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## ***Some thoughts on the (possible) impact of export promotion on (aggregate) growth***

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**FIW**

**Datum**

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- Most firms do not grow or grow marginally.
  - Determinants of firm growth are not well understood
  - Exporting firms are larger, more productive, more innovative and pay higher wages
  - Self-selection into export seems to dominate learning by exporting
  - Exporting firms do not export all of their products nor do they export in all markets - Firm characteristics and product characteristics matter
  - Interaction between innovation barriers and exporting. Exporting firms report higher innovation barriers than non-exporters.

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- **Is it a good strategy to focus on average firms?**  
**MUPPETS (Coad and Nightingale) - Marginal Unproductive Poor Performance Enterprises**
  
  - **Take into account heterogeneity and be selective, focus on firms with ambition and potential**
    - **Problem of ex-ante selection**
  
  - **Further integration of export promotion with industrial and enterprise-oriented innovation policies**
    - **The best export promotion policies will not be successful if the base (firms with good products) is missing**

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- **Technology-oriented firms cannot rely on the domestic market, especially if the market is small (self selection)**
  - **Exporting has sunk cost characteristics**
  - **The valley of death may be even deeper for technology start-ups**
  - **Innovation support needs to take into account the international dimension of markets**

- **Market failures are easily identified, information and knowledge problems, missing insurance markets ....**
- **Based on the market failures it is quite easy to devise policy measures.**
- **Much more difficult is to measure the efficiency (bang for the buck) of policy measures.**
  - **Evaluation using both qualitative survey and hard micro data in order to assess value added of policies**

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- **Measures to create a favourable business environment that foster firms with internationally viable products are central**
    - Resources (financing, research) and Regulation
  - **Integration of export promotion with other measures of industrial policy**
  
  - **Providing basic informational infrastructure for firms wishing to export is important**
  - **However, putting too much emphasis on broadening export basis is not likely to bring the Bang for the Buck**
  
  - **There is nothing wrong with being more selective and specifically target ambitious firms and more challenging export destinations**