

regulatory issue; and (4) information about domestic firms and products that needs to be disseminated to foreign customers, such as for example information regarding one's product quality and/or a firm's service provision capabilities.

Finally, it is important to emphasize that these information problems are not unique to exporting or foreign investment. Firms trying to develop new markets within the domestic economy will face similar types of information problems. Hence in thinking about whether there exist market failures that are sufficiently serious to warrant the expenditure of government resources, one must consider whether there is anything different about entry into foreign markets than into domestic markets. Moreover, if export or investment promotion programs are to be justified, would the same case apply to domestic markets?

General Information

General information relevant for firms from the home country doing business in a particular foreign country has many of the characteristics of a public good. It is costly to assemble and update, but once the information has been accumulated, it can be distributed at very low marginal cost. Moreover, if one agent pays to acquire the information, there is nothing that prevents that agent from transmitting the information to others without compensating the original producers of the information. This suggests that the market may under-provide such information and this can lead to a market failure.

There are some caveats. If the information is complementary to other activities that can be used to generate revenue, then one would expect the private sector to invest in some information acquisition. So for example, if a firm supplies specialized consulting services helping firms to move into specific foreign markets, it may provide more general information as part of a marketing strategy to attract clients for the more lucrative and specialized information services. We would therefore expect to see the private sector provide some general information, although the presence of spillovers suggests that the level of provision may not be efficient. Second, the growth of the Internet