

Conclusion

This paper has reviewed the economic case for publicly sponsored export and investment promotion or assistance programs. Two sources of market failure were identified which could form the basis of a rationale for government support in this area: information spillovers and asymmetries of information. The theoretical case for government-supported export and investment promotion as a response to information spillovers is fairly strong; however the empirical evidence on the importance of such spillovers is mixed. More empirical research that assesses the magnitude and existence of such spillovers would help clarify the case for government intervention.

The case for government provision of firm-specific services to respond to problems of asymmetric information is very weak. There are private sector responses (such as intermediaries, changes in the organizational form of firms, joint ventures, etc.) to such problems, and there is very little evidence on how well these market-based responses work. Government intervention runs the risk of crowding out private sector intermediaries.

The literature on these issues is still relatively new, and there is still much that is not known. There is very little information on private sector responses to information problems associated with access to foreign markets. A recent literature on intermediaries exists, but it needs further development, particularly with respect to issues of market thinness and the endogenous development of information networks. There is almost no empirical evidence on how effectively intermediaries help firms overcome information problems when they enter new markets. A small literature attempts to assess the effectiveness of government export promotion programs, but to date we have very little evidence on whether or not such programs actually succeed in increasing the number of firms which succeed in exporting or in setting up new ventures in foreign markets. There is much scope for future research.