Some thoughts on the (possible) impact of export promotion on (aggregate) growth

Werner Hölzl
Not all firms are equal

- Most firms do not grow or grow marginally.
- Determinants of firm growth are not well understood
- Exporting firms are larger, more productive, more innovative and pay higher wages

- Self-selection into export seems to dominate learning by exporting
- Exporting firms do not export all of their products nor do they export in all markets - Firm characteristics and product characteristics matter

- Interaction between innovation barriers and exporting. Exporting firms report higher innovation barriers than non-exporters.
Lessons

- Is it a good strategy to focus on average firms? MUPPETS (Coad and Nightingale) - Marginal Unproductive Poor Performance EnterpriseS

- Take into account heterogeneity and be selective, focus on firms with ambition and potential
  - Problem of ex-ante selection

- Further integration of export promotion with industrial and enterprise-oriented innovation policies
  - The best export promotion policies will not be successful if the base (firms with good products) is missing
Technology-oriented firms cannot rely on the domestic market, especially if the market is small (self selection)

Exporting has sunk cost characteristics

The valley of death may be even deeper for technology start-ups

Innovation support needs to take into account the international dimension of markets
Market failures are easily identified, information and knowledge problems, missing insurance markets ....

Based on the market failures it is quite easy to devise policy measures.

Much more difficult is to measure the efficiency (bang for the buck) of policy measures.

- Evaluation using both qualitative survey and hard micro data in order to assess value added of policies
Measures to create a favourable business environment that foster firms with internationally viable products are central

- Resources (financing, research) and Regulation

Integration of export promotion with other measures of industrial policy

Providing basic informational infrastructure for firms wishing to export is important

However, putting too much emphasis on broadening export basis is not likely to bring the Bang for the Buck

There is nothing wrong with being more selective and specifically target ambitious firms and more challenging export destinations