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**Export promotion activities as a factor of export expansion:
case of Colombian agricultural companies.**

Master's Thesis by the 2nd year student

Concentration – CEMS MIM

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**ЗАЯВЛЕНИЕ О САМОСТОЯТЕЛЬНОМ ХАРАКТЕРЕ ВЫПОЛНЕНИЯ
ВЫПУСКНОЙ КВАЛИФИКАЦИОННОЙ РАБОТЫ**

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АННОТАЦИЯ

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Название ВКР	«Меры экспортной поддержки как фактор увеличения экспорта на примере колумбийских сельскохозяйственных компаний»
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Научный руководитель	О.Л.Гаранина, кандидат экономических наук
Описание цели, задач и основных результатов	Данная магистерская диссертация является исследованием воздействия услуг, предоставляемых экспортными агентствами, на объем экспорта компаний-экспортеров в сельскохозяйственной отрасли. Для проведения анализа была получена информация об объеме экспорта от колумбийских компаний-экспортеров, а также был проведен опрос на предмет использования данными компаниями услуг экспортного агентства ProColombia. Данное исследование использует метод «разность разностей» в качестве метода исследования. На основании проведенного анализа была определена положительная зависимость между использованием услуг экспортного агентства и объемом экспорта компаний-экспортеров в сельскохозяйственной отрасли. При этом малые компании показали больший эффект от воздействия услуг экспортных агентств.
Ключевые слова	Экспорт, продвижение экспорта, экспортные агентства, поддержка экспорта, увеличение экспорта.

ABSTRACT

Master Student's Name	Soslan Dzgoev
Master Thesis Title	Export Promotion Activities as Factor of Export Expansion: Case of Columbian Agricultural Companies
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Description of the goal, tasks and main results	This master thesis is a study on the effects of export promotion activities on the volume of export of Colombian agricultural companies. To conduct the analysis information on export volume of Colombian companies was obtained. Also the survey was conducted to check if the company used export promotion services of export agency ProColombia. This research uses “difference-in-differences” method as a method of research. Based on the analysis, positive relationship between the use of export promotion activities and the volume of companies-exporters in agricultural industry was defined. Also small companies showed the larger effect from the use of export promotion activities.
Keywords	Export, export promotion, export agencies, export support, export expansion

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Introduction

International trade affects a large set of aspects such as an employment, consumption, prices of goods etc. Trade provides an access for a country to foreign markets, knowledge, capital that it wouldn't get otherwise. If there was no trade, particular country would have to rely on its own resources. There is no evidence of the country that has done this for a long time and was successful (Love & Lattimore, 2009). Economies of the countries need foreign markets to manufacture and sell goods and services. Most of the goods that countries sell are not those that we see on the shelves of the stores but those that are used to manufacture it, ranging from machinery to IT products. Barriers for international trade make these goods and services more expensive making everybody pay for it. That is why international trade contributes to improving the standards of life all around the world. Studies reveal that increase in the share of trade in GDP of 1% boosts level of income by 0.9% - 3% (Love & Lattimore, 2009).

The importance of export is difficult to overestimate both on macro level (economy) and on micro level (firms). Export played an important role in economic growth of many countries. Thus, export was one of the main drivers of the growth of one of the biggest economies now, China (World Bank, 1993). Economic authorities of different countries understand the importance of this topic. Recently, Russia also started putting a lot of emphasis on this topic. Minister of economic development, Maxim Oreshkin, stated: "Russia will not grow in a balanced manner without the export growth." (Mineconomrazvitiya, 2017). President of Russian Federation Vladimir Putin set the goal of doubling export of non-raw materials till 2025 (RT, 2018). Russian export center – state institution of export promotion, was created in 2016 for achieving this goal.

On micro-level, export is firms' traditional way of access to foreign markets. Firms that trade internationally are regularly different than those that do not trade. These firms are larger and usually more productive than non-exporting firms by a substantial margin (Helpman, 2011). In the United States firms that export have about twice more employees than non-exporters and the volume of their total sales is more than double. Also, the-value added per worker of exporters is 11% larger than non-exporters, and the total factor productivity of exporters is larger than the same indicator of non-exporters on 3% (Bernard & Jensen, 2010). Also export allows companies to overcome local problems. Countries with weak institutions have limited markets for the producers of high quality products. They cannot effectively sell quality products on the home market because of deficiencies of local institutions that reflect in low local quality standards.

Exporting to the markets with strong institutions allow companies to get adequate reward for their high-quality products (Creane, 2014).

Export of one country to another depends on a lot of factors. As an example of cross-country trade relations, Russian-Chilean relations were taken. Chile has been developing very rapidly for the last couple decades that resulted in the first index of GDP per capita on the continent (World Bank, 2017). Also Chile has highest positions on the continent in such rankings as World Competitiveness report, Worldwide Governance indicators and Index of Economic Freedom (World Bank) (WEF) (Heritage). Russia is not well presented on Chilean market that results in 56 \$mln. of export to Chile in 2016 (Atlas Media). It is much less than the results of the leading trade partners of Chile – China and USA (12,9 \$bn and 12,8\$bn respectively) (Atlas Media). Even, such small economy as Finland that is also located very far from Chile exported goods and services on 233 \$mln in 2016 (Atlas Media).

There are many factors that affect results of Russia. Gravity models in international trade firstly introduced in 1962 (Tinbergen, 1962) dominated the international trade literature as a main econometric parameter. Early version of the model predicted bilateral trade due to 2 factors: GDP of the country and geographical distances (Kabir, Salim & Al-Mawali,2017). Language barriers also correlate negatively with volume of bilateral trade between the countries with different languages (Lohmann, 2011). Egger (2012) estimated the effect of different time zones on trade costs and volume of trade in general. It occurs that differences in time zones reduce bilateral trade on average by 11%. Understanding that there are many barriers for international trade, many countries started to explore different methods to overcome them. It has been very common for the countries to set up export agencies with broad chain of offices to promote their export abroad. Thus, in the period from 1990 to 2009 amount of export agencies tripled in the world (Lederman, 2010).

To make a research on the topic comparison between companies that have used export promotion activities and those that have not is usually made. There are many factors that affect the export results of the companies. To reduce amount of affecting factors and reduce the difference among companies one industry is taken. Agricultural industry is the industry that produces homogeneous products, so by choosing this industry such factors as good marketing strategies of the companies or huge differences in quality are being reduced.

The paper consists of 5 chapters. Chapter 1 observes the literature on the topic that was written so far. Also it states research gap and research questions. Chapter 2 observes the work of existing export agencies. Chapter 3 describes the methodology of the study. It deeply describes

data collection and methods that are used for the data analysis. Chapter 4 presents the econometric results of the analysis, processes the received results and makes the findings out of it. Chapter 5 suggests managerial and theoretical implications. It also makes suggestions for future studies.

Chapter 1. Importance of export promotion activities

To achieve export-led growth, many countries have established export promotion agencies (EPAs), the objectives of which are to provide export support services, such as exporter training programs or information on trade finance, and to match potential exporters and importers.

Asymmetric information is the base for the involvement of government in export promotion of the national firms (Lederman, 2010). There is important information regarding foreign markets that local firms cannot get. It can relate to customer preferences, local business culture, certification and other information on foreign market. Private businesses usually do not share information with other exporters because these firms perceive them as potential competitors. Also the firms that are the first on the foreign market spend large amount of money on the research of the market, acquiring contacts and other business activities that are very costly for these firms (Hausmann & Rodrik, 2003). But at the same time, the entry of the first firm can serve as a sign for other domestic firms, that this foreign market can be profitable. Therefore, if governmental EPAs are able to provide information about foreign markets to domestic firms, they can act as a catalyst in increasing exports (Hayakawa, Lee & Park, 2014). The risks relating to uncertainty of trading across the borders with different market conditions has also been put forward as a reason for export insurance supported by the state institutions. The reasoning for funding state support of export activities would ideally be based on evaluating of the social costs and benefits that are received from export promotion programs. Benefits from the programs are likely to be larger than costs if there are large positive externalities associated with higher current exports across firms, sectors or time and within the exporting country.

Export agencies usually do different export promotion activities to support the export of local firms. Lederman (2010) divided all activities of export agencies into 4 broad categories: 1) promoting the brand of the country (advertising, promotional activities, branding the country); 2) support services for exporters (training courses, technical assistance, certification, packaging, pricing, help with customs); 3) marketing (business missions to another countries, participation in fairs, follow-up activities served by trade representatives in another countries, etc.); 4) market research (providing information on the foreign markets, general country research, industry analysis, product analysis, etc.). There are different forms of ownership of export agencies. But most of them are state-owned (Lederman, 2010). State-owned organizations can be sub-units of different ministries or in most of the cases are semi-autonomous organizations. Usually they report to the President administration or Government office. The most successful are those that

have large amount of the representatives of the private sector in their board, but are publicly funded. So, full privatization of the agencies is not ideal. Also one large agency is better for the country's export than dozens of small ones (Lederman,2010).

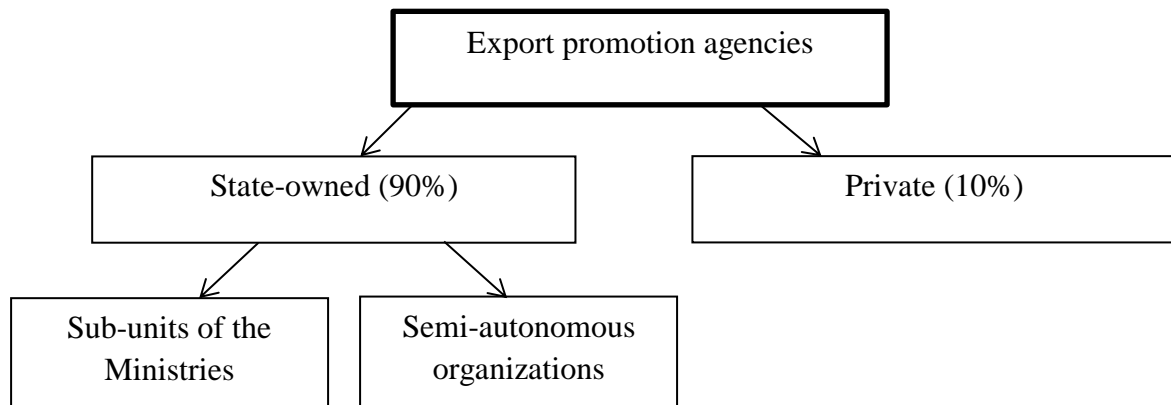


Table 1. Types of export agencies.

Existing researches observe different aspects of the topic. Some of them cover the problem on the state-level, some of them on the firm-level. It is possible to divide researches covering following areas:

- effects of export promotion on national export
- effects of export promotion activities on a particular firms
- export promotion activities: case of SMEs
- effects of export promotion on different stages of export process (entry of the market, crisis time)

1.1. Effects of export promotion on national export

Some research has been done to evaluate the role of export promotion agencies in promoting goods and services on a national level. Thus, Haykawa, Lee and Park (2014) evaluated the impact of 2 EPAs - Japan External Trade Organization (JETRO) and Korea Trade Investment Promotion Agency (KOTRA). Study indicated that EPAs have positive significant effect on exports. It suggests that these agencies played a big role in increasing country's exports. Of course, setting EPA is not the only measure that can be used to promote export. Many countries have signed up free-trade agreements (FTA) in recent years. Also this study evaluated cost-efficiency of concluding FTA against setting up a branch of EPA. The quantitative analysis suggests that it may be more cost-efficient to set up a branch of EPA than

trying to conclude FTA as it is often continued and extensive process of negotiation with the prospective partner country that usually requires a lot of expenditures. Therefore, if the main goal of an FTA is to increase exports, arranging an EPA branch abroad may be more efficient. If the country has limited resources and wants to target only particular amount of markets, EPAs have a larger marginal effect on exports to low-income countries than to high-income countries. At the same time, total effect is larger on the export to high-income countries because usually these countries import more than low-income countries. Therefore defining the country of next ETA branch may depend on the objectives and current export results of the country.

Lack of efficiency, not adequate funding, bureaucracy, weak client orientation is the main problems of some export agencies. At the same time, additional financing of the agencies cause better export results for the countries. Thus, 10% increase in the budget of export promotion programs on average leads to 1% increase in country's export. (Lederman, 2010). Another study that suggests that state expenditures on export promotion are significantly positively correlated with exports is made by Wilkinson (2008). On the example of U.S. it's shown how results of the region depend on expenditure made in the state. By focusing greater resources on export promotion, states with relatively greater numbers of exporters may be able to further expand the base of internationalized companies operating under their jurisdictions. Export promotion expenditures increase exports in states regardless of states degree of internationalization. Therefore, export promotion expenditures are an effective economic development strategy that can be administered at the state level (Wilkinson,2008). Also, work of EPAs is more efficient when trade barriers with foreign country where the office is located are higher (Lederman, 2010). Another study (Ollareaga, Sperlich & Trachsel, 2015) shows that every dollar spent on export promotion on average gives additional 15 dollars in export. More interestingly, the results suggest that agencies that focus on new exporters rather than occasional or experienced exporters experience higher returns. Similarly agencies that focus on medium size firms rather than small or larger firms are also likely to have higher returns. A larger share of board's seats that is occupied by the private sector also tends to help returns. The impact of the share of funding coming from customs fees on returns to export promotion has an inverted U-shape form. When the share of funding coming from customs fees is small, then increasing this share yields higher returns, but when the share of funding coming from customs fees is larger, then increasing the share leads to a decline in returns. The importance given to export promotion within the institution or the share spent on marketing activities do not seem to systematically affect returns to export promotion. It is important to note that these are not the social welfare returns because part of the increase in exports is associated with the cost needed to produce those exports. Also,

exports may have positive or negative externalities on non-exporters which are not taken into account. In order to partly correct for this and get closer to a welfare measure, an extension of empirical model is provided in which it was looked at the impact of export promotion not only on exports, but on GDP per capita. A straight-forward extension could be to simply replace exports by GDP per capita on the left-hand-side. This study is the first that linked export promotion not only with growth of export but with growth of national GDP, and this is important as export growth cannot be the ultimate goal of export promotion policies, but rather an instrument to achieve social and economic growth. Results suggest a positive and statistically significant impact of export promotion on GDP per capita. Also it confirms a large and positive effect of export promotion budgets on GDP per capita. Another factor that was affected is income per capita. This study shows that there is a positive and large impact of the export promotion budget on income per capita.

1.2. General effect of EPA on the firm export performance

Firms face multiple obstacles when entering export markets. Export agencies were created to ameliorate the problems of the firms. The firms are likely to face more severe informational problems when they attempt to enter new markets or to sell new products abroad than when they pursue expanding exports of goods they have already been trading and/or to countries that are already among their destination markets. Export promotion activities affect different aspects of exporter's performance differently. Thus, they are more efficient along the extensive margin and not intensive. Extensive margin means i.e. the number of countries to which the export was made or number of products that company exports. Intensive margin, on contrary, covers the volume of the product that already is being sold by the company on the particular market. Lack of information mostly occurs in the process of going to new market or launching new product etc. (Martincus, 2010). The study used unique database of companies exporters including volume of export, number of employees, countries of destination and a starting date of export activities (PROMPEX, Peru). The difference-in-difference method was applied in this analysis.

Another study, in this case, of Catalan companies also showed the positive correlation between export promotion programs and diversification of the firms (Freixanet, 2010). Exporters that just started selling their goods abroad experienced higher impact of EPP on their export. It makes sense because these companies require additional support for developing their exports, training and information to become more competitive and help to identify contacts and opportunities abroad. Even though experienced exporters knew more about the programs and

used them more frequently. Analysis of different programs use showed that the use of direct promotion programs causes an increase in the number of export markets, regardless of internationalization stage. Thus, the use of these programs (mainly trade missions and sponsored exhibitions) allows the company to be present on the markets that, due to lack of local contacts and information problems would not have access without institutional assistance. In addition, both direct promotion and information programs accomplish their goals enabling exporters to develop their promotion activities and create international sales network (Freixanet, 2010).

The more detailed effects of export-promotional programs on internal processes and characteristics of the companies are provided by Leonidou, Palihawadana and Theodosiou (2011). The study was conducted among manufacturing firms from UK. It claims that the effect that export promotion has on firms is not direct and does not reflect an increase of export sales, but rather indirect that helps firms to better their organizational resources and capabilities. It supports the point of view that export promotion programs act as an external resource that, if properly used, can help the company to improve its human, financial, informational deficiencies that hamper exports. With this company gains some competitive advantages that allow it to create better marketing strategies and meet customer needs abroad. This eventually results in offering better value for the clients and increasing the export sales. This study also reveals that small firms get the higher results of using the export promotion programs.

Sufficient data is one of the main problems of the researches in this field. Study on Danish firms used such comprehensive characteristics as firm-level composition of labor in terms of education, age, gender, costs on export activities and import status that usually are not included in the literature on this topic because they tend to be not observed (Munch and Shaur, 2015). So this data allowed observing correlation between using export activities and number of employees, value added. Also it allowed to evaluate if the benefits were greater than direct costs on export-promotion activities. On average, benefits are 3 times bigger than direct costs on export promotion. As in previous studies it shows that greater results are accomplished by the smaller firms using export-promotion activities. The probability of exporting is 8% more in the firms that use export-promotion activities than in the control group. Overall sales, value added and employment expands only in small firms. These firms face informational barriers to foreign markets that require investments to learn about market conditions, to know about sales channels and search for foreign partners. By combining this information and providing it to firms either at lower prices or on the free base, the export agency reduces the fixed cost of entering the export market and the cost of obtaining additional information to improve the initial efficiency of exports. At the same time, export-promotion activities facilitate entry into the new market

independent of the size of the firm. Regarding the specific export activity, partner search affects all export performance measures of the firm, sales and value added. The effect on employment is also positive. Danish firms used export-promotion services helping them to export to 76 destinations during the study. Most of the firms exported to the top export destinations of the Denmark. However, the Danish firms also acquire a significant amount of export promotion for countries that not included in the top ten countries of export destinations. Export promotion activities have a positive effect on exporting to the destinations where they were obtained.

Impact of specific export programs such as trade fairs and trade missions is evaluated by Geldress-Weiss and Monreal-Perez (2017). It shows that use of the services for the firms from different industries affect them differently. “Coffee, tea and mate” category is one with the greatest increase of the firms export growth if compare it with the results of the same firms from previous years. It shows that participation of the firm in trade fairs is positively correlated with its competitiveness. At the same time effect of trade missions is not significant in this indicator. The firm needs some time to capitalize on the effects of participating in trade missions and trade fairs. Usually, it is 1-2 years lag between using the export promotion activities and getting the results out of it. In general, trade shows a large significant effect on export performance of the firms, at the same time trade missions does not. It was shown that participation in trade shows is a very effective international marketing tool and there is need to carry the research on the behavior of the firms during these events to improve the use of this instrument. Another instrument, trade missions can be useful for non-exporters but not for experienced firms.

There are some studies that have a look on particular industry. Thus, Swedish government developed a number of strategies to promote the export of environmental technologies (Kanda, 2013). However, the success of such a government initiatives do not depend only on how well they are designed and implemented and how you know the target company on initiatives, and if so, whether they perceive them as adequate enough to participate. Perception of adequacy and awareness of influences on export behavior (including decision access to government support and participation in exports), are the factors of potential success of target firms in foreign markets. Thus, government officials and academics need to understand clearly characteristics of this sector to contribute effectively to the global diffusion of these types of technologies. The first survey question aimed at better understanding current export activities of various companies within the environmental technology sector. One hundred thirty six respondents (79%) indicated that they were currently exporting or thinking about exports in the near future, and 17% of respondents we did not export or plan to do so. The remaining 4% were indecisive. Companies that do not intend to export their products / services have expressed four

main reasons: 1) they have been recently established companies; 2) they had a local niche market; 3) their export was not included in their business idea or was not (for example, they were suppliers to a larger company); and 4) they had limited opportunities or resources (such as small companies, financial resources, or lack of contacts). A high percentage of respondents interested in export activities (79%), gives an indication of the involvement of survey participants in the foreign markets. However, this high percentage does not indicate export the volume, intensity of exports or revenues that the government is really interested in and what are its initiatives. Rather, it gives a strong evaluation of the usefulness of the results as feedback on government initiatives aimed at export-oriented companies and export promotion. (Kanda, 2013)

Cadot, Fernandez, Gourdon and Mattoo (2015) investigated effects of export promotion programs on the case of Tunisian firms. While most researchers observe only the short-term impact of these programs, this research observes also the longer-term impact. Furthermore, if usually studies evaluate only the effects of export promotion programs, this study also observed the alternative explanation for the received results. This research studied the short-term and longer-term impact of Tunisia's export promotion program, FAMEX, which granted the finance support to Tunisian firms to implement export business plans. As stated in the World Bank's Project Appraisal Document (PAD) (World Bank, 2004), FAMEX's primary objective was "to improve access to export markets", the corresponding performance indicator being "total incremental export value by the beneficiary enterprises." This indicator was used as baseline performance outcome variable, although a number of other dimensions was explored as well, including product and destination diversification, unit values, product sophistication, and distance to destinations. Compared to a control group, FAMEX beneficiaries initially enjoyed a boost in their total exports accompanied by greater diversification across destinations and products. However, all these effects vanished after three years. Even the temporary effect was heterogeneous across firms, being significant only for medium-sized firms (between 20 and 100 employees).

There was no evidence found that the short period of FAMEX's impact reflected spillovers to non-beneficiary firms which helped them to catch up, or larger exposure of beneficiary firms to the economies that were affected by the crisis. Rather, the impact may have been temporary because it was hard for a short-lived, arm's length FAMEX-type intervention to durably enhance competitiveness. Indeed, it was found that the program did not lead to any improvements in product quality as would be reflected in higher unit prices, or in an indicator of product sophistication. Instead, it primarily benefited firms that initially had no internal export unit, suggesting that assistance was rudimentary. The results of the study shows that FAMEX

may have emphasized on obtaining easy-to-get results (providing help of attending the international fairs to exporters) rather on more sophisticated activities that may lead to improving products and business processes which can improve overall long-term competitiveness. Even though FAMEX had a relatively short-term impact, low cost intervention still generated about 2 Tunisian Dinars of additional profits per Dinar of expenditure on the program. The benefits of the firms were larger than costs in 3.57 times while the government achieved breakeven. These estimates suggest a high degree of internalization of the benefits and raise the question of why the firms did not undertake such investments unilaterally. Of course, the inability of firms to borrow against future profits or poorly informed about the benefits of investment in export promotion can still serve as the basis for the FAMEX program. One reason for the lack of persistence of treatment effects could be catching up by control firms, rather than vanishing benefits for treated firms. For instance, FAMEX beneficiaries' actions, such as participating in trade fairs or hiring export-marketing consultants, could have been visible to and easily imitated by other firms in their sector or location. Information acquired by FAMEX beneficiaries might even have been shared voluntarily with other firms, as exporters from the same country do not necessarily see themselves as competitors on foreign markets. But the results do not suggest that catching up through spillovers was a cause of the rapidly vanishing FAMEX treatment effects. The temporariness of FAMEX effects could also be due to the impact of the Global Financial Crisis (GFC), which coincided with the last part of our sample period and strongly affected E.U. countries which were important destinations for Tunisian exporters. However, this is unlikely to be an explanation for the temporariness of treatment effects because effects on total exports and on the number of exported products disappear two years after treatment, which, for the majority of treated firms (those treated in 2005) corresponds to outcomes in 2007, a year before the onset of the GFC. In general, evaluation of the FAMEX export promotion program in Tunisia revealed positive short-run effects, as beneficiaries initially had higher total exports and greater diversification across destinations and products than a control group. However, three years after the intervention, treatment effects had vanished, with all of the treatment group's outcomes being statistically similar, in levels, to those of the control group.

1.3. Export promotion programs: case of SMEs.

There are several studies that observe the effects of export promotion programs on the small and medium enterprises. Small and medium enterprises have fewer resources to obtain necessary information which makes them less likely to enter new foreign markets without state support (Wilkinson & Brouthers, 2006).

Study on Malaysian SMEs observed the usage effectiveness of the export promotion programs by taking a look on 3 characteristics: awareness of the EPP, frequency of use and perception of usefulness (Ayob, Freixanet, 2013). Exporters-SMEs reveal the awareness about export promotion programs in Malaysia which is significantly higher than awareness about EPP of non-exporters. Study shows that frequency of use among SMEs is rather low. But again, 6 out of 9 programs are more frequently used by exporters rather than non-exporters. Those exporters which use the export promotion programs assess the usefulness of them as high. The most effective activities are participation in international trade and information publication by different international branches of Malaysian export agency.

Karoubi (2017) reveals that public export promotion programs helps more to the service companies than manufacturing companies. Service companies show 16% increase in export intensity and 25% increase in probability of starting exporting. Impact of export promotion services disappear to manufacturing firms in this sample. Speaking on the type of export activities, financial and innovation support showed the strongest results in increasing export intensity. Network export promotion program shows the best result in raising probability of the company to start exporting.

On contrary, there is a study that uses as an object of it only manufacturing companies (Wang, Chen, Li, 2017). It reveals that export promotion programs have indirect positive effect on export performance of the companies through improving marketing capabilities of the companies-participants.

Ability to build relationships with a foreign customer is an essential need for the companies that export their products abroad. But due to geographical distance and language barriers it is not easy to find a reliable partner. Large part of export promotion activities relate to building network of partners/clients. Haddoud, Jones, Newbery (2016) reveals that export promotion programs have an indirect effect on export performance of SMEs through improving business relationships quality. Both experiential and informational export promotion programs have a positive effect on relationships quality of the companies both with local business and foreign companies. But only contacts with foreign companies have a positive effect on export performance. Companies that use different export promotion program can build up strong relationships with local businesses. These programs play role of a platform that unites local companies and allow them to cooperate. In the course of cooperation and collaboration, informal relationships can be built up through social interactions. Informational export promotion programs have a stronger effect on increasing quality of relationships with local business, at the

same time experiential programs have stronger effect on relationships with foreign partners. It is easy to explain because in course of informational programs companies interact only with local firms-exporters and during the use of experiential programs (trade shows, trade missions) companies can interact with foreign buyers. So, experiential programs have stronger effect on export performance of SMEs than informational ones.

Durmusoglu, Apfelthaler, Nayir, Alvarez and Mughan (2011) applied multidimensional approach on the effect of export promotion programs on performance of small and medium enterprises. The research investigates the effects of export promotion programs use on export performance of small and medium firms from a developing country. To do it, it applies 4 dimensions of export performance. To conduct an analysis, 143 answers from Turkish firms were collected. The findings say that firms that used export promotion programs became better in all 4 dimensions (strategic, financial, stakeholder relationship and organizational learning) that were evaluated. More specifically, a positive relationship between use of export promotion program and satisfaction in terms of financial performance was found, as well as achievement of stakeholder relationship goals, strategic goals, and organizational learning goals such as the ability to identify new customers and interpret important market information. Incorporating these dimensions demonstrates a more complete view of the impact export promotion programs have on succeeding on international markets. These results contribute to the literature in several ways. First, it is a positive effect on financial performance, thereby adding support to studies with similar results. Further, as opposed to the single-item measures commonly used in previous studies, findings result from multi-item measures of export performance dimensions. Results demonstrate the positive effect of export promotion programs use on other dimensions of export performance. It was found that firms feel that stakeholder relationships are positively affected. With increased utilization of export promotion programs, firms are very likely to report improved relationships with official bodies of their home countries. Improvements in the relationships with host country official bodies are less evident and may be explained by the nature of government-designed export promotion programs. Study also demonstrated the positive effects on the achievement of strategic objectives such as the development of management capabilities and the ability to respond to competitive pressures. SMEs are expected to benefit from exporting due to their exposure to different ways of doing business. However, they often see export promotion only as a quick and inexpensive way to find new sales opportunities in foreign markets. This study clearly shows that the use of export promotion programs augments SME management's exposure to different management practices, enabling them to develop new management and competitive skills. As a result, it adds longer term strategic effects to the rather

short-term results firms often seek. Finally, it was found that it facilitates the organizational learning process. Hence, it can be concluded that in addition to the short-term goals of financial returns and mid-term objectives of establishing relationships and achieving strategic goals, the use of export promotion programs fosters a long-term goal such as organizational learning. Ultimately, this practice will amplify a firm's ability for survival in less familiar conditions, despite the challenges of doing business abroad.

Except studies that cover topic of effects of EPPs on export performance of the companies, there are some studies that cover the effects of EPPs on opening a foreign office of the company (Dominguez, 2017) (Crick and Lindsay, 2015). Crick & Lindsay (2015) studied the New Zealand managers' perception of export promotion programs. Managers underpinned the importance of export promotion programs for exporting to foreign markets. Especially, the exposure to the high-level contacts both in business and government of foreign markets was highly valued. Specifically, these activities were very helpful on Chinese market, where acquaintance with potential clients opens up opportunities which otherwise cannot be obtained through management's own personal network. Several activities were made for particular industry. For instance, tourism managers mentioned government program called ADS – "approved destination status". It opened up New Zealand market for Chinese tourists. New Zealand was the second western country after Australia that received this status from China. So firms could leverage from the relationships between two countries on the macro-level. Chinese authorities perceived New Zealand as a partner for their country. In general, managers were very happy with the support that they received from both local and international offices of export agency. At the same time, there were few negative commentaries; for instance, in software and high-tech industries. Several managers mentioned that some industries received more promotion abroad than their sectors, in this case – high-tech industry. This showed that findings vary from one sector to another.

1.4. Export promotion on different stages of export involvement.

Export promotion activities have different effects on the firms that are on the different stages of export involvement. One of the goals that are set for export promotion agencies is to increase the amount of exporters by helping local companies exploring foreign markets.

Export promotion programs are effective in raising participation of export among non-exporters (Broocks, 2015). There are different estimations that evaluate performance of non-exporters after they took a support of export agencies. Cruz (2014) estimates the Brazilian firms that want to access foreign markets and use the services of export agency. Results showed that

those firms that used the services had 2,5 times more probability than firms did not get the services. And the impact was even larger for the medium and small firms. These types of activities even showed the small growth impact on the employment of the firms (Broocks, 2015). Effects are particularly strong for the direct subsidy for which company can apply. They are the most cost effective. Also it might be the case the new export activities of one firm have positive spillovers on the likelihood of export market entry of other firms in its industry. The aggregate effects might exceed the direct effect on recorded participants. This could be a spillover, e.g. a demonstration effect or passing on of information. Or participation in the action might not be exhaustively reported. Also export of existing exporters increases when new exporters enter their product-country market. Rather than substituting some of the existing export they start increasing together. The prior literature provided evidence for to benefits of export promotion programs: (1) they help existing exporters raise their export volumes, mostly by penetrating new markets, and (2) they help existing exporters survive in the export market, in particular when an export destination suffers a recession or financial crisis. This study added a third benefit to this list: (3) they help companies to enter the new market for the first time.

Export promotion activities also have effect on the firms in the time of crisis (Martincus, 2016). This paper studied if export promotion programs can help the country return to pre-crisis export levels. During 2008-2009 financial crisis companies that were using the services of export promotion agencies were more resistant to the crisis and bounced back quicker than those that do not. Firms that received support are much more likely to remain active exporters and they export relatively more than not supported firms. There is positive effect in exporters' relative performance in product and destination markets most affected by the crisis. The destination and product extensive margins are the primary channels for superior firm-level export performance. Firms that received the support export more because they are more likely to continue exporting to destinations directly affected by a financial crisis. Another reason is because they continue exporting products that are most crisis-prone, such as capital goods or industries sensitive to financial restrictions. Also the survival rate of the firms that were using export promotion activities was much higher. There were different activities that helped different firms more, but on average the results were better for these firms both in Peru and Flanders. On the macro-level it also played a large role in reviving countries' exports to pre-crisis export level. This is another sign for the companies to use the support of export agencies.

Topic of the papers	Main findings of the literature
Effects of export promotion on national export	<p>Haykawa, Lee and Park (2014) indicated that EPAs have positive significant effect on exports. They suggest that these agencies played a big role in increasing country's exports. The quantitative analysis suggests that it may be more cost-efficient to set up a branch of EPA than trying to conclude Free-trade agreement as it is often continued and extensive process of negotiation with the prospective partner country that usually requires a lot of expenditures. Therefore, if the main goal of Free-trade agreement is to increase exports, arranging an EPA branch abroad may be more efficient.</p> <p>10% increase in the budget of export promotion agencies on average leads to 1% increase in country's export (Lederman, 2010).</p> <p>On the example of U.S. it's shown how results of the region depend on expenditure made in the state (Wilkinson, 2008). By focusing greater resources on export promotion, states with relatively greater numbers of exporters may be able to further expand the base of internationalized companies operating under their jurisdictions.</p> <p>Therefore, export promotion expenditures are an effective economic development strategy that can be administered at the state level.</p> <p>Also, work of EPAs is more efficient when trade barriers with foreign country where the office is located are higher (Lederman, 2010).</p>
General effect of EPA on the firm export performance	<p>EPPs are more efficient along the extensive margin and not intensive (Martincus, 2010). There is a positive correlation between export promotion programs and diversification of the firms (Freixanet, 2010). Exporters that are in their initial stages of internationalization experienced higher impact of EPP on their export. On average, benefits of using EPP are 3 times bigger than direct costs on export promotion (Munch and Shaur, 2015). The probability of exporting is 8% more in the firms that use export-promotion activities than in those that have not. Participation of the firm in trade fairs is positively correlated with its competitiveness. At the same time effect of trade missions is not significant (Geldress-Weiss and Monreal-Perez, 2017).</p>
Export promotion	Small and medium enterprises have fewer resources to obtain necessary

<p>programs: case of SMEs.</p>	<p>information which makes them less likely to enter new foreign markets without state support (Wilkinson & Brouthers, 2006). Public export promotion programs helps more to the service companies than manufacturing companies. Service companies show 16% increase in export intensity and 25% increase in probability of starting exporting (Karoubi, 2017). Export promotion programs have indirect positive effect on export performance of the companies through improving marketing capabilities of the companies-participants (Wang, Chen, Li, 2017). Haddoud, Jones, Newbery (2016) reveals that export promotion programs have an indirect effect on export performance of SMEs through improving business relationships quality. Both experiential and informational export promotion programs have a positive effect on relationships quality of the companies both with local business and foreign companies. Experiential programs have stronger effect on export performance of SMEs than informational ones.</p>
<p>Export promotion on different stages of export involvement.</p>	<p>Export promotion programs are effective in raising participation of export among non-exporters (Broocks, 2015). Cruz (2014) estimates that those firms that used the services had 2,5 times more probability of going to foreign market than firms that did not get the services. And the impact was even larger for the medium and small firms. These types of activities even showed the small growth impact on the employment of the firms (Broocks, 2015). Export promotion activities also have effect on the firms in the time of crisis (Martincus, 2016). Supported firms are significantly more likely to remain active exporters and they export relatively more than unsupported firms. There is positive effect in exporters' relative performance in product and destination markets most affected by the crisis. The destination and product extensive margins are the primary channels for superior firm-level export performance. Supported firms export more because they are significantly more likely to continue exporting to destinations directly hit by a financial crisis and to continue exporting products that are most crisis-prone, such as capital goods or industries sensitive to financial constraints.</p> <p>On the macro-level it also played a large role in reviving countries'</p>

	exports to pre-crisis export level.
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Table 2. Existing literature: brief review

1.5. Research gap

Although, there are many studies on different aspects of export, there are not enough studies on the firms from particular industry. Studies that focus on the set of exporters from different industries are less precise because changes in export between different industries are significant and there are many different factors that affect it. Also different industries need different activities and needs. They have different goods that are needed to be promoted. Different industries are affected differently by export promotion activities. That's why **research gap** in this field is the studies on particular industry. This study will add the knowledge about the effect of export promotion activities on agricultural companies. This industry was chosen because the goods that are produced by the industry are almost all homogeneous goods. There is no study that will evaluate effects of export agencies on only homogeneous or only heterogeneous goods. Differences in promotion of two types of goods are significant.

The **research questions** of the study are

- 1) How export promotion activities affect export expansion of agricultural companies?
- 2) Companies of which size are more affected by export promotion activities?
- 3) Which export activities are the most efficient for agricultural companies?

To answer this question, **objectives** are as follows:

- obtain time-series firm-level data from customs
- get the information on export promotion activities for particular firms
- make difference-in-difference analysis for the firms that used export promotion activities and those that have not

Chapter 2. Overview of existing export agencies.

Role of export agencies, types and principles of their activity followed the changes in international trade and politics over the years in the 100-year history of these institutions.

The first state programs on insurance of export credits were proposed in the UK in 1919 (Ovchinnikov, 2010). Their main objectives were to reduce unemployment and the restoration of national exports after the world war. These programs were very effective. Soon, a similar structure for the provision of export guarantees and insurances has been created in other European countries. The great depression in 1929 gave impetus to the development of financial incentives export supplies as part of the government's efforts to expand production and combat unemployment. In 1934 the Export-import Bank was founded in Washington, later became an independent government Agency — the export-import Bank of the United States. The purpose of its activities was financial assistance and promotion of export supplies of American goods. The first years Eximbank was engaged only in direct financing, while other world agencies provided guarantees, insurance and at the same time refinanced commercial banks on preferential terms in order to reduce interest rates on covered export credits. In 1934 the Berne Union was established as an international organization of export credit agencies, developing cooperation between market participants and the exchange of information about contractors. By the end of the 1930s. Czechoslovakia, Germany, the Netherlands and Spain formed the first agencies with public financial and administrative support.

The Second World War slowed the development of export credit. Active at that time, the agencies supported military industries and projects. In next two decades, export agencies were established in various forms in developing countries to expand production, increase employment, improve international competitiveness, export growth, strengthening the balance of payments. After abandoning the Bretton woods system in the late 1960s-early 1970s export agencies were forced to review the mission and objectives. Country agencies of OECD members have taken on the role of lenders and insurers of last resort, providing support by agencies for transactions that were impossible to implement without the mediation of the state. In the 1970s and 1980s, the export agencies were opened in almost all major countries. Many of the earlier models have been revised in form and content. The General trend has been to increase autonomy, functions and financial resources and opportunities. The next major stage of development for export agencies began in 1989 with the fall of Berlin Wall. The output of Eastern European and Asian countries to the world markets has created unprecedented economic prospects. Globalization of supply objectives with centers in Asia, Eastern Europe and other countries with the low cost of labour

led to the distribution of production worldwide and, as a consequence, to the growth of global trade flow. The level of perception of political and economic risks decreased.

By the beginning of the 21st century dramatic changes happened in the short-term export credit market: the leading role moved to private insurers, as a result there was a need to re-evaluate the role of state export agencies. For the OECD, it was a chance to get rid of the practice subsidizing export credits by the state and reducing the role of export credits agencies in the promotion of national exports. From the OECD point of view, it is necessary that export agencies did not compete, but contributed to the growth of the private sector of the market.

The boom of the world economy, irreversible globalization and unprecedented growth in the volume of foreign trade operations in the beginning of the 21st century has led to increasing of international competition. Emerging markets in BRIC and Eastern Europe demonstrated record growth rates. In a lot of countries, export agencies have chosen to change the traditional business models by moving from the concept of the lender (insurer) to a commercially-oriented type of behavior of a quasi-market player. This model works on the principles of self-sufficiency and profitability of agencies and it actively supports national economic interests abroad.

To understand the services that are provided by export promotion agencies some examples are taken and presented here.

U.S. Department of Commerce.

U.S. Department of Commerce, through its International Trade Office (ITA), is the lead agency providing export assistance services to US businesses. ITA's resources include (1) trade specialists in more than 100 US export assistance centers and approximately 150 foreign offices; (2) industry experts and market and economic analysts; (3) experts on market access; and (4) the import policy and (4) the export of policies and trade for compliance by analysts. The ITA consists of four political divisions and an executive and administrative Directorate (Ilias, Hanrahan & Villareal, 2013).

Trade Promotion and the US and the External Commercial Service (Commercial Service) are the main trade facilitation unit of the ITA. It has sales specialists in 109 U.S. cities and more than 75 countries that work with US companies to help them start exporting or increasing sales in foreign markets. Its services include market research; trading events to promote U.S. products and services; the introduction of qualified buyers and distributors in foreign countries to U.S. companies; and counseling and advocacy services throughout the export process. The Advocacy Center of this unit serves as an advocate for U.S. companies by assisting them in pursuing

foreign business opportunities and dealing with foreign governments. It also has liaisons to five Multilateral Development Banks (World Bank, Inter-American Development Bank, European Bank for Reconstruction and Development, African Development Bank, and Asian Development Bank) to counsel U.S. companies on working with the Banks and on procurement and contracting issues.

U.S. Export Assistance Centers (USEACs) are managed by the Commercial Service. It has a network of trade specialists across U.S. This network is a major component of the services that are provided to help U.S. exporters. These centers work as a “one-stop-shop” for exporters. Primarily they are used by SMEs that are new in exporting business or want to expand their businesses to new markets. Among the services are: export counseling, planning, and financing services, such as working with firms to identify target markets, to formulate marketing strategies, and to identify export financing options. The network of USEACs is widely spread across the country. It has branches in more than 100 cities. Some of the services provided are free, but for some money is charged. USEACs are located in over 100 U.S. cities. Some USEAC services are free, while others are fee-based.

ProChile.

Since the establishment of ProChile in 1974, Chile's range of goods and services available for export (excluding copper) has increased sixty-two times. This dynamism is due to the fact that Chile has concluded 26 free trade agreements with 64 trading partners. These agreements and partners account for 64% of the world's population and 86% of world GDP (ProChile, 2018). In practice, it was made to facilitate contact between importers of goods and services to Chile and Chilean exporting companies from different industries. ProChile has developed an intensive training plan to ensure that Chilean companies entering the world markets have the qualities and knowledge necessary to serve international clients.

ProChile is the Export Promotion Office of the Government of Chile. ProChile connects Chilean exporters with international demand through its 55 offices in 45 countries and 15 offices in Chile - one in each region. Having such a widespread network of offices allows sharing the information about Chilean goods and services and the characteristics of the companies that offer them. At the same time the global presence means that Chile can identify the needs and requirements of various importers and buyers in various international markets (ProChile, 2018).

ProChile provides following services:

- Seminars on capacity building of exporters. These seminars are designed to provide the Chilean exporters with knowledge of the markets where they want to locate their products or services. ProChile provides companies with tools to analyze the size of the market, the development or potential growth in demand, the level of their competence, local requirements in terms of entering or selling products, the presence of non-tariff barriers and distribution channels.

- Coaching for exporters. The coaching program of exporters provides Chilean companies with the opportunity to learn about what is involved in the export process, from experienced coaches, other Chilean entrepreneurs who have already passed this process and are ready to share their experiences.

- Public competition to stimulate exports. This is a public competition to support projects to promote exports, and it is open to both current exporters and exporters with potential. Chilean business people can handle business or industry initiatives that must include strategies for either seeking a market or positioning a product or service on the market.

- Participation in international exhibitions. ProChile takes Chile's branded pavilion to more than 50 international trade fairs. Chilean companies can be present in the pavilion at these events, getting direct contact with importers, distributors, wholesalers and opinion leaders and demonstrating their brand to thousands of visitors who attend fairs.

- Business meetings with international importers. ProChile conducts business meetings in Chile and abroad throughout the year, focused on various industries (services, food, industry). These meetings give Chilean businessmen the opportunity to meet with importers and buyers from around the world.

EKF (Denmark's Export Credit agency).

EKF was founded in 1922 as the third export credit agency in the world (EKF, 2018). Over the years, it has gained experience in solving the problems that Danish companies face in trading and investing around the world. EKF is owned and guaranteed by the Danish state, but it functions as a modern financial institution. With a guarantee from EKF, the companies have the support of the Danish state, and it matters in the world beyond the borders of Denmark. This helps Danish companies make it possible and attractive for customers abroad to purchase Danish products. This is achieved through assistance in attracting financing and insurance companies and banks from the potential financial and political risks of trade with other countries. EKF provides the support both for large and small companies.

EKF can help in securing international business transactions from initial contact with a client abroad until the last payment. Danish suppliers offer a wide range of goods and services. With the help of EKF, these highly qualified suppliers can also help a foreign company finance a purchase.

Another service provided by the EKF is a guarantee against unpleasant situations in international transactions. With the guarantee of EKF, the Danish company is protected from the financial risks of the client abroad, terminating the contract ahead of time or bankrupt. Also, political risks such as war, import bans and currency restrictions are covered by the guarantee from the EKF. EKF can also help finance Danish companies by providing guarantee to the bank of the company that gives the company opportunity to use their finance more efficiently. The company can use the loan to cover operating costs or to take on more customers and larger orders. It can also be spent on capital investments, such as equipment and machinery (EKF, 2018).

Chapter 3. Research methodology

For the researches on the topic of export promotion activities several methods are used. The main idea of the researches is to compare performance of the firms that received export promotion support and firms that have not. For these purposes data on companies-exporters must be obtained. It can be obtained through official channels which are customs of particular country and export agencies. To make an analysis data must be retrospective so it is possible to understand how export promotion programs affected the firms.



Table 3. Method 1 for the researches on the topic

Abovementioned method can be used when researchers have a support from export agencies and data is shared with them. But usually it is a problem because of the internal policies of export agencies. So, another way to collect the data for the research is to obtain the information from customs that is the list of companies-exporters of particular company. To understand if the company used export promotion programs surveys are conducted. After obtaining the information on the companies that used export promotion programs and companies that have not, absolute volume of these compared by applying difference-in-difference method. It is a qualitative method that will be described below. This method is used in this research.

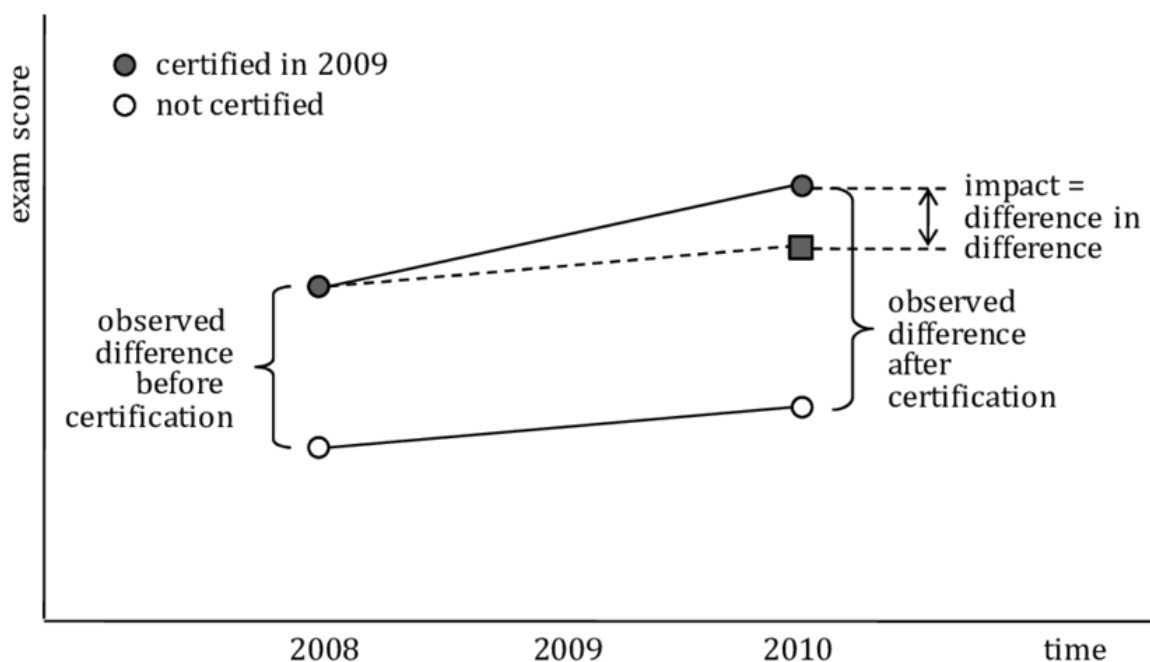


Table 4. Method 2 for the researches on the topic

There is the study (Ayob, 2014) that used different methodology to evaluate effectiveness of export promotion programs. It was not the export volume that was assessed but the answers that were received from the survey. At first, export promotion was divided on particular areas that cover different aspects of the companies' work. Three variables were defined and measured for every program: level of awareness, frequency of use and perception of usefulness. Participants of the survey were suggested to grade the perception of usefulness on the scale from 1 to 10. Afterwards, the results of the survey were put in the model with multiple logistic regression method. All of the variables were put into the model and analyzed.

3.1. Difference-in-differences method of analysis

Since the work of Ashenfelter & Card (1985), estimation by the method of "difference of differences" in economic policy analysis has become widespread. This analysis observes some outcomes for 2 time periods and 2 groups. One of the groups is exposed to some program or treatment. The second group is not exposed to any treatment. Then the differences between the results of 2 groups in 2 time periods are compared.



Picture 1. Illustration of DID method (Fahri, Maluna & Yusuf, 2011)

If the same indicators are investigated in each of 2 time periods, the average change in the outcome of the second (control) group is subtracted from the same change in the outcome of the first (treatment) group. This eliminates bias when comparing outcomes in trial and control groups only in the second period, which can be a consequence of constant differences between

these groups, as well as bias regarding to the time that can be caused by temporary trends, not related to the program. With repeated samples for two time periods, the model is for a generic member of any group is:

$$y = \beta_0 + \beta_1 dB + \delta_0 d2 + \delta_1 d2 * dB + u.$$

In this equation y is the result which is of interest. There are 2 dummy variables created: dB and $d2$. dB is created for the treatment group. $d2$ is created for the second time period. The dummy variable dB represents differences between the treatment and control groups before the treatment started. The dummy variable for the second period $d2$ represents the factors that would create changes in y even if there was no treatment applied to the group. The coefficient of interest δ_1 (difference-in-differences estimator) is placed next to the interaction variable $d2 * dB$. It is similar to another variable that captures the observations of the treatment group during the second time period. (Wooldridge, 2011)

Picture 1 illustrates difference-in-difference method graphically on the example of Indonesian teachers that obtained the certification and those who have not.

Sometimes, a more assuring analysis of the effect of the program is available with a careful selection of treatment and control groups. Suppose, for example, that a state implements a health program for the elderly, say, 65 years of age or older, and the dependent variable y is a measure of health. One of the possibilities is to use the data only for residents of the state in which the program is implemented both before and after its implementation, and as a control group take residents under the age of 65 (or, for example, between the ages of 55 and 64), and as experimental group – people aged 65 years and older. The potential problem of DID analysis is that there are other factors not related to the new state program may affect the health of older persons compared to younger persons, for example, changes in health policy at the Federal level. Other strategy of DID analysis is to take people from another state to form a control groups, that is, in consideration of the elderly in a state in which the program is missing, as a control group. In this case, the problem is that the level changes the health of older persons can systematically vary across states, for example, because of differences in income and wealth that are not related to the implementation of the program (Wooldridge, 2011).

To answer 1st research question it is needed to conduct difference-in-difference analysis on the companies that have used export agencies services and those that have not. The dependent variable is the volume of export of the firms-exporters. To do the whole analysis, it is needed to do the following equation. Let D_{it} be an indicator capturing the information on treatment by

ProColombia. Specifically, if the firm received the support of the agency in year t , D_{it} takes the value 1. Otherwise, it takes value of 0. Let Y_{it} be firm I 's total export in year t . The analysis focuses hereafter on firms' total exports. Let $E(Y_{it}^1 | X_{it}, D_{it}=1)$ be the expected (average) exports of those firms that have been assisted by ProColombia and $E(Y_{it}^0 | X_{it}, D_{it}=1)$ be the expected exports of these firms that have not received a support of ProColombia. In this case:

$$\gamma = E(Y_{it}^1 | X_{it}, D_{it}=1) - E(Y_{it}^0 | X_{it}, D_{it}=1) = E(\Delta Y_{it} | X_{it}, D_{it}=1)$$

The parameter γ is an indicator of average rate of change in exports of the firms that have used the services of ProColombia and the exports of the firms that have not used the services of ProColombia. This is what the evaluation literature calls the average effect of the treatment on the treated. Clearly, when $\gamma > 0$, the export promotion service stimulates firms' exports.

To answer 2nd research question the same analysis is needed to be done. But this time it is needed to be done separately for small companies (0-50 employees) and for bigger companies (50+ employees). To get the result it's needed to compare regression coefficients in each case.

To conduct difference-in-difference method in our case, two types of data must be acquired: time-series data of the firms-exporters and database of export promotion activities used by the firms.

3.2. Method used for defining effects of export promotion on firms of a different size.

To answer 3rd research question another method is used. There are different activities that are used by firms-exporters. Not all of them affect directly export of the firm but rather indirectly. Also there are cases when companies use different activities simultaneously and it is difficult to understand which activity caused the change in the volume of exports. To understand the value of different export promotion activities open-ended survey questions to be used. Most often taking the form of a text box in a survey, open-ended questions allow your respondents to provide a unique answer (as opposed to providing a list of predetermined responses to select from). This approach gives respondents the freedom to say exactly what they feel about a topic, which provides you with exploratory data that may reveal unforeseen opportunities, issues, or quotes. Often it is these quotes or examples that create more powerful statements than many averages and percentages.

In this case some patterns should be observed from the answers of different companies.

Survey consists of following questions on each activity that were used by the firm-exporter:

- 1) Has the used export activity helped the firm?
- 2) What has firm obtained as a result of usage of this activity?
- 3) What are the advantages and disadvantages that firms see in this activity?
- 4) Could the firm obtain the same service from another source?

These questions are made to understand if the company considered the promotion activities helpful. If with 1st and 2nd question only numbers were evaluated, here it is possible to assess subjective point of view of the company. Also company can share the thoughts on particular advantages of the activity that lead to the particular result which is also observed in this survey. The value is assessed not only on the result that was achieved by using promotion activity, but also exclusivity of obtaining the service is assessed. If this service can be obtained with almost the same conditions, this service would be considered less valuable. On contrary, if this service can be obtained exclusively through export promotion activities, it is more valuable.

The goal of this method is to define the trends of different export promotion activities usage and to evaluate advantages and disadvantages of each activity. This will lead to understanding of which particular activity is the most valuable for the firms-exporters.

3.3. Data collection

Data collection is one of the most challenging stages for doing the research on this topic. It is difficult due to several reasons: data is much disaggregated among different sources, data is impossible to see in open sources, because of the policy of the state. In this case data is collected by making surveys to the companies after receiving the list of the exporters of particular country.

At first, to obtain the databases 34 export agencies all over the world were defined. Most of them are state-owned agencies. That proves the data which was provided before on the division of the agencies according to their ownership. Agencies were reached via e-mails stated on the websites or through the forms to be filled in by customers. As it is seen from the Table 5, the geography of contacted agencies is very broad. All continents are presented in this list.

List of export agencies contacted
Australia Austrade
Austria Austrian Trade, Austrian Federal Economic Chamber

Bolivia CEPROBOL
Brazil APEX-Brasil
Bulgaria BSMEPA
Chile PROCHILE
China CCPIT
Colombia ProColombia
Czech Republic Czech Trade
Denmark Trade Council of Denmark
Ecuador CORPEI
Finland Finpro
France UBIFRANCE
Germany BFAI
Ghana GEPC
Hungary Hungarian Investment and Trade Development Agency
Iceland Trade Council of Iceland
Ireland Enterprise Ireland
Israel Israel Export & International Cooperation Institute
Kenya Export Promotion Council
Lithuania LDA
Mexico Bancomext
Morocco CMPE
Netherlands EVD
Norway Innovation Norway
Peru Prompex
Portugal ICEP Portugal

Slovak Republic SARIO
South Africa TISA
Spain ICEX
Sweden Swedish Trade Council
Turkey IGEME
Vietnam Vietrade

Table 5. List of contacted export agencies

Export agencies were contacted with the request of the database of the companies that received export promotion activities and database of national firm-exporters. There were 18 responses obtained from the different export agencies. 16 of them stated that it is impossible to obtain this type of information due to internal policies of the agencies. ProChile (export agency of Chile) sent the national level export data with the total amount of firms used the services of this agency. Regarding the data on export on the firm-level it was stated that it is impossible to receive this data due to national policy on commercial secrets. Another answer was received from ProColombia, export agency of Colombia. The data on the firm-level export for the last 10 years was obtained. Data included following characteristics:

- 1) National tax code of the company
- 2) Name of the company
- 3) Volume of export for the year
- 4) Weight of the export
- 5) Export codes of the goods exported

Data on the companies that used export promotion activities of ProColombia was not available again due to policy issues of the agency. As only agricultural companies are the object of the study, they were defined by the export code in the database. Most of them export either flowers or coffee that suited our survey the aim of which was to decrease amount of factors that affect changes in export. Next step of data collection is to define which of the companies have used export promotion programs of ProColombia. To make it survey was created. All contacts of the firms were obtained through the web search of the company names stated in the customs database. The lower threshold for the volume of company's export was set on the level of 100 000 dollars. The lower volume of the export for the firm has a high risk of spontaneous

export. To conduct the analysis companies that are usual exporters must be taken into account.

The survey was created with following questions:

- 1) The name of the firm
- 2) Number of employees inside the company
- 3) Awareness of the ProColombia services existence
- 4) Usage of the promotion activities
- 5) Types of activities used by the companies and the year of these activities usage
- 6) Commentaries on the received service

The number of employees' criterion allows us to divide the firms by the company size. The year of the service obtained shows us when "the treatment" of the company started. 763 companies were defined as agricultural companies by their goods' export codes. 453 e-mails of the companies were found on the Internet.

Number of the agricultural companies on the list	Number of companies' e-mails found on the Internet	Responses received after the 1 st attempt	Responses received after the 2 nd attempt	Overall amount of responses received
763 companies	453 companies	43 responses	25 responses	68 responses

The response rate for the first attempt was 9,4%, for the second attempt it was 5,2%. On aggregate the response rate was 14,6%. Overall, 68 responses were received out of which 37 companies used the export agencies services and 31 company never used it.

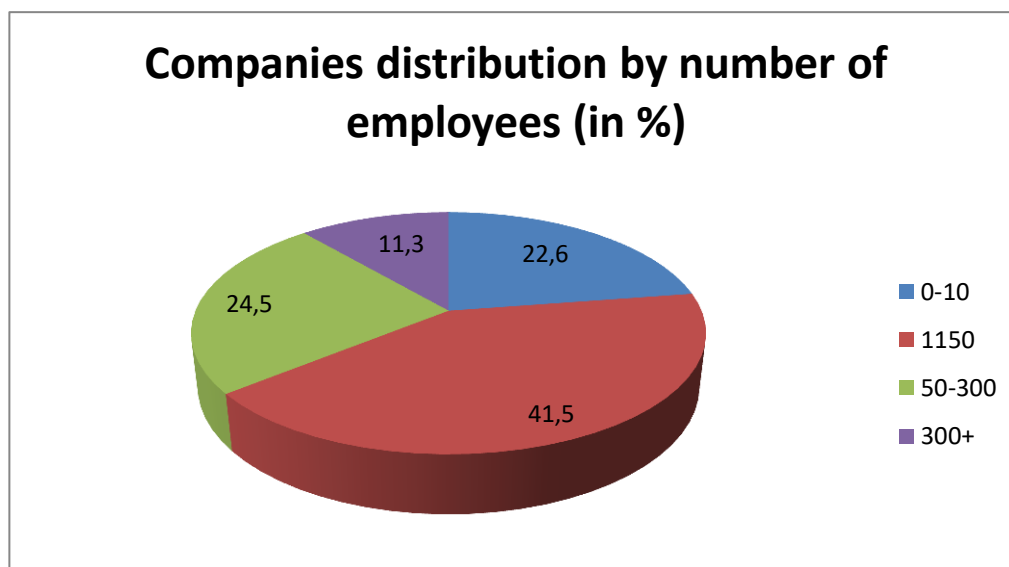


Diagram 1. Companies' distribution by number of employees

Diagram 1 shows the distribution of the companies answered the survey by the number of employees. The vast majority are the companies that have either 0-10 or 11-50 employees.

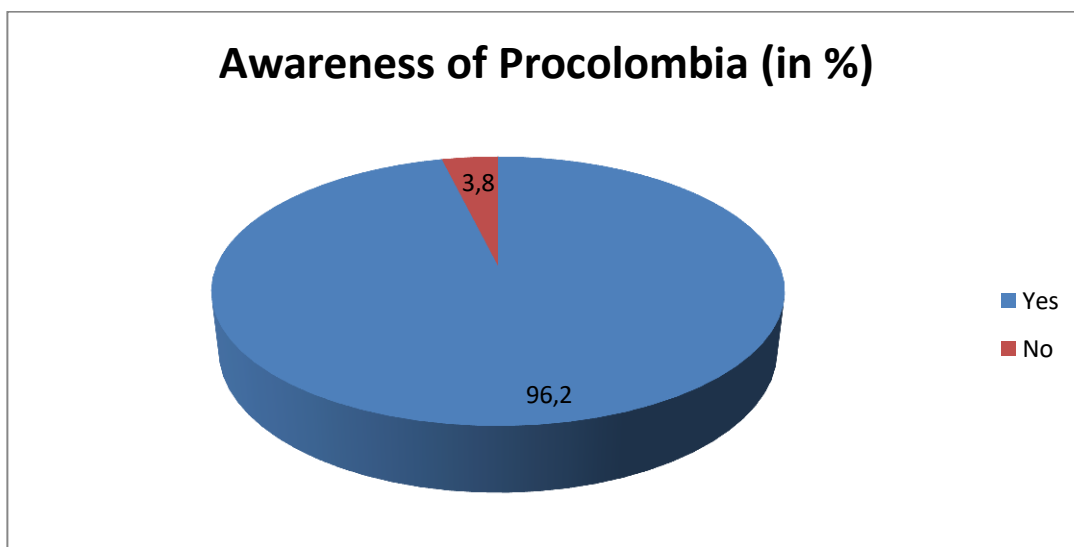


Diagram 2. Companies' distribution by awareness of ProColombia

Almost all of the companies are aware of ProColombia as an institute of export development. Only 3,8% of the respondents do not know about ProColombia. It shows that ProColombia is a successful example of export agency. It started its work in 1992 and it is constantly growing (ProColombia, 2018). Thus in 2011 it opened first office in Asia, in 2014 it started first special program for promotion of Colombian IT services, in 2015 it created and started implementing the sustainability policy inside the agency and in 2016 special corporate policy which is aimed at comfort conditions for employees was implemented. It was awarded with numerous awards, such as “Best Colombian organization” and “Best firm to work for” in Colombia (ProColombia,2018). It provides wide range of services not only for potential exporters but for potential investors as well. ProColombia pays special attention to promoting local tourism. In 2014 the campaign “Colombia - Magic in reality” was presented (ProColombia). It has a widespread network of offices around the world. Overall amount of international offices is 18 (North America, South America, Europe, Asia) and also there are 8 offices on the territory of Colombia that allow local exporters be connected to international trade.

According to the type of export promotion activities received by the firms-exporters, results are following:

Type of the service	Number of times service received
Help in international trade fairs	27
Find of the client abroad	26

Trade missions	12
Financial services	10
Educational services	11
Other	7

Table 6. Types of services received by the exporters

To answer the 3rd research question, survey with questions regarding use of services was sent to 37 companies that used export promotion services provided by ProColombia. This sample was created out of the results received from the survey sent for answering on the 1st question. E-mails for the contacts were obtained from the database created on the Colombian firms-exporters. As a result, 12 answers from the companies-users of the services of ProColombia were received with in-depth commentaries on the services obtained. They were processed according to the abovementioned method.

Chapter 4. Findings

4.1. Econometric results on the effects export promotion activities have on export expansion.

To answer 1st research question data sample in 2 time periods were analyzed – firms that used export promotion activities and firms that did not use them. As was mentioned before difference-in-difference method was applied to answer this question. To make it dummy variable ‘did’ was created. It reflects the difference between the outcomes in 2 different time periods of group that got export promotion activities and group that didn’t get any export promotion activities.

Variable	Obs	Mean	Std. Dev.	Min	Max
comp	136	34.5	19.70035	1	68
year	136	2016	1.003697	2015	2017
volume	136	1586056	2271827	0	1.35e+07
time	136	.5	.5018484	0	1
treated	136	.5441176	.4998911	0	1
did	136	.2720588	.4466652	0	1
numberofem~s	0				

Picture 2. Summary statistics of the combined sample for 2 periods

Picture 2 provides summary statistics on the sample of firms that was generated for the analysis. To indicate the time when the treatment started dummy ‘time’ was created. Export results of the firms in the first time period (before the support of export agency) received a value of 0 and export results in the second period (after one part of the sample received the support of export agency) received a value of 1. Another dummy ‘treated’ showed if the firm received export promotion activities. The ones that used the services of ProColombia received the value of 1, and the ones that did not use the services of ProColombia received a value of 0. Analysis was based on 136 observations (68 companies that received export promotion support, 68 companies that have not received any support from ProColombia). The ‘volume’ variable means the volume of export. So, the average volume of the export of the firms in the sample for 2 periods was 1,586,056 dollars.

Variable	Obs	Mean	Std. Dev.	Min	Max
company	0				
comp	68	34.5	19.77372	1	68
year	68	2015	0	2015	2015
volume	68	1464214	2059671	0	1.01e+07
time	68	0	0	0	0
treated	68	.5441176	.5017529	0	1
did	68	0	0	0	0

Picture 3. Summary statistics of the sample for the first period

Picture 3 represents the summary statistics on the sample of the firms-exporters in the first period. Because during the first time period no firms received treatment (the services of ProColombia) all of the 68 observed firms-exporters received value of 0 in the dummy ‘time’. Dummy ‘treated’ shows that some of the firms received value of 1 and some of the firms received the value of 0. It means that the ones with value 1 are from treatment group (the ones that used the services of ProColombia afterwards) and the ones with a value 0 are from control group (that didn’t use the services of Procolombia). The mean of the export (‘volume’ variable) for the first time period is 1,464,214 dollars. The standard deviation is quiet high that means that the difference in the volume of export for the firms represented in the sample in the first period is quiet high.

Variable	Obs	Mean	Std. Dev.	Min	Max
company	0				
comp	68	34.5	19.77372	1	68
year	68	2017	0	2017	2017
volume	68	1707899	2475288	112422.6	1.35e+07
time	68	1	0	1	1
treated	68	.5441176	.5017529	0	1
did	68	.5441176	.5017529	0	1

Picture 4. Summary statistics of the sample for the second time period

Picture 4 shows the summary statistics of the sample for the second period. The same amount of observations was received as in the first period. The value of ‘time’ dummy for all the firms is 1 because it is the second period of the analysis. The values of ‘treated’ dummy remained the same because the firms that received export promotion activities already were defined in the process of the sample creation. The volume of the export was higher in the second period. The average volume of export in the second time period is 1,707,899 dollars. This means

that in general export of the companies that were observed rose between 1st and 2nd period even disregarding the use of export promotion activities. The difference-in-difference method allows evaluating not absolute volumes of the export but the differences that control and treatment groups got between 1st and 2nd time periods in their export volume results.

Source	SS	df	MS	Number of obs	=	136
Model	2211246.98	3	737082.328	F(3, 132)	=	7.70
Residual	12631144.8	132	95690.4907	Prob > F	=	0.0001
				R-squared	=	0.1490
				Adj R-squared	=	0.1296
Total	14842391.8	135	109943.643	Root MSE	=	309.34

volume	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
time	1.84375	77.95587	0.02	0.981	-152.3607	156.0482
treated	3.91e-14	75.31945	0.00	1.000	-148.9893	148.9893
did	287.7674	106.4021	2.70	0.008	77.2934	498.2413
_cons	100	55.55889	1.80	0.074	-9.900972	209.901

Picture 5. DID analysis of the overall sample

Picture 5 shows the results of difference-in-difference analysis that was conducted with combined sample of the firms in the first and second periods. The number of observations shows that all 136 firms-exporters were used in this regression model. Coefficient Prob > F shows the significance of the regression model itself. With the coefficient being 0,0001 this model is significant and the results can be interpreted for the objectives this model was created. So it can statistically significant predict the outcome of dependent variable which is a ‘did’ dummy. R-squared value being 0.1490 shows that independent variable which is in our case participation in export promotion programs explains 14,9% of the variability of dependent variable which is the volume of the export of the firms-exporters. For the objectives of the research the main value of the regression model is the coefficient of ‘did’ dummy. It is difference-in-differences estimator. This coefficient shows the effect that export promotion activities had on treated firms (firms that participated in export promotion programs) in comparison with the firms that have not received the treatment. Coefficient of ‘did’ dummy is positive. It means that if company used export promotion activities the volume of export became higher. To check the significance of this result, value of the P> | t | coefficient needs to be checked. The results of the model are significant if this coefficient is less than 10%. This applies to difference-in-difference linear regression models. The coefficient showing the value of 0.008 allows to state that the results are significant. This means that the companies that used the export promotion activities exported

more after these services were received in comparison with companies that have not received the help of export agencies. It shows us the importance of the work of export agencies. It allows not only raise the export on the national level by attracting the firms that did not export before but also raises the export of the firms that already exports their goods even for producers of the goods with low added value such as coffee and flowers.

The findings of the study are in line with most of the previous studies that revealed that export promotion programs positively affect the volume of export on the firm level. Export agencies can provide valuable information on potential partners, country regulations, local corporate culture peculiarities etc. It eventually reflects on the export volume of the firms-exporters that use the services of export agencies. In this particular case the effect of Colombian export agency ProColombia was evaluated. Its services are in line with the services of export agencies from other countries. So, these findings may be applicable in other countries that also have export agencies which provide wide range of services: from financial support to the search of foreign clients and organizing trade missions.

4.2. Econometric results on the effects of export promotion activities have on firms of a different size.

To answer 2nd research question, which is companies of which size are affected more by export promotion programs, analysis should be done separately for small companies and big companies. The same difference-in difference method is applied. Two samples are created for this purpose. The first sample is the sample of the firms that employ less than 50 employees (small firms). Out of the big sample of 68 firms 36 are the small firms. This result was received from the survey sent to the companies. The second sample is the sample of the firms that employ more than 50 employees (big firms). There were 32 big firms defined after processing the results of the survey.

Source	SS	df	MS	Number of obs	=	72
Model	2483044.36	3	827681.452	F(3, 68)	=	4.88
Residual	11531643.1	68	169582.987	Prob > F	=	0.0039
				R-squared	=	0.1772
				Adj R-squared	=	0.1409
Total	14014687.5	71	197389.965	Root MSE	=	411.8

volume	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
time	28.46154	161.523	0.18	0.861	-293.8527 350.7757
treated	0	142.8916	0.00	1.000	-285.1358 285.1358
did	376.7559	202.0793	1.86	0.067	-26.48708 779.9988
_cons	100	114.214	0.88	0.384	-127.9106 327.9106

Picture 6. DID analysis of the sample of small companies

Number of observations for this model is 72. This is combined number of 36 firms for 2 time periods. Value of Prob > F shows us if this model is significant and the results obtained from this model can be interpreted for the purpose of the research. F in this case has the value of 4.88. The model to be significant the value of Prob > F must be less than this number. The value of 0.0039 satisfies this criterion so the model is statistically significant. Value of R-squared shows that independent variable which is in our case participation in export promotion programs explains 17,72% of the variability of dependent variable which is the volume of the export of the firms-exporters. To understand if the participation in the export promotion for small companies affects their export results the values of 'did' dummy needs to be checked. The positive coefficient shows that the correlation is positive. To check the significance of the result time coefficient $P > |t|$ of dummy 'did' needs to be checked. Coefficient has the value of 0.067 that shows that the results are significant for this model because 10% threshold applies for difference-in-difference linear regression models. So the small companies that used export promotion activities exported more than those firms that have not used it.

Source	SS	df	MS	Number of obs	=	64
Model	46519.2522	3	15506.4174	F(3, 60)	=	3.38
Residual	275544.357	60	4592.40595	Prob > F	=	0.0240
				R-squared	=	0.1444
				Adj R-squared	=	0.1017
Total	322063.609	63	5112.12078	Root MSE	=	67.767

volume	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
time	-5	22.5891	-0.22	0.826	-50.18492 40.18492
treated	-7.16e-15	24.14876	-0.00	1.000	-48.30471 48.30471
did	68.21429	34.15151	2.00	0.050	-.0988962 136.5275
_cons	100	15.9729	6.26	0.000	68.04943 131.9506

Picture 7. DID analysis of the sample of big companies

Picture 7 shows the results for difference-in-difference analysis applied to the results of big companies. Number of observations shows the combined observations of the big firms for 2 time periods. As there were 32 big firms in the sample, the aggregate number of observations is 64. As value of F coefficient is 3.38 value of Prob > F must be less than this figure for the model to be statistically significant. Value 0.0240 satisfies this condition, so this linear regression model is statistically significant. That means that the results obtained from this analysis can be interpreted and processed for the purpose of the research. To evaluate effect of the export promotion programs values of 'did' dummy are checked. Coefficient of 'did' dummy is positive. That means that the effect of export promotion activities on export volume of the firms is positive. To check if this result is statistically significant the coefficient $P > |t|$ needed to be analyzed. The value of this coefficient is 0.05. As it was stated above, if the value of this coefficient is less than 10% then the results of the analysis are statistically significant. So, the export volume of big companies as well as small companies is positively affected by export promotion programs.

To compare the effect of promotion programs on big companies and on small companies, the values of coefficient $P > |t|$ are compared. The higher the value of this coefficient the stronger is the effect of the export promotion activities on the volume of the export. The value of the coefficient $P > |t|$ for the small companies is much higher than the same value for the big companies. So the study revealed that effect of using export promotion activities was bigger for the small companies than for the big companies.

The findings of the work can be explained that small companies have less resources and support of such a big institution as ProColombia helps them more than big companies. Another

reason of this result can be the notion that small businesses are less effective than large businesses. So any improvement or effective service received help firms increase their export volume significantly.

4.3. Value of different export promotion activities.

Export promotion activities have different effects on the companies that receive them. To evaluate them not only the volume of export should be assessed. For the companies from different industries the value of the same export service can be different. For instance, companies from the capital intense industries are more interested in financial services such as export credits. At the same time companies that produce complex products usually want to be present on international fairs to show and explain all characteristics of its product.

As it was mentioned before all export promotion activities provided by ProColombia were divided on 6 types:

- 1) Help on international trade fairs
- 2) Participation in trade missions
- 3) Search of foreign clients
- 4) Financial services
- 5) Educational services
- 6) Other services

The most popular service used by the companies is help on international trade fairs. The trade fair is an important source of publicity. Trade fair has become the popular means for communicating with the foreign consumers at the same time one can find the new agent for the foreign market. “Trade fairs are shop windows in which thousands of firm from many countries display their products and they are market places in which buyers and seller meets. It offers exporters, who just being entered foreign market, an excellent place to show what they have for sale, to make contacts and to learn about a market quickly and easily. But they can do this only when the exporters choose the right product and shows it at the right fair in the right way” (ITC publication –Trade fairs and exhibitions, 2002).

One of the leading trade fair organizers in Germany “Messe Frankfurt said that, “International trade fairs in Frankfurt means new products, trends, innovative technologies and ground breaking concepts and ideas. Suppliers and prospective customers throughout the world find optimum communication platforms here. Trade fairs in the consumer goods, textiles, and technology are the core areas of exposure at Messe Frankfurt. The world's top trade fairs in these areas take place, over 65% of exhibitors come from abroad and 30% of trade visitors are from

foreign countries” (Frankfurt, Mess, 2003). International trade fairs are important to trade around the world. The organizations prefer to exhibit their product in the fair because of the number of international visitors gather around likewise the visitors prefer to go to fairs to buy or see different products around the world.

The second most popular is search of foreign clients. As an exporter, finding buyers for the product can be the most difficult challenge in the business, particularly when the company just getting started or is selling in a new market. Selling in another country is never easy; company needs to adapt to cultural norms, language, and travel barriers in order to succeed. Export agencies have local experience and network of the contacts. Networks largely assist with the ease and speed of entering foreign markets. Network relationships can provide a diversity of knowledge, learning, and experience that facilitate the exploitation of different markets, as well as providing an opportunity for recognition in international markets. Reaching out to the network of export agency to build network of international buyers from their countries is a right step to take.

In in-depth open-questions survey companies mentioned that they could get new business partners/clients through the service of search of foreign clients. Commentaries like “We found the new customers in Great Britain and France” and “Our company entered the Turkish market through this service”. All of the companies that used this service mentioned that it is very valuable service and they “cannot get the service like this from another source”. Especially it is valuable for the search of the clients from the countries that are very far from the home country and culturally are very distant from Colombia.

Companies mentioned in commentaries that the help in international trade fairs was significant. They had new contacts in these international fairs that eventually became their clients. Overall, international trade fairs were considered as “solid channel to acquire customers”. But some firms mentioned that they could have participated in international trade fairs without help of ProColombia because these fairs are organized by the third parties even though the help of ProColombia makes it significantly easier.

Participating in a trade mission is another source of acquiring clients from new markets. Trade mission is an international trip by government officials and businesspeople that is organized by agencies of national or provincial governments for purpose of exploring international business opportunities. Business people who attend trade missions are typically introduced both to important business contacts and to well-placed government officials. Trade missions play an important role in international trade because they provide direct connections for the businesses and government officials. Entrepreneurs and multinational

companies are brought together in potentially new markets. The government officials who organize trade missions provide a support to the companies from their countries and help them to overcome obstacles of internationalization process. They introduce businessmen to potential partners on foreign markets. Also companies participating in trade missions observe foreign markets during the trip. Thus, trade missions could be of help for the companies as a networking events that can result in both inward and outward increase in foreign direct investments, the recognition of export opportunities and the potential of finding partners that can help you operate in the target market (Oudalov, 2013). According to Hibbert (1985) trade missions can have certain positive effects:

- facilitating market research
- participants collectively devoting more effort to market investigation
- greater promotional impact on market
- carrying a certain news value and serving trade publicity
- gaining access to high-level business and government officials
- providing wider and deeper contact coverage
- raising general consciousness in the home country about foreign markets
- providing important educational experience for inexperienced exporters
- providing beneficial intra-group exchanges and contact for experienced exporters.

But despite the original objectives of the trade missions, companies using this service left the commentaries that it is too official and the range of the companies participated in the receiving trade mission from another side were too broad. At the end for the companies it didn't turn out in getting new customers abroad. As an advantage of participating in trade missions getting contacts from your country was mentioned. These contacts may be valuable in the future for the firms participated in trade missions. In general, participating in trade missions occurred to be less valuable than participating in international fairs.

Finances of the firm plays an important role in exporting of goods. There are sunk and fixed costs related to serving foreign clients that firms-exporters usually have. Moreover, finances of the firm can cover ongoing costs related to export, since firms sometimes have problems with short-term liquidity. It has been shown that the international transaction of goods takes significantly longer to be executed compared to domestic trade, and payments occur with a lag of 180 days after delivery (Lancheros & Demirel, 2012). As such, exporters must rely on short term external finance to cover the variable costs of trade and production during these term gaps.

Financial services received by firms-exporters were evaluated as “highly-effective” and “good costs saving”. The problems that companies mentioned were the time of the receiving this service. The whole process was taking more than 3 months. So, “the time of request approval was the same as in commercial banks”. For the firms-exporters it is very important that companies receive the financial support very fast. That is why companies were not fully satisfied with the service received.

Educational services provided by the export agencies were evaluated as a good support that saved a lot of time for company’s managers. But at the same time with information becoming more open with every year this service can be received by companies managers that was stated in one of the another source from which this service can be obtained.

So, due to the commentaries left by the firms, search of new clients abroad is most valuable service that can be provided by ProColombia, especially when the potential clients are located very far from the home market.

Chapter 5. Implications of the research

5.1. Managerial implications.

The finding of this research provides insights for the producers of the products with low added value. The research emphasizes the effects that export promotion activities have on the small firms that don't have a lot of resources to promote their products abroad.

Availability of the information has significantly changed the international trade for the recent decades. Information from export agencies is another channel of information that export manager receives. The goal of export manager is to evaluate it in effective manner.

So, the **managerial implications** of this study are:

- Managers should take into account export promotion activities as a method for boosting their export performance, especially managers of the small firms. Such big institutions as ProColombia has a large set of services which they provide to Colombian producers, so each firm can choose an activity that suits its needs the most. Small firms can get the opportunities to reach foreign markets using export promotion activities that they could not get without this support. Results of the study showed the effectiveness of this method to raise the export volume of the firm.

- Managers should consider existence of national export agency branch on the foreign market as one of the factors while choosing the market to enter. There are many factors that affect decision of the companies to enter foreign market. But presence of the export agency on the foreign market can give you constant support and decrease your costs on such services as certification, legal services and acquiring new customers.

- Search of foreign clients by export agencies helps to acquire new clients abroad, especially when the distance to potential market is long. Cultural and language differences make search of client difficult on the foreign markets, but the specialists of export agency who are the local experts can reduce it. Also local network of export agency is an asset that always can be used by the exporters.

5.2. Theoretical implications.

Regarding the theoretical implications of this study, it generates several contributions to the existing literature. Existing literature lacks the studies of the effects of export promotion programs on the companies from the particular industry. This study closes this gap by providing findings on the companies from agricultural industry of Colombia. Importance of export promotion programs for the agricultural companies of Colombia was highlighted in the study. There was the study conducted on the effects that export promotion programs have on producers

on highly-technological products. This study, on contrary, shows the results of export promotion activities on the producers of the products with low added value.

Another contribution that this study generated is the comparison of the same export promotion programs on the firms of different size. There were studies before (Wang, Chen & Li, 2017) (Haddoud, Jones & Newberry, 2017) that investigated only small and medium enterprises as the objects of their studies. But there was no study that compared effects that the same export promotion programs had on small firms and on big firms. This study showed that effects for small companies are larger than effects for big companies.

The difference-in-difference method used was the same as for the similar researches on this topic. The same applies for the method for data collection even though it was a mix of methods applied for the different research questions.

5.3. Limitations and suggestions for future studies.

As for every other research there are limitations in this research. Limitations of this research mostly come from the difficulty of obtaining the data for conducting the analysis. If there was all the data needed available, analysis would be more precise.

Firstly, the study was conducted regarding the sample of firms from one country. If there are the studies on different countries in the future, the results will be more precise. It could overcome the differences in the performances of export agencies in different countries. Thus, if there were effects of export promotion activities provided, for instance by 5 or 6 export agencies, results could have reduced the probability of different performance of export agencies. To achieve these databases on the companies-exporters that receive export promotion services must be obtained. Another database that must be obtained to conduct this analysis is the database on the export volume of exporting companies. But taking into account internal policies of export agencies and national policies of customs offices this goal is very difficult to achieve.

The second limitation is that only volume of export as an outcome of export promotion activities was investigated. There are some different indicators that are affected by export promotion activities. Among them there could be number of countries – destinations of export, number of exported products. Also it could be interesting to investigate qualitatively how receiving export promotion activities affect internal business processes in the companies. Because there is an opportunity that, for instance, some techniques saw in the work of export agencies can be grasped and implemented in the work of the exporting companies. But it can be the topic of separate research in the future. And again the reason of this limitation is availability of the information.

Third limitation is the amount of companies that became the object of the conducted analysis. The sample of 68 companies is not very big, so if there is an opportunity to get the sample of more companies from the same industry in the future, the results of the research can be more precise. But this limitation caused by the willingness to conduct the analysis among companies from the same industry. If there was no aim to conduct a research on the firms from particular industry, many more firms would be conducted. But because of this, firms from other industries were excluded from the sample.

In general, if the problem with export data availability can be solved in the future, then more precise, deep and sophisticated researches can be conducted. Then focus on the data collection for the research would be suggested.

Conclusion

Promotion agencies provide services that reduce the problems regarding internationalization of the products and services. More and more countries set up these agencies as they rely on export as one of the drivers of national economies. The main idea of export agencies is to reduce the informational problems that arise when companies decide to export their products. To understand whether there is a positive effect of export promotion activities on the export performance of the companies from agricultural industry this research was conducted. The study covered the literature that already exists on this topic. There are a lot of studies on this topic but still there are some gaps that can be filled with new researches. One of this was chosen to conduct this research. In Chapter 2 the research covered the current work of export agencies of the world. Most of them provide similar export promotion services. Some of them provide more broad range of services and some provide fewer services. Chapter 3 explained the methodology of the research. Methods of data collection and data analysis were covered in this chapter. The research used the mix of research methods to answer research questions set in the beginning of the study. But all of them were used before in the similar researches. Chapter 4 presented the results of analysis. Results of 3 linear regression models were presented and interpreted. For answering question about the value of different export promotion activities results of the survey sent to the companies was presented. Finally, Chapter 5 suggested managerial implications for the practitioners. Theoretical implications were also presented in this chapter. As any study, this research has its limitations. They defined the suggestions for the future research on the topic that finalized Chapter 5.

The study shows that using export promotion activities helps companies which produce and export less technological products such as coffee and flowers to overcome international barriers and increase volume of exported goods. Search for a foreign client service and participation in international fairs sponsored by export agency are the main channels of the companies that participated in the study to acquire new clients abroad. It shows that for producers of these products aspect of the search for a foreign client is crucial to increase the volume of export. These products do not require such promotion as for example FMCG products, so the selling process is being different for them. That is why abovementioned activities are more popular and more valuable for the producers of these goods.

If compare effect that export promotion activities have on small companies and large companies, small companies get more value out of export promotion programs. It was investigated by conducting the analysis on the group of small companies and on the group of big

companies. This result can be explained by the fact that large companies have more resources both financial and intellectual to invest in overcoming barriers that hinder companies' export.

The managerial and theoretical implications are obtained from this study. Companies should take into account use of export promotion activities as a way to boost their volume export. Presence of the export agency's branch should be taking into account as one of the factors on defining the country to expand the export of the company. Search of the foreign clients through export agencies is valuable channel of acquiring clients abroad.

Mainly limitations of this research are based on the difficulty of obtaining the data for the research. Future researchers on the topic should focus on the question of obtaining the data for the research so they can create samples that are enough for the quality research. Also if the data on other characteristics of the firm such as number of countries covered by export, number of exported products, organizational capabilities can be obtained, the research on the effects of export promotion programs on these characteristics can be done. This would further cover the gaps that still exist in this field of study.

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