplomacy.pdf> , p. 14

### 3.3.5 Relationship to government-to-government facilitation

The export promotion strategy acknowledges the need for government-to-government facilitation, particularly in harnessing diplomacy as a method of facilitating trading links between countries.<sup>126</sup> The view is that strong cooperation in diplomatic terms can create economic opportunities, either directly by facilitating contracts or indirectly by promoting the reputation of Danish businesses. The Ministry of Foreign Affairs emphasises the incorporation of economic and commercial interests in all areas of the Foreign Service's political work. The export promotion strategy describes the need for an "economic reflex" within the Foreign Service, which links to the work on Growth Councils, highlighted in Table 5. There are numerous examples of the kind of work that could be focused on, including:

- cooperation with companies and other partners
- the marketing of Denmark and Danish positions of strength
- the planning of development aid
- consular work
- the handling of political and economic issues on the European and international agenda
- the overall efforts to position Denmark optimally for securing a share of global economic growth

The implementation of these objectives relies heavily on the activities of the Growth Counsellors. At the same time, the Ministry of Foreign Affairs is also looking to "promote economic and commercial competencies" within the Foreign Service, whilst practical measures, such as Danish Visa policy, will be streamlined for businesses to make transactions abroad easier.

## 3.4 TPO Scope

### 3.4.1 Targeting market failures

The export promotion strategy and the aforementioned 2013 Productivity Commission report explicitly reference market failures<sup>127</sup>, and how addressing these failures can add value to Danish firms. The reports do not explicitly reference the types of market failures, however the Productivity Commission report<sup>128</sup> alludes to "spread effects" and the positive externalities of exporting, and the value added to society over the value exporters create for themselves.

---

<sup>126</sup> <http://um.dk/en/tradecouncil/about/strategy//~/media/UM/English-site/Documents/The-Trade-Council/Publications/GovernmentStrategyOnExportPromotionAndEconomicDiplomacy.pdf> p. 16

<sup>127</sup> <http://um.dk/en/tradecouncil/about/strategy//~/media/UM/English-site/Documents/The-Trade-Council/Publications/GovernmentStrategyOnExportPromotionAndEconomicDiplomacy.pdf>, p. 9

<sup>128</sup> [http://produktivitetskommissionen.dk/media/150140/Analyserapport2\\_revideret.pdf](http://produktivitetskommissionen.dk/media/150140/Analyserapport2_revideret.pdf) p. 80



### 3.4.2 Targeting other barriers to export

Denmark explicitly focuses on “removing” barriers to trade<sup>129</sup>, and asks firms to submit any barriers to trade that they experience<sup>130</sup>, as well as providing a list of barriers that they might experience<sup>131</sup>.

The nature of trade barriers means that the Trade Council needs to work with other entities to resolve them. For example, trade barriers within the EU are dealt with by the Danish Business Authority. Some trade barriers are actionable under trade law. Others are not violations of law but represent obstacles to trade that could be addressed by reforms in the partner country. The Trade Council deals with both.<sup>132</sup>

Violations of trade law are dealt with either through court proceedings in the relevant jurisdiction, or dispute settlement mechanisms under trade law. On the latter, the Trade Council works with the Danish government to liaise with the EU regarding cases before the Dispute Settlement Body of the WTO.

Where there are barriers, such as customs duties and local technical regulations, that are consistent with the international trade law commitments made by partners, the Trade Council:

- provides information on current rules and regulation, alongside the EU’s advice and guidance
- assesses the impact of trade barriers and takes efforts to reduce them through bilateral action including meetings, visits and travel, and by influencing the EU’s trade policy negotiating stance vis-a-vis the country in question

### 3.4.3 Export market scope

The Trade Council of Denmark has 65 offices around the world, usually as part of an embassy or consulate. Some embassies or consulates may not have Trade Council presence but may nevertheless work with the Danish Trade Council.

### 3.4.4 Geographical scope

Denmark’s Trade Council acts as part of the wider Danish Foreign Service. This means that Trade Council staff in different locations offer specific advice as a fully autonomous part of the Ministry of Foreign Affairs. Following the 2014 review, greater emphasis has been placed on ensuring that Trade Council staff are physically co-located with other diplomatic and consular staff, to ensure consistency and collaboration.

Updates from specific markets are published centrally on the Trade Council’s website.<sup>133</sup> These are published by local agents and, whilst the content of individual reports varies, they broadly include the following:

---

<sup>129</sup> <http://um.dk/en/tradecouncil/barriers/>

<sup>130</sup> <http://um.dk/en/tradecouncil/barriers/register/form>

<sup>131</sup> <http://um.dk/en/tradecouncil/barriers/what-is/~//media/UM/Danish-site/Documents/Eksporttraadet/Markeder/Barriersenglish.pdf>

<sup>132</sup> <http://um.dk/en/tradecouncil/barriers/what-is>

<sup>133</sup> <http://um.dk/da/eksporttraadet/markeder/markedsnyheder>

- a description of the existing market, including size, firms, key countries, and other important features of the market
- recent developments in the market which could include recent changes in regulation and policy, or growth in particular firms or market segments
- market expectations and prospects, and any other reviews of the market
- how Danish firms are well-placed to enter or expand in the chosen market
- ways in which Danish firms can exploit opportunities and build networks within this sector

As mentioned earlier in this section, Denmark is planning to increase trade with developing countries. Denmark's strategy also has a specific measure associated with creating a global presence. The export strategy encourages a greater presence in Latin America as a potential growth market, whilst it is also targeting high-growth and high-volume market areas. High-volume markets include, for example, the USA, Germany and Japan, for which specific action plans have been developed.<sup>134</sup>

### 3.4.5 Global Value Chains

The export promotion strategy recognises that an increasing proportion of Danish production takes place in global value chains and recognises that firms will need advice that reflects where they are in global value chains.<sup>135</sup> Specifically, the Trade Council have sector "focus areas"<sup>136</sup> which include:

- urban solutions
- energy, environment and water
- food, agriculture and agri-industry
- health
- tech

The Trade Council has experts in these fields, and the aim is to help Danish businesses expand in the high value-added segments in these sectors.

### 3.4.6 Investment promotion

Investment promotion is the remit of Invest in Denmark, which works to remove domestic barriers to trade and investment in order to enhance Denmark's reputation as a place to do business.<sup>137</sup> It has a particular focus on the following industries in which Denmark has identified it has a comparative advantage:

- clean technologies
- information computer technology
- life sciences
- maritime
- design

---

<sup>134</sup> See here: [http://um.dk/~media/UM/Danish-site/Documents/Eksportraadet/Markeder/Tysklandsstrategi\\_web.pdf?la=da](http://um.dk/~media/UM/Danish-site/Documents/Eksportraadet/Markeder/Tysklandsstrategi_web.pdf?la=da) for Germany (Danish only)

<sup>135</sup> <http://um.dk/en/tradecouncil/about/strategy/~media/UM/English-site/Documents/The-Trade-Council/Publications/GovernmentStrategyOnExportPromotionAndEconomicDiplomacy.pdf>, pp. 6, 11

<sup>136</sup> <http://udviklingstal.um.dk/da/eksportraadet/sektorer/>

<sup>137</sup> <https://investindk.com/>

- food

### 3.5 TPO Strategy

#### 3.5.1 Budgets and resourcing

Table 6 (below) shows the evolution of the spending on export and investment promotion services in Denmark. The budget is falling, although resources are arguably being allocated more efficiently.

Table 7 shows spending on special export promotion grants by type.

**Table 6 Overall costs of export and investment promotion – The Trade Council budget**

Million Kr.	2013	2014	2015	2016	2017 (F)	2018 (F)	2019(F)
“Export and investment promotion etc.”	354.6	353.5	353.5	344.8	334.0	323.2	314.9

F : Forecast

Source : [https://www.fm.dk/~media/publikationer/imported/2015/ffl16-sep/ffl16\\_06\\_web.ashx?la=da](https://www.fm.dk/~media/publikationer/imported/2015/ffl16-sep/ffl16_06_web.ashx?la=da) p.17

**Table 7 Export promotion grants from The Trade Council**

Million Kr.	2013	2014	2015	2016	2017 (F)	2018 (F)	2019 (F)
Efforts for small and medium-sized enterprises and innovative growth companies and entrepreneurs	24.2	22.2	22.2	24.4	24.4	17.8	14.5
Joint business promotion	27.9	24.2	32.6	37.8	33.8	27.2	23.9
Total spending	52.1	46.3	54.8	62.2	58.2	45.0	38.4

Source : [https://www.fm.dk/~media/publikationer/imported/2015/ffl16-sep/ffl16\\_06\\_web.ashx?la=da](https://www.fm.dk/~media/publikationer/imported/2015/ffl16-sep/ffl16_06_web.ashx?la=da) p.142

Note: Source is in Danish, but this table shows specifically the budget of targeting groups of Danish businesses. (F) denotes a forecasted amount.

Key points of the strategy are that:

- support for small and medium-sized enterprises, innovative growth companies and entrepreneurs focuses on businesses with growth potential and who are aligned with the priorities set out in the export promotion strategy
- business promotion includes several more general initiatives to promote Danish exports - the schemes include co-financing for groups of companies to use for joint business promotion, to increase the knowledge of the participating companies' market and business conditions and to support the establishment of contacts with businesses and business partners in target export market - promotions must include joint efforts in markets of interest to the Danish business community - the efforts must have “news” value and target a well-defined group of companies in the foreign market

### 3.5.2 Beneficiary focus

One of the measures cited in the government's export promotion strategy is boosting SME internationalisation and exports<sup>138</sup>, because they "do not possess the necessary resources to overcome even minor trade barriers". According to the strategy, the most effective technique to help SMEs internationalise is to focus on "value creation through long-term collaborations", as well as more tailored advice for regional SMEs.

As reported in section 3.4.4, a specific focus of the export promotion strategy<sup>139</sup> is to stimulate Danish exports into "high volume markets" (USA, Germany and Japan).

### 3.5.3 Regional focus

Within Denmark, there is a greater emphasis on the degree of sub-national delivery of export promotion services. Measure 4.4 of the export promotion strategy<sup>140</sup> explicitly addresses strengthening regional cooperation. In particular, ensuring local regions can deliver uniformly high-quality services to firms throughout Denmark is a priority. For example, a new regional marketing function will be established with the aim of spreading awareness and knowledge in the Danish business community regarding market opportunities in the applicable region. The five Regional Business Development Centres play a large role in providing regional relationships. In practice, this means that services will be delivered regionally where possible, and that advice will be tailored to the characteristics of a firm – including their geographic location within Denmark.

### 3.5.4 Impact evaluation

The Trade Council evaluated trade promotion services, as part of the preparation of the export promotion strategy.<sup>141</sup> This has included the use of case studies.<sup>142</sup> Evaluations of export promotion in the past have led to adjusting the focus of trade policy. For example, targeting SMEs follows the result of an impact assessment for the period 2001 to 2011, which showed that advisory services for SMEs had a 4% to 8% positive impact compared with corresponding SMEs who did not receive Trade Council services.<sup>143</sup> Further to this study, there is evidence that long-term advisory collaborations provide greater impact than short-term collaborations. For example, the long-term Vitus programme for SMEs generated more than 225 million Danish Krone in export orders and 180 export jobs according to the 90 companies that have completed the programme since 2011, with a total of 30 million Danish Krone in support. However, there are no details of the published study, so an assessment of the study's robustness cannot be made.

---

<sup>138</sup> <http://um.dk/en/tradecouncil/about/strategy//~/media/UM/English-site/Documents/The-Trade-Council/Publications/GovernmentStrategyOnExportPromotionAndEconomicDiplomacy.pdf>, p. 30

<sup>139</sup> <http://um.dk/en/tradecouncil/about/strategy//~/media/UM/English-site/Documents/The-Trade-Council/Publications/GovernmentStrategyOnExportPromotionAndEconomicDiplomacy.pdf>, p. 23

<sup>140</sup> <http://um.dk/en/tradecouncil/about/strategy//~/media/UM/English-site/Documents/The-Trade-Council/Publications/GovernmentStrategyOnExportPromotionAndEconomicDiplomacy.pdf>, p. 22

<sup>141</sup> <http://um.dk/~media/UM/Danish-site/Documents/Eksportraadet/Rapport%20eksportrdet%20%2013022017.pdf?la=da>

<sup>142</sup> <http://um.dk/~media/UM/Danish-site/Documents/Eksportraadet/Eksportraadet-tilbyder/Saadansamarbejdervi/Eksportfremstod%20i%20Udlandet/Casekatalog%20anonymiseret%2013022017.pdf?la=da>

<sup>143</sup> <http://um.dk/en/tradecouncil/about/strategy//~/media/UM/English-site/Documents/The-Trade-Council/Publications/GovernmentStrategyOnExportPromotionAndEconomicDiplomacy.pdf>, p. 30

Denmark has planned a systematic evaluation of their services in their export promotion strategy<sup>144</sup>, although these are not publicly available.

Aside from these official evaluations, the most notable and recent academic study on Danish export promotion services was by Munch and Schaur (2018)<sup>145</sup>, which evaluated Denmark's public-sector trade promotion services. They found that small firms are most positively impacted by Denmark's trade promotion services. In particular, the export promotion services are likely to raise the likelihood of a firm exporting, and for a firm to increase their quantity of exports, whilst there are other positive effects on labour productivity. However, it is noted that for medium and large firms, the evidence is inconclusive.

Munch and Schaur identify the likelihood of changing export status, and the growth of exports in each of the two years after the export promotion support was received. In terms of export status, small firms (between 1 and 20 employees) were almost twice as likely to export in the first and second years after receiving export promotion support. In terms of export growth, in general firms have stronger growth in their first and second year of exporting than their treatment year. This is a particularly significant result for medium sized firms (between 20 and 50 employees) who grow exports by 12% in the first year, and 16% in the second year.

---

<sup>144</sup> <http://um.dk/en/tradecouncil/about/strategy//~/media/UM/English-site/Documents/The-Trade-Council/Publications/GovernmentStrategyOnExportPromotionAndEconomicDiplomacy.pdf>, p. 11

<sup>145</sup> Munch, J., R., and Schaur, G., (2018), "The effect of export promotion on firm-level performance" American Economic Journal: Economic Policy, Vol.10, No.1, February 2018.

**Table 8 Growth in export value**

Firm size	Treatment year	First year	Second year
All firms	0.0128	0.0375	0.0580
Small firms (1 – 20 employees)	0.0565	0.0599	0.0472
Mediums firms (20 – 50 employees)	0.0341	0.1200*	0.1575*
Large firms (More than 50 employees)	0.0193	-0.0149	0.0546

Source: Munch and Schaur (2015)

Note: \* indicates significance at the 5% significance level

The authors also report positive effects on employment (4% increase over two years), sales (8.4% increase over two years) and productivity (3.6% increase over two years). The authors find that large firms tend to divert output from domestic to foreign markets, rather than increase their overall sales.

Finally, the authors measure the growth in total sales, value-added, number of employees and value-added per worker (such as labour productivity). In terms of total sales, the authors note that sales growth<sup>146</sup> of 4.9% and 8.5% in the first and second year after treatment, although the effect is significant only for small firms. The employment story is similar, with small firms reporting small increases in employment in the years after the export promotion impact. However, the impact on labour productivity is slightly different for small firms (see Table 9 below). In the initial period, labour productivity for these firms decreases around 1.5% (though the result is not statistically significant). However, in the longer run, labour productivity increases 3%, as firms adjust to their new strategy for exporting. Similarly, to sales growth, it should be noted that the longer run effects appear limited to the smallest firms.

**Table 9 Value added per worker (Labour productivity)**

Firm size	Treatment year	First year	Second year
All firms	-0.0021	0.0031	0.022*
Small firms (1 – 20 employees)	-0.0145	0.0014	0.0303*
Mediums firms (20 – 50 employees)	-0.0288*	0.0302	-0.0296
Large firms (More than 50 employees)	0.0123	-0.0136	0.0057

Source: Munch and Schaur (2015)

Note: \* indicates significance at the 5% significance level

<sup>146</sup> Sales growth is measured relative to the year before treatment

### 3.6 Products and Services

The Trade Council provides services to over 6,000 Danish companies every year, with more than half of these being SMEs. The Trade Council's foreign operations are split into three different types of service. These are:

- full services – offices with a full range of commercial advisory services, including some specialisation
- basic services – offices which deliver 'selected' solutions, with a lower degree of sector specialisation
- ad-hoc services – offices without dedicated trade promotion staff, but with existing staff who provide commercial assistance in coordination with the Trade Council, Ministry of Foreign Affairs, or any appropriate regional cooperation

The Trade Council also tend to delegate services to regional providers, who can work with local firms and help build their export offer.

#### 3.6.1 Non-financial assistance

The Trade Council has identified three specific goals:

- 'Expand your sales', which is aiming to increase intensive export margins (such is increasing exports to existing markets) with mainly information-based services, with specific knowledge applied to individual businesses - some of the interventions appear relatively light-touch and generic, whilst some interventions are much more involved - this goal can relate to various measures in the export promotion strategy, including the focus on growth and volume markets, and boosting SME internationalisation
- 'Knowledge to growth' puts the emphasis on using Danish innovation to target growth abroad, giving case study examples of how the innovation centre<sup>147</sup> can be used to foster growth - linking back to the export promotion strategy, this focuses on links between Trade Council efforts and the Danish business community, as well as facilitating access to finance for innovative companies
- 'Draw on diplomacy', which uses the presence of embassies and consulates abroad, drawing on their network and expertise to help firms expand into new markets - this links to two separate measures of the export promotion strategy, that aim to strengthen inter-ministerial efforts abroad and foreign service contributions

The Trade Council's interventions aim to meet these goals.

- 1) Programmes to support sales expansion, including:
  - entrepreneur and innovation camps (for groups of businesses to learn skills via workshops and seminars)
  - GROW (consulting for SMEs)
  - export prospection (intensive assessment of internal and external conditions to exporting)
  - Vitus (intensive consulting for SMEs)
  - Strategic Business Alliance (advisory services)

---

<sup>147</sup> <http://icdk.um.dk/>

For example, reports on how to handle customs<sup>148</sup> or “export pairings”<sup>149</sup> give expert advice specific to the firm. There is a range of market information<sup>150</sup> on country- and sector-specific exports, free to download for all firms. More specific programmes are found on the government’s integrated portal.<sup>151</sup>

As mentioned in previous sections, services are delivered through different types of public provision. Most services are provided through the Trade Council (that is not through private firms) but cost a fee per hour. For example, the ‘Vitus’<sup>152</sup> program is an intensive consultation process from Trade Council experts, with an hourly rate of 955 Danish Krone (around £115), subsidised 50% by the government. Similarly, GROW<sup>153</sup> and Market Visits<sup>154</sup> are publicly provided services, part-funded via grants of 50% and 35% (respectively) to firms. The typical eligibility criteria are for Danish firms which have: under 250 employees, a maximum of 375 million Danish Krone in turnover during the previous fiscal year, and not received state aid over €200,000. These services are paid for by the hour, and are relatively intensive, supporting a group of SMEs.

- 2) Toolbox links to other providers (primarily to support knowledge-driven growth), including:
  - Danish innovation
  - regional incubators (referred to as “greenhouses”)
  - product requirements
  - export license
  - learn a language

These services are not necessarily provided by the Trade Council (Innovation Denmark<sup>155</sup>, Export license<sup>156</sup>) and in some cases are privately operated (Startvaekst<sup>157</sup>). These services are not necessarily related to export promotion services but combine skills necessary for exporting by joining up different service providers. However, all of the services provided may be part-funded through government grants for eligible firms, typically using the eligibility criteria mentioned above.

- 3) Promotion (draw on diplomacy)

These are sometimes described by the authorities as “joint ventures abroad” since under this scheme the costs of missions abroad are shared in equal parts by the firm and the state. Commercial promotions enable firms to form networks, not only with foreign firms, but also domestic firms in similar markets.

---

<sup>148</sup> <http://um.dk/da/eksportraadet/eksportraadet-tilbyder/udvid-dit-salg/eksporteknik/>  
<sup>149</sup> <http://um.dk/da/eksportraadet/eksportraadet-tilbyder/udvid-dit-salg/eksportsparring/>  
<sup>150</sup> <http://um.dk/da/eksportraadet/markeder/markedsinformation>  
<sup>151</sup> <http://eksportguiden.um.dk/da/stotteordninger>  
<sup>152</sup> <https://www.statens-tilskudspuljer.dk/udenrigsministeriet/the-trade-council/32>  
<sup>153</sup> <https://www.statens-tilskudspuljer.dk/udenrigsministeriet/the-trade-council/3>  
<sup>154</sup> <https://www.statens-tilskudspuljer.dk/udenrigsministeriet/the-trade-council/23>  
<sup>155</sup> [www.innovationstjek.dk](http://www.innovationstjek.dk)  
<sup>156</sup> [www.eksportkontrol.dk](http://www.eksportkontrol.dk)  
<sup>157</sup> <https://startvaekst.virk.dk/>



Creating these linkages between businesses is vital to help productivity<sup>158</sup>, whether it is within countries or with foreign firms.

In terms of marketing, it's unclear how the Trade Council advertises its work. Based on the flagship site for export promotion<sup>159</sup>, there are newsletters for firms. But it's not clear how the Trade Council attracts the initial interest in exporting, and to what extent it advertises more widely.

### 3.6.2 Financial assistance

As observed in section 3.6.1, some financial assistance is disbursed in the form of grants or co-financing to support the use of specific export promotion initiatives. In addition to this, Denmark's official export credit agency is EKF<sup>160</sup>. In April 2018, EKF and the Trade Council jointly launched a new advisory service that seeks to provide advice to businesses on their export finance needs. The initiative responds to findings that Danish businesses have limited knowledge of financing opportunities. SMEs are a particular focus.<sup>161</sup>

EKF offers:

- financing for foreign buyers of Danish goods and services
- protecting domestic exporters against loss
- help with domestic finance and guarantees

The initial focus for export finance is on three growth markets, namely:

- Brazil (and to an extent, Latin America)
- China (and to an extent, Asia)
- USA

Following an initiative launched in April 2018 with the Trade Council, financial advisors will be recruited in the following additional countries: Russia (covering also the former Commonwealth of Independent States); Turkey; Thailand (covering also South-East Asia); South Africa (covering also Kenya); and Poland (covering also Eastern Europe).

## 3.7 Conclusion

As a result of the Productivity Commission's report in 2013, an integrated strategy on export promotion in Denmark was established in 2014. The Trade Council takes responsibility for implementing and guiding this strategy into practice. In doing so, the Trade Council works alongside many other areas of government to help Danish firms from all regions expand in a variety of international markets. It uses regional development groups to capture a variety of SMEs and works with Danida on relationships with

---

<sup>158</sup> There is a vast literature on the effect of networks on productivity, see Reagans and McEvily (2003) for an introduction

<sup>159</sup> <http://eksportguiden.um.dk/>

<sup>160</sup> Eksport Kredit Fonden (EKF)

<sup>161</sup> <http://www.ekf.dk/en/about-ekf/news/Pages/New-collaboration-between-EKF-and-the-Danish-Trade-Council-strengthens-Danish-exporters-access-to-financing.aspx>

developing countries. The Trade Council is managed by an inter-ministerial coordination group and is government funded, although its board consists of directors predominately from the private sector. A number of services are provided on a fee-paying basis (although fees may be partly or wholly discounted for eligible businesses). This mixture appears to be an optimal structure according to Lederman et al (2006)<sup>162</sup>, who claim that export promotion organisations are most effectively operated when they are directed by individuals from the private sector, but publicly funded.

The Trade Council has a specified scope and formulated strategy, targeting particular areas of their funding. They also have a wide array of services, although there is little evaluation of their success and thus where to target their funding most effectively. The co-financing approach followed by their joint business promotion programme reflects an appreciation of the fact that trade promotion activities have mixed public and private goods characteristics.

---

<sup>162</sup> Lederman, D., Olarreaga, M. and Payton, L., (2006), "Export Promotion Agencies: What Works and What Doesn't", CEPR Discussion Paper Number 5810.

## 4 FRANCE

### KEY MESSAGES: BUSINESS FRANCE

- Business France was established through the merger of agencies dealing respectively with export promotion and investment
- this was part of a deeper and on-going strategic overhaul of export strategy in response to concerns over France's export performance and poor perceptions by the private sector regarding export promotion
- Business France is subject to an explicit performance contract that specifies key performance indicators (KPIs)
- the performance contract requires cost-recovery and aims for at least 40% of Business France's budget to come from fees for services - bespoke services to private sector are charged at commercial rates
- historically, the chambers of commerce have played a central role in export promotion and have been held in higher regard by the private sector than state agencies - a partnership agreement has been signed between Business France and the chambers of commerce to coordinate the relationship
- one of the aims of the partnership is to streamline the export promotion pathway, leverage the superior regional reach of the chambers, and ensure that Business France focuses more explicitly on services that justify public funding because of market failure

### 4.1 Introduction

France is a high-income country with GDP per capita in 2016 of US\$ 38,061.9.<sup>163</sup> The composition of its GDP shows a heavy dominance of services, at close to 80%. Manufacturing accounts for around 11% of GDP.<sup>164</sup> Manufactures dominate merchandise trade, accounts for around 80%.<sup>165</sup> Trade as a percentage of GDP was 60% in 2016, while exports of goods and services amounted to close to 30% of GDP.<sup>166</sup>

The simple applied MFN tariff average is 5.2%. The average for agriculture is 11.1%, non-agriculture 4.2%.<sup>167</sup> The World Bank Ease of Doing Business Index ranks France at 31<sup>st</sup> overall, and 54<sup>th</sup> for trade across borders.<sup>168</sup>

The state organisation responsible for trade promotion in France is Business France. It was created on 1 January 2015 through the merger of UBIFRANCE (the agency

<sup>163</sup> PPP, constant 2011 international \$. Source: World Bank World Development Indicators. PPP refers to Purchasing Power Parity exchange rates i.e. rates that equalise prices across a pair of countries. International dollars are the product of this conversion using PPP exchange rates. "Constant 2011" means the exchange rate is calculated on the basis of 2011 price indices to filter out the effects of inflation.

<sup>164</sup> Source: World Development Indicators: Structure of Output. Figure is for 2016

<sup>165</sup> Source: WTO (2017), World Trade Profiles, p 136

<sup>166</sup> World Bank, World Development Indicators, <https://data.worldbank.org/indicator/NE.TRD.GNFS.ZS>

<sup>167</sup> WTO (2017), World Tariff Profiles, p 84

<sup>168</sup> World Bank, Doing Business (<http://www.doingbusiness.org/rankings>) and Country Tables 2018, p

responsible export promotion) and l'Agence française pour les investissements internationaux (AFII), which had been responsible for inward investment promotion.

## 4.2 Policy and Institutional Context

### 4.2.1 Linkages to wider policy initiatives

The authorities, under President Hollande's administration, noted that France performed strongly in certain sectors, notably aerospace, chemicals and luxury goods, as well as service sectors such as finance and tourism.<sup>169</sup> The authorities also detected a drop in the competitiveness of French firms, which they associated with a persistent current account deficit.<sup>170</sup> With a view to increasing the competitiveness of French firms, the authorities identified the following strategic priorities: SMEs generally; sport and events; "French tech"; agri-foods; health technologies; sustainable cities; cultural and creative industries; and renewables.<sup>171</sup> Since these priorities were articulated under the oversight of the then Economics Minister Emmanuel Macron, who was elected President in 2017, the overall strategy has been carried over to the current administration, with an added emphasis on big data and start-ups.<sup>172</sup>

The creation of Business France in 2015 was explicitly linked to the wider strategic objectives described above.<sup>173</sup> <sup>174</sup> In addition, the authorities recognised that it was necessary to streamline the pathway followed by exporters in terms of access to assistance, including financial assistance.<sup>175</sup> Finally, because France's trade policy is determined via its participation in the EU's common commercial policy, the authorities also made it a priority to ensure EU trade policy was more active in opening markets and supporting trade facilitation measures in overseas markets.<sup>176</sup>

In late February 2018, the Government of Prime Minister Edouard Philippe announced a new trade strategy, based on three axes: macro-economic measures to favour competitiveness, notably through a lightening of the fiscal burden on businesses; identification of export sector priorities in collaboration with the National Industrial Council; and new instruments to partner with businesses, and notably SMEs.<sup>177</sup>

The last of these axes was informed by a report prepared by Business France's Director-General. Its main recommendation, taken up by the government, was to develop the

---

<sup>169</sup> Ministère des affaires étrangères et du développement international (2016), Rapport 2016 sur la stratégie du commerce extérieur de la France et la politique commerciale européenne. pp 13-22 (accessed at [https://www.diplomatie.gouv.fr/IMG/pdf/20170116\\_rapport\\_2016\\_comex\\_cle02fe66.pdf](https://www.diplomatie.gouv.fr/IMG/pdf/20170116_rapport_2016_comex_cle02fe66.pdf))

<sup>170</sup> Ministère des affaires étrangères et du développement international (2016), Rapport 2016 sur la stratégie du commerce extérieur de la France et la politique commerciale européenne. pp 24-31

<sup>171</sup> Ministère des affaires étrangères et du développement international (2016), Rapport 2016 sur la stratégie du commerce extérieur de la France et la politique commerciale européenne. pp 47-59

<sup>172</sup> <https://www.lebigdata.fr/emmanuel-macron-big-data-priorite-europe>

<sup>173</sup> Ministère des affaires étrangères et du développement international (2016), Rapport 2016 sur la stratégie du commerce extérieur de la France et la politique commerciale européenne. p. 33

<sup>174</sup> <http://www.assemblee-nationale.fr/14/cr-cafe/15-16/c1516088.asp>  
<http://www.assemblee-nationale.fr/14/cr-cafe/15-16/c1516088.asp>

<sup>175</sup> <http://www.assemblee-nationale.fr/14/cr-cafe/15-16/c1516088.asp>

<sup>176</sup> Ministère des affaires étrangères et du développement international (2016), Rapport 2016 sur la stratégie du commerce extérieur de la France et la politique commerciale européenne. pp 92-108

<sup>177</sup> République Française (2018), Stratégie du Gouvernement en matière de commerce extérieur.

concept of “Team France Export” to harness the work of multiple organisations that, in addition to Business France, were relevant to export promotion.

### 4.3 TPO Institutional Structure

#### 4.3.1 Organisation and relationship to other government institutions

Business France is a state agency, under the tutelage of three ministries: Foreign Affairs and International Development; Economy and Finance; and Territorial Cohesion. Its financing comes under the appropriation for the second of these. A Performance Contract (Contrat d’objectifs et performances) binds the Agency to the authorities and sets out targets for export promotion activities and investment promotion activities (see below).<sup>178</sup>

Under the provisions of the decree leading to its creation, Business France’s overseas activities are conducted in consultation with the French Ambassador responsible for that jurisdiction. The Ambassador is responsible for ensuring coordination between the activities of Business France on the ground, diplomacy, the work of chambers of commerce (see below) and other relevant French agencies (including for development cooperation). The number of coordination meetings is monitored. Across all French diplomatic postings, the number of coordination meetings in 2016 was around 1230.<sup>179</sup> In 2015, coordination was formalised through the signing of memoranda of understandings between Business France and French consular networks; and between the Ministry of Foreign Affairs, the National Committee of Advisors on External Trade, and Business France.

In February 2018, the Government announced a new initiative – the single correspondent initiative – to simplify interaction between export promotion initiatives and users by creating a focal point. The focal point could be Business France, or Chambers of Commerce, or any appropriately qualified private sector operator. The selection of the focal point, who will work under the supervision of the Ministry of Foreign Affairs will be made through a competitive process.<sup>180</sup>

In addition to the Chambers of Commerce, other relevant institutions include: The Council on External Trade (CCE), which acts as the representative group for exporting businesses; the MEDEF, the representative body for businesses; and the National Industrial Council, an advisory body presided by the Prime Minister that is responsible for guiding government policies towards sectors.

The Société pour la promotion et l’exportation des produits agricoles (SOPEXA) is responsible for export promotion in agriculture. Having identified that SOPEXA and Business France activities were overlapping, the two agreed in 2015 that trade show and trade fair events would be taken over by Business France.<sup>181</sup>

---

<sup>178</sup> Décret n° 2014-1571 du 22 décembre 2014 relatif à l'agence Business France

<sup>179</sup> République Française (2018), Développement International de l’Economie Française et Commerce Extérieur, Document de Politique Transversale Projet de Loi de Finances pour 2018, p 9

<sup>180</sup> République Française (2018), Stratégie du Gouvernement en matière de commerce extérieur. P 12

<sup>181</sup> Ministère des affaires étrangères et du développement international (2016), Rapport 2016 sur la stratégie du commerce extérieur de la France et la politique commerciale européenne. Pp 35-5

### 4.3.2 Leadership and strategic focus

The overall strategic focus for Business France is defined by broad thematic headings that are consistent with the overall export strategy described in the preceding section:

- support for exporting firms, particularly SMEs, through the provision of information and analysis, including tailored research, and networking
- promoting inward investment by supporting investment linkages
- communication and influencing decision-makers<sup>182</sup>

Business France develops its product and service offerings based on these principles. The performance contract binding Business France to its tutelary ministries sets out specific objectives over a three-year period. The contract for 2015 to 2017 reflected the three broad thematic headings described above. The main performance objectives set out in the contract were<sup>183</sup>:

- by 2017, a total of 10,000 SMEs and intermediate-size business to have developed an export action plan, in collaboration with Business France
- 10,000 volunteers for international businesses signed up by 2017 (see below for more explanations on the volunteer scheme)
- 500 investment projects by 2017 (relative to an annual average of 378 for the period 2012-14), creating or maintaining 15,500 jobs
- to deploy a strategy for events and meetings or summits that influence deciders at an international level

There was no information at the time of writing about the performance contract for 2018-2020, but the indications are that the likely performance objectives will show continuity with those for the previous contract.<sup>184</sup>

As already observed, coordination with other branches of French economic diplomacy is important, and the French diplomats, notably the Ambassador, plays a role in ensuring that Business France activities are coordinated with priorities for the country in question.

### 4.3.3 Relationship to private sector

The board must comprise one representative of the MEDEF, the representative body for French businesses. There must also be a representative of the confederation of small and medium enterprises, and a representative of a foreign business established in France.<sup>185</sup>

The private sector has its own structure for export promotion based on chambers of commerce, organised around two entities: CCI International and CCI France International. The CCI operate on a solely commercial basis and charge their clients based on costs plus a mark-up.

---

<sup>182</sup> République Française (2018), Développement International de l'Economie Française et Commerce Extérieur, Document de Politique Transversale Projet de Loi de Finances pour 2018, Française p 28

<sup>183</sup> <https://www.senat.fr/commission/fin/pjlf2017/np/np11/np119.html>

<sup>184</sup> République Française (2018), Développement International de l'Economie Française et Commerce Extérieur, Document de Politique Transversale Projet de Loi de Finances pour 2018, p 18

<sup>185</sup> <https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000029954091&categorieLien=id>

Both entities propose services that are very similar to Business France, and indeed are sometimes in competition with these, to the extent that exporting firms receive competing offers from the CCI and Business France. According to sources at the CCI, the extent of this competition varies according to geographic markets. In some cases, the CCI and Business France have followed a partnership approach and specialise in particular types of activities. For example, in the UK, the CCI will work closely with exporters on recruitment matters or administrative matters and has particular expertise in sectors such as aerospace; while Business France will work on more general market prospection matters and on sectors not covered by the CCI. In such instances, the CCI and Business France will refer firms to each other depending on the nature of the query.

In order to manage inefficiencies arising out of this situation, the two CCI entities and Business France signed a partnership agreement in 2015 to better organise the export pathway. Business France was assigned duties related to prospecting markets and deepening these. The CCI entities were assigned the task of dealing with businesses in the pre-export and post-establishment phases.<sup>186</sup> It is not so far clear to what extent this has helped reduce duplication and inefficiencies in tasks.<sup>187</sup> According to sources at the CCI, past instances of collaboration have mainly reflected the personal efforts of heads of office in the respective organisations on the ground.

As already reported, the new strategy developed by the French Government envisions a Team Export France structure. Part of the purpose of this arrangement is to ensure coordination between Business France and the CCI. That includes letting the CCI be the lead institution in the country. This is already the case in Jordan, Madagascar, Morocco, Peru and Venezuela. The strategy document released by the government in February 2018 envisions closing 8 more Business France representations, but it is not clear which ones these will be. The intention of the Team Export France concept is also to make the export assistance pathway (whom to turn to and for what purpose) easier to understand.

#### 4.3.4 Relationship to development cooperation

Development cooperation is managed by the Agence Française du Développement (AFD). In 2016, a partnership agreement was signed between the AFD and Business France, to ensure that exporting businesses, and SMEs in particular, had better access to opportunities stemming from AFD development projects.

Fifty-eight of the 112 countries in which Business France has programmes, either through offices or through partnerships with CCI, are low or middle-income countries.

The French Treasury runs other programmes that support specific aspects of export promotion. The main one is the Fonds d'Aide au Secteur Privé (FASEP) which finances feasibility studies for French firms in specific sectors linked to sustainable development. There is no formal coordination mechanism linking FASEP to Business France.<sup>188</sup>

---

<sup>186</sup> Ministère des affaires étrangères et du développement international (2016), Rapport 2016 sur la stratégie du commerce extérieur de la France et la politique commerciale européenne. P 37

<sup>187</sup> <http://www.senat.fr/rap/l17-108-312/l17-108-3129.html>

<sup>188</sup> <https://www.tresor.economie.gouv.fr/Ressources/fasep>

#### 4.3.5 Relationship to government-to-government facilitation

Business France helps to organise high-level visits, including at the ministerial level. It does so primarily by tendering out contracts to specialist businesses that are tasked with the logistics and events side of the visits.

### 4.4 TPO Scope

#### 4.4.1 Targeting market failures

The expression “market failure” is not explicitly used. The activities of Business France are nevertheless focused on areas where market failures are known to exist: informational spillovers, networking and reputational issues.

#### 4.4.2 Global Value Chains

There is a recognition of the operation of global value chains, and of the need, particularly for SMEs, to integrate into these. The Business France annual report for 2016 discussed the benefits to French firms and the economy more generally of participation in global value chains.<sup>189</sup>

The report noted that the share of foreign value added in French sectors had increased between 1995 and 2011. The highest shares were found in transport vehicles and machinery (around 41%), and automobiles (around 38%).<sup>190</sup> Data on French shares of foreign value-added show that North America and Asia have increased in importance, suggesting the emergence of supply chains between France and these destinations.<sup>191</sup>

#### 4.4.3 Investment promotion

Inward promotion is one of the attributions of Business France.<sup>192</sup> The main services are: assistance in site and project selection; assistance in understanding the regulatory and policy framework; assistance with financial forecasts; assistance in making B2B contacts; advice on opportunities for business acquisitions.<sup>193</sup> The promotion of outward investment by French businesses is not explicitly identified as one of the objectives of Business France.

### 4.5 TPO Strategy

#### 4.5.1 Budgets and resourcing

For 2017, financing through the central ministerial budget amounted to €98.1 million. The figure for 2018 is €95.26 million. The reduction reflects decisions to reduce the foreign footprint of Business France in locations where the coordination and leadership of export

---

<sup>189</sup> Business France (2016), Rapport sur l'Internationalisation de l'économie française, notably pp 144-147

<sup>190</sup> Business France (2016), Rapport sur l'Internationalisation de l'économie française, notably pp 144-147

<sup>191</sup> Business France (2016), Rapport sur l'Internationalisation de l'économie française, pp 144-147

<sup>192</sup> <http://www.businessfrance.fr/investir/mieux-connaître-nos-services>

<sup>193</sup> <http://www.businessfrance.fr/investir/mieux-connaître-nos-services>



promotion can be better assured by other entities, as part of the Team Export France concept discussed above.

Revenues raised by Business France in 2016 through fees for service provision amounted to around €84.7 million. The share of revenues from fees in the total budget is more than 42%, in line with what is specified in the Performance Contract.<sup>194</sup>

Business France is required to charge fee-paying services at commercial rates - full cost recovery plus a margin.<sup>195</sup>

### 4.5.2 Beneficiary focus

The focus is primarily on SMEs<sup>196</sup> and “intermediate sized firms<sup>197</sup>”. Data presented for the purposes of evaluation against the objectives in the Performance Contract for 2015 show that 4,798 SMEs and Intermediate Size firms benefitted from export services, and 726 businesses benefitted from a tailored service and follow-up.<sup>198</sup>

### 4.5.3 Regional Focus

The French regions were reorganised in 2017 and, as part of this reorganisation, were required to develop regional schemes for economic development, innovation and internationalisation.<sup>199</sup> Given the linkages between these objectives and those of Business France, the regions collectively signed an agreement with Business France to coordinate activities and ensure efficiencies in resource allocation.<sup>200</sup>

Reports presented to the French senate highlight that the regional reach of Business France has been deficient, for example under 3% of Business France officials were located in French regions.<sup>201</sup> In order to improve its regional reach Business France has taken steps to ensure that its network of regional delegates and offices work closely with representative of the Chambers of Commerce (see below).

Finally, in February 2018, the Government announced the creation of a “one-stop shop” (“guichet unique”) concept to support export promotion. The idea is that in each region, all entities involved in export promotion will be brought together through a single platform that will act as a point of contact with businesses. The details of how this concept will be implemented are left to the regions themselves. Business France is mandated with the task to ensure the coherence and sound operation of the concept.<sup>202</sup> The Government has also declared that the governance of Business France will be reformed to allow for greater regional representation. The mechanisms for this remain unclear.<sup>203</sup>

---

<sup>194</sup> Ministère des affaires étrangères et du développement international (2016), Rapport 2016 sur la stratégie du commerce extérieur de la France et la politique commerciale européenne. P 34

<sup>196</sup> Up to 500 employees.

<sup>197</sup> Between 250 and 4999 employees, and turnover not in excess of €1.5 billion

<sup>198</sup> Ministère des affaires étrangères et du développement international (2016), Rapport 2016 sur la stratégie du commerce extérieur de la France et la politique commerciale européenne. Pg. 34

<sup>199</sup> <http://www.gouvernement.fr/action/la-reforme-territoriale>

<sup>200</sup> [http://www.businessfrance.fr/Media/Default/BlogPost/CP\\_BF-ARFsept2016.pdf](http://www.businessfrance.fr/Media/Default/BlogPost/CP_BF-ARFsept2016.pdf)

<sup>201</sup> <https://www.senat.fr/commission/fin/pjlf2017/np/np11/np119.html>

<sup>202</sup> République Française (2018), Stratégie du Gouvernement en matière de commerce extérieur, p 10.

<sup>203</sup> République Française (2018), Stratégie du Gouvernement en matière de commerce extérieur, p 18

#### 4.5.4 Impact evaluation

Impact evaluation is primarily through monitoring against targets agreed in the Performance Contract (see above). The French Senate also conducts hearings in the context of the appropriations bill.<sup>204</sup>

### 4.6 Products and Services

#### 4.6.1 Non-financial assistance

The non-financial services are provided under 4 clusters: information, prospecting, making yourself known, and the VIE volunteer programme.

##### Information services

- sector studies in particular countries analysing export potential and opportunities (for example fruit and vegetables in Algeria) - these are prepared by the Business France office in-country and are disseminated through the Business France website at a price (typically €80)
- country business guides disseminated through the website at a price (€50)
- thematic studies - these provide competitive intelligence by analysing industry trends and business behaviour in foreign markets (for example the aerospace industry in the UK) - these are prepared by Business France country offices and are disseminated at a price (typically €120)
- country and market briefings
- tailored versions of the products mentioned above - the prospective buyer supplies the specifications and receives a quote
- access to partner profiles - firms supply market, country or operational specifications to Business France and receive a quote - if accepted, Business France collates a database of potential business partners

##### Prospecting

- establishing and following up with contacts - interested businesses supply Business France with details of their product or service offering, and Business France follows up with identified contacts in the host market - Business France will provide a quote to the interested business
- testing partners - a variant of the above service - price as per quotation depending on specifications
- prospection or meetings - Business France organises a schedule of meetings between French businesses and potential partners in the host country
- business-to-business events, including presence at exhibitions, fora, and meeting organisation

##### Making yourself known

- public relations services - these include communiques, press files and briefings, press conferences, meetings with journalists, trips with journalists and networking events

---

<sup>204</sup> See for example, <http://www.senat.fr/rap/l17-108-312/l17-108-3129.html>

- export presentation kit. This is a document pack prepared by the Business France country office to enable the interested business to present its operations to local contacts

### Volunteer programme (VIE)

International Business Volunteers (VIE) is a scheme under which businesses can select a person under the age of 28 for a specific task or job overseas (for example, market study) for a period of 6-24 months. Business France maintains a database of volunteers, and interested businesses establish the profile of candidate they would like as well as the type of mission needed.

The number of VIEs involved in projects in any one year is one of the performance indicators monitored under Business France's performance contract.

### 4.6.2 Financial assistance

Business France, in collaboration with BPIFrance (a public investment bank focused on business lending) and COFACE (Compagnie Française d'Assurance pour le Commerce Extérieur, focused on trade insurance), developed a service known as BPIFrance Export. Under this umbrella, the following products are offered<sup>205</sup>:

- market prospecting insurance: expenses incurred during prospecting are insured, covering up to 65% of costs<sup>206</sup> - an estimated 12,000 businesses have made use of this<sup>207</sup>
- default risk insurance for credits given to buyers
- exchange rate risk insurance
- political risk insurance
- pre-financing risk insurance
- export credits to cover current costs associated with exporting

In 2018, the government announced a significant overhaul of its export financing operations. BPIFrance is to become the one-stop shop for export financing. A new "PassExport" has been created. This is essentially a contractual arrangement over 3 to 5 years. The business commits itself to a specified minimum level of French content in exports, and in return is eligible for credit and insurance guarantees to the maximum level permitted by the OECD arrangement on export credits.<sup>208</sup>

The Government also proposes to soften the conditions under which various aspects of export risk, including credit risk and exchange rate risk, can be underwritten by government guarantees. For example, in the past a necessary condition was that the business had an export contract in place. However now the government, based on observations of practices followed in other countries, proposes to underwrite risks in advance for projects of strategic importance.<sup>209</sup>

---

<sup>205</sup> <http://export.businessfrance.fr/Galerie/Files/Divers/Plaquette-bpifrance-export.pdf>

<sup>206</sup> <http://www.bpifrance.fr/Toutes-nos-solutions/Garanties-et-assurances/Assurance-prospection-a-l-international/Assurance-prospection>

<sup>207</sup> République Française (2018), Stratégie du Gouvernement en matière de commerce extérieur, p 14

<sup>208</sup> République Française (2018), Stratégie du Gouvernement en matière de commerce extérieur, p 15

<sup>209</sup> République Française (2018), Stratégie du Gouvernement en matière de commerce extérieur, pp 15-16

## 4.7 Conclusions

Faced with chronic current account deficits and a significantly lower number of exporting firms than other European economies, France has undertaken a number of efforts to strengthen its export promotion strategy. These have included the reorganisation of product and service offerings under defined clusters, and to define a pricing schedule for these. The government has also implemented a performance contract over a three-year basis, setting performance indicators, including for the extent of cost recovery.

France presents the particularity of having a well-resourced private sector-led structure for export promotion based around chambers of commerce. Indeed, historically these have tended to be held in higher regard by the private sector than state-led efforts. Recent government initiatives have focused on ensuring that the complementarities between the two can be better harnessed, and that businesses have a better understanding of what types of support they can get from different institutions. The concept of Team Export France is intended to enhance this “joined-up” approach.

The recent restructuring of regional administrations in France have also provided an opportunity to address one of the long-standing weaknesses of export promotion activities in France - the reach of these activities in regional areas. The development of focal points in regions has been one measure enacted to this end. Again, coordination between state-led activities and those implemented by chambers of commerce (which have a well-developed regional network) will be an important aspect of improving services at the regional level.

## 5 ITALY

### KEY MESSAGES: ITALIAN TRADE AGENCY

- The Italian Trade Agency (ITA – the Italian acronym is “ICE”) was established by law in 2011
- its establishment was part of a wide-ranging overhaul of export promotion institutions that included establishing the Board of Institutions for Internationalisation (Cabina de Regia per l’Internazionalizzazione) in 2012
- in 2015 the government launched a cross-government strategy, the ‘Extraordinary Plan – Made in Italy’, to promote exports
- under the ‘Extraordinary Plan – Made in Italy’, the authorities have identified key sources of export growth - these include unexploited opportunities in mature markets (notably North America) and emerging opportunities - of the latter, the authorities have especially targeted China, and identify China’s infrastructure and manufacturing expansion as key opportunities for Italian exports, particularly in technology
- based on reported budgetary allocations, machinery, chemicals, energy and environmental goods, consumer goods and agri-food are high priority sectors
- a specific plan, Export Sud, addresses constraints in regions in Italy with lower levels of economic development
- chambers of commerce remain an important source of regional export promotion activity
- given the preponderance of SMEs, and especially very small family owned businesses, export promotion retains a strong SME focus
- a separate initiative, Impresa 4.0 (Enterprise 4.0), is aimed at stimulating firm-level expansion (particularly in SMEs) by targeting innovation and technological constraints

### 5.1 Introduction

Italy is a high-income country with a GDP per capita in 2016 of \$34, 655.<sup>210</sup> GDP is dominated by services, at 74%, while industry accounts for a little under 24% (and manufacturing 16.3%).<sup>211</sup> Merchandise trade is dominated by manufactures, which account for around 83% of exports by value. Italy’s trade to GDP ratio was 56% in 2016, while the ratio of goods and services exports to GDP was around 30%.<sup>212</sup>

Italy’s external trade regime is determined by the European Union. The simple applied MFN tariff average is 5.2%. The average trade weighted tariff is 3% (7.8% for agriculture).<sup>213</sup> The World Bank has ranked Italy 46<sup>th</sup> in terms of Ease of Doing Business, and joint 1<sup>st</sup> for trade across borders.

<sup>210</sup> PPP, constant 2011 international \$. Source: World Bank World Development Indicators. PPP refers to Purchasing Power Parity exchange rates i.e. rates that equalise prices across a pair of countries. International dollars are the product of this conversion using PPP exchange rates. “Constant 2011” means the exchange rate is calculated on the basis of 2011 price indices to filter out the effects of inflation.

<sup>211</sup> Source: World Development Indicators: Structure of Output, 2015

<sup>212</sup> Source: WTO World Trade Profiles, 2017. P 180

<sup>213</sup> WTO (2017), World Tariff Profiles, EU level

The Italian Trade Agency (ICE in its Italian acronym) is the government agency tasked with promoting the internationalisation of Italian companies. The agency falls under the remit of the Ministry of Economic Development.

## 5.2 Policy and Institutional Context

### 5.2.1 Linkages to wider policy initiatives

In 2012, the Italian government initiated what it described as a “major overhaul” of its support system for internationalisation. It established a Board of Institutions for Internationalisation (Cabina di Regia per l’Internazionalizzazione) to coordinate the efforts of different government departments involved in supporting internationalisation, ICE, the private sector, and regional institutions.<sup>214</sup> At the time of this overhaul, the government also set itself an export target of €600 billion by 2015 for goods and services.<sup>215</sup> Total exports for 2016 reached a little over €500 billion<sup>216</sup> (see sections 5.3 and 5.5 below for more details on the strategy followed since 2012).

In 2015, the Government also began to implement an “Extraordinary Plan - Made in Italy” to promote exports in high potential markets (see sections 5.3 and 5.5 below for more details).<sup>217</sup> The plan brings together government departments and industry bodies.

The government also pursues other initiatives that are relevant to export promotion and internationalisation. In 2017 it launched its Impresa 4.0 National Plan (Enterprise 4.0 National Plan). The overall aim of the plan is to help businesses, and particularly small and medium enterprises, harness digital technology to improve productivity and competitiveness. The plan also reflects the traditional role played by networks of small and medium enterprises, including small, family owned and run firms.

Under the Impresa 4.0 National Plan, the government has established a series of financial instruments targeting firm-level activities related to innovation, investment and technology. These include tax incentives for research, development and training, direct subsidies for innovation in areas relevant to the EU’s Horizon 2020 framework, and credit guarantees to support SME investment.<sup>218</sup>

SMEs, including family-owned businesses, have traditionally played an important role in Italy’s economy. Reflecting this, the government regularly monitors trends and policy affecting SMEs, in line with the EU’s Small Business Act.<sup>219</sup> Recent initiatives in favour of SMEs are for the most part those pursued through the Impresa 4.0 plan.

---

<sup>214</sup> <http://www.sviluppoeconomico.gov.it/index.php/it/198-notizie-stampa/2037251-cabina-di-regia-per-l-internazionalizzazione>

<sup>215</sup> ICE (2013), Italy’s Export Plan - 2015 Target: 600 billion.

<sup>216</sup> WTO (2017) World Trade Profiles, pp 180-181

<sup>217</sup> <http://www.sviluppoeconomico.gov.it/index.php/it/commercio-internazionale/2032775-piano-straordinario-del-made-in-italy>

<sup>218</sup> Ministero dello Sviluppo Economico (2017) National Plan, Impresa 4.0

[http://www.sviluppoeconomico.gov.it/images/stories/documenti/investimenti\\_impresa\\_40\\_eng.pdf](http://www.sviluppoeconomico.gov.it/images/stories/documenti/investimenti_impresa_40_eng.pdf)

<sup>219</sup> Ministero dello Sviluppo Economico (2016), Small Business Act 2016 report, pp. 95-96

At the regional and inter-regional level, support initiatives have focused on the creation of firm-level networks. These networks receive direct subsidies for, principally, research and development processes, company development, and the promotion of enterprises on international markets. Beneficiaries are overwhelmingly SMEs, though this is to some extent also the reflection of the fact that EU State-Aid laws contain exemptions for SMEs.<sup>220</sup>

### 5.2.2 Inputs into trade policy

Trade policy is an EU competence. The Ministry for Economic Development, through its Trade Policy Directorate, makes inputs into EU trade policy.<sup>221</sup> The direct inputs made by ICE into trade policy appear limited. However, as reported below, part of ICE's work involves identifying trade and regulatory barriers.

## 5.3 TPO Institutional Structure

### 5.3.1 Organisation and relationship to other government institutions

ICE is a government agency established by law in 2011. It replaced the National Institute for Foreign Trade that had been in existence since 1926. The agency has legal personality and financial autonomy, allowing it to make spending decisions and raise revenues. Its tutelary ministry is the Ministry for Economic Development, which also has wider responsibilities for private sector development and for internationalisation. The Agency is headed by a Director General.

The Ministry for Economy and Finance is responsible for budgetary allocations, and therefore plays a central role in export promotion. Internationalisation and competitiveness are strategic themes identified by the national reforms section of the latest economy and finance strategy document.<sup>222</sup> In addition to long standing objectives of preserving the competitive position of Italian products through instruments such as Geographic Indications and by promoting the Made in Italy Brand, a more recent focus is on reforms to the approach to export credits and finance. This links in with initiatives implemented through SACE (see below).

The Ministry for Economic Development leads the development of strategic frameworks for export promotion, notably via the Extraordinary Plan and other initiatives mentioned in section 5.2. Export promotion also comes under the scope of wider ministerial functions that include:

- competitiveness, research, development and technology acquisition
- oversight, and enhancing the value, of the "Made in Italy" concept and fighting against counterfeiting
- management of funds and facilitating instruments for companies, including through tax credit instruments, and facilitating access to credit

---

<sup>220</sup> Ministero dello Sviluppo Economico (2016), Small Business Act 2016 report, pp. 95-96

<sup>221</sup> <http://www.sviluppoeconomico.gov.it/index.php/it/commercio-internazionale/politica-commerciale-internazionale/politica-commerciale-europea-e-accordi-fta>

<sup>222</sup> Ministero dell'Economia e delle finanze (2017), Documento di Economia e Finanza 2017, Sezione III, Programma Nazionale di Riforma, pp 102-103

- policies for micro, small and medium-sized enterprises
- policies for the internationalisation of companies and the promotion abroad of Italian productions
- investment promotion in Italy and promotion of Italian investment abroad.
- inputs into EU trade policy

### 5.3.2 Leadership and strategic focus

The broad framework within which ICE operates is set by the 2015 “Extraordinary Plan - Made in Italy” led by the Cabina di Regia (see section 5.2) of which ICE is a part. The plan provided for an investment of €260 million in support of internationalisation, over an unspecified time horizon.<sup>223</sup>

Based on the first three years of implementation, the Ministry for Economic Development reviewed the operation of the plan, and in collaboration with the Cabina di Regia identified the following priorities for the future:<sup>224</sup>

- ‘Systemic missions’, government led or facilitated missions focusing on policy issues affecting Italian exports in particular countries (for example, banking in the Gulf states)
- Government-to-Government (G2G) missions in strategic sectors such as defence or aerospace, large infrastructure projects and supply chains (including global value chains)
- sectoral B2B missions
- consolidating on existing activities

Actions that cut across these areas include strategic communications initiatives, and training businesses in digital economy and e-commerce platforms.

The 2018 revision of the ‘Extraordinary Plan – Made in Italy’ retains the United States as a key target, in line with the original plan. The 2018 revision also raises the profile of interventions in support of export promotion in Asian markets, and China in particular. In relation to China, the Italian authorities have determined that the 2025 Made in China strategy, developed by the Chinese authorities to promote Chinese manufacturing, may create opportunities for Italy, particularly in terms of technology to support increased investment in research, development and innovation.<sup>225</sup>

ICE also has its own internal operational plan. The most recent available document is for 2015 to 2017. This plan set two main strategic objectives: (i) to increase the degree of internationalisation of Italian companies by improving the product and service offerings of the agency, and (ii) to increase their utilisation and simplify ICE’s work processes, thus increasing the efficiency and transparency of the agency’s actions. The first objective was assigned a weight of 70%, and the second a weight of 30%.

---

<sup>223</sup> <http://www.internazionalizzazione.confcooperative.it/NETWORK-INTERNAZIONALE/Le-nostre-cooperative-allesterio/ArtMID/522/ArticleID/179/Piano-Straordinario-per-il-Made-in-Italy>

<sup>224</sup> <http://www.parmacouture.com/news/la-cabina-di-regia-rilancia-per-il-2018-il-piano-per-internazionalizzazione-del-made-in-italy>

<sup>225</sup> <http://www.parmacouture.com/news/la-cabina-di-regia-rilancia-per-il-2018-il-piano-per-internazionalizzazione-del-made-in-italy>



### 5.3.3 Relationship to private sector

Various private sector organisations are listed as partners of ICE. Some are linked to ICE by institutional agreements and provide specific services (for example export financing). The role of private organisations not party to such agreements is not clear.

The Italian chambers of commerce that are federated under the Camere di Commercio d'Italia are actively involved in export promotion activities. They operate on a regional basis, and organise seminars, trade fairs, and trade visits. Some of these are organised in collaboration with ICE. Some regional chambers of commerce have signed partnership agreements with ICE to coordinate the delivery of export promotion activities in the region.

There are also chambers of commerce that deal with specific bilateral trade and investment relationships. Notable examples are the China-Italy chamber of commerce and the Italy-America chamber of commerce. These organisations carry out a variety of activities related to trade and investment, including seminars, symposiums, fairs, and high-level business meetings. They also provide strategic advisory services.

### 5.3.4 Linkages to development policy

The Italian Development Cooperation Agency (AICS) was established in 2016. According to the OECD, this was part of a wider restructuring of Italy's approach to development cooperation.<sup>226</sup>

Trade is not listed as one of the key areas of focus for AICS. AICS advertises opportunities for private sector entities, including Italian firms, to bid for projects. In keeping with EU and WTO rules on government procurement, preferences for Italian firms are not allowed.

ICE has identified emerging markets, and China in particular, as growth opportunities (see below). The government identifies "economic diplomacy" as one of the routes through which these opportunities may be accessed but does not specifically refer to development cooperation.

### 5.3.5 Relationship to government-to-government facilitation

As reported in section 5.3.2, government-to-government missions are one of the priority strategies under the 'Extraordinary Plan - Made in Italy'. The focus is on specific sectors that involve a high degree of government procurement such as defence and aerospace.

## 5.4 TPO Scope

### 5.4.1 Targeting market failures

The expression 'market failures' does not appear in any of the strategy documents produced by ICE or by government departments. However, the scope of products and services offered suggests that these are targeted implicitly.

---

<sup>226</sup> <https://donortracker.org/country/italy>

### 5.4.2 Global value chains

Value chains are not identified as a goal per se in strategic objectives, however their importance is recognised in the context of those issues that are strategic objectives. For example, as reported in section 5.3.2, the effort to link with China's 2025 plan has been undertaken explicitly with a view to enabling Italian firms to access supply chain opportunities, notably in the areas of technology and innovation, that are created by China's industrial development goals.

### 5.4.3 Investment promotion

Investment promotion is handled by ICE through a unit specifically tasked with attracting foreign direct investment. There are four main clusters of activity<sup>227</sup>:

- promoting business opportunities
- assistance to foreign investors, both in the establishment phase and in expanding their projects
- support for investors across the life-cycle of the investment
- offering mentoring and "after-care" services for strategic investments

The promotion of outward investment by Italian businesses is not explicitly within the remit of ICE.

## 5.5 TPO Strategy

### 5.5.1 Resourcing and budgeting

Limited information is available on resourcing. According to the Agency's triennial planning document, financial resources across the two strategic objectives amounted to €167.9 million per year in the period 2015 to 2017 with a little over €117 million going to the first objective (increasing the degree of internationalisation of Italian businesses).<sup>228</sup> Of a total of 818 staff, 64% were assigned to the first objective.

Some information on sectoral allocations may be gleaned by examining the budgets of specific sector-offices for 2015.<sup>229</sup>

- consumer goods accounted for around €27.8 million
- machinery, chemicals, energy and environment accounted for a little under €21 million
- agrifoods and wine accounted for around €12.4 million
- high-tech, advanced tertiary, strategic services and products accounted for around €3.3 million

The 'Extraordinary Plan – Made in Italy' identifies a sum of €250 million for export promotion in 2015, but it is not clear whether this figure refers to financing for all export promotion activities.<sup>230</sup>

---

<sup>227</sup> <http://www.investinitaly.com/it/about-us>

<sup>228</sup> ICE (2015), Piano della performance, Obiettivi Strategici 2015-2017, Piano Operativi, pg 37

<sup>229</sup> ICE (2015), Piano della performance, Obiettivi Strategici 2015-2017, Piano Operativi, pp 48-51

<sup>230</sup> Cabina di Regia per l'Italia Internazionale (2015), Il Piano Straordinario per il Made in Italy.

### 5.5.2 Beneficiary focus

ICE assists firms of all sizes across all sectors. However, as reflected in section 5.5.1 on resource allocation, certain sectors receive specific attention. The 'Extraordinary Plan – Made in Italy' in principle covers all sectors. Figures for 2015 reported a fund of €250 million devoted to export promotion (see section 5.5.1). Of that, a quarter would be devoted to fashion and design, a fifth to food and beverage, and around an eighth to machinery.<sup>231</sup>

ICE, and the government, also have a specific focus on SMEs, reflecting to some extent the particularity of Italy's production structure which is dominated by SMEs and family-owned businesses. This is notably true of firms that are involved in the fashion and design sector and the food and beverages sector, two sectors that stand out when examining the breakdown of funds proposed under the 'Extraordinary Plan – Made in Italy' (see also below).

According to information supplied by the authorities, specific actions undertaken to support the internationalisation of SMEs under the 'Extraordinary Plan – Made in Italy' include:

- a voucher scheme enabling SMEs to hire temporary export managers
- training for 2,000 export managers under a co-financing partnership arrangement with the regions
- local roadshow events for SMEs to enhance access to export supporting activities
- initiatives to support the participation of SMEs in e-commerce
- establishing relationships with large retailers to enhance the visibility of "Made in Italy" products

The 'Extraordinary Plan – Made in Italy' distinguishes between three categories of market: mature markets, emerging markets, and "new opportunities". It identifies untapped potential in mature markets: a comparison of actual trade with estimates of potential trade yields a gap of around €10 billion per year, most of which is accounted for by the US and Germany. A similar comparison for emerging markets shows a gap of around €14 billion, nearly half of which is in China. Mexico, Turkey and the remainder of the ASEAN region account for the remainder. Finally, around €1.6 billion is accounted for by new opportunities, identified as Nigeria, Iran, Morocco, Ethiopia and Ghana.<sup>232</sup>

### 5.5.3 Regional focus

ICE has a specific focus on SMEs in the southern regions of Italy, known as Export Sud (the South Export Plan), which is currently in its second iteration. The plan focuses on "least developed regions" (Calabria, Campania, Puglia, Basilicata, Sicily) and "regions in transition" (Abruzzo, Molise, Sardinia). It has two main objectives, transforming potentially exporting companies into regular exporters, and increasing the share of these regions in

---

<sup>231</sup> Cabina di Regia (2015), *op.cit*

<sup>232</sup> Cabina di Regia per l'Italia Internazionale (2017) il Piano Straordinario per in Made in Italy. [http://www.sviluppoeconomico.gov.it/images/stories/documenti/presentazione\\_cabina\\_internazionalizzazione.pdf](http://www.sviluppoeconomico.gov.it/images/stories/documenti/presentazione_cabina_internazionalizzazione.pdf). The technique used for estimating potential versus actual trade is not presented. The standard way of doing this is to use a gravity model of trade and compare predicted versus actual trade.

Italy's overall trade.<sup>233</sup> The programme is funded in part by drawing on €50 million from various EU funds directed at regional development and enterprise development.<sup>234</sup>

The specific programmes that are run come under the scope of ICE activities but are targeted to the needs of the regions in question. The two main categories are:

- training and coaching interventions
- promotional activities to be carried out in Italy and abroad, through various promotional formats (fairs, missions, and international partnerships)

The geographic focus of the initiative includes both the EU and non-EU countries, and in the latter group, especially the USA, Canada, China and Japan.<sup>235</sup>

As reported in section 5.3.3 Chambers of Commerce, which have regional offices, are also involved in export promotion.

### 5.5.4 Evaluation

Under the triennial plans prepared by ICE (see section 5.5.1), progress in the implementation of the two main objectives is monitored against specific indicators. For objective (i), these include: fees; indicators of customer satisfaction; percentage of new customers; number of organisations, and companies assisted; number of companies participating in road shows; and investment projects promoted. For objective (ii), the indicators largely refer to internal processes, such as the implementation of a CRM platform and institutional communication plan, and the number of visitors to the ICE site.<sup>236</sup>

However, there is no evidence of further evaluation of export strategies using the sort of econometric techniques used in other jurisdictions such as Canada and Denmark.

## 5.6 Products and Services

### 5.6.1 Non-financial assistance

ICE lists a range of products and services on their website.<sup>237</sup> There are over 40 services listed in total, divided into three main themes:

- orientation – introductory information around internationalisation
- access – specific advice about entering new markets
- “Taking root” – dealing with the practical issues of internationalisation and consolidating relations abroad

---

<sup>233</sup> <https://www.ice.it/it/piano-export-il-sud>

<sup>234</sup> Ministerial Decree, 8 February 2017. [https://www.ice.it/sites/default/files/inline-files/Decreto\\_Ministeriale.pdf](https://www.ice.it/sites/default/files/inline-files/Decreto_Ministeriale.pdf)

<sup>235</sup> <http://regione.campania.it/regione/it/tematiche/magazine-internazionalizzazione-9gga/piano-export-sud-2?page=1> <http://regione.campania.it/regione/it/tematiche/magazine-internazionalizzazione-9gga/piano-export-sud-2?page=1>

<sup>236</sup> ICE (2015), Piano della performance, Obiettivi Strategici 2015-2017, Piano Operativi, p 38

<sup>237</sup> <http://www.ice.gov.it/it/servizi>

### Orientation

This cluster consists of 18 different services. Of these, 14 are provided free of charge. The free services consist of:

- market and sector information (presented on separate websites linked to the ICE site and featuring information compiled by ICE, the foreign ministry and chambers of commerce)
- information on business proposals by foreign and Italian companies
- information on official projects funded by the government and the EU
- previews of large scale projects

Paid services are:

- tailored information on the product market of interest
- profiles of foreign operators; customised foreign trade statistics
- information on customs, fiscal and legal matters

### Access

The access cluster services are all fee-paying services (bar one that showcases specific project examples). Some of these services are more in-depth versions of those in the orientation cluster (for example customised market research). The bulk of the services are business-to-business or business-to-customer matching services, as well as services geared to events and visits.

### Taking root

These services are all fee-paying. They cover actions on the ground, including investment advice, assistance in disputes, assistance in participation in tenders, assistance for search for personnel and in procurement, and advertising.

### 5.6.2 Financial assistance

Italy has a dedicated export credit agency known as SACE<sup>238</sup>, which provides a range of services for the internationalisation process. These include credit insurance, guarantees, advisory services, and foreign debt recovery. The vehicle for these activities is SIMEST: SIMEST is responsible for managing funds allocated through the European Development Fund (EDF).

SIMEST reports that in 2016 it mobilised €5.8 billion in export buyer and supplier credits, and a further €326 million in the form of soft loans, equity participation and interest rate subsidies.

## 5.7 Conclusion

Like a number of other countries, Italy has undertaken an ongoing reform of its approach to export promotion. It has done this by reorganising its export promotion agency and re-establishing it as a government agency, and by developing whole-of-government approaches to export promotion and firm-level issues more broadly. These approaches provide the overall framework within which the export promotion agency operates.

---

<sup>238</sup> <https://www.sace.it/en>, full name: Servizi Assicurativi del Commercio Estero

Italy's approach to export promotion takes into account some of the long-standing particularities of its industrial organisation. This includes the dominance of small and medium-sized businesses (and particularly very small family-owned businesses), especially in certain sectors such as fashion and design, and food and beverages. These two sectors have been identified as particular growth opportunities, and this is reflected in their share of export promotion financing under the 'Extraordinary Plan – Made in Italy'.

## 6 SINGAPORE

### KEY MESSAGES: ENTERPRISE SINGAPORE (AS OF 1 APRIL 2018)

- Enterprise Singapore is the result of a merger between International Enterprise Singapore (IES), and the Standards, Productivity and Innovation Board (SPRING), an institution focused on business development
- the merger of export promotion functions with those of business development highlights the importance of dealing with constraints to firm-level efficiencies as a determinant of improved export performance - the interaction between the two is likely to be particularly important in an economy as open to trade as Singapore's
- the remodelling of the export promotion landscape was undertaken pursuant to the work of a cross-departmental taskforce on the future of the Singaporean economy, which highlighted the importance of skills formation and knowledge-based growth
- identifying regional growth opportunities, particularly in Infrastructure, has been a key theme - the objective is to position Singapore as a hub for supporting infrastructure investment and development through high-end manufacturing and services
- there is significant cost-recovery from the private sector through fees charged for services - evidence based on past IES annual reports suggests grants account for around 50% of revenues
- Enterprise Singapore operates or facilitates several financial assistance schemes, including grants, loans, insurance, tax deductions and equity investment facilitation schemes - some of these operate on a co-financing basis (for example matching contributions by government) while others involve defraying costs or tax liabilities - loan and insurance programmes are provided by authorised third parties, and Enterprise Singapore acts as facilitator

### 6.1 Introduction

Singapore is a high-income country with a per capita GDP of US\$81,600 (2016).<sup>239</sup> Services dominate GDP, at around 69%, while manufacturing accounts for around 20%.<sup>240</sup>

The structure of merchandise trade is dominated by manufactures, which account for around 71% of the value of exports (of which chemicals 12.9%, office machines and telecoms equipment 30.7%).<sup>241</sup> Singapore is highly open to international trade, with a trade to GDP ratio of 318% in 2016 while the ratio of goods and services exports to GDP was around 172%.<sup>242</sup>

<sup>239</sup> PPP, constant 2011 international \$. Source: World Bank World Development Indicators. PPP refers to Purchasing Power Parity exchange rates i.e. rates that equalise prices across a pair of countries. International dollars are the product of this conversion using PPP exchange rates. "Constant 2011" means the exchange rate is calculated on the basis of 2011 price indices to filter out the effects of inflation.

<sup>240</sup> WTO (2016), Trade Policy Review - Singapore

<sup>241</sup> Source: WTO (2016), Trade Policy Review – Singapore, p.72

<sup>242</sup> Source: World Bank World Development Indicators

Singapore has one of the most liberal trade regimes in the world. Its simple applied MFN average tariff is 0%; while its trade weighted average is 0.5% (agriculture 11.9%).<sup>243</sup> The World Bank has ranked Singapore second overall in terms of ease of doing business, but 42<sup>nd</sup> in terms of trade across borders, because of costs associated with border formality compliance.<sup>244</sup>

The organisation responsible for trade promotion was, until 1 April 2018, International Enterprise Singapore. It managed a suite of financial and non-financial export promotion schemes (see section 6.6 below). On that date, IES was merged with SPRING, a government agency responsible for enterprise development. SPRING's main functions were building international trust in Singaporean products and services, and helping enterprises with financing, capability and management development, technology and innovation, and access to markets. As the national standards and accreditation body, it also worked to promote internationally-recognised standards.<sup>245</sup>

The new merged entity is Enterprise Singapore. The merger between SPRING Singapore and IES is a strategic decision<sup>246</sup> to capture the benefits of cross-governmental coordination regarding business growth and development. Both organisations describe themselves as “enablers” of business success, with their incentives aligned towards helping businesses expand. According to the authorities, Enterprise Singapore will be able to “respond faster to the changes in the external environment, provide better, more seamless and effective support to our companies and industries and grow stronger Singapore enterprises”.<sup>247</sup>

In introducing the Enterprise Singapore Bill to parliament in February 2018, the Minister for Trade specifically highlighted the following points:

- the increasing role of e-commerce and digital trade made it possible for businesses to access export markets at a much earlier stage of development - hence the need to integrate export promotion and enterprise development activities
- the importance of innovation in driving productivity growth and competitiveness - Singapore businesses needed support to ensure that internationalisation and innovation were deeply intertwined<sup>248</sup>

Those speaking in support of the bill reported that feedback from businesses, and particularly SMEs, had emphasised the importance of establishing a one-stop shop. Most users of SPRING programmes were likely users of IES programmes, and vice versa, and

---

<sup>243</sup> WTO (2017), World Tariff Profiles, p 156

<sup>244</sup> World Bank, Doing Business (<http://www.doingbusiness.org/rankings>) and Country Tables 2018, p 116

<sup>245</sup> <https://www.spring.gov.sg/About-Us/Pages/spring-singapore.aspx>

<sup>246</sup> <https://www.iesingapore.gov.sg/Media-Centre/News/2017/9/Enterprise-Singapore-to-replace-IE-Singapore-and-Spring-Singapore>

<sup>247</sup> Iswaran, S. (2018), Statement by the Minister for Trade and Industry, <https://www.channelnewsasia.com/news/business/ie-singapore-spring-to-merge-and-form-new-agency-9185630>

<sup>248</sup> Singapore Parliament Hansard, 5 February, Enterprise Singapore Board Bill, Statement by the Hon. Minister for Trade and Industry.



reducing duplication of administrative processes would, it was hoped, reduce the costs to businesses of accessing the schemes.<sup>249</sup>

## 6.2 Policy and Institutional Context

### 6.2.1 Linkages to wider policy initiatives

Over 30 initiatives have been documented that are targeted at facilitating and incentivising investment generally, and capital or knowledge-based investment specifically. These are administered through the Inland Revenue Authority, Spring Singapore and the Economic Development Board (EDB). In keeping with trade law, the incentives schemes cannot be contingent on export performance or use of local inputs.<sup>250</sup>

Historically, the main body responsible for investment incentives, and stimulating foreign investment more generally, has been the EDB. Notable measures include capital allowance schemes and tax deductions on investment in productive and innovative activity (see section on TPO institutional structure and linkages to other government institutions).

Some tax incentive schemes were managed by SPRING Singapore. These schemes include tax deduction and investment matching schemes for angel investors, seed financing, and incubator and accelerator programmes.<sup>251</sup> These schemes were taken over by Enterprise Singapore following the SPRING – IES merger.<sup>252</sup>

The government is also implementing a Skills Framework to map and fill skills requirements to ensure employment and competitiveness.<sup>253</sup>

The Committee on the Future of the Economy, established in 2015, has set out 7 strategies, some of which were relevant to the work of IES and all of which are relevant to Enterprise Singapore.<sup>254</sup> The seven priorities are to:

1. Deepen and diversify international connections
2. Acquire and utilise deep skills
3. Strengthen enterprise capabilities to innovate and scale up
4. Build strong digital capabilities
5. Develop a vibrant and connected city of opportunity
6. Develop and implement Industry Transformation Maps (ITMs)
7. Partner each other to enable innovation and growth

---

<sup>249</sup> Singapore Parliament Hansard, 5 February, Enterprise Singapore Board Bill, Statement by Mr Liang Eng Hwa

<sup>250</sup> WTO (2016), Trade Policy Review, Singapore pp 81-82

<sup>251</sup> WTO (2016), Trade Policy Review, Singapore p 81

<sup>252</sup> <https://www.enterprisesg.gov.sg/financial-assistance/tax-incentives>

<sup>253</sup> [Http://www.skillsfuture.sg/skills-framework](http://www.skillsfuture.sg/skills-framework), and WTO (2016), Trade Policy Review, Singapore – Report by the Government page 4

<sup>254</sup> <https://www.gov.sg/microsites/future-economy/the-cfe-report/7-strategies>

## 6.3 TPO Institutional Structure

### 6.3.1 Organisation and relationship to other government institutions

Enterprise Singapore is a statutory board under the purview of the Ministry of Trade and Industry. Its current board structure includes representatives of the private sector, including the Chamber of Commerce, Temasek (the state-owned holding company), tertiary institutions, and the Economic Development Board. The CEO of Enterprise Singapore is Mr. Png Cheong Boon, former head of the civil service and of the Prime Minister's Office.

Enterprise Singapore's mission requires it to interact with various aspects of Singapore's policy related to trade and to innovation, productivity and competitiveness. Under the provisions of the Enterprise Singapore Board Act the Board is empowered to:

- advise and assist the Government or any public authority on matters of trade policy and regulation
- serve as the national productivity, innovation, standards and accreditation body, which seeks to raise total factor productivity and improve Singapore's competitiveness
- represent Singapore internationally in matters relating to trade, productivity, innovation, standards, accreditation and conformity assessment<sup>255</sup>

Regarding trade policy, the overall aims of Singapore's trade policy include expanding international opportunities for Singaporean firms and minimising impediments to imports and exports. These aims align with Enterprise Singapore's functions.<sup>256</sup>

On questions of standards, one of SPRING's functions was the development of national standards and accreditation processes. It had the mandate to align national standards to international standards, and to develop domestic ones when no international equivalent is found. Enterprise Singapore has taken over these functions, notably the administration of the Singapore Standardisation Programme. Enterprise Singapore works with an industry-appointed body, the Singapore Standards Council.<sup>257</sup> In 2016, the government allocated a sum of 100 million Singapore Dollars over five years to support the process of enhancing and developing standards in Singapore.<sup>258</sup>

Standards have become an important part of trade policy, as traditional border measures (such as tariffs) have fallen, and as global value chains have gained prominence. Businesses and industries that operate across geographical and political boundaries try to reduce costs by ensuring that the standards to which they comply are aligned. Countries that are aligned to international standards, and that can also take the lead in shaping these, will have a better chance of attracting global value chains.

Finally, on matters of innovation and productivity, the nexus between Enterprise Singapore and the Economic Development Board is an important one. As observed, under current governance arrangements a representative of Singapore's Economic Development Board (EDB) sits on the board of the Enterprise Singapore. The relationship is important since

---

<sup>255</sup> Enterprise Singapore Board Act, Part 2, Article 5

<sup>256</sup> WTO (2016): Trade Policy Review, Singapore, p 15

<sup>257</sup> <https://www.enterprisesg.gov.sg/quality-standards/standards-overview>

<sup>258</sup> <https://www.straitstimes.com/business/economy/100m-to-drive-efforts-to-be-standard-bearer>

the Economic Development Board (EDB) is a government agency under the Ministry of Trade and Industry which is responsible for strategies that enhance Singapore's position as a global centre for business, innovation, and talent. Along with Enterprise Singapore, EDB has responsibility for encouraging inward investment in Singapore.

The Economic Development Board has to date operated 15 different incentive schemes. They are primarily geared towards investment rather than exports. But given Singapore's very high degree of export orientation, which implies that most investors will invest with a view to exporting rather than solely supplying the domestic market, the schemes will in practice have a direct impact on trade promotion. The main types of incentives are<sup>259</sup>:

- incentives to stimulate research, development and innovation, and new technology - these take the form of co-financing arrangements with Singapore-registered businesses and reduced withholding tax on IP royalties
- incentives aimed at specific sectors: these include tax exemptions and reduced rates of corporate tax on qualifying manufacturing and services activities<sup>260</sup>
- lower corporate tax rates for companies carrying out headquarter activities from Singapore

Some of the schemes follow a similar model to the financial incentive schemes operated by Enterprise Singapore (see below). These include, notably: reduced corporate tax rates of 5% or 10% on qualifying activities, typically manufacturing; allowances for fixed capital investment in new technologies or ones deemed to increase productivity; and double-deductions for expenditure on approved feasibility and due diligence studies and study missions or site inspections.

The pathway followed by businesses in accessing the range of different incentives offered by EDB and by Enterprise Singapore is not clear. For example, there are no data available on the number of firms that use both EDB and Enterprise Singapore incentives.

### 6.3.2 Leadership and strategic direction

The Ministry for Trade and Industry has historically played a major role in setting the overall strategic focus for export promotion activities. As already reported, its views on the major drivers of export performance and firm competitiveness provided the impetus for the merger between IES and SPRING.

At an operational level, IES had helped to provide (in addition to specific advisory services) thought leadership by preparing publications on major regional and international trade developments. Its "IE Insights series", for example, provided an explanation of country-specific developments or sector issues (for example the China Belt and Road Initiative, or the opportunities for exporters of Liquefied Natural Gas) and their implications for

---

<sup>259</sup> See WTO (2016), Trade Policy Review, Singapore, p. 82

<sup>260</sup> There is no exhaustive list of qualifying activities. An indicative list includes in Manufacturing: companies acquiring new technologies, skills or knowledge that raise overall industry standards; in services, any engineering or technical services, including laboratory, consultancy and research and development activities; computer-based information and other computer related services; the development or production of any industrial design

Singapore businesses. Production of these publications has been taken over by Enterprise Singapore.<sup>261</sup>

Enterprise Singapore will continue IES' practice of working closely with agencies such as the EDB and private sector representatives (including Trade Associations and Chambers (TACs) in setting strategic priorities and developing initiatives. In introducing the Enterprise Singapore Bill, the Minister cited the recent collaboration between IES, SPRING and Singaporean businesses in establishing the Singapore Manufacturing Innovation Centre (SMIC) in Guangzhou.

Finally, the mandate handed to Enterprise Singapore on developing standards is an important aspect of the strategic direction taken by trade promotion. As observed by the Minister, the development of standards plays an important role in signalling the attractiveness of Singapore as a place to do business. It also plays an important strategic role in supporting innovation and international competitiveness.<sup>262</sup>

### 6.3.3 Relationship to private sector

There are a number of important linkages between Enterprise Singapore and the private sector. To begin with, there are several representatives from the private sector on the board. This includes specific businesses (such as professional services firms) as well as well as the Chamber of Commerce.

Some bespoke market entry and expansion services have a user fee that varies depending on the service provided. Grants are typically on a co-financing basis. Loans and insurance schemes operate through partnerships with participating financial institutions. Enterprise Singapore, like IES before it, has specific functions relating to the regulation of the rubber trade and industry and administers the Singapore Rubber Fund.<sup>263</sup> The latter aims to support the commodity trading industry in Singapore.<sup>264</sup>

Following the establishment of Enterprise Singapore, the Singapore Business Federation (SBF) aims to start an initiative bringing the independent Trade Associations and Chambers (TACs)<sup>265</sup> into one alliance (known as the TAC alliance). These TACs are privately owned organisations which may provide specialist advice on internationalisation for different sectors<sup>266</sup> or different countries<sup>267</sup>. The overarching aim of this alliance is less about introducing new ideas and more about fostering a collaborative environment between business enablers, and not duplicating services.

The scope of the collaboration will be as follows:

---

<sup>261</sup> <https://ie.enterprisesg.gov.sg/Publications/Publications/IE-Insights>

<sup>262</sup> Singapore Parliament Hansard, 5 February, Enterprise Singapore Board Bill, Statement by the Hon. Minister for Trade and Industry.

<sup>263</sup> Enterprise Singapore Board Act, Part 6, Article 39

<sup>264</sup> Enterprise Singapore Board Act, Part 6, Article 39

<sup>265</sup> <http://www.sbf.org.sg/membership/trade-associations-chambers>

<sup>266</sup> Such as the Singapore Manufacturing Federation: <http://www.smfederation.org.sg/>

<sup>267</sup> Such as the Singapore Indian Chamber of Commerce and Industry: <http://sicci.com>

- research and insights and advocacy on important national and international issues that impact business and the economy
- coordination and facilitation of internationalisation efforts among TACs to help SBF members grow their businesses in overseas markets
- work together outside Singapore to enable a conducive environment for trade and investments in key markets
- work together to transform and enable SBF members to be strong and viable enterprises
- support the sharing of best practices among secretariats, and where applicable, facilitate training in association management skills to help them improve their capabilities

The private sector also plays a significant role in the delivery of trade promotion products. As explained in the relevant section below, some tailor-made market advice and match-making services are delivered by private sector consulting firms operating in the countries in question, with cost reductions or offsets available to businesses via Enterprise Singapore. As also explained below, Enterprise Singapore facilitates access to trade finance and insurance.

### 6.3.4 Linkages to development policy initiatives

Singapore has a limited development cooperation programme, focusing largely on training and capacity building. However, its positioning, out of commercial interest, in infrastructure investment in South East Asia has important developmental spillovers. In announcing the Infrastructure Office that is to be launched in October 2018, the government referenced the fact that there was an estimated US\$26 trillion investment needed in the ASEAN region, but that access to finance was often constrained. Singapore, which has a history as a financial hub, could help catalyse financing flows into infrastructure projects.<sup>268</sup>

Section 6.4.3 on global value chains provides more details of the way in which the government intends to support the participation of Singaporean businesses in this area.

### 6.3.5 Government-to-government facilitation

The authorities do not run a formal government-to-government facilitation scheme. However, the high degree of state involvement in economic activity (compared to economies at similar levels of development) through vehicles such as the TEMASEK and the Government of Singapore Investment Corporation means that in practice, there are close links between diplomacy and the development of business opportunities.<sup>269</sup>

---

<sup>268</sup> Business Times, 7 March 2018, "Singapore Budget 2018: Infrastructure Office to be launched in October"

<sup>269</sup> See for example, Henry Wai-Chung Yeung (2011) "From national development to economic diplomacy? Governing Singapore's sovereign wealth funds", *The Pacific Review*, Vol. 24. No.5, pp. 625-652

## 6.4 TPO Scope

### 6.4.1 Targeting Market Failures

IES had a mandate to partner with Singaporean companies to help them “go global” and to develop Singapore as a global trading hub. It aims to return revenue to the Singaporean economy through sales and investments, and to create jobs for Singaporeans.<sup>270</sup> With the creation of Enterprise Singapore, that mandate has been enhanced by linking internationalisation to the issues of innovation, firm level capabilities and productivity. Start-ups have been identified as a specific area of interest.<sup>271</sup>

Enterprise Singapore documentation does not explicitly refer to “market failures” as a justification for intervention, and there was no explicit reference to the expression in either IES or SPRING documentation in the past. However, the core activities of IES (see below) target the primary market failures in the provision of export promotion support: information failures, knowledge spillovers and missing markets for credit and risk. In addition, the activities formerly pursued by SPRING also target the market failures affecting enterprise development, notably those associated with investment in start-ups and innovation.

### 6.4.2 Export market scope

The IES provided export market guides for 41 countries of which 20 are in Middle East and Africa, 11 in Asia, five in North America and Latin America and four in Europe (including the UK). The responsibility for these guides has been taken over by Enterprise Singapore, which to date has maintained the same market coverage.<sup>272</sup> These export market guides provide extensive information on target markets including details on key industries, free trade agreements, upcoming events and local contacts.

Enterprise Singapore services these markets with a network of 36 overseas centres in 23 countries. 23 of these centres are in the Asia-Pacific Region, of which nine are in China.<sup>273</sup> Its approach is tailored to specific export markets:

- in the key regional markets of Southeast Asia, China and India, it aims to “deepen engagement” - as explained in the next section, the authorities see significant investment opportunities for Singapore in regional infrastructure projects
- in developed markets, Enterprise Singapore focuses on helping companies “identify opportunities to innovate and enhance technology capabilities”
- in emerging markets in Africa and Latin America, Enterprise Singapore aims to help companies establish first-mover advantages<sup>274</sup>

More generally, Enterprise Singapore also seeks to promote Singapore as a trading hub, an objective initially developed under IES.<sup>275</sup> This builds on the historical roots of

---

<sup>270</sup> IES (2017), Annual Report, section 1.6

<sup>271</sup> <https://www.enterprisesg.gov.sg/about-us/overview>

<sup>272</sup> <https://www.iesingapore.gov.sg/Venture-Overseas/Browse-By-Market>

<sup>273</sup> <https://www.enterprisesg.gov.sg/contact-info/overseas-centres>

<sup>274</sup> <https://www.iesingapore.gov.sg/ceoupdate2016>

<sup>275</sup> IES (2017), Report on Commodity Trading Hubs

Singapore's development based on its geographic position on trade routes into the South China Sea. IES had identified seven clusters of activities covering primary industries and manufacturing<sup>276</sup>: These were:

- machinery and equipment, with a specific focus on electronics
- household goods, which are defined to include personal effects, pharmaceuticals and textiles
- agricultural material, including food and beverages
- energy and chemicals, drawing on Singapore's position as Asia's largest physical oil trading hub
- transport equipment
- general merchandise
- other commodities, notably metals, minerals and construction equipment

Enterprise Singapore has, to date, retained this typology of clusters.

### 6.4.3 Global Value Chains

Prior to its merger with SPRING, IES aimed to help firms access global value chains, particularly in infrastructure in Asia (a market valued at \$1 trillion per year).<sup>277</sup> The inclusion of inward investment promotion activities was in IES' remit and its promotion of Singapore as a commodity trading hub added to the value chain focus.

Enterprise Singapore has adopted IES' value chain focus, and particularly the focus on the following four key sectors:<sup>278</sup>

- infrastructure
- lifestyle
- technology
- transport and logistics.

Infrastructure is a key priority in the context of China's One Belt One Road Initiative, but also the needs of the ASEAN region more generally. In partnership with the Monetary Authority of Singapore, Enterprise Singapore will establish the Infrastructure Office in October 2018, to facilitate infrastructure investment and finance. The Infrastructure Office will be a statutory body.

The rationale for the initiative is found in the combination of Singapore's positioning as a finance hub, on one hand, and a large (estimated at US\$26 trillion by the Asian Development Bank<sup>279</sup>) infrastructure investment need in the ASEAN region, which is constrained by difficulties in accessing finance. The government estimates that to date Singapore-based banks have provided loans or advisory services to around 60% of infrastructure projects in the ASEAN region. The Infrastructure Office is intended to act as

---

<sup>276</sup> <https://www.iesingapore.gov.sg/Trade-From-Singapore/Overview>

<sup>277</sup> IES (2017), Annual Report, p 3 and pp 12-17

<sup>278</sup> <https://www.iesingapore.gov.sg/Venture-Overseas/Browse-By-Market> and  
<https://www.iesingapore.gov.sg/Venture-Overseas/Browse-By-Sector>

<sup>279</sup> <https://www.adb.org/publications/asia-infrastructure-needs>

a hub for bringing together businesses from various parts of the infrastructure supply chain: developers, engineers, financiers, lawyers and professional services firms.<sup>280</sup>

Singapore has historically been well placed to act as a regional and global commodities hub, and the authorities aim to leverage its strong banking sector and contract arbitration framework to further improve its competitiveness.

Finally, the integration of standards-setting with trade and investment promotion activities reflects the importance of standards in the operation of global value chains, and the role that leadership in standard-setting can play in attracting these value chains.

#### 6.4.4 Investment promotion

The EDB has primary responsibility for encouraging inward investment. However, both IES and SPRING also administered schemes, including incentive schemes, that promoted investment. IES had some responsibility for investment in Singapore, particularly trade investment. It ran a 'Trade from Singapore' strategy, which encouraged international businesses, including brand owners, agents, brokers and the trading arms of manufacturers and retailers, to invest in Singapore. The campaign provided extensive information on key sectors for investments and advertised the ease of doing business in Singapore. Specifically, it highlighted Singapore's role as a global trade hub for machinery and equipment, household goods, agriculture materials, energy and chemicals, transport equipment and general merchandise, and promotes Singapore's human capital, flexible regulatory framework and favourable tax policy. The 'Trade from Singapore' strategy has been rolled over into the operations of Enterprise Singapore.<sup>281</sup>

Enterprise Singapore also provides a reduced corporate tax rate through the Global Trader Programme, a scheme previously administered by IES.<sup>282</sup> Traders are offered a reduced tax rate of 5% or 10% on qualifying trading income for three to five years. The programme is focused on well-established international businesses who wish to establish their trading base in Singapore and meet stringent quantitative criteria around employment and local expenditure.

As documented in table 12, SPRING administered a variety of incentive schemes to promote investment, including incubation and accelerator services. These appear to have been taken over by Enterprise Singapore, which has also developed new programmes related to Start Up (see section 6.6).

The promotion of outward investment in foreign markets is not explicitly mentioned as being part of Enterprise Singapore's remit. However, the focus on engaging with infrastructure investment in South East Asia and in China, as evidenced by the creation of the Infrastructure Office, means that as a matter of practice close linkages are being developed between export promotion, inward investment promotion, and the promotion of outward investment.

---

<sup>280</sup> <http://www.businesstimes.com.sg/government-economy/singapore-budget-2018/singapore-budget-2018-new-infrastructure-office-for>

<sup>281</sup> <https://ie.enterprisesg.gov.sg/Trade-From-Singapore/Overview>

<sup>282</sup> <https://www.iesingapore.gov.sg/Trade-From-Singapore/Global-Trader-Programme>



## 6.5 TPO Strategy

### 6.5.1 Resourcing

Key resourcing indicators for IES are provided in Table 10 below.<sup>283</sup> Revenues refer to sums earned by IES through fees for services, while grants refer to financing from the state.

**Table 10 Key resourcing indicators**

	2015	2016	2017
<b>Revenue (000's Singapore Dollars)</b>	132,347	129,549	125,297
<b>Grants (000's Singapore Dollars)</b>	95,700	98,455	123,458
<b>Operating expenditure (000's Singapore Dollars)</b>	254,407	231,309	228,039
<b>Surplus or Deficit (000's Singapore Dollars)</b>	-26,360	-3,305	20,716
<b>Grants as percentage of total revenue (%)</b>	0.42	0.43	0.50

Source: IES, Financial Statements, Various years

Based on the figures reported above and in Table 11, revenues range from 3,400 to 4,700 Singapore Dollars per business assisted per year.

The proportion of grant financing from the central government has increased over the last three years, from 42% of total revenues to around half. The increase in grant funding reflects a conscious decision by the government to expand its support for the “internationalisation” of businesses, with a specific focus on infrastructure markets in East and South East Asia (see also previous section on value chains).<sup>284</sup> The government’s approach itself reflects the recommendations made by the Committee on the Future of the Economy.

### 6.5.2 Beneficiary focus

Table 11 provides an overview of past IES activities based on available information from annual reports (no such information was available at the time of writing for Enterprise Singapore). According to the IES, between 80% and 85% of businesses assisted (by number) are SMEs.<sup>285</sup>

<sup>283</sup> Financial statements for Enterprise Singapore were not available at the time of writing. Resourcing figures are reported for IES in order to provide an indication of resources historically devoted to export promotion.

<sup>284</sup> Ministry of Finance (2017), Budget Speech, [http://www.singaporebudget.gov.sg/budget\\_2017/BudgetSpeech/pb](http://www.singaporebudget.gov.sg/budget_2017/BudgetSpeech/pb)

<sup>285</sup> SMEs in Singapore are defined as businesses with an audited turnover not in excess of Singapore Dollars 100 million

The value of grants covers the Market Readiness Assistance Grant and the Global Company Partnership Grant (see section on financial services below). The value of grants disbursed by IES displayed a pronounced increase in the period since 2015, consistent with increased efforts (directed by the government) to support the internationalisation of businesses. This reflected IES efforts to build on the recommendations of the Committee on the Future of the Economy.<sup>286</sup>

The data on trade finance and insurance schemes do not refer to direct financing from IES. They refer rather to estimates of the value of finance and insurance facilitated by IES through the schemes referred to in the section on financial services below.

**Table 11 IES, key activity indicators**

	2013	2014	2015	2016
<b>Number of companies assisted</b>	26,639	28,000	34,000	37,000
<b>Value of Grants (millions Singapore Dollars)</b>	40.5	44	58.6	73.4
<b>Trade and financing loans secured through risk sharing schemes</b>	775	756	769	Not applicable
<b>Value of insurance coverage (billions Singapore Dollars)</b>	2.8	2.33	3.59	Not applicable

Source: IES Annual Reports, Various years

With the establishment of Enterprise Singapore, the scope of beneficiaries has expanded. Beneficiaries can be divided into the following groups:

- Singapore businesses, who may access financial and non-financial support instruments, some of which are focused on exporting specifically
- foreign investors, who may access advisory services and financial incentives (such as tax deductions)
- individuals, students and mid-career professionals who may access various training and skills development programs

### 6.5.3 Impact evaluation

No publicly documented process or publications. Annual reports contain examples of successful projects.

## 6.6 Products and Services

IES provided a range of financial and non-financial assistance programmes to help businesses prepare for exporting.<sup>287</sup> Some of these appear to have been discontinued by Enterprise Singapore, while new services have been added.

<sup>286</sup> IES, Annual Report 2015

<sup>287</sup> <https://www.iesingapore.gov.sg/Assistance/Non-Financial-Assistance>

### 6.6.1 Non-financial assistance

Under IES non-financial assistance was divided into five areas:

- market knowledge
- market entry
- learning and networking
- e-services
- talent services

Market knowledge refers to off-the-shelf market guides and research databases. These were broadly divided by IES into four areas:

- market guides<sup>288</sup> – informational reports and guides to doing business in 19 different countries, as well as seminars that businesses can sign up for
- trade statistics<sup>289</sup> – firms can sign up to receive updates on Singapore's trading data, with the benefits of assessing demand trends for particular products, exploring alternative markets, and assessing the level of competition in a given market
- research databases<sup>290</sup> – links to available online databases to research trade opportunities independently
- IE insights<sup>291</sup> – specific reports that focus on specific areas of interest, such as niche export markets, products or regions

Of these products, market access guides, trade statistics and IE insights have been retained by Enterprise Singapore. It was not clear at the time of writing this report whether any changes to the content or format of the services were considered.

Market-entry services are customised services (reports, business leads, business partnering) provided for a fee in collaboration with IES partners in export markets. These services target informational constraints, internal exporter constraints, and coordination failures. For example:

Customised market research in local Asian markets. The focus is on China, India, and Vietnam (each separately); and Indonesia, Malaysia and the Philippines as one cluster. In each to these countries IES has partnered with a consulting firm who provide customised advice. This takes the form of an initial report, which is free of charge, and then a further customised report for which fees vary. The consulting firm also offers business-matching services. The overall cost of these packages depends on the scope of work and is negotiated based on rates specified by the consulting firm. The firms offer a 15% discount to clients who approached them via IES. The costs of hiring the firm can be met, at least in part, through the MRA grants (see section below on financial products).

Finding business leads. In addition to the business matching services provided for the countries referred to in the previous point, IES facilitated business matching by facilitating

---

<sup>288</sup> <https://www.iesingapore.gov.sg/Export-Overseas/Market-Access-Resources>

<sup>289</sup> <https://www.iesingapore.gov.sg/Publications/Singapore-Trade-Statistics>

<sup>290</sup> <https://ie.enterprisesg.gov.sg/Assistance/Global-Company-Partnership/Market-Access/Research-Databases>

<sup>291</sup> <https://www.iesingapore.gov.sg/Assistance/Market-Readiness-Assistance/Information/IE-Insights>

access to an online database, including its own lead book, a global database of 20 million verified contacts from 4 million organisations across 145 countries. The price of access ranges from US\$300 to US\$5,400 per year, depending on frequency of access (measured in terms of “unlocked” contacts).

Both these initiatives were retained by Enterprise Singapore, on the same basis and conditions as described above. In addition, two new services have been added to the cluster:

**Customised Business Matching.** The service is provided in China, India, and Vietnam (each separately); and Indonesia, Malaysia and the Philippines as one cluster. The service allows Singapore businesses to meet country specialists for advice on sectoral regulations and rules that could affect the business. Under the service, Enterprise Singapore also organises meetings with potential agents, distributors and customers, in collaboration with in-country partners. The terms and conditions of these arrangements vary depending on the export market. Where fees are payable to the in-country partnering organisation, the cost-reducing arrangements applied under the customised market research cluster are also applied under this cluster.<sup>292</sup>

**Co-working spaces.** Enterprise Singapore has partnered with operators in China, India, Indonesia, Thailand and Vietnam to provide Singaporean businesses with access to working space. Typically, this is part of ‘business hive or ecosystem’ approach that combined access to space with the possibility of also accessing other specialist services, such as networking and advisory services. All services – office space and other specialist services – are on a fee-paying basis, though discounts (of an unspecified magnitude) are available to businesses that access these services via Enterprise Singapore.<sup>293</sup>

The IES had also introduced the “iAdvisory Workshop: Strategy to Exporting”<sup>294</sup>, a service that has been retained by Enterprise Singapore. This is a five-day workshop focusing on six broad themes:

- developing an export strategy
- scoping market needs
- identifying your target customers
- financial, manpower and legal considerations
- in-marketing and promotion
- managing your overseas partners through effective negotiation strategies

The iAdvisory Workshop costs, per person, 1,100 Singapore Dollars<sup>295</sup> although some firms can apply for a 40% discount through the Productivity and Innovation Credit (PIC) scheme.<sup>296</sup> The PIC scheme means eligible companies can apply for tax benefits and

---

<sup>292</sup> <https://ie.enterprisesg.gov.sg/Assistance/PPN>

<sup>293</sup> <https://ie.enterprisesg.gov.sg/Assistance/PPN>

<sup>294</sup> <https://www.iesingapore.gov.sg/-/media/IE-Singapore/Files/Export-Overseas/Export-Guide/Export20Strategy20WorkshopFinal20Marketing20Deck202014202.ashx?la=en>

<sup>295</sup> Converted to GBP is around £600

<sup>296</sup> <https://www.iras.gov.sg/irashome/piccredit.aspx>

discounts on expenditure. These events can be general in their nature, or they can be sector or country specific.<sup>297</sup>

E-services can help assist in other areas, such as the Free Trade Agreement (FTA) portal, which is an interactive guide on tariffs and other trading procedures. There is other information on domestic policies and laws, such as the Rice Stockpiling Act and Commodity Trading Act.

Finally, talent services seek to support businesses in finding appropriate skills to support their internationalisation plans. Talent services are organised around three clusters<sup>298</sup>:

- Global Ready Talent - under this cluster, the Go South East Asia Award is targeted at matching firms running regional internship programmes with undergraduates at Singaporean universities - two other programmes are targeted at mid-career professionals: The Skills Future Study Aware for International Business and the Professional Conversion Programme, the latter having a South-East Asia focus
- International Trading Talent - this cluster is specifically geared towards Singapore's role as a trading hub - it is geared to helping businesses fill skills needs in middle-office functions such as trade finance, trade analytics, trade operations and risk management
- Infrastructure Talent - this cluster is similar to the global ready talent cluster, but with a specific focus on the infrastructure sector in South-East Asia

To these five clusters originally developed by IES, Enterprise Singapore has added a number of others that were developed through SPRING. These are not export-specific. However, given Singapore's pronounced exposure to trade, these schemes will have export-related impacts, and it is useful to observe that Enterprise Singapore does not specifically differentiate the presentation of its programmes between export-focused and domestic ones. The main categories include:

- support for start-ups, which is primarily delivered through the Startup SG programme<sup>299</sup>
- various toolkit programmes, primarily geared to start-ups, notably<sup>300</sup>:
  - Business toolkits
  - Customer service toolkits
  - Financial management toolkits
  - Human resource capability toolkits
  - Marketing toolkits
  - Productivity toolkits
- centres of innovation, which are established in collaboration with polytechnics and research institutions - the centres are primarily geared to SMEs and focus on specific sectors or thematic areas: electronics, supply chain management, environment and water, food, marine and offshore, materials, and precision engineering industries<sup>301</sup>

---

<sup>297</sup> <https://www.enterprisesg.gov.sg/events>

<sup>298</sup> <https://ie.enterprisesg.gov.sg/Assistance/Talent-Initiatives-For-Companies>

<sup>299</sup> <https://spring.enterprisesg.gov.sg/Nurturing-Startups/Pages/nurturing-startups-overview.aspx>

<sup>300</sup> <https://www.enterprisesg.gov.sg/non-financial-assistance/for-singapore-companies#support-for-startups>

<sup>301</sup> <https://spring.enterprisesg.gov.sg/Growing-Business/Grant/development-areas/Pages/TI-Centres-Of-Innovation.aspx>

- a partnership with Intellectual Property Intermediary, a government institution that helps business address gaps in innovation and help them develop new products, services and processes<sup>302</sup>
- productivity centres, which are hubs aiming to help SMEs address constraints to their productivity<sup>303</sup>
- a network of 12 SME centres that provide business and productivity services<sup>304</sup>
- tech depot, an initiative that enables businesses to adopt technology.<sup>305</sup>

### 6.6.2 Financial assistance

Financial assistance can be broken down into the following major components<sup>306</sup>:

- grants
- loans and insurance
- tax deductions
- investment facilities

A number of these were previously administered by SPRING (see Table 12).

#### Grants<sup>307</sup>

Two grant schemes had been developed by IES that aimed to facilitate market access overseas by addressing constraints relating, respectively, to accessing market information and the internal efficiency of businesses. These schemes were:

- The Market Readiness Assistance Grant: co-financing of costs (up to 70% for SMEs) associated with hiring a third-party professional for a range of specific activities, notably overseas market set-up, identification of business partners, and overseas market promotion - the eligibility criteria are:
  - SME with global headquarters in Singapore
  - company turnover of less than 100 million Singapore Dollars per annum
- The Global Company Partnership (GCP) Grant: co-financing the costs (50% of eligible costs, 70% for SMEs) of engaging third party support in four areas – capacity building, market access, manpower development, and tradeshows or activities - the eligibility criteria for the grant are that the beneficiary must be or have:
  - Singapore registered business with global headquarters in Singapore
  - A clear internationalisation plan, competitive products and services, and potential to be of economic benefit to Singapore
  - Annual sales of at least 500,000 Singapore Dollars in latest audited annual report
  - Paid up capital of 50,000 Singapore Dollars

---

<sup>302</sup> <http://www.ipi-singapore.org/about-ipi>

<sup>303</sup> <https://spring.enterprisesg.gov.sg/Growing-Business/Grant/development-areas/Pages/PI-Productivity-Centres.aspx>

<sup>304</sup> <https://www.enterprisesg.gov.sg/non-financial-assistance/for-singapore-companies#support-for-startups>

<sup>305</sup> <https://www.smeportal.sg/content/tech-depot/en/about.html>

<sup>306</sup> <https://www.enterprisesg.gov.sg/financial-assistance/grants>

<sup>307</sup> See <https://www.iesingapore.gov.sg/Assistance/Financial-Assistance> and WTO (2016), Trade Policy Review – Singapore, pp36-7

Total grants across both programmes in 2016 came to Singapore Dollars 73.4 million.<sup>308</sup>

Both schemes have been continued on the same terms and conditions following the establishment of Enterprise Singapore. In addition to these, and the schemes reported in table 12, the following grant schemes are also managed by Enterprise Singapore:

- a Productivity Solutions Grant, the objective of which is to support the acquisition and implementation of IT solutions and equipment to enhance business processes<sup>309</sup> - the grant is provided to SMEs that register and operate in Singapore and have a minimum of 30% shareholding, the IT solutions that are procured must be used for operations in Singapore
- a Capability Development Grant that defrays costs associated with investments in firm-level capabilities.
- grant programmes for start-ups managed by StartupSG<sup>310</sup>, these operate on a “matching basis” – for every dollar raised by a business, Enterprise Singapore will contribute three
- Various grants to support partnering between businesses for the purposes of innovation and internationalisation, including<sup>311</sup>:
  - International Marketing Activities Programme (iMAP) - under this, companies participating in business missions and trade fairs organised by Trade Associations and Chambers (TACs) can receive support of up to 50% (70% for SMEs) of “core” expenses related to the activity<sup>312</sup>
  - the LEAD programme, to support TACs in their efforts to strengthen industry capability and internationalisation for SMEs
  - the PACT programme to support businesses that lead cooperative projects supporting innovation, capability building and the pursuit of global prospects
  - the technology adoption programme, supporting partnerships between business and private and public research institutions
  - grants for firms partnering with StartupSG’s accelerator programme

In its March 2018 budget, the authorities announced a new Enterprise Development Grant that integrates the Global Company Partnership Grant to date provided by IES, and SPRING’s capability development grant. At the time of writing, the integration of these two instruments had not been implemented.

### Other financial incentives

IES managed a number of schemes that have been rolled into Enterprise Singapore:

- double-tax deduction for internationalisation: 200% tax deduction on the first 100,000 Singapore Dollars of eligible expenses for the following activities: overseas business development; investment, study trips and missions; and trade fairs
- internationalisation finance scheme: co-sharing of the default risk to facilitate access to mid-to-long tenure finance with participating financial institutions

---

<sup>308</sup> IES (2017) Annual Report <https://www.iesingapore.gov.sg/annual-reports/annual-report-2017>

<sup>309</sup> <https://www.enterprisesg.gov.sg/financial-assistance/grants/for-local-companies/productivity-solutions-grant>

<sup>310</sup> <http://www.startupsg.net/startupsg-founder/>

<sup>311</sup> <https://www.enterprisesg.gov.sg/financial-assistance/grants>

<sup>312</sup> <https://ie.enterprisesg.gov.sg/Assistance/Market-Readiness-Assistance/Financial-Assistance/IMAP>

- political risk insurance scheme: co-funding (up to 50% and the first three years) of the premium paid to protect overseas investment and projects against political risks (up to 500,000 Singapore Dollars per applicant company)
- loan insurance scheme: co-sharing of the default risk to help companies secure short-term trade facilities.
- trade credit insurance scheme: co-funding (up to 50%) of the premiums on a credit insurance policy against buyers' non-payment risks (up to 100,000 Singapore Dollars per applicant company)

Note that Singapore does not operate direct export financing, the above schemes are intended to facilitate access to financing provided by private institutions.<sup>313</sup>

In addition, StartupSG operates an equity co-financing programme, under which the state enters into co-financing arrangements with private sector partners that invest in start-ups.<sup>314</sup>

### 6.6.3 SPRING activities

Given the large number of programmes historically operated by SPRING, we provide an overview in Table 12. These have been rolled into Enterprise Singapore.

**Table 12 Summary of SPRING programmes**

Name of scheme	Description	Eligibility Criteria
Angel Investors Tax Deduction Scheme (AITD)	Tax deduction of 50% of the cost of the investment in a start-up at the end of a 2-year investment holding period for approved angel investors	Minimum investment of 100,000 Singapore Dollars in a qualifying start-up; eligible investment capped at 500,000 Singapore Dollars per year of assessment. Eligibility criteria include: (i) for investors, must be private, satisfy various integrity and experience requirements (ii) for investees: must be private business; cannot have shares listed; must have operations in Singapore
Business Angel Scheme (BAS)	Dollar-for-dollar matching investment (up to 2 million Singapore Dollars) in a Singapore-based start-up able to attract investment from participating angel investors	Incorporated as a private limited company for less than 5 years; paid-up capital of at least 50,000 Singapore Dollars, ability to demonstrate substantial innovative and intellectual content for products
Sector Specific Accelerator (SSA)	Dollar-for-dollar matching investment (up to 4 million Singapore Dollars) in a Singapore-based start-up able to	Approved accelerators: those that have specific programmes to develop firm-level capabilities,

<sup>313</sup> WTP (2016), Trade Policies Review – Singapore, pg 35.

<sup>314</sup> <http://www.startupsg.net/startupsg-equity/>



## Comparative Review of Trade Promotion Organisations - Phase 2

	attract investment from approved accelerator operators (SSA operators)	experienced managements, and sustainable revenue model
Incubator Development Programme	Up to 70% grant support for cost incurred to develop programmes, mentor and nurture local start-ups	Incubators or venture accelerators with a sustainable revenue model and a proven management team
SPRING Start-up Enterprise Development Scheme (SPRING SEEDS)	Dollar-for-dollar matching investment (up to 2 million Singapore Dollars) with third-party investors in Singapore-based start-ups	Incorporated as a private limited company for less than 5 years; paid-up capital of at least 50,000 Singapore Dollars; ability to demonstrate substantial innovative and intellectual content for products
Technology Enterprise Commercialisation Scheme (TECS)	Funding up to 85% (Proof of Value) or 100% (Proof of Content) of qualifying costs for early-stage companies to develop and commercialize innovative technology ideas (up to a maximum of 250,000 Singapore Dollars or 500,000 Singapore Dollars depending on the stage of development of the technology or concept)	Qualifying costs include basic manpower costs, professional services, equipment and software, IP rights, materials and consumables
Action Community for Entrepreneurship Start-ups (ACE Start-up Grant)	Matching contribution of 7 Singapore Dollars for every 3 Singapore Dollars raised (up to 50,000 Singapore Dollars) by a Singapore citizen or permanent resident who is a first-time entrepreneur	First-time entrepreneurs
SME Talent Programme	Up to 70% funding support for the internship stipends or study sponsorships	SMEs
Local Enterprise Finance Scheme (LEFS)	Loan of up to Singapore Dollars 15 million to finance the automating and upgrading of factory and equipment and or purchasing of approved factory and business premises.	SMEs.
Micro Loan Programme (MLP)	Loan of up to 100,000 Singapore Dollars for the financing of daily operations or for automating and upgrading factory and equipment	Companies with 30% local shareholding, less than 10 employees or a turnover less than 1 million Singapore Dollars
Capability Development Grant	Up to 70% funding support for qualifying project costs incurred in upgrading capabilities in areas such as increased productivity, process improvement, product development and market access.	SMEs with 30% local shareholding, group annual sales turnover of not more than 100 million Singapore Dollars or employment size of not more than 200 employees

Innovation and Capability Voucher Scheme	5,000 Singapore Dollars voucher for projects aiming to strengthen business capabilities in the areas of innovation, productivity, human resources and financial management	As above
--	--	----------

## 6.7 Conclusion

Singapore’s economic development has historically been dependent on its position as a trading hub. While its geographical position has offered certain natural advantages, its ability to capitalise on these has been dependent on policies pursued by the government. A key element of these has been a liberal trade regime. Export and investment promotion activities have been carried out by various bodies, but the government has recently taken efforts to consolidate these activities and develop closer links between internationalisation and enterprise development more generally. The establishment of Enterprise Singapore is an example of this.

Enterprise Singapore operates on similar lines to IES, as reflected in the Bill establishing Enterprise Singapore. It appears, thus, that the intention of the authorities has been to strengthen the scope of support for internationalisation by adding the programmes previously managed by SPRING to those that had been more specifically geared to export promotion. This has been supplemented by the introduction of new programmes.

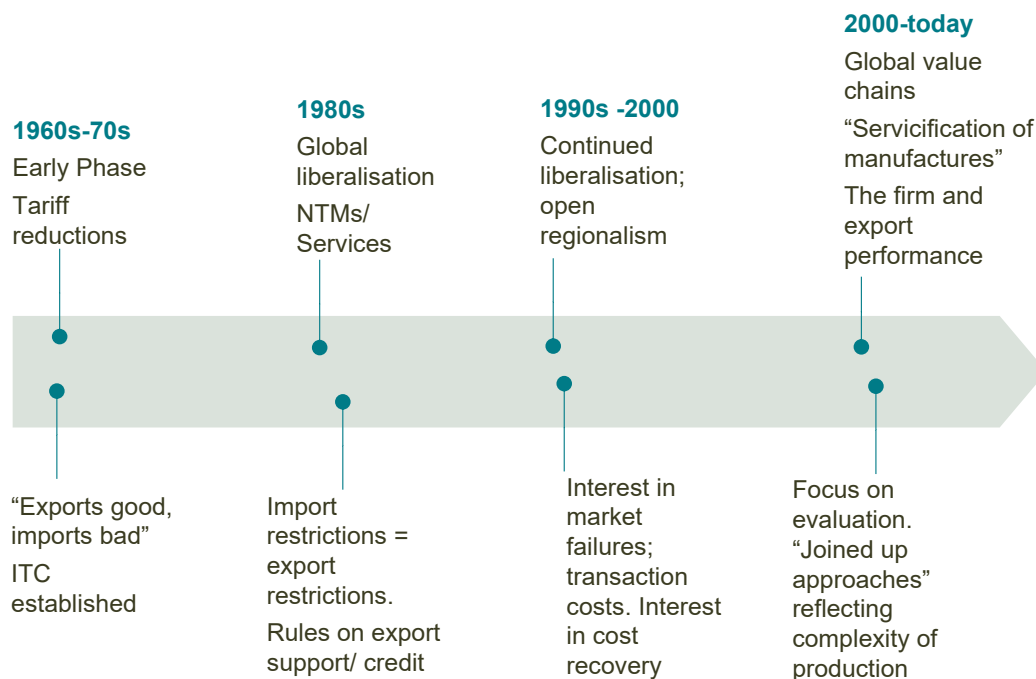
Collectively, the product and service offerings proposed by Enterprise Singapore address constraints that are specific to export markets, as well as constraints internal to firms. As mentioned in the introduction to this report and as discussed at greater length in the conclusion (section 7), these internal constraints have become a central focus of recent research into the determinants of export promotion. Bringing these different initiatives “under one roof” can thus, especially for a heavily trade-oriented economy, find justification in economic research. At the same time, the multiplicity of often overlapping programmes will need to be addressed in order to ensure a greater efficiency in the delivery of assistance to businesses (which was, as reported in the introduction to this chapter, one of the rationales for the merger).

In tandem with this process of restructuring, the government has been proactive in identifying specific areas in which Singaporean businesses might have a particular competitive advantage. Infrastructure development in South East Asia has been identified as a key priority. This reflects both the size of the opportunity and Singapore’s strengths in finance, professional services, and infrastructure development and implementation.

## 7 CONCLUSIONS

Export promotion activities have undergone various waves of change. These are presented in broad terms in the timeline presented in Figure 1 below.

**Figure 1** Timeline of major developments in export promotion



The operational changes described in the lower section of the timeline reflect developments in our understanding of the determinants of international trade patterns and, more recently, an interest in measuring the efficiency of investments in export promotion.

Key features of the latest wave of change in our understanding of trade (see top half of timeline) include:

- an understanding of the importance of global value chains<sup>315</sup>
- a blurring in distinction between services and manufacturing<sup>316</sup>
- an increased understanding of how characteristics at the firm level influence export performance
- an increased emphasis on evaluating the returns from export promotions and demonstrating value for money<sup>317</sup>

<sup>315</sup> See notably Deborah K. Elms and Patrick Low (eds) (2013), *Global Value Chains in a Changing World*

<sup>316</sup> See for example Lucian Cernat and Zornitsa Kutlina-Dimitrova (2014), "Thinking in a Box: A mode 5 Approach to Services Trade". DG Trade Chief Economist Note

<sup>317</sup> Olivier Cadot, Ana Fernandes, Julien Gourdon and Aaditya Mattoo (2011), *Where to Spend the Next Million? Applying Impact Evaluation to Export Promotion*, World Bank,

These developments have begun filtering into the way in which export promotion activities are organised.<sup>318</sup> This explains why the countries reviewed have undertaken, or are in the process of undertaking, far reaching reforms to their approach to export promotion. That being the case, we attempt to synthesise the findings of the previous sections in the form of lessons for the UK.

### **Export promotion and firm-level factors**

For several decades, the main constraint on effective export promotion lay in anti-export biases embedded in the *import* regime of the country itself.<sup>319</sup> Protectionist policies were implicit taxes on exports. These were progressively dismantled through the 1980s and 1990s.

In recent years, economic research has focused on how characteristics of the firm relate to export performance. One of the findings is that greater openness to trade causes efficient and productive firms to expand, and less efficient and productive firms to exit.<sup>320</sup> While measuring the direction of causality between intensity of competition with foreign firms on one hand and productivity on the other is complicated, one of the conclusions that may be drawn from the findings is that productive firms self-select into exporting.<sup>321</sup>

These findings have multiple and profound implications for export promotion policy. The first is that export promotion cannot be dissociated from measures “behind-the-border” that can help to raise firm-level productivity, at least if the intention is to increase the number of export-ready firms. Measures include skills development and matching, enabling firms to innovate and adapt to innovations, and the development of entrepreneurial know how.

There are signs that export promotion authorities are adapting to these implications. Examples include the joined-up approach in Denmark (an approach that is also observed across the other Nordic countries), the decision by Singapore to merge export promotion and enterprise development activities; and the launch in Italy of the Impresa 4.0 initiative in parallel to efforts to stimulate exports. Singapore’s approach, of integrating under one institution export promotion programmes with more general business development support programmes, including specific programmes to strengthen firm-level productivity and efficiencies, is perhaps the most vivid of these examples. The approach reflects in part Singapore’s specificity, namely its small size and high trade-to-GDP ratio.

### **Regional export promotion may not on their own help regional disparities in exporting**

Secondly, the findings referred to above also have implications for the regional impacts of export promotion. If firm-level productivity is unevenly spread on a regional basis, then, all

---

<sup>318</sup> See notably ITC (2014), *From Export Promotion to Internationalization: The Role of Trade Promotion Organisations in an Evolving World*.

<sup>319</sup> For more on the relationship between export promotion and policy factors, see particularly Daniel Lederman, Marcelo Olarreaga and Lucy Payton (2007) “Export Promotion Agencies: What works and what does not”, *World Bank Policy Research Working Paper WPS 4044* and Paul Hogan, Donald Keesing, and Andrew Singer (2001), *The Role of Support Services in Expanding Manufactured Exports in Developing Countries* Economic Development Institute Series,

<sup>320</sup> The seminal work on this is Marc J. Melitz, “The impact of intra-industry reallocations and aggregate industry productivity”, *Econometrica*, Vol. 71 No.6

<sup>321</sup> Thorsten Schank, Claus Schnabel, and Joachim Wagner, “Higher wages in exporting firms: self-selection, export effect, or both? First evidence from linked employer –employee data”, *Review of World Economics*, Vol 146. No.2

else being equal, the distribution of export growth resulting from export promotion is also likely to be uneven in the absence of any other form of intervention. Firms that are exporters, or closer to being export ready, will be located in regions of higher productivity. They are therefore more likely to take advantage of export promotion activities.

Developing regional export promotion initiatives may therefore not be the only, or even primary, instrument for stimulating regional export performance. Regional initiatives that address the micro-determinants of firm productivity may be the better answer. In general, the countries reviewed in both phases of this report display shortcomings in the regional distribution of their achievements. While organisational factors – notably a lack of resources devoted to regions – may explain this pattern, a deeper explanation may be found in the lack of close attention given to firm-level productivity issues.

### **Do structure and status matter?**

The recent wave of reforms in trade promotion activities seems to have coincided with a willingness to follow an agency-based approach, in which the authority is given its own legal and financial personality, while remaining under the supervision of its tutelary ministry. On paper, this model has advantages in terms of giving more freedom for the authority to develop its own programme and services. In practice, it is not clear that the agency model per se provides an advantage over the more “departmental” model as followed in Canada for example. A more relevant factor (especially in light of the preceding observations) is the extent to which the authority tasked with export promotion is able to link into wider government initiatives that extend beyond export promotion, and indeed beyond trade.

### **Global value chains and activity or sector focus**

Most export promotion agencies have internalised the importance of linkages to global value chains. The operation of these value chains has helped to determine the types of economic activities and sectors on which trade promotion focuses. Specifically, focusing on the high-knowledge, high-value end of these activities is a priority. This explains the focus, observed notably in France and Singapore, on knowledge-intensive manufacturing and services.

The operation of value chains has also enabled export promotion authorities to identify the ways in which the expansion of export activities in overseas markets creates new opportunities. In Italy for example, the authorities have identified that China’s 2025 manufacturing plan presents opportunities for Italian exporters (notably in areas such as technology) to link into emerging value chains.

Singapore has identified regional value chains and regional integration as a particular niche, which matches its existing competitive advantage in professional services and engineering activities. Its positioning as a regional hub for linking into infrastructure activities builds on its historical role as a trading hub, with the handling and trading of physical commodities (while still a significant activity) set to take a back seat to the provision of services and knowledge-inputs.

### **Is small beautiful?**

In all cases reviewed, small and medium enterprises (SMEs) are a key, if not primary, focus of export promotion activities. SMEs usually find exporting difficult because of the high fixed costs associated with market entry, but the rationale for this focus by export

promotion organisation is not always explicit. It may reflect a historical preference based on the observation that such firms dominate the supply-side in terms of their numbers, and the hope that stimulating their performance in trade may have beneficial economy-wide effects.

At the same time, recent research has highlighted that firm-level heterogeneity influences decisions to export (see above) and also shows that the majority of exports by value in countries tend to be accounted by a small number of “super-exporters”.<sup>322</sup> These findings suggest that the original intention of export promotion agencies, to stimulate the export performance of SMEs in a bid to both improve the performance of these firms and a country’s trade performance overall, may be misplaced.

A better approach may be for the government to focus on factors constraining firm-level efficiencies generally, to target export promotion activities to firms that are export-ready or on the cusp of export-readiness, and to develop linkages with “superstar” exporters. In that last respect, the Italian approach may contain lessons, though as much because of historical patterns of industrial development as by policy choice. This is because some of the major Italian exporters, notably in fashion and design, have relied on a network of small (in some cases very small and family-owned businesses) for inputs, both in the physical sense but also in a more intangible sense insofar as this connectedness to long standing traditional networks has helped enhance product cachet and brand positioning.

The extent to which this can be replicated elsewhere is not clear. However, one of the implications is that it is important to better understand how value chain linkages between “superstar exporters” and other firms may be enhanced.

### **Products and services**

The product and services offerings of the authorities reviewed have much in common. Most begin with standardised market intelligence products, which can then be tailored, and progress to firm-specific activities involving networking, business facilitation, assistance in procedural matters and disputes, and media relations. Pricing is introduced for the more tailor-made products and services.

The development of web-based technologies has reduced the costs to firms of acquiring basic market information. Consequently, the major areas of value added are likely to come from customised market research and by facilitating business contacts, whether through one-to-one meetings or through larger scale events.

### **Relationship to private sector**

The rationale for state support for export promotion lies in the presence of market failures associated with entry and participation in world markets. However, the existence of these market failures does not necessarily preclude the private sector from supplying some of the goods – information, facilitation services – that support export performance. In France, notably, and Italy, the private sector is heavily involved in export promotion via chambers of commerce. Indeed, in France, these chambers have historically been the first port of call for exporting businesses.

---

<sup>322</sup> Caroline Freund and Martha Denisse Pierola (2015), “Export Superstars”, *The Review of Economics and Statistics*, Vol.97, Issue 5

The presence, or potential, for private supply of export promotion activities raises several questions for official export promotion authorities. These include:

- if goods and services related to market entry and participation are mixed (they have both private and public good characteristics), how can we ensure that public resources are not diverted to financing private returns?
- how to ensure that state-funded activities do not distort the playing field in the supply of export-support services - in France, efforts have been made to ensure that fee-charging services supplied by Business France are priced on a commercial basis
- how to ensure that the complementarities between state-funded activities and privately provided activities are harnessed - the complementarities may vary by export market
- related to the above, how to ensure that the export promotion pathway remains accessible to businesses when multiple players are involved

Canada, Denmark and Singapore follow practices that may offer the basis for a model. Under the Canadian approach, the TCS provides certain core services free of charge, and provides referrals to fee-charging third party providers for specialist services that are tailored to the firm. If a suitable third-party provider cannot be found, the TCS supplies the service on a fee-paying basis. Under the Singaporean approach, grant financing is directed at defraying the costs of engaging private sector specialists to support market prospecting, entry and competitive positioning. Denmark also follows a co-financing approach for certain types of activities, which are delivered to groups of businesses (reflecting the spillover benefits that might exist between businesses).

### **Trade and investment**

There has been an observed trend to integrating trade and investment promotion functions. This reflects in part the operation of global value chains: firms are attracted to locations to use them as an export base. An expansion in intra-firm trade presents export opportunities.

But the trend is not universal: Denmark is an example of a country where investment and trade promotion are kept separate. In Singapore, important functions relating to investment incentives and promotion lie with the economic development board. More generally, incentives programmes such as research and development incentives that are not specific to exports but have an important bearing on export performance, are usually managed by institutions other than the authority responsible for export promotion.

There has been to date limited evidence of export promotion authorities explicitly supporting outward direct investment in other countries. Such activity is more likely to fall within the sphere of diplomatic representations acting in partnership with the investment promotion authorities of foreign partners. Singapore appears to be an exception: the creation of an Infrastructure Office targeting infrastructure investment in China and South-East Asia could develop a natural link between export promotion activities, inward investment promotion, and the promotion of outward investment. One of the main economic rationales for promoting outward direct investment is that it can also stimulate exports through the creation of linkages (for example the supply of inputs as part of intra-firm trade) with those destinations.

### **Trade and development**

Developing countries, notably middle-income countries, have been specifically identified as export-growth opportunities in all the countries reviewed. In the case of Canada, Denmark, and France, systematic links have been made to development cooperation institutions and initiatives. One aspect of this lies in supporting in-country reforms that improve the conditions for private sector investment and production, which may then create opportunities for investments and trade. Another aspect involves helping businesses to access opportunities created by aid programmes, though this aspect is likely to be sensitive given commitments made by donor countries on aid effectiveness.

### **Untapped potential?**

While emerging markets understandably receive attention as presenting growth and expansion opportunities, there may also be unexploited opportunities in existing “mature” markets. While this is often implicitly recognised, efforts at evaluating these opportunities are less systematic. Of the countries reviewed, Italy has undertaken specific efforts to quantify the extent of untapped potential. However, the methodology used is not clear. One way of valuing untapped potential is to use econometric techniques (such as gravity models of trade) that predict expected export values, and to compare these with actual ones.

### **Conclusion**

In sum, a confluence of factors – the effects of global value chains on trade, the blurring of the distinction between services and manufacturing, research into firm-level determinants of trade, and increased demand for evidence of value for money – has changed the way governments have approached export promotion. These changes affect both the institutional organisation of these activities, and their content. The process of reform is still underway, and there are many areas of unfinished business that when addressed have the potential to bear fruit. The lessons of experience, positive and negative, documented in this report can serve the UK to identify priority areas of action as it develops its own approach to export promotion.



## References

### General

Cernat, Lucian and Zornitsa Kutlina-Dimitrova (2014), “Thinking in a Box: A mode 5 Approach to Services Trade”. *DG Trade Chief Economist Note*

Elms, Deborah K. and Patrick Low (eds) (2013), ‘Global Value Chains in a Changing World’ Freund, Caroline and Martha Denisse Pierola (2015), “Export Superstars”, *The Review of Economics and Statistics*, Vol.97, Issue 5

Cadot, Oliver, Ana Fernandes, Julien Gourdon and Aaditya Mattoo (2011), ‘Where to Spend the Next Million? Applying Impact Evaluation to Export Promotion’, *World Bank*

Hogan, Paul, Donald Keesing, and Andrew Singer (2001), ‘The Role of Support Services in Expanding Manufactured Exports in Developing Countries’, *Economic Development Institute*

ITC (2014), ‘From Export Promotion to Internationalization: The Role of Trade Promotion Organisations in an Evolving World.’

Lederman, Daniel and Marcelo Olarreaga and Lucy Payton (2007) “Export Promotion Agencies: What works and what does not”, *World Bank Policy Research Working Paper WPS 4044*

Melitz, Marc J. “The impact of intra-industry reallocations and aggregate industry productivity”, *Econometrica*, Vol. 71 No.6

Schank, Thorsten, Claus Schnabel, and Joachim Wagner, “Higher wages in exporting firms: self-selection, export effect, or both? First evidence from linked employer –employee data”, *Review of World Economics*, Vol 146. No.2

### Canada

#### Publications

Advisory Council on Economic Growth (2017) ‘Positioning Canada as a Global Trading Hub’. (<https://www.budget.gc.ca/aceg-ccce/pdf/trade-commerce-eng.pdf>).

Global Affairs Canada (2017), Departmental Plan 2017-18: [http://international.gc.ca/gac-amc/assets/pdfs/publications/plans/dp-pm/dp-pm\\_1718\\_en.pdf](http://international.gc.ca/gac-amc/assets/pdfs/publications/plans/dp-pm/dp-pm_1718_en.pdf)

Global Affairs Canada (2017), Departmental Results Report 2016-17.

Van Biesebeek, Yu and Chen (2015) – ‘The impact of trade promotion services on Canadian exporter performance’, *Canadian Journal of Economics*

World Bank (2018) ‘World Development Indicators’

World Bank (2018), ‘Doing Business 2018’

WTO (2015), Trade Policy Review, Canada

## Speeches/ Media releases

Canada's plan for a shifting centre of gravity - Address by the Honourable François-Philippe Champagne, Minister of International Trade, at the Toronto Region Board of Trade

November 2017 [affairs/news/2017/11/canada\\_s\\_plan\\_for\\_a\\_shifting\\_centre\\_of\\_gravity.html](https://www.international.gc.ca/affairs/news/2017/11/canada_s_plan_for_a_shifting_centre_of_gravity.html)

Government of Canada launches Invest in Canada to attract global investment and create jobs Global Affairs Canada, News Release, March 2018: <https://www.canada.ca/en/global-affairs/news/2018/03/>.html

## Websites

<https://www.britishcolumbia.ca>

<https://www.calgaryeconomicdevelopment.com>

<https://canadabusiness.ca/>

<https://www.edmontonchamber.com>

<http://www.gov.mb.ca/trade>

[https://investalberta.ca/;](https://investalberta.ca/)

<https://www.investinontario.com/>

<https://onbcanada.ca/>

<https://www.princeedwardisland.ca/en/topic/exporting-pei>

<https://www.novascotiabusiness.com/>

<http://www.quebecinternational.ca>

<https://www.sasktrade.com>

<https://thinksask.ca/invest>

<http://tradeteampei.com/>

<http://www.wtcwinnipeg.com>

## Denmark

### Publications

Danish Government (2014), 'Government Strategy on Export Promotion and Economic Diplomacy'

Munch, J., R., and Schaur, G., (2015), "The effect of export promotion on firm-level performance", University of Copenhagen Working Paper.

World Bank (2017), World Development Indicators

World Bank (2018), Doing Business 2018

WTO (2017), World Tariff Profiles

## Websites

[www.eksportguiden.um.dk](http://www.eksportguiden.um.dk)

[www.ifu.dk](http://www.ifu.dk)

[www.indremarkedscenter.dk](http://www.indremarkedscenter.dk)

[www.innovationstjek.dk](http://www.innovationstjek.dk)

[www.investindk.com](http://www.investindk.com)

[www.produktivitetsskommissionen.dk](http://www.produktivitetsskommissionen.dk)

[www.statens-tilskudspuljer.dk](http://www.statens-tilskudspuljer.dk)

[www.seomondo.dk](http://www.seomondo.dk)

[www.um.dk](http://www.um.dk)

## France

### Publications

Business France (2016), 'Rapport sur l'Internalisation de l'économie française'

Décret n° 2014-1571 du 22 décembre 2014 relatif à l'agence Business France

Ministère des affaires étrangères et du développement international (2016), Rapport 2016 sur la stratégie du commerce extérieur de la France et la politique commerciale européenne.

Republique Francaise (2018), 'Development International de l'Economie Francaise et Commerce Extérieur, Document de Politique Transversale Projet de Loi de Finances pour 2018'

République Française (2018), 'Stratégie du Gouvernement en matière de commerce extérieur.'

World Bank (2017), *World Development Indicators*

World Bank (2018), Doing Business 2018

WTO (2017), *World Trade Profiles*

## Websites

<http://www.businessfrance.fr/investir/mieux-connaître-nos-services>

<http://export.businessfrance.fr/default.html#>

<http://www.doingbusiness.org/rankings>

<http://www.gouvernement.fr/action/la-reforme-territoriale>

<https://www.lebigdata.fr/emmanuel-macron-big-data-priorite-europe>

<http://www.senat.fr/rap/l17-108-312/l17-108-3129.html>

<https://www.tresor.economie.gouv.fr/Ressources/fasep>

## Italy

### Publications

Cabina di Regia per l'Italia Internazionale (2015), 'Il Piano Straordinario per il Made in Italy'

ICE (2013) Italy's Export Plan - 2015 Target: 600 billion

ICE (2014) Piano Export Sud II

ICE (2015), 'Piano della performance, Obiettivi Strategici 2015-2017', Piano Operativi, p. 38

Ministero dell'Economia e delle finanze (2017), 'Documento di Economia e Finanza 2017, Sezione III, Programma Nazionale di Riforma'

Ministero dello Sviluppo Economico (2017) National Plan, Impresa 4.0

Ministero dello Sviluppo Economico (2016), Small Business Act 2016 Report

World Bank (2017), World Development Indicators

World Bank (2018), Doing Business 2018

WTO (2017), World Tariff Profiles

### Websites

[www.ice.it](http://www.ice.it)

[www.internazionalizzazione.confcooperative.it/](http://www.internazionalizzazione.confcooperative.it/)

[www.parmacouture.com/](http://www.parmacouture.com/)

[www.regione.campania.it](http://www.regione.campania.it)

[www.sace.it/](http://www.sace.it/)

[www.sviluppoeconomico.gov.it](http://www.sviluppoeconomico.gov.it)

## Singapore

### Publications

IES (Various Years), Annual Report and Financial Statements

Wai-Chung Yeung, Henry (2011) "From national development to economic diplomacy? Governing Singapore's sovereign wealth funds", *The Pacific Review*, Vol. 24. No.5, pp. 625-652

World Bank (2017), World Development Indicators

WTO (2016), Trade Policy Review: Singapore

WTO (2016), Trade Policy Review, Singapore – Report by the Government page

WTO (2017), World Tariff Profiles, p 156

### Websites

<http://www.doingbusiness.org/rankings>

<https://www.enterprisesg.gov.sg/>

<https://www.iesingapore.gov.sg/>

<https://www.gov.sg/microsites/future-economy>

<http://www.skillsfuture.sg/skills-framework>

<https://www.smeportal.sg/>

<http://www.startupsg.net/>

[inside of the back cover – for printed publications, leave this page blank]

The UK's Department for International Trade (DIT) has overall responsibility for promoting UK trade across the world and attracting foreign investment to our economy. We are a specialised government body with responsibility for negotiating international trade policy, supporting business, as well as developing an outward looking trade diplomacy strategy.

### Disclaimer

Whereas every effort has been made to ensure that the information in this document is accurate, the Department for International Trade does not accept liability for any errors, omissions or misleading statements, and no warranty is given or responsibility accepted as to the standing of any individual, firm, company or organisation mentioned.

© Crown Copyright 2022 This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit <http://www.nationalarchives.gov.uk/doc/open-government-licence/version/3/>

Where we have identified any third-party copyright information you will need to obtain permission from the copyright holders concerned.

Any enquiries regarding this publication should be sent to us at [enquires@trade.gov.uk](mailto:enquires@trade.gov.uk)

**Published August 2022**

By Department for International Trade  
©Crown Copyright