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Export Promotion Agency: The Experience of Selected European Countries

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To enhance the presence of Polish companies in international markets, a coherent and efficient system of government support is needed. Much of it can be through the Export Promotion Agency, which the Polish government plans to create. In this context, it is worth surveying the experience of other countries, including the UK, Hungary and Czech Republic, where this kind of institution already exists and adjust the solutions to be effective with Polish realities.

Export Promotion Agencies (EPAs) exist in different forms in more than 100 countries. They are an effective tool of support for companies abroad; according to available research, it is estimated that for every dollar an EPA spends it generates an average of \$40 in export growth. In Poland, though, there is no such agency and the whole system of export promotion is dispersed across various institutions, mainly the Ministries of Foreign Affairs and Development. They act simultaneously on foreign markets through economic divisions of the embassies and Trade and Investment Promotion Sections, which can result in disputes over territory. Other ministries are also engaged in supporting Polish firms abroad, including the Ministries of Agriculture and Environment, as well as The Polish Information and Foreign Investment Agency (PALIZ), the Polish Agency for Enterprise Development (PARP) and financial institutions Export Credit Insurance Corporation (KUKE) and Bank Gospodarstwa Krajowego (BGK).

The jigsaw lacks an element that can coordinate the use of available instruments aimed at promoting the Polish economy to the world. This role can be played by an EPA, the creation of which was announced at the end of 2015 by Deputy Prime Minister Mateusz Morawiecki, who is also the development minister. With a reorganisation of the whole system of export support, including adding an EPA, it is worth checking on the experience of other countries where this kind of institution already exists, particularly to such states as the UK, Hungary and Czech Republic because of their success with exports and diversity of solutions.

Made in the UK. The institution responsible for supporting British firms abroad and attracting investments to the UK is the government agency United Kingdom Trade & Invest (UKTI), which had a budget of £265 million (around PLN 1.5 billion) in 2014-15. It works with two ministries, the Department for Business, Innovation & Skills (BIS) and the Foreign & Commonwealth Office. UKTI is subordinate to BIS but acts within British diplomatic representations, in which it replaces economic divisions, thus eliminating disputes over areas of responsibility.

One characteristic of UKTI is wide use of public-private partnerships (PPP) within its overseas business network initiative. For example, UKTI and the British Polish Chamber of Commerce have a special team on trade that provides day-to-day support for companies. Beside advisory services, UKTI offers information about trade fairs or development aid projects. It also cooperates closely with financial institutions, such as UK Export Finance.

Prices for UKTI's services are competitive compared to commercial firms because of subsidies provided by the British government. Importantly, paid services were implemented gradually, taking into account reactions of British business. Thus, pilot programmes are important features of UKTI's operations and enable assessments of possible effects of a particular solution and respect for entrepreneurs' suggestions.

UKTI's employees do not have diplomatic status but push for cooperation with embassies on matters where political support is crucial (such as the energy sector or defence). There is also a visible trend to hire local workers to cut the costs of foreign office activity (there are almost 100 around the world). Every year, UKTI is evaluated based in part on

phone surveys of its clients. Case studies showcasing the success British firms supported by UKTI have had are also published, further demonstrating its achievements.

Hungary. The central role in supporting Hungarian exports is played by the Hungarian National Trading House (HNTH), which is planned to be self-supporting. The agency is subordinate to the Ministry of Foreign Affairs and Trade, which coordinates the activity of all institutions engaged in the promotion of the Hungarian economy abroad. HNTH focuses on supporting SMEs and innovative companies by providing such services as consulting or participation in concluding transactions. Another agency, Hungarian Investment Promotion Agency (HIPA), is responsible for attracting investments to Hungary. Like with UKTI, employees of HNTH and HIPA do not have diplomatic status. The activity of both of the Hungarian agencies are underpinned by financial institutions: Hungarian Export-Import Bank (Eximbank) and Hungarian Export Credit Insurance, which are supervised by the ministry.

HNTH is a company (that controls smaller entities) with majority public capital and a small contribution from the Hungarian Chamber of Commerce and Industry. HNTH's services are mostly free, although if the agency assists with concluding a contract with a foreign entity it collects a fixed commission. HNTH offices are currently in more than 40 countries, mostly in Africa and Asia, and work closely with the economic divisions of Hungarian embassies. Moreover, services are provided in regional offices in Hungary. The effectiveness of the agency is assessed yearly based in part on export growth.

Czech Republic. The Czech Trade Promotion Agency (CzechTrade), subordinated to the Ministry of Industry and Trade, which made a contribution to it in 2014 of CZK 385 million (around PLN 62 million). CzechTrade has the status of an organisation with funds from the state budget but it is not a state agency. It provides market information and advisory services through its network of offices in almost 50 countries (mainly in Europe). Services tailored to a company's needs are fee-based. Depending on the particular country, CzechTrade employees may carry diplomatic status if there are practical benefits (such as visa facilitation). It also cooperates with public financial institutions, such as the Czech Export Bank or EGAP, which insures export transactions, mainly on risky markets where commercial offers are scarce. It is worth mentioning that a separate agency—CzechInvest—is responsible for attracting investments.

CzechTrade organises paid training on export matters for Czech companies (e.g., on particular foreign market or issues such as marketing) and has the website BusinessInfo.cz, which provides economic information for entrepreneurs, including exporters. Moreover, twice a year representatives of foreign offices of CzechTrade gather in Prague to exchange information and experience as well as network with businesses. There are yearly assessments on CzechTrade's activity, the results of which can influence the agency's budget or employees' salaries.

Flexibility and Comprehensiveness. Given the wide range of existing models, the activity of the Polish EPA should be flexible enough to adjust solutions to be effective for Polish conditions and abilities, including financing. In this context, following UKTI's example, it is worth implementing pilot programmes (e.g., paid services that can positively affect the financial situation of the agency and give companies a stake in the outcome of projects), which also makes it possible to assess particular solutions given business expectations.

The agency, through contact with various ministries and institutions, should contribute to an integrated approach to the economic development of Poland. Nevertheless, it should be supervised by one ministry—foreign affairs or development—thus aiming to improve the effectiveness of its day-to-day activity. Independent of any decision on that matter, it is crucial to concentrate all tasks related to promotion of Polish exports into a single institution to make sure that Polish entrepreneurs know where they can look for comprehensive support on market information or financial measures, especially on risky markets in Asia or Africa.

Regarding legal status, the agency, like HNTH, can be an equity company controlled by the state and able to act on a commercial basis and streamline decision-making. These examples do not unambiguously point to the effectiveness of binding efforts at export promotion and attracting investments. Concentrating them into one agency, as in the case of UKTI, makes the offer comprehensive. However, the peculiarities of these two goals justify their separation in different institutions (as in the Czech Republic and Hungary), but they should be supervised by the same ministry.

Whether employees should have diplomatic status depends on the conditions in a particular country (e.g., regarding visas). However, the lack of such status need not reflect negatively on the quality of activity in foreign offices and concurrently allows for minimising costs and facilitates hiring local personnel. There should be the possibility to open EPA offices independent of the diplomatic representations in countries where there is no Polish embassy or, given the diversity of a particular state, regional branches should be opened (e.g., CzechTrade has four offices in China alone).

The new agency should use PPPs, especially regarding bilateral economic chambers, in day-to-day services for Polish companies. The EPA can also, following the CzechTrade example, organise training and arrange gatherings of foreign office representatives in Warsaw (similar to conferences of Polish ambassadors) to contact firms interested in activity abroad. It should also encourage Polish companies to share about their success on foreign markets, which will facilitate assessments of the agency's activity.