

reputation in the market for intermediaries. Local trade commission offices could help firms find intermediaries with good reputations by helping to establish an information network on the intermediaries themselves. Referring to Figure 3, the provision of such information would shift the demand for intermediation services outward, and help thicken the market.

Second, there are some types of information networks in which government personnel have a comparative advantage relative to private sector agents. For example, a trade commissioner's office may have advantages over private consultants in helping a firm navigate the foreign regulatory system. This advantage would reflect different networks of contacts, but it is also possible that foreign officials will behave differently towards consulate personnel than towards private sector agents alone. Referring to Figure 3, these would be the types of services where the government's average cost of provision ACG is below its private sector counterparts.

Third, some types of government-provided services (such as assistance with regulators, introductions, etc.) could be complementary to other private sector services. The provision of these types of services would shift outward the demand curve for the services of other private sector providers. That is, the government should focus on the types of services that do not crowd out private sector intermediaries, but rather those which are complementary.

Information and foreign consumer demand

Information problems may also arise when there are spillovers across foreign customers regarding the quality or capabilities of home products. This may apply to both foreign consumers looking for final goods and foreign firms looking for intermediate goods and services from home firms. Several papers have studied this issue.

Mayer (1994) developed a model to explore the idea that a firm may have difficulty breaking into new export markets because potential customers have imperfect information about the quality of its products. This was a new twist on the infant indus-