

7. Fine-tuning export promotion policies in Colombia

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7.1. Introduction

There are good theoretical reasons for governmental support to exporters. These are linked to the considerable information problems that exporting firms are facing (Rauch, 1996; Leonidou and Theodosius, 2004; Volpe Martincus, 2010: 8-17). The existence of sunk costs (Roberts and Tybout, 1997; Clerides, Lach and Tybout, 1998) and information externalities make that private investments in export development might be below socially optimal levels. Therefore, government intervention through export promotion is defended. These strong reasons, together with political-economy motivations (i.e. organized exporters lobbying for government support), explain why public (or mixed) export promotion organizations (EPOs) can be found everywhere.

There is variation, however, as to the instruments used, the resources mobilized, and the effectiveness of export promotion policies across countries. In the context of Latin America, Colombia and Chile have been pointed out by UN-ECLAC and the World Economic Forum as leaders and best practices with respect to export promotion (Mulder, 2008). As the first country in Latin America, Colombia has received an award from the Trade Promotion Organization (TPO) Network, supported by the International Trade Centre (ITC); its EPO (Proexport) was awarded the 2004 Panellists Surprise Award³⁵.

The assessment of the relative performance of export promotion agencies is not based on clear-cut econometric evidence on the impact of promotion efforts on export performance because the existing evidence is only partial and inconclu-

³⁵ See: www.tponetwork.net. Later, also ProChile (2006 Best TPO from Developing Country), Costa Rican Procomer (2008 Panellists Surprise Award), and Brazilian Apex (2010 Best TPO from Developing Country) received awards.

sive (Volpe Martincus, 2010: 17). Rather, it is based on a combination of some quantitative evidence and qualitative assessments, including expert opinion and user surveys. In this context it should be noted that most EPOs assess their organizational effectiveness mainly by means of indicators of client satisfaction (Volpe Martincus, 2010: 51).

This article will show how the export promotion machinery which is currently in place in Colombia has been the result of a gradual fine-tuning since the start of the trade liberalisation policies in the early 1990s. Section two will first briefly sketch these trade policy reforms, and section three will present a general picture of how Colombian exports have developed over the last decades. Section four analyzes the fine-tuning of export promotion policies with respect to the institutional framework, promotion instruments, and the management of Proexport.

7.2. Trade Policy Re-Orientation in the early 1990s

With the exception of Chile, which opened its economy already in the early 1970s, most Latin American countries initiated trade liberalisation policies in the second half of the 1980s or the early 1990s (table 7.1). In Colombia, the economic reorientation was part of broader reforms and the adoption of a new constitution, and came relatively late when compared to the rest of the region. The programme of economic opening-up (the so-called *apertura* programme) was originally conceived as a gradual programme under the Barco Presidency and in the beginning of the Gaviria Presidency³⁶. In a first phase (two years) import licenses would be gradually eliminated (and mostly substituted by higher tariffs); in a second phase (three years) tariffs would be gradually reduced to an average level of 25% (Ocampo, 1993: 45). However, in the course of 1991 the Gaviria administration decided to accelerate the programme. Trade liberalisation was accelerated and accompanied by measures seeking to liberalise the labour market, the foreign exchange market, capital flows, trade in services, and by a re-orientation of monetary policy. Colombia also pushed for a deepening of the Andean integration process and signed a free trade agreement (FTA) with Mexico and Venezuela (G-3)³⁷. It is in this context that modern trade promotion instruments were also put in place.

36 See e.g. Garay (1991), Ocampo (1993).

37 On the relationship between the signing of FTAs and export diversification in Colombia, see: Volpe Martincus and Milena Gómez (2009).

Table 7.1. Trade liberalisation programmes in Latin America

Country	Start of the trade liberalisation program	Max. Tariff		Number Of Tariff categories		Average tariff		Non-tariff barriers	Variation of the real exchange rate ^a
		Initially	At the end of 1992	Initially	At the end of 1992	Initially	At the end of 1992		
Argentina ^b	1989	65	30			39 ^c	15 ^c	In 1988 the value of industrial production subject to restrictions was reduced from 62% to 18%. In 1989-1991 the non-tariff restrictions, and specific rights were eliminated.	-40
Bolivia	1985	150	10	2		12 ^d	7 ^d	With few exceptions, all prohibitions and import license requirements were abolished.	134
Brazil	1990	105	35	7		32 ^e	21 ^e	In 1990 the list of import prohibitions and licenses was eliminated. Although the local content requirements for intermediary and capital goods continued to exist.	31
Colombia ^b	1990	100	20	4		44 ^d	12 ^d	<i>Abolishment of almost all import licenses in 1990.</i>	1
Costa Rica	1986	100	27			27 ^e	20 ^e	Gradual abolishment of import permits and other restrictions in the 1990-94 period.	4
Chile ^f	1973	220	10	1		94 ^e	10 ^e	In the 1970-79 period the quantitative import restriction were eliminated.	-10
	1985	35	11	1		35 ^e	11 ^e	A system of price bands and anti-dumping rules were established.	0
Mexico	1985	100	20	3		24 ^e	12 ^c	The impact of import permits was reduced from 92% of production in June 1985 to 18% in December 1990, and official import prices were eliminated.	-9
Peru ^b	1990	108	25	2		66 ^e	18 ^e	In September 1990, import licenses, controls and authorizations, quotas and prohibitions were eliminated.	-21
Venezuela	1989	135	20	4		35 ^d	10 ^d	The number of tariff lines subject to restrictions was reduced from 2200 in 1988 to 200. Specific rights were eliminated.	7

Table 7.1 - Notes

^a From the start of the trade liberalisation program until 1992. The export exchange rate was used.

^b Tariffs include other taxes.

^c Weighted by internal production.

^d Weighted by imports.

^e Simple average of tariffs per tariff line.

^f The first trade liberalisation program in Chile was completed in 1979. Until 1982, there was a uniform tariff of 10%. The first line shows information on the 1973-82 period. The second line shows information on the tariff reduction after 1984 (in which tariffs rose to 35%), falling gradually to 20% (1985), 15% (1988) and 11% (1991).

Sources: Agosin and Ffrench-Davis (1993: 44), and Franco and De Lombaerde (2000: 36).

In the case of Colombia, this does not mean however that a one-shot transition was made from a pure import-substitution model to an open export-oriented model. The impact of earlier trade reforms should not be underestimated and – as we will see below – are of particular relevance from the perspective of trade promotion policies. In effect, the government of Lleras Restrepo established a mixed ‘substitution-promotion’ model through a series of policy measures that were taken from 1967 (Decree-Law 444) onwards.

These included: crawling peg devaluations, incentives for non-traditional exports, and the creation of Proexpo³⁸. In addition, in 1969 Colombia signed the Cartagena Agreement which meant the start of a process of regional economic integration and which was followed by the signature of other trade agreements.

7.3. Export Performance 1990-2010

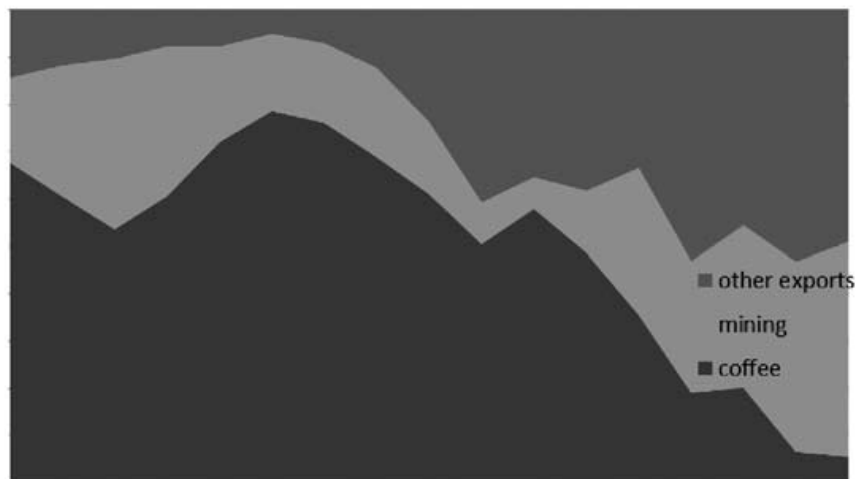
When Colombia is mentioned as strongly performing on export promotion policies, this does not necessarily imply that, when looking at broad product categories, spectacular gains in the share of non-traditional exports in total exports were obtained thanks to these policies that were implemented since 1991. This requires some preliminary observations regarding the development of Colombian exports. A first observation is that when looking at the export structure over a longer period, one can observe that the most drastic expansion of the non-traditional export

³⁸ Proexpo was an export promotion agency (and the predecessor of Proexport). It was created by the government and the central bank (Banco de la República). See: Currie (1988) and González (1997: 261-262).

share actually took place earlier (i.e. since the 1960s) (figure 7.1). This is the result of the implementation of a series of measures that were implemented since 1967 and which meant the adoption of a 'mixed' model (see above), in combination with certain positive developments of external demand.

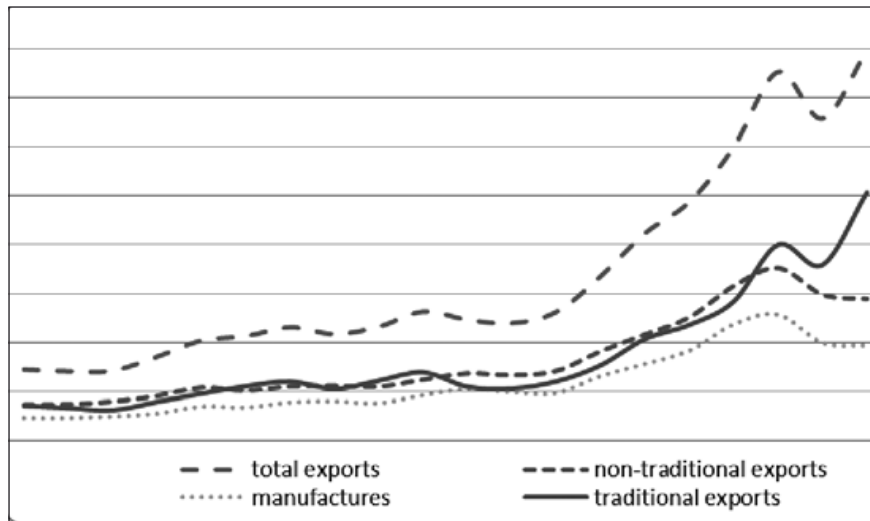
A second observation is that the very strong expansion of non-traditional exports since the early 2000s went hand-in-hand with a strong growth in traditional export revenue (figure 7.2). The share of non-traditional exports in total exports has therefore stagnated, as well as the degree of export diversification (figure 7.3), although it should be added that the latter has continuously been kept at relatively high levels. The strong growth of traditional export revenue has been driven by the rising trend in world prices for natural resources (figure 7.4, prices of coffee and crude oil), which has even been accentuated in the most recent years (with the exception of 2009 due to the global economic crisis). The price increases have been such that the growth of traditional exports has recently even overshadowed the growth of non-traditional exports, and that the indicator of export diversification has even slightly worsened.

Figure 7.1. Structure of Colombian exports (% of total)



Sources: Ocampo (1993:29); Ministerio de Comercio, Industria y Turismo [www.min-comercio.gov.co] (downloaded: 27/04/2011)

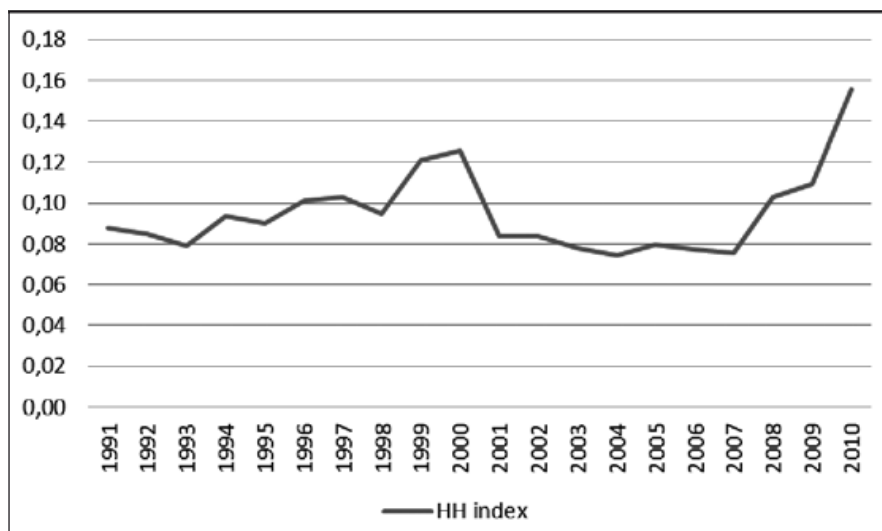
Figure 7.2. Colombian exports, 1990-2010 (billion USD)



Note: Non-traditional

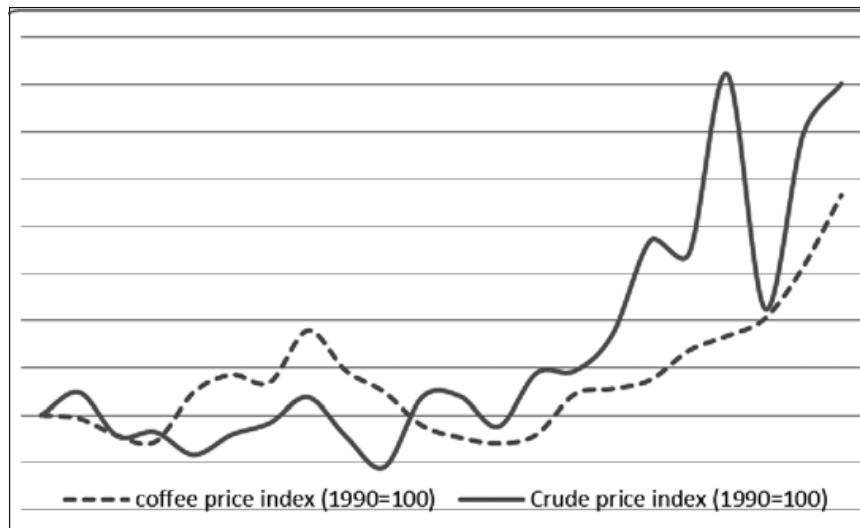
Source: Ministerio de Comercio, Industria y Turismo [www.mincomercio.gov.co] (downloaded: 27/04/2011)

Figure 7.3. Concentration of Colombian exports, 1990-2010 (HH index)



Note: Hirschman-Herfindahl indexes, 2-digit Mincomercio classification.

Source: Own calculations; data from: Ministerio de Comercio, Industria y Turismo [www.mincomercio.gov.co] (downloaded: 27/04/2011)

Figure 7.4. Price indexes of coffee and crude oil, 1990-2011 (1990=100)

Notes: Coffee price is average price paid to growers of Colombian milds (USD cents per lb; 2010 and 2011 are estimates); crude oil price is spot price FOB (USD per barrel) for crude oil from Caño Limón.

Sources: International Coffee Organization [www.ico.org] (downloaded 27/04/2011); US Energy Information Administration [www.eia.gov] (downloaded 27/04/2011)

7.4. Fine-Tuning Export Promotion Policies in Colombia

The successful promotion of non-traditional exports in Colombia is the result of a continuous fine-tuning of export promotion policies over the last two decades. In the following sub-sections we will look at the contribution of institutional adjustments, fine-tuning of policies and instruments, and fine-tuning of the management of Proexport, respectively.

Institutional Adjustments

Together with the reorientation of trade policies in the region in the late 1980s and early 1990s, many, if not most, countries in Latin America reformed their EPOs and the institutional framework in which they operate. As these reforms in some countries implied the creation of a new entity whereas in other countries the reforms were implemented from within (i.e. reforming existing institutions), the differences in the years of establishment of the currently existing EPOs are probably a bit misleading (Annex 1). In the case of Colombia, the Framework Law

on Foreign Trade (Law 7 of 1991) has been mentioned as “one of the most aggressive as regards institutional transformation” (Ochoa, 1998: 135). This Law indeed meant a radical re-engineering of the institutional framework for trade promotion in Colombia. For the first time, a Ministry of Foreign Trade was established, and two new entities were created: Bancoldex and Proexport.

Law 7 of 1991 gave legislative competences to the government to promote the internationalization of the economy, exports, and integration agreements. The new Ministry of Foreign Trade (Mincomex) took over the competences of the Ministry of Economic Development related to foreign trade, the free trade zones, and the negotiation of international trade agreements, as well as the representation before international organisms related to foreign trade, in consultation with the Ministry of Foreign Affairs.³⁹

The Bank of Foreign Trade (Bancoldex) was created as a mixed corporation, linked to the Ministry of Trade (Decree 2505 of 1991).⁴⁰ It is a credit organism that may act as intermediary on the exchange market, and issuer and intermediary on the securities markets. It is under the supervision of the Financial Superintendency and it acts as a “second tier” bank through the network of financial institutions to provide credit to companies. Bancoldex has a special focus on SME’s (including micro enterprises) and on regional development. It finances also buyers of Colombian goods and services through foreign banks. Private law regulates its labor and contractual regimes.

Next to Bancoldex, in 1992 Proexport was created by Bancoldex and its subsidiary Fiducoldex for delivering non-financial services to the export sector. It was created as a trust with public resources but operating under private law (Decree 2505 of 1991).⁴¹ Most of the EPOs worldwide are public or mixed, and operate under public law; only few operate under private law. In the region, only Exportar (Argen-

39 Before 1991, the Ministry of Economic Development was supported by Proexpo and Incomex, two public entities. Proexpo offered credits and subsidies with the resources obtained from import tariffs, and managed other financial instruments (González, 1997: 273-274). Proexpo was liquidated and was transformed into Bancoldex. Incomex was in charge of import licences. Decree 1159 of 1999 merged Incomex with Mincomex.

40 Its main shareholders are the Ministries of Foreign Trade and of Finance and Fogafin. The members of the Board of Directors are appointed by the President, the private sector, and the Ministries of Trade and of Finance (Decree 2823 of 1991).

41 75% of its initial capital corresponded to the resources of the former Proexpo and 25% were shares of Bancoldex. Fiducoldex is the trust administrator. In the Advisory Board of Proexport, the Ministry of Trade, the President of Bancoldex and the private sector are represented (Decree 210 of 2003). See: <http://www.bancoldex.com/contenido/contenido.aspx?catID=92&conID=160>.

gina), CORPEI (Ecuador) and FIDE (Honduras) are also in that case (Annex 1). In parallel, a foreign investment promotion agency (Coinvertir) was created as a private entity with mixed capital and also regulated by private law.⁴²

At the end of the 1990s, however, a need was felt for more institutional coherence with respect to the organization of trade and export promotion policies. Mincomex proposed a merger with the Ministry of Foreign relations (Rocha and Sánchez, 2000: 179). But there were also signals coming from within Proexport to rather seek a better integration of export promotion policies with policies to enhance productivity and competitiveness, which would then rather plead for a merger with the Ministry of Economic Development. According to the then Director of Planning of Proexport, the absence of this linkage explained why sustained export growth and diversification were not assured during the 1990s (Ochoa, 1998).

Decree 2553 of 1999 established that the foreign trade sector consisted of public, private and mixed players that develop activities of foreign trade and related activities⁴³. It also established that the policies of the sector were to be formulated by the Ministry of Foreign Trade and its guidelines established by the High Council of Foreign Trade. This Council is an advisory organism of the National Government in matters of foreign trade and competitiveness⁴⁴.

The Ministries of Economic Development and of Foreign Trade were merged in 2003 and became the Ministry of Trade, Industry and Tourism. The purpose was to improve the effectiveness of national programs of competitiveness and produc-

42 The legal figure through which Coinvertir was established was accused of being unconstitutional, because the Constitution prohibits subsidies to private entities (P.C. 355). However, both the Constitutional Court (C506/94) and the Council of State (ruling of 05.09.96. Radication 870) later declared the constitutionality of Coinvertir. The rulings were based on the PC (71), Law 29 of 1990 and Decree- Law 393 of 1991.

43 The System of Foreign Trade therefore consisted of: (i) the sub-system of public administration (High Council of Foreign Trade, Ministry of Foreign Trade, Bank of Foreign Trade – Bancoldex -, Fiduciary of Foreign Trade –Fiducoldex -, and export promotion trust Proexport); (ii) the mixed sub-system (Mixed Commission of Competitiveness and Foreign Trade, National and Regional Advisory Committees); and (iii) the entrepreneurial sub-system, formed by the private sector that develops activities of foreign trade or related activities.

44 In the High Council, the President, the Ministries of Foreign Trade, Foreign Affairs, Finance, Agriculture, Mines and Energy, Transport and Environment, the Director of the National Planning Department and the Director of the Central bank are represented. The presidents of Bancoldex and Proexport, the General Directors of Foreign Trade and the National Tax and Customs Administration (DIAN), as well as other Ministries have observer status.

tivity (Law 790 of 2002 and Decree 210 of 2003). In 2005, Coinvertir was absorbed by Proexport and the latter became competent for the promotion of foreign investment because it was considered as complementary to its export promotion competences. Proexport follows thus a worldwide trend towards combining trade and investment promotion, but it is one of the few EPOs that also covers tourism⁴⁵.

Fine-Tuning Export Promotion Instruments and Policies

The already mentioned Framework Law on Foreign Trade (Law 7 of 1991) referred to the following export promotion instruments: special export/import systems (Vallejo Plan); import duty exemption or devolution (CERT); industrial, commercial, technological and service free trade zones; special customs regimes for border zones; price stabilization funds for basic products; commercial offices abroad; and financial support (through Bancoldex).

At the beginning of the 1990s, different export promotion schemes were in place in South America that were not necessarily compatible with the new commitments under the Uruguay Round Agreement on Subsidies and Countervailing Measures. The schemes are classified in table 7.2 in four categories: (i) prohibited subsidies (P) (i.e. subsidies granted for using inputs for the production of exports); (ii) subsidies which can be appealed (A) (i.e. subsidies not directly related to trade but affecting export prices); (iii) subsidies which cannot be appealed (NA) (i.e. horizontal subsidies that do not distort prices and trade); and (iv) subsidies that were under discussion (D). In Colombia, Law 7 of 1991 foresaw the continuation of the Certificate of Tax Reimbursement (CERT).⁴⁶ The CERT was in principle incompatible with the WTO rules and had therefore to be phased out by 1 January 2002. The regulations governing temporary imports for active processing (the so-called Vallejo Plan), were also confirmed by the Framework Law of 1991, but these were in principle compatible with the new WTO commitments.

45 Those that combine export and investment promotion are: CEPROBOL (Bolivia), APEX (Brazil), FIDE (Honduras), JTI (Jamaica), Promexico, VCE/DNPE (Panama), REDIEEX (Paraguay), and Uruguay XXI (annex 1). Promperu also combines trade and tourism (but not investment, which is the responsibility of Proinversión).

46 The CERT was implemented by Law 48 of 1993. Before that, the Certificate of Tax Payment (CAT) existed.

Table 7.2. Compatibility of export promotion measures with GATT commitments (Uruguay Round)

	Argentina	Brazil	Chile	Colombia	Costa Rica
Tax incentives: exemption from domestic taxes	NA		NA		NA
Tax incentives: exemption from social contributions		P			
Tax incentives: CERT (Certificates of tax reimbursement)				NA/P	
Tax incentives: Certificate of tax payment					P
Tax incentives: exemption from revenue tax by means of export contracts					P
Fiscal incentives: drawback/reimbursements	NA	NA	NA		NA
Fiscal incentives: Drawback	NA	NA	NA		NA
Fiscal incentives: Temporary admission	NA				NA
Fiscal incentives: Simplified system of drawback for minor exports			P		
Fiscal incentives: reimbursement for specific purposes: Patagonian ports	D				
Fiscal incentives: reimbursements for specific purposes: Mining in Salta, Jujuy and Catamarca	D				
Fiscal incentives: reimbursements for specific purposes: Special tobacco fund	P				
Deferred payment of customs duties and fiscal credit for capital goods			P		
Temporary import system: Vallejo Plan				NA	
Customs incentives	NA				
Credit incentives	NA		NA		NA
Credit incentives: BNDES financing lines		NA			
Credit incentives: PROEX financing lines		NA			
Credit incentives: PROEX line for equalization of financing rate		A			
Credit incentives: Export credit insurance		NA			
Credit incentives: Guarantee fund for promoting competitiveness		NA			
Credit promotion (through Bancoldex)				NA	
Free zones	NA				NA
Scientific-technological developments	NA				
Program to support management of export companies			A		

Note: P = prohibited, A = appeal possible, NA = no appeal possible, D = under discussion. Source: INTAL (1998:8-12).

The free trade zones were authorized by Law 105 of 1958 but –in practice- they started in the 1970s as public establishments linked to the Ministry of Development. In 1992 they were negatively evaluated mainly because of the high operational costs. Therefore, Law 7 of 1991 foresaw that they could become mixed or private entities (González, 1997: 265-266). Today, the free trade zones are defined as geographic zones within the national territory with a specific tax and customs regime. The main incentives are customs, income tax and VAT incentives during a long period of time (30 years renewable for another 30 years). Moreover, the exported goods may benefit from the trade agreements signed by Colombia, with the exception of Peru⁴⁷.

Special Economic Export Zones (ZEEE) were created by Law 677 of 2001 to promote regional development in border areas⁴⁸. The incentives seek to attract investment with export orientation, to generate employment, transfer of technology and economic growth⁴⁹.

Although certain pre-existing policies were thus continued, Colombia moved swiftly in the direction of entrepreneurial support via Proexport (Tussie and Lengyel, 1998: 77; Rocha and Sánchez, 2000: 197). And although one observes that a standard package of services is being offered by most EPOs worldwide, “there are differences in the delivery process, the scale and scope of the different activities as set by priorities, overall available funding, conditions under which the respective assistance are rendered, including whether they are articulated with each other, and the quality of the support provided” (Volpe Martincus, 2010: 49). Proexport belongs to the group of organizations that concentrate on trade assistance activities such as specialized consulting, training, and provision of specific commercial information, and less on the coordination and organization of the participation

47 See: <http://www.inviertaencolombia.com.co/zonas-francas-y-otros-incentivos/zonas-francas-permanentes.html>.

48 The ZEEEs have a constitutional basis as article 337 of the P.C. regulates border zones. See also: Lizarazo and De Lombaerde (1998).

49 Decree 1227 of 2002 regulated these ZEEEs, together with Decree 2484 of 2003 which established minimum investment amounts per region. The ZEEEs provide exceptions to labor law obligations and exemptions to the payment of payroll taxes, and offer the same tax and customs incentives as in the free trade zones. Companies established in the zones should develop industrial, commercial, urban or construction activities, or should be involved in the provision of basic services. They are administrated by the Ministry of Trade, Industry and Tourism, the National Planning Department and the Mayor of the municipality where the ZEEE is established. When agricultural projects are developed, the Ministry of Agriculture will also be involved. See: <http://www.min-comercio.gov.co/econtent/newsdetail.asp?id=1277&idcompany=14>.

of companies in international marketing events (missions, fairs) as most of their counterparts (Volpe Martincus, 2010: 44-45)⁵⁰. Proexport has been singled out as the EPO that has gone furthest in the region with offering integrated services to companies with no or very little experience in export markets (Volpe Martincus, 2010: 50), and which has combined these services with project support for firms seeking to increase value added and product quality.

Volpe Martincus and Carballo (2010) use firm-level data on exports and on the utilization of Proexport export promotion services for the period 2003-2006, and used a multiple treatment matching difference-in-differences approach. They show that an integral accompaniment throughout the export process, as promoted by Proexport, is more effective than isolated promotion actions. This integral accompaniment combines the provision of counseling and general information on targeted markets in the early phases of the process, facilitation of meetings with potential customers, and organization and sponsorship of participation in international events (trade missions, trade fairs). This bundling of services is particularly effective when seeking export expansion on the extensive margin (new export destination countries).

Fine-Tuning the Management of Proexport

In 1994, a strategic plan was launched to diversify exports (both product-wise and country-wise) and secure export markets (CONPES, 1994). These are in essence still the guiding principles for the organization. Within this context, however, the management of the organization has been gradually fine-tuned to make it perform better.

Two consultancy reports were commissioned to analyze, first, its services market and export cultures, and second, its organizational structure⁵¹. As a result, Proex-

50 Proexport currently offers the following services: (i) information on foreign markets; (ii) training on export procedures, technical obstacles to trade, and transport and marketing logistics; (iii) support to obtain international quality certification; (iv) organization and coordination of participation of firms in trade fairs, missions and meetings; and (v) assistance in the formation, coordination and functioning of exporter consortia (export units). At the same time, programmes exist that usually include a mix of some of the above. The main programmes are: (i) Zeiky (integrated information and counseling service); (ii) Expopyme (training and assistance for firms with export potential); and (iii) Exporters Plan (assistance in formulating and executing export plans).

51 The consulting firms were: Luque, Carulla y Asociados, and Arthur The Little.

port reoriented its strategy, emphasizing the detection of opportunities, planning and development of services, delivery of services, and adoption of evaluation and control tools (Rocha and Sánchez, 2000:198-200). A central component of the new strategy was the segmentation of its clients in four categories, with an overall focus on SMEs, in 1997. Although such a focus on SMEs is shared by most of the EPOs, Proexport started again relatively early with its segmentation strategy and used a more refined client segmentation. The differentiated approach has been validated by recent econometric work (Rocha and Sánchez, 2000; Volpe, Carballo and García, 2011). As a further consequence of the consultancies, the network of offices was also restructured, and certain cost categories were reduced. And Proexport is one of the few EPOs who have introduced their own balanced scorecard (Volpe Martincus, 2010: 51). In 2002 Proexport underwent another reform to consolidate the shift from a model of export support to a model of export facilitation.

In terms of resource mobilization, Proexport works with a budget which is today slightly higher than what could be expected in the region on the basis of its GDP (Volpe Martincus, 2010: 39-43), although that is at least in part to be explained by having the responsibility for tourism promotion. Its resources originally came from an endowment fund created in 1991 (see above). However, the fund was gradually exhausted so that the government in 2009 decided to shift to yearly allocations from the national budget (Annex 1).

Human resource management benefits from the fact that the organization is operating under private law and is therefore quite similar to HR management in private organizations. Proexport is one of the few EPOs (with CORPEI) that pay wages with a fixed and a variable component, the latter depending on performance criteria (Annex 1). Basic remuneration levels are comparable to levels in the Ministry but through a system of variable bonus payments, the actual remunerations are higher (Volpe Martincus, 2010: 85). Today, Proexport is considered to have a “very sophisticated organizational structure involving a matrix logic” (Volpe Martincus, 2010: 90).

Proexport developed also a normative decision-support model to guide its export promotion efforts towards promising country-product combinations. The model which was first developed around the year 2000 (and then further refined) was inspired by the normative model designed for the Flemish EPO (Cuyvers, De Pelsmacker, Rayp and Roozen, 1992; Roozen, Cuyvers, De Pelsmacker and Rayp, 1992), although less dependent on revealed competitiveness and more oriented towards detecting export opportunities for products that are not necessarily exported yet (Martínez Gómez, 1992).

Proexport has a (sub-national) regional presence through its office network, but in addition, it has strengthened its regional presence through a network of local information centers, which are administered in collaboration with other local organizations⁵².

Proexport has put in place a relatively strong presence abroad⁵³. It has gradually built up a network of offices in 16 different countries⁵⁴. Only few EPOs (including also ProChile) in Latin America have their own network of foreign missions (i.e. not as part of diplomatic representations) (Volpe Martincus, 2010: 91). There is econometric evidence (using Latin American data) that such strategy, to work with its own network of offices abroad rather than using diplomatic missions, pays off in terms of export expansion, especially for differentiated products along the extensive margins (Volpe, Estevadeordal, Gallo and Luna, 2010; Volpe, Carballo and Gallo, 2011)⁵⁵.

7.5. Conclusions

Export promotion policies in Colombia have been recognized by international organizations as examples of good practice. Especially since the beginning of the new millennium, the effectiveness of these policies have been illustrated by sustained growth of non-traditional exports. However, these achievements have not been translated into major changes in the structure of overall exports (yet) because they coincided with considerable increases in world prices of natural resources, so that traditional exports were inflated.

In this chapter, we have shown that the effective export promotion machinery which is currently in place in Colombia is the result of a continuous fine-tuning of the apparatus since the opening up of the economy in the early 1990s. This fine-tuning referred not only to the policies and instruments as such, but also to the institutional framework, and the management of the EPO.

Where can Proexport be positioned then with respect to the ‘average’ institutional profiles of EPOs in Latin America? Colombia’s EPO differentiates itself on different

52 Promperu has a similar scheme in place (Volpe Martincus, 2010:47-48).

53 In the region, this also the case for ProChile, Procomer and Promexico.

54 Annex 1 mentions 15 countries because the office in Paris (France) is not included. This office has only been opened early 2011.

55 The order of magnitude of the effect of establishing a foreign office on the number of products that are exported would be around +30%.

aspects. These include (i) integration of foreign trade, investment and industrial policies at the level of the ministry; (ii) integration of exports, FDI and tourism at the level of Proexport; (iii) public ownership combined with private law regime and aspects of private sector management; (iv) participatory process leading to broad policy guidelines; (v) considerable public funding; (vi) provision of integrated services to segmented users, with special emphasis on potential exporters and SMEs; (vii) organization of proper office network abroad; and (viii) utilization of state-of-the-art analytical tools. Finally, the export promotion policies in Colombia seem consistent with the policy-recommendations that emerge from the 'new-new trade policy' literature (Ciuriak et al., 2011), by taking firm heterogeneity into account and by focusing on developing the extensive margin of trade.

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Annex 1: Variation in Organizational Design of EPOs (IDB sample)

	EPO	Year of Creation	Areas of Activity			Legal Status		Budget (million USD)	Number of employees
			X	I	T	Separate Legal Entity	Legal Status		
Argentina	EXPORTAR	1993	X			Yes	Private	95	
Bolivia	CEPROBOL	1998	X	X		Yes	Public	22	
Brazil	APEX	2003	X	X		Yes	Public/private	214	
Chile	PROCHILE	1974	X			No	Public	384	
Colombia	PROEXPORT	1992	X	X	X	No	Private	281	
Costa Rica	PROCOMER	1996	X			Yes	Public	149	
Ecuador	CORPEI	1997	X			Yes	Private	91	
El Salvador	EXPORTA	2004	X			Yes	Public	50	
Guatemala	DPC/ME	2000	X			No	Public	7	
Honduras	FIDE	1984	X	X		Yes	Private	28	
Mexico	PROMEXICO	2007	X		X	Yes	Public	401	
Panama	VCE/DNPE	1998	X	X		No	Public	52	
Paraguay	REDIEX	2004	X	X		No	Public	60	
Peru	PROMPERU	2007	X		X	Yes	Public	313	
Uruguay	URUGUAY XXI	1996	X	X		Yes	Public	22	

	Funding Sources			Remuneration Policy	Presence in home country		Presence abroad	
	Public allocation	Own resources from services	Other revenue sources		#	Region Coverage	#	Country coverage
Argentina	100	0	0	Fixed wage	1	1/23 provinces 1 city	0	0
Bolivia	100	0	0	Fixed wage	1	1/9 depts.	0	0
Brazil	0	0	100	Fixed wage	1	1/26 states 1 federal district	5	5
Chile	99	0	1	Fixed wage+ bonus	15	15/15 regions	50	39
Colombia	100	0	0	Fixed wage + bonus	8	8/32 depts. 1 federal district	15	15
Costa Rica		5	95	Fixed wage	6	6/7 provinces	14	10
Ecuador	0	1.5	98.5	Fixed wage + variable (on performance)	3	3/24 provinces	3	3
El Salvador	100	0	0	Fixed wage	1	1/14 depts.	1	1
Guatemala	100	0	0	Fixed wage	1	1/22 depts.	3	3
Honduras	0	20	80	Fixed wage	2	2/18 depts.	1	1
Mexico				Fixed wage	32	32/31 states 1 federal district	34	21
Panama	72	27.9	0	Fixed wage	10	9/11 provinces 1 territory (comarca)	0	0
Paraguay	100	0	0	Fixed wage	1	1/17 depts.	0	0
Peru	100	0	0	Fixed wage	6	6/25 regions 1 province	0	0
Uruguay	100	0	0	Fixed wage	1	1/19 depts.	0	0

Source: Volpe M. (2010: tables 2.1 -2.8).